

COMMENTS ON SODA SANAYİİ A.Ş. 2Q2020 CONSOLIDATED FINANCIAL STATEMENTS

Financials (TRY mn)	2Q2019	1Q2020	2Q2020	YoY Growth	QoQ Growth	1H2019	1H2020	YoY Growth
Revenue	1.082	1.176	1.066	-1%	-9%	2.030	2.242	10%
Gross Profit	404	424	415	3%	-2%	702	840	20%
Gross Margin	37%	36%	39%			35%	37%	
EBIT	295	416	350	18%	-16%	556	766	38%
EBIT Margin	27%	35%	33%			27%	34%	
Adjusted EBIT*	262	321	293	12%	-9%	457	614	35%
Adjusted EBIT Margin*	24%	27%	27%			22%	27%	
Analyst EBIT**	231	255	253	9%	-1%	382	508	33%
Analyst EBIT Margin	21%	22%	24%			19%	23%	
EBITDA	345	470	406	18%	-14%	655	877	34%
EBITDA Margin	32%	40%	38%			32%	39%	
Adjusted EBITDA*	311	375	350	12%	-7%	556	725	30%
Adjusted EBITDA Margin*	29%	32%	33%			27%	32%	
Analyst EBITDA**	281	309	310	10%	0%	481	619	29%
Analyst EBITDA Margin	26%	26%	29%			24%	28%	
Net Income	376	403	327	-13%	-19%	661	730	10%
Net Margin	35%	34%	31%			33%	33%	
Capex	61	29	38	-38%	29%	155	67	-57%
Capex/Sales	6%	2%	4%			8%	3%	

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

Financial Highlights (2Q20 vs. 2Q19)

- **Revenues**, recorded at TRY 1,07bn, were down 1% (EUR 141mn, down 14% in EUR terms), with;
 - Soda Chemicals: **2%** increase in USD terms in average price/unit, **17%** decrease in sales volume
 - Chromium Chemicals: **7%** decrease in USD terms in average price/unit and **20%** lower sales volume
 - Electricity: **16%** increase in TRY terms in average electricity price/unit, **2%** decrease sales volume
 - Oxyvit Plant: **21%** increase in revenues
 - Sisecam Elyaf: **6%** increase in revenues
- **Gross profit** increased by 3% to TRY 415mn (EUR 55mn, down by 10% in EUR terms), with a margin of 39%
- **Adjusted EBITDA**, recorded at TRY 350mn, was up by 12% (EUR 46mn, down by 2% in EUR terms), with a margin of 33%
- **Net income** decreased to TRY 327mn, down by 13% (EUR 43mn, down by 24%), with a margin of 31%
- **Capex**, recorded at TRY 38mn (EUR 5mn), corresponded to 4% of revenues

- **FCFE** was TRY -491mn in 1H20 (vs. TRY -325) due to the rise in net working capital with lower volume sales and tax expense parallel to the downward revision in budgeted annual capex

Operational Highlights (2Q20 vs. 2Q19)

- **Total soda ash production** was at 530K tons, down by 13%. Domestic and international production volumes were down by 8% and 19%, respectively. Parallel to the last year in the same period, 63% 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 480K tons, was down by 17%. Domestic and international sales went down by 14% and 18% in volume terms.

April sales volume was not significantly different from what we have recorded last year in the same period. Although there were slowdowns in demand from flat glass industry clients, we continued to deliver our products in line with our plans as our operations were supported by the incremental demand coming from glass packaging and detergent production industries. May, on the other hand, was the month in which we felt the full impact of production stoppages seen in auto industry and slowdown in construction activity in a lagged but direct manner. While 2020 sales contracts, signed mostly before the end of 2019, continued to be in place, we started to get delay request for soda ash deliveries especially to our flat glass industry clients. Sales volume recorded in June was stronger than May but still below April, pointing out the fact that the lagged impact of the slowdown in sales to flat glass industry continued to be on the scene while our product deliveries were supported by the easing in pandemic related limitations and the nourishing consumer sentiment resulting from normalization steps

- **Total chromium chemicals production** decreased by 43%. Domestic facility's contribution to the total output stood at 99%, flat on a y-o-y basis.
- **Total chromium chemicals sales volume**, recorded at 27K tons, down by 20%. Domestic sales' contribution to total volume was 9% (down from 14%).

