

**COMMENTS ON TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş. 2019 Q4 CONSOLIDATED FINANCIAL STATEMENTS**

Based on 2019 Q4 IFRS results,

Summary Financials	2018	2019	YoY Change	Q4'18	Q3'19	Q4'19	QoQ Change	YoY Change
Revenue	15.550	18.059	16%	4.467	4.599	4.843	5%	8%
Gross Profit	5.161	5.880	14%	1.440	1.541	1.533	-1%	6%
Gross Margin	33%	33%	-63 bps	32%	34%	32%	-186 bps	-58 bps
EBIT	3.835	3.494	-9%	270	781	1.051	35%	290%
EBIT Margin	24,7%	19,3%	-532 bps	6%	17%	22%	474 bps	1568 bps
EBITDA	4.884	4.868	0%	545	1.109	1.432	29%	163%
EBITDA Margin	31,4%	27,0%	-445 bps	12%	24%	30%	544 bps	1737 bps
Net Income After Minority Interest	2.289	1.905	-17%	214	431	546	27%	154%
Net Income Margin	15%	11%	-417 bps	5%	9%	11%	190 bps	647 bps
Capex	2.221	2.890	30%	743	423	1.227	190%	65%
Capex/Sales	14%	16%	172 bps	17%	9%	25%	1614 bps	871 bps
Adjusted EBIT*	2.985	2.923	-2%	641	798	768	-4%	20%
Adjusted EBIT Margin*	19%	16%	-300 bps	14%	17%	16%	-149 bps	150 bps
Adjusted EBITDA*	4.033	4.298	7%	916	1.126	1.148	2%	25%
Adjusted EBITDA Margin*	26%	24%	-214 bps	21%	24%	24%	-78 bps	319 bps
Adjusted Net Income*	2.253	1.911	-15%	228	439	511	16%	124%
Adjusted Net Income Margin*	14%	11%	-391 bps	5%	10%	11%	99 bps	545 bps
Analyst EBIT**	2.336	2.457	5%	630	690	628	-9%	0%
Analyst EBIT Margin**	15%	14%	-142 bps	14%	15%	13%	-204 bps	-114 bps
Analyst EBITDA**	3.384	3.831	13%	905	1.018	1.008	-1%	11%
Analyst EBITDA Margin**	22%	21%	-55 bps	20%	22%	21%	-133 bps	54 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&equity increased by TRY 247 Million. The impacts on P&L in the fourth quarter were TRY +1.7 Million on EBIT, TRY +3.4 Million on net income. You may find the financial impacts of IFRS-16 on business segments at the appendix section of this document. Financial statements of Q2'18 was restated after PPA valuation of HNG acquisition. Since HNG acquisition was booked on provisional accounting basis by Q2'18 and this has been restated as per the results of PPA study by end of Q2'19

### **Financial Highlights (2019 vs 2018)**

- **Revenue** came in at TRY 18 Billion, up 16% YoY (EUR 2.8 Billion, up by 4% YoY in EUR terms)
- **Gross profit** was at TRY 5.9 Billion, up by 14% YoY with a margin of 33%
- **Adjusted EBITDA** came in at TRY 4.3 Billion (EUR 677 Million, down by 5% YoY in EUR terms) with 24% margin, down by 214 bps YoY
- **Net Income after Minority Interest** came in at TRY 1.9 Billion with a margin of 11%
- **Capex** came in at TRY 2.9 Billion. Capex to sales ratio is at 16%
- **FCFE** came in at TRY (684 Million) in 2019

### **Financial Highlights (Q4'19 vs Q4'18)**

- **Revenue** came in at TRY 4.8 Billion, up 8% YoY (EUR 756 Million, up by 6% YoY in EUR terms)
- **Gross profit** was at TRY 1.5 Billion, up by 6% YoY with a margin of 32%
- **Adjusted EBITDA** came in at TRY 1.1 Billion (EUR 179 Million, up by 27% YoY in EUR terms) with 24% margin, up by 319 bps YoY
- **Net Income after Minority Interest** came in at TRY 546 Million with a margin of 11%
- **Capex** came in at TRY 1.2 Billion. Capex to sales ratio is at 25%

### **Business Segment & Regional Performance**

In Q4'19, 36% of the net revenues generated from flat glass, 24% from glass packaging, 20% from chemicals and 18% from glassware and the remaining 2% from other operations.

