2023 FY Consolidated Results Webcast Transcript

TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

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TÜRKİYE ŞİŞE ve CAM FABRİKALARI A.Ş.

İçmeler Mah. D-100 Karayolu Cad.
No.44A Tuzla İstanbul Türkiye

T 0850 206 33 74

T 0850 206 31 08

T 0850 206 26 57

sisecam.com.tr

TÜRKİYE İŞ BANKASI
kuruluşudur

Operator

Hello and welcome to Şişecam 2023 Year-end Consolidated Financial Results Audio and Webcast Call. Throughout the call, all participants will be in a listen only mode and afterwards there will be a Q&A session. Please note, this call is being recorded and a replay option will be available for a full year after the event.

Today I am pleased to present Sisecam CEO, Mr. Görkem Elverici. Please begin your meeting.

Görkem Elverici

Thank you.

Good afternoon, ladies and gentlemen, and welcome to the review of our 2023 Year-end Earnings Results Webcast. I hope everyone is well since we last spoke. Today, I'm together with our CFO, Gökhan Güralp and our IR Director, Hande Özbörçek.

I would like to hand over to our CFO Mr. Güralp for the review of full year results.

Gökhan Güralp

Thank you very much Mr. Elverici.

Good afternoon, ladies, and gentlemen. I would like to thank you all for joining us today.

In today's webcast, we will be first walking you through our 2023 Year-end financial and operational results by presenting business lines' individual performances. Afterwards, we will be providing details regarding our cash position and capital allocation. Operational and financial review will be followed by Şişecam's approach to sustainability where we will update you about the recent developments.

As always, we will be pleased to take your questions at the end of the presentation. Please be reminded that the presentation and the Q&A sessions may both contain some forward-looking statements. Our assumptions and projections are based on the current environment and thus may be subject to change.

Before we start presenting our Company's 2023 Year-end results, it is necessary to note that pursuant to the Capital Markets Board Decision dated November 28th, 2023, and numbered 81/1820, our Company is subject to IAS 29 inflationary accounting provisions, starting from 2023 year-end. Thus, 2023 and comparative 2022 year-end financial results stated in this presentation contain the financial information prepared and audited in accordance with Turkish Financial Reporting Standards by the application of IAS 29 inflation accounting provisions and are finally expressed in terms of the purchasing power of the Turkish lira as of December 31, 2023. At the end of the operational and financial review section, you may see a display of our key financials without IAS 29 impact.

On slide four, we would like to remind you that starting from 2023, based on a series of important amendments we made on our segmental reporting, we've been reporting individual performances of 7 business lines namely, Architectural Glass, Industrial Glass, Glassware, Glass Packaging, Chemicals, Energy and Other. We do invite you to review the graph summarizing the amendments implemented while restructuring our segmental reporting approach.

Slide five displays our key financial results. As can be seen on the first graph, we ended the reporting period with 152 Billion TL topline. While sales volume smoothened across all business lines excluding Auto Glass and Encapsulation sub-segment of Industrial Glass, lower local currency depreciation compared to annual inflation rate limited TL value of international sales revenue. Although we maintained our cost-based dynamic product pricing models in all of our main operations and retrospective payments were recognized in accordance with cost pushed-price changes in Industrial Glass business line, buyer market dynamics capped the flexibility in price adjustments. Hence, consolidated revenue underperformed the inflation and moved south by 11% compared to 2022 topline expressed in terms of 2023 year-end purchasing power.

While navigating a challenging market environment characterized by global macroeconomic uncertainties triggered by sticky inflation even during the global monetary tightening cycle and geopolitical unease, we took a series of strategic decisions ranging from early start of a scheduled cold repair to lowering gross pull rates particularly in glass production facilities in the first half of the year as well as in the last months of the year for optimized inventory management purposes. Consequent per ton fixed cost increases were further expanded due to higher raw material prices and rises in labor costs throughout 2023 given the ongoing inflation. Despite this, our gross profit margin came in at 28% versus 32% last year. US soda ash operations, with 52% gross profit margin, added close to 350 bps to our consolidated profitability, which was 110 bps higher than its contribution last year.

Our Adjusted EBITDA, recorded at 28 Billion TL, resulted in an EBITDA margin of 19% compared to 22% of the prior year. Primary reasons for EBITDA margin contraction were not different to the ones mentioned for the gross level. Yet net other income from main operations, majority of which stemming from FX rate fluctuations’ net impact on trade receivables and payables, supported the profitability while OPEX to Revenue ratio went up from 19% to 21% and Depreciation to Revenue ratio was flat at 7%.

