Coca-Cola Icecek

Moderator:
Ladies and gentlemen, thank you for standing by. I would like to welcome you to the Coca-Cola Icecek conference call and live webcast to present and discuss the second quarter 2025 financial and operational results. We are here with the management team and today's speakers are the CEO, Mr. Karim Yahi, and CFO, Mrs. Çiçek Uşaklıgil Özgüneş. Before starting, I would like to kindly remind you to review the disclaimer on the webcast presentation. After the call, there will be an opportunity to ask questions. I would now like to turn the call over to Mr. Burak Berki, Head of Investor Relations. Sir, the floor is yours. Please go ahead.

Burak Berki:
Good morning and good afternoon, ladies and gentlemen. Welcome to our second quarter 2025 results webcast. As the operator said, I'm here with our CEO, Karim Yahi, and CFO, Çiçek Uşaklıgil. Today's remarks will be accompanied by a slide deck. We will then turn the call over to your questions.

Before we begin, please kindly be advised of our cautionary statement. The conference call may contain forward-looking management comments, including projections. These should be considered in conjunction with the cautionary language contained in our earnings release. A copy of our earnings release and financials are available on our website.

In addition, in accordance with the decree of the Capital Markets Board, our 2025 financials are reported using TAS 29, financial reporting in hyperinflationary economies. The financial figures in this presentation and all comparative amounts for previous periods have been adjusted according to the changes in the general purchasing power of the Turkish Lira in accordance with TAS 29, and finally expressed in terms of the purchasing power of the Turkish Lira as end of June 2025.

However, certain items from our financials are also presented without inflation adjustment for information purposes. These unaudited figures are clearly identified as such.

Following the call, a full transcript will be made available as soon as possible on our website.

Now let me turn the call to our CEO, Mr. Karim.

Karim Yahi:
Thank you Burak.

Good morning and good afternoon everyone. Thank you for joining CCI's second quarter 2025 results webcast.

In an environment that remains anything but predictable, our second quarter results stand as a testament to the strength of our portfolio, resilience of our teams, and the discipline behind our execution.

After recreating significant volume momentum in the first quarter, the second quarter was marked by a more balanced volume growth and value generation.

Despite the persistently challenging macroeconomic and geopolitical backdrop, including sticky inflation in Türkiye and ongoing spillovers effects from the Middle East conflict, we achieved mid-single-digit growth on a consolidated level. This performance was underpinned by the strength of our diversified geographic footprint, which continues to provide resilience and balance.

In the second quarter of 2025, we achieved a 4.7% year-on-year increase in consolidated sales volume, reaching 473 million unit cases. This growth was primarily driven by strong performances in Uzbekistan, Kazakhstan, and Iraq, while Türkiye and Pakistan, our two largest markets, experienced volume declines of 5% and 1.5% respectively. The overall increase in consolidated volume underscores the strength of our diversified country portfolio, which continues to mitigate market-specific volatility and support sustainable growth. The stills category led growth with a 20.6% increase, while sparkling beverages contributed with a 4.9% rise. Immediate consumption packs share declined by 110 basis points year-on-year to 28% in the second quarter of 2025, normalizing after last year's sharp increase. On-premise volume share rose by 215 basis points to 31%, maintaining strong momentum across most markets.

In the second quarter of 2025, we recorded consolidated revenue of 48 billion Turkish lira, with a decrease of 2.6% compared to the same period of last year. Our gross profit margin declined by 274 basis points to 35.4% in line with expectations due to the cycling of a low-cost base, which will gradually phase out in the rest of the year. The EBITDA margin declined by 375 basis points to 19%. Without TAS-29, EBITDA margin realized as 19.8%. Net profit reached 5.1 billion Turkish lira in the second quarter of 2025, down by 30.8% year-on-year due to lower monetary gain versus last year, as inflation levels were significantly lower than in the prior year.

Our first half of 2025 results reflect our continued focus on delivering quality growth and creating long-term value, highlighted by 8.5% volume growth and a 14.2% EBIT margin, excluding TAS-29. We remain on track to achieve our full year guidance, supported by base effects, our diversified portfolio of countries, and our actions to increase our focus on value.

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CCI's consolidated volume in second quarter of 2025 was up by 4.7% at 473 million unit cases compared to the same period of last year, bringing the cumulative sales volume for the first six months to 860 million cases, up by 8.5% year-on-year. The differences in market performances highlight the significance of country-level dynamics in driving total volume.

The sparkling category grew by 4.9% in the second quarter, led by strong growth of Sprite and Fanta, which increased by 16.7% and 7.2% respectively. Coca-Cola™ recorded a more modest increase of 2.3%, yet continued to positively contribute to the category's overall performance.

The stills category surged by 20.6% in the second quarter, accelerating from 8.7% growth recorded in the first quarter, with few stills powering the segment through an impressive 33.2% increase. The water category declined by 10.7% year-on-year, in line with our long-term strategy to gradually reduce low-value-adding segments.

We continue to closely monitor consumer trends and have been gradually strengthening our recruitment efforts by focusing on smaller packs, the on-premise channel, and our no-sugar portfolio, with a clear focus on quality mix, all in line with our long-term strategy.

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In the second quarter of 2025, volume in Türkiye declined by 5% year-on-year to 161 million unit cases, bringing the cumulative six-month volume to 288 million cases, slight increase of 0.5% compared to the same period last year. Sales volume in the second quarter were negatively impacted by the shift of the Eid holiday to the first quarter, consumers declining purchasing power, tighter trade promotions, along with price adjustments and unfavorable weather conditions.

In Türkiye, we continue to prioritize quality mix, and accordingly, the share of immediate consumption packages increased by 84 basis points, reaching 33.8% in the second quarter, on top of 155 basis points increase recorded in the second quarter of 2024. Similarly, the on-premise channel shared in Türkiye increased by 169 basis points, reaching 32.2% in the second quarter.