**Flat Glass** segment recorded TRY 1.8 Billion revenue in Q4'19 up by 6% YoY mainly due to higher sales volume and positive currency impact. Operations in Turkey have the highest contribution to topline growth as rebound in construction activities and increase in domestic sales to exporter dealers supported the volume growth. Pricing spread in Turkey narrowed in the fourth quarter as prices in Europe continued to come down reflecting the pressure coming from oversupply conditions in the region. Share of international revenues was at 57%, as Indian operations continued to have 6% in total revenue with the contribution of higher sales volume and positive currency impact amid weak pricing. Favorable currency and full utilization in Russia were supportive despite weakness in the pricing. After one-off adjustments, EBITDA margin of flat glass which came down to 21% in Q4'19 from 26% in Q4'18.

**Chemicals** division's revenue was TRY 1.2 Billion, up by 10% YoY in Q4'19, mainly driven by positive currency impact. 22% of the division's revenue was generated by intra group sales (vs. 16% in Q4'18). Soda ash prices were up by 4% in USD terms while sales volume increased by 7%. On the chromium chemicals side, there was a slight decline in average per unit prices while volume sales contracted by 13% resulting from the alignment of sales mix parallel to the demand. 65% CUR was recorded at Sisecam Elyaf plant. Incremental revenues generated by the glass fiber business was TRY 53 Million however gross profit margin was slightly below the breakeven level. 90% of Chemicals' segment revenue was generated by Soda Sanayii in Q4'19 whilst remaining 10% by the mining operations. After one-off adjustments, Chemicals' EBITDA margin was at 28% vs 19% in Q4'18 due to the rise in COGS, which is mainly a result of natural gas tariff hike implemented in July 2019 by 7%. Lagged impact of successive tariff hikes implemented last year in August and September and higher volume of soda ash production and sales were also the other drivers.

**Glass Packaging** division recorded TRY 1.2 Billion revenue, up by 24% YoY with 23% positive pricing and product mix, and 2% increase in sales volume and 8% local currency depreciation impact. Exports from Turkey kept its upward trend by increasing 51% YoY in volume terms. Domestic sales volume was up by 5% bringing the annual decline down to 4% level. 3% decrease was recorded in sales volume from non-Turkey facilities, and the region ended 2019 at 0,5% higher sales volume YoY. After one-off adjustments, EBITDA margin was at 28%.

**Glassware segment's** revenue came in at TRY 871 Million, grew by 14% YoY, mainly thanks to higher sales volume together with better channel mix coming from international operations, higher pricing in domestic market and positive currency impact. Higher consumer spending triggered by holiday season also uplifted this segment's performance. Contribution from HoReCa channel was also supportive for profitability margins. Share of international sales was at 63%. After one-off adjustments, EBITDA margin was at 18%. Initiatives taken for production planning in order to optimize inventory levels continued in the fourth quarter as well.

**Share of international revenues was at 62% in Q4'19.** While share of revenues generated from Russian operations in total revenues increased from 14% to 15%; the share of European operations and other regions decreased from 22% to 20% and 5% to 3%, respectively.

### **P&L Analysis (Q4'19 vs Q4'18)**

**Şişecam's topline growth was 8% YoY in Q4'19,** highest contribution came from glass packaging of which revenue increased by 24% YoY in Q4'19 and its contribution to Şişecam topline increased to 24% in Q4'19 vs 21% in Q4'18

**Gross Profit increased by 6% YoY and came in at TRY 1.5 Billion in Q4'19** while **consolidated COGS increased by 9% YoY.** Gross profit margin was at 32% in Q4'19, down by 58 bps YoY as decrease in flat glass (down from 33% in Q4'18 to 27% in Q4'19) and glassware segment's gross profit margin (down from 35% in Q4'18 to 33% in Q4'19) were the main drivers of margin contraction

**In Q4'19, main operating expenses increased** by 12% YoY whilst main opex to sales ratio increased by 57 bps YoY in Q4'19 mostly due to the increase in S&M expenses. The main driver of the increase is higher transportation costs resulting from larger scale of operations in glass packaging segment of which opex/sales ratio increased by 45 bps YoY and reached 19% in Q4'19. G&A expenses increased by 15% YoY while its share in total operating expenses increased to 34% from 33%

Şişecam posted **TRY 165 Million net other income from main operations in Q4'19** vs TRY 31 Million expense in Q4'18 mainly due to higher financing income on trade receivables and payables out of TRY 68 Million was booked as fx gain, which was TRY 140 Million loss. TRY 3 Million one-off expense was recorded in Q4'19 in relation to restructuring expenses in encapsulation unit

**Investments in associates and joint ventures** decreased by 60% YoY and came in at TRY 21 Million in Q4'19, which had been higher in Q4'18 due to insurance payment of flood damage in Egypt.

