

# GLOBAL QUARTET

*“execution of excellence”*

ŞİŞECAM GROUP 2017 ANNUAL REPORT



Şişecam takes place among the most distinguished manufacturers in the world due to its high degree of specialization, outstanding competitive edge of its operations and with its 82 years of corporate history.



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**EXCELLENT EXECUTION REQUIRES:  
COMPETENCE, COMPLIANCE,  
COMMITMENT AND CONTINUOUS  
IMPROVEMENT**

We are the only global actor who operates in all basic fields of glass. We also have a global presence in chemicals, primarily soda and chromium compounds.

We are one of the most distinguished manufacturers in the world, performing our work in four main operating areas in a synchronized and holistic manner.

We continue to raise the bar with our performance through sustainable growth that creates value with a focus on operational excellence. And we decisively continue to move forward towards our goal of being among the top three.

# ŞİŞECAM GROUP

## GLOBAL VISION, DYNAMIC STRUCTURE, SUSTAINABLE GROWTH

Şişecam is an industrial group conducting operations on an international scale in the fields of flat glass, glassware, glass packaging, and chemicals. Şişecam carries out its production activities in 13 countries with a workforce of over 21 thousand people, selling its products to over 150 countries, which constitute more than half of its total sales.

Founded in 1935 by İşbank by the directive of Atatürk, Şişecam is one of the most established industrial organizations in Turkey with 82 years of corporate history. Due to its specialization, high competence and the outstanding competitive edge of its operations, it is among the world's most prestigious glass manufacturers.

### GLOBAL STANDING\*

	Europe	World
Flat Glass	1	5
Glassware	2	3
Glass Packaging	5	5
Soda Ash	4	10

\* On the basis of production capacity.

### ŞİŞECAM CREDIT RATING

MOODY'S	Ba1/Stable
S&P	BB/Negative

### ŞİŞECAM CORPORATE GOVERNANCE RATING

15 December 2017	9.48
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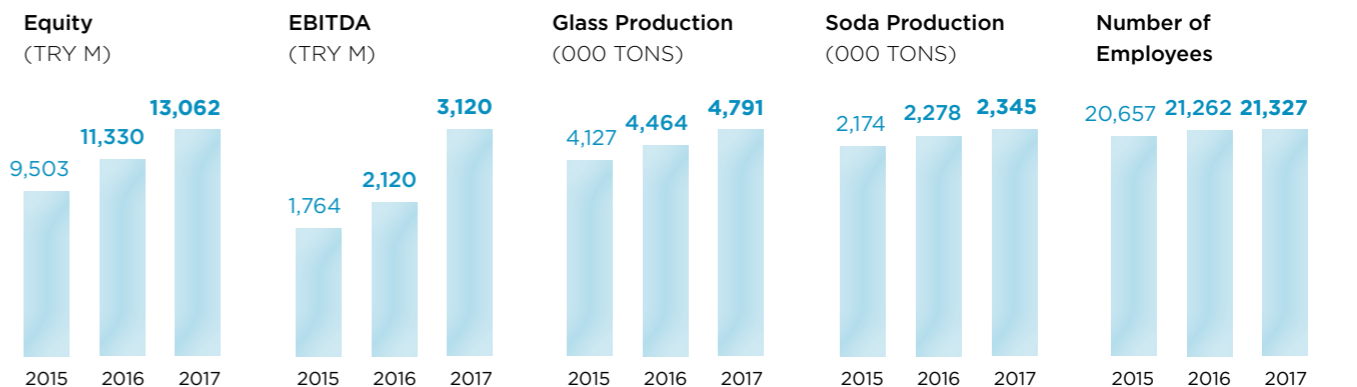
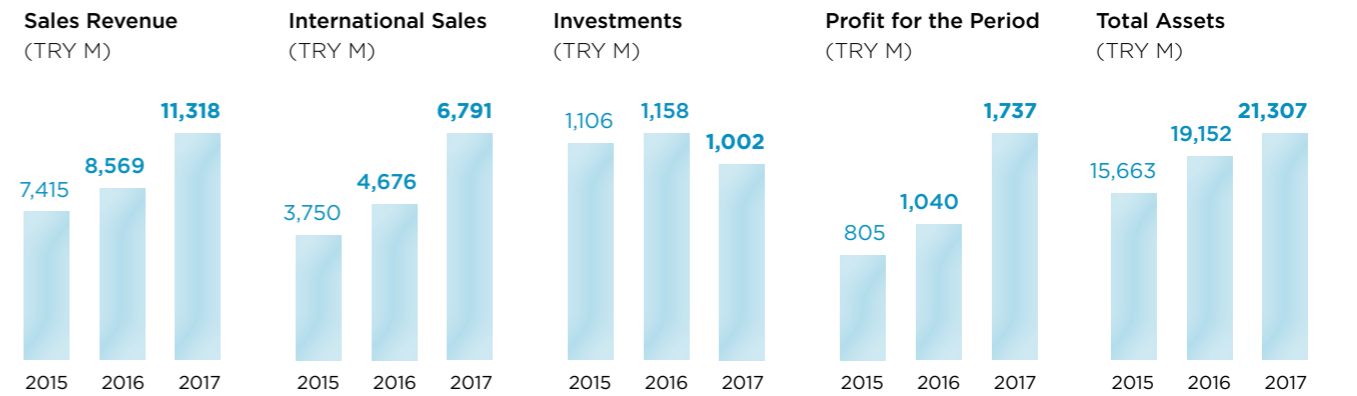


Şişecam shares are traded on Borsa İstanbul under the ticker symbol **SISE**.

## FINANCIAL INDICATORS

Financial Indicators	2016		2017	
	(TRY M)	(USD M)	(TRY M)	(USD M)
Total Assets	19,152	5,442	21,307	5,649
Equity	11,330	3,219	13,062	3,463
Sales	8,569	2,839	11,318	3,106
Gross Profit	2,678	887	3,630	996
Earnings before Interest and Taxes (EBIT)	1,310	434	2,152	590
EBITDA	2,120	702	3,120	856
Profit for the Period	1,040	345	1,737	477
Net Financial Debt	1,489	423	580	154

Financial Ratios	2016	2017
Current Assets/Current Liabilities	2.15	2.22
Equities/Total Equity and Liabilities	59.2%	61.3%
Net Financial Debt/Total Equity and Liabilities	7.8%	2.7%
Net Financial Debt/Equity	13.1%	4.4%
Gross Profit/Revenue	31.2%	32.1%
EBITDA/Revenue	24.7%	27.6%
EBIT/Revenue	15.3%	19.0%
Net Financial Debt /EBITDA	0.70%	0.19%



# ŞİŞECAM IN BRIEF

## SALES REVENUE

**TRY 11.3 BILLION**

- 34% Şişecam Flat Glass
- 16% Şişecam Glassware
- 19% Şişecam Glass Packaging
- 23% Şişecam Chemicals
- 8% Other\*



## INTERNATIONAL SALES

**TRY 6.8 BILLION**

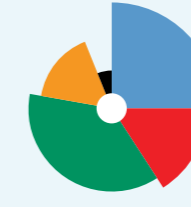
- 35% Şişecam Flat Glass
- 18% Şişecam Glassware
- 18% Şişecam Glass Packaging
- 29% Şişecam Chemicals



## INVESTMENTS

**TRY 1.0 BILLION**

- 25% Şişecam Flat Glass
- 16% Şişecam Glassware
- 37% Şişecam Glass Packaging
- 16% Şişecam Chemicals
- 6% Other



## EBITDA

**TRY 3.1 BILLION**

- 36% Şişecam Flat Glass
- 9% Şişecam Glassware
- 19% Şişecam Glass Packaging
- 28% Şişecam Chemicals
- 8% Other



\* Related to Şişecam's energy purchases and sales.

## ŞİŞECAM FLAT GLASS

### Field of Operation

Architectural glass, autoglass and encapsulated glass, solar glass, glass for home appliances

**Date of Operation**  
1981

**Position in Terms of Production Capacity**  
Ranks **5<sup>th</sup>** in the world and **1<sup>st</sup>** in Europe

### Production Facilities in Turkey

Trakya Cam Sanayii A.Ş.  
Trakya Plant - Kırklareli  
Mersin Plant - Mersin  
Trakya Yenişehir Cam Sanayii A.Ş.  
Yenişehir Plant - Bursa  
Trakya Polatlı Cam Sanayii A.Ş.  
Polatlı Plant - Ankara  
Şişecam Otomotiv A.Ş.  
Autoglass Plant - Kırklareli

### International Facilities

Trakya Glass Bulgaria EAD - Bulgaria  
Şişecam Flat Glass Italy Srl - Italy  
Trakya Glass Rus AO - Russia  
HNG Float Glass Limited - India  
Saint Gobain Glass Egypt - Egypt  
Şişecam Automotive Bulgaria EAD - Bulgaria  
Richard Fritz Holding GmbH - Germany (Besigheim), Germany (Aurach), Slovakia, Hungary  
Glasscorp S.A. - Romania  
Automotive Glass Alliance Rus AO - Russia

### Production Capacity

**2.8** million tons/year flat glass capacity  
**15** million m<sup>2</sup> autoglass production

### Sectors that Inputs are Provided

Construction, automotive, solar energy and home appliances

### Total Production

**2.5** million tons architectural glass  
**10.3** million m<sup>2</sup> autoglass production

## ŞİŞECAM GLASSWARE

### Field of Operation

Automatic and hand - made glassware household goods, soda, crystal and heat resistant borcam, lead crystal glass household goods production, paper cardboard packaging production and retailing

**Date of Operation**  
1935

### Position in Terms of Production Capacity

Ranks **3<sup>rd</sup>** in the world and **2<sup>nd</sup>** in the European glassware industry

### Production Facilities in Turkey

Paşabahçe Cam San. ve Tic. A.Ş.  
Kırklareli Plant - Kırklareli  
Eskişehir Plant - Eskişehir  
Denizli Cam San. ve Tic. A.Ş.  
Denizli Plant - Denizli  
Camiş Ambalaj Sanayii A.Ş.  
Tuzla Plant - İstanbul

### International Facilities

Paşabahçe Bulgaria EAD - Bulgaria  
OOO Posuda Limited - Russia  
Paşabahçe Egypt Glass Manufacturing S.A.E. - Egypt

### Retailing

46 stores in Turkey, 1 store abroad (Italy)

### Focus Market Segments for Manufacturing, Design and Marketing Activities

Household, HORECA and Industry

### Total Production

**330** thousand tons

## ŞİŞECAM GLASS PACKAGING

### Field of Operation

Designed glass packaging of different colours and sizes for the food, beverage, pharmaceutical and cosmetics sectors

**Date of Operation**  
1935

### Position in Terms of Production Capacity

Ranks **5<sup>th</sup>** in the world and Europe in glass packaging manufacturing

### Production Facilities in Turkey

Anadolu Cam Sanayii A.Ş.  
Mersin Plant - Mersin  
Yenişehir Plant - Bursa  
Eskişehir Plant - Eskişehir

### International Facilities

OOO Ruscam Glass Packaging Holding  
Ufa Plant - Russia  
Kirishi Plant - Russia  
Pokrovsky Plant - Russia  
Kuban Plant - Russia  
Gorokhovets Plant - Russia  
JSC Mina Plant - Georgia  
Merefa Glass Company Ltd. - Ukraine

### Production Capacity

**2.3** million tons/year

### Sectors that Inputs are Provided

Food, beverage, pharmaceutical and cosmetics

### Total Production

**1.9** million tons

## ŞİŞECAM CHEMICALS

### Field of Operation

Soda and chromium chemicals, glass fibre, industrial raw materials, electricity, Vitamin K3 derivatives and sodium metabisulphite Mersin Plant meets its energy needs internally thanks to its own energy production centre.

**Date of Operation**  
1969

### Position in Terms of Production Capacity

Ranks **4<sup>th</sup>** in soda ash production in Europe and **10<sup>th</sup>** in the world.

Leader in production of chromium chemicals

### Production Facilities in Turkey

Soda San. A.Ş.  
Soda Plant - Mersin  
Kromsan Chromium Compounds Plant - Mersin  
Camiş Madencilik A.Ş.  
Aydın, Balıkesir, Bilecik, İstanbul,  
Karabük, Kırklareli, Mersin  
Cam Elyaf San. A.Ş.  
Gebze Plant - Kocaeli

Oxyvit Kimya San. ve Tic. A.Ş. - Mersin

### International Facilities

Solvay Sodi AD - Bulgaria  
Şişecam Soda Lukavac d.o.o - Bosnia&Herzegovina  
Cromital S.p.A. - Italy  
Camiş Egypt Mining Co. Ltd. - Egypt

### Production Capacity

**2.3** million tons soda  
**128** thousand tons basic chromium sulphate

### Sectors that Inputs are Provided

Glass, ceramics, detergent, leather industry, metal coating, impregnation, pigment, animal feed, automotive, marine, wind turbine blades

### Total Production

**2.3** million tons soda production  
**4.2** million tons industrial raw material production

## SHAREHOLDER AND INVESTOR RELATIONS

Şişecam Investor Relations' main responsibilities are to increase the value of our listed companies and to enable the capital market instruments issued by our Company to be traded at their fair value.

**THE COMPANY CONDUCTS ITS INVESTOR RELATIONS ACTIVITIES IN A TRANSPARENT, PROACTIVE, AND EXPEDITIOUS MANNER WITH AN APPROACH THAT ENTAILS EQUAL SHARING WITH ALL INVESTORS.**

In keeping with its vision of becoming a global company and assuming the responsibilities imposed by the same, Şişecam Group is committed to carry out investor relations and corporate governance practices at international norms and thereby, to constantly increase shareholder value.

Şişecam Investor Relations' main responsibilities are to increase the value of our listed companies and to enable the capital market instruments issued by our Company to be traded at their fair value. In line with these objectives, in order to provide complete, efficient and accurate information on our listed companies' financial performances and results to all related parties, Investor Relations, employ many instruments, such as; Group companies' websites, investor relation presentations, investor newsletters, webcast tele-conferences and participations in road shows and conferences.

**THE TOTAL NUMBER OF INTERVIEWS WITH INVESTORS VIA TELEPHONE, INDIVIDUAL MEETINGS, ROADSHOWS AND CONFERENCES IS OVER 400.**

The Company conducts its Investor Relations activities in a transparent, proactive, and expeditious manner with an approach that entails equal sharing with all investors. The Company continuously enhances the scale, scope and quality of all such activities in an effort for investors and analysts to get to know the Group more closely. Within this scope, in 2017, the Group participated in a total of 10 domestic and international conferences, 3 roadshow addressing shareholders and bondholders and held one-on-one meetings focusing on the operations and financials nearly with 300 existing and potential investors. An Analysts' Day was held on April 27, 2017 at Şişecam Headquarters with the participation of 35 analysts and investors.

The total number of interviews with investors via telephone, individual meetings, roadshows and conferences is over 400. In 2017, the number of analyst reports reached 150, up from 90 the prior year. This sharp rise was due to effective communication of the Group's "investment story" with the financial markets by the Investor Relations Department and increased communications with analysts, both quantitatively and qualitatively.

Furthermore, in 2017, two webcasts were held to share 2016 year-end and 2017 first half financial results with the investor community with an aim to continue to hold these presentations at least twice a year.

Türkiye Şişe ve Cam Fabrikaları A.Ş. creates a significant added value in all geographies and industries where it has presence, while continuing to create value for its investors too.

2017 started out with political and geopolitical uncertainties. Factors that influenced the course of the markets included economic growth above expectations especially in the most developed countries, unpredictable election outcomes, Brexit and anticipation of global fiscal tightening. Domestically, risks originating from neighbouring regions, various items on Turkey's foreign policy agenda, and deterioration in the inflation outlook influenced the markets during the year. "Borsa İstanbul 100" index closed the year with a 48% gain performing a strong performance. In 2017, lowest Şişecam share price level seen in the market was TRY 3.25 and the highest level was TRY 4.75. Şişecam shares increased by 38% in nominal terms. In the same period, BIST 30 index and BIST Holding Index increased by 49% and 39%, respectively.

During the same period, the share of long term foreign institutional investors in Şişecam was 45.2%.

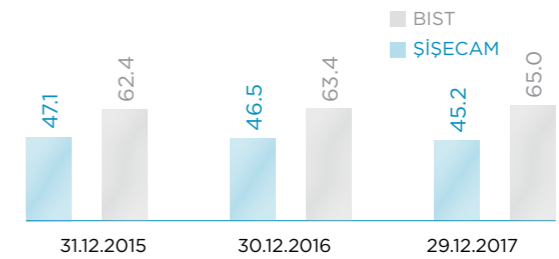
Investor Relations ensure that the companies are in full compliance with their duties and an obligation arising from the regulations in relation with the capital markets, as well as it is responsible for the coordination and communication of all related parties in and outside the Group for the purpose of Corporate Governance Rating and Credit Rating processes.

SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., a licensed rating agency with respect to the Capital Markets Board (CMB) Corporate Governance Principles, completed "Corporate Governance Rating Periodical Revision Report" on December 15, 2017. Accordingly, the Company's Corporate Governance Rating increased to

9.48 (9.48 out of 10) in 2017 from 94.41 (9.44 out of 10) in the previous year as a result of continuous efforts to improve compliance with Corporate Governance Principles. This rating is highly significant in terms of reaffirming the Group's traditionally superior corporate governance standards.

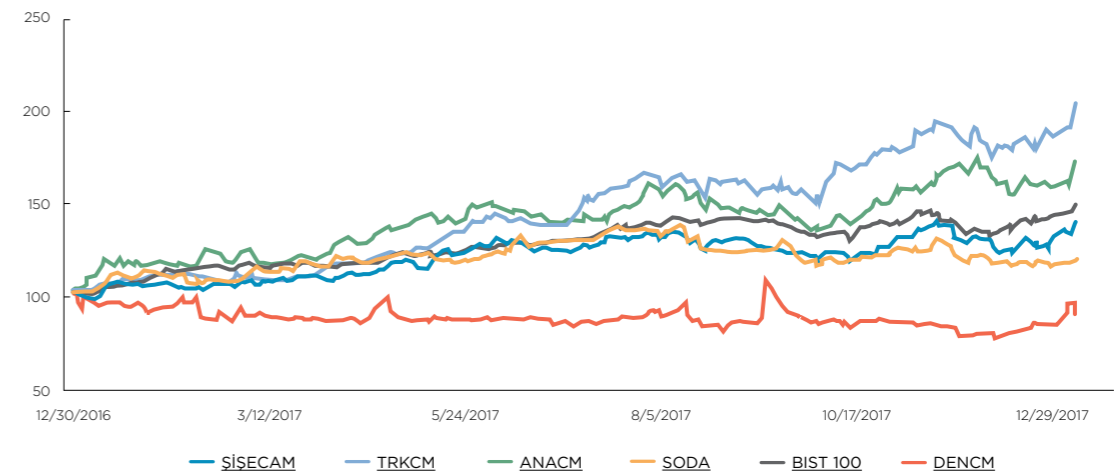
**THE SHARE OF LONG TERM FOREIGN INSTITUTIONAL INVESTORS IN ŞİŞECAM WAS 45.2%.**

**Foreign Investor Shares in Şişecam and BIST 100**



As of 2017 year end, BIST Holding Index value increased by 39%, BIST 100 Index by 48% and BIST 30 Index by 49%. During the same period, increase in Şişecam share price was 38% in parallel with the holding index.

**Performance of Şişecam and Group Companies vs BIST 100 in 2017**



The breakdown of the Corporate Governance Rating based on main sections is as follows:

Main Sections	Weight	Note
Shareholders	0.25	95.36
Public Disclosure and Transparency	0.25	96.98
Stakeholders	0.15	99.48
Board of Directors	0.35	90.92
<b>Total</b>	<b>1.00</b>	<b>94.83</b>

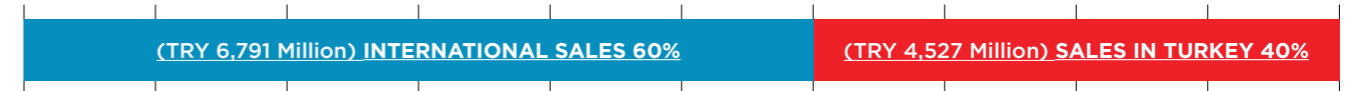
**Investor Relations contact information:**  
E-mail: SC\_IR@siseecam.com  
Telephone: (90) 850 206 3262  
Fax: (90) 850 206 4262

## PRODUCTION CAPACITY OF ŞİŞECAM

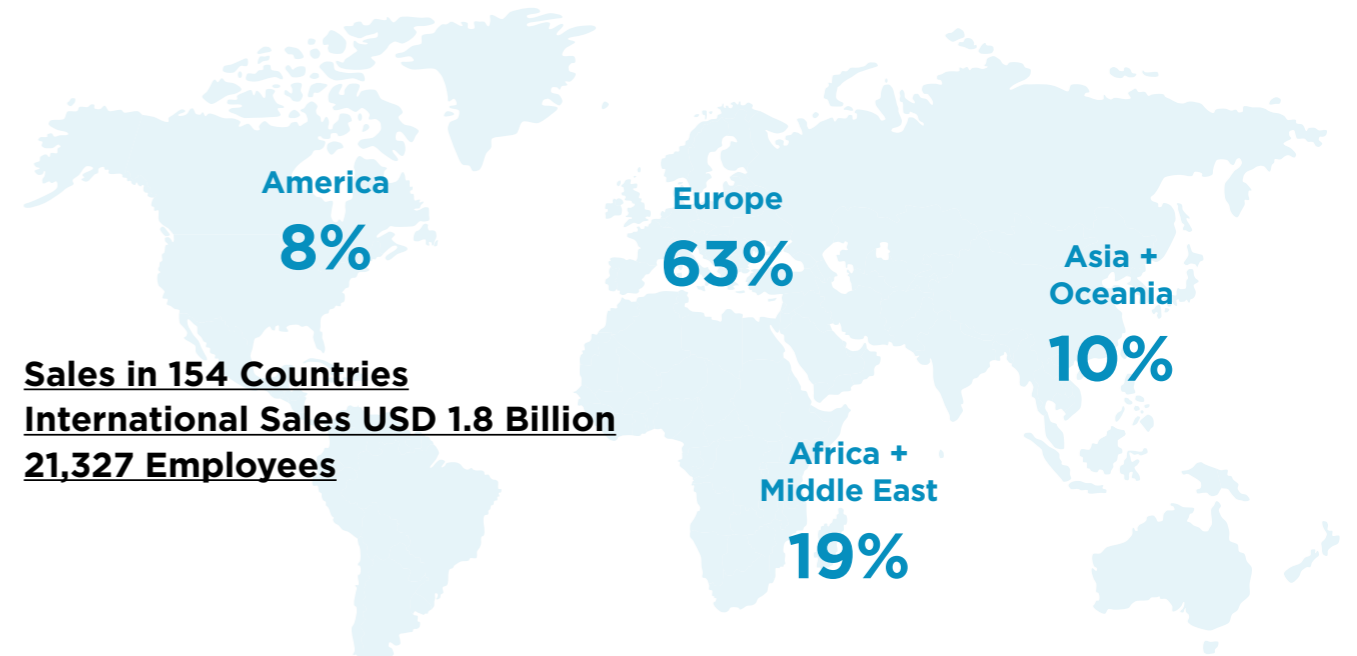
- 13 Countries
- 42 Production Plants
- 4.8 Million Tons Glass Production
- 2.3 Million Tons Soda Ash Production
- 4.2 Million Tons Industrial Raw Material Production



## REGIONAL DISTRIBUTION OF SALES



## GLOBAL PRESENCE OF ŞİŞECAM



### ŞİŞECAM GROUP PRODUCTION PLANTS IN TURKEY

ŞİŞECAM FLAT GLASS	ŞİŞECAM GLASSWARE	ŞİŞECAM GLASS PACKAGING	ŞİŞECAM CHEMICALS
<b>Trakya Cam Sanayii A.Ş.</b> Trakya Plant-Kırklareli Mersin Plant-Mersin	<b>Paşabahçe Cam San. ve Tic. A.Ş.</b> Kırklareli Plant Eskişehir Plant	<b>Anadolu Cam San. A.Ş.</b> Mersin Plant - Mersin Yenişehir Plant - Bursa Eskişehir Plant - Eskişehir	<b>Soda San. A.Ş.</b> Soda Plant-Mersin Kromsan Chromium Compounds Plant-Mersin
<b>Trakya Yenişehir Cam Sanayii A.Ş.</b> Yenişehir Plant-Bursa	<b>Denizli Cam San. ve Tic. A.Ş.</b> Denizli Plant		<b>Camış Madencilik A.Ş.</b> Provinces Where the Company Operates: Aydın, Balıkesir, Bilecik, İstanbul, Karabük, Kırklareli, Mersin
<b>Trakya Polatlı Cam Sanayii A.Ş.</b> Polatlı Plant-Ankara	<b>Camış Ambalaj Sanayii A.Ş.</b> Tuzla Plant-İstanbul		<b>Cam Elyaf San. A.Ş.</b> Gebze Plant-Kocaeli
<b>Şişecam Otomotiv A.Ş.</b> Şişecam Autoglass Plant-Kırklareli			<b>Oxyvit Kimya San. ve Tic. A.Ş.</b> Mersin

\* As of year-end 2017, Şişecam Group has production facilities in the following countries: Turkey, Russia, Georgia, Ukraine, Bulgaria, Bosnia&Herzegovina, Italy, Romania, Egypt, Germany, Hungary, Slovakia, India.  
 \*\* As of year-end 2017, 45% of Şişecam Group employees are based abroad.

## CHAIRMAN'S MESSAGE

Turkey seems to have returned to a high growth track of over 6% in 2017, particularly with the impact of 11.1% growth recorded in the third quarter.

**HAVING TURNED INTO A GLOBAL INDUSTRIAL GIANT WITH 42 MANUFACTURING FACILITIES IN 13 COUNTRIES, PRIMARILY IN TURKEY, ŞİŞECAM AIMS TO BE AMONG THE TOP THREE IN THE WORLD, IN EVERY BUSINESS LINE WHERE IT OPERATES.**

Dear Shareholders,

One of the driving engines of Turkey's development since its inception, Şişecam Group's journey, which started 82 years ago with faith and confidence in Turkey's future, has turned into a major success story today. Our Group focused on growing its added value in 2017 with its portfolio of sector leading companies, globally recognized brands, innovative products that enhance quality of life and with more than 21 thousand employees, who mobilize all their creativity and hard work to achieve more each passing day.

Having turned into a global industrial giant with 42 manufacturing facilities in 13 countries, primarily in Turkey, Şişecam aims to be among the top three in the world, in every business line where it operates. Productivity, innovation, creativity and institutionalization are the values that best define our management. These values bring us closer to our goal by building upon our success.

At Şişecam Group, we initiate our investments with an approach driven by innovation and technological advancements. Our approach embraces sustainable growth and creates value in all our core business areas. We operate primarily in the glass industry, across all facets. We move ahead on our path by continuously improving our flexible and competitive perspective, which rapidly adapts to cyclical changes, both globally and locally.

Dear Shareholders,

The positive outlook of the global economy, which started to uptrend in 2016, continued throughout 2017. While the recovery in economic activity spread across the globe, there was a remarkable improvement in growth expectations for the coming period. According to the International Monetary Fund (IMF), which revised up its forecasts for 2017, the global economy is set to gain further momentum in 2018 and 2019, after closing 2017 with growth of 3.7%.

The ongoing economic recovery in the US, which was achieved despite current domestic political uncertainties, was also supported by improvement in basic indicators. This optimistic picture enabled the US Federal Reserve to apply interest rate hikes on the path it had previously announced, creating an environment that allowed the Fed to reduce its balance sheet. The rebound in Eurozone growth, which offset the economic pressures of the intense election agenda with relatively less damage, accelerated. Although the risk of deflation has been completely eliminated, Europe's inflation outlook remains below the target rate, causing the European Central Bank (ECB) to delay its exit from expansionary policies.

The risk appetite for emerging markets strengthened with the continuing global liquidity excess in 2017. Rising oil prices, receding inflation and falling interest rates prompted by many central banks in developing countries also boosted growth in these countries. While China, which is in the process of rebalancing and easing its debt burden, expanded above expectations, the Russian economy, which has been contracting for a long time, finally recorded positive growth.

**ADNAN BALI**  
Chairman of the Board



## CHAIRMAN'S MESSAGE

In 2017, the global economic recovery had a positive impact on the performance of the world glass industry, which provides input for many sectors – automotive, construction, white goods, food, beverages, pharmaceuticals, cosmetics and tourism.

AT ŞİŞECAM GROUP, IN 2018 AND BEYOND, WE PLAN TO CONTINUE EXPANDING OUR GLOBAL PRESENCE, MOVING FORWARD WITH THE MOMENTUM WE HAVE GAINED OVER OUR 82-YEAR HISTORY, OF WHICH WE ARE IMMENSELY PROUD.

Turkey seems to have returned to a high growth track of over 6% in 2017, particularly with the impact of 11.1% growth recorded in the third quarter. The positive impact of public finance incentives and Credit Guarantee Fund (CGF) loans coupled with the increase in production and exports driven by the global economic recovery played an important role in this robust performance. On the other hand, the deterioration in indicators such as inflation, foreign trade, the current account deficit and foreign exchange rates shows that fundamental vulnerabilities also significantly increased in 2017. In the coming period, possible monetary tightening steps of the developed countries' central banks and existing and potential geopolitical problems are downside risks for Turkey's economy, together with all emerging market countries.

Dear Shareholders,

In 2017, the global economic recovery had a positive impact on the performance of the world glass industry, which provides input for many sectors – automotive, construction, white goods, food, beverages, pharmaceuticals, cosmetics and tourism. In parallel with moderate economic growth in the Eurozone and a Russian economy on the rebound, after finally emerging from recession, flat glass product exports to these regions expanded in quantity terms.

During the year, the flat glass sector positively diverged in terms of consumption and price due to the rapid expansion of the automotive sub-sector. Urban transformation and public led infrastructure projects as well as the SCT cuts on white good purchases boosted domestic demand for flat glass and sales

of these product groups in the domestic market. In 2017, demand for glassware contracted depending on consumption, the glass packaging market continued to grow in tandem with the healthy living and environmental consciousness trend, demand for soda held steady and demand for chrome chemicals increased.

At Şişecam Group, in 2018 and beyond, we plan to continue expanding our global presence, moving forward with the momentum we have gained over our 82-year history, of which we are immensely proud. All the while, we will create more and more economic and social value for our stakeholders. We are aware that we can achieve these goals only by developing efficient business models and innovative solutions focused on creating added value throughout our Group and across all our business processes. For this reason, we will continue to take on initiatives that will provide us with long-term competitive advantages and secure our sustainable success by prioritizing operational excellence in the coming period.

I would like to take this opportunity to thank all our stakeholders – especially our valued shareholders – for their trust in us and the support they provide, and all our employees who contributed to the successful results we achieved in 2017.

Yours respectfully,



**ADNAN BALI**  
Chairman of the Board



## CEO'S MESSAGE

Şişecam Group closed 2017, a year in which it continued its initiatives to become one of the top three players in the world glass industry, with outstanding success.

ŞİŞECAM GROUP'S STRATEGIC APPROACH INCLUDES OPERATIONAL EXCELLENCE, EFFECTIVE RISK MANAGEMENT, FINANCIAL STRENGTH AND TRANSPARENT CORPORATE GOVERNANCE, ALL OF WHICH ARE REFLECTED IN THE SHAREHOLDER VALUE IT CREATED.

Dear Shareholders,

Every step of Şişecam Group's 82 year journey may be considered a milestone for our country's industry. Continuously improving its competencies by combining its experience with new production technologies and management models, the Group transforms them into value for all its stakeholders. Şişecam Group closed 2017, a year in which it continued its initiatives in line with the vision of becoming one of the top three players in the world glass industry, with outstanding success.

Our Group recorded a successful financial and operational performance that exceeded its targets in 2017. This was achieved by reflecting the positive effects of its work at the centre of operational excellence on its financial results, implementing a flexible and proactive management approach, effectively managing costs and adopting successful risk management practices.

Setting its target market as the entire world, our Group constantly expands the geographic reach of its products through its production activities spread over 13 countries with more than 21 thousand employees. In 2017, Turkey Exporters Assembly announced its "Top 1,000 Exporters" research for 2016; our Group received the "Company Realizing Exports to the Highest Number of Countries" title thanks to its exports to 154 countries. We are proud to once again be recognized for the significant value we created for our country.

Şişecam Group works to create social and economic value in all geographies where it operates. In 2017, our Group produced 4.8 million tons of glass, 2.3 million tons of soda and 4.2 million tons of industrial raw materials. We increased our consolidated net sales by 32% compared to previous year to TRY 11.3 billion. The share of international sales in total revenues went up from 55% to 60% in one year.

Our Group invested a total of TRY 1 billion in 2017. We strengthened our position in existing markets, pursued opportunities in alternative markets, worked for new initiatives in areas with high potential and undersigned new investments during the year.

Şişecam Group conducts its business operations in parallel with a sustainable growth strategy focused on creating value. The Group crowned its efforts with a robust financial performance, recording TRY 3.1 billion in nominal EBITDA with an EBITDA margin of 27.6%, up 2.9 points in 2017.

Şişecam Group's strategic approach includes operational excellence, effective risk management, financial strength and transparent corporate governance, all of which are reflected in the shareholder value it created. In 2017, the Group posted a 38% nominal share price increase while the share of institutional foreign investors in float amounted to 45.2% by year-end. These are just two of the major indicators demonstrating shareholder confidence in our Group. The rise of our Corporate Governance rating score to 9.48 is also proof of our efforts to be worthy of this trust.

Dear Shareholders,

In 2017, Şişecam Group further focused on simplifying operational processes and using production capacities more effectively with the aim of boosting its capability to adapt to changing market conditions and fluctuations. Our Group continues its studies toward optimization of its production points at an accelerated pace while optimizing costs by using all effective methods, especially increased use of automation.

Şişecam Group – ranking among the top 5 in global flat glass and glass packaging, top three in glassware, top 10 in soda production, and first in chromium chemicals – continues its investments in line with its organic and inorganic growth strategies. The Groups aims to make its competitive advantages sustainable and bolster both its operations and market positions.

Within this scope, our Group commissioned its 90 thousand ton/year capacity third furnace, which it renewed with the latest technology compatible with its Industry 4.0 strategy, with an investment of TRY 120 million at the Mersin Plant of Şişecam Glass Packaging. With this investment, we aim to boost our export activity, which grows every year thanks to the logistics advantage provided by the Mersin port as well as our domestic production capacity.

PROF. DR. AHMET KIRMAN  
Vice Chairman and CEO



## CEO'S MESSAGE

In addition to its structuring studies around operational excellence, our Group will continue its technological investments compatible with Industry 4.0 aimed at production in the coming period.

**IN 2017, OUR GROUP MADE A STRATEGIC INVESTMENT DECISION IN THE AREA OF GLASS FIBRE – THE MAIN INPUT PRIMARILY FOR THE AUTOMOTIVE AND TEXTILE SECTORS, TWO DRIVING ENGINES OF OUR ECONOMY.**

In 2017, our Group undertook another important investment at the Eskişehir Glass Packaging Plant of Şişecam Glass Packaging. The new furnace, which has an annual production capacity of 150 thousand tons and is to be equipped with new technologies compatible with Industry 4.0, is scheduled to be operational in the second half of 2018 with an investment of about TRY 240 million. With this investment, which demonstrates our sustainable growth-high performance based investment policy; our Group's total glass packaging production capacity will expand to 2.5 million tons/year.

Our Group made a strategic investment decision this year in the area of glass fibre – the main input primarily for the automotive and textile sectors, two driving engines of our economy. Şişecam Chemicals is rapidly working to establish a new production facility in Balıkesir with an investment of about TRY 400 million. The new production facility, which will initially have an annual production capacity of 70 thousand tons, is targeted at substituting our country's glass fibre imports and transforming local resources, primarily boron, into value-added products. The investment in glass fibre – a material of great importance for the wind energy, electronics, aviation, space and defence industries especially – is planned to be commissioned in the second half of 2018.

Continuing to invest in automation, modernization and capacity increases, Şişecam Group also evaluated inorganic growth opportunities in 2017. The Group completed the acquisition of assets of the Pearl for Glass Manufacturing, a glassware manufacturer operating in Egypt. This investment is expected to contribute positively to our growth strategy in the Middle East and African markets in terms of the Group's activities in glassware. At the same time, this investment aims to boost activity in the North American market via a free trade agreement between the USA and Egypt.

**Şişecam Group is preparing for the future with its research efforts in the area of Industry 4.0.** The common point of all the investments we have completed and planned is that they are being initiated with an approach that places high technology at the centre. Having realized many "firsts" since the start of industrialization in Turkey

with its corporate research and development capability, experienced and highly skilled human resources, Şişecam Group continued research studies to shape its operations in line with Industry 4.0. This movement is based on the full integration of industry and information technologies. In addition to its structuring studies around operational excellence, our Group will continue its technological investments compatible with Industry 4.0 aimed at production in the coming period.

Recording a total of TRY 63 million in research and technological development expenditures in 2017, our Group carries out development work across a wide expanse for every stage of glass production processes – from raw material to final product – at Şişecam Science and Technology Centre, one of the few R&TD bases in the world. Our Group has filed 40 patent applications since 2016 and registered four patent registrations in 2017. The TR Ministry of Science, Industry and Technology awarded Şişecam Science and Technology Centre the first prize in the category of "Intellectual Property" in the Performance Index rating participated by 144 R&D centres.

Shaping its business operations in parallel with its vision of "Being a global company producing creative solutions and making a difference with its technology and brands," our Group continues efforts to expand the range of high value-added, new and innovative products. Our Group began to execute all its design activities under the roof of the Design Centre, which was structured in 2017. This new facility is located in the Şişecam Science and Technology Centre compound. Synergy will be created as a result of the co-working of design and development groups. This in turn is expected to create added value in our work in the areas of new product and new technology by strengthening our creativity competencies.

**Şişecam Group organically disseminates digitalization across all its business processes.**

Şişecam Group launched a holistic digital transformation program driven by its core strategies and continuously carries out these extensive efforts. In addition to the aims of achieving operational excellence and expanding efforts on digitalization in business processes, our Group incorporated the goal of offering a rich

digital experience in marketing communications to its digitalization program. In 2017, our Group's refreshed websites received numerous international awards from the world's most prestigious competitions in the area of marketing and communications.

**Continuing its business operations in an environmentally responsible manner, Şişecam Group transforms its efforts related to sustainability into value for all its stakeholders.**

In today's business world, competitive conditions are growing more and more difficult. One of the most important success factors in bringing the value Şişecam Group created as a global company up to its present level and making it sustainable is our respect to people and the environment. "Environmental awareness" and "sustainable growth that creates value" are at the heart of our strategies. To minimize environmental impacts, primarily our ecological footprint, to the least amount possible, we continue efforts to ramp up our projects for efficient use of natural resources and energy, recovery and recycling of wastes.

The Energy Generation from Waste Heat Project initiated in 2017 at the Mersin Plant of Şişecam Flat Glass garnered the ICCI Energy Prize at the Energy Intensive Industries and Energy Efficiency Conference organized by enerCON-2017-Berlin. This award crowned our Group's work in this arena.

Şişecam Group is committed to leaving a better world to live in for future generations. To this end, the Group works continuously to reduce the environmental impact resulting from its operations to a minimum level. In particular, our Group prioritizes investments in both renewable energy and energy efficiency. The 6.2 MW solar energy power plant, which was installed on the rooftop of Şişecam Flat Glass's Mersin Plant with an investment of about TRY 22 million, became operational in the last quarter of 2017. The rooftop monoblock solar power plant is one of the two largest in Turkey and Europe, and is the sixth biggest in the world. The special energy glass used in the power plant's solar panels was produced at the Mersin Flat Glass Plant; more than 38 thousand square meters of energy glass was used.

**Şişecam Group aims to generate long-term, lasting value through its corporate social responsibility approach.**

As a company with worldwide operations, Şişecam Group has adopted the global sustainability principles as a corporate guideline, in accordance with its economic, social and environmental sustainability management goals. The Company is a party to the Global Compact. The Group continued its extensive efforts in glass recycling in 2017.

The "Glass and Glass Again" project was initiated in 2011 and is one of Turkey's most comprehensive sustainability and social responsibility projects. Our Group leads the effort to establish a glass

recycling infrastructure domestically and invests in a sustainable future with glass recycling studies.

As a result of cooperation with 163 district municipalities in 24 provinces, Glass and Glass Again has allocated some 20 thousand glass recycling bins to municipalities; the amount of recycled glass totals 912 thousand tons to date. These efforts were supported by communication activities organized throughout the year under the Glass and Glass Again project and via other efforts to raise awareness and consciousness in society. For example, educational training in this area has been provided to more than 250 thousand elementary school students to date across Turkey.

Şişecam Group aims to be an effective stakeholder by creating long-term added-value for the next generations. Our Group regards contributing to society among its core priorities. Over the years, Şişecam Group has made significant contributions to the education infrastructure across all the geographies where it operates, especially in Turkey. In 2017, our Group signed an agreement with Bursa Governorship, Provincial Directorate of National Education and Yenişehir Municipality in 2017 to establish a Vocational and Technical Anatolian High School in Bursa, Yenişehir. The school will feature a variety of support units, primarily workshops and laboratories, in addition to 16 classrooms. When complete, this educational facility will generate permanent value for the sector and the region by providing services to meet the need of qualified technical personnel.

**In 2018, Şişecam Group will continue to develop its strong structure based on sustainable growth that creates value.**

In the coming year, Şişecam Group plans to continue to raise the bar in quality, technology and innovation – the main pillars of its strategies in its markets – by boosting operational excellence and Industry 4.0 investments. Targeting to reach more markets and more consumers with its competitive advantages, our Group will continue pursuing sustainable growth that creates value. While moving ahead toward its goal of ranking among the top three players globally in its areas of business activity, Şişecam Group will continue its investments, effective cost management and productivity studies in each business line.

I would like to take this opportunity to thank, and pay my respect to, our employees, who are the architects of our successes with their efforts; our shareholders; our customers; our business partners; and all our other stakeholders, who have never wavered in their belief and trust in the value we have created for our Group and our country.



**PROF. DR. AHMET KIRMAN**  
Vice Chairman and CEO

## BOARD OF DIRECTORS

**HALİT BOZKURT ARAN**  
*Independent Member*

**İZLEM ERDEM**  
*Member*

**MEHMET ÖĞÜTCÜ**  
*Independent Member*

**PROF. DR. AHMET KIRMAN**  
*Vice Chairman and CEO*

**ADNAN BALI**  
*Chairman*

**MAHMUT MAGEMİZOĞLU**  
*Member*

**PROF. DR. ATILLA MURAT  
DEMİRCİOĞLU**  
*Independent Member*

**ZEYNEP HANSU UÇAR**  
*Member*

**SABAHATTİN GÜNCELER**  
*Member*



## BOARD OF DIRECTORS

### (1) ADNAN BALI/Chairman<sup>(1)</sup>

(55) Adnan Bali graduated from Middle East Technical University, in Ankara with a BS degree in Economics in 1986. His banking career began in 1986 at İşbank by joining the Board of Inspectors as Assistant Inspector after his graduation. After working at various managerial positions at İşbank, Mr. Adnan Bali was promoted to the post of Deputy Chief Executive in 2006. He was appointed as the 16<sup>th</sup> Chief Executive Officer of İşbank on April 1, 2011. He has also been serving as the Chairman of the Credit Committee and member of the Risk Committee. Mr. Adnan Bali is the Chairman of İşbank Germany (İşbank AG). He is member of the Board of Directors of Vehbi Koç Foundation, Global Relations Forum (GRF) and The Banks Association of Turkey; member of the Turkish Industry and Business Association (TUSIAD), Institute of International Finance (IIF) and Institut International d'Etudes Bancaires (IIEB). Mr. Bali is also member of the Board of Trustees of Turkish Foundation for Combating Soil Erosion for Reforestation and the Protecting of Natural Habitats (TEMA) and member of the High Advisory Board of Darussafaka Society. Mr. Adnan Bali is the Chairman of Türkiye Şişe ve Cam Fabrikaları A.Ş. since April 7, 2017.

### (2) PROF. DR. AHMET KIRMAN/Vice Chairman and CEO

(59) Dr. Ahmet Kirman graduated from Ankara University, Faculty of Law. He went on to obtain his Master's degree in EU Competition Law and Ph.D. in Commercial Law from the same institution, becoming Associate Professor and then Professor of Financial Law. Dr. Kirman served as Faculty Member, Division Head, Head of the Finance Department and Institute Director at Ankara University, Faculty of Political Science. He was also a Faculty Member at Galatasaray University, Faculty of Law. Dr. Kirman started his professional career in 1981 as a judge for the Council of State. Subsequently, he joined Türkiye İş Bankası A.Ş. where he held various positions in banking and insurance. He served as Chairman of Türkiye İş Bankası A.Ş., Milli Reasürans T.A.Ş., Destek Reasürans A.Ş., and Petrol Ofisi A.Ş., and Board Member at several other major companies including Anadolu Sigorta A.Ş. Dr. Kirman has been the Chairman and Managing Director of Türkiye Şişe ve Cam Fabrikaları A.Ş. between the years 2006 and 2011, and Vice Chairman and CEO of Şişecam Group since 2011. Dr. Kirman is also the Chairman of Soda San. A.Ş., Trakya Cam San. A.Ş., Anadolu Cam San. A.Ş., Paşabahçe Cam San. ve Tic. A.Ş. and several other Group companies. He has served on the Board of Directors at ICC Turkish

National Committee, BTHE and IAV. In addition, Dr. Kirman was a member of TEPAV's Board of Trustees and Board of Directors and the Turkish Shooting and Hunting Federation's Board of Directors and Council of Legal Affairs. Dr. Kirman is author of 12 books along with numerous scholarly articles and invited speaker at numerous scientific as well as business meetings.

### (3) MAHMUT MAGEMİZOĞLU/Member<sup>(1)</sup>

(59) Mahmut Magemizoğlu graduated from Middle East Technical University, Faculty of Administrative Sciences, Department of Business Administration and obtained his Master's degree in Investment Analysis from the University of Stirling in the UK. Beginning his professional career in 1982 at İşbank on the Board of Inspectors, Mr. Magemizoğlu currently serves as İşbank's Senior Deputy Chief Executive. To date, Mr. Magemizoğlu has served on the board of directors of about 20 companies. He has been Chairman of the Board of Directors at Anadolu Hayat Emeklilik A.Ş. since 2009 and at Milli Reasürans T.A.Ş. since 2011. Mr. Magemizoğlu is a Member of the Board of Directors of the Company since December 21, 2016.

### (4) PROF. DR. ATILLA MURAT DEMİRCİOĞLU/Independent Member<sup>(2)</sup>

(70) Prof. Dr. Atilla Murat Demircioğlu graduated from İstanbul University, Faculty of Law and obtained his second Bachelor's degree and Ph.D. from Bern University, Faculty of Law. He went on to become Associate Professor and subsequently Professor in Labour and Social Security Law. Serving as a faculty member and holding executive positions at various universities, Prof. Dr. Demircioğlu is the author of numerous books, articles, research papers and publications. He served as a member of the Editorial Board of the Ministry of Culture's Encyclopaedia of Trade Unions, Board Member at Hamburg Turkish-European Research Institute, and Deputy Chairman at the Society for Japanese Studies. Prof. Dr. Demircioğlu was an Advisor to the Minister of Labour and Social Security, Honorary Consultant to the TRNC Government, member of the Audit Board and the Board of Directors at Turkish Airlines, Legal Advisor to İstanbul Chamber of Commerce, and Advisor to İstanbul 2010 European Capital of Culture Agency. In 2014, he was elected President of the Alexander von Humboldt Alumni Association of Turkey, and Moderator of İstanbul Chamber of Commerce's Business Life Issues Commission. Prof. Dr. Demircioğlu was appointed as an Independent Board Member in accordance with CMB's Corporate Governance Principles at the Ordinary General Assembly held on May 25, 2012.

### (5) HALİT BOZKURT ARAN/Independent Member<sup>(3)</sup>

(70) Halit Bozkurt Aran graduated from Ankara University, Faculty of Political Sciences in 1971 and began his professional career at the Ministry of Foreign Affairs in 1973. Mr. Aran served as Vice Consul at Salzburg Consulate General; First Secretary at the Kuala Lumpur Embassy; and Economic Counsellor at the Washington, DC Embassy. He was appointed Consul General in Dusseldorf, Germany and Ambassador to Pakistan and Iran. He served as Permanent Delegate of Turkey to UNESCO in Paris, and to the World Trade Organization (WTO) in Geneva. At the WTO, Ambassador Aran also chaired the Trade Policy Review Body, the Committee on Trade and Environment, and the Accession Working Committee of Belarus. Following his post as Deputy Director General for Political Affairs for European Countries at the head office, Mr. Aran worked as Director General for Bilateral Economic Affairs and Director General for Middle East Political Relations. Serving as the Director of the TEPAV Centre for Multilateral Trade Studies established in August 2012, Bozkurt Aran is also a Member of The Bretton Woods Committee. He was appointed as an Independent Board Member at the Company in accordance with the CMB Corporate Governance Principles, at the Ordinary General Assembly held on April 14, 2014.

### (6) ZEYNEP HANSU UÇAR/Member<sup>(4)</sup>

(46) Zeynep Hansu Uçar graduated from Middle East Technical University, Faculty of Economic and Administrative Sciences, Department of Business Administration. She started her professional career at İşbank in 1994 as an Assistant Investment Specialist in the Subsidiaries Division. She has held several managerial positions responsible for various group companies in the same department and since 2015; Ms. Uçar has been serving as Subsidiaries Division Head of İşbank. She has served as Board Member and Auditor at various Şişecam Group companies since 2010 and currently is a Board Member of Türkiye Şişe ve Cam Fabrikaları A.Ş., Trakya Cam Sanayii A.Ş., Anadolu Cam Sanayii A.Ş. and Paşabahçe Cam Sanayii ve Tic. A.Ş. She is also Board Member of Türkiye Sınai Kalkınma Bankası A.Ş. since November 27, 2015 which is an İşbank subsidiary.

### (7) SABAHATTİN GÜNCELER/Member<sup>(5)</sup>

(66) Sabahattin Günceler graduated from Middle East Technical University, Department of Chemical Engineering and started his professional career at Azot Sanayii T.A.Ş. After joining Şişecam Group in 1982, Mr. Günceler served in various managerial positions both in research and production. In 1997, he was appointed General Manager at Camiș Elektrik Üretim A.Ş. Between 2011 and 2014; he was the President of Şişecam Chemicals. Sabahattin Günceler was appointed Board Member at the Ordinary General Assembly held on March 25, 2015.

### (8) MEHMET ÖĞÜTCÜ/Independent Member<sup>(6)</sup>

(55) Mehmet Öğütcü graduated from Ankara University, Faculty of Political Sciences, Department of International Relations and earned his Master's degrees from London School of Economics and Collège d'Europe, Bruges. Starting his professional career in the 1980s, Mr. Öğütcü served as Assistant Inspector at İşbank, career diplomat in Ankara, Beijing, Brussels and Paris and Advisor to the Prime Minister. Between 1994 and 2011, he held various senior management positions at the International Energy Agency, OECD, and British Gas Group. Currently, he is the chairman of the UK-based Global Resources Partnership, leads The Bosphorus Energy Club, and sits as independent director on the boards of Genel Energy plc and Toya Holding Group. He is Special Envoy of the Energy Charter in Brussels responsible for the Middle East and Asia. Mr. Öğütcü teaches occasionally on "Geopolitics of Energy", "Competitiveness and Investment for Development" and Risks Identification and Mitigation" at the London School of Economics, University of Reading, University of Dundee and Harvard University. Mr. Öğütcü was appointed as an Independent Board Member at the Company in accordance with CMB's Corporate Governance Principles at the Ordinary General Assembly Meeting held on March 25, 2015.

### (9) İZLEM ERDEM/Member<sup>(7)</sup>

(49) İzlem Erdem graduated from Marmara University, Faculty of Economics and Administrative Sciences Department of Economics (English) in 1990. The same year, she started to work as Junior Economist in the Economic Research Division at İşbank; in 1998, she was appointed Deputy Manager of the same Division. Appointed to the Capital Markets Division in 2000, Ms. Erdem became Group Manager of the Division in 2004. She has worked as Head of the Economic Research Division at İşbank since April 2008. She attended the Advanced Management Program of the Harvard Business School in 2016. In addition to her duties at the bank; she has served as a member of the Audit Committee and Board of Directors at Anadolu Hayat Emeklilik A.Ş. and İş Yatırım Menkul Değerler A.Ş., affiliates of İşbank. Currently, she is the Vice Chairwoman of the Board of Directors at İş Portföy Yönetimi A.Ş. Ms. Erdem was appointed member of the Board of Directors at the Ordinary General Shareholders Meeting held on March 25, 2015

<sup>(1)</sup> Member of Early Detection of Risk Committee.

<sup>(2)</sup> Head of Audit Committee, Head of Corporate Governance Committee, Head of Early Detection of Risk Committee.

<sup>(3)</sup> Member of Audit Committee, Member of Early Detection of Risk Committee.

<sup>(4)</sup> Member of Corporate Governance Committee, Member of Early Detection of Risk Committee.

<sup>(5)</sup> Member of Corporate Governance Committee.

<sup>(6)</sup> Member of Audit Committee, Member of Early Detection of Risk Committee.

<sup>(7)</sup> Member of Corporate Governance Committee.

<sup>(\*)</sup> Mr. Adnan Bali was elected as Chairman of the Board of Directors effective from April 7, 2017, in place of the Chairman Mr. H. Ersin Özince, who resigned from his post as of April 4, 2017.

## SENIOR MANAGEMENT

**GÖRKEM ELVERİCİ**  
Chief Financial Officer

**PROF. DR. ŞENER OKTİK**  
Chief Research & Technological  
Development Officer

**TAHSİN BURHAN ERGENE**  
President, Chemicals Group

**ŞENGÜL DEMİRCAN**  
Chief Human Resources  
and Corporate  
Communication Officer

**ÖZLEM VERGON**  
Chief Strategy Officer

**CEMİL TOKEL**  
President, Glassware Group

7

**ABDULLAH KILIÇ**  
President, Glass Packaging  
Group (Turkey)

9

**DR. SELMA ÖNER**  
Chief Procurement Officer

6

**PROF. DR. AHMET KIRMAN**  
Vice Chairman and CEO

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8

**AYDIN SÜHA ÖNDER**  
President, Glass Packaging  
Group (Russia)

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10

**DR. REHA AKÇAKAYA**  
President, Flat Glass Group

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3



## SENIOR MANAGEMENT

**(1) PROF. DR. AHMET KIRMAN/Vice Chairman and CEO** (59) Dr. Ahmet Kirman graduated from Ankara University, Faculty of Law. He went on to obtain his Master's degree in EU Competition Law and Ph.D. in Commercial Law from the same institution, becoming Associate Professor and then Professor of Financial Law. Dr. Kirman served as Faculty Member, Division Head, Head of the Finance Department and Institute Director at Ankara University, Faculty of Political Science. He was also a Faculty Member at Galatasaray University, Faculty of Law. Dr. Kirman started his professional career in 1981 as a judge for the Council of State. Subsequently, he joined Türkiye İş Bankası A.Ş. where he held various positions in banking and insurance. He served as Chairman of Türkiye İş Bankası A.Ş., Milli Reasürans T.A.Ş., Destek Reasürans A.Ş., and Petrol Ofisi A.Ş., and Board Member at several other major companies including Anadolu Sigorta A.Ş. Dr. Kirman has been the Chairman and Managing Director of Türkiye Şişe ve Cam Fabrikaları A.Ş. between the years 2006 and 2011, and Vice Chairman and CEO of Şişecam Group since 2011. Dr. Kirman is also the Chairman of Soda San. A.Ş., Trakya Cam San. A.Ş., Anadolu Cam San. A.Ş., Paşabahçe Cam Sanayii ve Tic. A.Ş. and several other Group companies. He has served on the Board of Directors at ICC Turkish National Committee, BTHE and IAV. In addition, Dr. Kirman was a member of TEPAV's Board of Trustees and Board of Directors and the Turkish Shooting and Hunting Federation's Board of Directors and Council of Legal Affairs. Dr. Kirman is author of 12 books along with numerous scholarly articles and invited speaker at numerous scientific as well as business meetings.

**(2) DR. REHA AKÇAKAYA/President, Flat Glass Group** (55) Dr. Reha Akçakaya completed his undergraduate and graduate studies at Boğaziçi University Mechanical Engineering Department. He received a graduate degree in Glass Science from New York State College of Ceramics at Alfred University in the United States and a doctorate degree in Engineering Management from Marmara University. In 2013 he completed the Advanced Management Program at Harvard Business School. Dr. Akçakaya worked as a Research Assistant at Boğaziçi University from 1985 to 1988, before joining Şişecam's Glass Research Centre in 1988. He is currently serving as term Chairman of Glass for Europe. Over the years, Dr. Akçakaya has worked in various management roles within the Group and has been serving as Şişecam Flat Glass Group President since 2014.

**(3) CEMİL TOKEL/President, Glassware Group** (46) Cemil Tokel graduate of Humberside University, Department of Management in 1991, and completed the

Advanced Management Program at Harvard Business School in 2012. Mr. Tokel joined Paşabahçe Cam Sanayii ve Tic. A.Ş. as an International Sales Representative in 1992, where he later worked Supervisor of International Sales, Sales Development Executive, and International Sales Manager. Appointed as Vice President of Marketing and Sales in 2012, Mr. Tokel has served as President of Şişecam Glassware since January 2014.

**(4) ABDULLAH KILINÇ/President, Glass Packaging Group (Turkey)**

(51) Abdullah Kılınç graduated with a Bachelor's degree in Mechanical Engineering from Middle East Technical University in 1990 and completed the Advanced Management Program at Harvard Business School in 2013. Mr. Kılınç joined Anadolu Cam Sanayii A.Ş. as a Production Engineer at the Mersin Plant in 1992, where he later worked as Production Supervisor in 1995. He was appointed Assistant General Manager at Mina Ksani Glass Packaging Company in Georgia in 1999. Mr. Kılınç joined Anadolu Cam Sanayii A.Ş. in 2003 as Management and Sales HQ Business Development Manager. Subsequently, he served within the Glass Packaging Group as General Manager of the Ruscam Ufa Plant, Operations Director of Russia Operations, and Operations Director of the Group. Mr. Kılınç has been the President of Şişecam Glass Packaging (Turkey) since 2014.

**(5) AYDIN SÜHA ÖNDER/President, Glass Packaging Group (Russia)**

(55) Aydın Süha Önder graduated with a Bachelor's degree in Political Science and Public Administration from Middle East Technical University, Faculty of Economic and Administrative Sciences in 1985. He joined İşbank in 1986 in the Economic Research Department and began working as an Assistant Inspector on the Board of Inspectors the same year. Mr. Önder became Avclar Branch Manager in 1998, Karaköy Branch Manager in 2001, Corporate Marketing Manager in 2003, Levent Branch Manager in 2006 and Gebze Corporate Branch Manager in 2007. Having served as Deputy CEO at İşbank since 2011, Mr. Önder joined Şişecam Group in January 2014. He was appointed President of Şişecam Glass Packaging (Russia) as of February 2014.

**(6) TAHSİN BURHAN ERGENE/President, Chemicals Group**

(52) Tahsin Burhan Ergene graduated with a Bachelor's degree in Mechanical Engineering from İstanbul Technical University in 1989. He completed the International Management Certificate Program at İstanbul University in 1990 and the Advanced

Management Program at Harvard Business School in 2012. Mr. Ergene joined Şişecam Group in 1990 where he has held various managerial positions in the sales and marketing departments. In 2011, he was appointed as Marketing and Sales Vice President of the Şişecam Chemicals. Mr. Ergene has served as President of Şişecam Chemicals since January 2014.

**(7) GÖRKEM ELVERİCİ/Chief Financial Officer**

(42) Görkem Elverici graduated from Middle East Technical University, Faculty of Engineering, Department of Civil Engineering in 1996 and obtained his MBA from Bilkent University in 1998. In 2015, Mr. Elverici completed the Advanced Management Program at Harvard Business School and is currently working on his Ph.D. dissertation on Banking & Finance at Kadir Has University. He began his professional career İşbank in 1998. Throughout his career, he has worked in various middle and senior management positions at İşbank, HSBC, Deloitte Consulting and Accenture Consulting. Mr. Elverici joined Şişecam Group as the CFO of Şişecam Flat Glass Group on March 1, 2013. Mr. Elverici is the CFO of Şişecam Group since May 2014.

**(8) ŞENGÜL DEMİRCAN/Chief Human Resources and Corporate Communication Officer<sup>(1)</sup>**

(42) Şengül Demircan graduated from İstanbul Technical University, Department of Industrial Engineering in 1997 and obtained her Master's degree from Boğaziçi University, Executive MBA Program. Ms. Demircan started her professional career as a Management Consultant at Arthur Andersen and worked as Human Resources Management Consulting Manager at Ernst & Young from 2002 to 2004. She served as Human Resources and Organizational Development Manager at Danone Tikveşli between 2004 and 2007; Assistant General Manager of Avea Human Resources from 2007 until 2011; Assistant General Manager Responsible for Human Resources at HSBC Bank between 2011 and 2017; and HSBC Global Human Resources Transformation Change - Leadership. Ms. Demircan started to work as Chief Human Resources Officer at Şişecam Group in March 2017 and she has been serving as the Chief Human Resources and Corporate Communication Officer since the 1<sup>st</sup> of January, 2018.

**(9) PROF. DR. ŞENER OKTİK/Chief Research & Technological Development Officer**

(62) Prof. Dr. Şener Oktik graduated from Ankara University with a degree in Physics in 1976 and received his M.Eng. in Applied Physics in 1977 from the same university. He went on to obtain a Ph.D. from Durham University (UK), Department of Applied Physics and Electronics in 1982. Prof. Dr. Oktik became Associate Professor (Interuniversity Council) in 1986 and full Professor (Muğla University) in 1995. During his career, he has worked as lecturer/research scientist/senior researcher/administrator/senior administrator at Durham University (UK), Lecce University (Italy), Stuttgart University (Germany), Selçuk University and Muğla

University (Turkey). Prof. Dr. Oktik served as the Third and Fourth Term President/Rector of Muğla University between 2002 and 2010. He has also worked as senior research scientist/technologist/senior executive at BP Solar, Sunbury, Imperial Chemical Industries PLC (ICI), Paints Division Slough Research Labs, Industrial Research Labs of Durham University (UK), Anel Group, Arıkanlı Holding (Turkey). Prof. Dr. Şener Oktik has been the Chief Research & Technological Development Officer at Şişecam Group since January 1, 2012 and he is a member of the steering committee of International Commission on Glass, "ICG" and serving at the international advisory board of International Conference on Coatings on Glass and Plastics, Society of Vacuum Coaters and The Centre for Functional and Surface Functional Glass (Slovakia) and he is also in the Scientific Committee of "European Photovoltaic Solar Energy Conference EU-PVSEC" the chairman Turkish Solar Energy Industry Association. Prof. Oktik is author/co-author of over 100 scientific and technical publications and inventor/co-inventor of two world patents.

**(10) ÖZLEM VERGON/Chief Strategy Officer**

(44) Özlem Vergon graduated from İstanbul University, Department of Economics (English) in 1995. She later received her MBA from San Diego State University and completed the General Management program at Harvard University in 2013. Ms. Vergon joined Şişecam Flat Glass in 1996 as Planning Specialist Assistant and worked in various positions leading to Şişecam Flat Glass - Planning Director. Since January 2015, Ms. Vergon has been the Chief Strategy Officer at Şişecam Group.

**(11) DR. SELMA ÖNER/Chief Procurement Officer<sup>(2)</sup>**

(44) Dr. Selma Öner graduated from İstanbul Technical University, Department of Industrial Engineering in 1995 and received her Master's degree and Ph.D. from Boğaziçi University, Department of Industrial Engineering. She completed the General Management program at Harvard Business School in 2014. Ms. Öner started her professional career as a Research Assistant at Boğaziçi University and then joined Şişecam Group in 1997. She worked as Logistics Engineer at Paşabahçe Cam San. ve Tic. A.Ş. and later served in various managerial positions there before becoming Supply Chain Director at Trakya Cam San. A.Ş. In 2017, Selma Öner was appointed Group Procurement Coordinator at Türkiye Şişe ve Cam Fabrikaları A.Ş. In January 2018, she became Chief Procurement Officer of Şişecam Group.

<sup>(1)</sup> Ms. Şengül Demircan, who was appointed as the President of Human Resources as of March 6, 2017, serves as the President of Human Resources and Corporate Communications since January 1, 2018.

<sup>(2)</sup> Ms. Dr. Selma Öner, who has been assigned as the Group Procurement Coordinator as of January 1, 2017, was appointed as the Chief Procurement Officer on January 1, 2018.

<sup>(3)</sup> President of Corporate Development and Sustainability Mr. Serdar Gençer was appointed as Advisor to General Manager as of January 1, 2018.

<sup>(4)</sup> President of Information Technologies Mr. Dr. Atilla Gültekin was appointed as Advisor to General Manager as of January 1, 2018.

# ŞİŞECAM FLAT GLASS

## RISING PERFORMANCE

We continuously improve our performance with our flexible and proactive management approach, and by bolstering our leadership in Europe with our strong product portfolio and production capacity.

We are making a difference with our customer-focused approach, value added products, and innovative solutions in the global arena where we operate. We are shaping a sustainable future through our achievements and rising performance expanding to overseas markets.

## AN OVERVIEW OF 2017

44%

INCREASE IN SALES INCOME

### AN OVERVIEW OF 2017

The Turkish economy expanded above expectations thanks to fiscal measures implemented by the government, rebounding domestic demand backed by sector incentives, and a strong export performance. The industries that consume flat glass, particularly construction, have outperformed overall expected production.

The construction industry grew 8% year-on-year, driven by extensive public incentives; inducements granted to the real estate sector and public construction also spurred growth. Financing opportunities for construction companies and home buyers increased production and demand. The number of buildings that received occupancy permit and were opened to use posted double digit growth while residential unit sales went up about 5.1% to over 1.4 million. The share of new home sales in the total is 47%.

#### Automotive industry is the nation's export engine

In the automotive sector, the total market size of EU and EFTA countries expanded 3.3% in 2017, climbing to 18.1 million vehicles. Meanwhile, Turkey's automotive market shrank 3% compared to the previous year, falling to 1 million vehicles. The driving force of the Turkish automotive sector, automotive exports jumped 17% to 1.3 million vehicles in 2017, while production went up 13% year-on-year to 1.7 million vehicles.

#### Strong growth in the white goods sector driven by incentives

Turkey is Europe's largest and the world's second largest white goods manufacturer, after China, with an annual production capacity of 30 million units. With the positive effects of reduction implemented in the industry in 2017, white goods production increased 8% year-on-year to 28.4 million units, while domestic sales jumped 14% to 8.5 million units. According to Home Appliances Manufacturers' Association data, refrigerator and oven production grew by 5% and 12%, respectively.

Despite political uncertainties, the European economy closed 2017 with the highest growth rate of the last decade at 2.5%, with individual EU economies continuing to rebound consistently. Growth in the construction industry paralleled economic growth. These positive developments in the economy and construction in 2017 increased the consumption and the price level of flat glass.

Russia's economy, after contracting in 2016, started to bounce back in 2017 driven by rising oil prices, political stability and consumer confidence, expanding 1.7% for the year. At year-end 2017, monthly inflation fell back to 2.5%, the lowest level of the last 25 years. Despite this economic recovery, the contraction in new building starts in Russia persisted in the construction sector. As local producers in the flat glass market turned toward export markets, market prices remained the same.

Uncertainties in the Middle East and the resulting geopolitical risks have dampened growth of the construction industry in this region. Demand in the flat glass market was dominated by quality products.

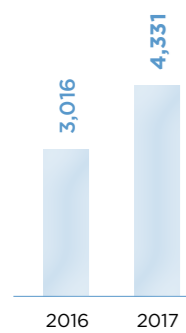
The Indian economy, which expanded 5.7% in second quarter 2017, signalled further recovery by growing 6.3% in third quarter. However, India is expected to return its fastest growing economy title back to China, according to the IMF. The negative effect of the removal of some banknotes from circulation in November 2016, in an attempt to curb the informal economy, played a role in lower than expected economic growth. Tax reform, which took effect in July 2017, also resulted in uncertainty in the markets and pressure on those sectors in which flat glass was consumed, particularly during the initial months. This, in turn, led to partial stagnation in the flat glass market.

#### ACHIEVEMENTS IN 2017 AND GOALS FOR THE FUTURE

##### Rising performance across all product groups...

Şişecam Flat Glass had a year above expectations across all product groups and increased its profitability in 2017. As a global flat glass company delivering innovative solutions with strong brands, Şişecam Flat Glass increased total

Sales Income TRY Million



With the successful performance it has achieved, Şişecam Flat Glass bolstered its strong market position globally.



architectural glass revenues by 44% (TRY) in 2017. This strong performance was thanks to its customer-oriented approach and extensive distribution network primarily in Turkey and international markets, in which it is a local producer.

Serving business development efforts toward the entire value chain and having a solution-oriented approach, the Company increased architectural glass sales revenue 44% (TRY).

In international markets, the advantage of our high capacity and broad product range, together with a widespread distribution network, have boosted the sales of value-added products by 54% over the last year.

Şişecam Flat Glass has expanded its sales - supported by both capacity increases and various value-added products - in Europe. This was achieved by providing customized services and continuing to execute communication activities efficiently that increase brand and product recognition. The Company provides customized solutions throughout Europe, particularly in the main markets that the Company is the local manufacturer such as Bulgaria and Italy.

In Russia, alternative logistics were assessed, and the customer service quality was increased. The Company gives priority to the supply of value-added products with the advantage of product diversity.

In Middle East and North African markets, despite the pressure caused by risks and a highly competitive environment, the Company preserved its existing customer portfolio and maintained its operations thanks to the competitive advantage of having a broad product range. The Company prioritises meeting customers' value added product demands.

In addition to the existing overseas markets, Şişecam Flat Glass continues to expand its customer portfolio into new overseas markets by keeping a close watch on capacity potential and profitability.

In India, sales and marketing efforts have continued, to boost awareness and sales of qualified products in the market, including reflective and out-of-line coated products and the Company increased the number of operating countries.

Şişecam Otomotiv A.Ş. (Şişecam Automotive) within Şişecam Flat Glass also completed its infrastructure preparations toward new projects to be initiated in 2018. In 2017, total car glass sales revenue rose up 43% (TRY) compared to the prior year. Meanwhile, with the synergy generated by the ongoing integration with Richard Fritz Holding in Germany, Şişecam Automotive won new encapsulation projects for top class vehicles, the production of which is to start between 2018-2021. Under the project, the glass is planned to be substantially produced by Şişecam Automotive.

44%

INCREASE IN ARCHITECTURAL GLASS SALES

43%

INCREASE IN AUTO GLASS SALES



## AN OVERVIEW OF 2017

### IN ADDITION TO BOLSTERING ITS POSITION IN THE TURKISH MARKET, ŞİŞECAM FLAT GLASS CONDUCTED ITS BUSINESS OPERATIONS BY EXPANDING IN THE EUROPEAN, RUSSIAN, AND INDIAN MARKETS.

#### FLAT GLASS LINE INVESTMENT DECISION IN TURKEY

In 2017, total revenue in solar panel glasses grew 74% year-on-year. In 2017, solar panel manufacturing significantly expanded in Turkey. This was due to the anti-dumping implementation imposed on solar panels, and companies' efforts to complete their installation before the increase to be implied on distribution fees in 2018. As a result, demand for photovoltaic (PV) glass also went up.

#### DEVELOPMENT OF INNOVATIVE PRODUCTS TAILORED TO MEET CHANGING NEEDS

Şişecam Flat Glass offers panel manufacturing capability at maximum performance and world class standards through the use of anti-reflective (AR) coated solar panel glass. The Company serves the PV glass market with AR coated solar panel glass.

#### New investments, new capacities

Şişecam Flat Glass bolstered its position in the Turkish market with the success it has achieved over the last five years. In line with its vision of being a global flat glass company, it continued efforts by expanding in the European, Russian, and Indian markets.

#### ŞİŞECAM FLAT GLASS WORKED WITH HIGH EFFICIENCY ACROSS THE ENTIRE ORGANIZATION IN 2017 AND STRENGTHENED ITS FIRST PLACE POSITION IN EUROPE BASED ON FLAT GLASS CAPACITY.

After the operation of the newly commission lines at full capacity and integration of the facilities that the Group acquired, Şişecam Flat Glass worked with high efficiency across the entire organization in 2017. As a result, the Company strengthened its first place position in Europe based on flat glass capacity.

Trakya Cam Sanayii has strengthened its presence in the Turkish market and expanded its investments and ventures in foreign markets. In parallel with the expansion in Turkey's flat glass market, Şişecam Flat Glass targets to further strengthen its production infrastructure by deciding to invest in a flat glass line in Polatlı. The 7 million m<sup>2</sup> capacity coating line investment launched at the Yenişehir Plant is scheduled to be commissioned in the first half of 2018. The 6.2 MW capacity Solar Energy Power Plant

(SEPP) investments at the Mersin Plant were successfully completed in November 2017.

In the automotive glass line, as part of the product range offered to its automotive customers, and projects planned, the Company produced high quality automotive glass for the world's leading automotive manufacturers in 2017. During the year, the Company also realized its second quarter window glass line investment in Romania and started to produce laminated glass at the Automotive Glass Plant in Bulgaria.

#### New product studies

In 2017, Şişecam Flat Glass aimed to provide functional solutions that meet changing needs in line with sector developments. Thus, the Company developed innovative products using the latest technology.

In 2017, two high-performance Temperable Solar Control Low-E Glass products that provide thermal insulation and solar control was added to coated glass products' portfolio for the architectural glass market.

The Şişecam Temperable Solar Control Low-E Glass Neutral 70/37 product with high light transmittance is recommended for dwelling and residential projects where neutral appearance and low reflection are desired. Şişecam Temperable Solar Control Low-E Glass Deep Blue 40/28 product, providing effective solar control and heat insulation, is specially designed for projects such as residences, plazas and shopping malls where the visuality stands out.

The Temperable Lacquered Glass product was added to the decorative lacquered glass portfolio. The new product, which provides safety in usage areas, was offered to customers in black colour. Studies continue on various colour options in line with the different usage areas and customer demands.

Meanwhile, the low iron float glass product, which has been on the market under the Şişecam Ultra Clear Glass brand, was renewed to be suitable for use in the solar sector. It was also given a more neutral colour for use in decorative purposes.

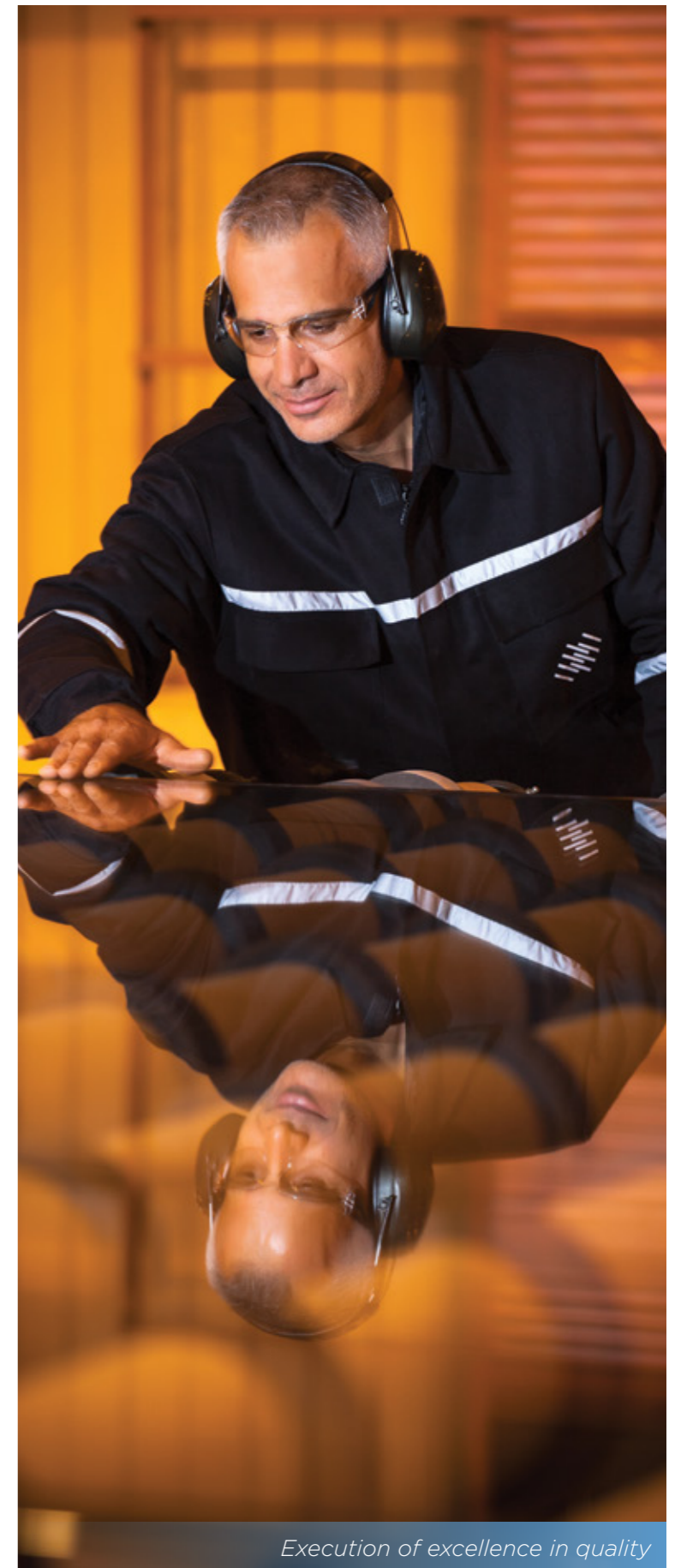
The coated glass product range is targeted to be enriched with the commissioning of the second off-line coated glass production line at the Trakya Cam Yenişehir Plant in 2018.

Targeting the automotive market, the Company developed a high performance athermic coating that eases the load on air conditioning and gains a defrosting function by providing heat and solar control for use on laminated windshields of vehicles. The second colour option of the privacy glass product group was developed from the blend, which helps save energy by providing solar control in automotive glasses. In addition, the Company produced its first commercial viridescent privacy glass and offered to the market in 2017.

#### Efforts to develop production competencies

Şişecam Flat Glass embraces a sustainability approach, which it reflects in its corporate strategy and all its operations. The Company carries out ongoing studies to create value added for financial sustainability, reduce its environmental impact, and create permanent value for its stakeholders. The Company announces the results of these studies in the form of detailed sustainability reports, which are released to the public.

