

SODA SANAYİİ A.Ş.

PERIOD BETWEEN JANUARY 1st - MARCH 31st, 2014

INTERIM PERIOD ACTIVITY REPORT

1. General Information

Company's Headquarters Address and Contact Information

The company is registered in Turkey, and the relevant contact information is presented below.

İş Kuleleri Kule 3, Kat.15-16-17 34330 4. Levent- Besiktas/ Istanbul/Turkey

Phone: + 90 (212) 350 50 50

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<http://www.sodakrom.com>

Company's Trade Registration Information

Trade registry office: Istanbul Trade Registry Office

Registration No: 495852/443434

Mersis (Central Registration System) No (Centre): 8691-5386-1595-7812

2. The Sector, in which the Group operates

The Company has been established on October 16th, 1969 and has been registered in Istanbul/Turkey pursuant to the provisions of the Turkish Commercial Code. The Company's stocks are traded in Borsa Istanbul A.S (BIAS), which is formerly known as Istanbul Stock Exchange ("IMKB"), since 2000. The Company's main partner and the ultimate main partner are T.Şişe ve Cam Fabrikaları A.Ş. and Türkiye İş Bankası A.Ş., respectively.

The Group's fields of activity is to establish plants for production of products containing light soda ash, heavy soda ash, sodium bicarbonate, sodium bichromate, sodium sulphide, basic chromium sulphate, chromic acid and other kinds of soda-chromium derivatives and containing soda-chromium and; to participate in such plants and, to perform all kinds of importation and exportation activities relevant to its fields of activity and, to manufacture heavy machinery, to establish plants in order to generate electrical energy and to perform sales of such generated electrical energy and other by-products.

Soda Sanayii Group ("the Group") consists of the parent company, Soda Sanayii A.S. ("the Company") and 6 affiliate companies, 1 subsidiary and 1 business partnership.

The companies included in the consolidation

The fields of activity of the companies that are included in the consolidation are presented below.

<u>Affiliate Companies</u>	<u>Field of Activity</u>	<u>Country of Registry</u>
Şişecam Soda Lukavac d.o.o.	Production and selling of the soda	Bosnia Herzegovina
Asmaş Ağır San. Mak. A.Ş.	Manufacturing and selling of the heavy industrial machines	Turkey
Şişecam Bulgaria Ltd.	Trading of soda product	Bulgaria
Dost Gaz Depolama A.Ş.	Storing of natural gas	Turkey
Cromital S.p.A.	Chromium derivatives	Italy
Şişecam Chem Investment BV	Financing and investment company	Holland
<u>Business Partnership</u>	<u>Field of Activity</u>	<u>Country of Registry</u>
Oxyvit Kimya San. Ve Tic. A.Ş.	Vitamin-K producer and seller	Turkey
<u>Subsidiaries</u>	<u>Field of Activity</u>	<u>Country of Registry</u>
Solvay Şişecam Holding AG	Financing and investment company	Austria

3. Company's Capital and Partnership Structure

Our Company's partnership structure is as follows and; there is no real person ultimate controlling shareholder among our company partners.

<u>Partners</u>	<u>Share Amount TRY</u>	<u>Share Rate %</u>
T. Şişe ve Cam Fabrikaları A.Ş.	278.750.219,24	61,00
Anadolu Cam Sanayii. A.Ş.	81.959.547,60	17,93
Trakya Cam Sanayii A.Ş.	48.970.475,97	10,72
Cam iş Madencilik A.Ş.	120.224,17	0,03
Denizli Cam Sanayii ve Ticaret A.Ş.	113.793,98	0,02
Other	47.085.740,04	10,30
Total	457.000.000,00	100,00

4. Assigned Members in the Board of Directors and Committees

The Board of Directors

<u>Full Name</u>	<u>Position</u>
Tahsin Burhan Ergene	Chairman of the Board
Soner Benli	Vice Chairman
Zeynep Hansu Uçar	Member
Cihan Sırmatel	Member
Halil Ercüment Erdem	Independent Member
Üzeyir Baysal	Independent Member

The members of the Board have been elected to hold office for three (3) years in the Ordinary General Assembly Meeting dated May 24th, 2012, registered on May 28th, 2012, and announced in the Trade Registry Gazette on June 1st, 2012.

