2024 H1 Results Webcast Transcript

TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.

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Operator

Hello and welcome to Şişecam H1 2024 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 2024 First Half 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 2024 First Half 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 2024 First Half results, it is necessary to note that pursuant to the Capital Markets Board Decision, our Company is subject to IAS 29 inflationary accounting provisions, starting from 2023 year-end. Thus, 2024 First Half and comparative 2023 First Half 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 June 30, 2024. At the end of the operational and financial review section, you may see a display of our key financials without IAS 29 impact. While reviewing our audited figures, we will provide our unaudited key financials without the impact of IAS 29 as well.

Slide Four displays our key financial results.

As can be seen on the first graph, we ended the reporting period with 86 Billion TL topline. In volume terms, sales went back to a rather normalized state, particularly in our domestic operations, and overperformed the levels recorded in the same period of the prior year across almost all business lines excluding Glassware. In spite of efforts to drive growth through strategic pricing and sales mix, product prices continued to move in a declining trend on the back of subdued demand and lower energy pricing environment. The discrepancy between the inflation rate and the changes in the value of reporting currencies in international operations relative to the Turkish Lira, caused by the implementation of inflationary accounting, adversely affected the revenue growth. Accordingly, consolidated revenue growth stayed behind the inflation rate, recorded at 72% based on period-end CPI indices and moved south by 17%. Excluding the impact of IAS 29, consolidated revenue grew by 41% year-on-year in Turkish Lira terms.

While navigating an extremely challenging environment characterized by limited global macro growth and escalating geopolitical tension, we continued to execute our investment plan. During the reporting period, we brought a new glass packaging furnace online in Eskişehir, completed the cold repair process of our glassware furnace and re-ignited it in the same region. To meet the demand in our production regions as well as in our expanded catchment area through international operations, we worked on aligning our sales mix with the evolving preferences of our client industries through dynamic inventory management techniques. These efforts led to an improvement in per ton cost of goods sold. However, this improvement did not suffice to offset the inflation rate we faced. Additionally, the rise in direct labor costs given wage increases implemented against the continuous erosion in the purchasing power, combined with the decline in global per ton product prices, negatively affected our gross profit margin. As a result, our gross profit margin was 23% compared to 28% in the same period last year. Excluding the impact of IAS 29, Gross Profit margin came down by 400bps year-on-year to 29%.

Operating expenses, which are composed of two-thirds selling and marketing expenses and one-third general administrative expenses, rose by 5% year-on-year, primarily due to increases in indirect labor costs. More specifically, transportation costs included in the selling and marketing expenses account for nearly 40% of our consolidated operating expenses. This is because our incoterms as our clients prefer us to deliver their orders to the final delivery point rather than collect them from our facilities. This sales model results in a higher proportion of selling and marketing expenses in our overall OPEX and leads to elevated nominal figures compared to a similar scale company operating under the ExWorks principle. Additionally, indirect labor costs, recorded under general administrative expenses, represent nearly 30% of our consolidated OPEX. This is attributed to our extensive operations, with production facilities in 14 countries and a presence in 21 countries, including sales offices. Despite a 5% nominal increase in OPEX, our OPEX to Revenue ratio ended up at 25%, higher than the previous year. This is because the year-on-year change in consolidated revenue was less than the inflation rate of the Turkish Lira. This discrepancy is due to a combination of inflation and changes in the value of reporting currencies for international operations, as well as a declining product pricing environment. Depreciation expenses to revenue ratio was 8%.

EBITDA for the period amounted to 7.8 Billion TL, resulted in an EBITDA margin of 9%, down from 22% in the prior year. This decline was primarily due to lower reported net other income from main operations and net income from investments, largely impacted by fluctuations in FX rates on trade receivables and payables and on fixed income securities investments. As you may recall, in the first six months of 2023, Turkish Lira depreciated by 40% against the basket of hard currencies based on period-end FX rates, whereas this year the depreciation was only 16%. Excluding the impact of IAS 29, consolidated EBITDA decreased by 19% year-on-year with a margin of 15%.

Parent-Only Net Income was 4.9 Billion TL, down by 54% year-on-year, resulting in a net profit margin of was 6%, down by 450 bps from the previous year. We recorded a monetary gain of 7.5 Billion TL, up from 4.8 Billion TL due to an increased portion of debt used for working capital and tangible asset investment financing. This year, we recognized nearly 1 Billion TL deferred tax income, compared to a deferred tax expense of 5.4 Billion TL in the first half of 2023. The shift from a deferred tax expense to income was due to a change in accounting methodology with the implementation of inflation accounting effective from the end of June on the statutory accounts as well. Deferred tax assets related to investment incentives were utilized to offset income taxes for 2023. However, the change in accounting methodology led to a lower profit before tax, resulting in additional deferred tax assets in 2024. The effective tax rate for the period was 15%. Net income for the period with and without IAS 29 impact was 5 billion TL and 6.4 billion TL, respectively.

The limited increase in the exchange rate relative to the inflation and substantial rise in both production and operating costs have not only narrowed Turkish companies’ competitiveness in export markets but also coupled with the subdued demand as well as decline product price trends have squeezed our profit margins. It is noteworthy that this situation has been intensified by Turkey's annual inflation rate of 72% and the Turkish Lira's annual depreciation of 26% based on period-end rates against the hard currency basket.

Moving onto Slide Five, we will review the segmental breakdown of our consolidated topline and EBITDA.

Our portfolio of operations has remained balanced over the years yet the significant role of Chemicals business line, stemming of it being a pure hard currency play was further supported following our acquisition of a controlling stake in US natural Soda operations in 2021. Chemicals business line led in both revenue and EBITDA, contributing 23% to the former and 48% to the latter.

Architectural Glass operations was the second highest performer with active 15 production lines in Turkey, Europe, India, Russia as well as a line in Egypt with partnership with Saint Gobain. This segment contributed 22% of total revenue and 30% of EBITDA.

Among our five core business lines, Glass Packaging was the third largest contributor, accounting for 18% of both consolidated revenue and EBITDA. In contrast, Glassware operations contributed minimally to both consolidated topline and EBITDA this year.

Industrial Glass operations had a negative impact on both the consolidated revenue and EBITDA levels. This was primarily due to difficulties in passing through cost increases in our LTA-based Auto Glass operations with OEM clients and local currency depreciation lagging the cost inflation considering the pure hard currency nature of Auto Glass operation.

Energy segment, which includes our electricity trading operations, contributed 11% of total revenue but had a minimal impact on EBITDA.

On Slides Six and Seven, we aim to present the key takeaways regarding the first six-month performances of our main business lines individually. This will provide a concise summary of how our Glass and Chemicals operations have performed in comparison with the prior year from both operational and financial perspectives.

