

COMMENTS ON SODA SANAYİİ A.Ş. 1Q2020 CONSOLIDATED FINANCIAL STATEMENTS

Financials (TRY mn)	1Q2019	4Q2019	1Q2020	YoY Growth	QoQ Growth
Revenue	948	1.118	1.176	24%	5%
Gross Profit	298	386	424	42%	10%
Gross Margin	31%	35%	36%		
EBIT	261	326	416	60%	28%
EBIT Margin	28%	29%	35%		
Adjusted EBIT*	195	272	321	65%	18%
Adjusted EBIT Margin*	21%	24%	27%		
Analyst EBIT**	151	244	255	70%	5%
Analyst EBIT Margin	16%	22%	22%		
EBITDA	310	381	470	52%	23%
EBITDA Margin	33%	34%	40%		
Adjusted EBITDA*	244	328	375	54%	14%
Adjusted EBITDA Margin*	26%	29%	32%		
Analyst EBITDA**	200	300	309	55%	3%
Analyst EBITDA Margin	21%	27%	26%		
Net Income	285	297	403	41%	36%
Net Margin	30%	27%	34%		
Capex	94	70	29	-69%	-58%
Capex/Sales	10%	6%	2%		
*Excl. non-recurring income/expense					
**Calculated by deducting the sum of COGS and OPEX from Revenues					

Financial Highlights (1Q20 vs. 1Q19)

- **Revenues**, recorded at TRY 1.18bn, were up 24% (EUR 175mn, up by 12% in EUR terms), with;
 - Soda Chemicals: 1% increase in USD terms in average price/unit, 5% increase in sales volume
 - Chromium Chemicals: 7% decrease in USD terms in average price/unit, 5% increase in sales volume
 - Electricity: 19% increase in TRY terms in average electricity price/unit, 2% decline in sales volume
 - Oxyvit Plant: 19% increase in revenues
 - Sisecam Elyaf: 171% increase in revenues
- **Gross profit** increased by 42% to TRY 424mn (EUR 63mn, up by 29% in EUR terms), with a margin of 36%
- **Adjusted EBITDA**, recorded at TRY 375mn, was up by 54% (EUR 56mn, up by 39% in EUR terms), with a margin of 32%
- **Net income** increased to TRY 403mn, up by 41% (EUR 60mn, up by 28%), with a margin of 34%

- **Capex**, recorded at TRY 29mn (EUR 4mn), corresponded to 2% of revenues
- **FCFE** was TRY -186mn in 1Q20

Operational Highlights (1Q20 vs. 1Q19)

- **Total soda ash production** was at 595K tons, up by 3%. Domestic and international production volumes were up by 4% and 3%, respectively. 62% of the output was produced at Mersin Soda Plant, located in Turkey, while the rest at Non-Turkey facilities
- **Total soda ash sales volume**, recorded at 574K tons, was up by 5%. Similar to the rise in output levels, domestic and international sales went up by 4% and 5% in volume terms
- **Total chromium chemicals production** increased by 16%. Low base seen in 1Q19 due to the scheduled equipment renewal investment in Kromsan Plant was the reason behind the double-digit rise. Domestic facility's contribution to the total output stood at 99% (up by 1,4 percentage points).
- **Total chromium chemicals sales volume**, recorded at 35K tons, grew by 5% with the low base comparison. Domestic and international sales' contributions to total volume were almost flat at 12% and 88%, respectively. In the first two months of 2020, demand for chromium chemicals, especially for BCS weakened due to mainly industrial production stoppages adopted in China as part of the measures against Covid-19 outbreak. As a response, Soda Sanayii adopted the strategy of focusing on alternative markets in South America and Asia.
- **Electricity** production was down by 18% with the process optimization at energy production facilities including co-generation plant, coal-fired boiler and conventional boilers to offset the negative impact of declining electricity spot market prices due to Covid-19 outbreak. Sales volume decreased by 2% to 225mn kWh.
- **Oxyvit Plant** output decreased by 8% while sales volume was flat. With the decline in global production levels due to Covid-19 outbreak, pricing environment was strong especially for Vitamin K3, used as one of the premix materials for animal feed.
- **Sisecam Elyaf Plant** recorded an eye-catching performance in installed capacity/quarter utilization rate, reaching to **68%** vs. **45%** seen last year in the same quarter when the plant was first introduced. Output and sales volume of the glass fiber business were 11,9K tons and 15,5K tons, respectively. Sales volume/output ratio was up from 70% to 130%.

