

COMMENTS ON SODA SANAYİİ A.Ş. 1Q2019 CONSOLIDATED FINANCIAL STATEMENTS

Financials (TRY mn)	1Q2018	4Q2018	1Q2019	YoY Growth	QoQ Growth
Revenue	701	988	948	35%	-4%
Gross Profit	260	331	298	15%	-10%
Gross Margin	37%	34%	31%		
EBIT	221	62	261	18%	323%
EBIT Margin	31%	6%	28%		
Adjusted EBIT*	187	166	195	4%	17%
Adjusted EBIT Margin*	27%	17%	21%		
Analyst EBIT**	150	194	151	0%	-22%
Analyst EBIT Margin	21%	20%	16%		
EBITDA	256	101	310	21%	208%
EBITDA Margin	36%	10%	33%		
Adjusted EBITDA*	222	205	244	10%	19%
Adjusted EBITDA Margin*	32%	21%	26%		
Analyst EBITDA**	185	233	200	8%	-14%
Analyst EBITDA Margin	26%	24%	21%		
Net Income	239	82	285	19%	249%
Net Margin	34%	8%	30%		
Capex	64	294	94	46%	-68%
Capex/Sales	9%	30%	10%		
*Excl. non-recurring income/expense					
**Calculated by deducting the sum of COGS and OPEX from Revenues					

Important Notice:

With a change in the implementation of IFRS 16, accounting standard on leases, effective January 2019, total assets and total liabilities increased by TRY 29mn and TRY 32mn, respectively, while there was no material impact on P&L

Financial Highlights (1Q19 vs. 1Q18)

- **Revenues**, recorded at TRY 948mn, were up 35% (EUR 156mn, up by 4% in EUR terms), with;
 - **Soda Chemicals**: 4% increase in USD terms in average price/unit and 8% decline in sales volume
 - **Chromium Chemicals**: 1% increase in USD terms in average per unit price/unit and 17% decline sales volume
 - **Electricity**: 55% increase in TRY terms in average electricity price/unit and 9% increase in sales volume
 - **Oxyvit Plant**: 11% increase in revenues
 - **Sisecam Elyaf**: TRY 33mn incremental revenues

- **Gross profit** increased by 15% to TRY 298mn (EUR 49mn, down by 12% in EUR terms), with a margin of 31%
- **Adjusted EBITDA**, recorded at TRY 244mn, was up by 10% (EUR 40mn, down by 15% in EUR terms), with a margin of 26%
- **Net income** increased to TRY 285mn, up by 19% (EUR 47mn, down by 8%), with a margin of 30%
- **Capex**, recorded at TRY 94mn (EUR 15mn), corresponded to 10% of revenues
- **FCFE** was TRY 80mn in 1Q19

Operational Highlights (1Q19 vs. 1Q18)

- **Total soda ash production** was at 575K tons, down by 3%. Domestic production was flat whereas international production declined by 8%. Domestic facility's contribution to total soda chemicals output increased to 62% (up by 200bps) due to lower CUR in Soda Lukavac Plant, resulted from the scheduled coal fired-boiler maintenance program, completed at the end of 1Q19 as planned
- **Total soda ash sales volume**, recorded at 550K tons, was down by 8%; domestic sales remained unchanged whereas international sales declined by 11% mainly as a result of lower output combined with the high base impact of 2018 sales volume, which were inflated with pushed backward shipments, initially scheduled for the last quarter of 2017 but had to be delayed due to bad weather conditions
- **Total chromium chemicals production** was down by 22% due to lower CUR resulting from the scheduled equipment renewal investment in Kromsan Plant. Domestic facility's contribution to the total output stood at 97% (down by 1%).
- **Total chromium chemicals sales volume** declined by 17%; domestic sales grew by 8% whereas international sales decreased by 20%
- **Electricity** production was up by 1,5% while the sales volume increased by 9% to 231mn kWh
- **Oxyvit Plant** output and sales volume grew by 12% and 21%, respectively
- CUR level, recorded at **Sisecam Elyaf Plant**, was 45% based on the installed production capacity/quarter and expected to gradually increase throughout the year. Total glass fiber sales volume was 5,5K tons

