

Financials (TRY mn)	1Q2016	4Q2016	1Q2017	YoY Growth	QoQ Growth
Revenue	476	527	559	17%	6%
Gross Profit	132	160	187	41%	17%
Gross Margin	28%	30%	33%		
EBIT	106	173	159	50%	-8%
EBIT Margin	22%	33%	28%		
Adjusted EBIT*	106	160	157	48%	-2%
Adjusted EBIT Margin	22%	30%	28%		
Analyst EBIT**	92	115	129	41%	12%
Analyst EBIT Margin	19%	22%	23%		
EBITDA	131	200	191	46%	-4%
EBITDA Margin	28%	38%	34%		
Adjusted EBITDA*	131	187	190	45%	2%
Adjusted EBITDA Margin	28%	35%	34%		
Analyst EBITDA**	117	142	162	38%	14%
Analyst EBITDA Margin	25%	27%	29%		
Net Income	87	246	168	93%	-32%
Net Margin	18%	47%	30%		
Capex	29	35	33	16%	-5%
Capex/Sales	6%	7%	6%		
*Excl. non-recurring income/expense					
**Calculated by deducting COGS and OPEX from Revenues					

## COMMENTS ON SODA SANAYİİ A.Ş. 1Q2017 CONSOLIDATED FINANCIAL STATEMENTS

Based on company guidance; **77%** of the revenues were generated from international sales while the remaining **23%** were generated from domestic sales. A **24%** growth was recorded in the share of international sales in the company's consolidated revenues thanks to the group companies' decision to procure some portion of their local soda ash needs from the local natural soda ash producer. Consequently, percentage of intra-group sales in total revenues declined from **30%** in 1Q2016 to **18%** in 1Q2017 and Soda Sanayii channeled all those products to its international client portfolio.

**As stated in 1Q2017 IFRS results; 75%** of the revenues were generated from the company's operations in Turkey while European operations accounted for the remaining **25%**.

**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 declined from its 1Q2016 contribution of **14% to 7%** this year following the introduction coal-fired steam boiler. The new boiler configuration enabled the company to use natural gas-fired cogeneration facility at 50% CUR, combined with the use of coal-fired steam boiler in order to obtain the full amount of steam needed for the soda ash production process. For this reason, electricity generation capacity and electricity selling capability of the company decreased by half.

Net revenues were **TRY 559mn**, up by **17%** on a y-o-y basis mainly as a result of sales volume growth seen in soda and chromium chemicals business and TRY depreciation. Starting from 2017, white sulfate sales (**TRY 5mn**), which had been treated as a revenue component of chromium chemicals in previous years, are now being booked under soda business segment. The rationale behind this categorization change is the fact that the product has been marketed and sold by soda chemicals S&M team mainly to soda customers. For the sake of having a fair and apple-to-apple comparison, below given conclusions regarding segmental breakdown of revenues are derived from a modified set of data where white sulfate sales have always been categorized under soda segment. Compared with the same period of the prior year;

- Soda Sanayii increased its consolidated soda chemicals sales by **4%** in gross volume terms (from **532K tons to 553K tons**). On the other hand, average per ton prices recorded under this segment contracted by **6%** in USD terms due to suppressed soda ash pricing environment based on the expectations regarding local natural soda producer's both capacity expansion of its operational mine and new capacity introduction in Kazan mine to come online within 2017. On these grounds and due to the depreciation of TRY against hard currencies, Soda Sanayii recorded **25%** higher revenues from this business segment on a y-o-y basis.
- The company experienced a **12%** growth in gross chromium chemicals volume sales (**from 37K tons to 41K tons**), while average price contracted by 4%-7% per product categories in USD terms. Combined with the domestic currency depreciation segment-specific revenues jumped **by 34%**.
- Electricity sales volume were **44%** lower (**from 489mn kWh to 272mn kWh**) due to the change in steam generation mix, meanwhile revenues generated from electricity sales were down by **45%** as TRY-based average electricity price per unit sold was down by **1%**.
- USD appreciated by **26%** on average bringing USD/TRY up from **2,9409 to 3,6928** and EUR appreciated by **21%** (EUR/TRY increased from **3,2420 to 3,9331**).

Cost of goods sold were **TRY 373mn**, up by **8%** on a y-o-y basis as a result of sales volume growth in both segments. Thanks to the company's hard currency linked revenues and evenly split hard & local currency cost structure, coupled with the savings in soda ash production costs as a result of the introduction of coal-fired steam boiler, COGS/Revenues ratio came down from **72%** in 1Q2016 to **67%**.

