



## Transcription for ŞİŞECAM A.Ş

*August 22<sup>nd</sup> 2017*

### Corporate Participants

#### **Görkem Elverici**

*Şişecam A.Ş – Chief Financial Officer*

#### **Başak Öge**

*Şişecam A.Ş –Investor Relations Director*

### Presentation

#### **Operator**

Ladies and gentlemen, welcome to Şişecam 2017 Half-Year Consolidated Financial Results audio webcast call. I now hand over to Görkem Elverici, CFO, and Başak Öge, Investor Relations Director. Sir, Madame, please go ahead.

#### **Görkem Elverici**

Thank you. Good afternoon ladies and gentlemen, I would like to welcome you to our webcast today where we will be talking about our half-year results and key developments that have had impacts on our operations. Today, I am together with Miss Başak Öge, our IR Director. At the end of the presentation, we will be happy to take your questions.

Before talking about financial performance in the first half of 2017, I would like to walk you through the economic and political landscape, as well as industrial developments very briefly that had significant impact on our operations. At the end of the presentation, we will be happy to take your questions.

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Global growth rates of 3.5% and 3.6% in 2017 and 2018 are respectively expected by IMF, with a firm recovery on the back of realised robust figures in advanced economies and improvement in emerging market countries. In the U.S., lower than expected GDP growth, low level of inflation trending well below the Fed's target and persistent political uncertainties in the second quarter from – and thoughts on putting U.S. on track for its promised 3% GDP growth level. Growth forecast of the United States was also revised down from 2.3% to 2.1% in 2017 by IMF. Fed lifted policy rates twice in the first half as expectations overrun balance sheet normalisation and one more rate hike in the months ahead. IMF projections of most developed economies in the Eurozone were lifted up thanks to supporting monetary conditions, improved labour market, surging inflation and demand accompanied by a more stable political environment after reduced political uncertainties, by the election results in France, Netherlands and Germany. Turkey's economy grew by 5% in the first quarter of 2017, on the back of expansion in fiscal policy and exports growth, fuelled by the weaker lira. Growth has also picked up with increased public spending, as well as private consumption backed by Government incentives of tax cuts and credit guarantees. IMF revised its growth outlook for developing economies in 2017 up from 4.5% to 4.6% led by solid growth performance of these economies, including Turkey. As for Russia, economic recovery was significantly felt on our operations, as a result of incentives to boost consumption, coupled with policy rate cuts to 9% by the Central Bank of Russia.

Now, I would like to talk about industries that are relevant to our operations on page 2.

I would like to give a brief update of the global glass industry and Turkish glass industry. Globally, a growth rate of 2 to 4% per annum is sustained. Turkey has a total production capacity of around 4 million tons, where approximately 78% belongs to Şişecam. In the first half, Turkey's glass exports volume increased by 24% year-on-year, while glass imports volume decreased by 26%, as a result of anti-dumping measures taken. Construction industry grew by 4% in the first half, as Government incentives led the market growth. Export in automotive industry grew by 29% while production increased by 20%, backed by tax breaks introduced earlier in the year. Scrap incentives and the leasing system for commercial vehicles also might trigger the growth projections for the second half of the year. We have also seen white goods sales increasing, which is an end market for us, recording yearly growth rates of 8% in production, 16% in domestic sales and 5% in exports from Turkey in the first half. As for tourism, Turkey's revenues recovered by 21% year-on-year in the first half, as the number of tourists increased by 14%.

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Before moving onto the financial results, I would like to talk about the developments that took place in our group in the first half on page 3.

