

**COMMENTS ON TRAKYA CAM SANAYİ A.Ş. Q2 2017 CONSOLIDATED FINANCIAL STATEMENTS**

Based on Q2 2017 IFRS results,

Consolidated Financials (TRY mn)	Q2 2016	Q1 2017	Q2 2017	QoQ Growth	YoY Growth	2016 H1	2017 H1	YoY Growth
Revenue	723	956	1076	13%	49%	1350	2032	51%
Gross Profit	212	312	352	13%	66%	398	664	67%
Gross Margin	29%	33%	33%	10 bps	338 bps	29%	33%	319 bps
EBIT	357	187	177	-6%	-50%	440	364	-17%
EBIT Margin	49%	20%	16%	-316 bps	-3290 bps	33%	18%	-1471 bps
EBITDA	417	265	252	-5%	-39%	562	517	-8%
EBITDA Margin	58%	28%	23%	-428 bps	-3418 bps	42%	25%	-1617 bps
Net Income after non-controlling interest	321	115	147	28%	-54%	386	262	-32%
Net Income after non-controlling interest Margin	44%	12%	14%	169 bps	-3073 bps	29%	13%	-1570 bps
Capex	73	34	38	14%	-47%	111	72	-35%
Capex/Sales	10%	4%	4%	4 bps	-654 bps	8%	4%	-466 bps
Adjusted EBIT*	72	163	188	16%	160%	156	351	125%
Adjusted EBIT Margin*	10%	17%	18%	50 bps	749 bps	12%	17%	571 bps
Adjusted EBITDA*	132	240	264	10%	99%	278	504	82%
Adjusted EBITDA Margin*	18%	25%	25%	-62 bps	622 bps	21%	25%	425 bps
Adjusted Net Income after non-controlling interest *	50	115	147	28%	195%	90	262	190%
Adjusted Net Income after non-controlling interest *	7%	12%	14%	169 bps	678 bps	7%	13%	621 bps
Analyst EBIT**	59	126	155	23%	161%	102	281	175%
Analyst EBIT Margin**	8%	13%	14%	119 bps	617 bps	8%	14%	625 bps
Analyst EBITDA**	119	204	230	13%	93%	224	434	94%
Analyst EBITDA Margin**	17%	21%	21%	8 bps	490 bps	17%	21%	479 bps

\*Excluding from both net income and EBIT: One-off figures for H1'16 & Q2'16= TRY 284 Million income from Soda Stake Sale (Q2'16 & H1'16)

Excluding from EBIT: One-off figures for H1'17 & Q2'17= TRY 13 Million revaluation gain on financial instruments (H1'17), TRY 12 Million revaluation loss on financial instruments (Q2'17)

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

Important Notice: Balance Sheet & P&L Items starting from 2017 includes financials of Italian Flat Glass Company, Şişecam Flat glass Italy Srl, which was took over assets of Sangalli in November, 2016

Trakya Cam recorded sales of over 1 billion Turkish Liras in one quarter of the year with **topline growth of 49% YoY**, reaching TRY 1,076 Million

a) **Excluding Italy, like-for-like increase in consolidated revenue would be 37% YoY**, growth was mainly driven by 5% YoY growth in total volume, 9% YoY growth in price, 11% YoY growth in currency and %12 YoY growth coming from product mix. On half year basis, Trakya Cam posted 8% YoY volume growth given higher than expected client orders were taken in the first quarter despite low seasonal effects

b) **Turkey operations:** On the back of price hike made back in February 2017 in basic glass and increased hard currency linked domestic auto sales positively contributed to revenue growth (46% YoY) and profitability ratios of Turkey operations. Confirming increased price levels on the back of change in sales mix, increased efficiency in production line and price corrections according to increase in input prices and inflation, auto-glass unit recorded further growth in its operating margin thanks to the optimized operating leverage

d) **European operations:** Demand in Balkans continued to be stronger in the second quarter as construction markets recorded further recovery while new price hikes were introduced through the second quarter especially in Southern Europe as our Italian flat glass company made 4%-6% price increase in May which will be more effective in the very beginning of third quarter. Revenue generated from encapsulation business recorded at EUR 43 Million in Q2'17 with %12 YoY growth rate, 3% coming from volume. Profitability of Romanian auto-glass unit continued to increase as a result of improved capacity utilization rates and high technical capacity, doubling its revenue with high single digit EBIT margin levels. After the introduction of above 30% natural gas price hike in Bulgaria and low level of auto glass margin compared to basic glass operations; EBIT margin of the region came down to 10% from 11% level of the previous quarter

e) **Russian operations** continued to record further growth in operating margins (18% EBIT margin in Q2'17 vs negative EBIT margin level in Q2'16) as a result of increased sales of high margin units combined with decrease in production costs thanks to the improved utilization in technical capacity. Strengthened Ruble against TRY (by 43% YoY on average) and slight increase in flat glass prices had also positively affected the margins

f) Share of **international sales** increased to 55% in Q2'17 vs 51% in Q2'16, continuously goes up as a result of increased presence in Europe after consolidation of Italian operations and recovery in international markets coupled with positive currency effect

**Gross profit** increased by 67% YoY mainly thanks to i) increase in unit sales price levels in all regions that Trakya Cam operates, ii) upturn in profitability in auto-glass units iii) positive currency translation effect iv) the consolidation of Italian operations **while gross margin** improved by ~338 bps over the last year's second quarter. COGS increased by 42% YoY mainly coming from increase in the cost of hard currency denominated raw materials, energy (above 30% natural gas price hike in Bulgaria) and beyond inflation payroll adjustment in Turkey operations.

