

COMMENTS ON TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş. 2020 Q2 CONSOLIDATED FINANCIAL STATEMENTS

Based on 2020 Q2 IFRS results,

Summary Financials	H1'19	H1'20	YoY Change	Q2'19	Q1'20	Q2'20	QoQ Change	YoY Change
Revenue	8.617	8.834	3%	4.695	4.615	4.220	-9%	-10%
Gross Profit	2.806	2.583	-8%	1.518	1.496	1.086	-27%	-28%
Gross Margin	33%	29%	-332 bps	32%	32%	26%	-667 bps	-659 bps
EBIT	1.661	1.623	-2%	795	1.114	509	-54%	-36%
EBIT Margin	19%	18%	-91 bps	17%	24%	12%	-1206 bps	-486 bps
EBITDA	2.327	2.396	3%	1.149	1.480	917	-38%	-20%
EBITDA Margin	27%	27%	12 bps	24%	32%	22%	-1034 bps	-275 bps
Net Income After Minority Interest	928	527	-43%	480	442	85	-81%	-82%
Net Income Margin	11%	6%	-481 bps	10%	10%	2%	-757 bps	-822 bps
Capex	1.240	625	-50%	813	321	304	-5%	-63%
Capex/Sales	14%	7%	-731 bps	17%	7%	7%	26 bps	-1011 bps
Adjusted EBIT*	1.358	1.091	-20%	685	778	313	-60%	-54%
Adjusted EBIT Margin*	16%	12%	-342 bps	15%	17%	7%	-945 bps	-719 bps
Adjusted EBITDA*	2.024	1.864	-8%	1.039	1.144	720	-37%	-31%
Adjusted EBITDA Margin*	23%	21%	-239 bps	22%	25%	17%	-773 bps	-508 bps
Adjusted Net Income*	961	518	-46%	480	433	85	-80%	-82%
Adjusted Net Income Margin*	11%	6%	-529 bps	10%	9%	2%	-738 bps	-822 bps
Analyst EBIT**	1.139	819	-28%	620	621	198	-68%	-68%
Analyst EBIT Margin**	13%	9%	-394 bps	13%	13%	5%	-877 bps	-852 bps
Analyst EBITDA**	1.805	1.593	-12%	975	987	605	-39%	-38%
Analyst EBITDA Margin**	21%	18%	-291 bps	21%	21%	14%	-705 bps	-642 bps

*Excluding one-off impacts

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

Financial Highlights (Q2'20 vs Q2'19)

- **Revenue** came in at TRY 4.2bn, down by 10% YoY (EUR 560mn, down by 21% YoY in EUR terms)
- **Gross profit** was at TRY 1.1bn, down by 28% YoY with a margin of 26%
- **Adjusted EBITDA** came in at TRY 720mn, down by 31% (EUR 95mn, down by 39% YoY in EUR terms) with 17% margin, down by more than 500bps YoY
- **Adjusted Net Income after Minority Interest** came in at TRY 85mn with a margin of 2%
- **Capex** came in at TRY 304mn. Capex to sales ratio is at 7%
- **FCFE** came in at TRY -1.3bn in H1'20

Business Segment & Regional Performance

In Q2'20, 28% of revenues generated from flat glass, 31% from glass packaging, 23% from chemicals, 14% from glassware and the remaining 5% from other operations.

Flat Glass segment recorded TRY 1.2bn revenue in Q2'20 which was down by 31% YoY, mainly driven by 33% decrease in total sales volume, 6% positive currency impact and 8% negative pricing. Manufacturing activities for architectural and auto-glass unit have been adapted with the pandemic-related crisis due to Covid-19 outbreak starting April and necessary capacity adjustments have been made, which ended up with a significant decrease in capacity utilization rates and brought down the profitability levels. After the ease of

lockdown measures, end-markets of flat glass segment started to come back to life with accelerated sales activities in June. Adjusted EBITDA margin of flat glass was at -4% in Q2'20 vs 20% in Q2'19

