Transcription for ŞIŞECAM A.Ş

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Corporate Participants

Görkem Elverici
Şişecam A.Ş – Chief Financial Officer

Başak Öge
Şişecam A.Ş –Investor Relations Director

Presentation

Operator
Ladies and gentlemen, welcome to Şişecam Yearend Conference Call and Webcast. I now hand over to Görkem Elverici, CFO. Sir, please go ahead.

Görkem Elverici
Thank you. Good afternoon ladies and gentleman. I would like to welcome you to our webcast today where we will be talking about our yearend results and key developments that have had impacts on our operations. Today I am together with Ms Başak Öge, our IR Director. At the end of the presentation we will be happy to take your questions. I would like to remind you that our presentation and the Q&A session may contain some forward-looking statements and our assumptions are based on the current environment and may be subject to change. Before talking about financial performance in 2016, I would like to walk you through the economic and political landscape as well as industry developments very briefly that had significant impact on our operations.

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Moving on to page three, IMF expects global economy to have grown by 3.1% last year and to grow by 3.4 in 2017. Growth rate in emerging markets is expected to be around 4% levels in 2016, with China slowing down to 6.7% and India being around the same levels. However, India is expected to surpass China's growth rate in 2017, even with revised down growth rate expectation of 7.2% as per IMF. We have been witnessing political instabilities and security issues in different parts of the world, for example, elections in France and Germany, refugee problems in Turkey and Europe, terrorist attacks witnessed in the global arena, etc. Meanwhile, Brexit tension is leading to continuous risks in Eurozone, coupled with the political and economic turmoil in Italy and the elections in France; on top of all these, and uncertainties regarding the Trump government and its actions. On the back of these, ECB continues its loose monetary policy, while the Fed increased the rates once by 0.25% in 2016 and the Bank is anticipated to employ two to three additional rate hikes this year.

Moving on to page four, Turkey's macro environment was negatively affected by the depreciation of Turkish lira, especially in the second half of 2016 due to the domestic political environment around uncertainties arising especially after the failed coup attempt, with the renewed state-of- emergency decrees, changes in the constitutional law and the approaching presidential referendum. Turkey's GDP grew by only 1.8% in the third quarter, while Consumer Price Index came slightly down due to slowing demand. World Bank revised down 2016 expected GDP growth rate to 2.1%. Local currency depreciation mounted to 21% against USD and 17% against the Euro at the end of the year. Meanwhile, Central Bank of Turkey increased policy rate only once by 50 bps to 8% but have been intervening the market by other means to tighten the monetary policy. Foreign trade deficit declined by 11.7% on a year-on-year basis, and current account deficit widened further by $4 billion. Turkey's credit ratings were revised down by both S&P and Moody's in 2016, and most recently by Fitch to one notch below investment-grade in 2017.

On page five, I would like to talk briefly about the geographies that are important for the global economy and also for our businesses. Eurozone remains a very important market for us with still certain fragilities. Despite the volatile financial markets, increased political risks and weak external demand, the region has grown higher than expected on the back of domestic demand. ECB continues to provide liquidity to the markets through its asset purchase programme and hinted to support the economy further if and when needed. As for Russia, OPEC countries' decision to support crude oil prices through limiting oil production has started to positively affect country's macro stance. While contracting economy was again in the scene, negative growth was at 0.6% levels in 2016 compared to

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3.7% contraction recorded in 2015. Inflation has come down to 5% as of January 2017. Even though extended economic sanctions of the EU are clouding the horizon, the country's economy is expected to enter a slow recovery phase in 2017.
Lastly, the situation in Ukraine has not changed much since last year. Risks pertaining to political instability and lack of reforms continue. Meanwhile, the economy grew by 4.7% in the last quarter of 2016, which lifted the annual growth rate to 1.8% on the back of growing consumer demand, construction activity, and industrial output after a two-year recession. We continue to closely monitor the market conditions and continue with our preparations to reopen the packaging plant and resume production upon seeing some further positive developments in the market.

