

Financials (TRY mn)	3Q2017	2Q2018	3Q2018	YoY Growth	QoQ Growth	9M2017	9M2018	YoY Growth
Revenue	604	784	958	59%	22%	1.796	2.443	36%
Gross Profit	204	291	435	113%	50%	633	985	56%
Gross Margin	34%	37%	45%			35%	40%	
EBIT	147	325	634	332%	95%	435	1.175	170%
EBIT Margin	24%	41%	66%			24%	48%	
Adjusted EBIT*	139	227	413	197%	82%	433	821	90%
Adjusted EBIT Margin*	23%	29%	43%			24%	34%	
Analyst EBIT**	116	170	293	153%	73%	358	613	71%
Analyst EBIT Margin	19%	22%	31%			20%	25%	
EBITDA	181	362	675	273%	87%	536	1.287	140%
EBITDA Margin	30%	46%	70%			30%	53%	
Adjusted EBITDA*	174	263	453	161%	72%	533	933	75%
Adjusted EBITDA Margin*	29%	34%	47%			30%	38%	
Analyst EBITDA**	150	206	333	122%	62%	458	724	58%
Analyst EBITDA Margin	25%	26%	35%			26%	30%	
Net Income	139	418	818	488%	96%	423	1.475	249%
Net Margin	23%	53%	85%			24%	60%	
Capex	18	162	316	1649%	94%	71	543	663%
Capex/Sales	3%	21%	33%			4%	22%	
*Excl. non-recurring income/expense								
**Calculated by deducting the sum of COGS and OPEX from Revenues								

COMMENTS ON SODA SANAYİİ A.Ş. 3Q2018 CONSOLIDATED FINANCIAL STATEMENTS

Important Notice Regarding Accounting Policy Change:

Şişecam Group Companies used to report third party logistic expenses by deducting them from gross revenues. Starting from 4Q2017, these expenses are now booked under S&M expenses. Comments on the year-on-year changes in 3Q2018 financial results were derived from 3Q2017 restated results.

In the third quarter of 2018, Soda Sanayii recorded **TRY 958mn** net revenues, **59%** higher y-o-y.

Topline Contributors

3Q2018 vs. 3Q2017

- **2%** increase in soda chemicals sales volume
- Average unit price increase of **21%** in USD terms in chromium chemicals sales
- **78%** increase in average unit prices for electricity sales in TRY
- On average **60%** appreciation of USD (USD/TRY up from 3,5104 to 5,6340)
- On average **58%** appreciation of EUR (EUR/TRY up from 4,1250 to 6,5380)

Keys to the Operational Performance

In 3Q2018, consolidated soda chemicals output was almost flat on a y-o-y basis (**581K tons** vs. **579K tons**), while chromium chemicals production contracted by **10%** due to a change in production mix parallel to the market demand. With higher utilization of the coal-fired boiler in steam production, as a hedging against the rise in natural gas tariffs, total electricity generation was down by **4%** y-o-y to **243mn Kwh**.

Soda Sanayii's consolidated soda chemicals sales increased by **2%** in gross volume terms (up from **566K tons** to **580K tons**). Meanwhile, average per ton prices declined by **2%** in USD terms mainly due to the decline in EUR/USD parity (down by **1,2%** y-o-y) and the sales mix. Having generated **90%** of soda chemicals' revenues in hard currencies led to a **61%** rise in soda chemicals' topline on a y-o-y basis

The company recorded a **4%** decline in gross chromium chemicals volume sales (down from **37,8K tons** to **36,2K tons**), while average per unit product prices increased by **21%** in USD terms. Having generated **98%** of segmental revenues in hard currencies led to a **63%** rise in chromium chemicals' topline on a y-o-y basis. Oxyvit's topline contribution to the segment stood at **TRY 23mn**, up by **22%** y-o-y.

Electricity sales volume was **32%** lower (**198mn kWh** vs. **292mn kWh**) due to the change in steam generation mix. With **78%** rise in average electricity price per unit sold in TRY terms, revenues generated from electricity sales went up by **21%**.

In 3Q2018, share of international sales in consolidated revenues increased to **78%** while the contribution of intra-group sales to the consolidated revenues declined by **11%**(from **17%** in 3Q2017). FCY share in consolidated revenues stood at **86%**.

Review of 3Q2018 IFRS results

Based on IFRS segmental breakdown **67%** 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 **28%**. Electricity sales revenues corresponded to **5%** of 3Q2018 consolidated revenues.