The Committees Comprising the Board of Directors

As per the provisions of the Corporate Governance Communiqué serial II and number 17.1 as released by the Capital Markets Board, the committees comprised and members assigned in the committee are presented as follows:

The Audit Committee and Independent Members

Chairman : Üzeyir Baysal
Member : Halil Ercüment Erdem

The Corporate Governance Committee

Chairman : Halil Ercüment Erdem
Member : Üzeyir Baysal
Member : Zeynep Hansu Uçar
Member : Cihan Sırmatel

The Early Detection of Risk Committee

Chairman : Üzeyir Baysal
Member : Halil Ercüment Erdem
Member : Zeynep Hansu Uçar

The Powers and Limits of the Members of the Board of Directors

The powers of the Chairman and Members of the Board of Directors are set out in the Article 13 of the Articles of Association and the relevant articles of the Turkish Commercial Code.

5. Top Executives

Name and Surname	Title
Tahsin Burhan Ergene	Chairman of the Chemicals Group
Hidayet Özdemir	Vice Chairman of Production
Cenk Nuri Soyer	Vice Chairman of Marketing and Sales
Cihan Sırmatel	Director of Financial Affairs
Kevser İnceler	Director of Planning
İmran Eroğul	Director of Human Resources
Mehmet Gürbüz	Soda Sanayii A.Ş.-General Manager
İlham Güven	Asmaş Ağır San.Mak.A.Ş.- General Manager
Umut Barış Dönmez	Şişecam Soda Lukavac d.d.o.-General Manager
Yalçın Orhan	Oxyvit Kimya Sanayii A.Ş.-General Manager

6. Information on Sectoral Developments and Activities

Soda Products

Considering the first quarter of 2014, it is seen that the improvement observed in the domestic demand continues in the USA, with the progression of the recovery in the construction and automotive sector, it is expected to observe an increase in the float glass demand in 2014.

The recovery seen in the Chinese market still continues. With the positive impact of the growing construction and automotive sector, it is predicted that the float glass demand will maintain its strong position in 2014.

The soda sector maintains its positive performance in India. The large-scale companies keep operationalising new glass and detergent factories, and this indicates that the increase in demand will continue in the country.

There are relative increases in the soda demand, especially in the float glass sector of the European area. The early rally of the construction sector, especially in the Northern Europe reflects well on the float glass demand.

Considering the markets in our area, the demand in the Northern Africa, Middle East and Arabian peninsula follows the usual course. However, in Turkey, while the strong soda demand of the detergent sector continues, the demand has a horizontal course in the float glass sector.

Chromium Products

The prices of the unprocessed leather continue to increase all around the world. Accordingly, the competitive market conditions observed in the BCS markets still continue. Although the demand relatively preserves its revival in the Far East, it exhibits regional differences. The demand received from China and surrounding countries has a horizontal course with the effect of the intense competition.

With its high bovine population and potential of unprocessed leather production, South America carries on its stable BCS demand level, as in 2013. In the crisis periods, though shrinkages occur in the sectors, such as leather and metal coating sectors, with which inputs are provided; it is predicted that the rates of capacity utilization in the field of chromium compounds will be maintained in the long term.

7. Brief Information on the Activity Results

The consolidated net sales have reached TL 409 Million, which is 27% more than the previous year's amount, as of the end of March, 2014. Our gross profit margin has accrued by 27%, and gross profit has been TL 113 Million. Our consolidated EBITDA margin has showed an increase, accrued by 28% as of the end of the third month, and the volume of the consolidated EBITDA has reached TL 119 Million by achieving a level above 98% compared to the same period of the previous year. The total amounting to TL 84,9 Million, the net profit related to equity holders of the parent amounting to TL 84,1 Million have accrued over 141,8% and 141,1% respectively, compared to the same period of the previous year.

