



COMMENTS ON TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş. Q3 2017 CONSOLIDATED FINANCIAL STATEMENTS

Based on 2017 Q3 IFRS results,

	9M 2016	9M 2017	Growth	Q3 2016	Q2 2017	Q3 2017	QoQ Change	YoY Change
Revenue	6.007	7.944	32%	2.005	2.776	2.600	-6%	30%
Gross Profit	1.821	2.414	33%	609	795	763	-4%	25%
Gross Margin	30%	30%	8 bps	30%	29%	29%	69 bps	-103 bps
EBIT	806	1.480	84%	317	415	477	15%	51%
EBIT Margin	13%	19%	521 bps	16%	15%	18%	342 bps	257 bps
EBITDA	1.393	2.215	59%	515	658	725	10%	41%
EBITDA Margin	23%	28%	469 bps	26%	24%	28%	417 bps	219 bps
Net Income After Minority Interest	460	867	89%	162	254	277	9%	71%
Net Income Margin	8%	11%	326 bps	8%	9%	11%	151 bps	255 bps
Capex	799	556	-30%	221	211	158	-25%	-29%
Capex/Sales	13%	7%	-631 bps	11%	8%	6%	-153 bps	-497 bps
Adjusted EBIT*	793	1.327	67%	303	412	443	7%	46%
Adjusted EBIT Margin*	13%	17%	349 bps	15%	15%	17%	219 bps	191 bps
Adjusted EBITDA*	1.381	2.061	49%	502	656	691	5%	38%
Adjusted EBITDA Margin*	23%	26%	296 bps	25%	24%	27%	294 bps	153 bps
Adjusted Net Income*	460	769	67%	162	222	277	25%	71%
Adjusted Net Income Margin*	8%	10%	203 bps	8%	8%	11%	265 bps	255 bps
Analyst EBIT**	600	1.088	81%	210	364	353	-3%	68%
Analyst EBIT Margin**	10%	14%	370 bps	10%	13%	14%	48 bps	311 bps
Analyst EBITDA**	1.188	1.823	53%	409	608	601	-1%	47%
Analyst EBITDA Margin**	20%	23%	317 bps	20%	22%	23%	123 bps	273 bps

*Excluding revaluation gain/loss on fixed income instruments **from EBIT**: TRY 34 Million in Q3'17, TRY - 29 Million in Q2'17 and TRY 55 Million in 9M'17, TRY 13 Million in Q3'16, TRY 12 Million in 9M'16

***From EBIT and net income**: Excluding TRY 66 Million income generated from the sale of Eskişehir Oluklu Plant in 9M'17, TRY 32 Million income generated from the sale of Anadolu Cam's stake in OMCO İstanbul Kalıp A.Ş in 9M'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 third quarter ended 30 September, 2017.

Financial Summary (Q3'17 vs Q3'16)

- **Revenue came in at TRY 2.6 Billion, up 30% YoY (USD 741 Million, up 9% YoY in USD terms)**
- **Gross profit is up by 25% YoY with a margin of 29%**
- **Adjusted EBITDA came in at TRY 691 Million with 27% margin, up by 38% YoY as a result of significant contribution of the business divisions**
- **Net income after minority interest came in at TRY 277 Million on the back of higher operating profit**
- **Capex to sales ratio decreased from 11% to 6% YoY as a result of Şişecam's moderate capex program in 2017**

In Q3'17, 39% of the net revenues were generated from flat glass, 16% from glassware, 22% from glass packaging, 20% from chemicals divisions and the remaining 3% from other operations. Şişecam's topline growth was 30% YoY in Q3'17, significant contribution came from flat glass, chemicals and glass packaging divisions, respectively. Improved demand conditions and pricing environment, change in product mix, consolidation of Italian operations, boosted sales in auto glass unit and positive foreign currency translation effect from international operations lifted up flat glass division's topline performance in Q3'17. Solid YoY revenue growth in chemicals division recorded in Q3'17 on the back of increased portion of international sales in chemicals and solid volume growth in chromium segment combined with weaker TRY. Price increases in Russia and Turkey and change in product mix with strong demand conditions in Turkey positively affected third quarter results of glass packaging. Share of glassware division in Şişecam's topline decreased YoY mainly due to the decrease in revenues of cardboard packaging segment after Eskişehir Oluklu Packaging plant sale in Q1'17. Excluding cardboard packaging segment, YoY increase in glassware division's revenue would be 6%.

Share of international revenues reached 56% as of Q3'17 while share of revenues generated from European operations in total revenues increased to 23% in Q3'17 from 19% in Q3'16 mainly due to the consolidation of Italian operations in flat glass division. Excluding Italy, share of European revenues would still increase thanks to the surge in European revenues of chemicals division because of channeling more sales to its international clients as a result of the decrease in intra group sales. Share of Russian operations in total revenues increased to 14% in Q3'17 from 13% in Q3'16.