**TRY 187mn** gross profit generated by Soda Sanayii, pointed out to a **41%** y-o-y increase and ending up in a gross profit margin of **33% up from 28%** recorded last year in the same period.

Gross profit generated by soda and other products segment grew by **39%** thanks to the significant decline in soda ash production cost and the rise in segmental revenues. On the chromium segment, growth in COGS lagged behind the rise in revenues thanks to the hard currency linked revenue and local currency costs structure of this segment. Consequently, gross profit generated by chromium chemicals operations grew by **45%** on a y-o-y basis. Accordingly, contribution of soda chemicals and other products segment to the consolidated gross profit decreased by 100 bps to **64%**, while chromium segment's share increased from **35%** to **36%**.

Operating expenses recorded in this quarter were **42%** higher than the expenses seen in the same period of 2016 (**TRY 58mn vs TRY 41mn**) due to the increase in G&A expenses as a result of royalty payment implementation started in 2017 in line with restructured transfer pricing policies and S&M expenses as Soda

Sanayii is now required to make more non-group sales under soda segment. OPEX/Revenues ratio recorded for the period was **10,3%** up from **8,5%** seen in 1Q2016.

Based on the financial reporting principles, FX gains and losses in relation with the operations are booked under "other operating income and expenses". In 1Q2017, Soda Sanayii's net other **income** from main operations was **TRY 3 mn** whereas the company recorded **TRY 3mn** net other **expense** from main operations in 1Q2016. Based on average FX rates, q-o-q devaluation of TRY against USD and EUR were 13% and 11%, respectively. On the other hand, TRY depreciated by 3% against USD and 5% against EUR based on period-end rates. Higher level of FX rate fluctuation within the period translated into higher net other income.

Soda Sanayii continued to expand its investment portfolio by purchasing further **TRY 156mn** equivalent USD-denominated long-term fixed income securities with semi-annual coupon payments and consequently the portfolio's **effective interest rate** increased to **5,967%**. The company recorded **TRY 1,3mn** 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. The company's share in profit/loss of associates were **TRY 25mn** in 1Q2017, up from **TRY 17mn** 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 17mn** in 1Q2016 to **TRY 26mn** in 1Q2017.

Even in an environment of depressed product prices for the company's main operating area, Soda Sanayii was able to improve its operational performance thanks its continuous focus in increasing efficiency. Adjusted EBIT related to the period was **TRY 157mn** and EBITDA was **TRY 190mn** while the margins were **28% (up from 22% in 1Q2016)** and **34% (up from 28% in 1Q2016)**, respectively.

Soda Sanayii had a net financial income of **TRY 41mn** in 1Q2017 compared with **TRY 12mn** net financial losses recorded last year in the same period thanks to both increase in foreign currency deposits and rising FX rates.

In 1Q2017, the company recorded a net income of **TRY 168mn** and net margin of **30%** versus **TRY 87mn** and **18%** seen in the same period last year. On the other hand, on a q-o-q basis, Soda Sanayii 's net income contracted by **32%** due to the fact that it booked lower net foreign currency exchange income as the change in period beginning and ending USD/TRY rate was **3%** in 1Q2017 while it was **17%** in 4Q2016.

Compared to 2016 year-end, Soda Sanayii's USD-denominated net long position grew by **USD 19mn** (USD 15mn increase in total assets and USD 4mn decrease in total liabilities), meanwhile EUR-denominated net long position contracted by **EUR 13mn** (EUR 15mn and EUR 2mn decreases respectively in total assets and in total liabilities). Accordingly, the company's net long FX position increased by **TRY 53mn** to **TRY 902mn** in 1Q2017.

Capital expenditures recorded by the company in the first three month of 2017 was **TRY 33mn**.

Soda Sanayii's gross debt increased by **TRY 164mn** from **TRY 384mn** in 4Q2016 to **TRY 548mn** mainly due to the rise in other payables to shareholders in relation with the cash dividend payables. Cash&cash equivalents' balance increased by **TRY 98mn** to **TRY 1.213mn**. Consequently, the company recorded a net cash of **TRY 666mn**, which is **TRY 66mn** lower than it was at the end of 2016.

#### Important events during the reporting period;

In January 2017, Soda Sanayii announced its fiber glass industry investment decision through a newly-established fully-owned subsidiary.

At the Ordinary General Assembly that took place in March 2017, it was decided to distribute TRY 200mn cash dividend and TRY 77mn bonus shares on the company's 2016 net profit.

Soda Sanayii's local rival's, Eti Soda, capacity expansion of 500K tons in its Beypazarı mine came online in the beginning of March.

Şişecam IR Team



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