Chromium chemicals operations were hit at a larger extend throughout the first half of 2020, being a global supplier of products used in industries having already matured from a demand perspective while Covid-19 cases was started in China, one of our largest export markets and then have spread all around the World especially starting from March. Although, we kept our sales volume higher year on year in the first quarter by changing the product mix and adding clients to our portfolio from different regions, these precautions were not enough to keep the trend in April. Slowdown in global economic activity together with below 50% capacity utilization rate in leather tanning industry and production stoppages in auto industry acted as the main contributors to low sales volumes in April. May turned out to be the month in which we have recorded gradual improvement in our sales volume on a month on month basis thanks to our efforts in aligning our product portfolio with the demand. In June, we were able to limit our sales volume decline at single digit levels on a year on year basis with the easing of pandemic measures and the revival of demand in Asia parallel to the rise in economic activity

- **Electricity** production was down by 48% with the process optimization at energy production facilities including co-generation plant, coal-fired boiler and conventional boilers. Sales volume was down by 2% to 203mn kWh
- **Oxyvit Plant** output decreased by 7% while sales volume was down by 3%. With the decline in global production levels due to Covid-19 outbreak, pricing environment stayed strong especially for Vitamin K3, used as one of the premix materials for animal feed.
- **Sisecam Elyaf Plant** installed capacity/quarter utilization rate was kept at **68%** (flat on a q-o-q basis) due to Covid-19 impact of lowering the global demand for glass fiber products at a large extend. Output and sales volume of the glass fiber business were 11,9K tons and 9,9K tons, respectively. Sales volume/output ratio was up from 68% to 83%.

Regional and Segmental Analysis of 2Q20 IFRS Results in Comparison with 2Q19 Results

- **Revenues generated through domestic sales** contracted by 2% and kept its share consolidated topline figure flat at 26%. **International sales** (including exports from Turkey) went down by 1%
- **Revenues stemming from sales to Sisecam Group Companies** stood at 13% (vs. 12%)
- **Hard currency breakdown of consolidated revenues and COGS** were 93% and 58%, respectively

1) Soda Chemicals, Energy and Other Segment:

- Segmental contribution to the consolidated topline figure recorded at **76%**, with **TRY 812mn** sales revenues (**up** by 2%)
- Excluding energy and glass fiber business units' contributions (**TRY 116mn in total**), fully generated in hard currency and with a USD/EUR split of 43%/57%, soda chemicals revenues grew by **1%** and reached **TRY 696mn**.
- Energy revenues increased by **13%** to **TRY 51mn**, with **16%** rise in average price/kWh sold in TRY terms. Energy business' share in consolidated revenues was **5%** (vs. **4%**)
- Having generated **TRY 65mn** in revenues, glass fiber business' contribution to the company's consolidated topline was flat at **6%**
- **COGS** went down from **TRY 520mn** to **TRY 510mn**, by **2%**, primarily with the decline in raw material costs in USD basis and lower level of sales. Excluding costs in relation with the glass fiber business, the decline in segment-specific COGS was 3%
- **Gross profit**, recorded at **TRY 302mn**, was **up** by **9%**, with a margin of **37%** (vs. **35%**), while its share in consolidated gross profit increased by **+400bps** to **73%** (vs. **69%**).

2) Chromium Chemicals Segment:

- With revenues recorded at **TRY 253mn**, **down** by **11%**, segments' contribution to the consolidated topline stood at **24%**
- Incremental revenues generated by Oxyvit Plant to the chromium chemicals segment was **TRY 34mn**, **up** by **21%**
- **COGS** went down from **TRY 159mn** to **TRY 140mn**, by **12%**, thanks to the decline in the prices of the main raw materials in USD basis and lower sales volume. Excluding **TRY 17mn** COGS recorded by Oxyvit, segment-specific COGS declined by 14%
- **Gross profit**, recorded at **TRY 113mn**, was **down** by **10%**, with a margin of **45%** (vs. **44%**), while segment-specific contribution to consolidated gross profit declined to **27%** (vs. **31%**)