The Company's sustainability strategy guides its business operations. This strategy is based on principles that support the United Nations Sustainable Development Goals (SDG). Pursuant to SDG 12 on Responsible Consumption and Production, the Environmental Product Declaration (EPD) s of the products have been prepared and made accessible to stakeholders. EPDs quantitatively disclose the environmental performance of all transportation and production phases, which comply with European Standard EN 15804, of the products from "cradle-to-gate." As part of the integration of technology into our production activities, studies started for adoption of the Industry 4.0 approach. Our Company continued its Six-Sigma projects and achieved significant gains in resource utilization and production process efficiency. Operating in an energy intensive sector, our efforts to boost energy efficiency also continued successfully in 2017.



Execution of excellence in quality

## AN OVERVIEW OF 2017

### With Europe's second largest monoblock solar power plant installed on the roof top, the 6.2 MW Mersin Solar Energy Power Plant became operational in 2017.

ŞİŞECAM FLAT GLASS CONTINUES TO ACTIVELY SUPPORT THE RESEARCH STUDIES CARRIED OUT BY THE EUROPEAN FLAT GLASS MANUFACTURERS ASSOCIATION.

Aiming to use more renewable energy sources, the Company installed a 6.2 MW solar energy plant that covers 79,300 m<sup>2</sup> on the roof of Mersin Plant. All the glasses used in solar power plant were produced in Mersin Flat Glass Plant. This SEPP has the second largest capacity as a roof-top application in Turkey and Europe.

Şişecam Flat Glass continues to actively support the research studies conducted by the European Glass Manufacturers Association (Glass for Europe) on the sustainable development of the glass industry.

Providing cost savings and enhancing service levels and performance by improving its processes and methods, the Company continues to work on increasing customer satisfaction. With particular focus on working capital management, the Group executes projects to effectively manage the entire supply chain.

FOUR DIFFERENT MOBILE APPLICATIONS WERE LAUNCHED FOR SECTOR PROFESSIONALS.

The "Order to Delivery Process Design" project - initiated to develop end to end business processes from the time customer places their order to the delivery of the product - was completed in 2017. The SAP ERP system was revised accordingly and the system went live also in 2017.

During the year, projects to further develop stocking and transportation infrastructure continued, while the warehouse management system using the Radio Frequency Identification (RFID) technology was implemented at the plants in Turkey and Bulgaria. In addition, the Company continues its Six-Sigma and development projects to reduce breakage, improve stocking and delivery performance, and standardize the work processes.

#### Multidimensional promotions and communication activities

In 2017, the Company continued to execute marketing communication activities with communication resources that are suitable for the needs of target audiences and efficient advertising. These activities were supported by project-based work.

Four different mobile applications were launched - Right Glass, Glass Acoustics, Right Glass Pro and Performance Calculator - in the languages needed as required by the digital age. These applications aim to enable sector professionals in the market to easily and quickly access technical information and performance values related to our products. As a result, customers are empowered to select the right glass for their projects.

During the year, Isicam Systems' official Facebook and Twitter accounts and Flotal's official Instagram account were launched to create an audience to maintain continuous interaction in social media. These efforts will also serve to turn the interaction with these audiences into dialogue and ensure brand awareness across social media.

Isicam Systems, one of the most valuable brands of Şişecam Flat Glass, launched a new communications project with its mascot named Isıcık. The project aims to facilitate the communication of Isicam, a technological product with the consumers.

Many projects of architects, facade consultants, investors and contractors were supported technically through glass consulting services. Solution recommendations were developed in line with the project needs. Thanks to this effort, Isicam products were chosen in many prestigious projects that were provided solution partnership.

To increase demand of PVC frame producer companies for Isicam branded products membership program of Isicam Systems MoneyBox Card Club, which was initiated throughout Turkey in second half of 2016 and exceeded 5,000 in 2017. The Club continues to create more Isicam brand ambassadors every day and boost the sales of qualified Isicam products.

#### EXPECTATIONS AND OBJECTIVES FOR 2018

Şişecam Flat Glass will continue its growth initiatives in 2018 by evaluating acquisition opportunities in international markets in addition to pursuing organic investments. The Group, which closely monitors developments in the flat glass sector, aims to offer innovative products that add value to people's lives while meeting the increasing demand for flat glass.

The Group plans to commission the coating line at the Yenişehir Plant in 2018. It also will complete the capacity increase and automation investment in the white goods glass facility at the Bulgaria plant.

Operating with seven flat glass lines at four different locations in Turkey, the Group aims to start its second flat glass investment with 750 tons/day capacity at the Polatlı Plant in 2018. With this investment, the plant's flat glass capacity will expand to 1,675 tons/day while the opportunities for value added production at the facility will increase.

As a solution partner that focuses on delivering satisfaction to its customers and business partners across all its global operations, the Group will continue to meet the demand for flat glass products with efficient production and capacity optimization in the coming period.

In 2018, Şişecam Flat Glass plans to continue developing new products for the architectural, solar and automotive sectors by research studies undertaken by Şişecam Research and Technological Development Department and joint projects with institutions that the Company has entered into technological cooperation.

Şişecam Flat Glass will also continue its R&D activities related to products sensitive to comfort of living, human health and the environment as well as its investments ensuring the required technological infrastructure. These efforts are in line with the Company's vision of being a global flat glass manufacturer that offers innovative solutions with its strong brands.

#### TRAKYA CAM SAN. A.Ş. CONSOLIDATED INDICATORS\* (TRY M)

	2016	2017
Sales	3,016	4,331
International Sales	1,541	2,380
Gross Profit	888	1,400
Operating Profit before Financial Expenses	721	840
Equity Holders of the Parent	547	616
EBITDA	976	1,147
Net Financial Debt	789	459
Equity	3,587	4,356
Total Assets	6,879	8,021
Investments	250	233
Number of Employees	6,533	6,856

\* Refers to the financial statements submitted to the Public Disclosure Platform ("KAP") and includes Trakya Cam Sanayii A.Ş., Trakya Yenişehir Cam Sanayii A.Ş., Trakya Polatlı Cam Sanayii A.Ş., Şişecam Otomotiv A.Ş., Trakya Investment B.V., TRSG Glass Holding B.V., Sisecam Flat Glass Holding B.V., Trakya Glass Bulgaria EAD, Sisecam Automotive Bulgaria EAD, Glasscorp S.A, Trakya Glass Rus AO, Automotive Glass Alliance Rus AO, Trakya Glass Rus Trading OOO, Automotive Glass Alliance Rus Trading OOO, Sisecam Flat Glass Italy S.R.L., Richard Fritz Holding GmbH, Richard Fritz Prototype + Spare Parts GmbH, Richard Fritz Spol, S.R.O., Richard Fritz Kft, HNG Float Glass Limited, Çayirova Cam San. A.Ş., Camiş Elektrik Üretim A.Ş., Saint Gobain Glass Egypt.

# ŞİŞECAM GLASSWARE

## CREATIVE PERFORMANCE

While we maintain our top three position in the intensely competitive global glassware industry with our efforts focused on operational excellence, we bring new technologies together with creativity and continue to make a difference with our unique products.

We expand our unique product range with new ground-breaking practices, designs and technologies, boost our productivity by blending our production capabilities with cutting edge technologies, and reinforce our competitive advantages.

## AN OVERVIEW OF 2017

**IN 2017, PAŞABAHÇE CONTINUED ITS HIGH-TECH INVESTMENT AND DEVELOPMENT EFFORTS, WHICH FOCUS ON REDUCING COSTS AND INCREASING EFFICIENCY.**

### GENERAL OVERVIEW OF 2017

In 2017, consumers shifted from spending to saving due to economic developments, thus resulting in rivals to struggle in a shrinking glassware market with significant margin pressure.

Glassware consumption was negatively affected by Brexit, which caused Eurozone consumers to save, in a region where the glassware market already witnesses stiff competition. In the retail channel, discount stores came to the forefront while the HoReCa channel posted a rebound.

The decreasing likelihood of TTIP and appreciation of the US dollar impeded expected global competition increase. Nonlocal glassware producers' access to the US market has become more difficult. Discount stores and e-commerce sales channels presented growth across the US market.

In the CIS region, while the glassware market realized capacity increases, the retail channel declined.

Continued political uncertainty in the Middle East and Africa, as well as sanctions on Iran, which became permanent, negatively affected the glassware market. Local competition revolves around low quality and low price goods across the region.

In Asia Pacific, consumers' outside dining habits increased, driving growth in the HoReCa channel. Besides, glass quality improvement was observed in the market.

In Turkey, two major developments affected the glassware market. Total glassware imports contracted due to additional duties while imports from Egypt increased in the absence of customs duty thanks to the Free Trade Agreement.

**In 2017, Paşabahçe, the main company of Şişecam Glassware Group, started production on the "insert glass" line, a unique cutting-edge technology.**

### ACHIEVEMENTS IN 2017

#### Investments-Production Technologies and Cost Reduction

Paşabahçe continued studies for investment and development including high technology and strengthened its global leadership position in the glassware industry via cost reduction and technology investments to increase productivity.

Paşabahçe executed many projects to boost production process efficiency and refreshed the technology in part of its machinery. The Company completed the Power Controlled Press-and-Blow Machine project jointly with machine manufacturers and commissioned its first Power Press-and-Blow Line at the Eskişehir factory in 2017.

For Paşabahçe, 2017 was a year when the decor development work that was initiated in previous years yielded positive results. The Company recorded significant sales in both domestic and foreign markets. It also conducted higher value-added operations thanks to the local coating alternatives it developed. Paşabahçe supported the Borcam product group with new designs and boosted the visual variety with the true colour collection coloured with fore hearth. In addition, the collection added a product group that prioritizes functionality with non-stick coating borcam to its portfolio.

The laser systems, used by the Company for product labelling in factories, were adapted to unprecedented new effects. Innovative products with laser decorations were offered to the market. In 2017, Paşabahçe started production in the "insert glass" line, another unique technology. The Company filed a patent application for this technique, which allows the placement of various objects in the gaps on the bottom of the glass product, making it possible to perform many practices.

Paşabahçe continued its technology investments in tempering processes, a key area bolstering its market position. The Company also executed new projects that provide energy savings and efficiency gains in 2017.



During the year, Paşabahçe continued work to expand and develop the automatic packaging systems used in factories. The Company provided automatic packaging of footed glasses and tea plates at high speeds thanks to the improvements achieved in the packaging systems. In addition, the number of automated quality controls lines was increased, through the new generation inspection systems which were developed to provide support for Paşabahçe's high quality. These additional lines were commissioned in 2017.

#### R&D

The Glassware Group constantly improves its technological capabilities via internal R&D activities while also working in collaboration with Şişecam Research and Technology Development Department. R&D teams run joint projects with domestic companies, foreign concerns and universities to develop new, unique and high-quality products.

The chemical tempering system is scheduled to commence production with the project developed by the Group's internal engineering resources. The Company introduced new colour options for borosilicate glass in its portfolio of value-added products. Paşabahçe undertakes efforts to further expand its portfolio of high value-added products in this area.

Paşabahçe strives to protect its technological and product innovations. The Company filed a total of 18 patent applications and 3 innovation patents (utility model)-in 2017.

#### Design Activities

In 2017, the Glassware Group focused its design efforts on the Paşabahçe, Borcam and Nude brands. During the year, the Company developed hundreds of projects, in design (156), seasonal themed pattern (141), accessory (27), and packaging design (1,967).

In the area of product design, among the projects executed to enhance production processes, innovations made for the pulled stem products come to the fore. Alternative innovations were realized in decorated crystal products, which stood out among the trends as in the prior year. Linden, the spinning plate and bowl collection, achieved significant success by winning the European Product Design Award and the German Design Award. The handmade work focused on the new mechanism processes.

#### Category management activities

##### Drinkware category:

The Paşabahçe Craft Beer range, specially designed for the craft beer market, which has become a trend sweeping the globe as well as Turkey, was launched to the market. The design and the form of the products in this range take a form that help to bring out the aroma and taste of the drink.

In addition, new sizes were added to the crystal looking Timeless series, one of the most successful collections of the drinkware category. The new additions were launched for sale.

**THE GLASSWARE GROUP FILED 18 PATENT AND TWO UTILITY MODEL APPLICATIONS.**

## AN OVERVIEW OF 2017

In 2017, unique painted products developed by Şişecam Science and Technology Centre with different features continued to come to life in many value-added product projects.

**THE LINDEN COLLECTION WAS DEEMED WORTHY OF THE EUROPEAN PRODUCT DESIGN AWARD AND THE GERMAN DESIGN AWARD.**

In the category of hot drinks, four different plain tea sets were developed to expand the tea set product range at household. Water glasses to be used with coffee cup sets by Turkish coffee consumers were also launched.

Tincan, the new cocktail series developed for the catering sector, was offered to the appreciation of professional customers.

### ***Kitchen products category:***

Product types in the Borcam brand heat resistant cooking group, which makes up the most important part of the kitchen category, were expanded. Lighter and thinner forms of soufflé cups, Barista espresso cups for coffee enthusiasts, for tea lovers and Tea latté glasses were designed.

The Grill Borcam collection was given standard product identification in 2017, and a regular supply was provided.

Having started to be developed in 2017, the Borcam Non-Stick collection, which providing a new feature with its internal non-stick coating, was offered for sale. Thermal insulated Borcam carrying bag was developed, which provides to keep the food hot or cold for a longer time. Storemax storage containers, a line of upper segment products, also gained the heat resistance feature.

Homemade jars: the new way of referring to the healthiest way to preserve food. 3000 cc and 5000 cc products were developed for the Homemade series.

### ***Dinnerware products category:***

The Linden range, which is in the plate and bowl product group and captures the largest share of the dinnerware category, was launched in 2017. With its unique design reflecting a natural, amorphous form, the Linden series was deemed worthy of the European Product Design Award and German Design Award.

Paşabahçe's leading position in the footed serving platter category was strengthened with the successful performance of the Mini Patisserie collection.

Aiming to develop its portfolio of offerings, the Company prepared the Paşabahçe baby collection by designing a feeding baby bottle made of heat resistant glass and featuring a pacifier cap.

### ***Value added products category:***

In 2017, Paşabahçe frequently used the special paints developed by Şişecam Science and Technology Centre to create many unique, value-added products.

The neon, opaque and double layer metallic colour coating effects, which stand out to be dishwasher safe, were launched at household with new Coca-Cola engraved cups. The patented Midas paint technology was introduced to consumers with tableware and drinkware products in 2017 winter collection.

The insert glass effect technology, for which a patent application has been filed, was launched with different objects placed in the glass product. The furnace coloured products, which are launched each year in the spring period, were presented in a wide range of colours, including pink, blue, purple and smoked.

### ***Brand communication and trade show activities***

In 2017, Şişecam Glassware Group continued communication activities aimed at boosting brand loyalty, and thus repurchases, in Turkey and enhancing brand awareness and sales in target countries abroad. In Turkey, the Company conducted a communication campaign, which included TV, outdoor, magazine, blogger events, social and digital media, for Mother's Day in April-May; a tea glass campaign throughout the year; and product communication activities, consisting of editorial texts, print magazines, digital media ads and social media posts for Borcam, during the Ramadan period.

In Russia, the Company undertook outdoor advertising, digital contests, shopping mall activities as part of the communication campaign executed for the Christmas season, when shopping tends to increase. During the same season, the tram running on Milan's busiest line was wrapped with advertising and newspaper ads were placed to promote the Company and its products.

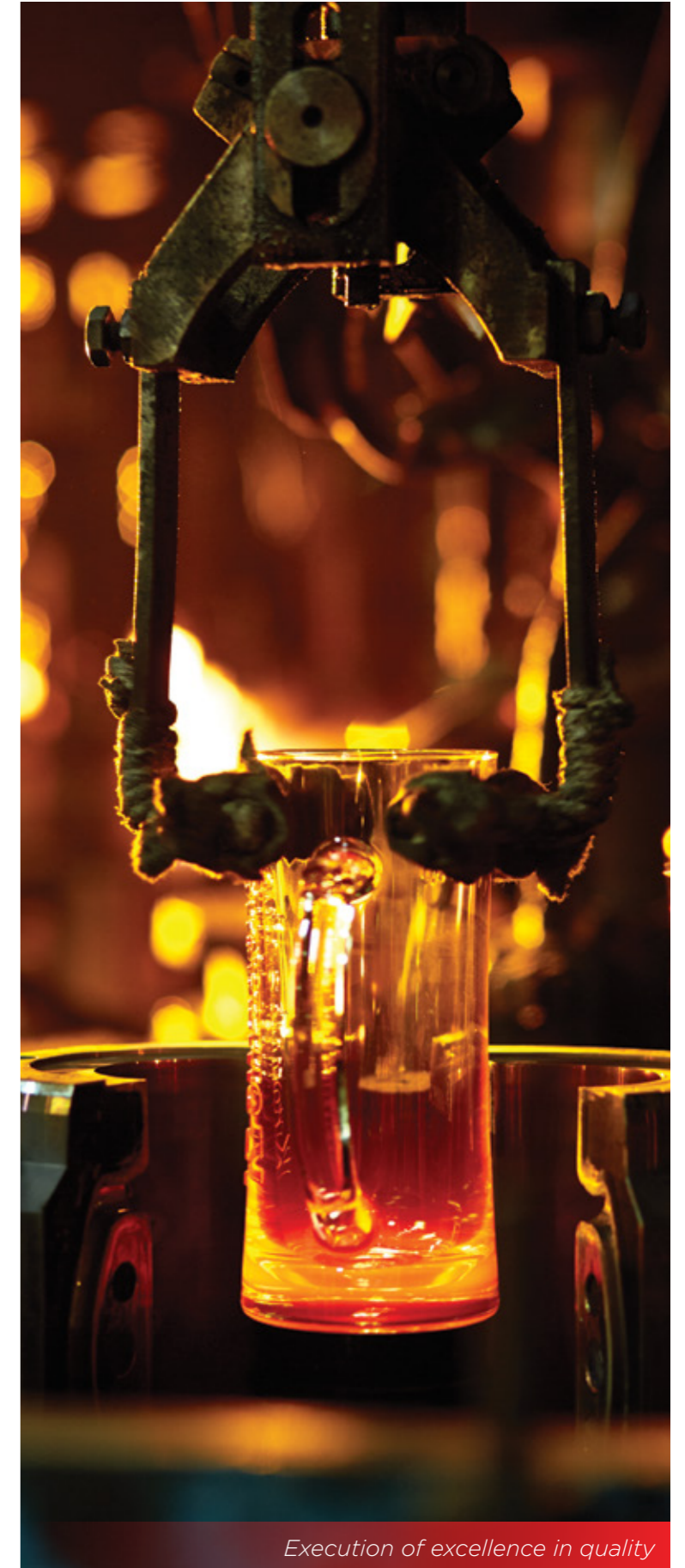
In Iran, one of the most important countries of the Middle East, Şişecam Glassware ran a TV advertising campaign aimed at increasing brand awareness in Nawruz season when shopping increases in that country.

In addition to its communication campaigns, Şişecam Glassware Group realized over 50 different product promotional videos and concept photo shoots during the launch of new products. The Company prepared press releases and shared them with the end user via print, digital and social media channels in different countries, primarily in its core markets of Turkey Italy, and Russia.

To strengthen communication with the end-user, Paşabahçe Blog ([www.pasabahce.com.tr/tr/blog/](http://www.pasabahce.com.tr/tr/blog/)), where various content is included, ranging from new collections to creative ideas, went live in 2017.

Sponsorship of the renowned cooking show Arda's Kitchen was maintained throughout the year with product placement and editorial studies. In September, more than 40,000 participants attended the Istanbul Coffee Festival, with the main sponsorship of Paşabahçe. In the festival area, end user access and communications were increased with the rhythm shows featuring glass products at the 30-square meter Paşabahçe stand. The Company stand also included a product display and sales area.

Paşabahçe maintained effective communication with professionals in the catering industry, one of its major sales channels. The Company continued to cooperate with gastronomy schools such as MSA and USLA in Turkey. Besides being the mixology sponsor of the Gastromasa Conference held in İstanbul, the Company sponsored other leading sector events in Italy and Russia. In addition, these cooperations and sponsorships were used as PR tools, resulting in significant press and media placements.



*Execution of excellence in quality*

# AN OVERVIEW OF 2017

Designed for the upper segment, the Stem Zero collection was the most striking product of the year and won four international awards.

IN 2017, GLOBAL SALES OF NUDE BRAND PRODUCTS TOTALLED USD 11.6 MILLION.

The Paşabahçe Showroom in Düsseldorf was opened in September 2017, with an opening event that brought the attention of the European press.

During the year, Paşabahçe participated in eight trade shows in six different countries, where retail and catering sector professionals came together:

- International Housewares Show, Chicago, March 18-21
- HOTELEX, Shanghai, March 28-31
- NRA, Chicago, May 21-24
- ABUP, Sao Paulo, August 23-26
- China Commodity, Shanghai, August 03-05
- Household, Moscow, September 12-14
- HOST, Milano, October 20-24

### NUDE

In 2017, global sales amounted to USD 11.6 million.

In the catering segment, Nude entered the preferred supplier lists of Hilton Accor Hotels & Resorts. Nude products are sold to 50 countries, primarily to luxury hotel chains such as Sheraton, Hyatt, and Raddison Blue, and household products are sold to 39 countries.

AS OF YEAR-END 2017, PAŞABAHÇE HAS A TOTAL NET SALES AREA OF 19 THOUSAND M<sup>2</sup> AND 47 STORES, OF WHICH 46 ARE IN THE DOMESTIC MARKET AND ONE IS ABROAD (ITALY/MILAN).

In the home segment, internationally prestigious customer acquisitions continued in 2017. Paşabahçe started to work with Harrods in the UK; Printemps, La Bon Marche and Galleries Lafayette in France; Barneys in the US; and Lane Crawford in China.

In 2017, Paşabahçe focused on new projects in vases and service products for home segment products; the outstanding names in this effort included Formafantasma, Defne Koz, Tomas Kral and Sebastian Herkner. In the HoReCa sector, three new glass collection with accessories were developed with the Mixology theme. Designed for the upper segment, the Stem Zero collection was the most striking product of the year and won four international awards. Other award-winning products from the Company during the year were Chill, Smooth and O2.

### Global trade marketing activities

In 2017, Paşabahçe's trade marketing activities focused on in-store activity, brand communication, merchandising operation, and field research. These efforts aimed to gain share from the growing retail industry in the global market, deliver the right customer experience and boost profitable sales.

With the active field operation in the domestic market, the shelf's consumer attraction went up and sales increased with seasonal promotional activities. Paşabahçe maintained its shelf leadership by simplifying its in-store brand communication to customer-based solutions.

A data pool was established for the Company by reporting field analyses to the management units. Developing its technology systems infrastructure, Paşabahçe increased the efficiency of its category management with instantaneous information flow and sector specific information. The Company formulated action plans from the field analyses and implemented them.

In international markets, Paşabahçe enhanced shelf space and value-added sales areas as a result of merchandising operations. By undertaking trade marketing efforts, sales increased in line with in-store activity. The Company made arrangements to provide support to the distributor assume positioning in the most valuable sales areas of stores, and increase penetration in many global markets where sales were realized - primarily the core markets of Russia, Italy and Iran, in addition to China, Germany, France, Poland, Belarus, and India.

As for the Global Nude brand, Paşabahçe undertook a pilot merchandising effort in Turkey, Russia, Iran, and Italy, aiming to differentiate from the competitors on the shelf. Display units were fabricated and positioned in multi-storey shops and retail channels in order to increase consumer attraction in special products (e.g. Star Wars). The first Nude investment was realized in the Spanish market and a shop-in-shop operation was executed there. This effort is designed to create a premium Nude brand identity in consumer mind.

### RETAIL STORE ACTIVITIES

2017 was a positive year for Paşabahçe Stores despite stagnation in the retail sector. In September, a store at Ege Perla Shopping Mall in Izmir and in November a store at Marmara Forum Shopping Mall in Istanbul were opened. As of year-end 2017, Paşabahçe has a total net sales area of 19 thousand m<sup>2</sup> and 47 stores, of which 46 are in the domestic market and one is abroad (Italy/Milan).

Initiated in 2017, the Paşabahçe Club Card Loyalty Program recorded about 45 thousand active members at year's end. Revenues generated by Paşabahçe Stores via e-commerce climbed to TRY 2 million, up 27% year-on-year.

Paşabahçe Stores ended 2017 with the launch of two new collections. The World Heritage on Glass collection, the newest and latest step of the History-Culture-Glass Collections, features 20 different products. The World Heritage on Glass collection generated over TRY 1 million in revenue in just a two-month period.

The Omnia Collection, introduced by Paşabahçe Stores in 2015, continued with the "Water" theme in 2017. The Omnia - Water collection features work by globally renowned designers such as Defne Koz, Sezgin Aksu and Mario Trimarchi as well as young talent with their modern designs. In total, 15 designers have exhibited nearly 150 products. The collection went on sale at Paşabahçe Stores in December.

### CAMIŞ AMBALAJ SAN. A.Ş.

Camiş Ambalaj manufactures offset printed cardboard and laminated consumer packaging and display units at its facilities in Istanbul and Tuzla. The Company offers its high-quality services and products to Şişecam Group companies as well as non-group enterprises. With the decisions of the Extraordinary General Assembly registered on January 02, 2017, Camiş Ambalaj realized a partial spin-off through a model giving shares to shareholders; with this transaction, the corrugated packaging plant established in Eskişehir was sold.

### EXPECTATIONS AND OBJECTIVES FOR 2018

The global economic growth forecast strengthened thanks to expanding developed economies. Tight monetary policy in developed countries is expected to boost household spending by increasing consumer confidence. Meanwhile, emerging markets have a positive outlook due to the robust global economic environment. Economic growth expectations will have a positive impact on the glassware market.

Changes in consumer behaviour, primarily in healthcare and design, are expected to drive growth of glassware in 2018. Major producers aim to provide customized service to the end consumer.

In 2018, glassware manufacturers are expected to focus on a low-cost production centre strategy, increasing their sales and distribution networks, and creating competitive advantage through innovative projects.

In line with all these anticipated developments in 2018, Paşabahçe aims to increase profitability and sales through effective customer relationship, product and supply chain management, as well as improvement in production efficiency. Therefore, Paşabahçe will maintain its dominance in the main markets and increase its global market penetration.

INITIATED IN 2017, THE PAŞABAHÇE CLUB CARD LOYALTY PROGRAM RECORDED ABOUT 45 THOUSAND ACTIVE MEMBERS AT YEAR'S END.

### GLASSWARE COMBINED INDICATORS\* (TRY M)

	2016	2017
Sales	1,803	1,956
International Sales	1,041	1,238
Gross Profit	564	661
Operating Profit Before Financial Expenses	98	114
Profit/(Loss) for the Period	(10)	13
EBITDA	260	282
Net Financial Debt	1,014	1,012
Equity	1,763	1,107
Total Assets	3,265	3,312
Investments	331	144
Number of Employees	7,239	7,008

\* Including Camiş Ambalaj as well as Paşabahçe Cam San. Tic. A.Ş.

### PAŞABAHÇE CAM SAN. ve TİC. A.Ş. CONSOLIDATED INDICATORS\* (TRY M)

	2016	2017
Sales	1,652	1,919
International Sales	1,038	1,238
Gross Profit	517	634
Operating Profit before Financial Expenses	83	98
Equity Holders of the Parent	(12)	8
EBITDA	239	263
Net Financial Debt	1,025	1,006
Equity	1,460	1,527
Total Assets	2,889	3,047
Investments	308	144
Number of Employees	6,660	6,756

\* Including Anadolu Cam San. A.Ş., C JSMina, OOO cRaums, OOO Rcuasm Glass Packaging Holding, Anadolu Cam Investment B.V., OOO Ruscam Management Company, OOO Ruscam Glass, Merefca Glass Company Ltd., OOO Energosystems, CJSC Brewery Pivdenna, Balsand B.V., PAO Ruscam Pokrovsky, Anadolu Cam Yenişehir San. A.Ş., Anadolu Cam Eskişehir San A.Ş., Omco Istanbul, AC Glass Holding B.V.

# ŞİŞECAM GLASS PACKAGING

## DYNAMIC PERFORMANCE

We continue to create value for all our stakeholders with the dynamic performance that we demonstrate against the opportunities and risks created by mobility in domestic and international markets.

We aim for an excellent performance with our wide range of products, efficient capacity management and our work focused on sustainable growth. In line with increasing demand, we are renewing our production instruments with the latest technologies and moving towards our global targets with domestic and international representations.

## AN OVERVIEW OF 2017

**32%**  
INCREASE IN  
SALES REVENUE

**2.3**  
MILLION

2.3 MILLION  
TON/YEAR  
PRODUCTION  
CAPACITY

### GENERAL OVERVIEW OF 2017

After its recovery year 2016, global economy started 2017, with political and geopolitical uncertainties, but has maintained modest growth accelerated. In addition to developed countries such as the US and EU countries, emerging countries have also become more synchronized in growth. Despite the global recovery in economic activity, economic, geopolitical and political risks remain. While developed countries take action against negative effects of low inflation, faster-than expected global financial tightening (reduction in money supply, interest rate hikes) make the developing economies' need for reform more urgent and priority.

While global growth gives positive signals in the short-term, central banks' steps towards normalization, countries' increasing protective and populist approaches, China's attempts to relieve the debt burden, and increasing terrorist incidents limit the short-term recovery in the medium term.

Eurozone region is recovering consistently and economic activity continues to strengthen. The ECB (European Central Bank) confirmed the forecast for the recovery in economic activity by raising its 2017 and 2018 growth forecasts for the Eurozone.

With the completion of the first phase of the negotiations on the Brexit between the UK and the EU, BoE (the Bank of England) stated that the UK is less likely to exit from the EU and that this may increase economic confidence in the coming period.

Despite the positive performance in the US economic activity in the last quarter, inflation indicators have been still relatively weak. It is unclear how the tax cuts introduced by the tax reform scheme that are legally enacted in the country are likely to affect economic activity and monetary policy.

Thanks to the precautionary packages taken for economic stability, Turkey's economy started to recover. With the revival in domestic consumption and the contribution of public financial and credit incentives, it showed strong growth performance in 2017.

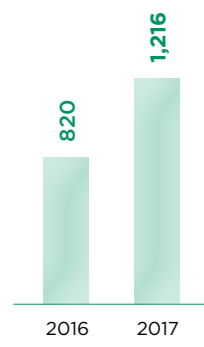
Hosting the largest-capacity international investment of Glass Packaging Group, Russia is among the top 10 economies of the world, according to the dollar-based purchasing power parity in 2017. While political and economic crises that arise from the political deadlocks and sanctions starting with the US and EU in 2014, have caused Russian economy to shrink; the country has started an economic recovery in 2017. Rouble had been devalued sharply with the effect of economic contraction, but gained some value in 2016 and 2017, and remains stable currently.

Oil and natural gas derivatives comprise 50% of the total revenue budget and 59% of the export of Russia. The drop in oil prices starting in mid-2014 until early 2015 has been one of the most important factors in economic contraction and devaluation of currency in Russia.

### ACHIEVEMENTS IN 2017

Şişecam Glass Packaging has continued to grow in 2017, in a year of global developments and domestic market dynamics, increased competition in domestic market and production capacities. Group has had a year of increased emphasis on immaterial assets in addition to sustainable profitable growth approach, with innovative strategies targeting globalization. Şişecam Glass Packaging has always attributed utmost importance on the value offered to the customer, and made a record sales approximately 1 million tons in its Turkey operations.

International  
Sales  
TRY Million



**Şişecam Glass Packaging continued to move forward with firm steps in pursuit of sustainable profitable growth target by maintaining strong position in its current markets changing dynamics in the domestic market, in 2017.**



Execution of excellence in quality

In 2017, Şişecam Glass Packaging has kept increasing its export targets to become a global company. Şişecam Glass Packaging reached a historical record level in export sales in 2016, thanks to new marketing and sales strategies, and has kept its export sales at 13% level of total sales in 2017, in line with the sustainable export strategy.

Having continued capacity increases with investments in Turkish market, Şişecam Glass Packaging has completed cold repair of furnace No: 20 at Mersin Plant and commissioned the furnace with the additional capacity created, in 2017.

In 2017, Şişecam Glass Packaging's sales have increased 6% in quantity. Company's net revenue has reached TRY 2,411 million, where approximately 50% of sales revenue is from foreign operations.

### Plants and Capacities

Şişecam Glass Packaging continues its operations in four countries; Turkey, Russia, Ukraine and Georgia, with a total production capacity of 2.3 million tons/year. The Company plans to boost its production capacity to 2.5 million tons/year after the fourth furnace investment at Eskişehir Plant, which will be commissioned in the second half of 2018.

### Operations in Turkey

Şişecam Glass Packaging conducts production activities in Turkey at 10 furnaces in three facilities located in Mersin, Bursa and Eskişehir. The number of furnaces will increase to 11 with the fourth furnace investment at Eskişehir Plant that will be opened in 2018. The Company has been the market's leading producer since its founding and continued to improve its competitiveness in 2017.

Having started operations at Eskişehir Organized Industrial Zone in 2013, the Eskişehir Plant will expand its capacity by 150 thousand tons/year with the fourth furnace investment to be realized in 2018.

Şişecam Glass Packaging's Eskişehir Plant is the only glass packaging production facility for pharmaceuticals in Turkey with "Clean Room" application production standards. In addition, the Company creates a competitive advantage and differentiates in the market by offering its customers decorated products, thanks to its glass decoration facility in Eskişehir, which has an annual production capacity of 300 million units.

**ŞİŞECAM GLASS PACKAGING CONTINUES ITS INVESTMENTS TO EXPAND CAPACITY AND BOOST EFFICIENCY WITH NEW TECHNOLOGIES COMPATIBLE WITH INDUSTRY 4.0.**



## AN OVERVIEW OF 2017

Şişecam Glass Packaging as the fifth largest glass packaging manufacturer in Europe and world, has carried out its operations in Turkey record sales of close to 1 million tons in 2017.

ŞİŞECAM GLASS PACKAGING INCREASED BOTH ITS REVENUES AND OPERATIONAL PROFITABILITY BY BOLSTERING ITS POSITION IN THE RUSSIAN MARKET WHERE IT IS THE LEADING SUPPLIER.

The mineral water sector is the driving force of the glass packaging market in Turkey; it also makes up for about 68% of the Company's total sales together with the food and spirits industries. Şişecam Glass Packaging managed its risks by shifting its market focus from mineral water production to other sectors and the Company also improved its sectoral sales distribution by implementing a more balanced sales strategy to take full advantage of the developments in this highly competitive environment.

Issues such as extending the endurance of glass packaging, lightening the products, reducing the process inputs and wastes of production, using renewable energy, and recycling of glass were focused on by the Company in 2017. New studies were started within this context during the year; the Company have continued various developments and cost reduction analytical studies, particularly energy savings at all plants.

EXTENSIVE IMPROVEMENT AND COST REDUCTION EFFORTS, PRIMARILY TO ACHIEVE ENERGY SAVINGS, CONTINUED AT AN ACCELERATING PACE AT ALL PLANTS WITH NEW PROJECTS.

**Activities outside Turkey**  
The Group's position in the market strengthened as the only glass packaging manufacturer after the start-up of the second furnace with 30 thousand tons/year capacity in 2014, at the Georgia Mina Plant, Şişecam Glass Packaging's first foreign investment. This investment has resulted in faster response to customer demands, thus increasing market share against import and the Group maintains its leader position in the market with its product composition targeting the mineral water, wine and non-alcoholic beverages sector.

In Russia, another operating region of the Company, glass packaging demand has decreased by 22% between 2011 and 2017. Main reasons for the decreased demand are the drop in purchasing power as a result

of economic crises, and the government's actions to reduce the consumption of alcoholic beverages, such as increased taxes, advertisement and sale prohibitions. Demand for glass packaging is expected to slightly improve with the halt in Russia's economic contraction in the years to come, upcoming major sports events and the effect of the Crimean market. The decrease in demand was followed by similar decrease in production capacity and quantity. Since 2011, 13 glass production facilities have ceased their activities. In mid-2013, one of the Company's production facilities, Pokrovsky with a capacity of 200 thousand tons/year, suspended its activities. The Company took this action in line with its goals of maintaining the right balance of production, sales and inventory. Implementation of this decision continued in 2017 on the grounds that demand in the region is still low.

Despite these business closures, the supply demand balance in the Russian domestic market continues unfavourable for manufacturers. Furthermore, this situation has caused an intensive competition in the glass packaging manufacturing industry, setting an obstacle to increase in sales prices. Many producers with financial difficulties continuing to operate on the verge of bankruptcy, new investments in the sector came to stop point, except for those that were mandatory.

Despite the adverse conditions in the country, Company has strengthened its position as market leader glass packaging manufacturer, has achieved the highest operational profitability and sales revenue in the local currency. Company, is ahead of competitors in the market, with its financial stability, production experience and quality, business development capability and managerial force. In 2018, it aims to maintain its market share and increase profitability, by making investments that quickly pay itself, and focusing on customer satisfaction.

Drop in demand in Russian domestic market and the exchange rate advantage in recent years have oriented Company towards exportation, and sales to countries other than Commonwealth of Independent States have more than fourfold since 2012. In addition, Company assesses the opportunities to increase its domestic market share in Russian domestic market and the Commonwealth of Independent States (CIS).

In December 2014, Şişecam Glass Packaging suspended production at its facility in Ukraine, mainly because the furnace had reached the end of its life cycle but also due to economic and political uncertainties in the country. The Group will continue to supply products to Ukraine from its other plants until stability is restored in the country.

### **TRY 339 million of investment expenditure**

In 2017, a total of TRY 339 million modernization and improvement investment was successfully made in Turkey, Russia and Georgia. Due to gradually increasing competition in glass packaging market, focus has remained to be on competitive cost, supply chain excellence, plain production and high automation etc. matters. In addition, Company has expedited various development and cost reduction works, particularly energy savings, in all factories, and as a result of these projects, savings achieved was approximately TRY 25 million in Turkey and TRY 27 million in foreign operations.

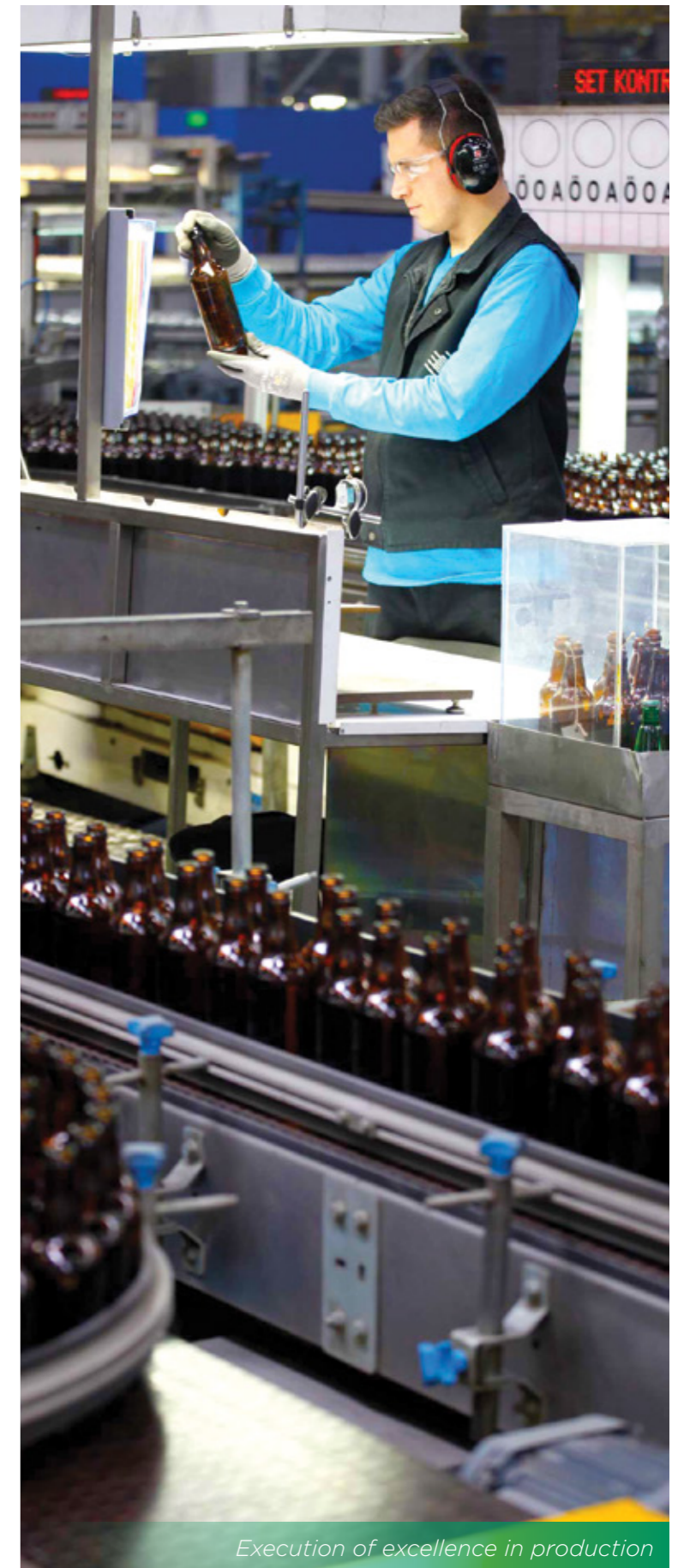
### **Product design works**

Having a significant position in glass packaging production in the world and in Turkey with its innovative and creative stance, Anadolu Cam Sanayii A.Ş. supports its customers with Şişecam Design Centre since 2006.

Şişecam Design Centre meets the diverse glass packaging demands of consumers and brands with awarded designs. With industrial design, advanced engineering know-how and deep-seated experience, Şişecam Design Centre has worked on 261 product projects in 2017.

### **University - Industry Cooperation Project**

Already having university and industry projects with 11 universities in 10 years, Şişecam Glass Packaging has added another new project in 2017 via Karabük University. Group's project with Karabük University was conducted by Şişecam Design Centre; and a catalogue has been prepared in memory of the project.



Execution of excellence in production

# AN OVERVIEW OF 2017

Şişecam Glass Packaging conducts its business operations with a focus on using natural resources effectively, minimizing environmental impact and boosting energy efficiency.

**DURING THE YEAR, ŞİŞECAM DESIGN CENTRE WORKED ON A TOTAL OF 261 PRODUCT PROJECTS.**

**Superiority Award to the corporate website**

Company's corporate website has been awarded "Superiority Award" in "Professional Service on Web Pages" in the 23<sup>rd</sup> annual "Communicator Awards" category, the most prestigious international award program in marketing and communications.

**Works of Adding Glass to Life**

Within the activities of increasing consumer awareness regarding glass packaging, in addition to its corporate website, the Company relaunched its web platform hayatacamkat.com which is online since 2012 with the renewed interface.

The website with its design enabling access to all content and information in the easiest manner greatly is appreciated by followers, especially notable for its dynamic structure which approaches glass, through titles such as taste, health, environment and life. The website also includes subjects related to glass such as production process and recycling, through topics like "The Adventure of Glass" and "How Does Glass Come to Life."

With the re-launch campaign, total number of followers on websites and social platforms has approached 70 thousand towards the year-end.

With the renewed interface, hayatacamkat.com has been a finalist, in the corporate blog category of Golden Spider Web Competition, Turkey's first and only independent web award, among with strong brands.

**Investments**  
TRY Million



**"Refika's Kitchen Recipes" on "Adding Glass to Life"**

As part of the Adding Glass to Life project, video shoots were held for practical recipes, which Chef Refika Birgül demonstrated with glass bottles and jars. A total of 11 videos - including recipes in glass packaging and shared on the Hayatacamkat.com website and social media channels - appealed to audiences with great interest and admiration.

Throughout the year, fun and practical recipe videos that reflect the health, purity and beauty of glass were shared. In addition, mini-competitions were organized, through which followers won gifts.

**Significant events**

**A year full of exhibitions**

As a pioneer and leader manufacturer in Turkey's glass packaging sector, Şişecam Glass Packaging has proudly participated in three exhibitions in 2017:

- Fourth annual pharmaceuticals exhibition CPhI Istanbul on 8-10 March
- Seventh annual Olivtech exhibition in İzmir on 26-29 April
- 23<sup>th</sup> annual Euroasia Packaging exhibition in Istanbul on 25-28 October

**Environmental Applications**

Şişecam Glass Packaging is aware of its responsibility to protect the environment and believes that we should leave a habitable world for future generations. This approach is one of the core principles of the Company's strategic management and has been integrated into every stage of its processes. Şişecam Glass Packaging aims to conduct all environment protection activities with an Environment Management System approach in accordance with applicable legislation and according to sustainability principles.

In order to assess the environmental impacts arising from its activities as well as its suppliers' impact on the natural environment, Şişecam Glass Packaging conducts supplier audits planned by the head office at its three plants in Turkey. Action plans are prepared for the breaches found in audits covering quality, environment, job health and safety management systems and process topics. Suppliers' improvement performances are closely monitored. During the reporting period, 25 suppliers were audited under this effort, and action plans were requested for the breaches discovered.

Operating in a highly energy-intensive sector Şişecam Glass Packaging sees reduction of energy consumption and increasing energy efficiency among the prioritized subjects. Reduction of total greenhouse gas emissions and waste and protection of natural resources are among other emphasized matters.

In the last quarter of 2017, Şişecam Glass Packaging's factories have been merged into one legal entity, and a common Environmental Management Unit has been established to fulfil the liabilities under the environment legislation.

Various educations about environment legislation, waste management and environmental management system applications have been arranged for 2.136 employee and subcontractors to increase awareness.

**Studies for Use of Cullet**

With the concept that glass is the most natural and healthy packaging material, Şişecam Glass Packaging conducts all its activities with the understanding of eco-friendliness and sustainability. Aiming to use natural resources efficiently, reduce the environmental effects to the lowest and increase the energy productivity constantly, Şişecam Glass Packaging plans to increase the use of recycled glass (cullet) amount and quality at production plants in order to minimize the consumption of resources. Quality and quantity premiums will continue to be implemented, and cullet suppliers will be supported and continuously improved. 172 thousand tons of recycled glass has been procured in 2017.

**EXPECTATIONS AND OBJECTIVES FOR 2018**

In response to the changing dynamics in global and Turkish glass packaging market, Şişecam Glass Packaging will maintain its market leader position in Turkey while creating sustainable profit and value, without pausing the efforts in 2018 for becoming a global player.

As a leader glass packaging company, Şişecam Glass Packaging will focus on developing competitiveness both in domestic and foreign markets, in line with our respect for the people, the nature and the environment, and while performing activities to increase glass packaging consumption.

With high rate of automation at advanced production network and production facilities, "Smart Factories" will be created, ensuring the development of "Learning Enterprise" structure among the facilities, and increasing production efficiency in every area (with Industry 4.0 compatibility). Şişecam Glass Packaging combines its technological superiority with innovative and authentic perspective, and will continue to play an important role in the future of all stakeholders, particularly our employees and customers, as was the case in the past.

Achieving operational excellence with improvements and innovations in management of processes will be one of the focus areas of the Company in 2018.

**ŞİŞECAM GLASS PACKAGING INCREASES THE AMOUNT AND QUALITY OF RECYCLED GLASS IN ITS PLANTS EVERY YEAR.**

**ANADOLU CAM SAN. A.Ş. CONSOLIDATED INDICATORS\* (TRY M)**

	2016	2017
Sales	1,830	2,411
International Sales	820	1,216
Gross Profit	457	671
Operating Profit before Financial Expenses	502	318
Equity Holders of the Parent	457	181
EBITDA	747	614
Net Financial Debt	747	1,009
Equity	1,911	1,892
Total Assets	4,417	4,183
Investments	332	339
Number of Employees	4,268	4,193

\* Including Anadolu Cam Sanayii A.Ş., OOO Ruscam Management Company, OOO Ruscam Glass Packaging Holding, JSC Mina, Merefâ Glass Company Ltd., OOO Energosystems, CJSC Brewery Pivdenna, Anadolu Cam Investment B.V., Balsand B.V., AC Glass Holding B.V.

# ŞİŞECAM CHEMICALS

## STRONG PERFORMANCE

While we reinforce our strong position globally, we continue to welcome the opportunities in alternative markets.

We impact a wide range of sectors with our advancements, demonstrate excellence with our continuous improvement approach and create value for our stakeholders with our strong performance. All the while, we make our reputable brand widely known – from America to the Far East – with our product and service quality.

## AN OVERVIEW OF 2017

**23%**

**INCREASE IN SODA SALES REVENUE**

### AN OVERVIEW OF 2017

#### Developments in the Soda Sector

In 2017, the supply-demand balance of soda products continued its stable course worldwide, while varying on a regional basis. The biggest increase in demand was in China, the leading soda market, at 7% despite a fluctuating trend during the year. Russia came next, with a 6% rise, particularly due to the positive impact of the flat glass sector. Central Europe and the Middle East, which are positioned as our key soda export markets, maintained steady growth of around 4%.

The growing pressure of the Chinese government on local producers regarding environmental regulations led to a shift in the flow of global soda trade, especially starting in the second half of the year. Production halt and interruption of the facilities that cannot be operated in compliance with emission regulations occurred. This resulted in China's import dependent soda purchases to tend toward spot purchases from other countries.

**WIDE PRODUCT RANGE AND INCREASING MARKET PENETRATION**

In 2017, the glass industry, which accounts for 54% of global soda ash consumption, realized a demand rise of about 3.5%, while global demand in the detergent industry, the second largest user of soda ash, went up 1%, albeit with some regional differences.

In 2017, while the soda demand of Turkey's domestic glass industry had a positive trend, rising exports in the textiles sector and foreign currency exchange rates positively affected soda demand, especially in the second half of the year. In the detergents sector, in addition to growth in the domestic market, the detergent supply of Turkish producers to neighbouring countries, which had production bottlenecks due to internal turmoil, significantly boosted soda and sulphate demand in the sector. Demand for sodium bicarbonate grew in 2017, in parallel with the cross border trading activities of feed and food manufacturers,

which use sodium bicarbonate in production, and the effect of Iran, Iraq and Syria, which purchase this product from Turkey.

#### Developments in the chromium chemicals sector

In third quarter 2017, the chromium chemicals sector evolved in a different direction due to the consolidation of a major player and the closure of one of its facilities for product optimization. The markets moved in a positive direction after August, with demand and supply becoming more balanced than in previous periods and market prices moving upwards. In particular, while sodium bichromate prices rose rapidly, prices of basic chromium sulphate, which is one of the most important inputs of the leather industry, also went up. After the consolidation in the market, the sales volume and prices of the chromic acid product increased, especially in the last quarter of the year.

In 2017, the reacceleration of leather exports to Russia resulted in a significant expansion in the production of leather, which is one of our main customer sectors. The domestic basic chromium sulphate market posted tangible growth compared to last year.

The steep rise in the prices of chromite ore, which is the raw material of chrome chemicals, declined back to normal levels in the middle of the year and had a relatively stable trend until end-2017.

### ACHIEVEMENTS IN 2017

#### Strong Performance

With operations in six countries, Şişecam Chemicals bolstered its strong position globally with its successful performance in 2017 despite facing tough market conditions. In addition to strengthening its position in its current markets, the Company maintained its competitive advantage by also evaluating opportunities in alternative markets. In 2017,

**In 2017, Şişecam Chemicals maintained its strong position on the global scale with to its product and service quality, efforts focused on continuous improvement, and successful performance in target markets.**



*Execution of excellence in specialization*

Şişecam Chemicals increased consolidated revenues by 20% and boosted international revenues by 46% compared to the previous year.

#### 23% Increase in Soda Products Sales Revenue

Soda supply and demand remained in a state of balance across the world in 2017, which was a very successful year for the soda product group. Soda sales revenue went up 23% (on a TRY basis) over the previous year. The Group achieved 2.3 million tons of soda production at its plants in Mersin, Bosnia & Herzegovina and Solvay Sodi, its joint venture company in Bulgaria. Şişecam Chemicals, the fourth largest soda manufacturer in Europe and among the top 10 in the world, made 78% of its total sales from these three facilities to international markets.

When compared to its international competitors, soda production of Şişecam Chemicals enjoys several advantages, including rich resources of raw material, energy management system, product quality, high level of operational efficiency and logistic advantages due to proximity to the port.

#### Sustainable Sales Performance in Chromium Product Group

Growth rates and areas of usage in the leather, metal plating, wood preservation and pigment manufacturing industries, which use chromium compounds as input, has been

in a recovery process lately. As a result of effective marketing efforts, Şişecam Chemicals increased its sales volumes and market shares in Asian and South American countries.

Şişecam Chemicals achieved its target sales and revenues in all products in the chromium product group, which performed well in 2017. The Company increased market penetration of the basic chromium sulphate product in South America. In addition, it gained significant market share by entering Central American markets, where its presence was relatively limited in the past. Sales of chromic acid in Asia and the Far East, where marketing activities have ramped up in recent years, improved with the positive return received in these regions. Şişecam Chemicals achieved a significant boost in sales of its sodium bichromate product to Europe via strategic agreements it realized. In the Asia region, sodium bichromate sales expanded more than 50% due to the stronger sales network and improved customer relations in recent years. Maintaining a presence in Europe with its Chrome III products, Şişecam Chemicals steadily provides services in the niche markets where these products are used.

In 2017, Şişecam Chemicals increased its domestic activity and market share of basic chromium sulphate by 3-4 points compared to the previous year.

**LEADING CHROMIUM CHEMICALS MANUFACTURER WITH HIGH QUALITY PRODUCTION CAPABILITIES AND EXTENSIVE SALES NETWORK**

## AN OVERVIEW OF 2017

Şişecam Chemicals makes a difference in the sectors where it operates with its high environmental standards, commitment to quality and strong customer relations.

**OPERATIONAL EXCELLENCE, PROCESS SIMPLIFICATION AND EFFICIENCY BOOSTING INVESTMENTS**

Alongside of its main manufacturing hub, the Kromsan Plant in Mersin, Şişecam Chemicals also has a production and selling organization in Italy and a sales company in China and generated 87% of its total chromium sales revenue from exports. Thanks to its advanced manufacturing technology, high capacity utilization, product development efforts, capability of achieving consistently high quality in manufacturing, widespread sales network, and high environmental standards, the Kromsan Chromium Compounds Plant maintained its leadership position in 2017.

Cromital S.p.A., Şişecam Chemicals' subsidiary in Europe, manufactures and sells basic chromium sulphate in liquid and powder form. The Company is the market leader in Italy, Europe's biggest leather processing centre. This facility is also a major European supplier of liquid chromic acid, liquid sodium bichromate and chromium III chemicals, which are used in the metal plating industry. Cromital is the only facility in Italy to have been granted a permit for treating and recovering chromium wastewater generated by the metal plating industry. As a result, the Company contributes to environmental protection efforts by recovering and reusing chromium in its production.

As a major exporter of soda ash and chromium products to the EU, in 2017, Şişecam Chemicals fulfilled its obligations under the REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) Regulation No. EC/1907/2006, a highly important EU regulation.

Pursuant to the authorization process of the chromic acid product initiated in 2012 under REACH, the official work, which started with the authorization application submitted to the European Chemicals Agency in May 2015, continued in 2017. The process is expected to be completed in second quarter 2018.

In 2017, two more companies were added to the registration file of the chromium nitrate product, which is the leading registrant of Şişecam Chemicals. Another firm joined the registration file of the chromium chloride product, which is the leading and only registrant of Şişecam Chemicals. REACH registration was completed for the chromium hydroxide nitrate product, which was included in the product range of Şişecam Chemicals in 2017.

In Turkey, the Regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (Turkish REACH), published in the Official Gazette dated June 23, 2017 and numbered 30105, entered into force on December 23, 2017. Şişecam Chemicals started preparations in order to fulfil all the requirements by participating in seminars and workshops organized by related institutions in connection with the regulation.

Şişecam Chemicals participated in the All China Leather Exhibition held in Shanghai in 2017. In addition to 20 countries, numerous companies from various parts of China participated in the Exhibition, where Şişecam Chemicals presented its leading brands TANKROM® and Ecol-tan®, which are aimed at the leather industry, to international participants.

In 2017, Şişecam Chemicals came together and strengthened its ties with the industry's leading companies by participating in the 4<sup>th</sup> International White Meat Congress and Ordinary General Assembly of Turkey Feed Association (TUYEM). The Company created new sales opportunities by communicating with companies, which just started production.

Şişecam Chemicals, which participated in the World Soda Conference in Dubrovnik/Croatia on 20-21 September 2017, came together with the users and suppliers in the soda sector. In addition, the presidency of the European Soda Ash Producers Association (ESAPA) is carried out by Şişecam Group since 2016.

**NEW GLASS FIBRE INVESTMENT**

**Highlights of 2017 Investments**

Şişecam Chemicals and its subsidiaries continue to undertake efforts, particularly in the soda ash and chromium production facilities. These investments aim to bolster operating performance, reduce costs, boost productivity in line with the Company's strategy of achieving profitable growth. In 2017, Şişecam Chemicals' capital investment spending amounted to about US\$ 40 million.

In the operating area of glass fibre, the investment for Şişecam Fibre Plant started. The new facility, which will be equipped with modern technology and will start operation in Balıkesir with low cost production process and value-added product portfolio, is planned to be commissioned in the second half of 2018.

The Group completed the investment to expand the capacity of its Mersin Soda Plant. Investment in salt facility in order to provide with the sustainable raw material supply in the Mersin Soda Plant continued in 2017 and logistics infrastructure development studies carried on in parallel with the increasing competition. In the Kromsan Plant, investments were continued to increase the efficiency of the use of raw material and capacity utilization rate while operations were focused on reducing energy costs.

The Group carried out studies to improve energy and process efficiency Şişecam Soda Lukavac Plant in Bosnia & Herzegovina. Infrastructure improvement and modernization efforts also continued throughout the year, coupled with investments.

Şişecam Chemicals' R&D efforts aim to improve the existing processes in the production of soda and chromium compounds in an environmentally compatible manner with the use of low-cost technologies. Other R&D objectives include expanding the product portfolio with high value added products and boosting the Group's competitive advantages by reducing costs and improving productivity.

In 2017, in the soda product group, the R&D team continued to research on new products, investigate the use of alternative raw materials, develop the analysis methods and process modelling activities. In the chromium product group, the team carried out studies on the development of process and product quality, established new procedures by examining existing analysis methods, and continued experiments on the laboratory and pilot scale to develop new leather chemicals. In addition, it examined the requests regarding environment, product and raw material in a scientific context.



Execution of excellence in operations

## AN OVERVIEW OF 2017

Şişecam Chemicals produces raw materials for a wide portfolio of products in a diverse range of sectors, from leather and feed, to detergent and metal coating.

FOCUS ON GROWTH IN VALUE ADDED BUSINESS LINES IN MINING OPERATIONS

4.2 MILLION INDUSTRIAL RAW MATERIAL PRODUCTION

### CAMIŞ MADENCİLİK

Operating under Şişecam Chemicals with more than 600 employees, the Group's mining enterprises provide raw materials to glass, glass fibre and soda ash factories located in Turkey and abroad. The mining companies produce raw materials for the glass, ceramic, cement, silicate and solar glass industries.

In 2016, 4.2 million tons of products were produced and sold by Şişecam Chemicals that has mine licences and raw material processing facilities in Egypt, Bosnia & Herzegovina and various locations in Turkey, with the product range that keeps expanding. Camiş Egypt Mining Co. started to meet the raw material required by the Group for solar glass production with Zafarana Sand Quarry and Sand Processing Facility, commissioned in Egypt. Camiş Madencilik A.Ş. performed above its target in 2017 with increasing Non-Group sales and the Company plans to maintain this acceleration in the coming period.

With the investments realized in 2017, Camiş Madencilik increased the capacity of Karabük Quartz Sand Processing Facility and commissioned the fluid-bed sand dryer line in Bilecik Quartz Sand Processing Facility. Speeding up the metallic mineral exploration activities carried out in various parts of Turkey, the Company plans to conduct tracking and geophysical studies at licensed sites where geochemistry studies have been completed.

Camiş Madencilik aims to expand with new projects in industrial raw materials with facility establishments and base metals with investments to increase capacity in Turkey and abroad in line with the Group's growth strategies.

### CAM ELYAF

Operating under Şişecam Chemicals, Cam Elyaf manufactures the main inputs for the composite industry, including mats, multi end roving, single end roving, and chopped strands. The Company serves a variety of business sectors, such as wind turbine blades, interior/ exterior automotive parts, engineering plastics, marine products, industrial applications and construction.

In 2017, Cam Elyaf generated 26% of its total sales revenue from export markets. In parallel with the government's efforts to support domestic production in the wind power industry, the Company aims to further boost direct roving sales as part of projects that have been approved and are awaiting approval. Glass Fibre products aiming to meet the specific requirements of the main sectors domestically and in abroad have DNV-GL, Lloyds Register and FDA certification.

The investment for the new Şişecam Fibre Glass Facility, which will be equipped with modern technology with the aim of maximum efficiency, is initiated in 2017, and new plant is planned to be commissioned in the second half of 2018. In addition, trial production of higher value-added products was performed in cooperation with the R&D department of Şişecam in 2017.

### OXYVIT

Founded jointly with the Italian Cheminvest BV in 1996, and totally acquired in 2017 by Şişecam, Oxyvit Kimya produces Vitamin K3 derivatives and sodium metabisulphite.

Oxyvit, the only Vitamin K3 producer in Europe, maintained its strong market position in 2017. The share of exports in Vitamin K3 sales, where predominantly the European market was targeted, stood at 93%. The

Company aims continue its activities for market diversification in 2018 and increase penetration especially in Asia and South America regions.

As for the Company's other product sodium metabisulphite, sales volume increased by 10% compared to the previous year. Diversifying its portfolio by entering new markets in Europe, South America and Asia over the course of the year, Oxyvit exported about 70% of its sodium metabisulphite production.

### EXPECTATIONS AND OBJECTIVES FOR 2018

The supply and demand balance realized in 2017 in the soda ash industry, is expected to continue throughout 2018. Global demand growth of 2% is projected for soda, related to growth projections of glass, mainly flat glass and other industries served. Demand increase in North-eastern Asia, the Indian continental shelf and Africa is expected to maintain a level above the global average in 2018 with the impact of growth in the glass and detergent industries. It is expected that the overall recovery in Europe, primarily in glass sector, to positively affect soda demand in 2018.

In line with soda industry related developments, the highly competitive environment is expected to continue into 2018. In consequence, Soda Sanayii will carry on with projects that focus on cost management, effective supply processes, and energy efficiency. The Company aims to expand the share of sales in dominated markets through the continuance of operational efficiency and effective service provision to global customers via long-term agreements.

In the chrome chemicals sector, the prices of chrome ore, which had a more stable trend in the second half of 2017, are expected to maintain this trend in 2018 as well. Competition in the global chromium chemicals market is expected to continue while the value of the chromium chemicals in global markets will reach higher levels compared to previous years and supply and demand equilibrium will be maintained different from the previous years. In line with its growth strategy in the chromium industry, the Group aims to further expand its market and bolster its competitive advantages by increasing sales, in terms of both quantity and revenue, via optimal capacity utilization, operational efficiency and cost reduction.

In the coming period, Şişecam Chemicals will protect its presence in the markets and increase its effectiveness, by reaching out all countries where chrome chemicals are used. Şişecam Chemicals maintains its appetite to head towards new initiatives as a requirement of being a global player in the area of chromium chemicals. In addition, the production of new and environmentally friendly products using environmentally friendly technologies is among the priorities of Şişecam Chemicals.

The mining ventures realized more than 900 thousand tons of raw material sales outside Şişecam Group in 2017. Şişecam Chemicals mining enterprises aim to grow in value added business areas in addition to maintaining and reinforcing of the Company's reliable raw material supplier status in domestic and foreign markets.

### CHEMICALS GROUP COMBINED INDICATORS\* (TRY M)

	2016	2017
Sales	2,432	2,917
International Sales	1,386	2,020
Gross Profit	770	1,005
Operating Profit before Financial Expenses	569	720
Profit/Loss for the Period	611	737
EBITDA	691	879
Net Financial Debts	(783)	(1,197)
Equity	3,016	3,688
Total Assets	3,833	4,492
Investments	182	145
Number of Employees	2,611	2,584

\* Including SS A.Ş., Cam Elyaf, Camiş Madencilik, Madencilik Sanayii ve Tic. A.Ş., Camiş Egypt Mining, Vijenac.

### SODA SANAYİ A.Ş. CONSOLIDATED INDICATORS\* (TRY M)

	2016	2017
Sales	2,068	2,451
International Sales	1,294	1,894
Gross Profit	673	854
Operating Profit before Financial Expenses	531	643
Equity Holders of the Parent	576	661
EBITDA	629	779
Net Financial Debts	(731)	(1,039)
Equity	2,603	3,192
Total Assets	3,317	3,881
Investments	170	133
Number of Employees	1,576	1,563

\* Including Soda Sanayii, Şişecam Bulgaria Ltd., Oxyvit Kimya, Şişecam Soda Lukavac, Cromital, Şişecam Chem Investment B.V., Solvay Şişecam Holding AG.

OXYVIT KİMYA, ONE OF THE LEADING MANUFACTURERS IN ITS FIELD, WAS WHOLLY ACQUIRED BY ŞİŞECAM CHEMICALS IN 2017.

## RESEARCH AND TECHNOLOGICAL DEVELOPMENT

As part of Corporate R&TD and Design efforts, a common understanding and management approach were determined throughout Şişecam Group.

**HIGHLIGHTS OF THE RESEARCH TECHNOLOGICAL DEVELOPMENT AND DESIGN ROADMAP INCLUDE: PRODUCTION EFFICIENCY, ENERGY EFFICIENCY, ENVIRONMENTAL IMPACTS, INNOVATIVE TECHNOLOGIES, NEW PRODUCTS AND IMPLEMENTATION AREAS.**

The world glass industry's strategic goals, within the framework of science, technology and industry include: producing with Six-Sigma quality; spreading 4.0 based factory production (Innovation 4.0 + Industry 4.0 + Circular Economy); decreasing the difference between theoretical and actual energy consumption to 50% in glass production; reducing emissions in the production value chain of glass and products by 20%; ensuring 100% glass recycling in regions/countries where per capita use of glass is higher than 3 kg; reducing cost of glass production by 20% in total; breaking the routine on new products and production technologies; and widening the perspective on the market. While moving toward these objectives, the areas that stand out in the Research, Technological Development and Design (RTDD) roadmap are: production efficiency, energy efficiency, environmental impacts, innovative technologies, new products and implementation areas.

In 2017, Şişecam Group placed the design operations of the Glassware and Glass Packaging Groups under the Şişecam Science and Technology Centre (STC). The Group believed that the ecosystem should become stronger as it moves toward innovative product from innovative idea. With the synergy to be gained by being under the same roof, the Group aims to stand out in the research and technological development and design areas of the global glass industry.

In 2017, the Research and Technological Development Presidency (RTD) provided measurable contributions to the objectives of Şişecam's strategies with 145 full-time RTD and 18 design personnel by supporting units within STC, five domestic and four foreign regional laboratories it serves, in addition to five laboratories of the Production Groups.

Sixty percent of RTDD staff has a graduate degree. As RTDD researchers, their primary objectives are divided into three steps. The first step is: "New technology and product development in addition to technology and product optimization in existing, adjacent and transformational business areas." The second step is: "Testing the feasibility of these opportunities in a laboratory environment with a focus on commercialization." The research staff's third step is: "Trial production and rapid move toward the commercial aspects and the market."

Corporate RTD and Design activities foster the adoption of the common understanding, common method and common memory approach throughout the Group. Major investments realized in the RTD and Design infrastructure coupled with rapidly increasing knowledge, skills and competencies give Şişecam Group a competitive advantage in the race to launch new products and technologies in strategic areas.

Şişecam Science and Technology Centre ranked first in Intellectual Property, second among Glass and Ceramics Products R&D Centres, and fourth overall, in the 2017 Performance Index. This index ranks 144 R&D Centres in Turkey and is compiled by the TR Ministry of Science, Industry and Technology.

### Strategy Focus on R&TD and Design

2017 RTDD strategies were closely aligned with Şişecam Group and Production Groups Strategies. RTDD Strategies are formulated in light of scientific, technological and market developments and changes in the national and international glass industry. The "excellence" goal lies at the heart of the strategies at every step, from raw material to finished product.



Execution of Excellence at R&TD

Seventeen development and furnace investment projects were run during the year. Under this effort, 11 production lines and six new furnaces were designed by mathematical modelling and technologically developed. Their manufacturing drawings were produced, and technical expertise was provided for material procurement. The total annual capacity of the 46 active furnaces reached 6.5 million tons of glass. In the area of Melting Technologies and Engineering, with design optimisation and re-engineering of the two furnaces at the Şişecam Glass Packaging Russia plants, where cold-repairs were made, energy consumption was reduced by 11% and 6%, respectively compared to the best performance in previous campaign.

The design and technological infrastructure studies of a greenfield glass packaging furnace in Turkey, planned to be commissioned in second quarter of 2018, were completed. In glass fibres, Şişecam's largest full oxy-fuel e-glass furnace in Balıkesir, and in glass packaging, end fired new furnace of Şişecam Glass Packaging in Eskişehir, were planned to be commissioned in mid-2018 in line with the project deadline and performance targets.

As a part of Industry 4.0 practices, the first phase of the effort to establish integrated furnace database software was completed with the aim of enhancing the life and performance of the furnace. Şişecam is closely aligned with digitalization projects using new sensor applications. In one of the Trakya Cam float furnaces, which was planned to be cold-repaired in 2018, an external grant application was submitted to boost production capacity by 15% with "smart" burner technologies by using sensors integrated with the combustion process. In the area of energy efficiency, the innovative CleanOx Project - Reactant Preheating via Radiative Heat Exchangers - was deemed worthy of European Commission LIFE co-funding and is scheduled for demonstration at Paşabahçe Bulgaria by 2021.

In the area of Glass Technologies, melting dynamics for 26 alternative raw materials were studied, and were compared, with aim of cutting cost, improve glass quality and increase the melting efficiency. At Egypt Pearl Glass, which joined Paşabahçe Group, studies for composition optimization and improvement of glass colour in order to produce at Paşabahçe standards, were carried out in the second half of the year. The desired standards level was reached in a short time.

**AT THE ŞİŞECAM GLASS PACKAGING RUSSIA PLANTS, WHERE COLD-REPAIRS WERE MADE, ENERGY CONSUMPTION WAS REDUCED BY 11% AND 6%, RESPECTIVELY COMPARED TO THE BEST PERFORMANCE IN PREVIOUS CAMPAIGN.**

## RESEARCH AND TECHNOLOGICAL DEVELOPMENT

A total of 107 studies were conducted at the laboratory scale for new products and technologies; of which, 51 products/technologies were produced for trial, with 24 of these commercialized.

**INSTALLATION OF THE "MINI MELTER" SYSTEM, WHICH CAN REALIZE 10 KG CAPACITY GLASS PRODUCTION, WAS COMPLETED AND COMMISSIONED AT THE LABORATORY SCALE.**

In the automotive area, significant progress was made to improve raw glass quality, monitor customer complaints, optimize production process and minimize problems caused by fracture.

Experimental studies were executed in the laboratory environment as part of the new coloured glasses. Higher production efficiency and glass quality were ensured with problem-free colour transition processes, besides decreasing transition times for the Flat Glass Group and the Glass Packing Group.

The search for new surface-sensitive characterization methods to shed light on product development, quality control, and problem solving studies continued in 2017. For this purpose, STC acquired the capability to use thin film coating systems of the Rutherford Backscattering Spectrometry (RBS) technique for its chemical analysis, through the international cooperations it established.

Driven by the operational excellence approach, a new design that shortens the transition time from product to product by obtaining the products with similar layer arrays, and which provides angular colour stability, was engaged in Vacuum Coating Technologies in 2017.

Installation of the "mini melter" system, which can produce sample products for all groups with a capacity of 10 kg, was completed and commissioned at a laboratory scale.

### **New Products/Production Technologies**

Efforts toward new product and production technologies in 107 work packages were carried out at the laboratory scale and studies in 74 chapters were completed. Among the completed work packages, production trials for 51 product/technology were conducted; of these, 24 were commercialized.

New products that stand out in architectural implementations include the tempered 70/37 performance coating with angular colour stability (patent application filed); two different tempered 38/29 performance coatings at blue tonality (two patent applications filed); and a high permeability Low-e and Low-E U = 1.0 (certification and patent process are underway) product for international market demand.

In the area of surface technologies, research on strengthening thin flat glasses by using chemical tempering technology, which started with the motivation of lightening auto glass, accelerated in 2017. Mechanical strength of thin glasses was increased up to 3.5 times. With the same technology, the mechanical strength, bendability and impact resistance of ultra-light stemware products, which has lead free crystal composition, were doubled. In 2017, the products which were commercialized by using coating technologies include: In the Glassware Group, neon effect coatings (yellow, orange, green and pink), thermochromics effect coatings (green and black), metallic effect coatings (red, yellow and grey), transparent and granite-looking coatings for BORCAM, and cost effective UV printing paint systems; in the Flat Glass Group, bronze and gold colour new coatings coated with the pyrolytic coating method, pyrolytic low-e, self-cleaning coatings, and antireflective coatings for the PV industry; in the Glass Packaging Group, inorganic spray paints, thermoplastic printing paints, and coatings with non-dispersible coating features. Lastly, in the Chemicals Group, a single-ended roving to be used in long fibre-reinforced thermoplastics for the automotive industry was worked on and produced as a product.

In the area of Glass Technologies, low iron glass containing 0.01% iron oxide was produced in two campaigns for the solar applications as

well as in architectural implementations; it was introduced as a new product with the "ultra-clear" trade name in 2017. As part of Glass Packaging Group studies, glass production was realized for Sevilen Group in two new colours, water green and moss green, which were well received. Two new glassware products, greenish teal blue and turquoise, were manufactured with colouring from the forehearth; in addition, spout coloured products produced by Paşabahçe for the first time were welcomed by customers and taken into the production program.

### **National and International Integration/Intellectual and Industrial Rights and Patents**

In 2017, under our research, technological development and design activities, we conducted 8 projects with six universities and two research institutions, out of 19 domestic and 13 foreign universities and research institutions that we work in cooperation with. In addition, the pre-application of three projects to be executed with two universities and one research institution was accepted. The output of our RTD and Design efforts were presented as 27 papers at 12 international events, and four papers/posters at eight national events. Three Şişecam sessions were also organized at the conferences in our work areas. The annual meeting of the International Commission on Glass (ICG), the most important platform of the global glass industry, was hosted on October 23-25, 2017 together with the 32nd Şişecam Glass Symposium. The event included three panels, one workshop, and six plenary and 24 invited speakers in 29 parallel thematic sessions, 94 verbal papers and 18 posters. It was participated by 417 researchers from 25 countries, of whom 377 were from Europe. Twelve papers on various matters were presented by RTDD on behalf of Şişecam Group. In addition, at the Glass Trend event, an international consortium, three sessions were organized with the theme of glass technology. Glass Trend also held its annual council meeting during the event.

In 2017, the Company submitted applications for two TEYDEB (Technology and Innovation Funding Programs Directorate) projects; two new TEYDEB projects were approved, one TEYDEB project was completed, while studies on one TEYDEB project continue.

Additionally, two ARDEB (R&D Funding Programs Directorate) 1003 projects were completed, one ARDEB project was accepted, and two ARDEB projects are under evaluation. With Germany, the (2+2) project and an EU LIFE+ project continue, while an application was submitted for a new EU LIFE+ project. Preparations for the application of the Europe EUROSTARS project were completed.

In 2017, four patents were registered and 5 patent applications were filed on behalf of the Company. In addition, national/international country entries for 20 patents were filed and 31 preliminary research and freedom to operate analysis were completed for production groups.

### **Developing Knowledge, Skills and Competencies of Human Resources**

In addition to the Glass School activities under Şişecam Academy, two new advanced trainings were prepared for senior engineers and chief positions in all production groups on "Raw Materials and Melting - Fining" and "Glass Defects." Each training was held once during the year.

In 2016, Şişecam launched a new graduate program together with Gebze Technical University ("GTÜ"), as the first industry-university cooperation in the country to provide highly qualified human resources for the glass industry. The Glass Science and Technology Graduate Program successfully continued in 2017, with nine students from Şişecam. The ERASMUS Consortium was established with the participation of Gebze Technical University, Boğaziçi University, Sabancı University, Kocaeli Chamber of Industry, Gebze Chamber of Commerce, Information Valley, Şişecam, and PHI Tech.

RTD staff participated in 33 national and international congresses and symposiums to increase their competency and skills, and create a potential for business cooperation. At these events, a total of 40 papers were presented, one of which was a poster.

"Şişecam Sessions" were held during three national congresses and conferences, in line with the strategies and operating areas of the Groups.

**THE ANNUAL MEETING OF THE INTERNATIONAL COMMISSION ON GLASS IN CONJUNCTION WITH THE 32ND ŞİŞECAM GLASS SYMPOSIUM WAS HOSTED BY ŞİŞECAM. 417 PARTICIPANTS ATTENDED THE EVENT FROM 25 COUNTRIES.**

**IN 2017, FOUR PATENT REGISTRATIONS WERE GRANTED AND FIVE PATENT APPLICATIONS WERE FILED.**



# ENVIRONMENT AND ENERGY

Şişecam Group supports United Nations Sustainable Development Goals.

ŞİŞECAM GROUP BASED ITS SUSTAINABILITY APPROACH ON THE PRINCIPLES OF "PRESERVE, EMPOWER AND PROGRESS."



**Global approach for sustainable development**

As a global, reputable, financially stable company with a transparent understanding of governance, Şişecam Group adopted the United Nations Sustainable Development Goals (SDG). Our way forward on the sustainability pathway is built on the PRESERVE, EMPOWER and PROGRESS sustainability pillars. Our global sustainability approach empowers our employees and stakeholders by advocating and engaging in practices that encourage diversity and inclusiveness; progresses through climate neutral - 360o circular model; and preserves natural resources that we rely on and our institutional heritage for resilient and sustainable generations to come.

**Governance**

Şişecam Sustainability Committee continues its efforts with senior level participation of the Production Groups, Human Resources, Strategy, Innovation, Industry Relations, Information Technologies, Finance, Risk, Purchasing and Corporate Communication units. The working groups within the Committee – Environment, Energy and Water, Occupational Health and

Safety, Innovation, Diversity and Inclusion, Corporate Social Responsibility – aim to manage, co-ordinate and synergize their sustainability related work to achieve system-based solutions with actions generating high impact. The working groups act on annual work programs to ensure the direct implementation of Şişecam sustainability strategy and action plan.

**Tracking**

The domestic facilities of Şişecam Group has conducted cross-checks in line with the Environmental Management System (ISO 14001) principles, level of compliance with environmental legislation and other conditions (international criteria) annually since 2015. The cross-checks completed with the participation of the environmental engineers working at the different facilities of the Group, aimed to assess current and best practices, identify potential areas of improvement. The outcomes of the cross - checks were reflected in regular reports and shared with senior management for action if and any needed. This corporate practice also paved the way to allow environmental engineers working in different facilities to exchange information and benefit from the lessons learned.