Now, I would like to talk about the industries that are relevant to our operations on page seven. I would like to give a brief update of the global glass industry and Turkish glass industry. Globally, a growth of 2-4% per annum is sustained through selective capacity increases based on global and emerging markets GDP growth rate expectations as the two remain highly correlated. Turkey has a total production capacity of around 4 million tons, where approximately 78% belongs to Şişecam. In 2016, Turkey's glass exports (in terms of quantity) increased by 16% year-on-year, while glass imports, again, in terms of quantity, decreased as the market was backed by the anti-dumping measures taken against Iranian products and improvements in the Russian flat glass market. Other protective measures also had a positive impact on the decrease of imports too.

Let's now have a look at the industries that are important for our businesses.
Following a great year of growth of 25% in terms of auto sales and exports in 2015, local auto market remained stable in 2016. As for Europe, which is an even more important region for our auto glass business, car sales grew by 6.8% mainly with the demand coming from Iceland, Hungary, Croatia, and Cyprus. Parallel to our expectations in relation to weak construction activity of 2015, to lead to pent-up demand in 2016, construction industry grew by 7.4% in the first nine months of 2016, meanwhile housing sales increased by 4% throughout the year. We have also seen white goods sales increasing, which is an end-market for us, albeit being a small portion of sales. A 7% increase in production, 5% in domestic sales, and 8% in exports from Turkey were realised in 2016. As for tourism, on the back of the slowdown in touristic activities and cancellations due to the geopolitical tension, Turkey's revenues dropped by 34% in 2016 compared to the previous year which was negative for our glassware segment.

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Before moving on to the financial results, I would like to talk about the developments that took place in our group in 2016 on page nine. Starting in 2016, we have begun fully consolidating our Bulgarian operations in flat glass division which allows for further transparency for our investor community and indicates a good timing as an upturn in European flat glass industry was experienced throughout the year. The decrease of natural gas prices by 33% throughout 2016 in Bulgaria also contributed to the profitability of our operations in Europe. On the domestic side, following the end of a cold repair in a float line in the Mersin plant in June, we have managed to increase the sale prices twice, once at the end of October and then in February of this year by a cumulative of 15-16%. In November, we acquired the financial assets of Italian Sangalli, which has one of the youngest float line in Europe with its operations at desired capacity utilization rate levels. As automotive glass is a growing business, we have segregated the auto glass business from flat glass by establishing a separate company under Trakya Cam. We also now wholly own our auto glass unit in Romania with the purchase of the remaining 10% shares in Glasscorp. In the glassware side, in order to maximise overall capacity utilisation of the business, we closed our Mersin facility in November, which was operating with one furnace with one-year lifetime. Only last week, we transferred shares of our Eskişehir corrugated packaging plant of Camiş Ambalaj, conducting its operations under glassware segment to an affiliate of Austria-based packaging company for $50.4 million. This resulted in a profitable transaction for Şişecam which aligned to financial and strategic goals of divesting non-core assets. In glass packaging, we have hiked prices in the range of 17-19% in Russia in the beginning of 2016, and in Turkey by 2-3% on average in the second quarter. With a focus on sustainability, we have established a glass recycling company which will increase the usage of cullet in production thus less energy consumption. Additionally, with an increased focus on exports both from Turkish and Russian operations, their portion in the glass packaging sales reached 15% of the total revenues. In chemicals side, soda production capacity increased by 30,000 tons to 1.35 million tons in Turkey in the beginning of Q2. An additional 50,000 tons, which increased local installed capacity to 1.4 million tons, came online at the end of 2016. As part of our strategy to simplify the cross-ownerships, both Anadolu Cam and Trakya Cam sold soda shares that they had in their portfolios for a total value of $230 million. As a result, free float of Soda Sanayii increased to 39%. The company announced completion of its new steam production facility, which was designed to end up in cost saving and bring further improvement to the company's operational efficiency. Recently, Soda Sanayii announced that a new company for fibreglass investment is established with its 100% participation. The company continuously seeks for additional opportunities to stay competitive and profitable in the long run.