Regional and Segmental Analysis of 1Q19 IFRS Results in Comparison with 1Q18 Results

- **Revenues generated through domestic sales**, having grown by 73%, corresponded to 27% of the consolidated topline figure (vs. 21%). **International sales** (including exports from Turkey) went up by 25%
- **Revenues stemming from sales to Sisecam Group Companies** stood at 14% (vs. 10%)
- **Hard currency breakdown of consolidated revenues and COGS** were 89% and 54%, respectively

1) Soda Chemicals, Energy and Other Segment;

- Segmental contribution to the consolidated topline figure recorded at **74%**, with **TRY 706mn** sales revenues (**up by 42%**)
- Excluding energy and glass fiber business units' contributions (TRY 93mn in total), fully generated in hard currency and equally split between USD and EUR, soda chemicals revenues grew by **32%** and reached **TRY 613mn**. Increase in average unit price/ton had partially offset the decline in sales volume
- Energy revenues increased by **69%** to **TRY 59mn**, thanks to mainly the rise in average price/kWh sold in TRY terms and higher sales volume. Energy business' share in consolidated revenues stood at **6%** (vs. 5%)
- Having generated **TRY 33mn** in revenues, newly introduced glass fiber business' contribution to the consolidated topline was **4%**
- **COGS** went up from **TRY 328mn** to **TRY 499mn**, by **52%**, mainly due to natural gas tariff hikes witnessed throughout 2018, lower CUR and local currency depreciation. Excluding higher COGS compared to revenues generated by the glass fiber business, the rise in segment-specific COGS was 40%

- **Gross profit**, recorded at **TRY 206mn**, was **up by 22%**, with a margin of **29%** (vs. **34%**), while its share in consolidated gross profit increased by **380bps** to 69%

2) Chromium Chemicals Segment:

- With revenues recorded at **TRY 242mn**, **up by 19%**, segments' contribution to the consolidated topline stood at **26%**
- Although 92% of the revenues were denominated in hard currency, growth in segmental revenues stayed behind the local currency depreciation due to flat average price/ton and lower sales volume
- Oxyvit's contribution to the segmental topline was **TRY 23mn**, up by **11%**
- **COGS** went up from **TRY 113mn** to **TRY 151mn**, by **33%**, mainly due to natural gas tariff hikes, local currency depreciation and inflated fixed costs/unit produced due to lower CUR. Excluding **TRY 13mn** COGS recorded by Oxyvit, segment-specific COGS grew by 31%
- **Gross profit**, recorded at **TRY 92mn**, was **up by 2%**, with a margin of **38%** (vs. **44%**), while its share in consolidated gross profit declined by **640bps** to 31%

P&L Analysis (1Q19 vs. 1Q18)

- **Revenues**, recorded at **TRY 948mn**, were **up by 35%**
- **Consolidated COGS** increased by **47%** to **TRY 650mn**
- **TRY 298mn** gross profit, up by **15%**, with a margin of **31%** (vs. **37%**)
- **Operating expenses** increased by **35%** to **TRY 148mn**, while OPEX/sales ratio was flat at **16%**. S&M expenses, having grown by **32%** in nominal terms, corresponded to 74% of the rise in OPEX, with rising logistic expenses mainly due to local currency depreciation and the revision in royalty fee rate, charged as a percentage of Sisecam Group Companies' revenues stemming from third party sales, to better align with global transfer pricing regulations
- **Net other income from operations** recorded at **TRY 25mn** (vs. **TRY 18mn**), with higher net FX gains on trade receivables and payables
- **Net income from investing activities** stood at **TRY 86mn** (vs. **TRY 53mn**) including the share in net income generated by associates and joint ventures and impairment losses in relation with IFRS 9 standards, out of which TRY 1mn booked as a gain on the provision for potential losses on Eurobond investments. With the **7%** q-o-q rise in period-end USD/TRY rate, Soda Sanayii recorded **TRY 66mn** as revaluation gains on its investment portfolio (incl. gain on provision for potential losses), which was composed of **TRY 812mn** equivalent USD-denominated fixed income securities with semi-annual coupon payments (effective interest rate: 5,684%).
- **Adjusted EBIT** (to one-off gains/losses and provision for potential losses on the fixed income securities investment) was **TRY 195mn** (**up by 4%**). Adjusted EBIT margin stood at **21%** (vs. **27%**)
- **Depreciation expenses**, recorded at **TRY 49mn**, were **up by 41%** and depreciation/sales ratio was flat at 5%.
- **Adjusted EBITDA** (to one-off gains/losses and provision for potential losses on the fixed income securities investment) increased by **10%** to **TRY 244mn**, and led to a margin of **26%** (vs. **32%**)

