

**COMMENTS ON TRAKYA CAM SANAYİ A.Ş. Q3 2017 CONSOLIDATED FINANCIAL STATEMENTS**

Based on Q3 2017 IFRS results,

Consolidated Financials (TRY mn)	Q3 2016	Q2 2017	Q3 2017	QoQ Growth	YoY Growth	9M 2016	9M 2017	YoY Growth
Revenue	704	1.076	1.011	-6%	44%	2.054	3.043	48%
Gross Profit	201	352	311	-12%	55%	599	975	63%
Gross Margin	29%	33%	31%	-197 bps	223 bps	29%	32%	288 bps
EBIT	96	177	209	18%	118%	536	573	7%
EBIT Margin	14%	16%	21%	429 bps	708 bps	26%	19%	-727 bps
EBITDA	158	252	287	14%	81%	720	804	12%
EBITDA Margin	22%	23%	28%	490 bps	589 bps	35%	26%	-864 bps
Net Income after non-controlling interest	66	147	161	9%	145%	452	423	-6%
Net Income Margin	9%	14%	16%	221 bps	657 bps	22%	14%	-810 bps
Capex	53	38	37	-4%	-31%	164	109	-34%
Capex/Sales	8%	4%	4%	9 bps	-393 bps	8%	4%	-442 bps
Adjusted EBIT*	91	188	196	4%	114%	247	547	121%
Adjusted EBIT Margin*	13%	18%	19%	186 bps	640 bps	12%	18%	593 bps
Adjusted EBITDA*	153	264	273	3%	78%	431	777	80%
Adjusted EBITDA Margin*	22%	25%	27%	248 bps	521 bps	21%	26%	456 bps
Adjusted Net Income*	62	147	161	9%	159%	181	423	134%
Adjusted Net Income Margin*	9%	14%	16%	221 bps	707 bps	9%	14%	511 bps
Analyst EBIT**	62	155	161	4%	161%	164	442	170%
Analyst EBIT Margin**	9%	14%	16%	154 bps	717 bps	8%	15%	654 bps
Analyst EBITDA**	124	230	238	3%	92%	348	672	93%
Analyst EBITDA Margin**	18%	21%	24%	215 bps	598 bps	17%	22%	517 bps

\*Excluding from both net income and EBIT: One-off figures for 9M'16 = TRY 284 Million income from Soda Stake Sale recorded in Q2'16

Excluding from EBIT: One-off figures for 9M'17 & Q3'17= TRY 27 Million revaluation gain on financial instruments (9M'17), TRY 14 Million revaluation gain on financial instruments (Q3'17), TRY 284 Million income from Soda Stake Sale (9M'16), TRY 5 Million revaluation gain on financial instruments (Q3'16)

\*\*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 took over assets of Sangalli in November, 2016

Trakya Cam today reported solid third quarter 2017 operating results, **net revenues grew by 44%**, reaching TRY 1,011 Million in Q3'17

a) **Excluding Italy, like-for-like increase in consolidated revenue would be 33% YoY**, growth was mainly driven by 12% YoY growth in total volume, 6% YoY growth in price, 14% YoY growth in currency and 1% YoY growth coming from product mix.

b) **Turkey operations:** Turnover index of construction industry in Turkey recorded 7% growth YoY in H1'17 while construction permits increased by 16% YoY in H1'17, mainly due to the increase in residential buildings which accelerated before the new zoning regulation became effective by October 2017, bode well for architectural glass demand going forward in domestic market. House sales (excluding second hand) also grew by 9% through housing loan campaigns. In the light of these developments in the construction industry, 78% of net revenue of Turkey operations generated from architectural glass while sales volume growth in architectural glass came ahead of the first half rate. Prices also continued to improve on the back of price hike made in February by 12% and increase in value added glass sales in line with the increase in construction of energy efficient buildings and recent trends in the industry promoting value added features in glass usage. Please also note that, Trakya Cam made another price hike by 8% in October 2017

Total motor vehicle production in Turkey increased by 15% YoY in Q3'17 recording a historically high figure. Outperforming the market growth rate, strong demand supported the sales volume of auto-glass unit as well as improved revenue generation on the back of price hikes and favorable currency effect on EUR denominated auto glass sales

c) **European operations:** Demand in Balkans was flattish as pricing levels stabilized in the third quarter, revenue generation of Bulgarian operations came down in Q3'17 YoY compared to last year's third quarter as a result of YoY decrease in volume considering high base of Q3'16 and increased level of intra-group sales in Q3'17 in order to meet the increase in demand of value added glasses in Turkey. Demand and pricing levels continued to be strong in Western and Southern Europe regardless of less number of working days in holiday season. Contribution of Italian operations remained stronger in Q3'17 after the price hike announced in the second quarter. Revenue generation of encapsulation business recorded at EUR 41 Million in Q3'17 with 16% YoY growth rate. Profitability of Romanian auto-glass unit continued to increase YoY in Q3'17 through improved capacity utilization rates and high technical capacity

d) **Russian operations:** Net sales benefited from growth in sales volume while price levels were flattish across the region. Market was quiet in the third quarter as construction activities slowed down in the region.

e) Share of **international sales** increased to 55% in Q3'17 vs 53% in Q3'16, continuously goes up as a result of increased presence in Europe after consolidation of Italian operations, recovery in related industries and favorable foreign exchange translation effect

