

Financials (TRY mn)	1Q2017	4Q2017	1Q2018	YoY Growth	QoQ Growth
Revenue	592	655	701	18%	7%
Gross Profit	220	221	260	18%	18%
Gross Margin	37%	34%	37%		
EBIT	159	208	221	39%	6%
EBIT Margin	27%	32%	31%		
Adjusted EBIT*	157	168	187	19%	11%
Adjusted EBIT Margin*	27%	26%	27%		
Analyst EBIT**	129	122	150	16%	22%
Analyst EBIT Margin	22%	19%	21%		
EBITDA	191	243	256	33%	5%
EBITDA Margin	32%	37%	36%		
Adjusted EBITDA*	190	203	222	17%	9%
Adjusted EBITDA Margin*	32%	31%	32%		
Analyst EBITDA**	162	158	185	14%	17%
Analyst EBITDA Margin	27%	24%	26%		
Net Income	168	239	239	42%	0%
Net Margin	28%	36%	34%		
Capex	33	62	64	94%	4%
Capex/Sales	6%	9%	9%		
*Excl. non-recurring income/expense					
**Calculated by deducting the sum of COGS and OPEX from Revenues					

COMMENTS ON SODA SANAYİİ A.Ş. 1Q2018 CONSOLIDATED FINANCIAL STATEMENTS

Important Notice Regarding Accounting Policy Change:

Şişecam Group Companies were used to report third party logistic expenses by deducting from gross revenues. Starting from 4Q2017, these expenses are now booked under S&M expenses. Comments on the year-on-year changes in 1Q2018 financial results were derived from 1Q2017 restated results.

Based on company guidance; **79%** of the revenues were generated from international sales. International sales grew by **20%** on a y-o-y basis and their share in the company's consolidated revenues increased by **~140bps** thanks to the group's glass companies' continued strategy to procure part of their local soda ash needs from the local natural soda ash producer for the Turkish operations. Consequently, share of intra-group sales in total revenues declined from **17%** in 1Q2017 to **10%** in 1Q2018 and Soda Sanayii maintained its strategy to channel all those products to its international client portfolio.

As stated in 1Q2018 IFRS results; **73%** of the revenues were generated from the company's operations in Turkey while European operations accounted for the remaining **27%**.

66% of the revenues were generated from the sale of soda chemicals and other products whereas contribution of chromium chemicals business to the consolidated revenues was **29%**. Revenues generated from electricity sales corresponded to **5%** of 1Q2018 consolidated revenues (~**130bps** lower than the share recorded in the same period last year). It should be reminded that the decline in electricity revenues was a result of coal-fired steam boiler' introduction back in mid-December 2016, which enabled the company to use natural gas-fired cogeneration facility at 50% CUR, and obtain the full amount of steam needed for the soda ash production process by combining it with the use of coal-fired steam boiler.

Having become the sole shareholder of Oxyvit, after the acquisition of stakes held by Soda Sanayii changed the consolidation of Oxyvit operations from equity pick-up method to full consolidation, starting from July 1st 2017. Oxyvit's contributions to the topline and the gross profit have been reported under the chromium chemicals segment since the beginning of 3Q2017. In this quarter, Oxyvit's contribution to the company's topline was **3% (TRY 20,7mn)**. If the company's operations were categorized as an individual segment, chromium chemicals segments' share in consolidated revenues would decline to **27%**.

Revenues were **TRY 701mn**, up by **18%** on a y-o-y basis mainly as a result of sales volume growth seen in soda ash business, product price increases in chromium chemicals segment coupled with TRY depreciation. Compared with the same period of the prior year's results;

- Soda Sanayii's consolidated soda chemicals sales grew by **%8** in gross volume terms (**597K tons** in 1Q2018 vs. **553K tons** in 1Q2017). Meanwhile, average per ton prices increased by **7%** in USD terms as a result of the favorable sales mix and impact of EUR/USD parity. With the rise in sales volumes and improved average price/unit on top of the depreciation of TRY against hard currencies, Soda Sanayii recorded **18%** higher revenues from this business segment.
- The company recorded a **1% contraction** in gross chromium chemicals volume sales (**down from 41,1K tons to 40,8K tons**), while average per unit product prices continued to increase (by **14%** in USD terms on a y-o-y basis) as a consequence of the closure of Lanxess' chromium chemicals production capacities located in Argentina in 4Q2017. Combined with the domestic currency depreciation segment-specific revenues jumped by **23%**. Annual revenue growth would be **11%** excluding Oxyvit's contribution to the segment's topline.
- Electricity sales volume was **22%** lower (from **272mn kWh** to **212mn kWh**) due to the change in steam generation mix, meanwhile revenues generated from electricity sales were down by **6%** as TRY-based average electricity price per unit sold was up by **21%**.
- On average, USD appreciated by **3%** (USD/TRY up from **3,6928** to **3,8094**) and EUR by **19%** (EUR/TRY increased from **3,9331** to **4,6821**).

