

COMMENTS ON TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş. 2016 Q4 CONSOLIDATED FINANCIAL STATEMENTS

Based on 2016 Q4 IFRS results,

	2015	2016	Growth	4Q 2015	3Q 2016	4Q 2016	QoQ Growth	YoY Growth
Revenue	7.415	8.422	14%	2.026	2.005	2.415	20%	19%
Gross Profit	2.179	2.530	16%	600	609	709	16%	18%
Gross Margin	29%	30%	66 bps	30%	30%	29%	-100 bps	-23 bps
EBIT	1.026	1.310	28%	261	317	504	59%	93%
EBIT Margin	14%	16%	172 bps	13%	16%	21%	509 bps	801 bps
Adjusted EBIT*	855	1.109	30%	153	304	316	4%	106%
Adjusted EBIT Margin*	12%	13%	0,1 bps	8%	15%	13%	-211 bps	552 bps
Analyst EBIT**	667	787	18%	161	210	187	-11%	17%
Analyst EBIT Margin**	9%	9%	36 bps	8%	10%	8%	-273 bps	-18 bps
EBITDA	1.764	2.120	20%	460	515	726	41%	58%
EBITDA Margin	24%	25%	137 bps	23%	26%	30%	439 bps	740 bps
Adjusted EBITDA*	1.593	1.919	20%	352	503	538	7%	53%
Adjusted EBITDA Margin*	21%	23%	130 bps	17%	26%	22%	-282 bps	491bps
Analyst EBITDA**	1.405	1.597	14%	359	409	409	0%	14%
Analyst EBITDA Margin**	19%	19%	2 bps	18%	20%	17%	-34 bps	-8 bps
Net Income***	723	743	3%	166	248	402	62%	141%
Net Income Margin***	10%	9%	-92 bps	8%	12%	17%	427 bps	842 bps
Adjusted Net Income*	557	698	25%	64	248	356	44%	459%
Adjusted Net Income Margin*	8%	8%	78 bps	3%	12%	15%	24 bps	116 bps
Capex	1.106	1.158	5%	308	221	360	63%	17%
Capex/Sales	15%	14%	-8%	15%	11%	15%	39 bps	-3 bps

*Excluding one-off effects: Beyoğlu Building Sale income amounting to TRY 62 Million in Q2'15, 0,9 TRY Million Avea Stake Sale in Q3'15, TRY 108 Million revaluation gain on assets in Q4'15, TRY 48 Million revaluation gain on assets in Q4'16, revaluation gain on fixed income instruments amounting to TRY 12,2 Million in Q3'16 (included in net income) and TRY 141 Million in Q4'16 (included in net income)

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

*** After non-controlling interest

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 fourth quarter ended 31 December, 2016.

Fourth Quarter of 2016 Financial Summary vs Fourth Quarter of 2015

- Revenue came in at TRY 2.4 Billion, up 19% y o y (USD 737 Million, up 6% in USD terms).
- Gross profit is up by 18% y o y with a margin of 29%
- EBITDA after one-off effects came in at TRY 538 Million with 22% margin, grew by 53% y o y thanks to the significant contribution from each business divisions despite increase in overall operational expenses related with higher provision expenses booked in the last quarter of 2016 compared to last quarter of 2015. In the last quarter of 2016, Şişecam adopted a more prudent approach for its 2017 outlook by increasing its provisions for potential risks that may occur in 2017
- Net income after minority interest came in at TRY 356 million after the adjustments of one-offs, quadrupled compared to last quarter of 2015 on the back of higher operating profit and revaluation gain on its fixed income instruments
- Capex to sales ratio, at 15% against the same level of Q4'15 while ratio of overall year with 14% reflects Şişecam's moderate capex program in 2016

In the last quarter of 2016, 40% of the net revenues were generated from flat glass division, 21% from glassware business, 18% from glass packaging unit, 17% from chemicals segment and the remaining 4% from other operations. Strong topline growth in all divisions is continued in this quarter as flat glass and glass packaging hit double digit annual growth rates. Share of international revenues reached 54% as of 2016, as all segments posted higher revenue from its international operations thanks to the improved market conditions especially in Europe and Russia. Share of revenues generated from European operations in total revenue increased to 22% in 2016 from 19% in 2015 while share of Russian operations in total revenue increase to 11% in 2016 from 10% of its last year level. In terms of profitability, significant increase in gross margin levels has been achieved in Russian operations. Gross profit margin increased from %10 in 2015 to %16 in 2016. Higher contribution to gross margin of Şişecam continued to come from operations generated in Turkey in 2016.

A slight decrease in gross margin in the last quarter of 2016 was recorded y o y, came in at 29% mainly due to the change in methodology of consolidating Bulgarian operations in glassware and flat glass segment by establishing three different companies in order to run flat glass, auto glass and glassware operations separately. 10% discount in natural gas prices which was made in October 2016, did not have a material impact on the profitability level in the last quarter of 2016, which should be more visible in 2017 results.

Main operational expenses to revenue remained same y o y at 22% as higher provision expenses booked especially for doubtful receivables in the last quarter of 2016 compared to last quarter of 2015

Share of net other income from main operations increased to 4% y o y mainly due to collected high amount of fire insurance indemnities for Paşabahçe –Eskişehir facility compared to collection of Q4'15 and increase in interest income from other operations. In addition, TRY 10 Million provision expense was booked under the net income/expense account versus last years's TRY 2 Million.

Şişecam's net income from investing activities increased to TRY 188 Million in Q4'16 from TRY 73 Million in Q4'15 mainly due to the revaluation gain on fixed income securities amounting to TRY 141 Million TRY. Revaluation gain on fixed assets became TRY 48 Million in Q4'16 versus TRY 108 Million in Q4'15. Also note that TRY 36 Million revaluation loss on assets had been booked in the last quarter of 2015.

Company's EBIT came in at TRY 316 Million, after excluding TRY 141 Million revaluation gain on fixed income securities from operational figures and TRY 48 Million revaluation gain on assets in fourth quarter of this year as well as deducting last year's fourth quarter revaluation gain amount of TRY 108 Million from EBIT. TRY 12.2 Million revaluation gain on fixed income securities is also excluded from EBIT of third quarter of 2016. Consequently, Şişecam's EBITDA recorded %53 y o y growth and came in at TRY 538 Million representing an EBITDA margin of 22%.

Company's net income came in at TRY 356 million, representing a net margin of %15 thanks to not only increase in revenues exempted from tax especially after the finalization of cold repairs in operating regions in 2016 but also increase in deferred tax benefit realized due to above-mentioned provision expenses. Due to increase in y o y foreign currency expense which was higher than y o y increase in interest income, TRY 93 Million net financial expense was recorded in the last quarter of 2016 as 80% of total gross debt is denominated in hard currency. Please also note that, share of non-controlling interests in Şişecam's equity increased to 25% in 2016 from 21% as a result of Soda shares sold by Anadolu Cam and Trakya Cam, which also lowered the attributed net income to equity holders

After cross currency swaps converting USD and EUR denominated borrowings to RUR, our net debt has decreased to 423 Million USD in 2016 from 496 Million USD in 2015. Considering TL depreciation against USD by 21% and Euro by 17% in the last 1 year, our net debt level has remained quite close to the level of the previous year in TL terms excluding our Eurobond investments of USD 273 Million in 2016 versus USD 10 Million in 2015.

Şişecam IR Team

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