The Sustainable Energy Measurement and Monitoring System (SEMMS) is one of the important projects to ensure Şişecam’s operational excellence and to contribute to sustainable growth. The SEEMS system, implemented in 16 domestic operations, is a key tool and digital platform which enables the Group to advance on the implementation of Industry 4.0,OT, monitor specific energy consumption, allow IT infrastructure synergies,, assess operations performance and guide effective investment decisions.

Within the PRESERVE sustainability approach of Şişecam Group as part of its global agenda, implements sustainable environmental and natural resource management practices with special focus on water and terrestrial resources.

**Waste Management**

The Group’s waste management approach includes reducing waste at its source, recycling and engaging in reuse practices. In addition, active efforts are undertaken to disseminate a recycling culture by conducting awareness efforts with stakeholders. In Şişecam Group, 99% of the total waste generation composed of non-hazardous waste.

All recyclable wastes processed through recycling facilities and made ready for reuse. Meanwhile, other non-recyclable wastes

were sent to facilities with the necessary documentation and permits for ultimate disposal.

In 2017, Şişecam collected 54% of the materials used in packaging and delivered to the market in the previous year, and ensured their reclamation. About 16,000 tons of paper, cardboard, plastic and wood was recycled. The Company contributed to the recycling projects of the authorized agency, as well as to education, support and awareness raising activities for students.

**Glass recycling**

Şişecam conducts efforts to maximize the efficiency of glass waste collection and recycling activities in Turkey to create an appropriate infrastructure. To this end, the Company designed and manufactured glass recycling bins for the Horeca sector and offered them for use in 2017. Investing in a sustainable future through glass recycling, Şişecam Group as of end-2017:

- Cooperated with 163 district municipalities in 24 provinces,
- Offered 19,800 glass recycling bins for the use of municipalities, and
- Provided training for 254 thousand primary school students on recycling.

**FIFTY-FOUR PERCENT OF THE PACKAGING MATERIALS WERE COLLECTED AND RECYCLED.**

## ENVIRONMENT AND ENERGY

Şişecam conducted energy audits in its domestic factories in cooperation with UNDP and UNIDO to contribute to the energy audit guide prepared for the glass sector.

THANKS TO GLASS RECYCLING, CARBON DIOXIDE EMISSION WAS PREVENTED EQUIVALENT TO THE WITHDRAWAL OF 328,400 CARS FROM THE ROADS.

Thanks to the recycled glass:

- 912 thousand tons of glass was prevented from going into the waste,
- Equivalent energy savings were provided to meet the heating and hot water needs of 38,300 households,
- Carbon dioxide emission was prevented equivalent to the withdrawal of 328,400 cars from the roads,
- Carbon dioxide emission was prevented in equivalent to the air purified by 28,160,000 trees.

Şişecam being an active solution partner of climate change, PROGRESS through a climate neutral 360° circularity model, champion in digitalization, energy mix solutions, resources management and sustainable factory model with special focus on women and vulnerable communities.

### Energy efficiency work

Energy audits, carried out since 2012, were completed in all Şişecam domestic operations and in Bulgaria. The energy audits were extended to the Romanian factory in 2017 as part of expansion efforts at all factories. To contribute to the National Energy Audit Guide prepared for the glass industry, Şişecam conducted energy audits at two domestic factories in cooperation with the General Directorate of Renewable Energy (REGD) and United Nations Industrial Development Organization (UNIDO). Energy saving opportunities, identified during the energy audits, implementation initiated and improvements within the operations continues.

The 6 MW rooftop solar power plant installed at the Flat Glass-Mersin Plant is among the top 10 worldwide in terms of the installed power as a monoblock roof application. Special energy glasses used in solar panels were produced by Flat Glass-Mersin Factory; nearly 38 thousand m<sup>2</sup> of low iron and special coated energy glass was used.

As part of the Group's sustainable solutions, the Waste Heat Electric Production Facility (WHEPF) was established at four plants (Flat Glass Mersin Plant, Flat GlassBulgaria, Flat Glass Yenişehir Plant and Glass Packaging Yenişehir Plant). The WHEPF is benefiting from the high waste heat potential, with 15 MW electricity production capacity, resulting in a nearly EUR 5.8 million saving by the end of 2017. Additionally, natural gas consumption saving was also realized resulting from hot water generated within the system. Waste heat energy recovery projects implementation will continue in the coming years, based on feasibility studies.

### Ideal Factory Project

Şişecam Group aims to increase production automation as part of the corporate digital transformation activities. In line with this strategy, the potential options in line with the so called Sustainable Ideal Factory initiated in 2017 will be continuing in the coming years as well.

### Active solution partnership for climate change

While actions to optimize the energy consumption and decrease greenhouse gas emissions carbon emissions from processes are regularly monitored, and reported since 2011 annually via the Carbon Disclosure Project (CDP).

CDP, recognized as the world's most prestigious and widespread environmental initiative, is a platform through which companies can submit their climate change strategies. The CDP reports are used for companies' assessment by international investors.

The Company ranked 58<sup>th</sup> among the reporting Turkish companies in 2017. The report reflected carbon emissions performance of the Group's operations in Turkey and Bulgaria to comply with transparency principle, the risk and benefit analyses carried out in this regard are also disclosed to the public.

A greenhouse gas emission monitoring plan for the years 2015 and 2016 was established to fulfil the obligation to verify the greenhouse gas reports of the Group's domestic plants pursuant to the Regulation on the Monitoring of Greenhouse Gas Emissions. The Company's greenhouse gas emissions were computed, documented and verified by an independent accredited organizations.

The Group is committed to **EMPOWER** her employees, local communities, vulnerable groups and supply chain to become a circular citizen and international enabler while respecting diversity, ensure inclusion and foster digital intelligence.

### Global Compact

Şişecam, a party to the United Nations Global Compact (Global Compact), is committed to mainstreamer universal sustainability principles into practice; implement the 10 principles of Global Compact; become responsible producer; and be an active solution partner to the global challenges. Şişecam's commitment to UN Sustainable Development Goals and UN Global Compact's principles is in line with its goal to become an international enabler while sharing its deeply rooted specialized knowhow, drive the economic, social and environmental sustainability.

### Borsa Istanbul Sustainability Index

Şişecam has been a company with ethical values, transparency, an accountable management style, and responsible approach to its stakeholders since its founding. The Company was included in the "November 2017-October 2018 BIST Sustainability Index" which was established after an evaluation among the first 50 companies trading on Borsa Istanbul. In this process, activities such as success in the field of corporate social responsibility, management approach, economic value created, employee participation, occupational health and safety, environment, combating climate change,

and contribution to social development were evaluated according to international sustainability criteria. The successful performance of the Group enabled it to be listed in the BIST Sustainability Index.

### Sustainability reports of the Group and its affiliates

The Sustainability Reports - which describe the sustainability approach of Şişecam Group and its affiliates in terms of economic, environmental and social indicators, and assess the performance of domestic production activities within this context - were also prepared in 2017 and made it available publicly. The report was launched through creative communication mechanism such as audio book to ensure its access to by internal and external visually impaired stakeholders. The CEO message, distributed through a communication package, was also written in the Braille alphabet to raise awareness among visually impaired persons. Recycled and FSC (Forest Stewardship Council) certified papers were used as printed materials.

### Sustainability workshop

The scope of the Energy and Environment Workshop, held annually since 2014, was expanded and organized as Şişecam<sup>1st</sup> International Sustainability Workshop in 2017. The workshop was organized with the theme of "Towards an Interdisciplinary, Interactive and Creative Şişecam" and hosted 153 employees (40% female, 60% male) from Şişecam's domestic and foreign operations. At the workshop, the following issues were discussed:

- Waste Management (Symbiotic Practices, Cross Control, Documentation)
- Sustainable Energy and Water
- Diversity and Inclusion
- Digitalization and Data Management

As the key outcome of the workshop was the thematic based action plans aiming to enhance corporate effectiveness and efficiency at all level.

GROUP LISTED IN THE BIST SUSTAINABILITY INDEX DUE TO ITS SUCCESSFUL PERFORMANCE.



## HUMAN RESOURCES

Şişecam Group implements a human resources policy that executes the best human resources practices in business areas where it operates and adds value to all its stakeholders.

**AN OBJECTIVE, SYSTEMATIC AND DEVELOPMENT-ORIENTED APPROACH IS FOLLOWED IN HUMAN RESOURCES PROCESSES. ALL HUMAN RESOURCES PRACTICES AT ŞİŞECAM GROUP ARE BASED ON EQUAL OPPORTUNITY.**

Ranking among the leading industrial enterprises in the world with 21,327 employees in 13 countries, Şişecam Group implements a human resources policy that targets sustainable success globally; disseminates the innovative and collaborative corporate culture; executes the best human resources practices in business areas where it operates; and adds value to all its stakeholders.

Şişecam Group pursues an objective, systematic and development-oriented approach in all its processes, from recruitment and career management to training, development and performance management. All its human resources practices are based on equal opportunity with the aim of becoming the most preferred employer.

### Recruitment Systems

The main objective of the recruitment system at Şişecam Group is to attract the right talent to the Group. Our Group reaches out to target candidates by publishing internal and external job postings for experienced candidates; organizing structured summer internship programs; and offering young talent programs for new graduates.

In the recruitment of experienced candidates to the Group, necessary competencies and the potential of the candidates are taken into account. Selection decisions are supported by measurement and evaluation systems.

University campus programs, interview simulations, technical trips, case studies, stand activities and seminars are conducted to continuously keep in touch and strengthen communications with young talent. Social media channels are also used effectively. With the "First Step" Summer Internship Program, university students are targeted to take their first steps toward the business with a positive experience. Communication with high potential candidates is continued and they are channelled into the Global Young Talent Program "Together." With Together, young people are targeted to actively engage in long-term projects to gain both experience and have the opportunity to demonstrate their ability. Recruitment of junior specialists and engineers be aimed primarily from young people who are successful during this young talent program.

### Performance Management

The Performance Management System is used to promote a continuous and steady success oriented performance culture, support the transformation of personal achievement into corporate success, and realize the corporate goals. The system works in an integrated structure with the vision, mission, and strategies of Şişecam Group. With the implementation of the balanced scorecard, strategic goals are cascaded to personal goals, and a success-oriented performance culture is constantly supported. The Performance Management System is continuously developed to achieve people-focused, fast and reliable results for all employees. The Performance Management System is being extended to overseas companies as well. At Şişecam Group, performance management is conducted with a technological infrastructure that enables the objective evaluations of employees and managers.



### Talent and Career Management

Şişecam Talent Management System is designed and implemented to attract the talent required to support the sustainability of Şişecam Group. The system also aims to increase the value created through employees, retain talented staff while enabling them to achieve their full potential, and raise the leaders of the future.

The Global Leadership Model "ATLAS," which defines the employee and leadership competencies needed to sustain high corporate performance, plays an important role at every stage of the employee lifecycle—from selection and evaluation of employees, to development and raising the leaders of the Group. Şişecam Group offers all its employees the opportunity to develop and advance their careers by planning their organizational and personal needs.

At Şişecam Group, expectations of employees and the requirements of the organization are reviewed each year; talent pool, career maps, and succession plans are created accordingly. In the Assessment and Development Centre practices, participated by both white and blue-collar employees, competency analyses are made and development plans are offered.

### Our Values

The values of Şişecam Group—which aims for a pioneering future in the field of glass and its operating areas—are formulated to create innovative solutions with its business partners, make a difference with its technology and brands, and respect the individual and the environment in line with its vision of being a global company. Our values are as follows:

- We derive strength from our traditions and support each other.
- We thrive and develop together.
- We care for our environment.
- We display fair and transparent management approach.
- We respect differences.

### Business Climate and Internal Communication

Şişecam Group undertakes a variety of practices and projects to foster an inclusive corporate culture where employees can share ideas and suggestions, be informed of developments in the Group, and communicate effectively. Based on the valued human resources with different expectations and needs, the Group creates flexible work opportunities for employees and implements solutions that support the work/life balance. These include flexible working hours, flexible side benefits, and social activities for the employees.

**ŞİŞECAM GROUP UNDERTAKES A VARIETY OF PRACTICES AND PROJECTS TO FOSTER A PARTICIPATORY CORPORATE CULTURE WHERE EMPLOYEES CAN SHARE IDEAS AND SUGGESTIONS, BE INFORMED OF DEVELOPMENTS IN THE GROUP, AND COMMUNICATE EFFECTIVELY.**

## HUMAN RESOURCES

At Şişecam Group, employee driven projects that have a positive effect on business processes and results are rewarded. Employee ideas that create added value for the Group are evaluated with the Suggestion Development System.

AT ŞİŞECAM GROUP, VARIOUS SOLUTIONS INCLUDING FLEXIBLE WORKING OPPORTUNITIES ARE IMPLEMENTED IN ORDER TO SUPPORT EMPLOYEES' WORK/LIFE BALANCE.



Execution of excellence in Human Resources implementations

IN 2017, THE GROUP'S AVERAGE TRAINING PER PERSON WAS 44.7 HOURS FOR MONTHLY-PAID EMPLOYEES, AND 20.8 HOURS FOR HOURLY-PAID EMPLOYEES.

With another initiative "Şimdii!" (Şişecam Social Activity Club), Group employees can participate in activities that they enjoy at work as well as volunteer in activity design and organization. In 2017, Şişecam Volunteers was launched in order to ensure active participation of employees in the Group's social responsibility projects.

### **Recognition, Rewarding and Suggestion Systems**

Şişecam Group rewards employee projects that have a positive impact on business projects and results. Employees' value added ideas for the Group are evaluated by the Suggestion Development System. Employees are remembered for their special occasions, appreciated for exemplary behaviour as a part of the recognition system.

### **Compensation and Fringe Benefits Management**

Şişecam Group has adopted a remuneration policy which is fair, competitive in relation to market conditions and that supports a steady, high performance. The Group targets creating a positive and competitive working environment by keeping the engagement of its current employees at a high level while aiming to incorporate the required human resource. The Group's compensation management system is based on the market, compliance with current salary structure and ability to pay, individual performance, and business grade. For employees on monthly salaries in domestic companies, the Flexible Side Benefits Program provides the opportunity for Group employees to re-arrange their existing benefits according to their personal needs.

### **Şişecam Academy**

The foundations of the Şişecam Academy were laid to contribute to the corporate goals of the Group and improve human resource competencies/employee commitment. The Corporate Academy continued to enrich and expand its training/development opportunities based on job families and positions in 2017.

Following a blended learning model, Marketing School, Supply Chain School, Finance School and Foreign Trade Certificate Program were initiated this year in cooperation with the reputable universities of Turkey. Current programs such as Leadership School and Sales School were enriched with different applications in 2017, while orientation training was also restructured.

In addition, the Dealer Development Program was launched to support the development of stakeholders. Şişecam Academy also aims to strengthen the industry - university cooperations and provide an eligible pool of qualified labour-force, through efforts such as internships and joint programs on glass technology.

In 2017, Şişecam Group provided 44.7 hours of training per person for monthly-paid employees, and 20.8 hours of training for hourly-paid employees, on average.

## INDUSTRIAL RELATIONS

Şişecam Group aims to provide the competition- and productivity-oriented industrial relations compatible with today's working conditions.

**ŞİŞECAM GROUP UNDERTAKES STUDIES TO MAKE OCCUPATIONAL HEALTH AND SAFETY MORE EFFECTIVE UNDER ITS "PEOPLE FIRST" PHILOSOPHY.**

Şişecam Group works towards the provision of industrial relations with a focus on competitiveness and efficiency, which is compatible with current working conditions.

The Vision of the Group on Industrial Relations:

- To improve competitiveness and efficiency by developing balanced and healthy industrial relations within the framework of Group policies;
- To ensure the continuity of labour accord based on trust and dialogue in the workplace, by working with the trade unions;
- To conduct studies for more effective occupational health, and safety in the workplace under the "People First" philosophy.

At Şişecam Group, industrial relations are conducted with 11 related labour unions in three business lines under the coordination of the Directorate of the Group Industrial Relations within Human Resources Directorate.

### Collective Bargaining Agreements

In Turkey, seven collective bargaining agreements were concluded in total, with one agreement for business, five agreements for workplaces, and a Group collective bargaining agreement including eight factories throughout the Group. As for international operations, nine collective bargaining agreements were concluded in total, including three workplace agreements in Bulgaria, one workplace agreement for Şişecam Flat Glass Italy, one workplace agreement for the Posuda Plant in Russia, one workplace agreement for the Glascorp Plant in Romania, one workplace agreement for Soda Lukavac Plant in Bosnia & Herzegovina, and one workplace agreement for the Fritz Aszod Plant in Hungary and one in Georgia JSC Mina. Among the collective bargaining agreements, which last between one and four years, the negotiations for the expired agreements started at the end of 2016 and at the beginning of 2017. The collective bargaining negotiations were concluded in line with Group's interests.

Against this backdrop, in 2017;

- The 25<sup>th</sup> Term Business Collective Bargaining Agreement negotiations, held with Kristal-İş Trade Union for eight workplaces under Glass Group Collective Bargaining Agreement, were concluded with an agreement on 08.06.2017, and the Collective Labour Agreement was signed. The Collective Bargaining Agreement will remain in force for two years between 01.01.2017 and 31.12.2018.
- The 1<sup>st</sup> Term Workplace Collective Bargaining Agreement negotiations, held with Kristal -İş trade union for Lüleburgaz Plant of Şişecam Otomotiv A.Ş., were concluded with an agreement on 08.06.2017, and the Collective Labour Agreement was signed. The Collective Bargaining Agreement will remain in force for two years between 01.01.2017 and 31.12.2018.
- The 17<sup>th</sup> Term Workplace Collective Labour Agreement negotiations held with T. Çimse-İş Trade Union for Denizli Plant of Denizli Cam San. A.Ş. was concluded with an agreement on 23.06.2017 and the Collective Labour Agreement was signed. The Collective Labour Agreement will remain in force for a period of three years between 01.01.2017 and 31.12.2019.
- The 2<sup>nd</sup> Term Workplace Collective Labour Agreement negotiations held with Kristal-İş Trade Union for the Polatlı Plant of Trakya Polatlı Cam San. A.Ş. was concluded with an agreement on 20.07.2017 and the Collective Labour Agreement was signed. The Collective Labour Agreement will remain in force for a period of three years between 01.01.2017 and 31.12.2019.
- The validity of the 17<sup>th</sup> Term Soda San A.Ş. Collective Bargaining Agreement, covering 2 workplaces in total, ended on 31.12.2017. The 18<sup>th</sup> Term Glass Group Collective Bargaining Agreement negotiations started with the first meeting held on 15.12.2017 with the Petrol-İş Trade Union.
- The validity of the 14<sup>th</sup> Term Camiş Ambalaj San. A.Ş. Collective Bargaining Agreement, ended on 31.12.2017.
- The 15<sup>th</sup> Term Workplace Collective Bargaining Agreement negotiations started with the meeting held on 18.01.2018 with the Selüloz-İş trade union.



*Execution of excellence in industrial relationships*

The expired collective bargaining agreements for the Group's workplaces abroad were renewed as a result of the negotiations, which were held paying due regard to the characteristics of the respective countries and the interests of the Group.

Against this backdrop, in 2017:

- Collective Labour Agreements for three workplaces in Bulgaria were signed with the Podkrepa Trade Union on 14.07.2017 for two years, covering the period between 01.07.2017 through 30.06.2019.
- For the factory of Posuda Ltd. established in Russia, a Collective Labour Agreement was signed with Proofkom Trade Union on 14.08.2017 for one year, covering the period between 01.01.2017 through 31.12.2017.
- For the factory of Glasscorp established in Romania, a Collective Labour Agreement was signed with Glasscorp Trade Union on 27.01.2017 for one year, covering the period between 01.02.2017 through 31.01.2018.
- As for Mina Factory established in Georgia, a Collective Labour Agreement was signed with Georgia Metallurgy, Mining and Chemical Workers Trade Union on 22.08.2017 for four years covering the period between 01.01.2017 through 31.12.2020.

### Legislation and Coordination Studies

As in previous years, meetings were held by the Directorate of Industrial Relations in 2017, and the related units were informed about the changes in legislation in both labour law, and in occupational health and safety. During the coordination and educational meetings that were held, developments in industrial relations and the problems in implementation were evaluated, while information was exchanged.

Activities to announce and comment on the implementation of laws, regulations and collective bargaining provisions in the workplace continued in 2017.

Meetings were held at Şişecam factories where employees and trade unions were informed about the sectoral positions of the groups.

In 2017, Şişecam Group continued its dialogue meetings with trade unions to ensure the continuity of labour accord at its workplaces.

In addition, Job Grouping System studies were realized in 2017 for the re-evaluation of the job titles that are being used for hourly paid workers in the workplaces under the Glass Group Collective Labour Agreement.

**IN 2017, DIALOGUE MEETINGS CONTINUED TO BE INITIATED WITH LABOUR UNIONS TO ENSURE THE CONTINUITY OF LABOUR HARMONY IN ŞİŞECAM GROUP OPERATIONS.**

## OCCUPATIONAL HEALTH AND SAFETY

Şişecam Group aims to conduct all its business operations in a healthy and safe environment.

EFFECTIVE GUIDANCE TO ENSURE HEALTHY AND SAFE WORK ENVIRONMENTS IS A TOP PRIORITY AT ŞİŞECAM GROUP.

### ŞİŞECAM OCCUPATIONAL HEALTH AND SAFETY POLICY

We aim to achieve every stage of our operations in a safe and healthy working environment. In line with this objective, as a part of our responsibility to create healthy individuals as well as manpower, we adopt strategies:

- To prevent occupational accidents and occupational diseases by determining the necessary measures to implement and be implemented,
- To make risk assessments by the participation the employees and to reach the acceptable risk levels,
- To use the safe equipment and appropriate technologies for a healthy and safe working environment,
- To ensure the participation of our stakeholders each level of the organization in the improvement of occupational health and safety practices,
- To constitute Occupational Health and Safety culture and turn it into a lifestyle.

In this direction, we declare and undertake:

- To meet the relevant standards and requirements in the field of legal obligations for Occupational Health and Safety,
- To increase our performance and our processes with a proactive approach on the continuous improvement on Occupational Health and Safety,
- To continue improving the education and activities of our employees and sub-contractors/suppliers to their employees, visitors, interns for adopting the principles of OHSAS.

GENERAL MANAGER

### Occupational Health and Safety Practices

In order to develop Şişecam Occupational Health and Safety culture, the Group conducted projects and studies in 2017 both in response to legislation and global developments. In addition to these projects, support on OHS issues continued to be provided to all business units.

Audits were performed in 2017 at the following factories affiliated with the Group:

- Şişecam Otomotiv A.Ş. Lüleburgaz Plant
- Richard Fritz Holding GmbH Slovakia Plant
- Paşabahçe Cam San. A.Ş. Egypt Plant
- Soda Lukavac d.o.o.
- R.K. Vijenac D.O.O Mining Facility
- Paşabahçe Cam San. A.Ş. Eskişehir Plant
- Trakya Glass Bulgaria EAD Autoglass-Glass Processing Plant Control and Audit
- Trakya Glass Bulgaria EAD Flat Glass Plant Control and Audit
- Trakya Glass Bulgaria EAD Paşabahçe Plant
- Anadolu Cam San. A.Ş. JSC Mina Plant

The Occupational Health and Safety Audit Reports, prepared as a result of the audits conducted, were sent to the Internal Audit managements as well as the relevant group managements.

### Studies that were carried out:

#### 1- OHS Leadership training was delivered to executives involved in production in factories in Turkey.

OHS Leadership trainings were given to managers involved in production to boost the effectiveness of sustainable OHS activities and improve the concept of "Leadership," which is key to developing an OHS culture. During the trainings Evaluation of the Company, Self-evaluation of the leader, When do the accidents happen? How are they prevented? The steps of cultural formation and characteristics of leadership and application to OSH subjects were discussed. Consequently, the topics that need to be improved and matters beneficial to the dissemination of OHS culture were shared.



Execution of excellence in occupational health and safety

#### 2- Occupational Health and Safety Week Celebrations

Cover all plants in Turkey and abroad The Occupational Health and Safety Painting Contest was organized with the participation of employees' children aged 6-10 years. There were 135 painting entries from nine domestic factories and 14 foreign factories to the painting contest on Occupational Health and Safety in Social Life. The awards ceremony was held with the participation of senior management, the children who won award and their families.

#### 3- OHS trainings were given to Paşabahçe Store managers.

All Paşabahçe Store managers were given trainings covering the risks they may face at the stores and preventive activities.

#### 4- The Guide of Safe Work at Height was published.

The Guide of Safe Work at Height which includes the safety rules to be observed in the work realized at the height and the precautions to be taken specific for the work was prepared and shared with all the factories of Şişecam Group in the country.

#### 5- Turkey factories OSH Volunteers study was started.

"OSH Volunteers" studies initiated in Şişecam factories in Turkey were evaluated and the resulting best practices were shared. Particularly, meetings were held for the continuity and to increase the effectiveness of the studies where the importance and benefits of communication channels were emphasized.

#### 6- OHS Cross Audits were carried out in the factories in Turkey.

Cross audits were carried out at factories in different groups, by the teams composed of OHS specialists in domestic factories. It has been aimed to ensure that the existing risks and hazards are assessed from a different point of view, to underline the principle that all accidents can be avoided, and by to emphasize the increase of safety culture to support the creation of safe working environments. The findings of the audits carried out at the 10 domestic facilities of Şişecam Group include personnel and contractor working areas.

#### 7- Spot films of true work accidents

Spot films were shot where the impact of the serious accidents at Şişecam factories were told by the employees who experienced the accidents. The videos, shots especially to be used in OHS trainings, are considered as an example to all employees in order not to experience sad accidents.

ŞİŞECAM GROUP'S EFFORTS UNDERTAKEN TO INTERNALISE AN OCCUPATIONAL HEALTH AND SAFETY CULTURE IS BEING REALIZED IN A FRAMEWORK THAT INCLUDES EMPLOYEES' FAMILIES.

## INFORMATION AND COMMUNICATION TECHNOLOGIES

In 2017, Şişecam Group focused on projects related to operational excellence and process improvement in work of Information Technologies.

"SMART, DIGITAL, LEAN" AND "IT 2.0" TECHNOLOGICAL STRATEGY STUDIES CONTINUED.

Value-added Information Technology studies, which will enable Group companies to realize the strategies of their main operating areas and add value to the stakeholders continued with the "Smart, Digital, Lean" and "IT 2.0" technology strategies approach. In 2017, mainly operational excellence and process improvements projects were handled. In 2018, a comprehensive program and projects aiming at technological transformation and digitalization are planned to be launched.

### Smart, Digital, Lean Şişecam with IT 2.0

#### Smart Şişecam

#### Analysing big data, data-quality oriented, and providing effective reporting.

Aiming to ensure effective management of data through Smart Şişecam, Financial and Purchasing Transformation Program, Glassware ERP, and ERP revision projects of Şişecam Insurance, Environment, Energy and Foreign Trade companies and Paşabahçe Stores were initiated in 2017 as part of the Group ERP Transformation. The Group Financial Strategic Performance and Critical Success Indicators were measured, and followed in the management cockpit, project preparations for the Group's purchasing transformation were started, the revision of the Chemicals Quality Management System and Glass Packaging Customer Complaints System were realized. Reporting, process and analysis studies on big data and artificial intelligence solutions were done.

#### Digital Şişecam

#### Prioritizing digitalization, implementing the Internet of Things and Industry 4.0

In 2017, Group websites were renewed with an award-winning design, as part of the digitalization of the factory, sales, procurement, production, shipment, finance and quality processes and Industry 4.0 targets. RFID projects were applied in Flat Glass and Glass Packaging factories. Glassware Transportation Planning and Ramp Management were taken to production and the Group Document Digital Archive Projects were efficiently made live. Potential solutions were evaluated on the subject

matters such as Internet of Things, software robots, autonomous tools, augmented reality and preventive maintenance training.

#### Lean Şişecam

#### Uninterrupted, sustainable, simple, effective processes

A value-oriented strategy, in which technology services are presented in a seamless manner with simple business processes, facilitating access to information from flexible interfaces that meet the user experience, was targeted. Under this effort, Flat Glass Capacity Planning, S&OP Harmonization, and ERP Revision projects from order to delivery were completed in 2017. Update of Chemicals SAP-BPC, Group Bank Payment Process Improvements and Human Resources SF Performance projects in Russia were launched. Studies were undertaken to enhance the user experience on the IT application screens and face plate. The information on different screens was consolidated on a single interface user experience. In addition to this, easy access solutions enabling logging into applications through a single password were disseminated.

#### IT 2.0: Next Generation IT

#### Services that are agile, business-unit-satisfaction-oriented, using common-mind, guiding business units technologically, value-generating

Through the IT 2.0 approach, strategy studies, which are agile, establishing closer relationships with stakeholders, closely measuring business unit satisfaction, emphasizing seamless service and business continuity, making the contribution of IT to the Group visible, and creating value for business units, were launched. In this context;

- Special IT Customer Representatives were assigned to the Groups to increase synergy with business units.
- IT processes and critical success indicators were reviewed with World Class IT approach and Group's IT Help Desk infrastructure was renewed.
- IT Service Level Agreements were signed with Flat Glass, Glassware, Glass Packaging Group and Chemicals Group.



Execution of excellence in technological transformation

- Monthly service level bulletins were started to be published by measuring IT performance. In order to share the developments and trends in technology with the business units, technology sharing was done on a weekly and monthly basis via Corporate TVs and Şişecam Magazine.
- Cost savings were achieved through the WAN (Wide Area Network) optimization project implemented on network.
- Through the "IT Day" event, where the IT family came together, the Group's strategies, global technology trends, projects, goals and expectations were shared with the domestic and overseas teams.
- As part of the Şişecam 1<sup>st</sup> International Sustainability Workshops, studies on big data were conducted for two days; business units and workshop participants were interviewed and output on presentations and expectations were shared.
- A comprehensive roadmap was prepared for Cyber Security until 2020, and required improvements were made to control access to data and to ensure the security of the information.
- Physical servers were transferred to virtual environments with a Green IT and sustainability point of view. A total of 30% paper and cost savings were provided with the Secure Print Out project.
- The accessibility rate of critical services and systems such as Group SAP ERP was 99.98% except for scheduled maintenance and amendatory services.
- A total of 76 ideas were proposed by IT teams for the realization of innovative ideas in Şişecam, and 32% of the ideas were launched in a way to benefit and add value to our business units.
- A total of 130 hours of internal training was given within IT business family.
- IT teams successfully passed the international certification exams and received their

certificates of expertise and the ratio of IT employees/certificated has reached 58%.

- Timely completion rate of IT projects increased to 94%.
- The Group's call-based customer satisfaction related to the solution of issues and requests submitted to business units via the IT Help Desk was 94% while the rate of compliance with service levels stood at 99%.

#### New businesses (M&A, mergers, spin offs)

In 2017, as part of Group company mergers and acquisitions (M&A):

- Integration of the Group IT infrastructure with Şişecam Italy Flat Glass SRL was provided.
- Studies were undertaken for the installation of the technology systems at Paşabahçe Egypt Glass Manufacturing Factory and for the integration with the Group systems.
- Under the Eskişehir Oluklu Mukavva San. A.Ş.'s spin off transactions, IT infrastructure installations, access to ERP, Human Resources and Time&Attendance applications were provided.
- IT networks of Omco İstanbul Kalıp San. A.Ş., the share transfer of which has been officially completed, and Şişecam were isolated, and infrastructure and implementation support were provided.

#### ISO 27001 Information Security Top Management Representative work

Improvement and internal audit activities for the protection of Group information security were carried out in order to ensure the continuity of 17 certifications within ISO 27001 Information Security Management System received for the Group subsidiaries and legal entities. Within the Group, 41 Information Security representatives who successfully passed the exam after ISO 27001 trainings got the Internal Auditor Certificate.

WITHIN ŞİŞECAM GROUP, THE 41 INFORMATION SECURITY REPRESENTATIVES WHO SUCCESSFULLY PASSED THE EXAM AFTER THE ISO 27001 TRAININGS RECEIVED THE INTERNAL AUDITOR CERTIFICATE.

## CORPORATE SOCIAL RESPONSIBILITY

Şişecam Group prioritizes corporate social responsibility projects in the areas of environment, sports, culture-arts and education.

ŞİŞECAM GROUP PROVIDES EDUCATION INCENTIVE SCHOLARSHIPS TO ITS EMPLOYEES AND THEIR CHILDREN WHO ATTEND SCHOOL.

CONTINUING TO CONTRIBUTE TO THE EDUCATION AND TRAINING, ŞİŞECAM GROUP SIGNED AN AGREEMENT WITH BURSA GOVERNORSHIP, PROVINCIAL DIRECTORATE OF NATIONAL EDUCATION AND YENİŞEHİR MUNICIPALITY IN 2017 IN ORDER TO ESTABLISH YENİŞEHİR ŞİŞECAM VOCATIONAL AND TECHNICAL ANATOLIAN HIGH SCHOOL.

### CONTRIBUTION TO CULTURAL VALUES

#### Antique Glass Works Collection

Şişecam Group's collection consisting of 520 antique glass works which it brought together to preserve cultural values and which reflects a history of nearly 3,500 years - is registered with the Istanbul Archaeology Museum. The collection is also preserved and exhibited in a specially prepared area at Şişecam's new headquarters. Furthermore, the Glass Hall of the Bodrum Museum of Underwater Archaeology was opened in 1985 to visitors and history-enthusiasts under Şişecam's sponsorship.

#### History-Culture-Glass Collections

Aiming to preserve and pass on our cultural heritage to future generations, Şişecam Group exhibited the first of its History-Culture-Glass Collections in Paşabahçe Mağazaları in 1999. These special collections are designed to reflect Anatolia's historical and cultural richness through glass artworks. Some 500 different artefacts among limited collections were brought together in this effort. A total of 13 collections - including Ottoman, Blue and White on Glass, Artistic Writing on Glass, Enamelled Glass, Mosaics, Anatolian Civilizations, 7, Ashura, Istanbul, Crystalline Chinas, Talking Moneys/Coins, Zevk-i Selim and World Heritage in Glass - have been arranged to date.

The Omnia Collection was launched in 2015 when Paşabahçe celebrated its 80th anniversary, in line with Paşabahçe Stores' understanding of carrying the unique Turkish glasswork, which is fuelled by the culture and tradition, to the future. The Omnia Collection was reshaped by the "water" theme in 2017 and was presented to the likes of consumers and art lovers. In cooperation with Deniztemiz Association/TURMEPA, "If there is sea, there is life" project is supported with the Omnia Water Collection. Under this effort, donations are made to the association for every product to be purchased from the "Omnia Water" collection and the efforts are supported to

prevent the mixing of about 200 thousand litres of black water, into the sea, which slows down the vital activities of plants and animals living in the sea.

#### Serçe Harbour Glass Wreck Documentary

Pursuant to Şişecam Group's vision of achieving sustainable growth and embracing environmental values, the "Glass and Glass Again" documentary tells the story of the discovery of the Serçe Harbour Glass Wreck, which played a major role in advancing underwater archaeology, glass manufacturing and recycling. The Serçe Harbour Shipwreck was excavated by a team of Turkish and American archaeologists led by Dr. George Bass, world renowned as one of the earliest practitioners of underwater archaeology, near Marmaris. The excavation findings included two tons of broken glass nuggets and about one ton of glass cullet, as well as a variety of glassware.

Popularly known as the "Glass Wreck," it is regarded as one of the world's most important shipwrecks both in terms of its load and that the ship's body has largely survived intact to this day. The sunken ship and its contents have been on exhibit at the Bodrum Museum of Underwater Archaeology, under the care of Şişecam, since 1985. The documentary, "Glass and Glass Again," tells the extraordinary story of the "Glass Wreck" and the unlimited recyclability of glass to broader audiences.

### CONTRIBUTION TO EDUCATION AND TRAINING

Şişecam Group provides Education Incentive Scholarships to its employees and their children who attend school. Under this program, Şişecam awarded scholarships totalling TRY 3,639,955 to staff and their children in 2017.

Continuing to contribute to the education and training, Şişecam Group signed an agreement with Bursa Governorship, Provincial Directorate of National Education and Yenişehir Municipality in 2017 in order to establish Yenişehir Şişecam



Execution of excellence in glass recycling

Vocational and Technical Anatolian High School. The school to be built on a total area of 20 thousand square meters by Şişecam Group and transferred to the Ministry of National Education will have a 6 thousand square meter usage area with a variety of support units, primarily workshops and laboratories in addition to 16 classrooms.

Şişecam Private Vocational and Technical Anatolian High School, which was built by Şişecam in Mersin Tarsus Organized Industrial Zone (MTOSB) and handed over to the Ministry of National Education, provides support for more young people to have occupations with the training activities carried out since 2014-2015 Education Term. In addition, Şişecam constructed the Private Şişecam Vocational and Technical Anatolian High School in Mersin and it comprises 24 classrooms and one workshop. Some 481 students attended the school in the 2016-2017 academic year.

In the Denizli Glass Factory, three-year apprenticeship training has been given since 1990, under Vocational Education Law No. 3308. At the factory where 40 students are currently being educated, young people between the ages of 16 and 21 who are raised according to the master-apprentice tradition, get theoretical and practical information from their foremen and masters.

### CONTRIBUTION TO ENVIRONMENTAL VALUES

#### Forestation

Areas between five to ten acres within the sites of the Group's facilities are set aside as forest area while Şişecam Forests are also brought to life in all regions where the Group conducts operations. To this end, Cami Madencilik A.Ş. boasts a Şişecam Forest that has reached 1,489 acres (368 dunams) in a culmination of forestation efforts initiated in 2000 in the Yalıköy area, where its pit and facilities are located. In 2017, an afforestation effort was planned on an area of approximately 32,000 square meters around Karabük Eflani Breaking and Sieving Plant, and a 5,000 square meter area was afforested. It is targeted to complete the afforestation of the remaining 27,000 square meter area in the first three months of 2018.

Thanks to its sapling planting activities launched in the Cankurtaran region, Denizli Cam Sanayii ve Ticaret A.Ş. created a mini forest with grown trees on an area of 12 acres (three dunams). In 2017, 850 saplings were planted, of which 350 were fruit trees, in the factory area, which is about 50% green space. There are 18,000 trees and saplings on the plant site.

DURING THE 2011-2017 PERIOD, 254 THOUSAND PRIMARY SCHOOL STUDENTS HAVE RECEIVED TRAINING IN RECYCLING UNDER THE "GLASS AND GLASS AGAIN" PROJECT. IN ADDITION, A TOTAL OF 19,800 GLASS BOTTLE BINS HAVE BEEN DONATED TO THE MUNICIPALITIES AND 912 THOUSAND TONS OF GLASS PACKAGING WASTE HAS BEEN RECYCLED.



## CORPORATE SOCIAL RESPONSIBILITY

### The Glass Hall of the Bodrum Museum of Underwater Archaeology was opened in 1985 to visitors and history-enthusiasts under Şişecam's sponsorship.

LAUNCHED IN 2011 BY ŞİŞECAM IN COOPERATION WITH ÇEVKO FOUNDATION AND LOCAL GOVERNMENTS, THE "GLASS AND GLASS AGAIN" PROJECT IS ONE OF THE MOST COMPREHENSIVE SUSTAINABILITY AND SOCIAL RESPONSIBILITY INITIATIVES IN TURKEY.

Şişecam Kimyasallar initiated planting activities in 2006 in Mersin. Efforts to set aside forest areas and plant trees continue to be carried out every year. During the 12th Tree Planting Festival in 2017, 3 thousand saplings were planted by the families of employees and retirees. Some 40 thousand trees have been planted since the festival commenced.

#### **Project for the Protection of the Population of Kazanlı Sea Turtle**

The Kazanlı coast in Mersin province stands out as one of the world's most important spawning areas of endangered sea turtle species. Under the Project for the Investigation, Examination and Protection of the Populations of Kazanlı Sea Turtles in Mersin Province, ongoing since 2007 in cooperation with Soda Sanayii A.Ş. and Mersin University, protection is provided for the nesting sites of the endangered species "Caretta Caretta" and "Chelonia Mydas" turtles. In addition, as part of the efforts to raise awareness, the Company educated the local population on the subject while carrying out beach clearance initiatives to protect the habitat of turtles and initiatives to protect the endangered sea turtles. As a result of the studies carried out, the number of nests has increased steadily since 2007; with 1,705 sea turtle nests detected in 2016, the project reached a record number of turtle nests in 10 years.

#### **The "Glass and Glass Again" Project**

Launched in 2011 by Şişecam in cooperation with ÇEVKO Foundation and local governments, the "Glass and Glass Again" project is one of the most comprehensive sustainability and social responsibility initiatives in Turkey. Designed to create change in social behaviour and support the transition to a recycling aware society, the project has three primary objectives:

- Raising awareness and informing society about recycling glass packaging,
- Improving the infrastructure to collect glass packaging waste,
- Streamlining the facilities where glass packaging waste is collected and processed and separating glass packaging waste found in household waste prior to storage.

In 2017 under the project, 2,914 glass recycling bins were offered to the municipalities and 20 thousand students were trained on glass recycling. During the 2011-2017 period, 254 thousand primary school students have received training in recycling under the "Glass and Glass Again" project. In addition, a total of 19,800 glass bottle bins have been offered to the municipalities and 912 thousand tons of glass packaging waste has been recycled. The resulting reduction in carbon emissions is equivalent to taking 328,400 cars off the roads while the amount of energy saved was enough to meet the heating and hot water needs of 38,300 households. Şişecam also collaborated with 163 district municipalities in 24 provinces to raise social awareness on the issue, improve the infrastructure for collection, and streamline facilities for glass recycling. During the events, carried out under the Glass and Glass Again project, aiming to raise awareness by conveying the contribution of recycling to the environment for a sustainable future with various communication activities, 35 thousand people were reached out to during the year.

#### **Glass and Glass Again Grows in Media**

Through the social media accounts with increasing number of access and interaction each day, Glass and Glass Again increased its monthly interaction rates in social media to 3 million. There were also live broadcasts of the events realized throughout the year on social media accounts, through which the importance of recycling, information on the use of glass, and benefits of recycling were shared with

different fictions. By the end of the year, the number of followers of the project reached 53,000 on Facebook and 7,000 on Instagram. The Glass and Glass Again project provides a significant contribution to awareness and consciousness-raising activities thanks to the interaction with large target groups through social media accounts.

#### **CONTRIBUTION TO SPORT**

##### **Şişecam Çayırova Sport Club**

The Çayırova Sports Club was originally founded by Şişecam under the name Çayırova Sailing Sports Club with the objective of attracting young people to sports and contributing to the physical and moral development of youth through sports activities. After having started operations at the Çayırova Sports Facilities complex in 1982, it obtained federated club status from the General Directorate of Youth and Sport in 1984. With a team of some 120 athletes and managers, the Club trains young athletes in the sports of sailing, rowing and canoeing. In 2017, the Club sent two athletes in canoeing and three athletes in rowing to the National Rowing Team.

##### **Canoe Branch 2017 Activities**

The Canoe Branch, which participated in all the competitions included in 2017 activity program, won 21 first place, eight second place, 11 third place awards in total. Among the canoe athletes who participated in the National

Team preparation camp held between January and December, Abbas Anıl Şen and Gürkan Uluköylü, were chosen for the National Team squad, and participated in the International Piestany Races.

##### **Sailing Branch 2017 Activities**

Athletes of sailing branch of Şişecam Çayırova Sports Club participated a total of 24 races, 13 regional and 11 national, in Optimist Laser and the Pirate categories within Turkey Sailing Federation's 2017 activity program. During these races, they won 21 gold, 32 silver and 20 bronze medals on various rankings in general-girls-young-junior. Two sportsmen from the sailing branch Şişecam Çayırova Sports Club, qualified to participate in the U23 Youth Pirate European Championship to be held in Germany in 2018.

##### **Rowing Branch 2017 Activities**

In 2017, the Rowing Branch achieved successful rankings in different categories in six races. The Rowing Branch, which won the first place in Adana Champion Cup (Ümit Erkekler), Mediterranean Cup (Junior Boys category), Turkey Cup (Youth Turkey Races), Youth Turkey Championship and second place in Balkan, also earned new athletes to the National Team in National Team Selection Races. Ayşenur Yılmaz, who won the second place in Balkans and was selected to the National Team, also became the first Turkish women rower to compete in the European Championship in Final A last year.

ŞİŞECAM ÇAYIROVA SPORTS CLUB CONTINUE TO SUPPORT THE PHYSICAL AND MENTAL DEVELOPMENT OF YOUNG PEOPLE THROUGH SPORTS ACTIVITIES.



Execution of excellence in support for sports

## RISK MANAGEMENT AND INTERNAL AUDIT ACTIVITIES

Şişecam Group implements efficient risk management and internal audit processes in order to provide adequate risk assurance to its stakeholders.

AT ŞİŞECAM GROUP, RISK MANAGEMENT AND INTERNAL AUDIT ACTIVITIES HAVE BEEN STRUCTURED UNDER THE PARENT COMPANY.

Operating in an intensively competitive environment, Şişecam Group implements efficient risk management and internal audit processes in order to provide adequate risk assurance to its stakeholders.

Financial crises, intensified international conflicts of interests, security problems triggered by the geopolitical factors, technological developments, also called the Industry 4.0, dramatic consequences of climate change and social problems have turned the world into a place, which harbour different political, economic, technological and environmental risks compared to the past.

The fact that global risks begin to affect the lives of people, companies and governments in new and unusual ways and most of them are uninsurable differentiates the point of view on the risks all over the world and has greatly increased the importance of risk management as a discipline. In this context, as in previous years, the effectiveness of risk management and internal audit processes was constantly monitored in 2017, and the two functions that constitute important elements of corporate governance were managed with a wider perspective and more effectively. Within this framework, our Group takes a proactive approach to managing existing and potential risks and continues its audit activities with a risk-focused perspective.

At Şişecam Group, risk management and internal audit activities have been structured under the parent company. The activities are directly reported to the Board of Directors of the parent company in coordination with the CEOs, managing the core operational areas. The results of regular and planned meetings held with the "Risk Committee", the "Audit Committee", and the "Corporate Governance Committee", which have been established in Şişecam Group companies listed in Borsa İstanbul, are reported to the Boards of Directors in accordance with the legislation.

During the activities performed with the aim of establishing a corporate structure, of providing the required assurance to stakeholders, of protecting the tangible and intangible assets and resources of Şişecam Group and environment, of minimizing the losses caused by uncertainties and of maximizing benefit from potential opportunities, communication between the internal audit and risk management functions is maintained at the utmost level and is directed toward the goal of supporting decision-making processes and increasing management efficiency.



### Risk Management at Şişecam

At Şişecam, risk management activities are carried out with a holistic and proactive approach based on enterprise risk management principles. The Group focused strongly on increasing the effectiveness of risk management processes in order to increase risk assurance provided to the stakeholders in the intense internal and external competitive environment and to effectively manage the ambiguities caused by global developments.

In this context, as in previous years, communication and coordination activities are emphasized and technological facilities are used in the Group in order to manage risks which are identified, prioritized and monitored by action plans on the basis of risk appetite and in scope of enterprise risk management. The Group also used the reporting activities to ensure healthy monitoring of the process conducted in accordance with the legislation.

### Internal Audit at Şişecam

The objective of internal audit activities, which have been carried out within the Group for many years, is to assist the healthy development of the Group's companies, to ensure uniformity in practices, and to guarantee that all activities are performed in compliance with internal and external regulations, as well as the execution of corrective actions in a timely manner. In line with the stated objectives, audit activities are being carried out on an ongoing basis within the bodies of the companies of the Group operating domestically and abroad.

Internal audit is carried out in accordance with the periodic auditing programs approved by the Board of Directors. During the preparation of the audit programs, the results of the risk management activities are also used, meaning that "risk-based audit" practices are implemented.

ŞİŞECAM GROUP MANAGES EXISTING AND POTENTIAL RISKS WITH A PROACTIVE APPROACH AND CONDUCTS ITS AUDIT ACTIVITIES WITH A RISK-FOCUSED PERSPECTIVE

# **TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.**

CONVENIENCE TRANSLATION INTO  
ENGLISH OF CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE PERIOD  
1 JANUARY 2017 - 31 DECEMBER 2017  
TOGETHER WITH INDEPENDENT AUDITOR'S  
REPORT (ORIGINALLY ISSUED IN TURKISH)



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(Convenience translation of a report and consolidated financial statements originally issued in Turkish)  
**INDEPENDENT AUDITOR'S REPORT**

To the General Assembly of Türkiye Şişe ve Cam Fabrikaları Anonim Şirketi

**A) Report on the Audit of the Consolidated Financial Statements**

**1) Opinion**

We have audited the consolidated financial statements of Türkiye Şişe ve Cam Fabrikaları A.Ş. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Accounting Standards (TAS).

**2) Basis for Opinion**

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated] Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**3) Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



**Key Audit Matters**

**Auditor's Rotation and Audit of Opening Balance**

Initial audit engagements involve a number of considerations not encountered in recurring audits. Additional planning activities and assessments necessary to establish an appropriate audit strategy and plan shall include:

- Gaining an initial understanding of the Group and its core businesses, including its control environment and information systems to determine audit risks, and develop audit plans,
- Gathering sufficient audit evidence regarding the opening balances, adequacy and accuracy of accounting policies, and communicating with the previous auditor to perform file review,
- Maintaining communication with the previous auditor

**Deferred Tax Assets Related to Investment Incentives**

As of 31 December 2017, the Group has corporate tax advantages pertaining to investment expenditures made within the scope of investment incentive certificates. As of 31 December 2017, TRY 327,270 thousand deferred tax assets were recognized within the scope of these investment incentive certificates.

As detailed in Note 35, based on the regulatory changes of the Council of Ministers decree regarding incentives and due to the assumptions presented in Note 2, a focus on the audit procedures for this area has been granted.

**Deferred Tax Asset Related to Unused Tax Loss Carry Forwards**

The Board of Directors has an estimation of the recoverability of the deferred tax asset reflected in the financial statements in respect of tax losses carried forward, considering the future taxable profits and the periods in which tax losses carried forward can be utilized in various countries. Based on this estimate, deferred tax assets amounting to TRY 162,110 thousand related to the tax losses have been reflected in the financial statements.

As there is an uncertainty on the estimation of the future taxable profit that is required for the recognition of the deferred tax assets and also as it involves judgments and estimates, evaluation of measurement and of recoverability of deferred income tax assets is a key audit matter for our audit.

Disclosures regarding the deferred tax assets are explained in Note 35.

**How key audit matter addressed in the audit**

Prior to undertaking audit responsibilities for the Group on 31 December 2017, we developed a transition plan that includes the following items starting from May 2017:

- Communicating with the previous auditor to perform file review, to discuss significant audit and accounting matters, and to clarify identified audit differences for all subsidiaries of the Group,
- Holding meetings with the auditors and management of the subsidiaries,
- Arranging periodic meetings with the management to further understand existing risks, internal control mechanisms and audit findings,
- Participating in closing meetings with all subsidiary audit teams via conference calls or in person.

To examine the management's assumptions and the effect of the issued decree of the Council of Ministers, tax experts from an organization associated with our audit firm were included in the process. Assessment of related deferred tax assets is presented for the review and evaluation of the tax experts. In addition, the compliance of disclosures included in the financial statements has been evaluated in accordance with TAS.

Our audit procedures include; the evaluation of assumptions and estimates by the Board of Directors for the generation of sufficient taxable profits based on budgets and business plans and also past experiences, discussions with management, consideration of the tax position of the Group and timing of potential tax profit assessments, and our experience and knowledge with regard to relevant tax legislation.

In line with our procedures, consistency of the assumptions have been evaluated. Additional procedures have been applied for the accuracy and completeness of tax losses of Group companies, of tax treatments in various countries and of disclosures in the financial statements. Compliance of the disclosures in the consolidated financial statements has also been evaluated in accordance with TAS.

## Key Audit Matters

### Provisions for employee benefits

As of 31 December 2017, the Group's employee benefits related to termination and vacation pay amount to TL 345,811 thousand and TL 12,015 thousand, respectively. The Group utilizes various assumptions such as discount rate, inflation rate, real salary increase rate, probability of voluntary termination to calculate the provisions for employee benefits.

The disclosures on provisions for employee benefits are provided in Note 24.

### How key audit matter addressed in the audit

As part of the audit procedures, in addition to assessing assumptions on discount rate, inflation rate, real salary increase rate, and the probability of voluntary termination, the employee list used in conjunction with the calculations of employee benefits is also evaluated. As part of the performed procedures, a test for the validity of the management's assumptions is performed.

An evaluation of the compliance of the disclosures included in the financial statements has also been performed in accordance with TAS.

## 4) Other matter

The consolidated financial statements of the Group as of and for the year ended 31 December 2016, were audited by another auditor whose report thereon dated 6 March 2017 expressed an unmodified opinion.

## 5) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TAS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## 6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the *consolidated* financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## B) Reports on other responsibilities arising from regulatory requirements

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 27 February 2018.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2017 and financial statements are not in compliance with the laws and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors of the Company submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Zeynep Okuyan Özdemir.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited



Zeynep Okuyan Özdemir, SMMM  
Partner

27 February 2018  
Istanbul, Turkey

**TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2017 AND 31 DECEMBER 2016**

(AMOUNTS ON TABLES ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

ASSETS	Notes	31 December 2017	31 December 2016
<b>Current assets</b>			
Cash and cash equivalents	6	3,438,587	3,205,423
Financial assets	7	95,200	56,821
Trade receivables	10,37	2,338,278	2,043,929
– Due from related parties	37	30,352	32,060
– Other trade receivables	10	2,307,926	2,011,869
Other receivables	11	38,018	49,579
Derivative instruments	12	1,209	831
Inventories	13	2,141,174	1,959,873
Prepaid expenses	14	167,443	172,771
Current income tax assets	35	9,940	33,566
Other current assets	26	136,034	167,204
<b>Subtotal</b>		<b>8,365,883</b>	<b>7,689,997</b>
Assets held for sale	34	204	204
<b>Total current assets</b>		<b>8,366,087</b>	<b>7,690,201</b>
<b>Non-current assets</b>			
Financial assets	7	1,784,438	1,081,128
Other receivables	11	16,585	30,631
Investments accounted for using the equity method	16	712,108	601,400
Investment properties	17	583,069	582,132
Property, plant and equipment	18	9,199,542	8,633,326
Intangible assets	19, 20	161,260	147,608
– Goodwill	20	56,386	38,158
– Other intangible assets	19	104,874	109,450
Prepaid expenses	14	152,156	72,660
Deferred tax assets	35	328,607	300,462
Other non-current assets	26	3,641	12,949
<b>Total non-current assets</b>		<b>12,941,406</b>	<b>11,462,296</b>
<b>TOTAL ASSETS</b>		<b>21,307,493</b>	<b>19,152,497</b>

The accompanying notes form an integral part of these consolidated financial statements.

**TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2017 AND 31 DECEMBER 2016**

(AMOUNTS ON TABLES ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

LIABILITIES	Notes	31 December 2017	31 December 2016
<b>Current liabilities</b>			
Short term borrowings	8	956,852	1,166,033
Short term portion of long term borrowings	8	998,571	821,241
Trade payables	10,37	1,151,866	969,120
– Due to related parties	37	58,374	74,442
– Other trade payables	10	1,093,492	894,678
Liabilities for employee benefits	24	35,546	28,542
Other payables	11,37	150,540	138,204
– Due to related parties	37	5,282	5,093
– Other payables	11	145,258	133,111
Derivative instruments	12	20,252	41,582
Deferred income	14	132,951	125,310
Current income tax liabilities	35	61,082	63,112
Short term provisions	22,24	95,705	64,757
Other current liabilities	26	169,227	166,194
<b>Total current liabilities</b>		<b>3,772,592</b>	<b>3,584,095</b>
<b>Non-current liabilities</b>			
Long term borrowings	8	3,941,320	3,792,914
Other payables	11	2,834	38,750
Deferred income	14	56,423	60,954
Provisions for employment benefits	24	345,811	278,420
Deferred tax liabilities	35	126,098	67,740
<b>Total non-current liabilities</b>		<b>4,472,486</b>	<b>4,238,778</b>
<b>Total Liabilities</b>		<b>8,245,078</b>	<b>7,822,873</b>
<b>EQUITY</b>			
<b>Equity holders of the parent</b>	<b>27</b>	<b>9,836,574</b>	<b>8,546,313</b>
Equity holders of the parent		2,250,000	2,050,000
Adjustments to share capital		181,426	241,426
Share premium		527	527
Other comprehensive income/expense not to be reclassified to profit or loss			
– Gain/loss on revaluation and remeasurement		1,561,041	1,672,915
– Revaluation gain/loss on tangible assets		1,561,041	1,672,915
– Funds for actuarial gain/loss on employee termination benefits		1,585,926	1,671,015
Other comprehensive income/expense to be reclassified to profit or loss		(24,885)	1,900
– Foreign currency translation reserve		877,826	476,995
– Hedge reserves		877,527	477,575
– Gain/loss on revaluation and classification		(112)	(833)
– Revaluation and/or classification gain/loss on financial assets available for sale		411	253
Restricted reserves		411	253
Retained earnings		115,363	99,058
Net profit for the period		3,624,971	3,262,034
Net profit for the period		1,225,420	743,358
<b>Non-controlling interests</b>	<b>27</b>	<b>3,225,841</b>	<b>2,783,311</b>
<b>Total equity</b>		<b>13,062,415</b>	<b>11,329,624</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>21,307,493</b>	<b>19,152,497</b>

The accompanying notes form an integral part of these consolidated financial statements.

**TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.**  
**CONSOLIDATED STATEMENTS OF INCOME FOR THE PERIODS**  
**BETWEEN 1 JANUARY AND 31 DECEMBER 2017 AND 2016**

(AMOUNTS ON TABLES ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

	Notes	1 January- 31 December 2017	1 January- December 2016
Revenue	28	11,318,495	8,569,464
Cost of sales (-)	28	(7,688,153)	(5,891,553)
<b>Gross profit from trading activity</b>		<b>3,630,342</b>	<b>2,677,911</b>
General administrative expenses (-)	29,30	(724,620)	(756,363)
Marketing expenses (-)	29,30	(1,370,327)	(1,060,092)
Research and development expenses (-)	29,30	(57,108)	(73,977)
Other operating income	31	552,096	488,732
Other operating expenses (-)	31	(346,376)	(283,725)
Income from investments in associates and joint ventures	16	172,080	105,912
<b>Operating profit</b>		<b>1,856,087</b>	<b>1,098,398</b>
Income from investing activities	32	344,036	223,263
Expenses from investing activities (-)	32	(48,538)	(11,658)
<b>Operating profit before financial income and expense</b>		<b>2,151,585</b>	<b>1,310,003</b>
Financial income	33	1,024,676	1,108,320
Financial expenses (-)	33	(1,234,497)	(1,243,944)
<b>Profit/loss before tax from continued operations</b>		<b>1,941,764</b>	<b>1,174,379</b>
<b>Tax income/expense from continued operations</b>		<b>(204,808)</b>	<b>(134,351)</b>
- Taxes on income	35	(225,268)	(206,437)
- Deferred tax income	35	20,460	72,086
<b>Profit for the period</b>		<b>1,736,956</b>	<b>1,040,028</b>
<b>Attributable to:</b>			
- Non controlling interest	27	511,536	296,670
<b>- Equity holders of the parent</b>	<b>27</b>	<b>1,225,420</b>	<b>743,358</b>
<b>Earnings per share</b>	<b>36</b>	<b>0.5446</b>	<b>0.3304</b>

The accompanying notes form an integral part of these consolidated financial statements.

**TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.**  
**CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE**  
**INCOME FOR THE PERIODS BETWEEN 1 JANUARY AND**  
**31 DECEMBER 2017 AND 2016**

(AMOUNTS ON TABLES ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

	Notes	31 December 2017	31 December 2016
<b>Profit/loss for the Period</b>	<b>27</b>	<b>1,736,956</b>	<b>1,040,028</b>
<b>Other Comprehensive Income:</b>			
<b>Items not to be reclassified to profit or loss</b>	<b>27</b>	<b>(79,411)</b>	<b>99,725</b>
Gains / (loss) on revaluation of tangible fixed assets		36,509	109,157
Funds for actuarial gain/loss on employee termination benefits		(41,230)	4,552
Share of other comprehensive income of associates accounted for using equity method that will not be reclassified to profit or loss		211	208
Deferred tax losses on items not be reclassified to profit or loss		(74,901)	(14,192)
<b>Items to be reclassified to profit or loss</b>	<b>27</b>	<b>430,786</b>	<b>361,236</b>
Foreign currency translation reserve		429,711	351,818
Revaluation and/or classification gain/loss on financial assets available for sale		226	189
Hedge reserves		1,146	11,547
Deferred tax gain/ (loss) on items to be reclassified to profit or loss		(297)	(2,318)
<b>Other Comprehensive Income/ (Loss)</b>		<b>351,375</b>	<b>460,961</b>
<b>Total Comprehensive Income</b>		<b>2,088,331</b>	<b>1,500,989</b>
<b>Attributable to:</b>			
- Non-controlling interest		534,643	314,052
<b>- Equity holders of parent</b>		<b>1,553,688</b>	<b>1,186,937</b>
<b>Earnings per share</b>	<b>36</b>	<b>0.6905</b>	<b>0.5275</b>

The accompanying notes form an integral part of these consolidated financial statements.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(AMOUNTS ON TABLES ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

	Paid-in Capital	Adjustment to Capital	Treasury Shares (-)	Other Comprehensive Income not to be reclassified to profit or loss	Other Comprehensive Income to be reclassified to profit or loss	Restricted Reserves	Retained Earnings	Net Profit for the Period	Attributable to Equity Holders of the Parent	Non Controlling Interest	Equity
<b>Balance at 1 January 2016</b>	1,900,000	241,426	527	1,640,971	106,972	80,717	2,772,959	722,764	7,466,336	2,036,200	9,502,536
Transfer	-	-	-	-	-	18,341	704,423	(722,764)	-	-	-
Total comprehensive income/ (loss)	-	-	-	68,413	370,023	-	5,143	743,358	1,186,937	314,052	1,500,989
Capital increase	150,000	-	-	-	-	-	(150,000)	-	-	-	-
Transaction under common control	-	-	-	-	-	-	433	-	433	136	569
Dividends	-	-	-	-	-	-	(250,000)	-	(250,000)	(90,784)	(340,784)
Increases/ (decreases) due to changes in ownership rate of subsidiaries that do not result in loss of control	-	-	-	(36,469)	-	-	(403,751)	-	(440,220)	440,220	-
Transactions with non-controlling interest	-	-	-	-	-	-	582,827	-	582,827	83,487	666,314
<b>Balance at 31 December 2016</b>	2,050,000	241,426	527	1,672,915	476,995	99,058	3,262,034	743,358	8,546,313	2,783,311	11,329,624

	Paid-in Capital	Adjustment to Capital	Treasury Shares (-)	Other Comprehensive Income not to be reclassified to profit or loss	Other Comprehensive Income to be reclassified to profit or loss	Restricted Reserves	Retained Earnings	Net Profit for the Period	Attributable to Equity Holders of the Parent	Non Controlling Interest	Equity
<b>Balance at 1 January 2017</b>	2,050,000	241,426	527	1,672,915	476,995	99,058	3,262,034	743,358	8,546,313	2,783,311	11,329,624
Transfer	-	-	-	-	-	16,305	727,053	(743,358)	-	-	-
Total comprehensive income/ (loss)	-	-	-	(81,519)	400,831	-	8,956	1,225,420	1,553,688	534,643	2,088,331
Capital increase	200,000	(60,000)	-	-	-	-	(140,000)	-	-	-	-
Merger impact	-	-	-	1112	-	-	(4,054)	-	(2,942)	2,942	-
Dividends	-	-	-	-	-	-	(250,000)	-	(250,000)	(124,039)	(374,039)
Disposal of a subsidiary	-	-	-	(22,525)	-	-	22,527	-	2	(2)	-
Increases/ (decreases) due to changes in ownership rate of subsidiaries that do not result in loss of control	-	-	-	(8,802)	-	-	(13,441)	-	(22,243)	22,243	-
Transactions with non-controlling interest	-	-	-	-	-	-	11,756	-	11,756	6,743	18,499
Disposal of joint venture	-	-	-	(140)	-	-	140	-	-	-	-
<b>Balance at 31 December 2017</b>	2,250,000	181,426	527	1,561,041	877,826	115,363	3,624,971	1,225,420	9,836,574	3,225,841	13,062,415

Disclosures for the changes in the equity is presented in Note 27.

The accompanying notes form an integral part of these consolidated financial statements.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS BETWEEN 1 JANUARY AND 31 DECEMBER 2017 AND 2016

(AMOUNTS ON TABLES ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

	Notes	31 December 2017	1 January-31 December 2017	31 December 2016	1 January-31 December 2016
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			<b>1,936,742</b>		<b>844,917</b>
Net profit/ (loss) for the period		27	1,736,956		1,040,028
Adjustments to reconcile net profit/ (loss) to net cash provided by operating activities			970,110		716,606
- Adjustments for depreciation and amortization		3,18,19	968,174		809,641
- Adjustments for impairments/reversals		10,11,13,18,26	59,465		34,534
- Adjustments for Changes in provisions		3,22,24,27	117,206		73,700
- Adjustments for dividend		32	-		(15)
- Interest income and expenses		8,31,33,37	117,364		81,400
- Unrealized exchange loss/ (gain)		31,33	(20,739)		(75,538)
- Adjustments for fair value loss/ (gain)		7	(216,264)		(200,949)
- Income from investments accounted for under equity accounting		16	(140,250)		(105,912)
- Adjustments for tax expenses		35	204,808		134,351
- Gain/ losses on sale of tangible assets		32	(18,045)		(10,641)
- Adjustments related to disposal of associate, joint venture and financial investment or gain/ (loss) change in share rate		16	(31,832)		-
- Adjustments for disposal of subsidiary or joint operations		27,32	(66,089)		-
- Other adjustments related to profit/(loss) reconciliation		26	(3,688)		(23,965)
<b>Changes in net working capital</b>			<b>(204,895)</b>		<b>(491,364)</b>
- Increases/decreases in trade receivables		3,10,27,31,37	(288,825)		(555,935)
- Increases/decreases in other receivables		11,16,27,31,37	17,430		(14,075)
- Increases/decreases in derivative instruments		12,33	569		105,557
- Increases/decreases in inventories		3,13,27	(241,922)		(286,181)
- Increases/decreases in trade payables		3,10,27,31	161,506		200,156
- Increases/decreases in other payables		11,14,26,27,37	29,730		96,313
- Other increases/decreases in net working capital		14,26,27	116,617		(37,199)
<b>Cash flows from operating activities</b>			<b>2,502,171</b>		<b>1,265,270</b>
- Interest paid		8,31,33,37	(349,458)		(251,569)
- Interest received		31,33,37	83,034		77,435
- Employment termination benefits paid		24	(57,016)		(41,754)
- Taxes received / (paid)		35	(241,989)		(204,465)

The accompanying notes form an integral part of these consolidated financial statements.



# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS BETWEEN 1 JANUARY AND 31 DECEMBER 2017 AND 2016

(AMOUNTS ON TABLES ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

	Notes	1 January- 31 December 2017	1 January- 31 December 2016
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(1,057,428)</b>	<b>(1,812,228)</b>
- Cash inflow from the disposal of the subsidiary	27	180,845	-
- Cash out flows due to the acquisition a subsidiary	3,11	(77,012)	(124,209)
- Cash inflow from sales of shares or due to capital reduction of associates and/or joint ventures	16	50,404	-
- Proceeds from sale of other entities' or funds' share and debt instruments	7,32	256,011	43,366
- Cash outflows due to purchase of other entities' or funds' share and debt instruments	7,16	(886,541)	(962,534)
- Proceeds from sale of tangible and intangible assets	8,18,19	71,947	119,820
- Cash outflows due to purchases of tangible and intangible assets	8,18,19	(896,767)	(1,158,438)
- Proceeds from sale of investment property	17,32	5,162	-
- Proceeds from sale of assets held for sale	11	7,099	952
- Advances given	14	(722,810)	(195,222)
- Proceeds from advances given	14	643,658	265,198
- Dividend income	16,26,32	98,746	81,441
- Interest received	6,7,32,33	233,569	109,219
- Other cash inflows/ (outflows)	10,11,26	(21,739)	8,179
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(1,041,356)</b>	<b>364,565</b>
- Proceeds from changes in ownership rate of subsidiaries that does not result in loss of control	11,27	18,499	689,785
- Proceeds from issue of shares or other equity instruments	11,27	(41,117)	(49,040)
- Proceeds (cash outflows) from the merger of the entities and under common control	27	-	20
- Proceeds from borrowings	8	1,944,417	1,622,991
- Repayments of borrowings	8,33	(2,587,728)	(1,557,283)
- Financial leases payments	8	(1,388)	(1,124)
- Dividends paid	27	(374,039)	(340,784)
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)</b>		<b>(162,042)</b>	<b>(602,746)</b>
<b>D. EFFECTS OF UNREALIZED EXCHANGE LOSS/ (GAIN) ON CASH AND CASH EQUIVALENTS</b>		<b>428,774</b>	<b>625,873</b>
<b>NET DECREASE/ (INCREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>		<b>266,732</b>	<b>23,127</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>6</b>	<b>3,163,693</b>	<b>3,140,566</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)</b>	<b>6</b>	<b>3,430,425</b>	<b>3,163,693</b>

The accompanying notes form an integral part of these consolidated financial statements.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 1. Group's Organizations and Nature of Operations

Türkiye Şişe ve Cam Fabrikaları A.Ş. Group (the "Group") consists of a holding company, Türkiye Şişe ve Cam Fabrikaları A.Ş. (the "Company"), 61 subsidiaries, 2 joint ventures and 2 associates.

The Group consists of five operating segments including companies operating in flat glass, glassware, glass packaging, chemicals, and others that includes of export, import, energy, collection, separation, processing, recycling and acquisition of packing waste and insurance agency services. The Group's main area of activity is glass production and it deals with complementary industrial and commercial operations for glass production. Additionally, the Group participates in management of various industrial and commercial companies.

The Group was established 82 years ago by Türkiye İş Bankası A.Ş. ("İş Bankası") in Turkey, being one of the largest Turkish private commercial banks. The shares of the Company have been publicly traded on the Borsa İstanbul A.Ş. ("BİST"), formerly named as İstanbul Stock Exchange ("İSE"), since 1986. As of 31 December 2017, İş Bankası holds 65.47% of the shares and retains the control of the Group.

### The Head Office and the Shareholder Structure of the Company

The shareholder structure of the Company is disclosed in Note 27.

The Company is registered in Turkey and the contact information is as presented below:

İçmeler Mahallesi D-100 Karayolu Cad. No: 44 A 34947, Tuzla / İstanbul / Turkey

Telephone : + 90 850 206 50 50  
E-mail address : scmuhasabe@sisecam.com  
Registered e-mail address : sisecam@hs03.kep.tr  
Web site : http://www.sisecam.com.tr

### Trade Register Information of the Company

Registered at : İstanbul Ticaret Sicil Memurlugu  
Registry no : 21599  
Central Legal Entity Information System : 0-8150-0344-7300016  
Nace Code : 70.10.01 primary and additionally 74.10.02

### Personnel structure of the Group

	31 December 2017	31 December 2016
Personnel (paid by monthly)	6,487	6,625
Personnel (paid by hourly)	14,840	14,637
<b>Total</b>	<b>21,327</b>	<b>21,262</b>

367 employees included in the Group's total personnel structure is consisted of the personnel of joint ventures and associates accounted for under equity method. (31 December 2016: 501 employees)

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 1. Group's Organizations and Nature of Operations

#### Companies Included in the Consolidation

The nature of operations of the companies included in consolidation is presented as follows:

#### Flat Glass Group

Subsidiaries	Nature of business	Country of registration
Trakya Cam Sanayii A.Ş. <sup>(1)</sup>	Production and sales of flat glass, auto glass and processed glass	Turkey
Trakya Yenişehir Cam Sanayii A.Ş.	Production and sales of flat glass, coated glass, laminated glass	Turkey
Çayırova Cam Sanayii A.Ş.	Commercial activity	Turkey
Trakya Polatlı Cam Sanayii A.Ş.	Production and sales of flat glass and laminated glass	Turkey
Şişecam Otomotiv A.Ş.	Production and sales of automotive glass	Turkey
Trakya Investment B.V. <sup>(2)</sup>	Finance and investment company	Netherlands
Şişecam Flat Glass Holding B.V.	Finance and investment company	Netherlands
TRSG Glass Holding B.V.	Finance and investment company	Netherlands
Trakya Glass Bulgaria EAD	Production and sales of flat glass, laminated, coated glass, and mirror	Bulgaria
Şişecam Automotive Bulgaria EAD	Production and sales of automotive glass and white goods glasses	Bulgaria
Glasscorp S.A.	Production and sales of automotive glass	Romania
Şişecam Flat Glass Italy S.R.L.	Production and sales of flat and laminated glass	Italy
Trakya Glass Rus AO	Production and sales of flat glass and mirror	Russia
Automotive Glass Alliance Rus AO	Production and sales of automotive glass	Russia
Automotive Glass Alliance Rus Trading OOO	Importing and sales services	Russia
Trakya Glass Rus Trading OOO	Importing and sales services	Russia
Richard Fritz Holding GmbH	Commercial activity	Germany
Richard Fritz Prototype+Spare Parts GmbH	Glass encapsulation production and sales services	Germany
Richard Fritz Spol S.R.O.	Glass encapsulation production and sales services	Slovakia
Richard Fritz Kft	Glass encapsulation production and sales services	Hungary

Joint Ventures	Nature of business	Country of registration
HNG Float Glass Limited	Production and sales of flat glass and mirror	India

Associate	Nature of business	Country of registration
Saint Gobain Glass Egypt S.A.E.	Production and sales of flat glass	Egypt

#### Glassware Group

Subsidiaries	Nature of business	Country of registration
Paşabahçe Cam Sanayii ve Tic. A.Ş.	Automatic production and sales of glassware	Turkey
Paşabahçe Mağazaları A.Ş.	Retail sales of glassware	Turkey
Camiş Ambalaj Sanayii A.Ş.	Production and sales of paper packaging	Turkey
Denizli Cam Sanayii ve Tic. A.Ş. <sup>(1)</sup>	Production and sales of soda and hand-made crystal ware	Turkey
Paşabahçe Investment B.V.	Finance and investment company	Netherlands
İstanbul Investment B.V. <sup>(3)</sup>	Finance and investment company	Netherlands
Nude Design Investment B.V. <sup>(3)</sup>	Finance and investment company	Netherlands
Nude Glass Investment B.V. <sup>(3)</sup>	Finance and investment company	Netherlands
Paşabahçe Bulgaria EAD	Automatic production and sales of glassware	Bulgaria
OOO Posuda	Automatic production and sales of glassware	Russia
Paşabahçe Srl	Sales and marketing services	Italy
Paşabahçe (Shangai) Trading Co. Ltd.	Sales and marketing services	China
Paşabahçe Egypt Glass Manufacturing S.A.E <sup>(3)</sup>	Automatic production and sales of glassware	Egypt

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 1. Group's Organizations and Nature of Operations

#### Companies included in consolidation

#### Glass Packaging Group

Subsidiaries	Nature of business	Country of registration
Anadolu Cam Sanayii A.Ş. <sup>(1), (4)</sup>	Production and sales of glass packaging	Turkey
AC Glass Holding B.V.	Finance and investment company	Netherlands
Anadolu Cam Investment B.V.	Finance and investment company	Netherlands
Balsand B.V.	Finance and investment company	Netherlands
OOO Ruscam Management Company	Finance and investment company	Russia
OOO Ruscam Glass Packaging Holding <sup>(5)</sup>	Production and sales of glass packaging	Russia
OOO Energosystems	Leasing of industrial materials	Russia
CJSC Brewery Pivdenna	Production and sales of glass packaging	Ukraine
Merefa Glass Company Ltd.	Production and sales of glass packaging	Ukraine
JSC Mina	Production and sales of glass packaging	Georgia

#### Şişecam Chemicals

Subsidiaries	Nature of business	Country of registration
Soda Sanayii A.Ş. <sup>(1)</sup>	Production and sales of soda and chromium chemicals	Turkey
Cam Elyaf Sanayii A.Ş.	Production and sales of glass fiber	Turkey
Şişecam Elyaf Sanayii A.Ş. <sup>(3)</sup>	Production and sales of glass fiber	Turkey
Camiş Madencilik A.Ş.	Production and sales of raw materials in glass	Turkey
Madencilik Sanayii ve Tic. A.Ş.	Production and sales of raw materials in glass	Turkey
Oxyvit Kimya Sanayi ve Tic. A.Ş. <sup>(6)</sup>	Vitamin K-3 and derivatives manufacturer	Turkey
Şişecam Chem Investment B.V.	Finance and investment company	Netherlands
Şişecam Bulgaria EOOD	Soda goods trade	Bulgaria
Şişecam Soda Lukavac D.O.O.	Production and sales of soda	Bosnia-Herzegovina
Cromital S.p.A	Production and sales of chromium sub products	Italy
Camiş Egypt Mining Ltd. Co.	Sand mining and sales	Egypt

Joint Venture	Nature of business	Country of registration
Rudnik Krecnjaka Vijenac D.O.O.	Production and sales of lime stone	Bosnia-Herzegovina

Associate	Nature of business	Country of registration
Solvay Şişecam Holding AG	Finance and investment company	Austria

#### Other

Subsidiaries	Nature of business	Country of registration
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	Insurance agency	Turkey
Şişecam Dış Ticaret A.Ş.	Exportation of group products	Turkey
Şişecam Enerji A.Ş.	Storage and sales of natural gas and electricity trade	Turkey
Camiş Elektrik Üretim A.Ş.	Production and sales of electricity	Turkey
Şişecam Çevre Sistemleri A.Ş.	Collection, sorting, processing, recycling and recovery of packaging	Turkey
SC Glass Trading B.V.	Import and sales services	Netherlands
Camiş Limited	Foreign purchasing services	England

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 1. Group's Organizations and Nature of Operations

#### Companies included in consolidation

(1)The shares of the aforementioned subsidiaries have been publicly traded on the Borsa Istanbul A.Ş. ("BIST"), formerly named as Istanbul Stock Exchange ("ISE"). The first trading dates respectively are as follows:

Subsidiary name	First trading date
Türkiye Şişe ve Cam Fabrikaları A.Ş.	3 January 1986
Anadolu Cam Sanayii A.Ş.	3 January 1986
Denizli Cam Sanayii ve Tic. A.Ş.	3 July 1987
Trakya Cam Sanayii A.Ş.	5 November 1990
Soda Sanayii A.Ş.	20 April 2000

Share information	BIST Code	Reuters Code	Bloomberg Code
Türkiye Şişe ve Cam Fabrikaları A.Ş.	SISE	SISE.IS	SISE.TI
Trakya Cam Sanayii A.Ş.	TRKCM	TRKCM.IS	TRKCM.TI
Anadolu Cam Sanayii A.Ş.	ANACM	ANACM.IS	ANACM.TI
Soda Sanayii A.Ş.	SODA	SODA.IS	SODA.TI
Denizli Cam Sanayii ve Tic. A.Ş.	DENCM	DENCM.IS	DENCM.TI

As of 31 December 2017, Türkiye Şişe ve Cam Fabrikaları, Soda Sanayii A.Ş. Trakya Cam Sanayii A.Ş. and Anadolu Cam Sanayii A.Ş. are traded in BIST-30, BIST-50, BIST-100 and BIST-100 respectively. Denizli Cam Sanayii ve Tic. A.Ş. is traded in BIST-ALL shares national index.

