



## Şişecam (BIST-100: SISE) reported financial results for the third quarter ended September 30, 2023

### M. Görkem Elverici, CEO of Şişecam, commented:

*“Despite the signals of a prospective economic recovery trend, persistent inflationary pressures and respective measures addressing such setbacks have limited the global growth in the third quarter of the year. The uncertainty in European markets continued to stay on the scene due to the upward tendency in energy prices against the risk of possible supply deficiencies. In such a volatile environment, Şişecam has successfully managed to navigate the challenges in the third quarter. We retained our growth by closely monitoring the developments and managing the uncertainties on a global scale. The glass industry's peak season has boosted our operations in Turkey, while our capacity utilization rates have normalized. This has provided a favorable environment for us to continue our investments which support our growth.*

*We modernized our flat glass furnace with an investment of approximately USD 56 Million at our India plant where we employ 264 people. In Lüleburgaz, we completed a new USD 190 Million automotive glass line investment specially designed to produce thin and ultra-thin clear colorless and colored float glass to meet the needs of Şişecam's automotive glass facilities.*

*Our investments in other glass business lines have also continued uninterruptedly. Construction is underway at Şişecam's TR9 float line in Tarsus – one of the world's top five largest capacity flat glass investments. The cold repair and capacity expansion of the TR1 float line in Lüleburgaz is also ongoing. Once these two investments are completed, Şişecam's total float production capacity in Türkiye will increase by 30% and reach 2.6 Million tons. Our glass packaging investments in Eskişehir and in Hungary and our soda ash investments in the USA are in progress. Moreover, we renewed our second furnace at our glass packaging production facility in Mina, Georgia and brought 15K ton incremental production capacity to the region with an investment of approximately EUR 20 Million in the second quarter.*

*Şişecam has always considered sustainability as one of the main focuses of its operations. Under our CareforNext sustainability strategy, we continue to benefit from science and technology and progress in this direction to reduce our carbon footprint. In line with the EU's 2035 zero carbon emission target, we became one of the business partners of the "Zero Emission Electric Vehicles Enabled by Harmonised*

*Circularity" project. This project is coordinated by Fraunhofer Institute, Europe's largest applied science, research, and development organization. Under this 36 month-project, Şişecam will support the vehicle battery with specially produced solar auto glass while minimizing natural resources and chemical use with innovative production techniques.*

*In September, we were honored at the ceremony of the "Glass Person of the Year" award. The award was presented to Şişecam's Chairman and Executive Member of the Board- Prof. Dr. Ahmet Kirman for his contributions to the global glass industry, by the Phoenix Award Committee in Como, Italy.*

*Technology has always been a part of our way of doing business. In the first half of the year, we signed a letter of intent to invest in ICRON, a Turkish technology company that provides operational and strategic decision optimization services. Şişecam took this move one step further and signed a partnership agreement with ICRON in October. With this partnership, Şişecam aims to grow with ICRON, and take its operational excellence and optimization capabilities to the next level.*

*I extend my appreciation for your ongoing trust and support in Şişecam. We will continue to transform, grow and seize promising opportunities for our shareholders."*

## Consolidated Summary Financial Results for Q3'23

**Important Notice:** In accordance with TFRS-3 principle, provisional figures had been used for the consolidation purpose of US entities. Following the completion of valuation studies, Sisecam 2022 FY consolidated financial statements and Chemicals business line financials have been restated accordingly.

Summary Financials (TRY mn)	9M'22	9M'23	YoY	Q3'22	Q2'23	Q3'23	QoQ	YoY
Revenue	66,279	94,840	43%	26,047	30,069	36,406	21%	40%
Gross Profit	24,957	32,390	30%	9,670	9,747	13,067	34%	35%
Gross Margin	38%	34%	-350 bps	37%	32%	36%	348 bps	-123 bps
EBIT	14,774	18,604	26%	5,108	7,050	6,755	-4%	32%
EBIT Margin	22%	20%	-267 bps	20%	23%	19%	-489 bps	-106 bps
EBITDA	18,383	23,290	27%	6,521	8,586	8,480	-1%	30%
EBITDA Margin	28%	25%	-318 bps	25%	29%	23%	-526 bps	-174 bps
Net Income After Minority Interest	13,650	13,360	-2%	4,742	5,705	5,291	-7%	12%
Net Income Margin	21%	14%	-651 bps	18%	19%	15%	-444 bps	-367 bps
Capex	5,094	11,858	133%	2,281	4,296	4,758	11%	109%
Capex/Sales	8%	13%	482 bps	9%	14%	13%	-122 bps	431 bps
Adjusted EBIT*	13,664	17,691	29%	4,733	6,297	6,471	3%	37%
Adjusted EBIT Margin*	21%	19%	-196 bps	18%	21%	18%	-317 bps	-40 bps
Adjusted EBITDA*	17,274	22,377	30%	6,146	7,832	8,196	5%	33%
Adjusted EBITDA Margin*	26%	24%	-247 bps	24%	26%	23%	-353 bps	-108 bps
Adjusted Net Income*	13,650	14,373	5%	4,742	5,674	6,126	8%	29%
Adjusted Net Income Margin*	21%	15%	-544 bps	18%	19%	17%	-204 bps	-138 bps
Analyst EBIT**	12,112	13,673	13%	4,298	3,709	5,681	53%	32%
Analyst EBIT Margin**	18%	14%	-386 bps	16%	12%	16%	327 bps	-89 bps
Analyst EBITDA**	15,722	18,359	17%	5,711	5,245	7,406	41%	30%
Analyst EBITDA Margin**	24%	19%	-436 bps	22%	17%	20%	290 bps	-158 bps

