

COMMENTS ON TRAKYA CAM SANAYİ A.Ş. 2019 Q2 CONSOLIDATED FINANCIAL STATEMENTS

Based on 2019 Q2 IFRS results,

Consolidated Financials (TRY mn)	2018 Q2	2019 Q1	2019 Q2	QoQ Growth	YoY Growth	2018 H1	2019 H1	YoY Growth
Revenue	1.324	1.534	1.731	13%	31%	2.547	3.266	28%
COGS	877	1.046	1.193	14%	36%	1.703	2.239	31%
Gross Profit	448	488	539	10%	20%	843	1.027	22%
Gross Margin	33,8%	31,8%	31,1%	-73 bps	-268 bps	33%	31%	-166 bps
EBIT	436	287	258	-10%	-41%	700	545	-22%
EBIT Margin	33%	19%	15%	-380 bps	-1801 bps	27%	17%	-1079 bps
EBITDA	521	398	391	-2%	-25%	864	789	-9%
EBITDA Margin	39%	26%	23%	-334 bps	-1673 bps	34%	24%	-976 bps
Net Income after non-controlling interest	292	149	171	15%	-41%	499	321	-36%
Net Income Margin	22,0%	9,7%	9,9%	15 bps	-1214 bps	20%	10%	-976 bps
Capex	60	88	297	235%	393%	158	385	143%
Capex/Sales	4,5%	5,8%	17,1%	1137 bps	1259 bps	6%	12%	561 bps
Adjusted EBIT*	256	222	215	-3%	-16%	475	437	-8%
Adjusted EBIT Margin*	19,3%	14,5%	12,4%	-206 bps	-690 bps	19%	13%	-527 bps
Adjusted EBITDA*	340	333	348	4%	2%	639	680	7%
Adjusted EBITDA Margin*	25,7%	21,7%	20,1%	-160 bps	-562 bps	25%	21%	-424 bps
Adjusted Net Income*	243	174	171	-2%	-30%	451	345	-23%
Adjusted Net Income Margin*	18%	11%	10%	-145 bps	-845 bps	18%	11%	-712 bps
Analyst EBIT**	210	177	166	-6%	-21%	393	343	-13%
Analyst EBIT Margin**	16%	12%	10%	-192 bps	-623 bps	15%	10%	-492 bps
Analyst EBITDA**	294	288	299	4%	2%	557	586	5%
Analyst EBITDA Margin**	22,2%	18,7%	17,3%	-147 bps	-495 bps	21,9%	18,0%	-390 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 & equity increased by TRY 62 Million while no material impact was recorded on P&L

Financial statements of Q2'18 was restated after PPA valuation of HNG acquisition. Since HNG acquisition was booked on provisional accounting basis by the end of 2018 and this has been restated as per the results of PPA study by end of Q2'19.

Financial Highlights (Q2'19 vs Q2'18)

- **Revenue** came in at TRY 1.7 Billion, up by 31% YoY (EUR 263 Million, up by 3% YoY in EUR terms), excluding India, like for like increase was at 23% YoY coming from -3% volume, 4% pricing and product mix, 22% currency impact
- **Revenue** from **international** operations was at 65%; while share of **domestic sales** was 35%
- **Architectural glass revenue** in total was at 64% and **auto glass** was at 36%
- **Gross profit** is up by 20% YoY (EUR 82 Million down by 5% YoY in EUR terms) with a margin of 31%
- **Adjusted EBITDA** came in at TRY 348 Million (EUR 53 Million, down by 20% YoY in EUR terms) with 21% margin, up by 2% YoY in TRY terms
- **Net Income after Minority Interest** came in at TRY 171 Million with a margin of 10%
- **Capex** came in at TRY 297 Million (EUR 46 Million) in Q2'19. Capex to sales ratio is at 17%
- **FCFE** came in at TRY 4 Million in Q2'19

Operational Highlights (Q2'19 vs Q2'18)

- 55K tons capacity in Bulgaria and 48K tons capacity in Italy were inactive in Q2'19 due to cold repairs undertaken. Cold repair in Bulgaria was completed in the very beginning of July, commercial production started by the end of July.
- **Total flat glass production** was at 595K tons in Q2'19, remained flat YoY. Excluding production in India the decrease would be 9% YoY mainly due to cold repair in Bulgaria. CUR in Q2'19 (actual output/effective capacity) was at 88%
- **Total auto glass production volume** in Q2'19 decreased by 10% 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)) **increased by 7% YoY in Q2'19. Excluding India, it would decrease by 3% YoY in Q2'19**
- Share of domestic sales volume decreased to 44% in Q2'19 from 57% in Q2'18; excluding India, the ratio would be 49%

