

SODA SANAYİİ A.Ş.

PERIOD BETWEEN JANUARY 1st and SEPTEMBER 30th 2014

INTERIM PERIOD ACTIVITY REPORT

1. General Information

Company's Headquarters Address and Contact Information

The Company is registered in Turkey and the contact information is as follows.

İş Kuleleri Kule 3, Kat.15-16-17 34330 4. Levent- Beşiktaş / Istanbul / Turkey
Telephone: + 90 (212) 350 50 50
Fax: + 90 (212) 350 58 60
<http://www.sodakrom.com>

Trade Registry Information of the Company

Registered in: Istanbul Trade Registry Office
Registration No: 495852/443434
Mersis (Central Registration System) No (Centre): 0-7720-0234-9800013

2. Field of Activity of the Group

The Company was founded in October 16, 1969 and registered in Istanbul/Turkey in accordance with the provisions of Turkish Trade Act. The shares of the company have been traded in Borsa Istanbul A.Ş. (BİAŞ), formerly known as Istanbul Stock Exchange ("IMKB"), since 2000. The main partner and ultimate main partner of the company are T. Şişe ve Cam Fabrikaları A.Ş. and Türkiye İş Bankası A.Ş. respectively.

The Group's fields of activity are 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 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 4 subsidiaries, 1 associate and 1 joint venture.

The Companies Included in the Consolidation

Field of activities of the companies included in the consolidation are presented below.

Subsidiaries	Subject of Activity	Registered Country
Şişecam Soda Lukavac d.o.o.	Soda Production and Sales	Bosnia Herzegovina
Şişecam Bulgaria EOOD	Trade of Soda products	Bulgaria
Cromital S.p.A.	Chromium derivatives	Italia
Şişecam Chem Investment BV	Financing and Investment Company	The Netherlands

Joint Ventures

	Subject of Activity	Registered Country
Oxyvit Kimya San. ve Tic. A.Ş.	Vitamin-K production and sales	Turkey

Associates

	Subject of Activity	Registered Country
Solvay Şişecam Holding AG	Financing and Investment Company	Austria

3. Capital and Partnership Structure of the Company

The partnership structure of our company is as follows and there is no real person ultimate controlling shareholders among the partners of our company.

Partners	Share Amount TL	Share Ratio %
T. Şişe ve Cam Fabrikaları A.Ş.	306.808.228,18	61,00
Anadolu Cam Sanayii. A.Ş.	90.209.304,02	17,93
Trakya Cam Sanayii A.Ş.	53.899.670,49	10,72
Cam iş Madencilik A.Ş.	132.325,50	0,03
Denizli Cam Sanayii ve Ticaret A.Ş.	125.248,07	0,02
Other	51.825.223,74	10,30
Total	503.000.000,00	100,00

4. Assigned Members in the Board of Directors and the Committees

The Board of Directors

<u>Name Surname</u>	<u>Title</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

In accordance with the provisions of the Communiqué of Corporate Governance Serial II and No 17.1 as released by the Capital Markets Board, the committees comprised and members assigned in the committee are presented as follows:

Audit Committee and Independent Members

Chairman	Üzeyir Baysal
Member	Halil Ercüment Erdem

Corporate Governance Committee

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

Early Risk Detection Committee

Chairman	Üzeyir Baysal
Member	Halil Ercüment Erdem
Member	Zeynep Hansu Uçar

Authorities and Limits of the Members of the Board of Directors

The Board Chairman and the Members of the Board have the authorities set out in the related articles of Turkish Commercial Code and in the article 13th of the Articles of Association.

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
Selma Akyol	Director of Supply Chain
Mehmet Gürbüz	Soda Sanayii A.Ş.-General Manager
Umut Barış Dönmez	Şişecam Soda Lukavac d.o.o.-General Manager
Tamer Akköseoğlu	Cromital S.p.A-General Manager
Yalçın Orhan	Oxyvit Kimya Sanayii A.Ş.-General Manager

6. Information Regarding Sectoral Developments and Activities

Soda Products

Soda demand and prices vary by regions globally.

Flat glass sector has been positively affected by the growth in construction and automotive sectors in the US.

