

Soda Sanayii A.Ş.

# Investor Presentation

May 2016





**Mr. Görkem Elverici** – CFO of Şişecam Group

- 20 years in industry and 4 years in Şişecam Group
- Şişecam Group CFO since May 2014; Trakya Cam CFO until May 2014
- Previous experience as financial and management consultant to financial institutions and other sector clients at various companies including Accenture and Deloitte Consulting



**Mr. Burhan Ergene** – Vice Chairman of Soda Sanayii Board of Directors / President of Şişecam Chemicals

- 26 years in industry and 26 years in Şişecam Group
- Previously Vice President in charge of Marketing and Sales of Soda Sanayii and Sales Manager in Glass Packaging Exports Department of Şişecam



**Mr. Cenk Soyer** – Vice President in charge of Marketing and Sales of Şişecam Chemicals

- 22 years in industry and 19 years in Şişecam Group
- Previously Group Sales Manager of Soda Sanayii



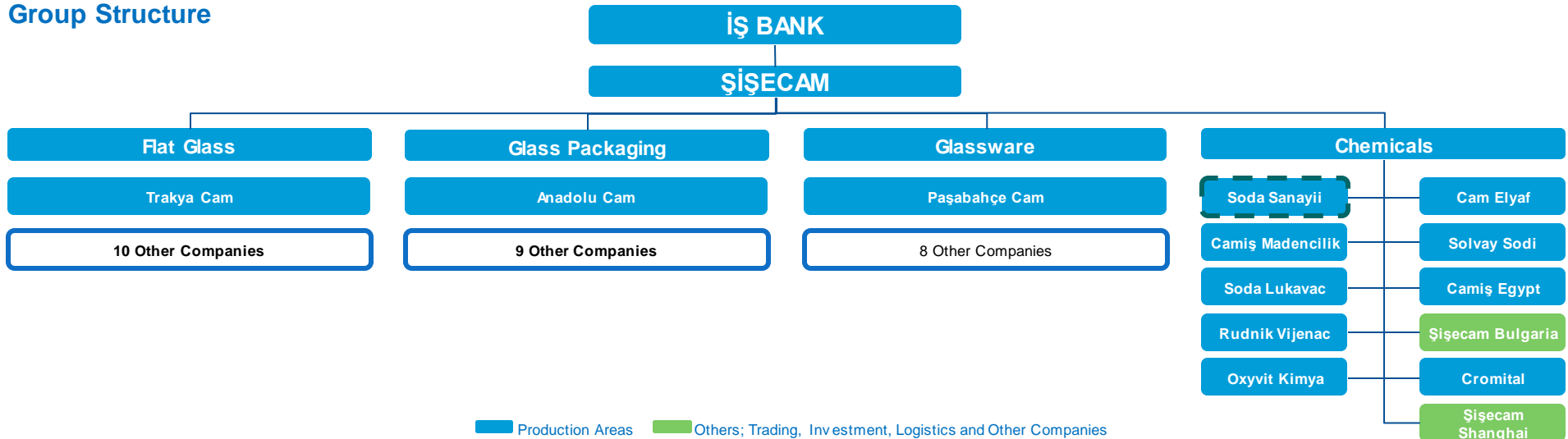
**Mr. Umut Barış Dönmez** – Member of Soda Sanayii BoD / Finance Director at Soda Sanayii

- 10 years in industry and 10 years in Şişecam Group
- Previously General Manager of Şişecam Soda Lukavac

## Overview

- Şişecam is a conglomerate headquartered in Istanbul, Turkey
- Founded by İş Bank in 1935
- Core business is mainly centered on glass manufacturing and the chemicals industry supporting glass production, with complementary industrial and commercial operations related to glass production
- 4 main divisions: Flat Glass, Glass Packaging, Glassware and Chemicals
- Vertical integration guarantees stringent quality control
- Present in 13 countries: Turkey, Russia, Bulgaria, Egypt, Georgia, Bosnia Herzegovina, Romania, Ukraine, Italy, Germany, Slovakia, Hungary and India; with exports to 150 countries and alliances with global players
- Annual production of 4,2 Million tons of glass and 2,2 Million tons of soda ash; annual sales exceeding TRY 7,4 Billion (+USD 2,7 Billion)
- Market capitalization of USD 2,5 Billion (May 2016); 26% of its shares listed on BIST (SISE.IS), with 74% held by İş Bank
- Şişecam's Moody's rating is Ba1; S&P rating is BB+
- Managed by highly experienced professionals long associated with the Group
- Level of institutionalization and stability are valuable assets of the Group

## Group Structure



# Soda at a Glance



Soda Sanayii A.Ş.

An integral part of Şişecam Group and a global player in soda ash and chromium chemicals

- Soda Sanayii is 76,5% owned by Şişecam Group, with a 23,5% stake on float on BIST and a Market Cap of USD 1,15 Billion as at April 27, 2016
- Annual sales exceed TRY 1.772 Million (USD 652 Million), with exports to +75 countries
- Soda ash production capacity of 2,2 Million tons p.a. with plants in Turkey, Bosnia Herzegovina and Bulgaria (JV with Solvay)
- Produces sodium bichromate, basic chromium sulfate and chromic acid through Kromsan
- Local leadership and global reach
  - Established in 1969, today Soda is Europe's 4<sup>th</sup> largest player in Europe and one of the top ten players globally in soda ash
  - Soda Sanayii is the number 1 producer of basic chromium sulfate and sodium bichromate and number 4 producer of chromic acid globally

## Key Financial Highlights

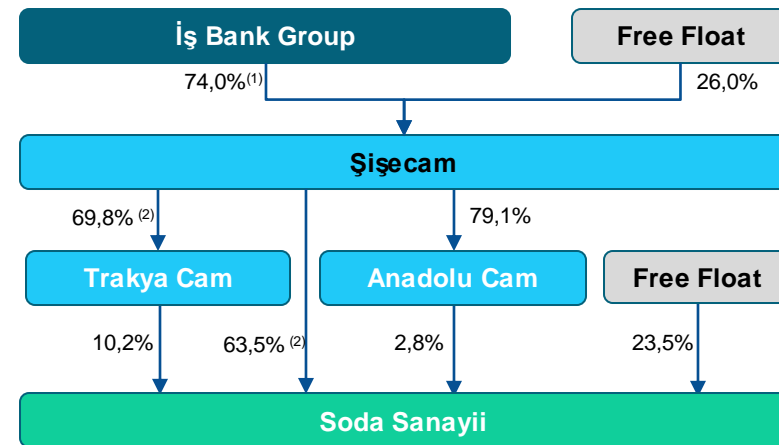
TRY Million	2011	2012	2013	2014	2015
<b>Sales</b>	<b>872</b>	<b>1.182</b>	<b>1.404</b>	<b>1.607</b>	<b>1.772</b>
YoY Growth	32%	36%	19%	14%	10%
<b>Gross Profit</b>	<b>250</b>	<b>243</b>	<b>288</b>	<b>397</b>	<b>475</b>
Margin	29%	21%	21%	25%	27%
<b>EBITDA</b>	<b>232</b>	<b>224</b>	<b>326</b>	<b>516</b>	<b>500</b>
Margin	27%	19%	23%	32%	28%
<b>Adjusted EBITDA<sup>(3)</sup></b>	<b>232</b>	<b>224</b>	<b>326</b>	<b>423</b>	<b>500</b>
Margin	27%	19%	23%	26%	28%
<b>EBIT</b>	<b>178</b>	<b>155</b>	<b>237</b>	<b>423</b>	<b>408</b>
Margin	20%	13%	17%	26%	23%
<b>Adjusted EBIT<sup>(3)</sup></b>	<b>178</b>	<b>155</b>	<b>237</b>	<b>330</b>	<b>408</b>
Margin	20%	13%	17%	21%	23%
<b>Total Net Income</b>	<b>184</b>	<b>133</b>	<b>208</b>	<b>388</b>	<b>441</b>
Margin	21%	11%	15%	24%	25%
<b>Net Debt</b>	--	<b>8</b>	<b>93</b>	<b>-341</b>	<b>-547</b>

Source: Company information.

Notes: (1) Comprised of stakes held by Türkiye İş Bankası A.Ş. (65,76%), Türkiye İş Bankası A.Ş. Members' Supplementary Pension Fund (4,46%), Efes Holding A.Ş. (3,77%) and Anadolu Hayat Emeklilik A.Ş. (0,05%).

