

COMMENTS ON TRAKYA CAM SANAYİ A.Ş. 2020 Q1 CONSOLIDATED FINANCIAL STATEMENTS

Based on 2020 Q1 IFRS results,

Consolidated Financials (TRY mn)	2019 Q1	2019 Q4	2020 Q1	QoQ Growth	YoY Growth
Revenue	1.534	1.754	1.519	-13%	-1%
COGS	1.046	1.277	1.085	-15%	4%
Gross Profit	488	477	434	-9%	-11%
Gross Margin	32%	27%	29%	138 bps	-327 bps
EBIT	287	306	268	-12%	-7%
EBIT Margin	19%	17%	18%	20 bps	-108 bps
EBITDA	398	429	394	-8%	-1%
EBITDA Margin	26%	24%	26%	148 bps	-1 bps
Net Income after non-controlling interest	149	259	161	-38%	8%
Net Income Margin	10%	15%	11%	-417 bps	87 bps
Capex	88	499	95	-81%	7%
Capex/Sales	6%	28%	6%	-2220 bps	47 bps
Adjusted EBIT*	222	235	137	-42%	-38%
Adjusted EBIT Margin*	14%	13%	9%	-437 bps	-545 bps
Adjusted EBITDA*	333	358	263	-27%	-21%
Adjusted EBITDA Margin*	22%	20%	17%	-309 bps	-438 bps
Adjusted Net Income*	174	262	159	-40%	-9%
Adjusted Net Income Margin*	11%	15%	10%	-451 bps	-89 bps
Analyst EBIT**	177	143	86	-40%	-51%
Analyst EBIT Margin**	12%	8%	6%	-247 bps	-585 bps
Analyst EBITDA**	288	266	212	-20%	-26%
Analyst EBITDA Margin**	19%	15%	14%	-119 bps	-478 bps

*Excluding one-off impacts

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

Financial Highlights (Q1'20 vs Q1'19)

- **Revenue** came in at TRY 1.5bn, down by 1% YoY (EUR 226mn, down by 10% YoY in EUR terms), coming from -3% volume, -4% pricing and product mix, 5% currency impact
 - **Revenue** from **international** operations was at 54%; while share of **domestic sales** was 46%
 - **Architectural glass revenue** in total was at 65% and **auto glass** was at 35%
 - **Gross profit** is down by 11% YoY (EUR 65mn down by 20% YoY in EUR terms) with a margin of 29%
 - **Adjusted EBITDA** came in at TRY 263mn (EUR 39mn, down by 28% YoY in EUR terms) with 17% margin
 - **Adjusted Net Income after Minority Interest** came in at TRY 159mn with a margin of 10%
 - **Capex** came in at TRY 95mn (EUR 14mn) in Q1'20. Capex to sales ratio is at 6%
- FCFE** came in at TRY -361mn in Q1'20 due to increase in net working capital (decrease in trade payables and increase in inventories)

Operational Highlights (Q1'20 vs Q1'19)

- **Total flat glass production** was at 626K tons in Q1'20, **up by 8%YoY** after the termination of cold repair in Italy and Bulgaria. CUR in Q1'20 (actual output/effective capacity) **was at 81%**. Manufacturing activities have been adapted with the current crisis due to COVID-19 outbreak and necessary adjustments have been made of which lowering impact in total production unit became visible starting mid-March.
- **Total auto glass production volume** in Q1'20 decreased **by 4% YoY**
- **Total sales volume** (total of architectural glass (tonnes), auto glass (converted from m2 to tonnes) and encapsulation (converted from units to tonnes)) decreased by **3% YoY** in Q1'20
- Share of **domestic sales volume was at 52%** in Q1'20, increased from 44% in Q1'19