Türkiye recorded a 4.1% decline in net sales revenue, while net sales revenue per unit case increased by 1%, reflecting gradual improvement in net sales revenue per unit case month-on-month since the start of the year. Excluding TAS-29 adjustments, net sales revenue in Türkiye grew by 31% in the second quarter, while net sales revenue per unit case reached 125.1 Turkish lira, reflecting a strong 38% year-on-year increase. This performance was driven by our continued focus on effective revenue growth management initiatives, supported by close monitoring of consumer purchasing power to ensure affordability, while also keeping a close eye on cost inflation dynamics.

Türkiye operations experienced a year-on-year decline in growth margin due to lower volumes and base effects. Without the impact of inflation accounting, Türkiye's year-on-year declining growth margin was almost halved compared to the decline in the first quarter. This positive trend was also reflected in EBIT and EBITDA, both of which showed similar quarter-on-quarter improvements, reinforcing our progress towards more sustainable and profitable growth. Next slide, please.

Building on the strong 16.1% growth achieved in the first quarter of 2025, our international operations delivered a solid 10.6% increase year-on-year in the second quarter, reaching 312 million unit cases. This solid performance was primarily driven by robust contribution of our Central Asian operations, as well as Iraq.

Excluding Bangladesh, international operations recorded 12.9% year-on-year growth. Challenges in Bangladesh operations continued as the country is experiencing ongoing macroeconomic and political volatility that weighs on consumer sentiment.

In international operations, net sales revenue declined by 1.7% year-on-year to 27.8 billion Turkish lira, while net sales revenue per unit case recorded 11.1% year-on-year decrease. Without the impact of TAS-29, net sales revenue increase was 30.3% year-on-year, and net sales revenue per unit case improvement was 17.9% year-on-year. Due to ongoing macroeconomic pressures and the continued impact of the Middle East conflict, price increases in our international markets were limited or applied cautiously, in line with our focus on affordability and supporting volume growth.

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Our sales volume in Pakistan declined by 1.5% year-on-year in the second quarter, reaching 104 million unit cases. Similar to Türkiye, shift of the Eid holiday to the first quarter contributed to some softness in the second quarter, but more importantly, the short-lived yet impactful tension between Pakistan and India in May impacted overall consumer sentiment negatively. Despite this softness, cumulative volumes for the first half of the year increased to 204 million unit cases, representing a solid 6.9% year-on-year growth. The overall operating environment remains fragile, largely due to the ongoing conflict in the Middle East and the increased competitiveness of local brands.

Kazakhstan achieved a robust 16.7% year-on-year growth, in sales volume in the second quarter, reaching 58 million unit cases. While part of the growth reflects a low base from the previous year, the strong performance in the second quarter was primarily driven by cooler placement, launch of new products and flavors, upsizing of CAN packages, and the expansion of the on-premise customer base, contributing to both volume and immediate consumption growth.

Uzbekistan recorded a strong 44.8% volume growth in the second quarter, reaching 64 million unit cases. This performance was partly supported by a favorable base effect, as volumes had declined by 6.6% in the second quarter of 2024, following the implementation of an excise tax effective 1st of April 2024. In addition, easing inflation and improving macroeconomic conditions have contributed to a more supportive consumer environment, driving demand and reinforcing the country's growth momentum.

Iraq once again delivered strong volume growth of 10.6% year-on-year in the second quarter, reaching 37 million unit cases, building on last year's strong 15.1% growth in the second quarter of 2024. This performance highlights CCI's continued market outperformance, driven by excellent execution and consumer-centric brand strategy.

Now I will leave the floor to Çiçek for the financial review.

Çiçek Uşaklıgil Özgüneş:

Thank you, Karim, and thank you all for joining us today.

In the second quarter, our net sales revenue decreased by 2.6% year-on-year and was recorded as 48.1 billion TL. NSR per use fee declined by 7% year-on-year during the period. So far in half one as well as in the second quarter, Türkiye's inflation rate exceeded the depreciation of the TL, which under inflation accounting led to a lower reported TL contribution from our international operations. Excluding the effects of inflation accounting, net sales revenue grew by 30.8% year-on-year, reaching 49.2 billion TL. With our continued focus on affordability, right pricing, supported by disciplined discount and mixed management, they remain the key to drive growth in second quarter of 2025.

At the beginning of the year, we prioritized volume growth across all markets as a strategic response to macroeconomic challenges and ongoing sensitivity around the Middle Eastern conflict. This approach helped us maintain affordability and support demand. In the second quarter, we began to see signs of recovery on the value creation front, indicating that our strategy is starting to deliver balanced results. This was enabled by positive headline pricing and more effective promotions driven by data and the focus on staying relevant to consumers.

As we move into the second half of the year, we expect this balance between volume and value to become more visible with a rebalancing underway that will drive stronger value delivery while sustaining healthy volume momentum.

On a consolidated basis, gross margin declined by 274 basis points to 35.4% in the second quarter of 2025. While the gross profit margin of our international operations remained stable, Türkiye operations experienced a year-on-year decline in gross profitability due to lower volumes and base effects. Without the impact of inflation accounting, gross margin decline in the second quarter was 239 basis points, a significant improvement from the 451 basis points decline experienced in the first quarter year-on-year. As highlighted in our first quarter webcast as well, this positive result reflects the gradual cycling of last year's low commodity base and solid NSR per unit growth in second quarter, reinforcing our confidence in the continued momentum. Our consolidated OPEX as a percentage of net sales revenue stood at 20.4% of NSR, up by 104 basis points. While the increase in absolute OPEX was modest, the rise as a percentage of NSR was primarily driven by the decline in net sales revenue. Our consolidated EBIT margin was 15.1% in the second quarter, with a decline of 378 basis points. Without

TAS-29 accounting, the EBIT margin stood at 16.9%, reflecting a 350 basis points contraction and a notable improvement in the year-on-year decline compared to the first quarter decline of 552 basis points year-on-year, in line with the trend observed in gross margin.

