



Soda Sanayii A.Ş.

# Investor Relations Presentation

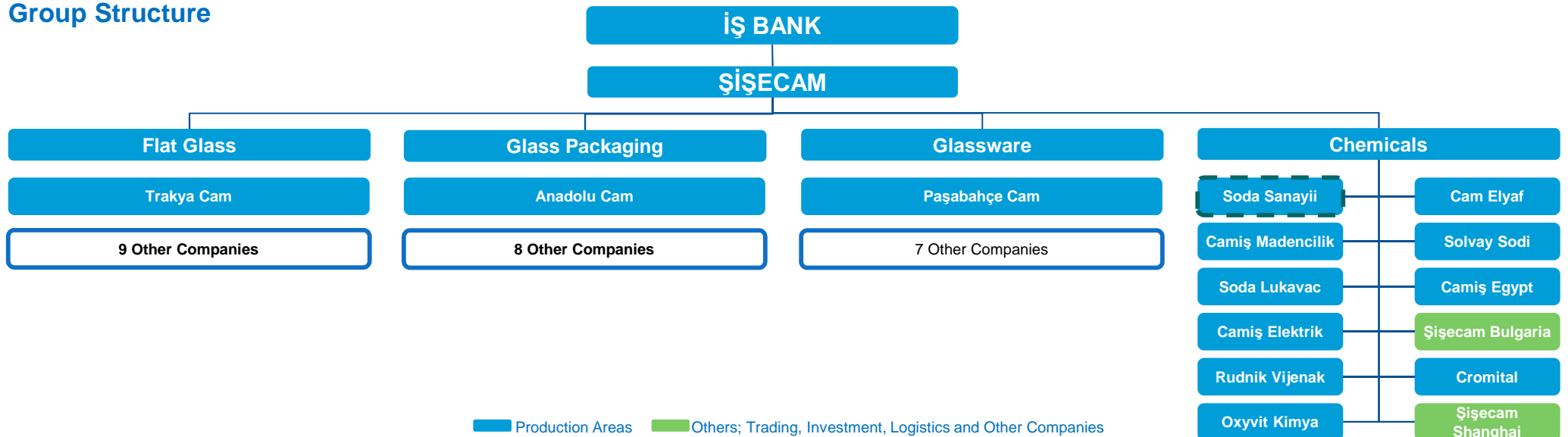
November 2014



## Overview

- Şişecam is a conglomerate headquartered in Istanbul, Turkey
- Founded by İş Bank in 1935
- Core business is mainly centred on glass manufacture 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 3.6mn tons of glass and 1.98mn tons of soda ash; annual sales exceeding US\$3bn
- Market capitalization of US\$2.6bn (November 2014); 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+ (recently affirmed in May 2014)
- 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.

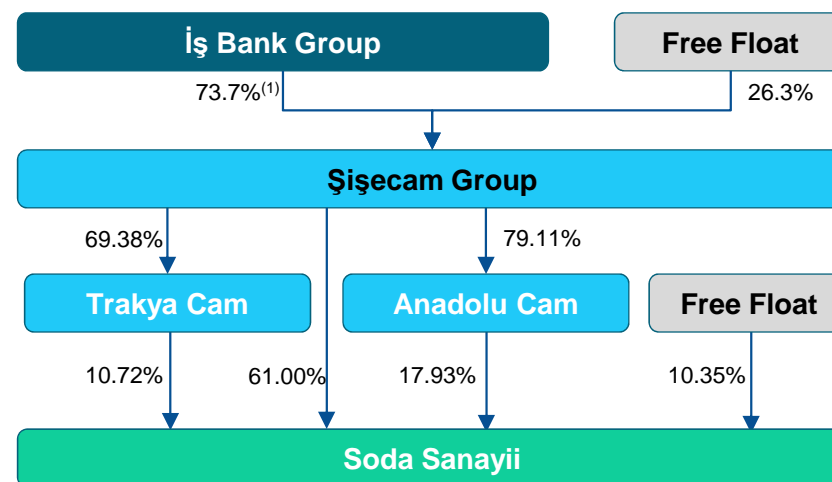
An integral part of Şişecam Group and a global player in soda ash and chromium.

- Soda Sanayii is 90% owned by Şişecam Group, with a 10% stake on float on BIST and a Market Cap of \$915mn as at November 11, 2014
- Annual sales exceed \$730mn, with exports to 75 countries
- Soda ash production capacity exceeds 2mn tons per year 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 and 9<sup>th</sup> largest player globally in soda ash
  - Soda Sanayii is the number 1 producer of chromium sulfate and sodium bichromate and number 4 producer of chromic acid globally

## Key Financial Highlights

TLmm	2011	2012	2013	2013 9M	2014 9M
Sales	872	1,182	1,404	1,023	1,185
YoY Growth	32%	36%	19%	19%	16%
Gross Profit	250	243	288	209	305
Margin	29%	21%	21%	20%	26%
EBITDA	232	224	326	226	328
Margin	27%	19%	23%	22%	28%
EBIT	178	155	237	167	260
Margin	20%	13%	17%	16%	22%
Total Net Income	184	133	208	139	238
Margin	21%	11%	15%	14%	20%
Net Debt	--	8	93	67	(171)

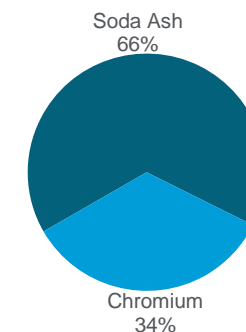
## Ownership and Corporate Structure



Şişecam Group

- Near 50 years of operational history and a publicly traded company since 2000
- 4 subsidiaries, 1 associate and 1 JV
- 5 manufacturing locations
- 1,559 employees as of September 2014
- Over 2mt soda ash capacity
- Over 105k ton sodium dichromate capacity
- Sales from Turkey comprised c. 80% of total sales in 2013

## Sales Breakdown by Products (2013)



Soda Sanayii

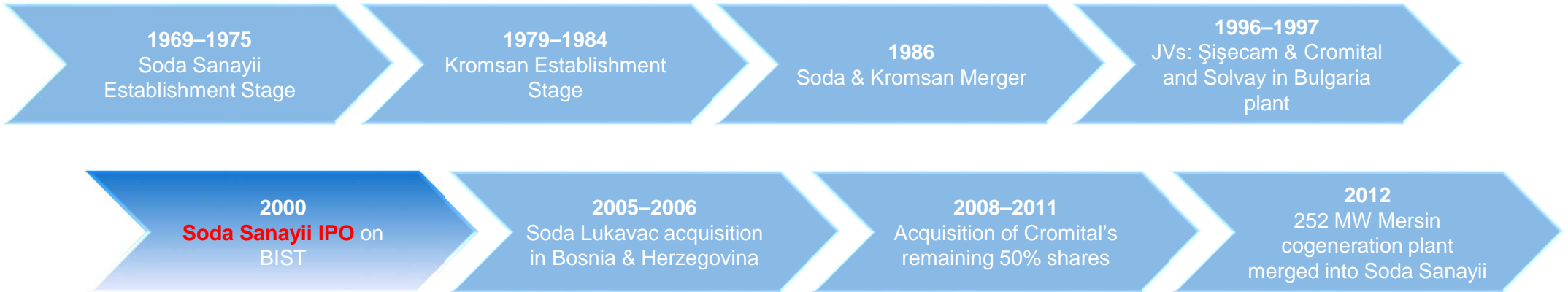
Source: Company information.

Notes: (1) Comprised of stakes held by Türkiye İş Bankası A.Ş. (65.47%), Türkiye İş Bankası A.Ş. Members' Supplementary Pension Fund (4.46%), Efes Holding A.Ş. (3.72%) and Anadolu Hayat Emeklilik A.Ş. (0.05%).



