

COMMENTS ON TRAKYA CAM SANAYİ A.Ş. 2020 Q2 CONSOLIDATED FINANCIAL STATEMENTS

Based on 2020 Q2 IFRS results,

Consolidated Financials (TRY mn)	2019 Q2	2020 Q1	2020 Q2	QoQ Change	YoY Change	2019 H1	2020 H1	YoY Change
Revenue	1.731	1.519	1.195	-21%	-31%	3.266	2.714	-17%
COGS	1.193	1.085	1.059	-2%	-11%	2.239	2.144	-4%
Gross Profit	539	434	136	-69%	-75%	1.027	570	-45%
Gross Margin	31%	29%	11%	-1718 bps	-1972 bps	31%	21%	-1045 bps
EBIT	258	268	-103	-139%	-140%	545	165	-70%
EBIT Margin	15%	18%	-9%	-2626 bps	-2354 bps	17%	6%	-1063 bps
EBITDA	391	394	31	-92%	-92%	789	425	-46%
EBITDA Margin	23%	26%	3%	-2331 bps	-1998 bps	24%	16%	-850 bps
Net Income after non-controlling interest	171	161	-156	-197%	-191%	321	5	-98%
Net Income Margin	10%	11%	-13%	-2366 bps	-2294 bps	10%	0%	-963 bps
Capex	297	95	61	-36%	-79%	385	156	-60%
Capex/Sales	17%	6%	5%	-114 bps	-1204 bps	12%	6%	-606 bps
Adjusted EBIT*	215	137	-182	-233%	-185%	437	-45	-110%
Adjusted EBIT Margin*	12%	9%	-15%	-2422 bps	-2761 bps	13%	-2%	-1502 bps
Adjusted EBITDA*	348	263	-47	-118%	-114%	680	216	-68%
Adjusted EBITDA Margin*	20%	17%	-4%	-2127 bps	-2405 bps	21%	8%	-1289 bps
Adjusted Net Income*	171	159	-156	-198%	-191%	345	3	-99%
Adjusted Net Income Margin*	10%	10%	-13%	-2350 bps	-2294 bps	11%	0%	-1047 bps
Analyst EBIT**	166	86	-192	-324%	-216%	343	-106	-131%
Analyst EBIT Margin**	10%	6%	-16%	-2177 bps	-2570 bps	10%	-4%	-1442 bps
Analyst EBITDA**	299	212	-58	-127%	-119%	586	154	-74%
Analyst EBITDA Margin**	17%	14%	-5%	-1882 bps	-2214 bps	18%	6%	-1229 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 1.2bn, down by 31% YoY (EUR 155mn, down by 41% YoY in EUR terms), coming from -33% volume, -7% pricing and product mix, 9% currency impact
- **Revenue** from **international** operations was at 55%; while share of **domestic sales** was 45%
- **Architectural glass revenue** in total was at 74% and **auto glass** was at 26%
- **Gross profit** is down by 75% YoY (EUR 18mn down by 78% YoY in EUR terms) with a margin of 11%
- **Adjusted EBITDA** came in at TRY -47mn (EUR -6mn, down by 112% YoY in EUR terms)
- **Net Loss after Minority Interest** came in at TRY 156mn
- **Capex** came in at TRY 61mn (EUR 8mn) in Q2'20. Capex to sales ratio is at 5%
- **FCFE** came in at TRY -591mn in Q2'20 due to increase in net working capital

Operational Highlights (Q2'20 vs Q2'19)

- **Total flat glass production** was at 382K tons in Q2'20, **down by 36%YoY**. Cold repairs were undertaken at two lines in Turkey (one of them was already required cold repair due to end of its lifetime, the other furnace was suspended nine months

earlier than planned). As a consequence of demand collapse both in auto-glass and architectural glass in the second quarter, capacity utilization rate (actual output/effective capacity) **came in at 54%**, in mainly due to:

- Re-arrangements of product shifts to prevent from infection risk
 - Decreasing in daily production units in order to manage the accumulation in inventory
 - Recycling the finished-product inventory to keep the furnaces up and running
- **Total auto glass production volume** in Q2'20 decreased by **28% YoY** mainly due to planned downtimes to be in line with factory shutdowns of OEMs
 - **Total sales volume** (total of architectural glass (tonnes), auto glass (converted from m2 to tonnes) and encapsulation converted from units to tonnes) decreased by **33% YoY** in Q2'20 in parallel to lower production. Lockdowns in April disrupted the industry activity and brought down sales volumes significantly in all operating regions, which also resulted in a total production of below breakeven-sales. Starting late May, normalization mainly in Turkey and Europe brought mobility in the market. Incentives for housing market and lower interest rate environment in Turkey was supportive for sales in June, which was higher than same month of last year. Signals of price correction in Europe were also seen as a result of capacity reductions. Production in Russia was kept above break-even sales in this quarter as this region affected from coronavirus later than other regions. It was a challenging quarter for India due to strict lockdown measures in the region
 - Share of **domestic sales volume** was at **50%** in Q2'20, increased from 44% in Q2'19

Regional and Divisional Analysis in Q2'20

Intra-group revenues are eliminated from the analysis figures below

- Revenue in **Turkey** decreased by 23% YoY
 - Domestic sales volume was down by 24% YoY, mainly driven by COVID-19 outbreak affecting the industry activity
 - Exports volume from Turkey were down by 66% YoY due to; 1) slowdown in economic activities in export regions and logistical hurdles due to COVID-19 outbreak; 2) high export volume recorded last year due to slowdown in domestic market
- Revenue from **International Operations** decreased by 38% YoY due to lockdown measures resulting in slower industry activity
 - **Russia** was down by 22%YoY in Ruble terms (down by 17% YoY in TRY) as sales volume decreased by 16% YoY
 - **Europe** was down by 46% in EUR terms YoY(down by 37%YoY in TRY) Sales volume decreased by 18% YoY
 - Revenue in **India** was down by 72% INR terms YoY (down by 67% YoY in TRY)
- **Auto-glass** and **encapsulation** revenue was down by 56% in EUR terms, second quarter was muted in terms of sales volume as automakers suspended their production starting mid-March due to COVID-19 outbreak and kept close until early May. Combination of pent-up demand and various government subsidies to mobilize industry activity give signals of acceleration in the production activity in the upcoming periods. Product development and inventory planning continued throughout the quarter in order to be ready for this ramp-up. Aftermarket stood relatively resilient against new car industry as inventory planning in this business was made accordingly
- Share of **international sales** was at 54% in Q2'20, down from 65% in Q2'19. 64% of Trakya Cam's revenue is denominated in FCY in Q2'20 (including EUR linked auto sales in Turkey) while 57% is in hard currencies

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

- **Revenue** was down by 31% YoY and Consolidated **COGS** was down by 11% in Q2'20 mainly due to higher cost production as a result of significant decrease in capacity utilization rates in all business operations. Average cost of production increased primarily driven by fixed costs of energy, labor and depreciation, and change in finished goods while weight of raw materials decreased in total COGS. 37% of total COGS was consisted of fixed cost elements in Q2'20. **Gross profit margin** came down to 11% in Q2'20 vs 31% Q2'19
- **Main operating expenses** down by 12% YoY, while opex to sales ratio increased to 27% in Q2'20 vs 22% in Q2'19. Increase was mainly driven by lower revenue generation and fixed operating expenses such as personnel and D&A expenses. TL 24.8mn provision expense was recorded under G&A regarding Competition Board investigation that was initiated on May,21 2020