(2) Including IFC stake (3) Excl. Non-recurring income from asset sales

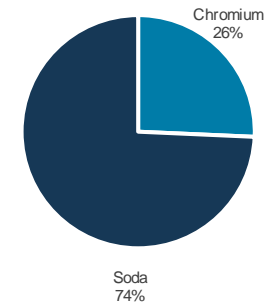
## Ownership and Corporate Structure



Şişecam Group

- Nearly 50 years of operational history and a publicly traded company since 2000
- 4 subsidiaries, 1 associate and 1 JV
- 5 manufacturing locations
- 1.556 employees as of 2015 YE
- 2,2 Millions tons of soda ash capacity
- +105K tons of sodium dichromate capacity
- Sales from Turkey comprised c. 81% of total sales in 2015

## Sales Breakdown by Products (2015)



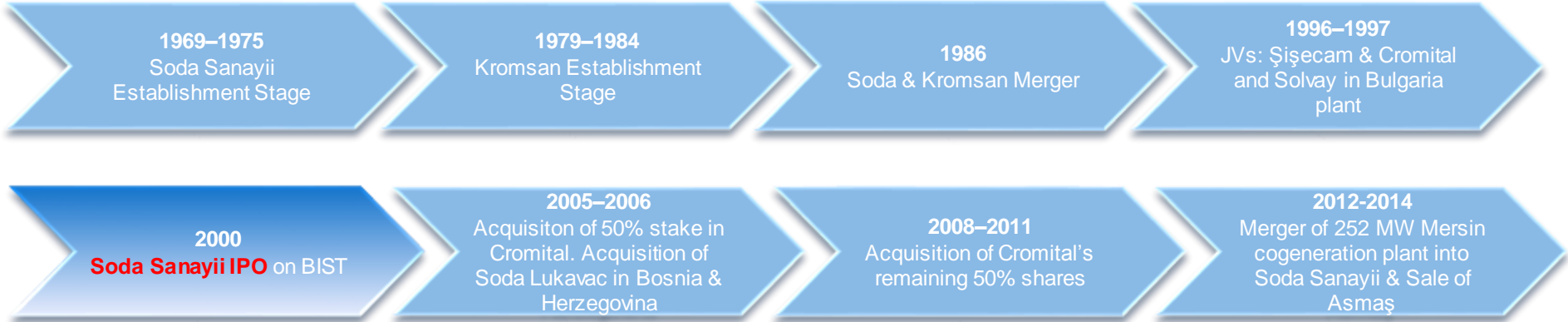
Soda Sanayii

# History and Key Developments



Soda Sanayii A.Ş.

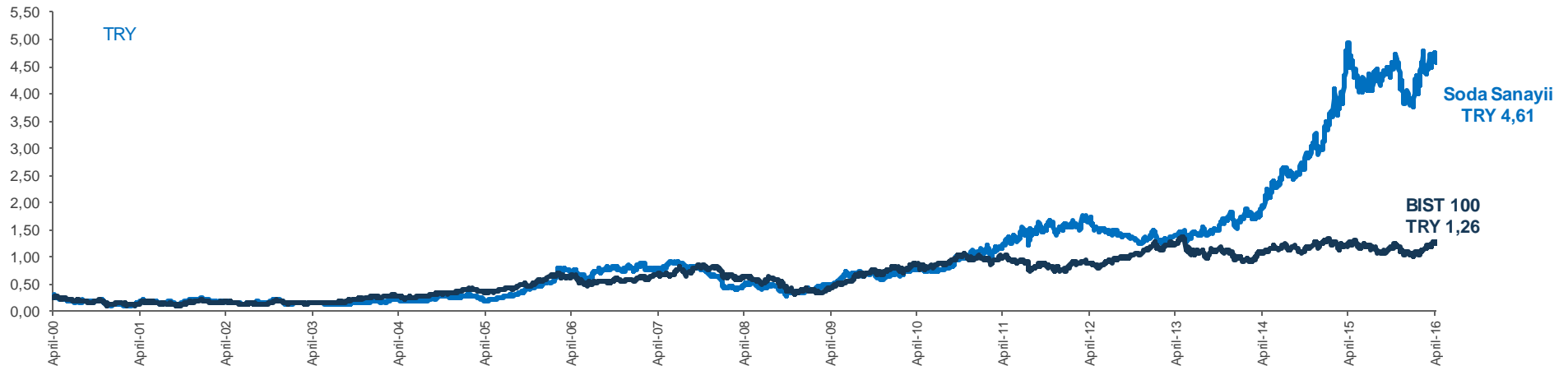
## Corporate History



## Share Price Performance Since IPO (1)

BIST 100 Rebased to Soda Sanayii at IPO

	1M	3M	YTD	2 Yr	3 Yr	5 Yr	10 Yr	Since IPO
Soda Sanayii A.Ş.	-1%	9%	18%	138%	239%	278%	532%	1744%
BIST 100	5%	18%	19%	18%	0%	25%	95%	405%

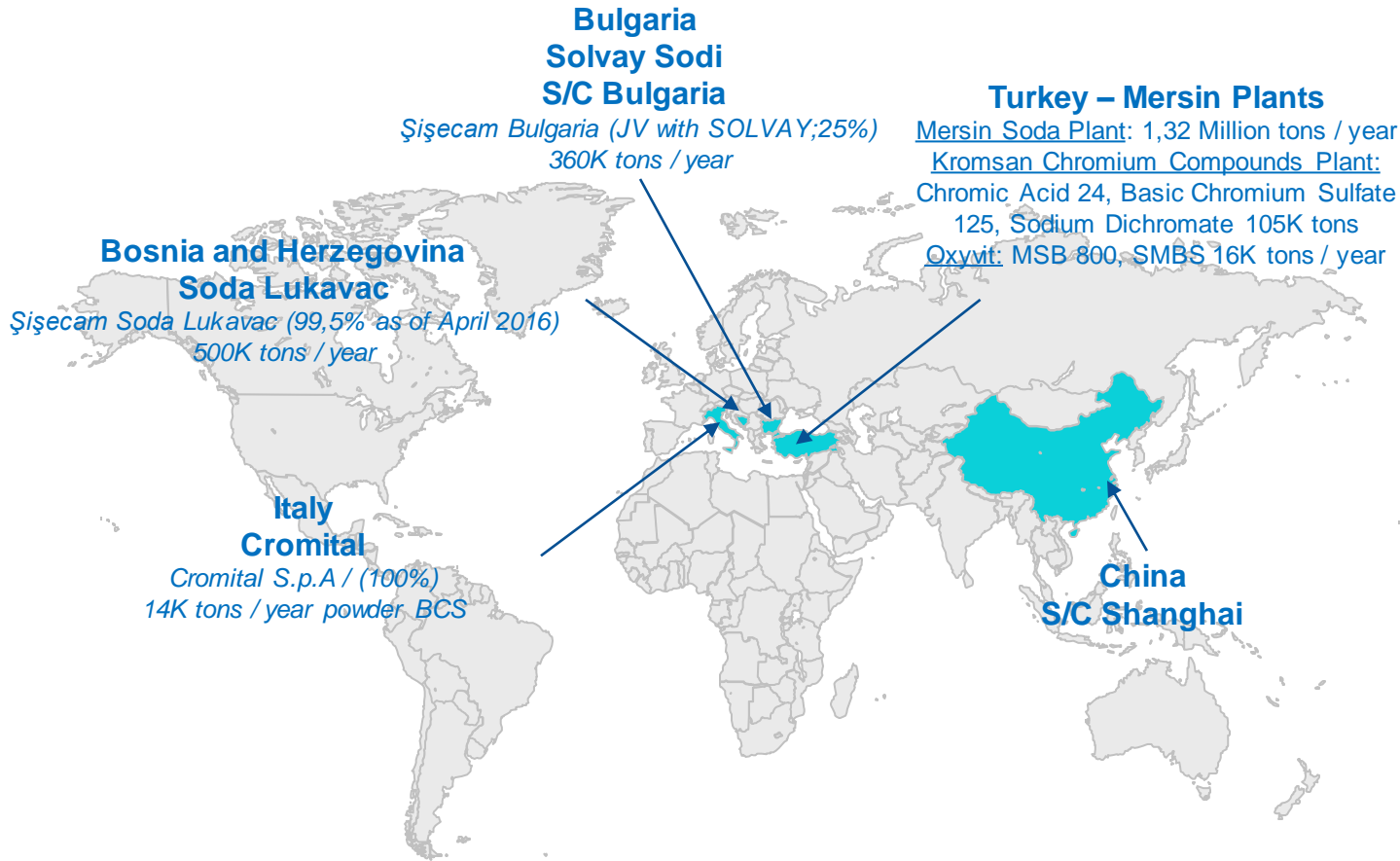


Source: Matriks

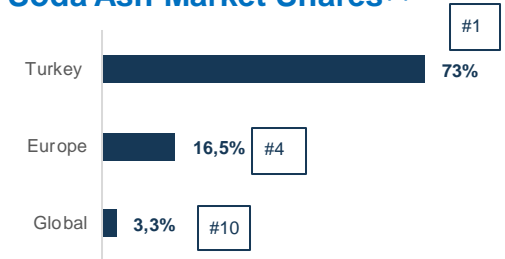
Notes: (1) Between April 20, 2000 and April 28, 2016