# History and Key Developments

## Corporate History

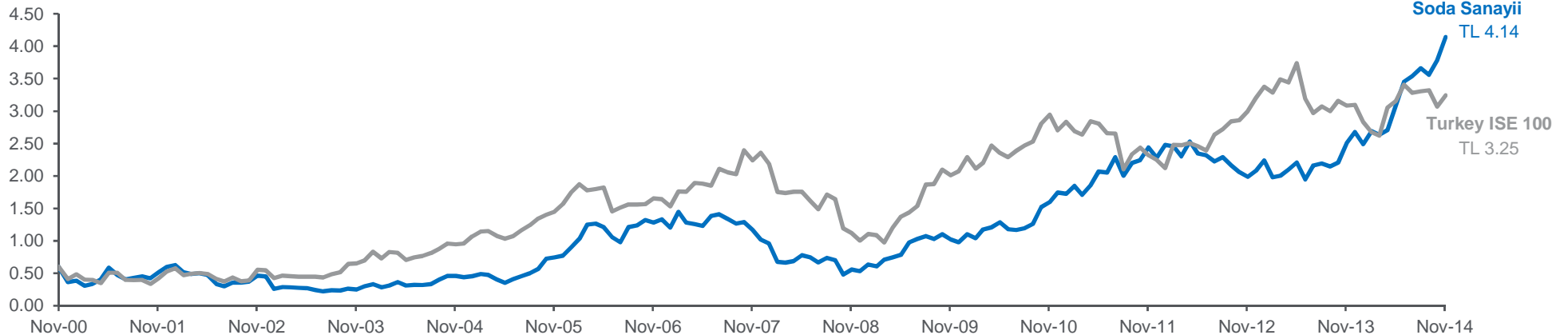


## Share Price Performance Since IPO

Turkey ISE 100 Rebased to Soda Sanayii at IPO

	1M	3M	YTD	2 Yr	3 Yr	5 Yr	10 Yr	Since IPO
<b>Soda Sanayii A.S.</b>	9.5%	13.1%	66.3%	108.5%	69.6%	306.0%	809.1%	590.1%
<b>Turkey ISE 100</b>	5.8%	(1.8%)	14.5%	8.2%	40.0%	61.5%	243.7%	441.0%