Chemicals segment recorded TRY 1.1bn in Q2'20, down by 1% YoY, driven by lower sales volume in main operations and weak pricing environment in chromium chemicals, partially offset by positive revenue contribution of glass fiber, Oxyvit and electricity. Chromium chemicals business has been negatively affected from pandemic since the early stages with the slowdown in Chinese economy and later globally. Incremental soda ash demand came from glass packaging and detergent industries, lowering the impact of demand collapse in flat glass industry. With the ease of lockdown measures, chromium chemicals demand in Asia and recovery in flat glass industry will be supportive for the main operations in addition to weak TL. Adjusted EBITDA margin was at 32% in Q2'20 vs 27% in Q2'19

Glass Packaging segment recorded TRY 1.3bn in Q2'20 which was up by 19% YoY, mainly driven by 12% positive pricing and product mix, 4% positive currency impact and 3% increase in sales volume. Domestic sales volume recorded 6% YoY increase and exports from Turkey remained strong with 63% YoY volume increase; while sales volume from non-Turkey facilities contracted by 12%. Since the sales through HoReCa channel was disrupted due to temporary closures, the glass packaging demand coming from beer, soft beverages, wine and water industries have decreased; while household type product consumption has increased and offsetted the segment's performance, marking it as the most resilient one in this quarter. Adjusted EBITDA margin of glass packaging was at 26% in Q2'20 vs 24% in Q2'19

Glassware segment's revenue segment recorded TRY 581mn in Q2'20 which was down by 28% YoY, mainly driven by negative pricing and lower sales volume. Capacity adjustments and cold repairs were undertaken throughout the quarter, which brought down the gross profit margin to 23% in Q2'20 from 33% in Q2'19. Shutdowns of production at two lines of Denizli plants has been extended consistently within the second quarter while Paşabahçe department stores were closed until May. During the pandemic-related crisis period, sales through retail markets were relatively resilient while wholesale channel lessened the negative impact of lockdowns by increased volume through online sales. In the meanwhile, sales through Horeca and B2B channels were almost muted in the second quarter, a gradual recovery may be seen as a reflection of easing of confinement measures. Adjusted EBITDA margin of glassware was at 4% in Q2'20 vs 13% in Q2'19

Share of international revenues was at 59% while domestic revenue was at 41% in Q2'20. Share of exports from Turkey was flat at 23%, Russia's share was flat at 15%, same with Q1'29, share of Europe decreased to 19% from 24% in Q2'20 and other regions mostly consisting of India have 2% share in total and remained flat compared to Q2'19

P&L Analysis (Q2'20 vs Q2'19)

Şişecam's topline was down by 10% YoY in Q2'20 which was primarily driven by lower sales volume generated by flat glass, glassware, soda ash and chromium operations, which was partially offset by glass packaging and glass fiber. Apart from soda ash and glass packaging, all operations recorded negative pricing impact in this quarter.

After intra-group sales, revenue generated from flat glass and glassware operations decreased by more than 30% in the second quarter while total of revenues generated from chemicals, glass packaging and other increased by 14%.

- Glass packaging's share in total revenue increased to 31% in Q2'20 vs 23% in Q2'19
- Flat glass' share in total revenue decreased to 28% in Q2'20 vs 37% in Q2'19
- Chemicals' share in total revenue increased to 23% in Q2'20 vs 22% in Q2'19
- Glassware's share in total revenue decreased to 14% in Q2'20 vs 17% in Q2'19.
- Other mostly consisting of energy revenues increased its share in total revenue to 5% in Q2'20 vs 2% in Q2'19

Gross Profit decreased by 28% YoY and came in at TRY 1.1bn in Q2'20 while **consolidated COGS decreased by 1% YoY**. Gross profit margin was at 26% in Q2'20, down by more than 600bps YoY primarily resulted from fixed cost deleveraging in flat glass and glassware operations after significant decrease in capacity utilization rates due to demand collapse in relation to pandemic seen in the end-markets of these business segments

In Q2'20, main operating expenses decreased by 1% YoY whilst main opex to sales ratio increased by approximately 200bps YoY in Q2'20 and came in at 21% while **Analyst EBIT**¹ decreased to TRY 198mn with 5% margin

Net other income from main operations was at TRY 110mn in Q2'20 vs TRY 68mn income in Q2'19. FX gain on trade receivables and payables which was booked under net other income from main operations, was at TRY 75mn in Q2'20 compared to TRY 19mn gain in Q2'19. TRY 17mn income was recorded in relation to the incentives taken due to pandemic