In the first half of the year, our Architectural Glass business line demonstrated resilience despite ongoing economic uncertainties, including widespread inflation, limited client access to external financing, and geopolitical tensions. We successfully navigated these challenges through strategic initiatives aimed at seizing opportunities in both construction and renovation markets domestically and internationally, leading to notable improvements in operational performance.
Total production reached 1.37 Million tons, marking a 15% increase year-on-year. This growth was driven by the introduction of a new auto glass production line and strategic inventory balancing. Turkey remained our primary production hub, contributing 62% of our flat glass output, while EU-based facilities accounted for 22%. Production from Russia and India made up the remaining share. The combined production utilization rate improved to 83% from 78% in the same period last year.

Sales performance also showed positive trends, with consolidated sales volume rising by 16% compared to the prior year. Turkey led with 60% of the total sales volume and a 20% increase in sales, supported by heightened renovation activities and two additional import restriction measures effective from November 2023 and January 2024. Exports surged by 42%, driven by market expansion in Latin and North America with client portfolio expansion and the resolution of logistical issues from last year's earthquakes. The EU region experienced a 13% increase in sales volume, with growth driven by resilient renovation activities despite a general downturn in new construction. The EU's share of consolidated sales rose to 23%. Sales from Russia and India grew by 9% year-on-year, maintaining a combined share of 17% of consolidated sales.

Pricing pressures persisted throughout the first half of the year. EUR-based product prices declined by an average of 17% across all regions, due to the availability of low-cost products, decreased energy pricing, and subdued market demand.

As a result, revenue from the business line decreased by 11% year-on-year to 18.5 Billion TL, and the EBITDA margin fell to 12%.

Industrial Glass Business Line, which includes Automotive Glass, Encapsulation and Glass Fiber experience a mixed performance with both growth and challenges across its sub-segments.

Automotive glass and encapsulation operations, which constitute majority of the division's revenue, saw a 4% year-on-year increase in sales volume. This growth was driven by the continued recovery in automotive industry and order-booked aligned purchases from OEM clients. Auto Glass Replacement channel, contributing 15% to the divisions' revenue in the reporting period, supported this positive performance.

In our Glass Fiber operations, we recorded 16% surge in sales volume compared to the same period last year, thanks to mainly portfolio extensions and acquisition of new customers in export markets. However, pricing pressures remained a consistent challenge with both domestic and regional markets facing downward pricing trends due to intense competition and low-cost imports. Glass Fiber operations have a relatively limited impact on Şişecam's consolidated performance, contributing 11% to the Industrial Glass business line revenue.

As a result, the revenue recorded by the business line decreased by 1% year-on-year to 9.6 Billion TL yet it had a negative EBITDA margin of 5%.

Sales performance was mixed in our Glassware business line. Domestic sales remained flat year-on-year due to mainly lower performance in the retail wholesaler channel, which accounts for 50% of domestic operations in unit terms. Contributing factors included a slowdown in new business openings, high interest rates, and difficulties accessing credit. Meanwhile, targeted marketing strategies, such as Ramadan and Mother's Day promotions, effectively boosted sales in national retailers and store channels. The Horeca sector performed as expected seasonally and customized B2B campaigns provided a lift despite a generally sluggish global beer industry.

International sales varied by region, ending the reporting period with a 5% decrease in sales volume compared to the prior year. The MEA region saw increased sales, with markets such as Egypt, Iraq, and Morocco benefiting from successful campaigns. Conversely, Russia faced constraints; although Horeca and B2B channels remained active, overall sales were limited by declining consumer spending on non-essential products and overstocked retailers. The broader European market also faced challenges, with cost-of-living issues impacting retail channel sales, though growth in the discount sector partially offset these declines.

Production levels remained stable throughout the first six months, reflecting a cautious approach amid ongoing uncertainties. The decline in consolidated sales volume was limited to 3% year-on-year. Pricing strategies were adjusted dynamically in response to regional inflation and production costs. Mid- to high-teen price increases, particularly in the domestic market, were implemented to address cost pressures and sustain revenue.

Glassware business line achieved a topline of 11 Billion TL, while the EBITDA margin decreased to 0.4%.

In the first half of the year, we effectively leveraged our increased Glass Packaging production capacity and adapted our pricing strategies to sustain growth despite external challenges. Strong domestic performance and resilient international sales underlined the business line's ability to navigate a complex macroeconomic environment and set a strong foundation for continued success in the remainder of the year.

With an average CUR of 93%, our Glass Packaging production capacity expanded, achieving a total output of 1.18 Million tons, a 7% increase year-on-year. This growth was driven by the introduction of our 5th furnace at Eskişehir Plant in Turkey, the successful reignition of a furnace at Kirishi Plant in Russia, and last year's capacity increase at Mina Plant in Georgia. These enhancements, coupled with a low base, allowed us to meet glass packaging demand efficiently. The production mix was balanced with Turkey-based facilities contributing 57%, Russia 41%, and Georgia the remainder.

Sales performance mirrored these positive production trends with consolidated sales volume growing by a robust 10%, supported by strong domestic demand and strategic market adjustments. 20% year-on-year surge in domestic sales was driven by increased demand in non-alcoholic beverage sector. Despite challenges in international markets, including weaker demand in Europe and competitive pricing pressures, we achieve a solid volume rise of 5% in international operations. This growth was particularly notable in Russia, where the negative impacts of higher taxes on wine and champagne were offset by increased demand for beer, thanks to a higher mobility, a shift in consumption preferences, and the existing can shortage.

We implemented strategic price increases to address cost pressures, resulting in a moderate rise in average per-ton prices. While prices were slightly elevated compared to the full year 2023, they remained below the levels of the same period last year due to ongoing competitive dynamics and limited consumer appetite.

As a consequence, Glass Packaging business line reported 15.8 Billion TL revenue, a decrease of 13% year-on-year and 9% EBITDA margin.

Lastly, Chemicals segment, which includes soda ash and chromium chemicals operations, achieved net external revenue of 19.8 Billion TL and an EBITDA margin of 18%.

In the first half of the year, the business line experienced a complex and evolving market environment for both soda ash and chromium chemicals, characterized by mixed demand trends, regional variations, and ongoing pricing pressures.