Periodic Revision Report on Corporate Governance Rating has been completed by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. ("SAHA"), which is officially authorised to carry out rating processes in Turkey in line with Capital Markets Board Corporate Governance Principles. The Corporate Governance Rating Score of 94.41 (9.44 out of 10) that was announced on 16 December 2016 has been revised upward to 94.83 (9.48 out of 10) as of 15 December 2017, following the continuous improvement efforts made in the area of application of corporate governance principles. In its rating work SAHA used the new methodology based on Corporate Governance Principles published by the CMB in January 2014.

Main sections	Weight	15 December 2017	16 December 2016
Shareholders	%25	95.36	95.36
Public disclosure and transparency	%25	96.98	96.98
Stakeholders	%15	99.48	96.70
Board of directors	%35	90.92	90.92
<b>Average rating</b>	<b>%100</b>	<b>94.83</b>	<b>94.41</b>

Türkiye Şişe ve Cam Fabrikaları A.Ş. is included in the BIST "Corporate Governance Index". The company is placed in the first group according to the World Corporate Governance Index (WCGI) which was published by SAHA on 1 July 2016.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 1. Group's Organizations and Nature of Operations

#### Companies included in consolidation

- Trakya Autoglass Holding B.V. which is located in Netherlands and owned by the Group at 100% is merged with Trakya Investment B.V. as of 1 January 2017. At the same date of the transaction, the shares in Trakya Glass Bulgaria EAD, Şişecam Flat Glass Italy S.R.L and Saint Gobain Glass Egypt S.A.E. are transferred to Şişecam Flat Glass Holding B.V. which is owned by the Group at 100%. As a result of these transactions, the foreign companies producing flat glass have been gathered under Şişecam Flat Glass Holding B.V. and the foreign companies that are producing automotive glass have been placed under Trakya Investment B.V.
- It was established in 2017.
- As part of the simplification of the capital structures of our community companies, Anadolu Cam Yenişehir Sanayi A.Ş. and Anadolu Cam Eskişehir Sanayi A.Ş. which are registered to Istanbul Trade Registry Directorate with the registration number of 550630 and 797326 according to 155/1-a and other related provisions of the Turkish Commercial Code ("TTK"), the Capital Markets Law No. 6362 and other related legislations, the Capital Markets Board Notice on Merger and Split numbered II.23.2, Articles 19 and 20 of the Law on Corporate Income Tax, are transferred to Anadolu Cam Sanayii A.Ş. over the registered values. In consequence of the merger of Anadolu Cam Yenişehir Sanayi A.Ş. and Anadolu Eskişehir Sanayi A.Ş., which are wholly owned by Anadolu Cam Sanayii A.Ş., no capital increase was made. The announcement text and merger agreement regarding the merger transactions was approved by the CMB on 11 August 2017 and the process was completed on 31 August 2017 after registration.
- OOO Ruscam and OOO Ruscam Glass which are owned by the Group at 100% and engaged in production and sale of glass packaging in Russia have received approval from the local authorities on 9 August 2017 and 18 December 2017 respectively, regarding the merger with OOO Ruscam Glass Packaging Holding.
- Cheminvest Deri Kimyasalları Sanayii ve Ticaret A.Ş. which is owned by our subsidiary Soda Sanayii A.Ş. at 45% and by our company at 5% and by our business partner, Oxyvit Kimya Sanayii ve Ticaret A.Ş. by 50% is purchased by Cheminvest S.P.A. located in Italy and other partners at the amount of USD 7,000 thousand US Dollar and according to the Board of Directors resolution dated 25 July 2017 Share Purchase Agreement has been signed and the transfer of shares has been transferred. Subsequently, the shares of Oxyvit Kimya Sanayi ve Ticaret A.Ş., which is owned by our company at 5% were sold to our subsidiary Soda Sanayii A.Ş. on 31 July 2017, at the amount of 700 thousand dollars. So Soda Sanayi A.Ş. has become the owner of 100% of related companies' shares.

Cheminvest Deri Kimyasalları Sanayii ve Ticaret A.Ş. which owns 50% of Oxyvit Kimya Sanayii ve Ticaret A.Ş. shares has been dissolved as a result of inverse merger. The registration was also declared at 19 December 2017.

Also, at 28 February 2017, Eskişehir Oluklu Mukavva Sanayi A.Ş. which is one of subsidiaries was sold to a third party.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 1. Group's Organizations and Nature of Operations

#### Companies included in consolidation

The table below sets out all consolidated companies and shows the proportion of ownership interest and the effective interest of the Company in these subsidiaries:

#### Subsidiaries of Flat Glass Group

Company's name	31 December 2017		31 December 2016	
	Direct and indirect ownership (%)	Effective ownership (%)	Direct and indirect ownership (%)	Effective ownership (%)
Trakya Cam Sanayii A.Ş.	69.45	69.45	69.45	69.45
Trakya Yenişehir Cam Sanayii A.Ş.	100.00	74.03	100.00	74.03
Çayırova Cam Sanayii A.Ş.	100.00	91.40	100.00	91.40
Trakya Polatlı Cam Sanayii A.Ş.	100.00	74.03	100.00	74.03
Şişecam Otomotiv A.Ş.	100.00	69.45	100.00	69.45
Trakya Investment B.V.	100.00	69.45	100.00	69.45
Şişecam Flat Glass Holding B.V.	100.00	69.45	100.00	69.45
TRSG Glass Holding B.V.	70.00	48.62	70.00	48.62
Trakya Glass Bulgaria EAD	100.00	69.45	100.00	69.45
Şişecam Automotive Bulgaria EAD	100.00	69.45	100.00	69.45
Glasscorp S.A.	100.00	69.45	100.00	69.45
Şişecam Flat Glass Italy S.R.L.	100.00	69.45	100.00	69.45
Trakya Glass Rus AO	100.00	48.62	100.00	48.62
Trakya Autoglass Holding B.V.	-	-	100.00	69.45
Automotive Glass Alliance Rus AO	100.00	69.45	100.00	69.45
Automotive Glass Alliance Rus Trading OOO	100.00	69.45	100.00	69.45
Trakya Glass Rus Trading OOO	100.00	48.62	100.00	48.62
Richard Fritz Holding GmbH	100.00	69.45	100.00	69.45
Richard Fritz Prototype+Spare Parts GmbH	100.00	69.45	100.00	69.45
Richard Fritz Spol S.R.O.	100.00	69.45	100.00	69.45
Richard Fritz Kft	100.00	69.45	100.00	69.45

#### Joint Venture of Flat Glass Group

Company's name	31 December 2017		31 December 2016	
	Direct and indirect ownership (%)	Effective ownership (%)	Direct and indirect ownership (%)	Effective ownership (%)
HNG Float Glass Limited	50.00	34.73	50.00	34.73

#### Associates of flat Glass Group

Company's name	31 December 2017		31 December 2016	
	Direct and indirect ownership (%)	Effective ownership (%)	Direct and indirect ownership (%)	Effective ownership (%)
Saint Gobain Glass Egypt S.A.E.	30.00	20.84	30.00	20.84

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 1. Group's Organizations and Nature of Operations

#### Companies included in consolidation

#### Subsidiaries of Glassware Group

Company's name	31 December 2017		31 December 2016	
	Direct and indirect ownership (%)	Effective ownership (%)	Direct and indirect ownership (%)	Effective ownership (%)
Paşabahçe Cam Sanayii ve Tic. A.Ş.	84.01	84.01	84.01	84.01
Paşabahçe Mağazaları A.Ş.	100.00	84.01	100.00	76.05
Camış Ambalaj Sanayii A.Ş.	100.00	100.00	100.00	99.98
Eskişehir Oluklu Mukavva Sanayi A.Ş. (*)	-	-	100.00	99.98
Denizli Cam Sanayii ve Tic. A.Ş.	51.00	42.84	51.00	42.84
Paşabahçe Investment B.V.	100.00	84.01	100.00	84.01
İstanbul Investment B.V.	100.00	84.01	-	-
Nude Design Investment B.V.	100.00	84.01	-	-
Nude Glass Investment B.V.	100.00	84.01	-	-
Paşabahçe Bulgaria EAD	100.00	84.01	100.00	84.01
OOO Posuda	100.00	84.01	100.00	84.01
Paşabahçe Srl	100.00	84.01	100.00	84.01
Paşabahçe Egypt Glass Manufacturing S.A.E.	100.00	84.01	-	-
Paşabahçe (Shanghai) Trading Co. Ltd.	100.00	84.01	100.00	84.01

#### Subsidiaries of Glass Packaging Group

Company's name	31 December 2017		31 December 2016	
	Direct and indirect ownership (%)	Effective ownership (%)	Direct and indirect ownership (%)	Effective ownership (%)
Anadolu Cam Sanayii A.Ş.	77.10	77.10	78.45	78.45
Anadolu Cam Yenişehir Sanayi A.Ş.	-	-	100.00	81.68
Anadolu Cam Eskişehir Sanayi A.Ş.	-	-	100.00	81.68
AC Glass Holding B.V.	100.00	77.10	100.00	78.45
Anadolu Cam Investment B.V.	100.00	77.10	100.00	78.45
Balsand B.V.	100.00	77.10	100.00	78.45
OOO Ruscam Management Company	100.00	77.10	100.00	78.45
OOO Ruscam Glass Packaging Holding	100.00	77.10	100.00	78.45
OOO Ruscam	-	-	100.00	78.45
OOO Ruscam Glass	-	-	100.00	78.45
OOO Energosystems	100.00	77.10	100.00	78.45
CJSC Brewery Pivdenna	100.00	77.10	100.00	78.45
Merefa Glass Company Ltd.	100.00	77.10	100.00	78.45
JSC Mina	100.00	77.10	100.00	78.45

#### Joint Ventures of Glass packaging

Company's name	31 December 2017		31 December 2016	
	Direct and indirect ownership (%)	Effective ownership (%)	Direct and indirect ownership (%)	Effective ownership (%)
Omco İstanbul Kalıp Sanayii ve Tic. A.Ş. (*)	-	-	50.00	39.22

(\*) These subsidiaries were sold to a third party in 2017, (Note 16 and Note 27)

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 1. Group's Organizations and Nature of Operations

Companies included in consolidation

#### Subsidiaries of Chemicals Group

Company's name	31 December 2017		31 December 2016	
	Direct and indirect ownership (%)	Effective ownership (%)	Direct and indirect ownership (%)	Effective ownership (%)
Soda Sanayii A.Ş.	60.67	60.67	60.67	60.67
Cam Elyaf Sanayii A.Ş.	100.00	96.57	100.00	96.57
Şişecam Elyaf Sanayii A.Ş.	100.00	60.67	-	-
Camiş Madencilik A.Ş.	100.00	100.00	100.00	100.00
Madencilik Sanayii ve Tic. A.Ş.	100.00	100.00	100.00	99.66
Oxyvit Kimya Sanayii ve Tic. A.Ş.	100.00	60.67	50.00	32.30
Şişecam Chem Investment B.V.	100.00	60.88	100.00	60.88
Şişecam Bulgaria EOOD	100.00	60.88	100.00	60.88
Şişecam Soda Lukavac D.O.O.	100.00	60.88	100.00	60.88
Cromital S.p.A	100.00	61.08	100.00	61.08
Camiş Egypt Mining Ltd. Co.	99.70	99.70	99.70	99.70

#### Joint Ventures of Chemicals Group

Company's name	31 December 2017		31 December 2016	
	Direct and indirect ownership (%)	Effective ownership (%)	Direct and indirect ownership (%)	Effective ownership (%)
Rudnik Krcenjaka Vijenac D.O.O. Associates of Chemicals Group	50.00	50.00	50.00	50.00

Company's name	31 December 2017		31 December 2016	
	Direct and indirect ownership (%)	Effective ownership (%)	Direct and indirect ownership (%)	Effective ownership (%)
Solvay Şişecam Holding AG	25.00	15.22	25.00	15.22

#### Other Subsidiaries of the Group

Company's name	31 December 2017		31 December 2016	
	Direct and indirect ownership (%)	Effective ownership (%)	Direct and indirect ownership (%)	Effective ownership (%)
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	100.00	100.00	100.00	100.00
Şişecam Dış Ticaret A.Ş.	100.00	100.00	100.00	100.00
Şişecam Enerji A.Ş.	100.00	100.00	100.00	100.00
Camiş Elektrik Üretim A.Ş.	100.00	83.51	100.00	83.78
Şişecam Çevre Sistemleri A.Ş.	90.00	90.00	90.00	90.00
SC Glass Trading B.V.	100.00	100.00	100.00	100.00
Camiş Limited	100.00	95.20	100.00	95.20

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.1 Basis of Presentation

The accompanying consolidated financial statements are prepared in accordance with Communiqué Serial II, No: 14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, consolidated financial statements are prepared in accordance with the Turkish Accounting Standards issued by Public Oversight Accounting and Auditing Standards Authority ("POAASA"). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations ("IFRIC"). The accompanying consolidated financial statements are prepared in accordance with resolution No. 30 TAS taxonomy published by POAASA on 2 June 2016.

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the financial statements of the consolidated financial statements of the Group have been prepared accordingly.

The Company (and its subsidiaries and Joint Ventures registered in Turkey) maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the "TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. Subsidiaries, joint ventures and associates operating in foreign countries have prepared their statutory financial statements in accordance with the laws and regulations of the country in which they operate. The year end consolidated financial statements, except for the financial asset and liabilities presented with their fair values, are maintained under historical cost conversion in TRY. These year end consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS.

#### Presentation and Functional Currency

The individual financial statements of each Group entity are presented in its currency where the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity consolidated are expressed in thousand Turkish Lira ("TRY"), which is the functional of the Company and the presentation currency of the Group.

#### Preparation of Financial Statements in Hyperinflationary Periods

In accordance with the CMB's resolution No: 11/367 issued on 17 March 2005, companies operating in Turkey which prepare their financial statements in accordance with the CMB Accounting Standards (including the application of IFRS) are not subject to inflation accounting effective from 1 January 2005. Therefore, as of 1 January 2005, IAS 29 "Financial Reporting in Hyperinflationary Economies" is not applied in the accompanying consolidated financial statements.

#### Going Concern

The consolidated financial statements including the accounts of the parent company, its subsidiaries, joint ventures and associates have been prepared assuming that the Group will continue as a going concern on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.1 Basis of Presentation

##### [Comparatives and Restatement of Prior Periods' Financial Statements](#)

The consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period consolidated financial statements.

In this scope; the presentation is prepared in thousand Turkish Liras due to the fact that financial assets reach a significant dimension and previous period information has been rounded to thousand Turkish Lira in terms of being comparable with the previous period.

Since the Group can not invoice the freight costs and similar expenses related to the sales contracts in accordance with the maturity date and amount of sales contract, the related costs are accounted in the "Marketing Expenses" account directly in the operating expenses without netting off the revenue. For this reason, they have made the necessary classifications on previous years' consolidated financial statements in accordance with the changes in presentation in the current period.

##### [Profit or Loss Statement](#)

	Previously Reported		Restated
	1 January- 31 December 2016	Reclassification	1 January- 31 December 2016
Revenue	8,421,668	147,796	8,569,464
Cost of sales (-)	(5,891,553)	-	(5,891,553)
<b>Gross Profit/ (Loss)</b>	<b>2,530,115</b>	<b>147,796</b>	<b>2,677,911</b>
General administrative expenses	(756,363)	-	(756,363)
Selling and marketing expenses	(912,296)	(147,796)	(1,060,092)
Research and development expenses	(73,977)	-	(73,977)
Other operating income	488,732	-	488,732
Other operating expenses	(283,725)	-	(283,725)
Income/ (expense) from investments accounted for under equity accounting	105,912	-	105,912
<b>Operating Profit (Loss)</b>	<b>1,098,398</b>	<b>-</b>	<b>1,098,398</b>

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.1 Basis of Presentation

##### [Financial statements of foreign subsidiaries](#)

Financial statements of subsidiaries, associates and joint ventures operating in foreign countries are prepared in accordance with the legislation of the country in which they operate and assets and liabilities in financial statements prepared according to the Group's accounting policies are translated into TRY from the foreign exchange rate at the balance sheet date whereas income and expenses are translated into TRY at the average foreign exchange rate. Exchange differences between the average and balance sheet date rates are included in the "currency translation differences" under shareholders' equity.

The foreign currency exchange rates used in the translation of the foreign operations within the scope of consolidation are as follows:

Currency	31 December 2017		31 December 2016	
	Period End	Period Average	Period End	Period Average
US Dollars	3.77190	3.64446	3.51920	3.01809
Euros	4.51550	4.11588	3.70990	3.33755
Bulgarian Lev	2.30874	2.10442	1.89684	1.70646
Egyptian Pounds	0.21333	0.20491	0.19400	0.31914
Russian Rubles	0.06507	0.06210	0.05732	0.04506
Georgian Lari	1.45510	1.45276	1.32961	1.27522
Ukrainian Hryvnia	0.13439	0.13704	0.12943	0.11814
Bosnian convertible mark	2.30874	2.10442	1.89684	1.70646
New Romanian Leu	0.96374	0.89552	0.81310	0.73900
Hungarian Forint	0.01456	0.01331	0.01193	0.01072
Chinese Yuan	0.57622	0.53633	0.50375	0.45153
Indian Rupee	0.05900	0.05597	0.05179	0.04492

##### [Consolidation Principles](#)

The consolidated financial statements include the accounts of the parent company, Türkiye Şişe ve Cam Fabrikaları A.Ş., and its subsidiaries (collectively referred to as the "Group" on the basis set out in sections below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with Turkish Accounting Standards applying uniform accounting policies and presentation. The results of subsidiaries and joint ventures are included or excluded from their effective dates of acquisition or disposal respectively.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.1 Basis of Presentation

##### Subsidiaries

Control is obtained by controlling over the activities of an entity's financial and operating policies in order to benefit from those activities.

Subsidiaries are companies over which the parent company controls the financial and operating policies for the benefit of the parent company and exposed to variable yield due to their relationship with the entity, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the voting rights, otherwise having the power to exercise control over the financial and operating policies.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Note 1 sets out all subsidiaries included in the scope of consolidation and it shows their ownership and effective interests (%) as of 31 December 2017 and 31 December 2016.

Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that control ceases. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

The result of operations of subsidiaries are included or excluded in these consolidated financial statements subsequent to the date of acquisition or date of sale respectively. The expenses related to acquisitions are accounted for under profit/loss statement once occurred.

The statements of financial position and statements of income of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Company and its Subsidiaries is eliminated against the related equity. Intercompany transactions and balances between the Company and its Subsidiaries are eliminated during the consolidation. The cost of, and the dividends arising from, shares held by the Company in its Subsidiaries are eliminated from equity and income for the period, respectively.

The non-controlling interests' shares in the consolidated subsidiaries' net assets are separately disclosed in the equity of the Group. The non-controlling interests represent the sum of the shares issued during the initial business combinations and the non-controlling interests' shares in the equity changes from the date of business combination.

When the losses applicable to the non-controlling portion exceed the non-controlling interest in the equity of the subsidiary, the excess loss and the further losses applicable to the non-controlling are charged against the non-controlling interest.

Subsidiaries, of which financial statements and operating results, either individually or cumulatively not material with respect to consolidated financial statements as of 31 December 2017, are not included in the scope of consolidation, but classified as available-for-sale financial assets (Note 7).

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.1 Basis of Presentation

##### Joint Ventures

Joint Ventures are the companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Company and one or more other parties. The Company exercises such joint control through the power to exercise voting rights relating to shares in the companies as a result of ownership interest directly and indirectly held by itself. The table in Note 1 sets out all Joint Ventures included in the scope of consolidation and shows their ownership and effective interests as of 31 December 2017 and 31 December 2016. Joint Ventures are accounted for under equity accounting method.

##### Associates

Associates are companies in which the Group has an interest which is more than 20% and less than 50% of the voting rights and over which a significant influence is exercised. The equity method is used for accounting of associates.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables or the significant influence ceases the Group does not continue to apply the equity method, unless it has incurred obligations or made payments on behalf of the associate. Subsequent to the date of the cessation of the significant influence the investment is carried either at fair value when the fair values can be measured reliably or otherwise at cost when the fair values cannot be reliably measured.

Since income/loss from investment in associates and joint ventures is related with the Group's main operations, they are presented under "Operating Profit" in the consolidated statement of profit or loss.

##### Available-for-sale investments

Available-for-sale investments, in which the Group has controlling interests equal to or above 20%, or over which are either immaterial or where a significant influence is not exercised by the Group, that do not have quoted market prices in active markets and whose fair values cannot be reliably measured are carried at cost less any provision for impairment.

Available-for-sale investments, in which the Group has an interest that is below 20% or in which a significant influence is not exercised by the Group, that have quoted market prices in active markets and whose fair values can be reliably measured, are carried in the financial statements at their fair value.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.2 Statement of Compliance to IAS/TAS

The Group prepared the accompanying consolidated financial statements as of 31 December 2017 in accordance with Communiqué Serial II, No: 14.1 and the related announcements. The accompanying consolidated financial statements and explanatory notes were disclosed in compliant with reporting formats recommended by CMB, including the compulsory explanations.

#### 2.3 Significant changes in the Accounting Policies

Material changes in accounting policies are corrected, retrospectively; by restating the prior periods' consolidated financial statements. The accounting policies except the situation stated below used in the preparation of these consolidated financial statements for the period ended 31 December 2017 are consistent with those used in the preparation of financial statements for the year ended 31 December 2016.

#### 2.4 Restatement and Errors in the Accounting Policies and Estimates

The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. The accounting estimates used in the preparation of these consolidated financial statements for the year ended 31 December 2017 are consistent with those used in the preparation of financial statements for the year ended 31 December 2016.

Material changes in accounting policies or material errors are applied, retrospectively by restating the prior period consolidated financial statements.

#### 2.5 Amendments in International Financial Reporting Standards ("IFRS")

In the current year the group has implemented changes and interpretations that are influential on the financial statements from the amendments and interpretations to the new and revised TAS / IFRS published by Turkish Accounting Standards Board (TASB) and TASB's Turkish Financial Reporting Interpretations Committee (TFRIC) and prevalent with the year periods that starts at 1 January 2017.

*The new standards, amendments and interpretations which are effective as at 1 January 2017 are as follows:*

##### *TAS 7 Statement of Cash Flows (Amendments)*

In December 2017, POA issued amendments to TAS 7 'Statement of Cash Flows'. The amendments are intended to clarify TAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. When the Group first applies those amendments, it is not required to provide comparative information for preceding periods. The Group disclosed additional information in Note 8 in its annual consolidated financial statements for the year ended 31 December 2017.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.5 Amendments in International Financial Reporting Standards ("IFRS")

##### *TAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)*

In December 2017, POA issued amendments to TAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are retrospectively applied for annual periods beginning on or after 1 January 2017. This amendment does not have an impact on the financial position or performance of the Group.

##### *Annual Improvements to IFRSs - 2014-2016 Cycle*

In December 2017, POA issued Annual Improvements related to IFRS Standards 2014-2016 Cycle, amending the following standards:

- IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The amendments did not have an impact on the financial position or performance of the Group.

##### *a) Standards issued but not yet effective and not early adopted as of 31 December 2017*

Interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

##### *IFRS 15 Revenue from Contracts with Customers*

In September 2016, POA issued IFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 effective date is 1 January 2018. Early adoption is permitted.

Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required.

The Group does not expect that the standard will have significant impact on the financial position or performance of the Group because contracts with customers in which the sale of goods is generally expected to be the only performance obligation thus are not expected to have any impact on the performance of the Group. Besides, currently trade discounts and volume rebates can be reliably measured on a quarterly basis accordingly they are recognised at annual and interim financial statements. The Group assesses the impact of the amendment on financial position or performance of the Group.



# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.5 Amendments in International Financial Reporting Standards ("IFRS")

##### a) Standards issued but not yet effective and not early adopted

###### *IFRS 9 Financial Instruments*

In January 2017, POA issued the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard.

The Group has undertaken a high-level impact assessment for IFRS 9. This preliminary assessment is based on existing information and will be subject to change from more detailed analyzes or additional supportable information. The Group does not expect any significant impact on the balance sheet and equity except the impairment requirements in IFRS 9 are applied. The Group expects a negative impact on equity due to the increase in trade receivable provisions, but will make a more detailed assessment in the future to determine the size of the impact. The Group assesses the impact of the standard on its financial position and performance.

###### *IFRS 4 Insurance Contracts (Amendments)*

In December 2017, POA issued amendments to IFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The interpretation is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

###### *IFRIC 22 Foreign Currency Transactions and Advance Consideration*

The interpretation issued by POA on 19 December 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.5 Amendments in International Financial Reporting Standards ("IFRS")

##### a) Standards issued but not yet effective and not early adopted

###### *IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)*

In 19 December 2017, POA issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

This interpretation sets out the date on which the foreign currency is to be used in the initial recognition of the related asset, expense or income and the transaction date and the date on which the entity first recognized non-monetary assets or non-monetary liabilities arising from advances or payments. There is no need for application for this interpretation to income taxes, or to insurance policies (including reinsurance policies) or to reinsurance policies that they hold.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

###### *Amendments to IAS 28 Investments in Associates and Joint Ventures (Amendments)*

In December 2017, POA issued amendments to IAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

IFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with IAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in IFRS 9 applies only to interests a company accounts for using the equity method. A company applies IFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

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### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.5 Amendments in International Financial Reporting Standards ("IFRS")

##### a) Standards issued but not yet effective and not early adopted

###### *TAS 40 Investment Property: Transfers of Investment Property (Amendments)*

In December 2017, POA issued amendments to TAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The amendment are not applicable for the Group and will not have any impact on the financial position or performance of the Group.

###### *TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)*

In December 2017, POA postponed the effective date of those amendments indefinitely pending the outcome of its research project on the equity method of accounting. However, early application of the amendments is still permitted.

###### *Annual Improvements to TFRS - 2014-2016 Cycle*

In December 2017, POA issued Annual Improvements to TFRS Standards 2014-2016 Cycle, amending the following standards:

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment abolish the short-term exemptions about some TFRS 7 "Financial Instruments" disclosures, IAS 19 "Employee Benefits" transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.
- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

##### b) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

###### *Annual Improvements - 2010-2012 Cycle*

###### *IFRS 13 Fair Value Measurement*

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

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### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.5 Amendments in International Financial Reporting Standards ("IFRS")

##### b) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

###### *IFRS 16 Leases*

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after 1 January 2019. Early adoption is permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

###### *IFRIC 23 Uncertainty over Income Tax Treatments*

The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

- (a) whether an entity considers uncertain tax treatments separately;
- (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- (d) how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application.

The interpretation will be applied for annual periods beginning on or after 1 January 2019. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

###### *IFRS 17 The new Standard for insurance contracts*

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted.

The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

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### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.5 Amendments in International Financial Reporting Standards ("IFRS")

b) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

##### *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019. Early application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

##### *Plan Amendment, Curtailment or Settlement" (Amendments to IAS 19)*

On 7 February 2018, the IASB published Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" to harmonise accounting practices and to provide more relevant information for decision-making. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

##### *Annual Improvements - 2015-2017 Cycle*

In December 2017, the IASB announced Annual Improvements to IFRS Standards 2015-2017 Cycle, containing the following amendments to IFRSs:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes – The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 Borrowing Costs – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.6 Summary of Significant Accounting Policies

##### Revenue recognition

Revenues are recognized on an accrual basis at the fair values of consideration received or receivable incurred or to be incurred. Net sales represent the invoiced value of trading goods and services given, less sales discounts and returns. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized in the period on an accrual basis as operating income (Note 28 and Note 31).

##### Sales of Goods

The Group's sales consist of flat glass, glass ware, glass fiber and glass packaging that cover all the major areas of glass production, as well as soda and chrome. Revenue obtained from the sales of the goods is accounted for when the conditions below are met:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods,
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the Group, and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### Services Rendered

Contract revenue and costs related to projects are recognized when the amount of revenue can be reliably measured and the increase in the revenue due to change in the scope of the contract related to the project is highly probable. Contract revenue is measured at the fair value of the consideration received or receivable. Projects are fixed price contracts and revenue is recognized in accordance with the percentage of completion method. The portion of the total contract revenue corresponding to the completion rate is recognized as contract revenue in the relevant period.

Logistics, import, export and insurance services are undertaken by service companies of the Group.

##### Interest Income

Interest income is accrued using the effective interest method which brings the remaining principal amount and expected future cash flows to the net book value of the related deposit during the expected life of the deposit.

##### Dividend income

Dividend income is recorded as income of the collection right transfer date. Dividends payable are recognized as an appropriation of profit in the period in which they are declared.

##### Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of inventories is determined on the weighted average basis for each purchase. Cost elements included in inventories are materials, labor and an appropriate amount for factory overheads. The cost of borrowings is not included in the costs of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Inventories consist of raw material, semi-finished goods, finished goods, commercial goods, goods in transit and other inventory (Note 13).

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.6 Summary of Significant Accounting Policies

##### Property, plant and equipment

Property, plant and equipment except for land and buildings are carried at cost less accumulated depreciation and any impairment in value. Land and buildings are stated at fair value as of revaluation date less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Land and buildings were accounted for under the net method in accordance with revaluation method. The change of accounting policy was applied in the financial statements as of 31 December 2015.

Assets to be used for administrative purposes, or used in the production of goods and services and are in the course of construction are carried at cost, less any recognized impairment loss. Legal fees are included in the cost of the property, plant and equipment. For assets that need considerable time to be ready for sale or use, borrowing costs are capitalized in accordance with the Group's accounting policy. As it is for the other fixed assets, such assets are depreciated when the assets are ready for their intended use. Cost amounts of property, plant and equipment assets excluding land and construction in progress are subject to amortization by using the straight-line method in accordance with their expected useful life. There is no depreciation allocated for lands due to indefinite useful lives. Expected useful life, residual value and amortisation method are evaluated every year for the probable effects of changes arising in the expectations and are accounted for prospectively (Note 18).

Leased assets are subject to similar amortization procedures, as with the other tangible assets on the shorter of the related leasing period and economic life of the asset.

The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Useful life
Land improvements	5-50 years
Buildings	5-50 years
Machinery and equipment	2-30 years
Motor vehicles	3-15 years
Furniture and fixtures	2-20 years
Other tangible assets	3-20 years

Property, plant and equipment are reviewed for impairment losses. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset net selling price or value in use. The recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilization of this property, plant and equipment or fair value less cost to sell.

Costs of property plant and equipment are included in the asset's carrying amount or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statements of income during the financial period in which they were incurred. Gain or losses on disposal of property, plant and equipment are included in the "Income/Loss from Investing Activities" and are determined as the difference between the carrying value and amounts received.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.6 Summary of Significant Accounting Policies

##### Property, plant and equipment

The gain on revaluation on tangible assets presented in the equity is transferred directly to the retained earnings when the asset is retired from use or disposed of or fully depreciated.

##### Intangible assets

###### Intangible assets acquired

Intangible assets acquired separately are carried at cost, less accumulated amortization and any accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. Estimated useful life and amortization method are reviewed at the end of each year and the effect of any change in the estimate is accounted for on a prospective basis. Purchase costs are included in the related assets and are amortized at between 3 and 15 years based on their economic lives (Note 19).

###### Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3 - 15 years).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Software development costs include employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding fifteen years) (Note 19).

###### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they meet the definition of an intangible asset and their fair value can be measured reliably. Cost of such intangible assets is the fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets acquired separately (Note 19).

###### Mining assets

Development costs incurred to evaluate and develop new ore bodies, or to define mineralization in existing ore bodies, or to establish or expand productive capacity or to maintain production are capitalized. Mine development costs are capitalized to the extent they provide probable access to mine bearing reefs, have future economic benefits and they are attributable to an area of interest or those that can be reasonably allocated to the area of interest. Costs incurred during commissioning period which are directly attributable to developing the operating capability of the mine, are capitalized and only the costs that represent costs of producing mine are recognized in the statement of comprehensive income.

In cases where it is difficult to separate the research phase from the development phase in a project, the entire project is treated as research and recorded as expense to the statement of comprehensive income. Depreciation starts when the asset is in a location and condition necessary for it to be capable of operating in the manner intended by the management.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

#### 2. Basis of Presentation of Consolidated Financial Statements

##### 2.6 Summary of Significant Accounting Policies

###### [Intangible assets](#)

Development costs incurred during the production phase are capitalized and depreciated to the extent that they have future economic benefits. The development cost is allocated at initial recognition to its significant components and each component is depreciated separately by units of production method, considering the attributable area of interest. The major overhauls that extend the future economic benefits throughout the life of mine are capitalized as future benefits will flow to the Company. Other than major overhauls, repairs are expensed as incurred. In accordance with the unit of production method, the depreciation charge of development costs are calculated by dividing the number of tons of ore extracted during the period by the remaining proven and probable mine reserves in terms of tons for attributable area of interest.

Proven and probable ore reserves reflect estimated quantities of economically recoverable reserves which can be recovered in future from known mineral deposits in the attributable area of interest.

Mineral and surface rights are recorded at acquisition cost and amortized principally by the units of production method based on estimated proven and probable reserves. In accordance with the unit of production method, the amortisation charge of mineral and surface rights are calculated by dividing the amount of ore extracted during the period to the remaining proven and probable mine reserves in terms of tonnes (Note 19).

###### [Development costs](#)

Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditures are recognized as an expense as incurred. Development expenditures previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis in projected project life. Expense of current period amortisation and depreciation are recognized with cost of goods sold and operational expenses (Note 28 and Note 30).

###### [Investment Properties](#)

Land and buildings those are held for long term rental yields or value increase or both, rather than in the production of supply of goods and services or administrative purposes or for the sale in the ordinary course of business are classified as "Investment property". Investment properties are accounted for using the fair value model at the financial statements. If an owner-occupied property becomes an investment property that will be carried at fair value, an entity shall apply TAS 16 "Property, Plant and Equipment" up to the date of change in use. The entity treats any difference at that date between the carrying amount of the property in accordance with TAS 16 and its fair value as a revaluation in accordance with TAS 16 and revaluation differences are accounted for under equity. Fair value of investment property has been calculated at the end of each year by the independent valuation firms that have related CMB licenses and required professional experience (Note 17). In subsequent periods, profit or loss due to the revaluation of fair value of investment property are accounted for under current period's profit or loss. If the value of the asset is reduced as a result of revaluation, the decrease is accounted as an expense. However, this decrease should be accounted in the scope of other comprehensive income to the extent of any receivables revaluation related to that asset. The corresponding decrease, accounted in other comprehensive income, reduces the amount accumulated in equity under the revaluation surplus heading.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

#### 2. Basis of Presentation of Consolidated Financial Statements

##### 2.6 Summary of Significant Accounting Policies

###### [Assets Classified as Held for Sale](#)

Non-current asset are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Assets are classified as assets held for sale when their carrying amount is considered to be recovered principally through a sale transaction instead of usage. The assets can be a business unit, sales group or a separate tangible asset. The sale of assets held for sale is expected to be settled within 12 months after the end of balance sheet date. Various events or circumstances can extend the completion time more than one year. If there is no sufficient evidence supporting that the delay is beyond the control of entity and sales plan of sales transaction of the asset (or disposal asset group) continues; the delay does not prevent the classification of assets (or disposal asset group) as assets held for sale.

Assets held for sale are stated at the lower of carrying amount and fair value. The impairment loss is recognised as expense under consolidated profit or loss statement of the period, at which time the carrying value is less than the fair value. No amortisation is recognized for these assets.

###### [Derivative Financial Instruments](#)

Derivative financial instruments are initially recognised at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and currency/interest rate swap instruments. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading in the consolidated financial statements. The fair value changes for these derivatives are recognised in the consolidated profit or loss statement. The hedging transactions of the Group that qualify for hedge accounting are accounted for as follows:

###### [Cash flow hedge](#)

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Group. Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognised in equity as "hedging reserves". Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the consolidated comprehensive income statement in the period in which the hedged firm commitment or forecasted transaction affects the consolidated comprehensive income statement.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognised in equity are transferred to the profit or loss statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.6 Summary of Significant Accounting Policies

##### Derivative Financial Instruments

##### Impairment of Assets

The carrying amounts of the Group's assets other than goodwill are reviewed at each balance sheet date to determine whether there is any indication of impairment. When an indication of impairment exists, the Group compares the carrying amount of the asset with its net realizable value which is the higher of value in use or fair value less costs to sell. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. An impairment loss is recognized immediately in the comprehensive statement of income. The increase in carrying value of the assets (or a cash generated unit) due to the reversal of recognized impairment loss shall not exceed the carrying amount of the asset (net of amortisation amount) in case where the impairment loss was reflected in the consolidated financial statements in prior periods. Such a reversal is accounted for in the comprehensive statement of income.

##### Financial Leases

###### a) The Group as the lessee

##### Financial Leasing

Leasing of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leasing. Finance leased is capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Financial costs of leasing are distributed over the lease period with a fixed interest rate. The property, plant and equipment acquired under financial leases are depreciated over the useful lives of the assets. If there is a decrease in the value of the property, plant and equipment under financial leasing, the Group provides impairment. The foreign exchange and interest expenses related with financial leasing have been recorded in the income statement. Lease payments have been deducted from leasing debts.

##### Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

###### b) The Group as the lessor

##### Operating leases

Assets leased out under operating leases, excluding land and investment properties, are included in property, plant and equipment in the consolidated statements of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognized in the consolidated statement of income on a straight-line basis over the lease term.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.6 Summary of Significant Accounting Policies

##### Borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the statement of income over the period of the borrowings (Note 8 and Note 33).

In case of foreign exchange income in the financing activities, the related income is deducted from the total of capitalized financial expenses.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

Foreign exchange differences relating to borrowings, to the extent that they are regarded as an adjustment to interest costs, are also capitalized. The gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity borrowed funds in its functional currency, and borrowing costs actually incurred on foreign currency borrowings.

##### Related Parties

For the purpose of these consolidated financial statements, shareholders, key management personnel (general managers, head of group, vice general managers, vice head of group and factory managers) and Board members, in each case together with the companies controlled by/or affiliated with them, associated companies and other companies within the Group are considered and referred to as related parties (Note 37).

##### Offsetting

All items with significant amounts and nature, even with similar characteristics, are presented separately in the financial statements. Insignificant amounts are grouped and presented by means of items having similar substance and function. When the nature of transactions and events necessitate offsetting, presentation of these transactions and events over their net amounts or recognition of the assets after deducting the related impairment are not considered as a violation of the rule of non-offsetting.

##### Financial Assets

##### Classification

The group classifies its financial assets in the following categories: loans and receivables, available-for-sale financial assets and held to maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. Those with maturities greater than 12 months are classified as non-current assets. The Group's receivables are classified as "trade and other receivables" in the statements of financial position (Note 10 and Note 11).

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.6 Summary of Significant Accounting Policies

##### Financial Assets

##### [Available-for-sale financial assets](#)

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the related investments within 12 months of the balance sheet date (Note 7).

##### [Held to maturity financial assets](#)

Debt securities with fixed maturities, where management has both the intent and the ability to hold to the maturity, excluding the financial assets classified as originated loans and advances to customers are classified as "held-to-maturity financial assets". Held-to-maturity financial assets are carried at amortized cost using the effective yield method (Note 7).

##### [Recognition and measurement](#)

Regular purchases and sales of financial assets are recognized on the trade date - the date on which the group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value.

Loans and receivables are carried at amortized cost using the effective yield method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analyzed for translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in the income statement; translation differences on non-monetary securities are recognized in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in equity. Held-for-trading derivative financial instruments are initially recognized in the consolidated financial statements at cost and are subsequently measured at their fair value. Changes in the fair values of held-for-trading derivative financial instruments are included in the consolidated statements of income. Dividends on available-for sale equity instruments are recognized in the statement of income as part of financial income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models. If the market for a financial asset is not active and the fair value of the financial asset cannot be measured reliably, aforementioned financial assets are accounted for cost minus impairment in the consolidated financial statements.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.6 Summary of Significant Accounting Policies

##### Financial Assets

##### [Recognition and measurement](#)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the statement of income. Impairment losses recognized in the statement of income on equity instruments are not reversed through the statement of income.

##### [Trade receivables](#)

Trade receivables that are created by way of providing goods or services directly to a debtor are carried at amortized cost. Trade receivables, net of unearned financial income, are measured at amortized cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income (Note 10 and Note 31).

Unearned finance income/expense due to commercial transactions are accounted for under "Other Operating Income/ Expenses" in the consolidated statement of income or loss (Note 10 and Note 31).

The Group collects some of its receivables through factoring. The receivables that are subject to the factoring transaction are deducted from their respective receivables accounts, if the collection risk is undertaken by the Factoring Company. The amounts at Group's collection risk continue to be transferred to the Consolidated Financial Statements and advances received from the factoring companies are presented as debts from factoring transactions under the "Borrowings" account in the Consolidated Financial Statements.

##### [Cash and cash equivalents](#)

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (Note 6). Bank deposits with original maturities of more than three months and shorter than 1 year are classified under short-term financial investments (Note 7).

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.6 Summary of Significant Accounting Policies

##### Financial liabilities

Financial liabilities are measured initially at fair value. Transaction costs which are directly related to the financial liability are added to the fair value.

Financial liabilities are classified as equity instruments and other financial liabilities.

##### Equity instruments

Financial liabilities related to non-controlling share put options are reflected in the financial statements in conformity with their discounted value of them own redemption plan. The discounted value of the financial liability which is the subject of the put option is estimated to be the fair value of the financial asset.

##### Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on an effective yield basis (Note 8).

The effective interest method calculates the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

##### Trade payables

Trade payables are payments to be made arising from the purchase of goods and services from suppliers within the ordinary course of business. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method (Note 10).

##### Business combinations and Goodwill

A business combination is the bringing together of separate entities or business into one reporting entity. Business combinations are accounted for using the purchase method in the scope of TFRS 3 (Note 3).

The cost of a business combination is the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquired business and in addition, any costs directly attributable to the business combination. The cost of the business combination at the date of the acquisition is adjusted if a business combination contract includes clauses that enable adjustments to the cost of business combination depending on events after acquisition date, and the adjustment is measurable more probable than not. Costs of the acquisition are recognized in the related period. Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

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### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.6 Summary of Significant Accounting Policies

##### Business combinations and Goodwill

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Legal mergers arising between companies controlled by the Group are not considered within the scope of IFRS 3. Consequently, no goodwill is recognized in these transactions. Similarly, the effects of all transactions between the legally merged enterprises, whether occurring before or after the legal merger, are corrected in the preparation of the consolidated financial statements.

##### Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recorded in equity.

##### Foreign Currency Transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Turkish Lira ("TRY"), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in foreign currencies (currencies other than TRY or the currency other than the functional currency of the related entity) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TRY using exchange rates prevailing at the balance sheet date.



# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

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### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.6 Summary of Significant Accounting Policies

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at closing rates.

#### Earnings per Share

Earnings per share disclosed in the accompanying consolidated statement of profit or loss is determined by dividing net income by the weighted average number of shares circulating during the year concerned.

In Turkey, companies can raise their share capital by distributing "Bonus Shares" to shareholders from retained earnings. In computing earnings per share, such "Bonus Share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation (Note 36).

#### Events after the Reporting Date

The Group adjusts the amounts recognized in its financial statements to reflect adjusting events occurring after the reporting date. If non-adjusting events after the reporting date have material influence on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements.

#### Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date considering the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount of provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably (Note 22).

#### Segment reporting

The Group has five business segments determined by the management based on information available for the evaluation of performances and the allocation of resources. These divisions are; flat glass, glass-ware, glass packaging, chemicals, and other included export-import and insurance services. These segments are managed separately because they are affected by the economic conditions and geographical positions in terms of risks and returns. The evaluation of geographical performance by the management is performed in terms of Turkey, Russia, Ukraine, Georgia, and Europe. When evaluating the segments' performance, Group Management is utilizing the financial statements prepared in accordance with TFRS (Note 5).

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.6 Summary of Significant Accounting Policies

#### Segment reporting

Operating segments are reported in a manner consistent with the reporting provided to the Group's chief operating decision-maker. The Group's chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. As the sectors merged under "Other" do not meet the required quantitative thresholds to be a reportable segment, these have been merged for the purpose of segment reporting.

For an operating segment to be identified as a reportable segment, its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; the absolute amount of its profit or loss is 10% or more of the combined profit or loss or its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

#### Government grants

Grants from the government are recognized at fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the required conditions (Note 21).

Government grants related to costs are accounted as income on a consistent basis over the related periods with the costs.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statements of income on a straight-line basis over the expected lives of the related assets.

#### Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of income, except to the extent that it relates to items recognized directly in equity (Note 35). In such case, the tax is recognized in shareholders' equity.

The current period tax on income is calculated for the Group's subsidiaries, associates and joint ventures considering the tax laws that are applicable in the countries where they operate.

Deferred tax liability or asset is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates and tax regulations that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.6 Summary of Significant Accounting Policies

##### Current and deferred income tax

The main temporary differences are from the time differences between carrying amount of tangible assets and their tax base amounts, the available expense accruals that are subject to tax and tax allowances that are not utilized.

The main temporary differences are from the time differences between carrying amount of tangible assets and their tax base amounts, the available expense accruals that are subject to tax and tax allowances that are not utilized.

When the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset accordingly.

##### Employee Benefits

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Group arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Turkey, the Group is obliged to pay employment termination benefit to all personnel in cases of termination of employment without due cause, call for military service, retirement or death upon the completion of a minimum one year service. The provision which is allocated by using the defined benefit pension's current value is calculated by using the estimated liability method. All actuarial profits and losses are recognized in the consolidated statements of changes in equity (Note 24).

The liabilities related to unused vacation days are accrued when they are earned.

##### Statement of Cash Flows

The Group prepares statements of cash flows as an integral part of its of financial statements to enable financial statement analysis about the change in its net assets, financial structure and the ability to direct cash flow amounts and timing according to evolving conditions. Cash flows include those from operating activities, working capital, investing activities and financing activities.

Cash flows from operating activities represent the cash flows generated from the Group's activities. The Group has preferred to present the cash inflows and outflows from operating activities in the financial statements in indirect way.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed investments and financial investments).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.7 Significant Accounting Estimates and Assumptions

The preparation of consolidated financial statements requires estimates and assumptions to be made regarding the amounts for the assets and liabilities at the balance sheet date, and explanations for the contingent assets and liabilities as well as the amounts of income and expenses realized in the reporting period. The Group makes estimates and assumptions concerning the future. The accounting estimates and assumptions, by definition, may not be equal to the related actual results. The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with TFRS and their statutory financial statements. These temporary differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither an accounting nor taxable profit/ (loss). The fully or partially recoverable amount of deferred tax assets are estimated under available circumstances. The future income projections, current period losses, unused losses and expiration dates of other tax assets and tax planning strategies that can be used when necessary are considered during the evaluation of estimations.

As a result of the assessment of Group Management, a tax asset of TRY 162,110 thousand (31 December 2016: TRY 180,101 thousand) results from temporary differences as of 31 December 2017 that are arising from the tax allowances and can be used since the tax advantage continue. The Group is entitled with corporate tax allowances in accordance with Corporate Tax Law No. 5520, article 32/A. As of 31 December 2017, the amount of corporate tax allowances related to temporary differences and that can be utilized during the period of corporate tax allowance advantage is TRY 327,270 thousand (31 December 2016: TRY 300,326 thousand) (Note 35).

In the Board of Directors' meeting held on 30 December 2015, it has been decided to revalue the properties (land and buildings) which are valued at "Cost Method" within the scope of Turkish Accounting Standards (TAS) 16, with "Revaluation Method" based on the revaluated amounts as at 30 September 2015 and effective from the financial statements as of 31 December 2015, and apply this policy for the all Group Companies.

Land and buildings are stated at revalued amounts in accordance with IAS 16 revaluation method. Fair values in the financial statements dated 31 December 2015 are based on the appraisal reports prepared by independent valuation firms.

As there were recent similar buying/ selling transactions nearby, revaluations of land were based on the method of reference comparison whereas if there were recent similar buying/ selling transactions nearby revaluations of buildings were based on of market reference comparison if not the method of cost approach. In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m<sup>2</sup> sale value was determined for the lands subject to the valuation. The similar pieces of land found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional independent valuation company was utilized.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 2. Basis of Presentation of Consolidated Financial Statements

#### 2.7 Significant Accounting Estimates and Assumptions

In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components. The carrying values of land, land improvements and buildings do not necessarily reflect the amounts that would result from the outcome of a sales transaction between independent parties.

As of initial recognition and as of balance sheet date, Group performs impairment assessment for lands and buildings of which valuations are based on market value and cost approach, in accordance with the "TAS 36 Impairment of Assets", and impairment has been recognized in income statement. Net book values of related assets have been adjusted to reflect the revalued amounts and the gain has been accounted for under the revaluation reserve in equity, net-off relevant deferred tax impact.

Revaluation gains from land and buildings were accounted for under "Gain/loss on revaluation" in equity and revaluation loss were accounted for under "Expenses from investing activities (-)" in the income statement.

The Company has revalued the properties accounted for within the scope of TAS 40 "Investment Property" and revaluation gain were accounted for under income from investment activities in the income statement (Note 32). Deferred tax liability was calculated from the amount which is recognized in the income statement by considering the possibility of sale in the subsequent period and tax exemption of profit on sale in accordance with the current Corporate Tax Law ("CTL") article 5/1-e and accounted for under deferred tax expense for the period (Note 35).

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 3. Business Combinations

Within the scope of TFRS-3 "Business Combinations" the Group acquired company named Cheminvest Deri Kimyasalları Sanayii ve Ticaret A.Ş. and its business partnership in Turkey for USD 7,000 thousand as of 25 July 2017, USD 6,000 thousand was paid on 25 July 2017 and USD 1,000 thousand was paid on 29 December 2017.

With this acquisition, the group holds total shares of Oxyvit Kimya Sanayii ve Tic. A.Ş. which produces and sells vitamin K.

The fair value of identifiable net assets acquired on the date of the control to the Group is as follows:

	Book value	Fair value of net assets
<b>Current Assets</b>		
Cash and cash equivalents	1	1
Other current assets	20	20
<b>Total current assets</b>	<b>21</b>	<b>21</b>
<b>Non - Current Assets <sup>(*)</sup></b>		
Financial Investments/Investments valued by equity method	15,551	13,928
<b>Total non-current assets</b>	<b>15,551</b>	<b>13,928</b>
<b>Total Assets</b>	<b>15,572</b>	<b>13,949</b>
<b>Liabilities</b>		
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>	<b>15,572</b>	<b>13,949</b>

(\*) Aforementioned non-current assets are present 50% shares of Oxyvit Kimya Sanayii ve Tic. A.Ş.

Here mentioned company does not have any revenue in 1 January - 12 December 2017 period. On 12 December 2017; Oxyvit Kimya Sanayii ve Tic.A.Ş. of which the company owns 50% share has been dissolved through reverse merger.

From 1 January 2017 to 25 July 2017; Oxyvit Kimya Sanayii ve Tic. A.Ş. received TRY 1,740 thousand dividend income and TRY 45 thousand general administrative expenses are incurred, as a result net profit is TRY 1,695 thousand.

The Group acquired all shares of Oxyvit Kimya Sanayii ve Tic. A.Ş. which has been valued with equity method according to 50% interest share previously, by purchasing Cheminvest Deri Kimyasalları Sanayii ve Tic. A.Ş. on 25 July 2017. From the date of acquisition, Oxyvit Kimya Sanayii ve Tic. AŞ accounted according to the full consolidation method.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 3. Business Combinations

The fair value of the identifiable assets and liabilities at 30 June 2017 which is the closest balance sheet date to this business combination that has occurred progressively and the profit or loss statement for 1 Jan- 30 June period are as follows. Since there is no significant transaction affecting financial statement items for 25-day period until the purchase date of 25 July 2017, the identifiable assets and liabilities at 30 June 2017 were included in full consolidation according to the financial position.

The statement of financial position of the identifiable assets and liabilities of Oxyvit Kimya Sanayii ve Ticaret AS dated 30 June 2017 is as follows:

	30 June 2017
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	9,021
Trade receivables	2,407
- Trade receivables	2,505
- Receivable rediscount	(36)
- Doubtful receivables	(62)
Other receivables	16,339
- Due from related parties	16,292
- Other receivables	47
Inventory	4,491
- Raw materials	2,570
- Work-in-progress	118
- Finished goods	1,802
- Trade goods	1
Prepaid expenses	484
Other current assets	1,178
<b>Total current assets</b>	<b>33,920</b>
<b>Non-Current Assets</b>	
Tangible Assets	13,275
Intangible Assets	11
<b>Total non-current assets</b>	<b>13,286</b>
<b>Total Assets</b>	<b>47,206</b>

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 3. Business Combinations

	30 June 2017
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Short-term borrowings	92
Trade payables	2,352
- Trade payables	2,384
- Payable rediscount	(32)
Liabilities for employee benefits	10
Other payables	8,334
- Due to related parties	8,294
- Other payables	40
Deferred income	557
Current income tax liabilities	1,741
- Provision for corporate tax	3,321
- Prepaid taxes and funds	(1,580)
Short-term provisions	1,081
Other current liabilities	215
<b>Total current liabilities</b>	<b>14,382</b>
<b>Non-Current Liabilities</b>	
Long-term borrowings	4,003
Long-term provisions	738
Deferred tax liabilities	227
<b>Total non-current liabilities</b>	<b>4,968</b>
<b>Total Liabilities</b>	<b>19,350</b>
Equity	
Shared capital	335
Adjustment to shared capital	841
Other comprehensive income/expense not to be reclassified to profit or loss	3,664
- Revaluation gain/loss on tangible assets	3,593
- Funds for actuarial gain/loss on employee termination benefits	71
Retained earnings	10,809
Net profit for the period	12,207
<b>Total equity</b>	<b>27,856</b>
<b>Total liabilities and equity</b>	<b>47,206</b>
<b>Dividend payment for the period</b>	<b>3,480</b>
<b>Number of employees</b>	<b>47</b>

With this acquisition, the effective ownership rate increased from 32.30% to 62.64%.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 3. Business Combinations

Profit or loss statement of Oxyvit Kimya Sanayii ve Ticaret AŞ for the period of 1 January – 30 June 2017 is as follows:

	1 January- 30 June 2017
Revenue	36,180
Cost of sales	(17,594)
<b>Gross profit from trading activity</b>	<b>18,586</b>
General administrative expenses	(1,359)
Marketing expenses	(1,158)
Other operating income	452
Other operating expenses	(403)
<b>Operating profit</b>	<b>16,118</b>
Financial income	1,280
Financial expenses	(2,165)
<b>Profit/loss before tax from continued operations</b>	<b>15,233</b>
Tax income/expense from continued operations	(3,026)
- Tax on income	(3,321)
- Deferred tax income	295
<b>Profit for the period</b>	<b>12,207</b>
Depreciation expense for the period	724
<b>EBITDA</b>	<b>16,842</b>
Transferred amount	24,811
Non-controlling interest	-
The fair value of the net assets and liabilities before acquisition	13,928
<b>a</b>	<b>38,739</b>
Net identifiable assets of Cheminvest Deri Kimyasalları Sanayii ve Tic. AŞ (100%)	13,949
Net identifiable assets of Oxyvit Kimya Sanayii ve Tic. AŞ. (50%)	13,928
<b>b</b>	<b>27,877</b>
<b>Goodwill (a-b)</b>	<b>10,862</b>
Total cash paid (USD 7,000 thousand)	25,077
Cash and cash equivalents acquired	(9,022)
- Cheminvest Deri Kimyasalları Sanayii ve Tic. A.Ş.	(1)
- Oxyvit Kimya Sanayii ve Tic. A.Ş.	(9,021)
<b>Net cash outflow as of 31 December 2017</b>	<b>16,055</b>

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 3. Business Combinations

Between 1 January and 31 December 2016, The Group established a new company named Şişecam Flat Glass Italy S.R.L in Italy and the new company acquired the assets of the Sangalli Vetro Porto Nogaro company in Italy for EUR 52,017 thousand and including its financial debts on 31 October 2016. The acquisition price was calculated considering temporary amounts and the certain amount will be determined and the payments will be completed within nine months. The acquisition is performed in an asset acquisition in form. However, considering that the group of assets constitutes a business, the acquisition meets the business combination criteria in accordance with IFRS 3 Business Combination in substance. The Group aimed to gain a large market share in Italy and support its target of production and sale of flat glass in Europe.

The fair value of net asset on the date of acquisition is as follows;

	Fair value
Trade receivables	25,159
- Trade receivables	35,503
- Doubtful receivables	(10,344)
Inventories	21,380
- Raw materials	11,588
- Finished goods	9,792
<b>Total Current Assets</b>	<b>46,539</b>
Property, plant and equipment	238,539
Intangible assets	82
<b>Total Non-Current Assets</b>	<b>238,621</b>
<b>Total Assets</b>	<b>285,160</b>
Short term portion of long term borrowings	7,670
<b>Total Current Liabilities</b>	<b>7,670</b>
Long term borrowings	101,372
Provisions for employment benefits	125
<b>Total Non-current Liabilities</b>	<b>101,497</b>
<b>Total Liabilities</b>	<b>109,167</b>
<b>Net Assets</b>	<b>175,993</b>
Total cash paid on 31 October 2016	124,209
Fair value of the amount that will be paid in 2017 as of 31 October 2016	51,784
<b>Total Purchase Price</b>	<b>175,993</b>
<b>Goodwill</b>	<b>-</b>

Şişecam Flat Glass Italy S.R.L contributed TRY 45,887 thousand in revenues after the acquisition, as included in the consolidated profit and loss statement dated 31 December 2016. Had the entity been included in the consolidation as of 1 January 2016 and additional net revenue of TRY 274,839 thousand would have been recognized.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

#### 4. Interests in Other Entities

The Group presents the disclosures related to the changes in ownership rates that do not result in control ceases in the subsidiaries in Note 27.

The disclosures related to Company's subsidiaries, business associations and affiliate's names, affiliated country and ownership rates presented in Note 1.

The share prices and market values of the Group's quoted entities in Borsa İstanbul A.Ş. (the "BIST") are as follows:

	BIST Best Purchase Price	BIST Closing Price	Market Value at Closing Price
<b>31 December 2017</b>			
Türkiye Şişe ve Cam Fabrikaları A.Ş.	4.70	4.70	10,575,000
Trakya Cam Sanayii A.Ş.	4.58	4.62	5,220,600
Anadolu Cam Sanayii A.Ş.	2.63	2.63	1,972,500
Soda Sanayii A.Ş.	5.03	5.04	4,536,000
Denizli Cam Sanayii ve Tic. A.Ş.	11.83	11.83	70,980

	BIST Best Purchase Price	BIST Closing Price	Market Value at Closing Price
<b>31 December 2016</b>			
Türkiye Şişe ve Cam Fabrikaları A.Ş.	3.82	3.83	7,851,500
Trakya Cam Sanayii A.Ş.	2.84	2.84	2,641,200
Anadolu Cam Sanayii A.Ş.	2.63	2.64	1,172,160
Soda Sanayii A.Ş.	5.29	5.29	3,967,500
Denizli Cam Sanayii ve Tic. A.Ş.	13.30	13.30	79,800

The Rate of Shares Traded in BIST (%)	31 December 2017	31 December 2016
Türkiye Şişe ve Cam Fabrikaları A.Ş.	33.83	34.04
Trakya Cam Sanayii A.Ş.	30.52	30.92
Anadolu Cam Sanayii A.Ş.	22.77	21.40
Soda Sanayii A.Ş.	39.31	39.31
Denizli Cam Sanayii ve Tic. A.Ş.	48.96	48.96

The capital increases through internal resources that our public companies have made during the period:

	1 January- 31 December 2017	1 January- 31 December 2016
Türkiye Şişe ve Cam Fabrikaları A.Ş.	200,000	150,000
Trakya Cam Sanayii A.Ş.	200,000	35,000
Anadolu Cam Sanayii A.Ş.	306,000	-
Soda Sanayii A.Ş.	150,000	90,000
Denizli Cam Sanayii ve Tic. A.Ş.	-	-

Cash dividend distributions of our publicly traded companies during the period:

	1 January- 31 December 2017	1 January- 31 December 2016
Türkiye Şişe ve Cam Fabrikaları A.Ş.	250,000	250,000
Soda Sanayii A.Ş.	200,000	240,000
Trakya Cam Sanayii A.Ş.	106,000	93,000
Anadolu Cam Sanayii A.Ş.	60,295	-
Denizli Cam Sanayii ve Tic. A.Ş.	-	-

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

#### 4. Interests in Other Entities

Financial statement summaries which are consolidated before inter-group elimination transaction has been explained below by grouping the related subsidiaries.

[The statement of the financial position as of 31 December 2017](#)

	Trakya Cam Consolidated	Anadolu Cam Consolidated	Soda Sanayii Consolidated	Denizli Cam Standalone
Current assets	3,105,793	1,521,641	1,630,714	37,804
Non-current assets	4,915,532	2,661,423	2,249,975	54,450
<b>Total assets</b>	<b>8,021,325</b>	<b>4,183,064</b>	<b>3,880,689</b>	<b>92,254</b>
Current liabilities	1,526,220	1,277,983	379,071	34,989
Non-current liabilities	2,138,930	1,012,818	309,171	7,807
<b>Total liabilities</b>	<b>3,665,150</b>	<b>2,290,801</b>	<b>688,242</b>	<b>42,796</b>
Non-controlling interests	346,210	-	4,522	-
<b>Net assets of the Company</b>	<b>4,009,965</b>	<b>1,892,263</b>	<b>3,187,925</b>	<b>49,458</b>
Dividend paid to non-controlling interests	14,400	-	1,124	-

[Profit/Loss for the period between 1 January and 31 December 2017](#)

Revenue	4,331,162	2,410,837	2,451,292	81,882
<b>Profit/ (loss) for the year</b>	<b>643,882</b>	<b>183,872</b>	<b>661,974</b>	<b>(2,612)</b>
Other comprehensive income	245,971	(35,282)	129,960	(2,813)
<b>Total comprehensive income/ (loss)</b>	<b>889,853</b>	<b>148,590</b>	<b>791,934</b>	<b>(5,425)</b>
Non-controlling interests	67,172	2,555	1,667	-

[Summary of cash flows for the period between 1 January and 31 December 2017:](#)

Cash flows from operating activities	667,579	376,218	404,193	2,890
Cash flows from investing activities	(349,288)	(414,414)	(479,983)	7,679
Cash flows from financing activities	(242,514)	(267,754)	(222,706)	(10,199)
<b>Before currency translation difference</b>	<b>75,777</b>	<b>(305,950)</b>	<b>(298,496)</b>	<b>370</b>
Currency translation differences	162,189	84,852	110,854	(182)
<b>Change in cash and cash equivalents</b>	<b>237,966</b>	<b>(221,098)</b>	<b>(187,642)</b>	<b>188</b>
Cash and cash equivalents at the beginning of the year	1,152,391	788,789	969,867	56
<b>Cash and cash equivalents at the end of the year period</b>	<b>1,390,357</b>	<b>567,691</b>	<b>782,225</b>	<b>244</b>

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

#### 4. Interests in Other Entities

[The statement of the financial position as of 31 December 2016](#)

	Trakya Cam Consolidated	Anadolu Cam Consolidated	Soda Sanayii Consolidated	Denizli Cam Standalone
Current assets	2,601,706	1,951,729	1,673,616	29,658
Non-current assets	4,277,691	2,465,140	1,643,264	67,656
<b>Total assets</b>	<b>6,879,397</b>	<b>4,416,869</b>	<b>3,316,880</b>	<b>97,314</b>
Current liabilities	1,288,140	1,392,401	438,232	37,117
Non-current liabilities	2,004,535	1,113,744	275,933	5,314
<b>Total liabilities</b>	<b>3,292,675</b>	<b>2,506,145</b>	<b>714,165</b>	<b>42,431</b>
Non-controlling interests	293,438	107,981	3,979	-
<b>Net assets of the Company</b>	<b>3,293,284</b>	<b>1,802,743</b>	<b>2,598,736</b>	<b>54,883</b>
Dividend paid to non-controlling interests	11,250	6,000	488	-

[Profit/Loss for the period between 1 January and 31 December 2016](#)

Revenue	3,016,238	1,830,044	2,067,700	64,202
<b>Profit/ (loss) for the year</b>	<b>575,089</b>	<b>464,990</b>	<b>576,624</b>	<b>(8,916)</b>
Other comprehensive income	(10,800)	(294,917)	90,795	(471)
<b>Total comprehensive income/ (loss)</b>	<b>564,289</b>	<b>170,073</b>	<b>667,419</b>	<b>(9,387)</b>
Non-controlling interests	56,840	8,173	3,845	-

[Summary of cash flows for the period between 1 January and 31 December 2016:](#)

Cash flows from operating activities	338,757	99,301	438,048	(15,534)
Cash flows from investing activities	(418,063)	(36,747)	(157,757)	(7,650)
Cash flows from financing activities	(108,780)	(148,236)	(315,170)	23,206
<b>Before currency translation difference</b>	<b>(188,086)</b>	<b>(85,682)</b>	<b>(34,879)</b>	<b>22</b>
Currency translation differences	172,336	198,725	147,428	(195)
<b>Change in cash and cash equivalents</b>	<b>(15,750)</b>	<b>113,043</b>	<b>112,549</b>	<b>(173)</b>
Cash and cash equivalents at the beginning of the year	1,168,141	675,746	857,318	229
<b>Cash and cash equivalents at the end of the year</b>	<b>1,152,391</b>	<b>788,789</b>	<b>969,867</b>	<b>56</b>

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

#### 5. Segment Reporting

##### a) Operational segments

	Flat glass	Glassware	Glass packaging	Chemicals	Other	Consolidation Adjustments	Consolidated
<b>1 January - 31 December 2017</b>							
Net external revenue	4,302,284	1,953,607	2,405,824	2,321,451	335,329	-	11,318,495
Inter-group revenue	28,879	2,171	5,014	595,332	638,544	(1,269,940)	-
<b>Revenue</b>	<b>4,331,163</b>	<b>1,955,778</b>	<b>2,410,838</b>	<b>2,916,783</b>	<b>973,873</b>	<b>(1,269,940)</b>	<b>11,318,495</b>
Total costs	(2,930,873)	(1,294,604)	(1,739,247)	(1,911,589)	(890,764)	1,078,924	(7,688,153)
<b>Gross profit</b>	<b>1,400,290</b>	<b>661,174</b>	<b>671,591</b>	<b>1,005,194</b>	<b>83,109</b>	<b>(191,016)</b>	<b>3,630,342</b>
Operating expenses	(817,702)	(594,527)	(424,859)	(455,285)	(79,721)	220,039	(2,152,055)
Other operating income	257,731	101,630	72,842	111,325	25,610	(17,042)	552,096
Other operating expenses	(130,484)	(53,779)	(67,078)	(80,217)	(18,581)	3,763	(346,376)
Income from investments in associates and joint ventures	41,033	-	37,911	92,526	-	610	172,080
<b>Operating profit/ (loss)</b>	<b>750,868</b>	<b>114,498</b>	<b>290,407</b>	<b>675,543</b>	<b>10,417</b>	<b>16,354</b>	<b>1,856,087</b>
Income from investing activities	124,185	7,491	38,112	80,380	213,513	(119,645)	344,036
Loss from investing activities	(2,954)	(2,526)	(9,383)	(33,675)	(7,016)	7,016	(48,538)
<b>Operating profit before financial income and expense</b>	<b>872,099</b>	<b>119,463</b>	<b>319,136</b>	<b>720,248</b>	<b>216,914</b>	<b>(96,275)</b>	<b>2,151,585</b>
Financial income	285,942	68,760	282,726	294,223	227,655	(134,630)	1,024,676
Financial expenses	(365,323)	(201,066)	(417,620)	(195,256)	(193,303)	138,071	(1,234,497)
<b>Profit before tax from continued operations</b>	<b>792,718</b>	<b>(12,843)</b>	<b>184,242</b>	<b>819,215</b>	<b>251,266</b>	<b>(92,834)</b>	<b>1,941,764</b>
Tax income/ (expense) for the period	(133,441)	26,398	471	(82,200)	(12,616)	(3,420)	(204,808)
<b>Profit for the period from continued operations</b>	<b>659,277</b>	<b>13,555</b>	<b>184,713</b>	<b>737,015</b>	<b>238,650</b>	<b>(96,254)</b>	<b>1,736,956</b>
Purchases of tangible and intangible assets	232,733	144,349	305,626	144,852	56,775	-	884,335
Depreciation and amortization charges (-)	(307,295)	(168,076)	(296,466)	(158,653)	(37,684)	-	(968,174)
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA) (*)</b>	<b>1,179,394</b>	<b>287,539</b>	<b>615,602</b>	<b>878,901</b>	<b>254,598</b>	<b>(96,275)</b>	<b>3,119,759</b>

(\*) EBITDA is not defined by TAS. The Group defined EBITDA as profit before interest, tax, depreciation and amortization. EBITDA figures above are disclosed separately with the purpose of a better understanding and measurement of the Group's operational performance by the Group management.

#### The Statement of Financial position (31 December 2017)

<b>Total Assets</b>	<b>8,329,263</b>	<b>3,312,361</b>	<b>4,171,201</b>	<b>4,492,295</b>	<b>4,678,403</b>	<b>(3,676,030)</b>	<b>21,307,493</b>
- Investments accounted for under equity accounting	354,203	-	-	357,905	-	-	712,108
- Deferred tax asset	52,516	73,949	184,441	16,788	913	-	328,607
<b>Total Liabilities</b>	<b>3,729,622</b>	<b>1,604,906</b>	<b>2,290,942</b>	<b>804,692</b>	<b>1,583,244</b>	<b>(1,768,328)</b>	<b>8,245,078</b>
- Deferred tax liabilities	70,795	14,384	1,125	11,117	32,422	(3,745)	126,098

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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

#### 5. Segment Reporting

##### a) Operational Segments

	Flat glass	Glassware	Glass packaging	Chemicals	Other	Consolidation Adjustments	Consolidated
<b>1 January - 31 December 2016</b>							
Net external revenue	2,989,163	1,789,934	1,827,476	1,665,495	297,396	-	8,569,464
Inter group revenue	27,074	13,556	2,569	766,823	460,126	(1,270,148)	-
<b>Revenue</b>	<b>3,016,237</b>	<b>1,803,490</b>	<b>1,830,045</b>	<b>2,432,318</b>	<b>757,522</b>	<b>(1,270,148)</b>	<b>8,569,464</b>
Total costs	(2,128,700)	(1,239,235)	(1,377,750)	(1,661,901)	(731,037)	1,247,070	(5,891,553)
<b>Gross profit</b>	<b>887,537</b>	<b>564,255</b>	<b>452,295</b>	<b>770,417</b>	<b>26,485</b>	<b>(23,078)</b>	<b>2,677,911</b>
Operating expenses	(666,137)	(553,515)	(366,438)	(320,278)	(15,294)	31,230	(1,890,432)
Other operating income	176,934	142,760	62,946	99,591	25,537	(19,036)	488,732
Other operating expenses	(93,529)	(57,064)	(54,460)	(68,547)	(12,596)	2,471	(283,725)
Income from investments in associates and joint ventures	24,455	-	8,286	72,991	-	180	105,912
<b>Operating profit/ (loss)</b>	<b>329,260</b>	<b>96,436</b>	<b>102,629</b>	<b>554,174</b>	<b>24,132</b>	<b>(8,233)</b>	<b>1,098,398</b>
Income from investing activities	410,427	4,815	389,489	14,921	74,764	(671,153)	223,263
Loss from investing activities	(455)	(3,420)	(7,568)	(187)	(28)	-	(11,658)
<b>Operating profit before financial income and expense</b>	<b>739,232</b>	<b>97,831</b>	<b>484,550</b>	<b>568,908</b>	<b>98,868</b>	<b>(679,386)</b>	<b>1,310,003</b>
Financial income	287,496	28,392	491,573	265,945	164,946	(130,032)	1,108,320
Financial expenses	(405,822)	(140,687)	(495,903)	(148,111)	(183,454)	130,033	(1,243,944)
<b>Profit before tax from continued operations</b>	<b>620,906</b>	<b>(14,464)</b>	<b>480,220</b>	<b>686,742</b>	<b>80,360</b>	<b>(679,385)</b>	<b>1,174,379</b>
Tax income/ (expense) for the period	(23,800)	4,266	(30,933)	(75,962)	(9,610)	1,688	(134,351)
<b>Profit for the period from continued operations</b>	<b>597,106</b>	<b>(10,198)</b>	<b>449,287</b>	<b>610,780</b>	<b>70,750</b>	<b>(677,697)</b>	<b>1,040,028</b>
Purchases of tangible and intangible assets	250,277	330,611	331,613	181,548	64,387	-	1,158,436
Depreciation and amortization charges (-)	(254,290)	(162,479)	(244,767)	(122,349)	(25,756)	-	(809,641)
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>993,522</b>	<b>260,310</b>	<b>729,317</b>	<b>691,257</b>	<b>124,624</b>	<b>(679,386)</b>	<b>2,119,644</b>
<b>The Statement of financial position (31 December 2016)</b>							
<b>Total assets</b>	<b>7,154,914</b>	<b>3,264,671</b>	<b>4,425,230</b>	<b>3,832,720</b>	<b>4,527,902</b>	<b>(4,052,940)</b>	<b>19,152,497</b>
- Investments accounted for under equity accounting	275,586	-	19,750	305,108	956	-	601,400
- Deferred tax assets	50,405	39,594	182,277	27,690	496	-	300,462
<b>Total liabilities</b>	<b>3,317,521</b>	<b>1,501,598</b>	<b>2,526,427</b>	<b>816,600</b>	<b>1,656,659</b>	<b>(1,995,932)</b>	<b>7,822,873</b>
- Deferred tax liabilities	29,702	7,120	15,895	1,076	2,112	(7165)	67,740

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#### 5. Segment Reporting

##### b) Geographical segments

	Turkey	Russia, Ukraine and Georgia	Europe	Other	Total	Consolidation adjustments	Consolidated
<b>1 January - 31 December 2017</b>							
Net external revenue	7,212,506	1,547,152	2,545,814	13,023	11,318,495	-	11,318,495
Inter group sales	265,882	19,466	250,260	23,117	558,725	(558,725)	-
<b>Total net sales (*)</b>	<b>7,478,388</b>	<b>1,566,618</b>	<b>2,796,074</b>	<b>36,140</b>	<b>11,877,220</b>	<b>(558,725)</b>	<b>11,318,495</b>
Cost of sales	(4,939,192)	(1,128,358)	(2,127,544)	(22,236)	(8,217,330)	529,177	(7,688,153)
<b>Gross profit</b>	<b>2,539,196</b>	<b>438,260</b>	<b>668,530</b>	<b>13,904</b>	<b>3,659,890</b>	<b>(29,548)</b>	<b>3,630,342</b>
Operating expenses	(1,361,744)	(289,495)	(544,816)	(17,646)	(2,213,701)	61,646	(2,152,055)
Other operating income	462,561	40,070	82,062	368	585,061	(32,965)	552,096
Other operating expenses	(277,768)	(40,825)	(29,162)	(291)	(348,046)	1,670	(346,376)
Income from investments in associates and joint ventures	66,535	-	105,545	-	172,080	-	172,080
<b>Operating profit/ (loss)</b>	<b>1,428,780</b>	<b>148,010</b>	<b>282,159</b>	<b>(3,665)</b>	<b>1,855,284</b>	<b>803</b>	<b>1,856,087</b>
Income from investing activities	554,304	5,816	1,220	-	561,340	(217,304)	344,036
Loss from investing activities	(38,185)	(10,330)	(23)	-	(48,538)	-	(48,538)
<b>Operating profit before financial income and expense</b>	<b>1,944,899</b>	<b>143,496</b>	<b>283,356</b>	<b>(3,665)</b>	<b>2,368,086</b>	<b>(216,501)</b>	<b>2,151,585</b>
Financial income	891,200	129,956	9,480	-	1,030,636	(5,960)	1,024,676
Financial expenses	(883,694)	(305,408)	(51,901)	(2,062)	(1,243,065)	8,568	(1,234,497)
<b>Profit before tax from continued operations</b>	<b>1,952,405</b>	<b>(31,956)</b>	<b>240,935</b>	<b>(5,727)</b>	<b>2,155,657</b>	<b>(213,893)</b>	<b>1,941,764</b>
Tax income/ (expense) for the period	(162,255)	(14,118)	(28,166)	(269)	(204,808)	-	(204,808)
<b>Profit for the period</b>	<b>1,790,150</b>	<b>(46,074)</b>	<b>212,769</b>	<b>(5,996)</b>	<b>1,950,849</b>	<b>(213,893)</b>	<b>1,736,956</b>
Purchases of tangible and intangible assets	576,477	122,345	170,158	15,355	884,335	-	884,335
Depreciation and amortization charges (-)	(502,482)	(219,823)	(244,717)	(1,152)	(968,174)	-	(968,174)
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>2,447,381</b>	<b>363,319</b>	<b>528,073</b>	<b>(2,513)</b>	<b>3,336,260</b>	<b>(216,501)</b>	<b>3,119,759</b>
<b>Statement of financial position (30 December 2017)</b>							
<b>Total assets</b>	<b>17,064,073</b>	<b>2,843,955</b>	<b>7,256,888</b>	<b>113,804</b>	<b>27,278,720</b>	<b>(5,971,227)</b>	<b>21,307,493</b>
- Investments accounted for under equity accounting	287,355	-	424,753	-	712,108	-	712,108
- Deferred tax assets	193,407	122,887	12,313	-	328,607	-	328,607
<b>Total liabilities</b>	<b>4,392,676</b>	<b>1,646,120</b>	<b>2,522,340</b>	<b>117,124</b>	<b>8,678,260</b>	<b>(433,182)</b>	<b>8,245,078</b>
- Deferred tax liabilities	110,062	2,391	13,630	15	126,098	-	126,098

(\*) Net sales according to the geographical regions are represented based on the countries where the companies are operating



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**5. Segment Reporting**

**b) Geographical segments**

	1 January - 31 December 2017	Turkey	Russia, Ukraine and Georgia	Europe	Other	Total	Consolidation adjustments	Consolidated
Net external revenue	5,904,703	958,049	1,696,594	10,118	8,569,464	-	-	8,569,464
Inter group sales	201,853	12,335	210,842	17,663	442,693	(442,693)	-	-
<b>Total net sales (*)</b>	<b>6,106,556</b>	<b>970,384</b>	<b>1,907,436</b>	<b>27,781</b>	<b>9,012,157</b>	<b>(442,693)</b>	<b>8,569,464</b>	<b>8,569,464</b>
Cost of sales	(4,064,089)	(819,964)	(1,430,206)	(15,341)	(6,329,600)	438,047	(5,891,553)	(5,891,553)
<b>Gross profit</b>	<b>2,042,467</b>	<b>150,420</b>	<b>477,230</b>	<b>12,440</b>	<b>2,682,557</b>	<b>(4,646)</b>	<b>2,677,911</b>	<b>2,677,911</b>
Operating expenses	(1,389,958)	(141,175)	(365,313)	(12,257)	(1,908,703)	18,271	(1,890,432)	(1,890,432)
Other operating income	409,044	27,421	66,172	38	502,675	(13,943)	488,732	488,732
Other operating expenses	(217,827)	(52,263)	(13,675)	(163)	(283,928)	203	(283,725)	(283,725)
Income from investments in associates and joint ventures	25,789	-	80,123	-	105,912	-	105,912	105,912
<b>Operating profit/ (loss)</b>	<b>869,515</b>	<b>(15,597)</b>	<b>244,537</b>	<b>58</b>	<b>1,098,513</b>	<b>(115)</b>	<b>1,098,398</b>	<b>1,098,398</b>
Income from investing activities	304,788	8,689	534	-	314,011	(90,748)	223,263	223,263
Loss from investing activities	(4,612)	(7,046)	-	-	(11,658)	-	(11,658)	(11,658)
<b>Operating profit before financial income and expense</b>	<b>1,169,691</b>	<b>(13,954)</b>	<b>245,071</b>	<b>58</b>	<b>1,400,866</b>	<b>(90,863)</b>	<b>1,310,003</b>	<b>1,310,003</b>
Financial income	843,479	259,511	8,189	1,731	1,112,910	(4,590)	1,108,320	1,108,320
Financial expenses	(864,540)	(348,002)	(34,153)	-	(1,246,695)	2,751	(1,243,944)	(1,243,944)
<b>Profit before tax from continued operations</b>	<b>1,148,630</b>	<b>(102,445)</b>	<b>219,107</b>	<b>1,789</b>	<b>1,267,081</b>	<b>(92,702)</b>	<b>1,174,379</b>	<b>1,174,379</b>
Tax income/ (expense) for the period	(130,641)	10,615	(13,648)	(677)	(134,351)	-	(134,351)	(134,351)
<b>Profit for the period</b>	<b>1,017,989</b>	<b>(91,830)</b>	<b>205,459</b>	<b>1,112</b>	<b>1,132,730</b>	<b>(92,702)</b>	<b>1,040,028</b>	<b>1,040,028</b>
Purchases of tangible and intangible assets	754,655	198,245	204,820	718	1,158,438	-	1,158,438	1,158,438
Depreciation and amortization charges (-)	(472,619)	(162,883)	(174,009)	(130)	(809,641)	-	(809,641)	(809,641)
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>1,642,310</b>	<b>148,929</b>	<b>419,080</b>	<b>188</b>	<b>2,210,507</b>	<b>(90,863)</b>	<b>2,119,644</b>	<b>2,119,644</b>
<b>Statement of Financial position (30 December 2016)</b>								
<b>Total assets</b>	<b>15,717,312</b>	<b>2,570,379</b>	<b>5,776,390</b>	<b>16,423</b>	<b>24,080,504</b>	<b>(4,928,007)</b>	<b>19,152,497</b>	<b>19,152,497</b>
- Investments accounted for under equity method	259,070	-	342,330	-	601,400	-	601,400	601,400
- Deferred tax assets	164,741	124,698	11,023	-	300,462	-	300,462	300,462
<b>Total liabilities</b>	<b>4,380,856</b>	<b>1,660,567</b>	<b>2,108,622</b>	<b>12,889</b>	<b>8,162,934</b>	<b>(340,061)</b>	<b>7,822,873</b>	<b>7,822,873</b>
- Deferred tax liabilities	44,478	11,652	11,603	7	67,740	-	67,740	67,740

(\*) Net sales according to the geographical regions are represented based on the countries where the companies are operating.

