



COMMENTS ON TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş. Q2 2018 CONSOLIDATED FINANCIAL STATEMENTS

Based on Q2 2018 IFRS results,

Summary Financials	H1'17RS	H1'18	YoY Change	Q2'17RS	Q1'18	Q2'18	QoQ Change	YoY Change
Revenue	5.461	6.782	24%	2.840	3.086	3.696	20%	30%
Gross Profit	1.764	2.224	26%	856	1.006	1.218	21%	42%
Gross Margin	32%	33%	49 bps	30%	33%	33%	37 bps	282 bps
EBIT	1.002	1.738	73%	415	657	1.081	64%	161%
EBIT Margin	18%	26%	728 bps	15%	21%	29%	795 bps	1465 bps
EBITDA	1.490	2.224	49%	658	907	1.317	45%	100%
EBITDA Margin	27%	33%	551 bps	23%	29%	36%	624 bps	1244 bps
Net Income After Minority Interest	591	1.084	84%	254	393	691	76%	172%
Net Income Margin	11%	16%	517 bps	9%	13%	19%	595 bps	976 bps
Capex	398	1.211	204%	211	296	915	209%	333%
Capex/Sales	7%	18%	1057 bps	7%	10%	25%	1517 bps	1732 bps
Adjusted EBIT*	883	1.236	40%	412	543	693	27%	68%
Adjusted EBIT Margin*	16%	18%	205 bps	15%	18%	19%	113 bps	424 bps
Adjusted EBITDA*	1.371	1.721	26%	655	793	928	17%	42%
Adjusted EBITDA Margin*	25%	25%	28 bps	23%	26%	25%	-58 bps	204 bps
Adjusted Net Income*	495	1.030	108%	225	393	636	62%	183%
Adjusted Net Income Margin*	9%	15%	611 bps	8%	13%	17%	448 bps	931 bps
Analyst EBIT**	734	986	34%	364	427	559	31%	54%
Analyst EBIT Margin**	13%	15%	110 bps	13%	14%	15%	128 bps	231 bps
Analyst EBITDA**	1.222	1.472	20%	608	677	795	17%	31%
Analyst EBITDA Margin**	22%	22%	-67 bps	21,4%	21,9%	21,5%	-44 bps	11 bps

*Excluding one-off impacts

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

*** Q2'18 & H1'18 capex is adjusted with advances given related to capex (See also: 14th note on CMB Financials)

One-Off Impacts:

Excluding From EBIT:

- **Q2'18: TRY 388 Million:** Revaluation gain on fixed income instruments amounting to TRY 334 Million, Income generated from step acquisition of HNG amounting to TRY 54 Million
- **Q1'18: TRY 114 Million:** Revaluation gain on fixed income instruments amounting to TRY 114 Million
- **H1'17: TRY 119 Million:** Revaluation loss on fixed income instruments amounting to TRY 21 Million, Income generated from the sale of Omco Kalıp amounting to TRY 32 Million, Income generated from the sale of Eskişehir Oluklu amounting to TRY 66 Million
- **Q2'17: TRY 3 Million:** Revaluation loss on fixed income instruments amounting to TRY 29 Million, Income generated from the sale of Omco Kalıp amounting to TRY 32 Million

Excluding From Net income:

- **Q2'18: TRY 54 Million:** Income regarding acquisition of HNG amounting to TRY 54 Million
- **H1'17: TRY 95 Million:** Income generated from the sale of Omco Kalıp amounting to TRY 29 Million (including tax impact), Income generated from the sale of Eskişehir Oluklu amounting to TRY 66 Million
- **Q2'17: TRY 29 Million:** Income generated from the sale of Omco Kalıp amounting to TRY 29 Million (including tax impact)

Important Notice Regarding Accounting Policy Change:

Şişecam Group Companies were reporting third party logistic expenses by deducting from gross revenues. According to the new accounting policy, these expenses are now booked under Sales & Marketing expenses. Q2'17 and H1'17 financial statements were restated accordingly

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 quarter ended 30 June, 2018.