In Mainland China, which is a net importer, soda ash demand improved towards the end of the first quarter and continued to strengthen into the second quarter. This growth was driven by increased activity in electric vehicle and solar glass projects, although the region faced supply constraints due to maintenance work and low-capacity utilization. Conversely, demand in Europe remained weak, and subdued in other regions. However, we saw strong domestic growth driven by heightened demand from the flat glass and glass packaging industries. As a result, our consolidated soda ash sales volume increased by 1% year-on-year. Despite temporary tightness in some regions, pricing for soda ash continued to be under pressure compared to the elevated price levels of the prior year through which the market moved south from the peak of 2022 where the energy prices had skyrocketed, and the seller market conditions were fully visible in global sense. The normalization trend led to approximately 30% lower average global USD prices year-on-year.

Despite slower domestic sales, due to currency and interest rate challenges, chromium chemicals operations benefited from the end of logistical constraints and a recovering sector outlook, resulting in significant growth in sales volume, especially in international markets. This growth was driven by an expanded client portfolio and favorable market conditions. Pricing remained relatively stable, with lower energy costs offsetting fluctuations caused by changes in the sales mix. Although sales prices decreased year-on-year, the pricing environment remained balanced, reflecting a recovery from the prior year's volatility.

Moving onto Slide Eight, with our production facilities located in 14 countries, diversified operations portfolio, and wide range of products, we continue to cater to our clients across the globe. In the first half of 2024, international sales corresponded to 61% of our topline. Export revenue, 56% of which was recorded on sales to Europe, stood at 492 Million USD. Including revenue generation of Şişecam facilities located in the region, Europe accounted for 31% of our topline. US market exposure through sales from US soda ash facility as well as exports, stood at 12%. Accordingly, our developed markets’ exposure came in at 43%.

On Slide Nine, our strong liquidity position was sustained in the reporting period. Following the Eurobond issuances executed by our fully owned subsidiary Sisecam UK Ltd. and the tender of 328 Million USD worth Sisecam 2026 Notes in the second quarter, we ended the reporting period with 2.1 Billion USD cash and cash equivalents. This total includes nearly 100 Million USD financial investments, primarily consisting of a Turkish corporate Eurobond and the Eurobonds from a Turkish and a foreign financial, maturing in 2024 and the subsequent two years. Outstanding debt increased to 4 Billion USD, with a term structure of 75% long-term to 25% short-term. The interest rate structure comprised of 92% fixed to 8% variable, with 80% of debt denominated in hard currency. The hard currency share of cash and cash equivalents, including financial investments, stood at 88%. Our net debt position amounted to 1.9 Billion USD, resulting in a leverage ratio of 2.6x. While this leverage is slightly above our comfort zone for high capital expenditure periods, it remains within the limits of our covenants. On the other hand, based on non-IAS 29 results, which provide a more accurate data to follow the trend in our business' operational performance and financial position, reporting period-end net debt indicated a leverage ratio below 2x. Our net long FX position was 927 Million TL with 465 Million long in USD and 298 Million short in EUR as of the end of June.

Moving onto Slide Ten, we recorded 10.8 Billion TL CapEx compared to 13 Billion TL in the prior year. The distribution of CapEx across business lines is as follows:

- Glass Packaging business line led the capital expenditures with a 35% share of the total. Key investments included the greenfield facility project in Hungary and the payments for the planned cold process in Turkey, scheduled for this year.
- Architectural Glass segment's capital expenditures accounted for 27% of the total. Investments primarily focused on the new greenfield flat glass facility and furnace, as well as a new patterned glass furnace in Tarsus.
- Chemicals segment represented 12% of the total CapEx, with investments aimed at operational efficiency and maintenance at our plants in Turkey and USA.

We ended the reporting period with a cash inflow from operating activities of 7.4 Billion TL compared to 17.8 Billion TL in the prior year mainly due to lower reported net profit for the period and a significant reduction in adjustments on tax (income)/expenses given the accounting methodology change on statutory statements. When adjusted for the monetary gain on cash and cash equivalents, we recorded a negative free cash flow of 21.2 Billion TL.

On Slide Eleven, you may see our key financials without the impact of IAS 29, which we have already walked you through at the beginning of this webcast, while we were providing details on our audited financial results. Yet we would like to add that our total assets and total equity have grown by 23% and 6%, respectively compared to 2023 year-end.

In the following section, we will update you with some key developments in our sustainability agenda.

On Slide Thirteen, we may have a quick look to our 2030 Sustainability Strategy .

Moving onto Slide Fourteen, We would like to share with you some key developments from the first and second quarters of 2024 that support our sustainability agenda:

- We held the Şişecam Global Supplier Summit with the theme “United to Collaborate” where we met with our partners. The summit prominently featured the theme of sustainability. The sustainability-focused session comprehensively covered topics such as reporting and disclosure requirements related to sustainability, digital solutions, and the critical role of supply chain collaboration.
- We have rejoined Glass for Europe, the trade association representing the flat glass sector in Europe. Glass for Europe brings together multinational companies and thousands of SMEs across Europe to represent the entire building glass value chain.
- In addition, during the “ESG Emerging Markets Corporate Days” organized by Barclays in June 2024, we engaged with 13 investors across four sessions. At this event, we shared Şişecam’s sustainability strategy, 2030 and 2050 targets, ongoing projects related to these targets, developments for 2022-2023, performance on ESG platforms, key components of our glass decarbonization roadmap, and the anticipated environmental benefits of our US soda ash projects with the investors.
- The 15th European Society of Glass Technology Conference took place in the United Kingdom from July 15-19. At the sustainability sessions of the conference, our teams presented on "Sustainability at Şişecam: Glass Recycling with Its Fundamental Requirements" and "Recycled Glass Integration: Fundamental Research for Optimal Batch Composition".
- In April 2024, we became a member of the European Industrial Alliance on SMRs (Small Modular Reactors), a platform established by the European Commission to support the deployment of the first SMR units in Europe by the early 2030s.
- We are pleased to announce that our 2023 Sustainability Report, themed “Together For A Sustainable Future,” has been published on our corporate website. In this 11th edition of our report, you will find detailed information about the projects and solutions we have implemented under our CareforNext strategy. Our GRI-compliant Sustainability Report includes third-party assurance for 10 environmental and social parameters. I would like to share highlights of the prominent projects and progress made in 2023 as featured in our report.

Moving onto Slide Fifteen, Our CareforNext sustainability strategy, with its three main focus areas, guides Şişecam’s sustainable transformation. In 2023, under our Protect the Planet pillar, which focuses on energy consumption, reduction of greenhouse gas emissions, water management, waste management, and renewable energy usage, we achieved the following:

- We completed our work identifying the risks and opportunities related to climate change, based on the framework of the Task Force on Climate-related Financial Disclosures (TCFD).
- We kicked off our Low-Carbon Roadmap project for our glass production processes.