\*Excluding one-off impacts

\*\*Excluding other income/expense from operations, investing activities, investments in associates and joint venture

FX RATES	Q3'22	Q2'23	Q3'23	QoQ	YoY	9M'22	9M'23	YoY
EUR/TRY - p.a.	18.06	22.71	29.13	28%	61%	16.85	24.07	43%
USD/TRY - p.a.	17.91	20.86	26.77	28%	49%	15.90	22.21	40%

## Financial Highlights (Q3'23 vs Q3'22)<sup>1</sup>

- **Revenue** came in at TRY 36.4Bn, up by 40% YoY (USD 1.4Bn, down by 6% YoY in USD terms)
- **Gross profit** was at TRY 13Bn, up by 35% YoY with a margin of 36%
- **Adjusted EBITDA** came in at TRY 8.2Bn, up by 33% (USD 306Mn, down by 11% YoY in USD terms) with 23% margin
- **Adjusted Parent Only Net Income** came in at TRY 6.1Bn, up by 29% with 17% net margin
- **Capex** recorded at TRY 4.8Bn (USD 178Mn) and Capex/Revenues stood at 13%
- **FCFE** had a **negative balance of TRY 251Mn (USD 11Mn)**. **WC/Revenue** was at 32%
- **Currency Sensitivity: TRY 8.2Bn Net Long FX Position**
- **Net Debt/EBITDA** was at 1.1x

## Segmental Analysis

Segmental Breakdown of Revenue (TRY Mn)	Q1'22	H1'22	Q3'22	9M'22	Q1'23	H1'23	Q3'23	9M'23	Q3'23		9M'23	Q3'23 Topline Drivers (YoY)
									QoQ	YoY	YoY	
Architectural Glass	4,871	11,194	6,464	17,658	5,726	11,738	7,655	19,394	27%	18%	10%	flat at volume, +18% pricing, prod. mix, currency
Industrial Glass	1,551	3,624	1,829	5,453	2,818	5,453	4,207	9,660	60%	130%	77%	+4% volume, +126% pricing, prod. mix, currency
Glassware	1,780	4,183	2,565	6,748	3,415	7,036	4,163	11,199	15%	62%	66%	+3% volume, +59% pricing, prod. mix, currency
Glass packaging	2,645	6,823	5,245	12,068	4,634	10,231	6,802	17,034	22%	30%	41%	+2% volume, +28% pricing, prod. mix, currency
Chemicals	4,483	10,329	7,460	17,789	7,638	16,296	9,603	25,899	11%	29%	46%	-2% volume, +31% pricing, prod. mix, currency
Energy	1,256	3,116	1,776	4,892	3,651	6,587	3,203	9,790	9%	80%	100%	+150% volume, -70% pricing, prod. mix, currency
Other	389	964	708	1,672	484	1,092	773	1,865	27%	9%	12%	
Total	16,974	40,232	26,047	66,279	28,365	58,434	36,406	94,840	21%	40%	43%	

<sup>1</sup>reference to [Appendix](#) for segmental breakdown analysis

## Segmental Analysis (cont'd)

Segmental Contribution to Revenue	Q1'22	H1'22	Q3'22	9M'22	Q1'23	H1'23	Q3'23	9M'23	Q3'23		9M'23
									QoQ	YoY	YoY
Architectural Glass	29%	28%	24%	27%	20%	20%	21%	21%	103 bps	-339 bps	-599 bps
Industrial Glass	9%	9%	7%	8%	10%	9%	12%	10%	279 bps	453 bps	196 bps
Glassware	11%	10%	10%	10%	12%	12%	11%	12%	-61 bps	159 bps	163 bps
Glass packaging	16%	17%	20%	18%	16%	18%	19%	18%	27 bps	-145 bps	-25 bps
Chemicals	26%	26%	29%	27%	27%	28%	26%	27%	-242 bps	-226 bps	47 bps
Energy	7%	8%	7%	7%	13%	11%	9%	10%	-97 bps	198 bps	294 bps
Other	2%	2%	3%	3%	2%	2%	2%	2%	10 bps	-60 bps	-56 bps

Segmental Breakdown of Adjusted EBITDA (TRY Mn)	Q1'22	H1'22	Q3'22	9M'22	Q1'23	H1'23	Q3'23	9M'23	Q3'23		9M'23
									QoQ	YoY	YoY
Architectural Glass	1,768	3,986	2,113	6,100	1,578	2,979	1,206	4,185	-14%	-43%	-31%
Industrial Glass	192	469	113	582	129	275	523	798	258%	362%	37%
Glassware	392	875	574	1,449	634	1,825	862	2,687	-28%	50%	85%
Glass packaging	627	1,484	953	2,437	742	2,405	1,760	4,165	6%	85%	71%
Chemicals	1,368	3,476	2,175	5,651	2,490	5,468	2,972	8,441	0%	37%	49%
Energy	139	220	-67	154	48	68	41	109	96%	-161%	-29%
Other	412	889	446	1,335	843	1,251	833	2,084	104%	87%	56%
Elimination	-90	-271	-162	-433	-117	-92	-1	-93	-103%	-100%	-79%
Total	4,838	11,128	6,146	17,274	6,348	14,180	8,196	22,377	5%	33%	30%

