

COMMENTS ON SODA SANAYİİ A.Ş. 2Q2019 CONSOLIDATED FINANCIAL STATEMENTS

Financials (TRY mn)	2Q2018	1Q2019	2Q2019	YoY Growth	QoQ Growth	1H2018	1H2019	YoY Growth
Revenue	784	948	1.082	38%	14%	1.485	2.030	37%
Gross Profit	291	298	404	39%	35%	550	702	28%
Gross Margin	37%	31%	37%			37%	35%	
EBIT	320	261	295	-8%	13%	541	556	3%
EBIT Margin	41%	28%	27%			36%	27%	
Adjusted EBIT*	227	195	262	15%	34%	414	457	10%
Adjusted EBIT Margin*	29%	21%	24%			28%	22%	
Analyst EBIT**	170	151	231	36%	54%	320	382	19%
Analyst EBIT Margin	22%	16%	21%			22%	19%	
EBITDA	356	310	345	-3%	11%	612	655	7%
EBITDA Margin	45%	33%	32%			41%	32%	
Adjusted EBITDA*	264	244	311	18%	27%	486	556	14%
Adjusted EBITDA Margin*	34%	26%	29%			33%	27%	
Analyst EBITDA**	206	200	281	36%	41%	391	481	23%
Analyst EBITDA Margin	26%	21%	26%			26%	24%	
Net Income After Minority Interest	418	285	376	-10%	32%	657	661	1%
Net Margin	53%	30%	35%			44%	33%	
Capex	162	94	61	-62%	-35%	227	155	-32%
Capex/Sales	21%	10%	6%			15%	8%	

*Excl. non-recurring income/expense
**Calculated by deducting the sum of COGS and OPEX from Revenues

Financial Highlights (2Q19 vs. 2Q18)

- **Revenues**, recorded at TRY 1,08bn, were up 38% (EUR 164mn, up by 9% in EUR terms), with;
 - Soda Chemicals: **5%** increase in USD terms in average price/unit and **1%** rise in sales volume
 - Chromium Chemicals: **1%** decrease in USD terms in average per unit price/unit and **16%** decline in sales volume
 - Electricity: **34%** higher average electricity price/unit in TRY terms and **41%** increase in unit sales
 - Oxyvit Plant: **64%** increase in revenues
 - Sisecam Elyaf: **TRY 60mn** incremental revenues
- **Gross profit** increased by 39% to TRY 404mn (EUR 61mn, up by 10% in EUR terms), with a margin of 37%
- **Adjusted EBITDA**, recorded at TRY 311mn, was up by 18% (EUR 47mn, down by 7% in EUR terms), with a margin of 29%
- **Net income** was TRY 376mn, down by 10% (EUR 57mn, down by 29%), with a margin of 35%
- **Capex**, recorded at TRY 61mn (EUR 9mn), corresponded to 6% of revenues
- **FCFE** was TRY -325mn in 1H19

Operational Highlights (2Q19 vs. 2Q18)

- **Total soda ash production** was at 606K tons, **up** by **2%**. Domestic production was **3% higher** whereas international production went **down** by **1%**. Domestic facility's contribution to total soda chemicals output was flat at **60%**
- **Total soda ash sales volume**, recorded at 578K tons, was **up** by **1%**; domestic sales were **6% lower** whereas international sales **grew** by **3%** mainly as a result of double digit increase in export volumes from Turkey
- **Total chromium chemicals production** was **up** by **7%**. Domestic facility's contribution to the total output stood at **98%**.
- **Total chromium chemicals sales volume** was **down** by **16%**; domestic sales **grew** by **29%** whereas international sales **decreased** by **20%** mainly due to lower volume of exports from Turkey
- **Electricity** production was **up** by **4%** while sales volume **increased** by **41%** to 207mn kWh
- **Oxyvit Plant** output and sales volume **grew** by **22%** and **12%**, respectively
- CUR level, recorded at **Sisecam Elyaf Plant**, was **73%** based on the installed production capacity/quarter and it is expected to keep increasing in the second half of the year. Total glass fiber sales volume was 8,7K tons

Regional and Segmental Analysis of 2Q19 IFRS Results in Comparison with 2Q18 Results

- **Revenues generated through domestic sales**, having grown by 80%, corresponded to 26% of the consolidated topline figure (vs. 20%). **International sales** (including exports from Turkey) went up by 28%
- **Revenues stemming from sales to Sisecam Group Companies** was flat at 12%
- **Hard currency breakdown of consolidated revenues and COGS** were 93% and 51%, respectively

