

## COMMENTS ON TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş. Q2 2017 CONSOLIDATED FINANCIAL STATEMENTS

Based on 2017 Q2 IFRS results,

	2016 H1	2017 H1	Growth	2Q 2016	1Q 2017	2Q 2017	QoQ Change	YoY Change
<b>Revenue</b>	4.002	5.344	34%	2.128	2.568	2.776	8%	30%
<b>Gross Profit</b>	1.212	1.651	36%	617	856	795	-7%	29%
<b>Gross Margin</b>	30%	31%	61 bps	29%	33%	29%	-468 bps	-34 bps
<b>EBIT</b>	489	1.002	105%	252	588	415	-29%	65%
<b>EBIT Margin</b>	12%	19%	653 bps	12%	23%	15%	-793 bps	311 bps
<b>Adjusted EBIT*</b>	489	883	81%	252	471	412	-13%	64%
<b>Adjusted EBIT Margin*</b>	12%	17%	431 bps	12%	18%	15%	-350 bps	302 bps
<b>Analyst EBIT**</b>	390	734	88%	196	370	364	-2%	85%
<b>Analyst EBIT Margin**</b>	10%	14%	399 bps	9%	14%	13%	-130 bps	389 bps
<b>EBITDA</b>	878	1.490	70%	446	831	658	-21%	48%
<b>EBITDA Margin</b>	22%	28%	594 bps	21%	32%	24%	-865 bps	276 bps
<b>Adjusted EBITDA*</b>	878	1.371	56%	446	715	656	-8%	47%
<b>Adjusted EBITDA Margin*</b>	22%	26%	372 bps	21%	28%	24%	-422 bps	267 bps
<b>Analyst EBITDA**</b>	779	1.222	57%	391	614	608	-1%	56%
<b>Analyst EBITDA Margin**</b>	19%	23%	339 bps	18%	24%	22%	-202 bps	354 bps
<b>Net Income After Minority Interest</b>	297	591	98%	170	337	254	-25%	49%
<b>Net Income Margin</b>	7%	11%	362 bps	8%	13%	9%	-398 bps	116 bps
<b>Adjusted Net Income*</b>	297	493	66%	170	271	222	-18%	31%
<b>Adjusted Net Income Margin*</b>	7%	9%	178 bps	8%	11%	8%	-255 bps	1 bps
<b>Capex</b>	578	398	-31%	325	187	211	13%	-35%
<b>Capex/Sales</b>	14%	7%	-699 bps	15%	7%	8%	34 bps	-765 bps

\*Excluding revaluation gain/loss on fixed income instruments (from EBIT), TRY 50 Million in Q1'17, TRY -29 Million in Q2'17 and TRY 21 Million in H1'17

\*From EBIT and net income: Excluding TRY 66 Million income generated from the sale of Eskişehir Oluklu Plant in Q1'17 and H1'17, TRY 32 Million income generated from Anadolu Cam's stake in OMCO İstanbul Kalıp A.Ş in Q2'17 and H1'17

\*\*Excluding other income/expense from operations, investing activities, investments in associates and joint ventures

Türkiye Şişe ve Cam Fabrikaları A.Ş., a global player of glass and chemicals manufacturing and one of the largest industrial companies in Turkey, reported financial results for the second quarter ended 30 June, 2017.

### **Financial Summary (Q2'17 vs Q2'16)**

- **Revenue came in at TRY 2.8 Billion, up 30% YoY (USD 774 Million, up 5% YoY in USD terms)**
- **Gross profit is up by 29% YoY with a margin of 29%**
- **Adjusted EBITDA came in at TRY 656 Million with 24% margin, up by 47% YoY as a result of significant contribution of each business divisions**
- **Adjusting one-off figures, net income after minority interest came in at TRY 222 Million on the back of higher operating profit and lower tax base**
- **Capex to sales ratio, in line with its strategy decreased from 15% to 8% YoY as a result of Şişecam's moderate capex program**

In Q2'17, 39% of the net revenues were generated from flat glass, 18% from glassware, 22% from glass packaging, 19% from chemicals divisions and the remaining 3% from other operations. Strong topline growth in all divisions continued in this quarter with 49% YoY revenue growth in flat glass, 35% YoY in chemicals and 23% YoY in glass packaging boosted the topline growth.

**Share of international revenues reached 58% as of Q2'17**, as all segments posted higher revenue from its international operations thanks to the improved market conditions. Share of revenues generated from European operations in total revenues increased to 22% in Q2'17 from 20% in Q2'16 after the consolidation of Italian operations in flat glass division and the increase in European revenues of chemicals while share of Russian operations in total revenues increased to 13% in Q2'17 from 11% in Q2'16 thanks to improvement in both glass packaging and flat glass capacity utilization rates, recovery in demand conditions and price hikes implemented through the second quarter.

In terms of profitability, significant increase in gross margin has been achieved in Russian operations (gross profit margin increase from % 17 in Q2'16 to % 25 in Q2'17). Higher contribution to gross profit of Şişecam continued to come from operations in Turkey (price hike in flat glass) and Russia (price hikes in glass packaging and flat glass).

