

**COMMENTS ON TRAKYA CAM SANAYİ A.Ş. 2019 Q1 CONSOLIDATED FINANCIAL STATEMENTS**

Based on 2019 Q1 IFRS results,

Consolidated Financials (TRY mn)	2018 Q1	2018 Q4	2019 Q1	QoQ Growth	YoY Growth
Revenue	1.222	1.661	1.534	-8%	26%
COGS	827	1.113	1.046	-6%	27%
Gross Profit	396	548	488	-11%	23%
Gross Margin	32%	33%	32%	-115 bps	-54 bps
EBIT	264	193	287	48%	9%
EBIT Margin	22%	12%	19%	706 bps	-289 bps
EBITDA	343	301	398	32%	16%
EBITDA Margin	28%	18%	26%	783 bps	-214 bps
Net Income after non-controlling interest	207	178	149	-16%	-28%
Net Income Margin	17%	11%	10%	-99 bps	-718 bps
Capex	98	141	88	-34%	-10%
Capex/Sales	8%	9%	6%	-274 bps	-225 bps
Adjusted EBIT*	219	335	225	-33%	3%
Adjusted EBIT Margin*	18%	20%	15%	-549 bps	-326 bps
Adjusted EBITDA*	298	442	336	-24%	13%
Adjusted EBITDA Margin*	24%	27%	22%	-472 bps	-252 bps
Adjusted Net Income*	207	181	174	-4%	-16%
Adjusted Net Income Margin*	17%	11%	11%	43 bps	-558 bps
Analyst EBIT**	183	236	177	-25%	-4%
Analyst EBIT Margin**	15%	14%	12%	-270 bps	-347 bps
Analyst EBITDA**	262	343	288	-16%	10%
Analyst EBITDA Margin**	21%	21%	19%	-193 bps	-272 bps

\*Excluding one-off impacts

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

**Important Notice:** Trakya Cam acquired 50% stake of HNG Float Glass Limited and assets of Sangalli Manfredonia in Southern Italy within the last days of second quarter 2018, which are fully consolidated starting Q3'18 under P&L.

With a change in the implementation of IFRS 16, accounting standard on leases, effective January 2019, total assets and total liabilities increased by TRY 66 Million and TRY 71 Million respectively while no material impact was recorded on P&L

### **Financial Highlights (Q1'19 vs Q1'18)**

- **Revenue** came in at TRY 1.5 Billion, up by 26% YoY (EUR 252 Billion, down by 4% YoY in EUR terms), excluding India, like for like increase was at 18% YoY coming from -12% volume, 11% pricing and product mix, 19% currency impact
- **Revenue** from **international** operations was at 62%; while share of **domestic sales** was 38%
- **Architectural glass revenue** in total was at 62% and **auto glass** was at 38%
- **Gross profit** is up by 23% YoY (EUR 80 Million down by 5% YoY in EUR terms) with a margin of 32%
- **Adjusted EBITDA** came in at TRY 336 Million (EUR 55 Million, down by 13% YoY in EUR terms) with 22% margin, up by 13% YoY in TRY terms
- **Adjusted Net Income after Minority Interest** came in at TRY 174 Million with a margin of 11%
- **Capex** came in at TRY 88 Million (EUR 14 Million) in Q1'19. Capex to sales ratio is at 6%
- **FCFE** came in at TRY 45 Million in Q1'19

### **Operational Highlights (Q1'19 vs Q1'18)**

- 55K tons capacity in Bulgaria and 48K tons capacity in Italy were inactive in Q1'19 due to cold repairs undertaken
- **Total flat glass production** was at 577K tons in Q1'19, flat YoY. Excluding production in India and the impact of cold repair in Bulgaria, the decrease would be 4% YoY mainly due to change in production mix. CUR in Q1'19 (actual output/effective capacity) was at 85%
- **Total auto glass production volume** in Q1'19 decreased by 6% YoY mainly due to lower production in Turkey and Bulgaria
- **Total sales volume** (total of architectural glass (tonnes), auto glass (converted from m2 to tonnes) and encapsulation (converted from units to tonnes)) **decreased by 2% YoY in Q1'19. Excluding India, the decrease would be 12% YoY in Q1'19** as a result of lower in sales volume in Turkey and Russia
- **Share of domestic sales volume decreased to 44% in Q1'19 from 60% in Q1'18; excluding India, the ratio would be 49%**