# 1 A Global Market Leader in Respective Segments

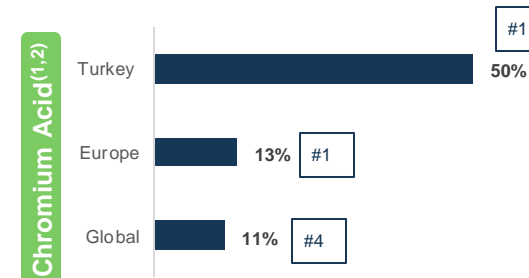
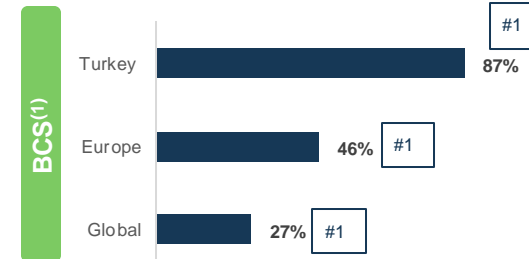


## Soda Ash Market Shares<sup>(1)</sup>



- Dominant market share in the high grow th Turkish market
- A key player in Europe
- A globally significant player

## Chromium Market Shares



Source: Company information.

Notes: (1) As of 2015 YE. (2) Dichromate is the main raw material of other chromium products. Whilst sold to the market, it is not considered part of the company market share. (3) Production capacity figures are featured on the above depiction.

## 2 Market-leading Margins Driven by Raw Material Integration and Favourable Location



Soda Sanayii A.Ş.

### Co-generation in Mersin

- Invested in two cogeneration units in 2006 and 2009 to source steam economically (USD 120 Million investment)
- 252 MW / year electricity generation and over 4 Million tons / year steam capacity

### Raw material reserves near Mersin with Long Remaining Life

- Soda has secured its key raw materials for the long-term with significant reserve life and high quality limestone and brine

### Co-location with Şişecam's Glass Packaging and Flat Glass Plant and Rail Access within Turkey

- Production facilities of some of the other key Şişecam Group companies and consumers of Soda Sanayii products, Trakya Cam, Anadolu Cam and Paşabahçe are in close proximity to Soda Sanayii
- This provides for low transportation costs, short transportation times and continuous supply capabilities

### Cost Efficient Exports Through Mersin Port

- Mersin Port, the largest port in the Eastern Mediterranean region, is only 16km away from the plant, providing low transportation costs and short transportation times

### On the Ground Presence and Access to European Markets

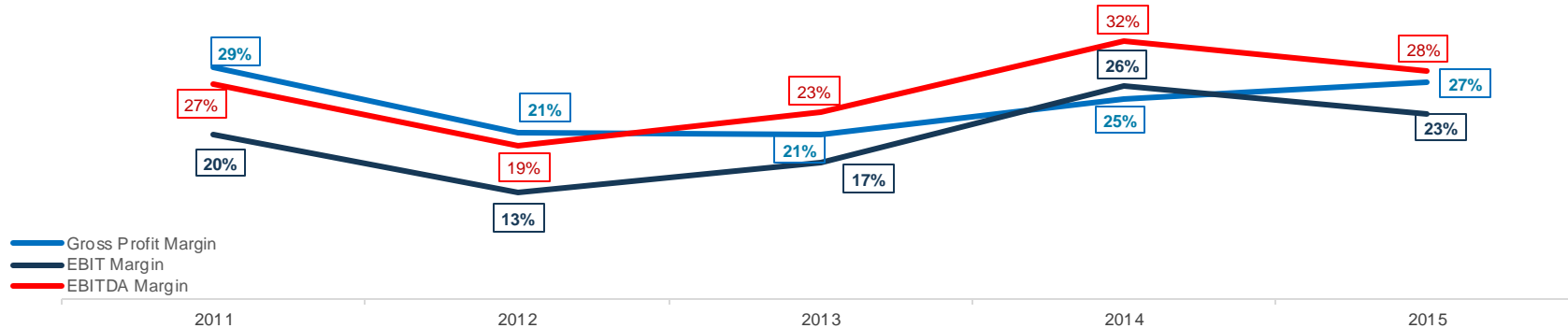
- SSL Plant (Bosnia & Herzegovina): The low level of supply in the European Market enables Soda Sanayii to sell products at high profitability
- Sodi (Varna-Bulgaria): Being close to Şişecam's Flat Glass and Glassware plants in Targovishte-Bulgaria enables low transportation costs, short transportation times and continuous supply capabilities



### 3 Operational Efficiency Driven by Economies of Scale

High profitability of Soda Sanayii is supported by a favourable cost structure as well as solid customer relationships

#### Profitability Margins



#### Cost and Demand Advantages

##### Soda Ash

- Integration of some of the key production inputs, such as steam, brine and limestone
- Logistical advantages: (i) Port access in Mersin, (ii) Rail access for sales within Turkey, (iii) On the ground presence in Europe and (iv) Ability to access other markets through strategically located plants in Europe
- Past and ongoing investments to modernize production processes and drive down costs
- Soda Sanayii's inherent cost advantages enable it to successfully compete with natural soda ash manufacturers
- Part of Şişecam Group – one third of sales to Şişecam, securing long term supply; sustainable relations with global end-users
- Şişecam and Solvay have agreed on a joint venture contract in 1997 for the purpose of collaborative soda sales business in Bulgaria where the output is secured by an offtake agreement

##### Chromium Chemicals

- Increasing sales results in Far-East region
- High performance in emerging markets, especially in South America
- Reliable and long-standing relationships with main customers
- Continuous increase in sales due to penetration and market diversification
- Competitive cost structure
- Advantage of being near Mersin soda plant provides instant procurement of soda ash as raw material

Source: Company information.



# 4 Strong Support from Şişecam Group to an Industry Leading 5 Management Team, Driving Future Growth



Soda Sanayii A.Ş.

2015



### Key Consolidated Figures

- Sales: TRY 7.415 Million
- EBITDA: TRY 1.764 Million
- Market Cap <sup>(1)</sup>: TRY 7.011 Million

### Şişecam Group Key Companies



### Glass Packaging

- Sales: TRY 1.552 Million
- EBITDA: TRY 393 Million
- Market Cap <sup>(1)</sup>: TRY 915 Million



### Flat Glass

- Sales: TRY 2.118 Million
- EBITDA: TRY 392 Million
- Market Cap <sup>(1)</sup>: TRY 1.951 Million



### Glass Ware

- Sales: TRY 1.728 Million
- EBITDA: TRY 293 Million

## Key Management Team

### Burhan Ergene

- Vice Chairman of Soda Sanayii Board of Directors / Head of Şişecam Chemicals
- Previously Vice President in charge of Marketing & Sales of Soda Sanayii and Sales Manager in Glass Packaging Exports Department
- Joined Şişecam Group in 1990

### Hidayet Özdemir

- Vice President in charge of Production of Şişecam Chemicals
- Previously General Manager of Soda Sanayii
- Joined Şişecam Group in 1986

### Cenk Soyer

- Vice President in charge of Marketing and Sales of Şişecam Chemicals
- Previously Group Sales Manager of Soda Sanayii
- Joined Şişecam Group in 1997

### Umut Barış Dönmez

- Finance Director of Sisecam Chemicals
- Previously General Manager of Şişecam Soda Lukavac d.o.o.
- Joined Şişecam Group in 2006

### Kevser Inceler

- Planning Director of Şişecam Chemicals
- Joined Şişecam Group in 1999

### Imran Eroğul

- HR Director of Şişecam Chemicals
- Previously HR Manager of Şişecam Chemicals
- Joined Şişecam Group in 1985

### Selma Akyol

- Supply Chain Director of Şişecam Chemicals
- Previously Logistics Group Manager and Production Planning Manager of Şişecam Chemicals
- Joined Şişecam Group in 1996

Source: Company information.