Financial Summary

Q2'18 vs Q2'17

- Revenue came in at TRY 3.7 Billion, up 30% YoY (USD 850 Million, up by 7% YoY in USD terms)
- Gross profit is up by 42% YoY with a margin of 33%
- Adjusted EBITDA came in at TRY 928 Million with 25% margin, up by 42% YoY as a result of significant contribution of the business divisions
- Net income after minority interest came in at TRY 691 Million on the back of higher operating profit
- Capex came in at TRY 915 Million including adjustments related advances given for capex in Q2'18. Capex to sales ratio is at 25%

In Q2'18, 36% of the net revenues generated from flat glass, 23% from glass packaging, 21% from chemicals, 17% from glassware and the remaining 3% from other operations. **Şişecam's topline growth was 30% YoY in Q2'18**, highest contribution came from flat glass business, followed by chemicals, glass packaging and glassware respectively.

Flat Glass division recorded TRY 1.3 Billion revenue in Q2'18 with 23% YoY growth on the back of pricing actions taken in 2017 and within the year, healthy demand conditions and better product mix in domestic market, higher contribution from auto and encapsulation business, increase in European flat glass prices and positive foreign currency translation effect. After one-off adjustments, EBITDA margin was at 26%, advanced by ~120 bps YoY

Chemicals division's revenue came in at TRY 915 Million including intra group sales (14% of total) with a growth of 28% YoY in Q2'18, mainly driven by 4% increase in soda ash prices, volume and price increases in chromium business, and positive currency impact. 81% of total revenue was generated from Soda Sanayii in Q2'18 whilst remaining 19% was from mining and glass giber operations. Chemicals' EBITDA margin was at 31%, up from 27% in Q2'17 after one-off adjustments.

Glass Packaging division recorded TRY 837 Million revenue with a growth of 33% YoY growth backed by strong volume and pricing impact coming from operations in both Turkey and Russia. Higher contribution from international operations and better product mix positively affected the topline performance of division. After one-off adjustments, EBITDA margin was at 22%, increased by ~150 bps YoY

Glassware division revenue came in at TRY 636 Million with a growth of 29% YoY growth, mainly attributable to price increases in all operating regions combined with high profitability as a result of reducing complexity by simplifying product portfolio with high margin units. Optimized capacity in automated production also contributed to margin expansion in Q2'18 as EBITDA margin recorded at 19%.

Share of international revenues reached 59% in Q2'18 while share of revenues generated from European operations in total revenues increased to 23% from 21% thanks to the surge in European revenues of all divisions with strong appreciation of EUR against TRY by 32% year on year. Share of Russian operations in total revenues increased to 14% from 13% compared to Q2'17.

Gross Profit grew by 42% YoY and came in at TRY 1.2 Billion in Q2'18 with a margin of 33%, recording 282 bps increase YoY while **consolidated COGS increased by 25% year on year.** Highest contribution to annual growth in gross profit came from flat glass operations by 14%, benefiting from profitable sales mix and prices hikes that covered cost increases. Secondly, glassware contributed by 12% to increase in gross profit, driven by price hikes implemented in all operating regions with a focus on increasing high margin products in the portfolio. Note that, there were revisions on useful life estimates of tangible fixed assets and classification of employee termination benefits in glassware to reflect actual conditions. These changes had a lowering impact on cost of the goods sold having no major impact on EBITDA. Glass packaging's contribution to annual growth was 10%, as both Turkey and non-Turkey operations recorded solid margin expansion on the back of price hikes and better product mix. Chemicals contributed by 3% to increase in gross profit, backed by less reducing impact coming from mining and glass fiber operations as solid margin performance in Soda Sanayii continued in Q2'18 with 39% YoY growth while strong pricing and favorable currency conditions continued to support division's profitability.

In Q2'18, main operating expenses increased by 34% YoY whilst main opex to sales ratio increased to 18% in Q2'18 from 17% in Q2'17. Share of S&M expenses in total main operating expenses increased to increase to 69% from 67% while G&A share decreased to 28% from 29% mainly driven by increase in glassware & flat glass division.

Şişecam posted **TRY 99 Million net other income from main operations in Q2'18** vs TRY 11 Million in Q2'17. Net fx gain on trade payables/receivables recorded at TRY 68 Million in Q2'18 from 13 Million loss in Q2'17 as a result of increase in hard currency denominated sales in all divisions. In H1'18, TRY 6.5 Million net other income/expense was recorded due to amendments in the accounting standards of IFRS 15.