**Gross profit** increased by 55% YoY mainly thanks to lower marginal cost in Turkey after the price hikes introduced in October 2016 and February 2017, decrease in production cost per unit (10% natural gas discount made in October 2016, 9% YoY decrease in soda ash cost per unit) and upturn in profitability of auto-glass. 100% capacity utilization rate in Russia enhanced the economies of scale in the region combined with 5% YoY decrease in soda ash cost per unit while improvement in capacity utilization rate in auto-glass also positively contributed to region's profitability. Contribution of European operations to consolidated gross profit increased by 100 bps after the consolidation

Italian operations despite the implementation of 30% natural gas price hike in Bulgaria. **COGS** increased by 39% YoY mainly coming from the YoY increase in total sales volume in Q3'17.

In Q3'17, **main operating expenses** increased by 8% YoY due to consolidation of Italian operations while main operating expenses to revenues improved to 15% from %19 thanks to strong topline/base effect. In addition, changes in the transfer pricing policies in line with the amendments in OECD legislation effective 2017 and the low base impact of Q3'16 G&A expenses, which resulted from a one-time improvement seen in that period.

The company's **net other income from operations** increased to TRY 28 Million in Q3'17 from TRY 21 Million in Q3'16 mainly due to provision expenses no longer needed and increase in income generated from insurance indemnities and gain on sales of mould and materials while less interest income on trade receivables recorded compared to Q3'16.

**Investments in associates and joint ventures** increased by 85% YoY to TRY 10 Million TRY from TRY 5 Million as income from Egyptian operations tripled YoY thanks to strong demand and pricing conditions in the region. Deterioration in the profitability of Indian operations in Q3'17 compared to last year was mainly due to decrease in pricing levels.

**Net income from investing activities** was recorded at TRY 11 Million in Q3'17 as a result of TRY 13,6 Million revaluation gain on fixed income securities. USD 53 Million Eurobonds with semi-annual coupon payments purchased through the third quarter with an effective interest rate of 5.42%. Please also not that interest rate on USD 250 Million of Trakya Cam's guarantee for the repayment of Şişecam's bond issue is 4.25%

Excluding the revaluation gain on financial instruments, Company's **EBIT** would be TRY 196 Million in Q3'17 with 114% YoY increase compared to TRY 91 Million in Q3'16. Adjusted EBIT **margin would be 19%** in Q3'17, a historically high level in the last 5 years.

**Depreciation expense** recorded as TRY 77 Million in the third quarter of 2017, increased by 24% YoY – TRY 6 Million coming from Italian operations

Consequently, **after the adjustments, EBITDA recorded at TRY 273 Million with 78% YoY increase, recording 27% margin**

Trakya Cam posted TRY 161 Million **net income after non-controlling interest**, representing 16% margin.

**Tax expense** increased to TRY 23 Million in Q3'17 compared to TRY 8 Million in Q3'16 while effective tax rate came in at 12% from 10% of Q3'16 mainly due to increase in the income before tax and consolidation of Italian operations of which corporate tax rate is higher than the other regions that Trakya Cam operates except India.

**Net financial expense** came in at TRY 16 Million in Q3'17, TRY 12 Million coming from FX loss on financial liabilities while there was no significant change in debt position in Q3'17 compared to Q2'17. Cash and cash equivalents increased to TRY 1.3 Billion in line with the increase in collection of trade receivables, also receivables from related parties and positive currency translation effect, which was booked from time deposits, 60% of which is denominated in EUR&USD. Trakya Cam's **gross debt** came in at TRY 2.6 Billion in the third quarter of 2017, as 72% were long-term liabilities including USD 250 Million Sisecam Eurobond. Trakya Cam's net debt came in at TRY 549 Million equivalent

of USD 155 Million (USD/TRY=3.5521) including total of Eurobond investments amounting to USD 197 Million.

**FCFE increased to TRY 398 Million in 9M'17** compared to TRY -167 Million in 9M'16 mainly thanks to increase in operational cash flow as a result of material increase in net income and effectively managed working capital requirements and less recorded Capex in 9M'17.

The company's **net long FX position** was TRY 116 Million in the third quarter versus TRY 362 Million short position in 2016 due to increase in USD denominated assets including corporate Eurobond purchases compared to 2016. EUR denominated financial liabilities also decreased by EUR 41 Million (TRY 96 Million) compared to 2016

**Capital expenditures** were TRY 37 Million; %22 was attributed to maintenance while the rest mainly belongs to energy efficiency investments in Turkey and Italy and small sized line investments in Bulgaria (laminated automotive glass) and Romania (auto - sidelites). Capex to sales ratio decreased to 4% from prior year's third quarter level of 8%.

**Important events during and after the reporting period:**

Trakya Cam made a TRY 200 Million capital increase through bonus share issuance on July, 2017.

Şişecam Bod decided to amend Guarantee Deed, which was signed in 2012 between Şişecam, Trakya Cam, Paşabahçe and EBRD, and to remove guarantor status of Trakya Cam regarding liabilities of Paşabahçe.

Trakya Cam and Kristal-İş Union has agreed upon the terms of collective bargaining agreement covering the period of 01.01.2017-31.12.2019.

**TÜRKİYE ŞİŞE ve CAM FABRİKALARI A.Ş.**



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