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Corporate Participant

Görkem Elverici
Şişecam – CFO

Presentation

Operator
Ladies and gentlemen, welcome to Şişecam First Half 2019 Consolidated Financial Results conference call and webcast. I now hand over to your host, Mr Görkem Elverici, CFO. Sir, please go ahead.

Görkem Elverici
Good afternoon ladies and gentlemen. I would like to welcome you to our webcast today where we will be talking about our 2019 first half results and some key developments that have had impacts on our operations.

At the end of the presentation, we will be happy to take your questions.

I would like to remind you that our presentation and the Q&A session may contain some forward-looking statements, and our assumptions are based on the current environment and may be subject to change.

Let us move to page number two and have a quick look at the economic and political landscape that was presented. I do not want to take your time about the macro and political events, but overall 2018 has ended with a global downturn and 2019 has started with political and economic turmoil, and their disruptive impacts just as U.S. trade wars, Brexit, in addition to geopolitical risks in the region. As for Turkey, while we continued to benefit from a weak Turkish Lira, the macro picture in the domestic market led us to adopt a more cautious approach.

Let us move to page three. I would like to give you a brief update on the global and the Turkish glass industries. 5 to 6% of annual global growth is expected to be sustained. As of 2018 year-end, 73% of total glass production capacity in Turkey belongs to Şişecam. With the continued depreciation of Turkish Lira in May 2019, Turkey's glass exports increased by 55%, while glass imports decreased by 35% in volume terms year-on-year.

Construction industry contracted by 13% in the first quarter of 2019 and in case of 2.5% GDP contraction, contribution of construction industry remains at 6%; 19% contraction might be expected for the overall year.

Exports in the automotive industry contracted by 8%, while production decreased by 13% in the first half of 2019. However, their sales have contracted by 45% in Turkey.

In the white goods industry, production increased by 1% while exports remained flat and domestic sales contracted by 9% in the first half of 2019.

As for tourism, Turkey's revenues grew by 5% in the first quarter of 2019, while the number of tourists increased by 9%.

Before moving onto the financials results, I'd like to talk about the major developments that took place in our Group in the first half of 2019 on page four.

Anadolu Cam increased its domestic production capacity by 11% from approximately 1.2 billion tons to 1.34 billion tons per annum since the beginning of 2019 through two cold repairs and one new furnace that has been built. Yenişehir Plant's 120K ton furnace cold repair was finalized in mid-April with an annual production capacity increase of 20K tons and Mersin Plant 100K ton furnace cold repair finalized in mid-June with an annual production capacity increase of 30K tons. Mersin Plant, 80K tons furnace was ignited in May and became operational in June.

As we had mentioned in our 2018 year-end results webcast, Şişecam Elyaf Sanayii's 70K ton annual capacity in new glass fibre production facility that's located in Balikesir became operational in January 2019.

Aselsan and Şişecam have signed a cooperation protocol valid for two years to develop solutions for the supply of materials to the defence industry-related projects of Aselsan. Our aim is to develop a wide range of glass and glass ceramic materials for use in diverse equipment to be developed by Aselsan, mainly periscope glasses of the national tank project.

Negotiations regarding the Collective Bargaining Agreements with Kristal-İş Union that had begun in January 2019 were concluded in March 2019 for a period of three years starting from 2019.

Şişecam issued $700 million of Eurobonds with a coupon rate of 6.95% and 2026 maturity. Group companies, namely Trakya Cam, Paşabahçe, Anadolu Cam and Soda Sanayii are the guarantors of 80% of the total issuance. $200 million of the proceeds from the new issue was used to buy back $200 million of the $500 million outstanding Şişecam 2020 notes, issued back in 2013.

Şişecam distributed TRY 400 million dividend in May and a total of TRY 1 billion cash dividend distribution was made, including our group companies.

In June 2019, Moody's has downgraded our long-term FCY issue rating with a negative outlook after lowering the sovereign's FCY long-term credit rating. Currently we are rated B1.

