COMMENTS ON TRAKYA CAM SANAYİ A.Ş. 2019 Q3 CONSOLIDATED FINANCIAL STATEMENTS

Based on 2019 Q3 IFRS results,

Consolidated Financials (TRY mn)	2018 Q3	2019 Q2	2019 Q3	QoQ Growth	YoY Growth	2018 9M	2019 9M	YoY Growth
Revenue	1.667	1.731	1.631	-6%	-2%	4.214	4.896	16%
COGS	1.141	1.193	1.109	-7%	-3%	2.844	3.348	18%
Gross Profit	527	539	521	-3%	-1%	1.370	1.548	13%
Gross Margin	31,6%	31,1%	32,0%	-73 bps	37 bps	33%	32%	-89 bps
EBIT	583	258	234	-9%	-60%	1.282	779	-39%
EBIT Margin	35%	15%	14%	-380 bps	-2058 bps	30%	16%	-1452 bps
EBITDA	688	391	331	-15%	-52%	1.552	1.119	-28%
EBITDA Margin	41%	23%	20%	-334 bps	-2098 bps	37%	23%	-1396 bps
Net Income after non-controlling interest	271	171	170	-1%	-37%	770	490	-36%
Net Income Margin	16,3%	9,9%	10,4%	15 bps	-585 bps	18%	10%	-825 bps
Capex	62	297	152	-49%	145%	220	537	144%
Capex/Sales	3,7%	17,1%	9,3%	-779 bps	561 bps	5%	11%	575 bps

Adjusted EBIT*	302	215	249	16%	-17%	777	686	-12%
Adjusted EBIT Margin*	18,1%	12,4%	15,3%	-206 bps	-284 bps	18%	14%	-443 bps
Adjusted EBITDA*	408	348	346	0%	-15%	1.046	1.026	-2%
Adjusted EBITDA Margin*	24,5%	20,1%	21,2%	-160 bps	-323 bps	25%	21%	-387 bps
Adjusted Net Income*	277	171	178	4%	-36%	727	524	-28%
Adjusted Net Income Margin*	17%	10%	11%	-145 bps	-569 bps	17%	11%	-656 bps

Analyst EBIT**	187	166	183	10%	-2%	580	526	-9%
Analyst EBIT Margin**	11%	10%	11%	-192 bps	-3 bps	14%	11%	-303 bps
Analyst EBITDA**	293	299	279	-7%	-5%	849	866	2%
Analyst EBITDA Margin**	17,6%	17,3%	17,1%	-147 bps	-43 bps	20,2%	17,7%	-247 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 55 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 (Q3'19 vs Q3'18)

- **Revenue** came in at TRY 1.6 Billion, down by 2% YoY (EUR 259 Million, up by 4% YoY in EUR terms), coming from -4% volume, 1% pricing and product mix, 1% currency impact
- **Revenue** from **international** operations was at 55%; while share of **domestic sales** was 45%
- **Architectural glass revenue** in total was at 64% and **auto glass** was at 36%
- **Gross profit** is down by 1% YoY (EUR 83 Million up by 6% YoY in EUR terms) with a margin of 32%
- **Adjusted EBITDA** came in at TRY 347 Million (EUR 55 Million, down by 12% YoY in EUR terms) with 21% margin, down by 15% YoY in TRY terms
- **Adjusted Net Income after Minority Interest** came in at TRY 178 Million with a margin of 11%
- **Capex** came in at TRY 152 Million (EUR 24 Million) in Q3'19. Capex to sales ratio is at 9%
- **FCFE** came in at TRY -12 Million in 9M'19

Operational Highlights (Q3'19 vs Q3'18)

- Cold repair in Bulgaria was completed in the very beginning of July, commercial production started by the end of July. 48K tons capacity in Italy were inactive in Q3'19 due to cold repair which was completed in the beginning of October
- **Total flat glass production** was at 647K tons in Q3'19, up by 8%YoY after the termination of cold repair in Bulgaria which had started in the third quarter last year. CUR in Q3'19 (actual output/effective capacity) was at 88%
- **Total auto glass production volume** in Q3'19 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 4% YoY in Q3'19**
- Share of domestic sales volume decreased to 46% in Q3'19 from 49% in Q3'18.

