COMMENTS ON TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş. 2020 Q1 CONSOLIDATED FINANCIAL STATEMENTS

Based on 2020 Q1 IFRS results,

Summary Financials	Q1'19	Q4'19	Q1'20	QoQ Change	YoY Change
Revenue	3.923	4.843	4.615	-5%	18%
Gross Profit	1.288	1.533	1.496	-2%	16%
Gross Margin	33%	32%	32%	77 bps	-40 bps
EBIT	867	1.051	1.114	6%	29%
EBIT Margin	22%	22%	24%	242 bps	204 bps
EBITDA	1.178	1.432	1.480	3%	26%
EBITDA Margin	30%	30%	32%	250 bps	204 bps
Net Income After Minority Interest	448	546	442	-19%	-1%
Net Income Margin	11%	11%	10%	-169 bps	-185 bps
Capex	427	1.227	321	-74%	-25%
Capex/Sales	11%	25%	7%	-1838 bps	-393 bps
Adjusted EBIT*	673	768	778	1%	16%
Adjusted EBIT Margin*	17%	16%	17%	101 bps	-30 bps
Adjusted EBITDA*	984	1.148	1.144	0%	16%
Adjusted EBITDA Margin*	25%	24%	25%	109 bps	-30 bps
Adjusted Net Income*	481	511	433	-15%	-10%
Adjusted Net Income Margin*	12%	11%	9%	-116 bps	-287 bps
Analyst EBIT**	519	628	621	-1%	20%
Analyst EBIT Margin**	13%	13%	13%	50 bps	24 bps
Analyst EBITDA**	830	1.008	987	-2%	19%
Analyst EBITDA Margin**	21%	21%	21%	58 bps	24 bps

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

Financial Highlights (Q1'20 vs Q1'19)

- **Revenue** came in at TRY 4.6bn, up 18% YoY (EUR 687mn, up by 7% YoY in EUR terms)
- **Gross profit** was at TRY 1.5bn, up by 16% YoY with a margin of 32%
- **Adjusted EBITDA** came in at TRY 1.1bn (EUR 170mn, up by 5% YoY in EUR terms) with 25% margin, down by 30bps YoY
- **Adjusted Net Income after Minority Interest** came in at TRY 433mn with a margin of 9%
- **Capex** came in at TRY 321mn. Capex to sales ratio is at 7%
- **FCFE** came in at TRY -192mn in Q1'20

Business Segment & Regional Performance

In Q1'20, 33% of revenues generated from flat glass, 24% from glass packaging, 22% from chemicals, 16% from glassware and the remaining 6% from other operations.

Flat Glass segment recorded TRY 1.5bn revenue in Q1'20 down by 1% YoY mainly due to lower sales volume and pricing. Operations in Turkey was relatively strong thanks to higher sales volume whilst revenue and profitability in Europe came down due to continued downward trend in flat glass prices, lower architectural glass sales volume and decrease in encapsulation revenue. Higher sales volume in Russia and local currency depreciation supported this region's performance while flat glass prices were lower compared to last year. Share of Indian operations in total revenue was at 6% in Q1'20 as its contribution to topline remained same with 2019. Share of international revenues was at 54% in Q1'20. After one-off adjustments, EBITDA margin of this segment came down to 18% in Q1'20 from 23% in Q1'19. Manufacturing activities for architectural glass unit have been adapted with the current crisis due to Covid-19 outbreak and necessary adjustments have been made of which lowering impact in total production unit became visible starting mid-March. Some of the OEMs suspended their production by mid-March due to Covid-19 outbreak of which impact was limited in the first quarter for auto-glass operations. Product development, inventory planning were continued and necessary capacity adjustments were done throughout the first quarter in order to be ready for the gradual recovery of the auto-industry