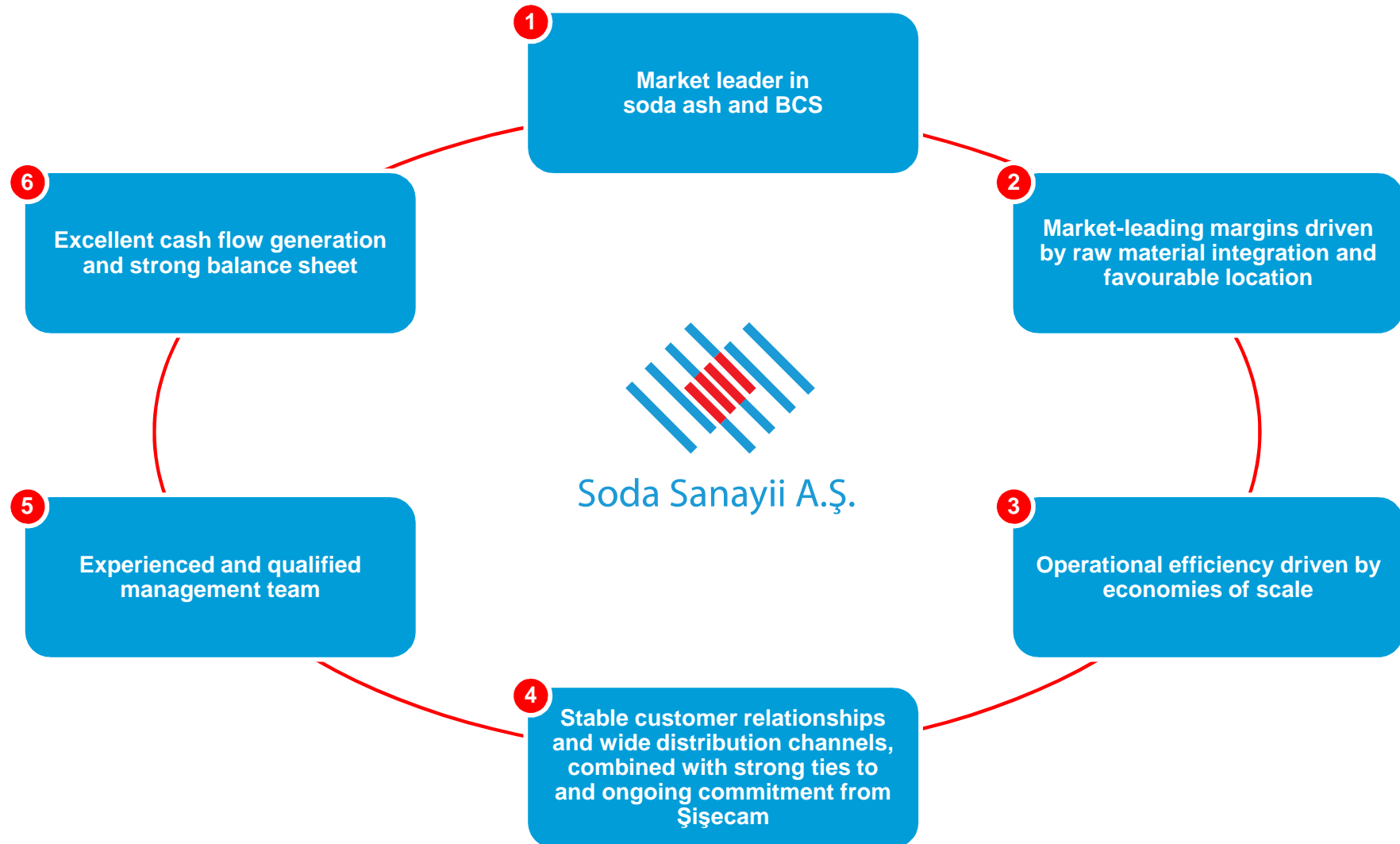
TL





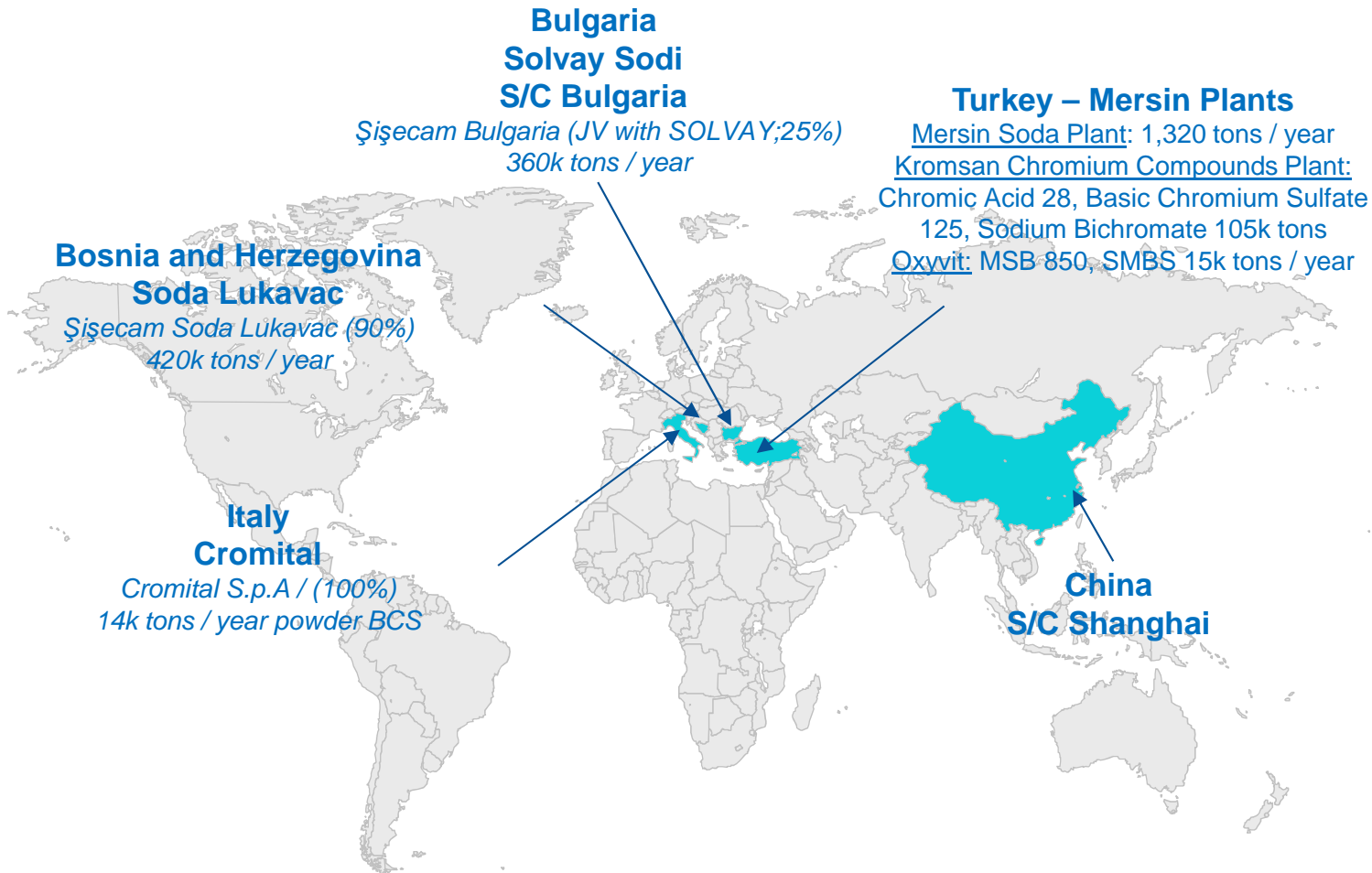
# Key Investment Story Highlights

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

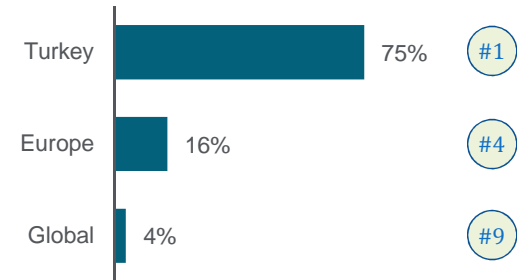




# 1 A Global Market Leader in Respective Segments

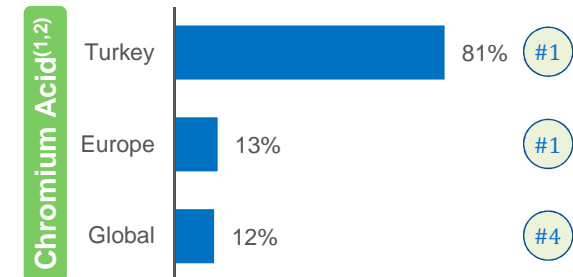
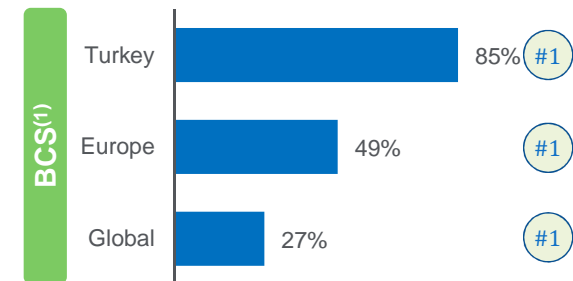


## Soda Ash Market Shares<sup>(1)</sup>



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

## Chromium Market Shares



Source: Company information.

Notes: (1) As of September 2014. (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



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### Co-generation in Mersin

- Invested in two cogeneration units in 2006 and 2009 to source steam economically (US\$120m investment)
- 252 MW / year electricity generation and over 4mn 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

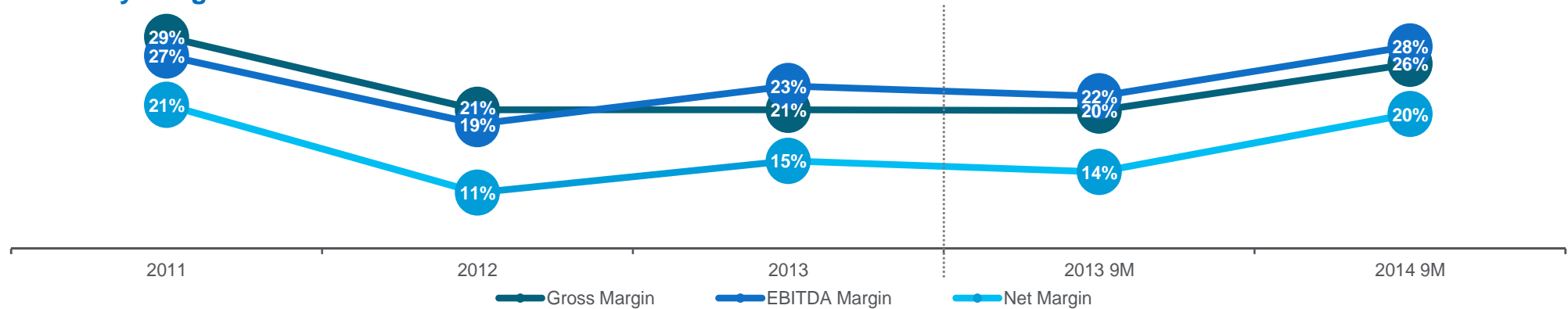
- SSL Plant (Bosnia & Herzegovina): The low level of supply in the European Market enables Soda Sanayii to sell products at high profitability
- Sodi (Varna-Bulgaria): Being close to Şişecam's Flat Glass and Glassware plants in Targovishte-Bulgaria enables low transportation costs, short transportation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

##### 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
- 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

- 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
- Advantage of being near Mersin soda plant provides instant procurement of soda ash as raw material



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



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2013



### Key Consolidated Figures

- Sales: TL 5,954mn
- EBITDA: TL 1,109mn
- Market Cap: TL 5,525mn

### Şişecam Group Key Companies



### Glass Packaging

- Sales: TL 1,523mn
- EBITDA: TL 232mn
- MCAP: TL 799mn



### Flat Glass

- Sales: TL 1,488mn
- EBITDA: TL 262mn
- MCAP: TL 2,150mn



### Glass Tableware

- Sales: TL 1,446mn
- EBITDA: TL 206mn

## Key Management Team

### Burhan Ergene

- Chairman of Soda Sanayii Board of Directors / Head of Şişecam Chemicals Group
- 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 Group
- Previously General Manager of Soda Sanayii
- Joined Şişecam Group in 1986

### Cenk Soyer

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

### Cihan Sirmatel

- Finance Director of Soda Sanayii
- Previously Financial Resources Management within Şişecam Chemicals Group
- Joined Şişecam Group in 1980