Soda Sanayii signed a joint venture agreement with Imperial Natural resources Trona Mining, a Ciner Group company to produce 2.5 million tons of natural soda and 200K tons of sodium bicarbonate through solution mining process technique. Further details will be shared in the following pages.

Anadolu Cam's 4th Furnace investment in its Mersin Plant with 80K tons of annual capacity has become operational in June.

In July 2019, BOTAS, state-owned natural gas distributor, announced a 6.5% price hike for the electricity producers.

Trakya Cam announced the ignition of its Bulgaria float line after 9 months of cold repair.

Fitch has downgraded Şişecam's FCY credit rating to BB- from BB+ while maintaining its outlook as "negative" a few weeks ago following the downgrades of the sovereigns ceiling.

Finally, yet importantly, as part of the ongoing simplification process of the corporate structure, Şişecam sold its 15% share in Trakya Yenişehir and Trakya Polatlı to Trakya Cam. Trakya Cam paid TRY 83.1 million for the acquisition of shares and has become the sole owner of these two subsidiaries. The company has applied to Capital Markets Board approval in order to merge these subsidiaries into Trakya Cam on July 23.

Now we can move onto the financials and operational overview section.

On slide five, you will see a snapshot of our financial results. We ended the first half of 2019 with TRY 8.6 billion top line, up by 27% year-on-year, and TRY 2 billion of EBITDA after adjustment, 18% higher compared to the same period of last year. If we were to exclude net FX gains/losses on trade receivables and payables, which are included in our EBITDA definition, EBITDA margin would have decreased to 22% from 23%. Net profit after adjustments came in at TRY 961 million with 11% margin, remained flat year-on-year. EPS has decreased to TRY 0.41 from TRY 0.48 in the first half of 2019, as ROE was at 16%.

On slide six, showing the historic evolution of our topline and EBITDA performance, EBITDA margin levels were kept at or above sustainable level of 20%, in line with our strategy thanks to robust operational performance across all divisions.

Moving onto page seven, the highest contribution to Şişecam's topline continues to come from the flat glass business on the back of acquisition impact, increase in international sales together with currency mix.

Topline performance of glass packaging was strong thanks to the price adjustments in Turkey and in Russia, higher level of exports from Turkey, and local currency depreciation.

Chemicals segment's topline performance was supported by soda ash unit's price increase in hard currency terms, incremental revenues generated by the newly introduced glass fibre business, rising energy revenues and Turkish Lira devaluation.

Increase in hard currency denominated sales, positive pricing in Turkey and volume increase in international markets supported glassware division's top line.

On slide eight, while the flat glass segment's EBITDA contribution decreased from 38% to 34%, chemicals' contribution decreased from 30% to 27%, and glassware's share from 12% to 11%, Glass Packaging segment's share increased to 23% from 19%.

Turning on to slide nine, TRY 1.1 billion negative free cash flow was generated in the first half, mainly due to higher CapEx and dividend payments. Operating cash flow continued to be strong roughly at TRY 1 billion in the first half.

Turning to the next slide, CapEx increased to TRY 1.2 billion. Major CapEx items were cold repairs in Turkey and Russia, new furnace investments in Turkey in Glass Packaging, cold repairs in Bulgaria and South Italy, and new line investment in Turkey in flat glass, and glass fibre investment in chemicals.

Moving onto slide 10, Şişecam's low leverage continued despite all the investments undertaken due to continued strong EBITDA generation. EBITDA to CapEx ratio came in at 1.9.

On slide 11, we can see the evolution of the production in the course of the years. In the first half of 2019, glass production contracted by 4% due to the cold repair of the line with 240K tons capacity in Trakya Cam's Bulgaria plant. This plant was under cold repair since September 2018 and is now operational starting from June.

On the soda ash side, the scheduled coal-fired boiler maintenance programme, completed at the end of first quarter of 2019 as planned, resulted in a 1% contraction in production. Please note that in glass, while 58% of the production was realised in Turkey, the remaining 42% was produced in the plants outside of Turkey. In soda, while 61% is produced in Turkey and remaining 39% is produced in the plants outside of Turkey.