A new fiberglass investment has been initiated in the very beginning of the first half by Soda Sanayii, which continuously seeks for additional opportunities to stay competitive and profitable in the long run. As a move to further increase the group's transparency through the elimination of cross partnerships, Şişecam sold its minority stakes in Anadolu Cam Eskişehir and Yenişehir plants to Anadolu Cam, which was until then the majority owner of those plants with 85% stake in each. Similarly, Şişecam sold its 5% stake in Oxyvit to Soda Sanayii, as part of our strategy in focusing fully on core business areas. We sold our 50% stake in OMCO Kalip for TL 32 million. We also transferred shares of our Eskişehir corrugated packaging plant of Camis Ambalaj, conducting its operations under glassware segment to an affiliate of Austria-based packaging company for \$50.4 million. TL 66 million income was recorded from this transaction. In glassware side, in order to optimise Turkey's production capacity, we are terminating the operations of one of the four furnaces located in Kırklareli plant, which was completing its technical and economic life. Negotiations regarding the acquisition in Egypt is an on-going process for tableware division, which is expected to be completed soon. In glass packaging, cold repair in Anadolu Cam's Ufa and Mersin plants were completed within the first half of the year. Şişecam and group companies also distributed cash dividends in May, and increased their capital through bond issuances in July.

On slide 4, let's now go over the key financials. Our company posted strong results in the first half, as top line growth came in at 34%, which is significantly above the last five years average of 10%, as a result of solid performance of our divisions. On the profitability side, EBITDA reached a record-breaking level of 26% after adjusting one-off items, which is a 56% growth year-on-year. On the net income, again, when adjusted for one-offs, net income after non-controlling interests increased by 66%, mostly reflecting the higher operating profits recorded by the divisions. TL 114 million free cash flow was generated in the first half as a result of effective working capital management, and less CapEx undertaken in the first half. CapEx to sales ratio decreased by 7% in line with our strategy.

Moving onto slide 5, we can see the historic evolution of our top line growth, increasing on a steady state, and EBITDA margin levels which were kept at/or above sustainable level of 20%, in line with our strategy, thanks to robust operational performance in all divisions, upon completion of the significant investment cycle in the recent years.

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Moving onto page 6, flat glass division continues to contribute the highest to Şişecam top line after consolidation of Italian operations. Having said that, we have witnessed strong top line growth in all divisions, hitting double-digit yearly growth rate.

On slide 7, flat glass segment's EBITDA contribution has also increased significantly from 30% to 36%, while glass packaging kept this year at 19% as a result of improvement in capacity utilisation rate, recovering demand conditions and price hikes implemented through the second quarter in this division. Chemical contribution dropped to 29% from 33%, while EBITDA margin of the division was up from 26% to 30% year-on-year. Glassware's contribution decreased from 16% to 13%, however, with some improvement in its half performance, its EBITDA margin increased from 12% to 14% year-on-year.

On slide 8, I would like to talk about our free cash flow generation. As I mentioned on the previous slide, TL 114 million free cash flow was generated in the first half, compared to last year's negative figure, as a result of effectively managed working capital requirements, especially in collection of account receivables. Also, lower CapEx contributed to this positively.

Turning to the next slide. CapEx came in line with our moderate CapEx programme, recorded at TL 398 million. After a heavy investment cycle, as promised, we managed to decrease our CapEx to sales ratio again, which came in at 7% in the first half, continuously focusing on operational excellence efforts. Roughly speaking, 45% of these are due to the cold repairs undertaken by glass packaging, 20% by chemicals, 30% on the flat glass side, which are mainly investments in Romania and Bulgaria, and a very minor 5% on the glassware side.

On the next slide, we continue with our CapEx funding analysis. As you know, Şişecam is not a highly leveraged company, despite robust investments undertaken historically. In the first half, thanks to the continuous strong EBITDA generation and decreasing CapEx level, EBITDA to CapEx ratio came in at 3.75, which is far above our historical average rate. However, we continue to be very conservative in terms of our CapEx strategy.