Investments in associates and joint ventures came in at TRY 2mn in Q2'20 vs 22mn in Q2'19 due to lower income recorded from the companies accounted with equity pick-up of which operations were also negatively affected from pandemic. JV between Ciner and Şişecam made USD 5mn capital increase by means of equal payments in Pacific Soda LLC (the company established for US natural soda investment)

Net income from investing activities came in at TRY 199mn in Q2'20 versus TRY 84mn income in Q2'19. TRY 204mn revaluation gain on fixed income securities booked in Q2'20 vs TRY 105mn revaluation gain in Q2'19. TRY 5mn provision expense was booked on fixed income securities & time deposits

After excluding one-off figures, **Company's EBIT came in at TRY 313mn** and **EBITDA was TRY 720mn down by 31% YoY with an EBITDA margin of 17% in Q2'20**

Adjusted net income after minority interest came in at TRY 85mn in Q2'20, representing a net margin of 2%, vs 10% in Q2'19

In Q2'20, **TRY 91mn tax expense** was recorded with an effective rate of 32%.

In addition to calculated tax; 1) TRY 75mn expense was recorded in relation to write-off of prior year losses that might not be deductible from tax base in a reasonable period of time, add-backs to tax base regarding

¹ Gross profit minus main operating expenses which are sum of sales and marketing, general administrative expenses and research and development

provision of legal claims and intra-group eliminations. 3) TRY 46mn income was recorded mainly from derivatives, investment allowances and fx translation differences.

TRY130mn income had been recorded in Q2'19 due to increase in deferred tax income in relation to investments in glass packaging and glass fiber.

TRY 230mn net financial expense was recorded in Q2'20 compared to TRY 202mn expense in Q2'19. TRY 12mn net fx gain on financial assets & liabilities including derivatives² and leases recognized in Q2'20 versus TRY 21mn fx loss in Q2'19. TRY 242mn interest expense was recorded in Q2'20 vs TRY 180mn interest expense in Q2'19. TRY 36mn financial expense was recorded from derivatives.

Sişecam's gross debt came in at TRY 17bn (USD 2.5bn) which was TRY 16bn (USD 2.7bn) in 2019.

- 62% of bank loans is in hard currencies (33% EUR, 29% USD)³
- The total guaranteed amount of Eurobonds with maturities up 2026 is USD 500mn. USD 300mn principal payment made in relation with Eurobond, which matured on 9th of May.
- EUR 200mn syndicated loan was obtained for flat glass operations in October 2019, having 3-year maturity
- TRY 323mn financial lease was recorded under financial liabilities
- 74% of gross debt were long-term liabilities, which was at 67% in 2019

Cash and cash equivalents (including financial investments amounting to USD 493mn) was at TRY 11.3bn (USD 1.7bn) in Q2'20 increased from TRY 11.3bn (USD 1.9bn) in 2019. **Net debt was TRY 5.6bn (USD 819mn) in Q2'20** vs TRY 4.5bn (USD 760mn) in 2019. **Net Debt to EBITDA** was at 1.14 in Q2'20

The company's net long FX position increased to TRY 5.3bn (USD 778mn) in Q2'20 vs TRY 3.5bn (USD 590mn) in 2019 after 300 million USD Eurobond payment that matured on 9th May. Company has EUR 430mn short and USD 1.22bn long position in Q2'20 vs. EUR 318mn short and USD 914mn long position in 2019.

² Cross currency swap was made for USD 575mn of 2026 bond in exchange of EUR 421mn in 2019
Commodity swap contracts were signed for silver (for flat glass operations) and natural gas (for all group companies).
Silver price is fixed at USD 17.56 within the period of December 29, 2019 - December 29, 2020, for approximately 17 tonnes.
For natural gas, total amount for the term of November 2019 - January 19, 2021 is fixed at TRY 737mn,

³ Cross currency swap was made for USD 575mn of 2026 bond in exchange of EUR 421mn in 2019. After cross currency swap agreements made in April and June in 2019, 68% of the bond converted to EURs, 14% converted to TL and rest of 18% kept in USD