Note: (1) Market Capitalizations are as of April 27 2016

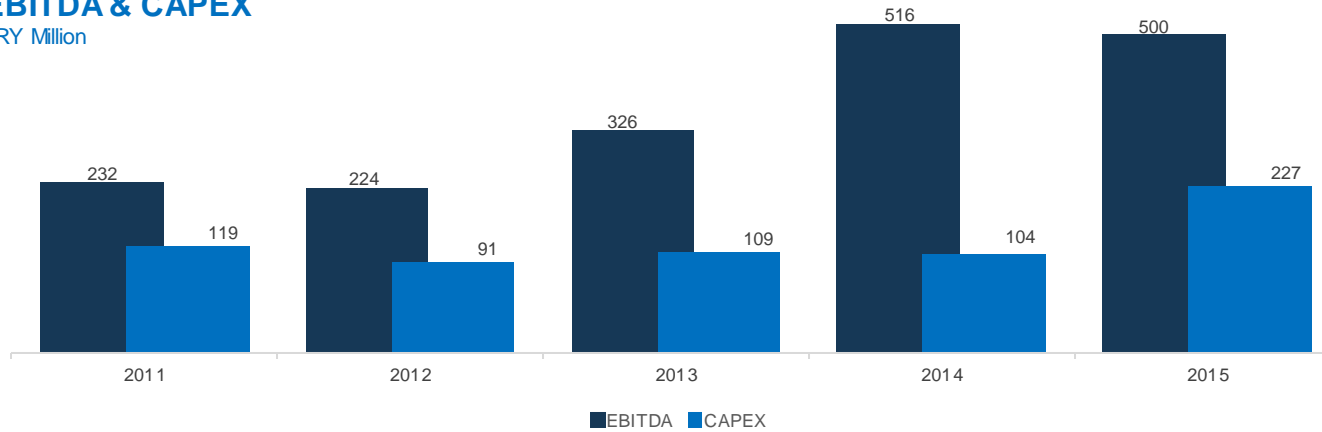


# 6 Excellent Cash Flow Generation and Strong Balance Sheet

Strong EBITDA generation with limited capex and a strong balance sheet

## EBITDA & CAPEX

TRY Million

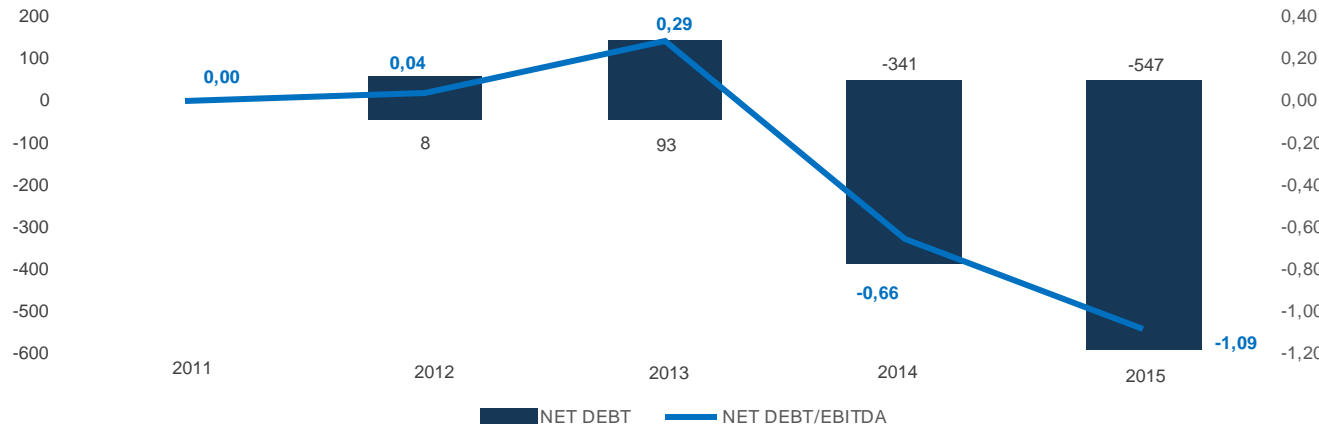


## Comments

- Production capacity and sales volumes have been increasing over the past years
- Operating profit has been trending upward in the 2011 – 2015 period, with slight increase in soda sales prices since 2010
- Favourable FX trends have also positively impacted operating profit
- In 2012, profitability was hindered by natural gas price hikes and the 48-day strike

## Net Debt

TRY Million



## Comments

- Net financial debt increased in 2013 due to the USD 50 Million allocated to Soda Sanayii through Şişecam's bond issue of USD 500 Million
- However, the Company moved to a net cash position by September 2014 thanks to the cash generation capabilities of the business

Source: Company information.

# Soda Ash Market



Soda Sanayii A.Ş.

## Key Highlights

- 56,6 Million tons production / demand globally
- 75% synthetic, 25% natural
- Demand drivers: flat glass, container glass and detergents sectors
- Capacity utilization globally at 81%
- Strong growth expected to continue on the back of construction/flat glass and detergents sector

### Soda Ash:

- Dense Soda Ash
- Light Soda Ash
- Sodium Bicarbonate

### Uses Raw Material for:

- Glass
- Detergents
- Chemicals
- Food
- Feedstock

### Sub-products:

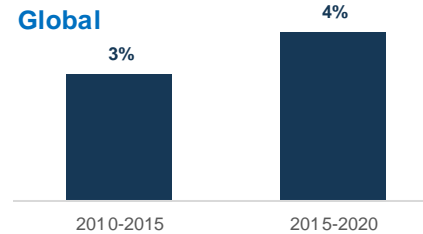
<b>Dense Soda Ash</b>	White, granule, hygroscopic, easily dissolved in water. Main compound is sodium carbonate
<b>Light Soda Ash</b>	White, powder, hygroscopic, easily dissolved in water. Main compound is sodium carbonate
<b>Sodium Bicarbonate</b>	Powder consisting of white, opaque, tiny monoclinic crystals or very tiny crystals. Main compound is sodium bicarbonate
<b>Sodium Sulfate (Anhydrous)</b>	Anhydrous sodium sulfate is white free flowing powder and easily soluble in water

Source: Company information, IHS.

