

COMMENTS ON SODA SANAYİİ A.Ş. 3Q2019 CONSOLIDATED FINANCIAL STATEMENTS

Financials (TRY mn)	3Q2018	2Q2019	3Q2019	YoY Growth	QoQ Growth	9M2018	9M2019	YoY Growth
Revenue	958	1.082	1.035	8%	-4%	2.443	3.065	25%
Gross Profit	435	404	344	-21%	-15%	985	1.046	6%
Gross Margin	45%	37%	33%			40%	34%	
EBIT	634	295	208	-67%	-30%	1.175	764	-35%
EBIT Margin	66%	27%	20%			48%	25%	
Adjusted EBIT*	417	262	211	-49%	-19%	831	668	-20%
Adjusted EBIT Margin*	43%	24%	20%			34%	22%	
Analyst EBIT**	293	231	188	-36%	-19%	613	570	-7%
Analyst EBIT Margin	31%	21%	18%			25%	19%	
EBITDA	675	345	257	-62%	-26%	1.287	912	-29%
EBITDA Margin	70%	32%	25%			53%	30%	
Adjusted EBITDA*	457	311	260	-43%	-16%	942	816	-13%
Adjusted EBITDA Margin*	48%	29%	25%			39%	27%	
Analyst EBITDA**	333	281	237	-29%	-16%	724	719	-1%
Analyst EBITDA Margin	35%	26%	23%			30%	23%	
Net Income	818	376	151	-82%	-60%	1.475	812	-45%
Net Margin	85%	35%	15%			60%	27%	
Capex	301	61	58	-81%	-5%	528	213	-60%
Capex/Sales	31%	6%	6%			22%	7%	
*Excl. non-recurring income/expense								
**Calculated by deducting the sum of COGS and OPEX from Revenues								

Financial Highlights (3Q19 vs. 3Q18)

- **Revenues**, recorded at TRY 1,03bn, were up 8% (EUR 164mn, up by 12% in EUR terms), with;
 - **Soda Chemicals**: 8% increase in USD terms in average price/unit and 2% decline in sales volume
 - **Chromium Chemicals**: 11% decrease in USD terms in average per unit price/unit and 7% decline in sales volume
 - **Electricity**: 28% higher average electricity price/unit in TRY terms and 1% decrease in unit sales
 - **Oxyvit Plant**: 8% increase in revenues
 - **Sisecam Elyaf**: TRY 50mn incremental revenues
- **Gross profit** decreased by 21% to TRY 344mn (EUR 55mn, down by 18% in EUR terms), with a margin of 33%
- **Adjusted EBITDA**, recorded at TRY 260mn, down up by 43% (EUR 41mn, down by 41% in EUR terms), with a margin of 25%
- **Net income** was TRY 151mn, down by 82% (EUR 24mn, down by 81%), with a margin of 15%
- **Capex**, recorded at TRY 58mn (EUR 9mn), corresponded to 6% of revenues
- **FCFE** was TRY -13,5mn in 9M19

Operational Highlights (3Q19 vs. 3Q18)

- **Total soda ash production** was at 597K tons, **up** by **3%**. Domestic and international production grew by **3%** each. Domestic facility's contribution to total soda chemicals output was flat at **61%**
- **Total soda ash sales volume**, recorded at 570K tons, was **down** by **2%**; domestic sales were **1% lower** whereas international sales **decreased** by **2%**
- **Total chromium chemicals production** was **down** by **25%** due to production facility stoppage in order to carry out planned maintenance activities as well as an inventory optimization purpose. Domestic facility's contribution to the total output stood at **99%**
- **Total chromium chemicals sales volume** was **down** by **7%**; domestic sales **grew** by **33%** resulting from high demand for Tankrom SB, BCS type of product with moderate pricing, whereas international sales **decreased** by **11%**
- **Electricity** production was **down** by **7%** while sales volume **declined** by **1%** to 197mn kWh
- **Oxyvit Plant** output **declined** by **6%** parallel to lower production of sodium bichromate, on the other hand sales volume **contracted** by **5%** due to lower exports of SMBS product
- CUR level, recorded at **Sisecam Elyaf Plant**, was **45%** based on the installed production capacity/quarter for inventory optimization. Total glass fiber sales volume was **7,9K tons**. Sales volume recorded in the third quarter was higher than the production of the quarter