[Segmental Analysis \(cont'd\)](#)

Segmental Contribution to Adjusted EBITDA	Q1'22	H1'22	Q3'22	9M'22	Q1'23	H1'23	Q3'23	9M'23	Q3'23		9M'23
									QoQ	YoY	YoY
Architectural Glass	36%	35%	33%	34%	24%	21%	15%	19%	-322 bps	-1,878 bps	-1,582 bps
Industrial Glass	4%	4%	2%	3%	2%	2%	6%	4%	451 bps	458 bps	27 bps
Glassware	8%	8%	9%	8%	10%	13%	11%	12%	-474 bps	141 bps	377 bps
Glass packaging	13%	13%	15%	14%	11%	17%	22%	19%	16 bps	636 bps	478 bps
Chemicals	28%	30%	34%	32%	39%	38%	36%	38%	-188 bps	178 bps	565 bps
Energy	3%	2%	-1%	1%	1%	0%	0%	0%	23 bps	155 bps	-38 bps
Other	8%	8%	7%	8%	13%	9%	10%	9%	494 bps	310 bps	174 bps

Segmental Adjusted EBITDA Margin	Q1'22	H1'22	Q3'22	9M'22	Q1'23	H1'23	Q3'23	9M'23	Q3'23		9M'23
									QoQ	YoY	YoY
Architectural Glass	35%	34%	30%	33%	25%	24%	15%	20%	-668 bps	-1,521 bps	-1,231 bps
Industrial Glass	12%	13%	6%	11%	5%	5%	12%	8%	688 bps	641 bps	-230 bps
Glassware	22%	21%	22%	21%	19%	26%	21%	24%	-1,216 bps	-95 bps	294 bps
Glass packaging	23%	21%	18%	20%	16%	23%	25%	24%	-340 bps	749 bps	409 bps
Chemicals	28%	31%	27%	29%	30%	31%	28%	30%	-390 bps	136 bps	71 bps
Energy	8%	5%	-3%	2%	1%	1%	1%	1%	44 bps	360 bps	-139 bps
Other	60%	51%	35%	45%	75%	52%	55%	53%	2,270 bps	1,962 bps	892 bps

## Operational Highlights (Q3'23 vs Q3'22) <sup>2</sup>

- Architectural Glass
  - Flat glass production, **down by 12%** at 656K tons,
  - 91% capacity utilization rate (actual output/effective capacity)
  - **Flat** sales volume
  
- Industrials
  - Auto Glass, & Encapsulation
    - **Sales volume up by 17%** consolidated auto glass (converted from m2 to tons) and encapsulation (converted from units to tons)
  
  - Glass Fiber
    - **2% increase** in production at 15K tons
    - 89% capacity utilization rate
    - **6% decrease** in sales volume
  
- Glass Packaging
  - **1% increase** in **glass packaging production** at 600K tons
  - **2% increase** in **sales volume** (domestic sales up by 18%, exports and sales from non-Turkey operations down by 5% and 9%, respectively)
  - 93% capacity utilization rate (92% in Turkey and 94% in Russia) (actual output/effective capacity)
  
- Glassware
  - **3% increase** in total sales volume (domestic sales and exports up by 27% and 11% respectively, sales from non-Turkey operations down by 15%)
  
- Chemicals
  - Soda Ash
    - **5% decrease** in production
    - Sales volume **down by 2%** (domestic and international sales down by 12% and 1%, respectively)
    - **4% decrease** in average USD/ton price
  
  - Chromium Chemicals
    - **4% increase** in sales volume at 24K tons (domestic and international sales up by 6% and 4%, respectively)
    - **24% decrease** in average USD/ton price
  
- Energy
  - Electricity sales volume, **up by 150%**, to 1.38Bn kWh

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<sup>2</sup> Glass and chemicals volume figures are based on metric ton

## **Architectural Glass: 21% share in Revenue | 15% share in Adj. EBITDA | “Second Largest Topline & Third Largest EBITDA Contributor in Q3’23”**

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Despite weaker demand owing to monetary tightening to curb inflation in global markets, Architectural Glass business line, by implementing region-specific strategies and actions, maintained its positioning in geographies it operates.

Even though Turkish facilities, 57% of the overall installed capacity, restarted operating at normalized capacity utilization rates by the third quarter, ongoing cold repairs in two lines located in both Turkey and India, 12% of the overall installed capacity, and inventory optimization focused production at lower gross pull rates particularly in Italy, resulted in 12% YoY decline in consolidated glass output. Production was up by 13% QoQ. In Q3’23, 65% of flat glass output was produced by Turkey-based operations and 25% by European facilities. The remaining balance was composed of purely Russian operations given ongoing cold repair process in Indian facility. Quarter-wise CUR stood at 91% (vs. 90% in Q3’22).

Architectural glass division consolidated sales volume was almost flat YoY while up by 12% QoQ thanks to mainly the support of stronger performance of Turkey operations. Even though the high inflationary environment has sustained, domestic market was triggered by the high season as well as the delayed orders from previous quarters rooted in political uncertainties, earthquake effect and relatively stronger TRY. Meanwhile, depreciation of TRY that was visible starting from June, led to a significant decrease in imported products from low-cost regions. As a result, sales from Turkey including exports increased by 5% YoY while domestic sales indicated a volume growth of 11% on the same basis. 61% of consolidated sales volume was generated by Turkey, thanks to the improving trends with revival in the region’s outlook backed by rapid urbanization and building renovation activities due to earthquake (54% domestic, 7% export)

Amid recession concerns, demand continued to be weak in European markets throughout the quarter. Sales from Europe-based operations decreased by 12% YoY in volume terms. On the other hand, the region outperformed its previous quarter results with a 20% rise in sales volume, backed by Bulgaria-based operations catering not only to the country but also to the surrounding region. Share of the continent in consolidated sales volume was recorded at 24% (vs. 27% in Q3’22).