Our net income was 5.1 billion TL in the second quarter, compared to 7.3 billion in the same period of last year. The decrease in net profit is primarily attributable to lower monetary gains, as inflation levels were significantly lower than in the previous year. Excluding the TAS-29 accounting, net profit amounted to 4.4 billion TL, up by 11.9% over last year.

So today, this morning, I read the analyst reports following our second quarter results, and I fully understand the concerns raised around our unchanged full-year margin guidance. It is important, however, to unpack what's driving the year-on-year contraction so far, as we have discussed as well.

First item is the NSR. As you know, in the first quarter, as I mentioned, as Karim mentioned, we prioritized volume growth, which puts some pressure on NSR. In the second quarter, we achieved a better balance, and we expect this to be even more balanced in the third quarter. I'm not saying this is not challenging, as we are trying to address consumer affordability and also manage competition from local brands in many markets. But with our RGM initiatives, we are confidently making progress.

Second item is cost of sales. In the first half of last year, especially in our Türkiye operations, cost of sales margin was unusually low, creating a tough base effect. As we have highlighted many times before, this effect should normalize through third quarter and fourth quarter, as it did somewhat in the second quarter. That is why we did not change our margin guidance of slight pressure. These comments, of course, refer to our financials, excluding TAS-29.

On a TAS-29 basis, the picture is a bit more complex. Around 70% of our business is outside of Türkiye, and as long as domestic inflation runs higher than the Turkish Lira devaluation, the indexing of our international operations under TAS-29 has a negative effect on reported growth rates. In our budget assumptions, we expect a more balanced currency inflation relationship and lower inflation in the rest of the year, reducing the difference between TAS-29 and non-TAS-29 financials.

For example, for the first half of this year, our international sales are converted to Turkish Lira at a rate of 18% higher than last year due to U.S. dollar-Turkish Lira change. However, last year's figures, including international sales, are inflated by 35% for comparison, as you know our international operations last year results are indexed this year as per inflation accounting. This means last year's international sales are effectively increased by 35%, while this year's international sales are converted at a rate of only 18% higher USD.

As a result, the inflation adjustment on last year's base combined with a smaller fixed rate increase this year creates a distortion in consolidated Turkish Lira revenue, making growth in international sales less visible in Turkish Lira terms. We want to highlight this effect so that you can understand the true performance behind the numbers.

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On a per unit case basis, consolidated net sales revenue is down by 7% in second quarter compared to second quarter of last year, while in Türkiye, NSR per UC grew by 1% in the second quarter. Consolidated net sales revenue is also being negatively impacted by currency translation effect as the devaluation of Turkish Lira versus international markets currency is lower than the inflation adjustment as I just mentioned. Without the inflation accounting, NSR per UC reached 104.1 Turkish Lira in the first quarter, up by 24.9% year-on-year. In USD terms, NSR per UC has reached $2.7, which is the highest among the second quarters of the last decade, implying a growth of 4.3% year-on-year. With proactive contracts and timely hedges, our cost of sales per UC declined by 2.9% year-on-year in the second quarter. We continue to be very pleased with the cost evolution and cost of sales in general this year while we benefited from proactive contracts and good timings of the market for certain hedges. Subsequently, EBIT per UC is down by 25.7% to 15.3 Liras. Excluding the impacts of TAS29, our EBIT per UC increased by 3.4% in the second quarter.

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As always, we aim to maintain clear visibility on our cost base, enabling us to focus on revenue growth initiatives. In line with our proactive risk management policy, we continue to hedge and pre-buy key raw materials to mitigate volatility. While our 2025 coverage remains strong, 97% for sugar, 80% for aluminum, and 97% for resin, we have also started building our 2026 positions. As of now, we have secured 7% of our sugar needs, 35% of our aluminum exposure, and 17% of our resin exposure for 2026. We are taking advantage of market dips, but leaving some room still to take advantage of any favorable movements in the market going forward. In addition to key raw materials, other cost components, such as labor and utilities, continue to shape our overall cost of goods sold. Given the current market conditions, we remain confident in our hedge positions and coverage. Our disciplined approach continues without exception, and we actively monitor market opportunities carefully, leveraging favorable pricing windows, as I mentioned, to support long-term cost efficiency and margin stability.

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Net profit for the second quarter was 5.1 billion Turkish Lira, as I mentioned before, down from 7.3 billion Liras in the same period of last year. This decline and bottom-line performance was primarily driven by a softer contribution from net sales revenue, as discussed, partly due to negative FX conversion of international operations under inflation accounting. Additionally, lower monetary gains, stemming from a significantly lower inflation environment compared to last year, also weighed on profitability. Financial income expense positively contributed, despite higher share of local currency borrowings, as the FX loss was more benign than last year.

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As a result of our tight financial policy, our balance sheet remains to be strong and flexible. As of end of second quarter, our net debt stood at $885 million of equivalent, with a net debt to EBITDA ratio of 1.36 times versus 1.02 times at the end of 2024. This temporary elevation remains within our comfort zone and does not indicate any structural shift in our financial profile. By the end of the year, we expect to go back to last year's year-end levels. As of 30th of June 2025, 53% of our consolidated financial debt is in US dollars, 5% is in Euros, and the remaining 42% is in Turkish Lira and other local currencies. This marks a significant decline in FX position compared to the previous year, where the share of Turkish Lira and local currency loans were 31% versus 69% hard currency. While our lower FX exposure has naturally led to higher interest expenses, the overall cost of funding has improved meaningfully over the past three years. When factoring in the depreciation of local currencies, our funding strategy has delivered significant progress in reducing total financial costs. Moreover, our diversification strategy expands beyond Turkish Lira to include Uzbek Som, Pakistani Rupee, Kazakhstani Tenge, and Azerbaijani Manat. We have a short FX position after net investment hedge at $110 million USD and before net investment hedge of $556 million USD. We consistently monitor our short position before net investment hedge by benchmarking it against our international EBITDA, ensuring it remains within prudent and manageable levels. The reason is that we repatriate hard currency dividends from international operations and use this to serve our FX liabilities. Over the past four years, we have made substantial progress in reducing our exposure of hard currency loans, not just last year, over the last four years. We brought the share of hard currency loans from 84% in 2021 to 58% today. And although local currency borrowings generally come with higher nominal interest rates, they have proven to be more cost effective overall when factoring in the impact of currency depreciation over the years. Looking ahead to 2025, the majority of our scheduled debt repayments consist of local currency loans or the short-term portion of long-term facilities. We do not anticipate any refinancing risk in this context.