As you may recall, in October natural gas prices in Turkey decreased by 10%. Given that input cost is still higher than our other operating regions; we are expecting to see approximately 100 bps improvement in our group level of gross margin as Turkey constitutes the higher share in overall gross profit of Şişecam.

We can now move on to the financial and operational overview section. Let's have a look at our financial performance in 2016 compared to last year

Our company posted strong results at the end of 2016, as top line growth came in at 14% as a result of very valuable contribution of our divisions. On profitability side, EBITDA reached a record high for the last five years with 25% margin level. Excluding one-off items, our adjusted EBITDA grew by 20% year-on-year with 23% margin. On the net income, again when adjusted for one-offs, net income after non-controlling interests increased by 25% mostly reflects higher operating profit despite less dividend income as a result of Soda shares sold by Anadolu Cam and Trakya Cam. Please, also note that, Şişecam adopted a more prudent approach for its 2017 outlook by increasing its provisions at the end of 2016 for potential risks that may occur in 2017. Capex-to-sales ratio is decreasing in line with our strategy compared to last year.

On page 12, we can see that the top line growth in 2016 is significantly above the last five years' average of 10%, keeping the EBITDA margin level at or above 20% in line with our strategy of keeping it north of this level consistently. In 2016, we have managed to beat our EBITDA guidance thanks to strong operational performance in all divisions.

Balanced portfolio of Şişecam has not changed significantly in 2016 compared to the previous year. Flat glass division continues to contribute the highest to Şişecam top line in line with improved market conditions, both in domestic and foreign operations. We have witnessed strong top line growth in all divisions while flat glass and glass packaging hit double-digit annual growth rates.

On page 14, chemicals segment's EBITDA contribution continued to surpass all divisions with its solid profitability performance during the year. Flat glass segment's contribution has also increased significantly from 26% to 31% in this period, thanks to the improved pricing environment in all operating regions as well as completed investments. Glass packaging kept its share at 18%, as this segment achieved to keep its EBITDA margin level at 20%. The drop in glassware's contribution from 16% to 13% is mainly due to increased price competition in main operational regions, compressing the margin level, especially starting from the first half of this year. Glassware operations showed some signs of improvement towards the year-end, when compared to 12% share of this segment in nine-month consolidated Şişecam EBITDA.

In the coming pages, as we will be going over the performance of each segment individually, I will not elaborate further on this page.

On page 15, I would like to talk about Capex. 2016 Capex came in line with our moderate Capex programme, excluding takeover of Sangalli in flat glass division and a minor capacity increase on the soda ash side. We also had some cold repairs both in Turkey and in Russia during 2016, as well as continuous energy and operational efficiency investments. After a heavy investment cycle, as promised, we managed to decrease our Capex-to-sales ratio again, which came in at 14% in 2016, continuously focusing on operational excellence efforts.

Turning to the next slide, we continue with our Capex funding analysis. As you know Şişecam is not a highly leveraged company despite the robust investments undertaken historically. This is a consequence of strong EBITDA generation capacity of its operations. In 2016, thanks to the continuous strong EBITDA generation and stable Capex level, EBITDA over Capex ratio came in at 1.83, which is far above our historical average rate of 1.5 between 2010 and 2016.

On page 17, we can see the evolution of the production in the course of the years. In 2016, 8% growth in glass production was realised. Cold repair in Mersin ended in June in flat glass segment, which is now operating with an improved capacity utilisation rate. Takeover of Sangalli operations also contributed positively to the production of flat glass, which was consolidated starting from November. In line with the improved capacity utilisation rates and boosted exports, production volumes in glass packaging increased year-on-year basis, albeit glassware production was curbed due to the slowdown in the market especially after first half of the year that led us to focus on capacity optimisation plans as seen in closure of our Mersin plant in November. The capacity increase was made in Mersin by 30,000 tons starting from the second quarter and improved capacity utilisation levels resulted in 5% growth in soda ash production. It should also be noted that in addition to 30,000 tons, 50,000 tons of capacity increase was completed at the end of 2016. Please note that in glass, while 57% of the production is realised in Turkey, remaining 43% is produced in the plants outside of Turkey. In soda ash, 60% of the production is realised in Turkey and remaining 40% is produced in the plants outside of Turkey.