- **Net financial income** increased from **TRY 43mn** to **TRY 52mn**. Net interest income on issued bonds, bank loans and time deposits recorded at **TRY 2mn** (vs **TRY 4mn**). Incurred net FX gains stood at **TRY 59mn** (vs. **TRY 37mn**)
- **Tax expense**, recorded at **TRY 28mn** (vs. **TRY25mn**), with TRY 69mn tax expense in relation with the period and TRY 41mn deferred tax assets stemming from higher level of tax incentives with the completion of glass fiber investment
- **Net income** in relation with the period was **TRY 285mn** (vs. **TRY 239mn**), with a net margin **30%** (vs. **34%**).
- Sisecam issued Eurobonds with a coupon rate of 6,95% and maturity 2026 with an aggregate issue size of USD 700mn and Soda Sanayii acted as a guarantor for USD 47mn of the new issuance. Sisecam bought back USD 200mn of its 2013 Eurobonds, out of which USD 20mn was covered by Soda Sanayii. As a result, amount guaranteed by Soda Sanayii on Sisecam Eurobonds due 2020 and 2026 stands at USD 77mn, in total
- **Gross Debt** (incl. other payables to related parties) came in at TRY 1,7bn equivalent **USD 296mn** (vs. TRY 894mn equivalent **USD 170mn** as of 2018 year-end). USD denominated financial liabilities rose by USD 26mn, parallel to the new bond issuance and the buyback of existing notes. Other payables to related parties increased by TRY 520mn mostly in relation with the financing of glass fiber investment. TRY 99mn financial lease liabilities was recorded in accordance IFRS-16 standard
- **Cash&Cash Equivalents** (including fixed income securities investments and other receivables from related parties) stood at TRY 2,5bn equivalent **USD 445mn** (vs. TRY 2bn equivalent **USD 388mn**). USD 47mn cash inflow was booked with the new bond issuance
- **Net Cash** position was TRY 841mn equivalent **USD 149mn**, and Net Cash/Ebitda at **0,6x**
- **Net Long FX Position** was **TRY 2,3bn** (up by **TRY 281** compared to 2018 year-end balance);
 - **Net long USD** position of **USD 270mn**, up by **USD 15mn**
 - **Net long EUR** position of **EUR 125mn**, up by **EUR 16mn**
 - **Net long other currencies'** position of **TRY 17mn**, down by **TRY 28mn**
- **Capital Expenditures:** Soda Sanayii had a total capex of **TRY 94mn** (vs. **TRY 64mn**) mainly in relation with the glass fiber investment

Important Events during and after the Period

- Sisecam Elyaf Sanayii glass fiber plant became operational in January 2019
- At the AGM, Soda Sanayii decided to payout TRY 345mn cash dividends in gross terms (payout ratio 22%)
- Sisecam issued Eurobonds with an aggregate issue size of USD 700mn and USD 200mn Sisecam notes (USD 500 million with 2020 maturity) was purchased via a tender offer in March 1Q19
- On March 28, Collective Labor Union Agreement, covering the period of 01.01.2019 - 31.12.2021, was signed between Kristal-İş Union and Soda Sanayii for Şişecam Elyaf Sanayii glass fiber plant

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