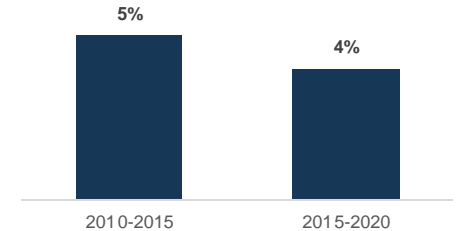
## Consumption Growth

CAGR

### Global

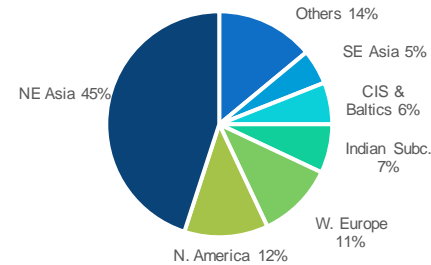


### Turkey



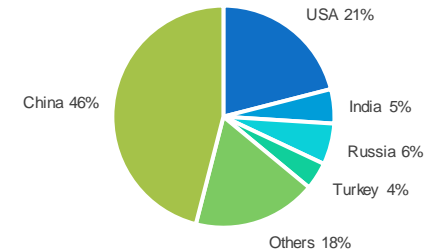
## Demand by Region

2015



## Production By Country

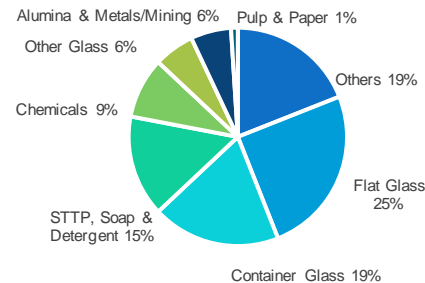
2015



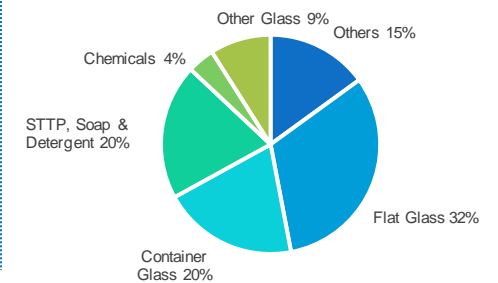
## Demand by Segment

2015

### Global



### Turkey



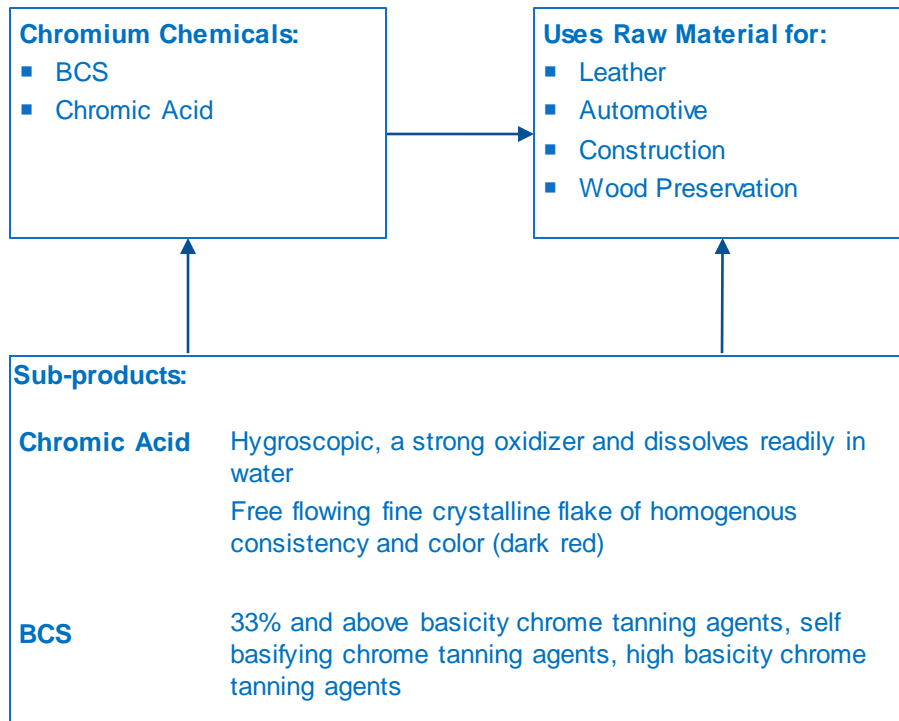
# Chromium Market



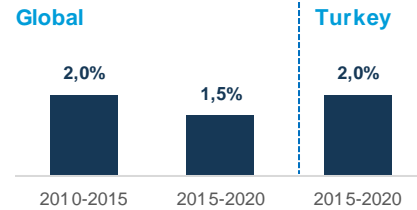
Soda Sanayii A.Ş.

## Key Highlights

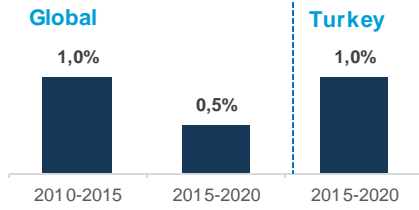
- 410K tons Basic Chromium Sulphate (“BCS”) global market, 165K tons Chromic Acid global market
- Demand drivers: leather, automotive, construction, wood preservation
- Global capacity utilization of BCS at 55% and Chromic Acid at 57%



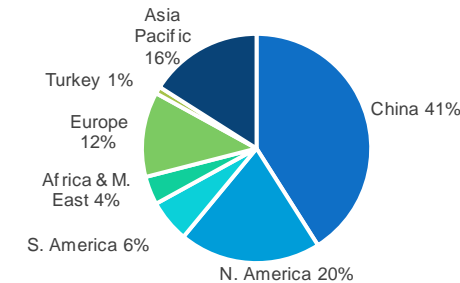
## Consumption Growth Chromic Acid



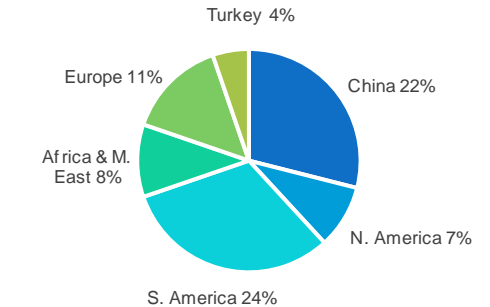
## BCS



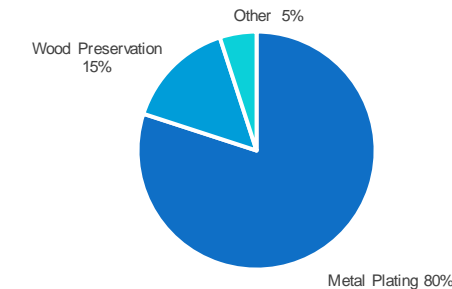
## Global Chromic Acid Market



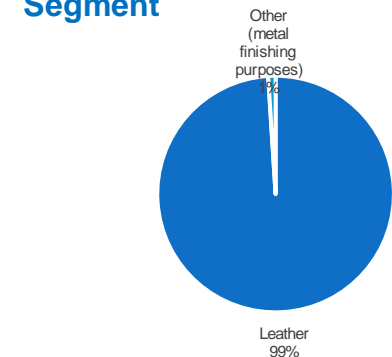
## Global BCS Market



## Global Chromic Acid Consumption by Segment



## Global BCS Consumption by Segment



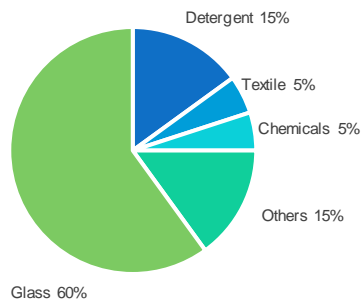


# Soda Sanayii Positioning in Soda Ash and Chromium Markets

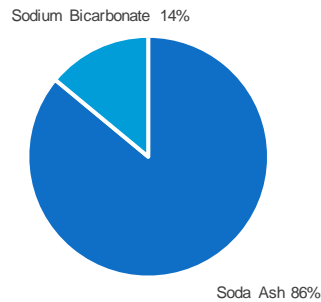
Soda Sanayii commands leading positions in both the soda ash and chromium markets, with its favourable locations and excellent reach to key clients

## Breakdown of Soda Ash Sales

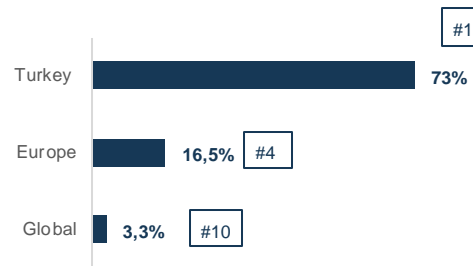
### By Industry



### By Products



## Soda Market Shares



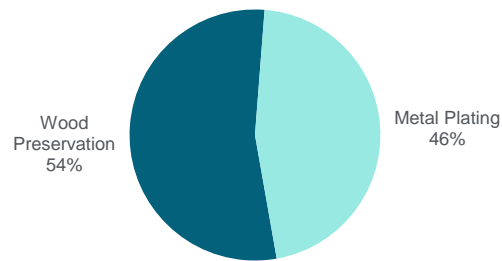
1. As of 2015 YE.

## Soda Ash Locations

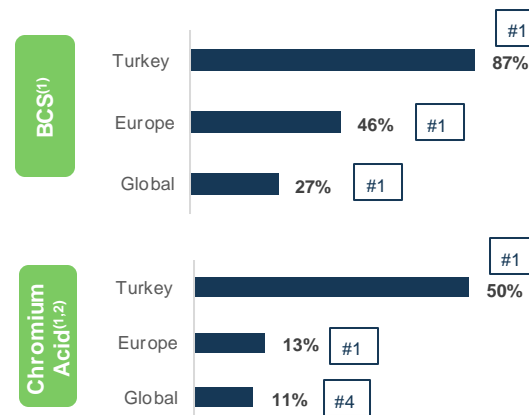


## Breakdown of Chromic Acid Sales

### By Industry



## Chromium Market Shares



## Chromium Locations



Source: Company information.