Regional and Divisional Analysis in Q2'19

Intra-group revenues are eliminated from the analysis figures below

- **Turkey;** has the highest contribution to topline growth, in where revenue increased by 22% YoY mainly due to positive pricing impact from was made in the second half of 2018 and better product mix. Domestic sales volume contracted by 17% YoY in Q2'19 mainly due to slowdown in construction activities; that was also matched by increase in exports from Turkey to international customers and Bulgarian plant. Exports from Turkey to international customers were doubled up YoY, which was also supportive for topline growth as TRY depreciated against USD and EUR by 34% and 27% respectively. Trakya Cam made 5% of price adjustment at the end of May of which impact will be visible starting Q3
- Revenue from Europe was down by 4% in EUR terms YoY, but up by 22% YoY in TRY terms, aggregate sales volume in the region increased by 2%, which was also supported by intra group sales especially from

Turkey to Bulgaria. Revenue generation of **encapsulation unit** came in at EUR 41 Million, 15% lower than Q2'18.

- Revenue generated from **Russian operations** increased by 1%YoY in Ruble terms, 28% in TRY terms as a consequence of 1% YoY increase in total sales volume while downward trend in pricing was seen in the region. In Q2'19, revenue contribution of auto glass unit in Russia increased from 23% to 27% YoY
- Share of **Indian** operations in total revenue was at 6% in Q2'19
- Share of **international sales** increased to 65% in Q2'19 from 57% in Q2'18 mainly due to depreciation of TRY against hard currencies and consolidation of Indian operations. Given the geographic mix, 75% of Trakya Cam's revenue is denominated in FCY in Q2'19 (including EUR linked auto sales in Turkey) while 67% is in hard currency
- Excluding Indian operations, highest contribution to topline growth in Q2'19 came from architectural business, which increased by 35% YoY in TRY, constitutes 63% of the total revenue.

P&L Analysis (Q2'19 vs Q2'18)

- **Revenue** increased by 31% YoY, excluding India and Manfredonia, topline growth would be 23% YoY
- **Consolidated COGS** increased by 36% YoY in Q2'19, inclusion of Indian operations had a dilutive impact on the gross margin by ~135 bps, which was at 31% in Q2'19. Depreciation and amortization in India have been changed in Q2'19 due to final PPA study done in Q2'19 and according to this results, TRY 35 Million was booked in H1'19.
- **Main operating expenses** increased by 57% YoY, while opex to sales ratio increased by 355 bps, came in at 22% in Q2'19 vs 18% in Q2'18.

Impacts of acquisition of Indian and Italian plant and higher royalty fee charges on main operating expenses

- G&A expense of the line in Southern Italy, which has been under cold repair since September 2018 and inclusion of Indian operations, had an increasing impact on main opex to sales ratio by 100 bps
- Higher royalty fee*¹ charged by holding company Sisecam, had an increasing impact on opex to sales ratio by 45 bps
- Excluding royalty and acquisition impact, **Analyst EBITDA**² margin would increase to 18.7% from 17.3% in Q2'19 and opex to sales ratio would increase by 210 bps mainly stemming from;
 - Higher transportation costs realized in Q2'19 compared to last year as a result of increase in total export volume and TL depreciation, which had an increasing impact on main opex to sales ratio by 160 bps.
 - Higher wage expenses realized in Q2'19 against Q2'18 which had an increasing impact on main opex to sales ratio by 25 bps.
- **Net other income from operations** came in at TRY 64 Million in Q2'19 which was TRY 46 Million in Q2'18 mainly due to higher financing income on trade receivables and payables out of TRY 25 Million was booked as fx gain, which was TRY 7 Million in Q2'18.
- **Investments in associates and joint ventures** increased to TRY 4 Million from TRY 0.5 Million

