

Financials (TRY mn)	3Q2016	2Q2017	3Q2017	YoY Growth	QoQ Growth	9M2016	9M2017	YoY Growth
Revenue	492	563	571	16%	1%	1.456	1.694	16%
Gross Profit	153	172	171	12%	-1%	429	531	24%
Gross Margin	31%	31%	30%			29%	31%	
EBIT	138	130	147	6%	13%	358	435	22%
EBIT Margin	28%	23%	26%			25%	26%	
Adjusted EBIT*	137	136	139	1%	2%	357	433	21%
Adjusted EBIT Margin*	28%	24%	24%			25%	26%	
Analyst EBIT**	113	113	116	3%	3%	301	358	19%
Analyst EBIT Margin	23%	20%	20%			21%	21%	
EBITDA	162	163	181	12%	11%	430	536	25%
EBITDA Margin	33%	29%	32%			30%	32%	
Adjusted EBITDA*	161	170	174	8%	2%	429	533	24%
Adjusted EBITDA Margin*	33%	30%	30%			29%	31%	
Analyst EBITDA**	136	146	150	11%	3%	372	458	23%
Analyst EBITDA Margin	28%	26%	26%			26%	27%	
Net Income	133	116	139	5%	20%	331	423	28%
Net Margin	27%	21%	24%			23%	25%	
Capex	49	20	18	-63%	-9%	135	71	-47%
Capex/Sales	10%	4%	3%			9%	4%	
*Excl. non-recurring income/expense								
**Calculated by deducting the sum of COGS and OPEX from Revenues								

COMMENTS ON SODA SANAYİİ A.Ş. 3Q2017 CONSOLIDATED FINANCIAL STATEMENTS

Based on company guidance; **74%** of the revenues were generated from international sales while the remaining **26%** were generated from domestic sales. International sales grew by **40%** on a y-o-y basis and their share in the company's consolidated revenues increased by **1.300bps** thanks to the group companies' decision to procure a portion 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 **28%** in 3Q2016 to **18%** in 3Q2017 and Soda Sanayii channeled all those products to its international client portfolio.

As stated in 3Q2017 IFRS results; **73%** of the revenues were generated from the company's operations in Turkey while European operations accounted for the remaining **27%**.

65% 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 **28%**. Revenues generated from electricity sales corresponded to **7%** of 3Q2017 consolidated revenues versus **14%** contribution recorded in the same period of 2016. 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. For this reason, electricity generation capacity usage decreased by almost half.

For a better y-o-y comparison, it is noteworthy to remind that Soda Sanayii acquired **55%** of Oxyvit Kimya Sanayii ve Ticaret A.Ş. through the acquisition of **5%** stake held by Şişecam and the acquisition of

Cheminvest Deri Kimyasalları Sanayii ve Ticaret A.Ş., which was a **50%** shareholder of Oxyvit. Upon the completion of those acquisitions, having become the sole shareholder of Oxyvit, Soda Sanayii changed the consolidation of Oxyvit operations from equity pick-up method to full consolidation, starting from July 1st 2017. Oxyvit's contribution to the topline and the profitability on the gross level was shown under the chromium chemicals segment since the beginning of 3Q2017.

Considering that Oxyvit's contribution to the company's topline was **3% (TRY 18,6mn)**, if the company's operations were categorized as an individual segment, chromium chemicals segments' share in consolidated revenues would decline to **24%**.

Net revenues were **TRY 571mn**, up by **16%** on a y-o-y basis mainly as a result of sales volume growth seen in chromium chemicals business and TRY depreciation. Compared with the same period of the prior year's results adjusted for the white sulfate sales (**TRY 5mn** in 3Q2016 and **TRY 6mn** in 3Q2017), which were used to be categorized as a revenue component of chromium chemicals in previous years and which are reported under soda business segment since the beginning of 2017;

- Soda Sanayii's consolidated soda chemicals sales decreased by **2%** in gross volume terms (from **578K tons** to **566K tons**). On the other hand, average per ton prices recorded under this segment contracted by only **1,5%** in USD terms. Annual price decline was significantly less than the contraction seen in 1H2017 as a result of the favorable sales mix coupled with the positive impact of EUR/USD parity. Despite volume and average unit price decreases, thanks to the depreciation of TRY against hard currencies, Soda Sanayii recorded **19%** higher revenues from this business segment.
- The company recorded a **12%** growth in gross chromium chemicals volume sales (**from 34K tons to 38K tons**), while average unit prices increased for BCS and sodium dichromate in USD terms especially following Lanxess' decision regarding the closure of its BCS and sodium dichromate capacities located in Argentina in 4Q2017. Combined with the domestic currency depreciation segment-specific revenues jumped by **41%** (**24%** excluding Oxyvit's contribution to the segment's topline).
- Electricity sales volume were **35%** lower (**from 447mn kWh to 292mn kWh**) due to the change in steam generation mix, meanwhile revenues generated from electricity sales were down by **37%** as TRY-based average electricity price per unit sold was down by **3%**.
- On average, USD appreciated by **19%** (USD/TRY up from **2,9561** to **3,5104**) and EUR by **25%** (EUR/TRY increased from **3,3013** to **4,1250**).