Consolidated gross profit increased by 25% YoY with a margin of 29%, reflecting the upbeat in flat glass division's profitability thanks to price hikes made in Turkey, improved profitability in auto-glass unit and enhanced economies of scale in Russia. Improvement in glass-packaging division's gross profit also positively affected Şişecam's profitability as a result of price hikes both in Russia and Turkey, efficiency investments and improved capacity utilization rates at all operational facilities. Starting from Q2'17, intercompany expenses, previously accounted under COGS and subjected to consolidation eliminations, are reclassified under OPEX. This booking method resulted in %0.6 decrease in gross margin. Thanks to strong topline/base effect after price hikes made in flat glass and glass packaging, **OPEX to revenue** decreased to 16% from 20% in Q3'17.

Şişecam posted **TRY 63 Million net other income from main operations in Q3'17** vs TRY 60 Million in Q3'16. The decrease in interest income on trade receivables were balanced with fx gain from derivative instruments.

Investments in associates and joint ventures came in at TRY 29 Million in Q3'17 which was TRY 28 Million in Q3'16. Income generation in Egypt tripled YoY in Q3'17 while there was no income recognition in relation with Omco Kalıp and Oxyvit in this quarter. Recall that, Anadolu Cam's stake in Omco Kalıp was sold in Q2'17 and Soda Sanayii acquired 55% of Oxyvit through the acquisition of 5% stake held by Şişecam and the acquisition of Cheminvest Deri Kimyasalları Sanayii ve Ticaret A.Ş., which was a 50% shareholder of Oxyvit. As of July 1st, Oxyvit operations were begun to be fully consolidated in Şişecam financials rather than using equity pick-up method.

Şişecam's net income from investing activities came in at TRY 32 Million in Q3'17 from TRY 19 Million net income in Q3'16. TRY 34 Million revaluation gain on fixed income securities booked in Q3'17 vs TRY 13 Million in Q3'16 as a result of positive currency impact after translating USD denominated Eurobonds at a higher closing rate than rate of purchase date. Şişecam purchased USD 140 Million long-term fixed income securities in the third quarter reaching a total of USD 500 Million by the end of 30 September 2017 in line with its strategy of investment in bonds that have higher yield than Şişecam Eurobond with similar maturity and risk rating. Please also note that, TRY 5 Million income had been generated by the sale of tangible assets in Q3'16.

After excluding revaluation gain on fixed income securities from operational figures, **Company's EBIT came in at TRY 443 Million** and **EBITDA was 691 TRY Million with 38% YoY growth representing an EBITDA margin of 27%.**

Company's net income after minority interest came in at TRY 277 Million, representing a net margin of 10% thanks to not only strong profitability but also decrease in effective tax rate from 12% in Q3'16 to 8% in Q3'17. Lower effective tax rate was recorded in Q3'17 YoY due to reduced tax payables on regional and large-scale investments as a government subsidy. Decrease in tax basis was also coming from deduction of carry forward losses of Anadolu Cam Eskişehir plant following its merger with Anadolu Cam Sanayii A.Ş.

TRY 46 Million net financial expense was recorded in Q3'17 compared to TRY 34 Million net financial expense in Q3'16 mainly due to increase in interest expense on bank loans. Less recorded fx expense on the outstanding Eurobond offset by the negative currency translation effect on cash and cash equivalents due to decrease in currency denominated time deposits. Şişecam's **gross debt** came in at TRY 5.8 Billion (USD 1.6 Billion) in the third quarter of 2017, as 66% were long-term liabilities including USD 500 Million Sisecam Eurobond. Bank loans decreased by TRY 42 Million compared to 2016, as a result of loan repayments and fx gain on financial liabilities. **Net debt decreased to TRY 951 Million (USD 268 Million) in Q3'17** from 423 Million USD in 2016 including our financial investments amounting to USD 500 Million in Q3'17 versus USD 308 Million in 2016.

The company's net long FX position increased to TRY 965 Million in Q3'17 from TRY 96 Million in 2016 mainly thanks to the decrease in EUR denominated financial liabilities and increase in USD denominated assets.

Holding only cash position was TRY 91 Million as of 30.09.2017.

Important Events after the Reporting Period

- Our subsidiary Paşabahçe has completed the negotiations related to Asset Transfer Agreement of Pearl for Glass Manufacturing S.A.E in Egypt, with a total purchase value of USD 18 Million
- BoD decision was taken for building a furnace with a production capacity of 150K tons located in Eskişehir plant of Anadolu Cam. Capex is expected to be around USD 66 Million in total
- Another BoD decision was taken to dispose Topkapı Yatırım Holding A.Ş.' shares amounting nominal value of TRY 40.000 in the Company's portfolio to Camiř Yatırım Holding A.Ş. for TRY 304.000 in cash
- Our company's stake in Trakya Yatırım Holding A.Ş.' share capital has been purchased by İş Bank for TRY 52 Million in cash.

Şişecam IR Team



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