

Financials (TRY mn)	4Q2016	4Q2017	YoY Growth	2016	2017	YoY Growth
Revenue	550	655	19%	2.068	2.451	19%
Gross Profit	182	221	21%	673	854	27%
Gross Margin	33%	34%		33%	35%	
EBIT	173	208	20%	531	643	21%
EBIT Margin	31%	32%		26%	26%	
Adjusted EBIT*	160	168	5%	518	601	16%
Adjusted EBIT Margin*	29%	26%		25%	24%	
Analyst EBIT**	115	122	6%	416	480	15%
Analyst EBIT Margin	21%	19%		20%	20%	
EBITDA	200	243	22%	629	779	24%
EBITDA Margin	36%	37%		30%	32%	
Adjusted EBITDA*	187	203	8%	616	736	20%
Adjusted EBITDA Margin*	34%	31%		30%	30%	
Analyst EBITDA**	142	158	11%	514	616	20%
Analyst EBITDA Margin	26%	24%		25%	25%	
Net Income	246	239	-3%	577	662	15%
Net Margin	45%	36%		28%	27%	
Capex	35	62	78%	170	133	-22%
Capex/Sales	6%	9%		8%	5%	
*Excl. non-recurring income/expense						
**Calculated by deducting the sum of COGS and OPEX from Revenues						

## COMMENTS ON SODA SANAYİİ A.Ş. 4Q2017 CONSOLIDATED FINANCIAL STATEMENTS

### Important Notice Regarding Accounting Policy Change:

Şişecam Group Companies were reporting third party logistic expenses by deducting from gross revenues. Starting from 4Q2017, these expenses are now booked under S&M expenses. 2017 and 2016 year-end financial statements were restated accordingly.

Comments on 4Q2017 financial results were based on restated quarterly results.

Based on company guidance; **77%** of the revenues were generated from international sales while the remaining **23%** were generated from domestic sales. International sales grew by **50%** on a y-o-y basis and their share in the company's consolidated revenues increased by **1.600bps** thanks to the group's glass 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 **29%** in 4Q2016 to **15%** in 4Q2017 and Soda Sanayii channeled all those products to its international client portfolio.

**As stated in 4Q2017 IFRS results; 71%** of the revenues were generated from the company's operations in Turkey while European operations accounted for the remaining **29%**.

**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 **6%** of 4Q2017 consolidated revenues versus **13%** 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 significantly.

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 1<sup>st</sup> 2017. Oxyvit's contributions to the topline and the gross profit have been reported under the chromium chemicals segment since the beginning of 3Q2017.

Considering that Oxyvit's contribution to the company's topline was **4% (TRY 24,2mn)**, if the company's operations were categorized as an individual segment, chromium chemicals segments' share in consolidated revenues would decline to **26%**.

Revenues were **TRY 655mn**, up by **19%** 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 6mn** in 4Q2016 and **TRY 8mn** in 4Q2017), which were categorized as a revenue component of chromium chemicals in previous years and which have been reported under soda business segment since the beginning of 2017;

- Soda Sanayii's consolidated soda chemicals sales remained **flat** in gross volume terms (**568K tons** in 4Q2017 vs. **567K tons** in 4Q2016). Meanwhile, average per ton prices remained rigid as a result of the favorable sales mix and impact of EUR/USD parity. Despite flat volume sales and stable average price/unit, thanks to the depreciation of TRY against hard currencies, Soda Sanayii recorded **21%** higher revenues from this business segment.
- The company recorded a **5%** growth in gross chromium chemicals volume sales (**from 38K tons to 39K tons**), while sodium dichromate average price/unit increased on a y-o-y basis in USD terms especially following the closure of Lanxess' chromium chemicals production capacities located in Argentina in 4Q2017. Combined with the domestic currency depreciation segment-specific revenues jumped by **52%** (**32%** excluding Oxyvit's contribution to the segment's topline).
- Electricity sales volume were **42%** lower (**from 467mn kWh to 270mn kWh**) due to the change in steam generation mix, meanwhile revenues generated from electricity sales were down by **46%** as TRY-based average electricity price per unit sold was down by **7%**.
- On average, USD appreciated by **16%** (USD/TRY up from **3,2771** to **3,7963**) and EUR by **26%** (EUR/TRY increased from **3,5358** to **4,4707**).