1) Soda Chemicals, Energy and Other Segment;

- Segmental contribution to the consolidated topline figure recorded at **74%**, with **TRY 797mn** sales revenues (**up** by **53%**)
- Excluding energy and glass fiber business units' contributions (TRY 107mn in total), revenues were fully generated in hard currency (47%/53% split between USD and EUR), soda chemicals revenues grew by **39%** and reached **TRY 690mn**
- Energy revenues increased by **89%** to **TRY 45mn**, thanks the rise in average price/kWh sold in TRY terms (by **34%**) and **41%** higher sales volume. Energy business' share in consolidated revenues stood at **4%** (vs. 3%)
- Having generated **TRY 61mn** in revenues, newly introduced glass fiber business' contribution to the consolidated topline was **6%**
- **COGS** went up from **TRY 334mn** to **TRY 520mn**, by **56%**, mainly due to natural gas tariff hikes implemented throughout 2018 and local currency depreciation, which inflated hard currency denominated raw material expenses. Excluding glass fiber business' COGS, the rise in segment-specific COGS was **40%**
- **Gross profit**, recorded at **TRY 277mn**, was **up** by **48%**, with a margin of **35%** (vs. **36%**), while its share in consolidated gross profit increased by **400bps** to **69%**. Excluding glass fiber business' contribution, the rise in segment-specific gross profit was **44%**

2) Chromium Chemicals Segment;

- With revenues recorded at **TRY 285mn**, **up** by **9%**, segments' contribution to the consolidated topline stood at **26%**
- Although 91% of the revenues were denominated in hard currency, growth in segmental revenues stayed behind the local currency depreciation due to a decrease in average price/ton due to sales mix and lower sales volume

- Oxyvit's contribution to the segmental topline was **TRY 28mn, up by 58%**
- **COGS** went down by **TRY 1mn to TRY 159mn** (by **1%**). Excluding **TRY 15mn** COGS recorded by Oxyvit, segment-specific COGS was down by 5%
- **Gross profit**, recorded at **TRY 127mn**, was **up by 23%**, with a margin of **44%** (vs. **39%**), while its share in consolidated gross profit declined by **400bps** to **31%**

P&L Analysis (2Q19 vs. 2Q18)

- **Revenues**, recorded at **TRY 1,08bn**, were **up by 38%**
- **Consolidated COGS** increased by **37%** to **TRY 678mn**
- **TRY 404mn** gross profit, **up by 39%**, with a flat margin of **37%**
- **Operating expenses** increased by **43%** to **TRY 172mn**, while OPEX/sales ratio was **16%**, **up by 50 bps**. S&M expenses, having grown by **42%** in nominal terms, corresponded to **76%** of the rise in OPEX, with rising logistic expenses mainly due to local currency depreciation and the revision in royalty fee rate, charged as a percentage of Sisecam Group Companies' revenues stemming from third party sales, to better align with global transfer pricing regulations
- **Net other income from operations** recorded at **TRY 16mn** (vs. **TRY 34mn**), with lower net FX gains on trade receivables and payables due to lower local currency depreciation based on q-o-q period-end FX rates
- **Net income from investing activities** stood at **TRY 48mn** (vs. **TRY 117mn**) including the share in net income generated by associates and joint ventures and impairment losses in relation with IFRS 9 standards, out of which TRY 3mn booked as a gain on the provision for potential losses on Eurobond investments. With the **2%** q-o-q rise in period-end USD/TRY rate, Soda Sanayii recorded **TRY 34mn** as revaluation gains on its investment portfolio (incl. gain on provision for potential losses), which was composed of **TRY 827mn** equivalent USD-denominated fixed income securities with semi-annual coupon payments (effective interest rate: 5,684%)
- **Adjusted EBIT** (to one-off gains/losses and provision for potential losses on the fixed income securities investment) was **TRY 262mn** (**up by 15%**). Adjusted EBIT margin stood at **24%** (vs. **29%**)
- **Depreciation expenses**, recorded at **TRY 50mn**, were **up by 37%** and depreciation/sales ratio was flat at 5%
- **Adjusted EBITDA** (to one-off gains/losses and provision for potential losses on the fixed income securities investment) increased by **18%** to **TRY 311mn**, and led to a margin of **29%** (vs. **34%**)
- **Net financial income** went down from **TRY 90mn** to **TRY 7mn**. Net interest expense rose by **TRY 36mn** to **TRY 39mn** while net FX gains stood at **TRY 46mn** (vs. **TRY 94mn**) due to issued bonds, increased leverage and local currency depreciation
- **TRY 74mn tax income** was recorded (vs. **TRY 8mn**), with **TRY 32mn** tax income in relation with the period and **TRY 42mn** deferred tax assets thanks to the tax incentives in relation with the completion of glass fiber investment
- **Net income** was **TRY 376mn** (vs. **TRY 418mn**), with a net margin **35%** (vs. **53%**)