Moving onto slide 12, looking at the ratios, we continued to sustain the lower and conservative net debt-to-EBITDA and net debt-to-equity levels at 0.87 and 0.24 respectively. Still, we have huge headroom in terms of covenants in our loan agreements and the Eurobonds. 68% of the gross debt is in hard currency. While 58% of the total debt has a maturity of less than one year mainly due to the Şişecam 2020 notes, issued back in May 2013. The rest is mostly maturing in one to five years' timeline. As for the interest rate structure, the portion of fixed rate liabilities is at 73%. A cross-currency swap was made for $575 million out of $700 million of the bond that was issued.

Moving onto slide 13, we are seeing that Şişecam's strong cash performance continued in this period as well. Cash and cash equivalents, including our Eurobond investment, increased to TRY 9.6 billion from TRY 5.8 billion in 2018, mainly due to $700 million of Eurobond issuance in March.

On slide fourteen, you can see that we have continued to have a long FX position for $471 million at a consolidated level. We have a long position of USD while short in EUR, mostly related with the hedging of Şişecam 2026 Eurobond through cross-currency swaps.

Finally, I would like to walk you through each division in this last section of our presentation.

On page 16, starting with flat glass, Trakya Cam ended the first half with TRY 3.3 billion revenue, equivalent to €515 million, which grew by 28% year-on-year in TRY terms, with 20% in EBITDA margin after adjustments. Organic revenue, the metric that excludes currency and acquisition impacts, remained almost flat compared to last year as a result of better pricing and product mix despite 7% year-on-year decrease in sales volume due to mainly slowdown in Turkish operations. The underlying weakness in Turkey was a reflection of reduced demand in the construction industry that led to more than 20% contraction both in our sales volume and overall market demand. Price adjustments made in the second half of last year helped us to sustain the positive spreads generated from our Turkish operations. In this period, we increased our exports from Turkey to international customers and our plants in Europe. Improvements in our logistic capabilities positioned us well to expand into new regions and resulted in doubling exports volume.

As you may recall, our Bulgarian plant taken on cold repair in the third quarter of last year, during which demand was compensated by exports from Turkey, was ignited in the beginning of July. Revenue generated from Europe was down by 4% in EUR terms year-on-year, as we have benefited from strong demand conditions in Europe together with favourable product mix, while some pressure was seen on pricing due to capacity introductions in the region.

In Russia, we started the year with 35% lower sales volume year-on-year due to depletion of our inventory unit, which was a result of extended promotional activities rather than a slowdown in demand. In the second quarter, our sales volume increased by 1% year-on-year while a downward trend in pricing was seen in the region. Contraction in our total sales volume for the overall year in this region may be limited to the volume decrease we reported in the first quarter of 2019.

Consequently, share of international sales reached 64% in the first half, including our acquisition in India.

The impact of acquisitions in India and South Italy were dilutive on the profitability due to competitive pricing in India as a result of new capacity introductions in the region and cold repair in South Italy. If those regions had not been included, our EBITDA margin would have been 22%.

Market conditions for automotive business in Turkey was quite challenging for local players, whereas exporter OEMs, to whom we sell our products, tend to be more resilient. For our international operations, we took some cost control measures, especially in Romania, with continuously improving capacity utilisation in this region.

In the first half, €61 million CapEx was made and €21 million was attributed to cold repairs in Bulgaria and Manfredonia. It is highly likely for new float line in Polatlı, Turkey to be operational in 2021 amid the upcoming cold repairs.