- We became a member of the European Clean Hydrogen Alliance (ECH2A), European Solar Photovoltaic Industry Alliance (ESIA), Hydrogen Europe, and Society of Glass Technology (SGT) platforms.
- As of 2023, our installed renewable energy capacity has reached 10 MWp through solar energy investments in Turkey and Italy.
- In 2023, water consumption per unit of production decreased by 25% compared to 2020, reaching 3.5 m^3/ton.
- Şişecam Environmental Systems supplied 198,000 tons of glass cullet.

On Slide Sixteen, In 2023, under our Empowering Society pillar, which focuses on Equality, Diversity and Inclusion, Talent Management, Occupational Health and Safety, and the dissemination of glass heritage to future generations, we achieved the following:

- Our female employee ratio reached 23.6%.
- While we provided 476,839 hours of training to our employees, the average training hours per employee was 35.9.
- We offered 1,179 hours of training to 480 employees on diversity and equal opportunity.
- To expand and consolidate our practices aimed at improving employee health and well-being under a single brand, we established the Şişecam Life brand.
- We implemented the Virtual Reality Project in our plants in Bursa, Eskişehir, and Mersin, allowing employees on the production line to experience work instructions in a safer environment before going out into the field, and organized on-site training for each plant.
- In line with our mission to protect cultural heritage and pass on our glass legacy to future generations, we launched the Gururla Collection for the 100th anniversary of the Republic of Türkiye.

On the last Slide of today's call, In 2023, under our Transforming Life pillar, which focuses on digitalization, the development of supplier in terms of sustainability, sustainable products, and value-added partnerships, we achieved the following:

- In 2023, we spent approximately 275 Million TL on our R&D projects, allocating 63.5% of our expenditures to sustainability projects.
- In 2023, the share of our sustainable products in total revenue was 16.2%.
- In 2023, the ratio of local procurement in the total procurement budget was 79.1%, while the ratio of locally sourced raw materials was 86%.
- The ratio of our suppliers who have accepted the Şişecam Supplier Code of Conduct has reached 64%.
- As part of our Robotic Process Automation (RPA) initiatives, we increased our total workforce gain to 138 FTEs (Full-Time Equivalents) with a 43 FTE gain.

- As part of our operational excellence efforts, we implemented a total of 160 Operational Excellence projects and involved 3,200 employees in these initiatives. By the end of 2023, the completed projects resulted in a total savings of 60.5 million USD.

Please be reminded that 2023 Sustainability Report is accessible on our website.

We may now start the Q&A session.

Q&A

Ali Dhaloomal

Good afternoon team. Thank you for the call. I have a few questions. I mean the first one, can you give us a bit of sense about the outlook and when do you expect really things to turn around in terms of ability to pass through cost inflation to customers, especially in the auto glass business, but also maybe the other businesses like the glass packaging. I mean in the market that you consider to be a bit challenging and in the glassware segment. And linked to that, I mean in the past you used to guide for a net leverage to be capped at 2.5x. Then recently you were saying that through the cycle you expect net leverage to go up to 3x. So, I was wondering if this guidance is still holding or if you will now stick to the incurrence covenants of 3.5x that you have. Linked to that, are you considering any initiatives to mitigate the pressure that we have seen in terms of leverage and in terms of cash flows, whether for example, postponing all this CapEx that you are planning for this year and next year that are quite sizable or maybe asset monetization. We would love to get a sense of how, you are thinking about mitigating any pressure in the next 12 months or so. Thank you.

Görkem Elverici

Thank you Ali, this is Görkem. So, I believe we already provided the outlook, but in my words, let me try to recap especially what we believe is upcoming. As you started by asking for auto glass, let me provide the insight, especially for European car market, which is the main market for Şişecam in its production, both for the exported cars from Turkey being sold to European market plus catering to the European car OEMs, outlook seems to be a little bit milder. But there are two different aspects we have to consider on that perspective. The first one is how would be the market, second one being what would be the pricing environment. So, including ourselves, we know that all the main suppliers to the OEMs are renegotiating the price. Together with the escalations, you know that we have been successful in repricing most of our models with the OEMs and we will continue to do that, especially considering the cost inflation which is happening everywhere, but mainly coming from especially the Turkish cost inflation coupled with valued Turkish liras. So, this is one of the main dimensions around the pricing and the margin generation.

But for the outlook of the auto glass market, even if it is turning to be a little bit milder, I believe we will need to see at least a couple of more months, even the two consecutive quarters, to be able to say something concrete that the market is back on track. This especially holds for the impact on the rest of the businesses. For glass packaging, we know some of our competitors are taking their cold repairs to earlier periods and for some, what they announced that lower profitability generating facilities they are considering to shut down. The market is trying to balance itself, being also cautious about what will be the demand outlook coming from the market. We are all experienced about the cycles, but this time the cycle has been a little bit different from the other ones, coming with some different drivers than the past, especially the energy pricing. If we go back to two years due to the energy pricing environment, you may remember that all of the goods' prices were historically high combined with historically high energy price. The market is now moving back to the realities. But unfortunately, the cost inflation coupled with the softened demand condition are creating pressures on the profit margins of all the industrial players. It's not specific to glass itself. Even so, for all the industrial producers, more or less, that's the same story happening. But for sure the management teams are here to find the right solution. If you may remember, when we were having the year-end webcast for 2023, we tried to give the color of how we will be managing our CapEx cycle. Our CapEx cycle is heavily dependent on the EBITDA generation performance of the company. And we already promised to the board that we will be aligning ourselves, especially for the speed of the CapEx and delaying or if necessary canceling and as you mentioned on the radical end, disposing some of the assets, considering how the EBITDA generation performance is going when we compare with the budget itself. We have already softened our CapEx spend, as you can see from H1'24 results. For sure, we continue to stick to our internal guidance together with the internal limit. We don't want to stay on the lower end of our internal limit. The company is taking all the necessary precautions, including both the OPEX and CapEx, to rebalance itself with the realties. But as you might guess, when you're in a business like glass, which is a continuous production business, and you have a huge number of employees that you're employing all around the world, coupled with the cost inflation, things don't happen from one night to the other. But for sure, all the necessary actions are being taken. And we believe in the upcoming quarters, we will see the results of them and continue to align ourselves with the market reality for both OPEX and CapEx. I hope this is helpful enough. If you have any further questions, please let me know.

Lorenzo Parisi

Hi, thank you very much for the presentation. Just following up on Ali's question, could you please give a little bit more color and numbers around what kind of EBITDA margins would you expect, or EBITDA level would you expect for the rest of the year, given the large drop in Q2 to roughly 6%, second question would be what kind of CapEx are you budgeting for this year? If you're rebalancing the CapEx spend, given the performance year to date, and then on separate notes, could you give any guidance or your view on the outlook for soda ash prices for the rest of the year and potentially into 2025 as well? Thank you.