In the second quarter of 2017, **main operating expenses** to revenues also improved, decreasing to 18% from %21 thanks to strong topline/base effect while absolute change in main operational expenses were TRY 44 Million YoY mainly due to TRY 26 Million increase in G&A expenses and TRY 21 Million increase in marketing expenses after consolidation of Italian operations and increase in labor expenses.

The company's **net other income from operations** increased to TRY 25 Million in Q2'17 from TRY 5 Million in Q2'16 mainly due to recorded income on provisions no longer required (TRY 14 Million)

**Investments in associates and joint ventures** increased by 35% YoY to TRY 8,2 Million TRY from TRY 6 Million mainly coming from material increase in income recorded from Egyptian operations thanks to strong demand conditions in the region and price hikes more than currency devaluation rate was introduced to the market. Deterioration in the profitability of Indian operations was mainly due to increase in input cost.

**Net loss from investing activities** was recorded at TRY 11 Million in Q2'17 as a result of TRY 11,7 Million revaluation loss on fixed income securities mainly due to negative currency impact after translating USD denominated corporate bonds at the lower closing rate than the rate of purchase date. TRY 9 Million equivalent USD-denominated Eurobonds with semi-annual coupon payments were purchased through the second quarter

Excluding the revaluation loss on financial instruments, Company's **EBIT** would be TRY 188 Million in the second quarter of 2017, more than two times of last years' second quarter EBIT after excluding income from Soda Sanayii Shares amounting to TRY 286 Million recorded in Q2'16. Adjusted EBIT **margin would be 18%** in Q2'17, a historically high level in the last 5 years.

**Amortization** recorded as TRY 76 Million in the second quarter of 2017, increased by 26% YoY – TRY 7 Million coming from Italian operations

Consequently, **after the adjustments, EBITDA recorded at TRY 264 Million with 99% YoY increase, recording 25% margin**

Trakya Cam posted TRY 147 Million **net income after non-controlling interest**, representing 14% margin. Effective tax rate at 20% in Q2'17 was higher than 5% of Q2'16 as TRY 45 Million tax exemption recorded in last year's second quarter, having got after sale of Soda stakes.

**Net financial income** which came in at TRY 14 Million, increased YoY as a result of short position in EUR denominated liabilities with less recorded FX loss compared to Q2'16 (TRY 33 Million foreign exchange gain in Q2'17)

Trakya Cam's **gross debt** came in at TRY 2.5 Billion in the second quarter of 2017, 74% were long term liabilities including USD 250 Million Sisecam Eurobond. TRY 85 Million decrease in cash and cash equivalents was recorded compared to 2016. Gross debt also came down by 1% compared to 2016 as a result of principal payments. Please also note that EUR 32 Million loan taken over from Italian operations was included in the long term financial liabilities. Trakya Cam's net debt came in at TRY 704 Million equivalent of USD 201 Million (USD/TRY=3,50710) including total of Eurobond investments amounting to USD 143 Million.

**FCFE increased to TRY 40 Million in H1'17** compared to TRY -223 Million in H1'16 mainly thanks to increase in operational cash flow figure recorded in H1'17, effectively managed working capital requirements (collection period of account receivables decreased to 59 days in H1'17 from 94 in H1'16) and less recorded Capex in H1'17.

The company's **net short FX position** was TRY 47 Million in the second quarter, decreased from TRY 362 Million recorded in 2016 as a result of flattish EUR denominated assets combined with USD 54 Million (TRY 185 Million) increase in USD denominated assets including corporate Eurobond purchases compared to 2016.

EUR denominated liabilities also decreased by EUR 35 Million (TRY 93 Million) compared to 2016 as USD denominated liabilities (including USD 250 Million Sisecam Eurobond) decreased by USD 2.5 Million (TRY 8.8 Million). Increase in other currency denominated assets by TRY 10 Million also positively contributed to the decrease in short position

**Capital expenditures** were TRY 38 Million, %26 was attributed to maintenance while the rest mainly belongs to small sized line investments in Bulgaria (laminated automotive glass), Turkey (Yenişehir coated glass) and Romania (quarter window glass). Capex to sales ratio decreased to 4% from prior year's second quarter level of 10%.

Trakya Cam paid TRY 120 Million dividend on May, 2017 and made a TRY 200 Million capital increase through bonus share issuance on July, 2017

### **Conference Call**

ŞİŞECAM is pleased to invite you to its 2017H1 Financial Results Audio Webcast Call held on Tuesday, August 22nd, 2017 at 18:00 (İstanbul), 16:00 (London) and 11:00 (New York).

To join the conference-call, please dial in through one of the following telephone numbers:

Turkish Toll Access Number: +90 212 708 1236

UK Toll Access Number: +44 203 367 9461

UK Toll Free Access Number:+44 (0) 808 238 1775

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