On page 17, the glassware segment ended the first half of the year with TRY 1.5 million topline performance, which grew by 32% year-on-year with a 15% EBITDA margin adjusted for one-offs such as carbon emission payment and income from asset disposal. FX gain on trade receivables and payables, which are included in our EBITDA definition, had TRY 40 million positive impact compared to TRY 48 million in the same period last year. Excluding this, the EBITDA margin would have been 12%, down by more than 100 bps year-on-year. IFRS 16 implementation had also 170 bps positive impact on EBITDA margin. During the first half, our focus on inventory and initiatives on lowering working capital requirement continued. Although these initiatives had an initial lowering impact on EBITDA margin in the first half of this year, they will have a positive impact in mid-term, as they are mostly related to production planning going forward. We also took actions to preserve a strong pricing environment, especially in the domestic market, and increased our global markets penetration with a continous focus on profitability.

Local currency depreciation against EUR and USD also continued to support our topline in TRY terms, as 65% of the revenue was generated from international markets. Domestic revenues increased by 26% year-on-year, mostly backed by positive price adjustments, and favourable product mix which resulted in higher contribution of sales from department stores and HORECA channel. International revenues increased by 36% year-on-year, supported by volume growth, especially in the wholesale channel, as a result of increased presence in global markets. The topline growth was also supported by the increase in share of sales from HORECA channel, which is the most profitable channel in our sales composition, as this moved up to 15% of total revenue, excluding paperboard packaging. We spent €10 million for capital expenditures, which were mostly related to mould investments.

Moving onto glass packaging on page 18, Anadolu Cam, our flagship company on the glass packaging segment recorded a double-digit topline growth once again in first half of 2019 and surpassed Turkish Lira depreciation euro, which was 28%, and against our hard currency basket, which was 33%.

We started the year with a 17-19% annual average per ton price adjustments in Turkish operations. A product price increase of 6% in RUB terms and new average unit prices were made in the beginning of the second quarter. In the first half of 2019, our consolidated revenues were 37% higher year-on-year with 23% positive pricing and product mix, 16% local currency depreciation despite a 2% decline in consolidated sales volumes.

2019 has been a tough year for our domestic operations in terms of sales volume due to softer demand for glass packaging products as a result of contraction in non-alcoholic beverage consumption due to inflationary pressures seen on product prices. Our clients' intention to keep their inventory levels relatively low considering their lower sales has had a negative impact on our sales.

Meanwhile, in line with our high priority target of increasing the exports' share in consolidated revenues, Anadolu Cam recorded 37% increase in its exports from Turkey.

Although our total sales volume recorded by non-Turkish operations grew by 9% in the first quarter, sales in the second quarter in Russia has decreased compared to the same period of last year. As you may recall, Russian glass packaging demand was very strong last year, which led to an increase of sales volume by 9% with the support of World Cup event, local football championship and favourable weather conditions. Therefore, we ended the first six months of 2019 with a sales volume decline of 4% compared to the same period of last year.

Consequently, having grown by 49%, our international sales accounted for 61% of the consolidated revenues.

Despite the rise in raw material and energy costs, Glass Packaging Turkey segment's gross profit margin expanded from 29% to 31%, while non-Turkey operations experienced even a larger margin expansion, bringing the regional profitability up from 31% to 35%. On a consolidated basis, Anadolu Cam recorded 51% increase in gross profit and the margin stood at 33%.

OpEx to sales ratio inched up to 19% levels with increased logistic expenses due to local currency depreciation, higher the inland transportation costs and freight as a result of higher exports and revision in royalty fee rate charged as a percentage of Şişecam Group companies' revenues stemming from third-party sales.

Our adjusted EBITDA grew by 42% in nominal terms and therefore, we ended the period with 100 bps expansion in our EBITDA margin to 25% level.

FX gain on trade receivables and payables, which was included in our EBITDA definition, had TRY 11 million positive impact in the reporting period compared to TRY 8 million net FX losses seen last year in the same period.

Excluding this, the EBITDA margin would have contracted by 20 basis points on a year-on-year basis.

We spent €90 million in CapEx in relation with the new furnace investments together with cold repairs, mould and operational efficiency investments.