Russian operations, which continues to capture the vitality in demand following a long-muted period, recorded a 4% rise in sales volume YoY. Sales were quite limited in Indian operations given the ongoing cold repair process. Thus, aggregate sales volume of Russian and Indian operations that went down by 6% YoY accounted for 15% of the consolidated Architectural Glass sales volume.

EUR-based product prices decreased by 24% YoY mainly due to the elimination of energy surcharges parallel to the decline in natural gas spot prices and aggressive pricing environment triggered by the weakening demand as well as abundance of low-cost imported products until the beginning of Q3’23.

**Architectural Glass** segment, with TRY 7.7Bn net external revenue, recorded a topline growth of 18% YoY. Architectural segment generated 45% of its revenue from international sales including exports from Turkey.



## **Industrial Glass: 12% share in Consolidated Revenue | 6% share in Adj. EBITDA**

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**Industrial Glass** business line, consisting of automotive glass, encapsulation & home appliances and glass fiber operations, generated TRY 4.2Bn net external revenue with an annual increase of 130%.

Automotive glass and encapsulation sub-segment, accounting for 85% of the division's topline, recorded a sales volume growth of 17% YoY thanks to record breaking light commercial and automobile market sales in Turkey and triple digit growth of passenger car market in Russia. Q2'22 constituted a low base for Q3'23 with week Russian operations' given significantly lessened OEM activity resulting from limited access to auxiliary materials due to sanctions on supply chain coupled with weakened consumer sentiment in the country as well as globally insufficient semi-conductor supply that depressed auto glass sales. Meanwhile, Auto Glass & Encapsulation sales volume went down by 6% QoQ due to seasonality given the production halts of OEMs for their regular annual maintenance in August. Thanks to partially completed Tier-1 supplier re-negotiation processes, retrospective payments were recognized in accordance with cost pushed-price changes in Industrial Glass segment. Further extended sales to Auto Replacement Glass ("ARG") channel, with the inclusion of Australia in our catchment area thanks to a newly acquired distributor from the region, supported the business line's outperformance. ARG sales accounted for 17% of consolidated automotive glass & encapsulation revenue.

Glass Fiber sub-segment sales volume was down by 6% YoY. Domestic sales, having circa 70% share on average in total Glass Fiber sales volume, were supported by the slowdowns in the international product flows from low-cost regions to the local market thanks to the depreciation of TRY in the second half of the year. Hence, on a QoQ basis, Glass Fiber sales volume moved up by 11%. Meanwhile, global supply-demand imbalances, triggered by lower demand amidst recession concerns as well as abundance of imports from Egypt, Bahrain, and particularly China given weaker than expected economic activity, continued to put pressure on global pricing environment. Client industries' appetite for keeping low inventory levels elevated by the weakened demand throughout the year and set backed energy prices compared to Q3'22 were additional factors that limited the revenue growth. The share of Glass Fiber in Industrial Glass segment topline was 11% in Q3'23.

## **Glass Packaging: 19% share in Revenue | 22% share in Adj. EBITDA | "Third Largest Topline and Second Largest EBITDA Contributor in Q3'23"**

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With a quarterly average CUR of 93%, consolidated **Glass Packaging** output was up by 1% YoY in Q3'23. Share of Turkey-based facilities in total production remained almost flat at 55%, while Non-Turkey operations composed the remaining balance. Output of Mina (Georgia) facility increased by 28% YoY, given the ignition of the second furnace in June following a 2 month-cold repair process combined with a capacity expansion project that resulted in 15K tons (25%) additions to the region's annual production capacity while there was a slight decline in Russia's output owing to a furnace cold repair in Kirishi plant.

Consolidated sales volume inched up by 2% YoY thanks to particularly the increase in domestic sales of Turkey-based facilities indicating pent-up demand given political and macroeconomic uncertainties in the previous quarter and risen consumer mobility during high season backed by warm weather conditions. Domestic sales, corresponding to 45% of consolidated sales volume (vs. 41% in Q3'22) soared by 18% YoY, while exports from Turkey, having 12% share in overall sales, contracted by 5% on the same basis given higher priority attributed to satisfying the local demand of especially alcoholic beverage, and mineral water industries. Limitations in shipments due to delayed vessel approaches in

Mersin port to MEA region as well as lower demand from European and American markets were additional setbacks for the exports. Meanwhile, significant effects of climate change led to calendar shifts in the harvest season causing food industry-channel orders to stay behind the regular purchasing schedule.

Non-Turkey operating regions' sales went down by 9% given the limited export capabilities of Russia due to sanctions, weaker demand due to relatively cooler summer season, and temporary delays in sales to ex-multinational alcoholic beverage producers within the phase of their ownership change. Although the impact of excise tax introduction for sugar-containing drinks and technical issues on clients' sides were in place in Q3'23, thanks to increased exports to CIS countries and the successful launch of new projects & deal closings on additional volumes, the regions' QoQ performance remained flat.