### Kevser Inceler

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

### Imran Eroğul

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

### Selma Akyol

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

# 6 Excellent Cash Flow Generation and Strong Balance Sheet

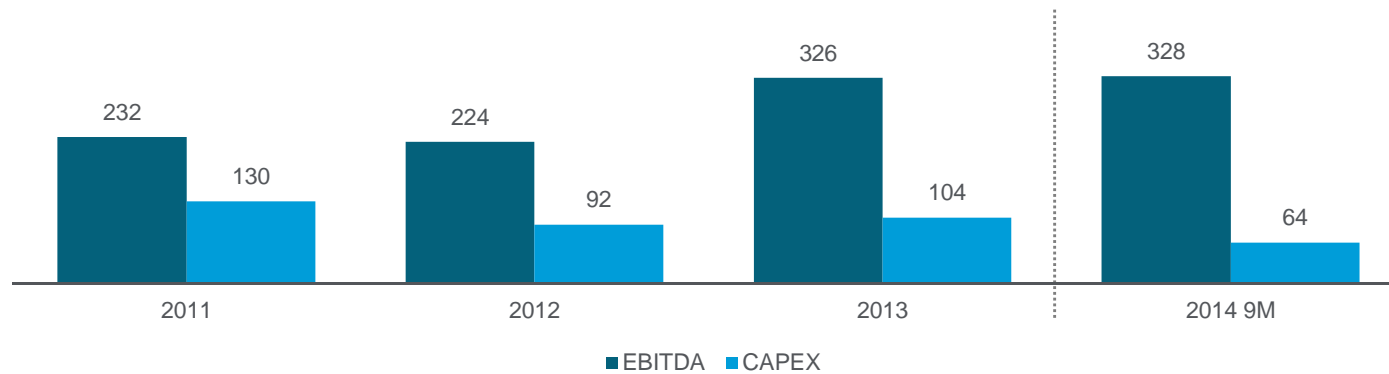


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Strong EBITDA generation with limited capex and a strong balance sheet.

## EBITDA & CAPEX

TLmn

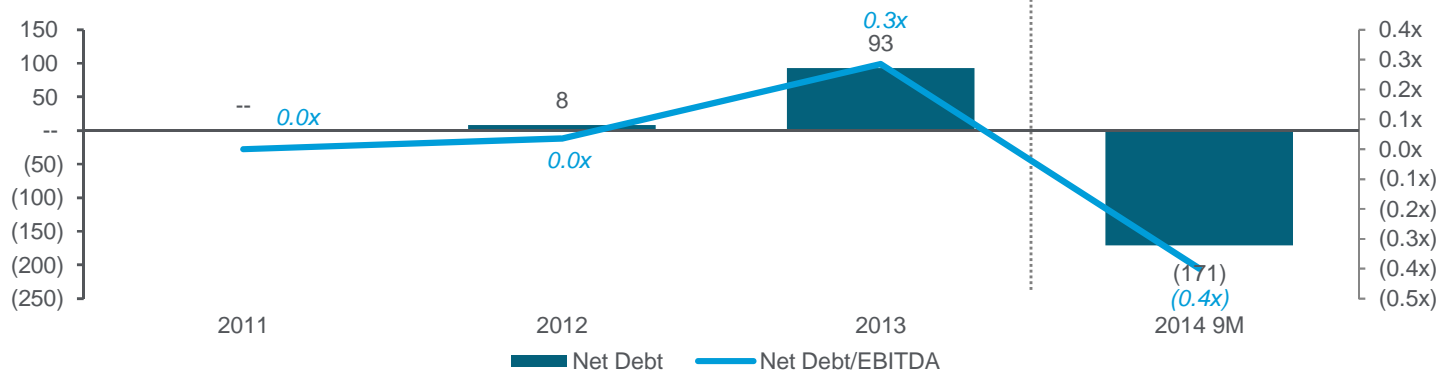


## Comments

- Production capacity and sales volumes have been increasing over the past years
- Operating profit has been trending upward in the 2011 – 2014 period, partly due to the 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

TLmn



## Comments

- Net financial debt increased in 2013 due to the \$50mn allocated to Soda Sanayii through Şişecam's bond issue of \$500mn
- However, the Company moved to a net cash position by September 2014 due to funds generated by the business

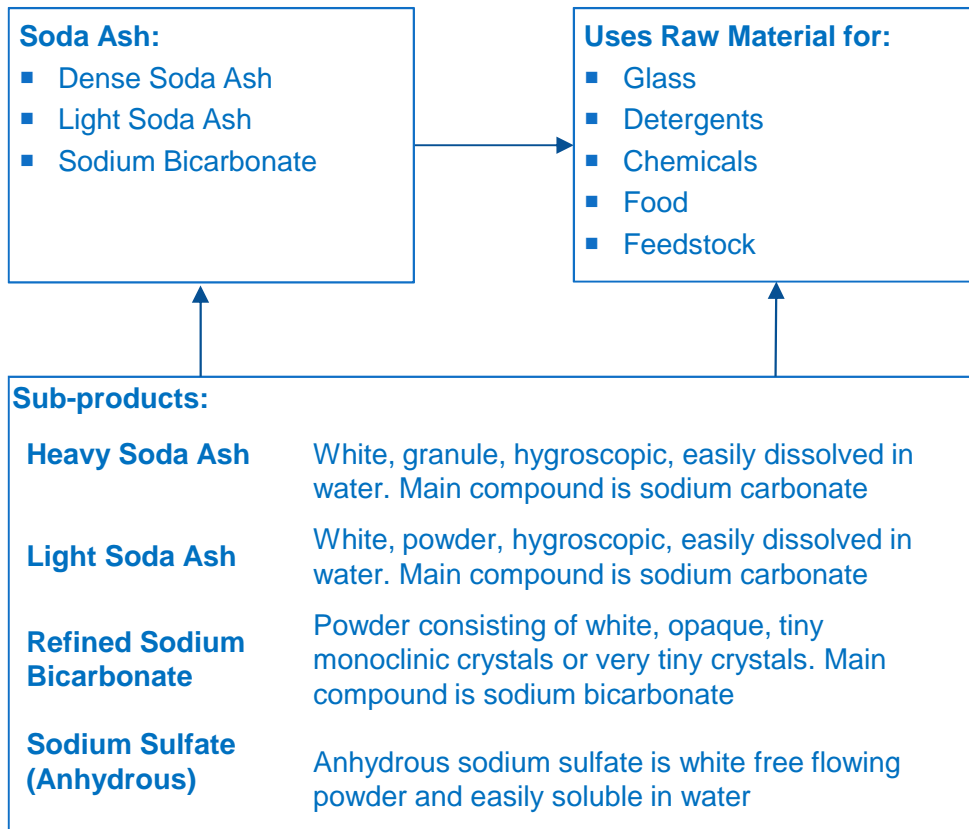
# Soda Ash Market



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## Key Highlights

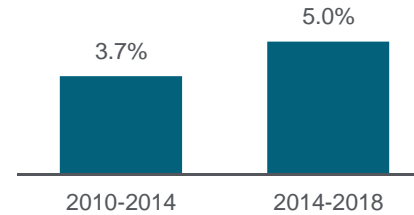
- 55mn ton production / demand globally
- 74% synthetic, 26% natural
- Demand drivers: flat glass, construction and detergents sectors
- Capacity utilization globally at 82%
- Strong growth expected to continue on the back of construction and detergents sector



