

COMMENTS ON TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş. 2019 Q1 CONSOLIDATED FINANCIAL STATEMENTS

Based on 2019 Q1 IFRS results,

	Q1'18	Q4'18	Q1'19	QoQ Change	YoY Change
Summary Financials					
Revenue	3.086	4.467	3.923	-12%	27%
Gross Profit	1.006	1.438	1.288	-10%	28%
Gross Margin	33%	32%	33%	63 bps	24 bps
EBIT	657	266	867	226%	32%
EBIT Margin	21%	6%	22%	1613 bps	79 bps
EBITDA	907	541	1.178	118%	30%
EBITDA Margin	29%	12%	30%	1790 bps	63 bps
Net Income After Minority Interest	393	244	448	84%	14%
Net Income Margin	13%	5%	11%	596 bps	-132 bps
Capex	296	743	427	-43%	44%
Capex/Sales	10%	17%	11%	-574 bps	130 bps
Adjusted EBIT*	543	642	673	5%	24%
Adjusted EBIT Margin*	18%	14%	17%	279 bps	-45 bps
Adjusted EBITDA*	793	917	984	7%	24%
Adjusted EBITDA Margin*	26%	21%	25%	456 bps	-60 bps
Adjusted Net Income*	393	260	481	85%	22%
Adjusted Net Income Margin*	13%	6%	12%	643 bps	-48 bps
Analyst EBIT**	427	630	519	-18%	21%
Analyst EBIT Margin**	14%	14%	13%	-89 bps	-63 bps
Analyst EBITDA**	677	905	830	-8%	23%
Analyst EBITDA Margin**	22%	20%	21%	89 bps	-78 bps

*Excluding one-off impacts

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

Important Notice: With a change in the implementation of IFRS 16, accounting standard on leases, effective from January 2019, total assets and total liabilities increased by TRY 318 Million and TRY 341 Million respectively. The impacts on P&L were TRY +9 Million on EBIT, TRY -1.6 Million on net income. You may find the financial impacts of IFRS-16 on business segments at the appendix section of this document

Financial Highlights (Q1'19 vs Q1'18)

- **Revenue** came in at TRY 3.9 Billion, up 27% YoY (EUR 644 Million, down by 2% YoY in EUR terms)
- **Gross profit** is up by 28% YoY with a margin of 33%
- **Adjusted EBITDA** came in at TRY 984 Million (EUR 162 Million, down by 5% YoY in EUR terms) with 25% margin, down by 60 bps YoY
- **Adjusted Net Income after Minority Interest** came in at TRY 481 Million with a margin of 12%
- **Capex** came in at TRY 427 Million. Capex to sales ratio is at 11%
- **FCFE** came in at TRY -167 Million in Q1'19

Business Segment & Regional Performance

In Q1'19, 39% of the net revenues generated from flat glass, 22% from chemicals, 20% from glass packaging, 17% from glassware and the remaining 2% from other operations

Flat Glass segment recorded TRY 1.5 Billion revenue in Q1'19 with 26% YoY growth on the back of inclusion of Indian operations, higher contribution from auto glass unit, European operations and exports from Turkey together with positive currency translation impact. TRY 25 million expense was recorded due to retrospective payments for carbon emission quota acquisitions for plants in Bulgaria and Italy. After one-off adjustments, EBITDA margin was at 23%, up by 14% YoY vs 26% in Q1'18

Chemicals division's revenue was TRY 1.1 Billion including intra group sales (19% of total), up by 31% YoY in Q1'19, mainly driven by positive currency impact. Although pricing environment was robust in soda ash segment, soda and chromium volumes were negatively affected by scheduled maintenance, repair and equipment renewal processes. Higher revenue was generated from electricity sales, which grew by 11% YoY. TRY 33 Million additional revenue was generated by Sisecam Elyaf, the new glass fiber investment. 89% of total revenue was generated from Soda Sanayii in Q1'19 whilst remaining 11% was from mining operations. After one-off adjustments, chemicals' EBITDA margin was at 24% vs 30% in Q1'18 due to especially due to natural gas tariff hikes witnessed throughout the year 2018, lower capacity utilization rate and local currency depreciation