On page 11, we can see the evolution of the production in the course of the year. In the first half, 13% growth in glass production was realised, mainly due to capacity inclusion of one float line in Italy. In line with the improved capacity utilisation rates and boosted exports, production volumes in glass packaging increased on a year-on-year basis, albeit glassware production was curbed due to the slowdown in the market that led us to focus

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on capacity optimisation plans. On Soda ash side, minor capacity addition we had in Mersin facility coupled with higher production yields in Bosnia and Bulgaria plants, resulted in 5% growth in production. Capacity increase was mainly Mersin by 30,000 tons starting from last year second quarter. In addition to 30,000 tons, 50,000 tons of capacity increase was completed at the end of 2016. Please note that in glass, while 57% of the production is realised in Turkey, remaining 43% in the plants located outside of Turkey. In Soda, 59% of the production is realised in Turkey and remaining 41% in Bosnian and Bulgarian plants.

On page 12, you will see debt profile of Şişecam in terms of interest rates, maturity, and currency structure. Our gross debt in hard currency is 80% of the total, while 37% of the loan book including the 2020 Eurobond, has a maturity of less than one year, the rest is mostly maturing in 1 to 5 years' timeline. As for the interest rate structure, with the expectation that rates will be hiked in the foreseeable future in differentiated markets, the portion of fixed rate liabilities have increased from 59% to 63%.

On page 13, looking at the ratios, we continue to sustain the low and conservative net debt to EBITDA and net debt to equity levels of 0.5 and 0.1 respectively, which are lower than the year-end as a result of decreased net debt. Still, we have huge headroom in terms of covenants in our loan agreements and Eurobond. We believe these levels will be sustained in the second half of the year too.

Moving onto page 14, we are seeing that Şişecam's strong cash performance also continued in this period. While more than 85% of all cash in hand is in hard currencies, together with the \$357 million Eurobond investment, the cash position has increased when translated into TL. We continued to invest in dollar-denominated Eurobonds and the average yield of the portfolio was around 5.58 as of June end. With these loan investments, we are hedging interest rates on our outstanding Eurobond and there is a positive carry that we benefit from. The investments may go up to \$500 million, which is the amount of the bond we issued back in 2013. As stated in previous calls, this strong cash position gives us the flexibility on proceeding first in case of a viable M&A opportunity, while we also continuously seek better ways to optimise our already strong balance sheet management.

On page 15, you can see that we continue to have a long FX position at a consolidated level. Our long position in dollar and short position in euros also continued in this period. I would like to remind you that we do not use any derivatives, other than some very limited interest rate swaps and cross-currency swaps for hedging purposes. We will continue to

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use the hedging transactions as needed, but our enlarged operations and geographies are also providing opportunities to utilise hedging within our own balance sheet.

Let's now briefly talk about the developments in respective segments. Trakya Cam recorded sales of over 2 billion Turkish Liras in the first half of the year for the first time in its history with a solid yearly growth rate of 51% thanks to the improved demand conditions and pricing environment in all operating regions coupled with the consolidation of Italian operations. In the first half of this year, Trakya Cam increased flat glass prices by 12% in domestic market as demand growth in construction industry continued along with the increase in post-referendum consumer confidence which resulted in 4% year on year growth in flat glass market size. Import volumes shrank by 36% year on year within the same period. Demand in other industries that consume flat and processed glass also grew, being supported by the tax cuts in white goods and furniture market. The uplift in auto-glass division continued a good run of growth figures with 38% revenue growth year-on-year and improved profitability ratios as a result of change in sales mix, price corrections and optimized operating leverage. Apart from domestic operations, appreciation of Ruble against Turkish Liras, higher flat glass sales prices along with improved capacity utilization rate led our Russian operations to record 18% EBITDA margin compared to last year's low levels. Architectural glass demand continued to be strong in the countries that we operate in Europe as pricing in the region was enough to keep the mark up levels as desired despite the rise in our input costs due to introduced price hikes especially in energy prices within the second quarter. Our Italian company lifted consolidated revenues by 10%, outpaced its first quarter EBITDA performance in the first half 2017. Apart from flat glass operations, profitability of Romanian auto-glass unit continued to increase as a result of improved utilization in its high technical capacity, of which positive contribution to consolidated figures is now higher than the previous years'. Consequently Trakya Cam recorded a solid EBITDA margin of 25% after one-off adjustments thanks to not only strong regional performance but also optimized cost and operational expense levels. Increase in gross profit from 29% to 33% and decrease in operational expenses to sales ratio from 21% to 18% year on year are the main indicators of optimization efforts. Capex was recorded at 72 Million TL including maintenance and small sized line investments in Bulgaria, Turkey and Romania.