Now back to Karim for his closing remarks, please.

Karim Yahi:
Thank you, Çiçek.

As we do every quarter, we would like to conclude by highlighting one of the key pillars of our CCI playbook. Today, we will share our approach on how we develop and deploy our talent, who are truly the force making our playbook work.

We already have a strong and well-developed employer brand, and we continue to build on that foundation to attract top talent in every country where we are. We are enhancing our reputation as an employer of choice and are recognized as a top employer in Türkiye, Pakistan, and Kazakhstan. Our focus is on inclusive hiring practices and programs like our CCI Next Talent initiative and our Talent Refer Program, which both help us attract diverse, high-potential candidates.

We are investing in shooter leadership through a company-wide succession pipeline powered by data, feedback, and career development plans. We're identifying talent early, supporting them with tailored individual development plans, and encouraging strategic mobility through our international assignments.

We have embedded SMART objective setting and aligned our performance and career cycle with business priorities. Our culture of continuous feedback is supported by tools like PeopleTalk to ensure clarity and growth.

We listen actively to our people through the voice of CCI and engagement surveys, through focus groups, through stay interviews, and are proactively addressing retention risks and continuously improving the employee experience.

At the bottom right of the slide, I'm particularly proud to share with you our level of engagement, which stands at 81%. This level is above global high-performing companies, as well as above food and beverage companies' benchmarks, and all this despite a rather challenging context in our geography. All this work highlights the impact of our efforts and our commitments to building a passionate, accountable, and high-performing organization.

And everything we do is based on our core values of passion, teamwork, integrity, and accountability, which truly forms the DNA of CCI.

Now, we will be happy to answer your questions. Dear Closir Agent, over to you, please.

Moderator:
Thank you. Thank you very much for your presentation. We are now opening the floor for the question and answer session. If you are connected via the phone and you would like to ask a voice question, please press star 2 on your phone keypad and wait for your name to be prompted. If you are connected via the web, you can also ask a voice question or use the option to send the text question. We already have a few questions lined up, so I will start first with Eren Erciş from Yapı Kredi Yatırım. Please go ahead, Eren. Your line is now open.

Eren Erciş:
Hello. Thank you for the presentation. I have three short questions. The first one is, what are the other reasons besides the Eid holiday behind the weaker demand in Türkiye? Could you share further information about smart trends at the 2025 output? And where do you expect NSR per UC recovery in the third and fourth quarters to come from? And my last question, did you implement any wage hike for second half of 2025? Thank you.

Çiçek Uşaklıgil Özgüneş:
We could hardly hear. There was a lot of echo, so I think your first question was whether there are any particular reasons behind Eid in the first half performance. Did I understand it correctly?

Eren Erciş:
Yes, yes. Like, what are the other reasons the weaker demand in Türkiye?

Çiçek Uşaklıgil Özgüneş:
And NSR per UC in the second half, you asked, I guess, right?

Eren Erciş:
Yes, yes. Where the recovery comes from.

Karim Yahi:
So, yeah, thank you for the questions. Look, you know about Eid, what happened between last year and this year is, Eid moves from one quarter to the other, which affected comparability of the second quarter of this year versus the second quarter of last year. So, that's just a pure mechanical effect where the celebration and all the activation, and all the activation, all the consumer activations, all the customer, work that we do, has basically shifted and impacted, not the same quarter this year versus last year. And that has impacted comparability. So, I will leave it to you to actually measure and model, how much is this, but, you can take one week of activities and shift it from one quarter to the other. Now, all this is in the first half of the year. So, that's my first one.

Second question on net sales revenue per unit case. So, again, you may remember that we always speak about net sales revenue per unit case as revenue management, right? So, there are a few things there. One, there is mixed management, pack mix in particular, pushing immediate consumption, small packs, faster than future consumption, which basically helps us recruit consumers and has a higher margin versus the average of the enterprise. Then, from a channel mix standpoint, pushing more on-premise, for example, versus the rest of the portfolio of channels is helping us also, again, recruit consumers because it's mostly immediate consumption packs, as well as, increase and contribute positively to the margins of the enterprise. Third thing is about portfolio, product portfolio, pushing no sugar, for example, fusetea, for example, that have a higher margin versus the average of the enterprise is also a positive contributor to net sales revenue per unit case. Fourth item is trade promotion. How much do we invest into the trade to support commercial activities. And here as well, we have in our hands the tools to decide when to push, when not to push, what to prioritize. The fifth piece is pricing. When we take, when we increase price, when we decide to increase price, we do this. We do it relative to food and beverage inflation in the country. We tend to stay right behind food and beverage inflation, yet right above cost of goods sold per unit case, so that we maintain margins. The combination of all of the above is how we manage our net sales revenue per unit case. Now, first half of the year, second quarter and first quarter versus prior year, what have we done? First quarter, we focused on volume. It means, you know, we decided deliberately not to take too much price. In Türkiye for example, we were active on pricing in some other, geographies, but in Türkiye, for example, we decided not to increase price. We had the same decision in Pakistan to support volume growth. Why? Because we had to recreate the volume momentum that we deserve. The second quarter, and in line with our commitments, during also our earnings release, in April, we deliberately decided to shift our focus from volume-centric plans to value and volume-centric plans, which means that in the second quarter, in Türkiye, for example, we actually started decreasing trade discounts. We started pushing our portfolio towards more immediate consumption. That's why you see the immediate consumption in the second quarter, reaching above 30% of the total mix. We started pushing more the no sugar portfolio, pushing more the on-premise channel, all this helping with higher net sales revenue per unit case realization, as well as margin. Last but not the least, if you go to the market in Türkiye, you must have seen that, in the second quarter, we also decided to increase prices on shelf. And what have we done? In April, we had increased, mostly the future consumption packs, you know, anything above, one liter. And recently, in August, beginning of August, I know it's not Q2, but, just to give you, and to give you a sense of our focus on increasing value, in August, we also have increased prices in Türkiye, this time more on the immediate consumption packages. So all in all, and thank you for the questions, our focus in the second half of the year is going to be to to rebalance, the quality growth that we have, to increase the focus on value, and to create sustainable volume growth. And that is going to come with an accelerated net sales revenue per unit case, as we have seen since the end of Q1, month on month, up to today.