In the reporting period, through new furnace and development investments, we added 130K tons to our operating capacity in the local market and on the consolidated basis our total annual production capacity increased by 5% to 2.65 million tons. We are planning to continue exploring strategic opportunities, focusing on both maintaining our market leader position and expanding our export capabilities.

Moving onto the chemicals division on page 19, our flagship company, Soda Sanayii, ended the first six months of 2019 with 37% year-on-year growth in its revenues and reported 27% one-off gain adjusted EBITDA margin, which was approximately 550 basis points lower than the margin of the same period of last year. FX gain on trade receivables and payables, which is included in our EBITDA definition, had TRY 29 million positive impact in the reporting period compared to TRY 45 million seen last year in the same period. Excluding this, EBITDA margin would have been 26%. In other words, year-on-year EBITDA margin contraction would have been limited to 370 basis points.

Due to lower output levels resulting from the scheduled coal-fired boiler maintenance programme in Bosnia plant and with the high base impact of 2018 sales volume, which were boosted with pushed back shipments, soda ash sales volumes contracted by 4% on the year-on-year basis.

We witnessed a volume sales decline on the chromium chemical segments due to lower levels of output resulting from equipment renewal programme.

Contractions seen in international operations put further pressure on volume sales. Accordingly, within the reporting period, we recorded 16% decline on a year-on-year basis in chromium chemical sales.

Per ton soda ash prices increased by 5% in USD on average, while prices were unchanged on the chromium chemicals side.

Our new glass fibre business went through a ramp-up period in the first six months of 2019. With a capacity utilisation rate of slightly lower than 60%, Soda Sanayii recorded TRY 94 million incremental revenues from this segment.

Soda Sanayii continued to benefit from Turkish lira depreciation with its 91% of revenues generated in hard currencies. 13% of the consolidated topline versus 11% last year in the same period. Domestic versus international sales breakdown was 26% to 74%.

Our CoGS to sales ratio increased by 250 basis points, mainly due to consecutive natural gas tariff hikes throughout 2018 and our gross profit margin decreased to 35%. OpEx to sales ratio inched up by 20 basis points and was recorded at 16%.

In the reporting period, we spent €24 million on CapEx, 55% of which in relation with the glass fibre business, and the rest mostly being maintenance and operational efficiency investments.

Demand for soda ash continues to be strong and the market is still tight on the back of capacity closures in the Chinese market. Although there were price declines in Asian spot soda ash market, we do not expect soda ash prices to enter a downward trend, as there are no sizeable new capacity introductions in the near future and we are seeing constantly growing demand especially from glass packaging and detergent industries.

Having mentioned the supply growth, we wanted to take this opportunity to give some more colour on our natural soda investment in USA in this call as we continue to get additional information request and questions.

Now, let us please proceed to page 20. We believe this is a major step forward for Şişecam towards becoming global as it is our first investment in the U.S. and as you may well know, we have been looking into expanding our footprint, but only if it would have an uplifting impact on our business in terms of profitability in a complementary manner. We can confidently say that this one is.

We already shared the rationale of the investment and the partnerships in announcements made a couple of weeks ago. Our partner's unique expertise in the production technique is also evidenced by the operations in Turkey encouraged us strongly to take this step. Points like contemplated mine's reserve life is over 100 years, being the only producer using solution mining process technique with much lower production costs, even if transportation costs added, are making this investment viable. You can see the parameters we used in our feasibility study, which I can tell you that are still very, very conservative.

The expected EBITDA margin expected to be generated 2024 onwards once production and sales start are well above 50%. Its impact on consolidated Soda Sanayii EBITDA is not expected to be lower than 250-300 basis points.

While we understand the concerns of the investor community around cash position, dividend expectation for the investment period, I would like to reiterate that our dividend policy remains the same and paying stable dividend, not fluctuating significantly from year-to-year, is very important for us too. Additionally, the investments will be financed via project finance structure, relying on the cash flow generated through the project.