Product price adjustments were put in place in Glass Packaging segment in Turkey throughout Q3 given the rise in inflation rate and TRY depreciation. Yet, it was the reverse case for global customers as product prices went down given lower demand of customers and piled-up inventories at competitor levels.

**Glass Packaging** business line, with TRY 6.8Bn net external revenue, recorded a topline growth of 30% YoY. Glass Packaging segment generated 49% of its revenue from international sales including exports from Turkey.

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### **Chemicals: 26% share in Revenue | 36% share in Adj. EBITDA | “#1 Topline & EBITDA Contributor in Q3'23”**

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In Q3'23, global soda ash markets, apart from China, were oversupplied due to weaker than expected demand of major client industries owing to recession concerns and their consequent reactive strategies. Meanwhile, some short-term tightness, triggered by region-specific dynamics, was visible in China mainland. Şişecam consolidated soda ash output went down by 5% YoY mainly due to scheduled maintenance work at Wyoming facility in August.

Global soda ash demand has moved in a downward trend throughout the year due to macroeconomic concerns pushing client industries, particularly but not limited to the ones located in Europe, to operate at lower CURs and in case of glass producers to delay a potential rise in supply through extension of cold repair processes. Local market dynamics were tougher than the global market conditions given the ongoing inoperative status of particularly textile producers following massive earthquakes in Q1'23, and the abundance of low-cost imports triggered by resilient TRY especially in H1'23. However, by being one of the two largest soda ash producers in global terms and selling ~95% of our products in international markets, we succeeded in limiting the decline in our sales volume to 2% YoY.

Although upward fluctuations were recorded in China mainland soda ash price indices in Q3'23, global pricing environment had not mirrored such movements since they were fundamentally a result of some short-term market tightness stemming from the delayed introduction of a large-scale soda ash capacity in the region. In Q4'23, on the other hand, the markets witnessed a decline in Asia-Pacific region soda ash pricing market given the rise in supply.

In Q3'23, parallel to the global market dynamics and reflecting the YoY decline in energy costs, average per ton prices moved south by 4% in USD.

Demand for Chromium Chemicals remained weak in Q3'23 amidst lower global macro growth leading to delays in industrial machinery investments and shifts in leather product consumption. Consequent supply-demand imbalances, by putting pressure on the pricing environment,

forced the low profitability margin-producers to limit their CURs. Şişecam Chromium Chemicals sub-segment recorded a YoY increase of 4% in sales volume mainly on the low base stemming from the introduction of marginal product price rises against the jump in energy costs last year in the same period. Decline in energy costs coupled with aggressive pricing environment led to a 24% decline YoY in average per ton USD prices.

Chemicals segment recorded TRY 9.6Bn net external revenue, up by 29% YoY. 57% of net external sales were generated by US operations.

### **Glassware: 11% share in Revenue | 11% share in Adj. EBITDA**

Backed by mainly the demand of domestic wholesale channel given the customers' price increase expectations due to continued high inflation dynamics, B2B channel sales thanks to better performance especially in Turkish markets, and international sale opportunities capitalized within the period, **Glassware** segment's consolidated sales had outpaced the previous year with a sales volume growth of 3% YoY. Yet, the effect of the relatively strong TRY and decrease in container freight prices resulted in an increased presence of imports in all domestic channels. HoReCa channel has been challenged by the cash and credit contraction in markets causing the postponement of new investments as well as by lower occupancy rates in mid to low-income level targeted domestic tourism due to decreased purchasing power of wages.

Decline in purchasing power and end-customers' saving focused-behavior continued to put pressure on glassware consumption across all geographies including Europe, which has the largest share in our international operations. In Central and Western Europe, retail and wholesale markets recorded relatively weaker performances. HoReCa demand in Southern Europe stayed vivid thanks to high touristic activity. Meanwhile, with the inclusion of a new distributor in our portfolio, we further expanded our sales to both retail and HoReCa channels in North America, which is in the recovery phase and also a high priority target market. As the second largest Glassware producer in global arena, we continued to closely monitor the demand on a geography as well as channel basis in our catchment area and we cherry picked the opportunities in order to record a better performance on a YoY basis.

Cost-pushed price adjustments put in place in all product categories coupled with sales volume increase, **Glassware** segment recorded a 62% annual rise in topline with a net external revenue of TRY 4.2Bn. International sales corresponded to 58% of the division topline.

**Based on Şişecam consolidated figures, share of international revenue stood at 66% in Q3'23 while the rest was generated from domestic sales.**

Regional Breakdown of Revenue	Q1'22	H1'22	Q3'22	9M'22	Q1'23	H1'23	Q3'23	9M'23	Q3'23		9M'23
									QoQ	YoY	YoY
<b>Revenue from Turkey Operations</b>	<b>54%</b>	<b>56%</b>	<b>53%</b>	<b>55%</b>	<b>56%</b>	<b>55%</b>	<b>54%</b>	<b>55%</b>	-105 bps	79 bps	-1 bps
Sales in Turkey	34%	38%	36%	37%	38%	36%	34%	36%	-47 bps	-175 bps	-171 bps
Exports from Turkey	20%	18%	17%	18%	18%	19%	19%	19%	-57 bps	254 bps	150 bps
<b>Revenue from Foreign Operations</b>	<b>46%</b>	<b>44%</b>	<b>47%</b>	<b>45%</b>	<b>44%</b>	<b>45%</b>	<b>46%</b>	<b>45%</b>	105 bps	-79 bps	1 bps