**Şişecam's net income from investing activities came in at TRY 233 Million in Q4'19** versus TRY 401 Million expense in Q4'18. TRY 180 Million revaluation gain on fixed income securities booked in Q4'19 compared to TRY 326 Million revaluation loss in Q4'18. TRY 4.2 Million provision expense was booked on fixed income securities & time deposits. TRY 49 Million income was recorded from the revaluation on tangible assets for sale.

After excluding one-off figures, **Company's EBIT came in at TRY 768 Million** and **EBITDA was TRY 1.1 Billion up by 25% YoY with an EBITDA margin of 24% in Q4'19 vs 21% in Q4'18.** FX gain on trade receivables and payables which was booked under net other income from main operations, was at TRY 68 Million in Q4'19 compared to TRY 140 Million loss in Q4'18, excluding this, adjusted EBITDA margin would be 23% in Q4'19 and 21% in Q4'18. IFRS-16 implementation had a positive impact on EBITDA, which lifted the margin up by 40 bps.

**Adjusted net income after minority interest came in at TRY 511 Million in Q4'19,** representing a net margin of 11%, vs 5% in Q4'18.

In Q4'19, **TRY 71 Million tax income** was booked (vs TRY 78 Million tax income in Q4'18) mainly due to deferred tax income occurring in flat glass business resulting from incentives taken for new line investment in Polatlı. Merger of Yenişehir and Polatlı plants had also a positive impact in this situation.

**TRY 359 Million net financial expense was recorded in Q4'19** compared to TRY 6 Million income in Q4'18. TRY 52 Million net fx loss on financial assets & liabilities including derivatives and leases recognized in Q4'19 versus TRY 53 Million fx gain in Q4'18. Please note that; TRY 180 Million fx gain on Eurobond investments was booked under income from investment activities. TRY 307 Million interest expense was recorded in Q4'19 vs TRY 46 Million interest expense in Q4'18 mainly due to increase in average borrowing cost after the bond issuance back in March and syndicated loan taken for flat glass operations.

As stated in 2019 Q1 earnings release, Şişecam issued USD 700 Million Eurobond with a coupon rate of 6.95% and 2026 maturity in March 2019. Group companies namely Trakya Cam, Paşabahçe, Anadolu Cam and Soda Sanayii guaranteed 80% of total amount. 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 16 Billion (USD 2.7 Billion)** which was USD 1.5 Billion in 2018, increased by USD 1.2 Billion<sup>1</sup>. Financial liabilities in relation to operational leases decreased to TRY 216 Million which was TRY 417 Million in 9M'19 after the purchase of company headquarters amounting to TRY 335 Million. EBRD exercised its put option on Paşabahçe shares for EUR 152 Million, out of EUR 100 Million was structured as financial loan while EUR 52 Million was paid in cash. 33% of gross debt were long-term liabilities, while some of the short term loan were restructured, existing Sisecam 2020 notes, which were issued back in 2013, will be matured in May.

**Cash and cash equivalents** (including financial investments amounting to USD 500 Million) was at TRY 11.3 Billion in 2019, increased from TRY 5.8 Billion in 2018. **Net debt increased to TRY 4.5 Billion (USD 760 Million) in 2019** from TRY 2.2 Billion (USD 426 Million) in 2018 including our financial investments amounting to USD 500 Million. **Net Debt to EBITDA is at 0.9 in 2019 vs 0.5 in 2018.**

**The company's net long FX position** increased to TRY 3.5 Billion in 2019 vs TRY 2.4 Billion in 2018. Company has EUR 318 Million short and USD 914 Million long position in 2019 vs. EUR 113 Million and USD 289 Million long position in 2018. Cross currency swap was made for USD 575 Million in exchange of EUR 421 Million in 2019.