Chemicals segment's revenue was TRY 1.3 Billion, up by 21% YoY in Q1'20, mainly driven by positive currency impact, higher soda ash and glass fiber sales volume. 22% of the division's revenue was generated by intra group sales (vs. 19% in Q1'19). Soda ash prices were up by 1% in USD terms while sales volume increased by 5%. On the chromium chemicals side, there was a 7% decline in average per unit prices while volume sales grew by 5%. Demand for chromium chemicals products weakened significantly in China because of industrial stoppages adopted by the country as part of measures against Covid-19 outbreak. Soda Sanayii adopted the strategy of focusing on alternative markets in South America and Asia as a response. Şişecam Elyaf Plant operated with a 68% CUR in the reporting period. Incremental revenues generated by the glass fiber business was TRY 94mn and the business unit recorded a sales volume/output level of 130% (vs. 70%). However, gross profit margin continued to be slightly below the breakeven level. 91% of Chemicals' segment revenue was generated by Soda Sanayii in Q1'20 whilst remaining 9% by the mining operations. After one-off adjustments, Chemicals' EBITDA margin was at 30% vs 24% in Q1'19 thanks to better operational results on top of the local currency depreciation ending up in a margin expansion with +90% denominated in hard-currencies revenues whereas below 55% share on the COGS side.

Glass Packaging segment recorded TRY 1.1 Billion revenue, up by 43% YoY with 21% volume increase, %13 positive pricing and product mix and 9% local currency depreciation impact. Domestic sales increased by 36% thanks to higher output on top of low base effect of Q1'19. Exports from Turkey kept its upward trend by increasing 98% YoY in volume terms, while 2% decrease was recorded in sales volume from non-Turkey facilities. With a wide range of product portfolio, Anadolu Cam remained resilient in the first quarter amidst the slowdown in global economic activity especially starting mid-March. Increase in household type product consumption, stock piling due to curfews and stay home advices had supported food retailer industry, which is an end market of Anadolu Cam. After one-off adjustments, EBITDA margin was at 28%.

Glassware segment's revenue came in at TRY 721mn, grew by 8% YoY, mainly thanks to higher sales volume and pricing in domestic market together with positive currency impact as share of international sales was at 65% in Q1'20. EBITDA Margin came in at 20% in Q1'20 vs 18% in Q1'19. Lower gas prices in Bulgarian plant, better product mix in Russia and Turkey and depreciation of Turkish Lira was supportive throughout the first quarter. Capacity utilization and inventory optimization plans are determined in light of the changing market conditions due to Covid-19 outbreak and some of our lines have been stopped given the impacts of this crisis especially on European operations and HoReCa channel.

Share of international revenues was at 59% while domestic revenue was at 41% in Q1'20. Share of exports from Turkey was flat at 23%, Russia's share was at 13%, same with Q1'19, share of Europe decreased to 20% from 25% in Q1’20 and other regions mostly consisting of India have 3% share in total flat compared to Q1’19

P&L Analysis (Q1’20 vs Q1’19)

Şişecam’s topline growth was 18% YoY in Q1’20,

Top contributor to topline growth was glass packaging of which share in total revenue increased to 24% in Q1’20 vs 20% in Q1’19, recorded 43% YoY revenue growth in Q1’20.

- Flat glass, which has the highest share in Şişecam’s topline recorded 1% YoY decrease in Q1’20 as its share in total revenue decreased from 39% in Q1’19 to 33% in Q1’20.
- Chemicals’ share in total revenue remained same at 22% YoY
- Glassware’s share in total revenue decreased to 16% in Q1’20 vs 17% in Q1’19.
- Other mostly consisting of energy revenues increased its share in total revenue from 3% in Q1’19 to 6% in Q1’20

Gross Profit increased by 16% YoY and came in at TRY 1.5bn in Q1’20 while **consolidated COGS increased by 18% YoY**. Gross profit margin was at 32% in Q1’20, down by 40bps YoY as decrease in flat glass (down from 32% in Q1’19 to 29% in Q1’20) was almost offset by solid gross profit margins of glass packaging (up to 36% in Q1’20 from 33% in Q1’19), glassware (up to 38% in Q1’20 from 36% in Q1’19), and chemicals (up to 35% in Q1’20 from 31% in Q1’19)