And your last question is related to the second one, I guess, about our 2025 outlook. As my colleague Çiçek said, what gives us confidence in the 2025 outlook? Three things. One is cost visibility and the base effect on cost. It's two things that cannot be underestimated. Base effect on cost is what Çiçek has shared, with a lot of details about last year's favorable cost of goods sold that we benefited from, in particular in Türkiye, in the first half of the year, is fading out in the second half. Therefore, the comparables in the second half are going to be more favorable overall, from a margin standpoint. And second thing is visibility on the cost. As Çiçek said, our hedging policies that basically are giving us the confidence on cost for the second half. And then our portfolio of countries, where all our countries are not going through the same macroeconomic challenges, stickiness of inflation is more a Türkiye force. It is not a force driving the business, for instance, in Central Asia or in Iraq. And last but not the least, again, our focus on the value in the second half, where, as I gave you this example, in August, we decided to increase price at the beginning of the month, and we will continue focusing on being surgical on where do we need to increase price in order to meet our guidance in the remaining of the year to achieve our full year guidance for the full year of 2025.

Eren Erciş:
Thank you. Thank you for your answer.

Karim Yahi:
Thank you.

Moderator:
Okay. Thank you. Thank you very much. I will be now moving to the next voice question from Hanzade Kılıçkıran, JP Morgan. Please go ahead, Hanzade. Your line is now open.

Hanzade Kılıçkıran:
All right. Okay. Hi. Thank you very much for the presentation. I have two questions. The first one is your volume trends that you are experiencing now. So, how are the markets currently, particularly Türkiye and Pakistan, and do you still continue to see strong rebound in serious countries? I think that was the most positive surprise in the results, in my opinion. And the second one is a follow-up on the margin of guidance achievability. I can understand the drivers, and I think, I mean, you have tools to manage the margin, looks like. But what I couldn't really quantify is this NSR per unit case, which is given as low 20s, FX neutral growth. Because when I do my math, it looks like that you need more than 20% price increases in Türkiye in every quarter. So, do you think you can do this? I mean, is Türkiye ready for, I mean, sizable price increases if there is not going to be a significant change in the IC packages, of course.

And your cost base is the second driver you highlighted. But your low cost base continue until the end of third quarter, and the fourth quarter seems to be the quarter that you may see the real impact. Am I right? I mean, so in the fourth quarter, you target a good margin to cover all these first nine months, relatively weaker performance. Thank you.

Karim Yahi:
So, I'm going to start, and then my colleague Çiçek is going to help. So, volume trends in our markets, we don't go into details on this, as you know. But overall, whatever trends that we have seen in the past remain the same. We still see stickiness of inflation in Türkiye. We still see pressure on affordability in Türkiye. We still see Pakistan slowly coming back, you know, because of the higher level of poverty in the country. But again, lower inflation in the market, helping us plan better for the future. Central Asia is stable, Iraq is stable. So, overall, I think the portfolio of countries that we have is going to continue, contribute to achieve and deliver our volume guidance for the entirety of CCI.

Hanzade Kılıçkıran:
Karim, thank you very much. I think you had a very strong volume performance, and you have some new plans coming operational now, Azerbaijan and Iraq. Do you think you can overachieve your guidance on the volume side?

Karim Yahi:
Oh Overachieve! We will celebrate it when it happens. Right now, I'm focused on delivering the guidance, but, you know, I appreciate the vote of confidence. Thank you.

Hanzade Kılıçkıran:
No, but the plans, can they be positive trigger in your volume in the second half? Because I think Azerbaijan is operational now, and Iraq is going to be operational, right?

Karim Yahi:
Look, we are investing, not only for this year, but for the future, right? So, whatever additional capacity we are creating in Azerbaijan and Iraq is online now, yes, but it's also, more importantly, going to be online for the future, for next year and the years after. But again, Hanzade, our intention is, at CCI, always to push ourselves, beyond, what we see in the marketplace. And, we are leaders, and we want to continue being leaders.

Çiçek Uşaklıgil Özgüneş:
Hanzade, let me just elaborate on what Karim has said. Over to your questions, and to echo what Karim has said, yes, the new plans actually were already embedded in our guidance, because they were already, you know, we knew when they were going to be operational, when we were doing our budgets, and when we were giving our guidance. So, they are not new surprises. But, yes, in Central Asia, demand is particularly strong. So, it is very good that we have managed to get these lines operational in Azerbaijan, and in Iraq as well, and also in Central Asia and Kazakhstan. So, that's very important for us to continue with it. In terms of our guidance, and I read your report, thank you for the very good coverage. As we discussed, we have a lot of visibility on our cost base. So, we are quite confident on our cost base. We have visibility on our OPEX as well. So, there is some improvements that we can achieve in the rest of the year, but it all comes to NSR, as you rightly pointed out. And NSR is not, as Karim also mentioned, is not composed of only one component of price increase on the shelf. There are many aspects like mix management, discount management. And when we talk about discount management, we are not only talking about the discounts to consumers, but also to the trade, etc. So, without impacting the consumer affordability, you can also tighten the trade discounts. So, there are many pillars. It's more complicated than it sounds. Therefore, our aim from the start, we were quite confident in the first quarter as well, to gradually grow NSR per uc towards the end of the year. And that will be the main driver of margin recovery. Having said that, that is the only component that we don't have full visibility

