



COMMENTS ON TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş. Q4 2018 CONSOLIDATED FINANCIAL STATEMENTS

	2017	2018	YoY Change
<b>Summary Financials</b>			
Revenue	11.318	15.550	37%
Gross Profit	3.630	5.157	42%
Gross Margin	32%	33%	109 bps
EBIT	2.152	3.841	79%
EBIT Margin	19%	25%	569 bps
EBITDA	3.120	4.890	57%
EBITDA Margin	28%	31%	388 bps
Net Income After Minority Interest	1.225	2.326	90%
Net Income Margin	11%	15%	413 bps
Capex	897	2.221	148%
Capex/Sales	8%	14%	636 bps
Adjusted EBIT*	1.842	2.986	62%
Adjusted EBIT Margin*	16%	19%	293 bps
Adjusted EBITDA*	2.810	4.035	44%
Adjusted EBITDA Margin*	25%	26%	112 bps
Adjusted Net Income*	1.113	2.283	105%
Adjusted Net Income Margin*	10%	15%	485 bps
Analyst EBIT**	1.478	2.336	58%
Analyst EBIT Margin**	13%	15%	196 bps
Analyst EBITDA**	2.446	3.384	38%
Analyst EBITDA Margin**	22%	22%	15 bps

Q4'17RS	Q3'18	Q4'18	QoQ Change	YoY Change
3.203	4.302	4.467	4%	39%
1.050	1.496	1.438	-4%	37%
33%	35%	32%	-258 bps	-60 bps
672	1.837	266	-86%	-60%
21%	43%	6%	-3674 bps	-1502 bps
905	2.124	541	-75%	-40%
28%	49%	12%	-3726 bps	-1613 bps
358	998	244	-76%	-32%
11%	23%	5%	-1772 bps	-571 bps
341	642	743	16%	118%
11%	15%	17%	171 bps	599 bps
516	1.108	642	-42%	24%
16%	26%	14%	-1140 bps	-173 bps
749	1.396	917	-34%	22%
23%	32%	21%	-1192 bps	-285 bps
341	994	260	-74%	-24%
11%	23%	6%	-1727 bps	-481 bps
391	719	630	-12%	61%
12%	17%	14%	-261 bps	191 bps
624	1.007	905	-10%	45%
19%	23%	20%	-314 bps	79 bps

\*Excluding one-off impacts

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

**Important Notice Regarding Accounting Policy Change:**

Şişecam was reporting third party logistic expenses by deducting them from gross revenues. According to the new accounting policy, these expenses are now booked under Sales & Marketing expenses. Q4'17 financial statements were restated accordingly (RS: Restated)

### **Financial Highlights (2018 vs 2017)**

- **Revenue** came in at TRY 15.6 Billion, up 37% YoY (EUR 2.7 Billion, down by 0.4% YoY in EUR terms)
- **Gross profit** is up by 42% YoY with a margin of 33%, increased by 109 bps YoY
- **Adjusted EBITDA** came in at TRY 4 Billion (EUR 710 Million, up by 4% YoY in EUR terms) with 26% margin, up by 44% YoY
- **Net income** after minority interest came in at TRY 2.3 Billion
- **Capex** came in at TRY 2.2 Billion, Capex to sales ratio is at 14%. Adjustments related advances given for capex in 2018 was TRY 147 Million.
- **TRY 467 Million** was spent for HNG and Manfredonia acquisition in 2018

### **Financial Highlights (Q4'18 vs Q4'17)**

- **Revenue** came in at TRY 4.5 Billion, up 39% YoY (EUR 705 Million, down by 2% YoY in EUR terms)
- **Gross profit** is up by 37% YoY with a margin of 32%
- **Adjusted EBITDA** came in at TRY 928 Million (EUR 146 Million, down by 14% YoY in EUR terms) with 21% margin, down by 285% YoY
- **Net income** after minority interest came in at TRY 244 Million
- **Capex** came in at TRY 743 Million. Capex to sales ratio is at 17%

### **Business Unit & Regional Performance**

In Q4'18, 37% of the net revenues generated from flat glass, 21% from glass packaging, 21% from chemicals, 17% from glassware and the remaining 4% from other operations.

**Flat Glass** division recorded TRY 1.7 Billion revenue in Q4'18 with 29% YoY growth on the back of strong contribution coming from operations in Europe, encapsulation and auto-glass unit and positive pricing impact in Turkey operations. After one-off adjustments, EBITDA margin was at 27%, up by ~400 bps YoY.

