

Financials (TRY mn)	3Q2015	2Q2016	3Q2016	YoY Growth	QoQ Growth
Revenue	462	488	492	6%	1%
Gross Profit	129	143	153	19%	6%
Gross Margin	28%	29%	31%		
EBIT	125	114	138	11%	22%
EBIT Margin	27%	23%	28%		
Adjusted EBIT*	124	114	138	11%	22%
Adjusted EBIT Margin*	27%	23%	28%		
Analyst EBIT**	90	96	113	26%	17%
Analyst EBIT Margin	19%	20%	23%		
EBITDA	148	137	162	9%	18%
EBITDA Margin	32%	28%	33%		
Adjusted EBITDA*	147	137	162	10%	18%
Adjusted EBITDA Margin*	32%	28%	33%		
Analyst EBITDA**	113	119	136	21%	14%
Analyst EBITDA Margin	24%	24%	28%		
Net Income	164	111	133	-19%	19%
Net Income Margin	35%	23%	27%		
Adjusted Net Income*	163	111	133	-19%	19%
Adjusted Net Margin*	35%	23%	27%		
Capex	74	58	49	-34%	-15%
Capex/Sales	16%	12%	10%		
*Excluding non-recurring income from subsidiary & asset sales					
**Excluding other income/expense from operations, investing activities, investments in associates and joint ventures					

COMMENTS ON SODA SANAYİİ A.Ş. 3Q2016 CONSOLIDATED FINANCIAL STATEMENTS

Based on company guidance; **61%** of the revenues were generated from international sales while the remaining **39%** were generated from domestic sales.

As stated in 3Q2016 IFRS results; 78% of the revenues were generated from the company's operations in Turkey while European operations generated the remaining **22%**.

63% of the revenues were generated from the sale of soda chemicals and other products whereas contribution of chromium chemical business to the consolidated revenues was **24%**. Revenues generated from electricity sales accounted for the remaining **13%**.

Net revenues were **TRY 492mn**, up by **6%** on a y-o-y basis mainly as a result of sales volume growth seen in soda chemicals business and TRY depreciation. Compared with the same period of the prior year;

- Soda Sanayii increased its consolidated soda chemicals sales by **12%** in volume terms, which translated into **17%** higher revenues from this business segment coupled with the impact of TL depreciation.
- The company experienced a **4%** contraction in chromium sales, while revenues generated from the segment declined by **10%** due to USD-based average unit price decrease.
- Electricity sales volume growth was **9% (up from 412mn kWh to 447mn kWh)**, however the revenues were down by **6%** due to **13%** decrease in TRY-based average electricity price per unit sold.
- Both USD and EUR appreciated by **4%** on average against Turkish Lira (**USD/TRY increased from 2,8459 to 2,9561 and EUR/TRY increased from 3,1695 to 3,3013**).

Cost of goods sold were **TRY 339mn**, up by **2%** on a y-o-y basis, and accordingly ratio of cost of goods sold to revenues came down from **72%** seen in 3Q2015 to **69%** as a result of the decline in major raw material costs such as anthracite, chromite and natural gas. In an environment where foreign currency denominated costs were significantly declining, single digit depreciation of TRY against USD enabled the company to keep most of the positive impact on its currency translated financials.

TRY 153mn gross profit generated by Soda Sanayii, pointed out a **19%** y-o-y increase and ending up in a gross profit margin of **31%**, which was **320 bps** above 3Q2015 gross profit margin.

Compared with the same period of 2015, gross profit generated from soda and other products grew by **30%** thanks to a) increase in revenues, b) decline in raw material costs. On the other hand, due to the contraction seen in revenues from chromium chemicals, there was a **7%** decline in the gross profit generated from the segment. Accordingly, contribution of soda chemicals and other products sales to the company's consolidated gross profit was **70% (up from 63%)**, while chromium segment accounted for **30% (down from 37%) of the consolidated gross profit**.

Operating expenses recorded in this quarter were **3%** higher than the expenses seen in the same period of the last year (**TRY 40mn vs TRY 39mn**). Percentage of the operating expense to net sales was kept at **8%**. Ratio of R&D and S&M expenses to revenues were **slightly above** the levels seen in 3Q2015, while there was a **120 bps** improvement in the ratio of G&A expenses to revenues.

Based on the financial reporting principles, FX gains and losses in relation with the operations are booked under "other operating income and expenses". In 3Q2016, Soda Sanayii's net other income from main operations was **TRY 4mn** whereas the company recorded **TRY 20mn** net other income in the same period of 2015. Y-o-Y devaluation of TRY against USD was **32%** in 3Q2015, while the currency depreciated by **4%** in 3Q2016. Similarly, TRY depreciated by **11%** against EUR on a y-o-y basis in 3Q2015, while it depreciated by **4%** in 3Q2016. Accordingly the company experienced a contraction in net other income.

In 3Q2016, Soda Sanayii purchased **TRY 59mn** equivalent USD-denominated long-term fixed income securities with **effective rate of 5,44% and semi-annual coupon payments**. The company recorded **TRY 1mn** as revaluation gain on the fixed income securities. The company's share in profit/loss of associates were **TRY 21mn** in 3Q2016, up from **TRY 15mn** last year in the same period. Accordingly, the company's net income from investing activities including share in net profit of associates increased to **TRY 22mn**.

Soda Sanayii's operational performance enabled the company to achieve highest profitability levels seen in the last 5 years. EBIT related to the period was **TRY 138mn** and EBITDA was **TRY 162** while the margins were **28% (up from 27% in 3Q2015)** and **33% (up from 32% in 3Q2015)**, respectively.

Soda Sanayii had no one-off gains/losses recorded in 3Q2016 while there was a **TRY 0,4mn** non-recurring income booked for the sale of Denizli Cam shares last year in the same period. But it is noteworthy that the mentioned share sale had less than **10 bps** impact on the profitability margins recorded at that time.

Soda Sanayii had a net financial income of **TRY 18mn** in 3Q2016 compared with **TRY 73mn** recorded last year in the same period as a result of lower FX gains due to USD/TRY rate which increased at a significantly slower pace compared to y-o-y local currency depreciation recorded in 3Q2015.

In 3Q2016, the company recorded a net income of **TRY 133mn** and net margin of **27%** versus **TRY 164mn** and **35%** seen in the same period last year due to lower net foreign currency exchange gains.

In 3Q2016 on a y-o-y comparison, Soda Sanayii's USD-denominated net long position decreased by **USD 53mn**, meanwhile EUR-denominated net asset position grew by **EUR 25mn**. Accordingly, the company's net long FX position decreased to **TRY 713mn** at the end of 3Q2016 from **TRY 800mn** at the end of 3Q2015.

Soda Sanayii had a total capital expenditure of **TRY 49mn** in 3Q2016 for capacity expansion and operational efficiency investments. The company's total capital expenditures were **TRY 74mn** in 3Q2015.

Soda Sanayii's gross debt decreased by **TRY 61mn** from **TRY 358mn** in 3Q2015 to **TRY 297mn** whereas there was a **TRY 120mn** decline in its cash&cash equivalents' balance. Accordingly, the company's net cash of **TRY 523mn** at the end of 3Q2015 decreased to **TRY 475mn** as of 3Q2016.

Soda Sanayii's new boiler investment continues as planned and it is expected to be completed until 2016 year-end.

Şişecam IR Team



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