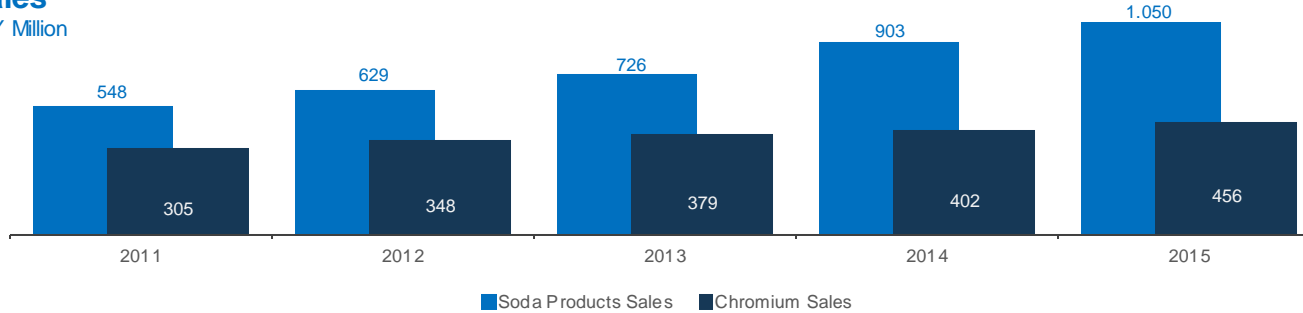
Notes: (1) As 2015 YE. (2) Dichromate is the main raw material of other chromium products. Whilst sold to the market, it is not considered part of the company market share.



# Key Financial Indicators – Revenues

## Sales

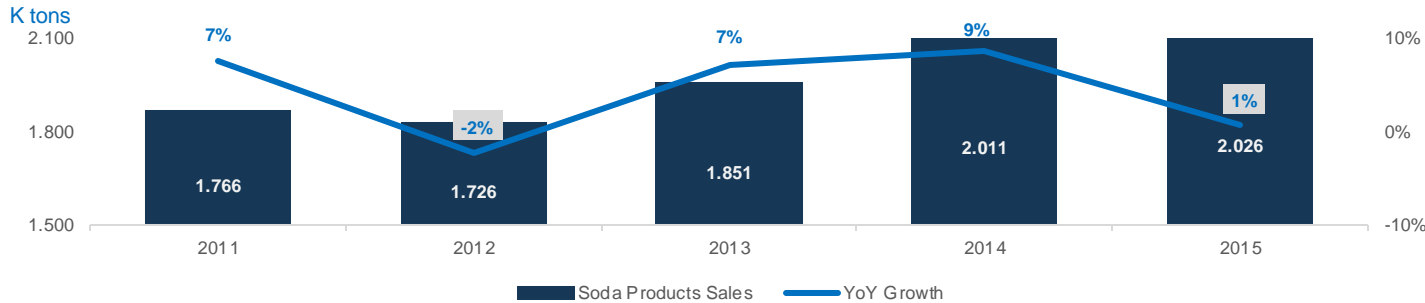
TRY Million



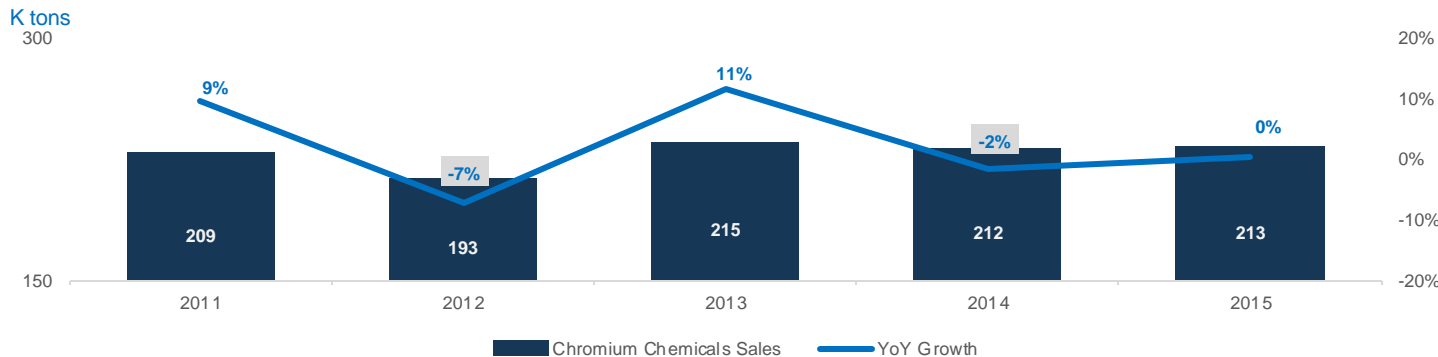
## Comments

- 2015: Net sales increased by 10,3% as a result of increasing soda ash price and favourable FX trends
- 2014: Despite lower sales prices of chromium, favourable FX trends have led to an increase in net sales
- 2013: Net sales increased by 18,7% thanks to soda ash price increases and increased exports owing to favourable FX trends (depreciation of the Turkish Lira against the US dollar)
- 2012: Net sales increased by 35,6% with the rise in soda ash price and increased exports owing to favourable FX trends
- 2011: Net sales increased by 32,1% thanks to the improvements in sales volumes, price increases and favourable FX trends

## Soda Ash Unit Sales



## Chromium Unit Sales



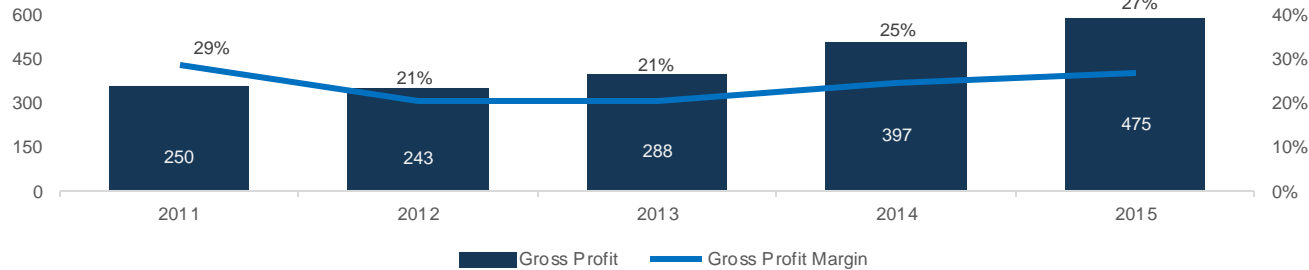
Source: Company information.