¹ 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

² Gross profit minus expenses of G&A-S&M-R&D

- **Net income from investing activities** was at TRY 24 Million in Q2'19 vs TRY 186 Million in Q2'18. TRY 42 Million revaluation gain was recorded from USD denominated Eurobond while TRY 14 Million provision expense was booked on fixed income securities & time deposits - TRY 2 Million income was related with Eurobond investments in order to comply with IFRS 9. According to PPA valuation in relation to HNG acquisition which was made in June 2018, TRY 55 Million gain on the acquisition in Q2'18 was restated with TRY 49 Million gain retrospectively.
- **Adjusted EBIT** was at TRY 215 Million with 16% YoY decrease in Q2'19 compared to TRY 158 Million in Q2'18. **Adjusted EBIT margin came in at 12%, down by 690 bps** in Q2'19 compared to prior year quarter. Excluding the acquisition impact of India and Manfredonia (had India been accounted as equity pick-up), margin would be 15%.
- **Depreciation and amortization expense** was recorded as TRY 133 Million
- **Adjusted EBITDA recorded at TRY 348 Million with 2% YoY increase, recording 20% margin** in Q2'19 vs 26% in Q2'18. Excluding the acquisition impact of India and Manfredonia (if India would have been accounted as equity pick-up), margin would be 22%
- **Net income after non-controlling interest was at TRY 171 Million**, representing 10% margin in Q2'19 vs 18% in Q2'18. Excluding the acquisition impact of India and Manfredonia (if India would have been accounted as equity pick-up), margin would be 13%
- **Tax expense** was TRY 26 Million in Q2'19, increasing from TRY 50 Million in Q2'18, as effective tax rate decreased to 12% from 20% in Q2'18 mainly due to increase in deferred tax income in relation to tax incentive of new line investment in Turkey (TRY 23 Million reduced corporate tax in Q2'19 vs TRY 12 Million in Q2'18).
- As stated in 2019 Q1 earnings release, 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
- **Net financial expense** came in at TRY 52 Million, which was TRY 85 Million expense in Q2'18. TRY 16 Million net fx loss on financial assets and liabilities including derivatives was recorded in Q2'19 vs TRY 21 Million net fx loss in Q2'18. A cross currency swap was made for USD 175 Million out of the total guaranteed amount of USD 283 Million bond, TRY 3.4 Million financial expense was recorded from this transaction. TRY 36 Million interest expense was recorded in Q2'19 vs TRY 4 Million interest expense in Q2'18 mainly due to increase in average borrowing cost after the bond issuance back in March
- **Gross debt** (incl. other payables to related parties) came in at **TRY 5.2 Billion** equivalent of **USD 899 Million** in Q2'19 which was USD 647 Million in 2018. USD denominated loans increased by 132 Million³ in parallel with the new bond issuance and buyback of existing notes. TRY 68 Million financial lease was recorded under financial liabilities in accordance with the amendment on accounting standard of the IFRS-16. 43% of gross debt were long-term liabilities which decreased from 63% in 2018 as existing Sisecam 2020 notes which were issued back in May 2013 will be matured less than a year
- **Cash and cash equivalents** (including fixed income securities investments and other receivables from related parties) was stood at TRY 4 Billion in Q2'19, increased from TRY 2.5 Billion in 2018. USD 133

³ USD 233.3 Million cash inflow of 2026 bond minus USD 100 Million cash outflow (buyback) of 2020 bond. Please also note that a cross currency swap was made for USD 175 Million of 2026 bond, resulting USD 42 Million decrease in total USD loans

Million cash inflow was booked in parallel with the new bond issuance while **Net debt** came in at TRY 1.2 Million equivalent of USD 208 Million (USD/TRY=5.7551) including total of Eurobond investments amounting to USD 204 Million. **Net Debt to EBITDA was at 0.7**

- **Net long FX position** was TRY 684 Million in Q2'19 versus TRY 192 Million long position in 2018, having USD 203 Million long position while EUR 79 Million short position was recorded mainly due to cross currency swap for USD 175 Million bond.
- **Capital expenditures** were TRY 297 Million in Q2'19 - TRY 87 Million attributed to cold repair in Bulgaria & Manfredonia. Capex to sales ratio came in at 17% in Q2'19.

Important Events during and after the Period

- Trakya Cam distributed TRY 170 Million cash dividends in gross terms (payout ratio 18%) in June
- Trakya Cam bought shares of Sisecam in legal entities of its plants in Yenişehir and Polatlı with a total amount of TRY 83 Million on 23rd of July
- It has been decided at the BoD meeting of Trakya Cam on 23rd of July that Trakya Cam will take over the assets of legal entities of its plants in Yenişehir and Polatlı after combining those entities under Trakya Cam Sanayi A.Ş. through a simplified merger. There will be no change in the consolidation of operations in those plants in which Trakya Cam has already 100% share and has already been fully consolidating them in its financial statements

One-Off Impacts Excluded from EBIT & Net Income Analysis:

Excluding From EBIT:

- **H1'19: TRY 108 Million:** Revaluation gain on fixed income instruments amounting to TRY 133 Million including IFRS-9 adjustments, TRY 25 Million one-time retrospective payment regarding carbon emission quota acquisition
- **Q2'19: TRY 43 Million:** Revaluation gain on fixed income instruments amounting to TRY 43 Million including IFRS-9 adjustments
- **Q1'19: TRY 65 Million:** Revaluation gain on fixed income instruments amounting to TRY 90 Million including IFRS-9 adjustments, TRY 25 Million one-time retrospective payment regarding carbon emission quota acquisition
- **H1'18: TRY 225 Million:** Revaluation gain on fixed income instruments amounting to TRY 176 Million, gain on acquisition of HNG amounting to TRY 49 Million
- **Q2'18: TRY 180 Million:** Revaluation gain on fixed income instruments amounting to TRY 131 Million, gain on acquisition of HNG amounting to TRY 49 Million

Excluding From Net Income:

- **Q1'19 & H1'19: TRY 25 Million:** TRY 25 Million one-time retrospective payment regarding carbon emission quota acquisition
- **Q2'18 & H1'18: TRY 49 Million:** Gain on acquisition of HNG amounting to TRY 49 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