

COMMENTS ON TRAKYA CAM SANAYİ A.Ş.Q4 2018 CONSOLIDATED FINANCIAL STATEMENTS

Based on Q4 2018 IFRS results,

Consolidated Financials (TRY mn)	2017	2018	YoY Growth	2017 Q4	2018 Q3	2018 Q4	QoQ Growth	YoY Growth
Revenue	4.331	5.875	36%	1.289	1.667	1.661	0%	29%
COGS	2.931	3.959	35%	863	1.142	1.113	-3%	29%
Gross Profit	1.400	1.916	37%	426	525	548	4%	29%
Gross Margin	32%	33%	29 bps	33%	31%	33%	150 bps	-4 bps
EBIT	840	1.485	77%	267	586	193	-67%	-28%
EBIT Margin	19%	25%	588 bps	21%	35%	12%	-2350 bps	-907 bps
EBITDA	1.147	1.861	62%	344	691	301	-57%	-13%
EBITDA Margin	26%	32%	519 bps	27%	41%	18%	-2336 bps	-856 bps
Net Income after non-controlling interest	616	958	55%	193	276	178	-35%	-8%
Net Income Margin	14%	16%	208 bps	15%	17%	11%	-581 bps	-429 bps
Capex	233	362	55%	124	62	141	127%	14%
Capex/Sales	5%	6%	78 bps	10%	4%	9%	477 bps	-109 bps
Adjusted EBIT*	760	1.107	46%	214	297	335	13%	57%
Adjusted EBIT Margin*	18%	19%	128 bps	17%	18%	20%	234 bps	356 bps
Adjusted EBITDA*	1.068	1.483	39%	290	402	442	10%	52%
Adjusted EBITDA Margin*	25%	25%	59 bps	23%	24%	27%	247 bps	407 bps
Adjusted Net Income*	616	903	46%	193	272	181	-33%	-6%
Adjusted Net Income Margin*	14%	15%	114 bps	15%	16%	11%	-542 bps	-411 bps
Analyst EBIT**	584	816	40%	142	187	236	26%	66%
Analyst EBIT Margin**	13%	14%	41 bps	11%	11%	14%	300 bps	318 bps
Analyst EBITDA**	891	1.192	34%	219	292	343	17%	57%
Analyst EBITDA Margin**	21%	20%	-28 bps	17%	18%	21%	313 bps	369 bps

*Excluding one-off impacts

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

Important Notice: Trakya Cam acquired 49.8% stake of HNG Float Glass Limited and assets of Sangalli Manfredonia in Italy within last days of second quarter, which are fully consolidated starting Q3'18.

Financial Highlights (2018 vs 2017)

- **Revenue** came in at TRY 5.9 Billion, up 36% YoY (EUR 1 Billion, down by 2% YoY in EUR terms), excluding India, like for like increase was at 31% YoY coming from -3% volume, 15% pricing and product mix, 19% currency impact
- **Gross profit** is up by 37% YoY (EUR 337 Million down by 1% YoY in EUR terms) with a margin of 33%
- **Adjusted EBITDA** came in at TRY 1,5 Billion (EUR 271 Million up by 4% YoY in EUR terms) with 26% margin, up by 44% YoY
- **Net income after minority interest** came in at TRY 958 Million with a margin of 16%
- **Capex** came in at TRY 362 Million (EUR 64 Million) in 2018. Capex to sales ratio is at 6%
- **FCFE** came in at 304 Million in 2018

Financial Highlights (Q4'18 vs Q4'17)

- **Revenue** came in at TRY 1.7 Billion, up 29% YoY (EUR 264 Million, down by 10% YoY in EUR terms), excluding Indian operations, like for like increase was at 20% coming from -6% volume, 6% pricing and product mix, 20% currency impact
- **Gross profit** is up by 29% YoY (EUR 87 Million, down by 10% YoY in EUR terms) with a margin of 33%
- **Adjusted EBITDA** came in at TRY 442 Million (EUR 70 Million, up by 7% YoY in EUR terms) with 27% margin, up by 52% YoY
- **Net income after minority interest** came in at TRY 178 Million with a margin of 11%
- **Capex** came in at TRY 141 Million (EUR 28 Million) in Q4'18. Capex to sales ratio is at 9%