The soda production amount is 524.292 tons in the first quarter of this year. The production amount of the chromium products is 80.449 tons at our Mersin Factory and, on Liquid BCS basis, 3.578 tons at our Factory in Italy. The electricity generation is 501.400.897 Kwh.

Total of TL 8,6 Million has been spent on the investments in the first quarter of the year.

8. Financial Resources of the Enterprise

The main financial resources of the Group consist of the short and long term loans have been procured from the financial institutions incorporated within and outside the country as well as the funds provided by operations.

Within the period; the loans amounting EUR 1.345.086 and TL 133.359 have been used and; the loan repayments, which amount EUR 6.810.880 and TL 141.267, have been made by the Group.

9. The Status of Benefiting from the Incentives

Reduced Corporate Tax Practice

The Group receives reduced corporate tax allowance within the framework of the Article 32/A of the Corporate Tax Law no. 5520 for the investments made within the scope of the large-scale investments and regional practice under the Decision on the Government Subsidies for the Investments no. 2009/15199. This incentive is utilized to reduce the corporate tax amount to be paid each year, until the contribution amount that is calculated based on the contribution rate given in the incentive certificate is reached. An incentive for VAT and custom tax is also utilized in accordance with investment incentive certificates in line with the same decision.

R&D Incentives

According to the Article 10, paragraph 1, sub-paragraph (a) of the Corporate Tax Law no.5520, within the framework of the research and development activities concerning the search for new technology and information exclusively, 100% of the total amount spent by the enterprises within their own structure is considered as the R&D reduction while determining the profit of the relevant companies. As per the Law on Supporting R&D Activities no. 5746, 100% of the total amount spent in the R&D centres can be deducted from the profit of the company. Moreover, as per the Law no.5746, an income tax withholding incentive and insurance premium allowance are provided for the personnel employed in the R&D centre. Our Group utilizes the R&D incentives stated in both legal regulations.

10. Basic Ratios

Comparative certain basic ratios are as follows:

	CURRENT PERIOD <u>31.03.2014</u>	PREVIOUS PERIOD <u>31.12.2013</u>
1) Current Assets/Short Term Liabilities	3,23	2,78
2) Total Liabilities/Total Assets	0,28	0,31
3) Total Liabilities/ Shareholders' Equity	0,39	0,44
4) Net Financial Liability(*) /Shareholders' Equity	(0,07)	(0,03)
	<u>31.03.2014</u>	<u>31.03.2013</u>
5) Gross Profit / Net Sales	0,28	0,19
6) Operating Profit / Net Sales	0,23	0,13
7) Ebitda / Net Sales	0,29	0,19

(*) Net financial liabilities are calculated by deducting liquid assets and receivables from the related parties, from the sum of short and long term financial liabilities and other payables to the related parties.

11. Profit Distribution Policy

The profit distribution policy of our Company is set out considering the provisions of the Turkish Commercial Code, Capital Markets Law, Tax Legislation and other legislations, which the Company is subject to, and the Articles of Association.

Accordingly;

a) Our Company adopts to distribute minimum 50% of the distributable net profit of the period that is calculated at the year-ends within the framework of the Capital Markets Legislation and other relevant legislations in cash and/or bonus share.

Considering some matters such as the economic conditions, investment plans and cash status, the Ordinary General Assembly of the Shareholders may decide to perform a distribution that is different from the target rate.

b) The profit distribution proposals of our Board of Directors that includes the details foreseen in the Capital Markets Board regulations and Corporate Governance Principles are announced to the public through the Public Disclosure Platform, internet site and activity report of our company in statutory periods.

c) The dividends to be distributed in cash based on the decision that will be made by the General Assembly are paid on the date as decided by the general assembly. The procedures concerning the dividends to be distributed in bonus share are completed within the statutory period stipulated in the Capital Markets Board regulations.

d) Within the framework of the profit distribution policy, the dividends are equally distributed to all of the current shares as of the distribution date, regardless of the issuance and acquisition dates thereof.