Our Adjusted Parent Only Net Income came in at 17 Billion TL, down by 7% YoY, while the profitability was flat at 11%. 4 Billion TL monetary gain stemming from a higher portion of debt financing in tangible asset investments and inventory procurements as well as lower net financial expenses supported the bottom line. Meanwhile, deferred tax expense impact of net investment hedge, increased deferred tax liability due to indexation of non-monetary items given IAS 29 inflationary accounting provision, higher use of the incentives on capital expenditures, and increase in deferred tax liability due to corporate tax rate hike from 20% to 25% resulted in a 2.4 Billion TL deferred tax expense.

Moving onto slide six, we would like you to see the segmental breakdown of our consolidated topline and Adjusted EBITDA. Our portfolio of operations remained well-balanced throughout the years yet the significant role of Chemicals business line, stemming of it being a pure hard currency play, was further supported following the acquisition of controlling stake in US natural

Soda operations. The business line demonstrated leadership in both revenue and EBITDA generation, contributing 26% to the former and 39% to the latter.

Architectural Glass operations emerged as the second highest performer with 15 production lines in Turkey, Europe, India, Russia as well as a line in Egypt with partnership with Saint Gobain and including our newest automative glass-dedicated float line that was ignited in September 2023. This segment contributed 21% of our total revenue and 23% of our EBITDA.

Among our seven business lines, Glass Packaging showed prominence by ranking as the third largest contributor, accounting for 18% of our total revenue and 17% of our EBITDA. Whereas Glassware operations' share in consolidated topline and EBITDA were 12% and 5%, respectively.

Industrial Glass operations had a limited impact, especially on the EBITDA level. This was primarily due to the challenges posed by LTA based Auto Glass operations with OEM clients given the setbacks in passing through cost increases effectively.

Energy segment, which focuses on presenting the financial results of our electricity trading operations, accounted for 12% of our total revenue. However, its contribution to our EBITDA was notably minimal.

On the next two slides, we aim to present the key takeaways regarding annual individual performances of our main business lines. This will provide a concise summary of how our Glass and Chemicals operations have performed during 2023 in comparison with the prior year from both operational and financial perspectives.

Throughout 2023, the **Architectural Glass** business line demonstrated resilience and adaptability, implementing inventory balancing strategies and region-specific initiatives to maintain its positioning in key geographies.

Influenced by capacity utilization and stock optimization strategies, ongoing cold repair process in one of the two lines located in Kırklareli flat glass facility and the one carried out at India-based float line as well as fluctuations and categorical changes in demand, flat glass output was down by 15% YoY.

While globally tighter monetary policies have limited financing capabilities of client industries catering mainly to construction and renovation sectors, sales performance varied across regions throughout the year. Despite challenges in the Turkish market, sales from Turkey, including exports, remained resilient, supported by inventory optimization strategies, and improved competitiveness particularly in the second half of the year despite a local currency devaluation at a limited extent. European operations experienced a decline in sales, particularly in the first half of the year, but showed signs of recovery in the later part of the year, with Bulgaria-based operations, which cater to the country and the surrounding regions, contributing positively. Russia and India operations maintained steady sales, with Russia showing vitality in demand following a period of muted performance. As a result, Architectural Glass sales contracted by 12% YoY in volume terms.

The business line faced downswings in product prices due to sluggish demand and abundance of low-cost products. Additionally, a year-long decline in energy prices led to downward adjustments in product prices. The annual contraction in EUR-based standard product prices stood at 27% based on year-end prices.

Consequently, the revenue recorded by the business line operations decreased by 30% YoY to 31 Billion TL while EBITDA margin moved down to 20%.

Looking ahead, we do anticipate continued challenges in the market environment, including inflationary pressures and geopolitical uncertainties. However, opportunities for growth exist, particularly in export markets. The recent addition of new wholesaler and processor clients in Latin America presents opportunities for expanded market reach. Furthermore, existing freight rate dynamics following the Suez Canal blockage may strengthen export competitiveness as well as limiting the flow of low-cost imports. Regulatory changes as 5% additional customs duty on imported float, laminated, security and solar glass products and VAT policy limiting deductible VAT on import of products included in trade surveillance list, may trigger local sales volume growth.