Investments in associates and joint ventures came in at TRY 24 Million in Q2'18 which was TRY 68 Million in Q2'17. There was no income recognition related Oxyvit in Q2'18 which were booked under Sisecam as equity pick-up in Q2'17. TRY 32 Million investment income was generated from the sale of Anadolu Cam's stake in OMCO İstanbul Kalıp A.Ş. in Q2'17. Net loss was recorded from Egyptian operations mainly due to the technical difficulties caused by flood damage.

Şişecam's net income from investing activities came in at TRY 399 Million in Q2'18 versus TRY 27 Million net expense in Q2'17. TRY 334 Million revaluation gain on fixed income securities booked in Q2'18 compared to TRY 29 Million revaluation loss in Q2'17 as a result of positive currency impact. Şişecam did not purchase additional USD denominated fixed income instruments within Q2'18. TRY 54 Million income recorded regarding HNG acquisition

After excluding one-off figures, **Company's EBIT came in at TRY 693 Million and EBITDA was TRY 928 Million with 42% YoY growth representing an EBITDA margin of 25% in Q2'18**

Company's net income after minority interest came in at TRY 691 Billion in Q2'18, representing a net margin of 19%, grew by 172% year on year. TRY 12 Million tax expense was recorded in Q2'18 owing to reduced tax payables on regional and large-scale investments as a government subsidy especially in chemicals and glass packaging divisions.

TRY 69 Million net financial expense was recorded in Q2'18 compared to TRY 37 Million in in Q2'17. TRY 20 Million foreign currency loss on financial assets/liabilities recognized in Q2'18 versus 8 Million gain in Q2'17 while TRY 49 Million more interest expense was recorded in Q2'18

Şişecam's **gross debt** came in at 7 Billion (USD 1.5 Billion) in Q2'18, as 59% were long-term liabilities including USD 500 Million Sisecam Eurobond. **Net debt increased to TRY 1.8 Million (USD 399 Million) in Q2'18** from TRY 580 Billion (USD 153 Million) in 2017 including our financial investments amounting to USD 500 Million due, primarily driven by cash payments regarding acquisitions. **The company's net long FX position** increased to TRY 2.2 Billion in Q2'18 from TRY 1.2 Million in 2017. Company has EUR 130 Million long position increasing from EUR 84 short position in 2017, while net assets denominated in USD decreased to 293 Million from USD 408 Million.

Important Events during and after the Reporting Period

- Fitch Ratings affirmed rating of Sisecam as BB+ while changing the outlook from "Stable" to «Negative»
- Trakya Cam announced its second float line investment in Polatlı, to meet the growing demand across Turkey and surrounding regions, which is expected to become online in 2020. Total investment will reach USD 127 Million
- Trakya Cam distributed TRY 170 Million cash dividend at the end of May 2018.
- Trakya Cam acquired 49.8% stake of HNG Float Glass Limited for an amount of USD 85.4 million
- Trakya Cam took assets of Sangalli Manfredonia in Italy for an amount of USD 15.7 Million
- Anadolu Cam distributed TRY 60 Million cash dividend at the end of May 2018.
- Anadolu Cam's 4th furnace investment in Eskişehir plant has been completed and the new furnace with a glass production capacity of 150,000 tons per year has been taken online on July 24th.
- Soda Sanayii distributed TRY 225 Million cash dividend at the end of May 2018.
- On July 9th, the company increased its paid-in capital by TRY 100 Million to TRY 1 billion through a bonus share issuance channeling TRY 98mn of the net profit recorded in 2017 together with TRY 2 Million kept under legal reserves and from the profit generated by real estate/subsidiary share sale in total.
- Collective Labor Agreement negotiations, covering the period between 01.01.2018-31.12.2019 and held with Petrol-İş Union for Soda- and Kromsan plants and Salt Corporation, were contractually finalized on June 4th.
- Şişecam's ownership in Paşabahçe increased from 84,01% to 84,62% following its sole participation to the company's rights issue



TÜRKİYE ŞİŞE ve CAM FABRİKALARI A.Ş.

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