Regional and Divisional Analysis in Q1'20

Intra-group revenues are eliminated from the analysis figures below

- **Turkey**; has the highest contribution to topline, in where revenue increased by 10% YoY mainly due to strong sales volume generated from domestic architectural and auto-glass operations
 - Domestic sales volume was up by 14% YoY, mainly driven by improved activity in construction and better project mix in auto. Sales in March was behind the prior year on a comparable basis due to COVID-19 outbreak affecting the industry activity
 - Exports volume from Turkey were down by 48% YoY due to; 1) high export volume recorded last year due to slowdown in domestic market, 2) slowdown in economic activities in export regions and logistical hurdles due to COVID-19 outbreak
 - Cold repair in Yenişehir facility for one furnace was undertaken on 8th of April as planned due to termination of lifetime
 - Price hike was introduced for all types of flat glass with an effective rate of 6% starting Mid-March
- Revenue generated from **Russian operations** was up by 6%YoY in Ruble terms (up by 20% YoY in TRY) as sales volume increased by 28% YoY mainly due to lower sales recorded in Q1'19.
- Revenue from **Europe** was down by 24% in EUR terms (by 16%YoY in TRY) YoY. Sales volume decreased by 18% YoY due to lower client orders as downward trend in the pricing which had started in the third quarter of 2019, have continued in the first two months. Logistic hurdles also affected the operations especially after the lockdown measures taken in many countries starting from mid-March due to COVID-19 outbreak
- Share of **Indian** operations in total revenue was at 6% in Q1'20, decreased by 6% YoY in TRY terms due to weak pricing in the region. India is under nationwide lockdown since 25 March due to COVID-19 outbreak.
- **Auto-glass and encapsulation** revenue remained flat at EUR 86mn YoY as contribution of encapsulation revenue continued to decline due to lower sales volume. Some of the OEMs suspended their production by mid-March due to COVID-19 outbreak of which impact was limited in the first quarter. Necessary actions were taken for auto-glass capacities in parallel with the shutdowns in the automotive industry. Product development and inventory planning continued throughout the first quarter in order to be ready for the gradual recovery of the auto-industry, as some of the OEMs have already started to announce resuming their production by the end of April. Auto-glass unit also entered into the replacement glass business to capture the new opportunities.
- Share of **international sales** was at 54% in Q1'20, down from 62% in Q1'19. 65% of Trakya Cam's revenue is denominated in FCY in Q1'20 (including EUR linked auto sales in Turkey) while 58% is in hard currencies

P&L Analysis (Q1'20 vs Q1'19)

- **Revenue** was down by 1% YoY and Consolidated **COGS** was up by 4% in Q1'20 mainly due to higher cost of raw material and change in finished goods, resulting in 327 bps YoY decrease in **gross profit margin**. This was mainly due to lower pricing in flat glass, lower profitability in encapsulation and increase in marginal costs due to lower production especially starting mid-March
- **Main operating expenses** increased by 12% YoY, while opex to sales ratio increased to 23% vs 20%, reflecting the decrease in topline and increase in G&A & S&M expenses. Increase is mainly driven by outsource service, personnel, depreciation expenses and higher HQ service expenses

Analyst EBITDA¹ was 14% in Q1'20 decreasing from 19% in Q1'19

- **Net other income from operations** came in at TRY 47mn in Q1'20 vs TRY 8mn (including TRY 25mn retrospective payments regarding carbon emission) in Q1'19. TRY 18mn was recorded from sale of raw materials and equipment while 12mn was booked as financing income on trade receivables and payables.
- **Net Income from Investments in associates and joint ventures** was at TRY 7mn in Q1'20 vs TRY 15mn in Q1'19 which had been higher in Q1'19 due to higher dividend income from Çayırova. TRY 2.8mn one-off income was recorded from asset sale in Çayırova.
- **Net income from investing activities** was at TRY 128mn in Q1'20 vs TRY 87mn in Q1'19. TRY 125mn revaluation gain was recorded from USD denominated Eurobond while TRY 3mn provision income was booked for Eurobond investments and time deposits in order to comply with IFRS 9.
- **Adjusted EBIT** was at TRY 137mn with 38% YoY decrease in Q1'20 compared to TRY 222mn in Q1'19. **Adjusted EBIT margin came in at 9% in Q1'20** vs 14% in Q1'19
- **Depreciation and amortization expense** was recorded as TRY 126mn
- **Adjusted EBITDA recorded at TRY 263mn with 21% YoY decrease, recording 17% margin** in Q1'20 vs 22% in Q1'19
- **Adjusted net income after non-controlling interest was at TRY 159mn**, representing 10% margin in Q1'20 vs 11% in Q1'19
- TRY 28mn **tax expense** was recorded in Q1'20, decreasing from TRY 44 mn tax expense in Q1'19 due to higher reduced tax as a result of new line investment in Turkey, effective tax rate was at 15% in Q1'20 vs 22% in Q1'19
- **Net financial expense** came in at TRY 77mn in Q1'20, which was TRY 89mn expense in Q1'19. TRY 15mn net fx loss on financial assets and liabilities including derivatives was recorded in Q1'20 vs TRY 66mn net fx loss in Q1'19. TRY 32mn financial income was recorded from derivatives². TRY 62mn interest expense was recorded in Q1'20 vs TRY 23mn interest expense in Q1'19 mainly due to increase in average borrowing cost of bank loans. TRY 710mn bank loan was taken while TRY 894mn bank loan was paid in Q1'20
- **Gross debt** (incl. other payables to related parties) came in at **TRY 6.9bn, USD 1.1bn** in Q1'20 which was TRY 6.6bn, USD 1.1bn in 2019
 - 92% of bank loans is in hard currencies (53% EUR, 39% USD)²
 - The total guaranteed amount of Eurobonds with maturities up to 2020 and 2026 is 383\$ million, of which 150\$ million will be due and paid in May 2020.
 - EUR 200mn syndicated loan was obtained in October 2019, having 3-year maturity
 - TRY 63mn financial lease was recorded under financial liabilities in accordance with the amendment on accounting standard of the IFRS-16.
 - 61% of gross debt were long-term liabilities, remained same with 2019
- **Cash and cash equivalents** including USD 205mn fixed income securities investments and other receivables from related parties was at TRY 5.1bn, USD 791mn in Q1'20, decreased from TRY 5.2bn, USD 879mn in 2019. **Net debt** came in at TRY 1.7bn, USD 268mn. **Net Debt to EBITDA was at 1.14**
- **Net long FX position** was TRY 541mn (USD 83mn) in Q1'20 versus TRY 679mn (USD 114mn) long position in 2019, having USD 295mn long position while EUR 195mn short position was recorded mainly due to change in derivatives in relation to commodity swap contract