To recap the investment highlights:
- Global soda ash demand growth expectations of around 2-2.5% per annum
- A minimum of 50-60% per ton higher gross profit versus synthetic soda
- Lower labour and energy costs almost equal, fixed and variable costs structure
- 80% of sales that are targeting the exports
- Partnering with the number one producer globally in natural soda ash production

Please note that we will continue to provide updates regarding milestones throughout the investment phase.

Coming to the end of the presentation, I would like to draw your attention to a few key takeaways. We have entered a heavy CapEx period similar to the one undertaken between 2013 to 2018 period. Whilst those new capacities are digested, we have now the new investment cycle ahead, but of course, in light of developments from the global economy, as well as in Turkey, we will have the flexibility to slow down or to postpone less imminent ones if required.

Despite the CapEx plans, we do not expect leverage to exceed 1.25 multiple net-debt-to-EBITDA levels, which is our internal risk management policy.

Our focus on operational excellence continues to be a priority.

Above industry average profitability levels compared to global peers also continue.

During these times, while free cash flow may be in the negative zone for some quarters ahead with the CapEx programme, our strong cash position will continue.

Now, I will be happy to take your additional questions.

Question and Answer Session

Operator
Our first question comes from Ece Mandaci, ÜNLÜ & CO.

Ece Mandaci
I would like to ask a couple of questions. One is about your business development expense regarding your soda ash investment in the U.S., so in your financial report in Soda Sanayii we noticed that there was TRY 440 million of cash outflow regarding this business development expense. Will this be one-off or should we include additional expenses, start-up expenses, regarding this investment, and are you still assuming targeting/planning $200 million of capital injection into this entity from Soda Sanayii? So would there be higher cash outflow or higher capital injection? Going forward, is there any risk on that? That is my first question.

The second one is about the flat glass segment. Could you please provide some information on the current market environment in flat glass? Do you expect any improvements for the rest of the year? In addition, would there be additional price increases in the market? Thank you very much.

Görkem Elverici
Let me start with your first question. The $75 million is paid for the start-up costs of this investment and they are one-offs, and they need to be considered on top of $200 million of equity that will be done by Soda Sanayii for the investment. Therefore, as we have mentioned during the presentation, we do not expect any additional one-off cash injections that will be required as the rest of the project will be financed by project finance structure. As I have already mentioned, we believe that the business case is still very, very conservative, so our aim is to just come up with reduced CapEx spend for this investment rather than any previous settlement.

Coming to the second question regarding the flat glass market, the first half has not been shiny. For the second half of the year, on the conservative side, although we are hoping for a better picture, we don't base our plans on a better outlook. If the market conditions turn out to be better, it will definitely have a positive upside for our operations. We are shifting our operational focus from the domestic market to international markets. Flat glass has now started to export almost around 30K tons, which is the maximum in its entire history which used to be 8-10K tons. It is

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right now almost tripling the size of the ordinary course of business as we now have a pretty strong position in the distribution channel, especially in the mid to Eastern Europe. It is not an issue for flat glass business to try to come up with additional customer portfolio, we are actually expanding our our presence in our existing international customer portfolio that we can direct some of the sales from Turkey to our international operations. The improvements in the market that might happen, especially starting from the early 2019, will definitely have a positive impact on our operations. However, our plan A, I should say, is directing our focus more and more to international operations, which is an easier thing to do for flat glass business thanks to its positioning in the international markets.

Ece Mandaci
On price increases, do you expect any further price increases in the domestic market?

Görkem Elverici
As you know, in the local market, we are adjusting the prices depending on the market conditions, import prices, export market and trying to find the right balance. We are making the increases in the necessary business segments or product segments rather than doing it totally for the overall one-size-fits-all approach. So if there is an increase in the import prices, especially in the energy prices, for sure this will be seen by the company as a force majeure to do the necessary price corrections. I believe that there is still further room thanks to the support it will create from the export capacity that will be required to do some additional price corrections in the second half of 2019.

Operator
Our next question comes from Tilal Al Firazi, Lumicell.

Tilal Al Firazi
Just a couple of questions on the results. CapEx for 2019, what do you guys expect for the full year?