The improvement in automotive and construction sectors in China has increased flat glass demand and this has positively affected the soda demand. Detergent production has increased comparing to the previous year and powder detergent production has leastwise contributed to a small amount of this increase.

In Indian glass market, there has been a growth resulting particularly from flat glass demand and the automotive sector has been stable.

In Turkish market, the soda consumption of consumer sectors has increased in glass, textile, detergent, construction industry and chemical auxiliary product markets. The new collections in textile sector have had a positive reflection on sector.

Chromium Products

The sectoral competition increases all around the world. Aggressive marketing policies cause reduction in sales prices. Sectoral demand is stable in both China and other Far-East countries.

Both the consolidated and deactivated capacities in the sector maintain the supply-demand equilibrium

7. Summary Info Regarding Activity Results

As of end of September 2014, net consolidated sales have been accrued as 1.185 million TL, being 16% more than the previous year. Gross profit margin was 26%, our gross profit was 305 million TL. Our EBITDA margin was 28% as consolidated as of the end of the ninth month and reached 328 million TL by increasing 45% comparing to the same period of the previous year. Period profit that fall to the share of the parent company was 235.9 million TL out of the total period profit of 238 TL, and increased 71% comparing to the same period of the previous year.

The amount of soda production as from the end of September was 1.574.130 tons. The production amount of chromium products was 201.591 tons in our Mersin Factory and 10.383 tons in our factory in Italy in Liquid BCS. Electricity production was 1.402.898 Kwh.

Total capital expenditure was 47.8 million TL.

8. Financing Resources of the Company

Primary financing resources of the group are the funds created as a result of the activities and the short-term and long-term loans obtained from national and international financing institutions.

€ 13.348.709 and 1.713.514 TL of loan have been received within the period and \$ 1.841.195, € 21.482.682 and 1.854.781 TL of loan payment has been made.

9. Utilization of Incentives

Discounted Corporate Tax Application

The Group receives discounted corporate tax support within the frame of article 32/A of Corporate Tax Law 5520 in large-scale investments and regional investments within the scope of the Decision Regarding Government Assistance in Investments no: 2009/15199. This incentive is benefitted by deducting the annual corporate tax amount until the investment contribution amount, which is calculated in accordance with the investment contribution rate specified in incentive certificate, is reached. In accordance with the investment incentive certificates received within the scope of the same Decision, the Group benefits from VAT and customs tax incentives.

R&D Incentives

In accordance with paragraph (a) of first clause of Article 10 of Corporate Tax Law No: 5520, 100% of the expenses that are made within the frame of research and development activities regarding the search for new technologies and information are considered as R&D discount while determining the profit of that company. In accordance with the Law Regarding Support of R&D Activities no: 5746, 100% of the expenses made in R&D center can be deducted from profit of the company. In addition, in accordance with the Law no: 5746, income tax withholding incentive and insurance premium support are also provided regarding the R&D personnel. Our group benefits from both R&D incentives in each legal regulation.

10. Basic Ratios

Some of the comparative basic ratios are as follows:

	CURRENT PERIOD <u>30.09.2014</u>	PREVIOUS PERIOD <u>31.12.2013</u>
1) Current Assets/Short-term Liabilities	3,87	2,78
2) Total Liabilities/Total Assets	0,26	0,31
3) Total Liabilities / Equity	0,35	0,44
4) Net Financial Liability (*) /Equities	(0,16)	(0,03)
	<u>30.09.2014</u>	<u>30.09.2013</u>
6) Gross Profit / Net Sales	0,26	0,20
7) Operating Profit / Net Sales	0,21	0,16
8) EBITDA / Net Sales	0,28	0,16

(*) Net financial liabilities are calculated by subtracting other receivables and default values from related parties from short and long term loans and total of the liabilities to other related parties.

11. Profit Distribution Policy

The profit distribution policy of our company has been determined considering Turkish Trade Act, Capital Market Board Law, Tax Laws and other legislations that the company is subject to, and the provisions of the Prime Contract.

