

COMMENTS ON TRAKYA CAM SANAYİ A.Ş. Q3 2018 CONSOLIDATED FINANCIAL STATEMENTS

Based on Q3 2018 IFRS results,

Consolidated Financials (TRY mn)	2017 Q3	2018 Q2	2018 Q3	QoQ Growth	YoY Growth	2017 9M	2018 9M	YoY Growth
Revenue	1.011	1.324	1.667	26%	65%	3.043	4.214	39%
COGS	700	877	1.142	30%	63%	2.068	2.846	38%
Gross Profit	311	448	525	17%	69%	975	1.368	40%
Gross Margin	31%	34%	31%	-230 bps	75 bps	32%	32%	44 bps
EBIT	209	442	586	33%	180%	573	1.292	125%
EBIT Margin	21%	33%	35%	178 bps	1443 bps	19%	31%	1181 bps
EBITDA	287	527	691	31%	141%	804	1.561	94%
EBITDA Margin	28%	40%	41%	170 bps	1311 bps	26%	51%	2488 bps
Net Income after non-controlling interest	161	298	276	-7%	72%	423	780	84%
Net Income Margin	16%	22%	17%	-593 bps	64 bps	14%	26%	1174 bps
Capex	37	60	62	3%	68%	109	220	102%
Capex/Sales	4%	5%	4%	-81 bps	7 bps	4%	5%	164 bps
Adjusted EBIT*	196	256	297	16%	52%	547	772	41%
Adjusted EBIT Margin*	19%	19%	18%	-150 bps	-156 bps	18%	18%	35 bps
Adjusted EBITDA*	273	340	402	18%	47%	777	1.041	34%
Adjusted EBITDA Margin*	27%	26%	24%	-158 bps	-288 bps	26%	25%	-84 bps
Adjusted Net Income*	161	243	272	12%	69%	423	722	71%
Adjusted Net Income Margin*	16%	18%	16%	-202 bps	41 bps	14%	17%	323 bps
Analyst EBIT**	161	210	187	-11%	16%	442	580	31%
Analyst EBIT Margin**	16%	16%	11%	-460 bps	-470 bps	15%	14%	-76 bps
Analyst EBITDA**	238	294	292	-1%	23%	672	849	26%
Analyst EBITDA Margin**	24%	22%	18%	-468 bps	-602 bps	22%	20%	-195 bps

*Excluding one-off impacts

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

One-Off Impacts:

Excluding From EBIT:

- **Q3'18: TRY 289 Million:** Revaluation gain on fixed income instruments amounting to TRY 285 Million, income regarding acquisition of HNG amounting to TRY 97 Million, revaluation loss on intangible assets of HNG amounting to TRY 94 Million
- **Q2'18: TRY 186 Million:** Revaluation gain on fixed income instruments amounting to TRY 131 Million, income regarding acquisition of HNG amounting to TRY 55 Million
- **Q3'17: TRY 14 Million:** Revaluation gain on fixed income instruments amounting to TRY 14 Million
- **9M'18: TRY 520 Million** Revaluation gain on fixed income instruments amounting to TRY 461 Million, income regarding acquisition of HNG amounting to TRY 152 Million, revaluation loss on intangible assets of India amounting to TRY 94 Million
- **9M'17: TRY 27 Million:** Revaluation gain on fixed income instruments amounting to TRY 27 Million

Excluding From Net Income:

- **9M'18: TRY 59 Million:** income regarding acquisition of HNG amounting to TRY 152 Million, revaluation loss on tangible assets amounting to TRY 94 Million
- **Q2'18: TRY 55 Million:** income regarding acquisition of HNG amounting to TRY 55 Million
- **Q3'18: TRY 4 Million:** income regarding acquisition of HNG amounting to TRY 97 Million, revaluation loss on intangible assets of India amounting to TRY 94 Million

Important Notice: Trakya Cam acquired 49.8% stake of HNG Float Glass Limited and assets of Sangalli Manfredonia in Italy within last days of second quarter, which are fully consolidated starting Q3'18.

Financial Highlights (Q3'18 vs Q3'17)

- **Revenue** came in at TRY 1.7 Billion, up 65% YoY (EUR 255 Million, up by 4% YoY in EUR terms), coming from 9% volume, 10% pricing, 14% product mix, 32% currency impact
- **Gross profit** is up by 69% YoY (up by 4% YoY in EUR terms) with a margin of 31%
- **Adjusted EBITDA** came in at TRY 402 Million with 24% margin, up by 47% YoY (down by 7% YoY in EUR terms)
- **Net income after minority interest** came in at TRY 276 Million with a margin of 17%
- **Capex** came in at TRY 62 Million in Q3'18. Capex to sales ratio is at 4%
- **FCFE** came in at - TRY 7 Million in 9M'18

Operational Highlights

- Total flat glass **production** was at 656K tons in Q3'18, grew by 7% YoY as a result of consolidation of Indian operations. Excluding India, total production would decrease by 3% YoY mainly due to cold repair in Bulgaria, which started at the beginning of September. 60% of total output produced in Turkey.
- On consolidated basis, excluding Indian operations, **domestic sales volume** decreased by 6% YoY which was balanced with increase **in volume of international operations** as total sales volume in Q3'18 remained flat compared to last year's third quarter. **Total sales volume** increased by 9% YoY after consolidation of Indian operations.