Moving to page 18, in glassware segment, 11% year on year topline growth was recorded in the first half with a 14% EBITDA Margin, showing signs of recovery from 12% EBITDA Margin recorded in last year's first half despite ongoing pricing pressure in our operating regions coupled with tepid consumer sentiment amid political uncertainties. Our gross

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profit increased to 34% compared to last year' first half of 31% by keeping a tight rein on production costs in line with the strategy of evolving product portfolio into a more standardized form by increasing the share of high margin products. After the closure of Mersin facility, we kept focusing on capacity optimization plans to keep glassware unit's margin at desired levels. In September, we will terminate the operations of one of the four furnaces in Kırklareli plant which will enable us to optimize inventory keeping units. In the first half, our glassware unit also maintained its domestic market share while additional 23% customs tariff on imported goods prevented domestic market from cheap importers. Share of international sales increased to 65% in the first half, lifted by growing exports from Turkey on the back of weaker lira. Revenue contribution of Russian operations kept at 9% while gross margin levels of the region pretty much attained the levels recorded by our operations in Europe of which contribution to gross margin was higher than last year's at the consolidated level. Negotiations regarding the takeover of Egyptian Glassware Company have not been finalized yet, but is expected to happen shortly as we continuously seek regional opportunities to increase glassware's profitability.

Moving onto page 19, we can now speak about glass packaging operations. Topline growth has been 34% compared to the previous year. Anadolu Cam booked record high revenues with half-year results exceeding 1 Billion TL for the first time in its history. There are a couple of reasons that led to increased revenues: unit price hikes in Russia by 9% and in Turkey by 8% on average, 8% sales volume growth on consolidated basis, revaluation of Rubles against TL on average by 50% year-on-year, which ended up in translation gains and shift of focus to high value-added products. With the rise in exports from Turkey and better sales volumes recorded by international operating areas on top of translation gains, we now have a revenue portfolio equally composed of domestic and international sales. Anadolu Cam continued to improve its cost structure through the steps taken for optimizing efficiency and by increasing its capacity utilization rate above 90% in Russia and 95% in Turkey. Even though we have seen a surge in opex by 20% year-on-year due to increased selling and marketing activities, the company was able to keep OPEX/revenues ratio significantly below the level recorded last year in the same period. Consequently, Anadolu Cam, with its 23% Adjusted EBITDA margin, continued to improve its profitability. Within the first half of 2017, we have had 2 cold repairs at two furnaces located in Mersin and Ufa plants. Modernization and equipment renewal processes carried out at the same time with the cold repair, the furnace located in Mersin started the second half with 15K ton/year additional capacity. Throughout the period, Anadolu Cam recorded 182 Million TL CAPEX, which is in line with the investments made last year in the same period. Year-on-year sales volume increase was actually the result of growing glass packaging market in

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Turkey and improved macroeconomic conditions and market dynamics in Russia. We continued to be the largest glass packaging producer in our operating regions under the current competitive environment seen especially in our domestic market by further focusing on the needs of our long-term relationship customers and by slightly extending the receivable terms.