Görkem Elverici

So, for the second half, as I mentioned, balancing ourselves both for OPEX and CapEx, we are trying to improve the margin generation performance of all the individual businesses. So, considering both the spend side and also for the pricing side linked with this, I cannot say, unfortunately, that all the businesses themselves are in a position to improve the pricing environment beyond the cost inflation that is happening. We are at least trying to increase the price aligned with the cost inflation. But in some of the businesses, we believe we can go beyond, and that will not be only coming from creating a better environment but doing better cherry picking of the portfolio. I believe that will be mainly important for glass packaging and flat glass. For glassware, unfortunately, this is the business that when there are some issues in the market for around the payment performance, this is one of the main first industries to push the brakes and unfortunately, that is what we are seeing both in Europe and Turkey and in the surrounding mediterranean region at least. For sure, we are directing our efforts to go with higher portfolios to some other geographies where we have improved pricing positions. And for soda ash itself, we already increased our prices on a blended basis around like USD15 to USD20 moving into Q3. But for sure, each and every day we are looking for opportunities to continue to improve the pricing environment. But as you know, as their long-lasting relationships with larger corporates and capacity, that was said to be coming to the market, but not coming to the market for a long time, which is happening from China, penetrating to the market has been the double impact. But now I can say that we are starting to see that this new huge capacity has been digested by the market. Also, I believe the most important thing is that demand and supply players are adapting themselves to the new reality. That has been a large negotiation ticket, I should say, on the customer side for some time. And now as the market is balancing itself, I believe that will not be the case anymore. The margin generation for the second half should be beyond first half. And that is what all the teams in the company are dedicated to and directed to by myself. But for 2025, I believe it's still a little bit early because when we were entering the year, it was common shared belief and acceptance that Europe will start to improve its demand starting from Q2, which didn't happen, unfortunately. Now we are seeing some small movements that's creating a little bit of positive impact on the market. But having an experience like Şişecam for the last 90 years, I believe there are still very early signals for us to say that now, 2025 will be a much more concrete year. We will be in better shape to share with you how the market would look like in terms of product pricing environment in soda ash and other business lines while we are moving closer to the end of the year and entering Q4. Our expectation is that at least it will not continue to smoothen further, and it should be a turning point for the upcoming months. But as the drivers are a little bit different this time and there are very differentiated reactions coming from the market players, we will need to have a better understanding of the market. But Şişecam is not used to margins and levels like this, so we will do each and everything to get back to the levels that we are used to.

Lorenzo Parisi

Thank you very much. If I can just follow up on that, usually the CapEx spend per year is roughly USD900 million to USD1bn. First half of the year was $330 million. Is it fair to expect that the second half of the year will not see 600 million but lower because of EBITDA performance or you're still budgeting to another 600 million to get to this?

Görkem Elverici

I can easily say, we will stay at a level lower than a billion dollar of CapEx spend. For the second half, it can be a little bit higher due to the payment schedule, especially of the larger projects we have, but we are already working on them, rebalancing aligned with the EBITDA performance. So, we will need to see, especially for the larger projects that we are carrying out, what would be the updated payment schedule, and we will provide updated info about it in the upcoming webcast.

Lorenzo Parisi

Thank you. The last question from me, given the spike in leverage and performance, do you expect any pressure on the rating side from rating agencies or don't know if you already had any discussions with them on this?

Görkem Elverici

We are in continuous discussions with them and until now we haven't even received any signals about this. I believe this is mainly due to this not only happening to Sisecam itself, but both industry-wide and industries-wide thing that is going on in the market right now. But for sure, we don't want to link ourselves with the rest of the players. So, we will continue to improve our positioning each and every quarter.

Lorenzo Parisi

Thank you very much.

Erica Ive

Good afternoon. Thank you for taking my questions. I would like to go over a moment to CapEx, you guided, just to be specific, you guided at the beginning of the year CapEx between 700 and 800 million. Shall I deduct from what you said that most of it is committed and so you will stick to this guidance?

Görkem Elverici

It's a pleasure on our side and we have to correct ourselves. We didn't have guidance at least on our side, and apologies if you created a misunderstanding that we will have a CapEx around USD700 to USD800 million, because I know that for the internal budgeting it was beyond this. Most probably it is excluding US spend. But for our CapEx, how we manage our CapEx, the investment was roughly around $10 billion for the upcoming five to six years' time. We were doing the internal rebalancing based on the speed of the CapEx. When we have a performance aligned with our budgets, then we make replacements in our portfolio of CapEx. When US is a little lower, we could have easily taken it to the other CapEx spend to reconsider their time to market. But as of now, as our performance is lower than expected for our internal purposes also, we already limit ourselves so I cannot comment around the 700-800. But I can easily say that we will be staying at lower than a billion dollars by the end of the year. And as I mentioned, we are updating our payment schedules and rebalancing ourselves with the EBITDA performance and the expected EBITDA performance. Then we will be in better shape to share with you the updated figures.

Erica Ive
Thank you. And given that you stressed before that you will do what you can in order then not to rebalance performance, are you also considering suspending dividend payments? Given that I can see that also this quarter you paid yourself dividends.

Görkem Elverici
You know there are differentiated levers that we can use for that purpose. For sure, dividends is one of the levers that is always being considered, especially considering the environment. But as of now, there has not been any concrete decision made on this. And whenever that has been decided to do something a little rather different than what we used to do, for sure we will announce, we will provide you updated information through the formal announcement media.

Erica Ive
Understood. And in terms of leverage as well, maybe my colleague said 3x that you were looking on edit. In terms of high CapEx period, I got it down to 2.5 times and 1.25 during the low CapEx cycle. So, considering the half year performance then any considerable amount of CapEx, do you expect it to get to 3x leverage or higher than that?

Görkem Elverici
We already shared that our operational levels that we feel ourselves much more comfortable is around 2.5x and our internal limit is 3.5x. When you look at Şişecam strategy and how we manage our balance sheet, we are not in a position that we feel ourselves pretty happy also. So that's why I'm very openly sharing with you that we will do the necessary rebalancing so that we stay and go back to levels where we feel ourselves much more comfortable and whatever is required to this linking with the realities of the business performance plus the CapEx requirements to make the business much more shiny in the upcoming years. There will be the right balance and the optimization, and we are each and every day working to continue to improve that optimization point. For sure, Şişecam has never continued to grow its business, as we shared with you before, by diluting the margins and growth only for the sake of growth. This mentality has never changed in Şişecam and will never change I can very openly share with you that.

Erica Ive

Understood. In terms of 2025, I know that the CapEx is also sizable in 2025. Is it committed or could you postpone it?