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<sup>1</sup> USD 700 million regarding Eurobond issuance, USD 220 million regarding syndicated loan for flat glass operations, USD 110 Million financial loan taken after exercise of EBRD's put option on Paşabahçe shares, ~ USD 40 Million in relation to operational leases booked under financial liabilities to comply with IFRS 16

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

- Having considered Şişecam's Group's long term strategies, its global competitive environment, and the potential synergies that could be captured by combining all of Sisecam's activities in one entity, it was decided in the Board of Directors Meeting of our Company on January 30, 2020 to engage in negotiations regarding a merger with Anadolu Cam Sanayii A.Ş., Denizli Cam Sanayii ve Ticaret A.Ş., Paşabahçe Cam Sanayii ve Ticaret A.Ş., Soda Sanayii A.Ş. and Trakya Cam Sanayii A.Ş. This is pursuant to Capital Markets Law Number 6362, Capital Market Board's Communiqué Number Seri:II, N 23.1 on Common Principles Applicable to Important Category Transactions and the Right to Exit, Capital Market Board's Communiqué Number Seri:II, N 23.2 on Mergers and Spin-offs, Turkish Commercial Code number 6102, Corporate Tax Law number 5520 and other applicable legislation. The expected synergies will be achieved through an efficient, lean and agile governance that will maximize shareholder value through increased trading volume and depth of shares.



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

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## APPENDIX

### One-Off Impacts excluded from Financials:

#### Excluding From EBIT:

##### Q4'19: TRY 284 Million:

- Revaluation gain on fixed income instruments including impairment on financial investments in order to comply with IFRS 9 = TRY 238 Million
- Restructuring expense in encapsulation unit of Trakya Cam = TRY 3 Million
- Revaluation gain on assets for sale = TRY 49 Million

##### Q3'19: -TRY 17 Million:

- Revaluation loss on fixed income instruments including impairment on financial investments in order to comply with IFRS 9 = TRY 8.3 Million
- Restructuring expense in encapsulation unit of Trakya Cam = TRY 8.5 Million

##### Q4'18: -TRY 372 Million:

- Revaluation loss on fixed income instruments including impairment on financial investments in order to comply with IFRS 9 = TRY 355 Million
- Revaluation loss on assets for sale = TRY 17 Million

##### 2019: + TRY 570 Million:

- Revaluation gain on fixed income instruments including impairment on financial investments in order to comply with IFRS 9 = TRY 566 Million
- Revaluation gain on assets for sale = TRY 49 Million
- Restructuring expense in encapsulation unit of Trakya Cam = TRY 12 Million
- Retrospective payment regarding carbon emission quota acquisition = TRY 33 Million

##### 2018: + TRY 851 Million:

- Revaluation gain on fixed income instruments including impairment on financial investments in order to comply with IFRS 9 = TRY 819 Million
- Revaluation gain on assets for sale = TRY 49 Million
- Revaluation loss on assets for sale = TRY 17 Million

#### Excluding From Net income:

##### Q4'19: -TRY 35 Million:

- Restructuring expense in encapsulation unit of Trakya Cam = TRY 3 Million
- Retrospective payment regarding carbon emission quota acquisition = TRY 33 Million

##### Q3'19: -TRY 8.5 Million: Restructuring expense in encapsulation unit of Trakya Cam

##### Q4'18: -TRY 13 Million: Revaluation loss on assets for sale

**Q4'19 & 2019: IFRS-16 Impact on Financials:****2019**

IFRS-16 impact on P&L (TRY Mn.)	Net Income	EBIT	EBITDA
Flat Glass	1,4	+6,8	+24,4
Glassware	-3,0	+17,7	+52,3
Glass Packaging	0,3	+4,5	+15,3
Chemicals	-1,2	+4,9	+8,8
Other	-1,4	+6,1	+11,7
Sisecam	-9,6	+31,7	+107,0

**2019 Q4**

IFRS-16 impact on P&L (TRY Mn.)	Net Income	EBIT	EBITDA
Flat Glass	-2,0	+2,6	+6,5
Glassware	0,1	+5,2	+14,0
Glass Packaging	-0,6	+1,4	+4,1
Chemicals	0,3	+1,4	+2,4
Other	0,0	+0,0	+0,0
Sisecam	3,4	+1,7	+20,3

IFRS-16 impact on BS (TRY Mn.)	Asset	Liability	Equity
Flat Glass	+53,0	-60,1	+7,1
Glassware	+131,1	-142,1	+11,0
Glass Packaging	+18,4	-21,0	+2,6
Chemicals	+35,3	-39,1	+3,9
Other	+8,8	-9,6	+0,9
Sisecam	+246,6	-272,0	+25,4