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On page 18, you will see debt profile of Şişecam and how it maintained its conservative leverage levels in 2016. Our gross debt in hard currency, which is 80% of total, has been significantly lower than last year's 87% due to the cross-currency swaps, converting USD and Euro denominated loans to roubles.

On page 19, you can see our net debt decreased to $424 million in 2016 from $496 million year-on-year. Considering TL depreciation against USD by 21% and Euro by 16% in the last one year, our net debt level has remained almost flat in TL terms, excluding the Eurobond investments of $308 million in 2016. The portion of TL borrowing increased in the last quarter of this year due to loans obtained by Paşabahçe switching its hard currency loans to TL. Also, the interest rate structure of our debt portfolio provides a natural hedging in the existing environment. Looking at the ratios, we continued to sustain the low and conservative net debt-to-EBITDA and net debt-to-equity levels of 0.7 and 0.1 respectively

Moving on to page 20, we are seeing that Şişecam's strong cash performance also continued in this period, and weak TL led to higher cash and cash equivalents when translated because more than 70% of all cash in hand is in hard currencies. We made $308 million Eurobond investments with an average yield of 5.5% in the second half of this year. As stated in previous calls, this strong cash position gives us the flexibility of proceeding fast in case of a viable M&A opportunity, while we also continuously seek better ways to optimise our already strong balance sheet management.

On page 21, you can see that we continued to have a long FX position at a consolidated level. Our long position in USD and short position in Euro also continued in this period. I would like to remind you that we do not use any derivatives other than some very limited interest rate swaps and cross-currency swaps for hedging purposes. We will continue to use the hedging transactions as needed but our enlarged operations and geographies are also providing opportunities to utilise hedging within our own balance sheet.

Now, I would like to walk you through each division in this last section of our presentation.

On page 23, Trakya Cam posted solid results both in top line and profitability thanks to the improved demand conditions and pricing environment in all operating regions in 2016. 2015 year-end results do not include the financials of Bulgarian operations, thus our top line growth came in at 42% year-on-year in 2016, as we started to consolidate Bulgaria, starting from this year. In order to make a comparison, excluding Bulgarian operations

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from this year's results, top line growth would be 22%, while EBITDA margin after one-off adjustments came in at 20%. In the last quarter, we have also consolidated Sangalli results after the completion of the takeover in November 2016. This move pushed the revenue growth rate up by 2%. As you may recall in 2015, there was a softer and delayed flat glass demand in Turkey due to decreased pace of construction activity in 2015, as we could increase our flat glass prices in domestic market by 4% by mid-December of 2015. In 2016, market conditions in Turkey rallied after ease of import pressure, especially coming from Russia, combining with remarkable efforts in marketing activities, like new product launches to increase the portion of value added glasses in sales mix and also fast recovery in the construction industry. Strong demand conditions encouraged us to do successive two price hikes, 6% as announced at the end of October while 10-12% is made in mid-February of 2017. Apart from domestic operations, in line with the first nine months, upturn in Russian and European flat glass market continued as profitability level of Russian operations significantly improved, delivering 21% EBITDA margin, further achieved ahead of our EBITDA target level of this year. A total of 33% discount on Bulgarian natural gas prices in 2016 also positively contributed to profitability coming from European markets. Especially the recovery in auto glass demand in Europe, EBITDA margin level of auto glass business recorded at 13%. Revenue coming from encapsulation business recorded at €154 million, with 11% growth rate year on year in Euro terms. With lower interest rate environment, we expect the construction industry to grow in 2017 in Turkey, given the urbanisation projects and government incentives in this industry. As pricing environment continues to improve in Europe, we expect to keep our strong position in this region where our recent takeover of Sangalli promises a solid operational and financial performance in 2017.