on. Like on cost, as I talked about the coverage of raw materials, etc, we have great visibility. But with NSR, if for some reason demand conditions start to deteriorate, we might choose to not decrease the discounts as much as we planned. So, if there is a risk, I would bet my one token on this. But right now, we are not seeing such a risk, and therefore, we are quite confident that we can still deliver. And as you rightly pointed out, fourth quarter last year, due to a lot of reasons that we also discussed then, had an unusually low base of margins. So, when we look at on a bit inflation accounting, fourth quarter EBIT margin was 0.1%, almost no EBIT in the fourth quarter of last year. And without inflation accounting, it was 5.6%, which was, again, a very low, unusually low number for us. So, especially in the fourth quarter, we will see recovery. And in the third quarter, we continue to see recovery, as we did in the second quarter. But yes, I mean, if demand conditions deteriorate, then we might have to revisit our pricing strategy. But right now, July has gone in line with our expectations.

Hanzade Kılıçkıran:
Okay, thank you, Çiçek. So, Türkiye is the most important market, I think, to achieve this guidance, right? All these NSR issues are Türkiye-related, probably.

Çiçek Uşaklıgil Özgüneş:
In Pakistan, too, a little bit, because of the competition of local brands, pricing is becoming difficult in Pakistan. Overall, in Central Asia, there is no issue, actually, they're over-delivering. But Türkiye is, as you rightly pointed out, is the main decision-maker here.

Hanzade Kılıçkıran:
Thank you very much. That's very clear.

Moderator:
Okay, thank you very much. And Hanzade, my sincere apologies for getting your name wrong. We're very sorry about this. We will now move to the next question from Ece Mandacı, from Ünlü Securities. Please go ahead, your line is now open.

Ece Mandacı:
Hi, everyone. Thank you for the presentation. I have a follow-up, first, about EBITDA margin performance you have mentioned for the second half. So, we are expecting a tighter promotion management. You have already disclosed the price adjustment in August, and that will be an approach of a more balanced value versus volume for the second half of the year. So, would it be possible to say that in the third quarter, both in Türkiye and international operations, would it be possible to see some margin improvement? Or is it just it will be in the fourth quarter that we will see? And I have a question regarding the competitive environment in Pakistan. We are seeing volume declines there, increased competition from local brands, and margin deterioration. So, going forward, will it be a really challenging environment? Will this challenging environment and competition with local brands continue? Will it intensify? And comparably, although you increase your non-Coke volumes like Sprite or Fanta volumes, should we assume that the margin performance is much – there is a dilutive effect – margin performance is much lower compared to the Coke brand? So, should we see, going forward, lesser margins for Pakistan compared to historical average? Thank you.

Karim Yahi:
Thank you for the question. I'm going to kick off and let my colleague Çiçek build on that. Number one on your question about margin, look from the first half, excluding TAS29, of 14.2% EBIT margin for CCI to the full year commitment that we have, excluding TAS29, 16.8-ish, as we had formulated it before. You can do the math, but we have to grow margin every quarter. So, between now and then, it's not only going to happen in the fourth quarter. And we have plans to do that. And we have, fortunately, the portfolio of countries to do that, which, again, I'm reiterating this. It's something not to be underestimated. All our countries do not go through the same macroeconomic and disruption pressures at the same time. Fortunately, Central

Asia and Iraq are more stable, and therefore, we have more predictability and visibility there versus some of the other markets. So, on your question about Pakistan, so what do we see about Pakistan? Overall, I think it's fair to say that the authorities in Pakistan have taken some hard measures to increase collection of taxes in order to create a better macroeconomic environment. And to decrease inflation in the market. And all this is happening now. When this happens, there are a few adjustments in the marketplace. So, when there is less cash in circulation, all of a sudden, there is less money for traditional trade, which is most of our channels in Pakistan, to order from us. And less money for consumers to afford products. So, this happened. In addition, what happened in the past is there was a war that was short-lived, nevertheless important, between Pakistan and India. That has also created tension in the marketplace, with also sometimes some closures of markets and cities. So, that also had a physical impact on our ability to distribute and sell our products. Not to mention the consumer sentiment that was quite negative at that time. Now, regarding the future, we continue to be extremely bullish on Pakistan. Why? Because, it's a 230 million people country, with low per capita. And that's why we continue investing in the market. That's why we have such a big geographical footprint. Out of all this, we have learned for the past year, through the emergence of the local brands, that there are opportunities in rural areas, for instance, that we are not capturing. So, we take this as a learning, and we're going to go back to actually capture these opportunities in the future. But right now, as we measure leadership ratio, which is our share in the market versus the second best, our leadership ratio in Pakistan, as of May 2025, is still 1.1x versus the next best one. So, which gives us confidence in our ability to continue to lead the market, to continue to invest in the market. Nevertheless, again, humility dictates that there are opportunities that the local brands have uncovered, and that's going to be the next phase of growth for us. So, we take this actually as a positive signal about the size of the opportunity market, a confirmation for us, and that's why we continue to be bullish about Pakistan. Regarding margin profile, thankfully, and you may have heard that before, but thankfully, our value chain in Pakistan is 90-plus percent Pakistani, meaning we purchase concentrate locally, we purchase sugar locally, we purchase raw materials for packaging locally. Less than 10% is actually purchased from outside. This gives us visibility on margin. That's why you actually see some fluctuations on margin, because we can then be very dynamic in the way we manage margin in order to grow the business, in order to capture volume, reach more consumers, reach more customers, and it is a low-per-capita market where the success will come over time. But we, through our, again, integrated value chain in the country, are able to manage margins very dynamically in order to invest when we need to invest, and that's why sometimes you see some ups and downs in margins, but overall, the margin that we have in Pakistan, you know, single-digit, is a good level, as long as it pays back for the cost of capital, and the investment we make, and the fixed cost we have, we're happy, and we continue to invest ahead of demand because of the size of the opportunity.