Glass Packaging division recorded TRY 779 Million revenue, up by 42% YoY; growth was primarily driven by the rise in average per ton prices, sales volume growth in the international operations and local currency depreciation. Exports from Turkey continued to increase with nearly doubling Q1'18 sales volume. With 9% growth on a YoY basis, sales from non-Turkey facilities stayed robust, whilst domestic sales declined by 20% due to seasonality and slow-down in demand. After one-off adjustments, EBITDA margin was at 28%, remained flat YoY

Glassware segment's revenue came in at TRY 668 Million, grew by 39% YoY, mainly attributable to positive pricing and mix in domestic market. Higher volume, better pricing and mix in Europe together with positive currency impact also uplifted this segment's revenue performance. Share of international sales was at 63% in Q1'19 vs 61% in Q1'18

Increase in personnel expenses (in parallel with the increase in wages after completion of collective bargaining) and inventory provisions resulted in more than 150 bps YoY contraction in gross profit margin of glassware segment in Q1'19

TRY 8.1 million expense was recorded due to retrospective payments for carbon emission quotas for Bulgarian plant. Excluding this one-off impact, EBITDA margin was at 18% in Q1'19 vs 17% in Q1'18. IFRS-16 implementation had a positive impact on EBITDA, which lifted the margin up by 180 bps

Share of international revenues is at 64% in Q1'19. While share of revenues generated from European and Russian operations in total revenues increased from 24% to 25% and from 12% to 13%, respectively, the share of other regions rises up to 3% from 0.4% YoY. The increases in all those geographies' shares are in line with Şişecam's globally expanded operations and export oriented approach.

P&L Analysis (Q1'19 vs Q1'18)

Şişecam's topline growth was 27% YoY in Q1'19, highest contribution came from flat glass business, followed by glass packaging, glassware and chemicals respectively.

Gross Profit grew by 28% YoY and came in at TRY 1.3 Billion in Q1'19 while **consolidated COGS increased by 27% YoY.** Gross profit margin was at 33% in Q1'19, up by 24 bps YoY as contraction in chemicals and flat glass segment's gross profit margin limited the improvement in overall profitability

In Q1'19, main operating expenses increased by 33% YoY whilst main opex to sales ratio slightly increased to 20% in Q1'19 vs 19% in Q1'18 mainly due to increase in S&M expenses in connection with the increase in logistics and personnel expenses. S&M expenses in total operating expenses increased to 68% from 65% while share of G&A decreased to 30% from 32%.

Şişecam posted **TRY 105 Million net other income from main operations in Q1'19** vs TRY 89 Million in Q1'18. Net fx gain on trade payables/receivables recorded at TRY 95 Million in Q1'19 compared to TRY 35 Million gain in Q1'18. TRY 33 Million expense was recorded due to retrospective payments for carbon emission quotas for plants of glassware and flat glass segment

Investments in associates and joint ventures remained almost flat YoY at TRY 26 Million in Q1'19

Şişecam's net income from investing activities came in at TRY 218 Million in Q1'19 versus TRY 116 Million in Q1'18. TRY 221 Million revaluation gain on fixed income securities booked in Q1'19 compared to TRY 114 Million revaluation gain in Q1'18. TRY 1.3 Million provision expense was booked in Q1'19 in order to comply with IFRS 9

After excluding one-off figures, **Company's EBIT came in at TRY 673 Million** and **EBITDA was TRY 984 Million with 24% YoY growth representing an EBITDA margin of 25% in Q1'19 vs 26% in Q1'18.** IFRS-16 implementation had a positive impact on EBITDA, which lifted the margin up by 70 bps

Company's net income after minority interest came in at TRY 448 Million in Q1'19, representing a net margin of 11%, decreased from 13% in Q1'18

TRY 64 Million **tax expense** was recorded within Q1'19 with an effective tax rate of 9%, decreased from 10% YoY thanks to increase in corporate tax incentives in glass packaging segment

TRY 177 Million net financial expense was recorded in Q1'19 compared to TRY 25 Million expense in Q1'18. TRY 82 Million fx loss on bank loans and issued bond recognized in Q1'19 versus TRY 12 Million fx gain on cash and cash equivalents (TRY 221 Million fx gain on Eurobond investments was booked under income from investment activities) while TRY 95 Million interest expense was recorded in Q1'19

Şişecam issued USD 700 Million Eurobond with a coupon rate of 6.95% and 2026 maturity in March 2019. 80% of total amount was guaranteed by group companies namely Trakya Cam, Paşabahçe, Anadolu Cam and Soda Sanayii.

