



COMMENTS ON TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş. Q4 2017 CONSOLIDATED FINANCIAL STATEMENTS

Based on Q4 2017 IFRS results,

Restated Figures (See also: Important Notice)	2016	2017	YoY Change	Q4 2016	Q4 2017	YoY Change
Revenue	8.569	11.318	32%	2.456	3.202	30%
Gross Profit	2.678	3.630	36%	751	1.043	39%
Gross Margin	31%	32%	82 bps	31%	33%	203 bps
EBIT	1.310	2.152	64%	504	672	33%
EBIT Margin	15%	19%	372 bps	21%	21%	45 bps
EBITDA	2.120	3.120	47%	726	905	25%
EBITDA Margin	25%	28%	283 bps	30%	28%	-131 bps
Net Income After Minority Interest	743	1.225	65%	284	358	26%
Net Income Margin	9%	11%	215 bps	12%	11%	-36 bps
Capex***	1.158	897	-23%	359	341	-5%
Capex/Sales	14%	8%	-559 bps	15%	11%	-399 bps
Adjusted EBIT*	1.109	1.837	66%	316	514	63%
Adjusted EBIT Margin*	13%	16%	329 bps	13%	16%	322 bps
Adjusted EBITDA*	1.919	2.806	46%	538	748	39%
Adjusted EBITDA Margin*	22%	25%	240 bps	22%	23%	146 bps
Adjusted Net Income*	698	1.102	58%	238	333	40%
Adjusted Net Income Margin*	8%	10%	159 bps	10%	10%	69 bps
Analyst EBIT**	787	1.478	88%	187	391	109%
Analyst EBIT Margin**	9%	13%	387 bps	8%	12%	458 bps
Analyst EBITDA**	1.597	2.446	53%	409	624	52%
Analyst EBITDA Margin**	19%	22%	298 bps	17%	19%	282 bps

*Excluding one-off impacts

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

***If advances given related to capex included, capex will reach to TRY 1 Billion in 2017 and TRY 459 Million in Q4'17 (See also: 14th note on CMB Financials)

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 year ended 31 December, 2017.

Important Notice Regarding Accounting Policy Change:

Şişecam Group Companies were reporting third party logistic expenses by deducting from gross revenues. Starting from Q4'17, these expenses are now booked under Sales & Marketing expenses. 2017 and 2016 financial statements were restated accordingly

One-Off Impacts:

Excluding From EBIT:

- **2017: TRY 314 Million:** Revaluation gain/loss on fixed income instruments amounting to TRY 191 Million, Revaluation gain on investment properties amounting to TRY 25 Million, Income generated from the sale of Eskişehir Oluklu Plant amounting to TRY 66 Million, Income generated from the sale of Anadolu Cam's stake in OMCO İstanbul Kalıp A.Ş. amounting to TRY 32 Million
- **2016: TRY 201 Million:** Revaluation gain/loss on fixed income instruments amounting to TRY 153 Million, Revaluation gain on investment properties amounting to TRY 48 Million
- **Q4'17: TRY 158 Million:** Revaluation gain/loss on fixed income instruments amounting to TRY 132 Million, Revaluation gain on investment properties amounting to TRY 25 Million
- **Q4'16: TRY 189 Million:** Revaluation gain/loss on fixed income instruments amounting to TRY 141 Million, Revaluation gain on investment properties amounting to TRY 48 Million

Excluding From Net income:

- **2017: TRY 118 Million:** Income generated from the sale of Eskişehir Oluklu Plant amounting to TRY 66 Million, Income generated from the sale of Anadolu Cam's stake in OMCO İstanbul Kalıp A.Ş. amounting to TRY 29 Million, Revaluation gain on investment properties amounting to TRY 23 Million,
- **2016 and Q4'16: TRY 45 Million:** Revaluation gain on investment properties amounting to TRY 45 Million
- **Q4'17: TRY 23 Million:** Revaluation gain on investment properties amounting to TRY 23 Million

Financial Summary

2017 vs 2016

- Revenue came in at TRY 11.3 Billion, up 32% YoY (USD 3.1 Billion, up 11% YoY in USD terms)
- Gross profit is up by 36% YoY with a margin of 32%
- Adjusted EBITDA came in at TRY 2.8 Billion with 25% margin, up by 46% YoY as a result of significant contribution of the business divisions
- Net income after minority interest came in at TRY 1.2 Billion on the back of higher operating profit
- Capex came in at TRY 1 Billion including advances given related to capex in 2017. Capex to sales ratio is at 9%

Q4'17 vs Q4'16

- Revenue came in at TRY 3.2 Billion, up 30% YoY (USD 895 Million, up by 21% YoY in USD terms)
- Gross profit is up by 39% YoY with a margin of 33%
- Adjusted EBITDA came in at TRY 748 Million with 23% margin, up by 39% YoY as a result of significant contribution of the business divisions
- Net income after minority interest came in at TRY 358 Million on the back of higher operating profit
- Capex came in at TRY 459 Million including advances given related to capex in Q4'17. Capex to sales ratio is at 14%

In 2017, 38% of the net revenues generated from flat glass, 17% from glassware, 21% from glass packaging, 21% from chemicals divisions and the remaining 3% from other operations. Şişecam's topline growth was 34% YoY in 2017, significant contribution came from flat glass, chemicals and glass packaging divisions, respectively.