Moving to page 24 in glassware segment, 4% top line growth was recorded in 2016 with a 14% EBITDA margin as glassware industry has witnessed a challenging competitive environment in 2016 coupled with political uncertainties and security issues negatively affecting consumer sentiment in our operating regions. Our glassware division managed to increase its price levels in Russia, of where contribution to revenue increased to 9% in 2016 from 7% in 2015, with a strong revenue growth of 40% year-on-year in this region. Revenue contribution from our Bulgarian operations also increased to 15% from 12% in 2015, amidst strong competition in Europe. Share of international sales in glassware unit increased to 58% in 2016 from 51% in 2015, mainly due to the restructuring of Bulgarian operations in 2016. After the closure of Mersin facility, we'll continuously focus on capacity optimisation plans to keep glassware unit's EBITDA margin at desired level of 17-18%. Our intention to list Paşabahçe still continues. If market conditions for both the

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glassware industry as well as the equity capital markets are favourable, we aim to find the right window of opportunity.

On page 25, in glass packaging, top line growth has been 14% compared to the previous year. There are a couple of reasons that led to increased top line; price hikes in Russia in the range of 17-19% and in Turkey about 3%, shift of focus to high value-added products, and 4% increase of sales volume on a consolidated basis. As per the strategy set in the beginning of the year to increase the share of exports, we have seen exports from Turkey more than doubling in value terms while exports from Russia continuing in its same pace. Even though we have seen a surge in Opex due to increased selling and marketing activities, the company was able to keep its margins in line with the profitability recorded in 2015 as a result of its focus in operational efficiency. Year-on-year sales volume increase is actually the result of low base impact due to elections and weather conditions in Turkey coupled with adverse demand conditions in Russia last year. We continued to be the largest glass packaging producer in our operating regions under the current competitive environment seen especially in our domestic market, by further focusing on the needs of our long-term relationship customers and by slightly extending the receivable terms.

Moving on to page 26, last but not least, our chemicals division continued to perform very strong. While the top line growth was 12% year-on-year in the period, we have managed to increase the EBITDA margin by 350 bps to 32% despite a weaker pricing environment in both operating segments compared to last year globally. Part of this top line growth is the result of sales volume increases of 6%, and 2% for soda ash and chromium products, respectively. This segment also benefitted from weaker TL, an 11% devaluation against USD and Euro in the last one year on average as of December 31st. As a significant portion of the company's costs are in TL, devaluation has had also a positive impact on the gross profit. As for the end-markets, the demand continued to be strong in the region, fuelled by the economic growth in emerging markets that is especially supporting construction and automotive industries, and with some capacity closures of global soda producers.

Thanks to the operational efficiency moves we have undertaken, we were able to increase our production capacities in our Lukavac and Sodi plants by 65,000 tons per year in total. Meanwhile, at the end of the last quarter, we have completed the second phase of Mersin plant capacity expansion from 1.32 million tons per year to 1.40 million tons per year. We continue to operate with above 100% capacity utilisation rate and our investment undertaken to decrease the energy cost through a new configuration of the boilers came on-board in mid-December. In the very beginning of 2017, Soda Sanayii announced its

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decision to invest in fibreglass business, which is supplying products to composite industry and which is highly promising considering the demand growth hovering above 6% per annum backed by increasing demand to lighter products in automotive, construction, infrastructure, technical textile and renewable energy industry. With the high returns in this segment, we aim to sustain Soda Sanayii's above-industry profitability levels, even if the soda supply was to increase globally impacting the price levels.

Coming to the end of the presentation, I would like to highlight a few key takeaways which have not changed much since the last time we had this call.

To sum up; we have increased revenues, gross profit, adjusted EBIT and adjusted EBITDA despite political and economic turmoil across almost all geographies we operate in 2016. We continued to have strong cash position and conservative leverage. We have a continuous focus on operational excellence leading to smart cost management. We have completed a heavy investment period and our margins will continue to improve as a result of the capital expenditures and energy efficiency projects. We have above the industry levels of profitability compared with our global peers, and we have a continuous focus on M&A opportunities on a selective basis.