Accordingly;

a) Our Company adopts to distribute profit shares in cash and/or as free shares as minimum 50% of the net distributable period profit calculated at the year-end within the frame of Capital Market Regulation and other related regulation.

The Ordinary General Assembly of the Partners may decide on a different proportion of distribution than projected by considering the matters such as economic conditions, investment plans and cash position.

b) Profit distribution proposals of our Board of Directors, which also includes the details projected in Corporate Governance Principles and the regulations of Capital Market Board, are announced within the legal time period through Public Disclosure Platform, our company's web site and through the activity report.

c) Cash profit shares, which will be distributed depending upon the decision of the General Assembly, are paid on the date decided during General Assembly. The transactions regarding the profit shares that will be distributed as free shares are completed within the legal time period projected in the regulations of Capital Market Board.

- d) Within the frame of profit distribution policy, the profit shares are distributed equally to all shares without considering the issue and acquisition dates of these shares.
- e) In case the Board of Directors suggests to the General Assembly that the profit should not be distributed, the reasons and the information regarding the usage of these undistributed profits are presented to the shareholders in the General Assembly meeting.
- f) A balanced policy between the interests of shareholders and the interests of the company in profit distribution policy is pursued
- g) There are no preferential shares regarding receiving a share from the profit.
- h) In accordance with our Prime Contract, our Board of Directors members and employees do not receive profit share with founder dividend share.
- i) In accordance with the Articles of Association the Board of Directors can distribute advance profit share, provided that being authorized by the General Assembly and complying with the Capital Market Law and regulations of Capital Market Board regarding this subject. The advance profit share distribution authority, which is granted by the General Assembly to the Board of Directors is limited to the related year.

12. Corporate Governance Compliance Report

Modern management and industrialism principles, high corporation level, market and R&D orientation, growth, increase of productivity and product and service quality, that Soda possess compose the basic foundations for stronger Soda in the future. Soda aims to strengthen its marked presence by adapting these corporate management principles. Our company shows utmost care to comply with Capital Market Legislation and Capital Market Board (CMB) regulations in corporate governance applications, and the principles, which took place in appendix of Corporate Governance Communiqué, and which are not completely harmonized with yet, have not caused any conflicts of interest among stakeholders as of the current status.

In the activity period, which ended in December 31, 2013, “2013 Corporate Governance Compliance Report”, which has been prepared in line with the principles set forth in Corporate Governance Principles in Communiqué on Principles Regarding the Specification and Application of Corporate Governance appendix, are submitted for the information of our shareholders under “Investor Relations” section in www.sodakrom.com web site and in our 2013 activity report.

13. Capital Increase, Amendments in the Prime Contract and Profit Distributions within the Period

Further amendment of 3rd article of the Prime Contract has been approved by permission notes of Capital Market Board dated 24.02.2014 with no: 29833736-110.03.02-382/1895, of Energy Market Regulation Board dated 21.02.2014 with no: 85780303-110.01.01.01 and of T.R. Ministry of Customs and Trade, General Directorate of Domestic Trade dated 26.02.2014 with no: 67300147/431.02-1934-294386-1907-1136 and approved in Ordinary General Assembly held in April 2, 2014.

In the Ordinary General Assembly Meeting of Shareholders held in April 2, 2014, 46.000.000 TL of total 92.000.000 TL dividend from 2013 profit, which has been decided to be distributed to the shareholders, has been distributed in cash in 30.05.2014, remaining 46.000.000 TL has been distributed to the shareholders as free shares and added to the capital with registration of Istanbul Trade Registry Office in 26.06.2014 and with permission of CMB no: 18/578 in 13.06.2014.

As a result of capital increase, Paid Capital has been increased from 457.000.000 TL to 503.000.000 TL.

14. Quality and Amount of Issued Capital Market Instruments

On May 9, 2013, T. Şiçe ve Cam Fabrikaları A.Ş. has issued fixed-rate bonds with 7-year maturity and with USSD\$ 500 million of nominal value and redemption date was May 2020. Interest rate for aforementioned bonds was determined as 4.25 percent. Capital payment will be made on due date. \$ 50 million of funds obtained following the issuance of these bonds has been transferred to the Group and the amount of capital, which equals to the amount of funds provided for the Group, has been solely warranted for payments, such as interests and so forth.