Consolidation of Italian operations, price hikes made throughout the year, increased sales of value added glasses, boosted sales in auto glass unit and positive foreign currency translation effect from increased share of international operations lifted up **Flat Glass** division's topline performance. Revenue came in at TRY 4.3 Billion in 2017 with an EBITDA margin of 28%, in line with the consolidated level of Şişecam.

Price increases in Russia and Turkey, solid volume growth in relation with increase in exports, change in product mix with strong demand conditions in Turkey positively affected the topline performance of **Glass Packaging**, revenue came in at TRY 2.4 Billion in 2017 with an EBITDA margin of 26%.

Chemicals division recorded solid topline growth in 2017 on the back of increased portion of international sales in chemicals and solid volume growth in chromium segment combined with weaker TRY. Revenue came in at TRY 2.9 Billion in 2017 with an EBITDA margin of 30%, lifting up the consolidated level of Şişecam.

Glassware division's revenue came in at TRY 1.9 Billion, highest growth in sales registered in Q4'17 within 2017 as a result of good seasonal buying patterns. Increase in hard currency denominated sales also supported the topline in parallel with increased portion of international sales whilst the pricing environment remained tough in Europe. EBITDA margin for 2017 stood at 14% after adjusting one-off income from investing activities related to asset disposal of Mersin facility.

Share of international revenues reached ~60% in 2017 while share of revenues generated from European operations in total revenues increased to 22% mainly due to the consolidation of Italian operations in flat glass division. Even 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 2017.

Consolidated gross profit grew by 36% and came in at TRY 3.6 Billion in 2017 with a margin of 32%, in parallel to increase in gross profit in all divisions. Price hikes and favorable product mix in flat glass, higher contribution from non –Turkey operations in glass packaging and strong profitability of chromium segment together with positive consolidation effect of Oxyvit in chemicals supported ~100 bps YoY improvement in gross profit margin. **In Q4'17, gross profit came in at 1 Billion with a margin of 33%, marking above ~200 bps improvement.** 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 in Q4'17.

In 2017, main operating expenses increased by 14% YoY mainly coming from flat glass and chemicals division whilst main opex to sales ratio decreased to 19% in 2017 from 22% in 2016. **In Q4'17, main operating expenses came in at TRY 653 Million with a 16%YoY increase**, main opex to sales ratio decreased to 20% in Q4'17 from 23% in Q4'16 mainly due to decrease in operational expenses of glass packaging compared with prior year quarter. Sales and marketing expenses were 29% higher YoY mainly due to escalated expenses in chemicals and flat glass division in Q4'17.

Şişecam posted **TRY 206 Million net other income from main operations in 2017** vs TRY 205 Million in 2016. Net fx gain on trade payables/receivables came down to TRY 43 Million in 2017 from 59 Million in 2016 balanced with YoY increase in other income mainly due to mould and equipment sales. **In Q4'17, net other income from main operations** was TRY 73 Million compared to TRY 98 Million recorded last year in the same period, income on trade receivables decreased compared to Q4'16 as a consequence of less volatility seen in FX rates, and less collected amount of fire insurance indemnities for Paşabahçe –Eskişehir facility

Investments in associates and joint ventures came in at TRY 172 Million in 2017 which was TRY 106 Million in 2016 Income generated from HNG, Solvay, Saint Gobain Glass Egypt increased by 34% YoY in 2017 while there was no income recognition related to Omco Kalip and Oxyvit within the second half of the year. Recall that, Anadolu Cam's stake in Omco Kalip 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 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. **In Q4'17, Investments in associates and joint ventures** was TRY 40 Million versus TRY 31 Million in Q4'16 mainly due to increase in net income realized from Indian operations driven by change in deferred tax calculation

Şişecam's net income from investing activities came in at TRY 296 Million in 2017 from TRY 212 Million in 2016. TRY 191 Million revaluation gain on fixed income securities booked in 2017 vs TRY 153 Million in 2016 as a result of increase in investment portfolio and positive currency impact after translating USD denominated Eurobonds at a higher closing rate than rate of purchase date. Şişecam purchased USD 235 Million long-term fixed income securities within 2017 reaching a total of USD 500 Million in line with its strategy of investment in bonds that have higher yield than Şişecam Eurobond with similar maturity and risk rating. A total of TRY 98 Million income generated from plant and stake sale in 2017 -TRY 66 Million from the sale of Eskişehir Oluklu Packaging Plant, TRY 32 Million investment income from the sale of Anadolu Cam's stake in OMCO İstanbul Kalıp A.Ş. Şişecam booked TRY 25 Million net revaluation gain on its investment properties in 2017, which was TRY 48 in 2016.