Regional and Segmental Analysis of 1Q20 IFRS Results in Comparison with 1Q19 Results

- **Revenues generated through domestic sales**, having grown by 30%, corresponded to 28% of the consolidated topline figure (vs. 27%). **International sales** (including exports from Turkey) went up by 22%
- **Revenues stemming from sales to Sisecam Group Companies** stood at 16% (vs. 14%)
- **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 **77%**, with **TRY 900mn** sales revenues (**up** by **28%**)
- Excluding energy and glass fiber business units' contributions (TRY 162mn in total), fully generated in hard currency and with a USD/EUR split of 47%/53%, soda chemicals revenues grew by **20%** and reached **TRY 738mn**.
- Energy revenues increased by **16%** to **TRY 69mn**, with **19%** rise in average price/kWh sold in TRY terms. Energy business' share in consolidated revenues was flat at **6%**
- Having generated **TRY 94mn** in revenues, newly introduced glass fiber business' contribution to the company's consolidated topline was **8%** (vs. 4%)
- **COGS** went up from **TRY 499mn** to **TRY 595mn**, by **19%**, with higher sales volume of soda ash and glass fiber products on top of the rise in natural gas tariff, higher packaging costs and local currency

depreciation. Excluding costs in relation with the glass fiber business, the rise in segment-specific COGS was only 9%

- **Gross profit**, recorded at **TRY 306mn**, was **up by 48%**, with a margin of **34%** (vs. 29%), while its share in consolidated gross profit increased by **285bps** to 72%.

2) Chromium Chemicals Segment:

- With revenues recorded at **TRY 276mn**, **up by 14%**, segments' contribution to the consolidated topline stood at **23%**
- The rise in chromium chemicals sales volume was not enough to net off the decline in average product prices, yet segmental revenues grew in line with the local currency depreciation thanks to its fully hard currency denominated revenue generation advantage and strong topline performance recorded by Oxyvit Plant
- Incremental revenues generated by Oxyvit Plant to the chromium chemicals segment was **TRY 29mn**, up by **25%**
- **COGS** went up from **TRY 151mn** to **TRY 157mn**, by only **4%**, thanks to the decline in the price of the main raw materials and larger scale of operations. Excluding **TRY 15mn** COGS recorded by Oxyvit, segment-specific COGS grew by 3%
- **Gross profit**, recorded at **TRY 119mn**, was **up by 29%**, with a margin of **43%** (vs. 38%), while segment-specific contribution to consolidated gross profit declined by 28% (vs. 31%)

P&L Analysis (1Q20 vs. 1Q19)

- **Revenues**, recorded at **TRY 1,18bn**, were **up by 24%**
- **Consolidated COGS** increased by **16%** to **TRY 752mn**
- **Gross Profit** was **TRY 424mn**, **up by 42%**, with a margin of **36%** (vs. 31%)
- **Operating expenses** increased by **15%** to **TRY 169mn**, while OPEX/sales ratio was **14%** (16%). S&M expenses, having grown by **12%** in nominal terms, corresponded to 65% of the rise in OPEX, with increasing logistic expenses mainly resulting from higher soda ash volume sales and larger scale of operations at the glass fiber unit
- **Net other income from operations** recorded at **TRY 46mn** (vs. **TRY 25mn**), with higher net FX gains on trade receivables and payables
- **Net income from investing activities** stood at **TRY 115mn** (vs. **TRY 86mn**) including the share in net income generated by associates and joint ventures and impairment losses in relation with IFRS 9 standards. With the **10%** q-o-q rise in period-end USD/TRY rate, Soda Sanayii recorded **TRY 95mn** as revaluation gains on its investment portfolio (incl. gain on provisions for potential losses), which was composed of **TRY 891mn** equivalent USD-denominated fixed income securities with semi-annual coupon payments.
- **Adjusted EBIT** (to one-off gains/losses and provision for potential losses on the fixed income securities investment) was **TRY 321mn** **up by 65%**. Adjusted EBIT margin stood at **27%** (vs. **21%**)
- **Depreciation expenses**, recorded at **TRY 54mn**, were **up by 9%** 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 **54%** to **TRY 375mn**, and led to a margin of **32%** (vs. 26%)