Now, I will be happy to take your questions.

Question and Answer Session

Operator
[Operator instructions]

Our first question comes from İlyas Urgancı, İş Yatırım. Please go ahead.

Ilyas Urganci
Görkem Bey, thank you for the presentation and congratulations on the results. I have a question regarding Trakya Cam on flat glass business, on the recent acquisition in Italy. How should we estimate the top line and Ebitda contribution of Sangalli next year and will there be additional capital expenditure in that company as well, modernisation of the facility etc?

Görkem Elverici
For top line growth, we can assume that it will be more or less around TL 270 million, and the EBITDA margin is assumed to be roughly around 18-20% for 2017 on a conservative basis.

Ilyas Urganci
Any additional Capex on the facility?

Görkem Elverici
No additional Capex is considered as of now, but there might be some additional investments that might be considered going forward to continuously improve the production capabilities and the spectrum of the products.

Operator
Our next question comes from Alper Akalin, Deniz Invest. Sir, please go ahead.

Alper Akalin
Thank you for the presentation. I have two questions. One is for Anadolu Cam and the other is for Soda Sanayii. For Anadolu Cam, do you plan any capacity expansion in the near to midterm, given the rapid growth rate of glass packaging demand in Turkey. The second question for Soda Sanayii, Soda Sanayii is going to invest in fibreglass, so as a flagship company of the chemical segment, does the company consider any other inter-group acquisitions to collect all the companies under its umbrealla, like, for example, Camiş Madencilik, for the vertical integration for the company's operations. Can we see the Camiş Madencilik as a next candidate for the intra acquisition for Soda Sanayii? Thank you.

Görkem Elverici
Thank you, Alper Bey, so starting with glass packaging, apart from the cold repairs, we are not considering any capacity increases. For the glass packaging market, although we

continuously increase our footprint on the exports also and the local market seems to be improving quarter-by-quarter, we would like to optimise the capacity utilisation by further concentrating on our operational excellence programmes, and we would like to feel ourselves very comfortable considering so many risks that are associated with the surrounding region. You know that there are three furnaces in two different locations, one in Ukraine, and two in Russia that could be operational after a cold repair in case of possible improvements in the market conditions where we are monitoring very closely.

For fibreglass, I think it shouldn't directly be considered as an inter-group acquisition, because we should consider that the management under Şişecam Group, the chemicals group -as we call it- whose flagship company is Soda Sanayii, has been already producing fibreglass and also in the chemicals business for more than four decades now. This investment was done by the chemicals group under Soda Sanayii, as the plant had to be renewed and relocated, and when the financial position of the company, plus its already existing capabilities are considered within the chemicals group, the fiber glass investment was undertaken by this division, in line with their capabilities. On the other hand, I can agree with you, as the chemicals group already has the capabilities in the mining business together with fibreglass also as the management group, but as of now, there are no intentions to make any other acquisitions to consolidate everything under Soda Sanayii. But in the coming future, considering the potential M&As or any greenfield opportunities, within the capabilities that the group already has or in the adjacent fields, Soda Sanayii may decide to make some additional investments in line with this capability.

Operator
Our next question comes from Walid Bellaha, Barclays. Sir, please go ahead.

Walid Bellaha
I have four questions, if I may. The first question is regarding free cash flow. The company is still generating negative free cash flow, partly because of Capex and negative changes in working capital. Can you please give us an update on what you expect for 2017 and going forward regarding free cash flow generation for the company? The second question, you mentioned then the discount in Turkish gas and the possible effect on 2017. Could you remind us of just the impact that you expect on the margins related to the discount on Turkish gas prices? Thirdly, when you calculate the net leverage in one of your slides, it

seems that you take into account the reported EBITDA including exceptionals. Is that correct? Because if we strip out the one off gains that you recorded, we are much closer to your guidance of 1.25. Lastly, I just want to understand also, when you mentioned your net FX long position, does it include the investments that you have in the Eurobonds?