Moving onto page 20, last but not least, our chemicals division continued to perform very strongly. While the topline growth was 16% year-on-year, we have managed to increase our EBITDA margin adjusted to one-off gains by more than 400 bps to 32% despite a weaker pricing environment in both operating segments compared to last year globally. Factors leading to the topline growth were 6% sales volume growth in soda ash and 11% in chromium chemicals segment. Our chemicals operations also benefited from weaker TL. With Şişecam glass companies' decision to procure a portion of their local soda ash needs from local natural soda producer since the beginning of 2017, Soda Sanayii's intra-group sales declined by around 30% from its historic levels. Those products were channeled to international markets and contracted at slight premiums compared to intra-group rates, which are determined based on transfer pricing regulations. Soda Sanayii completed its steam production investment at the end of 2016 and introduced the new boiler configuration, which enables the company to use natural gas-fired cogeneration facility at as low as 50% capacity utilization rate, and obtain the full amount of steam needed through the combination of the two systems. Thanks to the savings in soda ash production costs, Soda Sanayii was able to offset the COGS increase in chromium chemicals segment, which was actually a result of the surge in chromite prices since mid-2016 but reflected to our books starting from the second quarter of 2017. As a higher percentage of cost of goods sold are in TL compared to revenues (40% vs. 15%), devaluation has also had a positive impact on the gross profit. As for the end-markets for soda products, the demand continued to be strong in the region, fueled by the economic growth in emerging markets that is especially supporting construction and automotive industries. Soda ash pricing environment, as was expected on the other hand, has been under some pressure since the last quarter of 2016 especially during the negotiations with regards to the sale of next year's output, as Eti Soda was expected to introduce 3mn tons/year new capacity to the market. Natural soda producer introduced its 500K ton capacity expansion at the end of the first quarter and the market is now on hold for the remaining capacity, which is expected to be partially online at the end of this month and reach its full capacity in early 2018.

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Coming to the end of presentation, I would like to highlight the few key takeaways which have not changed much since the last time we had this call.

To sum up; we have increased revenues, gross profit, adjusted EBIT and adjusted EBITDA despite political and economic turmoil across almost all geographies we operate in. We continued to have strong cash position and conservative leverage. We have a continuous focus on operational excellence leading to smart cost management. We have completed a heavy investment period and our margins are expected to continue to improve as a result of these capital expenditures and energy efficiency projects. We have above the industry levels of profitability compared with our global peers, and we have a continuous focus on M&A opportunities on a selective basis.

Now, I will be happy to take your questions.

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## Question and Answer Session

### Operator

Our first question comes from Alper Akalin, Deniz Invest.

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### Alper Akalin

Given the strong appreciation of euro against the lira and also the revival in construction demand, we know, also, you are somehow in a monopolistic position in Turkish flat glass market and import competition is low, do you consider any additional hikes in product prices in such an environment for Trakya Cam? As Şişecam did with its minority stakes in Anadolu Cam's production facilities, is there a plan to sell the minority stake of Şişecam in Trakya Cam in the coming future? For Anadolu Cam, we see some news that the glass containers in Turkey cannot meet the domestic demand and which make the bottle producers or the beverage companies annoying. So can we take this as a sign for another price hike since the demand is so strong? Do you consider any additional capacity investment to meet such a demand – aggressive demand in the Turkey, especially?

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### Mustafa Görkem Elverici

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Thank you, Alper. Let me start with Trakya. For the price hike, that we are carefully considering the balance we have in the market. There are many drivers we have already put in. We don't want to miss any opportunity that is out in the market, but we don't also want to jeopardize the market with the pricing power we have. We will continue to watch the markets, the demand and the balance we have. When we believe that it is the right time to do so, as we have done before, we will proceed with additional price hikes. But it is not easy to say whether it will happen in the second half of this year or sometime within 2018.

Şişecam has a minority stake in Trakya Cam Yenişehir plant. We are looking for opportunities that will not create additional costs on any of the parties and, if possible, take advantage of these simplifications within the group. Based on the available opportunities that might be out in the markets, especially some regulation changes or some tax breaks/cuts that might be in place in the coming future, we will consider whether to sell the stake to Trakya Cam or continue as it is in the coming future.