USD 200 Million of the existing Sisecam 2020 notes (USD 500 million issuance back in 2013) was purchased via a tender offer in March. Aggregate guaranteed amount for Eurobonds due 2020 and 2026 increased to USD 800 Million.

Şişecam's **gross debt came in at TRY 12 Billion (USD 2.1 Billion)** including financial liabilities regarding EBRD put option. USD denominated financial liabilities increased by USD 500 Million in parallel with the new bond issuance and buyback of existing notes. TRY 341 Million operational lease was recorded under financial liabilities in accordance with the amendment on accounting standard of the IFRS-16. 65% of gross debt were long-term liabilities.

Cash and cash equivalents (including financial investments amounting to USD 500 Million) was stood at TRY 8.8 Billion in Q1'19, increased from TRY 5.8 Billion in 2018. USD 500 Million cash inflow was booked in parallel with the new bond issuance while **net debt increased to TRY 3 Billion (USD 539 Million) in Q1'19** from TRY 2.2 Billion (USD 426 Million) in 2018 including our financial investments amounting to USD 500 Million. **Net Debt to EBITDA was at 0.6.**

The company's net long FX position increased to TRY 2.4 Billion in Q1'19 remained unchanged compared to 2018. Company has EUR 115 Million long position in Q1'19 vs. EUR 112 Million long position in 2018, while net assets denominated in USD decreased to 292 Million from USD 289 Million.

Important Events during and after the Reporting Period

- Şişecam proposed to distribute TRY 400 Million dividend that was approved by General Assembly (payout ratio 17%)
- Sisecam issued Eurobonds with an aggregate issue size of USD 700 million and USD 200 Million Sisecam notes (USD 500 million with 2020 maturity) was purchased via a tender offer in March Q1'19
- Collective Labor Union Agreement was signed between our Group companies (Trakya Cam, Anadolu Cam and Soda Sanayii) and Kristal-İş Union on 28 March 2019 covering the period of 01.01.2019-31.12.2021

APPENDIX

One-Off Impacts excluded from Financials:

Excluding From EBIT:

Q1'19: +TRY 193 Million: TRY 221 Million revaluation loss on fixed income instruments, TRY 5 Million impairment on financial investments in order to comply with IFRS 9, TRY 33 Million one-time retrospective payment regarding carbon emission quota acquisition

Q4'18: - TRY 376 Million: TRY 326 Million revaluation loss on fixed income instruments, TRY 30 Million 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

Q1'18: + TRY 114 Million: TRY 114 Million revaluation gain on fixed income instruments

Excluding From Net income:

Q1'19: -TRY 33 Million: TRY 33 Million one-time retrospective payment regarding carbon emission quota acquisition

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

IFRS-16 Impact on Financials:

IFRS-16 impact on P&L (TRY Million)	Net Income	EBIT	EBITDA
Flat Glass	+0,0	+1,4	+6,0
Glassware	-0,9	+3,5	+11,9
Glass Packaging	-0,1	+1,0	+3,7
Chemicals	-0,3	+1,2	+2,1
Other	-0,5	+2,0	+3,9
Sisecam	-1,72	+9,2	+27,7

IFRS-16 impact on BS (TRY Million)	Asset	Liability	Equity
Flat Glass	+66,5	-70,7	+4,2
Glassware	+141,7	-149,9	+8,2
Glass Packaging	+25,4	-27,6	+2,2
Chemicals	+33,2	-36,1	+2,9
Other	+50,9	-56,3	+5,4
Sisecam	+317,7	-340,6	+22,9



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