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**6. Cash and Cash Equivalents**

	31 December 2017	31 December 2016
Cash on hand	298	281
Cash at banks	3,437,908	3,204,956
- Demand deposits	265,430	177,312
- Time deposits (with a maturity of three months or less)	3,172,478	3,027,644
Other liquid assets	381	186
	<b>3,438,587</b>	<b>3,205,423</b>

**Time deposits**

Currency	Interest rate (%)	Interest Maturity	31 December 2017	31 December 2016
US Dollars	1.50%- 4.10%	January- February 2018	1,467,127	1,550,959
Turkish Lira	10.50%-15.45%	January- February 2018	731,941	841,821
EUR	1.00%-2.00%	January 2018	840,337	600,161
Russian Rubles	6.50%-14.75%	January 2018	113,004	20,179
British Pound	0.10%-1.00%	January 2018	20,069	14,328
New Romanian Leu	-	-	-	196
			<b>3,172,478</b>	<b>3,027,644</b>

Cash and cash equivalents as of 31 December 2017 and 31 December 2016 presented in the consolidated statement of cash flows are as follows:

	31 December 2017	31 December 2016
Cash and cash equivalents	3,438,587	3,205,423
Less: Interest accrual	(8,162)	(6,486)
Less: Restricted cash (*)	-	(35,244)
	<b>3,430,425</b>	<b>3,163,693</b>

(\*) Presents the restricted cash balance held in Türkiye İş Bankası A.Ş. amounted to TRY 35,244 thousand in order to provide collateral for the transactions with our natural gas suppliers (Note 23, 37).

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

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### 7. Financial Assets

#### a) Current financial asset

Current financial asset	31 December 2017	31 December 2016
Financial assets held to maturity <sup>(1)</sup>	95,200	53,976
Time deposits with a maturity of longer than three months and shorter than one year	-	2,845
	<b>95,200</b>	<b>56,821</b>

<sup>(1)</sup> Short term portion of the semi-annually yielding long term financial asset denominated in US Dollars

#### b) Non-current financial asset

Financial assets available for sale	31 December 2017	31 December 2016
Financial investments not traded in an active market	3	51,660
Financial investments carried at market price	734	508
Unconsolidated subsidiaries	767	163
	<b>1,504</b>	<b>52,331</b>
<b>Financial assets held to maturity</b>	<b>1,782,934</b>	<b>1,028,797</b>
<b>Total non-current financial assets</b>	<b>1,784,438</b>	<b>1,081,128</b>

Movements of financial assets available for sale during the period are as below:

	31 December 2017	31 December 2016
1 January	52,331	52,642
Sales	(51,708)	-
Reversal of impairment provision	655	-
Change in fair value	226	189
Impact of merger with in entities under common control	-	(500)
<b>31 December</b>	<b>1,504</b>	<b>52,331</b>

Financial assets carried at market price	Rate of Share (%)	31 December 2017	Rate of Share (%)	31 December 2016
İş Finansal Kiralama A.Ş. <sup>(1)</sup>	<1	734	<1	508

<sup>(1)</sup> İş Finansal Kiralama A.Ş. is quoted in BIST and it was revalued at the best bid price which is TRY 1.48 (31 December 2016: TRY 1.11). Non-cash capital increase amounting to TRY 50,000 thousand has been procured from profit for the year 2016 by İş Finansal Kiralama A.Ş. and the portion attributable to the Group shares amounting to TRY 38 thousand of the capital increase has been accounted on 12 June 2017.

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### 7. Financial Assets

#### b) Non-current financial asset

Financial assets not traded in an active market	Rate of Share (%)	31 December 2017	Rate of Share (%)	31 December 2016
Bosen Enerji Elek.Üret.Oto.Pro.Grb. A.Ş.	<1	2	<1	2
Çukurova İnşaat Mak. Sanayii ve Tic. A.Ş.	<1	1	<1	1
Trakya Yatırım Holding A.Ş. <sup>(1)</sup>	-	-	34,65	51,657
		<b>3</b>		<b>51,660</b>

Non-consolidated subsidiaries	Rate of Share (%)	31 December 2017	Rate of Share (%)	31 December 2016
Şişecam Shanghai Trade Co. Ltd.	100,00	655	100,00	655
Paşabahçe Glass GmbH	100,00	68	100,00	68
Paşabahçe Spain SL	100,00	43	100,00	43
Paşabahçe USA Inc.	100,00	1	100,00	1
Topkapı Yatırım Holding A.Ş. <sup>(1)</sup>	-	-	80,00	51
Tasfiye Halinde Mepa Merkezi <sup>(2)</sup>	-	-	99,71	212
Impairment (-)	-	-	-	(867)
		<b>767</b>		<b>163</b>

<sup>(1)</sup> Trakya Yatırım Holding A.Ş. is under the control of Türkiye İş Bankası A.Ş. and the Group does not have any significant influence or control power over this financial asset because the following criteria are not met:

- Representation on the board of directors or equivalent governing body of the investee,
- Participation in policy-making processes, including participation in decisions about dividends or other distributions,
- Material transactions between the investor and the investee,
- Interchange of managerial personnel or providing technical information required for the enterprise.

All shares of the financial investment with nominal value of TRY 47,476 thousand have been sold to Türkiye İş Bankası A.Ş. with a cash reward amounting to TRY 52,000 thousand on 27 October 2017.

Moreover, Topkapı Yatırım Holding A.Ş. is not included in consolidation due to the fact that its impact to consolidated financial statements is not significant. All shares in aforementioned financial investments with nominal value of TRY 40 thousand have been sold to Camış Yatırım Holding A.Ş. with a cash reward amounting to TRY 304 thousand on 27 October 2017.

<sup>(2)</sup> In the Shareholders' General Assembly Meeting held on 28 March 2017, it is decided to liquidate Mepa Merkezi Pazarlama A.Ş. since there is not any economical benefit from the continuing activities of the Company and the aforementioned decision was approved by Trade Registry in the name of Tasfiye Halinde Mepa Merkezi Pazarlama A.Ş. on 20 April 2017, The Liquidation Board was made on 20 December 2017, the liquidation decision was registered in Trade Register on 26 December 2017 and announced in Trade Registry Gazette on 2 January 2018. Impairment provision was booked for all of Tasfiye Halinde Mepa Merkezi Pazarlama AŞ's subsidiaries in consolidated financial statements. The Group obtained TRY 2,440 thousand cash from the liquidation share and accounted this generated cash as profit.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

#### 7. Financial Assets

##### b) Non-current financial asset

Due to improvements occurred on Şişecam Shanghai Trade Co Ltd.'s financial structure, impairment provision booked for this amount in previous periods is released in this period.

Paşabahçe Glass GmbH, Paşabahçe Spain SL and Paşabahçe USA Inc. are subsidiaries incorporated internationally, engaging in the production, marketing and sale operations. The financial statements of these companies are not included in consolidation due to the fact that their impact to consolidated financial statements are not significant.

The ratio of total assets, revenues and net income of unconsolidated subsidiaries to consolidated total assets, revenue and net income is below 1%.

##### Held to maturity investments

The entity that issues the bond	31 December 2017	31 December 2016
Türkiye İş Bankası A.Ş.	446,947	281,053
Türkiye Vakıflar Bankası T.A.O.	291,456	100,016
Türkiye Halk Bankası A.Ş.	215,711	199,913
Türkiye Sınai Kalkınma Bankası A.Ş.	200,850	108,668
Yapı ve Kredi Bankası A.Ş.	193,360	19,704
Türkcell İletişim Hizmetleri A.Ş.	138,837	119,492
Türkiye Garanti Bankası A.Ş.	116,613	101,835
Arçelik A.Ş.	114,633	101,340
Ziraat Bankası A.Ş.	77,335	-
Anadolu Efes Biracılık Ve Malt Sanayii A.Ş.	39,003	35,937
Türkiye İhracat Kredi Bankası A.Ş. (Türk Eximbank)	38,671	-
Finansbank A.Ş.	4,718	-
Türk Telekomünikasyon A.Ş.	-	14,815
<b>Eurobond <sup>(*)</sup></b>	<b>1,878,134</b>	<b>1,082,773</b>

<sup>(\*)</sup> Fixed yield securities held to maturity were accounted for by using effective interest rate with amortized costs. Aforementioned eurobonds securities are denominated in US Dollar with fixed rate coupon payment every 6-month.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

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#### 7. Financial Assets

Financial assets denominated in US Dollars held to maturity have an active market and the values according to market prices (dirty prices) are as follows:

The entity that issues the bond	31 December 2017	31 December 2016
Türkiye İş Bankası A.Ş.	453,674	270,440
Türkiye Vakıflar Bankası T.A.O.	295,224	98,257
Türkiye Halk Bankası A.Ş.	211,454	192,810
Türkiye Sınai Kalkınma Bankası A.Ş.	202,593	103,991
Yapı ve Kredi Bankası A.Ş.	195,803	19,835
Türkcell İletişim Hizmetleri A.Ş.	146,548	113,441
Türkiye Garanti Bankası A.Ş.	119,420	98,590
Arçelik A.Ş.	117,908	98,047
Ziraat Bankası A.Ş.	77,401	-
Türkiye İhracat Kredi Bankası A.Ş. (Türk Eximbank)	41,051	-
Anadolu Efes Biracılık Ve Malt Sanayii A.Ş.	40,837	34,717
Finansbank A.Ş.	4,665	-
Türk Telekomünikasyon A.Ş.	-	13,880
	<b>1,906,578</b>	<b>1,044,008</b>

The expiry dates of held to maturity investments are as follow:

Collection periods	31 December 2017	31 December 2016
Less than three months	11,891	7,450
3 - 12 Months	83,309	46,526
1 - 5 years	1,536,847	668,105
More than 5 years	246,087	360,692
	<b>1,878,134</b>	<b>1,082,773</b>

Movements of held to maturity investments during the period are as below:

	31 December 2017	31 December 2016
1 January	1,082,773	28,589
Additions	886,541	962,534
Valuation difference	190,781	153,135
Disposals	(14,767)	(43,366)
Principal collection during the period	(186,500)	-
Interest collection during the period	(80,694)	(18,119)
	<b>1,878,134</b>	<b>1,082,773</b>

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

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### 7. Financial Assets

#### Held to maturity investments

The amounts of held to maturity investments within the portfolios of İş Yatırım Menkul Değerler A.Ş. and İş Portföy Yönetimi A.Ş., which are calculated by the effective interest rate method, are as follows per each company:

	31 December 2017	31 December 2016
İş Portföy Yönetimi A.Ş.	1,776,746	988,259
İş Yatırım Menkul Değerler A.Ş.	101,388	94,514
	<b>1,878,134</b>	<b>1,082,773</b>

The details of the financing bonds denominated in Turkish Lira and all of them are realized.

ISIN Code	Transaction date	Maturity date	Purchase amount	Value at maturity	Value difference
TRFISMD41715	17.01.2017	19.04.2017	29,191	30,000	810
TRFISMD41731	23.01.2017	25.04.2017	19,437	20,000	563
TRFISMD317F2	02.02.2017	27.03.2017	19,970	20,300	330
TRFISMD317G0	06.02.2017	31.03.2017	19,674	20,000	326
TRFISMD317C9	02.02.2017	20.03.2017	19,914	20,200	286
TRFISMD317E5	02.02.2017	24.03.2017	14,966	15,200	234
TRFISMD317D7	02.02.2017	23.03.2017	14,971	15,200	229
TRFISMD317A3	02.02.2017	02.03.2017	14,975	15,200	225
TRFISMD317B1	02.02.2017	21.03.2017	14,980	15,200	220
TRFISMD31799	02.02.2017	17.03.2017	14,999	15,200	201
			<b>183,077</b>	<b>186,500</b>	<b>3,424</b>

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

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### 7. Financial Assets

#### Held to maturity investments

Coupon interest rates and the redemption dates for financial assets held until maturity denominated in USD are as follows. Effective interest rate of marketable securities is 5.53% (2016: 5.47%).

Marketable security issuer	ISIN Code	Coupon interest rate (%)	Redemption date
Anadolu Efes Biracılık Ve Malt Sanayii A.Ş.	XS0848940523	3.375	01.11.2022
Arçelik A.Ş.	XS0910932788	5.000	03.04.2023
Finansbank A.Ş.	XS1613091500	4.875	19.05.2022
Turkcell İletişim Hizmetleri A.Ş.	XS1298711729	5.750	15.10.2025
Türkiye Garanti Bankası A.Ş.	USM8931TAF68	5.250	13.09.2022
Türkiye Halk Bankası A.Ş.	XS1439838548	5.000	13.07.2021
Türkiye Halk Bankası A.Ş.	XS1188073081	4.750	11.02.2021
Türkiye Halk Bankası A.Ş.	XS0882347072	3.875	05.02.2020
Türkiye İhracat Kredi Bankası A.Ş. (Türk Eximbank)	XS1496463297	5.375	24.10.2023
Türkiye İhracat Kredi Bankası A.Ş. (Türk Eximbank)	XS1345632811	5.375	08.02.2021
Türkiye İhracat Kredi Bankası A.Ş. (Türk Eximbank)	XS1028943089	5.000	23.09.2021
Türkiye İş Bankası A.Ş.	XS1390320981	5.375	06.10.2021
Türkiye İş Bankası A.Ş.	XS1079527211	5.000	25.06.2021
Türkiye İş Bankası A.Ş.	XS1508390090	5.500	21.04.2022
Türkiye İş Bankası A.Ş.	XS1117601796	5.375	30.10.2019
Türkiye İş Bankası A.Ş.	XS1578203462	6.125	25.04.2024
Türkiye Sınai Kalkınma Bankası A.Ş.	XS1412393172	4.875	18.05.2021
Türkiye Sınai Kalkınma Bankası A.Ş.	XS1219733752	5.125	22.04.2020
Türkiye Vakıflar Bankası T.A.O.	XS0849728190	6.000	01.11.2022
Türkiye Vakıflar Bankası T.A.O.	XS1508914691	5.500	27.10.2021
Türkiye Vakıflar Bankası T.A.O.	XS1622626379	5.625	30.05.2022
Yapı ve Kredi Bankası A.Ş.	XS0874840688	4.000	22.01.2020
Yapı ve Kredi Bankası A.Ş.	XS1028938915	5.125	22.10.2019
Yapı ve Kredi Bankası A.Ş.	XS1571399754	5.750	24.02.2022
Yapı ve Kredi Bankası A.Ş.	XS1634372954	5.850	21.06.2024
Ziraat Bankası A.Ş.	XS1223394914	4.750	29.04.2021
Ziraat Bankası A.Ş.	XS1605397394	5.125	03.05.2022

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

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### 8. Borrowings

<b>Current financial liabilities</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Short term borrowings	956,852	1,166,033
<b>Short term portion of long term borrowing</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Short term portion of long term borrowings and interests	990,602	813,995
Bonds issued	8,800	7,409
Discount on issuance of bonds	(1,458)	(1,435)
Financial lease obligations	627	1,272
<b>Total short term portion of long term borrowings</b>	<b>998,571</b>	<b>821,241</b>
<b>Total current financial liabilities</b>	<b>1,955,423</b>	<b>1,987,274</b>
<b>Long term borrowings</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Long term portion of long term borrowings	2,057,063	2,035,973
Bonds issued	1,885,950	1,759,600
Bond issuance costs and commissions	(2,008)	(3,412)
Financial lease obligations	315	753
<b>Total long term financial liabilities</b>	<b>3,941,320</b>	<b>3,792,914</b>
<b>Total financial liabilities</b>	<b>5,896,743</b>	<b>5,780,188</b>

The following international rating agencies were confirmed the Company's credit ratings as follows;

- On 7 December 2016 Standard & Poor's Rating Services (S&P) stated the outlook of the Company as "Stable" and long term credit rating as "BB".
- On 27 September 2016 International credit agency Moody's stated the long term credit rating of the Company as "Ba1" and the outlook of the Company as "Stable".
- Based on its statement dated 8 February 2017, S&P, in accordance with the outlook revision of our main shareholder, Türkiye İş Bankası A.Ş., in relation with negative outlook of Turkey, revised the Company's outlook from "Stable" to "Negative" on 10 February 2017 while it affirmed the Company's credit rating at "BB". The same note is confirmed again on 14 September 2017.
- On 22 March 2017 press release, Moody's has affirmed long-term issuer rating of the Company as "Ba1" with outlook as "Stable". The rating was triggered by Moody's recent decision to change the outlook on Turkey's government issuer rating to "Negative" from "Stable" on 18 March 2017. In its press release, Moody's has underlined that the Company's strong financial structure, liquidity profile, low leverage, its competitive position in the Turkish market and also continuously increasing international sales reaching 55% of total revenues by the end of 2016 have been the main rationale behind the affirmation of the rating and the outlook decision.

The Group has financial covenants regarding its financial liabilities. The Group meets the covenants as of the date of financial position.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

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### 8. Borrowings

As of the balance sheet date, risk of changes in interest rates on loans and contractual reprising dates of the Group is as follows:

<b>Repricing dates for loans</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Shorter than 3 months	867,412	1,051,764
3 - 12 months	2,445,117	2,412,359
1 - 5 years	651,129	551,878
5 years and more	40,859	-
	<b>4,004,517</b>	<b>4,016,001</b>

The interest rate for the issued bonds of TRY 1,891,284 thousand is 4.25% (Effective interest rate 4.415%) and the coupon interest payments would be paid semi-annually in equal instalments. (31 December 2016: TRY 1,762,162 thousand).

The financial leases of TRY 942 thousand are paid up in equal monthly instalments (31 December 2017: TRY 2,025 thousand).

The impact of discounting is not significant due to given interest rates for short-term loans and their carrying values approximate their fair values. The fair values are determined using the weighted average effective annual interest rates. The long-term financial liabilities are generally subject to repricing within three and six month periods and a large amount of those liabilities consists of foreign currency denominated loans. Therefore, it is expected that the carrying value of the financial liabilities that are calculated by effective interest rate method approximate to their fair values.

Financial liabilities movements for the period between 1 January and 31 December 2017 are summarized as below:

<b>Bank borrowings</b>	<b>Capital</b>	<b>Interest</b>	<b>Commission</b>	<b>Total</b>
1 January	4,000,619	21,708	(6,326)	4,016,001
Borrowed -accrued during the period	1,948,274	252,479	(3,857)	2,196,896
Currency translation differences	463,196	2,018	(424)	464,790
Foreign exchange gain/ (loss)	164,272	-	-	164,272
Impact of business combinations	4,095	-	-	4,095
Payments-reversals during the period	(2,587,566)	(259,904)	5,933	(2,841,537)
<b>31 December 2017</b>	<b>3,992,890</b>	<b>16,301</b>	<b>(4,674)</b>	<b>4,004,517</b>

<b>Bonds issued</b>	<b>Capital</b>	<b>Interest</b>	<b>Discount on Bonds</b>	<b>Commission</b>	<b>Total</b>
1 January	1,759,600	7,409	(3,452)	(1,395)	1,762,162
Foreign exchange gain/ (loss)	126,350	-	-	-	126,350
Accrued during the period	-	80,152	-	-	80,152
Payments-reversals during the period	-	(78,761)	973	408	(77,380)
<b>31 December 2017</b>	<b>1,885,950</b>	<b>8,800</b>	<b>(2,479)</b>	<b>(987)</b>	<b>1,891,284</b>

<b>Financial lease obligations</b>	<b>Principal</b>	<b>Interest (-)</b>	<b>Total</b>
1 January	2,025	-	2,025
Currency translation differences	305	-	305
Provision charge for the period	73	(73)	-
Payments during the period	(1,461)	73	(1,388)
<b>31 December 2017</b>	<b>942</b>	<b>-</b>	<b>942</b>

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

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### 8. Borrowings

Financial liabilities movements for the period between 1 January and 30 December 2016 are summarized as below:

Bank borrowings	Capital	Interest	Commission	Total
1 January	3,142,987	21,250	(5,825)	3,158,412
Borrowed -accrued during the period	1,624,696	175,388	(1,705)	1,798,379
Currency translation differences	612,648	4,089	(579)	616,158
Business combination effect	109,042	-	-	109,042
Foreign exchange gain/ (loss)	68,531	-	-	68,531
Payments - reversals during the period	(1,557,283)	(179,018)	1,780	(1,734,521)
<b>31 December 2016</b>	<b>4,000,621</b>	<b>21,709</b>	<b>(6,329)</b>	<b>4,016,001</b>

Bonds issued	Capital	Interest	Discount on Bonds	Commission	Total
1 January	1,453,800	5,325	(4,385)	(1,804)	1,452,936
Foreign exchange gain/ (loss)	305,800	-	-	-	305,800
Accrued during the period	-	66,614	-	-	66,614
Payments-reversals during the period	-	(64,530)	933	409	(63,188)
<b>31 December 2016</b>	<b>1,759,600</b>	<b>7,409</b>	<b>(3,452)</b>	<b>(1,395)</b>	<b>1,762,162</b>

On 9 May 2013, the Group issued 7 year term, fixed interest bonds amounting to USD 500,000 thousand with the maturity date of May 2020. The interest rate for the bonds was determined as 4.25%. The capital payment of the bond would be made at maturity date.

The amounts were transferred on 9 May 2013 to the bank accounts of our subsidiaries, which provided a guarantee for capital, interest, and similar payments in relation to the issue of the bonds (USD 250,000 thousand of Trakya Cam Sanayii A.Ş., USD 100,000 thousand of Anadolu Cam Sanayii A.Ş. and USD 50,000 thousand of Soda Sanayii A.Ş.), under the same terms and circumstances.

The Company quoted the bond amounting to USD 407,210 thousand with the code of ISIN: XS0927634807, issued under Regulation S and the bond amounting to USD 92,790 thousand with the code of ISIN: US90016AAA88, issued under Rule 144A on the Irish Stock Exchange and the issue certificate of the notes was provided by the CMB on 3 May 2013 and approved on 30 April 2013 with decision no 15/487. Citigroup, BNP Paribas, J.P. Morgan and HSBC acted as agencies for the issue of the bond. The procedures related to the sale of the bonds to foreign qualified investors were completed on 9 May 2013. The central safekeeping institutions of traded securities are Euroclear and Clearstream.

Financial leases	Principal	Interest (-)	Total
1 January	2,805	(1)	2,804
Currency translation differences	344	-	344
Payments-reversals during the period	(1,124)	1	(1,123)
<b>30 December 2016</b>	<b>2,025</b>	<b>-</b>	<b>2,025</b>

There are no capitalized financial expense for the period 1 January - 31 December 2017 (None - 1 January- 31 December 2016).

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

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### 8. Borrowings

Short and long-term bank borrowings are summarized as below:

[31 December 2017](#)

Currency	Maturity	Interest range (%) <sup>(*)</sup>	Short Term	Long Term	Total
EUR	2018-2026	Euribor+1.10-6.00	1,367,738	1,337,268	2,705,006
US Dollars	2018-2026	Libor+1.15-5.95	61,525	2,025,609	2,087,134
Russian Rubles	2018-2021	8.85-12.51	449,056	357,278	806,334
Turkish Lira	2018-2023	12.66-16.10	22,152	207,000	229,152
Ukrainian Hryvnia	2018-2021	15.50-21.50	45,452	14,165	59,617
Egyptian Pound	2018	22.00	9,500	-	9,500
			<b>1,955,423</b>	<b>3,941,320</b>	<b>5,896,743</b>

<sup>(\*)</sup> The lower and upper rates are expressed and the weighted average cost for Euro is Euribor + 2.35%, Libor + 2.37% for the US Dollar, Mosprime + 3.10% for RUB, 15.80% for UAH, TRlibor + 2.15 (average effective annual interest rates for EUR, USD, RUB, UAH, EGP and TRY are 2.32%, 4.14%, 11.19%, 15.80%, 22% and 14.10% respectively).

[31 December 2016](#)

Currency	Maturity	Interest range (%) <sup>(*)</sup>	Short Term	Long Term	Total
EUR	2017-2026	Euribor+1.10-6.00	1,005,998	1,488,254	2,494,252
US Dollars	2017-2026	Libor+2.15-4.50	177,686	1,938,291	2,115,977
Russian Rubles	2017-2021	9.90-16.00	592,571	283,963	876,534
Turkish Lira	2017-2023	10.90-12.20	183,773	62,700	246,473
Ukrainian Hryvnia	2017-2021	16.25-22.05	27,246	19,706	46,952
			<b>1,987,274</b>	<b>3,792,914</b>	<b>5,780,188</b>

<sup>(\*)</sup> Presents the lower and upper rates and the weighted average interest rate for EUR is Euribor + 2.36%, for USD is Libor + 2.38%, for RUB is Mosprime + 3.18%, for UAH is 20.45% and for TRY is +2.15 (average effective annual interest rates for EUR, USD, RUB, UAH, and TRY are 2.28%, 4.12%, 12.28%, 19.59%, and 11.20% respectively).

The redemption schedule of the financial liabilities is as follows:

	31 December 2017	31 December 2016
Within 1 year	1,955,423	1,987,274
Within 1- 2 years	906,226	915,101
Within 2- 3 years	2,637,912	543,444
Within 3- 4 years	177,281	1,996,841
Within 4- 5 years	119,283	133,523
More than 5 years	100,618	204,005
	<b>5,896,743</b>	<b>5,780,188</b>

The weighted average maturity of the financial liabilities is 645 days (31 December 2016: 794 days).

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 9. Other Financial Liabilities

None (31 December 2016: None).

### 10. Trade Receivables and Payables

#### Trade Receivables

Current trade receivables	31 December 2017	31 December 2016
Trade receivables	2,297,155	2,039,590
Notes receivables	108,650	50,866
Due from related parties (Note 37)	30,352	32,060
Other trade receivables	8,563	298
Rediscount of notes receivable (-)	(18,154)	(10,669)
Provision for doubtful receivables	(88,288)	(68,216)
	<b>2,338,278</b>	<b>2,043,929</b>

The Group has collected RUB 373,922 thousand of trade receivables in total factored RUB 406,705 thousand. Financing expenses of RUB 2,616 were recognized due to this factoring of receivables. (Note 33).

The sales terms for the Group's domestic sales based on the main product lines are as follows:

A portion of domestic sales of basic glasses is made on cash. The average term for basic glasses sales is 90 days (31 December 2016: 90 days. A portion of export sales is made on cash and rest of export sales' term is 45 days. 2% overdue interest rate is applied for the payments made after the due date (31 December 2016: 2%). The average sales term for auto glass and processed glass items is 45 days (31 December 2016: 45 days).

The average sales term for automatic glassware is 75 days (31 December 2016: 75 days) and a monthly overdue interest rate of 1.25% is applied for the payments made after the due date (31 December 2016: 2%).

Glass packaging products have been sold on cash terms since 1 November 2009, For customers paying in terms, a monthly interest of 1.25% for terms up to 121 days, and a monthly interest rate of 2% is applied for terms exceeding 121 days (31 December 2016: 2%). The average sales term for domestic sales of glass packaging products is 64 days (2016: 64 days). The average sales term for foreign sales of glass packaging products is 73 days (31 December 2016: 66 days).

Inter-group sales terms of Soda products are 60 days (31 December 2016: 60 days) and average term of domestic external sales of Soda products are 60 days (31 December 2016: 55 days). Monthly 2% overdue interest is applied for the payments made after due dates (31 December 2016: 2%).

The average sales term for domestic sales of chromium products in foreign currency is 4 days (31 December 2016: 20 days). A monthly overdue interest rate of 1% is applied for the payments made after the due date (31 December 2016: 1%). Average sales term for export sales is 67 days (31 December 2016: 66 days).

The Group has recognized provision for doubtful receivables. Allowance for doubtful receivables is determined by referring to past experience. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted to the reporting date.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

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### 10. Trade Receivables and Payables

The Group has no significant concentration on credit risk, with exposure spread over a large number of counterparties and customers. Accordingly, the management believes that no further credit provision is required in excess of the allowance for doubtful receivables.

The movement of the allowance for doubtful receivables is as follows:

	31 December 2017	31 December 2016
1 January	(68,216)	(44,437)
Period expense	(22,023)	(19,116)
Currency translation differences	(4,984)	(3,358)
Impact of business mergers	(62)	(10,344)
Collections	6,997	9,039
	<b>(88,288)</b>	<b>(68,216)</b>

The Group has received the following collaterals for trade receivables:

	31 December 2017	31 December 2016
Letters of guarantees	308,076	268,678
Direct debit system	231,850	150,218
Promissory notes and bills	204,959	203,370
Cash	27,890	32,708
Mortgages	13,045	13,369
	<b>785,820</b>	<b>668,343</b>

As of 31 December 2017, TRY 254,182 thousand (31 December 2016: TRY 253,730 thousand) of trade receivable amount was past due but not impaired. This is related to various independent customers with no recent history of default. The aging analysis of trade receivable amounts is as follows:

	31 December 2017	31 December 2016
1- 30 days overdue	126,787	158,620
1-3 months overdue	45,084	59,934
3-12 months overdue	63,894	27,817
1- 5 years overdue	18,417	7,359
<b>Total overdue receivables</b>	<b>254,182</b>	<b>253,730</b>
<b>The portion under guarantee with collaterals and similar guarantees</b>	<b>36,127</b>	<b>46,771</b>

#### Trade Payables

Short term trade payables	31 December 2017	31 December 2016
Trade payables	1,097,537	898,025
Due to related parties (Note 37)	58,374	74,442
Other trade payables	2,000	596
Rediscount on notes payable (-)	(6,045)	(3,943)
	<b>1,151,866</b>	<b>969,120</b>

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

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### 11. Other Receivables and Payables

Other current receivable	31 December 2017	31 December 2016
Other receivables	24,872	36,686
Due from sales of financial asset <sup>(*)</sup>	7,099	7,099
Deposits and guarantees given	5,183	4,693
Due from personnel	1,831	1,381
Rediscount on other notes receivables (-)	(7)	(5)
Allowance for other doubtful receivables (-)	(960)	(275)
	<b>38,018</b>	<b>49,579</b>

The movement of other doubtful receivables is as follows:

	31 December 2017	31 December 2016
1 January	(275)	(258)
Change in period	(881)	(5)
Currency translation differences	(47)	(12)
Collections	43	-
Effect of disposal of subsidiary	200	-
	<b>(960)</b>	<b>(275)</b>

Other non-current receivables	31 December 2017	31 December 2016
Due from sales of financial asset <sup>(*)</sup>	14,199	21,298
Deposits and guarantees given	4,993	3,528
Rediscount on other notes receivables (-)	(2,607)	(3,862)
Receivable from tax office	-	9,667
	<b>16,585</b>	<b>30,631</b>

<sup>(\*)</sup> Shares of Avea İletişim Hizmetleri A.Ş. were sold to Türk Telekomünikasyon A.Ş. at a nominal value of TRY 30,303 thousand on 30 July 2015, remaining maturity as follows:

Collection periods	31 December 2017	31 December 2016
3 - 12 Months	7,099	7,099
1 - 5 years	14,199	21,298
	<b>21,298</b>	<b>28,397</b>

The movement of other allowance for doubtful receivables is as follows:

	31 December 2017	31 December 2016
1 January	-	(35)
Collections	-	40
Currency translation differences	-	(5)
	<b>-</b>	<b>-</b>

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

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### 11. Other Receivables and Payables

Other current payables	31 December 2017	31 December 2016
Liability from acquisition of asset group (Note 18) <sup>(*)</sup>	54,693	-
Due to acquisition of additional shares of subsidiary (Note 27) <sup>(**)</sup>	45,155	33,204
Deposits and guarantees received	26,560	32,281
Other payables	18,917	10,899
Other payables due to related parties (Note 37)	5,282	5,093
Rediscount on other notes payables (-)	(67)	(54)
Payable from the acquisition of a subsidiary (Note 3) <sup>(***)</sup>	-	56,781
	<b>150,540</b>	<b>138,204</b>

<sup>(\*)</sup> Debt balance amounting to USD 14,500 thousand which is going to be paid in 2018 within the scope of "Asset Transfer Agreement" signed with Pearl for Glass Manufacturing S.A.E. which operates in Egypt.

Other non-current liabilities	31 December 2017	31 December 2016
Other payables	1,504	1,224
Deposits and guarantees received	1,330	427
Payable from the acquisition of additional shares of subsidiary (Note 27) <sup>(**)</sup>	-	37,099
	<b>2,834</b>	<b>38,750</b>

<sup>(\*\*)</sup> The minority share (10%) of Glasscorp, one of subsidiaries, was acquired at EUR 3,950 thousand on 17 October 2016, EUR 3,000 thousand of the total amount is paid on 17 October 2016 and EUR 950 thousand (=TRY 3,787 thousand) is paid on 17 January 2017. In accordance with the restructuring of our companies operating in Russia, it has been decided that the shares of Sudel Invest S.a.r.l. at a rate of 24.075% in the portfolio of the subsidiaries Anadolu Cam Investment B.V. and 49% in the portfolio of Balsand B.V. are acquired by AC Glass Holding B.V. established in Netherlands. In accordance with this decision, the share transfer of Sudel Invest S.a.r.l. was completed on 10 July 2015 with the amount of EUR 66,000 thousand and the maturity of remaining payable which is amounting to EUR 10,000 thousand (31 December 2016: EUR 18,000 thousand), is as follows:

Payment period	31 December 2017	31 December 2016
3 - 12 Months	45,155	29,679
1 - 5 years	-	37,099
	<b>45,155</b>	<b>66,778</b>

Additionally, there is an agreement amounting to EUR 4,000 thousand for the consultancy services. Based on this agreement, EUR 1,000 thousand, EUR 1,000 thousand and EUR 1,000 thousand of the total payment amounting to EUR 3,000 thousand have been paid respectively in 2015, 2016 and 2017 and the remaining balance of EUR 1,000 thousand is planned to be paid in 2018 in the return of the service.

<sup>(\*\*\*)</sup> The net asset of the Sangalli Vetro Porto Nogaro in Italy was acquired for EUR 52,017 thousand on 31 October 2016 and EUR 10,391 thousand (=TRY 40,652 thousand) of the total amount of EUR 15,306 thousand which has been suspended to 2017 is paid on 21 April 2017. Remaining portion which is amounting to EUR 4,915 thousand (=TRY 20,305 thousand) is paid on 31 July 2017 and with this payment there is no outstanding debt has left.



# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

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### 12. Derivative Instruments

The Group has performed following transactions for cash flow hedging;

- The Group entered into a loan agreement with Rabobank in 10 June 2016 and fixed the interest rates of variable interest rated loans that were denominated in Euro along the maturity with the purpose of hedging the liability position of the companies located in Russia and operating under glass packaging segment with their asset position in terms currency and fix interest rates.

Hedging instruments include interest rates swaps that fix floating rate of 3 month Libor+2.50% on EUR 75,000 thousand with 2 year maturity to the rate of 12.71% and cross currency swaps that fix EUR/RUB rates to 75.72 for principal and interest payments.

- The Group entered into a loan agreement with HSBC London in 27 November 2013 and fixed the interest rates of variable interest rated loans that were denominated in US Dollar along the maturity with the purpose of hedging the liability position of the companies located in Russia and operating under glass packaging segment with their asset position in terms currency and hedging fix interest rates.

Hedging instruments include interest rates swaps that fix floating rate of 3 month Libor+2.55% on USD 70,000 thousand with 3 year maturity to the rate of 9.30% and cross currency swaps that fix USD/RUB rates to 33.1132 for principal and interest payments. As of 31 December 2016, the hedge instrument is realized.

The Group signed the following forward agreements (cross currency) for the period 1 January-31 December 2017.

- From 11 July 2017 to 26 April 2018, a total of EUR 9,500 thousand, including different dates, has signed a Russian Ruble acquisition agreement with Citibank. As of 31 December 2017, a portion amounting to EUR 4,500 thousand was realized from the sale contracts of EUR 9,500 thousand.
- Citibank signed the purchase contract of Russian Rubles by the sale of EUR 5,000 thousand that will be due on various dates from 10 November 2017 to 30 October 2018.

The amounts mentioned below have been realized during the period from the contracts signed in 2016.

- From 16 January 2016 to 15 December 2017, a total of EUR 9,600 thousand has been sold and signed the Turkish Lira purchase agreement with Türkiye İş Bankası A.Ş. on different dates. As of 31 December 2016, EUR 6,000 thousand of the sale contracts of EUR 9,600 thousand were realized and EUR 3,600 thousand was realized in the period of 1 January - 31 December 2017.

Further; Türkiye İş Bankası A.Ş sold EUR 4,000 thousand which was signed in 2015 and realized EUR 3,750 thousand of Turkish Lira foreign exchange buying and selling transactions during 1 January-31 December 2016 period.

- An agreement with HSBC including the purchase of Russian Rubles by the sale of USD 2,000 thousand that will be due on various dates between 29 June 2016 and 29 July 2016 has been signed. Related contract of sale has been realized as of 31 December 2016.

Additionally, a forward agreement for the purchase of Ruble by the sale of USD 6,000 thousand signed in 2015 has been realized as of 31 December 2016.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

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### 12. Derivative Instruments

- A foreign currency swap agreement with HSBC including the purchase of Turkish Lira by the sale of EUR 12,500 thousand that will be due on various dates between 2 August 2016 and 30 December 2016 has been signed. Related contract of sale has been realized as of 31 December 2016.
- An agreement for the purchase of USD by the sale of EUR 7,500 thousand from 2 August 2016 to 30 September 2016 has been signed with HSBC. Related contract of sale has been realized as of 31 December 2016.
- An agreement for the purchase of USD by the sale of EUR 3,000 thousand from 2 August 2016 to 30 September 2016 has been signed with Citibank. Related contract of sale has been realized as of 31 December 2016.
- An agreement for the purchase of RUB by the sale of EUR 2,000 thousand on various dates from 17 November 2016 to 31 March 2017 has been signed with Citibank. Related contract of sale amounting to EUR 2,000 has been realized.

The transactions related to derivative instruments are as follows:

	31 December 2017		31 December 2016	
	Assets	Liabilities	Assets	Liabilities
Swap transactions	-	20,252	-	40,772
Forward transactions	1,209	-	831	810
	<b>1,209</b>	<b>20,252</b>	<b>831</b>	<b>41,582</b>

The transactions related to derivative instruments are as follows:

	31 December 2017	31 December 2016
1 January	(40,751)	87,952
Foreign exchange gain/ (loss) recognized to statement of profit or loss <sup>(*)</sup>	25,179	(38,951)
Fair value changes recognized in equity	1,146	11,547
Currency translation differences	(4,080)	5,597
Cash inflows/(outflows) due to realized foreign exchange gain/loss	(569)	(105,557)
Interest expense charged to statement of profit or loss	32	(1,339)
<b>Net asset/ (liability)</b>	<b>(19,043)</b>	<b>(40,751)</b>

<sup>(\*)</sup> TRY 1,786 thousand foreign exchange gain of total TRY 25,179 thousand in consolidated statement of income in the period between 1 January-31 December 2017 was recognized in other operating income; the amount of TRY 23,393 thousand was recognized in finance income. (From 1 January - 31 December 2016, TRY 3,929 thousand foreign exchange gain of total TRY 39,951 thousand in consolidated statement of income in the period between 1 January-31 December 2017 was recognized in other operating income; the amount of (TRY 42,880) thousand foreign exchange losses was recognized in finance income.)

**TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.**  
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**13. Inventories**

	31 December 2017	31 December 2016
Finished goods	1,200,442	1,178,151
Raw materials	631,217	508,130
Trade goods	157,211	141,527
Other inventories	90,708	78,724
Work in process	58,607	47,134
Supplies	52,761	33,416
Goods in transit	463	874
Provision for inventory impairment (-)	(50,235)	(28,083)
	<b>2,141,174</b>	<b>1,959,873</b>

The movement of provision for inventory write-down is as follows:

	31 December 2017	31 December 2016
1 January	(28,083)	(17,232)
Provision for the year	(32,316)	(14,767)
Currency translation differences	(1,690)	(2,106)
Provision released	11,854	6,022
	<b>(50,235)</b>	<b>(28,083)</b>

**14. Prepaid Expenses and Deferred Income**

[Prepaid Expenses](#)

	31 December 2017	31 December 2016
<b>Prepaid expenses in current assets</b>		
Advances given for inventories	140,824	148,580
Prepaid expenses	26,619	24,191
	<b>167,443</b>	<b>172,771</b>

	31 December 2017	31 December 2016
<b>Prepaid expenses in non-current assets</b>		
Advances given for tangible and intangible assets	117,910	37,215
Prepaid Expenses	34,246	35,445
	<b>152,156</b>	<b>72,660</b>

The movement of advances given for tangible and intangible assets is as follows:

	31 December 2017	31 December 2016
1 January	37,215	102,680
Advances given in the period	722,810	195,222
Currency translation differences	1,543	4,511
Released in the period	(643,658)	(265,198)
<b>31 December</b>	<b>117,910</b>	<b>37,215</b>

**TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.**  
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**14. Prepaid Expenses and Deferred Income**

[Deferred Income](#)

	31 December 2017	31 December 2016
<b>Short term deferred income</b>		
Deferred income <sup>(1)</sup>	74,260	77,402
Advances received from customers	52,965	47,313
Other advances received	5,726	595
	<b>132,951</b>	<b>125,310</b>

	31 December 2017	31 December 2016
<b>Long term deferred income</b>		
Deferred income <sup>(1)</sup>	56,423	60,954

<sup>(1)</sup> TRY 11,179 thousand of the amount of the short term deferred income and all of long term deferred income consists of the government incentive provided by the Romania government to Glasscorp SA and Bulgarian government to Trakya Glass Bulgaria EAD and Paşabahçe Bulgaria EAD (31 December 2016: in total TRY 66,625 thousand, respectively to TRY 5,671 thousand, TRY 60,954 thousand).

**15. Construction Contracts**

None (31 December 2016: None).

**16. Joint Ventures and Associates**

Net asset values of joint ventures and associates accounted for using equity method presented in the financial position of the associates are as follows:

[Joint Ventures](#)

	31 December 2017	31 December 2016
HNG Float Glass Limited	257,897	205,952
Rudnik Krecnjaka Vijenac D.O.O.	29,458	23,803
Oxyvit Kimya Sanayii ve Tic. A.Ş.	-	9,565
Omco İstanbul Kalıp Sanayii ve Tic. A.Ş.	-	19,750
	<b>287,355</b>	<b>259,070</b>

[Associates](#)

	31 December 2017	31 December 2016
Solvay Şişecam Holding AG	328,447	272,696
Saint Gobain Glass Egypt S.A.E.	96,306	69,634
	<b>424,753</b>	<b>342,330</b>
	<b>712,108</b>	<b>601,400</b>

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

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### 16. Joint Ventures and Associates

The Group's shares in investments accounted for using equity method in the income statement are as follows:

#### Joint Ventures

	31 December 2017	31 December 2016
HNG Float Glass Limited	22,079	14,898
Rudnik Krečnjaka Vijeć D.O.O.	444	808
Oxyvit Kimya Sanayii ve Tic. A.Ş.	6,103	1,797
Omco İstanbul Kalıp Sanayii ve Tic. A.Ş.	6,079	8,286
	<b>34,705</b>	<b>25,789</b>

#### Associates

	31 December 2017	31 December 2016
Solvay Şişecam Holding AG	86,590	70,566
Saint Gobain Glass Egypt S.A.E.	18,955	9,557
	<b>105,545</b>	<b>80,123</b>
	<b>140,250</b>	<b>105,912</b>
<b>Omco İstanbul Kalıp Sanayii ve Tic. A.Ş. sales profit</b>	<b>31,830</b>	<b>-</b>
<b>Total profit impact of investments accounted for using equity method</b>	<b>172,080</b>	<b>105,912</b>

Dividend income from joint ventures are as follows:

	31 December 2017	31 December 2016
Solvay Şişecam Holding AG	89,749	73,438
Omco İstanbul Kalıp Sanayii ve Tic. A.Ş.	7,257	5,737
Oxyvit Kimya Sanayii ve Tic. A.Ş.	1,740	2,250
	<b>98,746</b>	<b>81,425</b>

The movements of the investments accounted for under equity accounting method during the period are as below:

	31 December 2017	31 December 2016
1 January	601,400	562,724
Net income for the period (net) from joint ventures and associates	140,250	105,912
Currency translation differences	101,704	11,870
Dividend income from joint ventures	(98,746)	(81,425)
Disposal of joint venture	(18,572)	-
Transfers to subsidiaries as a result of business combinations	(13,928)	-
Share payment of capital increase	-	2,274
Funds for actuarial gain/loss on employee termination benefits	-	45
	<b>712,108</b>	<b>601,400</b>

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

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### 16. Joint Ventures and Associates

The summary of the financial statements of Joint Ventures is as follows:

#### HNG Float Glass Limited

	31 December 2017	31 December 2016
Current assets	133,968	119,593
Non-current assets	497,098	446,623
<b>Total assets</b>	<b>631,066</b>	<b>566,216</b>
Current liabilities	45,438	81,540
Non-current liabilities	69,833	72,772
<b>Total liabilities</b>	<b>115,271</b>	<b>154,312</b>

<b>Net asset (including goodwill)</b>	<b>515,795</b>	<b>411,904</b>
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#### Group's share (%)

- Direct and indirect ownership rate (%)	50.00	50.00
- Effective ownership rate (%)	34.73	34.73

<b>Group's share in net assets</b>	<b>257,897</b>	<b>205,952</b>
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	1 January- 31 December 2017	1 January- 31 December 2016
Revenue	303,280	221,884
<b>Profit from continuing operations</b>	<b>44,158</b>	<b>29,796</b>
Other comprehensive income	59,733	62,513
<b>Total comprehensive income/ (loss)</b>	<b>103,891</b>	<b>92,309</b>

<b>The Group's share in profit/ (loss) from continuing operations</b>	<b>22,079</b>	<b>14,898</b>
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Shares of Joint Venture in non-group parties are related to Hindusthan National Glass and Industries Limited.

The Group has been including the joint venture in the consolidation since 11 June 2013.

## TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

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#### 16. Joint Ventures and Associates

The summary of the financial statements of Joint Ventures is as follows:

[Rudnik Krecnjaka Vijenac D.O.O.](#)

	31 December 2017	31 December 2016
Current assets	7,335	4,836
Non-current assets	60,969	50,449
<b>Total assets</b>	<b>68,304</b>	<b>55,285</b>
Current liabilities	8,525	7,016
Non-current liabilities	862	663
<b>Total liabilities</b>	<b>9,387</b>	<b>7,679</b>
<b>Net asset (including goodwill)</b>	<b>58,917</b>	<b>47,606</b>
<b>Group's share (%)</b>		
- Direct and indirect ownership rate (%)	50.00	50.00
- Effective ownership rate (%)	50.00	50.00
<b>Group's share in net assets (including goodwill)</b>	<b>29,458</b>	<b>23,803</b>
	<b>1 January- 31 December 2017</b>	<b>1 January- 31 December 2016</b>
Revenue	20,216	17,027
<b>Profit from continuing operations</b>	<b>888</b>	<b>1,616</b>
Other comprehensive income	10,423	6,753
<b>Total comprehensive income/ (loss)</b>	<b>11,311</b>	<b>8,369</b>
<b>The Group's share in profit/ (loss) from continuing operations</b>	<b>444</b>	<b>808</b>

Shares of Joint Venture in non-group parties are related to Fabrika Cementa Lukavac D.D. (FCL).

The Group has been including the joint venture in consolidation since 10 December 2010.

## TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

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#### 16. Joint Ventures and Associates

The summary of the financial statements of Joint Ventures is as follow:

[Omco İstanbul Kalıp Sanayii ve Tic. A.Ş.](#)

	12 June 2017	31 December 2016
Current assets	43,339	44,004
Non-current assets	8,068	8,628
<b>Total assets</b>	<b>51,407</b>	<b>52,632</b>
Current liabilities	10,254	8,918
Non-current liabilities	4,005	4,213
<b>Total liabilities</b>	<b>14,259</b>	<b>13,131</b>
<b>Net Assets</b>	<b>37,148</b>	<b>39,501</b>
<b>Group's share (%)</b>		
- Direct and indirect ownership ratio (%)	50.00	50.00
- Effective ownership ratio (%)	39.22	39.22
<b>Group's share in net assets</b>	<b>18,574</b>	<b>19,750</b>
	<b>1 January- 12 June 2017</b>	<b>1 January- 31 December 2016</b>
Revenue	37,147	70,915
<b>Profit from continuing operations</b>	<b>12,162</b>	<b>16,573</b>
Other comprehensive income/ (loss)	-	59
<b>Total comprehensive income/ (loss)</b>	<b>12,162</b>	<b>16,632</b>
<b>The Group's share in profit/ (loss) from continuing operations</b>	<b>6,079</b>	<b>8,286</b>
<b>Dividend distribution from retained earnings</b>	<b>14,515</b>	<b>11,474</b>
<b>Group's share in the dividend distributed</b>	<b>7,257</b>	<b>5,737</b>
<b>Sale Price (=EUR 12,800 thousand provision)</b>	<b>50,404</b>	-
<b>Profit on Sale</b>	<b>31,830</b>	-

It has been decided on the Shareholders' General Assembly Meeting held on 20 March 2017 that the dividend would be paid on 7 April 2017.

The Group has been including the joint venture in the consolidation since 30 June 2001 and 12 June 2017 all shares of The Group with the total value of EUR 12,800 thousand are sold to Omco International N.V. who owns 50% of the shares outside of The Group.

## TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

#### 16. Joint Ventures and Associates

The summary of the financial statements of Joint Ventures is as follows:

[Oxyvit Kimya Sanayii ve Tic. A.Ş.](#)

	30 June 2017	31 December 2016
Current assets	33,920	22,021
Non-current assets	13,286	13,365
<b>Total assets</b>	<b>47,206</b>	<b>35,386</b>
Current liabilities	14,382	11,347
Non-current liabilities	4,968	4,910
<b>Total liabilities</b>	<b>19,350</b>	<b>16,257</b>
<b>Net Asset</b>	<b>27,856</b>	<b>19,129</b>

#### Group's share (%)

- Direct and indirect ownership ratio (%)	50.00	50.00
- Effective ownership ratio (%)	32.30	32.30
<b>Group's share in net assets</b>	<b>13,928</b>	<b>9,565</b>

	1 January- 30 June 2017	1 January- 31 December 2016
Revenue	36,180	36,125
<b>Profit from continuing operations</b>	<b>12,207</b>	<b>3,594</b>
Other comprehensive income/ (loss)	-	31
<b>Total comprehensive income/ (loss)</b>	<b>12,207</b>	<b>3,625</b>
<b>The Group's share in profit from continuing operations</b>	<b>6,103</b>	<b>1,797</b>
<b>Dividend distribution from retained earnings</b>	<b>3,480</b>	<b>4,500</b>
<b>Group's share in dividend distributed</b>	<b>1,740</b>	<b>2,250</b>

It has been decided on the Shareholders' General Assembly Meeting held on 22 March 2017 that the dividend is going to be paid on 30 April 2017, however the dividend was paid on 27 March 2017.

While shares of Joint Venture in non-group parties belonged to Cheminvest Türkiye Deri Kimyasalları Sanayi ve Tic. A.Ş., they have been accounted using the full consolidation method after the purchase of 100% of Cheminvest Türkiye Deri Kimyasalları Sanayi ve Tic. A.Ş. shares in 25 July 2017. The Group has been including the joint venture in the consolidation since 30 August 1996.

## TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

#### 16. Joint Ventures and Associates

The summary of the financial statements of Joint Ventures is as follows:

[Solvay Şişecam Holding AG](#)

	31 December 2017	31 December 2016
Current assets	451,873	331,392
Non-current assets	1,074,834	929,906
<b>Total assets</b>	<b>1,526,707</b>	<b>1,261,298</b>
Current liabilities	131,037	97,360
Non-current liabilities	55,294	50,962
<b>Total liabilities</b>	<b>186,331</b>	<b>148,322</b>
Non-controlling interest	26,589	22,189
<b>Net assets</b>	<b>1,313,787</b>	<b>1,090,787</b>

#### Group's share (%)

- Direct and indirect ownership ratio (%)	25.00	25.00
- Effective ownership ratio (%)	15.22	15.22
<b>Group's share in net assets</b>	<b>328,447</b>	<b>272,696</b>

	1 January- 31 December 2017	1 January- 31 December 2016
Revenue	991,172	774,096
<b>Net profit from continuing operations</b>	<b>262,189</b>	<b>187,155</b>
Dividend advances paid from profit	84,170	95,107
<b>Profit from continuing operations</b>	<b>346,359</b>	<b>282,262</b>
Other comprehensive income/ (loss)	235,636	157,058
<b>Total comprehensive income/ (loss)</b>	<b>581,995</b>	<b>439,320</b>
<b>The Group's share in profit/ (loss) from continuing operations</b>	<b>86,590</b>	<b>70,566</b>
<b>Dividend distribution from retained earnings</b>	<b>274,825</b>	<b>198,647</b>
<b>Group's share from dividend distributed</b>	<b>89,749</b>	<b>73,438</b>

Founded based on Bulgarian Republic laws, Solvay Şişecam Holding AG is a private equity that was founded in Vienna, Austria in order to manage and hold the 97.95% direct and indirect ownership of Solvay Sodi A.D., which was located in Devnya, Bulgaria.

The Group has been consolidating the associate since 23 July 1997.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 16. Joint Ventures and Associates

The summary of the financial statements of Associates is as follows:

[Saint Gobain Glass Egypt S.A.E](#)

	31 December 2017	31 December 2016
Current assets	118,702	79,110
Non-current assets	243,857	225,808
<b>Total assets</b>	<b>362,559</b>	<b>304,918</b>
Current liabilities	29,321	66,557
Non-current liabilities	12,219	6,249
<b>Total liabilities</b>	<b>41,540</b>	<b>72,806</b>
<b>Net asset (including goodwill)</b>	<b>321,019</b>	<b>232,112</b>
<b>Group's share (%)</b>		
- Direct and indirect ownership ratio (%)	30.00	30.00
- Effective ownership ratio (%)	20.84	20.84
<b>Group's share in net assets (including goodwill)</b>	<b>96,306</b>	<b>69,634</b>
	<b>1 January- 31 December 2017</b>	<b>1 January- 31 December 2017</b>
Revenue	277,092	208,558
<b>Profit from continuing operations</b>	<b>63,184</b>	<b>31,857</b>
Other comprehensive income/ (loss)	25,723	(207,132)
<b>Total comprehensive income/ (loss)</b>	<b>88,907</b>	<b>(175,275)</b>
<b>The Group's share in profit/ (loss) from continuing operations</b>	<b>18,955</b>	<b>9,557</b>
<b>Capital increase within the period (*)</b>	<b>-</b>	<b>8,138</b>
<b>The Group's share in increased capital</b>	<b>-</b>	<b>2,274</b>

(\*) Saint Gobain Glass Egypt reduced its share from 30.01% to 30.00% by participating in the capital increase of EGP 25,500 thousand, which was made by S.A.E on 25 July 2016, in the amount of EGP 7,500 thousand. The capital share repayment has been paid from capital advances given before 1 January 2016.

The Group has been including the associate in the consolidation since 4 October 2012.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 17. Investment Properties

	Net Book Value	Revaluation Fund	Revaluation Profit/ (Loss) Effect	Fair Value
1 January	24,122	402,176	155,834	582,132
Transfers from tangible assets	80	5,500	-	5,580
Disposals	(422)	(2,282)	(2,246)	(4,950)
Revaluation value increase	-	-	28,015	28,015
Revaluation value decrease	-	(25,176)	(2,532)	(27,708)
<b>31 December 2017 closing balance</b>	<b>23,780</b>	<b>380,218</b>	<b>179,071</b>	<b>583,069</b>

	Net Book Value	Revaluation Fund	Revaluation Profit/ (Loss) Effect	Fair Value
1 January	24,122	402,176	108,020	534,318
Revaluation value increase	-	-	47,814	47,814
<b>31 December 2017 closing balance</b>	<b>24,122</b>	<b>402,176</b>	<b>155,834</b>	<b>582,132</b>

The Group has classified Çayırova properties located in Gebze, Kocaeli, as investment property due to the cessation of operational use as of 31 December 2012. The fair value of the property is determined as TRY 306,879 thousand as of 31 December 2017 (TRY 297,132 thousand as of 31 December 2016). Revaluation gain of TRY 28,015 thousand is recognized under "Income From Investment Activities" in the profit and loss statement in 2017, revaluation loss of TRY 2,532 thousand is recognized under "Expense from Investment Activities" and revaluation loss of TRY 16,366 thousand is recognized by the reversal of "Revaluation Increase (Decrease) in Property, Plant and Equipment" Fund account in previous years. The fair value of the investment property of Çayırova is determined based on the valuations made by independent valuation company, "Harmoni Gayrimenkul ve Danışmanlık A.Ş.", which are authorized by CMB and has required professional experience and up-to-date information concerning the classification and location of the investment property. The fair value of properties were calculated by using "Cost Analysis", "Direct Capitalization", "Cash Flow Analysis" and "Market Approach" for lands where existing constructions have valid construction plan and/or occupancy permit. It has been reached the results by considering the region subject to revaluation of properties, the scarcity of similar land in the region, transportation relations, environmental restructuring and construction plan process ongoing in the region. In 2017 partial sales of property have occurred. In addition, a parcel in the region is classified as "Investment Property".

The Group has classified Beykoz property located in İncirköy, Beykoz, İstanbul as investment property due to the termination of operational use as of 30 June 2011. The fair value of the property is determined as TRY 276,190 thousand as of 31 December 2017 (TRY 285,000 thousand as of 31 December 2016) Revaluation gain of TRY 8,810 thousand is recognized by the reversal of "Revaluation Increase (Decrease) in Property, Plant and Equipment" Fund account in previous years. The fair value of the investment property of Beykoz is determined based on the valuations made by independent valuation company, "Harmoni Gayrimenkul ve Danışmanlık A.Ş.", which are authorized by CMB and has required professional experience and up-to-date information concerning the classification and location of the investment property. The fair value of properties were determined by using "Cost Analysis", "Direct Capitalization", "Cash Flow Analysis" and "Market Approach".

The fair value hierarchy of investment properties is set as Level 2.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 18. Property, Plant and Equipment

#### Asset Group Acquisition:

The Group has established a new company, namely Paşabahçe Egypt Glass Manufacturing S.A.E. in Egypt, that has completed negotiations on the "Asset Transfer Agreement" with Pearl for Glass Manufacturing S.A.E. in Egypt and took over Pearl for Glass Manufacturing SAE's assets with an amount of USD 18,000 thousand as of October 1, 2017. The relevant acquisition is based on the asset acquisition agreement.

Reaching to lower labor costs and raw materials prices compared to Turkey, and selling to Middle East, Africa and North America with better customs and tax rates was the reason for the acquisition that strengthen the growth strategy of the Group in the Middle East and Africa.

There are no intangible assets such as the company name, brand, customer and supplier etc within the asset group which were acquired. For the group's know-how transfers, especially in plants in Turkey, qualified employees will ensure the establishment of manufacturing operations at this facility on a contractual basis.

Without any process, procedure or system taken over, processes that are adopted in other factories of the Group's "Glassware Group" are transferred to the working team in question. Procedures applied in the Group will be translated into Arabic.

The products which are the basic output of the plant will be sold completely to their customers at the discretion of "Glassware Group".

Goodwill is not accounted under the "TFRS-3 Business Combinations" accounting standard since the asset group acquired for the reasons mentioned above does not evaluated in the scope of the business definition.

The fair value of the net assets received on the date of transition to the Community is as follows:

	The Fair Value
Tangible fixed assets	
- Terrain and Lands	2,594
- Buildings	19,784
- Plant machinery and equipment	41,493
- Furniture and Fixture	66
<b>Total Non-current Assets</b>	<b>63,937</b>

<sup>(1)</sup>The total amount of the received asset group was determined as USD 18,000 thousand on 1 October 2017, and the control of related assets were transferred to the Group at that date. Before the control of the related assets were moved to the Group, a pre-payment of USD 3,500 thousand was made on 26 July 2017, As of 31 December 2017, the Bank has accounted for the acquisition of USD 14,500 thousand in the financial statements as short term liabilities.

In 2016, there is no asset group acquisition with same manner as mentioned above.

## TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 18. Property, Plant and Equipment

Cost	Land Improvements	Land	Buildings	Machinery and Equipment	Vehicles	Furniture and fixture	Other fixed assets	Construction in progress	Total
Beginning- 1 January	1,534,594	457,118	2,479,253	9,791,992	74,675	526,238	727,125	316,562	15,907,557
Classifications <sup>(1)</sup>	(4,273)	6,522	4,102	37,013	16	(143,283)	99,657	-	(246)
Currency translation differences	20,845	28,916	261,238	663,133	10,784	17,654	44,518	32,872	1,079,960
Impact of subsidiary disposal (Note 27)	(22,600)	(1,128)	(14,212)	(65,332)	-	(5,455)	-	-	(108,727)
The effect of business combinations (Note 3)	3,829	1,228	1,579	22,188	32	488	-	725	30,069
The effect of asset group purchase	2,594	-	19,784	41,493	-	66	-	-	63,937
Additions	6	424	1,534	36,918	2,323	12,248	23,302	778,070	854,825
Disposals	-	(162)	(9,524)	(192,415)	(2,685)	(22,313)	(77,611)	-	(304,710)
Transfers to construction in progress	(5,580)	-	-	-	-	-	-	(765,778)	(5,580)
Transfers from construction in progress	20,809	18,627	68,868	485,299	2,068	33,804	136,303	-	715,779
<b>Balance at 31 December 2017</b>	<b>1,550,224</b>	<b>511,545</b>	<b>2,812,622</b>	<b>10,820,289</b>	<b>87,213</b>	<b>419,447</b>	<b>953,294</b>	<b>362,451</b>	<b>17,517,085</b>
<b>Accumulated depreciation and impairment</b>									
Beginning- 1 January	(11,327)	(253,496)	(138,971)	(5,984,698)	(51,172)	(352,092)	(482,475)	-	(7,274,231)
Classification <sup>(1)</sup>	428	(4,031)	(28,163)	(28,163)	(16)	91,207	(63,452)	-	(4,027)
Currency translation differences	(1,998)	(12,352)	(19,844)	(321,220)	(7,106)	(11,727)	(28,105)	-	(402,352)
The effect of subsidiary disposal	-	459	610	59,711	-	3,601	-	-	64,381
The effect of business combinations (Note 3)	-	(359)	(76)	(15,961)	(32)	(366)	-	-	(16,794)
Charge for the period <sup>(2)</sup>	-	(27,346)	(95,285)	(645,691)	(7,829)	(35,957)	(115,197)	-	(927,305)
Disposals	-	123	871	171,692	2,532	21,519	50,948	-	247,685
Impairment provision	-	-	-	(4,900)	-	-	-	-	(4,900)
<b>Balance at 31 December 2017</b>	<b>(13,325)</b>	<b>(292,543)</b>	<b>(256,726)</b>	<b>(6,769,230)</b>	<b>(63,623)</b>	<b>(283,815)</b>	<b>(638,281)</b>	<b>-</b>	<b>(8,317,543)</b>
<b>Net book value as of 31 December 2017</b>	<b>1,536,899</b>	<b>219,002</b>	<b>2,555,896</b>	<b>4,051,059</b>	<b>23,590</b>	<b>135,632</b>	<b>315,013</b>	<b>362,451</b>	<b>9,199,542</b>
<b>Net book value as of 31 December 2016</b>	<b>1,523,267</b>	<b>203,622</b>	<b>2,340,282</b>	<b>3,807,294</b>	<b>23,503</b>	<b>174,146</b>	<b>244,650</b>	<b>316,562</b>	<b>8,633,326</b>

<sup>(1)</sup> The Group reconsidered the fully amortized property, plant and equipment and performed reclassifications and offsetting in the related accounts. The related changes on tangible assets have no impact on profit/ (loss).

<sup>(2)</sup> Allocation of depreciation expense is disclosed in Note 28 and Note 30.

The net book value of buildings, facilities, machinery and equipment acquired through finance lease is TRY 5,624 thousand (TRY 5,603 thousand as of 31 December 2016). No leasing activity occurred during the period.

The Group has no mortgage over lands and buildings due to bank borrowings exist (1 January - 31 December 2016: None).

**TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.**  
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**18. Property, Plant and Equipment**

Cost	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixture	Other fixed assets	Construction in progress	Total
Beginning- 1 January	1,507,648	394,394	1,997,142	8,137,504	64,698	421,335	562,562	436,026	13,521,309
Classifications (*)	(4,501)	(553)	(12,779)	21,908	3	(4)	-	10,857	14,931
Currency translation differences	18,961	43,299	359,756	686,929	9,079	48,510	47,716	41,279	1,255,529
The effect of business combinations (Note 3)	10,051	-	41,710	182,683	63	3,299	733	-	238,539
Additions	50	1,683	1,697	104,494	765	39,047	60,247	913,141	1,121,24
Disposals	(6,002)	(187)	(3,869)	(162,488)	(1,705)	(24,773)	(44,851)	-	(243,875)
Transfers from construction in progress	8,387	18,482	95,596	820,962	1,772	38,824	100,718	(1,084,741)	-
<b>Balance at 31 December 2016</b>	<b>1,534,594</b>	<b>457,118</b>	<b>2,479,253</b>	<b>9,791,992</b>	<b>74,675</b>	<b>526,238</b>	<b>727,125</b>	<b>316,562</b>	<b>15,907,557</b>
<b>Accumulated depreciation and impairment</b>									
Beginning- 1 January	(10,397)	(208,609)	(43,139)	(5,195,742)	(39,729)	(292,009)	(383,845)	-	(6,173,470)
Classifications (*)	399	1,079	1,396	(21,908)	(3)	3	-	-	(19,034)
Currency translation differences	(1,329)	(21,564)	(20,749)	(328,269)	(5,761)	(31,371)	(31,188)	-	(440,231)
Change for the period (**)	-	(24,509)	(76,692)	(532,034)	(7,219)	(43,965)	(93,076)	-	(777,495)
Disposals	-	107	213	93,255	1,540	15,250	25,634	-	135,999
<b>Balance at 31 December 2016</b>	<b>(11,327)</b>	<b>(253,496)</b>	<b>(136,971)</b>	<b>(5,984,698)</b>	<b>(51,172)</b>	<b>(352,092)</b>	<b>(482,475)</b>	<b>-</b>	<b>(7,274,231)</b>
<b>Net book value as of 31 December 2016</b>	<b>1,523,267</b>	<b>203,622</b>	<b>2,340,282</b>	<b>3,807,294</b>	<b>23,503</b>	<b>174,146</b>	<b>244,650</b>	<b>316,562</b>	<b>8,633,326</b>
<b>Net book value as of 31 December 2015</b>	<b>1,497,251</b>	<b>185,785</b>	<b>1,954,003</b>	<b>2,941,762</b>	<b>24,989</b>	<b>129,326</b>	<b>178,717</b>	<b>436,026</b>	<b>7,347,839</b>

(\*) The Group reconsidered the fully amortized property, plant and equipment and performed reclassifications and offsetting in the related accounts. The related changes have no impact on profit / (loss).  
 (\*\*) Allocation of depreciation expense is disclosed in Note 28 and Note 30.

The net book value of the buildings and facilities, machinery and equipment acquired through financial leasing is TRY 5,603 thousand (TRY 5,640 thousand as of 31 December 2015). No financial leasing has been made in the period.

The Group has no mortgage over lands and buildings due to bank borrowings (1 January - 31 December 2015: None).

**TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.**  
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**19. Intangible Assets**

Cost	Rights	Mine fields	Capitalized Development costs	Other	Total
1 January	159,211	13,135	83,411	28,624	284,381
Classifications	-	-	-	4,273	4,273
Currency translation differences	14,151	-	-	2,913	17,064
Impact of subsidiary disposal (Note 27)	(221)	-	-	(19)	(240)
The business combinations effect (Note 3)	208	-	-	5	213
Additions	23,521	-	5,623	366	29,510
Disposals	(344)	-	-	(131)	(475)
<b>Balance at 31 December 2017</b>	<b>196,526</b>	<b>13,135</b>	<b>89,034</b>	<b>36,031</b>	<b>334,726</b>

**Accumulated depreciation**

1 January	(115,900)	(8,228)	(38,768)	(12,035)	(174,931)
Currency translation differences	(12,331)	-	-	(2,035)	(14,366)
Impact of subsidiary disposal	147	-	-	19	166
The business combinations effect (Note 3)	(197)	-	-	(5)	(202)
Charge for the period (**)	(21,058)	(725)	(14,583)	(4,503)	(40,869)
Disposals	344	-	-	6	350
<b>Balance at 31 December 2017</b>	<b>(148,995)</b>	<b>(8,953)</b>	<b>(53,351)</b>	<b>(18,553)</b>	<b>(229,852)</b>
<b>Net book value as of 31 December 2017</b>	<b>47,531</b>	<b>4,182</b>	<b>35,683</b>	<b>17,478</b>	<b>104,874</b>
<b>Net book value as of 31 December 2016</b>	<b>43,311</b>	<b>4,907</b>	<b>44,643</b>	<b>16,589</b>	<b>109,450</b>

Cost	Rights	Mine fields	Capitalized Development costs	Other	Total
1 January	132,388	13,135	66,154	20,783	232,460
Classifications (*)	-	-	-	4,103	4,103
Currency translation differences	9,946	-	-	1,911	11,857
The business combinations effect (Note 3)	-	-	-	82	82
Additions	16,971	-	17,257	3,084	37,312
Disposals	(94)	-	-	(1,339)	(1,433)
<b>Balance at 31 December 2017</b>	<b>159,211</b>	<b>13,135</b>	<b>83,411</b>	<b>28,624</b>	<b>284,381</b>

**Accumulated depreciation**

1 January	(91,836)	(7,459)	(26,913)	(7,949)	(134,157)
Currency translation differences	(7,565)	-	-	(1,194)	(8,759)
Change for the period (**)	(16,594)	(769)	(11,855)	(2,928)	(32,146)
Disposals	95	-	-	36	131
<b>Balance at 31 December 2016</b>	<b>(115,900)</b>	<b>(8,228)</b>	<b>(38,768)</b>	<b>(12,035)</b>	<b>(174,931)</b>
<b>Net book value as of 31 December 2016</b>	<b>43,311</b>	<b>4,907</b>	<b>44,643</b>	<b>16,589</b>	<b>109,450</b>
<b>Net book value as of 31 December 2015</b>	<b>40,552</b>	<b>5,676</b>	<b>39,241</b>	<b>12,834</b>	<b>98,303</b>

(\*) The Group has reassessed its intangible assets and has made related account classifications and netting including the assets which have been expired. Such changes do not have any effect on profit / (loss).

(\*\*) Allocation of amortisation expense is disclosed in Note 28 and Note 30.



# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

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### 20. Goodwill

The movement of goodwill balance is as follows:

	31 December 2017	31 December 2016
1 January	38,158	32,198
Acquisition in the period	10,862	-
Currency translation differences	7,366	5,960
	<b>56,386</b>	<b>38,158</b>

The detail of goodwill in terms of subsidiaries is as follows:

	31 December 2017	31 December 2016
Glasscorp S.A.	24,833	20,951
Oxyvit Kimya Sanayii ve Tic. A.Ş.	10,862	-
Cromital S.p.A	10,638	8,741
Richard Fritz Holding GmbH	6,570	5,398
OOO Ruscam Glass Packaging Holding	3,483	3,068
	<b>56,386</b>	<b>38,158</b>

### 21. Government Grants

Certain expenses regarding industries relating to R&D projects which have been certified by expert organizations are reviewed and evaluated so that a specific proportion of these expenses are considered as grants and can be refunded within the context of the Decision No: 94/6401 made on the government grants for exporting activities in accordance with the Money Credit Coordination Board's Communiqué No: 98/10 on Research and Development Grants published by the Under Secretariat of Foreign Trade based on the decision No: 98/16 made as at 9 September 1998.

In line with the Law on the Support of R & D Activities No. 5746 on the basis of new technology and research and development activities in search of information, 100% of the expenditures made in the R & D centers within the scope of the enterprises are considered as R & D discounts in determining the corporate income until 31 December 2023. On the basis of the provisions of the law no 5746, the amount of R & D reduction that cannot be deducted in the relevant accounting period due to insufficient earnings is transferred to the next accounting period. Amounts transferred shall be taken into consideration by increasing the revaluation rate determined every year according to Tax Procedure Law No: 213 without any time limit in the following years.

In addition, according to the Law No. 5746, withholding tax incentive and insurance premium support is provided for personnel working in the R & D center. According to this law, among the design and support personnel working in R & D and design centers; ninety five percent (95%) for those who have at least a master's degree in one of the basic sciences, ninety percent (90%) for those who have a bachelor's degree in one of the basic sciences, others (80%) are excluded from income tax. Among design and support personnel working in R & D and design centers; half of the employer's share of the insurance premium calculated on the wages they have obtained in return for these works shall be met from the appropriation to be made to the Ministry of Finance for each employee. R & D incentives mentioned in our group are also utilized.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

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### 21. Government Grants

#### [Discounted Corporate Tax Application](#)

In the line with the article 32 / A of the Corporate Tax Law No.5520, the Ministry of Economy receives tax support for the profits obtained from investments connected to the incentive certificate. The amount of corporate tax to be paid each year until the amount of investment contribution calculated according to the investment contribution rate determined by the Council of Ministers is reached, corporate tax to be paid each year is also utilized by deducting the corporate tax discount rate determined by the Council of Ministers. VAT and customs tax incentives are also utilized according to the investment incentive documents obtained within the scope of the same decision.

#### [Export Operations and Exchange Earning Activities](#)

Exporting activities and other foreign currency generating operations, within the scope of the standards determined by the Ministry of Finance and Undersecretaries of Foreign Trade, are exempt from stamp tax and fees. Government grants are paid to support participating in international fairs in accordance with the Decision No: 2004/11 of the Money Credit and Coordination Committee issued at 16 December 2004.

#### [Turquality](#)

Turquality, which is a brand support program aiming to increase consciousness and awareness for Turkish brands by supporting them, and in the frame of "No.16 / 4" Communiqué on Turkish Branding Abroad, Placement of Turkish Product Image and Support of TURQUALITY " companies',

- Expenses related to patent, utility model, industrial design and trademark registration,
- Expenses related to certification,
- Expenses related to fashion / industrial product designer / chef / cook employment,
- Promotion, advertising and marketing activities,
- Expenses related to foreign units,
- Consulting expenses are supported within certain limits.

According to the areas in which our Group operates, the brand support program is utilized

#### [Incentives provided in foreign contries](#)

A memorandum for government incentive was signed between Trakya Glass Bulgaria EAD, Paşabahçe Bulgaria EAD and Ministry of Economy and Energy on behalf of the Republic of Bulgaria under "Regulation of Investment Incentive and Implementation" of Bulgaria and "Government Incentive Legislation" of European Union.

Glasscorp S.A. utilizes government grants in Romania within this scope.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 22. Provisions, Contingent Assets and Liabilities

The total amount of the law suits as of 31 December 2017 filed and continuing against the Group is approximately TRY 56,946 thousand (31 December 2016: TRY 40,229 thousand). The Group has been defendant and plaintiff of various cases within the ordinary operations during the period. According to the opinions of independent legal and tax advisors, apart from the cases for which provision amounting to TRY 30,376 thousand (31 December 2016: TRY 17,023 thousand) have been allocated, the Group considers the possibility of incurring loss from the cases as remote as of 31 December 2017.