The **Industrial Glass** business line, comprising automotive glass, encapsulation, home appliances, and glass fiber operations achieved strong revenue growth, generating 16 Billion TL in net external revenue for the year, marking a 14% increase compared to the previous year. EBITDA margin moved north to 7%. This growth was driven by solid performance across sub-segments, particularly automotive glass and encapsulation, which accounted for approximately 85% of the division's total revenue. Retrospective payments recognized in accordance with cost-pushed price changes in Auto Glass sub-segment have lifted the business line’s overall financial performance and EBITDA profitability to normalized levels.

The automotive glass and encapsulation sub-segment saw consistent growth throughout the year, with sales volume increasing by 10% YoY. This growth was primarily attributed to the recovery in automotive markets, both domestically and internationally. Robust sales performance to OEMs in Turkey and in Europe was visible thanks to accelerated client industry-deliveries given the gradual alignment of OEMs’ purchases with respective order backlog. Russia operations contributed significantly to the sub-segment's performance on the low base. Additionally, the Auto Replacement Glass (ARG) channel continued to play a significant role thanks to recurring business with existing distributors as well as new regions’ inclusion in our portfolio and accounted for 14% of consolidated automotive glass & encapsulation revenue.

Despite challenges such as weak infrastructure investments stemming from macroeconomic uncertainties, and growing trend in imported product availability, the glass fiber sub-segment demonstrated resilience and limited the decline in sales volume to 5% YoY thanks to additional spot sales in Turkey and changes in sales mix related to ongoing projects. However, pricing pressures persisted due to high stock levels and subdued demand, both locally and in the surrounding region.

From **Glassware** business line perspective, the year began amidst weaker consumer sentiment, compounded by uncertainties stemming from global macroeconomic environment and the aftermath of the devastating earthquakes in Turkey. These factors as well as the abundance of entry-level low-cost imports across all regions contributed to a subdued sales performance. Throughout the year, the **Glassware** business line implemented strategic responses to navigate market challenges and capitalize on opportunities. International sales efforts focusing on newly launched products and sales campaigns combined with the mobility in HORECA and retail channels particularly in Central and Western Europe yielded positive results. A weaker market in MEA region was on sight throughout the year due to mainly import restrictive measures, monetary policy regulations and geopolitical tensions. Sales to the domestic market, on the other, outperformed the previous year by 10% thanks to changes in sales mix as well as an improved sentiment in the second half of the year triggering HORECA, wholesale, and B2B channel demand. Despite the headwinds, the business line maintained resilience through premium product positioning and strategic pricing strategies and succeeded in keeping the sales volume contraction at 2% YoY.

Going forward, import tax duty increase from 11% to 20% for non-WTO countries effective from the beginning of 2024, and ongoing Suez Canal blockage may hinder the flow of low-cost imported products to the domestic market.

Glassware business line recorded 18 Billion TL topline while the EBITDA margin was recorded at 8%.

The **Glass Packaging** business line encountered a dynamic market landscape throughout the year. Despite facing headwinds such as a drop in end-consumption and destocking downstream of the value chain due to high financing costs as well as cold repair works in three furnaces – two in Russia and one in Georgia – the business line leveraged strategic initiatives to drive growth and navigate market complexities.

Consolidated production recorded a marginal 3% YoY decrease. Meanwhile, the business line saw a mixed performance in sales volume across different segments and regions. While domestic sales in Turkey declined by 6%, international sales were almost flat YoY thanks to mainly a higher performance of exports from Turkey particularly in the second half of the year. Hence consolidated volume sales underperformed the prior year by 3%. Local market dynamics were shaped by seasonal fluctuations in demand across the main industries such as alcoholic beverages, mineral water, and food. Meanwhile, in addition to substitute product deficit, regulatory changes applied in Russia, including excise tax introduction of 7 RUB per liter for sugar-containing drinks in July and heightened tax on imported wines from 12.5% to 20% in August impacted customer demand patterns and posed both challenges and opportunities. Although geopolitical sanctions and trade regulations affected our export capabilities from Russia, increased sales to alcoholic beverages sector were also visible thanks to especially newly launched local brands in the beer segment following ownership changes. We also extended our market reach through additional exports to CIS countries.

Adapting to changing costs, the Glass Packaging business line implemented product price adjustments in Turkey and in Russia. Meanwhile, subdued pricing conditions were relevant to export markets to remain competitive amidst aggressive pricing from European manufacturers.