e) In the event that the Board of Directors proposes General Assembly not to distribute the profit, the reasons thereof and information on how to use such undistributed profit are presented to the shareholders during the General Assembly meeting.

f) A balanced policy is followed between the shareholders' interests and company's interests as for the profit distribution policy.

g) There are no privileged shares as for getting share out of the profit.

h) There is no regulation in our Articles of Association such as giving dividend to the members of the Board of Directors and employees with the founder's dividend share.

i) According to the Company's Articles of Association, the Board of Directors can distribute dividend advances, if authorized by the General Assembly, in accordance with the Capital Market Law and related regulations of the Capital Markets Board. The authority to distribute the dividend advance that has been vested in the Board of Directors by the General Assembly is limited with the year, in which such power is vested.

12. Report of Compliance with the Corporate Governance Principles

The matters such as modern management and industrialism principles, high institutionalisation level, focus on market and R&D, growth, productivity increase, product and service quality that have brought Soda into present comprise the main grounds of a more powerful Soda. Soda intends to strengthen its position by adopting the corporate governance principles. Our company pays maximum attention to the compliance with the Capital Markets Legislation and regulations of the Capital Markets Board as for the corporate governance practices; and the principles which are included in the attachment of the Corporate Governance Communiqué and have not fully met yet has not caused any conflict of interests among the stakeholders up until today as of the current situation.

In the activity period ending on December 31st, 2013, the "2013 Corporate Governance Compliance Report" prepared in accordance with the principles stipulated in the Corporate Governance Principles included in the attachment of the Communiqué concerning the Determination and Practice of the Corporate Governance Principles has been presented to the attention of our shareholders under the title "Investor Relations" as in the www.sodakrom.com address of our company along with our 2013 activity report.

13. Capital Increase, Amendments on the Articles of Association and Distributions of Profit, which have been accomplished within the Period

The additional amendment of the Article 3 of the Company's Articles of Association has been approved in the Ordinary General Assembly meeting held on April 2nd, 2014 with Capital Markets Board's permission letter dated 24.02.2014 and numbered 29833736-110.03.02-382/1895, the Energy Market Regulatory Authority's permission letter dated 21.02.2014 and numbered 85780303-110.01.01.01 and the Republic of Turkey-the Ministry of Customs and Trade, the General Directorate of Domestic Trade's permission letter dated 26.02.2014 and numbered 67300147/431.02.1934-294386-3515/1907.

In the Shareholders' Ordinary General Assembly meeting held on April 2nd, 2014, it has been decided that the gross dividend amounting to TL 46.000.000 that corresponds to 10,06564% of the present issued capital shall be distributed in cash; and the dividend amounting to TL 46.000.000 that corresponds to 10,06564% of the same shall be distributed in the form of bonus share. Furthermore, it has been decided that the dividend, which amounts to TL 46.000.000 shall be distributed in cash on May 30th, 2014.

14. The Characteristics and Amount of Issued Capital Market Instruments

On May 9th, 2013, T.Şişe ve Cam Fabrikaları A.Ş., issued notes that have a nominal value of USD 500 million, on fixed interest rate basis, with seven year maturity (call date) due on May 2020. The interest rate for the said notes has been determined as 4,25%. The principal payment shall take place on due date. After the issuance such bonds, the fund amounting to USD 50 Million was transferred to Group and the Group has individually guaranteed payments of principal, interest and other liabilities in the same amount as the fund.

15. Risk Management and Internal Control Mechanism

The Company's risk management and internal auditing activities are coordinated by the "Early Detection of Risk Committee" and the "Audit Committee", which have been established within the body of the Board of Directors. The committee meetings are periodically held in line with the agenda that has been set out beforehand, and the decisions made in the meeting as well as the suggestions are recorded and submitted to the Board of Directors on a regular basis. The Board of Directors closely follow up the risk management and internal auditing activities carried out in the Group and provide the required orientations through such committees.