Cost of goods sold were **TRY 400mn**, up by **18%** on a y-o-y basis as a result of sales volume growth in chromium segment but also due to the increase in chromite and anthracite prices, which are the raw material used to produce chromium chemicals and soda ash, respectively. Soda chemicals segment COGS increased by **12%** on a y-o-y basis whereas there was a **41%** rise on the chromium chemicals side (**30%** excluding **TRY 8,5mn** COGS in relation with Oxyvit). Thanks to the savings in soda ash production costs attained with the introduction of coal-fired steam boiler, Soda Sanayii managed to keep COGS/Revenues ratio at **70%** (up by **~110 bps** y-o-y) on the consolidated level.

TRY 171mn gross profit, generated by Soda Sanayii, pointed out to a **12%** y-o-y increase and led to a gross profit margin of **30%** (vs. **31%** in 3Q2016). Excluding Oxyvit's **TRY 10mn** contribution to the consolidated figures, Soda Sanayii recorded **TRY 161mn** gross profit (up by **6%** on a y-o-y basis) and the gross profit margin was **29%**.

Gross profit generated by soda and other products segment increased by **7%** thanks to higher growth in segmental revenues compared to the rise in production costs. On the chromium chemicals segment, growth in revenues and COGS were in line. Consequently, gross profit generated by chromium chemicals operations grew by **24%** on a y-o-y basis. Contribution of this segment to the consolidated gross profit was **32%** (**~300bps** higher than the share recorded in 3Q2016), 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 was **26%**.

Operating expenses recorded in this quarter were **38%** higher on a y-o-y basis (**TRY 56mn vs TRY 40mn**), mainly as a consequence of escalated S&M expenses (**52%**) due to the acceleration in marketing activities with a higher non-group sales volume under soda segment. Changes in the transfer pricing policies in line with the amendments in OECD legislation effective 2017 and the low base impact of 3Q2016 G&A expenses, resulted from a one-time improvement seen in that period, ended in a **36%** annual growth in G&A expenses.

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 3Q2017, Soda Sanayii's net other **income** from main operations was **TRY 3mn** whereas the company recorded **TRY 4mn** net other **income** from main operations in 3Q2016. Based on average FX rates, on a q-o-q basis TRY appreciated by **2%** against USD and it depreciated by **5%** against EUR. On the other hand, TRY depreciation against USD and EUR were 1% and 5%, based on period-end rates, respectively. Low level of FX rate fluctuations within the period resulted in a slightly lower level of net other income.

Soda Sanayii continued to expand its investment portfolio by purchasing further **TRY 263mn** equivalent USD-denominated long-term fixed income securities with semi-annual coupon payments and consequently the portfolio's **effective interest rate** increased to **5,684%**. The company recorded **TRY 8mn** as revaluation gain on the fixed income securities, which is the sum of coupon payments received to its account until the reporting date and discounted value of future coupon payments and face values of the Eurobonds excluding the revaluation gains recorded in the previous periods. A period-end USD/TRY rate higher than both the average rate recorded within the period and the period-end FX rate of 1H2017 enabled the company to generate revaluation gains on its fixed income securities investments.

The company's share in profit/loss of associates were **TRY 20mn** in 3Q2017, down by **TRY 1mn** 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 increased from **TRY 22mn** in 3Q2016 to **TRY 28mn** in 3Q2017.

Excluding gain/loss on the fixed income securities investment in relation with 3Q of both 2016 and 2017, one-off gains adjusted EBIT related to the period was **TRY 139mn** and EBITDA was **TRY 174mn** while the margins were **24% (vs. 28% in 3Q2016)** and **30% (vs. 33% in 3Q2016)**, respectively.

In 3Q2017, the company recorded a net income of **TRY 139mn** (up by **5%** y-o-y) and net margin of **24%** versus **TRY 133mn** and **27%** seen in the same period last year.

Compared to 2016 year-end, Soda Sanayii's USD-denominated net long position grew by **USD 99mn** (USD 93mn increase in total assets and USD 6mn decrease in total liabilities), meanwhile EUR-denominated net long position contracted by **EUR 34mn** (EUR 33mn decrease in total assets and EUR 1mn increase in total liabilities). Accordingly, the company's net long FX position increased by **TRY 267mn** to **TRY 1,1bn** in 3Q2017.

Capital expenditures recorded by the company in 3Q2017 was **TRY 18mn**.

Compared with 2Q2017, Soda Sanayii's gross debt contracted by **TRY 10mn** from **TRY 406mn** to **TRY 397mn**. Cash&cash equivalents' balance (incl. financial investments and other receivables from related parties) increased by **TRY 179mn** to **TRY 1,3mn**. Consequently, the company recorded a net cash position of **TRY 890mn**, which is **TRY 189mn** higher compared to 1H2017-end.

Important events during and after the reporting period:

Based on a resolution taken by the BoD on July 25th, Soda Sanayii acquired Cheminvest Deri Kimyasalları Sanayii ve Ticaret A.Ş., which owned 50% of Oxyvit Kimya Sanayii ve Ticaret A.Ş. Upon this

acquisition, Soda Sanayii's share in Oxyvit increased to 95%. Soda Sanayii acquired the remaining 5% of Oxyvit from Şişecam on July 31.

Republic of Turkey Ministry of Economy announced the decision to grant TRY 330mn-investment incentive to Şişecam Elyaf Sanayii A.Ş. as a result of the company's glass fiber investment's inclusion in the list of strategic investments.

Şişecam IR Team



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