In Q4'17, net income from investing activities was TRY 168 Million versus TRY 188 Million in Q4'16. TRY 132 Million revaluation gain on fixed income securities booked in 2017 vs TRY 141 Million in Q4'16. Revaluation gain on fixed assets became TRY 25 Million in Q4'17 versus TRY 48 Million in Q4'16. TRY 5 Million revaluation loss on tangible assets was incurred in Q4'17.

After excluding revaluation gain on fixed income securities, revaluation gain on investment properties from operational figures, **Company's EBIT came in at TRY 1.8 Billion** and **EBITDA was TRY 2.8 Billion with 46% YoY growth representing an EBITDA margin of 25% in 2017**

In Q4'17, Adjusted EBITDA was TRY 748 Million versus TRY 538 Million in Q4'16 up by 39% YoY with an EBITDA margin of 23%, marking ~150 bps improvement.

Company's net income after minority interest came in at TRY 1.2 Billion in 2017, representing a net margin of 11%, grew by 69% reaching historically high level by exceeding TRY 1 Billion. Tax expense increased to TRY 205 Million in 2017 from TRY 135 Million in 2016 in parallel with strong bottomline. Effective tax rate decreased from 11.4% in 2016 to 10.5% in 2017 mainly due to reduced tax payables on regional and large-scale investments as a government subsidy.

In Q4'17, net income after minority interest was TRY 358 Million versus TRY 284 Million in Q4'16 up by 26% YoY

TRY 210 Million net financial expense was recorded in 2017 compared to TRY 136 Million in 2016. TRY 24 Million foreign currency loss on financial assets/liabilities recognized in 2017 while TRY 12 Million gain was recorded in 2016 mainly due to negative currency translation effect on bank loans. Interest expense increased to 186 Million in 2017 from TRY 148 Million in 2016 mainly driven by increase in accrued interest on bank loans. Please also note that USD 14.5 Million loan regarding asset transfer of Pearl in glassware segment, was booked under short term financial liabilities

In Q4'17, net financial expense was TRY 69 Million versus TRY 93 Million in Q4'16 down by 26% YoY mainly due to decrease in fx loss on financial liabilities compared with prior year quarter.

Şişecam's **gross debt** came in at TRY 5.9 Billion (USD 1.6 Billion) in 2017, as 67% were long-term liabilities including USD 500 Million Sisecam Eurobond. **Net debt decreased to TRY 580 Million (USD 154 Million) in 2017** from TRY 1.5 Billion (USD 423 Million) in 2016 including our financial investments amounting to USD 500 Million in 2017 versus USD 308 Million in 2016. **The company's net long FX position** increased to TRY 1.2 Billion in 2017 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 347 Million as of 31.12.2017.

Important Events throughout the year and after the Reporting Period

- Şişecam's 5% share on Oxyvit Kimya Sanayii ve Ticaret A.Ş. were sold to Soda Sanayii A.Ş. on July, 31 2017
- Paşabahçe's one of the four furnaces located in Kırklareli plant, operating under its legal entity and completing its technical and economic life, terminated its operations as of 10 September 2017
- Anadolu Cam Yenişehir and Anadolu Cam Eskişehir plants were merged under Anadolu Cam Sanayii A.Ş.
- Our subsidiary Paşabahçe has completed the negotiations related to Asset Transfer Agreement of Pearl 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 Camiştir 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.
- Competition Board imposed 13 Million TL administrative fine, its impact on Trakya Cam financials is negligible

Subsequent Events

- Trakya Cam submitted a bid for Sangalli Manfredonia in Italy, result of which is not yet finalized.
- Trakya Cam announced a greenfield investment for an additional float line in Polatlı, to meet the growing demand across Turkey and surrounding regions, which will become online in 2020. Total investment will reach USD 127 Million.
- TRY 175 Million will be utilised by Şişecam Elyaf Sanayii A.Ş., for financing new glass fibre production facility investment. Soda Sanayii A.Ş. will act as a guarantor for the liabilities born from this loan.

[Şişecam will be holding an Audio Webcast Call to present its 2017 year-end results on March 6, 2018.](#)

[Please see the registration details below](#)

Event Time:

5:00 PM (İstanbul)
2:00 PM (London)
9:00 AM (New York)

Dial-In Info:

UK Toll Number: +442030092462
TR Toll Number: +902123755127, PIN: 18557080#
USA Toll Number: +16467224914

[Webcast Link: http://edge.media-server.com/m/p/nqqizhtd](http://edge.media-server.com/m/p/nqqizhtd)



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