Consequently, Glass Packaging business line ended the year with 27 Billion TL revenue, down by 14% YoY and 17% EBITDA margin.

Last but not least, Chemicals segment, comprising soda ash and chromium chemicals operations, recorded 39 Billion TL net external revenue and an EBITDA margin of 26%.

Global soda ash market, despite short-term market tightness in certain regions, faced challenges with oversupply, primarily driven by softened demand from major client industries amidst uncertain macroeconomic conditions. In terms of sales volume, the Chemicals business line witnessed varying trends. While soda ash sales volume remained relatively stable with minor fluctuations throughout the quarters, chromium chemicals sales volume displayed more volatility. Despite weak demand and pricing pressures, we managed to keep our consolidated sales volume for soda ash flat particularly thanks to the overperformance of international sales. Although chromium chemicals ended the year with 6% YoY decline, recovery signs started in demand, which typically acts as a proxy for global macroeconomic trend.

The pricing environment for soda ash underwent downward pressure throughout the year due to oversupply and declining natural gas spot prices, resulting in a significant decrease from all-time high price level recorded in Q4’22. From a YoY and average per ton perspective, soda ash prices grew by 7% in USD terms in 2023. Similarly, chromium chemicals faced a challenging pricing environment characterized by supply-demand imbalances and heightened competition from low-cost imports, leading to weaker sales volume and 17% lower average per ton prices on a year-on-year basis.

Overall, our Chemicals business line demonstrated resilience amid market challenges and limited the YoY margin dilution at 100 bps. While domestic sales were impacted by various factors including natural disasters and currency fluctuations, international sales played a crucial role in driving growth.

Moving on to slide 9. With our production facilities located in 14 countries, diversified operations portfolio, and wide range of products, we continued to cater to our clients across the globe. In 2023, international sales corresponded to 60% of our topline. Export revenue, 54% of which was recorded on sales to Europe, stood at 1.1 Billion USD. Including revenue generation of Şişecam facilities located in the region, Europe accounted for 30% of our topline. US market exposure through sales from US soda ash facility as well as exports, stood at 13%. Accordingly, our developed markets’ exposure came in at 43%.

On slide 10, our strong liquidity position was sustained in the reporting period too. We ended the year with 1.6 Billion USD cash and cash equivalents including financial investments, which are mainly composed of Turkish corporates and financials Eurobonds and FX-protected deposits. 1.3

Billion USD worth net debt position translated into a 1.3x leverage, which is well below our comfort zone of 2.5x for high capex period. Outstanding debt was 2.9 Billion USD, with a term structure of 54% long to 46% short, and an interest rate structure of 76% fixed to 24% variable. 80% of the gross debt was in hard currency. Meanwhile, hard currency share of cash and cash equivalents including financial investments stood at 85%. Our net long FX position came in at 10.7 Billion TL. As of December 31th, we are 457 Million long in USD and 105 Million short in EUR.

Moving on to slide 11, we recorded 21 Billion TL CapEx compared to 13 Billion TL in the prior year. Considering the advances given for our investments, cash payments for taking Sisecam Resources LP private hence increasing our effective stake from 23% to approximately 31% and for the acquisition of 50% stake in Stockton Port Management, total cash outflow in relation with investments reached 28 Billion TL. We ended the year with a negative free cashflow of 9.5 Billion TL.

Moving on to slide 12, we would like to update you on our ongoing projects. As you are aware our strategy is to invest in our portfolio of operations and enlarge our catchment area through accretive organic and inorganic growth. On the one hand, we do continuously focus on maintaining our active market positioning. For this, we closely monitor the markets in which we operate, we map the market dynamics, we derive our expectations, and we act on the future demand trends. On the other hand, we work on new investment opportunities, be it in a new region or in a new business line, which may well serve our vision of being a global company. We are heavily focused on bringing in new production capacities and additional profitability as well as moving up the share of hard currency and international sales in our revenue. Our primary goal is to be among the top three glass and chemicals producers in the world. With the US soda ash investment we made in 2021, we have already reached this goal in Chemicals business line. As a separate note, we would like to underline the very fact that we continue to be very keen on enlarging our natural soda ash operations in the States and we will be thrilled to update you as soon as the permits for developing Pacific and Atlantic mines are granted.