Regional and Segmental Analysis of 3Q19 IFRS Results in Comparison with 3Q18 Results

- **Revenues generated through domestic sales**, having grown by 37%, corresponded to 27% of the consolidated topline figure (vs. 22%). **International sales** (including exports from Turkey) declined by 500 bps
- **Revenues stemming from sales to Sisecam Group Companies** were recorded at 17% (vs. 11%) mainly resulting from price increases
- **Hard currency breakdown of consolidated revenues and COGS** were 93% and 53%, respectively

1) Soda Chemicals, Energy and Other Segment;

- Segmental contribution to the consolidated topline figure recorded at **75%**, with **TRY 779mn** sales revenues (**up** by **12%**)
- Excluding energy and glass fiber business units' contributions (TRY 115mn in total), soda chemicals revenues grew by **3,4%** and reached **TRY 665mn**, and revenues were fully generated in hard currency (almost equally split between USD and EUR),
- Energy revenues increased by **26%** to **TRY 64mn**, thanks the rise in average price/kWh sold in TRY terms (by **28%**). Energy business' share in consolidated revenues stood at **6%** (vs. 5%)
- Having generated **TRY 50mn** in revenues, newly introduced glass fiber business' contribution to the consolidated topline was **5%**
- **COGS** went up from **TRY 410mn** to **TRY 530mn**, by **29%**, mainly due to lagged impact of natural gas tariff hikes implemented in August and September 2018 (50% and 30%, respectively) and partial impact of 7% increase implemented in July 2019. Excluding glass fiber business' COGS, the rise in segment-specific COGS was **18%**
- **Gross profit**, recorded at **TRY 249mn**, was **down** by **12%**, with a margin of **32%** (vs. **41%**), while its share in consolidated gross profit increased by **800bps** to **75%**. Excluding glass fiber business' contribution, segment-specific gross profit margin was **34%**

2) Chromium Chemicals Segment;

- With revenues recorded at **TRY 255mn**, **down** by **3%**, segments' contribution to the consolidated topline stood at **25%**

- Although **appr. 100%** of the revenues were denominated in hard currency, growth in segmental revenues stayed in mid-single digits due to a decrease in average price/ton, lower sales volume and alignment of the sales mix parallel to the demand
- Excluding Oxyvit's contribution (**TRY 25mn**), chromium chemicals revenues contracted by 4%
- **COGS** went **up** from **TRY 113mn** to **TRY 161mn** (by **43%**) due to lower output. Excluding **TRY 14mn** COGS recorded by Oxyvit, segment-specific COGS was **up** by **46%**
- **Gross profit**, recorded at **TRY 95mn**, was **down** by **38%**, with a margin of **37%** (vs. **57%**), while its share in consolidated gross profit declined from **35%** to **28%**

P&L Analysis (3Q19 vs. 3Q18)