¹ Gross profit minus main operating expenses(G&A,S&M,R&D)

² A cross currency swap was made for USD 175mn of 2026 bond, resulting USD 42mn decrease in total USD loans.

A commodity swap contract was signed for silver, which is mostly used in production of coated glass and mirror. Price is fixed at USD 17.56 for approximately 17 tonnes (has no impact on P&L)

- **Capital expenditures** were TRY 95mn in Q1'20 – out of 80% was spent for architectural glass operations mostly consisting of new line investment in Turkey, rest was paid for auto-glass operations. Capex to sales ratio came in at 6% in Q1'20.

Material Events After the Reporting Period

- At the AGM, Trakya Cam decided to payout TRY 130mn cash dividends in gross terms (payout ratio 16%), ex-date is on May 29, 2020
- Sisecam has purchased a total of 29mn shares of Trakya Cam since September 2019.
- PwC, expert valuation company have conducted the valuation process of Şişecam Group, prepared the Expert Valuation Report and Opinion for the ongoing merger process (merger under Şişecam through acquisition of all assets and liabilities of its 4 listed companies including Trakya Cam and non-listed Paşabahçe) and determined the conversion rates, which are all subject to the Capital Markets Board approval. Şişecam had officially submitted the merger application to the CMB on April 27th. TL per share exit rights were also calculated according to existing communiqué, which are the arithmetical mean of corrected weighted average prices, traded on the stock exchange within thirty days prior to the date of first disclosure of transaction to public, excluding the date of disclosure. Should the legislation change on exit rights, the valuation methodology will be updated accordingly. Following the dividend distribution, exit right prices will be recalculated and disclosed on Public Disclosure Platform
 - Conversion Rate for TRKCM = 0,67615
 - Exit Right Price (TL/Share) for TRKCM = 3,47

One off Impacts Excluded from EBIT & Net Income Analysis:

Excluding From EBIT:

- **Q1'20: TRY 131mn:** TRY 128mn Revaluation gain on fixed income instruments including IFRS-9 adjustments, TRY 2.5mn income from asset sale of Çayirova
- **Q4'19: TRY 71mn:** TRY 74mn Revaluation gain on fixed income instruments including IFRS-9 adjustments, TRY 3 Mn one-time expense in relation to restructuring in encapsulation
- **Q1'19: TRY 62mn:** TRY 87mn Revaluation gain on fixed income instruments, TRY 25mn one-time retrospective payment regarding carbon emission quota acquisition

Excluding From Net Income:

- **Q1'20: TRY 2.5mn:** Income from asset sale of Çayirova
- **Q4'19: TRY 3mn:** Expense relation to restructuring in encapsulation
- **Q1'19: TRY 25mn:** One-time retrospective payment regarding carbon emission quota acquisition



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