- **Net financial income** increased from **TRY 52mn** to **TRY 135mn** resulting from the amplified impact of local currency depreciation with higher hard-currency deposits and TRY-denominated financial debt with lower interest rates
- **Tax expense**, recorded at **TRY 148mn** (vs. **TRY28mn**), with TRY 106mn tax expense in relation with the period as a result of higher operational performance and TRY 42mn deferred tax liability due to lower level of tax incentives use with the decline in capex
- **Net income** in relation with the period was **TRY 403mn** (vs. **TRY 285mn**), with a net margin **34%** (vs. **30%**).
- 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 2,7bn equivalent **USD 409mn** (vs. TRY 2,2bn equivalent **USD 373mn** as of 2019 year-end). Soda Sanayii maintained its policy to increase its TRY-denominated debt to benefit from the decline in interest rate
- **Cash&Cash Equivalents** (including fixed income securities investments and other receivables from related parties) stood at TRY 3,7bn equivalent **USD 567mn** (vs. TRY 3.1bn equivalent **USD 526mn**)
- **Net Cash** position was TRY 1bn equivalent **USD 158mn**, and Net Cash/Ebitda at **0,7x**
- **Net Long FX Position** was **TRY 3,7bn** (up by **TRY 710mn** compared to 2019 year-end balance);
 - **Net long USD** position of **USD 465mn**, up by **USD 49mn**
 - **Net long EUR** position of **EUR 81mn**, up by **EUR 15mn**
 - **Net long other currencies'** position of **TRY 54mn**, up by **TRY 4mn**
- **Capital Expenditures:** Soda Sanayii had a very limited capex only **TRY 29mn** (vs. **TRY 94mn**) as the company decided to act in a cautious manner against the possible negative impact that Covid-19 may have on client industries.

Important Events during and after the Period

- At the AGM held on March 27th, Soda Sanayii shareholders approved distribution of TRY 245mn as cash dividend. Ex-date for the dividend payment is May 29th
- PwC, expert valuation company have conducted the valuation process of Şişecam Group, prepared the Expert Valuation Report and Opinion for the ongoing merger process (merger under Şişecam through acquisition of all assets and liabilities of its 4 listed companies including Soda Sanayii and Paşabahçe) and determined the conversion rates, which are submitted all subject to the Capital Markets Board approval. On April 27th, Şişecam had officially submitted the merger application to the CMB. TL per share exit rights were also calculated according to existing communiqué, which are the arithmetical mean of corrected weighted average prices, traded on the stock exchange within thirty days prior to the date of first disclosure of transaction to public, excluding the date of disclosure. Should the legislation change on exit rights, the valuation methodology will be updated accordingly. Please be reminded that the exit right prices will be recalculated following the dividend distribution and disclosed via Public Disclosure Platform

Conversion Rate for SODA = 1,15997

Exit Right Price (TL/Share) for SODA = 6,39

- Covid-19 virus outbreak that occurs in China and spreads to various parts of the world, affects economic conditions negatively both regionally and globally, especially in countries exposed to contagiousness. The ultimate magnitude of the coronavirus outbreak remains uncertain at this time, and therefore the Company cannot reasonably predict its impact on its operations

One-Off Impacts Excluded from EBIT Analysis:

Excluding From EBIT:

- **1Q20: TRY 95 Million:** Revaluation gain on fixed income instruments including IFRS-9 adjustments
- **1Q19: TRY 66 Million:** Revaluation loss on fixed income instruments including IFRS-9 adjustments

Şişecam IR Team



TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

Şişecam Genel Merkezi

D-100 Karayolu Cad.

No:44A 34947

Tuzla/Istanbul

Türkiye

sc_ir@sisecam.com

P +90 850 206 50 50

D +90 850 206 33 74