

Financials (TRY mn)	4Q2018	3Q2019	4Q2019	YoY Growth	QoQ Growth	2018	2019	YoY Growth
Revenue	988	1.035	1.118	13%	8%	3.430	4.182	22%
Gross Profit	331	344	386	17%	12%	1.316	1.432	9%
Gross Margin	34%	33%	35%			38%	34%	
EBIT	62	208	326	428%	57%	1.237	1.089	-12%
EBIT Margin	6%	20%	29%			36%	26%	
Adjusted EBIT*	166	211	272	64%	29%	1.003	940	-6%
Adjusted EBIT Margin*	17%	20%	24%			29%	22%	
Analyst EBIT**	194	188	244	25%	30%	807	814	1%
Analyst EBIT Margin	20%	18%	22%			24%	19%	
EBITDA	101	257	381	279%	48%	1.387	1.294	-7%
EBITDA Margin	10%	25%	34%			40%	31%	
Adjusted EBITDA*	205	260	328	60%	26%	1.153	1.144	-1%
Adjusted EBITDA Margin*	21%	25%	29%			34%	27%	
Analyst EBITDA**	233	237	300	28%	26%	958	1.018	6%
Analyst EBITDA Margin	24%	23%	27%			28%	24%	
Net Income	82	151	297	263%	96%	1.557	1.109	-29%
Net Margin	8%	15%	27%			45%	27%	
Capex	294	58	70	-76%	20%	822	284	-65%
Capex/Sales	30%	6%	6%			24%	7%	
*Excl. non-recurring income/expense								
**Calculated by deducting the sum of COGS and OPEX from Revenues								

COMMENTS ON SODA SANAYİİ A.Ş. 4Q2019 CONSOLIDATED FINANCIAL STATEMENTS

Financial Highlights (4Q19 vs. 4Q18)

- **Revenues**, recorded at TRY 1,12bn, were up 13% (EUR 175mn, up by 11% in EUR terms), with:
 - Soda Chemicals: **4%** increase in USD terms in average price/unit and **7%** increase in sales volume
 - Chromium Chemicals: slight **decline** in USD-denominated average per unit price and **13%** decline in sales volume
 - Electricity: **4%** lower average electricity price/unit in TRY terms and **1%** lower unit sales
 - Oxyvit Plant: **6%** decline in revenues
 - Sisecam Elyaf: **TRY 54mn** incremental revenues
- **Gross profit** increased by 17% to TRY 386mn (EUR 60mn, up by 15% in EUR terms), with a margin of 35%
- **Adjusted EBITDA**, recorded at TRY 328mn, up by 60% (EUR 51mn, up by 57% in EUR terms), with a margin of 29%
- **Net income** was TRY 297mn, up by 263% (EUR 46mn, up by 257%), with a margin of 27%

- **Capex**, recorded at TRY 70mn (EUR 11mn), corresponded to 6% of revenues
- **FCFE** was TRY 145mn in 2019

Operational Highlights (4Q19 vs. 4Q18)

- **Total soda ash production** was at 602K tons, **up** by **2%**. Domestic production **grew** by **3%** while non-Turkey output **declined** by **1%**. Domestic facility's contribution to total soda chemicals output stood at **60%** (vs. 59%)
- **Total soda ash sales volume**, recorded at 613K tons, was **up** by **7%**; domestic sales were **1% higher** whereas international sales **increased** by **9%**
- **Total chromium chemicals production** was **up** by **6%**. Domestic facility's contribution to the total output stood at **99%** (vs. 98%)
- **Total chromium chemicals sales volume** was **down** by **13%**; domestic sales **grew** by **9%** resulting from high demand for Tankrom SB, BCS type of product with moderate pricing, whereas international sales **decreased** by **16%**
- **Electricity** production was **down** by **7%** while sales volume **declined** by **1%** to 219mn kWh
- **Oxyvit Plant** output **declined** by **16%** parallel to lower production of sodium bichromate affecting vitamin K production, but sales volume contracted by 25% due to lower SMBS product sales resulting from weak local demand from the mining industry
- CUR level, recorded at **Sisecam Elyaf Plant**, was **65%** based on the installed production capacity/quarter. Total glass fiber sales volume was **8,8K tons**