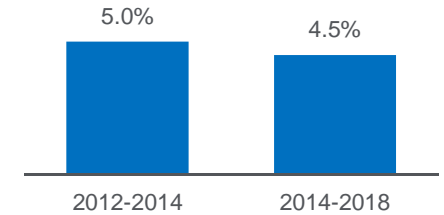
## Consumption Growth

CAGR

Global

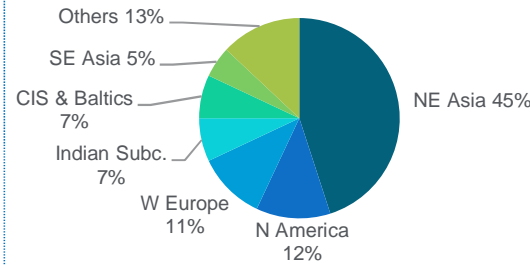


Turkey



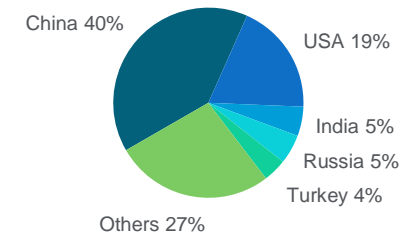
## Demand by Region

2013



## Production By Country

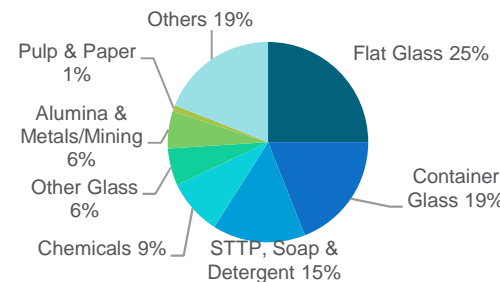
2013



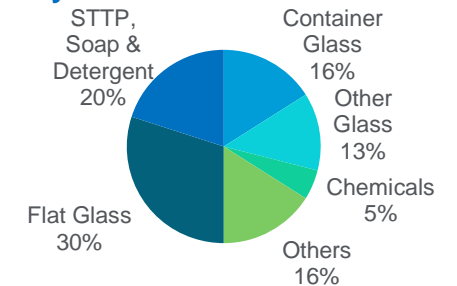
## Demand by Segment

2013

Global



Turkey



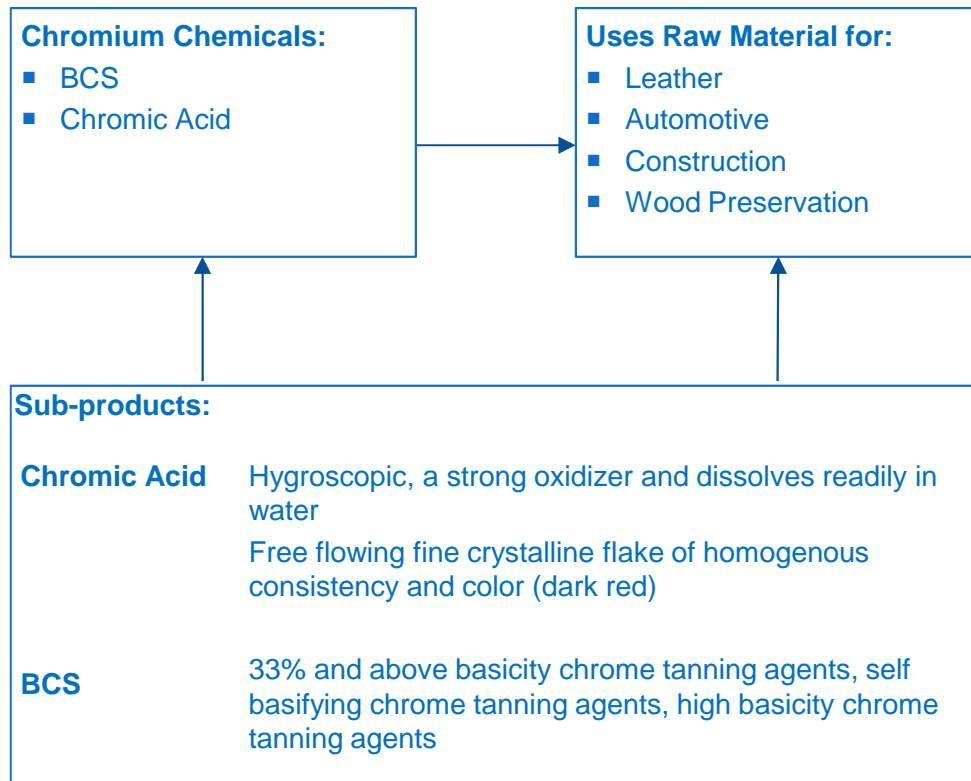
# Chromium Market



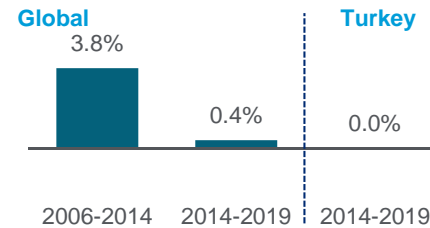
Soda Sanayii A.Ş.

## Key Highlights

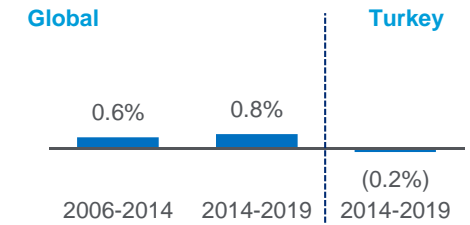
- 410kmT Basic Chromium Sulphate (“BCS”) global market, 165kmT Chromic Acid global market
- Demand drivers: leather, automotive, construction, wood preservation
- Global capacity utilization of BCS at 55% and Chromic Acid at 57%



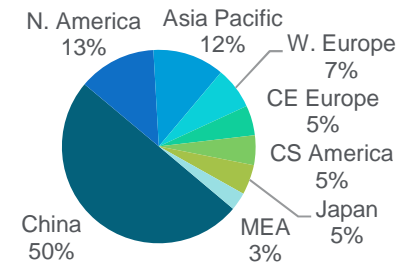
## Consumption Growth Chromic Acid



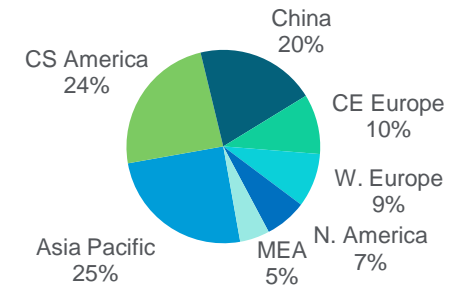
## BCS



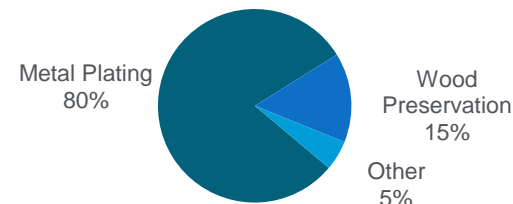
## Global Chromic Acid Market



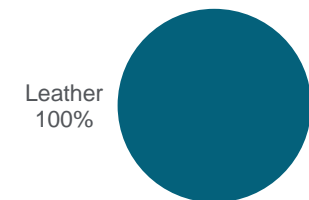
## Global BCS Market



## Global Chromic Acid Consumption by Segment



## Global BCS Consumption by Segment



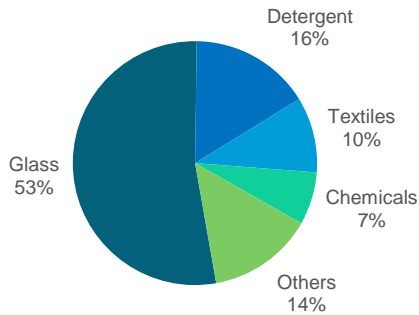


# Soda Sanayii Positioning in Soda Ash and Chromium Markets

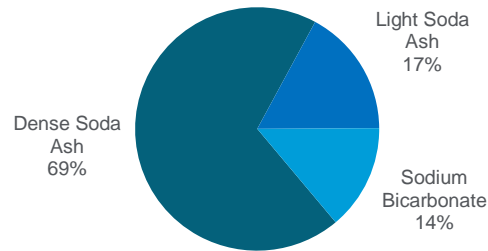
Soda Sanayii commands leading positions in both the soda ash and chromium markets, with its favourable locations and excellent reach to key clients.