Cost of goods sold were **TRY 434mn**, 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 natural gas and anthracite prices, which are main inputs used to produce soda ash. Soda chemicals segment COGS increased by **12%** on a y-o-y basis whereas there was a **44%** rise on the chromium chemicals side (**30%** excluding **TRY 10,5mn** 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 **66%** (down by **~50 bps** y-o-y) on the consolidated level.

**TRY 221mn** gross profit, generated by Soda Sanayii, pointed out to a **21%** y-o-y increase and led to a gross profit margin of **34%** (vs. **33%** in 4Q2016). Excluding Oxyvit's **TRY 14mn** contribution to the consolidated figures, Soda Sanayii recorded **TRY 207mn** gross profit (up by **13%** on a y-o-y basis) and the gross profit margin was **33%**.

Gross profit generated by soda and other products segment increased by **5%** thanks to higher growth in segmental revenues compared to the rise in production costs. On the chromium chemicals segment, growth in COGS were **800bps** less than the rise in revenues. Consequently, gross profit generated by chromium chemicals operations grew by **66%** on a y-o-y basis. Contribution of this segment to the consolidated gross profit was **35%** (**~600bps** higher than the share recorded in 4Q2016), 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 **31%**.

Operating expenses recorded in this quarter were **46%** higher on a y-o-y basis (**TRY 98mn vs TRY 67mn**), mainly due to escalated S&M expenses (**67%**) due to the acceleration in marketing activities with a higher non-group sales volume under soda segment. Reported increase in G&A expenses, up by **11%**, was in line with the inflation rate. OPEX/Revenues ratio stood at **15%** (vs. **12%** in 4Q2017) 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 4Q2017, Soda Sanayii's net other **income** from main operations was **TRY 25mn** compared to **TRY 26mn** recorded last year in the same period. Based on average FX rates, on a q-o-q basis TRY appreciated by **8%** against both USD and EUR. On the other hand, TRY depreciation against USD and EUR were **6%** 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.

Soda Sanayii recorded **TRY 40mn** as revaluation gain on its investment portfolio, which is composed of **TRY 552mn** equivalent USD-denominated long-term fixed income securities with semi-annual coupon payments and **5,684% effective interest rate**. Revaluation gain on fixed income securities is calculated as the sum of coupon payments collected 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. **6%** q-o-q rise in period-end USD/TRY rate 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 4Q2017, up by **TRY 0,7mn** 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 32mn** in 4Q2016 to **TRY 60mn** in 4Q2017.

Excluding gain/loss on the fixed income securities investment in relation with 4Q of both 2016 and 2017, one-off gains adjusted EBIT related to the period was **TRY 168mn** and EBITDA was **TRY 203mn** while the margins were **26%** (vs. **29%** in 4Q2016) and **31%** (vs. **34%** in 4Q2016), respectively.

In 4Q2017, the company recorded a net income of **TRY 239mn** (down by **3%** y-o-y) and net margin of **36%** versus **TRY 246mn** and **45%** seen in the same period last year. Decline in net income was a result of **TRY58mn** contraction in net financial income (**TRY 32mn** in 4Q2017 vs. **TRY 91mn** in 4Q2016). Lower level of increase in period-end FX rates on a q-o-q basis (**6%** in USD/TL and **8%** in EUR/TL in 4Q2017 vs. **17%** and **10%** in 4Q2016) limited the company's net FX gains and in turn its net financial income.

Compared to 2016 year-end, Soda Sanayii's USD-denominated net long position grew by **USD 94mn** (USD 92mn increase in total assets and USD 2mn decrease in total liabilities), meanwhile EUR-denominated net long position contracted by **EUR 4mn** (EUR 3mn decrease in total assets and EUR 1mn increase in total liabilities). Accordingly, the company's net long FX position increased by **TRY 454mn** to **TRY 1,3bn** in 4Q2017.

Capital expenditures recorded by the company in 4Q2017 was **TRY 62mn**.

Compared with 4Q2017, Soda Sanayii's gross debt contracted by **TRY 77mn** from **TRY 397mn** to **TRY 320mn**. Cash&cash equivalents' balance (incl. financial investments and other receivables from related parties) increased by **TRY 73mn** to **TRY 1,4bn**. Consequently, the company has a net cash position of **TRY 1bn**, which is **TRY 150mn** higher compared to 9M2017-end.

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