In Q1’20, main operating expenses increased by 14% YoY whilst main opex to sales ratio decreased by 64bps YoY in Q1’20 and came in at 19%. **Analyst EBIT** [1]growth of 20% marginally outpaced revenue growth of 18%, driven by a relatively slower increase in main operating expenses especially in chemicals segment reflecting the impact of favorable currency conditions as +90% of its revenue is in hard currencies

Net other income from main operations was at TRY 136mn in Q1’20 vs TRY 105mn income in Q1’19. TRY 33 Million expense has been recorded in Q1’19 due to retrospective payments for carbon emission quotas for plants of glassware and flat glass segment. FX gain on trade receivables and payables which was booked under net other income from main operations, was at TRY 70mn in Q1’20 compared to TRY 95mn gain in Q1’19

Investments in associates and joint ventures came in at TRY 26mn in Q1’20 vs 25mn in Q1’19.

Net income from investing activities came in at TRY 331mn in Q1’20 versus TRY 218mn income in Q1’19. TRY 316mn revaluation gain on fixed income securities booked in Q1’20 vs TRY 221mn revaluation gain in Q1’19. TRY 10mn provision income was booked on fixed income securities & time deposits. TRY 10mn one-off income was recorded after the sale of a part of the land in Çayırova, which is accounted under investment properties

After excluding one-off figures, **Company’s EBIT came in at TRY 778mn** and **EBITDA was TRY 1.1bn up by 16% YoY with an EBITDA margin of 25% in Q1’20 remained almost flat YoY.**

Adjusted net income after minority interest came in at TRY 433mn in Q1’20, representing a net margin of 9%, vs 12% in Q1’19

In Q1’20, **TRY 235mn tax expense** was recorded vs TRY 64mn expense in Q1’19 mainly due to decrease in deferred tax assets in chemicals and glass packaging

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

TRY 205mn net financial expense was recorded in Q1’20 compared to TRY 177mn expense in Q1’19. TRY 12mn net fx gain on financial assets & liabilities including derivatives[2] and leases recognized in Q1’20 versus TRY 82mn fx loss in Q1’19. TRY 216mn interest expense was recorded in Q1’20 vs TRY 95mn interest expense in Q1’19 mainly due to increase in average borrowing cost and depreciation of Turkish lira. TRY 115mn financial income was recorded from derivatives.

Şişecam’s gross debt came in at TRY 17bn (USD 2.6bn) which was TRY 16bn (USD 2.7bn) in 2019.

- 70% of bank loans is in hard currencies (30% EUR, 40% USD)
- The total guaranteed amount of Eurobonds with maturities up to 2020 and 2026 is USD 800 million, of which USD 300 million will be due and paid in May 2020.
- EUR 200mn syndicated loan was obtained for flat glass operations in October 2019, having 3-year maturity
- TRY 337mn financial lease was recorded under financial liabilities
- 69% of gross debt were long-term liabilities, which was at 67% in 2019

Cash and cash equivalents (including financial investments amounting to USD 490mn) was at TRY 12.3bn (USD 1.9bn) in Q1’20 increased from TRY 11.3bn (USD 1.9bn) in 2019. **Net debt was TRY 4.5bn (USD 698mn) in Q1’20** vs TRY 4.5bn (USD 760mn) in 2019. **Net Debt to EBITDA** was at 0.9 in Q1’20

The company’s net long FX position increased to TRY 4.8bn in Q1’20 vs TRY 3.5bn in 2019. Company has EUR 435mn short and USD 1.18bn long position in Q1’20 vs. EUR 318mn short and USD 914mn long position in 2019.