Görkem Elverici
For the overall course of the year, we are expecting $550-600 million CapEx at Şişecam consolidated level, which maybe will change a little bit due to the payments especially made for the advanced payments of the machinery and equipment, but we are expecting it will be more than €500 million for the overall course of this year.

Tilal Al Firazi
Okay and in terms of EBITDA margins, where do you expect them to go given we have seen the softness in the first half?

Görkem Elverici
We expect that the margins will stay at similar levels, if not slightly better, in the second half than compared to the first half of 2019.

Tilal Al Firazi
Just to confirm, last question, in terms of the business acquisition in the U.S., the soda ash in Wyoming, what was the actual cost of the transaction to you? Is it just $200 million in capital injection or is there any cost involved?

Görkem Elverici
There has been a start-up cost of $75 million that has been paid and additional $200 million of capital injection will be done to the joint venture company that has been thrown together with Ciner Group for the course of five years, which is the overall project timeline before the operations start.

Tilal Al Firazi
So that cash outflow will be seen this year and that is obviously not included within CapEx, right? So this is additional to any CapEx?

Görkem Elverici
The $75 million cash outflow has already been realised in the last quarter. For the rest, it will be perfectly aligned with the project requirements. Basically the next 1,5 to two years that will be the time period for obtaining the licences and additional start-up activities that are required, as this is in the end a mining type of business, so we don't expect to be huge CapEx spending, especially in 2019 and 2020.

Operator
Our next question comes from Kayahan Demirak, İş Yatırım.

Kayahan Demirak
I have three questions. In flat glass you said that more volumes will be directed to exports, but how much margin dilution should we expect for Trakya Cam, I mean comparing again with the domestic profitability and exports, of course there is significant cost of transportation? As for Anadolu Cam, I was wondering since the domestic market is relatively weak and the new capacity came online, how much more volumes you can direct to exports in the remainder of the year, because the second half of last year's base was quite high, and in 2020 if the weakness in the domestic market persists? The third question is regarding Soda. This quarter we see that in the chromium chemicals the volumes came down around 15%, the price was down around 1% year-over-year, but your profitability, gross profitability, improved significantly, so how should we understand this? Could you give us more colour on that and what should we expect for the remainder of the year?

Görkem Elverici
Can you please repeat your third question?

Kayahan Demirak
The third question was chromium chemicals business of Soda. For this quarter there was 16% volume contraction, 1% price contraction in USD terms, but your profitability has improved significantly, both quarter-on-quarter and year-over-year terms, so I assume this is as a result of a changing product home position, but could you give us more colour on that for the chromium chemicals, volumes, and the profitability?

Görkem Elverici
Okay, let me start with the first question. So for the flat glass business, due to the growing export business, we don't expect any additional dilution to happen, especially in the second half the year, and when, in fact, the Southern Italian business in Manfredonia kicks in, we believe that the dilution will minimise that has happened already in the first half of the year. Therefore, we do not expect any additional dilution on top of first half to happen. In fact, we believe that there will be improvements, even if it may be limited.

Coming to your second question in glass packaging, in the first half is roughly around 100K tons has been exported. For the second half we expect it to grow at minimum by 30-40%, which may even reach to 50-60% compared to the first half, so the yearly total can reach up to 240-250K tons that is being exported from the Turkish operations.

For the chromium part, regarding your question, you are perfectly right; the margin improvement is coming from the improved input costs in the chromium business.

Kayahan Demirak
I have another question. For your U.S. investment in soda, what was the cost of debt that you used for your IRR calculation or how much? I mean, what is your projected cost of debt for the project finance?

Görkem Elverici
Normally we do not disclose the cost in detail, but I can say that it will be in line and even a little bit better than the cost of funding that we have at a Şişecam consolidated level for the project financing of debt.

[No further questions]

Görkem Elverici
Thank you very much for joining our webcast and I hope that we will be able to meet with you for our 2019-end results webcast soon. Thank you very much.