15. Risk Management and Internal Control Mechanism

Risk management and internal audit activities of the Company are coordinated by the “Early Detection of Risk Committee” and “Audit Committee”, which have been established within the body of the Board of Directors. Committee meetings are held periodically in accordance with the pre-determined agenda and the decisions and suggestions in the meeting are recorded and regularly presented to the Board of Directors. By means of these committees the Board of Directors follow risk management and internal audit activities closely and gives necessary instructions.

With the activities conducted under the administration of Risk Management and Internal Audit Committees that act in connection with the Board of Directors of the Parent Company and with contribution of our employees, it is aimed to give top level risk assurance to the stakeholders, to protect tangible and intangible assets of the company, to minimize losses resulting from uncertainties, and to make the best out of potential opportunities. During the operations, the communication between internal audit and risk management function is maintained at the top level and it is aimed to support decision making process and to increase efficiency of management.

Risk management activities in our Group are handled in a holistic and proactive approach and they are maintained based on corporate risk management applications. The risk catalogs are periodically updated with contribution of the employees of the Group and the risks are ranked as per their importance. Regarding the analyzed risks, the strategies are determined and necessary precautions are taken by considering risk appetite of the Board of Directors. These operations are not limited to financial and strategic risks, they also cover operational risks, such as production, sales, occupational health and safety, emergency management and information technologies.

The purpose of Internal Audit operations in our Group, which have been maintained within the frame of well-rooted and corporate structure for many years, is to make sure that the affiliate companies of the Group grow sturdily, to help ensuring unity and solidarity in applications, and to make effective, constructive and productive controls to ensure that the activities are conducted in accordance the legislation and that the corrective actions are performed on time. The internal audit operations are conducted within the scope of periodical audit programs that are approved by the Board of Directors of the Parent Company.

While creating the annual ordinary audit programs, the results from risk management activities are also utilized, and "risk-oriented auditing" applications are actualized.

16. Personnel and Labor Movements, Collective Bargaining and Employee Benefits

Our company aims to enhance its working environment and conditions in line with the technological changes and developments within the frame of modern management insight, laws and standards, and to inform its employees and all business partners.

Besides their wages, the employees have benefits, such as bonuses, fuel, permissions, religious holidays and education promotion.

15th period of Collective Bargaining, which covers Soda and Kromsan Factories, has ended in 31.12.2013 and the CB negotiations for the 16th period, which have started in 28.01.2014 with Petrol-İş Union obtaining the authorization, have been concluded in 12.08.2014.

Collective Bargaining Agreement, which covers year 2013, which will remain in effect between 01.01.2014 and 31.12.2014, has been signed in 15.01.2014 as a result of the negotiations made with Bosnia Herzegovina Federation Chemicals and Nonmetal Industry Labor Union.

17. Benefits for the Top Managers

All kinds of rights, benefits and wages which are entitled to the members of the Board are determined by the General Assembly annually as it is specified in the Articles of Association. In the Ordinary General Assembly Meeting for 2013, which was held in April 2, 2014, the monthly salaries of the Board members are determined and disclosed to the public.

The salary principles for the top management and the Board Members are written and published in the Corporate Web Site of the Company.

Top Managers of the Company do not receive any payments, which can technically be considered as premium, and which are directly indexed to endorsement, profitability and other main indicators. To the Top Managers of the Company, such as salaries, premiums and social support, a payment named jest premium is made once a year by considering the indicators, such as inflation, general salary and Company's profitability increase, and which is determined by considering criteria, such as the activity volume of the Company,

the quality of the activities and risk level of the Company, the size of the structure and the sector. In addition, an official car is allocated for the Top Managers. Within this context, the total payments made to the board members and top managers within the frame of wage policy, are disclosed to the public in our financial statement footnotes.

Debts and credits are not given to Board of Directors members, they also cannot receive loans through a third person under the name of personal loan or they are not given securities such as guarantees.

18. Other Issues

Explanations regarding transactions realized with related parties within this period are provided in detail in 37th footnote of the financial statements disclosed on the same date.