Collaterals, pledges and mortgages "CPM" given by the Company as of 31 December 2017 and 31 December 2016 are as follows:

The CPMs given by the Company	31 December 2017					TRY equivalent of TRY and other Currencies
	TRY Equivalent	USD	EUR	RUR		
A.CPM's given in the name of own legal personality	40,441	10,000	-	-	-	2,722
B. CPM's given on behalf of the fully consolidated companies	3,121,880	46,168	444,753	10,866,131	-	232,398
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-	-	-
D. Total amount of other CPM's given	1,508,760	400,000	-	-	-	-
i. Total amount of CPM's given on behalf of the main shareholder <sup>(*)</sup>	1,508,760	400,000	-	-	-	-
ii. Total amount of CPM's given on behalf of the group companies which are not in scope of B and C	-	-	-	-	-	-
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-	-	-	-	-
<b>Total</b>	<b>4,671,081</b>	<b>456,168</b>	<b>444,753</b>	<b>10,866,131</b>		<b>235,120</b>

Percentage of other CPM's given by the Company to the Company's equity is 11.55 % as of 31 December 2017.

<sup>(\*)</sup> On 9 May 2013, The Group issued a bond with 7 year term and nominal amount of USD 500,000 thousand which were transferred to subsidiaries, Trakya Cam Sanayi A.Ş. by USD 250,000 thousand, to Anadolu Cam Sanayii A.Ş. by USD 100,000 thousand and to Soda Sanayii A.Ş. by USD 50,000 thousand. The subsidiaries has guaranteed that principal, interest and similar payment of transferred and benefited amount will be made by itself. In this scope, aforementioned subsidiaries has guaranteed to pay the amount transferred to its own legal entity and did not give guarantee for third party benefit.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 22. Provisions, Contingent Assets and Liabilities

The CPMs given by the Company	31 December 2016					TRY equivalent of TRY and other Currencies
	TRY Equivalent	USD	EUR	RUR		
A. CPM's given in the name of own legal personality	2,113	-	-	-	-	2,113
B. CPM's given on behalf of the fully consolidated companies	3,438,611	97,650	581,779	12,367,381	-	227,723
C. CPM's given on behalf of third parties or ordinary course of business	-	-	-	-	-	-
D. Total amount of other CPM's given	1,407,680	400,000	-	-	-	-
i. Total amount of CPM'S given on behalf of the majority shareholder <sup>(*)</sup>	1,407,680	400,000	-	-	-	-
ii. Total amount of CPM's given on behalf of the group companies which are not in scope of B and C	-	-	-	-	-	-
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-	-	-	-	-
<b>Total</b>	<b>4,848,404</b>	<b>497,650</b>	<b>581,779</b>	<b>12,367,381</b>		<b>229,836</b>

Percentage of other CPM's given by the Company to the Company's equity is 12.42% as of 31 December 2016.

<sup>(\*)</sup> On 9 May 2013, The Group issued a bond with 7 year term and nominal amount of USD 500,000 thousand which were transferred to subsidiaries, Trakya Cam Sanayi A.Ş. by USD 250,000 thousand, to Anadolu Cam Sanayii A.Ş. by USD 100,000 thousand and to Soda Sanayii A.Ş. by USD 50,000 thousand. The subsidiaries has guaranteed that principal, interest and similar payment of transferred and benefited amount will be made by itself. In this scope, aforementioned subsidiaries has guaranteed to pay the amount transferred to its own legal entity and did not give guarantee for third party benefit.

#### Put/call option agreements

Put/call option agreements were signed between the Group and European Bank for Reconstruction and Development ("EBRD") on 10 November 2014 and 24 October 2014. Accordingly, Group has call option for Paşabahçe Cam Sanayii ve Tic. A.Ş. ("Paşabahçe") whereas the agreement granted a put option to EBRD. If Paşabahçe will go public until 24 October 2019, the put/call options will be expired.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

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### 22. Provisions, Contingent Assets and Liabilities

#### Short term provisions

	31 December 2017	31 December 2016
Accrued expenses	43,899	34,645
Litigation provisions	31,167	17,023
Provisions for employee benefits (Note 24)	12,015	10,124
Turnover premium provision	8,624	2,416
Other short term provisions	-	549
	<b>95,705</b>	<b>64,757</b>

### 23. Commitments

According to the agreements with Türkiye Petrolleri Anonim Ortaklığı A.Ş. , Shell Enerji A.Ş. , Mersin Organize Sanayi Bölgesi, Aygaz Doğal Gaz Toptan Satış A.Ş., Boru Hatları ve Petrol Taşıma A.Ş. (BOTAS), Eskişehir Organize Sanayii Bölge Müdürlüğü, Palgaz Doğalgaz A.Ş. , Eneya Denizli Gaz Dağıtım A.Ş. , Akfel Petrol and Doğalgaz Mühendislik A.Ş., the Group has a purchase commitment of 1,510,091,673 sm<sup>3</sup> of natural gas between 1 January 2018 and 31 December 2018 (1 January- 31 December 2016: 1,007,136,266 sm<sup>3</sup>).

### 24. Employee Benefits

#### Short term liabilities for employee benefits

	31 December 2017	31 December 2016
Due to personnel	35,546	28,542

#### Short term provisions for employee benefits

	31 December 2017	31 December 2016
Unused vacation provision	12,015	10,124

#### Long term provisions for employment benefit

#### Provision for employee termination benefits

	31 December 2017	31 December 2016
Domestic	337,209	271,637
Foreign	8,602	6,783
	<b>345,811</b>	<b>278,420</b>

Under the Turkish Labor Law, the Group is required to pay employment termination benefits to each employee who has qualified for such benefits as the employment ended. Also, employees entitled to a retirement are required to be paid retirement pay in accordance with Law No: 2422 dated 6 March 1981 and No: 4447 dated 25 August 1999 and the amended Article 60 of the existing Social Insurance Code No: 506. Some transitional provisions related with retirement prerequisites have been removed due to the amendments dated 23 May 2002.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

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### 24. Employee Benefits

#### Long term provisions for employment benefits

#### Provision for employee termination benefits

The amount payable consists of one month's salary limited to a maximum of TRY 4,732.48 for each period of service as of 31 December 2017 (31 December 2016: TRY 4,297.21). TRY 5,001.75 which is effective from 1 January 2018, is taken into consideration in the calculation of provision for employment termination benefits (31 December 2016: TRY 4,426.16 which is effective from 1 January 2017).

Liability of employment termination benefits is not subject to any funding as there is not any obligation.

Provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. TAS 19 "Employee Benefits" requires actuarial valuation methods to be used to estimate the Group's obligation under the defined benefit plans.

The following actuarial assumptions are used in the calculation of the total liability. Actuarial loss/ (gain) are accounted in the other comprehensive income statement under Funds for Actuarial Gain/Loss on Employee Termination Benefits.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, the liabilities in the accompanying consolidated financial statements as of 31 December 2017 and 31 December 2016 are calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. Provisions at the balance sheet date were calculated by assuming an annual inflation rate of 6.40% (31 December 2016: 6.00%) and a discount rate of 11.39% (31 December 2016: 11.50%), the real discount rate is approximately 4.69% (31 December 2016: 5.19%). The anticipated rate of forfeitures that occurred as a result of voluntary turnovers is considered. As of 31 December 2017, estimated probability of not leaving work until retirement is 98.48% (31 December 2016: 90.87%).

The movement of the employment termination benefits is as follows:

	31 December 2017	31 December 2016
1 January	278,420	261,989
Service costs	56,583	49,285
Actuarial Gain/ (Loss)	41,235	(4,563)
Interest costs	30,747	12,395
Currency translation differences	1,504	943
The effect of business combinations (Note 3)	738	125
Disposal of a subsidiary (Note 27)	(6,400)	-
Payments made during the period	(57,016)	(41,754)
	<b>345,811</b>	<b>278,420</b>

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

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### 25. Impairment of Assets

Impairment of assets	31 December 2017	31 December 2016
Provision for doubtful receivables (Note 10)	88,288	68,216
Provision for inventory write down (Note 13)	50,235	28,083
Impairment on investment properties (Note 17)	27,708	-
Impairment on tangible assets (Note 18)	4,900	-
Provision for other doubtful receivables (Note 11)	960	275
Impairment on financial assets (Note 7)	-	100,484
	<b>172,091</b>	<b>197,058</b>

The details of impairment of available-for-sale financial assets	31 December 2017	31 December 2016
Şişecam Shanghai Trade Co. Ltd.	-	655
Trakya Yatırım Holding A.Ş.	-	99,617
Tasfiye Halinde Mepa Merkezi Pazarlama A.Ş.	-	212
	<b>-</b>	<b>100,484</b>

### 26. Other Assets and Liabilities

Other current assets	31 December 2017	31 December 2016
Deductible VAT on exports	73,502	49,444
VAT transferred	45,863	40,364
Income accruals <sup>(*)</sup>	3,688	63,470
Work advances	625	1,278
Other	12,356	12,648
	<b>136,034</b>	<b>167,204</b>

<sup>(\*)</sup> Presents damage compensation receivable of TRY 59,890 thousand (=EUR 16,143 thousand) as of 31 December 2016 from the insurance company due to fire outbreak in Eskişehir Plant of Paşabahçe Cam Sanayii ve Tic. A.Ş. at 26 May 2016. The Group management recognized an income accrual based on the minimum amount to be received in with the prudent approach. On 30 June 2017, receivable from insurance company amounting to EUR 16,463 thousand (=TRY 65,900 thousand) was collected.

Damage amount due to fire and accrued income are as follows;

	Thousand TRY
Damage in 2015	(66,573)
Cash receipt in 2015	30,114
Benefit received in 2016	42,449
Income accrual in 2016	59,890
Income accrual in 2017	6,010
<b>Total effect</b>	<b>71,890</b>

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

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### 26. Other Assets and Liabilities

The movement of other current assets balance is as follows:

	31 December 2017	31 December 2016
1 January	-	(475)
Charge for the period	-	(647)
Currency translation differences	-	(65)
Collections	-	1,187
	<b>-</b>	<b>-</b>

Other non-current assets	31 December 2017	31 December 2016
Vat deductible	3,222	2,933
VAT deductible	374	9,979
Other non-current assets	45	37
	<b>3,641</b>	<b>12,949</b>

Other current liabilities	31 December 2017	31 December 2016
Taxes and funds payables	56,631	57,892
Social security withholdings payable	52,767	44,479
Expense accruals	47,654	56,716
VAT and other payables	10,609	4,931
Other	1,566	2,176
	<b>169,227</b>	<b>166,194</b>

### 27. Capital, Reserves and Other Equity Items

Equity components "Paid-in Share Capital", "Restricted Reserves" and "Share Premiums", are accounted as legal reserves in accordance with related Article of the Turkish Commercial Code and are presented with in the statutory financial statements. The differences, that are recognized through the valuation made in accordance with CMB Reporting Standards and cannot be subject to dividend distribution or capital increase as of reporting date (such as inflation adjustment differences) and relevant to the paid-in share capital, are associated with "Adjustments to Share Capital" which is under paid-in share capital and the differences resulting from the "Restricted Reserves" and "Share Premiums" are associated with "Retained Earnings".

#### a) Paid in capital and adjustment to share capital

The approved and paid-in share capital of the Company consists of 225,000,000 thousand shares issued on bearer with a nominal value of Kr 1 (One Kr) each.

	31 December 2017	31 December 2016
Registered capital ceiling <sup>(*)</sup>	4,000,000	2,500,000
Issued and paid-in capital <sup>(**)</sup>	2,250,000	2,050,000

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

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### AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

#### 27. Capital, Reserves and Other Equity Items

##### a) Paid in capital and adjustment to share capital

<sup>(\*)</sup> The amendment of Article 7 in Articles of Association related with capital which contains the increase of registered capital ceiling from TRY 2,500,000 thousand to TRY 4,000,000 thousand has been approved by the Capital Market Board with the letter dated 2 March 2017 and numbered 2779. Additionally, following to the approval obtained from Turkish Republic Custom and Trade Ministry, the increase of the ceiling has been accepted by the shareholders in the Ordinary General Assembly Meeting held on 30 March 2017 and published on the Trade Registry Gazette dated 13 April 2017 and numbered 9305. The registered capital ceiling permission given by the Capital Market Board is valid for the years of 2017-2021 (5 years).

<sup>(\*\*)</sup> Capital Markets Board approved the certificate of share issuance amounting to TRY 200,000 thousand dated 7 July 2017 as a result of capital increase from TRY 2,050,000 thousand to TRY 2,250,000 thousand. TRY 80,189 thousand of to be added to the paid-in capital is to be met by the extraordinary reserve funds, TRY 53,903 thousand portion by 2016 net profit, TRY 5,908 thousand portion by the private fund and the remaining TRY 60,000 thousand is to be met by the positive balance of the capital adjustments. Registration process was completed on 21 July 2017. Distribution of shares has started on 25 July 2017.

Shareholders	31 December 2017		31 December 2016	
	Amount TRY	Share (%)	Amount TRY	Share (%)
Türkiye İş Bankası A.Ş.	1,473,118	65.47	1,356,202	66.15
Efes Holding A.Ş.	185,073	8.23	168,622	8.23
Anadolu Hayat Emeklilik A.Ş.	1,081	0.05	985	0.05
Other <sup>(*)</sup>	590,728	26.25	524	25.57
<b>Nominal capital</b>	<b>2,250,000</b>	<b>100.00</b>	<b>2,050,000</b>	<b>100.00</b>
Adjustment to share capital	181,426		241,426	
<b>Total share capital</b>	<b>2,431,426</b>		<b>2,291,426</b>	

<sup>(\*)</sup> Other includes the publicly traded portion of Türkiye Şişe ve Cam Fabrikaları A.Ş.'s shares.

Indirect ultimate shareholders of the Company are as follows:

Shareholders	31 December 2017		31 December 2016	
	Amount TRY	Share (%)	Amount TRY	Share (%)
Türkiye İş Bankası A.Ş. Mensupları				
Munzam Sosyal				
Güvenlik ve Yardımlaşma Sandığı				
Vakfı	773,845	34.39	713,346	34.80
Atatürk Shares (Cumhuriyet Halk Partisi)	414,048	18.40	381,185	18.59
Other <sup>(*)</sup>	1,062,107	47.21	955,469	46.61
<b>Nominal capital</b>	<b>2,250,000</b>	<b>100.00</b>	<b>2,050,000</b>	<b>100.00</b>

<sup>(\*)</sup> Other includes various shareholders and the publicly traded portion of T.İş Bankası A.Ş.'s shares.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

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#### 27. Capital, Reserves and Other Equity Items

##### b) Share premium

It determines the difference between the nominal price and the sales price of the shares publicly traded. It is TRY 527 thousand as of 31 December 2017 (31 December 2016: TRY 527 thousand).

##### c) Other Comprehensive Income not to be reclassified to profit or loss

	31 December 2017	31 December 2016
Gain/loss fund on revaluation and remeasurement	1,585,926	1,671,015
- Revaluation funds of land and buildings	1,258,349	1,305,499
- Revaluation funds of investment properties	327,577	365,516
Actuarial gain / loss funds provision for employee termination benefits	(24,885)	1,900
	<b>1,561,041</b>	<b>1,672,915</b>

##### Revaluation funds of land and buildings on revaluation

The Group has revalued the land and buildings in accordance with "Financial Reporting in Hyperinflationary Economies" in year end 2004 and revalued the purchases after this date by cost method.

As of 31 December 2015, The Group decided to re-evaluate the land and buildings in accordance with revaluation method in order to present with fair value, gain on revaluation is accounted for under equity by considering impact of deferred tax and non-controlling interest.

The movement of the revaluation funds of land and buildings on revaluation is as follows:

	31 December 2017	31 December 2016
1 January	1,305,499	1,276,174
Currency translation differences	61,685	109,157
Impact of business combinations	1,090	-
Impact of investments accounted for under equity accounting	148	163
- Impact of fund	211	208
- Impact of tax	(63)	(45)
- Impact of non-controlling interests	(2,479)	(26,135)
Transfers to investment properties	(4,776)	-
Impact of property disposal	(7,019)	(4,369)
- Impact of fund	(7,406)	(6,686)
- Impact of tax	387	616
- Impact of non-controlling interest	-	1,701
Increase/ (decrease) of changes in ownership rate of subsidiaries that do not result in control cease	(8,745)	(36,210)
Impact of disposal of a subsidiary	(21,722)	-
Impact of deferred tax	(65,332)	(13,281)
- Currency translation differences	(9,292)	(16,886)
- Impact of tax rate change	(56,040)	3,605
	<b>1,258,349</b>	<b>1,305,499</b>

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

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### 27. Capital, Reserves and Other Equity Items

#### c) Other Comprehensive Income not to be reclassified to profit or loss

##### Revaluation funds of investment properties

Due to the change in their use, the Group transferred Beykoz properties located in İstanbul, Incirköy/ Beykoz district and Çayırova properties located in Kocaeli, Gebze/Çayırova to investment properties, which were accounted for under plant and equipment previously. The fair value increase recognized during the initial transfer was accounted for under "Gain/Loss on Revaluation and Remeasurement" in equity holders of the parent.

The movement of the gain/loss on revaluation and remeasurement is as follows:

	31 December 2017	31 December 2016
1 January	365,516	365,744
Transfers from tangible assets	4,776	-
- Impact of fund	5,500	-
- Impact of deferred tax	(275)	-
- Impact of non-controlling interest	(449)	-
Increase (decrease) due to share changes not resulting loss of control in subsidiaries	46	(228)
Impact of subsidiary disposal	(1,982)	-
- Impact of fund	(2,282)	-
- Impact of deferred tax	114	-
- Impact of non-controlling interest	186	-
Impact of tax rate change during the period	(19,387)	-
- Impact of deferred tax	(20,270)	-
- Impact of non-controlling interest	883	-
Impact of valuations during the period	(21,392)	-
- Impact of fund	(25,177)	-
- Impact of deferred tax	2,518	-
- Impact of non-controlling interest	1,267	-
	<b>327,577</b>	<b>365,516</b>

##### Actuarial gain / loss funds provision for employee termination benefits

The amendment in TAS-19 "Employee Benefits" does not permit the actuarial gain /loss considered in the calculation of provision for employee termination benefits to be accounted for under the statement of income. The gains and losses arising from the changes in the actuarial assumption have been accounted for by "Funds for actuarial gain/loss on employee termination benefits" under the equity.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 27. Capital, Reserves and Other Equity Items

#### c) Other Comprehensive Income not to be reclassified to profit or loss

The movement of the provision for employee termination benefits actuarial gain / loss funds is as follows:

	31 December 2017	31 December 2016
1 January	1,900	(945)
Deferred tax effect	8,246	(911)
Non-controlling interest effect	7,177	(810)
Impact of business combinations	23	-
Currency translation difference	5	(10)
Increase/ (decrease) of changes in ownership rate of subsidiaries that do not result in control cease	(58)	(31)
Impact of joint-venture disposal	(140)	-
Impact of subsidiary disposal	(803)	-
Change in the period	(41,235)	4,562
Impact from investments accounted for equity method	-	45
	<b>(24,885)</b>	<b>1,900</b>

#### d) Other Comprehensive Income to be reclassified to profit or loss

	31 December 2017	31 December 2016
Currency translation differences	877,527	477,575
Hedge reserve	(112)	(833)
Available for sale financial asset revaluation fund	411	253
	<b>877,826</b>	<b>476,995</b>

##### Currency translation differences

It arises from exchange differences arising from the translation of financial statements of foreign subsidiaries, joint ventures and associates to reporting currency of TRY and accounted for under equity.

The movement of currency translation differences is as follows:

	31 December 2017	31 December 2016
1 January	477,575	115,048
Accounted under equity in the period	399,952	362,527
- Accounted for under other comprehensive income	429,711	351,818
- Impact of non-controlling interests	(29,759)	10,709
	<b>877,527</b>	<b>477,575</b>

**TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.**  
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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

**27. Capital, Reserves and Other Equity Items**

**d) Other Comprehensive Income to be reclassified to profit or loss**

Hedge reserves

It consists of the effective portion of cumulative change in the fair value of derivative financial instruments related to cash flow hedge.

The movement of hedging reserves is as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
1 January	(833)	(8,149)
Effective portion of the derivative instrument recognized in the equity	1,146	11,547
Deferred tax effect	(229)	(2,309)
Change in non-controlling interest shares	(196)	(1,922)
	<b>(112)</b>	<b>(833)</b>

Available for sale financial asset fund

Available for sale financial asset revaluation fund arises from the measurement of available-for-sale financial assets at their fair value. In case of disposal of assets carried at fair value, the cumulative gain or loss related to that assets previously recognized in equity is included in the profit or loss for the period. Gains and losses arising from changes in fair value are recognized directly in equity, until the asset is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period.

The movement of the fund on financial assets is as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
1 January	253	73
Change in fair values	226	189
Deferred tax effect	(68)	(9)
	<b>411</b>	<b>253</b>

**TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.**  
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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

**27. Capital, Reserves and Other Equity Items**

**e) Restricted Reserves**

Retained earnings in the statutory financial statements can be distributed as dividends other than judgments related to legal reserves described below.

Legal reserves consist of first and second legal reserves, calculated in accordance with the Turkish Commercial Code. The first legal reserve is calculated as 5% of the financial statutory profits per annum until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is calculated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions; however, holding companies are not subject to this application.

Entities publicly traded make their dividend distributions within the framework set forth in the standards and notifications published by Capital Markets Board.

Legal Reserves, "Share Premiums" in the legal reserve status and legal reserves allocated for specific purposes (participation sales revenue allocated to obtain tax advantage) other than profit distribution allocated within the framework of the related Clause of Turkish Commercial Code are reflected as their recorded amounts. Within this scope, differences arising in the evaluations made within the framework of IFRS principles and inflation adjustments not subject to profit distribution or capital increase as by the report date are related with previous year's profits/losses.

<b>Restricted reserves attributable to equity holders of the Parent</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Legal reserves	115,363	99,058

**f) Retained Earnings**

The Group's extraordinary reserves presented in the retained earnings that amount to TRY 3,624,971 thousand (31 December 2016: TRY 3,262,034 thousand) is TRY 5,523 thousand (31 December 2016: TRY 85,713 thousand).

Profit Distribution

Dividends are distributed according to Communiqué Serial: II-19.1 on "Principles Regarding Distribution of Interim Dividends for quoted entities subject to Capital Market Board Law", principles on corporate articles and dividend distribution policy which is declared by Companies. In addition to the CMB, it is stipulated that companies which have the obligation to prepare consolidated financial statements, calculate the net distributable profit amount by taking into account the net profits for the period in the consolidated financial statements that will be prepared and announced to the public in accordance with the Communiqué II-14.1 that sufficient reserves exists in the unconsolidated statutory books.

The profit shares in quoted partnerships are distributed to all available shared as of distribution date, equally at the rates of shares without considering the issue and acquisition dates.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

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### 27. Capital, Reserves and Other Equity Items

#### f) Retained Earnings

##### Reserves subject to dividend distribution

The Company's net distributable profit statutory accounts and the amount of reserves subject to dividend distribution as of balance sheet date are listed as below. Provision for taxes in the net profit for the period was calculated based on estimations since the amount had not been certain as of the report date.

	31 December 2017	31 December 2016
Net profit for the period	991,895	326,116
Special fund within the scope of Corporate Tax Law no: 5/1-e	(130,406)	-
I. legal reserves	(49,595)	(16,306)
<b>Distributable profit for the period</b>	<b>811,894</b>	<b>309,810</b>
Extraordinary reserves	5,523	85,713
	<b>817,417</b>	<b>395,523</b>

Corporate Tax Law 5/1-e article of the details of amounts received special funds are as follows:

	31 December 2017	31 December 2016
Profit from sales of shares	124,101	-
Income from sale of properties	6,305	-
	<b>130,406</b>	<b>-</b>

The Company has made these funds until the end of the fifth year following the year in which the sales are made in passive income should be kept in a special fund account. If the funds are transferred to another account (except for the capital addition) within the following five years, the tax authority shall be liable to pay tax penalty and default interest in accordance with the Tax Procedure Law.

It has been decided in Ordinary General Assembly Meeting held on 30 March 2017 that a gross dividend amounting to TRY 250,000 thousand, equivalent of 12.19512% of paid-in capital will be distributed in cash and a gross dividend amounting to TRY 140,000 thousand, equivalent of 6.82927% of paid in capital will be distributed as bonus shares. It has also been decided that the date of payment of cash dividend will be 31 May 2017 and the bonus shares will be distributed after the completion of legal procedures.

#### g) Non-controlling interest

Shares of third parties including the issued and paid-in capital of the subsidiaries in consolidation are separately presented for as "Non-controlling Interests" in the consolidated financial statements by a reduction of related equity components. Shares of third parties in the net profit or loss for the period of the subsidiaries in consolidation separately accounted for as non-controlling interests in the distribution of period profit/ (loss) section of the consolidated statement of profit and loss.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 27. Capital, Reserves and Other Equity Items

#### g) Non-controlling interest

Capital contribution of the non-controlling interests for the period between

1 January and 31 December 2017:

There is neither capital contribution of the non-controlling interests for the period between 1 January and 31 December 2017 nor for the period between 1 January and 31 December 2016.

##### The transactions made with the non-controlling interest owners within the context of restructuring of the Group companies between 1 January and 31 December 2017:

- A call option agreement with the usage price of TRY 2.60 per share and 3,000,000 pieces on Anadolu Cam Sanayii A.Ş.'s, our subsidiary, publicly traded shares was signed between our Company and İş Yatırım Menkul Değerler A.Ş. within the scope of the circular 466 of Istanbul Stock Exchange on 28 December 2016. The option was terminated on 4 May 2017 by collecting TRY 7,800 thousand.
- A call option agreement with the usage price of TRY 3.68 per share and 3,000,000 pieces on Anadolu Cam Sanayii A.Ş.'s, our subsidiary, publicly traded shares was signed between our Company and İş Yatırım Menkul Değerler A.Ş. within the scope of the circular 466 of Istanbul Stock Exchange on 4 May 2017. Price and quantity of the related put option had been revised to 5,067,600 pieces and TRY 2.1119 per share as a consequence of capital increase through bonus share issuance and dividend payments occurred in the period. The option was terminated on 17 August 2017 by collecting TRY 10,699 thousand.

##### The acquisition and sale of shares in subsidiaries and joint ventures within restructuring of the Group companies between 1 January and 31 December 2017:

- The Company sold all of its shares equivalent to 15% and amounting to TRY 11,850 thousand at nominal value in Anadolu Cam Yenişehir Sanayi A.Ş. to Anadolu Cam Sanayii AŞ, subsidiary of the Company, at the value of TRY 70,271 thousand on 30 March 2017. The value has been determined in accordance with the Appraisal Report prepared by KPMG Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and since it is an intergroup transaction, it has no impact on consolidated income statement.
- The Company sold all of its shares equivalent to 15% and amounting to TRY 43,500 thousand at nominal value in Anadolu Cam Eskişehir Sanayi A.Ş. to Anadolu Cam Sanayii AŞ, subsidiary of the Company, at the value of TRY 36,484 thousand on 30 March 2017. The value has been determined in accordance with the Appraisal Report prepared by KPMG Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and since it is an intergroup transaction, it has no impact on consolidated income statement.
- Denizli Cam Sanayii ve Tic. A.Ş. sold all of its shares equivalent to 19.32% and amounting to TRY 1,100 thousand at nominal value in Paşabahçe Mağazaları A.Ş to Paşabahçe Cam Sanayii, subsidiary of the Company, at the value of TRY 9,533 thousand on 4 May 2017. The value has been determined in accordance with the Appraisal Report prepared by KPMG Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and since it is an intergroup transaction, it has no impact on consolidated income statement.



# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

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### 27. Capital, Reserves and Other Equity Items

#### g) Non-controlling interest

The purchase and sale of shares in Subsidiaries and Joint Ventures within the scope of restructuring of the Group companies between 1 January and 31 December 2017:

- From subsidiaries Denizli Cam San. ve Tic. A.Ş.'s portfolio, all shares of Paşabahçe Mağazaları A.Ş. (19.32% share) with a nominal value of TRY 1,100 thousand, were sold to one of our subsidiaries Paşabahçe Cam Sanayii ve Tic. A.Ş. for TRY 9,533 thousand on 4 May 2017. The quoted price is determined by KPMG Akis Bağımsız Denetim and Serbest Muhasebeci Mali Müşavirlik A.Ş. according to the result of the valuation report made by the Company. This sale of intra-group shares has no impact on the Company's consolidated profit/loss statement.
- The shares in the portfolios of the subsidiaries, which are explained in detail below, are purchased in advance with the decision resolved at the Board Of Directors' meeting of the Company held on 28 April 2017. After this purchase, companies which are not subject to Capital Markets Board (SPK) and Republic of Turkey Energy Market Regulatory Authority (EPDK) and are under the control of the Group have taken the status of single joint stock company.
  - Cam Elyaf Sanayii A.Ş., Camiș Madencilik A.Ş., and Şişecam Sigorta Aracılık Hizmetleri A.Ş. sold all of their shares amounting to TRY 21 thousand nominal value in Topkapı Yatırım Holding A.Ş. at the value of TRY 27 thousand.
  - Cam Elyaf Sanayii A.Ş. sold all of its shares amounting to TRY 5 thousand nominal value in Madencilik Sanayii ve Tic. A.Ş. at the value of TRY 73 thousand.
  - Şişecam Dış Ticaret A.Ş. sold all of its shares amounting to TRY 2 thousand nominal value in Şişecam Sigorta Aracılık Hizmetleri A.Ş. at the value of TRY 18 thousand.
  - Denizli Cam Sanayii and Tic. A.Ş., Soda Sanayii A.Ş. sold all of its shares amounting to TRY 40 thousand nominal value in Camiș Elektrik Üretim A.Ş. at the value of TRY 102 thousand.
  - Paşabahçe Cam Sanayii ve Tic. A.Ş. sold all of its shares amounting to TRY 9 thousand nominal value in Camiș Ambalaj Sanayii A.Ş. at the value of TRY 187 thousand.
  - Paşabahçe Cam Sanayii ve Tic. A.Ş., Camiș Madencilik A.Ş., sold all of their shares amounting to TRY 59 thousand nominal value in Anadolu Cam Sanayii A.Ş. at the value of TRY 204 thousand. Furthermore, 38 founder's shares of Anadolu Cam Sanayii A.Ş. which are included in the portfolio of Camiș Madencilik A.Ş. are purchased with the total value of TRY 154 thousand.
  - Camiș Madencilik A.Ş. sold all of its shares amounting to TRY 197 thousand nominal value in Soda Sanayii A.Ş. at the value of TRY 1,237 thousand.

Camiș Madencilik A.Ş. sold all of its shares amounting to TRY 3,730 thousand nominal value in Trakya Cam Sanayii A.Ş. at the value of TRY 12,421 thousand.

- Şişecam Sigorta Aracılık Hizmetleri A.Ş. sold all of its shares amounting to TRY 3 thousand nominal value in Şişecam Dış Ticaret A.Ş. at the value of TRY 20 thousand.
- Şişecam Sigorta Aracılık Hizmetleri A.Ş. sold all of its shares amounting to TRY 1 at nominal value in Camiș Madencilik A.Ş. at the value of TRY 15 thousand.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

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### 27. Capital, Reserves and Other Equity Items

#### g) Non-controlling interest

The purchase and sale of shares in Subsidiaries and Joint Ventures within the scope of restructuring of the Group companies between 1 January and 31 December 2017:

- Oxyvit Kimya Sanayii ve Ticaret A.Ş. which is 5% of the Company's assets with nominal amount of TRY 17 thousand is sold for USD 700 thousand to Soda San. A.Ş., our subsidiary, on 31 July 2017.
- Merge process of OOO Ruscam, which is one of the subsidiaries of the Group and operates in glass packaging production and sales in Russia, and OOO Ruscam Glass Packaging Holding is approved by local authorities on 9 August 2017.
- We received approval from the local authorities regarding the merger of OOO Ruscam Glass with OOO Ruscam Glass Packaging Holding on 19 December 2017, which is engaged in glass packaging production and sales in Russia and 100% from our subsidiaries of the Group.
- Anadolu Cam Sanayii A.Ş., Anadolu Cam Yenişehir Sanayi A.Ş. and Anadolu Cam Eskişehir Sanayi A.Ş. are operating as separate legal entities in glass and glass packaging material and vessels in Turkey. Within the scope of simplifying capital structures of our Group, a decision has been resolved on carrying facilitated merger practices by means of takeover of Anadolu Cam Yenişehir A.Ş. and Anadolu Cam Eskişehir Sanayi A.Ş. under the organization of Anadolu Cam Sanayi A.Ş. at the Board of Directors' meeting of Anadolu Cam Sanayii A.Ş. held on 5 June 2017.

Due to Anadolu Cam Sanayii A.Ş. owns 100% of shares of the companies which are to be merged, there has not been change in the application of accounting policies and consolidated financial statements after the merger. The financial statements of Anadolu Cam Sanayii A.Ş. as of 31 December 2016 has been the base in merger transactions. Due to Anadolu Cam Sanayii A.Ş. owns 100% of shares of the companies which are to be transferred, there will be no capital increase after the merger. The text of the announcement noticed by our subsidiary has been approved by the Capital Markets Board on 11 August 2017.

The sale of Subsidiary made by the Group companies between 1 January and 31 December 2017:

- Anadolu Cam Sanayii A.Ş. sold all of its shares equivalent to 50% and amounting to TRY 1,935 thousand at nominal value in Omco İstanbul Kalıp Sanayii ve Tic. A.Ş. to Omco International N.V., subsidiary of the Company, at the value of EUR 12,800 thousand (= TRY 50,404 thousand) on 12 June 2017.

The transactions made with the purpose of restructuring of the Group companies between 1 January and 31 December 2017:

- Cheminvest Deri Kimyasalları Sanayi ve Ticaret A.Ş. who owns 50% of shares of Oxyvit Kimya Sanayii ve Ticaret A.Ş. (whose 45% of shares is owned by Soda Sanayi A.Ş., our subsidiary, and remaining 5% of shares is owned by our Company) is purchased from Cheminvest S.P.A. located in Italy and other shareholders with USD 7,000 thousand (=TRY 24,811 thousand). In accordance with the resolution of the Board of Directors dated 25 July 2017, the Share Transfer Agreement was signed and the transfer of the shares took place accordingly. Subsequently, Cheminvest Deri Kimyasalları Sanayii ve Ticaret A.Ş. which is resident in Turkey and %100 owned by Community dissolved by the result of reverse merger of %50 owned Oxyvit Kimya Sanayii ve Ticaret A.Ş. On 19 December 2017 the registration was also declared.

## TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

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### 27. Capital, Reserves and Other Equity Items

#### g) Non-controlling interest

The transactions made with the purpose of restructuring of the Group companies between 1 January and 31 December 2016:

- On 14 March 2016, Şişecam Chem Investment B.V. acquired the 10.70% of the non-controlling shares of one of our subsidiaries, Şişecam Soda Lukavac DOO, at a nominal value of BAM 13,050 thousand with an amount of EUR 2,812 thousand (= BAM 5,500 thousand) in cash.
- On 17 March 2016, Anadolu Cam Sanayii A.Ş. acquired the 0.14% of the non-controlling shares of one of our subsidiaries, JSC Mina, at a nominal value of GEL 24 thousand with an amount of USD 16 thousand in cash.
- One of the Company's subsidiary, Anadolu Cam San. A.Ş. sold its shares of Soda San. A.Ş. with a nominal value by TRY 64,000 thousand (at a rate of 9.70%) on 17 March 2016 to domestic and foreign qualified investors in stock exchange market at a price by TRY 4.50 via special order. It has been decided that the gain on transaction would be considered within the scope of Corporate Tax Law no: 5/1-e. The transaction costs are TRY 3,146 thousand.
- One of the Company's subsidiary, Anadolu Cam San. A.Ş. sold its shares of Soda San. A.Ş. with a nominal value by TRY 18,796 thousand (at a rate of 2.85%) on 27 May 2016 to domestic and foreign qualified investors in stock exchange market at a price by TRY 4.50 via special order. It has been decided that the gain on transaction would be considered within the scope of Corporate Tax Law no: 5/1-e. The transaction costs are TRY 857,626 thousand.
- One of the Company's subsidiary, Trakya Cam Sanayii A.Ş. sold its shares of Soda San. A.Ş. with a nominal value by TRY 67,225 thousand (at a rate of 10.19%) on 27 May 2016 to domestic and foreign qualified investors in stock exchange market at a price by TRY 4.50 via special order. It has been decided that the gain on transaction would be considered within the scope of Corporate Tax Law no: 5/1-e. The transaction costs are TRY 3,176 thousand.
- The Company acquired the shares of Cam Elyaf Sanayii A.Ş., one of our subsidiaries, at a nominal value by TRY 593 thousand (rate of <1%) which is in the non-controlling interest with an amount of TRY 1,020 thousand on cash on 31 May 2016 and 24 June 2016,

## TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

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### 27. Capital, Reserves and Other Equity Items

#### g) Non-controlling interest

The transactions made with the purpose of restructuring of the Group companies between 1 January and 31 December 2016:

- A call option agreement signed with İş Yatırım Menkul Değerler A.Ş. within the scope of the Circular of Borsa İstanbul numbered 466 on 22 September 2015 at a price of TRY 1.79 per share for a total of 3,000 thousand shares of Trakya Cam Sanayii A.Ş., one of our subsidiaries. The price and the amount of the aforementioned call option was determined approximately paid as TRY 1.6226 per share for a total of 3,117 thousand shares due to the non-cash capital increase and dividend paid. The option exercised with a collection of TRY 5,058 thousand on 21 September 2016.
- A call option agreement signed with İş Yatırım Menkul Değerler A.Ş. within the scope of the Circular of Borsa İstanbul numbered 466 on 14 October 2015 at a price of TRY 4.73 per share for a total of 1,000 thousand shares of Soda Sanayii A.Ş., one of our subsidiaries. The price and the amount of the aforementioned call option was determined approximately as TRY 3.8424 per share for a total of 1,136 thousand shares due to the non-cash capital increase and dividend paid. The option exercised with a collection of TRY 4,366 thousand on 21 September 2016.
- Within the scope of the restructuring efforts of our companies operating in the automotive sector, 10% of shares of Glasscorp SA located in Romania were acquired for a total of EUR 3,950 thousand. The consideration will be paid in instalments to Nordexo Manufacturing SRL. A portion of EUR 3,000 thousand was paid on 17 October 2016. With this purpose, the Group increased the capital of Trakya Investment BV. The Group holds 100% of shares of Glasscorp SA after the acquisition of 10% share.
- Soda Sanayii A.Ş. shares with a TRY 187 thousand nominal value (<1% rate) in the portfolio of Denizli Cam Sanayii ve Tic. A.Ş., one of our subsidiary, was sold for TRY 982 thousand at the 5.24-5.26 price range on 27 December 2016. Transaction cost amounting to TRY 2 thousand was incurred.
- The call option agreement was signed between the Company and İş Yatırım Menkul Değerler A.Ş. on 22 April 2014, within the scope of circular letter no. 466 of Borsa İstanbul. Shares of Anadolu Cam Sanayii A.Ş., one of our subsidiary, are being traded at Borsa İstanbul National Market with 3,000 thousand shares each and a TRY 1.89 exercise price. The option is realised by collecting TRY 5.670 thousand on 29 December 2016.
- The Company sold shares of Şişecam Çevre Sistemleri A.Ş. with a TRY 5.800 thousand nominal value (%10 rate) to European Bank for Reconstruction and Development ("EBRD") for TRY 5,800 thousand on 28 December 2016.

#### The sale and purchase of shares in financial investments with the purpose of restructuring of the Group companies between 1 January and 31 December 2016:

- In the extraordinary general meeting held on 28 June 2016, it is decided to merge non consolidated subsidiary, namely Paşabahçe Yatırım ve Pazarlama A.Ş., which is accounted for under non-current financial assets since it is not material for consolidated financial statements, with Paşabahçe Mağazaları A.Ş. and registered on 15 July 2016. Increased paid in capital share amounting to TRY 194 thousand has been given to Paşabahçe Cam Sanayii A.Ş. from Paşabahçe Mağazaları A.Ş. because of the merge.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

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### 27. Capital, Reserves and Other Equity Items

#### g) Non-controlling interest

The aforementioned transactions have impacts on the effective capital structures of the related companies' associates and subsidiaries. The impact on the total equity is as follows:

	31 December 2017	31 December 2016
Equity of the parents	(10,487)	142,607
Non-controlling interests	28,986	523,707
<b>Net effect of the sale and purchase of shares</b>	<b>18,499</b>	<b>666,314</b>

The values of net revenue from the transactions made with the non-controlling interests as of the transaction date are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Sale of shares		
- Anadolu Cam Sanayii A.Ş.	18,499	5,670
- Soda Sanayii A.Ş.	-	673,257
- Şişecam Çevre Sistemleri A.Ş.	-	5,800
- Trakya Cam Sanayii A.Ş.	-	5,058
<b>A - Collected amount</b>	<b>18,499</b>	<b>689,785</b>
Acquisition of shares		
- Glasscorp S.A.	-	(13,428)
- Şişecam Soda Lukavac D.O.O.	-	(8,978)
- Cam Elyaf Sanayii A.Ş.	-	(1,020)
- JSC Mina	-	(45)
<b>B - Amount paid/ (to be paid) on share acquisition date</b>	<b>-</b>	<b>(23,471)</b>
<b>C (=A+B) - Net impact of share acquisition and sales</b>	<b>18,499</b>	<b>666,314</b>

The cash dividends paid by the Group companies to the companies out of the Group are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
<b>Dividend payments of group companies:</b>		
Türkiye Şişe ve Cam Fabrikaları A.Ş.	250,000	250,000
Soda Sanayii A.Ş.	78,657	62,684
Trakya Cam Sanayii A.Ş.	32,383	28,099
Anadolu Cam Sanayii A.Ş.	12,995	-
Camış Egypt Mining Ltd. Co.	4	1
	<b>374,039</b>	<b>340,784</b>

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 27. Capital, Reserves and Other Equity Items

#### h) Impact of disposal of subsidiary

On February 28, 2017, all of the shares of Eskişehir Oluklu Mukavva Sanayi A.Ş. has been sold to Mosburger GmbH belonging to Prinzhorn Holding located in Austria and operating under Dunapack Packaging Group at the amount of USD 50,400 thousand (= TRY 180,845 thousand).

The financial position of Eskişehir Oluklu Mukavva Sanayi AŞ as of 31 December 2016 is as follows:

Trade receivables	45,731
Other receivables	9,540
Inventories	31,106
- Raw material	26,026
- Finished goods	4,353
- Work-in progress	651
- Other inventories	76
Prepaid expenses	774
Other current assets	31
<b>Total current assets</b>	<b>87,182</b>
Tangible assets	44,346
Intangible assets	74
<b>Total non-current assets</b>	<b>44,420</b>
<b>Total assets</b>	<b>131,602</b>
Trade payables	7,732
- Creditors	7,763
- Rediscount on notes payables(-)	(31)
Other payables	161
Liabilities for employee benefits	206
Deferred income	5
Short term provisions	9
Other current liabilities	1,081
<b>Total current liabilities</b>	<b>9,194</b>
Long term provisions	6,400
Deferred tax liability	1,252
<b>Total non-current liabilities</b>	<b>7,652</b>
<b>Total liabilities</b>	<b>16,846</b>
<b>A - Net Assets</b>	<b>114,756</b>
<b>B - Sales Amount (= USD 50,400 thousand equivalent)</b>	<b>180,845</b>
<b>C = (B-A) Gain on sale</b>	<b>66,089</b>
<b>Impact of non controlling interest</b>	<b>2</b>

There is no sale of subsidiary during the period between 1 January and 31 December 2016.

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**27. Capital, Reserves and Other Equity Items**

i) Merger of non-consolidated subsidiaries in the consolidation:

Paşabahçe Yatırım ve Pazarlama A.Ş. was merged with Paşabahçe Mağazaları A.Ş. with the resolution of the Extraordinary General Assembly Meeting held on 28 June 2016. If the merger transaction were realised on 31 December 2015, the impact on the financials would have been as follows:

Cash and cash equivalents	19
Other receivables	981
Other current assets	68
<b>Total Assets</b>	<b>1,068</b>
Other current liabilities	1
<b>Total Liabilities</b>	<b>1</b>
<b>Net Assets</b>	<b>1,069</b>
<b>Less: Net carrying amount in the Group</b>	<b>(500)</b>
<b>Total impact on equity</b>	<b>569</b>
<b>Effect of non-controlling shares</b>	<b>136</b>
<b>-Equityholders of parent</b>	<b>433</b>

The effect of the profit or loss table in the period of 1 January - 31 December 2015 would be as follows:

Revenue	-
Cost of sales	-
<b>Gross profit from trading activity</b>	<b>-</b>
General administrative expenses	(44)
Other operating income	122
<b>Operating profit/ (loss)</b>	<b>78</b>
Financial income	196
Financial expenses	(2)
<b>Profit/ (loss) before tax from continued operations</b>	<b>272</b>
Tax expense for the period	(29)
<b>Profit/ (loss) for the period</b>	<b>243</b>

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**28. Sales and Cost of Sales**

<b>Sales</b>	<b>1 January- 31 December 2017</b>	<b>1 January- 31 December 2016</b>
Revenue	12,042,892	9,089,297
Other income	20,684	15,585
Sales discounts	(580,561)	(441,991)
Sales returns	(62,440)	(59,439)
Other sales discounts	(102,080)	(33,988)
	<b>11,318,495</b>	<b>8,569,464</b>
<b>Cost of sales</b>		
Direct materials	(3,256,593)	(2,481,750)
Direct labor	(602,350)	(474,346)
Production overheads	(1,733,334)	(1,514,807)
Depreciation and amortization	(843,530)	(712,701)
Change in work-in-progress inventories	12,006	663
Change in finished goods inventories	24,842	153,179
<b>Cost of goods sold</b>	<b>(6,398,959)</b>	<b>(5,029,762)</b>
Cost of trade goods sold	(1,069,363)	(788,690)
Cost of services given <sup>(*)</sup>	(161,964)	(27,574)
Other costs	(57,867)	(45,527)
	<b>(7,688,153)</b>	<b>(5,891,553)</b>

<sup>(\*)</sup> Depreciation and amortization expenses recognized in the cost of service given during the period between 1 January - 31 December 2017 amounts to TRY 14,865 thousand (1 January - 31 December 2016: TRY 7,576 thousand).

**29. General Administrative Expenses, Marketing Expenses, Research and Development Expenses**

	<b>1 January- 31 December 2017</b>	<b>1 January- 31 December 2016</b>
General administrative expenses	(724,620)	(756,363)
Marketing expenses	(1,370,327)	(1,060,092)
Research and development expenses	(57,108)	(73,977)
	<b>(2,152,055)</b>	<b>(1,890,432)</b>

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**30. Expenses by Nature**

	1 January- 31 December 2017	1 January- 31 December 2016
Indirect material costs	(36,958)	(28,050)
Salaries and wages	(523,678)	(462,971)
Outsourced services	(751,209)	(767,589)
Miscellaneous expenses	(730,431)	(542,458)
Depreciation and amortization	(109,779)	(89,364)
	<b>(2,152,055)</b>	<b>(1,890,432)</b>

**31. Other Operating Income/ (Expenses)**

	1 January- 31 December 2017	1 January- 31 December 2016
<b>Other operating income</b>		
Foreign exchange gains from other operating activities	240,973	203,390
Delay interest gain from other operating activities	82,655	72,173
Insurance claim income <sup>(*)</sup> (Note 26)	24,776	72,626
Gain on sale of raw materials	18,558	17,239
Gain on sale of scrap items	12,706	10,732
Rediscount interest income on operating activities	10,748	8,642
Provisions no longer required	7,695	10,267
Investment incentive income	6,935	13,062
Brand incentive (Turquality) income	3,574	1,027
Royalty income	3,345	2,703
Foreign exchange gain from derivative hedging instruments	1,786	3,929
Commission income	-	255
Income from other operations	138,345	72,687
	<b>552,096</b>	<b>488,732</b>

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**31. Other Operating Income/ (Expenses)**

	1 January- 31 December 2017	1 January- 31 December 2016
<b>Other operating expenses</b>		
Foreign exchange losses from other operating activities	(197,790)	(143,888)
Provision expenses	(22,904)	(19,767)
Rediscount interest expense on operating activities	(14,829)	(6,799)
Loss on sale of raw materials	(13,228)	(17,523)
Delay interest expense from other operating activities	(2,766)	(4,561)
Government right - mining fund	(2,399)	(2,796)
Commission Expenses	(1,863)	(4,516)
Loss on sale of scrap items	(1,308)	(2,354)
Expense from other operations	(89,289)	(57,842)
The amount paid to benefit from the tax amnesty <sup>(**)</sup>	-	(23,679)
	<b>(346,376)</b>	<b>(283,725)</b>

<sup>(\*)</sup> An insurance loss settlement of TRY 6,010 thousand has occurred (1 January - 31 December 2016: TRY 59,890 thousand) due to the fire outbreak at 26 May 2015 in finished goods warehouse of Eskişehir plant of Paşabahçe Cam Sanayii ve Tic. A.Ş., one of the subsidiaries of the Company.

<sup>(\*\*)</sup> As part of the "Law on restructuring of receivables", which was adopted on 3 August 2016 in Turkey and entered into force in the Official Gazette on 19 August 2016. As a result of the tax examinations conducted as a relationship to previous periods, the dispute has been terminated by taking advantage of the reductions in the law, which is not finalized or in the case of the public receivables at the end of the proceedings. In case of results, high consistent risks are eliminated.

**32. Income and Loss from Investing Activities**

	1 January- 31 December 2017	1 January- 31 December 2016
<b>Income from Investment Activities</b>		
Valuation gain of held to maturity financial assets <sup>(*)</sup>	224,353	153,135
Gain on sale of a subsidiary	66,089	-
Fair value change of investment properties	28,015	47,814
Gain on sale of property, plant and equipment	22,331	22,299
Sale and liquidation profit of available-for-sale financial assets	3,036	-
Gain on sale of investment property	212	-
Dividend income (Note 37)	-	15
	<b>344,036</b>	<b>223,263</b>

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**32. Income and Loss from Investing Activities**

	1 January- 31 December 2017	1 January- 31 December 2016
<b>Expenses from Investment Activities</b>		
Valuation loss of held to maturity financial assets <sup>(1)</sup>	(33,572)	-
Loss on sale of property, plant and equipment	(7,534)	(11,658)
Impairment of fixed asset	(4,900)	-
Impairment of investment properties	(2,532)	-
	<b>(48,538)</b>	<b>(11,658)</b>
<b>Net Expenses/Income from Investing Activities</b>		
Valuation difference of held to maturity financial assets <sup>(1)</sup>	190,781	153,135
Gain on sale of a subsidiary	66,089	-
Impairment of investment properties	25,483	47,814
Gain/Loss on sale of property, plant and equipment	14,797	10,641
Sale and liquidation profit of available-for-sale financial assets	3,036	-
Fair value change of investment property	212	-
Impairment of fixed asset	(4,900)	-
Dividend income (Note 37)	-	15
	<b>295,498</b>	<b>211,605</b>

<sup>(1)</sup>The Group retains the financial assets of the nature of the bonds as held-to-maturity financial assets within a business model aimed at collecting the cash flows of the financial assets. However the bonds which were issued by Türk Telekomünikasyon A.Ş. that are not significant in size to change the business model, were sold in 2017. In the year 2017, TRY 2,244 thousand profit has been realized due to the sale of the Türk Telekomünikasyon Bonds, which are included in the valuation gains / (losses) on financial assets held until maturity, before the due date, and this amount has been netted with valuation gain. In the year 2016, a loss amounting to TRY 2,391 thousand has also been incurred due to the partial sale transaction of some of the bonuses issued by the Türkiye İş Bank A.Ş. Valuation gain / (losses) is netted with profit / (loss).

In addition, a profit of TRY 3,424 thousand was obtained from the short term financing bills received in Turkish Lira currency during the period and net amount of "valuation gains on financial assets held to maturity" was netted.

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**32. Income and Loss from Investing Activities**

Fixed income financial assets held to maturity were collected from the market securities detailed below during the period.

	1 January- 31 December 2017	1 January- 31 December 2016
<b>Bond Issuer</b>		
Türkiye İş Bankası A.Ş.	20,241	7,147
Türkiye Vakıflar Bankası T.A.O.	12,152	2,691
Türkiye Halk Bankası A.Ş.	9,767	-
Türkiye Sınai Kalkınma Bankası A.Ş.	7,817	1,960
Türkcell İletişim Hizmetleri A.Ş.	7,499	2,385
Türkiye Garanti Bankası A.Ş.	5,743	1,246
Yapı ve Kredi Bankası A.Ş.	5,711	-
Arçelik A.Ş.	5,498	1,872
Ziraat Bankası A.Ş.	2,265	-
Türkiye İhracat Kredi Bankası A.Ş.	2,071	-
Anadolu Efes Biracılık Ve Malt Sanayii A.Ş.	1,357	460
Finansbank A.Ş.	573	-
Türk Telekomünikasyon A.Ş.	-	358
	<b>80,694</b>	<b>18,119</b>

	1 January- 31 December 2017	1 January- 31 December 2016
<b>Bond Issuer</b>		
Türkiye İş Bankası A.Ş.	45,833	39,975
Türkiye Vakıflar Bankası T.A.O.	28,209	11,902
Türkiye Halk Bankası A.Ş.	25,566	29,984
Türkiye Sınai Kalkınma Bankası A.Ş.	19,090	17,309
Türkcell İletişim Hizmetleri A.Ş.	15,695	17,218
Türkiye Garanti Bankası A.Ş.	13,185	13,701
Yapı ve Kredi Bankası A.Ş.	15,052	130
Arçelik A.Ş.	12,906	14,169
Ziraat Bankası A.Ş.	4,955	-
Anadolu Efes Biracılık Ve Malt Sanayii A.Ş.	4,423	6,098
Türkiye İhracat Kredi Bankası A.Ş.	1,632	-
Finansbank A.Ş.	861	-
Türk Telekomünikasyon A.Ş.	(50)	2,649
	<b>187,357</b>	<b>153,135</b>

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### 33. Financial Income and Expenses

	1 January- 31 December 2017	1 January- 31 December 2016
<b>Financial Income</b>		
Foreign exchange income	869,714	1,009,239
- Cash and cash equivalents	560,723	625,800
- Borrowings	104,553	169,848
- Bonds issued	123,255	69,975
- Derivative instruments	53,133	114,661
- Other	28,050	28,955
Interest income	154,962	99,081
- Time deposits	154,551	93,810
- Derivative instruments	32	9
- Other	379	5,262
	<b>1,024,676</b>	<b>1,108,320</b>

	1 January- 31 December 2017	1 January- 31 December 2016
<b>Financial Expenses</b>		
Foreign exchange expense	(893,677)	(997,132)
- Cash and cash equivalents	(328,857)	(205,012)
- Borrowings	(268,825)	(238,379)
- Bond issued	(249,605)	(375,775)
- Derivative instruments	(29,740)	(157,541)
- Other	(16,650)	(20,425)
Interest expense	(340,820)	(246,812)
- Borrowings	(252,479)	(175,388)
- Bond issued	(80,152)	(66,614)
- Derivative instruments	-	(1,348)
- Financial leasing	(73)	-
- Factoring expenses	(162)	-
- Other	(7,954)	(3,462)
	<b>(1,234,497)</b>	<b>(1,243,944)</b>

	1 January- 31 December 2017	1 January- 31 December 2016
<b>Financial Income/Expense (Net)</b>		
Foreign exchange income / (expense)	(23,963)	12,107
- Cash and cash equivalents	231,866	420,788
- Borrowings	(164,272)	(68,531)
- Bond issued	(126,350)	(305,800)
- Derivative instruments	23,393	(42,880)
- Other	11,400	8,530
Interest income / (expense)	(185,858)	(147,731)
- Bank loan interest accrual	(97,928)	(81,578)
- Bond issued	(80,152)	(66,614)
- Financial leasing	(73)	-
- Derivative instruments	32	(1,339)
- Factoring Expenses	(162)	-
- Other	(7,575)	1,800
	<b>(209,821)</b>	<b>(135,624)</b>

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### 34. Assets Held for Sale

	31 December 2017	31 December 2016
<b>Cost</b>		
Plant, machinery and equipment	38,214	38,214
<b>Accumulated Depreciation and Impairment</b>		
Plant, machinery and equipment	38,010	38,010
<b>Net Book Value</b>	<b>204</b>	<b>204</b>

Cam Elyaf, subsidiary of the Group ceased its operations of the second oven in December, since the related machinery and equipment and fixtures came to their end of their technical useful lives. These machinery and equipment and fixtures has been reduced their recoverable amount and reclassified under Asset Held for Sale in accordance with TFRS-5 "Asset held for sales and discontinued operations". The part that cannot be used is accounted as expense by calculating impairment amount. Practices on the sale of fixed assets are continuing.

The movements of assets held for sale are as follows:

	31 December 2017	31 December 2016
Beginning - January 1	204	204
	<b>204</b>	<b>204</b>

### 35. Taxes on Income (Including Deferred Tax Assets and Liabilities)

#### Deferred Tax Assets and Liabilities

The Group recognizes deferred tax assets and liabilities based upon the temporary differences between financial statements as reported in accordance with TAS and its tax base of statutory financial statements. These differences usually result in the recognition of revenue and expense items in different periods for CMB and statutory tax purposes.

Turkish Tax Legislation does not permit a parent company, its subsidiaries and joint ventures to file a consolidated tax return, therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. In this respect deferred tax assets and liabilities of consolidated entities in the accompanying consolidated financial statements are not offset.

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**35. Taxes on Income (Including Deferred Tax Assets and Liabilities)**

Deferred Tax Assets and Liabilities

Temporary differences	31 December 2017	31 December 2016
Deferred tax assets	328,607	300,462
Deferred tax liabilities (-)	(126,098)	(67,740)
<b>Deferred tax assets (net)</b>	<b>202,509</b>	<b>232,722</b>

Temporary differences	31 December 2017	31 December 2016
Useful life and valuation differences on tangible and intangible assets	1,727,898	1,611,424
Valuation of investment property	559,289	558,010
Investment incentive	(1,558,430)	(1,501,629)
Carry forward tax losses	(974,867)	(1,070,805)
Employment termination benefits	(345,811)	(278,420)
Provision for inventory write-down	(60,676)	(64,116)
Provision for doubtful receivables	(5,705)	(29,737)
Derivative financial valuation	(19,043)	(40,751)
Other	(78,752)	24,816
	<b>(756,097)</b>	<b>(791,208)</b>

Deferred tax assets/ (liabilities)	31 December 2017	31 December 2016
Useful life and valuation differences on tangible and intangible assets	(350,552)	(303,318)
Valuation of investment property	(55,929)	(27,900)
Corporate tax allowance	327,270	300,326
Carry forward tax losses	162,110	180,101
Employment termination benefits	68,920	55,588
Provision for inventory write-down	12,781	12,017
Provision for doubtful receivables	7,535	5,769
Derivative financial valuation	3,809	8,150
Other	26,565	1,989
	<b>202,509</b>	<b>232,722</b>

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**35. Taxes on Income (Including Deferred Tax Assets and Liabilities)**

Deferred Tax Assets and Liabilities

The expiry dates of carry forward tax losses that are utilized are as follows:

	31 December 2017	31 December 2016
Within 1 year	2,471	6,154
Within 2 year	-	62,409
Within 3 year	12,081	36,250
Within 4 year	24,777	26,839
Within 5 year	26,237	40,010
Within 6 year	16,833	21,274
Within 7 year	4,924	14,202
Indefinite years	887,544	863,667
	<b>974,867</b>	<b>1,070,805</b>

Carry forward tax losses can be carried for 5 years in Turkey, 7 years in Romania, 10 years in Russia, indefinite in Ukraine if will be offset from taxable profit in next years. However, loss cannot be deducted retrospectively from retained earnings.

The amount of carry forward tax losses that are not subject to deferred tax calculation is TRY 345,374 thousand (31 December 2016: TRY 169,733 thousand).

The movements of deferred tax assets and liabilities are as follows:

	31 December 2017	31 December 2016
1 January	232,722	129,760
Recognized in the statement of profit or loss	23,391	47,386
Currency translation differences	20,460	72,086
Impact of disposal of subsidiary	1,252	-
Impact of business combinations (Note 3)	(118)	-
Recognized in the other comprehensive income (Note 27)	(75,198)	(16,510)
	<b>202,509</b>	<b>232,722</b>

**Corporate Tax**

The Group is subject to Turkish corporate taxes. Tax legislation in Turkey does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes as reflected in the accompanying consolidated financial statements are calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting the revenues exempted from tax, non-taxable revenues and other discounts (if any previous year losses, if preferred investment allowances and also R&D center incentive) are deducted.



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### 35. Taxes on Income (Including Deferred Tax Assets and Liabilities)

#### Corporate Tax

Turkey, corporate tax rate applied is 20% as of 31 December 2017 (31 December 2016: 20%).

The principal tax rates (%) using to calculate deferred taxes for each country are as follows:

Country	31 December 2017	31 December 2016
Bosnia-Herzegovina	10.0	10.0
Bulgaria	10.0	10.0
Georgia (*)	-	-
Italy	27.9	31.4
Egypt	22.5	22.5
Romania	16.0	16.0
Russia (**)	2.0-20.0	2.0-20.0
Ukraine	18.0	18.0
Germany	15.0	15.0
China	25.0	25.0
India	30.0	30.0
Netherlands (***)	20.0-25.0	20.0-25.0

(\*) Corporation income tax has been abolished in Georgia and it is only subject to bonus share. Thus, deferred tax amount is zero.

(\*\*) The tax rate in Tatar region of Russia is 3.0% (31 December 2016:2%) while the tax rate in other regions is 20.0%.

(\*\*\*) 20% of tax rate for the profit up to EUR 200,000 and 25% of tax rate for the exceeding portion are applied in Netherlands

In Turkey, advance tax returns are filed on a quarterly basis. 20% of temporary tax rate is applied during the taxation of corporate income in 2017, (31 December 2016: 20%).

The 20% tax rate stated in the first paragraph of Article 32 of the Corporate Tax Law No 5520 Law and the amendment to the Law on the Amendment of Certain Tax Laws and Some Other Laws No. 7061, which was accepted on 28 November 2017, and the tax rate of 20% for the taxation periods of 2018, 2019 and 2020, 22 as a provisional provision. In addition, the 75% portion of the taxable profits from the sale of immovable properties that are included in the assets of the institutions for at least two full years has been changed to 50%, which is stated in the same "Pack Law" and in the first paragraph of Article 5 of the Corporate Tax Law No. 5520 Law.

Therefore timing differences in the companies in the deferred tax calculation Turkey up to 2020 transactions in 22%, the effect of short and longer term to published procedures, taking into account the effect when size is 21%, and recognized deferred tax assets and liabilities according to 20%.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1 - 25 April following the close of the accounting year to which they relate (Companies with special accounting periods file their tax returns between 1- 25 of the fourth month subsequent to the fiscal year end). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 35. Taxes on Income (Including Deferred Tax Assets and Liabilities)

#### Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. This rate was changed to 15% for all Companies as of 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

An advance taxation of 19.8% has to be made on the investment allowance amount benefited basing on the investment incentive certificates received before 24 April 2003. Out of the investment expenses without incentive certificate made after this date, 40% of the ones directly related to the companies' production activities can be deducted from the taxable revenue. Any advance tax deduction is not made from the investment expenses without investment incentive.

Current period tax asset is TRY 9,940 thousand (31 December 2016: TRY 33,566 thousand).

	31 December 2017	31 December 2016
Current tax provision	231,599	208,172
Prepaid taxes and funds (-)	(170,517)	(145,060)
<b>Tax provision in the statement of the financial position</b>	<b>61,082</b>	<b>63,112</b>

	1 January- 31 December 2017	1 January- 31 December 2016
Provision for corporate tax for current period	(231,599)	(208,172)
Effect of business combinations on current year tax provision	3,321	-
Currency translation differences	3,010	1,735
Effect of business combinations on deferred tax provision	(295)	-
Deferred tax income	20,755	72,086
<b>Tax provision in the statement of income</b>	<b>(204,808)</b>	<b>(134,351)</b>
<b>Reconciliation of provision for tax</b>		
Profit before taxation and non-controlling interest	1,941,764	1,174,379
Effective tax rate	%20	%20
<b>Calculated tax</b>	<b>(388,353)</b>	<b>(234,876)</b>

#### Tax reconciliation

- Non-deductible expenses	(83,641)	(43,943)
- Derivative financial instruments	(4,089)	28,461
- Currency translation differences	(14,098)	(30,817)
- Corporate tax allowance	154,814	100,305
- Dividends and other non-taxable income	106,947	(9,230)
- The effect of the foreign companies that have different tax rates	22,147	16,520
- Carry forward tax losses to be utilized	1,465	39,229
<b>Tax provision in the statement of income</b>	<b>(204,808)</b>	<b>(134,351)</b>

<b>Effective tax rate</b>	<b>%11</b>	<b>%11</b>
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# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 36. Earnings per share

	1 January- 31 December 2017	1 January- 31 December 2016
<b>Earnings per share</b>		
Average number of shares existing during the period (1/1000 value)	2,250,000	2,250,000
Net profit for the period attributable to equity holders of the parent	1,225,420	743,358
<b>Earnings per share</b>	<b>0.5446</b>	<b>0.3304</b>
Total comprehensive income attributable to equity holders of the parent	1,553,688	1,186,937
<b>Earnings per share obtained from total comprehensive income</b>	<b>0.6905</b>	<b>0.5275</b>

The Company increased its paid-in-capital from TRY 2,050,000 thousand to TRY 2,250,000 thousand by issuing bonus shares amounting to TRY 200,000 thousand to the existing shareholders from the retained earnings on 25 July 2017. The number of shares increased by issuing bonus shares are considered in the determination of average number of shares subject to calculation of earnings per share for both the current period and the other periods from beginning of immediately preceding period presented in accordance with TAS 33. Accordingly the average number of shares used in the calculation of earnings per share for the period between 1 January and 31 December 2016 was presented by considering bonus shares issued.

### 37. Related Party Disclosures

T. İş Bankası A.Ş. is the main shareholder of the Group and retains the control of the Group. All significant transactions and balances between the Group and its consolidated subsidiaries are eliminated in consolidation and not disclosed in this note.

As of 31 December 2017, the exact list shows the associated level of our companies that are considered as related parties as listed in alphabetical order as follows:

#### Parent company's shareholder

Company's name	Registered Country
Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik Ve Yardımlaşma Vakfı	Turkey

#### Parent company

Company's name	Registered Country
Türkiye İş Bankası A.Ş.	Turkey

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 37. Related Party Disclosures

#### Parent company's subsidiaries, joint ventures and associates

Company's name	Registered Country
Anadolu Anonim Türk Sigorta A.Ş.	Turkey
Anadolu Hayat Emeklilik Sigorta A.Ş.	Turkey
Bayek Tedavi Sağlık Hizmetleri Ve İşletmeciliği A.Ş.	Turkey
Camiş Yatırım Holding A.Ş.	Turkey
Efes Yatırım Holding A.Ş.	Turkey
İş Factoring Finansman Hizmetleri A.Ş.	Turkey
İş Finansal Kiralama A.Ş.	Turkey
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	Turkey
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Turkey
İş Koray Tur.Orm.Mad.İnş.Tah.Tic.A.Ş.	Turkey
İş Merkezleri Yönetim Ve İşletim A.Ş.	Turkey
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret Ve İletişim Hizmetleri A.Ş.	Turkey
İş Portföy Yönetimi A.Ş.	Turkey
İş Yatırım Menkul Değerler A.Ş.	Turkey
İş Yatırım Ortaklığı A.Ş.	Turkey
İşbank AG	Turkey
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	Turkey
Kültür Yayınları İş-Türk Ltd. Şti.	Turkey
Milli Reasürans T.A.Ş.	Turkey
Mipaş Mümessillik İth. İhr. Ve Paz. A.Ş.	Turkey
Topkapı Yatırım Holding A.Ş.	Turkey
Trakya Yatırım Holding A.Ş.	Turkey
TSKB Gayrimenkul Değerleme A.Ş.	Turkey
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	Turkey
Türkiye Sınai Kalkınma Bankası A.Ş.	Turkey
Yatırım Finansman Menkul Değerler A.Ş.	Turkey

#### Non-consolidated subsidiaries

Company's name	Registered Country
Paşabahçe Glass Gmbh	Germany
Paşabahçe Spain SL	Spain
Paşabahçe Usa Inc.	USA
Şişecam Shanghai Trade Co.Ltd.	China

#### Subsidiaries' shareholders

Company's name	Registered Country
Denizli Cam San. Vakfı	Turkey
European Bank For Reconstruction and Development ("EBRD")	England
IFC	USA
Mohsen Mohamed Attia	Egypt

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 37. Related Party Disclosures

#### Joint Ventures

Company's name	Registered Country
HNG Float Glass Limited	India
Rudnik Krechnjaka Vijenac D.O.O.	Bosnia-Herzegovina

#### Joint Ventures Partners

Company's name	Registered Country
Fabrika Cementa Lukavac D.D. (FCL)	Bosnia-Herzegovina
Hindusthan National Glass and Industries Limited	India

#### Associates

Company's name	Registered Country
Saint Gobain Glass Egypt S.A.E.	Egypt
Solvay Şişecam Holding Ag	Austria

#### Associates' shareholders

Company's name	Registered Country
Saint Gobain Glass France S.A.	France
Société Financière D'Administration Et De Gestion SAS (SOFIAG)	Belgium

#### Available for sale investments

Company's name	Registered Country
Bosen Enerji Elektrik Üret. Oto Pro. Grb. A.Ş.	Turkey
Çukurova İnşaat Mak. San. ve Tic. A.Ş.	Turkey

Details of the transactions between the Group and the related parties mentioned above are explained below.

#### Deposit and loans from/to related parties:

Deposits held on related parties	31 December 2017	31 December 2016
Türkiye İş Bankası A.Ş.		
– Time deposits	2,792,705	2,905,801
– Demand deposits	32,756	12,038
	<b>2,825,461</b>	<b>2,917,839</b>
İşbank AG		
– Demand deposits	19,823	20,506
	<b>19,823</b>	<b>20,506</b>
	<b>2,845,284</b>	<b>2,938,345</b>

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 37. Related Party Disclosures

#### Deposit and loans from/to related parties:

Borrowings received from related parties	31 December 2017	31 December 2016
IFC	400,332	341,362
İşbank AG	45,155	-
Türkiye Sınai ve Kalkınma Bankası	12,452	-
	<b>457,939</b>	<b>341,362</b>

#### Book value of financial assets held to maturity:

Financial assets held to maturity	31 December 2017	31 December 2016
Türkiye İş Bankası A.Ş.	446,947	281,053
Türkiye Sınai Kalkınma Bankası A.Ş.	200,850	108,668
	<b>647,797</b>	<b>389,721</b>

Coupon interest rates and nominal values of financial assets held to maturity is as follows:

Bond issuer	ISIN code	31 December 2017		31 December 2016	
		Coupon Interest Rate (%)	Nominal Amount (thousand USD)	Nominal Amount (thousand USD)	Nominal Amount (thousand USD)
Türkiye İş Bankası A.Ş.	XS1390320981	5.375	45,464	44,464	
Türkiye İş Bankası A.Ş.	XS1508390090	5.500	34,200	13,200	
Türkiye İş Bankası A.Ş.	XS1079527211	5.000	33,924	21,900	
Türkiye İş Bankası A.Ş.	XS1117601796	5.375	3,386	-	
Türkiye İş Bankası A.Ş.	XS1578203462	6.125	1,200	-	
			<b>118,174</b>	<b>79,564</b>	
Türkiye Sınai Kalkınma Bankası A.Ş.	XS1412393172	4.875	38,830	25,027	
Türkiye Sınai Kalkınma Bankası A.Ş.	XS1219733752	5.125	14,600	6,000	
			<b>53,430</b>	<b>31,027</b>	
			<b>171,604</b>	<b>110,591</b>	

#### Forward transactions:

Forward transactions	31 December 2017	31 December 2016
Türkiye İş Bankası A.Ş.	-	(810)

A foreign currency swap agreement signed with Türkiye İş Bankası A.Ş. including the purchase of TRY 13,204 thousand by the sale of EUR 3,600 thousand that will be due on various dates. As of 31 December 2017, the entire amount has been realized. As of 31 December 2016, the fair value of the forward foreign currency purchase and sale agreement is TRY 810 thousand.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

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### 37. Related Party Disclosures

Receivables due from related parties:

Trade receivables from related parties	31 December 2017	31 December 2016
Paşabahçe USA Inc.	13,637	9,144
HNG Float Glass Limited	4,757	1,935
Hindusthan National Glass and Industries Limited	4,172	-
Solvay Şişecam Holding AG	3,597	3,132
Şişecam Shanghai Trade Co. Ltd.	3,293	6,141
Paşabahçe Glass GmbH	344	200
Türkiye İş Bankası A.Ş. ve İşbank AG	309	309
Fabrika Cementa Lukavac D.D. (FCL)	74	30
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	69	96
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	63	91
İş Net Elektronik Bilgi Üretim Dağ. Tic. ve İlet. Hiz. A.Ş.	37	38
Oxyvit Kimya Sanayii ve Tic. A.Ş. (*)	-	6,243
İş Merkezleri Yönetim ve İşletim A.Ş.	-	2,101
Saint Gobain Glass Egypt S.A.E	-	1,535
Omco İstanbul Kalıp Sanayii ve Tic. A.Ş. (**)	-	486
Bosen Enerji Elektrik Üret. Oto Pro. Grb. A.Ş.	-	399
Paşabahçe Spain SL	-	178
İş Yatırım Menkul Değerler A.Ş.	-	1
Anadolu Hayat Emeklilik Sigorta A.Ş.	-	1
	<b>30,352</b>	<b>32,060</b>

Trade payables to related parties:

Trade receivables due to related parties	31 December 2017	31 December 2016
Solvay Şişecam Holding AG	49,736	35,830
Anadolu Anonim Türk Sigorta Şirketi	3,918	5,463
Rudnik Krechnjaka Vijenac D.O.O.	2,303	1,092
İş Merkezleri Yönetim ve İşletim A.Ş.	1,749	2,815
Şişecam Shanghai Trade Co. Ltd.	310	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	170	329
Paşabahçe USA Inc.	159	38
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	14	9
Kültür Yayınları İş-Türk Ltd. Şti.	12	-
İş Net Elektronik Bilgi Üretim Dağ. Tic. ve İlet. Hiz. A.Ş.	3	8
Omco İstanbul Kalıp Sanayii ve Tic. A.Ş. (**)	-	17,495
Oxyvit Kimya Sanayii ve Tic. A.Ş. (*)	-	11,267
İş Portföy Yönetimi A.Ş.	-	83
İş Yatırım Menkul Değerler A.Ş.	-	13
	<b>58,374</b>	<b>74,442</b>

(\*) Within the new shares received, Oxyvit Kimya Sanayii ve Tic. A.Ş. is accounted as a subsidiary with full consolidation method as of 25 July 2017, and the receivable and payable amounts have been eliminated.

(\*\*) Omco İstanbul Kalıp Sanayii ve Tic. A.Ş. has been sold as of 12 June 2017.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 37. Related Party Disclosures

Other payables to related parties	31 December 2017	31 December 2016
Dividend Payable to Shareholders (*)	2,147	1,469
Saint Gobain Glass France S.A.	1,633	769
Saint Gobain Glass Egypt S.A.E.	1,090	-
Paşabahçe Glass GmbH	281	193
Paşabahçe Spain SL	97	247
Denizli Cam Sanayii Vakfi	34	24
Tasfiye Halinde Mepa Merkezi Pazarlama A.Ş.	-	2,391
	<b>5,282</b>	<b>5,093</b>

(\*) Consist of the accumulated dividend of the founding shareholders of Anadolu Cam Sanayii A.Ş. (one of our subsidiaries).

Income and expenses from/ to related parties:

Interest income from related parties	1 January- 31 December 2017	1 January- 31 December 2016
Türkiye İş Bankası A.Ş. ve İşbank AG	136,980	76,794
Paşabahçe USA Inc.	175	-
İş Merkezleri Yönetim ve İşletim A.Ş.	2	-
İş Portföy Yönetimi A.Ş.	-	4,949
Oxyvit Kimya Sanayii ve Tic. A.Ş.	-	300
Rudnik Krechnjaka Vijenac D.O.O.	-	10
İş Net Elektronik Bilgi Üretim Dağ. Tic. ve İlet. Hiz. A.Ş.	-	2
	<b>137,157</b>	<b>85,055</b>

Interest expenses to related parties	1 January- 31 December 2017	1 January- 31 December 2016
IFC	3,278	3,345
Türkiye Sınai Kalkınma Bankası A.Ş.	974	798
Türkiye İş Bankası A.Ş. ve İşbank AG	665	4,952
European Bank For Reconstruction and Development ("EBRD")	441	-
Oxyvit Kimya Sanayii ve Tic. A.Ş.	-	213
Tasfiye Halinde Mepa Merkezi Pazarlama A.Ş.	-	118
Omco İstanbul Kalıp Sanayii ve Tic. A.Ş.	-	6
	<b>5,358</b>	<b>9,432</b>

Income and expenses from/ to related parties:

Dividend income from related parties	1 January- 31 December 2017	1 January- 31 December 2016
İş Finansal Kiralama A.Ş.	-	15

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

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### 37. Related Party Disclosures

	1 January- 31 December 2017	1 January- 31 December 2016
<b>Gain of the valuation difference of held to maturity financial assets</b>		
Türkiye İş Bankası A.Ş.	45,833	39,747
Türkiye Sınai Kalkınma Bankası A.Ş.	19,090	17,309
	<b>64,923</b>	<b>57,056</b>

Income and expenses from/ to related parties (Continued):

	31 December 2017	31 December 2016
<b>Other income from related parties</b>		
Hindusthan National Glass and Industries Limited <sup>(1)</sup>	13,583	-
HNG Float Glass Limited <sup>(1)</sup>	11,979	694
Paşabahçe USA Inc. <sup>(2)</sup>	6,630	5,990
Solvay Şişecam Holding AG <sup>(3)</sup>	3,896	3,077
Anadolu Anonim Türk Sigorta Şirketi <sup>(4)</sup>	3,626	4,269
Saint Gobain Glass Egypt S.A.E.	2,939	3,882
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	1,406	154
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	670	694
Paşabahçe Glass GmbH	542	401
Rudnik Krecnjaka Vijenac D.O.O.	418	329
İş Net Elektronik Bilgi Üretim Dağ. Tic. Ve İlet. Hiz. A.Ş.	373	383
Türkiye İş Bankası A.Ş. ve İşbank AG	277	279
Fabrika Cementa Lukavac D.D. (FCL)	92	73
Türkiye Sınai Kalkınma Bankası A.Ş. ve TSKB Gayrimenkul Değerleme A.Ş.	15	8
Milli Reasürans T.A.Ş.	11	8
Anadolu Hayat Emeklilik Sigorta A.Ş.	6	4
Yatırım Finansman Yatırım Ortaklığı A.Ş.	5	2
İş Portföy Yönetimi A.Ş.	5	2
İş Yatırım Menkul Değerler A.Ş.	4	5
İş Merkezleri Yönetim ve İşletim A.Ş.	2	16,987
İş Factoring Finansman Hizmetleri A.Ş.	2	1
Oxyvit Kimya Sanayii ve Tic. A.Ş. <sup>(5)</sup>	-	5,578
Bosen Enerji Elektrik Üret. Oto Pro. Grb. A.Ş.	-	3,993
Omco İstanbul Kalıp Sanayii Ve Tic. A.Ş.	-	925
Saint Gobain Glass France S.A.	-	9
Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güv. Ve Yard. Vakfı	-	2
İş Finansal Kiralama A.Ş.	-	1
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	-	1
	<b>46,481</b>	<b>47,751</b>

<sup>(1)</sup> Consists of revenues from sales of energy.

