

## COMMENTS ON TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş. 1Q 2017 CONSOLIDATED FINANCIAL STATEMENTS

Based on 1Q 2017 IFRS results,

	1Q 2016	4Q 2016	1Q 2017	QoQ Change	YoY Change
<b>Revenue</b>	1.874	2.415	2.568	6%	37%
<b>Gross Profit</b>	595	709	856	21%	44%
<b>Gross Margin</b>	32%	29%	33%	396 bps	157 bps
<b>EBIT</b>	237	504	588	16%	148%
<b>EBIT Margin</b>	13%	21%	23%	199 bps	1021 bps
<b>Adjusted EBIT*</b>	237	316	471	49%	99%
<b>Adjusted EBIT Margin*</b>	13%	13%	18%	528 bps	568 bps
<b>Analyst EBIT**</b>	194	187	370	98%	91%
<b>Analyst EBIT Margin**</b>	10%	8%	14%	666 bps	406 bps
<b>EBITDA</b>	432	726	831	14%	92%
<b>EBITDA Margin</b>	23%	30%	32%	228 bps	932 bps
<b>Adjusted EBITDA*</b>	432	538	715	33%	66%
<b>Adjusted EBITDA Margin*</b>	23%	22%	28%	557 bps	480 bps
<b>Analyst EBITDA**</b>	388	409	614	50%	58%
<b>Analyst EBITDA Margin**</b>	21%	17%	24%	70 bps	32 bps
<b>Net Income After Minority Interest</b>	128	284	337	19%	164%
<b>Net Income Margin</b>	7%	12%	13%	137 bps	631 bps
<b>Adjusted Net Income*</b>	128	284	337	19%	164%
<b>Adjusted Net Income Margin*</b>	7%	12%	13%	14 bps	63 bps
<b>Capex</b>	253	360	187	-48%	-26%
<b>Capex/Sales</b>	14%	15%	7%	-76 bps	-62 bps
*Excluding revaluation gain on assets in Q4'16, revaluation gain on fixed income instruments in Q4'16 and Q1'17 (included in adjusted net income), income generated from the sale of Eskişehir Oluklu Plant in Q1'17					
**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 most powerful industrial companies of Turkey, reported financial results for the first quarter ended 31 March, 2017.

## Q1'17 Financial Summary vs Q1'16

- Revenue came in at TRY 2.6 Billion, up 37% YoY (USD 696 Million, up 12% in USD terms)
- Gross profit is up by 44% YoY with a margin of 33%
- EBITDA after one-off effects came in at TRY 715 Million with 28% margin grew by 50% YoY thanks to the significant contribution from each business divisions
- Net income after minority interest came in at TRY 337 million on the back of higher operating profit, revaluation gain on its fixed income instruments and one-time income recorded after the sale of Eskişehir Oluklu Packaging plant
- Capex to sales ratio, at 7% decreased from 14% YoY as a result of Şişecam's moderate capex program

In Q1'17, 37% of the net revenues were generated from flat glass division, 19% from glassware business, 20% from glass packaging unit, 20% from chemicals segment and the remaining 4% from other operations. Strong topline growth in all divisions continued in this quarter as 52% YoY revenue growth in flat glass and 48% YoY in glass packaging boosted the topline growth. Share of international revenues reached to 59% as of Q1'17, 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 revenue increased to 23% in Q1'17 from 20% in Q1'16 while share of Russian operations in total revenue increase to 13% in Q1'17 from 9% in Q1'16. In terms of profitability, significant increase in gross margin has been achieved in Russian operations (gross profit margin increase from % 8 in Q1'16 to % 20 in Q1'17). Higher contribution to gross profit of Şişecam continued to come from operations generated in Turkey where gross margin was up by +300 bps YoY in domestic side

Consolidated gross margin in Q1'17 was recorded at 33%, up by 157 bps YoY thanks to the improved margin levels in all segments as a result of energy efficiency investments, capacity optimization and boosted topline growth especially coming from flat glass and glass packaging segment coupled with increased portion of hard currency linked revenue generation in consolidated revenue

Main operational expenses to revenue decreased to 19% as a result of strong topline/base effect, recording 21% YoY increase mainly due to increase in operational expenses related with volume growth

Şişecam posted TRY 58 Million net other income from main operations in Q1'17 vs TRY 27 Million in Q1'16. The increase was mainly due to FX gain on the operations which was recorded at TRY 11 Million in Q1'17 compared to TRY 5 Million net loss in Q1'16. Interest income from other operations also increased over 100% in line with the topline growth. Şişecam's net income from investing activities increased to TRY 126 Million in Q1'17 from TRY 2 Million loss in Q1'16 mainly due to the revaluation gain on fixed income securities amounting to TRY 50 Million. Şişecam purchased TRY 360 Million equivalent USD-denominated long-term fixed income securities in Q1'17 in line with its strategy of investment in corporates that have higher yield than Şişecam Eurobond with similar maturity. In addition to revaluation gain, TRY 66 Million income generated from the sale of Eskişehir Oluklu Packaging Plant.

Company's EBIT came in at TRY 471 Million, after excluding revaluation gain on fixed income securities from operational figures and income generation from Eskişehir Oluklu Packaging Plant. Consequently, Şişecam's EBITDA recorded %66 YoY growth and came in at TRY 715 Million representing an EBITDA margin of 28%.

Company's net income after minority interest came in at TRY 337 million, representing a net margin of %13 thanks to not only strong profitability but also decrease in effective tax rate from 20% in Q1'16 to 15% in Q1'17. Lower effective tax rate was recorded due to revaluation gain on fixed income securities and sale of Eskişehir Oluklu packaging plant which were included in calculation of tax base.

TRY 58 Million net financial expense was recorded in Q1'17 compared to TRY 37 Million in Q1'16 due to increase in YoY interest expense on bank loans. Please also note that share of minority interests in Şişecam's net income decreased to 25% in Q1'17 compared to Q4'16 mainly due to material increase in revenue coming from flat glass and glass packaging segments which have less minority shares on their balance sheet compared to other segments.

Our net debt has decreased to 342 Million USD in Q1'17 from 423 Million USD in 2016 including our financial investments amounting to USD 367 Million Q1'17 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 which was TRY 457 Million in Q1'17 increased from TRY 96 Million in 2016 mainly due to increase in investments in Eurobonds.

Şişecam proposed to distribute TRY 250 Million cash dividend, TRY 0,10 per share. Ex-date will be on May, 31 2017.

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

- It has been resolved to recommend to the Board of Directors' of Pasabahce Cam Sanayii ve Ticaret A.S., subsidiary of Sisecam, to negotiate and sign the "Asset Transfer Agreement' regarding the acquisition of the assets of the Company named "Pearl for Glass Manufacturing S.A.E. which is located and registered in Egypt.
- Kristal-İş Union adopted a strike decision during the collective labor agreement process carried out for Trakya Cam San. A.S. Trakya Factory, Mersin Factory, Şişecam Otomotiv A.S. and Otocam Factory, Trakya Yenişehir Cam San. A.S. Yenişehir Factory, Anadolu Cam San. A.S. Mersin Factory, Anadolu Cam Yenişehir San. A.S. Yenişehir Factory, Paşabahçe Cam San. ve Tic. A.S. Kırklareli Factory and Eskişehir Factory and Cam Elyaf San. A.S. Cam Elyaf Factory. Implementation date of the strike was announced as the 24th of May. Process for the collective labor agreements is still ongoing.

Şişecam IR Team



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

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