As you all know, we have quite a few greenfield and brownfield investments in Architectural Glass and Glass Packaging business lines. We also announced capacity addition projects in mining and soda ash operations in Turkey aiming to secure our internal raw material needs with the gradual commissioning of new glass production capacities in the next years. Our ongoing investments signal a high capex cycle spanning over a period of 5 years and estimated to be worth up to 10 Billion USD including scheduled cold repairs, which are crucial for maintaining the state of our installed and operative capacities.

On slide 13, you may see our key financials without the impact of IAS 29. Excluding the accounting policy change impact, based on historical values, our revenue went up by 40% YoY. Year-end EBITDA level stood at 35 Billion TL, up by 25% YoY and EBITDA margin came in at 26%. Profit Before Tax of 27 Billion TL signalled an annual growth of 37%. And Net Income for the Period, having increased by 25% to 25 Billion TL, translated into a net margin of 19%. Meanwhile, our total assets and total equity have grown by 63% and 54%, respectively.

From this point on, we will update you about the latest developments on our sustainability journey.

On slide 15, we see sustainability as the focal point of our operations and a core component of our business model. In line with our vision of creating sustainable value, we are committed to taking responsibility along the entire value chain to achieve strong global transformation targets integrated with the UN Sustainable Development Goals.

On slide 16, you may see further strengthened sustainability governance structure of Şişecam to adopt and effectively manage the CareforNext Sustainability strategy at all functions and levels. In addition, a sustainability scorecard was created by adding the actions planned to carry out sustainability studies on 2030 material issues and to achieve their goals, to the scorecard of the senior managers of all functions.

Moving onto the next slide, Şişecam maintains its place in the "BIST Sustainability Index" based on an evaluation made by Refinitiv, Şişecam’s corporate ESG score is A-.

In addition, as a response to changing patterns in the Environmental, Social and Governance (ESG) ecosystem, companies must report their positive impacts and negative impacts. We utilize data verification services from a third party regarding our sustainability progress towards this need.

On slide 18, we have published our Sustainability Statement on our corporate website, which includes our goals and commitments regarding our Sustainability Strategy and is a guide to communicate our actions.

On slide 19, by signing the Women’s Empowerment Principles (WEPs), Şişecam undertakes to implement the 7 principles of WEPs in every subject and level. Moreover, Şişecam signed the United Nations Global Compact in order to contribute to the creation of a common culture in the business world within the framework of universal principles.

Moving on to the next slide, The ZEvRA (Zero Emission Electric Vehicles Enabled by Harmonised Circularity) project was launched to contribute to a clean and competitive future by improving the circularity of electric light-duty vehicles and includes Sisecam as one of its partners. This innovative effort received a grant of 250K euros from European Union's Horizon Europe program. In addition, Şişecam will implement PaneraTech’s Digital Furnace Monitoring (DFM) on all its furnaces.

On slide 21, Şişecam is among the partners of the "South Marmara Hydrogen Shore”, which is a European Union project with a total budget of 36.8 Million Euros, for which 8 million Euros of grant support was provided. With this project, green hydrogen obtained from renewable resources will be produced and distributed. Şişecam will use green hydrogen in the production of flat glass. Furthermore, Şişecam has joined Hydrogen Europe as a project member.

Moving on to the last slide of this webcast, Şişecam became a member of the European Solar Photovoltaic Industry Alliance as well as a member of the European Clean Hydrogen Alliance.

Q&A

Ece Mandaci

Thank you very much for the presentation. I would like to ask about your prospects/estimates for 2024 in terms of pricing. Prices for glass and soda ash came down to levels that we have seen before 2022. Are these levels sustainable or would there be a pick-up in pricing considering the measures you mentioned on imports and the increase in fixed costs? I would also appreciate if you could provide your view on energy costs, revenue growth trajectory and sustainable EBITDA margin level after the accounting policy change? Could you also please provide your CAPEX guidance for 2024 and 2025? Thank you very much.