Görkem Elverici

If you're talking about the contractual commitments that we might have for anything that we discuss with our long-lasting suppliers, there's always a way to postpone them and most of the time to cancel them.

Erica Ive

You don't envision that to get to 900 million -1 billion? If the current trading environment remains as such.

Görkem Elverici

I believe it might be better to sit down to have a much more detailed discussion on that, because we have to link ourselves with your numbers, what I'm hearing from you, and provide you with further details. So, for anything that we can provide to you in further details, for sure, we will also share with our other investors in a more detailed one. But as I mentioned, as we continuously reschedule ourselves and we have not even completed our strategic plan and budgeting for 2025, it is too early, starting from here, to commit for something that we will be doing, or we will never be doing.

Erica Ive

Thank you. If I may also ask, going back to soda ash prices and glass prices, I had a call with your investor relations in Q1, and she gave me some levels that are being observed. Do you reckon now? Well, first of all, in terms of glass, European glass price, are we at a level? Have you seen basically a further reduction, quarter on quarter? And, do you expect prices to continue reducing in the second half or to remain stable? And therefore, the EBITDA margin improvement will be driven by basically volumes.

Görkem Elverici

The prices didn't go at lower levels. In fact, they increased in most of the regions, especially for flat glass, with the exception of Germany. And for glass packaging market, the increase is a little milder than it is in flat glass. So, we don't expect prices to go to lower levels unless something unexpected occurs, especially on the political tensions that are happening almost everywhere and in the surrounding regions of Europe. And for the pricing, as there is cost inflation almost everywhere, for sure, the prices should improve so that the companies stay to be at a profitability that they are used to. And this is a must for all the industry to be able to do their cold repairs and continue to invest. Otherwise, there is an end to a cycle, there are always ups and downs. Nobody knows how long, but everybody knows that there will be ups and downs in glass business, as always. And when the market is high, there will be no capacity for the markets that the glass industry is catering to that they will be able to utilize. The market always balances itself like it happened in each and every cycle. As I mentioned, as the driver is a little bit different this time. Especially the very different market conditions after pandemic, trying to be digested and understood by the market players on both sides, it's being realized a little bit different this time. But there will no down cycles and upper cycles that last forever and never end. So, we will see the markets to come back to meaningful levels. The only thing is that we need to understand with the initial signals when this will start to happen, so that buy the new capacities and doing the right moves and so that we get the most out of the market when we are at the upper end of the cycle.

Ece Mandacı

Hi, thank you for the presentation. I have a follow up question regarding the pricing environment and volume growth. First half, there was a base effect, of course, as you have mentioned, particularly for the architectural glass segment. So, for the second half, should we continue to see growth in Turkey operations, exports as well as international operations? That's my first question. And second is about the price gap between the Turkish flat glass price and international price. Also including the recent, not the recent, maybe one month ago there was the energy price increase. After that, was there an increase in the Turkey prices, flat glass prices? And how was the gap after this energy price hike between Turkish occasions and international markets, European prices? So, how do you expect this gap? Will it continue or is there a sustainable gap between the two pricing? And will this growth in volumes be sustainable for the rest of the year? Thank you.

Görkem Elverici

As I mentioned, there are two dimensions, volume and the pricing environment. As of now, we are not experiencing major problems with the volume. The main issue is the cost and the pricing environment. For this, I believe it belongs more to the energy market analyst to comment on this because we are one of the players. For sure we are trying to understand what is upcoming and link ourselves with those realities. And for some markets like Turkey, unfortunately, even if you understand what's going on when there's a softened demand in the market, unfortunately, you read it first and try to balance yourself to some extent. But that doesn't happen at the major levels that you should be trying to answer to what's happening in the market. For Turkey, as we shared with you during the presentation, the cost inflation is beyond 70% and when you look at both the currency devaluation and coupled with the pricing environment, especially in hard currencies, unfortunately, it's not in a position to pay off. Normally what happens in emerging markets is that when there's a softened demand in the market, which means that economy is not performing very well, the currency devaluates so that you're in a more competitive position to export. But unfortunately, this time, it's not the game that's happening in Turkey. When this is the case, we are trying to rebalance ourselves together with the capacities and the pricing environment that is happening in Turkey and in the other geographies we are operating in. To play with the volumes, you need to be in a position to see that the players’ pricing elasticity, and unfortunately, the market is not very price elastic as of now. So, there's not that much meaning in playing with the volumes as of now. Because even if you play with the prices to provide something further, unfortunately, demand is what it is right now. I will always keep the caveat of saying that unless something abnormal as of now happens, because for the last three and four years, we are very much used to seeing very abnormal things happening at the same time. But the thing we need to understand, I believe, just a very quick recap for a minute, what has happened in the last two years. You know, when the dispute between Ukraine and Russia started, the energy prices went to incredible levels, and the product prices. So, just to give you an example, the normal flat glass prices in Europe is roughly around €3.5 per sqm, when it’s at the lower end it goes down to €3, when it’s at the upper end it goes to €4. So, we have sold for around €8.5 to €9, even announced €10 to €10.5. So, the energy prices turned to be milder. Now in Germany, the prices are as low as €2.8, and that's coupled with cost inflation. When those things were happening, especially the OPEX parts, just to give you an example, very much discussed spends for like personnel expenses. For non-labor personnel expenses, it went as low as to like 6%- 7%, which was roughly, on average, 12% to 13%. Now, the cost inflation is coming when the markets are not able to absorb the pricing environment, and they are as high as 20%. This is the main thing happening for all the industrials, in all the sectors I should say, especially for the companies that has production hubs in Turkey, because when the currency is not devaluating, the hard currency risk focus of those costs increases. So what each and every company, like ourselves are trying to do is trying to rebalance yourself so that you align yourself with the market realities at the short term, but keep the business alive, knowing that the tides will turn and there will be a higher cycle we will be experiencing in quite some time, I cannot say in a couple of months, but most probably starting from a couple of quarters, the market should be back because it has already been a lengthy cycle. That is why we are trying to make the necessary fixes on the short term but keep the business mid to long term strategy alive and be one of the strongest players in the markets when the markets are up again. This is in a nutshell, what I can share with you for the pricing environments linked with the energy markets. You know our strategy, we always try to create golden circles or triangles in our business, especially for business like glass packaging and flat glass, so that we have good pricing power in the markets that we are operating in. But whatever strength you have in the market, like our market share in Turkey, which is more or less beyond 65% in each and every segment, almost, there is an amount that the market can digest. We have always been able to translate the cost inflation for so long as I am with the company for eleven years as of now, we have always been very successful in translating the cost increases and we are doing as of now at the maximum extent, but it will be shooting too much to say that every day we are able to do it 100%. This is mainly demand-linked pricing environment issue linked with the cost inflation. That's why together with OPEX and CapEx, we will rebalance ourselves further, so that when the ties are upper, we will be in a better position. I hope this a little lengthy description of what the market looks like gives you a better understanding of your questions and the other questions raised by our other participants and some other participants may have in their mind.

