

Financials (TRY mn)	2Q2017	1Q2018	2Q2018	YoY Growth	QoQ Growth	1H2017	1H2018	YoY Growth
Revenue	600	701	784	31%	12%	1.193	1.485	25%
Gross Profit	209	260	291	39%	12%	429	550	28%
Gross Margin	35%	37%	37%			36%	37%	
EBIT	130	221	320	146%	45%	289	541	87%
EBIT Margin	22%	31%	41%			24%	36%	
Adjusted EBIT*	136	187	222	62%	18%	294	408	39%
Adjusted EBIT Margin*	23%	27%	28%			25%	28%	
Analyst EBIT**	113	150	170	51%	13%	242	320	32%
Analyst EBIT Margin	19%	21%	22%			20%	22%	
EBITDA	163	256	356	118%	39%	355	612	72%
EBITDA Margin	27%	36%	45%			30%	41%	
Adjusted EBITDA*	170	222	258	52%	16%	360	480	33%
Adjusted EBITDA Margin*	28%	32%	33%			30%	32%	
Analyst EBITDA**	146	185	206	41%	12%	308	391	27%
Analyst EBITDA Margin	24%	26%	26%			26%	26%	
Net Income	116	239	418	260%	75%	284	657	131%
Net Margin	19%	34%	53%			24%	44%	
Capex	20	64	162	716%	153%	53	227	327%
Capex/Sales	3%	9%	21%			4%	15%	
*Excl. non-recurring income/expense								
**Calculated by deducting the sum of COGS and OPEX from Revenues								

COMMENTS ON SODA SANAYİİ A.Ş. 2Q2018 CONSOLIDATED FINANCIAL STATEMENTS

Important Notice Regarding Accounting Policy Change:

Şişecam Group Companies were used to report third party logistic expenses by deducting from gross revenues. Starting from 4Q2017, these expenses are now booked under S&M expenses. Comments on the year-on-year changes in 2Q2018 financial results were derived from 2Q2017 restated results.

In the second quarter of this year, Soda Sanayii recorded **TRY 784mn** net revenues, **31%** higher on a y-o-y.

Topline Contributors

2Q2018 vs. 2Q2017

- Average unit price increase of **4%** in USD terms in soda ash sales
- **5%** increase in chromium chemicals sales volume
- Average unit price increase of **14%** in USD terms in chromium chemicals sales
- Depreciation of TRY against hard currencies
- Positive impact of EUR/USD parity increase

Key Points on the Operational Performance

In 2Q2018, consolidated soda chemicals output increased by **1%** on a y-o-y basis from **589K tons** to **595K tons**, while chromium chemicals production grew by **5%**. With lower utilization of cogeneration facility in production of steam due to periodical overhaul, total electricity generation came down by **28%** y-o-y to **171mn Kwh**.

Soda Sanayii's consolidated soda chemicals sales contracted by **2%** in gross volume terms (down from **585K tons** to **575K tons**). Meanwhile, average per ton prices increased by **4%** in USD terms as a result of the favorable sales mix and impact of EUR/USD parity (up by **9%** y-o-y). With improved average price per unit on top of local currency depreciation, Soda Sanayii recorded **23%** higher revenues from this business segment (please be noted that accounting change regarding the provisions for exports done with CIF inco terms resulted in **TRY 6,2mn** incremental revenues in 1H2018).

The company recorded a **5%** rise in gross chromium chemicals volume sales (up from **38,6K tons** to **40,4K tons**), while average per unit product prices increased by **14%** in USD terms. Combined with TRY depreciation, segment-specific revenues jumped by **65%** (please be noted that accounting change regarding the provisions for exports done with CIF inco terms resulted in **TRY 32,5mn** incremental revenues in 1H2018). Annual revenue growth would be **53%** excluding Oxyvit's topline contribution.

Electricity sales volume was **44%** lower (**147mn kWh** vs. **263mn kWh**) due to the change in steam generation mix, meanwhile revenues generated from electricity sales were down by **33%** as TRY-based average electricity price per unit sold was up by **20%**.

On average, USD appreciated by **22%** (USD/TRY up from **3,5791** to **4,3626**) and EUR by **32%** (EUR/TRY increased from **3,9297** to **5,2011**).

Share of international sales in consolidated revenues increased to **80%** while the contribution of intra-group sales to the consolidated revenues declined from **17%** in 2Q2017 to **12%** in 2Q2018.

Review of 2Q2018 IFRS results

Based on IFRS segmental breakdown, **63%** 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 **34%**. Revenues generated from electricity sales corresponded to **3%** of 2Q2018 consolidated revenues.

As a reminder, Soda Sanayii started to fully consolidate Oxyvit's operations under the chromium chemicals segment since 3Q2017. In this quarter, Oxyvit's contribution to the company's topline was **2%** (**TRY 18mn**). If the company's operations were disclosed as an individual segment, chromium chemicals segments' share in consolidated revenues would be **32%**.

Cost of goods sold were **TRY 493mn**, up by **26%** on a y-o-y basis as a result of sales volume growth in chromium chemicals segment but also due to natural gas tariff hikes implied in the first and second quarters of 2018 and rise in raw material costs with the local currency depreciation. Soda chemicals segment COGS increased by **15%** y-o-y whereas there was a **61%** rise on the chromium chemicals side (**52%** excluding **TRY 8mn** COGS in relation with Oxyvit). Thanks to the savings in soda ash production costs attained with the introduction of coal-fired steam boiler, and increased capacity utilization rate under chromium chemicals segment of operations, COGS/Revenues ratio declined to **63%** vs. **65%** in 2Q2017).