- As reported in 1Q19 earnings release, Sisecam issued Eurobonds with a coupon rate of 6,95% and maturity 2026 with an aggregate issue size of USD 700mn and Soda Sanayii acted as a guarantor for USD 47mn of the new issuance. Sisecam bought back USD 200mn of its 2013 Eurobonds, out of which USD 20mn was covered by Soda Sanayii. As a result, amount guaranteed by Soda Sanayii on Sisecam Eurobonds due 2020 and 2026 stands at USD 77mn, in total
- **Gross Debt** (incl. other payables to related parties) came in at TRY 2,1bn equivalent **USD 368mn** (vs. TRY 894mn equivalent **USD 170mn** as of 2018 year-end). USD denominated financial liabilities rose by USD 26mn, parallel to the new bond issuance and the buyback of existing notes. Other payables to related parties increased by TRY 300mn with the financing of glass fiber investment. TRY 97mn financial lease liabilities were recorded in accordance with IFRS-16 standard. Rest of the increase was in relation with cash dividends and business development payment categorized under other fixed assets. The aforementioned business development payment was made for project, design, license, etc. related to Natural Soda Ash investment in U.S.A. In accordance with international accounting standards, these costs and other similar costs will be transferred under joint ventures and associates account afterwards
- **Cash&Cash Equivalents** (including fixed income securities investments and other receivables from related parties) stood at TRY 2,5bn equivalent **USD 442mn** (vs. TRY 2bn equivalent **USD 388mn**). USD 47mn cash inflow was booked with the new bond issuance
- **Net Cash** position was TRY 425mn equivalent **USD 74mn**, and Net Cash/Ebitda at **0,3x**
- **Net Long FX Position** was **TRY 2bn** (down by **TRY 39** compared to 2018 year-end balance);
 - **Net long USD** position of **USD 244mn**, down by **USD 11mn** (with cross currency swap transaction on USD 30mn out of the total guaranteed amount of USD 47mn for Sisecam Eurobond)
 - **Net long EUR** position of **EUR 88mn**, down by **EUR 22mn** (with cross currency swap transaction on USD 30mn out of the total guaranteed amount of USD 47mn for Sisecam Eurobond)
 - **Net long other currencies'** position of **TRY 25mn**, down by **TRY 19mn**
- **Capital Expenditures:** Soda Sanayii had a total capex of **TRY 61mn** (vs. **TRY 162mn**) in relation with Kromsan plant equipment replacement, operational efficiency and glass fiber investments

Important Events during and after the Period

- On June 21st, Soda Sanayii announced a joint natural soda ash production investment decision in Wyoming, USA with Ciner Group. The partners will equally share the total annual production capacity of the investment, which is composed of 2,5mn natural soda ash and 200K ton sodium bicarbonate through solution mining. Total capex of this investment is expected to be close to USD 2bn, to be financed by 20% equity and 80% financing, equally split among the partners. The investment was planned to be completed in 2024
- On June 28th, Soda Sanayii purchased 0,53% share of Şişecam Chem Investment B.V. held by Sisecam for EUR 1mn in cash and became the company's sole shareholder
- On June 28th, Şişecam Chem Investment B.V. purchased 0,50% share of Cromital S.p.A held by Sisecam for EUR 35K in cash and became the company's sole shareholder

One-Off Impacts Excluded from EBIT & Net Income Analysis:

Excluding From EBIT:

- **1H19: TRY 100 Million:** Revaluation gain on fixed income instruments including IFRS-9 adjustments amounting to TRY 100 Million
- **2Q19: TRY 34 Million:** Revaluation gain on fixed income instruments including IFRS-9 adjustments amounting to TRY 34 Million
- **1Q19: TRY 66 Million:** Revaluation gain on fixed income instruments including IFRS-9 adjustments amounting to TRY 66 Million
- **1H18: TRY 126 Million:** Revaluation gain on fixed income instruments including IFRS-9 adjustments amounting to TRY 126 Million
- **2Q18: TRY 93 Million:** Revaluation gain on fixed income instruments including IFRS-9 adjustments amounting to TRY 93 Million

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