Regional and Divisional Analysis in Q3'19

Intra-group revenues are eliminated from the analysis figures below

- **Turkey;** has the highest contribution to topline growth, in where revenue increased by 11% YoY mainly due to positive pricing adjustments in the local market which were made in the last quarter of 2018 and second quarter of this year. Domestic sales volume was down by 1% in 2018 as downward trend in flat glass demand had started in the beginning of Q3'18, recorded as 11% YoY decrease in the second half of 2018. Contraction in domestic sales volume which was at 23% YoY in the first half of this year, came down to 11% YoY in Q3'19. Exports volume from Turkey to international customers were up by 52% YoY in Q3'19. Trakya Cam made 6.5% of price adjustment at the end of August of which impact will be mostly visible starting Q4. Total price adjustments reached 11.5% this year including 5% of price adjustment at the end of May

- Revenue generated from **Russian operations** was up by 6%YoY in Ruble terms, up by 12% in TRY terms mainly due to higher contribution from auto glass unit of which increased to 28% vs 18% in Q3'18 and appreciation of Ruble against TRY on average terms. Total sales volume increased by 1% in Q3'19

- Revenue from Europe was down by 19% in EUR terms and 22% in TRY terms YoY as TRY appreciated against EUR by more than 600bps YoY on average terms in Q3'19. Aggregate sales volume in the region decreased by 15% mainly due to decrease in client orders especially in Italy during the holiday season in the region and lower sales volume due to cold repair in Bulgaria. Revenue generation of **encapsulation unit** came in at EUR 34 Million, 15% lower than Q3'18.

- Share of **Indian** operations in total revenue was at 6% in Q3'19, increased by 13% YoY as a result of higher sales volume and positive currency impact amid weak pricing in the region

- Share of **international sales** was at 55% in Q3'19, down from 62% in Q3'18. 65% of Trakya Cam's revenue is denominated in FCY in Q3'19 (including EUR linked auto sales in Turkey) while 54% is in hard currency

P&L Analysis (Q3'19 vs Q3'18)

- **Revenue** was down by 2% YoY and **Consolidated COGS** was down by 3% YoY in Q3'19. Depreciation and amortization in India decreased to TRY 29 Million in 9M'19 from TRY 35 Million in H1'19 due to a retrospective correction made in this quarter for change in the calculation of depreciation and amortization made in Q2'19 after the PPA study done.

- **Main operating expenses** remained flat, while opex to sales ratio increased by 49 bps, came in at 20.8% in Q3'19 vs 20.3% in Q3'18.
  Impacts of material items on main operating expenses

  - Higher royalty fee*[1] charged by holding company Sisecam, had an increasing impact on opex to sales ratio by 50 bps
  - Lower transportation costs realized in Q3'19 compared to last year, which had a decreasing impact on main opex to sales ratio by 150 bps
  - Rest of the increase in opex to sales ratio is mainly due to inflationary adjustments

  Excluding royalty impact, **Analyst EBITDA**[2] margin would increase to 17.6% from 17.1% in Q3'19

- **Net other income from operations** came in at TRY 33 Million in Q3'19 which was TRY 102 Million in Q3'18 mainly due to lower financing income on trade receivables and payables out of TRY 21 Million was booked as fx gain, which was TRY 48 Million in Q3'18 due to high volatility seen in TRY against hard currencies. TRY 8.5 Million one-off expense was recorded in Q3'19 in relation to restructuring expenses in encapsulation unit

- **Investments in associates and joint ventures** was at TRY 5 Million in Q3'19, remained flat

- **Net income from investing activities** was at TRY 14 Million in Q3'19 vs TRY 288 Million in Q3'18. TRY 3 Million revaluation loss was recorded from USD denominated Eurobond while TRY 16 Million provision income was booked on fixed income securities & time deposits - TRY 3 Million loss was related with Eurobond investments in order to comply with IFRS 9

- **Adjusted EBIT** was at TRY 249 Million with 17% YoY decrease in Q3'19 compared to TRY 302 Million in Q3'18. **Adjusted EBIT margin came in at 15%, down by 284 bps** in Q3'19 compared to prior year quarter.