Operational Highlights

- **Total annual production capacity of Trakya Cam for flat glass** increased to 2.8 million tons in 2018 from 2.7 million tons in 2017 after inclusion of Indian operations within the second half of this year, while 73K tons capacity in Bulgaria was inactive due to cold repair, which started at the beginning of September. **Total flat glass production** was at 2.5 mn tons in 2018. Capacity efficiency in 2018 (actual output/effective capacity) was at 88%, remained unchanged YoY.
- **Total flat glass production in Q4'18** came in at 626K tons, grew by 3% YoY as a result of consolidation of Indian operations. Total production (excluding India) would decrease by 6% YoY in Q4'18 mainly due to cold repair in Bulgaria, which started at the beginning of September. 62% of total output was produced in Turkey. Float line in India has a 220K/ton annual capacity, operates with ~100% capacity utilization rates
- **Total annual production capacity of Trakya Cam for auto glass** increased to 15.3 million m2 in 2018 from 14 million m2 in 2017 mainly due to capacity increases in Bulgaria and Romania which were made within Q4'17.
- **Total auto glass production** in 2018 increased by 8% YoY while capacity efficiency for auto glass unit in 2018 continued to improve. Main drivers of this improvement were initiatives taken for increasing operational excellence in auto glass production facility in Turkey, increase in total project base, accurate capacity planning by realigning project portfolio between Turkey and Bulgaria and continuous improvement in efficiency ratio of Romanian plant, which has not been fully utilized yet.
- **Total auto glass production in Q4'18** decreased by 3% YoY.
- **Total sales volume** (total of basic glass (tonnes), auto glass (converted from m2 to tonnes) and encapsulation (converted from units to tonnes)) **increased by 1% YoY in 2018 and decreased by 1% YoY in Q4'18 as a result of consolidation of Indian operations and cold repair in Bulgaria.**
- **Total sales volume (excluding India) decreased by 3% YoY in 2018 and 6% in Q4'18** in parallel with decrease in total production units in Bulgaria as a consequence of cold repair which started at the beginning of September. **Share of domestic sales volume decreased to 54% in Q4'18 (excluding India) from 60% in Q4'17** mainly due to strong sales volume generated in Q4'17 which had been the highest figure within 2017 and had been triggered by brought forward orders after the acceleration of project close-outs. In addition to that, geographic mix has also shifted towards increasing sales to international markets in Q4'18, as share of exports from Turkey in total sales volume (excluding India) increased to 10% in Q4'18 from 8% in Q4'17. **Share of domestic sales volume has not changed significantly (excluding India) and came in at 56% in 2018 vs 55% in 2017.**

Regional Performance in Q4'18

- Highest sales contribution to topline came from **European operations** as revenue generation from this region rose by 34% YoY in Q4'18 primarily driven by depreciation of TRY against EUR by 43% YoY. Sales generated from encapsulation unit, Romanian auto glass plant and Italian operations uplifted the region's performance most. Strong and simplified sales mix in **encapsulation unit** supported this business unit's performance of which revenue came in at EUR 43 Million. Strong revenue generation **in Italy** was backed by solid volume growth and higher revenue generation continued **in Romania** as a result of improving capacity utilization rate.
- Revenue generated from operations **in Turkey** increased by 11% YoY in Q4'18 while sales volume decreased by 11% as a result of strong base impact generated in Q4'17 and change in geographic mix that was explained in detail under the headline of Operational Highlights. Domestic sales volume increased by 2% in Q4'18 compared to Q3'18 while exports from Turkey increased by 43% QoQ. Contribution of auto glass unit to topline performance of Turkey operations increased YoY owing to better sales mix despite decrease in total volume that had been expected as a result of slowdown seen in domestic market
- Revenue generated from **Russian operations** decreased by 4%YoY in Ruble terms mainly due to lower pricing in basic glass unit compared to Q4'17 as limited sales volume growth sustained. Contribution of auto glass unit to Russian operations increased YoY in Q4'18, primarily driven by volume increase in parallel with market growth. Russian car sales demonstrated a robust momentum in 2018 and promises further increase in demand that is supportive for auto-glass production and sales in the region
- Topline contribution of **Indian** operations was at 7% in Q4'18
- Share of **international sales** increased to 62% in Q4'18 from 52% in Q4'17 mainly due to depreciation of TL against in hard currencies and consolidation of Indian operations. Given the geographic mix, 64% of Trakya Cam's revenue is denominated in FCY in Q4'18 (including EUR linked auto sales in Turkey)

Business Unit Performance in Q4'18

The analysis below excludes Indian operations in order to make like for like comparison of business units

Highest contribution to topline growth in Q4'18 came from auto glass and encapsulation unit, which increased by 33% YoY mainly driven by better performance of projects taken and appreciation of EUR against TRY while revenue generated from basic glass unit increased by 14%. Share of auto and encapsulation unit in total revenue increased to 34% compared vs 33% in Q3'17. Basic glass constitutes 66% of the total revenue.

P&L Analysis (Q4'18 vs Q4'17)

- **Revenue** increased by 29% YoY, excluding India, topline growth would be 20% YoY.
- **Consolidated COGS and Gross Profit** increased by 29% YoY in Q4'18 and gross profit margin remained at 33% YoY; excluding India, margin would be 33.8%. Top contributors to increase in gross profit were auto glass unit in Turkey, encapsulation unit (better performance of projects taken) and basic glass operations in Italy. Consolidated COGS was down by 3% QoQ in Q4'18 and gross margin increased by 150 bps, which was primarily driven by price hikes that was announced throughout Q4'18 and appreciation of TL (5% against EUR and 2% against USD), that supported gross margin of basic glass operations in Turkey. Increased production process capabilities of auto glass plant in Turkey supported QoQ margin expansion of auto glass unit.
- **Main operating expenses** increased by 10% YoY, while opex to sales ratio decreased to 19% in Q4'18 vs 20% in Q3'18 and 22% in Q4'17 thanks to QoQ appreciation of TL and less S&M activities in European operations compared to previous quarter. Excluding India and Manfredonia, opex to sales would be 18%.
- **Net other income from operations** came in at TRY 73 Million in Q4'18 which was TRY 36 Million in Q4'17 mainly due to increase in net income on trade receivables/payables as a result of depreciation of TL in Q4'18 compared to Q4'17
- **Investments in associates and joint ventures** increased to TRY 38 Million from TRY 24 Million mainly due to increase in net income generated from Egyptian operations as a result of insurance payment of flood damage. No longer income was recorded from Indian operations in Q4'18