Regional and Segmental Analysis of 4Q19 IFRS Results in Comparison with 4Q18 Results

- **Revenues generated through domestic sales**, grew by 27% and corresponded to 28% of the consolidated topline figure (vs. 25%). **International sales** (including exports from Turkey) were up by 9%
- **Revenues stemming from sales to Sisecam Group Companies** were recorded at 17% (vs. 10%) mainly resulting from price and volume sales increases in soda ash
- **Hard currency breakdown of consolidated revenues and COGS** were 92% and 54%, respectively

1) Soda Chemicals, Energy and Other Segment;

- Segmental contribution to the consolidated topline figure recorded at **75%**, with **TRY 840mn** sales revenues (**up** by **23%**). Pure soda ash revenues corresponded to 65% of the topline
- Excluding energy and glass fiber business units' contributions (TRY 109mn in total), soda chemicals revenues grew by **17%** and reached **TRY 731mn**, and revenues were fully generated in hard currency (almost equally split between USD and EUR),
- Energy revenues decreased by **5%** to **TRY 55mn**, with the decline in average price/kWh sold in TRY terms. Energy business' share in consolidated revenues stood at **5%** (vs. 6%)
- Having generated **TRY 54mn** in revenues, newly introduced glass fiber business' contribution to the consolidated topline was **5%**
- **COGS** went up from **TRY 473mn** to **TRY 571mn**, by **21%**, mainly due to natural gas tariff hike implemented in July 2019 by 7% in addition to the lagged impact of successive tariff hikes implemented in the second half of 2018 and higher volume of production and sales
- **Gross profit**, recorded at **TRY 267mn**, was **up** by **29%**, with a margin of **32%** (vs. **31%**), while its share in consolidated gross profit increased by more than **600bps** to **70%**. Excluding glass fiber business' contribution, segment-specific gross profit margin was **35%**

2) Chromium Chemicals Segment;

- With revenues recorded at **TRY 278mn**, **down** by **9%**, segments' contribution to the consolidated topline stood at **25%** (vs. 31%)

- Although **appr. 100%** of the revenues were denominated in hard currency, segmental revenues went down due to lower sales volume resulting from the alignment of sales mix parallel to the demand
- Excluding Oxyvit's contribution (**TRY 24mn**), contraction in chromium chemicals revenues was down by another 30bps
- **COGS declined** from **TRY 184mn** to **TRY 161mn** (by **13%**) due to lower output and sales volume
- **Gross profit**, recorded at **TRY 118mn**, was **down** by **3%**, with a margin of **42%** (vs. **40%**), while its share in consolidated gross profit declined from **37%** to **30%**

P&L Analysis (4Q19 vs. 4Q18)