<sup>(2)</sup> Consists of revenues from sales of glassware.

<sup>(3)</sup> Consist of management and technic service income.

<sup>(4)</sup> TRY 3,611 thousand of the total amount consist of insurance agency income that Şişecam Sigorta Aracılık Hizmetleri A.Ş. acquired between 1 January and 31 December 2017 (1 January - 31 December 2016: TRY 4,203 thousand).

<sup>(5)</sup> With the new shares received, the subsidiary is accounted as a subsidiary with full consolidation method as of 25 July 2017 and income and expense amounts have been eliminated.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 37. Related Party Disclosures

Income and expenses from/ to related parties:

	1 January- 31 December 2017	1 January- 31 December 2016
<b>Other expense to related parties</b>		
Solvay Şişecam Holding AG <sup>(1)</sup>	239,466	184,955
İş Gayrimenkul Yatırım Ortaklığı A.Ş. <sup>(2)</sup>	16,005	22,462
Rudnik Krecnjaka Vijenac D.O.O. <sup>(3)</sup>	13,503	10,881
İş Merkezleri Yönetim ve İşletim A.Ş. <sup>(4)</sup>	8,707	9,442
Anadolu Anonim Türk Sigorta Şirketi	3,860	4,346
Paşabahçe Glass GmbH	1,967	1,727
Türkiye İş Bankası A.Ş. ve İşbank AG	1,436	1,298
Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güv. ve Yard. Vakfı	1,009	975
İş Portföy Yönetimi A.Ş.	1,081	523
Paşabahçe Spain SL	994	769
Anadolu Hayat Emeklilik Sigorta A.Ş.	703	446
Paşabahçe USA Inc.	581	519
İş Yatırım Menkul Değerler A.Ş.	439	538
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	371	338
Kültür Yayınları İş-Türk Ltd. Şti.	20	25
Fabrika Cementa Lukavac D.D. (FCL)	2	-
Omco İstanbul Kalıp Sanayii ve Tic. A.Ş. <sup>(5)</sup>	-	29,192
Şişecam Shanghai Trade Co. Ltd.	-	2,356
Oxyvit Kimya Sanayii ve Tic. A.Ş. <sup>(6)</sup>	-	713
	<b>290,144</b>	<b>271,505</b>

<sup>(1)</sup> Amount consists of the purchases of soda from Solvay Sodi AD.

<sup>(2)</sup> TRY 15,705 thousand of the total amount consists of rent expenses for İş Kuleleri, Kule 3 for the period of 1 January - 31 December 2017 (1 January - 31 December 2016: TRY 22,102 thousand).

<sup>(3)</sup> Amount consists of the expenses related with purchase of glass raw-materials (sand).

<sup>(4)</sup> It consists of management and operating expenses of Tuzla Şişecam Headquarters and İş Kuleleri

<sup>(5)</sup> It consists of mold expenses. On 12 June 2017 the business partnership was sold out of the Group.

<sup>(6)</sup> Oxyvit Kimya Sanayii ve Tic. A.Ş. As of 25 July 2017 together with new shares acquired, the subsidiary have been included in consolidation and income and expense amounts have been eliminated

	1 January- 31 December 2017	1 January- 31 December 2016
<b>Short-term benefits provided to key management</b>		
Parent (Holding)	18,010	16,308
Consolidated entities	53,656	47,835
	<b>71,666</b>	<b>64,143</b>

Key management personnel are composed of top management, members of board of directors, general manager and general manager assistants and factory directors. The Group did not provide key management with post-employment benefits, benefits due to outplacement, share-based payment and other long-term benefits between 1 January - 31 December 2017 and 1 January - 31 December 2016.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 38. Financial Instruments and Financial Risk Management

#### a) Capital Risk Management

The Group manages its capital to ensure that it will maintain its status as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings and other debts disclosed in Notes 8 and 10, cash and cash equivalents disclosed in Note 6 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 27.

The management of the Group considers the cost of capital and the risks associated with each class of capital. The management of the Group aims to balance its overall capital structure through the payment of dividends, new share issues and the issue of new debt or the redemption of existing debt.

The Group controls its capital using the net debt / total equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total liability (comprises of financial liabilities, leasing and trade payables as presented in the statement of financial position) less cash and cash equivalents.

As of 31 December 2017 and 31 December 2016 the Group's net debt / total equity ratios are as follows:

	31 December 2017	31 December 2016
Financial liabilities and trade payables	7,048,609	6,749,308
Less: Cash and cash equivalents and financial assets held to maturity	(5,316,721)	(4,291,041)
<b>Net debt</b>	<b>1,731,888</b>	<b>2,458,267</b>
<b>Total equity</b>	<b>13,062,415</b>	<b>11,329,624</b>
<b>Net debt / total equity ratio</b>	<b>%13</b>	<b>%22</b>

The Group's general strategy is in line with prior periods.

#### b) Financial Risk Factors

The Group's activities expose it to various financial risks, market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects over the Group's financial performance.

The Group manages its financial instruments centrally in accordance with the Group's risk policies via Accounting Department. The Group's cash inflows and outflows are monitored by the reports prepared on a daily, weekly and monthly basis and compared to the monthly and yearly cash flow budgets.

Risk management is carried out by the Risk Management Department under the policies approved by the Board of Directors. The Group's Risk Management Department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board of Directors sets out written principles for overall risk management, as well as written policies covering specific areas, such as; foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

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### 38. Financial Instruments and Financial Risk Management

#### b) Financial Risk Factors

##### b.1) Credit Risk Management

Credit risk refers to the risk that counterparty will default on its contractual obligations. The Group's management mitigates this risk through limitations on the contracts made with counterparties and obtaining sufficient collaterals where appropriate. The Group's credit risks mainly arise from its trade receivables. The Group manages this risk by the credit limits up to the guarantees received from customers. Use of credit limits is monitored by the Group by taking into consideration the customer's financial position, past experiences and other factors and customer's credibility is evaluated on a consistent basis. Trade receivables are evaluated based on the Group's policies and procedures and presented net in the financial statements after the provision for doubtful receivables is made (Note 10).

Trade receivables consist of many customers operating in various industries and locations. Credit risk of the receivables from counterparties is evaluated.

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**38. Financial Instruments and Financial Risk Management**

**b) Financial Risk Factors**

b.1) Credit Risk Management

	Receivables			
	Trade Receivables	Third Parties	Related Parties	Other Receivables
<b>Credit risks exposed through types of financial instruments</b>				
<b>Maximum credit risk exposed as of balance sheet date</b>				
<b>31 December 2017 <sup>(*)</sup> (A+B+C+D+E)</b>				
- The part of maximum risk under guarantee with collaterals etc	30,352	2,307,926 (785,820)	-	54,603
A. Net book value of financial assets that are neither past due nor impaired	30,352	2,053,744 (749,693)	-	54,603
- The part under guarantee with collaterals, etc.	-	-	-	-
B. Net book of financial assets that are renegotiated, if not that will be accepted as part due or impaired	-	-	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	254,182 (36,127)	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-
D. Net book value of impaired assets	-	-	-	-
- Past due (gross carrying amount)	-	88,288	-	960
- Impairment (-)	-	(88,288)	-	(960)
- The part under guarantee with collaterals, etc	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-
- Impairment (-)	-	-	-	-
- The part under guarantee with collaterals, etc	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-

<sup>(\*)</sup> Factors that increase the credit reliability, such as; guarantees received, are not considered in the calculation.

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**38. Financial Instruments and Financial Risk Management**

**b) Financial Risk Factors**

b.1) Credit Risk Management

	Receivables			
	Trade Receivables	Third Parties	Related Parties	Other Receivables
<b>Credit risks exposed through types of financial instruments</b>				
<b>Maximum credit risk exposed as of balance sheet date</b>				
<b>31 December 2016 <sup>(*)</sup> (A+B+C+D+E)</b>				
- The part of maximum risk under guarantee with collaterals etc.	32,060	2,011,869 (668,343)	-	80,210
A. Net book value of financial assets that are neither past due nor impaired	32,060	1,758,139 (621,572)	-	80,210
- The part under guarantee with collaterals, etc.	-	-	-	-
B. Net book of financial assets that are renegotiated, if not that will be accepted as part due or impaired	-	-	-	-
- The part under guarantee with collaterals, etc	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	253,730 (46,771)	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-
D. Net book value of impaired assets	-	-	-	-
- Past due (gross carrying amount)	-	68,216	-	275
- Impairment (-)	-	(68,216)	-	(275)
- The part under guarantee with collaterals, etc	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-
- Impairment (-)	-	-	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-

<sup>(\*)</sup> Factors that increase the credit reliability, such as; guarantees received, are not considered in the calculation.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

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### 38. Financial Instruments and Financial Risk Management

#### b) Financial Risk Factors

##### b.1) Credit Risk Management

Guarantees received from the customers are as follows:

	31 December 2017	31 December 2016
Letters of guarantee	308,076	268,678
Direct debit system	231,850	203,370
Security cheques and bonds	204,959	150,218
Mortgages	27,890	32,708
Cash	13,045	13,369
	<b>785,820</b>	<b>668,343</b>

Collaterals for the trade receivables that are past due but not impaired are as stated below:

	31 December 2017	31 December 2016
1-30 days overdue	126,787	158,620
1-3 months overdue	45,084	59,934
3-12 months overdue	63,894	27,817
1-5 years overdue	18,417	7,359
<b>Total overdue receivables</b>	<b>254,182</b>	<b>253,730</b>

<b>The part secured with guarantee, etc. (-)</b>	<b>(36,127)</b>	<b>(46,771)</b>
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##### b.2) Liquidity Risk Management

The Group manages liquidity risk by providing the continuity of sufficient funds and loan reserves, by twinning the maturities of financial assets and liabilities and by following cash flow regularly.

##### Liquidity risk tables

Conservative liquidity risk management requires maintaining adequate reserves in addition to having the ability to utilize adequate level of credit lines and funds as well as closing market positions.

Funding risk attributable to the current and future potential borrowing needs is managed by providing continuous access to an adequate number of high quality creditors.

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### 38. Financial Instruments and Financial Risk Management

#### b) Financial Risk Factors

##### b.2) Liquidity Risk Management

##### Liquidity risk tables

The following table details the Group's expected maturity for its financial liability. The tables below have been prepared based on the undiscounted contractual maturities and the earliest date of payment of the financial liability. Amount of interest payable to be paid of financial liabilities are included in the table.

		31 December 2017				
Non derivative financial liabilities	Carrying value	Total Cash Outflows in accordance with contracts (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Bank Loans	4,004,517	4,241,718	318,304	1,815,712	1,997,930	109,772
Bond issued	1,891,284	2,086,332	-	80,153	2,006,179	-
Financial Leases	942	942	302	325	315	-
Trade Payables	1,093,492	1,099,537	1,082,669	16,868	-	-
Due to related parties	63,656	63,656	63,656	-	-	-
Other financial liabilities	148,092	148,159	145,325	-	2,834	-
<b>Total Liabilities</b>	<b>7,201,983</b>	<b>7,640,344</b>	<b>1,610,256</b>	<b>1,913,058</b>	<b>4,007,258</b>	<b>109,772</b>

Derivative financial	Carrying value	Total Cash Outflows in accordance with contracts (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Cash inflows	1,209	1,209	-	1,209	-	-
Cash outflows	(20,252)	(20,252)	-	(20,252)	-	-
	<b>(19,043)</b>	<b>(19,043)</b>	<b>-</b>	<b>(19,043)</b>	<b>-</b>	<b>-</b>

		31 December 2016				
Non derivative financial liabilities	Carrying value	Total Cash Outflows in accordance with contracts (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Bank loans	4,016,001	4,399,928	283,239	1,931,812	1,961,907	222,970
Bond issued	1,762,162	2,021,341	-	74,783	1,946,558	-
Financial Leases	2,025	2,025	320	952	753	-
Trade Payables	894,678	898,621	871,221	27,400	-	-
Due to related parties	79,535	79,535	79,535	-	-	-
Other financial liabilities	171,861	171,915	133,111	-	38,804	-
<b>Total liabilities</b>	<b>6,926,262</b>	<b>7,573,365</b>	<b>1,367,426</b>	<b>2,034,947</b>	<b>3,948,022</b>	<b>222,970</b>

Derivative financial	Carrying value	Total Cash Outflows in accordance with contracts (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Cash inflows	831	831	831	-	-	-
Cash outflows	(41,582)	(41,582)	(190)	(190)	(41,203)	-
	<b>(40,751)</b>	<b>(40,751)</b>	<b>641</b>	<b>(190)</b>	<b>(41,203)</b>	<b>-</b>



# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

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### 38. Financial Instruments and Financial Risk Management

#### b) Financial Risk Factors

##### b.3) Market risk management

The Group is exposed to financial risks related to changes in foreign exchange and interest rates as a consequence of its operations. At the Group level, market risk exposures are measured by sensitivity analysis. When compared to previous year, there has been no change in the Group's exposure to market risks, hedging methods used or the measurement methods used for such risks.

##### b.3.1) Foreign currency risk management

Transactions in foreign currency cause the exchange rate risk to occur. The Group has adopted currencies different than the functional currencies according to the economies of the countries in which the subsidiaries and associates operate as foreign currencies.

The breakdown of the Group's foreign currency denominated monetary and non-monetary assets and liabilities as of the balance sheet date are as follows:

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### 38. Financial Instruments and Financial Risk Management

#### b) Financial Risk Factors

##### b.3) Market risk management

##### b.3.1) Foreign currency risk management

	Foreign Currency Position as of 31 December 2017			
	TRY equivalent	USD	EUR	TRY Equivalent of other Currencies
1. Trade receivables	626,215	91,334	53,533	39,984
2a. Monetary financial assets, (cash and banks included)	2,454,359	410,913	192,451	35,424
2b. Non-monetary financial assets	95,199	25,239	-	-
3. Other	46,974	7,538	3,775	1,495
<b>4. Current assets (1+2+3)</b>	<b>3,222,747</b>	<b>535,024</b>	<b>249,759</b>	<b>76,903</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	1,782,936	472,689	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	94,006	776	19,324	3,821
<b>8. Non-current assets (5+6+7)</b>	<b>1,876,942</b>	<b>473,465</b>	<b>19,324</b>	<b>3,821</b>
<b>9. Total Assets (4+8)</b>	<b>5,099,689</b>	<b>1,008,489</b>	<b>269,083</b>	<b>80,724</b>
10. Trade payables	214,019	24,474	25,793	5,238
11. Financial liabilities	812,023	16,698	165,882	-
12a. Other monetary liabilities	107,072	21,544	5,214	2,266
12b. Other non-monetary liabilities	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>1,133,114</b>	<b>62,716</b>	<b>196,889</b>	<b>7,504</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	2,438,516	537,559	90,997	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>2,438,516</b>	<b>537,559</b>	<b>90,997</b>	<b>-</b>
<b>18 Total liabilities (13+17)</b>	<b>3,571,630</b>	<b>600,275</b>	<b>287,886</b>	<b>7,504</b>
19. Net assets of off balance sheet derivative items/ (liability) position (19a - 19b)	(293,508)	-	(65,000)	-
19a. Total amount of assets hedged	45,155	-	10,000	-
19b. Total amount of liabilities hedged	338,663	-	75,000	-
<b>20 Net foreign assets / (liability) position (9-18+19)</b>	<b>1,234,551</b>	<b>408,214</b>	<b>(83,803)</b>	<b>73,220</b>
<b>21. Net foreign currency asset / (liability) / (position of monetary items (=1+2a+5+6a 10-11-12a-14-15-16a))</b>	<b>1,291,880</b>	<b>374,661</b>	<b>(41,902)</b>	<b>67,904</b>
22. Fair value of derivative instruments used in foreign currency hedge	(19,042)	-	(4,217)	-
23. Export	3,189,628	467,959	326,709	139,475
24. Import	1,202,150	139,778	161,746	27,008

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### 38. Financial Instruments and Financial Risk Management

#### b) Financial Risk Factors

##### b.3) Market risk management

##### b.3.1) Foreign currency risk management

Foreign Currency Position as of 31 December 2016				
	TRY Equivalent	USD	EUR	TRY Equivalent of other Currencies
1. Trade receivables	556,802	95,263	50,863	32,856
2a. Monetary financial assets, (cash and banks included)	2,238,535	450,280	169,519	25,011
2b. Non-monetary financial assets	53,975	15,337	-	-
3. Other	126,440	13,480	21,000	1,092
<b>4. Current assets (1+2+3)</b>	<b>2,975,752</b>	<b>574,360</b>	<b>241,382</b>	<b>58,959</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	1,028,869	292,359	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	22,812	309	5,573	1,051
<b>8. Non-current Assets (5+6+7)</b>	<b>1,051,681</b>	<b>292,668</b>	<b>5,573</b>	<b>1,051</b>
<b>9. Total assets (4+8)</b>	<b>4,027,433</b>	<b>867,028</b>	<b>246,955</b>	<b>60,010</b>
10. Trade payables	228,570	36,455	26,020	3,745
11. Financial liabilities	630,520	50,898	121,674	-
12a. Other monetary liabilities	41,583	4,118	7,100	753
12b. Other non-monetary liabilities	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>900,673</b>	<b>91,471</b>	<b>154,794</b>	<b>4,498</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	2,746,391	551,746	216,903	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>2,746,391</b>	<b>551,746</b>	<b>216,903</b>	<b>-</b>
<b>18. Total liabilities (13+17)</b>	<b>3,647,064</b>	<b>643,217</b>	<b>371,697</b>	<b>4,498</b>
19. Net assets of off balance sheet derivative items/ (liability) position (19a - 19b)	(284,178)	-	(76,600)	-
19a. Total amount of assets hedged	7,420	-	2,000	-
19b. Total amount of liabilities hedged	291,598	-	78,600	-
<b>20. Net foreign assets / (liability) position (9-18+19)</b>	<b>96,191</b>	<b>223,812</b>	<b>(201,342)</b>	<b>55,510</b>
<b>21. Net foreign currency asset / (liability) / (position of monetary items (=1+2a+5+6a- 10-11-12a-14-15-16a))</b>	<b>177,142</b>	<b>194,685</b>	<b>(151,315)</b>	<b>53,369</b>
22. Fair value of derivative instruments used in foreign currency hedge	(40,751)	-	(10,984)	-
23. Export	2,106,581	383,476	251,516	109,769
24. Import	615,026	89,330	98,929	15,240

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

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### 38. Financial Instruments and Financial Risk Management

#### b) Financial Risk Factors

##### b.3) Market risk management

##### b.3.1) Foreign currency risk management

The Group is mainly exposed to EUR and USD risks. Effects of other currencies are immaterial.

The table below represents the Group's sensitivity to a 10% deviation in foreign exchange rates (especially USD and EUR). 10% is the rate used by the Group while generating exchange rate risk reports; the related rate stands for the presumed possible change in the foreign currency rates by the Group's management. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. This analysis includes foreign currency denominated bank loans other than the functional currency of the ultimate user or borrower of the bank loans. The positive amount indicates increase in profit / loss before tax or equity.

#### Foreign currency sensitivity

	31 December 2017			
	Profit / (Loss)		Equity	
	Foreign currency appreciation	Foreign currency devaluation	Foreign currency appreciation	Foreign currency devaluation
Change of USD against TRY by 10%				
1- USD net assets / liabilities	141,318	(141,318)	-	-
2- USD hedged from risks (-)	-	-	-	-
<b>3- USD net effect (1+2)</b>	<b>141,318</b>	<b>(141,318)</b>	<b>-</b>	<b>-</b>
Change of EUR against TRY by 10%				
4- EUR net assets / liabilities	(18,920)	18,920	677,517	(677,517)
5- EUR hedged from risks (-)	(29,351)	29,351	-	-
<b>6- EUR net effect (4+5)</b>	<b>(48,271)</b>	<b>48,271</b>	<b>677,517</b>	<b>(677,517)</b>
Change of other currencies against TRY by 10%				
7- Other currencies net assets / liabilities	6,790	(6,790)	163,097	(163,097)
8- Other currencies hedged from risks (-)	-	-	-	-
<b>9- Other currencies net effect (7+8)</b>	<b>6,790</b>	<b>(6,790)</b>	<b>163,097</b>	<b>(163,097)</b>
<b>Total (3+6+9)</b>	<b>99,837</b>	<b>(99,837)</b>	<b>840,614</b>	<b>(840,614)</b>

(\*) Presents the increase or decrease in total shareholders' equity due to 10% change in currency translation to Turkish Lira of Subsidiaries, Associates and Ventures operating outside of Turkey.

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### 38. Financial Instruments and Financial Risk Management

#### b) Financial Risk Factors

##### b.3) Market Risk Management

##### b.3.1) Foreign currency risk management

##### *Foreign currency sensitivity*

	31 December 2016			
	Profit / (Loss)		Equity	
	Foreign currency appreciation	Foreign currency devaluation	Foreign currency appreciation	Foreign currency devaluation
Change of USD against TRY by 10%				
1- USD net assets / liabilities	68,514	(68,514)	-	-
2- USD hedged from risks (-)	-	-	-	-
<b>3- USD net effect (1+2)</b>	<b>68,514</b>	<b>(68,514)</b>	<b>-</b>	<b>-</b>
Change of EUR against TRY by 10%				
4- EUR net assets / liabilities	(56,136)	56,136	525,464	(525,464)
5- EUR hedged from risks (-)	(28,418)	28,418	-	-
<b>6- EUR net effect (4+5)</b>	<b>(84,554)</b>	<b>84,554</b>	<b>525,464</b>	<b>(525,464)</b>
Change of other currencies against TRY by 10%				
7- Other currencies net assets / liabilities	5,337	(5,337)	126,302	(126,302)
8- Other currencies hedged from risks (-)	-	-	-	-
<b>9- Other currencies net effect (7+8)</b>	<b>5,337</b>	<b>(5,337)</b>	<b>126,302</b>	<b>(126,302)</b>
<b>Total (3+6+9)</b>	<b>(10,703)</b>	<b>10,703</b>	<b>651,766</b>	<b>(651,766)</b>

<sup>(1)</sup> It represents the increase or decrease in total shareholders' equity due to 10% change in currency translation to Turkish Lira of Subsidiaries, Associates and Ventures operating outside of Turkey.

##### b.3.2) Interest rate risk management

The Group's exposure to interest rate risk is related to its financial liabilities. The Group's financial liabilities mostly consist of floating interest rate borrowings. Based on the current balance sheet composition and analysis calculated by the Group, if the TRY interest rates were increased/decreased by 1% and foreign currency interest rates were increased/decreased by 0.25% with the assumption of keeping all other variables constant, the effect on net profit/loss for the period before taxation and non-controlling interest would decrease/increase by TRY 5,320 thousand as of 31 December 2017 (31 December 2016: TRY 6,044 thousand).

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 38. Financial Instruments and Financial Risk Management

#### b) Financial Risk Factors

##### b.3) Market Risk Management

##### b.3.2) Interest rate risk management

##### *Interest rate sensitivity*

The Group's financial instruments that are sensitive to interest rates are as follows:

	31 December 2017			
	Floating Interest	Fixed Interest	Non-interest bearing	Total
<b>Financial assets</b>	<b>-</b>	<b>7,443,493</b>	<b>267,613</b>	<b>7,711,106</b>
Cash and cash equivalents	-	3,172,478	266,109	3,438,587
Financial assets	-	1,878,134	-	1,878,134
Available for sale financial assets	-	-	1,504	1,504
Trade receivables	-	2,307,926	-	2,307,926
Due from related parties	-	30,352	-	30,352
Other receivables	-	54,603	-	54,603
<b>Financial liabilities</b>	<b>2,183,131</b>	<b>5,018,539</b>	<b>313</b>	<b>7,201,983</b>
Bank borrowings	2,183,131	1,821,073	313	4,004,517
Bond issues	-	1,891,284	-	1,891,284
Financial leases	-	942	-	942
Trade payables	-	1,093,492	-	1,093,492
Due to related parties	-	63,656	-	63,656
Other payables	-	148,092	-	148,092

	31 December 2016			
	Floating Interest	Fixed Interest	Non-interest bearing	Total
<b>Financial assets</b>	<b>-</b>	<b>6,237,401</b>	<b>230,110</b>	<b>6,467,511</b>
Cash and cash equivalents	-	3,027,644	177,779	3,205,423
Financial assets	-	1,085,618	-	1,085,618
Available for sale financial assets	-	-	52,331	52,331
Trade receivables	-	2,011,869	-	2,011,869
Due from related parties	-	32,060	-	32,060
Other receivables	-	80,210	-	80,210
<b>Financial liabilities</b>	<b>2,342,386</b>	<b>4,583,489</b>	<b>387</b>	<b>6,926,262</b>
Bank borrowings	2,342,386	1,673,228	387	4,016,001
Bond issues	-	1,762,162	-	1,762,162
Financial leases	-	2,025	-	2,025
Trade payables	-	894,678	-	894,678
Due to related parties	-	79,535	-	79,535
Other payables	-	171,861	-	171,861

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 38. Financial Instruments and Financial Risk Management

#### b) Financial Risk Factors

##### b.3) Market Risk Management

##### b.3.3) Other price risks

##### Equity Price Sensitivity

The Group's financial assets available for sale that are not consolidated, is traded at BIST 100 index. Sensitivity analysis disclosed below is determined based on the equity share price risks as of the reporting date. If the equity shares prices were increased/decreased by 10% with all other variables held constant as of the reporting date:

- Net profit/loss would not be affected as of 31 December 2017 to the extent that equity share investments classified as available for sale assets are not disposed of or impaired.
- The other equity funds would increase/decrease by TRY 62 thousand (31 December 2016: TRY 48 thousand). This change is resulted from the changes in fair value of the available for sale securities.

Group's sensitivity to equity share price has not changed materially compared to the prior year.

### 39. Financial Instruments (Fair Value and Hedge Accounting Disclosures)

#### Categories of Financial Instruments

	Assets and liabilities at amortized cost	Loans and receivables	Assets for sale financial assets	Financial assets or liabilities fair value through profit or loss	Carrying Value	Note
<b>31 December 2017</b>						
<b>Financial assets</b>	<b>5,317,930</b>	<b>2,338,278</b>	<b>1,504</b>	<b>-</b>	<b>7,657,712</b>	
Cash and cash equivalents	3,438,587	-	-	-	3,438,587	6
Trade receivables	-	2,307,926	-	-	2,307,926	10
Due from related parties	-	30,352	-	-	30,352	37
Derivative financial assets	1,209	-	-	-	1,209	12
Financial investments	1,878,134	-	1,504	-	1,879,638	7
<b>Financial liabilities</b>	<b>7,074,143</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,074,143</b>	
Financial liabilities	5,896,743	-	-	-	5,896,743	8
Trade payables	1,093,492	-	-	-	1,093,492	10
Due to related parties	63,656	-	-	-	63,656	37
Derivative financial liability	20,252	-	-	-	20,252	12

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 39. Financial Instruments (Fair Value and Hedge Accounting Disclosures)

#### Categories of Financial Instruments

	Assets and liabilities at amortized cost	Loans and receivables	Assets for sale financial assets	Financial assets or liabilities fair value through profit or loss	Carrying Value	Note
<b>31 December 2016</b>						
<b>Financial assets</b>	<b>4,291,872</b>	<b>2,043,929</b>	<b>52,331</b>	<b>-</b>	<b>6,388,132</b>	
Cash and cash equivalents	3,205,423	-	-	-	3,205,423	6
Trade receivables	-	2,011,869	-	-	2,011,869	10
Due from related parties	-	32,060	-	-	32,060	37
Derivative financial investments	831	-	-	-	831	12
Financial investments	1,085,618	-	52,331	-	1,137,949	7
<b>Financial liabilities</b>	<b>6,795,983</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,795,983</b>	
Financial liabilities	5,780,188	-	-	-	5,780,188	8
Trade payables	894,678	-	-	-	894,678	10
Due to related parties	79,535	-	-	-	79,535	37
Derivative financial liability	41,582	-	-	-	41,582	12

#### Fair Value of Financial Instruments

	31 December 2017			
Financial assets	Total	Category 1	Category 2	Category 3
Financial assets available for sale	1,504	734	-	770
Derivative financial assets	1,209	-	1,209	-
<b>Total</b>	<b>2,713</b>	<b>734</b>	<b>1,209</b>	<b>770</b>

	31 December 2016			
Financial assets	Total	Category 1	Category 2	Category 3
Financial assets available for sale	52,331	508	-	51,823
Derivative financial assets	831	-	831	-
<b>Total</b>	<b>53,162</b>	<b>508</b>	<b>831</b>	<b>51,823</b>

The classification of the Group's financial assets and liabilities at fair value is as follows:

- Category 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Category 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Category 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

### 40. Events after reporting period

- In the meeting dated 29 January 2017 of the Board of Directors, In accordance with Article 10 titled "Transactions Provided by Corporate Governance Communiqué" numbered "II-17,1" which was published in the Official Gazette No. 28871 dated 3 January 2014 of the Capital Markets Board, our Company's financial plan for 2018 (budget) scope;
- From the industrial enterprises of the Group and our subsidiaries Şişecam Dış Ticaret A.Ş. of the total amount of the Company's public and publicly traded export sales is expected to reach more than 10% of the cost of the sales and the revenue of the company in the last annual financial statements announced to the public, It is expected that the export sales will be realized at the same price as the price applied to the third parties that are not related parties, a modest commission will be collected for the service to be provided and the transaction conditions will be compatible with the previous years and with the market.
- In order to meet the need for an increase in production capacity in parallel with the forecast of domestic demand and supply balance, our subsidiary, Trakya Polatlı Cam Sanayii A.Ş., it was decided to carry out the "TR 8 Polatlı Düzcam Hat Yatırımı" project which is projected as total investment amount of USD 122,600 thousand and total investment amount including operating capital requirement of USD 126,600 thousand.
- Trakya Cam Sanayii A.Ş. has decided to participate in the tender of acquisition of Sangalli Manfredonia plant located in Monte Sant'Angelo, which is an Italian-based Sangalli group, and the proposal has been submitted.
- From our subsidiaries Soda Sanayii A.Ş. has been a guarantor of the amount of TRY 175,000 thousand which will be used by Sisecam Elyaf Sanayii AŞ, which is a direct 100% owned subsidiary and located in the chemicals group, to finance the investments for the new glass fiber production facility investment.

### 41. Other Issues that Significantly Affect the Financial Statements or Other Issues, Required for the Clear Understanding of Financial Statements

#### Approval of Financial Statements

The Group's audited consolidated financial statements as of 31 December 2017 prepared in accordance with the Capital Markets Board's Communiqué Serial: II, No: 14.1 are reviewed by also considering the opinion of the Audit Committee and it has been concluded that the accompanying financial statements present fairly the consolidated financial position of the Company in accordance with the regulations issued by the Capital Markets Board and accounting policies applied by the Company. The accompanying financial statements are authorized by the Financial Controller and Reporting Director, Gökhan Güralp and the Financial Controller Statutory Reporting Manager Murat Yalçın and approved for the public announcement by the Board of Directors on 27 February 2018.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## PROFIT DISTRIBUTION OF 2017

Dear Shareholders,

We submit to your information and approval that our TRY 1.225.420 of net period profit, which was stated in 2017 consolidated financial statement that was prepared in accordance with IAS / IFRS and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member firm of Ernst&Young Global Limited) to be segregated as follows in accordance with CMB's regulations regarding profit distribution, 25<sup>th</sup> article of our Articles of Association and the considerations specified in our company's "Profit Distribution Policy";

	Thousand TRY
<b>1. Net Period Profit</b>	<b>1,225,420</b>
<b>2. As per 5/1-e Article of Corporate Tax Law the amount of dividend put in a special fund</b>	<b>(130,406)</b>
<b>3. Primary Legal Reserve</b>	<b>(43,074)</b>
<b>4. Net Distributable Period Profit</b>	<b>1,051,940</b>
<b>5. Donations Made within the year</b>	<b>449</b>
<b>6. Net Distributable Period Profit with the Addition of Donations, where the First Dividend will be calculated</b>	<b>1,052,389</b>
<b>7. First Dividend to Shareholders</b>	
- Cash	300,000
- Bonus Shares	-
<b>Total Dividend</b>	<b>300,000</b>
<b>8. Excess Reserve</b>	<b>751,940</b>

That TRY 300.000 thousand of gross dividend, which accounts for 13,33333% of current issued capital, to be distributed in cash, that the shareholders subject to withholding to be paid net cash after income tax withholding over cash profit share and that cash dividend payment date to be determined as 31 May 2018.

Kind Regards,



**ADNAN BALI**  
Chairman of the Board of Directors

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## CORPORATE GOVERNANCE COMPLIANCE REPORT

### SECTION I - DECLARATION OF COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE

Within the framework of the corporate governance principles stated in the Capital Markets Board's ("CMB") Communiqué Series II 17.1 regarding the Corporate Governance Communiqué which entered into force upon publication in Official Gazette No. 28871 dated 3 January 2014, this declaration reflects the following responsibilities of Türkiye Şişe ve Cam Fabrikaları Anonim Şirketi (the "Company") regarding determination of the duties, authorities, and responsibilities of the board of directors, subordinate committees, and managers; regarding shareholders, public disclosure, and transparency; and regarding regulation of relations with stakeholders.

Sisecam Group is an industrial group operating internationally in the flat glass, glassware, glass package, and chemicals segments. Sisecam currently operates in 13 countries, sells approximately half of its production to overseas buyers, and exports its products to 150 countries throughout the world. The Group is in the leading position in the Turkish market in all segments of glass production including flat glass, glassware, glass package, and fiberglass, and its operations cover soda and chrome composites.

Founded in 1935 by Türkiye İş Bankası A.Ş. upon a directive from Mustafa Kemal Atatürk, Sisecam is one of the most established industrial organizations in Turkey, with 82 years of corporate history. The Group is considered one of the most prominent manufacturers in the world in its field due to its scale, degree of specialization, and competitive activities.

Sisecam Group, which aims to become one of the top three companies in its sector, utilizes cutting-edge technology and innovations, continuously develops its products and production processes with R&D investments under its value creation strategy, and continuously expands its international production facilities, value-added products, and market share.

Combining its extensive experience with its ambitious vision Sisecam stays on course to become a global brand, shape its future with products and services that add value for stakeholders and shareholders, enrich, and make life easier, and which is people and environment-friendly.

As a global company in its business segment Sisecam has established management based on principles of equality, transparency, accountability, and responsibility. Its specialization and position among Europe's and the world's most prominent manufacturers, along with its compatible activities, are the clearest proof of the insight of its management.

Modern principles of management and industry, a high level of industrialization, and focus on the market and R&D are the key drivers of Sisecam's success and are the basic foundations of the Sisecam of the future. Sisecam Group aims to reinforce its vision of being the leading manufacturer in surrounding countries which is based on these principles by adopting corporate governance principles. Our company takes the utmost care to comply with capital markets legislation and Capital Markets Board (CMB) regulations in corporate governance implementations, and the principles, which were included in the appendix of the Corporate Governance Communiqué in the activity period that ended 31 December 2017, and which are not yet completely harmonized, have not caused any conflicts of interest among the stakeholders.

The explanations regarding corporate governance principles in the appendix to the Communiqué on Principles Regarding the Specification and Application of Corporate Governance that are non-compulsory for the Company are stated in the related sections of the report for the year that ended 31 December 2017.

- 1) The Company has announced publicly the dividend payment dates and capital increase history of last five years in Turkish and English on the web site.
- 2) Our parent company, Türkiye İş Bankası A.Ş., arranged an insurance policy with Anadolu Anonim Türk Sigorta Şirketi within the scope of "Executive liability insurance" for the failures that may be caused during the course of business by members of the board of directors in all group entities including the parent company's legal entity; our company and our company's subsidiaries, joint ventures, and affiliates; and the losses to occur thereof.
- 3) SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. ("SAHA"), which is officially authorized to carry out rating processes in Turkey in line with Capital Markets Board Corporate Governance Principles, completed the Periodic Revision Report on Corporate Governance Rating.

The corporate governance rating score of 94.41 (9.44 out of 10) that we declared on 16 December 2016 was revised upward to 94.83 (9.48 out of 10) on 15 December 2017 after continuous improvement efforts our company made in the field regarding application of corporate governance principles. In its rating work, SAHA used the new methodology based on Corporate Governance Principles published by the CMB in January 2014.

Main revised headings are as follows;

Main headings	Weighted	Notes
Shareholders	25%	95.36
Public disclosure and transparency	25%	96.98
Stakeholders	15%	99.48
Board of directors	35%	90.92
<b>Weighted average</b>		<b>94.83</b>

The company is placed in the first group according to the World Corporate Governance Index (WCGI), which was published by SAHA on 1 July 2016.

- 4) In order to provide more accurate and effective information to company shareholders and stakeholders, the content of the official website has been expanded and investor presentations, the investor calendar, frequently asked questions, and related captions have been provided on the official website and updated regularly.
- 5) All related party transactions along with the nature and content of the transactions for 2017 were submitted to the board of directors. There were no significant or unusual related party transactions, which were required to be submitted to the general assembly for approval in 2017 and which were not approved by an independent board member.

Within the context of these implementations the Corporate Governance Principles Compliance Report for 2017 has been prepared in accordance with Decision No: 2/35 published in weekly newsletter No: 2014/2 on 27 January 2014 by the CMB, and has been introduced in sections as follows.

### SECTION II. STAKEHOLDERS

#### 2.1. Investor Relations Department

In order to comply with the rules regarding the responsibilities arising from Capital Markets Board regulations set by legislation, and in order to operate efficiently and effectively, a centralized structure has been implemented.

The investor relations department plays an active role in protection of shareholding rights and in facilitating the use of those rights, particularly the right to a debriefing and the right to analyse. The main activities conducted within this scope are summarized as follows:

- 1) Carrying out capital markets and investor relations activities in accordance with determined strategies and policies
- 2) Execution of information management activities on capital markets and investor relations legislation
- 3) Designing a company valuation model, developing value enhancing initiatives
- 4) Following up the performance of the public shares of the public in the Community, determining the opportunities for buying and selling
- 5) Conducting the conduct of sector and competitor research and informing the Group and the Group's top management about the results of research and analysis
- 6) Coordinating of the capital markets and investor relations activities of the Group companies and providing the necessary guidance
- 7) Ensuring that investor relations activities of publicly traded companies comply with the Code of Business Conduct of the Community investor relations
- 8) Conducting analyst surveys and managing investor / analyst expectations
- 9) Representing the Group in events such as road shows, stock / bond conferences
- 10) Participating in investor and analyst meetings, making presentations and ensuring that investor and analyst questions are answered in accordance with legislation and Community strategies
- 11) Communicating with the Stock Exchange Istanbul (BIST) and the Capital Markets Board (CMB) on behalf of the Community
- 12) Preparing and publishing KAP notifications such as material disclosures, annual and interim reports in coordination with the Corporate Communications Directorate
- 13) Managing "investor relations" sections on the websites of the Group companies
- 14) Managing relations with rating agencies in coordination with the Treasury and Finance Directorate
- 15) Determining the training needs of the Group companies regarding capital markets and investor relations

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## CORPORATE GOVERNANCE COMPLIANCE REPORT

- 16) Supporting for the public offering, block sales and direct sales activities of shares of the Group companies
- 17) Contribution to the process of preparation of interim and annual reports
- 18) Providing top management feedback on the views of investors, expectations and views of Group companies
- 19) Assessing and monitoring of complaints and proposals from outside the Community regarding the Financial Affairs Presidency

All requirements and responsibilities of Sisecam and other public companies, in accordance with the Turkish Commercial Code and capital markets board legislation, have been fulfilled with the supervision, orientation, and coordination of the "Investor Relations Department", which falls within the area of responsibility of Financial Affairs Group Director Mustafa Görkem Elverici in line with the corporate governance principles of the CMB. In this context, in accordance with CMB II- 17.1 No. Corporate Governance Communiqué of Article 11, Hande Özbörcek, Department Manager, who holds a Capital Markets Activities Level 3 License and Corporate Governance with Rating License, and Başak Öge, Corporate Finance Investor Relations Manager, were appointed as responsible parties, and this mandate was disclosed to the public through the PDP on 11 April 2016.

The investor relations department submits a report to the board of directors at least once a year on the activities it has conducted, including the assessments of investors and brokerage companies throughout the year.

Meetings and conference calls were held with domestic and foreign brokerage and asset management companies. One- on-one interviews were held with analysts. Investors can request information by contacting the investor relations department directly by sending an e-mail or filling out the information request form open to public on the Company's website. Records of written and oral information requests related to the requests are held by the Department of Investor Relations.

Information and disclosures were updated regularly on the Company website, with the aim of informing the public and shareholders.

Communications providing detailed information to investors regarding the activities of the Company in 2017 are summarized below.

- In 2017, we attended 10 conferences and 3 roadshows regarding shares and bond investors organized and we interviewed around 300 investors in total, including those interviewed at investor meetings held in our company headquarters. Conferences attended: JP Morgan (Miami), BofAML (Miami), HSBC (London), BGC (London), JP Morgan (London), İş Yatırım (London), Woods&Co. (Prag), Raiffeisen (Frankfurt), Goldman Sachs (Istanbul), İş Yatırım (Istanbul), İş Yatırım (NDR-Warsaw,Stokholm), İş Yatırım (NDR-New York, Boston), Goldman Sachs (NDR- Abu Dhabi & Dubai).
- "Analyst Day" was organized on April 27, 2017 with the participation of 35 analysts and investors in Sisecam Headquarters. The total number of calls made by investors via telephone, individual meetings, roadshows and conferences is approximately 400. Nearly 150 analyst reports have been published as a result of interviews conducted effectively with analysts reporting on publicly traded companies. In addition, in 2017, two webcasts were scheduled to share the 2016 year end and 2017 first half financial results. The transcript of these teleconferences is published on our internet site in both Turkish and English.

### Investor Relations Responsibilities:

CFO: Mustafa Görkem Elverici  
Investor Relations Director: Başak Öge  
Investor Relations Executive: Hande Özbörcek  
Financial Control and Reporting Director: Gökhan Güralp  
Financial Control and Legal Reporting Manager: Murat Yalçın

Investor Relations Responsibilities, Hande Özbörcek and Murat Yalçın from the department have the Capital Market Activity Level 3 License and Corporate Governance Rating Licenses. In addition, Gökhan Güralp, Director of Financial Control and Reporting and Murat Yalçın, Manager of Financial Control and Legal Reporting, have Public Accountancy Licence and independent auditor certificates issued the Public Oversight Authority ("KGK").

### 2.2. Shareholders' Use of Information Rights

Shareholders are not discriminated against when making use of their right to obtain and evaluate information. Each shareholder has the right to obtain and evaluate information. There are no regulations under the articles of association that limit the right to receive information.

In 2017, written and verbal information requests from investors and shareholders were responded to in accordance with capital markets legislation, CMB regulations, and resolutions, and related information and documents, except for confidential information or trade secrets were, conveyed to investors and shareholders as required by the equality principles.

Within the framework of the laws and regulations in effect, the Company's corporate web site is effectively utilized to ensure that the information rights of shareholders are expanded and may be used efficiently. Within this scope, the Company's corporate web site, [www.sisecam.com.tr](http://www.sisecam.com.tr), contains the information for shareholders that is suggested by the corporate governance principles and the regulatory authorities, in both Turkish and English.

In addition, for supporting the right of shareholders to obtain information, press bulletin given to the press by the Company and public statements by Company officials regarding quarterly operating results are presented to the shareholders on the corporate website under the "Investor Relations" section.

Though our articles of association do not govern the right of individual shareholders to demand a special auditor, to date no shareholder has submitted such a request.

### 2.3. General Assembly Meeting

The announcement of a general assembly meeting is made through the Public Disclosure Platform (PDP), the Electronic General Assembly System (EGAS), the corporate website of the Company, and the Turkish Trade Registry Gazette at least three weeks before the meeting in order to reach the maximum number of shareholders. In addition, before the general assembly meeting, "information documents" regarding agenda items are prepared and announced to the public. All announcements and notifications required by the Turkish Commercial Code (TCC), capital markets legislation, CMB regulations and decisions, and articles of association are made.

All announcements prior to the general shareholders' meeting included information such as the date and time of the meeting and did not contain any ambiguity about the exact location of the meeting, agenda items of the meeting, the body issuing the invitation to the meeting, or the exact location where the annual report, financial statements, and other meeting documents could be examined. In this context, the annual report, financial reports, other documents forming the basis for agenda items, and the profit distribution proposal from the date of the announcement, were posted on the Company website and at Company headquarters to facilitate easy access by shareholders.

In addition to these, in the corporate website, [www.sisecam.com.tr](http://www.sisecam.com.tr), in the "Corporate Identity and Management" section under the "Investor Relations Department", yearly "Ordinary General Meeting", "Extraordinary General Assembly" and "Independent, Company and Community Auditor" information has been presented to shareholders under the heading "Announcements and Documents of the General Assembly".

Agenda items were put under a separate heading and expressed clearly in a manner, which would not result in any misinterpretations. Expressions like "other" and "various" were not used. Information submitted to the shareholders prior to the general shareholders' meeting was related to the agenda items.

Subjects, which the shareholders send to the investor relations department of the Company in writing, are considered by the board of directors. There were no such requests within this period.

The utmost care is shown to hold general assembly meetings without causing inequality among the shareholders and to organize the meetings to make sure shareholders can participate at the lowest possible cost. Within this context, the time of the general assembly meeting is determined by considering traffic, transportation, and similar environmental factors. Electronic general assembly is also considered as an option, which may increase the possibility for shareholders to participate in these meetings.

At the general assembly meeting agenda items were expressed in an unbiased and detailed manner and presented clearly and concisely to provide shareholders with the opportunity to express their opinions under equal conditions and raise any questions. Any question asked by the shareholders at the General Assembly meeting and not included in the trade secret is answered directly. If the question was not related to the agenda or was so comprehensive that it could not be answered immediately, the investor relations department responded them as soon as possible. However, no questions were asked to be answered at the ordinary general assembly meeting held in 2017.

Shareholders were informed if permission was granted to shareholders who control management, members of the board of directors, managers with administrative responsibility, their spouses, or relatives up to second degree blood relatives to execute transactions and compete with the holding and/or its affiliates, to make commercial business transaction for themselves or on behalf of others, or to join to another company dealing with the same type of commercial business as a partner with unlimited responsibility, and this topic was included as a separate item on the agenda of the general shareholders' meeting.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## CORPORATE GOVERNANCE COMPLIANCE REPORT

Any authorization for the board of directors to engage in activity within the scope of Articles 395 and 396 of the Turkish Commercial Code is included as a separate item on the agenda of the general shareholders' meeting.

The members of the board of directors associated with issues of a special nature on the agenda, other relevant persons, authorized persons who were responsible for preparing the financial statements, and auditors were present to provide necessary information and answer questions at the general shareholders' meeting.

If there is a significant change in the management and operation of the company, the public is informed within the frame of the regulation.

The Company's articles of association were amended in compliance with corporate governance principles with respect to significant transactions and related party transactions defined in the corporate governance principles of the CMB and providing guarantees, pledges, and securities to third parties.

Within this context, in this period;

At our board of directors' meeting of 24 March 2017, it was decided our company would jointly and severally be guarantors to ensure that our subsidiaries Paşabahçe Cam Sanayii ve Ticaret AŞ, which carry out activities in Turkey, receive a loan amounting to 150 million TRY from Rabobank.

At our board of directors' meeting of 23 May 2017, it was decided our company would jointly and severally be guarantors to ensure that our subsidiaries Paşabahçe Cam Sanayii ve Ticaret AŞ, which carry out activities in Turkey, receive a loan amounting to 125 million TRY from Eximbank.

At our board of directors' meeting of 2 June 2017, it was decided our company and Anadolu Cam Sanayii AŞ, one of our subsidiaries, would jointly and severally be guarantors to ensure that our subsidiaries Balsand B.V., which carry out activities in Holland, receive a loan amounting to 30 million EUR from Rabobank.

At our board of directors' meeting of 31 July 2017, it was decided our company and Trakya Cam Sanayii AŞ, one of our subsidiaries, would jointly and severally be guarantors to ensure that our subsidiaries Trakya Glass Bulgaria EAD, which carry out activities in Bulgaria,

receive a loan amounting to 30 million EUR from Bank of Tokyo. In the same meeting, it was decided our company and Paşabahçe Cam Sanayii ve Ticaret AŞ, one of our subsidiaries, would jointly and severally be guarantors to ensure that our subsidiaries Paşabahçe Bulgaria EAD, which carry out activities in Bulgaria, receive a loan amounting to 30 million EUR from Bank of Tokyo.

At our board of directors' meeting of 29 September 2017, it was decided our company and Paşabahçe Cam Sanayii ve Ticaret AŞ, one of our subsidiaries, would jointly and severally be guarantors to ensure that our subsidiaries Pasabahçe Glass Manufacturing S.A.E. which carry out activities in Egypt, receive a loan amounting to 15 million USD from HSBC Bank.

On October 2017, the duration of the guarantee on which our company and Anadolu Cam Sanayii AŞ, one of our subsidiaries, would jointly and severally be guarantors to ensure that our subsidiaries Meref Glass Company Ltd, which carry out activities in Ukraine, receive a loan amounting to 20 million USD from EBRD in 2014, is prolonged for 1 year for the second time.

At our board of directors' meeting of 26 December 2017, it was decided our company and Paşabahçe Cam Sanayii ve Ticaret AŞ, one of our subsidiaries, would jointly and severally be guarantors to ensure that our subsidiaries Denizli Cam Sanayii ve Ticaret AŞ, which carry out activities in Turkey, receive a loan amounting to 15 million TRY from Citibank.

These transactions were agreed upon with the unanimous consent of the board of directors. In the Ordinary General Assembly meeting, shareholders are informed about the donations provided during the period, and the approval for limits of donations is obtained. At the Ordinary General Assembly Meeting held on 30 March 2017, the donation limit for 2017 was determined to be TRY 10 million; accordingly, the total donations provided amount to TRY 449,110.89 in 2017.

Stakeholders and media are allowed to attend the general shareholders' meetings. Sisecam's general assembly meeting is held under the supervision of a representative from the Ministry, who is assigned by the Ministry of Customs and Trade. The general assembly meeting minutes, which are posted on the corporate website of the Company, are available for review by the shareholders in the Company's head office and on the corporate website of the Company.

The general assembly is informed by way of a separate agenda topic regarding related party transactions, pledges, securities, and mortgages provided on behalf of third parties in the current period.

The ordinary general assembly meeting for 2016 was held 30 March 2017 with a quorum of 89.44%.

In 2017, there are no transactions left to the approval of the General Assembly according to CMB regulations due to negative votes when majority of independent members of the Board are called for positive votes.

In the announcements and declarations regarding general assembly meetings, the following information is provided;

- The agenda, place, date, and time of the general assembly, and the principles for arranging letters of attorney and letter of attorney forms for the shareholders who will be represented by their attorneys;
- Whether the general assembly meetings will be held in a physical or electronic environment, and the information that assigning attorneys, making suggestions, expressing opinions, and voting during any general assembly meetings in the electronic environment will be done using the Electronic General Assembly System (EGAS) provided by the Central Registry Office (CRO), and that shareholders who would like to participate the general assembly in person or through their attorneys in the electronic environment shall make their preferences known in accordance with the principles of EGAS;
- Information regarding the requirement that shareholders who would like to participate in the general assembly must present their identities or letters of attorney in person or through their attorneys if they want to use their rights related to their shares registered in the "Shareholders List" in the Central Registry Office system; and,
- That the annual report, including financial statements, independent audit reports, the profit distribution proposal of the board of directors, and the previous and revised versions of the amendment text, if there will be any amendments to the articles of association, will be available for examination by the shareholders on the corporate website of the Company.

### **2.4. Voting Rights and Rights of Non-controlling Interests**

There are no privileges stated in the articles of association regarding the use of voting rights. In accordance with the articles of association, each share has one voting right. If cross ownerships cause dominant relationships, the companies involved in the treasury shares may not use their voting rights unless there are indispensable conditions, such as the need for a quorum.

Türkiye Şişe ve Cam Fabrikaları A.Ş. does not have treasury shares.

All shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately.

There are no restrictions or obligations stated in the articles of association concerning the representation of a minority within management nor is there any provision that defines a minority as possessing shares accounting for less than 1/20 of the total shares of the company.

### **2.5. Dividend Right**

The Company has a certain and consistent "Dividend Distribution Policy" determined by considering the Turkish Commercial Code, the Capital Markets Board Law, tax laws and other legislation the company is subject to and the provision of the articles of association. This policy has been submitted to the approval of shareholders at the general assembly meeting at May 25, 2012 and disclosed in the annual report and in corporate website of the Company in May.

Sisecam's dividend distribution policy contains the minimum information necessary for investors to predict any future dividend distribution procedures and principles. A balanced policy is followed between the interests of the shareholders and that of the company.

### **The Profit Distribution Policy is as follows:**

The dividend distribution policy of our company has been determined considering the Turkish Commercial Code, the Capital Markets Board Law, tax laws, other legislation the company is subject to, and the provisions of the articles of association.

Accordingly;

- The Company has determined that a minimum of 50% of its distributable net profit for each period, calculated at year end within the framework of the legislation on capital markets and other relevant legislation, is distributed in cash and/or in the form of bonus shares; the shareholders' ordinary general assembly may resolve on a distribution which differs from the targeted percentage, taking into consideration matters such as economic conditions, investment plans, and cash position.
- The board of directors' profit distribution proposals, which also contain the details stipulated in the arrangements pertaining to the Capital Markets Board and in the corporate governance principles, are, within the relevant statutory periods of time, disclosed to the public through the Public Disclosure Platform, the Company's website, and activity reports.
- Cash dividends, which shall be distributed depending on the resolutions taken at the general assembly, are paid on the dates decided upon at the general assembly; the transactions, which are relevant to the dividends that shall be distributed in the form of bonus shares, are completed within the statutory



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periods of time stipulated in the arrangements pertaining to the Capital Markets Board.

- d. Within the framework of the profit distribution policy the dividends are equally distributed among all the shares existing at the date of distribution, regardless of issuance and acquisition dates.
- e. If the board of directors proposes the general assembly not distribute the profits, the grounds for this proposal and information on how the undistributed profits shall be utilized are announced to the shareholders at general assembly meetings.
- f. Under the profit distribution policy a balanced policy is followed which establishes a balance between the interests of the shareholders and the interests of the Company.
- g. There are no privileged shares in terms of acquisition of shares from the profit.
- h. The articles of association do not allow for payment of dividends to members of the board of directors or to employees using the founder's redeemed shares;
- i. In accordance with the articles of association, the board of directors can distribute profit advances, provided this is authorized by the general assembly and complies with the Capital Markets Law and regulations of the Capital Markets Board regarding this subject; the profit advance distribution authority, which is granted by the general assembly to the board of directors, is limited to the related year.

In 2017, dividends totalling (250+140=) 390 million TRY have been distributed, of which 250 million TRY were cash from previous year profit and 140 million TRY were bonus shares.

### 2.6. Transfer of Shares

Neither the articles of association of the company nor any decisions adopted at the general shareholders' meeting contain any provisions that impede the transfer of shares which are publicly traded.

## SECTION III. PUBLIC DISCLOSURE AND TRANSPARENCY

### 3.1. Company's Website and Its Contents

The corporate website, [www.sisecam.com.tr](http://www.sisecam.com.tr), is actively used as suggested by the corporate governance principles of the CMB in order to be in continuous contact with its shareholders and to maintain the

company's relationships with its shareholders more effectively. The information on this website is constantly updated by the investor relations department. The company's corporate website has the same content with explanations within the framework of the provisions of the related regulations and there is not any conflicting or missing information on the site.

The following information is presented in Turkish and English on the corporate website [www.sisecam.com.tr](http://www.sisecam.com.tr). Our Turkish website is [www.sisecam.com.tr/tr](http://www.sisecam.com.tr/tr) and our English website is [www.sisecam.com.tr/en](http://www.sisecam.com.tr/en).

1. About Us
  - a. "Sisecam" : Company brief
  - b. "Global Presence": Information about location of operations
  - c. "History": Milestones of Sisecam from its establishment to today
  - d. "Vision and Mission": Company's mission and vision.
  - e. "Companies": Sisecam Community Companies
  - f. "Management": CV's of Board Members and Executive Committee Members and Organization Chart
  - g. "Corporate Social Responsibility": Corporate Social Responsibility Activities
  - h. "Corporate Movie": Movie about Company's headquarter and glass production
2. Business Segments
  - a. "Flat Glass": In this section, information about Flat Glass Group has been stated.
  - b. "Glassware" In this section, information about Glassware Group has been stated.
  - c. "Glass Packaging" In this section, information about Glass Packaging Group has been stated.
  - d. "Chemicals" In this section, information about Chemicals Group has been stated.
  - e. "More" In this section, information about Other Group has been stated.
3. Innovation
  - a. "Corporate Innovation": Company's innovation activities.
  - b. "Corporate R&TD": Company's research and technology development activities
  - c. "Awards": Awards won as a result of R&TD activities
4. Sustainability
  - a. "Sustainability Approach": Company's emphasis on sustainability

- b. "Environment and Energy": Company's environment and energy policies and actions
- c. "People": Company's human resource policy and works
- d. "Corporate Social Responsibility": Company's social responsibility projects
- e. "Sustainability Reports": Company's sustainability reports

### 5. Investor Relations

- a. "Corporate Overview and Governance": Company's Trade Registry Information, Article of Association, Shareholder Structure, Corporate Governance Rating Note and Policies, General Assembly Announcements and Documents, Board Members and their CV's, Board of Directors Committees and their Working Principles
- b. "Stock Information and Investor Tools": Publicly Traded Companies' stock information, credit ratings, dividend and capital increases, Analyst information and Investor calendar
- c. "Presentations and Reports": Investor Presentations, Bulletins on Financial Results, Webcast Transcripts, Annual and Interim Reports, Merger and Divestures and Material Disclosures

### 6. Career

- a. "Sisecam Career": Open positions and application portal

### 7. News Room

- a. "Press Releases": Sisecam's press releases
- b. "Visual Gallery": Sisecam related visuals
- c. "Corporate Video": Sisecam's Corporate Video
- d. "Logos": Sisecam's Corporate Logos
- e. "Sisecam Magazine": Company's quarterly published magazines
- f. "Publications" Company's publications

### 8. Contact Us

- a. "Contact Us": Company's contact information and message portal

### 3.2. Annual Report

The annual report is prepared in order to provide complete and accurate information regarding the activities of the company to the public. The annual report for 2017 has been prepared based on the third clause of Article 516 of the Turkish Trade Act and Article 518 of the same act, in accordance with the minimum content specified in Article 8 of the "Communique of Principles Regarding Financial Reporting in Capital Market" of the Capital Market Board and the provisions of the "Regulations Regarding the Determination of Minimum Contents of Annual Activity Reports of the Companies" by the Ministry of Customs and Trade and the annual report has been independently audited.

The annual report contains the following information;

- a. The period covered by the report, the title of the company, trade registry number, contact information,
- b. The names of the chairman and the members of the board as well as committees and upper management,
- c. The sectors in which the company and its subsidiaries operate and information on its positions in these sectors,
- d. Information about the company's functional units, general explanations related to their activities and performance and yearly developments,
- e. Progress on investments, the eligibility and status of government incentives,
- f. The changes to the articles of association in the current period,
- g. The Corporate Governance Principles Compliance Report,
- h. Information on related party transactions,
- i. Other relevant and beneficial information that is not included in the financial statements,
- j. The company's organizational, capital and ownership structure and any changes made in the related accounting period,
- k. Information on all benefits provided to staff and the number of personnel,
- l. Information about the fact that no board members were involved in any transactions with the company on their own behalf or on someone else's behalf within the framework of permission granted by the general shareholders' meeting along with their activities within the scope of restraint of trade,
- m. The dividend distribution policy,
- n. Basic ratios that explain the company's financial position, profitability and solvency, and,
- o. The company's financing resources and risk management policies,

In addition to the matters specified in the legislation, information on the following matters is included in the annual reports;

- a) The external duties of board members and executives and the declaration of independence of the relevant board members,
- b) The members of the committees within the board and their working principles,
- c) The number of board meetings held during the year,
- d) Any changes to legislation which could significantly affect the company's operations,
- e) Any major court cases against the company and their possible consequences, and,
- f) The benefits provided to employees, vocational training for employees, and other company activities that give rise to social results.

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### SECTION IV. STAKEHOLDERS

#### 4.1. Informing the Stakeholders

The company recognizes the rights of stakeholders which were established by law or through any other mutual agreement. In case the rights of the stakeholders are not regulated by the relevant legislation or protected by contracts, the company protects the interest of stakeholders under good faith principles and within the capabilities of the company. Effective and expeditious compensation is provided in case of a violation of rights.

The website of the company is actively used to provide adequate information on policies and procedures that protect stakeholders' rights.

The corporate governance structure of the company ensures that its stakeholders, including its employees and representatives, report their concerns about any illegal or unethical transactions to the management.

The company's employees can raise any transaction that contradicts legislation and that is not ethically sound to audit committee and to the internal audit unit. An ethics hotline has been set up for stakeholders to raise any transactions deemed to contradict the law or the company's ethical values to the audit committee, which is composed of independent board members. Complaints can also be sent via email, to etik@sisecam.com. A documented compensation policy has been established and disclosed to public for Sisecam.

Sisecam has created the framework for a compensation policy, though not a very detailed one, and has disclosed it to the public on the corporate web site.

In order to increase communication with the employees, two in-house periodicals, the "Sisecam Group Periodical" and the "Technical Bulletin" are published. In addition, subjects that are followed by the public are broadcasted on the "Corporate TV". On the portal, which is available for in-house employees, instruction manuals and announcements regarding policies, procedures, instructions and systems that are in effect are submitted for the information of the employees.

#### 4.2. Stakeholders' Participation in the Company Management

The fundamental principles, which are embraced to allow for the participation of company employees in

management, keeps all lines of communication open and eliminates all possible encumbrances. Practices such as "message to the general manager", "Ethics Communication Line and Electronic Mail Address" and "idea factory" are used to this end.

The company maintains constant communication with its employees, pays attention to their needs and creates various platforms and mechanisms by which employees can convey their opinions and comments.

These meetings play a significant role in the decision-making process of senior management. Expectations and demands from all of the stakeholders involved with the company are addressed based on the code of ethics and are resolved through mutual communication.

Even though these models and their applications are not incorporated in the articles of association, they are included in the "Sisecam Constitution".

#### 4.3. Human Resources Policy

Sisecam Group; aims to implement a human resources policy that targets a globally sustainable success, disseminates an innovative and co-operative corporate culture, fosters the best human resource practices in its business areas and adds value to all stakeholders. Sisecam Group shapes its approach to human resources within the framework of legislation, corporate values and ethical rules, based on inclusiveness and equal opportunity in all its applications. It strives to promote the diversity of global human resources and stakeholders, and strengthening the cultural heritage of future generations

The Company's written Human Resources Policy is translated into the languages of the countries where it is active and shared with employees through the corporate communication portal accessible to employees. In addition, all internal legislation documents prepared for Human Resources applications including "Sisecam Group Human Resources Regulation" are presented to the employees at the same portal.

It is ensured that recruitment and career planning are conducted on the basis of equality and transparency. These activities are carried out in line with the relevant provisions of the "Sisecam Group Human Resources Regulation".

The recruitment selection and placement centre has been working to attract university student, new graduates

and other professionals by actively using all existing recruiting methods and techniques with branding and by organizing various communication activities at universities and other institutions.

By modifying the Balance Score Card system, started by the Group in 2010, to include personal targets, the success-based performance culture is being converted into a success-based corporate culture. The foundation of the Performance Management System is to create value for the employee and to ensure that the value created by the employee serves the development and sustainability targets of the company.

The Sisecam Talent Management System was designed and implemented in order to support sustainability in the Sisecam Group, increase the value to be created by the employees, attract the ability for this to the community, enable them to open their potentials and keep their talents and train future leaders. The expectations of the employees and the requirements of the organization in Sisecam Group are audited each year, and talent pool, career maps and backup plans are created accordingly. In addition, in the Assessment and Development Centre applications in which white and blue collar employees can participate, competence analysis are performed and development plans are presented.

Sisecam aims to add the necessary human resources to its organization while preserving a high level of loyalty among current employees, as well as creating a positive, equal, judicious and competitive working environment. Considering the balance between the work and the private life of the employees, the human resources programs to support this balance are passed on, the communication platforms where the suggestions and expectations of the employees are taken into account are presented and employee loyalty and satisfaction are followed with objective and independent researches. Based on employee loyalty and satisfaction researches, we continuously improve the positive business climate development approaches and provide a healthy, safe and environment in which corporate values are kept alive.

The compensation management system of the Group takes into account variables such as the wages in the market, the existing compensation structure and payment power, individual performance and job levels. A competitive and arm's length compensation and benefits strategy based on awarding steady-high performance is the foundation of the systems. Compensation and benefits management is performed based on the criteria of knowledge, skills, and experience regardless of gender, religion, language, race, etc.

All employees of Sisecam are offered;

- An up-to-date competitive salary package that rewards success,
- A flexible and sustainable benefits package based on the employee's needs and expectations,
- A social structure that provides a work-life balance,
- A productive and fostering working environment which leads to open communication, and

- Well-established and innovative development and career opportunities aiming towards global leadership.

In Sisecam Group, projects which have a positive effect on the employees' business processes and results and which make a difference are rewarded and their ideas that create value added for the community are evaluated with the Suggestion Development System. Under the recognition and appraisal practices, employees are remembered on special occasions and appreciated by the exemplary behaviour and achievements they demonstrate within the company.

At the end of 2015, training and development activities were restructured under Sisecam Academy Sisecam Akademi works with central functions and groups like a business partner, has enriched, and enhanced its training and development capacities as per job families and positions in 2017.

In addition to the existing school, in 2017, having a cooperation with Turkey's prestigious universities, 2.0 program which is enriched with different application by Marketing School, Supply Chain School, Financial Affairs School, Foreign Trade Certificate Program and Leadership School, has been implemented with blended learning model and in order to facilitate adaptation to the job and our institution of our new employees, Orientation training has been restructured.

In order to support the development of our stakeholders, "Düzcam" and "Glassware" Dealer Trainings were realized in cooperation with Boğaziçi University.

By strengthening the university-industry cooperation, we have started to work with universities in the fields where we have operation in order to increase qualified labour force and aimed to educate students about glass technology by working like internship and joint programs.

In addition to the e-learning modules that have begun to be produced in the community, the production of the Academy Studio has also started video production.

44.7 hours per person training is provided for monthly wage earners in 2017; 20.8 hours per person training is provided for employees working with hourly wages.

A total of seven collective bargaining agreements have been concluded in the country, including a group of collective bargaining agreements involving 8 plants throughout the Community, one business and five workplaces, and a total of nine collective bargaining agreements have been concluded, including three workplaces in Bulgaria, Posuda Factory in Russia, Glasscorp Factory in Romania, the Soda Lukavac Factory in Bosnia and Herzegovina, the Fritz Aszod in Hungary, the JSC Mina in Georgia, and the Sisecam Flat Glass Italy. The terms of these collective bargaining agreements vary between 1 and 3 years. Coordination meetings about the application of collective bargaining

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agreements, industrial relations and increasing productivity. are held with Kristal-İş, T. Çimse-İş, Selüloz-İş and Petrol-İş Associations which are organized in Community's businesses. Similarly, coordination activities are being conducted with trade unions organized in foreign establishments.

The work on the adoption of Occupational Health and Safety (OHS) culture continues with projects aiming the behavioural changes carried out in factories. Every year about the continuity of OHS culture, the painting contest, which includes the families of blue-collar workers, is held in a traditional way.

With work accidents follow-up system, data are collected in the system in order to make root cause analysis of all accidents occurring in factories. With the data collected in the system, "Sisecam Job Accidents Report" is prepared annually. In addition, "Düzeltilici Önleyici Faaliyetler (DÖF)" which is the system established for eliminate the inconveniences allowing recording including the financial aspects after every work accident and negativeness occurring due to causes such as OHSAS 18001, internal and external audit, administrative etc..

In 2017, Cross-OHS inspections of factories in different production groups have begun to be conducted by OHS Specialists in our factories. Sustained improvement and spread of good practices are aimed.

Efforts of corrective and preventive activities have begun to increase with the work of OSH ambassadors selected from voluntary blue-collar workers in our factories. Particularly with the use of effective communication channels, it can be seen that quick actions are started to be taken.

OHS Leadership trainings that has been started in 2017 and that will continue, aims to sensitively increase OHS culture in all levels of the workforce.

#### **4.4. Codes of Conduct and Social Responsibility**

Sisecam Group's code of ethics were regulated and put into effect in order to provide a framework of honesty, transparency, confidentiality and objectivity and to be in compliance with the law in accordance with the board resolution no. 49 on 28 July 2010. This resolution covers guideline regulations that direct the relations of all Group employees with the customers, suppliers, shareholders and other stakeholders. These decisions were updated

in accordance with the current requirements with the board resolution no. 33 on 28 March 2013. Sisecam's ethical rules are publicly disclosed on the corporate web site. Internal audit directorate carries out periodical ethics audits to review the level of compliance to Ethical Rules throughout the Group.

The collection of 520 old glass artefacts as a reflection of a history of about 3,500 years, which Sisecam Group gathered with the aim of preserving cultural values, is registered at the Istanbul Archaeology Museum and exhibited at the exclusive museum area at Sisecam's Head Office.

The Glass Hall of the Bodrum Underwater Archaeology Museum was opened in 1985 to visitors from around the world, under the sponsorship and safeguard of Sisecam.

The first of the History, Culture and Glass collections was presented in 1999 in Paşabahçe Stores and reflected the historical and cultural background of Anatolia through glass artwork. This project was initiated in line with the mission of the Sisecam Group to preserve and pass on cultural heritage to the coming generations. So far, 500 different glass collection items with artistic value have been produced; each of these items has been produced in limited numbers. In this scope, So far, 13 collections were the Ottoman, the Blue and White on Glass, the Calligraphy on Glass, the Mosaic, the Anatolian Civilizations, the Calligraphy on Glass, the Patience and Reconciliation, the Alliance of Civilizations, the Mystery of Seven, the Aşure, the Istanbul, the Talking Banknotes-Coins, Zevk-i Selim and World Heritage in Glass collections.

In addition to its History-Culture-Glass Collections, Paşabahçe stores launched a new collection called "Omnia" in 2015, when Paşabahçe celebrated its 80<sup>th</sup> year. The Omnia Collection, which was launched in the direction of Paşabahçe Mağazaları's approach to transporting the unique Turkish glassware from culture and tradition to the future, was reshaped in 2017 with the theme of "water" and presented to the likes of consumers and art lovers. Omnia Water Collection is supported by the project 'if there is sea, then there is life', which started the association with the cooperation of Clean Sea Association / TURMEPA. In this context, for each product to be purchased from the 'Omnia Su' collection donations are made to the association to support prevention of the mixing of about 200 thousand litres of black water into the sea which slows the vital activities of plants and animals living in the sea.

Sisecam awards an Education Incentive Scholarship to its employees and their children who are studying. Within this scope, 3,639,955 TRY in scholarships were awarded in 2017.

Kazanlı coast in Mersin is known as one of the most significant egg laying areas worldwide for endangered sea turtles. Within the scope of "Mersin province Kazanlı coast sea turtle population research, review, and preservation project" which continues since 2007 with the cooperation between Soda Sanayii A.Ş. and Mersin University, nesting zones of endangered Caretta Caretta and Chelonia Mydas turtles are preserved. In addition to this, awareness-raising activities have been carried out to inform the people of the region about the subject, coastal clean-up activities aimed at preserving the habitats of turtles, and protection of endangered sea turtles are continued. As a result of the work carried out, the number of nests has increased steadily since 2007, and with the 1705 sea turtle nests detected in 2016, the project reached a record number of turtle nests in 10 years.

"Glass again glass" project, which has continued since 2011 with the cooperation of Sisecam Group with ÇEVKO Foundation and local governments, is one of the most comprehensive sustainability and social responsibility projects in Turkey. The project creates awareness about recycling of glass packages, develops glass package waste collection infrastructure, modernises the facilities where glass package wastes are collected and processed, and separates the glass package wastes mixed with domestic wastes before regular storing. Within the scope of the project, up to now, 254,000 elementary school students have been trained about recycling, 19,800 moneyboxes were given away and 912,000 tonnes of glass package waste was recycled. With the aim of increasing societal awareness about glass recycling, various communication activities were held throughout the year and the importance of glass recycling for a sustainable future was emphasised.

Sisecam Çayırova Sports Club, founded by Sisecam under the name of Çayırova Yelken İhtisas Spor Kulübü Derneği (Çayırova Sailing Expertise Sports Club Association), started its activities in 1982 at Çayırova social facilities with the aim of encouraging young people to do sports and contributing to development of their physical and moral capabilities; and achieved federate club status from the General Directorate of Youth and Sports in 1984.

Today, with its sports people and executive staff of around 120, the club contributes to Turkish sports by raising young sports people in the fields of sailing, rowing and canoeing. The club has not only been successful in these three fields through 2017 but also has raised five athletes and one coach for the national rowing team; and three athletes and one coach for the national canoeing team.

## **SECTION V. BOARD OF DIRECTORS**

### **5.1. Structure and Constitution of the Board of Directors**

Strategic decisions of the board of directors aim to manage the company's risk, growth, and return balance at an appropriate level and conduct a rational and cautious risk management approach with a view to the long-term interests of the company. The board represents and governs the Company within these principles.

The board of directors has defined the company's strategic goals and identified the needs in human and financial resources, and controls management's performance. The board also oversees that company activities are managed in compliance with the legislation, articles of association, internal procedures and established policies.

The Board of Directors has been determined in order to allow the board members to work productively and constructively, to make quick and rational decisions and with the purpose of setting up committees and allowing those to organize their operations effectively.

There are executive and non-executive members of Board of Directors. A non-executive member of the Board of Directors is the one who is not involved in ordinary operations and daily workflows of the Company and is not responsible for any other administrative role apart from the membership in Board of Directors. Most of the members of Board of Directors consist of non-executive members. Prof. Dr. Ahmet Kirman, General Manager, participates in the Board of Directors as an executive member. The chairman of the Board of Directors and the General Manager are not the person. In accordance with the criteria set by the Capital Market Board's Corporate Governance Principals, there exist three independent members in the Board of Directors.

Independent members have been determined in accordance with the procedures envisaged in the corporate governance principles and presented to the Board of Directors. Regarding the election of the independent members eligible at the meeting of the Board of Directors dated January 20, 2017, negative comments were not reported by the Capital Market Board in formal letter numbered 29833736-199-E.1431 dated 3 February 2017.

The independent and non-independent members of the board, who have been determined within this scope, have been elected for one year in the General Assembly Meeting related to year 2017, held on 30 March 2017. Since the one-year duty terms of the members of Board of Directors cease to exist in the ordinary general assembly meeting to be held on 21 March 2018, the board members will be elected in the aforementioned ordinary general assembly meeting. The curriculum vitae of the member of Board of Directors have been announced in the related section of our annual report and the Company's corporate website and no issue arose that may threaten the independence of independent members. Accordingly, the statements of independence of members are presented as follows.

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## STATEMENT OF INDEPENDENCE

### Türkiye Şişe ve Cam Fabrikaları A.Ş. To the Board of Directors

Türkiye Şişe ve Cam Fabrikaları A.Ş. I herewith declare that I still bear the "Independent member of Board of Directors" conditions, which are determined by Communiqués, Principle Decisions and similar regulations of Capital Market Law and Capital Market Board and by the Articles of Association of your Company; that I will inform the Board of Directors and Capital Market Board simultaneously through Public Disclosure Platform immediately, in case there are any situations that rule out aforementioned independence together with its reasons, and that I will comply with the provisions prescribed in article 4.3.8 of Corporate Governance Principles by acting in line with the decision of your Administrative Board.

Best Regards,

**PROF. DR. ATILLA MURAT DEMİRCİOĞLU**

27 February 2018

## STATEMENT OF INDEPENDENCE

### Türkiye Şişe ve Cam Fabrikaları A.Ş. To the Board of Directors

Türkiye Şişe ve Cam Fabrikaları A.Ş. I herewith declare that I still bear the "Independent member of Board of Directors" conditions, which are determined by Communiqués, Principle Decisions and similar regulations of Capital Market Law and Capital Market Board and by the Articles of Association of your Company; that I will inform the Board of Directors and Capital Market Board simultaneously through Public Disclosure Platform immediately, in case there are any situations that rule out aforementioned independence together with its reasons, and that I will comply with the provisions prescribed in article 4.3.8 of Corporate Governance Principles by acting in line with the decision of your Administrative Board.

Best Regards,

**HALİT BOZKURT ARAN**

27 February 2018

## STATEMENT OF INDEPENDENCE

### Türkiye Şişe ve Cam Fabrikaları A.Ş. To the Board of Directors

Türkiye Şişe ve Cam Fabrikaları A.Ş. I herewith declare that I still bear the "Independent member of Board of Directors" conditions, which are determined by Communiqués, Principle Decisions and similar regulations of Capital Market Law and Capital Market Board and by the Articles of Association of your Company; that I will inform the Board of Directors and Capital Market Board simultaneously through Public Disclosure Platform immediately, in case there are any situations that rule out aforementioned independence together with its reasons, and that I will comply with the provisions prescribed in article 4.3.8 of Corporate Governance Principles by acting in line with the decision of your Administrative Board.

Best Regards,

**MEHMET ÖĞÜTCÜ**

27 February 2018

Subsequent to General Assembly meetings, in which the members of Board of Directors are elected, Chairman and vice President of Board of Directors have been determined with the purpose of making decision on segregation of duties. As stated in the table below, there exists 1 executive and 8 non-executive members of the Board of Directors.

In accordance with Turkish Commercial Code Law no 395 and 396, the approvals with respect to participation of Chairman and members of the Board of Directors in the Company's area of activity, either in person or on behalf of others and their engagement to partnership of the companies operating in similar activities is given by the General Assembly.

The member of Board of Directors can express their opinion freely, without any influence. In accordance with

Corporate Governance Principles, there are two female members in the Company's Board of Directors, who are Zeynep Hansu Uçar and İzlem Erdem. On the other hand, there is neither a target rate nor a target period defined but limited to the fact that the rate of female members of the board shall not be fewer than 25% and there has been no defined policy in order to meet those targets yet. The policy of Company is evaluated periodically and accordingly to the necessities.