- **Analyst EBITDA¹** was at TRY 58mn loss in Q2'20 vs TRY 299mn with 17% in Q2'19
- **Net other income from operations** came in at TRY 19mn in Q2'20 vs TRY 64mn in Q2'19. TRY 8mn was booked as financing income on trade receivables and payables vs 34mn in Q2'19
- **Net Income from Investments in associates and joint ventures** was at TRY -10mn in Q2'20 vs TRY 4mn in Q2'19
- **Net income from investing activities** was at TRY 80mn in Q2'20 vs TRY 24mn in Q2'19. TRY 80mn revaluation gain was recorded from USD denominated Eurobond while TRY 0.8mn provision expense was booked for Eurobond investments and time deposits in order to comply with IFRS 9. USD 13mn cash inflow was recorded from Eurobond investments that matured within second quarter
- **Adjusted EBIT** was at TRY -182mn vs TRY 215mn with 12% margin in Q2'19
- **Depreciation and amortization expense** was recorded as TRY 134mn
- **Adjusted EBITDA recorded** at TRY -47mn in Q2'20 vs TRY 215mn with 20% margin in Q2'19
- **Net loss after non-controlling interest was** at TRY 156mn, vs 11% in Q2'19
- TRY 10mn **tax income** was recorded in Q2'20 due vs TRY 26mn tax expense in Q2'19
- **Net financial expense** came in at TRY 62mn in Q2'20, which was TRY 52mn expense in Q2'19. TRY 6mn net fx loss on financial assets and liabilities including derivatives was recorded in Q2'20 vs TRY 16mn net fx loss in Q2'19. TRY 13mn financial loss was recorded from derivatives². TRY 56mn interest expense was recorded in Q2'20 vs TRY 36mn interest expense in Q2'19 mainly due to increase in average borrowing cost of bank loans. TRY 910 mn bank loan was taken while TRY 922mn principal amount + interest was paid on bank loans in Q2'20
- **Gross debt** (incl. other payables to related parties) came in at **TRY 6.3bn, USD 927mn** in Q2'20 which was TRY 6.6bn, USD 1.1bn in 2019
 - 89% of bank loans is in hard currencies (62% EUR, 27% USD)
 - USD 150 million was paid for guaranteed amount of Eurobond that was matured on 9th of May 2020. USD 233 million left as a guaranteed amount of Eurobond issued back in March 2020
 - EUR 200mn syndicated loan was obtained in October 2019, having 3-year maturity
 - TRY 68mn financial lease was recorded under financial liabilities
 - 81% of gross debt were long-term liabilities, increased from 63% 2019, majority of short term liabilities was rolled-over
- **Cash and cash equivalents** including USD 194mn fixed income securities investments and other receivables from related parties was at **TRY 4.4bn, USD 791mn** in Q2'20, decreased from TRY 5.2bn, USD 879mn in 2019. **Net debt** came in at TRY 2bn, USD 286mn. **Net Debt to EBITDA was at 1.67**
- **Net long FX position** was TRY 440mn (USD 64mn) in Q2'20 versus TRY 679mn (USD 114mn) long position in 2019, having USD 312mn long position while EUR 218mn short position. Compared to 2019; short position in EUR increased due to change in derivatives in relation to commodity swap contract, while long position in USD increased mainly due to payment of Eurobond that was matured on May 9, 2020
- **Capital expenditures** were TRY 61mn in Q2'20 – out of 75% was spent for architectural glass operations mostly consisting of cold repairs in Turkey, rest was paid for auto-glass operations. Capex to sales ratio came in at 5% in Q2'20.

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

Material Events after the Reporting Period

- Trakya Cam distributed a total of TRY 320mn gross dividend in cash as of May 29, 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
TRKCM	0,67615	3,370

- Covid-19 virus outbreak that occurs in China and spreads to various parts of the world, affects economic conditions negatively both regionally and globally, especially in countries exposed to contagiousness. The ultimate magnitude of the coronavirus outbreak remains uncertain at this time, and therefore the Company cannot reasonably predict its impact on its operations
- Extraordinary General Meeting of Trakya Cam will be held on August 27, 2020 at 10:00 in Haliç Congress Center. Participants can attend the meeting physically or electronically.

One off Impacts Excluded from EBIT & Net Income Analysis:

Excluding From EBIT:

- **Q2'20: TRY 78mn:** Revaluation gain on fixed income instruments including IFRS-9 adjustments,
- **Q1'20: TRY 131mn:** TRY 128mn Revaluation gain on fixed income instruments including IFRS-9 adjustments, TRY 2.5mn income from asset sale of Çayırova
- **Q2'19: TRY 43mn:** Revaluation gain on fixed income instruments amounting to TRY 43 Million including IFRS-9 adjustments
- **H1'20: TRY 209mn:** TRY 206 mn revaluation gain on fixed income instruments including IFRS-9 adjustments, TRY 2.5mn income from asset sale of Çayırova
- **H1'19: TRY 108 Million:** Revaluation gain on fixed income instruments amounting to TRY 133 Million, including IFRS-9 adjustments, TRY 25 Million one-time retrospective payment regarding carbon emission, quota acquisition

Excluding From Net Income:

- **Q1'20: TRY 2.5mn:** Income from asset sale of Çayırova
- **Q2'19: TRY 25mn:** One-time retrospective payment regarding carbon emission quota acquisition
- **H1'20: TRY 2.5mn:** Income from asset sale of Çayırova
- **H1'19: TRY 25 Million:** TRY 25 Million one-time retrospective payment regarding carbon emission quota acquisition



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