Görkem Elverici
Yes, so let me start with the free cash flow and working capital effect. You know that after completing the heavy investment cycle from 2012 to 2015, as we have been constantly mentioning in our calls, we have focused on improving both the operational efficiency and also improving our working capital as much as possible under the current conditions that the company is operating. Although we have not been able to move to a positive cash flow, which is for sure our main target and KPI that we have for all the operating groups, we have been able to at least decrease the amount of negative free cash flow on a continuous basis, and we believe that the performance has not been bad considering all the increased risks and on-goings in the surrounding region. With the increased focus on the working capital management, many actions have been taken, especially for the last two years with the increased riskiness in the region plus the tougher competitive environment especially in Europe; i.e. in glassware segment. This is also to some extent affecting the working capital cycle negative, especially considered when most of our competitors have been continuously increasing the tenor of the receivables. Although we have not been fully aligned with the competitors' moves, to some extent we have to consider the realities of the market and react as required.

For the discount of natural gas of 10% in Turkey, this will roughly translate into 0.9-1% EBITDA improvement going forward. For the net debt to EBITDA, even when the bonds invested are considered, yes we are still below 1.25. However, those bonds are purely to hedge Şişecam's own outstanding Eurobond.

For the net FX long position, I will appreciate if you can just repeat the question, if you believe that my very short answer was not enough.

Walid Bellaha
No, I think that's understood. Can I have just a follow-up question on the free cash flow? Can you give a guidance in terms of Capex for next year?

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Görkem Elverici
For the 2017 Capex, we consider to have more or less same levels of 2016 which was roughly around $380 million.

Operator
Our following question is from Cenk Orcan, HSBC. Sir, please go ahead.

Cenk Orcan
As a follow up on the previous question on working capital, we're seeing that in the last three years, working capital to sales ratio has been going up from what I see as around 3.2% in '14 to closer 6% levels last year. I was wondering if there is any target that you want to achieve on this ratio, any maximum, any ceiling that you are targeting and that you don't want to surpass. Thanks.

Görkem Elverici
So for the working capital, although we have a real focus on improving the working capital level, we need to also consider that working capital needs to be combined with the additional financial gains that we are making especially in the domestic markets, think of the interest rates that we are getting on our receivables and most of them being almost 100% collateralised: this is for sure not taken into account in the working capital figures. It only provides you the figures coming from the receivables balance and to some extent increased inventory, especially due to the surrounding region conditions and our being in a continuous production industry. But apart from this, considering the additional measures that we are taking especially for the international markets using more and more tools like factoring, increasing the number of the collection dates, plus especially our kicked-off programme from mid-2016 to continuously improve our procurement plus inventory management programmes, hopefully will be bringing additional positive results in the coming quarters. But for the working capital management, although I can perfectly understand your question by ratios, I believe it needs to be further dwelled upon by especially the financial gains that we are making from those receivables that have long tenor.

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Cenk Orcan

May I also ask if there is any timeframe that you are targeting to become free cash flow positive, like in the next two or three years, any target on that front?

Görkem Elverici

We have to consider the ever-changing regional and global economic conditions also. We are trying to find the right balancing between staying competitive and staying profitable on a sustainable basis, so unfortunately when you combine the two in this geography and under the current global macroeconomic conditions we cannot simply focus on a single KPI and ignore the others. Therefore, finding the right balance of optimising all the KPIs at the same time is key for our businesses. But to be very frank, moving to a positive free cash flow is the main KPI that all operational group companies are going after.

Operator

We have a follow-up question from Alper Akalin, Deniz Invest. Sir, please go ahead.

Alper Akalin

I have follow-up questions for Anadolu Cam. Can we expect the similar price hike for Anadolu Cam like you did in Trakya Cam, given the rapid demand in the domestic market and also the negative impact of the hard currency on capital investments and also feedstock prices?

Görkem Elverici

Some price increases will come, but we have to consider the differences in the distribution channel, as one is more of an OEM business and the other is working more with our own distribution channel. For sure, we will take all the necessary actions to continuously improve our profitability, while considering our competitive positioning, but we are not only trying to improve Anadolu Cam's profitability by making price hikes in the domestic markets, but we are trying to push the profitability further by increasing the share of the exports in our sales with higher margin - cherry-picked- opportunities that we are after.