### **Regional and Divisional Analysis in Q1'19**

Intra-group revenues are eliminated from the analysis figures below

- **Europe;** has the highest contribution to topline growth, from where revenue generated increased by 1% in EUR terms YoY, but by 31% YoY in TRY terms due to depreciation of TRY against EUR by 30% YoY
  - Strong sales volume in **Bulgaria** (supported by intra group sales especially from Turkey) and **Romania**, higher pricing with flat volume in **Italy** favored this region's performance, while revenue generation of **encapsulation unit** came in at EUR 44 Million, 7% lower than Q1'18. In aggregate, sales volume of Europe increased by 10% YoY
- Though domestic sales volume decreased more than 25% in Q1'19, reflecting slowdown in construction activities, revenue generated from operations in **Turkey** increased by 12% YoY thanks to increase in export volumes which were doubled up YoY and increase in auto glass sales
- Revenue generated from **Russian operations** decreased by 25%YoY in Ruble terms mainly due to decrease in sales volume by more than 35% YoY mainly due to extended promotional activities regarding tinted glass that was initiated in the last quarter of 2018, resulting in lower sales by depleting the inventory units. In Q1'19, revenue contribution of auto glass unit in Russia increased from 26% to 38% YoY

- Share of **Indian** operations in total revenue was at 6% in Q1'19
- Share of **international sales** increased to 62% in Q1'19 from 53% in Q1'18 mainly due to depreciation of TRY against hard currencies and consolidation of Indian operations. Given the geographic mix, 72% of Trakya Cam's revenue is denominated in FCY in Q1'19 (including EUR linked auto sales in Turkey) while 66% is in hard currency
- Excluding Indian operations, highest contribution to topline growth in Q1'19 was from auto glass and encapsulation unit, which increased by 27% YoY in TRY terms mainly driven by appreciation of EUR against TRY. Share of auto and encapsulation unit in total revenue was at 38% in Q1'19 vs 37% in Q1'18. Architectural glass constitutes 62% of the total revenue. Excluding India, the split would be 40% auto glass and 60% architectural glass

### **P&L Analysis (Q1'19 vs Q1'18)**

- **Revenue** increased by 26% YoY, excluding India, topline growth would be 18% YoY
- **Consolidated COGS** increased by 27% YoY in Q1'19 and gross profit margin decreased by 54 bps YoY, to 32%. Inclusion of Indian operations had a dilutive impact on the gross margin by ~70 bps. Lower profitability in Russia and the Turkish market due to contraction in sales volume, increase in intra-group transactions, export volumes and cold repair in Bulgaria limited the improvement in gross profit margin
- **Main operating expenses** increased by 47% YoY, while opex to sales ratio increased by 293 bps, came in at 20% in Q1'19 vs 17% in Q1'18. Excluding G&A expense of the line in Southern Italy, which has been under cold repair since September 2018 and Indian operations, opex to sales ratio would increase by 242 bps mainly due to higher S&M activities especially in Turkey, Italy and Romania. Higher logistic expenses in parallel with the increase in total exports and higher royalty fee charged by holding company Sisecam, had an increasing impact on opex to sales ratio by 133 bps. (Sisecam made a revision in royalty fee rate, charged as a percentage of Sisecam Group Companies' revenues stemming from third party sales, to better align with global transfer pricing regulations). Excluding all those impacts, opex to sales would increase by 100 bps and would be at 18%
- **Net other income from operations** came in at TRY 8 Million in Q1'19 which was TRY 26 Million in Q1'18 mainly due to **one-off expense amounting to TRY 25 Million** which was recorded due to retrospective payments for carbon emission quota acquisitions for the plants in Bulgaria and Italy. TRY 29 Million net other income was recorded in relation with net fx gain on trade receivables and payables
- **Investments in associates and joint ventures** increased to TRY 15 Million from TRY 10 Million mainly due to increase in net income generated from Çayirova, as 28% of the company was owned by Trakya Cam. Çayirova received higher dividend income from Cam Elyaf Sanayi (glass fiber operations) after the closure of glass fiber facility in September 2018. Çayirova has 40% share in Cam Elyaf Sanayi
- **Net income from investing activities** was at TRY 87 Million in Q1'19 vs TRY 45 Million in Q1'18. TRY 87 Million revaluation gain was recorded from USD denominated Eurobond including the provision expense
- **Adjusted EBIT** was at TRY 225 Million with 3% YoY increase in Q1'19 compared to TRY 219 Million in Q1'18. **Adjusted EBIT margin came in at 15%, down by 326 bps** in Q1'19 compared to prior year quarter. Excluding the acquisition impact of India and Manfredonia (had India been accounted as equity pick-up), margin would be 16%
- **Depreciation and amortization expense** was recorded as TRY 111 Million; TRY 9 Million was recorded from Indian operations