## Breakdown of Soda Ash Sales

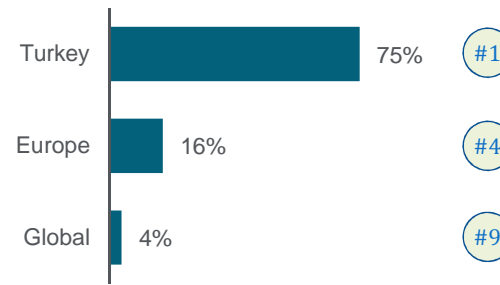
### By Industry



### By Products



## Soda Market Shares



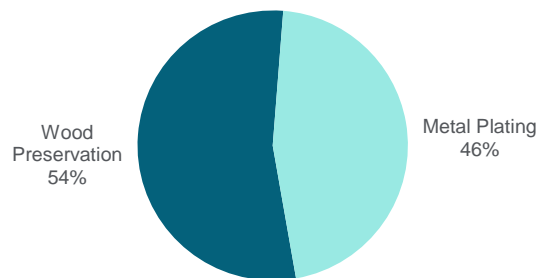
1. As of September 2014.

## Soda Ash Locations

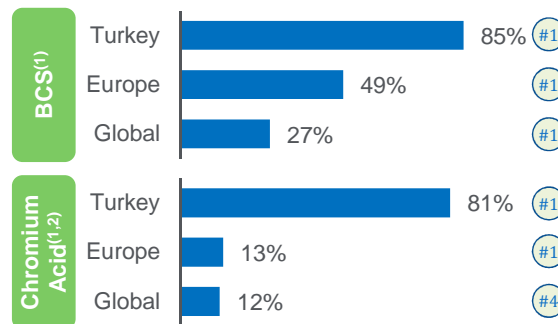


## Breakdown of Chromic Acid Sales

### By Industry



## Chromium Market Shares



## Chromium Locations



Source: Company information.

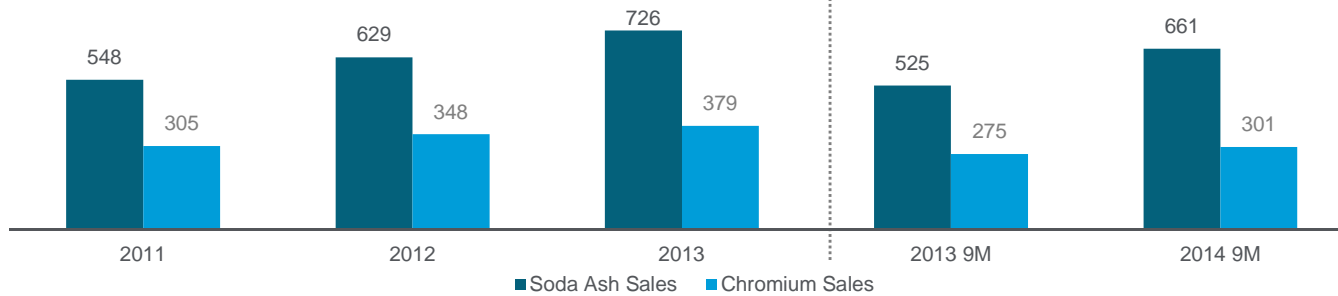
Notes: (1) As of September 2014. (2) Dichromate is the main raw material of other chromium products. Whilst sold to the market, it is not considered part of the company market share.



# Key Financial Indicators – Revenues

## Sales

TLmn

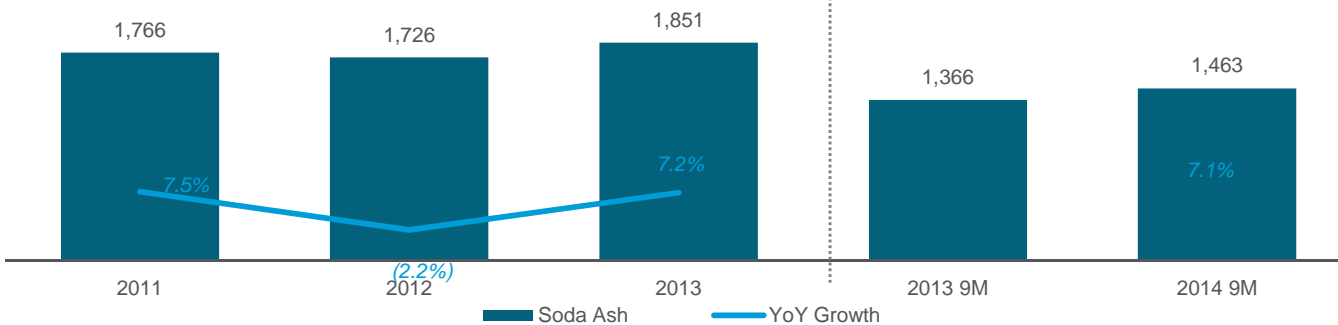


## Comments

- **2014 YTD:** Despite lower sales prices of chromium, favourable FX trends have led to an increase in net sales
- **2013:** Net sales increased by 18.7% due 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% due to soda ash price increases and increased exports owing to favourable FX trends
- **2011:** Net sales increased by 32.1% due to improvements in sales volumes, price increases and favourable FX trends