Moderator:
Okay. Thank you. Thank you very much. We'll be now moving to the next question, voice question, from Evgeniya Bystrova from Barclays. Please go ahead. Your line is now open.

Evgeniya Bystrova:
Thank you very much and thank you for the presentation and all the details. It's been very useful and interesting. Just maybe one follow-up on your net leverage. You said during the presentation that you expected to go back to last year numbers, so I was just wondering if you could please elaborate on what do you see as the main driver of that? Thank you.

Çiçek Uşaklıgil Özgüneş:
The main driver, Evgeniya, is the working capital normalization. In the first six months, our working capital is trending higher because there is capex, cash outflow, and not enough cash collection as well, so free cash flow generation is a bit slow. Also, in the first quarter, in order to push the volumes, we have increased the working capital a bit. So, together with capex and the working capital, our free cash generation in the first half has been a bit slower than we

expect. In the second quarter, actually, without inflation, we are looking at a positive – over 3 billion Turkish liras of positive free cash flow generation. But still, this is not enough to decrease the net leverage from one times at the end of last year to a lower level. Therefore, towards the end of the year, with normalization of capex, generation of cash and collection of the cash from the market with lower working capital needs, we will be looking at a de-leveraged balance sheet, just pure from operational perspective.

Evgeniya Bystrova:
So, shall we assume that short-term debt will basically decrease because of working capital improvement, right?

Çiçek Uşaklıgil Özgüneş:
Yes, that's one of our priorities. Because as I mentioned, yes, in order to manage the fixed exposure, we are also, you know, borrowing more locally, but local currency borrowing is also more expensive, and that is creating cumulative impact of additional borrowing. In order to decrease that, we are also being very careful in terms of very tightly managing our net working capital to make sure that we decrease the amount of capital that is tied to operations to a minimum level as much as we can. And therefore, it's our priority to decrease the total borrowings, especially in Türkiye, and that's the trend that I'm confident you will see towards the end of the year.

Evgeniya Bystrova:
Thank you very much.

Moderator:
Okay, thank you. Thank you very much. I will be now moving to the text questions. A few of them are quite similar, so I'm gonna read them back-to-back. So, from Donovan from Steyn Capital, are you still confident in meeting your full-year guidance, and what specifically gives you that confidence? From Zeynep from Ata Invest, do you see a downside risk to the 2025 EBIT guidance with TAS 29? How is the volume and EBIT margin trend July? And from Berk from Tacirler Yatırım, could you provide an update on your full-year guidance and indicate whether there have been any changes compared to your earlier projections?

Çiçek Uşaklıgil Özgüneş:
Okay, let me start with the EBIT guidance with TAS 29. Yes, with TAS 29 right now, the deviation of the first half performance compared to our full year's expectations looks higher than without TAS, but that's because of higher inflation in the first half of the year. And towards the end of the year, we expect deceleration of inflation. And if this happens, the TAS 29 and non-TAS 29 financials will converge. Therefore, we will be able to deliver closer performances. And therefore, we can say that on the TAS 29 guidance, we are similarly confident as we are without the TAS 29 financials. But obviously, here there are two metrics that we cannot control. One is FX from NSR perspective. Second is the inflation rate, which is, as I mentioned, impacting the overall performance. So that said, I want to reiterate again about how confident we are about our guidance. The reason we didn't change our guidance is because we have good visibility on our cost base, and we believe we are in the right path to deliver NSR per uc growth going forward. I'm not saying there is no risk to this. The risk might come from a lower NSR as a result of lower demand from the market if that happens. But since we didn't see it in July, we didn't want to change our guidance because the higher probability for us was that we will deliver our NSR expectations. Therefore, no need to change the guidance. But if for some reason, starting from mid-August towards the end of the year, the NSR performance deteriorates in line with the market dynamics, then we might have to revisit our guidance. That will be a discussion. If it's too much, we can have an intermediate announcement, but usually we announce it when we announce our third quarter results. If that happens, you will see. But right now, with the data that we have, we are seeing that our NSR is performing in line with our expectations.

Moderator:
Okay, thank you. Thank you very much. We are now moving to the next text question. Comes from Omer Kara from Azimut Group. Hi, thanks for the presentation. What contribution do you expect numerically for second half of 2025 and 2026 from new investment in Azerbaijan and Iraq? How did July go in terms of your operations and how do you see the operational environment and pricing power for second half of 2025?

Çiçek Uşaklıgil Özgüneş:
Well, as I said when answering Hanzade's question, these new plans are already embedded in our guidance. Without them, I mean, if there was a delay in having these plans, then we would have a problem meeting our guidance. But now with this additional capacity, we are ready for the future, as Karim also mentioned. And we already covered July performance, so I think this is also covered.

Moderator:
Okay, thank you. Thank you very much. Our next text question comes from Digby Summerhill from Minotti London. You mentioned following F&B inflation and choosing to push market share over margin. However, when will you demonstrate the pricing power of the brands, especially within the Coke portfolio, which must have pricing power as one of the world's most recognized brands? Secondly, can you spill to your three to five year vision of volume and margins to take our quarter to quarter granularity?