- **Adjusted EBITDA recorded at TRY 336 Million with 13% YoY increase, recording 22% margin** in Q1'19 vs 24% in Q1'18, down by 252 bps. Excluding the acquisition impact of India and Manfredonia (if India would have been accounted as equity pick-up), margin would be 23%
- **Net income after non-controlling interest was at TRY 149 Million**, after one-off expense in connection with payments of carbon emission acquisitions is excluded, net income would be TRY 174 Million, representing 11% margin in Q1'19 vs 17% in Q1'18. Excluding the acquisition impact of India and Manfredonia (if India would have been accounted as equity pick-up), margin would be 12%
- **Tax expense** was TRY 44 Million in Q1'19, increasing from TRY 28 Million in Q1'18, as effective tax rate increased to 22% mainly due to lower tax incentive recorded and higher corporate tax rate in India. (TRY 11 Million reduced corporate tax in Q1'19 vs TRY 28 Million in Q1'18)
- **Net financial expense** came in at TRY 89 Million, which was TRY 20 Million expense in Q1'18. TRY 66 Million net fx loss was recorded from issued bond, bank loans and time deposits in Q1'19 vs TRY 21 Million net fx loss in Q1'18. TRY 23 Million interest expense was incurred in Q1'19
- Şişecam issued USD 700 Million Eurobond with a coupon rate of 6.95% and 2026 maturity in March 2019 as USD 233.3 Million guarantee was provided by Trakya Cam on the new issuance. USD 200 Million of the issue size of existing Sisecam 2020 notes (USD 500 million issuance back in 2013) was purchased via a tender offer in March, out of USD 100 Million had been guaranteed by Trakya Cam. Aggregate guaranteed amount for Eurobonds due 2020 and 2026 increased to USD 383 Million
- **Gross debt** (incl. other payables to related parties) came in at **TRY 4.9 Billion** equivalent of **USD 863 Million** in Q1'19 which was USD 641 Million in 2018. USD denominated financial liabilities increased by USD 132 Million in parallel with the new bond issuance and buyback of existing notes. TRY 71 Million financial lease was recorded under financial liabilities in accordance with the amendment on accounting standard of the IFRS-16. 63% of gross debt were long-term liabilities
- **Cash and cash equivalents** (including fixed income securities investments and other receivables from related parties) was stood at TRY 3.7 Billion in Q1'19, increased from TRY 2.5 Billion. USD 133 Million cash inflow was booked in parallel with the new bond issuance while **Net debt** came in at TRY 1.2 Billion equivalent of USD 210 Million (USD/TRY=5.6284) including total of Eurobond investments amounting to USD 204 Million. **Net Debt to EBITDA was at 0.6**
- **Net long FX position** was TRY 574 Million in Q1'19 versus TRY 192 Million long position in 2018, having USD 15 Million long position while EUR 63 Million long position was recorded
- **Capital expenditures** were TRY 88 Million in Q1'19 - TRY 47 Million attributed to cold repair in Bulgaria & Manfredonia. Capex to sales ratio came in at 6% in Q1'19.

#### **Important Events during and after the Period**

- At the AGM, Trakya Cam decided to payout **TRY 170mn** cash dividends in gross terms (payout ratio 18%)
- Collective Labor Union Agreement was signed between Kristal-İş Union and Trakya cam for facilities of Mersin, Şişecam Otomotiv, Lüleburgaz and Yenişehir on 28 March 2019 covering the period of 01.01.2019-31.12.2021
- Sisecam issued Eurobonds with an aggregate issue size of USD 700 million and USD 200 Million Sisecam notes (USD 500 million with 2020 maturity) was purchased via a tender offer in March Q1'19

## **One-Off Impacts Excluded from Financials:**

### **Excluding From EBIT:**

- **Q1'19: TRY 62 Million:** Revaluation gain on fixed income instruments amounting to TRY 87 Million, TRY 25 Million one-time retrospective payment regarding carbon emission quota acquisition
- **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,
- **Q1'18: TRY 45 Million:** Revaluation gain/loss on fixed income instruments amounting to TRY 45 Million

### **Excluding From Net Income:**

- **Q1'19: TRY 25 Million:** TRY 25 Million one-time retrospective payment regarding carbon emission quota acquisition
- **Q4'18: TRY 3 Million:** FX adjustment related with impairment loss on intangible assets of India amounting to TRY 3 Million



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