With the activities carried out under the management and administration of the Risk Management and Internal Audit Department reporting to the Parent Company's Board of Directors and contribution of our Company's employees, it is intended to provide the shareholders with top level risk assurance, protect the company's tangible and intangible assets, minimize the losses arising from uncertainties and obtain the maximum benefit from probable opportunities. During such studies, the interactions between the internal audit and risk management functions are maintained in the highest level and, it is intended to support the decision making process as well as to achieve an increase in the effectiveness of the management.

In our Group, the risk management activities are dealt under a holistic and proactive approach and; they are continued by taking corporate risk management implementations as basis. The risk catalogues, which have been prepared previously, are periodically updated with the participation of the Company's employees and; the risks are sequenced in accordance with their levels of significance. The strategies to be implemented are determined by taking into consideration the risk appetite of the Board of Directors in relation to the analysed risks and, the required measures are taken. Such studies are not limited to financial and strategic risks and; they include also the operational risks such as production, sales, occupational health and safety, emergency management and information technologies.

The purpose of the internal audit activities, which have been ongoing for many years within the framework of the well-established and corporate structure in our Group, is to assist in ensuring uniformity in practice and healthfully development of the Group companies, carry out effective, constructive and efficient controls and ensure that corrective measures are taken in a timely manner in order to make sure that the activities are carried out in compliance with the legislation. Internal audit studies are carried out within the scope of annual ordinary audit programs approved by the Board of Directors of the Parent Company.

While comprising the annual ordinary audit program, the results that have been obtained from the risk management activities are utilized, and the "risk-driven audit" implementations are realized.

16. Personnel and Labour Movements, Collective Agreement Applications and the Rights Provided for the Employees

Our Company aims to achieve a continuous improvement in working environments and conditions and to furnish information to its employees and all the relevant parties within the framework of contemporary management approach, the laws and the standards and in line with the technological changes and developments.

In addition to salaries; the Group provides its employees with benefits such as bonus payments, fuel allowances, leaves, and holiday and education incentives.

The duration of the 15th Period Collective Labour Agreement covering Petrol-İş Union and Soda and Kromsan Factories have expired in 31.12.2013; and the TIS negotiations with Petrol-İş Union of the new period have started with the meeting held in 28.01.2014. The negotiations of the collective labour agreement are proceeding.

In our Şişecam Soda Lukavac Factory, the Collective Labour Contract on Workplace, which covers the year 2013, will be effective between 01.01.2014-31.12.2014 and valid for 555 employees was signed on 15.01.2014 at the end of the negotiations conducted with Bosnia Herzegovina Federation Chemistry and Non-metal Industry Labour Union.

17. Benefits provided for the Top Executives

All sorts of rights, interests and fees provided for the members of the Board of Directors are determined by the General Assembly on annual basis, as stated in the Articles of Association. In the 2013 Ordinary General Assembly Meeting of the Company held on April 2nd, 2014, the monthly fees to be paid to the members of the Board of Directors have been set out and announced to the public.

The compensation principles concerning the members of the Board of Directors and top executives have been prepared in writing, and released on the Company's Corporate Internet Website.

Company's Top Executives do not receive any payment which can be technically considered as premium and is directly indexed to the turnover, profitability or other basic indicators. In addition to the cash payments such as salary, bonus, social assistance; there is another amount paid to the Company's Top Executives under the name of bonus payment which is determined in consideration of the criteria such as the company's activity volume, the characteristics and risk level of the company's activity, the size of the managed and administered structure and the sector in which the company operates, and paid for one time only on annual basis, can be adjusted according to the situation, provided that the indicators such as increase in the Company's profitability, inflation, and general salary are taken into account. Furthermore, the Company allocate official car to the Company's Top Executives as non-cash benefit. In this scope, the total of the amounts paid to the members of the board of directors and top executives within the framework of the compensation policy is disclosed to the public in the footnotes of our financial statement.

No loan or credits can be given to the members of the Board of Directors and executives, no loan is allowed to be used by them under the name of personal loan through a third person, or no assurances such as guarantees can be provided in favour of the same.

18. Other issues

The explanations concerning the transactions carried out with the related parties within the period have been presented in details in the footnote no.37 of the financial statements disclosed to the public at the same date.