For Anadolu Cam, we are checking the demand in the local market together with the expanded export operations we have from Turkey. We are in a position to forecast at least 3 to 5 years ahead. Therefore, if there is a need for additional capacity, we will consider adding this capacity into the market. We continuously monitor the markets, the existing and upcoming demand. We do not want to kill our existing market share in the local market and our existing connections and improved connections in the export markets. Whenever it is necessary, for sure, we will be volunteering for the additional capacities to put in place.

Price increases are much more based on the contract renewal plans. Most of the contracts, we have, were already renewed from the beginning of the year to the next year-end. In the OEM contracts, for some limited escalation mechanisms we have in pricing, we stick to the same pricing through the same year. But for some contracts that might be renewed in the second half of the year, we will continue to do what we have already achieved in the existing contracts.

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## Operator

Our next question comes from Olavi Koort, Avaron. Please go ahead.

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### **Olavi Koort**

In your presentation you have stated that the construction industry growth rate in the first quarter was 4%. Is this similar trend continuing as of today as well? When looking at the job generation in the construction industry, there actually was +50,000 jobs lost in April and May. Can you please let us get the feeling about what is going on, on the construction side. Secondly, Could you give us some color on distributors' inventory level as well, mostly within the last 3 to 4 months. I'm just trying to understand how the inventory level has changed and what's the underlying trend at the moment. As a last question, do you see any risk in natural gas price to be increased in the next 6 to 12 months?

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### **Mustafa Görkem Elverici**

Thank you very much. Construction industry continues to remain strong, although there might be fluctuations from month-to-month or from quarter-to-quarter. There has been real incentives to support the construction industry because the construction industry still seems to be the main growth engine of Turkish GDP. It was the case for many years, and still the industry continues to dominate the market, especially considering that although the tourism revenues started to recover, they are still less than what it was back in 2015. Therefore, construction industry, with so many infrastructure projects already announced by the government and construction initiatives, which were supported through some differentiated means, including some tax benefits and credit guarantees, seems to continue strong. Accordingly, we can conclude that - the supplier inventories are now at the very low level.

When we are putting capacity into the markets, we are very conservative in not creating overcapacity, especially having experienced as an overall industry the consequences of European crisis back in 2012. Thus, not only us, but almost all the flat glass companies are very much hesitant in not creating any overcapacity. To be frank, there is a shortage right now in the market, not only in Turkey, but also in the surrounding region, and this is not helping us. It is not even easy to bring some additional capacities from our production facilities we have in Bulgaria, Egypt or in Italy. Considering that we had a 12% price hike back in February, it might not be the best thing to do for them in the current environment. For the gas prices, the government is declaring or promising for the natural gas prices only for the next month. Meaning that we always have the risk that a natural gas tariff increase might happen in the next month.

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For our budgeting purpose, as a conservative approach, we always incorporate some price increases for natural gas. On the other hand, market analysts do not expect a tariff hike until the mid of next year. Of course, this is the market analysts' expectations and we are not linking ourselves to these expectations. I believe what is important is whether we have the necessary pricing power to translate any price increases in natural gas to our selling prices.

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**Operator**

We have a follow-up question from Alper Akalin, Deniz Invest.

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**Alper Akalin**

I have two questions in relation with Soda Sanayii. Firstly, can you give a brief information about the latest situation of the fiberglass investment? You were expecting it to become operational in the second half of 2018. Is this schedule still valid? And secondly, we see the contraction in the profitability of the chromium chemical segment as the chromite prices are surging, but the chemical products prices do not increase as rapid as it is the case with the raw material price. Do you have any outlook/guidance for the second half of the year and also for 2018 on the profitability of the segment?

