

Financials (TRY mn)	2Q2016	1Q2017	2Q2017	YoY Growth	QoQ Growth	1H2016	1H2017	YoY Growth
Revenue	488	559	563	15%	1%	964	1.122	16%
Gross Profit	143	187	172	20%	-8%	276	359	30%
Gross Margin	29%	33%	31%			29%	32%	
EBIT	114	159	130	14%	-18%	220	289	31%
EBIT Margin	23%	28%	23%			23%	26%	
Adjusted EBIT*	114	157	136	20%	-13%	220	294	34%
Adjusted EBIT Margin*	23%	28%	24%			23%	26%	
Analyst EBIT**	96	129	113	17%	-13%	188	242	29%
Analyst EBIT Margin	20%	23%	20%			20%	22%	
EBITDA	137	191	163	20%	-15%	268	355	32%
EBITDA Margin	28%	34%	29%			28%	32%	
Adjusted EBITDA*	137	190	170	24%	-11%	268	360	34%
Adjusted EBITDA Margin*	28%	34%	30%			28%	32%	
Analyst EBITDA**	119	162	146	22%	-10%	236	308	30%
Analyst EBITDA Margin	24%	29%	26%			25%	27%	
Net Income	111	168	116	4%	-31%	198	284	43%
Net Margin	23%	30%	21%			21%	25%	
Capex	58	33	20	-65%	-40%	86	53	-38%
Capex/Sales	12%	6%	4%			9%	5%	
*Excl. non-recurring income/expense								
**Calculated by deducting the sum of COGS and OPEX from Revenues								

COMMENTS ON SODA SANAYİİ A.Ş. 2Q2017 CONSOLIDATED FINANCIAL STATEMENTS

Based on company guidance; **78%** of the revenues were generated from international sales while the remaining **22%** were generated from domestic sales. A **45%** growth was recorded in international revenues on a y-o-y basis and the share of international sales in the company's consolidated revenues increased by **26%** thanks to the group 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 **34%** in 2Q2016 to **18%** in 2Q2017 and Soda Sanayii channeled all those products to its international client portfolio.

As stated in 2Q2017 IFRS results; 72% of the revenues were generated from the company's operations in Turkey while European operations accounted for the remaining **28%**.

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 **27%**. Revenues generated from electricity sales corresponded to **6%** of 2Q2017 consolidated revenues versus **13%** contribution recorded in the same period of 2016. Decline in electricity revenues was a result of coal-fired steam boiler' introduction back in mid-December 2016. As may be recalled, the new boiler configuration 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 by almost half.

Net revenues were **TRY 563mn**, up by **15%** on a y-o-y basis mainly as a result of sales volume growth seen in soda and chromium chemicals business and TRY depreciation. Compared with the same period of the prior year's results adjusted for the white sulfate sales (**TRY 7mn in 2Q2017**), which used to be categorized as a revenue component of chromium chemicals in previous years and which are being booked under soda business segment since the beginning of 2017;

- Soda Sanayii increased its consolidated soda chemicals sales by **7%** in gross volume terms (from **545K tons** to **585K tons**). On the other hand, average per ton prices recorded under this segment contracted by **8%** in USD terms due to suppressed soda ash pricing environment. Despite the decrease, thanks to the depreciation of TRY against hard currencies, Soda Sanayii recorded **20%** higher revenues from this business segment.
- The company recorded a **10%** growth in gross chromium chemicals volume sales (**from 35K tons to 39K tons**), while average prices contracted by 3%-6% per product categories in USD terms. Combined with the domestic currency depreciation segment-specific revenues jumped **by 40%**.
- Electricity sales volume were **42%** lower (**from 455mn kWh to 263mn 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 **6%**.
- USD appreciated by **24%** on average, USD/TRY up from **2,8931** to **3,5791** and EUR appreciated by **20%** (EUR/TRY increased from **3,2695** to **3,9297**).

Cost of goods sold were **TRY 391mn**, up by **13%** on a y-o-y basis as a result of sales volume growth in both segments but also due to the increase in chromite prices, which is the main raw material used in chromium chemicals production. Soda chemicals segment COGS increased by **6%** on a y-o-y basis whereas there was a **41%** rise on the chromium chemicals side. 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 **69%** (down by **120 bps** y-o-y) on the consolidated level.

TRY 172mn gross profit, generated by Soda Sanayii, pointed out to a **20%** y-o-y increase and led to a gross profit margin of **31% up from 29%** recorded last year in the same period.

Gross profit generated by soda and other products segment increased by **20%** thanks to the decline in soda ash production cost and the rise in segmental revenues. On the chromium chemicals segment, growth in revenues and COGS were in line. Consequently, gross profit generated by chromium chemicals operations grew by **19%** on a y-o-y basis. Accordingly, contribution of soda chemicals and other products segment to the consolidated gross profit was kept at **69%**, leaving the rest attributable to the chromium segment.