**Chemicals** division's revenue was TRY 1.1 Billion including intra group sales (16% of total) up by 44% YoY in Q4'18, mainly driven by positive currency impact, strong pricing in chromium chemicals with 4% YoY volume growth, 1% increase in soda ash volume and price (USD) and higher electricity revenue backed by 83% YoY increase in average prices in TRY terms. 87% of total revenue was generated from Soda Sanayii in Q4'18 whilst remaining 13% was from mining and glass fiber operations. After one-off adjustments, chemicals' EBITDA margin was at 19%, which was 29% in Q4'17.

**Glass Packaging** division recorded TRY 938 Million revenue, up by 46% YoY; growth was primarily driven by strong operational results in Russia stemming from higher sales volume, appreciation of Ruble against TRY and increase in per unit average prices. Favorable demand and pricing in Turkey supported division's performance in this quarter together with favorable currency impact stemming from higher share of exports. After one-off adjustments, EBITDA margin was at 19%, decreased by 300 bps YoY.

**Glassware** division's revenue came in at TRY 765 Million, up by 35% YoY, mainly attributable to increase in revenue generated from international operations that was up by 46% YoY in parallel with depreciation of TRY against EUR and USD. Share of international sales was at 65% in Q4'18 vs 60% in Q4'17. Price increases across Turkey throughout the year also supported the topline performance of domestic operations which increased by 20% YoY. EBITDA margin recorded at 5% in Q4'18 vs 34% in Q3'18 and 16% in Q4'17. The main reason behind the lower EBITDA margin was due to TRY 44 Million net other expense recorded in Q4'18 which was TRY 123 Million net other income in Q3'18 and TRY 19 Million net other income in Q4'17 of which decreased in Q4'18 mainly due to fx loss recorded in trade receivables/payables. There were also one-off impacts related with provision expenses in Q4'18 that lowered the EBITDA margin. EBITDA margin would be 12% in Q4'18 vs 13% in Q4'17, had net other income/expense and one-off impacts not been included.

**Share of international revenues is almost at 61% in Q4'18.** While share of revenues generated from European and Russian operations in total revenues decreased to 22% from 24% and to 14% from 16%, respectively, the share of other regions increased to 3% from 0.1% YoY. The increase in other regions share is in line with Şişecam's globally expanded operations and export oriented approach.

## **P&L Analysis (Q4'18 vs Q4'17)**

**Şişecam's topline growth was 39% YoY in Q4'18**, highest contribution came from flat glass business, followed by chemicals, glass packaging and glassware respectively.

**Gross Profit grew by 37% YoY and came in at TRY 1.4 Billion in Q4'18** while **consolidated COGS increased by 41% YoY**. Gross profit margin of glass packaging division had a positive impact on consolidated margin of which was neutralized by margin performance of other business divisions', resulted in YoY decline in gross profit margin of Şişecam by 60 bps YoY which came in at 32%.

**In Q4'18, main operating expenses increased** by 22% YoY whilst main opex to sales ratio remained at 18% in Q4'18 vs 21% in Q4'17, backed by positive pricing impact coming from glass business divisions and solid revenue generation in chemicals business. S&M expenses in total main operating expenses decreased to 64% from 68% while G&A share increased to 33% from 30%.

Şişecam posted **TRY 29 Million net other income from main operations in Q4'18** vs TRY 73 Million in Q4'17. Net fx loss on trade payables/receivables recorded at TRY 37 Million in Q4'18 from TRY 30 Million gain in Q4'17 as a result of increase in hard currency denominated sales in all divisions.

**Investments in associates and joint ventures** increased to TRY 53 Million in Q4'18 which was TRY 40 Million in Q4'17, mainly due to income generated from Egyptian operations related with the insurance payment related with flood damage.

**Şişecam's net loss from investing activities came in at TRY 385 Million in Q4'18** versus TRY 168 Million net income in Q4'17. TRY 326 Million revaluation loss on fixed income securities booked in Q4'18 compared to TRY 136 Million revaluation gain in Q4'17. Şişecam did not purchase additional USD denominated fixed income instruments within Q4'18. TRY 30 Million provision expense was booked in Q4'18 in order to comply with IFRS 9. TRY 17 Million impairment loss on tangible assets was recorded in Q4'18.

After excluding one-off figures, **Company's EBIT came in at TRY 642 Million** and **EBITDA was TRY 917 Million with 22% YoY growth representing an EBITDA margin of 21% in Q4'18**.