Görkem Elverici

Thank you Ece Hanim. It is a bit early to make a concrete comment on where the prices will be moving. There some conflicting messages received from the market to be very frank. Looking at PMIs and the pricing environment in most of the areas that we are operating including both flat glass and soda ash turn out to be mildly positive in the last two months. But I believe it is still very early to make a comment about where they will be heading to. And whether a turn back in pricing environment to more positive levels has been started or not. This what we are experiencing in each and every lower-end cycle. I believe we will need couple of months to see this trend is ongoing. Competitors are also aligning themselves with the improved pricing environment. Sisecam has always been one of the competitors market players that is trying to push the price levels to an alignment with the realities of the business and the realities of the margin generation. Even during this lower end of the cycle, and even if we reached the minimum point or not, we have always stayed at the more cautious side and tried to keep up with the pricing environment. On the one side, things happening in the southern border and in the Middle East combined with all the war and the other issues around the logistic failures that have been experienced, are helping us with the pricing environment, however on the other side, they are putting some burden on the pricing in differentiated geographies. To conclude, I can say that we have a very conservative, mildly positive expectation about pricing, especially through to the end of April and May when we are entering the high season for flat glass which will also support soda ash market. But I can say that we are at least in a better position than we were a couple of months ago.

Coming to the sustainable levels as we have always shared with you, on long-term strategic guidance of Şişecam is always being at the north of 20% Şişecam EBITDA margin. Although we are most of the time performing way beyond this, this ratio is for cautious times like we are experiencing right now. We are having some diluted margins due to differentiated reasons, and it is a combination of keeping up with the pricing environment, and being cautious with the volume that we are catering to the market.

And now we are working on both fronts to have optimized production, sales, and stock levels, together with keeping up with the right pricing environment. All of us know that it is a challenging environment as of now due to many differentiated reasons, but I believe that the heritage and the experience that Şişecam has for managing those cycles will be helping us with the improved technologies and management models we are using thanks to the transformation we have been onboarding, especially within the last five years. So, I hope this helps to get a better understanding of where we are standing as of now.

Ece Mandaci

Maybe you can provide in absolute terms your CapEx guidance for 2024 and 2025.

Görkem Elverici

We have already shared that for the upcoming five years; the CapEx will be roughly around 10 Billion USD in total. And for 2024, the expected levels will be roughly around 1.5 Billion USD. But I need to provide the caution that due to the challenges that might be faced in the supply chain, together with for the greenfield projects that we are building, including the one in the US, due to the permit and licensing requirements and so on, there might be shifts across the years.

We will be in a better position to provide you with next year's figure, moving forward with 2024 year-end figures and the realization percentage of the already ongoing investments, especially the licensing and permits process of the US investment, which is more or less half of the next five years' CapEx investment.

Cemal Demirtas

Thank you for the presentation. My first question is about IAS 29. On page 13, you give some metrics, firstly. I wish you had a complete comparison of, at least, the income statement and the balance sheet to have better analysis, or for transparency. I'm just mentioning that in the leading example companies. But at least you shared some parts as some companies did, some medium transparency I call it, or limited transparency. Then some of them didn't share anything. So, they were in lack of transparency. But there were also good and more transparent examples.

I hope in the following quarters, as the companies become more ready, we have more transparency. The reason is we know that inflation accounting will be with us for the following two, three years, but at least during the transition period, to better elaborate the companies, I think it would be necessary. And I just want to reiterate this comment with you too, because you are always a good example of your transparency and your earnings. So, I just want to highlight that.

Then I will go to my comment related to key financials, without IAS 29, maybe we should have EBITDA, at the analyst EBITDA, I think it's your standard of EBITDA if I am not wrong. And the other one is net income. You share the net income before minorities. So, for again, for the analyst purposes, in order to compare with our numbers, analyst EBITDA at least as a minimum standard and the net income after minority would be very, very helpful. That's a comment. And maybe if you share the numbers, I would be glad.

And the others, and I'm coming to the real question side, I would like to understand, you gave some answers about the pricing environment and the cost side. And I would like to understand the financing environment for you. You have huge investments, and you always have a high CapEx. You have projects in US and also in other regions. How are the conditions for you? Or do you expect any improvement in the financial conditions in the second half of the year? How things do go for you and of course the China factors, and could you comment on that? Do you expect any change in the China factors affecting the regions you are operating? And maybe you can also touch Russia. It's not significant, but I would like to hear that. Thank you.

Görkem Elverici

So, thank you. Starting with the comment side, I respect all your comments, but I have not been able to count how many times you mentioned transparency. And that is one thing, with all due respect, I totally am against about Şişecam being untransparent. For any additional information that you may require, for sure we are taking them as notes, and you know how serious we are in considering them.

So, any additional information that is required by your side or any other investor or analyst is welcome for us, and we will do our best to provide them as soon as possible on one-to-one, and also, on the webcast we will be having. But Şişecam has never acted in a way not to be transparent or share information with the investors or the analysts. So, I totally refuse the comment on that side with all the due respect.