- **Depreciation and amortization expense** was recorded as TRY 97 Million

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[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

- **Adjusted EBITDA recorded at TRY 346 Million with 15% YoY decrease, recording 21% margin** in Q3’19 vs 25% in Q3’18

- **Adjusted Net income after non-controlling interest was at TRY 178 Million**, representing 11% margin in Q3’19 vs 17% in Q3’18

- **Tax expense** was TRY 52 Million in Q3’19, increasing from TRY 39 Million in Q3’18, as effective tax rate increased to 24% from 12% in Q3’18 mainly due to lower reduced tax income YoY in relation to incentives

- 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 10 Million, which was TRY 255 Million expense in Q3’18 (There had been cash outflows in relation to acquisitions of HNG and Manfredonia). TRY 39 Million net fx income on financial assets and liabilities including derivatives was recorded in Q3’19 vs TRY 240 Million net fx loss in Q3’18. A cross currency swap was made for USD 175 Million out of the total guaranteed amount of USD 283 Million bond, TRY 9.7 Million financial expense was recorded from this transaction. TRY 50 Million interest expense was recorded in Q3’19 vs TRY 16 Million interest expense in Q3’18 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 Billion** equivalent of **USD 889 Million** in Q3’19 which was USD 647 Million in 2018. USD denominated loans increased by 130 Million[3] in parallel with the new bond issuance and buyback of existing notes. TRY 55 Million financial lease was recorded under financial liabilities in accordance with the amendment on accounting standard of the IFRS-16. 44% 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 at TRY 4 Billion in Q3’19, increased from TRY 2.5 Billion in 2018. USD 133 Million cash inflow was booked in parallel with the new bond issuance while TRY 83 Million was paid in relation to acquiring 15% stake of Şişecam in plants of Yenişehir and Polatlı. **Net debt** came in at TRY 1.3 Billion equivalent of USD 208 Million (USD/TRY=5.6591) including total of Eurobond investments amounting to USD 224 Million. **Net Debt to EBITDA was at 0.9**

- **Net long FX position** was TRY 694 Million in Q3’19 versus TRY 192 Million long position in 2018, having USD 207 Million long position while EUR 86 Million short position was recorded mainly due to cross currency swap for USD 175 Million bond.

- **Capital expenditures** were TRY 152 Million in Q3’19 – 41 Million attributed to investments in cold repair in Bulgaria & Manfredonia. Capex to sales ratio came in at 9% in Q3’19.

[3] USD 233.3 Million cash inflow of 2026 bond minus USD 100 Million cash ouftlow (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

Important Events during and after the Period

- Starting September 17th onwards until the reporting period-end, parent company Şişecam purchased 11 Million Trakya Cam shares. Accordingly, Sisecam's share in Trakya Cam increased from 69.45% to 70.35% as of 17.10.2019. Share purchases continued after the reporting period, as of the financial statement disclosure date Sisecam's share in Trakya Cam stood at 69.91%.
- Capital Markets Board of Turkey approved simplified merger of legal entities of Yenişehir and Polatlı plants on second of September. 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
- Trakya Cam was granted by EUR 200 Million syndicated loan with the borrowing rates of Euribor+2.65% (for EUR 175 Million) and Euribor+2.95% (for EUR 25 Million) in order to fund its upcoming capex and net working capital requirements

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

Excluding From EBIT:

- **9M'19: TRY 93 Million:** Revaluation gain on fixed income instruments amounting to TRY 126 Million including IFRS-9 adjustments, TRY 25 Million one-time retrospective payment regarding carbon emission quota acquisition, TRY 9 Million one-time expense in relation to restructuring in encapsulation
- **Q3'19: TRY 15 Million:** Revaluation loss on fixed income instruments amounting to TRY 7 Million including IFRS-9 adjustments, TRY 9 Million one-time expense in relation to restructuring in encapsulation
- **Q2'19: TRY 43 Million:** Revaluation gain on fixed income instruments amounting to TRY 43 Million including IFRS-9 adjustments

- **9M'18: TRY 505 Million:** Revaluation gain on fixed income instruments amounting to TRY 461 Million, gain on acquisition of HNG amounting to TRY 49 Million
- **Q3'18: TRY 280 Million:** Revaluation gain on fixed income instruments amounting to TRY 286 Million including IFRS-9 adjustments, loss on acquisition of HNG amounting to TRY 6 Million

Excluding From Net Income:

- **Q3'19 & 9M'19:** One-off expenses regarding one-time retrospective payment for carbon emission quota acquisition and one-time expense in relation to restructuring in encapsulation amounting to **TRY 33 Million in 9M'19, TRY 9 Million expense** relation to restructuring in encapsulation **in Q3'19**
- **Q3'18 & 9M'18:** Gain on acquisition of HNG amounting to **TRY 43 Million in 9M'18**, loss on acquisition of HNG amounting to **TRY 6 Million in Q3'18**

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