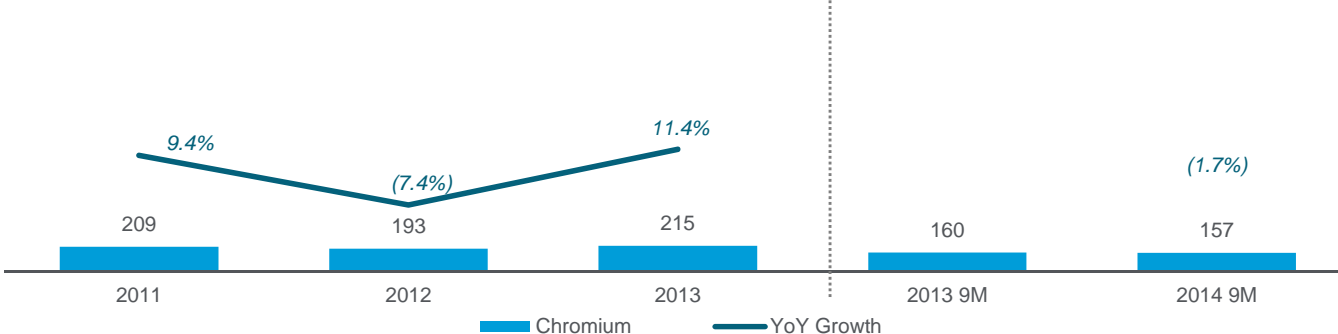
## Soda Ash Unit Sales

K tons



## Chromium Unit Sales

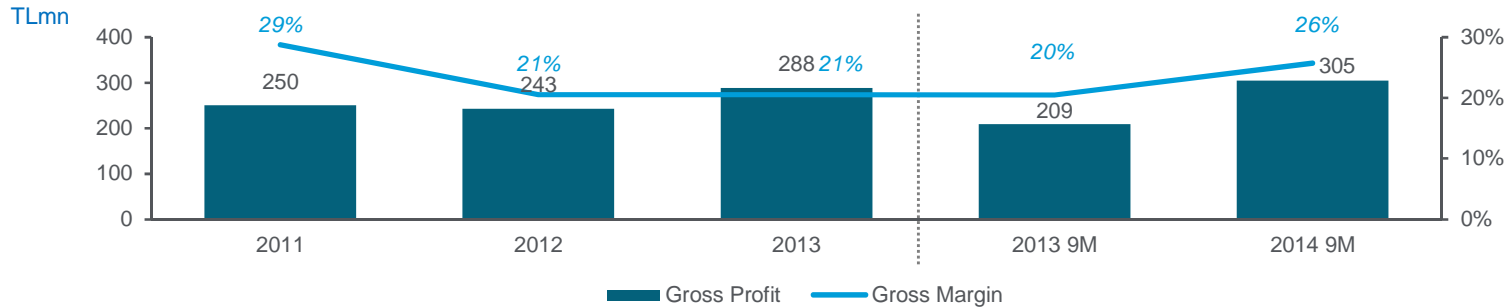
K tons



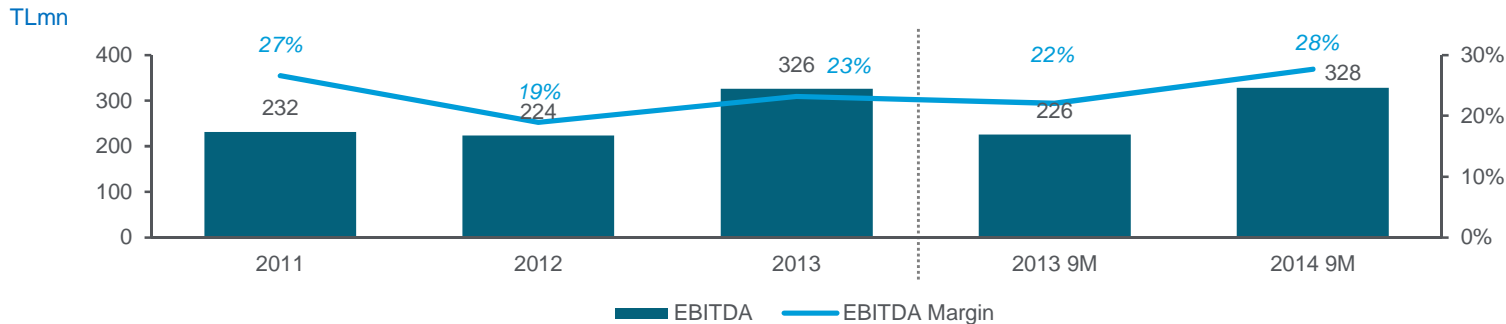


# Key Financial Indicators – Profitability

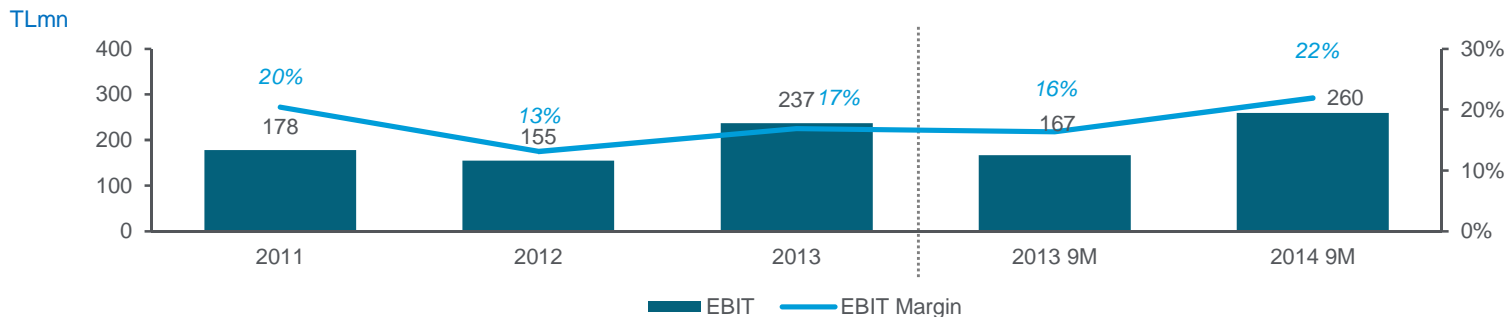
## Gross Profit



## EBITDA



## EBIT



## Comments

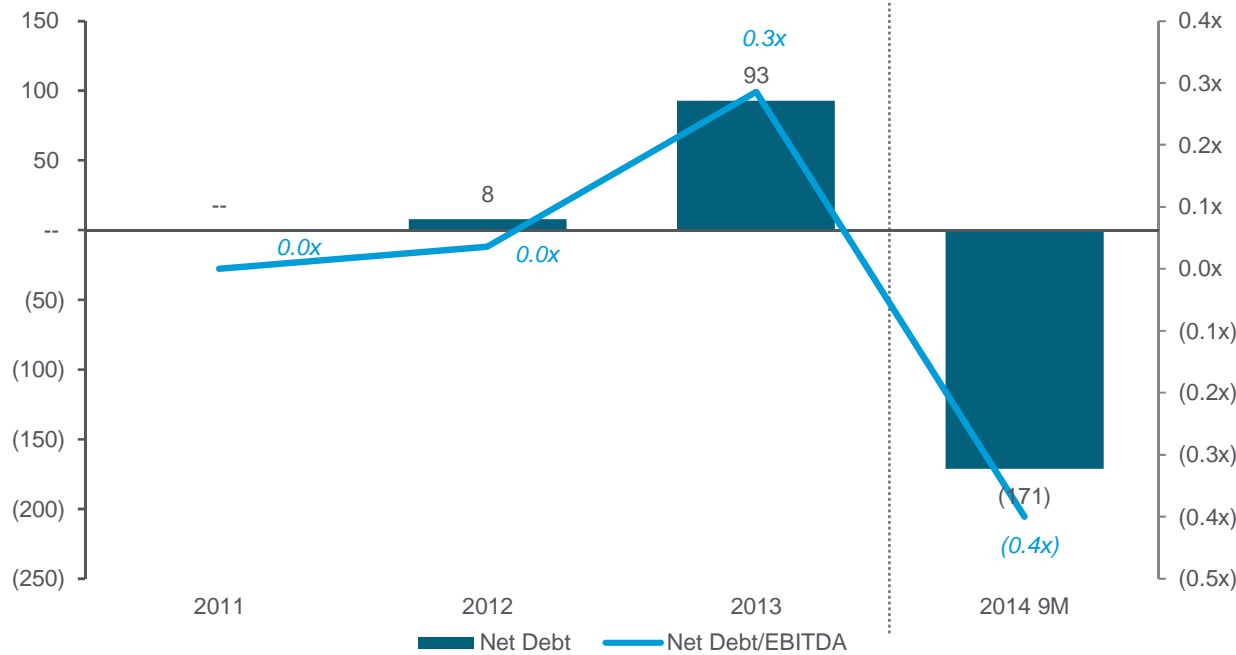
- **2014 YTD:** Profitability improved due to increased soda product prices, favourable FX trends and lower input costs. A lower level of raw material use at the Lukavac facility also positively affected profitability
- **2013:** Operating profit reached its highest level in recent years due to favourable 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 TL100k from TL10+mn levels in 2009 and 2010



# Strong Cash Generation

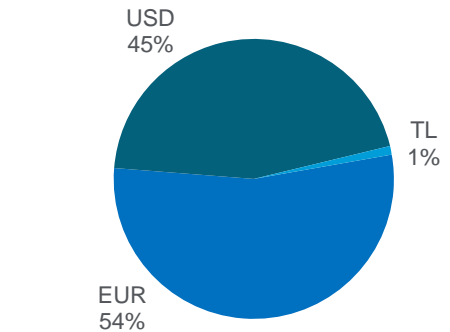
## Net Debt / EBITDA

TLmn



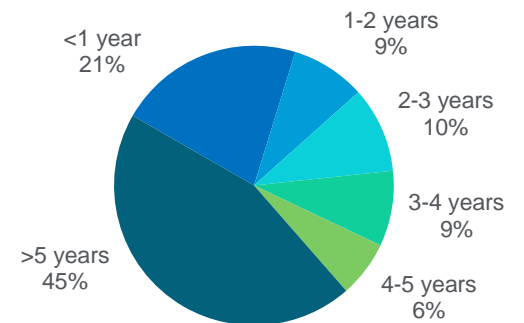
- Net financial debt increased in 2013, due to the \$50mn allocated to Soda Sanayii through Şişecam's bond issue of \$500mn
- However, the Company moved to a net cash position by September 2014 due to funds generated by the business

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



Total Gross Debt of TL298mn<sup>(1)</sup>

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



Source: Company information.  
Note: (1) As of 30 September 2014.