Karim Yahi:
Okay, thank you for the question. Look, following food and beverage inflation for us is a must. You know, this is the indicator that we track in every market. The methodology I outlined for you earlier is basically saying that we are always tracking what's happening in the store, and that is food and beverage inflation, right? At the end of the day, you know, our price points in the store are and must be competitive with what the food industry is doing beyond, only the beverage inflation, right? So as a consumer goods leader, we must always keep track of what's happening there in the store. That's food and beverage inflation. Ideally, when you want to be competitive, you don't want to go above or too much above food and beverage inflation. What you want to do is focus on the cost base where you have visibility, you understand the base effects from last year, etc. And you want to be in that sweet spot, right, between or at food and beverage inflation and above the cost inflation overall. And that methodology, we apply it everywhere because at the end of the day, consumer purchasing power is going to be the one dictating demand in the store. So that's in terms of methodology. Now, you know, when we look at pricing power, you may have heard me say in prior calls that we are not really using this terminology. We actually speak about revenue management power, and again, at the expense of repeating myself, revenue growth management and net sales revenue per unit case generation comes from a few things. And I have to repeat this because that is essential to how we look at the business. We look at channel mix, we look at pack mix, we look at product mix, we look at discounts, anything between gross revenue and net revenue from an accounting standpoint. And we look at pricing. So and it is the entirety of all these tools and the iterative nature of all these tools when you put them in the machine that basically gives us our action plan to decide when do we price, when do we push discounts or when do we stop discounts, when do we push one pack versus another pack, when do we push one product versus another product, one channel versus another channel. That is the complexity of revenue growth management. I shared a little bit more about that in prior earnings calls, for the CCI playbook, but that is essential. When we need to, we price, of course, and we're not shy about it. I gave an example about what we have done in Türkiye, in May, even earlier in the year, as well as, in the market, beginning of August. And, if you go to the other markets that we have, it's the same discipline, but it is not about pricing power. We know how to do that. But as a leader in food and beverage, we are disciplined about revenue growth management. And that is revenue growth management power, not pricing power. Regarding, how far we're willing to go, you know, we are not in the business of just getting space on the

shelf at any cost. And I repeat that it's important for us, to repeat ourselves there. We know our commitments towards our shareholders. We know that we have a certain margin profile to deliver. And therefore, we are very responsible in the way we price, in the way we give discounts to the trade to support commercial activities. And we're not in the business of just buying volume at no margin. And that is the modus operandi and our philosophy in all our 12 markets at CCI. I hope my lengthy answer to your very good question was sufficient. If not, I would be happy to follow up on that.

Çiçek Uşaklıgil Özgüneş:
Just to also clarify and add on what Karim has said, when we are saying we are pushing for volume, it means we are pushing to grow the market, to grow the consumption overall in the market, grew consumer pool from the market. We are not necessarily targeting any market share. It's just when the market grows, as a good competitor, as a good player in this market, we benefit from it already. So, when we talk about pushing the volume, we mean growing the overall business in terms of volume generation. But when we talk about value, it comes the pricing and the cost management, etc, together. Just to clarify that there is no misunderstanding.

Karim Yahi:
Thank you, Çiçek. And Digby, the second part of your question was about our three, five-year vision and expectations. We don't disclose this in this course, but the best way to look at the future is to look at our past. Look at our past, if the past 10 years, 15 years of performance, are any good indication and it is available on our investor relations website about how we have grown consistently day in, day out, rain or shine, good days, bad days, growing EBITDA faster than revenue, revenue faster than transaction, and transaction faster than volume. That is what we call our quality growth algorithm. I'm sure you can find it on our investor relations website. Otherwise, our team here can send it to you. But that's the best way to model what the future may look like, just looking at the past. We are here for the long term. We absorb shocks and we know how to deal with them. We invest ahead of demand. We deploy capabilities. We create value in that order for the long term.

Moderator:
Okay. Thank you. Thank you very much. Our next text question comes from Emre İpek from Ata Portföy. How are things going in Bangladesh?

Karim Yahi:
Emre, thank you for the question. Look, Bangladesh, everything that we knew when we acquired, was true. 100 million people in our franchise, you know, that added, 20% to our overall, consumer footprint, moving from more than 500 million to 600 million people overnight. Now, we also knew that we had to invest, because that's the lowest per capita market, NARTD, so non-alcoholic ready to drink industry divided by population is the lowest that we have. You know, it's like close to eight, 10. So, it means that we have to invest. Now, it represents like approximately 2% to 3% pro forma of our total business. And we are investing first in route to market, in processes, in systems, in people to develop this market the right way, implementing our route to market model with distributors, equipping them with capabilities to do their business faster and better. So, that's on the investment side. Now, on the macroeconomic and the local political side, it has been not easy. But again, back to my earlier comment, it's not the first time that CCI enters the market, it is not easy. Since we acquired, there was a change of regime, there was floods, there were new taxes. And right now, it is a market that is still challenging from an overall political standpoint, as well as economic standpoint. So, how things are going to answer your question, challenging markets, nevertheless, confirming the long term value of the market for us, therefore, confirming the excitement we had when we acquired, and therefore continuing to invest for the future.

Moderator:
Okay, thank you very much. And our last text question comes from Pascal Noura from DPAM, what will trigger a return to non-hyperinflation accounting? What is your best guess as to when this can happen?

Çiçek Uşaklıgil Özgüneş:
Well, as you know, technically, the last three years cumulative inflation has to be below 100%. So, probably two years. I mean, this is my humble opinion, but depends on the inflation trajectory, of course. But technically, it has to be lower than 100% on a three year cumulative basis.

Moderator:
Okay, thank you. At this point in time, we are seeing no further questions. So, I'm going to pass the line back to the company for the closing remarks.

Karim Yahi:
Thank you. Thank you, everyone, for your interest, and thank you for the questions. They only help us become better at what we do. Look, our first half results, with 8.5% volume growth and a 14.2% EBIT margin, excluding TAS 29, confirm the strength of our business. And we are committed to continue building on the sequential improvements that we have created month on month and quarter on quarter since the beginning of 2025. And we will be doing everything in our power to deliver our full year guidance. Thank you for your interest. We are at your disposal for any questions you have. See you soon and speak soon.

Moderator:
Thank you and goodbye.