The Company has subsidiaries and associates. Considering the fact that the involvement of members of Board of Directors in the management of these companies is for the interests of the Group, their responsibilities out of the Company are not limited and the out-of-company responsibilities of board members are explained below.

Name & Surname	Title	As-is Out of Group Responsibilities
Adnan Bali	Chairman of the Board	Chief Executive Officer of İşbank, Chairman of Şişecam Group and İşbank Germany (İşbank AG), the Board of Directors of Vehbi Koç Foundation, Global Relations Forum (GRF) and The Banks Association of Turkey; member of the Turkish Industry and Business Association (TUSIAD), Istanbul Foundation for Culture and Arts (IKSV), Finance Managers Foundation of Turkey (Finance Club), Institute of International Finance (IIF) and Institute International d'Etudes Bancaires (IIEB). Mr. Bali is also member of the Board of Trustees of Turkish Foundation for Combating Soil Erosion for Reforestation and the Protecting of Natural Habitats (TEMA) and Darussafaka Society.
Prof. Dr. Ahmet Kırmızı	Vice Chairman - General Manager	Chairman of the Board of Anadolu Cam San. A.Ş., Paşabahçe Cam San. ve Tic. A.Ş., Trakya Cam San. A.Ş., Soda Sanayi A.Ş., Paşabahçe Mağazaları A.Ş., Trakya Investment B.V., Fritz Holding GmbH, Anadolu Cam Investment B.V., OOO Ruscam Glass, OOO Ruscam Glass Packaging Holding, OOO Ruscam Management Company, Balsand B.V., Trakya Autoglass Holding B.V., Şişecam Chem Investment B.V., SC Glass Trading B.V., Paşabahçe Investment B.V., Şişecam Çevre Sistemleri A.Ş., OOO Posuda, AC Glass Holding B.V., Şişecam Flat Glass Holding B.V., Nude Glass Investment B.V., Istanbul Investment B.V., Nude Design Investment B.V.
Mahmut Magemizoğlu	Member	T. İş Bankası İ. Assistant General Manager, Anadolu Hayat Emeklilik A.Ş. Chairman of the Board of Directors, Milli Reasürans T.A.Ş. Chairman of the Board of Directors.
Prof. Dr. Atilla Murat Demircioğlu	Member	Independent Board Member of Trakya Cam San. A.Ş., The president of Alexander von Humboldt Association Scholarships, Board Member of Yıldız Technical University.
Halil Bozkurt Aran	Member	Trakya Cam San. Inc. Independent Board Member, Director of the TEPAV Trade Studies Centre, Member of The Bretton Woods Committee.
Zeynep Hansu Uçar	Member	Türkiye Sınai Kalkınma Bankası A.Ş., Anadolu Cam San. A.Ş., Paşabahçe Cam San. ve Tic. A.Ş., Chairman of the Board of Trakya Cam San. A.Ş. Board member, Camiş Yatırım Holding A.Ş.
Sabahattin Günceler	Member	None
Mehmet Ögütcü	Member	Head of Global Resources Partnership, Chief Executive of The Bosphorus Energy Club, Independent Board Member of General Energy plc and Saudi Crown Investment Holding, Special Envoy of sia-Pacific and Middle East / Gulf regions of the Energy Charter organization, International Advisory Board Member of Windsor Energy Group, European Policy Forum, The Oil Council and Beijing Energy Club
İzlem Erdem	Member	T. İş Bankası A.Ş. Director of Department of Economic Research, Is Party A.Ş. Vice Chairman of the Board of Directors.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## CORPORATE GOVERNANCE COMPLIANCE REPORT

### **5.2. Fundamentals of Activities of Board of Directors**

The Board of Directors elects a chairman and vice-president subsequent to each general assembly meeting. The Board of Directors makes a new election for the chairman and/or vice-president when they cease to have their roles for any reason. The vice President leads the Board of Directors when the Chairman does not participate. If the vice President does not participate neither, any member of the board who is elected by the board itself temporarily leads the meeting of Board of Directors. The date and agenda of the meeting of Board of Directors are determined by the Chairman. The vice President is responsible for these duties when the Chairman does not participate in the meeting. The Board of Directors organizes the meetings as necessary with respect to the transactions of the Company. However, a meeting once a month is required.

The number of decisions made by the Board of Directors during the period is 113 and the decisions are made at the consensus of the available members. There has not been any opponent member of the board. The meeting and decision quorums of Turkish Commercial Code, Capital Markets Board and related legislations are considered in making Board of Directors' meeting.

Thereby providing an equal flow of information, the information and documents related to agenda items of meeting of Board of Directors are presented for the review of members of the Board of Directors before a sufficient plenty of time. The members of the Board of Directors can make suggestion for changes in the agenda to Chairman, before the meeting. The opinion of any member who does not participate in the meeting and expresses his opinion to Board of Directors in written is presented to the other members. Each member of the board has a voting right in the Board of Directors.

Each agenda item is discussed clearly and in all aspects in the meetings of the Board of Directors. Participation rate of members of the board of Directors to the Board of Directors meeting is %97,83 in 2017. Independent member of the board of Directors did not vote for their own election.. The Chairman makes his best effort to ensure the effective participation of non-executive members in the meetings of Board of Directors. The reasonable and detailed reasons of opponent votes related to opposed agenda items by the members of the Board of Directors. The reasons for the opposite

opinions are declared publicly in detailed. However, there is no such publicly announcement in the year 2017 since there exists no such opinion was declared.

The meetings of Board of Directors are generally held at head office of the Company and the significant minutes of Board of Directors are announced to public via PDP and the minutes announced to public are also published in the Company's corporate website.

Authorities and responsibilities of the Board of Directors are clearly explained in the Articles of Association. Authorities are exercised in compliance with the internal legislation registered in 27 November 2014, published in 3 December 2014 and prepared by the Board of Director's decision no 122 in accordance with the article 367 and 371 of Turkish Commercial Code in 20 November 2014. The Board of Directors plays a leading role in ensuring effective communication between the Company and the shareholders, in settlement of disputes and in reaching a solution and with this purpose, the Board of Directors is in a close collaboration with the Department of Investor Relationships.

The Company has issued an insurance policy for the members of the Board of Directors and senior executives with the Anadolu Anonim Türk Sigorta Şirketi for "Manager Liability Insurance" due to the flaws that may be caused by the Company during its duties.

### **5.3. The Number, Structure and Independence of the Committees Constituted in the Board of Directors**

For effective duty and responsibility performance of the Board of Directors, the "Supervisory Committee", "Corporate Governance Committee" and "Early Risk Identification System and Committee" have been constituted in accordance with the Corporate Governance Principles. The assigned positions, working principles and members of these committees were determined in the Administrative Board Meeting and disclosed to the public on the same day.

Audit Committee members are selected from the independent members of the board. The chairman of the Corporate Governance and Early Risk Identification System and Committee are independent Board members. The Corporate Governance Committee, the Early Risk Identification System and Committee and the Audit Committee consist of five, five and three members, respectively.

The Chairman of the Board of Directors and General Manager do not participate in the committee. There exists no executive member in the committees except for the manager of the "Department of Investor Relations" participating in the Corporate Governance Committee, in accordance with corporate governance principles. A member of the Board of Directors, who is independent, does not have any responsibility in two committees, simultaneously.

The committees are provided with necessary support and resources in order to accomplish their tasks by the Board of Directors. The committees can invite any manager to their meetings and ask for his ideas when necessary.

The frequency of meeting of the committees is sufficient and is documented in written and recorded. The reports including information concerning their activities and minutes of meetings are presented to the Board of Directors.

Being responsible for the company's accounting system, the independent audit and issue of financial information to public and the observation of internal control and process and effectiveness of internal audit system, the Audit Committee is also responsible for determining the methods and principles of the review and resolution of complaints related the company's accounting and internal control and its independent audit and assessment of feedbacks of the company's employees related to the accounting and independent audit issues within the framework of a confidentiality. It declares its findings related to its tasks and responsibilities and related assessments and suggestions to Board of Directors in written. It also declares its assessments related to the consistency of annual and interim financial statements to be issued publicly with the company's accounting policies in terms of fair presentation and accuracy by the use of consultation from the Company's responsible managers and independent auditors.

The members of the Audit Committee possess the qualifications defined in the Corporate Governance Principles. The details related to the activities of the Audit Committee and the minutes of meetings have been disclosed in the annual report. The Audit Committee held 18 meeting in 2017. The determination of independent auditors is performed in a way that the Audit Committee suggests an audit firm to the Board of Directors, considering the circumstances related to the competence and independence of independent audit firms.

The Corporate Governance Committee determines whether the corporate governance principles are applied properly within the company and if not, detects the conflicts of interests due to incompliance with these principles and provides the Board of Directors with improving suggestions related to corporate governance applications. Additionally, it traces the activities of "Investor Relations Department. The Corporate Governance Committee held 5 meeting in 2017.

Nomination Committee and Remuneration Committee have not been established and the duties of these committees have been included in the activities of Corporate Governance Committee. The candidacy proposals for independent memberships of the Board of Directors are evaluated by considering the fact whether they possess the requirements of independence of related legislation and these evaluations are reported.

The setting-up of a transparent system for the determination, evaluation and training of appropriate candidates for the memberships of Board of Directors and definition of related policies and strategies and performance of regular evaluations for the effectiveness and structure of Board of Directors and providing Board of Directors with the suggestions concerning the necessary changes are determined as the duties of the committee.

The wages policy including the principles of determination of wages of managers involved in the administrative responsibilities and the members of Board of Directors was defined and announced to public in the corporate website.

Early Risk Identification System and Committee performs activities related to early identification of the risks concerning the company's going concern and taking necessary precautions related to detected risks with the purpose of risk management and preparing reports by reviewing the risk management systems of Group companies. Early Risk Identification System and Committee held 8 meeting in 2017.

The notifications related to the meetings of Audit Committee, Early Detection of Risk Committee, and Corporate Governance Committee are duly made in due form to the Board of Directors.

Due to the fact that all members of Audit Committee and chairman of other committees and three members of Board of Directors are required to be independent, in accordance with Corporate Governance Principles, it has required a member of Board of Directors to be involved in more than one committee.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## CORPORATE GOVERNANCE COMPLIANCE REPORT

### The Audit Committee:

Chairman Prof. Dr. Atilla Murat Demircioğlu (independent), Halil Bozkurt Aran (independent) ve Mehmet Öğütçü (independent).

### The Corporate Governance Committee:

Chairman Prof. Dr. Atilla Murat Demircioğlu (independent), Zeynep Hansu Uçar, Sabahattin Günceler, İzlem Erdem and Hande Özbörçek.

### Early Risk Identification System and Committee:

President Prof. Atilla Murat Demircioğlu (independent), Mahmut Magemizoğlu (independent), Halit Bozkurt Aran (independent), Zeynep Hansu Uçar ve Mehmet Öğütçü (independent).

### 5.4. Internal Control and Risk Management System

The Sisecam Group, operating in an intense domestic and international competitive environment, implements efficient risk management and internal audit processes to ensure adequate risk assurance for its stakeholders.

Economic crises, intensified international conflicts of interest, security problems triggered by geopolitical factors, technological developments such as industry 4.0, dramatic consequences of climate change and social problems have made the world a place of different political, economic, technological and environmental risks from the past.

The fact that global risks are beginning to affect the lives of people, companies and governments in new and unusual ways, as well as the insurability of a significant portion of the risks, have differentiated the view of risks all over the world and increased the importance of risk management as a discipline to a great extent. In this context, as in previous years, the effectiveness of risk management and internal audit processes was constantly monitored in 2017, and the two functions that constitute important elements of corporate governance were managed in a wider perspective and more effectively. Within this framework, our Group takes a proactive approach to addressing existing and potential risks and continues its audit activities with a risk-focused perspective.

At Sisecam Group, risk management and internal audit activities are structured under the parent company. The activities are performed in coordination with the Presidencies that manage the main business fields of the group in affiliation with the parent company's board of directors. The results of the regular and planned meetings with the audit committee, early risk detection committee, and corporate governance committee structured in our publicly held companies are reported to the boards of directors in line with the legislation.

During the works performed for having a corporate structure, ensuring assurance to shareholders, protecting tangible and intangible assets, resources and environments of the Group, minimizing losses from uncertainty and having the maximum benefit from potential opportunities, relationship between the internal audit and risk management is maintained at a high level and aimed to support the decision process and increase the management efficiency.

### Risk Management in Sisecam Group:

In Sisecam Group, risk management activities are carried out on the basis of corporate risk management principles and are handled with a holistic and proactive approach. The community has focused on increasing the effectiveness of risk management processes in order to manage the uncertainties created by global developments more effectively and to maintain the risk assurance that is provided to stakeholders in a sharper domestic and foreign competitive environment.

In this direction, as in the previous years, we focus on communication and coordination activities throughout the Group as well as using technological facilities for the management of the risks identified in the framework of corporate risk management, prioritized and linked to action plans in the direction of risk appetite; on usage of technological opportunities and the reports that will provide a healthy follow-up of the process are also maintained in accordance with the legislation.

### Internal Audit in Sisecam Group:

The aim of the internal audit functions in our Group is to provide a healthy development for the Group Companies, to create unity in practice, to ensure that the operations are in line with both internal and external regulations and to ensure that correctional measures are taken timely. In accordance with the aforementioned purpose, for both domestic and abroad establishments of the Group; audit procedures are carried out.

Audit work is done according to the periodical audit programs which are approved by the Board of Directors. When creating audit programs; risk management studies are utilized, in other words "risk-based audit" exercises are applied.

### 5.5. Strategic Objectives of the Company

The process of definition of strategic goals of the Company and the evaluation and review of these strategic goals are initiated with the clarification of the set of Vision/Mission and Values by the Board of Directors.

The Company uses the term of Mission in determining which products are to be produced for whom and in which geographical regions those products are to be proposed. The term of Vision refers to an overall expression of the target and the desired positions that the company intends to arrive at.

Within this context, The Board of Directors has defined the objective of the Group as follows: "To become a leading company in glass and its areas of activity, which produces creative solutions with its business partners, makes difference with its technology and brands and which is human and environmental-friendly, while planning to become the leading company in glass and other fields of activity". Mission of the Company has been determined as "Adding value to life by producing quality and comfort creating products, being a respectful Company to human, nature and laws". Determined values defined for throughout Sisecam and include all affiliates of the Group.

The Group determines its long-term goals in-line with the visions and missions and prepares its 5 years strategic plans and yearly budgets in accordance with the aforementioned goals and sets all employees' aims compatible with the budgets. At the end of every annual year, performances are evaluated in line with the goals.

### 5.6. Fiscal Rights

As indicated in the Articles of Association; rights, benefits and wages that are procured to the Members of the Board of Directors are established by the General Assembly. The monthly wages of the Members of the Board of Directors are determined and declared to the public in Ordinary General Assembly Meeting of year 2016 which was held at 30 March, 2017. Wage policy principles for the high level executives of the Company are stated in written form in the Ordinary General Assembly Meeting for Shareholders which was held at April 3, 2013 and are declared to the Shareholders of the company and posted to the website of the Company.

There are no payments done to the General Manager and other high level executives, which are fixed to revenue, profitability or any other essential indicators which could be considered technically as bonus. In addition to the cash payments such as wages, bonuses and welfare benefits; a once a year payment is made to the General Manager, CFO and other high level executives of the company; which is calculated by the Board of Directors by taking -the operational volume, essence of the operation of the company and degree of vulnerability of the company, size of the structure which is managed, the sector in which the company operates and also the inflation rate, overall wage level and the profitability of the Company- into consideration. Also a company vehicle is provided for the high level executives of the company.

To this extent, the total of the payments that are done to the Members of the Board of Directors and high level executives are declared to the public in the financial statement disclosures of our company, and the lack of an individual based breakdown of payments prevents any conflict of interests.

Sisecam does not lend any funds or extend any credits to a member of the board or to senior executives, or grant any personal loans through a third party, or extend any guarantees.

# THE AUDITOR'S REPORT OF THE EARLY IDENTIFICATION OF THE RISK SYSTEM AND COMMITTEE



Güney Bağımsız Denetim ve  
SMMM A.Ş.  
Maslak Mahallesi Eski Büyükdere  
Cad. Orjin Maslak Plaza No: 27  
Sarıyer 34485  
İstanbul - Türkiye

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ey.com  
Ticaret Sicil No : 479920

To the Board of Directors of Türkiye Şişe ve Cam Fabrikaları Anonim Şirketi

We have audited the early identification of the risk system and committee established by Türkiye Şişe ve Cam Fabrikaları Anonim Şirketi ("the Company").

## **Responsibility of the Board of Directors**

Pursuant to paragraph 1 of article 378 of the Turkish Commercial Code ("TCC") 6102, the board of directors is responsible for establishing a committee of experts and operating and improving the system for the purposes of: early identification of factors posing a threat on company's existence, development and continuation; implementation of necessary measures and solutions in this regard; and management of the risk.

## **Responsibility of the independent auditor**

Our responsibility is to express a conclusion on the early identification of the risk system and committee based on our audit. Our audit was conducted in accordance with TCC, the "Principles on the Independent Auditor's Report on Early Identification of the Risk System and Committee" and ethical requirements. These principles require us to determine whether the early identification of the risk system and committee has been established, and if established, to evaluate whether the system and committee operate in accordance with article 378 of TCC. Our audit does not involve auditing the appropriateness of the solutions implemented on the risks by the early identification of the risk committee and the practices performed by the management against the risks.

## **Information Regarding the Early Identification of the Risk System and Committee**

The Company established the early identification of the risk system and committee on May 25, 2012. The committee consists of five members, three of whom are independent member of the board of directors and one of is also chair of the committee. From the date of establishment until the reporting date, committee is working for the purposes of early identification of factors posing a threat on the company's existence and development, implementation of necessary measures and solutions in this regard and the management of the risk; the committee has met eight times in the year 2017 and has submitted the reports it has prepared to the Board of Directors.

## **Conclusion**

Based on our audit, the early identification of the risk system and committee of Türkiye Şişe ve Cam Fabrikaları Anonim Şirketi is satisfactory, in all material respects, in accordance with article 378 of the TCC.

Early Detection of Risks Committee is obliged to submit a report to the Board of Directors on a bi-monthly basis in accordance with article 378 of the TCC, and the Committee has submitted 8 reports to the Board of Directors in 2017.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited

**ZEYNEP OKUYAN ÖZDEMİR, SMMM**  
Partner  
İstanbul, February 27, 2018

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş. 81<sup>ST</sup> SHAREHOLDER'S ORDINARY GENERAL ASSEMBLY AGENDA

1. Election of the members of the Chairmanship Council and granting the Chairmanship Council the power to sign the minutes of the General Meeting,
2. Reading of the Summary of the Reports prepared by the Board of Directors and the Independent Auditor on the activities that have been performed by our Company in the year 2017,
3. Reading, Discussions and Approval of the Financial Statements as of 2017,
4. Approval of the election of the Board of Directors' member instead of the Board Members who have resigned within the year,
5. Acquittals of the Members of the Board of Directors,
6. Election of the Members of the Board of Directors,
7. Determination of the Compensations pertaining to the Members of the Board of Directors,
8. Granting permissions to the Members of the Board of Directors as per the Articles 395 and 396 of the Turkish Commercial Code,
9. Taking a Resolution on the Distribution Type and Date of the 2017 Profit,
10. Taking a resolution on appointment of an independent audit company as per the Turkish Commercial Code and regulations of the Capital Markets Board,
11. Furnishing information to the shareholders in respect of the donations granted within the year and; determination of the limit pertaining to the donations to be granted in 2018,
12. Furnishing information to the shareholders in respect of the securities; pledges and mortgages provided in favour of third parties.

**Date:** March 21, 2018 Wednesday at 14.00

**Location:** İçmeler Mahallesi D-100 Karayolu Cad. No:44 A 34947 Tuzla - İstanbul / Turkey

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# CAPITAL INCREASE, AMENDMENTS ON THE ARTICLES OF ASSOCIATION, AND PROFIT DISTRIBUTIONS IN THE PERIOD

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## **Authorized Capital Ceiling Increase in the Period**

Within the period, Capital Markets Board gave its consent to the application for increasing authorized capital ceiling, stated in 7<sup>th</sup> article of the Company's Articles of Association, from TRY 2.500.000.000 to TRY 4.000.000.000 with the letter of approval numbered 2779 at 2 March 2017. In addition, following the approval of the Ministry of Customs and Trade, General Directorate of Domestic Trade, it has been accepted at the Ordinary General Assembly held on March 30, 2017 with a majority of votes and published in the Turkish Trade Registry Gazette dated April 13, 2017 and numbered 9305. Consequently, the authorized capital ceiling granted by the Capital Markets Board is validated for the years 2017-2021 (5 years).

## **Issued Capital Increase in the Period**

Within the period it has been resolved that our Company's issued capital, which amounts to 2,050,000,000 Turkish lira within the current upper limit of registered capital amounting to 4,000,000,000 Turkish lira, has been increased to 4,000,000,000 Turkish lira. 80,189,371.70 Turkish lira of the increase realized from excess reserves; 53,903,121.21 Turkish lira of the increase was realized from the profit for the year 2016; 5,907,507.09 Turkish lira of the increase was realized from the private fund held pursuant to Article 5/1 -e of the Corporate Tax Law and additionally 60,000,000.00 Turkish lira of the increase was realized from the positive balance of the capital adjustments. The issuance certificate related to the increased shares of TRY 200,000,000 was approved by the Capital Markets Board's decision dated 7 July 2017 and numbered 26/902 and the share distribution was started on 25 July 2017. As part of the capital increases mentioned above, Article 7 of the Company's Articles of Incorporation has been amended as follows and the amendment document was registered on July 21, 2017.

## **Capital**

### **Article 7:**

### **New Version**

The Company has accepted the registered capital system in accordance with the provisions of the Capital Market Law and switched to the aforementioned system with the Capital Markets Board of Turkey (CMB) permission dated 4 March 1985 and numbered 93.

The Company's authorized capital is TRY 4.000.000.000, which is divided into 400.000.000.000 shares each with a nominal value of TRY 0,01.

The authorized capital permission granted by the CMB is valid from 2017 through 2021 (5 years). Even if the authorized capital so permitted is not reached by the end of 2011, in order for the Board of Directors to pass a capital increase resolution after 2021, it is mandatory to get authorizations from the General Assembly of Shareholders for a new period of time not to exceed 5 years, upon getting permission from the CMB for the previously permitted or a new maximum capital amount. The Company will be deemed to have exited the registered capital system in case of failure to obtain the said authorization.

The Company's issued capital is TRY 2.250.000.000, divided into 225.000.000.000 registered shares each with a nominal value of TRY 0,01. TRY 2.250.000.000 that makes up the issued capital is fully paid-in and covered. The shares representing the capital are tracked in dematerialized form within the frame of dematerialization principles.

The shares representing the capital are tracked in dematerialized form within the frame of dematerialization principles.

## **Profit Distribution**

During the period, at the Ordinary General Assembly Meeting held on 30 March 2017, the gross dividend amounting to TRY 250.000.000 corresponding to 12.19512% of the existing capital is decided to be distributed in cash and the dividend amounting to TRY 140.000.000 corresponding to 6.822927% is decided to be distributed as bonus share and as a result of this decision, the cash dividend amounting to TRY 250.000.000 defrayed from 2016's profit was distributed to the shareholders on 31 May 2017.

## **Other Issues:**

### **Affiliated Company Report**

The Conclusion section of the "Affiliated Company Report" drawn up pursuant to Article 199 of the Turkish Trade Act is as follows:

In all transactions realized in 2017 with the controlling company and the subsidiaries thereof, our Company adhered to the provisions of the legislation governing disguised profit distribution through transfer pricing and no such situation was arose in 2017, which would have required equalization of losses by reason of the transactions described above.

### **Common and Continuous Related Party Transactions for Year 2018**

According to Article 10 of the Corporate Governance Communiqué entitled "Common and Continuous Transactions" of the Capital Markets Board's "II-17.1", which was published in the Official Gazette dated 3 January 2014 and numbered 28871, our company's financial plan for year 2018 (Budget);

It is predicted that the total amount in the accounting period of the export-registered sales between the subsidiary Şişecam Dış Ticaret A.Ş. and the group industrial corporations will reach to more than 10% of the cost of sales and revenue of the company in the last annual financial statements announced to public. Export-registered sales to Şişecam Dış Ticaret A.Ş. from Group's Corporations will be carried out at the same prices applied to third parties and reasonable commission in accordance with the transaction conditions that consist with previous years and market conditions will be collected against the service to be provided.

### **Legal Reference of the Annual Report**

The annual report of the Group for 2017 fiscal year has been prepared in conformity with the provisions of the "Regulation on the Minimum Contents of Annual Reports of Companies" issued by the Ministry of Customs and Trade based on Articles 516 (3) and 518 of the Turkish Commercial Code and of the CMB Communiqué on Principles of Financial Reporting in Capital Markets.

### **Preparation Principles of the Annual Report**

The annual report presents an accurate, complete, fair and true view of the Company's affairs and transactions in the relevant fiscal year, and its financial status with all aspects, in a manner that also observes the Company's rights and interests. The annual report does not contain any deceitful, exaggerated, false or misleading statements.

The annual report is prepared carefully and in detail to furnish the shareholders with full and accurate information about the Company's all operations and activities.

### **Approval of the Annual Report.**

The Company's annual report for 2017 fiscal year has been signed and approved by the members of the Company's Board of Directors on 27 February 2017.



# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## DISCLOSURE POLICY

### **General Framework**

Türkiye Şişe ve Cam Fabrikaları A.Ş. (Şişecam), disclose of all kinds of financial information, other explanations and notices related to notably Capital Markets Legislation, the Turkish Commercial Code and Borsa İstanbul A.Ş. ("BİAŞ") where our shares are traded at, by favouring generally accepted financial reporting standards and corporate governance principles; within this scope, Şişecam carries out a detailed informing and public lighting policy.

The main objective of the information policy is to ensure that necessary information and disclosures beyond the scope of trade secrets are transmitted on equal terms to shareholders, investors, employees, customers and other interested third parties on time, accurately, completely, comprehensibly, easily and at the lowest cost.

Having an active approach to the adoption and implementation of corporate governance principles, Şişecam shows the maximum effort of the relevant legislation and the implementation of international best practices for public disclosure and information. Şişecam disclosure policy approved by the Board of Directors in the framework of the above-mentioned prepared and put into practice.

### **Authority and Responsibility**

The Board of Directors prepares disclosure policy. The monitoring, supervision and development of the information and disclosure policy of Şişecam are under the authority and responsibility of the Board of Directors.

Managers responsible for financial management, reporting and investor relations department have been assigned to coordinate the disclosure function. The said authorities fulfil these responsibilities in close cooperation with the Audit Committee and the Board of Directors.

### **Methods, Tools Used and Works Performed Public Disclosure**

Within the Capital Market Legislation, the Turkish Commercial Code and other relevant legislation framework; the following are the tools and methods used in public disclosure operations:

- At the end of each quarter, the consolidated financial reports, the footnotes and explanations related to the related financial statements prepared in accordance with the legislation published by the Capital Markets Board (CMB) and the independent audit report conducted at the end of the half year and at the end of the year, the Board of Directors' interim report are shared with Public Disclosure Platform within the given time frame and published in the Corporate Web Site of our Company (www.sisecam.com). The relevant financial statements are presented to the approval of the Board of Directors with the opinion of the Audit Committee and are signed by the executives responsible for the financial reporting authorized by the Board of Directors.

It is presented to the approval of the Board of Directors and is signed with a statement of accuracy by the executives responsible from the financial reporting of the company authorized by the Board of Directors.

Regarding the results of the activities announced on a quarterly basis, a public announcement is also made public about the results of the activity in the relevant period and other important issues.

The financial statements that are disclosed to the public are also translated into English and transmitted to the related parties and published on Şişecam's website. Following the disclosure of financial statements of year ends, on the date of the Ordinary General Assembly, on the press conferences held by Chairman of the Board and/or General Manager, past year performance is evaluated and press questions are answered.

- Material disclosures that should be made within the scope of the CMB legislation are transmitted to the KAP via electronic medium within the given time frame. Material disclosures are in principle signed by persons who are responsible for financial reporting, have a "qualified electronic certificate", and are presented to the relevant authorities. People who are responsible for making material disclosures are determined from the representatives and competent authorities of the Company. In addition, the statements sent to the KAP in the electronic environment will also be published on the Company Corporate Internet Site at the latest business day after the announcement of the public announcement.
- Announcements are made through the KAP, Trade Registry Gazette in cases such as amendments to the Articles of Association, General Assembly meetings, and

capital increase. In addition, Turkish and English texts are published on the company's website.

- The Annual Report which is prepared in Turkish, with the necessary information and explanations before the General Assembly meeting, is published in the Company's Corporate Internet Site for the shareholders' review and the printed version of the relevant report can be obtained from the Şişecam Shareholders Relations Unit. In addition, annual activity reports are translated into English as soon as possible following general meetings and published in our website.
- When necessary, press explanations are made through written and visual media. Written and visual media releases made by the authorities.
- When necessary, teleconferences provide information to shareholders and other interested parties. Related tele-conferences are coordinated by the Investor Relations Department.
- Through investor meetings and investor visits (road - show) held domestically and abroad, information is provided to shareholders and other related parties. The General Manager, the managers responsible for financial management and reporting, and the managers of the Investor Relations Department participate in the meetings and visits carried out by the Investor Relations Department. In necessary cases, the contact teams can be further expanded.
- Promotional and informative meetings held with investors and presentations, reports presented at press conferences are included in the "Investor Relations" section of our Company's Corporate Web Site in order to ensure that all market participants have simultaneous and equal information.
- Related information, especially financial tables, are shared with shareholders and the companies that organize the research report about our company by the e-mail when it is requested.

### **Investor Relations Department**

In order to fulfil the obligations arising from the CMB legislation in accordance with the rules set forth in the legislation and to maintain its activities more effectively, a central understanding and an appropriate structure

have been adopted in our Group. In this context, all liabilities of Şişecam and other publicly traded companies arising from the Turkish Commercial Code and the Capital Markets Legislation have been fulfilled under the supervision, direction and coordination of the Investor Relations Directorate established within the Company's Financial Affairs Presidency in line with the CMB Corporate Governance Principles prospect.

The "Investor Relations Department", which is formed compulsorily by the legislation as well as the Company bodies, plays an active role in facilitating the protection and use of shareholder rights, especially the right to receive and review information.

The Investor Relations section of our corporate website, which is in Turkish and English format, contains quite detailed information and data about our company within the scope of the corporate governance profile. The relevant website is kept up to date by the investor relations department. All questions posed by shareholders and other interested parties by e-mail, letter, phone, etc. are answered as soon as with the coordination of Investor Relations Department.

In this context, the main activities carried out under the responsibility of the Investor Relations Department are summarized below:

- 1) Carrying out capital markets and investor relations activities in accordance with determined strategies and policies
- 2) Execution of information management activities on capital markets and investor relations legislation
- 3) Designing a company valuation model, developing value enhancing initiatives
- 4) Following up the performance of the public shares of the public in the Community, determining the opportunities for buying and selling
- 5) Conducting the conduct of sector and competitor research and informing the Group and the Group's top management about the results of research and analysis
- 6) Coordinating of the capital markets and investor relations activities of the Group companies and providing the necessary guidance
- 7) Ensuring that investor relations activities of publicly traded companies comply with the Code of Business Conduct of the Community investor relations
- 8) Conducting analyst surveys and managing investor / analyst expectations

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## DISCLOSURE POLICY

- 9) Representing the Group in events such as road shows, stock / bond conferences
- 10) Participating in investor and analyst meetings, making presentations and ensuring that investor and analyst questions are answered in accordance with legislation and Community strategies
- 11) Communicating with the Stock Exchange Istanbul (BIST) and the Capital Markets Board (CMB) on behalf of the Community
- 12) Preparing and publishing KAP notifications such as material disclosures, annual and interim reports in coordination with the Corporate Communications Directorate
- 13) Managing "investor relations" sections on the websites of the Group companies
- 14) Managing relations with rating agencies in coordination with the Treasury and Finance Directorate
- 15) Determining the training needs of the Group companies regarding capital markets and investor relations
- 16) Supporting for the public offering, block sales and direct sales activities of shares of the Group companies
- 17) Contribution to the process of preparation of interim and annual reports
- 18) Providing top management feedback on the views of investors, expectations and views of Group companies
- 19) Assessing and monitoring of complaints and proposals from outside the Community regarding the Financial Affairs Presidency

Investor Relations Department (Continued)  
For this purpose, the authorities who are responsible from the communication with the shareholders as follows:

Name Surname	Title	Phone Number	E-Mail
Hande Özbörcek	Investor Relations Executive	0850 206 33 74	hozborcek@sisecam.com
Başak Öge	Investor Relations Director	0850 206 32 62	boge@sisecam.com

In addition to Investor Relation Department responsible, in necessary cases, Gökhan Güralp, Financial Control and Reporting Director and Murat Yalçın, Financial Control and Legal Reporting Manager are delegated to Investor Relations Department.

### **Measures Taken for the Confidentiality of Information until Public Reveal of Material Disclosures**

In order to ensure confidentiality until the public disclosure of special cases, Şişecam employees who have access to internal information are thoroughly informed about the responsibilities arising from the relevant legislation and on what conditions and under what circumstances and by whom the information will be disclosed to the public. Confidentiality is included in the agreements made with persons and institutions that may have access to internal information due to the provision of certain services to Şişecam. Furthermore, in order to prevent unauthorized disclosures related to the results of activities, information is not exchanged with capital market participants about the results of activities

and other issues that have not been publicly announced in certain periods of the calendar year. This period is considered as "silent period". During the Silent Period, company responsible do not give an opinion about the financial status of the company, except for information disclosed to the public on behalf of the company. Questions about the financial situation of capital market participants such as analysts and investors are not answered. In the Quiet Period, responsible who make public disclosure and who work in Investor Relations Department, is not restricted to participate in speeches, conferences, panels and similar events; to have interviews to the written and visual media the investor meetings; to participate in investor meeting on condition that they observe the rules of confidentiality of internal information. The Silent Period starts at 15<sup>th</sup> of the month

following the end of the three-month interim and annual accounting period and continues until the day when the financial statements are announced to the public.

### **News and Rumours in the Press**

Follow-up and monitoring of news and rumours about Şişecam and its affiliates in the media or internet sites is performed through a professional media follow-up agency. In case of necessity of disclosure within the scope of the legislation related to public disclosure of special cases, an explanation is made about the issue by compiling the necessary information from the related units.

The method and content of the announcement of news and rumours that cited in the press release but which do not give rise to the obligation to disclose are determined by taking into account such factors as the nature of the news, the extent of the mass received by the media, and the fact whether it affects the reputation of the news company. In cases where such announcements are made regarding such news and rumours, if the disclosure content contains an element that necessitates public disclosure, a special case disclosure is made in line with the relevant legislative provisions.

In the presence of news or rumours in different contexts compared to explanations, circulars, announcements approved by the Capital Markets Board, financial reports and other information disclosed to public via Public Disclosure Platform, which may affect investing decision of the investors and the value of the capital market tools, Şişecam make announcement and explain whether this information shared is correct and sufficient. However, Şişecam do not express any opinion on comments, analyses, evaluations and estimations made about the Company based on the information disclosed to the public.

### **Criteria Used in Determining Administrative Responsibility**

In determining people with administrative responsibilities, the duties of the persons in the Company organization and their information access are taken as a criterion.

In this context not only Members of the Board of Directors and Auditors, General Manager, Presidents, General Manager Coordinator, Procurement Coordinator, Vice President, who have detailed information on future plans in addition to the current situation of Şişecam, but also Şişecam's finance department managers who have access to information on Şişecam and are

authorized to make administrative decisions that can affect financial reports, strategic targets and similar elements at macro level these persons were identified as persons with administrative responsibility and regular access to internal information. According to this, people who have not knowledge which can influence the value of the capital market instrument and the investment decisions of the investors, in other words, people who have information about only a part of the Company and managers and other employees who have limited knowledge about whole Company are not considered within the scope of the person who has administrative responsibility and has access to internal information.

### **Other Disclosures**

Disclosures (prospectus, circulars, etc.) except the ones cited above are signed and announced to the public within the authority determined in the Company's signature circular. It is also published on the Company's website.

### **Şişecam Corporate Website (www.sisecam.com)**

The Company actively uses the Corporate Internet Site of the Company as required by the CMB Corporate Governance Principles in order to be able to maintain its relations with shareholders more effectively and quickly and to be in constant communication with its shareholders. The information contained in this site is continually updated under the investor relations department's responsibility. The information contained in the Corporate Website is the same as the statements made under the relevant legislative provisions and does not contain conflicting or incomplete information.

At the Company Corporate Internet Site; besides the compulsory information to be disclosed in accordance with the legislation, trade registry information, latest status of partnership and management structure, existence of no privileged share certificates, date and number of trade registry newspapers published with amendments, latest version of Company's Articles of Incorporation, special case disclosures, financial reports, annual reports, prospectus and public offering circulars, General Assembly Meeting Agendas, attendance statements and meeting minutes, proxy voting form, Profit Distribution Policy, Disclosure Policy, Company Code of Ethics and answers of the frequently asked questions are cited. In this context, at least the last 5 years of information is included in the Company Corporate Internet Site. The information on the website is also prepared in English for the benefit of international investors.

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## TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş. SALARY POLICY FOR THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

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The salaries of the members of Türkiye Şişe ve Cam Fabrikaları A.Ş.'s (Şişecam Group) Board of Directors are fixedly determined at the Ordinary General Meeting every year for all of the members.

The members of the Board of Directors in the Executive Board have separate payments under the policy for senior executives.

For the salary calculation of the Independent Board Members, payment plans based on the performance of the company cannot be used.

Our Group aims to work with a fair and competitive Salary Management System, which is accepted by our Group employees, and keep our Salary Management System up to date in line with the Community strategies and market.

In our Group, job evaluation methodologies which are, independent of the title, are positioned relative to the qualities of the organization's work are used.

With the newly created Salary Management System, our Group is aiming to pay employees equitably, to reward the performance they have achieved, to attract qualified employees to our Company, taking into consideration work efficiency and organizational performance.

The total annual income packages are taken into account when determining the salary levels across the whole Community.

Market salary surveys' indicators covering comparison of the total annual earning packages of the Community personnel with the annual earning packages of equivalent positions in the market and comparison of the fringe benefits are base for Salary Policy.

The Community Human Resources Group Presidency is responsible for the determination of all the policies related to the Salary Management System, for ensuring the implementation unity throughout the Group and for keeping the system up to date according to the conditions of the day.

Senior Executive salaries is composed of performance premiums calculated in accordance with company targets, long term targets and personal effort except fixed salaries determined according to margins on which positions are situated in Grade System established according to Salary Management System and fringe benefits.

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## TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş. PROFIT DISTRIBUTION POLICY

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The Company's profit distribution policy is determined in accordance with the provisions of the Turkish Commercial Code, the Capital Markets Law, the Tax Laws and other applicable legislation and the Articles of Association. Accordingly,

- a. The Company adopts to distribute at least 50% of the distributable net period profit calculated as cash and / or bonus profit share at the end of the year in the framework of the Capital Market Legislation and other relevant legislation. Taking into consideration factors such as economic conditions, investment plans and cash position, the Shareholders Ordinary General Assembly may decide to make a different distribution compared to targeted one.
- b. The profit distribution proposals of our Board of Directors, including the details set forth in the Capital Markets Board regulations and the Corporate Governance Principles, are announced to the public through the public disclosure platform, our company's website and annual report.
- c. The cash dividends to be distributed in accordance with the decision to be taken at the General Meeting is paid on the date determined in the General Assembly. The transactions related to the dividends to be distributed as bonus shares are completed within the legal period stipulated in the regulations of the Capital Markets Board..
- d. Within the framework of the profit distribution policy, dividends are distributed equally to all existing shares at the date of distribution, irrespective of their issuance and acquisition dates.
- e. In the event that the Board of Directors proposes not to distribute profits to the General Assembly, the reason and information on the use of non-distributed profits are submitted to shareholders at the General Assembly meeting.
- f. In the profit distribution policy, a balanced policy is followed between the interests of the shareholders and the interests of the company.
- g. There are no privileged shares in obtaining dividends from the profit.
- h. In our Articles of Association, there is no application for giving dividend to our Board of Directors members and employees with the founder usufruct share.
- i. According to the Company's Articles of Association, The Board of Directors may distribute profit share advances by being authorized by the General Assembly and by complying with the Capital Markets Law and the relevant regulations of the Capital Markets Board. The authority to distribute the profit share advance granted to the Board of Directors by the General Assembly is limited to the year of appointment.

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## TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş. DONATION POLICY

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This policy has been established in line with the provisions of the Turkish Commercial Code, the Capital Markets Law, the Capital Markets Board Communiqué, Principle Decisions and other regulations and Company Articles of Association.

### **Purpose:**

The main purpose of donations and grants is to fulfil our social responsibilities, to build a sense of corporate responsibility in our partners and employees, as well as to meet social and communal needs and to benefit the public. For this purpose, the company's organization and its activities within the framework of the fulfilment of the proper social purpose and social responsibility in education, health, culture, law, the arts, scientific research, environmental protection, and to support sports and other activities.

### **Fundamentals of Donation and Help:**

The Company may make donations within the scope of social responsibility and in accordance with the principles and procedures determined by the Capital Markets Board as stated in the Articles of Association. By taking prior approval of the Board of Directors, it is possible to make donations to foundations established for social purposes, associations, educational institutions and other persons, institutions and organizations within the framework of the principles set by the Capital Markets Board; however, giving donations and grants that would distract the company from the protection of its shareholders' rights are avoided.

All donations and grants made under the direction of the Company's management are made in accordance with the company's vision, mission and policies, taking into account the company's ethical principles and values and company annual budget appropriations. Donations and aids can be made in two ways, cash and in kind.

The form, amount and nature of the donation are expected to be in accordance with the corporate social responsibility policies of the institution, organization or Civil Society Organization (CSO). Detailed information is provided to the public by placing a separate agenda item at the Ordinary General Meeting of the year about all of the donations and the amount of aid and the beneficiaries of the policy changes made during the period.

Within the framework of the Capital Markets legislation, the limits of donations and grants made by shareholders are determined by the general assembly.

In this context, the limits set by the General Assembly within the framework of the provisions of the relevant legislation shall be taken into consideration when giving donations and assistance. In addition, for the implementation of the donations will be made and assistance, in-house implementation principles that determine the "Donate" Regulation is complied.

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## TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş. THE INFORMATION DOCUMENT OF SHAREHOLDER'S ORDINARY GENERAL ASSEMBLY OF 2017 DATED 21 MARCH 2018

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### **1. INVITATION TO THE ORDINARY GENERAL ASSEMBLY MEETING OF 21 MARCH 2018**

As our Company's 2017 Shareholders Ordinary General Assembly Meeting will be held on March 21<sup>st</sup>, 2018, Thursday, at 14.00 at the Company headquarters situated at İçmeler Mahallesi D-100 Karayolu Caddesi No: 44/A 34947 Tuzla/İstanbul in order to discuss and take resolutions on the contents of the below-indicated agenda; our Esteemed Shareholders or their representatives are requested to honour the meeting on the mentioned day and at the mentioned hour.

The shareholders are allowed to participate in our Company's Ordinary General Assembly Meeting personally in physical environment or in electronic environment and they are also allowed to participate in the meeting by means of their representatives. It is possible to participate in the General Assembly Meeting in electronic environment by secure electronic signatures of the shareholders or their representatives. Therefore; the shareholders, who will perform transactions through the Electronic General Assembly System (EGKS) are firstly required to be registered with the e-MKK Information Portal of the Central Registry Agency (CRA) and thereby, they are required to ensure that their contact information are recorded into the system and; in addition, they are required to have a secure electronic signature. The shareholders or their representatives, who have not been registered with the e-MKK Information Portal and do not have a secure electronic signature, are not allowed to participate in the General Assembly Meeting in electronic environment.

In addition; the shareholders or their representatives, who wish to participate in the meeting in electronic environment, are required to fulfil their obligations in compliance with the provisions of "the Regulation on the General Assembly Meetings to be held in Electronic Environment in Joint Stock Companies" published in the Official Gazette dated August 28<sup>th</sup>, 2012 and No 28395 and with the provisions of "the Communiqué on the Electronic General Assembly System to Apply in the General Assemblies of Joint Stock Companies" published in the Official Gazette dated August 29<sup>th</sup>, 2012 and No 28396.

The shareholders, who will not be able to participate personally in the meeting in physical or electronic environment, are required to prepare their powers of attorney in compliance with the Annex-1 or are required to obtain a copy of the powers of attorney form from our Company Headquarters or from the corporate web site at [www.sisecam.com.tr](http://www.sisecam.com.tr) and are also required to fulfil the requirements of the matters stipulated in the Capital Market Board's Communiqué Nr. II-30.1 on "Casting Votes By Proxy and Collection of Proxies By Way of Calls" and thereby, they are required to submit their powers of attorney, the signatures of which shall have been affirmed by a public notary. The shareholders, who wish to participate personally in the General Assembly meeting in physical environment, are, by submitting their identity cards, allowed to exercise their rights concerning their shares registered with "Shareholders List" contained in the system pertaining to the Central Registry Agency (CRA).

Our shareholders, who will participate in the General Assembly Meeting in electronic environment through the Electronic General Assembly System, may obtain information about the principles and procedures regarding participation, appointment of a representative, submission of proposals, declaration of opinions and voting, by using the link, <https://www.mkk.com.tr>, which is the web address belonging to the Central Registry Agency.

Reports of the Board of Directors and the Independent Auditing Firm pertaining to the activity year 2017, the Financial Statements and the Board of Directors' proposal on Distribution of Profit will be made available for reviews of the shareholders at the Company Headquarters situated İçmeler Mahallesi D-100 Karayolu Caddesi No:44/A 34947 Tuzla /İstanbul and, will be accessible through the page "Investor Relations" on the web site of the Company at [www.sisecam.com.tr](http://www.sisecam.com.tr) in advance of minimum 3 weeks to the date of the General Assembly Meeting.

For invitation to the General Assembly Meeting, no registered letters will additionally be sent to our shareholders, as per the Article 29 of the Capital Markets Law No 6362.

The above matters are respectfully submitted for information of the Esteemed Shareholders.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## THE INFORMATION DOCUMENT OF SHAREHOLDER'S ORDINARY GENERAL ASSEMBLY OF 2017 DATED 21 MARCH 2018

### **2. ADDITIONAL DISCLOSURES RELEASED WITHIN THE SCOPE OF ARTICLE 1.3.1 OF CMB'S CORPORATE GOVERNANCE PRINCIPLES**

Pursuant to CMB's Communiqué No. II-17.1 on Corporate Governance, in addition to the notifications and disclosures to be made by the Company as required by the legislation and in addition to the documents to be made available for reviews by shareholders, together with the General Assembly Meeting announcement, on the Company's corporate web site and on PDP within the framework of Article 437 of the Turkish Commercial Code No. 6102 a minimum of three weeks before the date of the General Assembly Meeting provided that the dates of the announcement and the meeting are excluded; the additional disclosures, which are relevant to the Articles of the Agenda, are provided in the relevant below Article of the Agenda, and the general disclosures are submitted for the information of our shareholders in this chapter.

#### **2.1. Partnership Structure and Voting Rights**

In the Company Articles of Association, there is no privilege for the exercise of voting rights. Pursuant to the Company Articles of Association, each share provides one vote.

The Company's shareholder structure is as follows and there is no real person ultimate controlling shareholder among the Company's shareholders

Shareholders	Share Amount (TRY)	Share Rate(%)
T. İş Bankası A.Ş.	1,473,117,579	65.47
Efes Holding A.Ş.	185,072,640	8.23
Anadolu Hayat Emeklilik A.Ş.	1,081,312	0.05
Other	590,728,469	26.25
<b>Total</b>	<b>2,250,000,000</b>	<b>100.00</b>

**Note:** Within the period it has been resolved that our Company's issued capital, which amounts to 2,050,000,000 Turkish lira within the current upper limit of registered capital amounting to 4,000,000,000 Turkish lira, has been increased to 4,000,000,000 Turkish lira. 80,189,371.70 Turkish lira of the increase realized from excess reserves; 53,903,121.21 Turkish lira of the increase was realized from the profit for the year 2016; 5,907,507.09 Turkish lira of the increase was realized from the private fund held pursuant to Article 5/1 -e of the Corporate Tax Law and additionally 60,000,000.00 Turkish lira of the increase was realized from the positive balance of the capital adjustments.

#### **2.2 The Requests of Shareholders, the Capital Markets Board (CMB) and/or Other Public Institutions or Organizations, with which the Company is concerned, for Inclusion of Articles into the Agenda**

No such written demand has been made for the Ordinary General Assembly Meeting to discuss the operations in the year 2017, concerning the desire of shareholders to have an article placed on the agenda Significant Changes to our Company's operations, management or participations.

#### **2.3 Planned Changes in Management and Operations of the Company and its Affiliates, Subsidiaries in the Previous of Future Accounting Period which Significantly Affect Company Operations**

There are no managerial or operational changes that has or that will substantially affect the Company's activities. If it comes into question, the relevant disclosure is released to the public within the framework of the legislation.

In this scope, within the period, the transactions made with the purpose of restructuring of the Group companies between 1 January and 31 December 2017 are as follows;

On 28 December 2016 within the scope of the General Assembly no. 466 of the Istanbul Stock Exchange, for 3,000,000 shares and at TRY 2.60 exercise price, the call option agreement for the purchase of Anadolu Cam Sanayii A.Ş.'s shares (one of our subsidiary), traded at Borsa İstanbul National Market, is signed between the Company and İş Yatırım Menkul Değerler A.Ş. The option is realized by collecting TRY 7,800 on 4 May 2017.

On 4 May 2017 within the scope of the General Assembly no. 466 of the Istanbul Stock Exchange, for 3,000,000 shares and at TRY 3.68 exercise price, the call option agreement for the purchase of Anadolu Cam Sanayii A.Ş.'s shares (one of our subsidiary), traded at Borsa İstanbul National Market, is signed between the Company and İş Yatırım Menkul Değerler A.Ş. The option is realized by collecting TRY 7,800 on 4 May 2017. Due to the increase in bonus issues and dividend payment during the period, the price and the amount of the call option has been revised as 5,076,600 shares and 2.1119 Turkish liras and the option is realized by collecting TRY 10,702 on 17 August 2017.

On 30 March 2017, all of the shares of Anadolu Cam Yenişehir Sanayi A.Ş. (15% of the total shares) in the Company's portfolio with 11,850 thousand Turkish lira nominal has been sold to Anadolu Cam Sanayii A.Ş. for 70,271 thousand Turkish lira. Sale price is determined according to KPMG Akis Bağımsız Denetim and Serbest Muhasebeci Mali Müşavirlik A.Ş.'s the appraisal report. The sale and purchase is made within the Group Companies; therefore, no consolidated effect occurs in profit and loss tables.

On 30 March 2017, all of the shares of Anadolu Cam Eskişehir Sanayi A.Ş. (15% of the total shares) in the Company's portfolio with 43,500 thousand Turkish liras nominal has been sold to Anadolu Cam Sanayii A.Ş. for 36,484 thousand Turkish lira. Sale price is determined according to KPMG Akis Bağımsız Denetim and Serbest Muhasebeci Mali Müşavirlik A.Ş.'s the appraisal report. The sale and purchase is made within the Group Companies; therefore, no consolidated effect occurs in profit and loss tables.

On 4 May 2017, all of the shares of Paşabahçe Mağazaları A.Ş. (19.32 % of the total shares) in the Company's portfolio with 1,100 thousand Turkish lira nominal has been sold to Denizli Cam Sanayii ve Tic. A.Ş., one the Company's Subsidiary for 9,553 thousand Turkish lira. Sale price is determined according to KPMG Akis Bağımsız Denetim and Serbest Muhasebeci Mali Müşavirlik A.Ş.'s the appraisal report. The sale and purchase is made within the Group Companies; therefore, no consolidated effect occurs in profit and loss tables.

According to Board of Director's Decision dated 28 April 2017, the shares in below stated company's portfolios has been purchased with advance payment. Consequently, companies, which are not subject to CBM and RTEMR and are controlled by the Company have acquired the status of a single joint stock company.

The Company has purchased;

- Topkapı Yatırım Holding A.Ş.'s shares having 21 thousand TRY nominal value from Cam Elyaf Sanayii A.Ş., Camiş Madencilik A.Ş., Şişecam Sigorta Aracılık Hizmetleri A.Ş. with a price of 27 thousand TRY.
- Madencilik Sanayii ve Tic. A.Ş.'s shares having 5 thousand TRY nominal value from Cam Elyaf Sanayii A.Ş. with a price of 73 thousand TRY.
- Şişecam Sigorta Aracılık Hizmetleri A.Ş.'s shares having 2 thousand TRY nominal value from Şişecam Dış Ticaret A.Ş. with a price of 18 thousand TRY.
- Camiş Elektrik Üretim A.Ş.'s shares having 40 thousand TRY nominal value from Denizli Cam Sanayii ve Tic. A.Ş. and Soda Sanayii A.Ş. with a price of 102 thousand TRY.
- Camiş Ambalaj Sanayii A.Ş.'s shares having 9 thousand TRY nominal value from Paşabahçe Cam Sanayii ve Tic. A.Ş. with a price of 187 thousand TRY.
- Anadolu Cam Sanayii A.Ş.'s shares having 59 thousand TRY nominal value from Paşabahçe Cam Sanayii ve Tic. A.Ş., Camiş Madencilik A.Ş. with a price of 204 thousand TRY.
- 38 founder shares belonging to Anadolu Cam Sanayii A.Ş. from Camiş Madencilik A.Ş. with a price of 154 thousand TRY.
- Soda Sanayii A.Ş.'s shares having 197 thousand TRY nominal value from Camiş Madencilik A.Ş. with a price of 1,237 thousand TRY.
- Trakya Cam Sanayii A.Ş.'s shares having 3,730 thousand TRY nominal value from Camiş Madencilik A.Ş. with a price of 12,421 thousand TRY.
- Şişecam Dış Ticaret A.Ş.'s shares having 3 thousand TRY nominal value from Şişecam Sigorta Aracılık Hizmetleri A.Ş. with a price of 20 thousand TRY.
- Camiş Madencilik A.Ş.'s shares having 1 TRY nominal value from Şişecam Sigorta Aracılık Hizmetleri A.Ş. with a price of 15 thousand TRY.

On 31 July 2017, Oxyvit Kimya Sanayii ve Ticaret A.Ş.'s shares with 17 thousand TRY amounting to 5% of the Company's assets is sold to Soda San. A.Ş., our subsidiary, with a price of 700 thousand US Dollar (=2,470 thousand TRY).

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## THE INFORMATION DOCUMENT OF SHAREHOLDER'S ORDINARY GENERAL ASSEMBLY OF 2017 DATED 21 MARCH 2018

The approval regarding the merger of OOO Ruscam who is one of our Subsidiaries with 100% and is involved in the manufacture and sale of glass packaging in Russia, with Ruscam Glass Packaging Holding have been received from the local authorities on August 9, 2017.

The approval regarding the merger of OOO Ruscam Glass who is one of our Subsidiaries with 100% and is involved in the manufacture and sale of glass packaging in Russia, with Ruscam Glass Packaging Holding have been received from the local authorities on December 18, 2017.

Anadolu Cam Sanayii A.Ş., Anadolu Cam Yenişehir Sanayi A.Ş. and Anadolu Cam Eskişehir Sanayi A.Ş. are involved in the manufacture and sale of glass packaging in Turkey, operate as a separate legal entity. Having the purpose of simplification of shareholder structure, in the Board of Directors' meeting dating 5 June 2017, it has been decided that Anadolu Cam Sanayii A.Ş. acquire Anadolu Cam Yenişehir Sanayi A.Ş. ve Anadolu Cam Eskişehir Sanayi A.Ş. which are subsidiaries totally owned by Anadolu Cam Sanayii A.Ş., by means of facilitated merger.

As Anadolu Cam Sanayii A.Ş. has 100% of the companies to be transferred, there have been no changes in the application of accounting policies and after consolidation in financial tables. Financials as of 31 December 2016 are based on the merger operations. As Anadolu Cam Sanayii A.Ş. has 100% of the companies to be transferred, no capital increase has occurred following the merger. The Capital Markets Board has declared conformity to the announcement text of our subsidiary on August 11, 2017.

50% of the total shares of Omco İstanbul Kalıp Sanayii ve Tic. A.Ş. held by our subsidiary, Anadolu Cam Sanayii A.Ş. with 1,935 thousand TRY nominal value is sold to Omco International N.V. who is owner of the remaining 50% of the shares with 12,800 thousand Euro (=50,404 thousand TRY) advance payment on June 12, 2017.

Cheminvest Deri Kimyasalları Sanayii ve Ticaret A.Ş. which is owned by our subsidiary Soda Sanayii A.Ş. at 45%, by our company by 5% and by our business partner, Oxyvit Kimya Sanayii ve Ticaret A.Ş. by 50% is purchased by Cheminvest S.P.A. located in Italy and other partners at the amount of 7,000 thousand US Dollar (=24,811 TRY) and according to the Board of Directors resolution dated 25 July 2017 Share Purchase Agreement has been signed and the transfer of shares has been effected. Subsequently, Cheminvest Deri Kimyasalları Sanayii ve Ticaret A.Ş. who is owner of the 50% of Oxyvit Kimya Sanayii ve Ticaret A.Ş.'s shares is dissolved due to reverse merger. Registration has been made on December 19, 2017.

### **3. OUR EXPLANATIONS REGARDING THE ARTICLES ON THE AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING DATED ON 21 MARCH 2018**

#### **1) Election of the members of the Chairmanship Council and granting the Chairmanship Council the power to sign the minutes of the General Meeting,**

Elections of the members of the Chairmanship Council and the Chairman, who will manage the General Assembly meeting, shall be accomplished within the framework of the provisions contained in "the Turkish Commercial Code" (TCC) and in "the Regulation on the General Assembly Meetings of Trading Companies" (the Regulation) prepared by the Ministry of Customs and Trade

#### **2) Presentation of Annual Report of the Company for the fiscal year 2017 prepared by the Board of Directors and presentation of the summary of the Independent Audit Report for the year 2017,**

Within the framework of TCC, the Regulation and the Capital Markets Law and related regulations, Annual Report prepared by the Board of Directors and summary of the Independent Auditor's Report prepared and signed Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi A member firm of Ernst & Young Global Limited, which has been submitted at the Headquarters of our Company and on the website of the Company at www.sisecam.com.tr for examination of our shareholders for a period of three weeks before the General Assembly meeting and they shall be presented for evaluation and approval of our shareholders.

#### **3) Review, discussion and approval of the Balance Sheet and Income Statement as of and for the year ended 2017,**

Within the framework of the TCC and the Regulation, following the reviews and discussions on the Balance Sheet as of the year 2017 and Income Statement for the year ended 2017, they shall be presented for evaluation and approval of our shareholders.

#### **4) Approval of Board of Director Member elected during the year 2017 instead of the resigned Board of Director Member,**

The election of Mr. Adnan Bali as Board Member and Chairman of the Board of Directors on April 7, 2017 instead of the resignation of Mr. Hakkı Ersin Özince on April 4, 2017 shall be presented for approval of General Assembly.

#### **5) Release of the Members of the Board of Directors from liability for the affairs,**

Within the framework of provisions of TCC and the Regulation, release of the members of Board of Directors one by one due to activities, transactions and accounts of the year 2017 shall be presented for approval of the General Assembly pursuant to Article 408 of the TCC.

#### **6) Election of the Members of the Board of Directors,**

As is known, our Company's Board Members were elected to serve for one year at the Ordinary General Assembly of Shareholders held on March 30, 2017. Our Board Members' one-year legal term of office shall end on the date of the Ordinary General Assembly of Shareholders to be held on March 21, 2018. For this reason, it is a legal obligation to renew the election.

In addition, the one-year legal term of office of our Board Members acting as independent members shall end on the same date. It is therefore obligatory to make the independent member election in accordance with Article 4.3.7 of the Capital Markets Board (CMB) Corporate Governance Principles.

In this scope:

The term of office of Prof. Dr. Atilla Murat Demircioğlu, Halit Bozkurt Aran, and Mehmet Öğütçü who have been acting as independent members in our Company's Board of Directors, shall end on the date of the Ordinary General Assembly of Shareholders to be held in relation to the year 2017. In order to reach the minimum number of Independent Members of the Board of Directors as laid down in the Corporate Governance Principles and to ensure the assignment of Independent Members of the Board of Directors, as a result of the evaluation made by our Corporate Governance Committee within the scope of the provisions of the Communiqué on Corporate Governance, it has been found that the following persons meet the criteria of independence specified in Article 4.3.6 of the Corporate Governance Principles, have already been acting as independent members in our Company's Board of Directors, have made positive contributions to Company's activities and remained impartial in case of conflict of interests between shareholders, have strong ethical standards to decide independently taking stakeholders' rights as well as professional reputation and experience, have duly fulfilled their duties as Independent Members of the Board and spared their time to the Company to the extent required for following up Company's activities and fulfilling the requirements of the duties they have undertaken. Thus,

-Cem M. Kozlu,  
-Aysun Mercan and  
-Dinç Kızıldemir

shall be elected as "independent members" of the Company Board of Directors.

Within the framework of the criteria of independence stipulated in Article 4.3.6 of the Capital Markets Board (CMB) Corporate Governance Principles, "Corporate Governance Committee" report with Board of Directors decision dated January 31, 2017, resumes and declarations of independence included in Annex-2 have been submitted for the evaluation of the Capital Markets Boards and have been approved by CMB's Letter No. 29833736-110.07.07-E.1842 dated February 15, 2018.

#### **7) Resolution of gross salaries of the Members of the Board of Directors,**

Monthly gross salaries of the members of the Board of Directors shall be determined by the General Assembly within the framework of the provisions contained in the TCC and in the Regulation and within the framework of the principles contained in the Articles of Association.

# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## THE INFORMATION DOCUMENT OF SHAREHOLDER'S ORDINARY GENERAL ASSEMBLY OF 2017 DATED 21 MARCH 2018

### **8) Authorization of the Members of the Board of Directors as per Articles 395 and 396 of the Turkish Commercial Code,**

It is, only with the approval by the General Assembly, possible for the members of our Board of Directors to perform transactions within the framework of the Article 395, entitled "the Prohibition to Transacting with and Becoming Indebted to the Company" and of the Article 396, entitled "Noncompetition", contained in the TCC. As per the CMB's mandatory Corporate Governance Principle No. 1.3.6, prior approval should be granted by the General Assembly so that the majority shareholders, the members of the Board of Directors, top executives and their spouses and their relatives by blood and by marriage (up to the second degree) are able to perform any significant transactions in such a nature that may cause a conflict of interest with the Company or with any subsidiaries thereof and so that these persons are able to compete with them. In addition, information about the mentioned transactions should be provided at the General Assembly. In order that the requirements of these arrangements can be fulfilled, the request to grant the mentioned permission shall be submitted to our shareholders for approval at the General Assembly and, in addition, our shareholders shall be informed about the transactions that have been performed in such a nature within the year.

### **9) Taking a Resolution on the Profit Distribution of the year 2017 and the date of the dividend distribution,**

According to our financial statements for the period January 1, 2017, and December 31, 2017 audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi A member firm of Ernst & Young Global Limited, in accordance with the International Financial Reporting Standards and within the framework of the provisions contained in the Capital Markets Board's Communiqué Nr. II.14.1 "on the Principles Concerning Financial Reporting in Capital Markets", the "Consolidated Net Profit for the Period" belonging to equity holders of the Parent is amounting to 1,225,420 thousand Turkish Lira. The proposal for the distribution of profit, which has been submitted by our Board of Directors to the General Assembly for approval, has been prepared as Annex 3 in accordance with the principles mentioned in the "Profit Distribution Policy" which has been revised at our Board of Directors' meeting dated February 27<sup>th</sup>, 2013 and has been disclosed to the public on the same date, as well as the arrangements issued by CMB in relation to distribution of profit and Article 25 of our Articles of Association.

### **10) Taking a resolution on the appointment of an independent auditing firm as per the Turkish Commercial Code and the regulations issued by the Capital Markets Board,**

Within the framework of the opinions of our Audit Committee, Güney Bağımsız Denetim and Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member of Ernst & Young) which is chosen to make independent audits of the financial statements for 2018 to be prepared in accordance with the provisions of the Articles 397 to 406 of the TCC and the provisions of the CMB's "Communiqué on Principles of Financial Reporting in Capital Markets" by the Board of Directors will be presented to the General Assembly for approval.

### **11) Providing information to shareholders with respect to the donations granted within the year and determination of the limit pertaining to the donations to be granted in 2018,**

In accordance with the principles of "the Donation Policy" which has been established in line with the provisions contained in the Turkish Commercial Code, the Capital Markets Law, the Communiqués, Principle Resolutions and other arrangements issued by the Capital Markets Board as well as the provisions contained in the Company's Articles of Association; any donations and aids, which have, for social aid purposes, been granted to the foundations and associations (societies) by the Company in the year 2018, shall be submitted to the General Assembly for information. In addition, the limit of the donations to be granted by publicly-held corporations shall be determined by the General Assembly of Shareholders in accordance with the provisions of the Capital Markets Law No. 6362, Article 19 paragraph 5. In this context, the sum of the donations which shall be granted in the activity year of 2018 has been determined by our Board as 20,000 thousand Turkish lira and shall be submitted to the General Assembly for approval, and the sum of the donations which have been granted to the educational institutions and various foundations and associations (societies) in the year 2017 by the Company and its companies included in the scope of consolidation amounts 449 thousand Turkish liras.

### **12) Providing information to shareholders with respect to the collateral, pledges, mortgages provided in favour of third parties.**

As per Capital Markets Board's Corporate Governance Communiqué No. II-17.1 Article 12 entitled "Collaterals, pledges, mortgages and sureties", information has been provided under footnote no. 22 pertaining to the financial statements for the year 2017 issued in line with the provisions of the Capital Markets Board's Communiqué No. II.14.1 "on the Principles Concerning Financial Reporting in Capital Markets" and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi A member firm of Ernst & Young Global Limited.

### **ANNEX 1 POWER of ATTORNEY**

#### **TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.S.**

I hereby appoint .....as my agent who is introduced in details below; so that he/she is authorized to represent me, vote, submit proposals and sign the required documents, accordingly with the considerations that I indicate below, at Türkiye Şişe ve Cam Fabrikaları A.S.'s 2017 Ordinary General Assembly Meeting to be held at İçmeler Mahallesi D-100 Karayolu Caddesi No:44/A 34947 Tuzla /Istanbul on March 21, 2018, Thursday, at 14.00.

The Agent's<sup>(\*)</sup>:

Name and Surname/Trade Name:

T.R. Identity No/Tax ID No, Trade Registry and Trade Registration Number and Central Registration System (MERSIS) No:

<sup>(\*)</sup> For the foreign agents, it is mandatory to submit the equivalents (if any) of the above information.

#### **A) Scope of Representative Authority**

For the Sections No 1 and 2 provided below, one of the alternatives indicated as (a), (b) and (c) should be checked and thereby; the scope of the representative authority should be determined.

#### **1. In respect of the matters contained in the agenda of the General Assembly Meeting;**

- The Agent is authorized to vote accordingly with his/her own opinion.
- The Agent is authorized to vote accordingly with the recommendations of the Company's management.
- The Agent is authorized to vote accordingly with the instructions declared in the table below.

#### **Instructions:**

In case the alternative (c) is checked by the shareholder; the instructions specific to the article of the agenda shall be given by checking one of the alternatives provided next to the relevant agenda article of the general assembly meeting (affirmative or dissentient) and, in case the alternative "dissentient" is checked, by indicating the dissenting opinion (if any) requested to be written on the minutes of the General Assembly Meeting.

Articles of the Agenda <sup>(*)</sup>	Affirmative	Dissentient	Dissenting Opinion
1.			
2.			
3.			

<sup>(\*)</sup> The matters contained in the agenda of the General Assembly Meeting shall be listed one by one. If the minority has a separate resolution draft, this draft shall additionally be specified in order for casting vote by proxy.

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# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş. THE INFORMATION DOCUMENT OF SHAREHOLDER'S ORDINARY GENERAL ASSEMBLY OF 2017 DATED 21 MARCH 2018

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## **2. Special instructions for any other matters that may emerge at the General Assembly Meeting and particularly for exercising minority rights:**

- a) The Agent is authorized to vote accordingly with his/her own opinion.
- b) The Agent is not authorized to represent with respect to these matters.
- c) The Agent is authorized to vote accordingly with the special instructions below.

Special Instructions; any special instructions (if any), which will be given to the agent by the shareholder, shall be specified here.

### **B) The shareholder shall check one of the alternatives below and thereby, shall indicate the shares, which the shareholder requests the agent to represent.**

#### **1. I grant approval for representation of my shares by the agent, the details of which are provided below.**

- a) Quantity-Nominal value:
- b) Whether or not there is a privilege in voting:
- c) Its rate to the voting rights/total shares held by the shareholder:

#### **2. I grant approval for the agent's representation of all of my shares contained in the list which is relevant to the shareholders that are allowed to participate in the General Assembly Meeting and has been prepared by the Central Registry Agency on the day before the day of the General Assembly Meeting.**

#### **THE SHAREHOLDER'S:**

Name and Surname/Trade Name<sup>Ⓒ</sup>:  
T.R. Identity No/Tax ID No, Trade Registry and Trade Registration Number and Central Registration System (MERSIS)  
No:

Address:

<sup>Ⓒ</sup> For the foreign shareholders, it is mandatory to submit the equivalents (if any) of the above information.

Signature:

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## **ANNEX 2**

### **RESUMES OF THE BOARD OF DIRECTORS MEMBERS**

#### **DR. MEHMET CEM KOZLU**

Born in 1946, Mehmet Cem Kozlu holds a Bachelor's degree from Denison University, an MBA from Stanford University and a PhD from Boğaziçi University.

In the USA, in NCR and in Switzerland, in worked as a manager in Procter and Gamble, he worked as manager and served as the general manager of Komili for 12 years.

Between 1988 and 1991, he served as the General Manager and Chairman of the Board of Directors of Turkish Airlines and then again served as the Chairman of the Board of Directors from 1997 to 2003. He also served as President of the European Airlines Association (AEA) in 1990.

He worked as a Deputy in 1991-1995 period.

Cem M. Kozlu has held different positions at The Coca-Cola Company since 1996. Prior to his retirement in 2006, Cem M. Kozlu, who was responsible for 51 countries being head of Central Europe, Eurasia and Middle East Group in Vienna, served as an adviser to the Eurasia & Africa Group at The Coca-Cola Company between 2007 and 2015.

Cem M. Kozlu, who was a member of the board of directors of HÜRRİYET and TAV, also served as the Chairman of the Board of Directors of Evyap Asia, based in Singapore.

At different times, he served as a lecturer at Boğaziçi and Denison universities. Cem M. Kozlu has published ten books and numerous articles; he has also TV series related to management.

Cem M. Kozlu who is currently Board of Directors member in Coca-Cola İçecek, Anadolu Endüstri Holding, Efes Biracılık ve Malt Sanayii A.Ş., Kamil Yazıcı Management and Consulting Inc., Pegasus Airlines who are based in İstanbul and in DO&CO based in Vienna, Board of Trustees member in Anadolu-Johns Hopkins Health Center and İstanbul Modern Arts Foundation, is the chairman of the board of directors of the Global Relations Forum.



# TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

## THE INFORMATION DOCUMENT OF SHAREHOLDER'S ORDINARY GENERAL ASSEMBLY OF 2017 DATED 21 MARCH 2018

### **AYSUN MERCAN**

She was born in 1959 in Ankara. In 1982, she graduated from Business Administration Department in METU. In 1997, she received her graduate degree from Wales University (Bangor) in Business Administration field.

Mercan who started her banking career in TÖBANK (Türkiye Öğretmenler Bankası T.A.Ş.) as Foreign Operations Assistant Specialist, respectively served in İktisat Bank; in Manufacturers Hanover Trust Company Istanbul; in BNP-AK-Dresdner Bank A.Ş. as Manager of Customer Representation and Corporate Banking Department, Corporate Banking Department President and Management Board member; in Heller Factoring A.Ş. as Vice President in charge of Marketing Department; in Interbank A.Ş. as Risk Management and Corporate Loans Departments' manager and in Demir Yatırım Menkul Kıymetler A.Ş. as Project Financing Department President.

After Bayındırbank A.Ş.'s transfer to the Savings Deposit Insurance Fund, she served as the Unit Manager responsible for Corporate Loans and Off-Shore Banking Department. Serving in the process of loan follow-up, liquidation, reorganization of Fund Banks which are merged in Bayındırbank A.Ş.; for over four years period in the SDIF, she worked in the process of liquidation of debts of the Bank's dominant partners as Project Manager and Consultant, particularly in Pamukbank TAŞ. and in EGS Bank, Sitebank, Demirbank, Bayındırbank A.Ş and Esbank. In the period of February 2008 - September 2013, she served as Denizbank A.Ş.'s General Secretary, Assistant General Manager. Since January 2016, she continues to serve as Executive Board Member (Credits) in Bank Of Tokyo - Mitsubishi UFJ Turkey A.Ş..

### **DİNÇ KIZILDEMİR**

Born in 1952, Dinç Kızıldemir After graduating from Robert College High School in 1971, he graduated from Bogazici University, Department of Administrative Sciences in 1975.

He started his career at Elka Elyafli Plaka Sanayii AŞ, which is a subsidiary of Garanti Bank and then joined Koç Group, and served as Sales and Marketing Manager. After his military service at Tuzla Infantry School and War Academies, he worked as Sales and Marketing manager and Assistant General Manager at Enka Group which belongs to Kelebek Kontrplak Mobilya A.Ş. In 1991, He worked as General Manager and vice president of the executive board by incorporating McDonald's Corporation Turkey and taking on the task of managing in these companies. He directed the establishment of the company's retail, logistics and supply infrastructure. Kızıldemir joined the OYAK Group in 2001, where he firstly worked as General Manager of Retail Group, as Board of Directors Member in AXA-OYAK Holding and Insurance Companies, and representing minority shareholders, in companies such as Good Year and ETİ Pazarlama. Since 2006, Kızıldemir served as Chairman of the Board of Directors and Managing Director positions for ten years at Erdemir Group Companies. Between 2009 and 2016, Kızıldemir carried out Business Development (new company acquisitions) Group, Energy Group, Overseas Chemical Group Presidencies and Group Legislation Compliance Department and Sustainability Department at Oyak Group. He served as Board Chairman, Managing Director and Board Member in more than 40 companies in Turkey and abroad. Over twenty companies in the US, Germany, Netherlands, Austria, Australia, the UK, China, Japan, Brazil, India and some other countries, Kızıldemir undertook the purchase and subsequent management of factories and refineries in abroad. These tasks included establishing a joint start-up company in medicine with Harvard University Hospital Massachusetts General.

### **ANNEX 2**

#### **DECLARATION OF INDEPENDENCE**

##### **Türkiye Şişe ve Cam Fabrikaları A.Ş.** **Presidency of Corporate Governance Committee**

I hereby declare that I am a candidate for independent board membership at the Board of Directors of Türkiye Şişe ve Cam Fabrikaları A.Ş. ("Company") under related regulations, Articles of Association of the Company and the criteria stated in the Capital Markets Board's ("CMB") Communique on Corporate Governance. In that regard I also confirm that;

- In the last five years, I, my spouse or my up to the second degree blood or affinity relatives is not or has not been; employed by as a key management personnel; has not had ordinary or privileged shareholding exceeding 5% by himself or together with; or has not been involved in any material business dealings with the Company, its subsidiaries and affiliates, or shareholders controlling the Company or having material effect over the Company and all entities controlled by those shareholders.
- In the last five years, I am not or have not been employed by as an executive having significant duties and responsibilities or have not been a member of the board or did not have a shareholding exceeding 5% of an entity which has had a contractual relationship with the Company for a material business transaction including audit (including tax audit, legal audit, and internal audit) rating or consulting services during the terms in which the goods or services were provided.
- My resume indicates that I have skills, knowledge and expertise relevant to the Company's business and extensive experience to fulfil my duties as an independent board member,
- After my election I will not work full time in a Turkish governmental or public institution, except for the faculty membership under relevant regulations,
- I am deemed to be resident in Turkey according to Revenue Tax Law No.193 dated 31.12.1960
- I am capable to contribute positively to the operations of the Company, to maintain my objectivity in conflicts of interests between the Company and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,
- I will dedicate enough time to follow up the activities of the Company and for the duly fulfilment of my responsibilities,
- I have not been on the board of the Company for more than six years within last ten years,
- I am not an independent board member in more than three of the corporations controlled by the Company or its controlling shareholders and in more than five corporations listed on Borsa İstanbul.
- I am not registered in the name of any legal entity elected as a board member.

Yours respectfully,



**CEM M. KOZLU**  
23.01.2018

TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.  
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SHAREHOLDER'S ORDINARY GENERAL  
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Yours respectfully,



**AYSUN MERCAN**  
23.01.2018

**ANNEX 2**

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- I am not registered in the name of any legal entity elected as a board member.

Yours respectfully,



**DİNÇ KIZILDEMİR**  
23.01.2018



# DIRECTORY

## **ŞİSECAM GLASS PACKAGING** [www.sisecamcamambalaj.com](http://www.sisecamcamambalaj.com)

**Anadolu Cam Sanayii A.Ş.**  
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Mersin Plant**  
Yeni Taşkent Kasabası Toroslar  
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Fax: +90 850 206 00 28-29

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Yenişehir Plant**  
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Turkey  
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**Anadolu Cam Sanayi A.Ş.  
Eskişehir Plant**  
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Mah.) Şehitler Bulvarı No: 6  
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Tel: +90 850 206 52 00  
Fax: +90 850 206 52 03

**OOO Ruscam Management  
Company**  
Ulitsa Iskry Str., 17A 129344  
Moscow/Russian Federation  
Tel: (007 495) 662 70 00

**OOO Ruscam Glass Packaging  
Holding**

**Gorokhovets Plant**  
84. Gagarina Str. Gorokhovets  
601481 Vladimir Region/  
Russian Federation  
Tel: (007 49238) 2 40 52/53

**Ufa Plant**  
450028, Bashkortostan Ufa  
Proizvodstvennaya 10/1 Ufa  
Bashkortostan Republic/  
Russian Federation  
Tel: (007 347) 292 40 53

**Kirishi Plant**  
Volkhov Highway 11, Kirishi  
Leningradskaya Region 187110  
Russian Federation  
Tel: (007 81368) 9 69 03

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*The Auditor's Report, the Consolidated Financial Statements and the Independent Audit Report included in this Annual Report ("Report"), regarding the activities and accounts for the year 2017, were prepared in conformity with the legal legislation to be submitted to the Ordinary General Assembly of Shareholders to be held on the 21st of March 2018 at the address; İçmeler Mahallesi, D-100 Karayolu Caddesi, No: 44/A 34937 Tuzla/İstanbul.*

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*We would like to extend our thanks to all our employees who supported us in the preparation process of the annual report..*