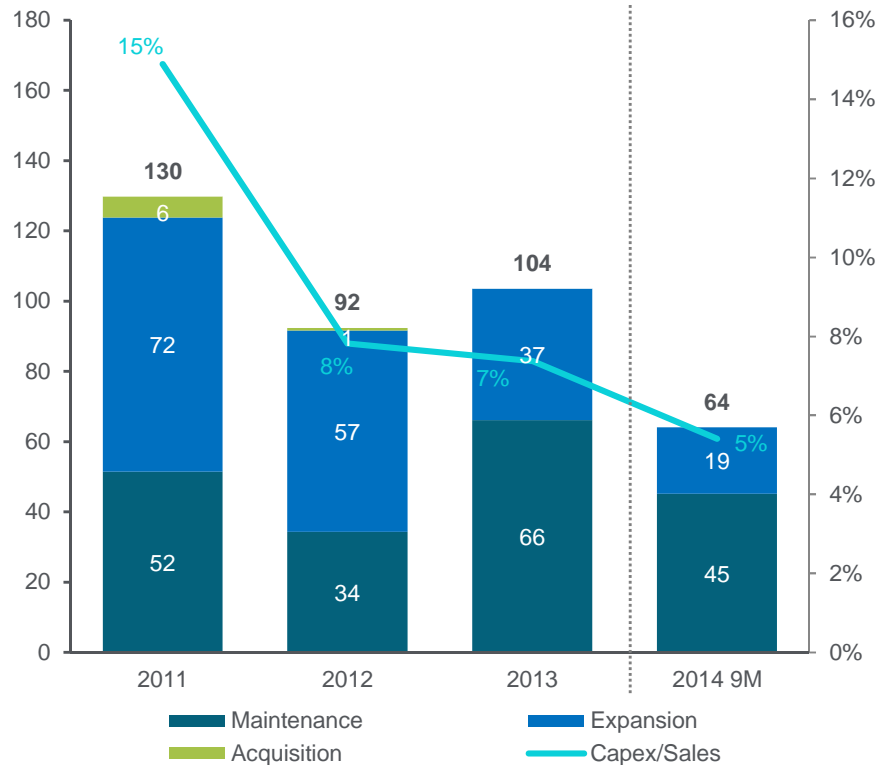
# Capital Expenditure



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## Capex / Sales

TLmn



## Historical Projects

### RSB 34kTon / 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 1.3mn 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

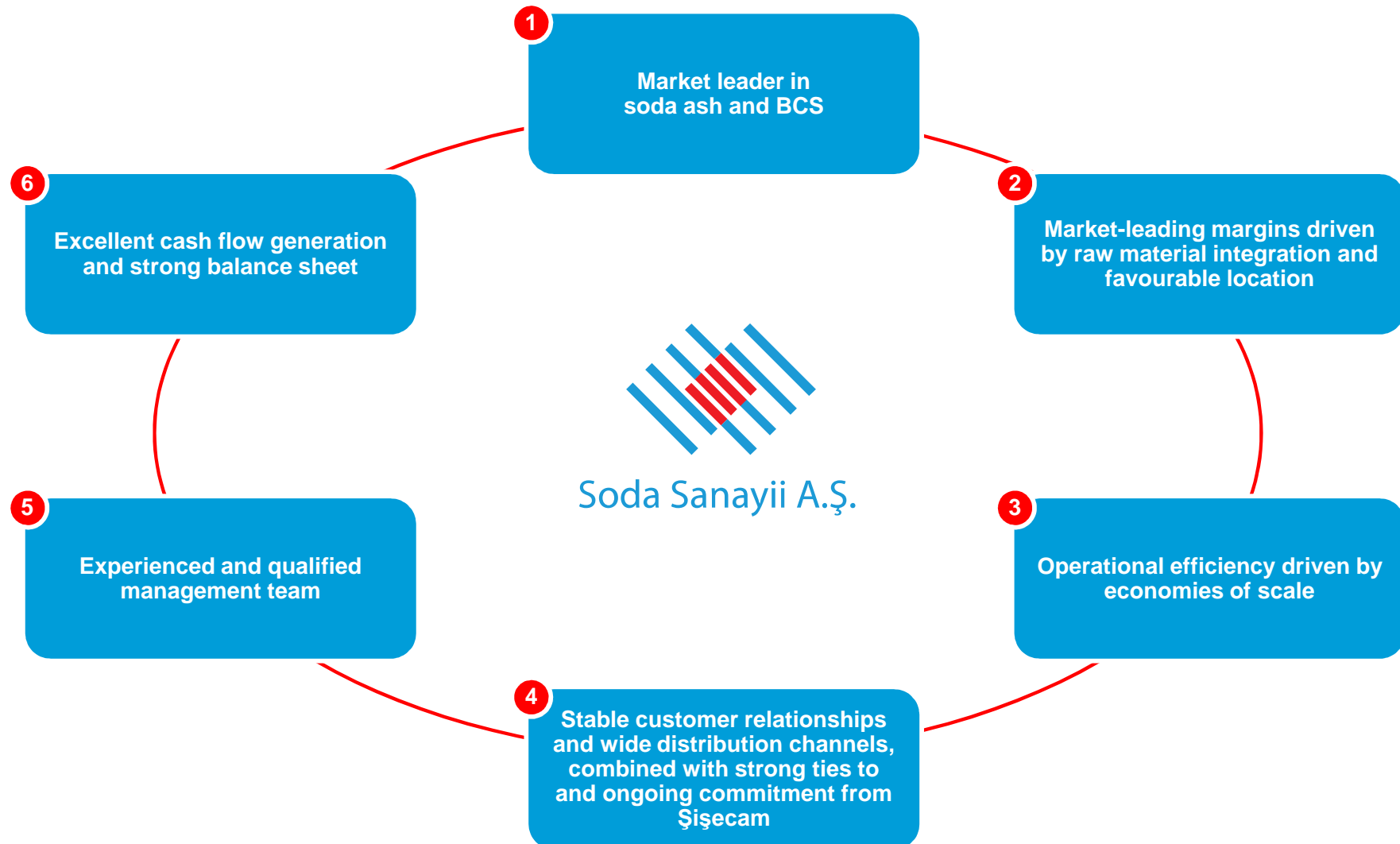
### Cromital (2011)

- Acquisition of 50% of Cromital



# 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



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<i>TLmn</i>	2011	2012	2013	2013 9M	2014 9M
<b>A. Cash flows from operating activities</b>	<b>140</b>	<b>104</b>	<b>19</b>	<b>17</b>	<b>312</b>
Net profit for the period	184	133	208	139	238
<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>54</b>	<b>43</b>
<b>Changes in net working capital</b>	<b>(46)</b>	<b>(69)</b>	<b>(207)</b>	<b>(150)</b>	<b>73</b>
<b>Cash flows from operating activities</b>	<b>196</b>	<b>147</b>	<b>59</b>	<b>43</b>	<b>354</b>
Interest paid	(10)	(13)	(12)	(6)	(8)
Interest received	0	1	5	2	8
Taxes paid	(43)	(27)	(32)	(20)	(36)
Employment termination benefits paid	(3)	(5)	(2)	(1)	(6)
<b>B. Cash flows from investing activities</b>	<b>(94)</b>	<b>(76)</b>	<b>(56)</b>	<b>(33)</b>	<b>(16)</b>
<b>C. Cash flows from financing activities</b>	<b>(50)</b>	<b>(46)</b>	<b>53</b>	<b>76</b>	<b>(69)</b>
Proceeds from borrowings	28	60	335	346	43
Repayment of borrowings	(59)	(106)	(253)	(238)	(69)
Dividends paid	(19)	0	(32)	(32)	(46)
Other	0	0	3	0	3
<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>61</b>	<b>228</b>
<b>D. Effects Of Unrealized Exchange Loss/ (Gain) On Cash And Cash Equivalents</b>	<b>34</b>	<b>(12)</b>	<b>42</b>	<b>32</b>	<b>18</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>92</b>	<b>245</b>

Source: Company information.