Cemal Demirtas

Sorry, maybe I can rephrase. Maybe transparency in disclosure of IAS 29, but overall, I cannot say. You can of course always say that you are very transparent in your numbers, I mentioned. I don't want to be misunderstood. Just about this transition IAS 29, I wish you had more info. That's the point.

Görkem Elverici

You're perfectly understood. But the case is, you know that IAS 29 has been a new practice, although we were so used to it almost two decades ago. And there was a time pressure for all the companies, including Şişecam, and including the complications and the complexity Şişecam has, we have been trying to optimize the level of information with the timing. And if there are some improved benchmarks that we can use, for sure we will be looking at them as we are looking always and try to improve every day like we are doing elsewhere.

So together with the comments on that part, as I mentioned, we will try to provide further information in the upcoming quarters, and we will try to provide more when we are doing the comparisons for the year-end of 2024 year in the upcoming quarters that we will be making the necessary comparisons.

Cemal Demirtas

Thank you.

Görkem Elverici

To start with soda ash, you know there is an increased natural soda ash capacity coming from China to the markets. And they continue to increase the amount of capacities that are provided. Until now, in the export markets, they are not that much active. The majority is consumed internally or in the surrounding region. But, for sure, whenever a large capacity is coming to the market and especially from natural soda ash, all the market players are cautious to give enough room so that it is not deteriorating the overall volume and pricing environment. As everyone knows the rules of the market by heart, as I always mentioned, both sides of the equations are large corporations that are so experienced in this industry.

I believe this digestion period is going on with the new capacity that is coming to the market and the pricing environment, together with the improved consumption coming especially from glass industry, as we have started to experience in the last couple of months, will be balancing out. And we believe in the upcoming months and quarters, the pricing environment will return to at least a mildly positive state.

Coming to flat glass market, China has been active in differentiated segments on that, but due to the conflict that's going on in the Middle East and due to inabilities of logistic capabilities coming from China, it is not that much severely affecting, in fact, helping us with improving the pricing environment, while the demand has also started to improve, to be mildly positive. So, it shows us that even if things improve in the Middle East due to the logistic conditions, we may be able to keep up with the pricing, at least where it is right now. If not, we are able to improve.

On Glassware and Glass Packaging side, China's presence is much more limited. I believe it is fair not to comment too much of China's presence on those areas, especially coming to the European and Middle Eastern markets, including Turkey, on that front. So, we have other competitors from Far East, like in flat glass, like Malaysia, Indonesia and so on, who are trying to increase their penetration. But as of now, although their volumes have increased, the competition, although coming with lower prices, creates some challenges but still manageable.

Coming to the businesses in Russia, the only part that we are experiencing some issues, is auto glass operations due to the lowered capacity consumption of the overall market. Just to give you some high-level figures, the overall market capacity on the production side, including us, is roughly 3.3 million car sets, where the demand as of now is roughly around 500K car sets. So, it shows that it is 15% capacity consumption for the overall market, which is not a favorable environment. So, we are working on that front also with our customers to understand the positioning on that side and how we can do the optimization for ourselves and for themselves.

For the other businesses, Flat Glass, Glass Packaging and Glassware, they're performing very strongly. The demand is already there in the market, as we are used to. To sum up, I can say that for the Russian business, we are not experiencing any major issues, neither in sales side or in production or the supply chain side.

For the financing environment and the pricing linked with this, for sure together with the rest of the world, we are very closely monitoring the opportunities that are out there in the market. I can easily say that Şişecam has never experienced any issues in financing due to the very long-lasting relationships we have with the multilateral and the largest commercial global banks. Still, there's a huge demand for us both on the debt markets and on the capital markets.

What we are trying to do is to understand when the financing will be required and how the cost of financing will be moving so that we do the right cherry picking, aligned with our requirements, and also use differentiated tools like ring fencing opportunities and so on, where we can to decrease the cost of funding as much as possible, especially for investments like we have in the US and in Europe.

So, that's an overall summary or an answer to your questions, and if there's anything you would like to highlight further, please let me know.

Cemal Demirtas

Thank you. Thank you very much.

Görkem Elverici

Thank you very much. I would like to thank, together with our team, for your participation, and we will be trying to provide you updates as requested together with our postings and for any major events that might be occurring. So, until the next time we meet, I wish good health and prosperity to everyone. And thanks for joining us today.