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**Mustafa Görkem Elverici**

For the fiberglass investment, we still keep up with the same schedule, and we expect the investment to become operational in the second half of 2018. The full capacity will be in place and operational by the beginning of 2019. All the relevant construction activities are aligned with the schedule, we have no delays until now.

Although chromium chemicals segment's profitability has been affected to some extent with the increased chromite prices, with the support of the production cost decreases we have on the soda ash production side, the margins were sustained still at very high levels. In the coming future, depending on the chromite prices, the margins can continue to improve, which is aligned with the market analyst expectations, to be frank. Considering that the chromium chemicals industry is not growing at a fast pace and we are one of the top 3 companies that is having a very high capacity utilization rate, we have a very good

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pricing position. For the second half, the profitability should be staying at least at the same levels, if not improving by margins.

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### **Alper Akalin**

For the soda ash segment, your domestic sales are decreasing as you started to procure from Eti Soda, your competitor, for the subsidiaries. You are increasing your export sales, which led to some increase in the OpEx. Soda ash prices came down to levels lower than my expectations. Price decline was sharper and still the large capacity of your rival didn't come online. Do you foresee any contraction in sales volume for 2018? What do you foresee for the prices of the next year of the soda ash?

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### **Mustafa Görkem Elverici**

First of all, the decrease in domestic sales was voluntary, because it's supporting both the glass companies and the soda ash business as the natural soda ash producer is at a close proximity to some of the production facilities of our glass companies. Procuring a part of the local soda ash needs from the competitor is actually helping a lot as the companies can save logistic costs in relation with this raw material which leads to a decrease in their production costs. Meanwhile, Soda Sanayii is able to get better prices from the export markets compared with intra-group sales, which have to be structured in line with arms length principle and very strict transfer pricing regulation. Increased exports to some extent, lead to a rise the OpEx as well. However, improved margins and higher prices Soda Sanayii gets from the export markets covers the increase in the OpEx.

Soda ash prices might be lower than your expectations, but they are actually in line with our expectations for this year. We were expecting to see a 5% to 10% price decrease in hard currencies; year-on-year price decline was 7% based on first half results and roughly around 8% based on second quarter financials. Competition was expected to be on the scene in 2018, but the competitor, which will introduce 2.5 million to 3 million tons additional capacity to the market, in order to get enough room for itself have already started to take position in some larger accounts and in the market by importing products from their mine in the U.S. Therefore, the competition is already in place and for the next year, we may expect to see an additional price decrease of around 5% to 7% in hard currencies as well. Starting from 2019, we believe that the price level will be flat and even may inch up and improve.

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Apart from this capacity coming to the market, there are no other capacity additions announced so far. In soda ash business, investments are taking time; a greenfield investment takes at least 3 years and a brownfield capacity addition requires around 2 years to be in place and operational. It is also necessary to highlight the fact that soda ash is a very capital intensive type of investment. At the moment, the market is waiting for this new capacity to be fully operational, see the market balance, especially on the pricing side, from the demand and supply perspectives. We expect to see the market to get back to where it was back in 2016 as apart from our local competitor's capacity starting from 2019.

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#### **Alper Akalin**

Do you expect to have a contraction in sales volume of the next year?

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#### **Mustafa Görkem Elverici**

No. We have been continuously operating with 100% even above 100% capacity utilization rate and we are always sold out. While negotiating on 2017 contracts, we were even able to sell to some extent 2018 production. Approximately 40% of the sales agreements signed for 2017 had contract terms higher than 1 year. We will continue to act proactively in the markets, especially for our key accounts, in order to provide them with better prices. Besides, we don't think that we may have difficulties in selling our capacities as we are one of the cost leaders in synthetic soda ash production.

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#### **Operator**

We have no other questions. Dear speaker, back to you for the conclusion.

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#### **Mustafa Görkem Elverici**

We would like to thank you very much for your participation and we look forward to meeting you again while we will be discussing 2017 year-end results.

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