Ece Mandacı
Thank you.

Cemal Demirtas
Thank you for the presentation. My first question is again related to the price, cost and the currency impact on your margins. We see around 5.6% EBITDA margin, post inflation accounting results. Based on your historic numbers or nominal numbers, you have around 12.9%. I would like to understand the level, the sustainable levels for you going forward. Could we still assume that pre-inflation accounting like 20% levels will be ahead in the future. I know it's very difficult to predict, but in terms of vision, because you made mergers, you merge all your companies, more efficiency we were expecting. So, I would like to see that side, you know, from the long-term perspective and related to very short term, you are expecting some recovery in the margins, right? In the third quarter, as I understand from your presentation. And should we assume it as a gradual improvement because already possibly your numbers are, you know, the quarter is to be completed very soon and maybe you have also some color. I would like to understand what could be the driver for that. The price side, the cost side or the currency side? We already see it doesn't have any positive impact. It's still putting pressure.

Görkem Elverici
Do you believe there is anyone around the world to comment on where do we expect this coming from? Currency side?

Cemal Demirtas
It's very difficult. But what I, what I am trying to understand is, you know, it's a very difficult thing. Because for the third quarter, you know, it's difficult to. I totally agree with you, it's very difficult to measure. I give an idea, but at least, you know, in our minds for the Turkish companies, we are still seeing some pressure between the cost side and the currency side. So when we look at historical figures in second quarter it was high and in the third quarter we see further pressure, at least from the outside. So in your internal cost efficiency, all those sites, maybe because of the earlier years you had hedges now and afterwards the prices went down and the cost, could we see any improvement on that side that will help your margins in the, you know, the third quarter? I don't know if my question is clear.

Görkem Elverici
Yeah, I understand. That's why I try to sum up before your question what the market is going through. So, you cannot play that much with the volumes. As I mentioned the market is not price elastic. For the hard currency, unfortunately I cannot comment because for especially the investment banks and investment houses, you can easily look at what they forecasted for the end of 2024, at the end of 2023 and what they are forecasting now. And I don't believe you're in a position to say that as the industrials are experiencing, especially export-oriented industries in Turkey are facing issues with the highly valued currency. Well, our management mentality until

now has always been to play with the drivers or link yourself with the drivers that you can play. So, it is the volume. The volume is already huge. We are not losing that much volume, especially when you compare it with what it was last year and what is the maximum. I believe we are pretty good shape in volume wise. Pricing environment when you link it with the other drivers of cost inflation plus currency. Unfortunately, as the demand is not strong in the markets, you cannot translate what you should be translating to go back to the levels that we feel ourselves comfortable. So, I don't believe as of now there is anyone that can comment or comment on inflation account linked EBITDA margin generation. I believe that's too much.

But you know, what we link ourselves with, which is the management EBITDA, which is the nominal EBITDA that we have been following and sharing with you. And we lost almost 8-10 points in differentiated businesses. We went down to 15%. So, this is not an area we feel comfortable. We feel comfortable on the north of 20%, as we always shared with you. The management is doing everything to get back to 20% and beyond. But unfortunately, and to improve the margin levels starting from this quarter, of which almost two months has already passed, I should say. And the thing is that I cannot say whether it will be a radical increase or a gradual one. It's totally dependent on the market conditions, especially macros, improving. But I can say that at least 51%, it seems that macros all around the world will not be coming back too radically. And when this is the case, unfortunately, the pricing environment follows this. So most probably it will be a gradual one. But we will not link ourselves only with the pricing environment. The levers we have in our hands is to better optimize the OPEX and CapEX spend. So, we are working on that.

Cemal Demirtas

Thank you. And the follow up question, thank you for the great explanation. You did the best. As much as you can with this question. I know it's very difficult to answer for sure. My question is, again, you know, you have a big structure and this, you know, the inflation accounting side, you know, when we start with inflation accounting, there are many questions to be asked. One side is the inflation accountant, which we use, you know, the Turkish financial reporting standards, which we understand a little, not a little bit medium now, right now, but the statutory account side, the, you know, the tax financials, it was still, you know, until a week ago, it was uncertain. But I would like to understand as Şişecam overall, do you have any number that shows that you are going to pay higher tax or lower tax because of inflation accounting? On those statutory side, it's really, it's an important question because the starting point with the inflationary accounting was that Turkish companies are paying, you know, tax for money which they didn't earn. So that was the basic starting. But lately there were discussions, you know, for most of some companies it's creating ex financial and some others it will not have any. What is the case for you or, you know, if you, I am sure you have more knowledge on that. So could you give us some idea on that side at least from Şişecam’s perspective? Thank you very much.

Görkem Elverici
As I mentioned, it's not that easy and it will be much more confusing to try to go into the details of what might be expected by the margin generation after the inflation accounting because you have to consider the each and every day changing legislation around this. There are some incentives we are using due to the investments we are making. So, on one side there are the incentives that are coming and then there are the everyday updated tax regulations where even a minimum tax level is trying to be introduced to the market. Only these drivers, the incentives due to the investments or a minimum tax level to be paid, considering the size of Şişecam, could change all the picture. That's why we refrain from providing any guidance. We are not trying to keep you in the dark, but whatever we commit as of now, you know how we try to manage our company and we don't feel that's a very responsible way to attack when the things in the market are not stable.

We don't have enough information to commit to something that is especially around inflation accounting. For sure, we know the details of what has been discussed in the markets, especially by the regulators, and we are each and every day doing some risk calculations for upside and downside that can happen to us. That's why I'm very openly sharing with you. After inflation accounting margin guidance or trying to target for yourself might be very much misleading because it can lead to numbers that you hit due to reasons that are not coming from your management and you may be underperforming only due to the regulations changed overnight. We believe that's been a discussion we did with the management team. We will stick to the nominal levels of EBITDA margin, the management margin as we call it, to target for ourselves. Because for that there are the levers that the management can manage. For the others, unfortunately, we have to balance ourselves with the ever-changing realities and this is not the way how to manage your business, especially for the long run.

Cemal Demirtas
Exactly.

Görkem Elverici
Okay. Exactly. I hope. Thank you.