- **Revenues**, recorded at **TRY 1,12bn**, were **up** by **13%**
- **Consolidated COGS** increased by **11%** to **TRY 731mn**
- **TRY 386mn** gross profit, **up** by **17%**, with **35%** (vs. 34%)
- **Operating expenses** increased by **4%** to **TRY 143mn**, while OPEX/sales ratio was **13%**, **down** by **100 bps** with flat S&M expenses in nominal terms due to the decline in international chromium chemicals sales
- **Net other income from operations** recorded at **TRY 19mn** (vs. **TRY 39mn-net other expense**), with higher net FX gains on trade receivables and payables as a result of smooth FX rates and local currency depreciation based on a q-o-q period-end FX rates
- **Net income from investing activities** stood at **TRY 63mn** (vs. **TRY 94mn-net loss**) 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 1mn booked as a gain on provision for potential losses on Eurobond investments. With the **5%** q-o-q increase in period-end USD/TRY rate, Soda Sanayii recorded **TRY 53mn** as revaluation gains on its investment portfolio (incl. provision for potential losses), which was composed of **TRY 823mn** 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 272mn** (**up** by **64%**). Adjusted EBIT margin stood at **24%** (vs. **17%**)
- **Depreciation expenses**, recorded at **TRY 56mn**, were **up** by **43%** and depreciation/sales ratio was at 5% 60bps higher than the level recorded last year in the same period
- **Adjusted EBITDA** (to one-off gains/losses and provision for potential losses on the fixed income securities investment) increased by **60%** to **TRY 328mn**, and led to a margin of **29%** (vs. **21%**)
- **Net financial income** went **up** to **TRY 25mn**. Although the company's financial leverage increased following the issuance of Şişecam Eurobonds, it managed to record a net financial income with lower interest rates, higher share of TRY-denominated financial debt and local currency depreciation
- With a significant increase in EBT and a lower level of capex in relation with investments entitled to collect tax incentives, **we recorded a tax expense of TRY 54mn** (vs. a tax income of **TRY 128mn**)
- **Net income** was **TRY 297mn** (vs. **TRY 81mn**), with a net margin **27%** (vs. **8%**)
- 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 2,2bn equivalent **USD 373mn** (vs. TRY 894mn equivalent **USD 170mn** as of 2018 year-end). USD denominated financial liabilities rose by USD 26mn (~TRY150mn), parallel to the new bond issuance and the buyback of existing notes. Rest of the increase was in relation with cash dividends, financing of capital expenditures and working capital requirement in addition to Natural Soda Ash investment business development payment categorized under other fixed assets.
- **Cash&Cash Equivalents** (including fixed income securities investments and other receivables from related parties) stood at TRY 3,1bn equivalent **USD 526mn** (vs. TRY 2bn equivalent **USD 388mn**). The company increased its TRY-denominated indebtedness by TRY 1bn to benefit from the decline in local currency interest rates
- **Net Cash** position was TRY 911mn equivalent **USD 153mn**, and Net Cash/Ebitda at **0,7x**
- **Net Long FX Position** was **TRY 3bn** (up by **TRY 912** compared to 2018 year-end balance);
 - **Net long USD** position of **USD 416mn**, up by **USD 161mn** (incl. 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 66mn**, down by **EUR 44mn** (incl. 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 50mn**, up by **TRY 6mn**
- **Capital Expenditures:** Soda Sanayii had a total capex of **TRY 70mn** (vs. **TRY 294mn**) in relation with Kromsan plant equipment replacement, soda ash production capacity expansion program, operational efficiency and glass fiber investments

Material Events during and after the Reporting Period

- Soda Sanayii covered its initial capital commitment (USD 6,75mn) in relation with its 50% partnership in Pacific Soda LLC's in two installments; USD 3mn in October and USD 3,75mn in November
- Starting from October 24th, Pacific Soda LLC's financials are being consolidated in Soda Sanayii financial statements based on equity pick-up method
- On January 30th 2020, Şişecam made the following disclosure on the Public Disclosure Platform

"Considering the Group's long term strategies, its global competitive environment, and the potential synergies that could be captured by combining all of Sisecam's activities in one entity, it was decided in the Board of Directors Meeting of our Company on January 30, 2020 to engage in negotiations regarding a merger with Anadolu Cam Sanayii A.Ş., Denizli Cam Sanayii ve Ticaret A.Ş., Paşabahçe Cam Sanayii ve Ticaret A.Ş., Soda Sanayii A.Ş. and Trakya Cam Sanayii A.Ş. This is pursuant to Capital Markets Law Number 6362, Capital Market Board's Communiqué Number Seri:II, N 23.1 on Common Principles Applicable to Important Category Transactions and the Right to Exit, Capital Market Board's Communiqué Number Seri:II, N 23.2 on Mergers and Spin-offs, Turkish Commercial Code number 6102, Corporate Tax Law number 5520 and other applicable legislation. The expected synergies will be achieved through an efficient, lean and agile governance that will maximize shareholder value through increased trading volume and depth of shares."

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

Excluding From EBIT:

- **2019: TRY 150 Million:** Revaluation gain on fixed income instruments including IFRS-9 adjustments
- **2018: TRY 234 Million:** Revaluation gain on fixed income instruments including IFRS-9 adjustments
- **4Q19: TRY 54 Million:** Revaluation gain on fixed income instruments including IFRS-9 adjustments
- **4Q18: TRY 104 Million:** Revaluation loss on fixed income instruments including IFRS-9 adjustments

Şişecam IR Team



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