# Key Financial Indicators – Profitability

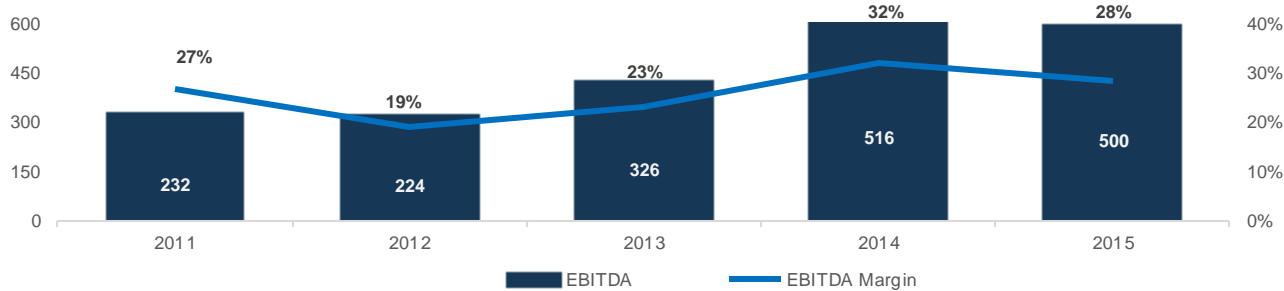
## Gross Profit

TRY Million



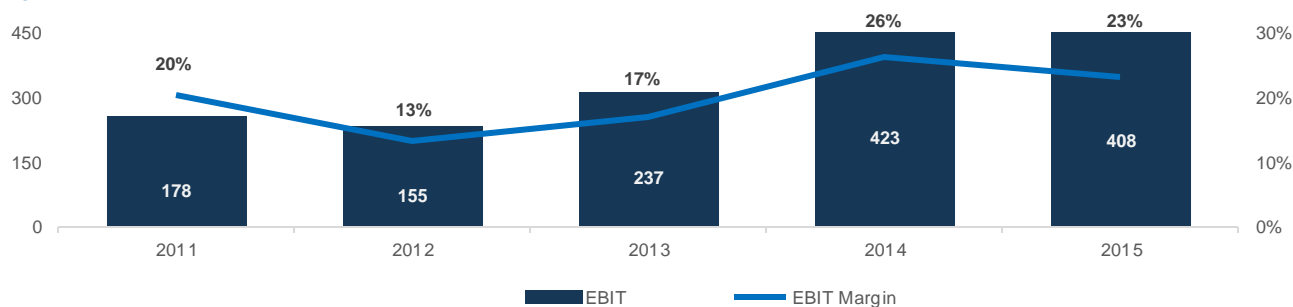
## EBITDA

TRY Million



## EBIT

TRY Million



## Comments

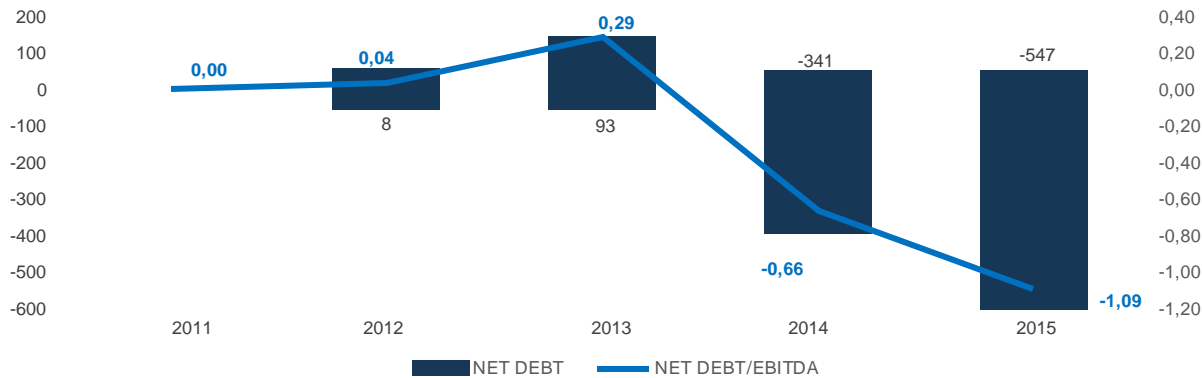
- **2015:** Thanks to the rise in sales volumes and decline in unit costs with favourable FX trends and economies of scale advantages, the company continued to record growth on the operating profit level
- **2014:** Profitability improved as a result of increased soda product prices, favourable FX trends and lower input costs. A lower level of raw material use at the Lukavac facility also positively affected profitability
- **2013:** Operating profit reached its highest level compared to previous years with the help of favourable FX trends, lower input costs and economies of scale advantages linked to increased production
- **2012:** High sales prices in 2012 were impacted by natural gas price hikes and the 48-day Kromsan strike which caused profitability to drop
- **2011:** Profitability increased despite negative developments in terms of steam and other input costs. Favourable FX trends, along with higher soda and chromium product prices positively impacted profitability. Lukavac's losses decreased to TRY 100K from more than TRY 10 Million levels in 2009 and 2010



# Strong Cash Generation

## Net Debt / EBITDA

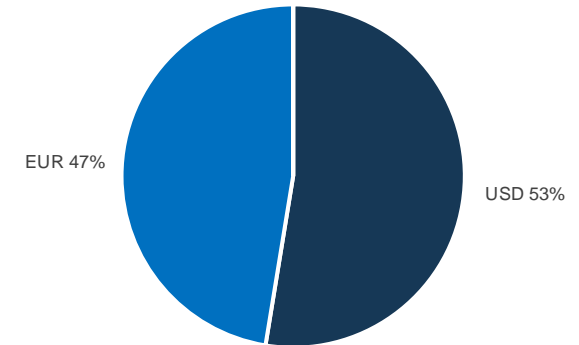
TRY Million



- Net financial debt increased in 2013, due to the USD 50 Million allocated to Soda Sanayii through Şişecam's bond issue of USD 500 Million
- However, the Company moved to a net cash position by September 2014 thanks to the cash generation capabilities of the business, with 92% of cash held in USD and 0,7% in EUR as of 2015 YE

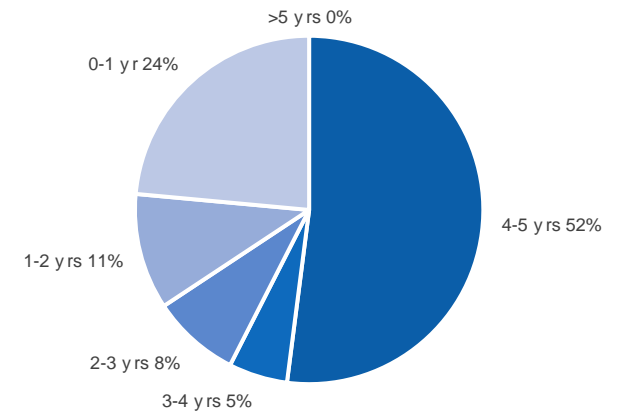
Source: Company information.  
Note: (1) As of 2015 YE

## Currency Breakdown of Gross Debt<sup>(1)</sup>



## Total Gross Debt of TRY 307 Million<sup>(1)</sup>

## Maturity Breakdown of Debt<sup>(1)</sup>



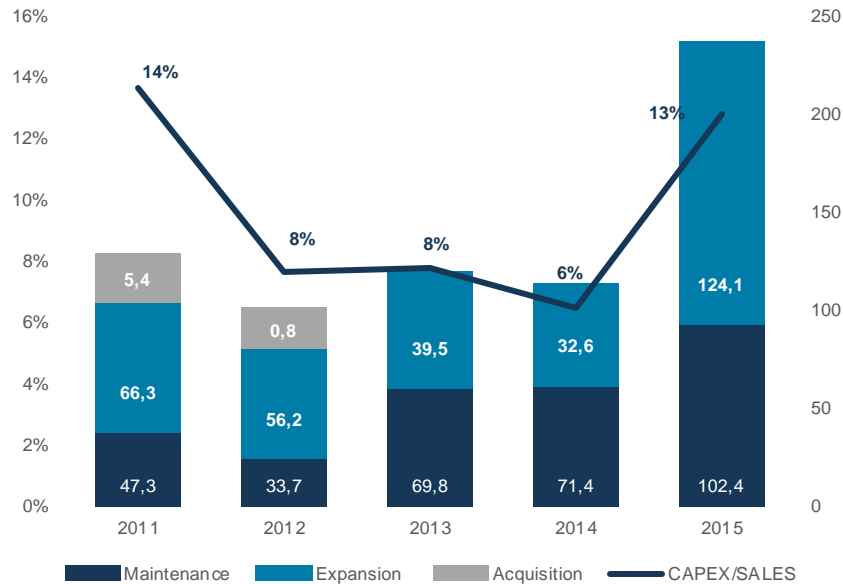




# Capital Expenditure

## Capex / Sales

TRY Million



Source: Company information.

## Historical Projects

### 80K tons / Year Capacity Expansion: Sisecam Soda Lukavac Plant (2015)

- Annual soda ash production capacity reached to a level of 500K tons

### RSB 34K tons / Year Capacity Expansion: Mersin Soda Plant (2013)

- Annual capacity of refined sodium bicarbonate (RSB), a value-added product, was increased by 34K tons

### Capacity Expansion: Mersin Soda Plant (2011)

- Multiple investments since 2011 have increased the production capacity of Mersin to 1,3 Million tons

### Cogeneration Plants: Mersin Soda Plant (2006 – 2009)

- In order to produce steam economically, a cogeneration plant was built in 2006; a second was installed in 2009

### Energy Efficiency Investment (2012 – 2013)

- A steam turbine and other investments were installed

### Bichromate Production Line: Kromsan (2011 – 2012)

- Sodium Bichromate production capacity was increased to a utilization rate of 50%
- Chromic acid production line was improved and the capacity was doubled
- By-product sodium sulfate production was also increased

### Modernisation Projects: Mersin Soda Plant

- Since the formation of the Company, various modernization projects have been implemented:
  - Energy audits & conservation projects
  - Control & automation projects
  - Process & equipment modernization
  - Packaging and palletization machinery modernization