Cost of goods sold were **TRY 523mn**, up by **31%** on a y-o-y basis mainly due to natural gas tariff hikes implied by the national gas provider and LCY depreciation. Soda chemicals segment COGS increased by **38%** y-o-y whereas there was an **11%** rise on the chromium chemicals side.

Thanks to lower share of FCY denominated costs (**59%**) compared to the share of FCY in consolidated revenues, the company was resilient to TRY devaluation. In addition to that, savings in soda ash production costs attained with further utilization of coal-fired steam boiler, procurement of hard currency denominated raw materials at lower prices on a y-o-y, and higher capacity utilization rate under chromium chemicals segment of operations resulted in a COGS/Revenues ratio decline from **66%** to **55%** in 3Q2018.

TRY 435mn gross profit, generated by Soda Sanayii, pointed out to a **113%** y-o-y increase and the company recorded a gross profit margin of **45%** (up from **34%** in 3Q2017).

Gross profit generated by soda and other products and chromium chemicals segments grew by **98%** and **150%**, respectively. As a result, chromium chemicals' contribution to the consolidated gross profit increased from **30%** to **35%**, leaving the rest attributable to the soda and other products segment.

Segment specific gross profit margins were **41%** (vs **32%** in 3Q2017) and **57%** (vs. **37%** in 3Q2017) for soda and chromium chemicals business lines, respectively.

Operating expenses were **61%** higher on a y-o-y basis (**TRY 142mn** vs **TRY 88mn**), due to the rise in FCY linked S&M expenses. OPEX/Revenues ratio came in at **15%** (**20bps** higher compared to 3Q2017).

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 3Q2018, resulting mainly from FX rate fluctuations, Soda Sanayii's net other **income** from main operations was **TRY 98mn** (vs. **TRY 33mn** in

2Q2018). Please note that based on average FX rates, on a q-o-q basis, TRY depreciated by **29%** against USD and **26%** against EUR, while the LCY depreciation rates were **31%** against both currencies based on period-end rates.

With the significant q-o-q rise in period-end USD/TRY rate, Soda Sanayii recorded **TRY 222mn** revaluation gain (vs **TRY 8mn** in 3Q2017) on its investment portfolio, which is composed of **TRY 884mn** 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 26mn** in 3Q2018, up by **TRY 6mn** compared to the same period of last year. Accordingly, net income from investing activities, including share in net profit of associates and gains on provisions for potential gains recorded in 1H 2018 in relation with IFRS 9 standards, increased to **TRY 243mn** (up from **TRY 28mn** in 3Q2017).

Excluding gain/loss on the fixed income securities investment recorded in 3Q of 2017 and 2018, one-off gains adjusted EBIT and EBITDA grew by **197%** and **161%** and the company generated significant increase in its profitability. Based on **TRY 413mn EBIT** and **TRY 453mn EBITDA** figures; 3Q2018 margins were **43%** and **47%**, respectively. Whereas 3Q2017 one-off gain adjusted EBIT and EBITDA margins were **23%** and **29%**.

Thanks to the robust operational performance accompanied with **TRY 206mn** net financial income, Soda Sanayii recorded a net income of **TRY 818mn** (up by **~490%** y-o-y) and net margin of **85%** versus **TRY 139mn** and **23%** in the same period last year. Soda Sanayii had a deferred tax income of **TRY 127mn** in 3Q2018 thanks to its glass fiber investment, on which it is entitled to get corporate tax discount incentive.

Capital expenditures recorded at **TRY 316mn**, of which **TRY 240mn** 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 increased by **USD 30mn** (**USD 19mn** increase in total assets and **USD 11mn** decrease in total liabilities), meanwhile EUR-denominated net long position increased by **EUR 39mn** (**EUR 38mn** increase in total assets and **EUR 1mn** decrease in total liabilities). As a result, the company's net long FX position was recorded at **TRY 2,5bn** (up from **TRY 1,2bn**).

Compared with 2017 year-end, Soda Sanayii's gross debt increased to **TRY 947mn** (up by **TRY 627mn**). Cash&cash equivalents' balance (incl. financial investments and other receivables from related parties) were recorded at **TRY 2,3bn** (up by **TRY 958mn**). Accordingly, Soda Sanayii recorded a net cash position of **TRY 1,4bn**.

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