## Adj. EBITDA recorded at TRY 8.2Bn with 23% Margin while Adj. Parent Only Net Income stood at TRY 6.1Bn

- Gross profit margin came in at 36% vs. 37% in Q3'22. The decline was a combined result of i) hard currency denominated-product price declines ii) gross pull rate reduction plans implemented in EU-based Architectural Glass facilities ii) margin contraction in chemicals segment given previous year's high base and planned maintenance work in Wyoming facility in Q3'23. Retrospective payments recognized on Auto Glass sub-segment resulted in 90 bps lifting impact on the consolidated gross profit margin. Glass Packaging and Glassware operations contributed to Sisecam's consolidated gross profit margin thanks to segments' individual margin improvements.
- OPEX/Sales, down by 30 bps to 20% in Q3'23.
- TRY 280Mn income from participated JVs vs. TRY 234Mn loss in Q3'22 with better financial performance of the JV with Solvay in Bulgaria.
- Other income & investing activities recorded at TRY 395Mn compared to TRY 554Mn in Q3'22.
- TRY 1Bn FX gain was recorded on Eurobond investments, trade receivables & payables and financing activities.
- TRY 1.2Bn interest expense was recorded on bank loans and debt issuances while TRY156Mn interest income was generated on derivatives.
- TRY 156Mn was recorded as deferred tax expense in Q3'23 vs a positive balance of TRY 157Mn in Q3'22 mainly in relation with deferred tax expense effect of net investment hedge and increase in deferred tax liability on fixed assets given corporate tax rate hike from 20% to 25%.
- An incremental TRY 910Mn-tax expense from continuing operations was recognized in Q3'23 for the first 6 month-impact of corporate tax rate hike from 20% to 25%. Effective tax rate for Q3'23 stood at 10%.

## Cash Flow Analysis (9M'23 vs 9M'22)

- **Cash inflow from operating activities** came in at **TRY 19.9Bn** vs. TRY 9.5Bn thanks to the changes in non-cash adjustments and improved working capital changes. Rise in capex led to adjustments for D&A expenses while adjustments to tax expenses resulted mainly from the tax effects of net investment hedge and earthquake tax, and adjustments to net interest expenses on bank loans and debt issuances.
- **Cash outflow from investing activities stood at TRY 18.1Bn** versus TRY 6.9Bn given.
  - i. TRY 5.2Bn cash outflow in relation with currency protected deposits
  - ii. TRY 3.2Bn advance payments in relation with the capex program
  - iii. TRY 2.8Bn total cash outflow in relation with the acquisition of 10% of the shares of Şişecam Çevre Sistemleri A.Ş. in April and the acquisition of Sisecam Resources LP's publicly traded shares & delisting process in May
  - iv. TRY 238Mn cash payment for the acquisition of 50% stake in Stockton Port Management Project
  - v. TRY 11.9Bn (USD 534Mn) capital expenditures vs. TRY 5.1Bn in 9M'22, mainly in relation with
    - *Glass Packaging business line: greenfield Hungary investment & Turkey-Eskişehir new furnace investment, capacity improvement in Yenişehir facility through machinery and equipment revisions, cold repairs in Kirishi (Russia), Mina (Georgia) and cold repair in Gorokhovets (Russia) corresponded to 50% of the total capex.*

- *Architectural Glass segment: new automotive float line investment in Turkey-Kırklareli facility, greenfield flat glass furnace and new patterned glass line investments in Turkey-Tarsus facility and cold repairs undertaken in Kırklareli (TR-1) and India facilities corresponded to 19% of the total capex.*
  - *The remaining balance was in relation to Glassware, Industrial Glass and Chemicals segments' maintenance expenses combined with One Şişecam digital transformation and efficiency improvement programs.*
- **Cash inflow from financing activities recorded at TRY 3.4Bn** versus TRY 752Mn-outflow in 9M'22.
  - **Cash conversion cycle** lengthened by 17 days over 9M'22 given 12 days higher inventory outstanding as a result of a normalization from previous year's low level.
  - FCFE had a negative balance of TRY 251Mn.
  - With **TRY 14.4Bn increase YoY in cash** including FX translation gains, period-end cash position came in at **TRY 31.3Bn**.
  - **Cash and cash equivalents including a)** TRY 1Bn-liquid fund investments b) TRY 10.4Bn-financial assets (USD 93Mn-Eurobond investments, USD 287Mn-FX protected deposit) increased by TRY 18Bn over 9M'22 to TRY 41.7Bn (USD 1.5Bn) in 9M'23.
  - Excluding the financial assets, 74% of cash and cash equivalents was kept in hard currencies of which 57% was in EUR and 43% in USD).