Important Events during and after the Reporting Period

- Şişecam distributed a total of TRY 469mn gross dividend in cash as of May 29, 2020
- Şişecam Group has developed a special coating technology that neutralizes viruses and bacteria on glass surfaces. The patent application of V-Block technology was filed upon the completion of the laboratory tests related to the formula and implementation technique of the 100% domestic Antimicrobial V-Block Technology preventing harmful organisms from sheltering on glass surfaces
- Fitch Ratings has affirmed the credit rating of Türkiye Şişe ve Cam Fabrikaları A.Ş as BB- its outlook as stable on July 2nd, 2020
- Şişecam's application on merger with Anadolu Cam, Denizli Cam, Paşabahçe, Soda Sanayii and Trakya Cam through acquisition has been approved by the decision of the Capital Markets Board dated 23.07.2020

	Conversion Rates	Exit Rights after Dividend Payments
SISE	1,00000	5,126
TRKCM	0,67615	3,370
ANACM	0,88239	4,322
PASAB	0,53423	-
DENCM	0,33089	8,852
SODA	1,15997	6,144

- Extraordinary General Meeting of Şişecam will be held on August 28, 2020 at 10:00 in Haliç Congress Center. Participants can attend the meeting physically or electronically. EGMs will be held for the group companies at the same location, dates are as below:

Anadolu Cam: August 26, 2020 at 08:30 for privileged shares and at 09:30 for others
Denizli Cam: August 26, 2020 at 14:00
Trakya Cam: August 27, 2020 at 10:00
Paşabahçe: August 27, 2020 at 11:30
Soda Sanayi: August 27, 2020 at 14:30

[Şişecam will be holding a Webcast Call to present its first half results and merger process on July 29, 2020. Please see the registration details below:](#)

Event Time (in Turkish Language):

5:00 PM (İstanbul), 3:00 PM (London), 10:00 AM (New York)

Dial-In Info:

Turkey English Toll: +902123755129 (Direct)

UK English Toll-Free: 08082389675 (Direct)

UK English Toll: +442030092480 (Direct)

USA English Toll: +16465025125 (Direct)

Turkey Toll: +902123755127 PIN: 83475757#

Webcast Link: <https://onlinexperiences.com/Launch/QReg/ShowUUID=BA8B6D0A-6B80-4421-9EA6-2C2A6F3864AD&LangLocaleID=1033td>

Event Time (in English Language):

6:00 PM (İstanbul), 4:00 PM (London), 11:00 AM (New York)

Dial-In Info:

Turkey English Toll: +902123755128 (Direct)

UK English Toll-Free: 08082389671 (Direct)

UK English Toll: +442030092483 (Direct)

USA English Toll: +16467224911 (Direct)

Turkey Toll: +902123755127 PIN: 88677722#

Webcast Link: <https://onlinexperiences.com/Launch/QReg/ShowUUID=32D157E2-0792-488B-8E23-DD0CB5E827CB&LangLocaleID=1033>

One-Off Impacts excluded from Financials:

Excluding From EBIT:

Q2'20: TRY 197mn: Revaluation gain on fixed income instruments, including provision income financial investments in order to comply with IFRS 9

Q1'20: TRY 336mn:

- Revaluation gain on fixed income instruments, including provision income financial investments in order to comply with IFRS 9 = TRY 326mn
- Sale of a part of the land in Çayirova = TRY 10mn

Q2'19: TRY 110 Million: Revaluation gain on fixed income instruments including impairment on financial investments in order to comply with IFRS 9

H1'20: TRY 532mn:

- Revaluation gain on fixed income instruments, including provision income financial investments in order to comply with IFRS 9 = TRY 523mn
- Sale of a part of the land in Çayirova = TRY 10mn

H1'19: TRY 303 Million:

- Revaluation loss on fixed income instruments including impairment on financial investments in order to comply with IFRS 9 = TRY 336mn
- One-time retrospective payment regarding carbon emission quota acquisition = TRY 33 mn

Excluding From Net income:

H1'20 & Q1'20: TRY 9mn:

- Sale of a part of the land in Çayirova

H1'19: TRY 33 Million:

- One-time retrospective payment regarding carbon emission quota acquisition