### Modernization and Capacity Expansion Investments

- The majority of investments were realized in 2009 and 2011 – 2013

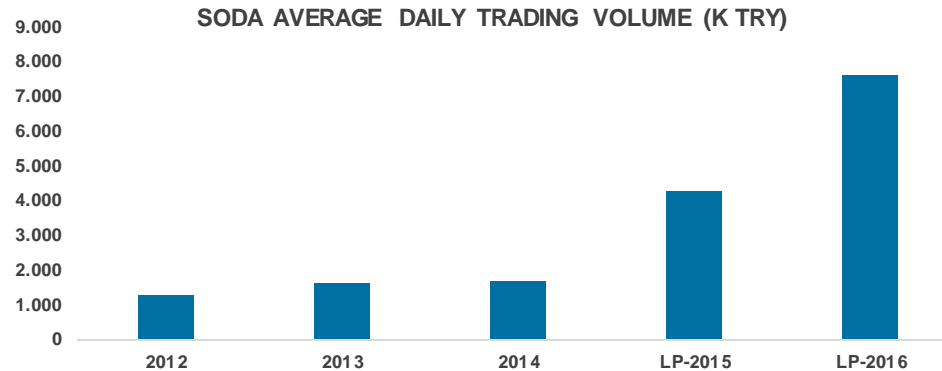
### Cromital (2011)

- Acquisition of 50% of Cromital



# Significant Increase in Trading Volumes

As a result of the liquidity providing activities since March 2015;

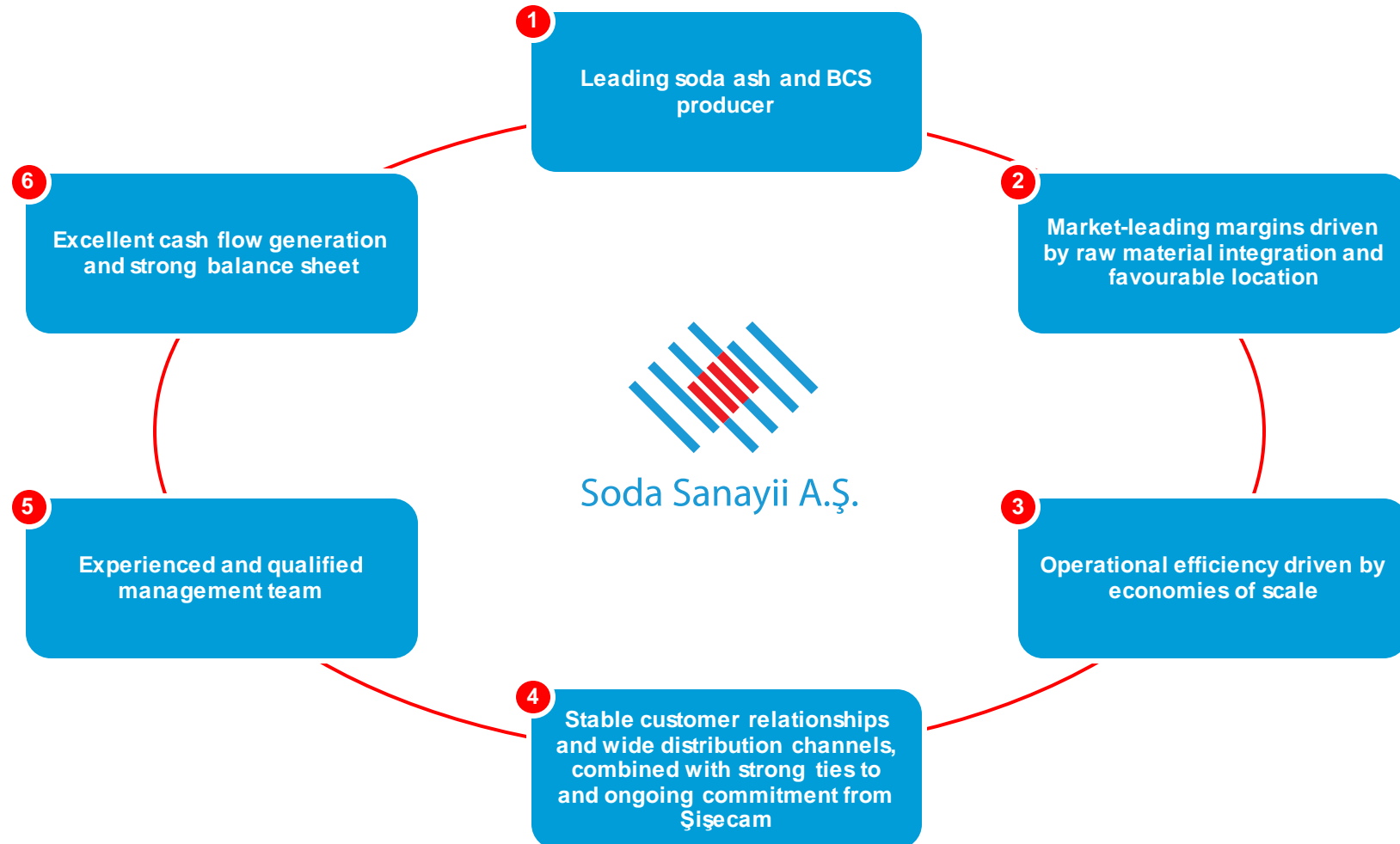


- Daily average traded value of Soda Sanayii shares increased from TRY 1,2 Million levels to + TRY 4 Million in 2015 and reached up to TRY 8 Million levels in 2016
- Company's total market capitalization increased by ~20% to TRY 3 Billion whereas floating market capitalization has nearly doubled and reached TRY 882 Million levels as a result of share price increase and increased free float
- Average daily liquidity ratio of Soda Sanayii floating shares had more than tripled (up from 0,49% to 1,54%) in a period when the liquidity ratio of BIST declined by 10% to 3,01%
- Soda Sanayii is a clear candidate of BIST-50 Index as it is now ranked as the 33rd in terms of its Mcap, 54th based on transaction volumes and 211th in terms of its liquidity ratio
- Since the beginning of liquidity providing activities in March 2015, Soda Sanayii shares outperformed the market and increased by 23,3% while the market return was only 5,5%
- Foreign ownership ratio of Soda Sanayii increased from 19,6% to 34,0% as of the end of March 2016
- Among 12 brokerage houses covering Soda Sanayii, 58% of the consensus rating is BUY and the remaining 42% is HOLD



# Key Investment Story Highlights

A compelling story of local leadership and global scale built by a highly competent management team as part of Şişecam Group





Soda Sanayii A.Ş.



# Appendix

# Cash Flow Generation



Soda Sanayii A.Ş.

<i>TRY Million</i>	2011	2012	2013	2014	2015
<b>A. Cash flow from operating activities</b>	<b>140</b>	<b>104</b>	<b>19</b>	<b>450</b>	<b>310</b>
Net Profit for the period	184	133	208	388	441
<b>Adjustments to reconcile net profit / (loss) to net cash provided by operating activities</b>	<b>58</b>	<b>83</b>	<b>58</b>	<b>-21</b>	<b>-14</b>
<b>Changes in net working capital</b>	<b>-46</b>	<b>-69</b>	<b>-207</b>	<b>149</b>	<b>-24</b>
<b>Cash flow from operating activities</b>	<b>196</b>	<b>147</b>	<b>59</b>	<b>515</b>	<b>403</b>
Interest paid	-10	-13	-12	-14	-14
Interest received	0	1	5	9	3
Taxes paid	-43	-27	-32	-55	-80
Employment termination benefits paid	-3	-5	-2	-7	-2
<b>B. Cash flow from investing activities</b>	<b>-94</b>	<b>-76</b>	<b>-56</b>	<b>31</b>	<b>-143</b>
<b>C. Cash flow from financing activities</b>	<b>-50</b>	<b>-46</b>	<b>53</b>	<b>-78</b>	<b>-90</b>
Proceeds from borrowings	28	60	335	45	33
Repayment of borrowings	-59	-106	-253	-80	-63
Dividends paid	-19	0	-32	-46	-60
Other	0	0	3	3	0
<b>Net increase / (decrease) in cash and cash equivalents before currency translation differences (A+B+C)</b>	<b>-4</b>	<b>-18</b>	<b>15</b>	<b>402</b>	<b>77</b>
<b>D. Effects of unrealized FX loss / (gain) on cash and cash equivalents</b>	<b>34</b>	<b>-12</b>	<b>42</b>	<b>22</b>	<b>132</b>
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C+D)</b>	<b>30</b>	<b>-30</b>	<b>57</b>	<b>424</b>	<b>210</b>

# Contact Details

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