Cost of goods sold were **TRY 441mn**, up by **18%** on a y-o-y basis as a result of sales volume growth in soda chemicals segment but also due to the increase in natural gas and anthracite and chromite prices, which are the main inputs used to produce soda ash and chromium chemicals. Soda chemicals segment COGS increased by **17%** on a y-o-y basis whereas there was a **24%** rise on the chromium chemicals side (**15%** excluding **TRY 8mn** COGS in relation with Oxyvit). Thanks to the savings in soda ash production costs attained with the introduction of coal-fired steam boiler, and 100% capacity utilization rate attained under chromium chemicals segment of operations, Soda Sanayii managed to keep its consolidated COGS/Revenues ratio **flat** at **63%**.

TRY 260mn gross profit, generated by Soda Sanayii, pointed out to an **18%** y-o-y increase and led to a gross profit margin of **37%**, which is unchanged compared to the profitability recorded in 1Q2017). Soda Sanayii would have a gross profit of **TRY 247mn** (up by **12%** on a y-o-y basis) and a gross profit margin of **36%** if Oxyvit's results were not fully consolidated.

Gross profit generated by soda and other products segment increased by **16%** thanks to higher growth in segmental revenues compared to the rise in production costs. On the chromium chemicals segment, growth in COGS were **70bps** higher than the rise in revenues. Consequently, gross profit generated by chromium chemicals operations grew by **18%** on a y-o-y basis. Contribution of this segment to the consolidated gross

profit was **35%** (**120bps** higher than the share recorded in 1Q2017), leaving the rest attributable to the soda and other products segment. Excluding the impact of Oxyvit, chromium chemical segment's share in consolidated gross profit would be **31%** (vs. **33%** recorded in the same period of 2017).

Operating expenses recorded in this quarter were **21%** higher on a y-o-y basis (**TRY 110mn vs TRY 91mn**), mainly due to **33%** increase in S&M expenses resulting from accelerated marketing activities with a higher level of non-group sales volume under soda segment. OPEX/Revenues ratio stood at **16%** (vs. **15%** in 1Q2017) on the consolidated level.

Based on the financial reporting principles, FX gains and losses in relation with commercial receivables and debt are booked under "other operating income and expenses". In 1Q2018, Soda Sanayii's net other **income** from main operations was **TRY 18mn** compared to **TRY 25mn** recorded in 4Q2017. Based on average FX rates, on a q-o-q basis, TRY depreciated by **8%** against EUR and it remained nearly unchanged against USD. On the other hand, local currency depreciation against USD and EUR were **5%** and **8%**, based on period-end rates, respectively. FX rate fluctuations realized in a narrow band within the period resulted in a slightly lower level of net other income.

With the **5%** q-o-q rise in period-end USD/TRY rate, Soda Sanayii recorded **TRY 34mn** revaluation gain on its investment portfolio, which is composed of **TRY 582mn** equivalent USD-denominated long-term fixed income securities with semi-annual coupon payments and **5,684% effective interest rate**.

The company's share in profit/loss of associates were **TRY 19mn** in 1Q2018, down by **TRY 5mn** compared to the last year in the same period. Accordingly, Soda Sanayii's net income from investing activities including share in net profit of associates recorded at **TRY 53mn** (up by **TRY 27mn** compared to 1Q2017).

Excluding gain/loss on the fixed income securities investment in relation with 1Q of 2017 and 2018, one-off gains adjusted EBIT and EBITDA grew by **19%** and **17%** on a y-o-y basis and the profitability margins were flat. In the reporting period, EBIT was **TRY 187mn** and EBITDA was **TRY 222mn** and the margins were **27%** and **32%**, respectively.

Thanks to mainly the robust operational performance, in 1Q2018, the company recorded a net income of **TRY 239mn** (up by **42%** y-o-y) and net margin of **34%** versus **TRY 168mn** and **28%** seen in the same period last year.

Capital expenditures in relation with the period were recorded at **TRY 64mn**. The company spent **TRY 32mn** for its glass fiber investment while the rest were used for development and maintenance investments.

Compared to 2017 year-end, Soda Sanayii's USD-denominated net long position grew by **USD 39mn** (USD 34mn increase in total assets and USD 4mn decrease in total liabilities), meanwhile EUR-denominated net long position contracted by **EUR 4mn** (EUR 5mn decrease in total assets and EUR 1mn contraction in total liabilities). Accordingly, the company's net long FX position increased by **TRY 218mn** to **TRY 1,5bn** in 1Q2018.

Compared with 2017 year-end, Soda Sanayii's gross debt increased by **TRY 460mn** from **TRY 320mn** to **TRY 780mn** as a result of glass fiber investment. Cash&cash equivalents' balance (incl. financial investments and other receivables from related parties) were recorded at **TRY 1,7bn** (up by **TRY 325mn**). Consequently, the company had a net cash position of **TRY 904mn**, which was **TRY 135mn** lower on a q-o-q basis.

Important events during and after the reporting period:

As per the decision taken by Soda Sanayii BoD on April 10th 2018, the company, on the condition of using the same amount of external financing, will be acting as a guarantor for up to USD 50mn of USD 750mn debt instrument that Şişecam decided to issue.

New glass fiber investment, announced by Soda Sanayii in January 2017, will come online in the second half of 2018 as it was initially planned.

As of the beginning of 2018, Soda Lukavac plant's production capacity increased to 585K ton/year through operational improvement/efficiency.

Şişecam IR Team



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