**Company's net income after minority interest came in at TRY 244 Million in Q4'18**, representing a net margin of 5%, decreased from 11% in Q4'17 mainly due to revaluation loss recorded on fixed income securities. TRY 79 Million tax income was recorded within Q4'18 thanks to reduced tax payables. TRY 76 Million tax expense had been recorded in Q4'17.

**TRY 6 Million net financial income was recorded in Q4'18** compared to TRY 69 Million expense in Q4'17. TRY 569 Million fx gain on bank loans and issued bond recognized in Q4'18 versus TRY 488 Million fx loss on cash and cash equivalents (TRY 326 Million fx loss on Eurobond investments was booked under income from investment activities) while TRY 74 Million interest income was recorded in Q4'18.

Şişecam's **gross debt came in at TRY 8 Billion (USD 1.5 Billion)** including financial liabilities regarding EBRD put option. EBRD has the right to exercise the put option on its shares in Paşabahçe and Şişecam has also the right to purchase from EBRD its shares in Paşabahçe in accordance with the put and call option agreement signed between two parties. Unless an IPO takes place until 24 October, 2019, EBRD has the right to exercise its option.

**Net debt increased to TRY 2.2 Billion (USD 426 Million) in Q4'18** from TRY 580 Billion (USD 154 Million) in 2017 including our financial investments amounting to USD 500 Million.

**The company's net long FX position** increased to TRY 2.4 Billion in 2018 from TRY 1.2 Million in 2017. Company has EUR 112 Million long position in 2018 vs. EUR 84 Million short position in 2017, while net assets denominated in USD decreased to 289 Million from USD 408 Million.

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

Trakya Cam Sanayii A.Ş.'s and Anadolu Cam Sanayii A.Ş.'s Collective Bargaining Agreement with Kristal-İş has ended on December 31, 2018. New negotiations have started as of January 17, 2019

Glass Fiber facility became operational in January

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

#### **Excluding From EBIT:**

**Q4'18: - TRY 376 Million:** TRY 326 Million revaluation loss on fixed income instruments, TRY 30 revaluation loss on financial investments in order to comply with IFRS 9, TRY 17 Million impairment loss on tangible assets & revaluation gain/loss on assets held for sale, TRY 3 Million impairment on intangible assets of India

**Q3'18: + TRY 728 Million:** TRY 754 Million revaluation gain on fixed income instruments, TRY 30 revaluation loss on financial investments in order to comply with IFRS 9, TRY 97 Million income regarding acquisition of HNG, TRY 94 Million impairment on intangible assets of HNG

**Q4'17: + TRY 156 Million:** TRY 136 Million revaluation gain/loss on fixed income instruments, TRY 20 Million impairment loss on tangible assets & revaluation gain/loss on assets held for sale

**2018: + TRY 855 Million:** TRY 876 Million revaluation gain on fixed income instruments amounting, TRY 60 revaluation loss on financial investments in order to comply with IFRS 9, TRY 152 Million income regarding acquisition of HNG, TRY 96 Million impairment on intangible assets of India, TRY 17 Million impairment loss on tangible assets & revaluation gain/loss on assets held for sale

**2017: + TRY 309 Million:** TRY 191 Million revaluation gain/loss on fixed income instruments, TRY 66 Million income generated from the sale of Eskişehir Oluklu Plant, TRY 32 Million income generated from the sale of Anadolu Cam's stake in OMCO İstanbul Kalıp A.Ş., TRY 20 Million impairment loss on tangible assets & revaluation gain/loss on assets held for sale

#### **Excluding From Net income:**

**Q4'18: - TRY 16 Million:** impairment on intangible assets of HNG amounting to TRY 3 Million, TRY 13 Million impairment loss on tangible assets & revaluation gain/loss on assets held for sale

**Q3'18: + TRY 4 Million:** TRY 97 Million income regarding acquisition of HNG, TRY 94 Million impairment on intangible assets of HNG

**Q4'17: + TRY 18 Million:** TRY 18 Million impairment loss on tangible assets & revaluation gain/loss on assets held for sale

**2018: + TRY 42 Million:** TRY 152 Million income regarding acquisition of HNG, TRY 96 Million impairment on intangible assets of India, TRY 13 Million impairment loss on tangible assets & revaluation gain/loss on assets held for sale

**2017: + TRY 113 Million:** TRY 66 Million income generated from the sale of Eskişehir Oluklu Plant, TRY 29 Million income generated from the sale of Anadolu Cam's stake in OMCO İstanbul Kalıp A.Ş., TRY 18 Million impairment loss on tangible assets & revaluation gain/loss on assets held for sale



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

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