Regional Performance

- Sales generated from operations **in Turkey** has the highest contribution to topline growth on the back of price hikes and favorable product mix. Effective impact of price hikes in Turkey was 29% in Q3'18 compared to Q3'17. Price hike in August by 16% for all basic glass products had no material impact within this quarter.
- Secondly, sales from **Bulgaria and Italy** uplifted the topline growth, primarily driven by positive currency impact while organic revenue generation remained flat.
- **Encapsulation sales** came in at EUR 42 Million in Q3'18 grew by 1% in EUR terms.
- Revenue generated from **Russian operations** increased by 4%YoY in Ruble terms.
- Higher revenue generation continued in **Romania** mainly supported by appreciation in EUR.
- Topline contribution of **Indian** operations was at 5%.
- Share of **international sales** increased to 62% in Q3'18 from 57% in Q2'18, as a result of consolidation of Indian operations. Given the geographic mix, 55% of Trakya Cam's revenue is denominated in FCY in Q3'18.

Business Unit Performance (Excluding India and Manfredonia)

- Highest contribution to topline growth came from basic glass, which increased by 56% YoY, backed by price hikes, favorable product mix and currency conditions. Auto and encapsulation sales increased by 55% on the back of better project mix and positive currency impact. Sales mix in Q3'18 remained unchanged, share of auto and encapsulation business in total revenue remained at 34% compared to Q3'17 while gross profit margin of the business unit recorded at 16%, increased from 13% in Q3'17. Basic glass constitutes 66% of the total revenue while gross profit margin of the business unit was recorded at 36%, increased from 34% in Q3'17.

P&L Analysis (Q3'18 vs Q3'17)

- **Revenue** increased by 65% YoY, excluding India, topline growth would be 56% YoY.
- **Consolidated COGS** increased by 63% YoY, excluding India, increase would be 53% YoY, direct materials which constitutes 43% of the total COGS increased by 74% YoY mainly due to rise in USD & EUR denominated raw materials and increase in energy costs both in Turkey and Europe.
- **Gross profit margin** came in at 31% improving by 75 bps YoY; excluding India, margin would be 32%. Gross profit margin contracted by more than 200 bps q-o-q mainly due to decrease in margin performance of basic glass operations in Turkey as cost per ton increased by 48% quarter on quarter while price per ton increase was limited to 25% as 16% of price hike announced for all basic glass products in August had no material impact in Q3'18.
- **Main operating expenses** increased by 126% YoY, while opex to sales ratio increased to 20%. Excluding India and Manfredonia, opex to sales would lower to 19,5%, still higher than Q3'17 level due to royalty fee payment to Şişecam which was not booked in Q3'17 and transportation expenses of Russia which were booked under sales discount account in Q3'17 was restated and booked under S&M expenses in Q3'18. TRY 31 Million expense was recorded from operations in Manfredonia & India. If all those impacts were excluded opex to sales ratio would be 18% in Q3'18 and EBITDA margin after main operating expenses would be 20.4%
- **Net other income from operations** came in at TRY 102 Million which was TRY 28 Million in Q3'17 mainly due to increase in income on trade receivables as a result of the volatility seen in FX rate in Q3'18.
- **Investments in associates and joint ventures** decreased to TRY 5.4 Million from TRY 9.9 Million as a result of no longer recorded income from Indian operations.
- **Net income from investing activities** increased to TRY 291 Million from TRY 11 Million in Q3'17. TRY 285 Million revaluation gain was recorded from USD denominated Eurobond including the provision expense. No additional Eurobonds were purchased throughout 9M'18, apart from consolidation of USD 7 Million liquid fund investment in India. Total investment balance reached USD 200 Million.
- **Adjusted EBIT** was at TRY 297 Million with 52% YoY increase compared to TRY 196 Million in Q3'17. **Adjusted EBIT margin came in at 18%, 156 bps** lower than prior year quarter. Excluding India and Manfredonia, margin would be 26%.
- **Depreciation expense** was recorded as TRY 105 Million, TRY 7 Million was recorded from Indian operations.
- **Adjusted EBITDA recorded at TRY 402 Million with 47% YoY increase, recording 24% margin.** Excluding India and Manfredonia, margin would be 32%.
- **Net income after non-controlling interest was at TRY 272 Million**, representing 16% margin. Excluding India and Manfredonia, margin would be 24%
- **Tax expense** was TRY 38 Million, increasing from TRY 23 Million in Q3'17, as effective tax rate remained unchanged at 12%.
- **Net financial expense** came in at TRY 255 Million, which was TRY 16 Million income in Q3'17. Due to the cash outflows regarding acquisition payment, FX gain on time deposits limited to TRY 240 Million while TRY 462 Million financial expense was incurred from FX loss on issued bond and bank loans. There was no significant change in debt position in Q3'18 compared to 2017.

Net debt came in at TRY 1.2 Billion equivalent of USD 206 Million (USD/TRY=5.99) including total of Eurobond investments amounting to USD 200 Million. **Net Debt to EBITDA was at 0.51**

Cash and cash equivalents was at TRY 1.5 Billion in 2017 while **Gross debt** came in at TRY 4 Billion, as 62% were long-term liabilities.

Net long FX position was TRY 274 Million in Q3'18 versus TRY 138 Million long position in 2017, having USD 27 Million short position mainly due to cash outflow related with acquisition in India, while EUR 60 Million long position was recorded mainly after converting USD time deposits to EUR

Capital expenditures were TRY 62 Million in Q3'18 TRY 25 Million attributed to cold repair in Bulgaria. Capex to sales ratio came in at 4% in Q3'18.

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