Operating expenses recorded in this quarter were **27%** higher on a y-o-y basis (**TRY 60mn vs TRY 47mn**), mainly as a consequence of escalated S&M expenses (**75%**) due to the acceleration in marketing activities with a higher non-group sales volume under soda segment and the changes in the transfer pricing policies in line with the amendments in OECD legislation effective 2017. OPEX/Revenues ratio recorded for the period was **10,6%**, up by **100 bps** y-o-y.

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 2Q2017, Soda Sanayii's net other **expense** from main operations was **TRY 3mn** whereas the company recorded **TRY 2mn** net other **income** from main operations in 2Q2016. Based on average FX rates, q-o-q appreciation of TRY against USD and EUR were 3% and 0,1%, respectively. On the other hand, TRY appreciated by 4% against USD and depreciated by 2% against EUR based on period-end rates. Low level of FX rate fluctuations and appreciation of the local currency within the period translated into net other expense.

Soda Sanayii continued to expand its investment portfolio by purchasing further **TRY 6mn** equivalent USD-denominated long-term fixed income securities with semi-annual coupon payments and consequently the portfolio's **effective interest rate** increased to **5,955%**. The company recorded **TRY 6,1mn** as revaluation loss 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. A period-end USD/TRY rate lower than the average rate recorded within the period both for the first and second quarters of 2017 prevented the company to generate revaluation gains on the fixed income securities allocated to the portfolio within the 1H2017 as the rates used to book the very same investments were higher compared to 2Q2017 period-end rate.

The company's share in profit/loss of associates were **TRY 27mn** in 2Q2017, up from **TRY 15mn** 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 15mn** in 2Q2016 to **TRY 21mn** in 2Q2017.

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. One-off gains adjusted EBIT related to the period was **TRY 136mn** and EBITDA was **TRY 170mn** while the margins were **24% (up from 23% in 2Q2016)** and **30% (up from 28% in 2Q2016)**, respectively.

In 2Q2017, the company recorded a net income of **TRY 116mn** (up by **4% y-o-y**) and net margin of **21%** versus **TRY 111mn** and **23%** seen in the same period last year. On the other hand, on a q-o-q basis, Soda Sanayii's net income contracted by **31%** 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 **-4%** in 2Q2017 while it was **3%** in 1Q2017 and **2%** in 2Q2016. Soda Sanayii's net financial income came down to **TRY 0,1mn in 2Q2017** (from **TRY 17mn** in 2Q2016).

Compared to 2016 year-end, Soda Sanayii's USD-denominated net long position grew by **USD 73mn** (USD 70mn increase in total assets and USD 3mn decrease in total liabilities), meanwhile EUR-denominated net long position contracted by **EUR 48mn** (EUR 46mn and EUR 2mn decreases respectively in total assets and in total liabilities). Accordingly, the company's net long FX position increased by **TRY 89mn** to **TRY 938mn** in 2Q2017.

Capital expenditures recorded by the company in 2Q2017 was **TRY 20mn**.

Compared with 1Q2017, Soda Sanayii's gross debt decreased by **TRY 141mn** from **TRY 548mn** to **TRY 406mn**. Cash&cash equivalents' balance decreased by **TRY 106mn** to **TRY 1.108mn**. Consequently, the company recorded a net cash of **TRY 701mn**, which is **TRY 36mn** higher than it was at the end of 1Q2017.

Important events during and after the reporting period;

Soda Sanayii distributed **TRY 200mn** cash dividend at the end of 2Q2017.

On the 17th of July, the company made a **TRY 150mn** capital increase through bonus share issuance by channeling **TRY 77mn** of the net profit recorded in 2016 together with **TRY 72,7mn** kept under legal reserves and **TRY 0,3mn** generated from subsidiary sale.

Based on a resolution taken by the BoD on July 25th, Soda Sanayii acquired Cheminvest Deri Kimyasalları Sanayii ve Ticaret A.Ş., which owned 50% of Oxyvit Kimya Sanayii ve Ticaret A.Ş. Upon this acquisition, Soda Sanayii's share in Oxyvit increased to 95%. Soda Sanayii acquired the remaining 5% of Oxyvit from Şişecam on July 31.

Conference Call

ŞİŞECAM is pleased to invite you to its 2017H1 Financial Results Audio Webcast Call held on Tuesday, August 22nd, 2017 at 18:00 (İstanbul), 16:00 (London) and 11:00 (New York).

To join the conference-call, please dial in through one of the following telephone numbers:

Turkish Toll Access Number: +90 212 708 1236
UK Toll Access Number: +44 203 367 9461
UK Toll Free Access Number: +44 (0) 808 238 1775
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