Important Events during and after the Reporting Period

- At the AGM, Şişecam decided to pay TRY 320mn cash dividends in gross terms (payout ratio 17%); ex-date is on May 29, 2020. Consolidated dividend amount to be paid is TRY 486mn
- Sisecam has purchased a total of 35.5mn shares of Trakya Cam, Anadolu Cam and Soda Sanayi in 2020
- PwC, expert valuation company have conducted the valuation process of Şişecam Group, prepared the Expert Valuation Report and Opinion for the ongoing merger process (merger under Şişecam through acquisition of all assets and liabilities of its 4 listed companies including Trakya Cam and non-listed Paşabahçe) and determined the conversion rates, which are all subject to the Capital Markets Board approval. Şişecam had officially submitted the merger application to the CMB on April 27th.. TL per share exit rights were also calculated according to existing communiqué, which are the arithmetical mean of corrected weighted average prices, traded on the stock exchange within thirty days prior to the date of first disclosure of transaction to public, excluding the date of disclosure. Should the legislation change on exit rights, the valuation methodology will be updated accordingly. Following the dividend distribution, exit right prices will be recalculated and disclosed on Public Disclosure Platform

	Conversion Rates	Exit Rights
SISE	1,00000	5,27
TRKCM	0,67615	3,47
ANACM	0,88239	4,46
PASAB	0,53423	-
DENCM	0,33089	8,85
SODA	1,15997	6,39

[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,

Announcement on impacts of COVID-19;

Steps taken by Şişecam Group during the Global Covid-19 Pandemic

"At Şişecam Group, we take necessary steps in the face of the worldwide impact of the Covid-19 pandemic and support a large ecosystem involving our employees, customers, suppliers, business partners and all the other parties we interact with."

The impact of the global Covid-19 outbreak is being felt more and more around the entire world. At Şişecam Group, which derives over 60% of its revenues from international markets as of year-end 2019, we would like to update you on the latest developments related with our countries of operation and business lines.

Various measures are being taken around the world to mitigate the effects of the pandemic, including state of emergency, curfews, social isolation, economic packages, quantitative easing, bond purchase programs, funding sources, loan support and interest rate cuts. As a global player with 85 years of experience, production activities in 14 countries across four continents, 22 thousand employees, and sales to over 150 countries, Şişecam Group undertakes best efforts to support a large ecosystem of employees, customers, suppliers, business partners and all the other parties we interact with.

Our production is ongoing in an uninterrupted manner at our flat glass facilities, while one production line in Turkey was stopped as of the beginning of April, in line with the upcoming cold repair schedule. We adapt to the changing demands and working conditions, while taking necessary measures in this business line that provides input to various industries such as construction, white goods and energy glass. As for our production activities in auto glass facilities, necessary actions are taken for our capacities in parallel with the production stoppages in the automotive industry. Product development and inventory planning efforts are undertaken so as to adapt to the circumstances that may emerge when the industry picks up again. Additionally, plans are formulated to address the opportunities in the replacement glass market.

In the glassware business line, which provides input to retail and tourism industries, capacity utilization plans are determined in light of the changing demand. Accordingly, some of our lines have been stopped.

Serving as a supplier for food, beverage and pharmaceutical industries, the glass packaging business line faces a relatively limited level of downward risk. Therefore, no significant negativity is anticipated in our production and sales conditions. Due to the business closures across the globe, consumption in the HORECA (Hotel, Restaurant, Cafes) channel has contracted. Curfews, stay at home advice, and social isolation have been imposed as part of the measures taken against the pandemic, while health and hygiene have become even more important. Representing a significant share in the glass packaging category, household consumption models come to the fore.

In soda ash, our primary operation under the chemicals business, weaker demand is expected in Europe, which is an important export market for our soda ash business. On the other hand, there is a growing demand for soda ash from glass packaging, chemicals and detergent manufacturers, as revealed by the analyses made based on consumption industries. As for chromium chemicals, a decline is observed in leather and metal plating sectors due to the quarantines imposed in many Asian, South American and European countries. In order to minimize the negative impact on our operations, we continuously review the balance between production, sales and inventory levels. Our glass fiber operation, launched in 2019, is affected by the negative developments in the construction and automotive industries across export markets, while faring positively in Turkey thanks to the supply capacity and unceased industrial production. Regarding our natural soda investment in the US, applications are being filed for the environmental permit as a prerequisite of the investment, and the process is currently being handled in an uninterrupted manner.