TRY 291mn gross profit, generated by Soda Sanayii, pointed out to a **39%** y-o-y increase and led to a gross profit margin of **37%**, (up by **~220bps** y-o-y). Excluding Oxyvit's contribution, Soda Sanayii would have recorded **TRY 281mn** gross profit (up by **34%** on a y-o-y) and its gross profit margin would be **40bps** lower.

Gross profit generated by soda and other products and chromium chemicals segments grew by **26%** and **71%**, respectively. As a result, chromium chemicals' contribution to the consolidated gross profit increased from **29%** to **35%**, leaving the rest attributable to the soda and other products segment. Excluding the impact of Oxyvit, chromium chemical segment's share in consolidated gross profit would be **33%**.

Segment specific gross profit margins were **36%** (vs **34%** in 2Q2017) and **39%** (vs. **38%** in 2Q2017) for soda and chromium chemicals business lines, respectively.

Operating expenses recorded in this quarter were **25%** higher on a y-o-y basis (**TRY 121mn** vs **TRY 97mn**), mainly due to the rise in G&M and S&M expenses. OPEX/Revenues ratio came in at **15%** (**70bps** lower compared to 2Q2017).

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 2Q2018, Soda Sanayii's net other **income** from main operations was **TRY 28mn** (vs. **TRY 18mn** in 1Q2018). Based on average FX rates, on a q-o-q basis, TRY depreciated by **15%** against USD and **11%** against EUR. Local currency depreciation rates were **15%** and **9%**, respectively, based on period-end rates. FX rate fluctuations realized in a wide band within the period resulted in higher net other income from main operations. In addition to that, the company recorded **TRY 6mn** provision for potential losses in relation with IFRS 9 standards on trade payables/receivables and financial investments for the first six months of 2018.

With the significant q-o-q rise in period-end USD/TRY rate, Soda Sanayii recorded **TRY 98mn** revaluation gain (vs **TRY 6mn loss** in 2Q2017) on its investment portfolio, which is composed of **TRY 660mn** equivalent USD-denominated long-term fixed income securities with semi-annual coupon payments and **5,684%** effective interest rate.

The company's share in profit/loss of associates were **TRY 24mn** in 2Q2018, down by **TRY 3mn** compared to the last year in the same period as Oxyvit has been fully consolidated since 3Q2017 rather than the equity pick-up method. Accordingly, Soda Sanayii's net income from investing activities including share in net profit of associates recorded at **TRY 122mn** (up from **TRY 21mn** in 2Q2017).

Excluding gain/loss on the fixed income securities investment recorded in 2Q of 2017 and 2018, one-off gains adjusted EBIT and EBITDA grew by **62%** and **52%** and the company generated significant increase in its profitability. Based on **TRY 222mn EBIT** and **TRY 258mn EBITDA** figures; 2Q2018 margins were **28%** and **33%**, respectively. Whereas 2Q2017 one-off gain adjusted EBIT and EBITDA margins were **23%** and **28%**.

Thanks to the robust operational performance accompanied with a decent level of net financial income resulting from TRY depreciation, Soda Sanayii recorded a net income of **TRY 418mn** (up by **260%** y-o-y) and net margin of **53%** versus **TRY 116mn** and **19%** in the same period last year. Soda Sanayii had a deferred tax income of **TRY 61mn** in 2Q2018 thanks to its glass fiber investment, on which it is entitled to get corporate tax discount incentive.

Capital expenditures recorded at **TRY 162mn**, of which **TRY 100mn** was in relation with the glass fiber investment while the rest was used for development and maintenance investments.

Compared to 2017 year-end, Soda Sanayii's USD-denominated net long position grew by **USD 38mn** (**USD 31mn** increase in total assets and **USD 7mn** decrease in total liabilities), meanwhile EUR-denominated net long position increased by **EUR 5mn** (**EUR 6mn**, and **EUR 1mn** increases in total assets and total liabilities, respectively). As a result, the company's net long FX position recorded at **TRY 1,8bn** (up from **TRY 1,3bn**).

Compared with 2017 year-end, Soda Sanayii's gross debt increased to **TRY 716mn** (up by **TRY 396mn**) Cash&cash equivalents' balance (incl. financial investments and other receivables from related parties) were recorded at **TRY 1,6bn** (up by **TRY 253mn**). Accordingly, Soda Sanayii recorded a net cash position of **TRY 897mn**.

Important events during and after the reporting period:

Soda Sanayii distributed **TRY 225mn** cash dividend at the end of May 2018.

On July 9th, the company increased its paid-in capital by **TRY 100mn** to **TRY 1bn** through a bonus share issuance channeling **TRY 98mn** of the net profit recorded in 2017 together with **TRY 2mn** kept under legal reserves and from the profit generated by real estate/subsidiary share sale in total.

Collective Labor Agreement negotiations, covering the period between 01.01.2018-31.12.2019 and held with Petrol-İş Union for Soda- and Kromsan plants and Salt Corporation, were contractually finalized on June 4th.

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