### Debt Position (9M'23 vs 2022)

**Gross debt recorded at TRY 77Bn (USD 2.8Bn)** vs. TRY 47Bn (USD 2.5Bn)

- *84% of financial liabilities were in hard currencies (30% EUR, 54% USD)<sup>3</sup>*
- *TRY 9.3Bn principal + interest payment made in 9M'23 on TRY short term bonds and TRY 1.1Bn coupon payments made in March and September on USD 700Mn-Şişecam 2026 Eurobonds*
- *TRY 3.1Bn financial lease recorded under financial liabilities*
- *Long-term liabilities corresponded to 55% of gross debt (60% in 2022-end)*

**Net debt was TRY 35Bn (USD 1.3Bn)** vs. TRY 17Bn (USD 911Mn) in 2022. **Net Debt to EBITDA** was at 1.1x.

### FX Position (9M'23 vs 2022)

**Net long FX position of TRY 8.2Bn (USD 299Mn)** was recorded in 9M'23 vs. (TRY 4.4Bn net short position in 2022-end). Positive change in the FX position was mainly the result of net investment hedge accounting principle application, which allowed offsetting of FX-related changes in the value of unhedged portion of USD-denominated Eurobond liabilities and EUR-denominated bank loans by using net assets of the foreign subsidiaries, namely Sisecam Chemicals USA and Sisecam Investment BV. FX position was 434Mn long in USD and 151Mn short in EUR as stated in original currencies in 9M'23-end.

<sup>3</sup> *Following the cross-currency swaps, made in 2019 for USD 575Mn of 2026 bond in exchange of EUR 421Mn in 2019, 68% of the bond was converted to EURs, 14% converted to TRY and rest of 18% kept in USD. In August 2022, USD 210Mn-equivalent EUR swap agreements have been unwound. Accordingly, as of the reporting period; 38% of the bond is converted to EUR, 14% to TRY and the rest is kept in USD.*

## One-Off Impacts excluded from Financials:

### Excluding From EBIT:

- **9M'23: +TRY 914 Mn:**
  - TRY 1,038 Mn: Revaluation gain on fixed income instruments incl. IFRS 9 impact
  - TRY 225 Mn: Earthquake donation
  - TRY 100 Mn: Insurance compensation
- **Q3'23: +TRY 284 Mn:**
  - TRY 184 Mn: Revaluation gain on fixed income instruments incl. IFRS 9 impact
  - TRY 100 Mn: Insurance compensation
- **Q2'23: +TRY 753 Mn:**
  - TRY 753 Mn: Revaluation gain on fixed income instruments incl. IFRS 9 impact
- **9M'22: +TRY 1,110 Mn:**
  - TRY 1,110 Mn: Revaluation gain on fixed income instruments incl. IFRS 9 impact
- **Q3'22: +TRY 375 Mn:**
  - TRY 375 Mn: Revaluation gain on fixed income instruments incl. IFRS 9 impact

### Excluding From Net Income:

- **9M'23: -TRY 1,013 Bn:**  
TRY 1,088 Mn: Earthquake Tax & Donation  
TRY 75 Mn: Insurance compensation
- **Q3'23: -TRY 835 Mn:**  
TRY 910 Mn: Incremental corporate tax expense  
TRY 75 Mn: Insurance compensation
- **Q2'23: +TRY 31 Mn:**  
TRY 31 Mn: Earthquake Tax adjustment in accordance with corporate tax statement given in April

## Operational Developments during and after Q3'23

- **Flat Glass**
  - New Investment
    - Automotive glass line investment with a production capacity of 200K Tons/year in Kırklareli Lüleburgaz, was ignited on 21/09/2023 and commercial production started on 23/10/2023.
  - Cold Repair
    - TR1 line located in Kırklareli facility was inactive during Q3'23 due to cold repair work that started in January-end
    - Float line located in India was ignited on 14/09/2023 after the cold repair process undertaken during Q3'23 and the commercial production started on 16/10/2023.
- **Glass Packaging**
  - Cold Repair
    - One of the two furnaces located in Kirishi (Russia) facility was taken offline on 29/08/2023 for the cold repair process, hence it is inactive since then.
- **Glassware**
  - Cold Repair:
    - Furnace capacity of Egypt facility was increased by 16K tons/year with the completion of cold repair process undertaken between 28/08/2023 and 19/09/2023.
    - Cold repair process of Posuda facility (Russia) started on 18/09/2023 and the facility was inactive in the rest of Q3'23
- **Chemicals**
  - Planned Maintenance Work
    - Wyoming facility was inactive for 7 days in August.
- **Other**
  - Planned Maintenance Work
    - Oxyvit facility
      - Vitamin-K unit was inactive for 30 days in August.
      - SMBS unit was inactive for 15 days in August.

### Important Events during and after Q3'23

- Following the annual review, International Credit Rating Agency Moody's affirmed the credit rating of Şişecam unchanged as "B3" and the outlook as "stable" on its report dated 18/08/2023.
- On 21/08/2023, JCR Eurasia Rating completed Şişecam's annual review with investment grades for international ratings. Assigned ratings were as follows;
  - *Long-Term International (foreign and local currency) Rating "BBB- / (Stable Outlook)"*
  - *Long-Term National Rating "AAA (tr) / (Stable Outlook)"*
  - *Short-Term National Rating "J1+ (tr) / (Stable Outlook)"*
- In line with the revision of the Outlook on the Long-Term Issuer Default Rating of Turkey to "Stable" from "Negative" on 08/09/2023 while affirming the rating as "B"; Fitch Ratings revised the Outlook on Şişecam's Long-Term Foreign-Currency Issuer Default Rating to "Stable" from "Negative" and affirmed the rating as "B" on 18/09/2023.
- Our automotive glass line investment with a production capacity of 200K Tons/year in Kırklareli Lüleburgaz, was completed and ignited on 21/09/2023. This new approximately 4 Billion TL (190 Million USD)-automotive glass line investment, holds importance in our Company's goals to ensure further operational efficiency and to meet the raw glass demand of automotive industry considering heightening competition on a global scale and continuously growing automotive glass need in Turkey, reaching already the size of a float line.
- As of 27/10/2023, within the scope of share buyback program, adjusted to 67Mn treasury shares sold through block sales on 29/11/2022 and 10/05/2023, Şişecam bought back TRY 47.6Mn-nominal value shares, corresponding to 1.56% of the share capital.
- On 25/09/2023 The Capital Markets Board approved Şişecam's application for the issuance of debt instruments up to a total amount of TRY 20Bn for sale to domestic qualified investors and for private placement without public offering. Within the scope of this issue certificate of TRY 20Bn dated 08/09/2022, Şişecam completed two bond issuances with an aggregate nominal value of TRY 6.2Bn. Following the redemption of five bonds with a total nominal value of TRY 3.4Bn, Şişecam has a total nominal value of TRY 6.9Bn outstanding bonds, with a weighted average maturity of 463 days and simple annual interest rate of 46% as of 27/10/2023.