We closely monitor the demand conditions in all business lines, while taking actions to create a supply chain capable of responding to the changing conditions caused by the pandemic. Logistical hurdles witnessed due to the pandemic mostly in European operations are handled in a manner to prevent our customers from being affected by delays in product shipments. Furthermore, various steps are taken to keep the additional costs, which may arise during this period, at minimum level. Within this scope, all the measures as advised by healthcare institutions are strictly adopted. Potential risks are identified through individual assessment of the countries that supply raw materials. In order to eliminate such risks, alternative procurement plans are devised and risk-mitigating actions, such as the re-planning of inventory levels, are taken. We have deployed a supplier finance program in line with our strategic priorities. Under this program, we are in close collaboration with over 10 thousand suppliers and contractors to support them in establishing business models that will maintain their business continuity.

We have identified deferrable and avoidable items in our investment budget so as to manage the effects of the pandemic on our operating profitability and cash position. We have also taken actions to keep costs and operational expense items under control. We are evaluating the incentives provided to the industries affected by the pandemic in the regions where we operate. As of first quarter, we have a strong cash position worth USD 1.9 billion, including our investment portfolio of fixed income securities. Our net financial debt/EBITDA ratio stands at 0.9. We have long-lasting relations with local banks in the regions where we operate, as well as with multinational investment and development banks, which provide us with substantial and additional credit lines. Financing of investment expenditures and net working capital needs are managed effectively in terms of costs and maturities. Regarding the repayment of Eurobond, issued in 2013 and due this year in May, necessary sources are fully available. All other present and future opportunities available in global financial and capital markets that may have a positive impact on our financial costs are being reviewed together with the leading international institutions of these markets and necessary actions are being taken in the most determined manner. Owing to the strong liquidity position of our Group, we are preparing ourselves to address liquidity requirements in the markets and potential shrink in credit lines, and to support the liquidity requirements of our ecosystem, our employees in particular, as well as our suppliers and business partners. We also swiftly update our plans and preparations in line with changing market conditions. At the Ordinary General Assembly meetings held in the last week of March, our shareholders approved the decision of Şişecam and its Group Companies to pay dividends. In the meanwhile, processes and procedures are being handled effectively and quickly regarding our decision to merger with Trakya Cam, Anadolu Cam, Soda Sanayi, Denizli Cam and Paşabahçe, as we announced on January 30, 2020 to consolidate our operations under Şişecam. We officially submitted the formal application to the Capital Markets Board of Turkey after the valuation study have finalized by expert valuation company PwC on 27th of April.

Once again, we would like to thank our employees in particular, as well as our customers, suppliers, and all our business partners for their significant contributions to help our Group and our ecosystem overcome this global outbreak in the most effective manner and with positive results. We wish to leave these days behind, together with you, as soon as possible, and in good health.

Best Regards,

Şişecam Group

APPENDIX

One-Off Impacts excluded from Financials:

Excluding From EBIT:

Q1’20: +TRY 336mn:

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

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 mn
- Restructuring expense in encapsulation unit of Trakya Cam = TRY 3 mn
- Revaluation gain on assets for sale = TRY 49 mn

Q1’19: +TRY 193 Million:

- Revaluation loss on fixed income instruments = TRY 221 mn
- Impairment on financial investments in order to comply with IFRS 9 = TRY 5mn
- One-time retrospective payment regarding carbon emission quota acquisition = TRY 33 mn

Excluding From Net income:

Q1’20: +TRY 9mn:

- Sale of a part of the land in Çayırova = TRY 9mn

Q4’19: +TRY 35 Million:

- Restructuring expense in encapsulation unit of Trakya Cam = TRY 3 mn
- Revaluation gain on assets for sale = TRY 38 Million

Q1’19: -TRY 33 Million:

- One-time retrospective payment regarding carbon emission quota acquisition = TRY 33 mn