**Consolidated gross profit increased by 29% YoY with a margin of 29%**, reflecting the improvement on all segments' gross margin levels. **OPEX recorded a slight increase with 3% YoY in Q2'17 while OPEX to revenue decreased to 16%** from 20% in Q2'16 as a result of strong topline/base effect after price hikes made in flat glass and glass packaging. Starting from Q2'17, intercompany expenses, previously accounted under COGS and subjected to consolidation eliminations, were reclassified under OPEX. This booking method change resulted in a 22% decrease in G&A expenses. If the intercompany expenses were to be booked under COGS, OPEX would be 12% higher than Q2'16, **while gross margin would be 30%**. Marketing expenses also increased by 37% YoY mainly due to increase in labor expenses after payroll adjustments, transportation and commission expenses.

Şişecam posted **TRY 11 Million net other income from main operations in Q2'17** vs TRY 25 Million in Q2'16. The decrease was mainly due to FX loss recorded on trade receivables.

**Investments in associates and joint ventures increased from TRY 23 Million in Q2'16 to TRY from TRY 68 Million in Q2'17** mainly due to generation of TRY 32 Million investment income from the sale of Anadolu Cam's stake in OMCO İstanbul Kalıp A.Ş. Excluding this, investments in associates and joint ventures would still increase by 58% YoY due to the pickup in Oxyvit's net income as a result of increase in sales volume and unit price.

**Şişecam's net loss from investing activities came in at TRY 28 Million in Q2'17** from TRY 7 Million net income in Q2'16 mainly due to the revaluation loss on fixed income securities amounting to TRY 29 Million as a result of negative currency impact after translating USD denominated eurobonds at a lower closing rate than rate of purchase date. Şişecam purchased TRY 22 Million USD-denominated long-term fixed income securities in the second quarter in line with its strategy of investment in bonds that have higher yield than Şişecam Eurobond with similar maturity and risk rating.

**Company's EBIT came in at TRY 412 Million**, after excluding revaluation gain on fixed income securities from operational figures and income generated from sale of OMCO İstanbul Kalıp A.Ş. Consequently, **Şişecam's adjusted EBITDA recorded %47 YoY growth and came in at 656 TRY Million representing an EBITDA margin of 24%**.

**Company's net income after minority interest came in at TRY 245 Million**, excluding income generated from sale of OMCO İstanbul Kalıp A.Ş. stood at **TRY 222 Million**, representing a net margin of %8 thanks to not only strong profitability but also decrease in effective tax rate from 18% in Q2'16 to 4% in Q2'17. Lower effective tax rate was recorded due to reduced tax payables on regional and large scale investments as a government subsidy and increased participation exemptions on dividend income coming from subsidiaries. **TRY 37 Million net financial expense was recorded in Q2'17** compared to TRY 28 Million net financial income in Q2'16 due to increase in interest expense on bank loans.

**Share of minority interests in Şişecam's net income increased to 30%** in Q2'17 from Q1'17 level of 25% and Q2'16 level of 26% mainly due to increase in revenue coming from flat glass and chemicals which have higher minority shares on their balance sheet compared to other segments. In addition to that; shares of Anadolu Cam Yenişehir and Anadolu Cam Eskişehir were sold to Anadolu Cam Sanayi A.Ş. in Q2'17, income coming from direct stake of Şişecam in those companies will no longer exists.

**Our net debt has decreased to 378 Million USD in Q2'17** from 423 Million USD in 2016 including our financial investments amounting to USD 359 Million Q2'17 versus USD 308 Million in 2016 mainly as a result of increase in Eurobond investments and depreciation of TL against Euro and USD.

**The company's net FX asset position** increased to TRY 671 Million in Q2'17 from TRY 96 Million in 2016 mainly due to USD 140 Million increase in USD denominated assets after the purchase of Eurobonds and EUR 10 Million decrease in EUR denominated liabilities.

Şişecam paid TRY 341 Million dividend on May, 2017 and made a TRY 200 Million capital increase through bonus share issuance on July, 2017.

## **Important Events after the Reporting Period**

- Negotiation on "Asset Transfer Agreement" regarding the acquisition of the assets of the Company named "Pearl for Glass Manufacturing S.A.E. in Egypt continues
- Şişecam's 5% share on Oxyvit Kimya Sanayii ve Ticaret A.Ş. were sold to Soda Sanayii A.Ş. on July, 31 2017
- Based on the resolution taken during the Board Meeting of Paşabahçe Cam Sanayii ve Tic. A.Ş., a subsidiary of Şişecam on 9 August 2017, D Furnace, which is one of the four furnaces located in Kırklareli plant, operating under its legal entity and completing its technical and economic life, will terminate its operations as of 10 September 2017
- Merger of Anadolu Cam Yenişehir and Anadolu Cam Eskişehir plants under Anadolu Cam Sanayii A.Ş. was approved in the 2nd week of August by Capital Markets Board (CMB). Merger is expected to be completed within 3Q2017

Şişecam IR Team



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

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