Cemal Demirtas
Yeah, it was very helpful. I know it's very difficult, you know, situation. But again, you know, you always have some just catalyst of watch, and your nominal perspective will help even for you and for us, you know, we are all following, and we don't have enough data to see, you know, what's the trend on that side. So I totally understand. I wish we will be leaving this inflation accounting by 2027. That's, that's my hope, at least for all of us. Thank you very much again for.

Görkem Elverici

Almost two decades ago, the team is pretty experienced in using inflation account, even myself. I was doing it by that time. The thing is that we don't want to keep you in dark for sure, but we don't want to give you the wrong direction of the light. As the numbers are huge, as you can see in our Q2 numbers that might be very misleading. So, I believe for all of us, for the investors, the shareholders, yourselves, as the management team, for ourselves, it is much more reasonable to continue to stick to the levers of the business for the mid to long term and try to rebalance ourselves with the realities of the short term. Because if you concentrate too much on the short term, especially including things like inflation accounting, you may take some actions that might not be the best options for the mid to long term. But when we're talking about right balancing ourselves for OPEX, CapEx, the pricing environment, the demand environment, and the business performance itself, for sure, they are the right things to go after and to optimize ourselves. Thank you for your comment.

Evgeniia Bystrova

Hello. Thank you very much for the presentation and for such a lengthy call and for answering all of our questions. I will try to be quick. I have one follow up on the CapEx obviously you said that you can't maybe share a direct guidance, but maybe could you please share which projects you could postpone or which projects in terms of investments you are still planning to go ahead with this year and maybe next year? And also related question to that, what is your status in terms of receiving the permits for the Pacific project in the US? This is my first question. Thank you.

Görkem Elverici

Sure. And I will try to be as crisp as possible. The major projects, as we call them, which are the glass packaging in Hungary, one frosted line plus energy and flat glass line in Turkey, in Tarsus, and capacity increase for soda ash, are the four major projects that we are carrying out together with the already announced coating investments that we are making. They are the five, I should say major investments that are ongoing. As of now, we have not decided to cancel any of them. We have already slowed down a little bit based on the market expectations and the expected capacity that will be required. But we are already in the heart of our strategic planning period for next year and upcoming five years' time. I believe that by the end of October, we will be in a better shape to understand the market demand and balance equilibrium, so that we will decide whether we will further slowdown or if possible, to speed up some of those major investments. Apart from those major investments, I can say that we push the brakes on each and everything. For anything that is apart from our routine, they are not there anymore. And even for things that might be delayed for a couple of years, we have already deleted them from our investment list. We will try to stick to our major projects for sure, considering their speed and the market. And for US, I can say that we will be roughly around mid-next year to start the construction. So, it will take roughly around three years. Even for this year, considering whether to come with a differentiated approach by with a phased approach or a more big bang approach, where it will be phased, but the time period will be less. I can easily sum up by saying that we are looking at if

there are any demand drivers in the existing markets that have taken some of the expected demand gone for good, or is it only the cycle effect that the market will be back quite some time? For the businesses which are more or less linked around glass business, you know this cycle story by heart. And like almost one and a half years ago or two years, I should say the market was killing us because we didn't have enough capacities. Now we have to slow down the CapEx and it is the reality of our business, and that is what we are most experienced.
As I mentioned, this time it's a little different by the drivers. And considering the pricing environment, demand, cost, inflation and the currency itself, this is a little bit new normal. For sure we are linking ourselves very quickly with these realities. So at the beginning of the year we will be in a better shape to share with you whether we have further slowed down any of our investments or not, hoping, but we further postponed or even decided to cancel. But canceling those major investments I believe is too much as of now, because still for the demand levers in the market, it's not in a position that the demand has gone and will never be back, but the timing might differ. So, we are trying to make the right balancing based on this. But for any of the investments, if we see that the demand has gone for good, then we will be there. But in all of those investments we are in the leading position. So most of the time, rather than the competitors, we will be in a position to be first to the market when the demand is back to the market. As we are in a good shape, I believe it will create also a further delay in our competitors to consider to come up with additional supply to the market, which is also a type of a risk management tool that we are using.

Evgeniia Bystrova

Thank you very much. Just a quick follow up. Did you say that you will be able to start construction in the middle of next year? So, it means that you expect to get the necessary permits.

Görkem Elverici

Based on the expected speed of the permitting. Because for the major parts I can say that we have gone through a long road on that. So, the public announcement is already being started. There will be formal processes to follow so that even there is a chance that it might be the end of first quarter. But we don't want to push, especially when the US is going through an election period. We believe the end of first half is a much more realistic time and we will continue to update you on the progress on that side for sure.

Evgeniia Bystrova

Thank you very much. You also mentioned capacity additions in soda ash as one of the key, one of your five key investment project. Is it Pacific or are you referring to the Pacific extension?

Görkem Elverici

In Turkey for synthetic, we already announced that. It will be 175K tons addition to the already existing capacity which will come at an improved cost environment. That will help us when the markets are back because it will take at least two year-time. We believe it is a better way to get prepared, especially from our cost champion synthetic production that happens in Turkey and Mersin.

Evgeniia Bystrova

Okay, thank you very much. And my other question is about the cash balances that are could you make maybe share, what are the cash balances that are held by the UK company by Şişecam UK?

Görkem Elverici

We could not comment on that, but we already shared the main purposes why we initiated the UK business, especially for trading and finance purposes. We believe that this is a very important step for Şişecam, especially for its international business to help for better cost environment, for financing and to better optimize our operations in Europe and also for the larger international business both on trade and finance side. But for the cash balances, as of now we will not be able to share. But I can only say that UK will play an important role in the upcoming future of Şişecam, where it will help us to be much more closer to especially financial markets and also create a better understanding of Şişecam in those markets by providing further details. Although we have it mainly for finance and trading purposes, we have some plans moving forward for our investor relations to be much more active in those markets also, so that you will have some much more frequent discussions rather than only some online discussions that we have.

Conclusion

Görkem Elverici

First, I would like to start by apologizing again for the technological issues that we have faced and we will guarantee it will not happen again or do the best on our side. And I would like to also personally thank for your interest in the details of the businesses. We all know that unfortunately, we are running through the downside of the cycle as of now. This is not the environment that as the company and the management itself wish to stay for a long time. So, we will continue to take each and every action to get back to the levels that you are all used to coming from Şişecam. Although it is a thing that is being seen for each and every company in our competition, in our geographies, this is not an excuse for the management team of Şişecam not to go back to the levels. We will continue to push all the buttons to get back to the levels that you're used to. We hope to see you and meet with you in the conferences and also have the next webcast with better results and hopefully for a much more promising demand and supply balance that's happening almost everywhere around the world. Thank you for your attendance and hope to see you in the year end results conference.