## Appendix

Sub-Segmental Breakdown of Revenue	Q1'22	H1'22	Q3'22	9M'22	Q1'23	H1'23	Q3'23	9M'23
<b>Architectural</b>	29%	28%	24%	27%	20%	20%	21%	21%
<b>Industrial Glass</b>	9%	9%	7%	8%	10%	9%	12%	10%
Auto & Encapsulation & Home Appliances	7%	7%	5%	7%	9%	8%	11%	9%
Glass Fiber	2%	2%	2%	2%	1%	1%	1%	1%
<b>Glassware</b>	11%	10%	10%	10%	12%	12%	11%	12%
<b>Glass Packaging</b>	16%	17%	20%	18%	16%	18%	19%	18%
<b>Chemicals</b>	26%	26%	29%	27%	27%	28%	26%	27%
Soda Chemicals	23%	23%	27%	25%	25%	26%	24%	25%
Chromium Chemicals	4%	3%	2%	2%	2%	2%	2%	2%
<b>Energy</b>	7%	8%	7%	7%	13%	11%	9%	10%
<b>Other</b>	2%	2%	3%	3%	2%	2%	2%	2%
Oxyvit	0%	0%	0%	0%	0%	0%	0%	0%
Mining & Other	2%	2%	3%	3%	2%	2%	2%	2%

Breakdown of COGS Items	Q1'22	H1'22	Q3'22	9M'22	Q1'23	H1'23	Q3'23	9M'23
Input & Materials & Packaging	33%	31%	33%	33%	32%	34%	34%	34%
Ngas	21%	22%	28%	25%	22%	19%	15%	18%
Electricity	7%	8%	3%	6%	6%	6%	6%	6%
Labor	10%	8%	9%	9%	9%	11%	11%	11%
Depreciation	7%	5%	5%	5%	4%	4%	8%	5%
Outsourcing & Other	22%	20%	22%	22%	27%	26%	26%	26%

Breakdown of Opex Items	Q1'22	H1'22	Q3'22	9M'22	Q1'23	H1'23	Q3'23	9M'23
Indirect Material Costs	1%	1%	1%	1%	1%	1%	1%	1%
Salaries and wages expenses	14%	15%	15%	15%	18%	20%	19%	19%
Outsourced service	43%	61%	61%	61%	55%	57%	59%	58%
Miscellaneous expenses	38%	19%	19%	19%	22%	18%	17%	18%
Depreciation and amortization expenses	4%	4%	4%	4%	4%	4%	4%	4%

[Appendix \(cont'd\)](#)

Regional Breakdown of Adjusted EBITDA	Q1'22	H1'22	Q3'22	9M'22	Q1'23	H1'23	Q3'23	9M'23
<b>Turkey</b>	<b>3,372</b>	<b>7,762</b>	<b>4,286</b>	<b>12,048</b>	<b>3,719</b>	<b>8,755</b>	<b>5,101</b>	<b>13,856</b>
<b>Foreign Operations</b>	<b>1,489</b>	<b>3,595</b>	<b>2,064</b>	<b>5,659</b>	<b>2,654</b>	<b>5,411</b>	<b>3,086</b>	<b>8,497</b>
Russia, Ukraine and Georgia	370	898	602	1,500	327	879	680	1,559
Europe	576	1,536	622	2,158	1,418	2,337	1,442	3,779
US	479	1,003	758	1,761	878	2,137	1,058	3,194
Other	64	158	82	240	31	58	-93	-35

Regional Breakdown Adjusted EBITDA Margin	Q1'22	H1'22	Q3'22	9M'22	Q1'23	H1'23	Q3'23	9M'23
<b>Turkey</b>	<b>37%</b>	<b>35%</b>	<b>31%</b>	<b>33%</b>	<b>23%</b>	<b>27%</b>	<b>26%</b>	<b>27%</b>
<b>Foreign Operations</b>	<b>19%</b>	<b>20%</b>	<b>17%</b>	<b>19%</b>	<b>21%</b>	<b>21%</b>	<b>18%</b>	<b>20%</b>
Russia, Ukraine and Georgia*	5%	5%	5%	5%	3%	3%	4%	4%
Europe*	7%	9%	5%	7%	11%	9%	9%	9%
US*	6%	6%	6%	6%	7%	8%	6%	7%
Other*	1%	1%	1%	1%	0%	0%	-1%	0%

\*Geography-based contribution to Non-Turkey margin

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