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But for sure, not only in Turkey but also considering the improving market conditions in Russia and our improved improving number 1 market positioning with almost 30% market share, we will take all the necessary opportunities to correct the pricing structure and keep not only ourselves, but also the industry healthy as we are the market leader in both regions.

Operator
Our next question comes from Omer Omerbas, AK Investment. Please go ahead.

Omer Omerbas
My question would be on the glassware segment. Actually we said the figures of the segment were somewhat weak for 2016. We have seen some gradual improvements actually in the third and fourth quarters, but how do you see the outlook for 2017 and perhaps beyond? How the profitability would be picking up or would it be picking up going forward? Thank you.

Görkem Elverici
There will be a couple of things that we will be going after to continuously improve the margins: the things that are happening starting from late-2015, and especially in the first half of 2016, was mainly due to the we should say unfeasible price competition coming from the global competitors due to their differentiated strategy after the takeovers that happened. In the end, we decided not to follow the markets in the price decreases and go after the profitability, and wait for the market to come back to the realities, which started to happen starting from the early second half of 2016. We know that our competitors also are decrease, the sale prices even to the levels of, sometimes creating minus EBITDA. But the market started to come back, and also we have to consider that we need to be very careful about the consumer sentiment globally in this industry, because this is not an industry that is growing rapidly as much as the other glass businesses. But given our dominant positions, especially in Europe and in our surrounding region, from Turkey and to Russia, we are starting to act as the party to do the necessary price corrections, as we are doing in the other segment. We also believe that our continuous efforts and concentration on the operational efficiency programmes, plus some real or to some extent we can say radical moves we are making like improving our optimisation in the capacity utilisation by

closing down the production facility in Mersin will start to bring additional margins quarter-by-quarter. We are expecting that as we have been able to reach around 14% EBITDA levels, we have a real target of moving this up by at least 2-3% in 2017. We are also considering to come up with at least 3-5% top line growth and you know that in our budgeting we always use a very conservative FX rate and weak TL is certainly supporting us in almost all figures.

Operator
[Operator instructions]

We have a question from Cem Okşan, Goldman Sachs. Sir, please go ahead.

Cem Okşan
My question is regarding the natural gas prices in Turkey. Do you expect any natural gas price hike in this year and, as a follow-up for the Soda Sanayii, for the chromium segment, how do you see the product and raw material price trends for this year? Thank you.

Görkem Elverici
For the natural gas prices, we feel ourselves more comfortable with never expecting any input price decreases and considering it is in the end mainly the Government's decision to whether subsidise or not the natural gas prices even if they are getting further decreases in the prices. We are more looking at the expectations of the market for energy prices and combining that with our expectations. However, it should also be noted that the energy minister has already made announcements that they were not considering to increase the prices at least for this year so we stick to this assumption. But for our budgeting purpose, I can say that we never include any input price decreases, even if it seems to be very, very much likely.

Cem Okşan
And for the chromium segment, for Soda Sanayii, sorry.

Görkem Elverici
Chromite price, as a commodity, is increasing as of now, we have been seeing some volatility in the markets time to time. But we also see some improvement in the profit margins too considered that we have a dominating position in the chemicals industry, among the top 3 actually in our core products. We believe that on an average basis it will stabilize though.

Given our dominant position in the markets, we are one of the companies that are able at least to pass these increases to our sales prices to some extent, although if the hike is too much it is not always possible to 100% reflect. Also, we need to consider that the chromium segment contribution to the overall top line considering Soda's performance is roughly around one quarter of the overall top line of Soda Sanayii.

Operator
[Operator instructions]

We have no other questions, dear speaker. Back to you for the conclusion.

Görkem Elverici
We would like to thank you very much for your participation and we look forward to meeting you in future occasions and also host you all in our next webcast of 2017 half-year results.