- **Net loss from investing activities** was at TRY 153 Million in Q4'18 vs net income of TRY 65 Million in Q4'17. TRY 138 Million revaluation loss was recorded from USD denominated Eurobond including the provision expense. No additional Eurobonds were purchased throughout Q4'18. TRY 11 Million loss was recorded on revaluation of tangible assets
- **Adjusted EBIT** was at TRY 335 Million with 57% YoY increase compared to TRY 214 Million in Q4'17. **Adjusted EBIT margin came in at 20%, up by 356 bps** compared to prior year quarter. Excluding India and Manfredonia, margin would be 21.2%.
- **Depreciation expense** was recorded as TRY 107 Million, TRY 8 Million was recorded from Indian operations.
- **Adjusted EBITDA recorded at TRY 442 Million with 52% YoY increase, recording 27% margin.** Excluding India and Manfredonia, margin would be 28%
- **Net income after non-controlling interest was at TRY 178 Million**, representing 11% margin. Excluding India and Manfredonia, margin would be 12.2%
- **Tax expense** was TRY 63 Million, increasing from TRY 40 Million in Q4'17, as effective tax rate increased to 25% mainly due to less recorded tax incentive.
- **Net financial income** came in at TRY 53 Million, which was TRY 26 Million income in Q4'17. TRY 73 Million net fx gain was recorded from issued bond, bank loans and time deposits in Q4'18 vs TRY 26 Million net fx loss in Q4'17. TRY 20 Million financial expense was incurred in Q4'18.
- **Gross debt** came in at TRY 3.4 Billion equivalent of USD 645 Million in 2018 which was USD 679 Million in 9M'18. 62% of gross debt were long-term liabilities **Cash and cash equivalents** was at TRY 1.3 Billion in 2018 while **Net debt** came in at TRY 882 Million equivalent of USD 168 Million (USD/TRY=5.26) including total of Eurobond investments amounting to USD 200 Million. **Net Debt to EBITDA was at 0.47**
- **Net long FX position** was TRY 192 Million in 2018 versus TRY 138 Million long position in 2017, having USD 47 Million short position while EUR 69 Million long position was recorded
- **Capital expenditures** were TRY 141 Million in Q4'18 - TRY 57 Million attributed to cold repair in Bulgaria. Capex to sales ratio came in at 4% in Q3'18.

Important Events during and after the Period

Collective Labor Union Agreement between Kristal-İş Union ended as of 31.12.2018. New bargaining process for facilities of Mersin, Şişecam Otomotiv, Lüleburgaz and Yenişehir has started with the Union as of 17.01.2019

One-Off Impacts Excluded from Financials:

Excluding From EBIT:

- **Q4'18: TRY 141 Million:** Revaluation loss on fixed income instruments amounting to TRY 128 Million, FX adjustment related with impairment loss on intangible assets of HNG amounting to TRY 3 Million,
- **Q3'18: TRY 289 Million:** Revaluation gain on fixed income instruments amounting to TRY 285 Million, income regarding acquisition of HNG amounting to TRY 97 Million, impairment on intangible assets of HNG amounting to TRY 94 Million
- **Q4'17: TRY 53 Million:** Revaluation gain on fixed income instruments amounting to TRY 53 Million
- **2018: TRY 378 Million** Revaluation gain on fixed income instruments amounting to TRY 322 Million, income regarding acquisition of HNG amounting to TRY 152 Million, impairment on intangible assets of India amounting to TRY 96 Million
- **2017: TRY 80 Million:** Revaluation gain on fixed income instruments amounting to TRY 80 Million

Excluding From Net Income:

- **2018: TRY 56 Million:** income regarding acquisition of HNG amounting to TRY 152 Million, impairment loss on tangible assets amounting to TRY 96 Million
- **Q3'18: TRY 3 Million:** income regarding acquisition of HNG amounting to TRY 97 Million, impairment loss on intangible assets of HNG amounting to TRY 94 Million
- **Q4'18: TRY 3 Million:** FX adjustment related with impairment loss on intangible assets of India amounting to TRY 3 Million



TÜRKİYE ŞİŞE ve CAM FABRİKALARI A.Ş.

Şişecam Genel Merkezi
D-100 Karayolu Cad. No:44A
34947 Tuzla/Istanbul
Türkiye
SC_IR@sisecam.com

Sezgi Ayhan
Hande Özbörçek
İpek İyisan

+90 850 206 37 91
+90 850 206 33 74
+90 850 206 34 17