P&L Analysis (2Q20 vs. 2Q19)

- **Revenues**, recorded at **TRY 1,07bn**, were **down** by **1%**
- **Consolidated COGS** decreased by **4%** to **TRY 651mn**
- **Gross Profit** was **TRY 415mn**, **up** by **3%**, with a margin of **39%** (vs. 37%)
- **Operating expenses** was **down** by **6%** to **TRY 162mn**, while OPEX/sales ratio was **15%** (16%), mainly resulting from a decline in logistics expenses due to lower volume of product deliveries
- **Net other income from operations** recorded at **TRY 27mn** (vs. **TRY 16mn**), with higher net FX gains on trade receivables and payables
- **Net income from investing activities** stood at **TRY 69mn** (vs. **TRY 48mn**) 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 57mn** as revaluation gains on its investment portfolio (incl. loss on provisions for potential losses), which was composed of **TRY 893mn** 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 293mn up by 12%**. Adjusted EBIT margin recorded at **27%** (vs. **24%**)
- **Depreciation expenses**, recorded at **TRY 57mn**, were **up by 14%** and depreciation/sales ratio was 5%, **up by 70bps**
- **Adjusted EBITDA** (to one-off gains/losses and provision for potential losses on the fixed income securities investment) increased by **12%** to **TRY 350mn**, and led to a margin of **33%** (vs. **29%**)
- **Net financial income** increased from **TRY 7mn** to **TRY 71mn** resulting from higher hard-currency deposits and TRY-denominated financial debt with lower interest rates and local currency depreciation
- **Tax expense**, recorded at **TRY 94mn** (vs. **tax income** of **TRY74mn**), with TRY 110mn tax expense and TRY 16mn deferred tax income due to lower level of tax incentives use with the decline in capex
- **Net income** in relation with the period was **TRY 327mn** (vs. **TRY 376mn**), with a net margin **31%** (vs. **35%**).
- **Gross Debt** (incl. other payables to related parties) came in at TRY 2,6bn equivalent **USD 376mn** (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 3,9bn equivalent **USD 568mn** (vs. TRY 3,1bn equivalent **USD 526mn**)
- **Net Cash** position was TRY 1,3bn equivalent **USD 192mn**, and Net Cash/Ebitda at **0,9x**
- **Net Long FX Position** was **TRY 4bn** (up by **TRY 1,04bn** compared to 2019 year-end balance);
 - **Net long USD** position of **USD 449mn**, up by **USD 33mn**
 - **Net long EUR** position of **EUR 110mn**, up by **EUR 45mn**
 - **Net long other currencies'** position of **TRY 70mn**, up by **TRY 20mn**
- **Capital Expenditures:** Soda Sanayii had a very limited capex of **TRY 38mn** (vs. **TRY 61mn**) as the company decided to act in a cautious manner against the possible negative impact that Covid-19 may have on client industries and cancelled/delayed its budgeted capex for the overall year by more than 60%

Important Events during and after the Period

- Soda Sanayii distributed TRY 245mn as cash dividend on May 29th
- Capital Markets Board (CMB) published final version of the Communiqué on Significant Transactions and the Exit Right on June 27th
- CMB approved the merger application of Şişecam and its subsidiaries through acquisition of all assets and liabilities of its 4 listed companies and Paşabahçe on July 23rd.

Conversion Rate for SODA = 1,15997

Exit Right Price adjusted to dividends paid for SODA (TL/Share) = 6,144

- Extraordinary General Meeting will be held on August 27th

One-Off Impacts Excluded from EBIT Analysis:

Excluding From EBIT:

- **2Q20: TRY 57 Million:** Revaluation gain on fixed income instruments including IFRS-9 adjustments
- **1H20: TRY 152 Million:** Revaluation gain on fixed income instruments including IFRS-9 adjustments
- **2Q19: TRY 34 Million:** Revaluation gain on fixed income instruments including IFRS-9 adjustments
- **1H19: TRY 100 Million:** Revaluation gain on fixed income instruments including IFRS-9 adjustments

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