- **Revenues**, recorded at **TRY 1,03bn**, were **up** by **8%**
- **Consolidated COGS** increased by **32%** to **TRY 691mn**
- **TRY 344mn** gross profit, **down** by **21%**, with **33%** (vs. 45%)
- **Operating expenses** increased by **10%** to **TRY 156mn**, while OPEX/sales ratio was **15%**, **up** by **~30 bps**. S&M expenses, having grown by **8%** in nominal terms, corresponded to **66%** of the rise in OPEX, with growing transportation expenses 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 expenses from operations** recorded at **TRY 4mn** (vs. **TRY 97mn-net other income**), with lower net FX gains on trade receivables and payables as a result of, smooth FX rates and appreciated local currency based on q-o-q period-end FX rates
- **Net income from investing activities** stood at **TRY 24mn** (vs. **TRY 244mn**) 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 provision for potential losses on Eurobond investments. With the **2%** q-o-q decrease in period-end USD/TRY rate, Soda Sanayii recorded **TRY 3,5mn** as revaluation losses on its investment portfolio (incl. provision for potential losses), which was composed of **TRY 819mn** 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 211mn** (**down** by **49%**). Adjusted EBIT margin stood at **20%** (vs. **43%**)
- **Depreciation expenses**, recorded at **TRY 49mn**, were **up** by **23%** 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) decreased by **43%** to **TRY 260mn**, and led to a margin of **25%** (vs. **48%**)
- **Net financial income** went **down** by **TRY 302mn** and accordingly a **net financial expense** of **TRY 96mn** was recorded mainly due to net FX **loss** of **TRY 34mn** (vs. **TRY 199mn** net FX **gain**) as a result of issued bonds, increased leverage and local currency appreciation
- **TRY 40mn tax income** was recorded (vs. a tax expense of **TRY 22mn**), with **TRY 18mn** tax expense in relation with the period and **TRY 58mn** deferred tax assets. Lower level of capex made in relation with investments

entitled to collect tax incentives, low EBT resulted in a very limited tax expense, hence Soda Sanayii recorded a tax income

- **Net income** was **TRY 151mn** (vs. **TRY 818mn**), with a net margin **15%** (vs. **85%**)
- 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 2,4bn equivalent **USD 425mn** (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. Other payables to related parties increased by TRY 396mn with the financing capital expenditures Rest of the increase was in relation with cash dividends (TRY 345mn) and Natural Soda Ash investment business development payment (TRY440mn) categorized under other fixed assets.
- **Cash&Cash Equivalents** (including fixed income securities investments and other receivables from related parties) stood at TRY 3bn equivalent **USD 525mn** (vs. TRY 2bn equivalent **USD 388mn**). USD 47mn cash inflow was booked with the new bond issuance
- **Net Cash** position was TRY 568mn equivalent **USD 100mn**, and Net Cash/Ebitda at **0,6x**
- **Net Long FX Position** was **TRY 2,5bn** (up by **TRY 422** compared to 2018 year-end balance);
 - **Net long USD** position of **USD 319mn**, up by **USD 64mn** (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 102mn**, down by **EUR 7mn** (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 28mn**, down by **TRY 17mn**
- **Capital Expenditures:** Soda Sanayii had a total capex of **TRY 58mn** (vs. **TRY 301mn**) in relation with Kromsan plant equipment replacement, operational efficiency and glass fiber investments

Important Events during and after the Period

- Soda Sanayii's application, for a capacity expansion project at its Mersin Plant, was acknowledged by Ministry of Environment and Urbanization. The authority announced the commencement of Environmental Impact Assessment process on August 27th
- Starting September 17th onwards until the reporting period-end, parent company Şişecam purchased 5,5mn Soda Sanayii shares. Accordingly, Sisecam's share in Soda Sanayii increased from 60,67% to 61,22% as of September 24th 2019. Share purchases continued after the reporting period, as of the financial statement disclosure date Sisecam's share in Soda Sanayii stood at 62,02%
- All transactions in relation with the foundation of Sisecam Chemicals USA Inc., a US-based wholly-owned subsidiary of Soda Sanayii, and its 50% participation in Pacific Soda LLC have been completed

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

Excluding From EBIT:

- **9M19: TRY 96 Million:** Revaluation gain on fixed income instruments including IFRS-9 adjustments amounting to TRY 96 Million
- **9M18: TRY 344 Million:** Revaluation gain on fixed income instruments including IFRS-9 adjustments amounting to TRY 344 Million

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