

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 third quarter 2025 financial and operational results. We are here with the management team and today's speakers are the CEO, Mr. Karim Yahı, and CFO, Ms. iek Uaklıgil zgne. 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 third quarter 2025 results webcast. As the operator said, I'm here with our CEO, Karim Yahı, and CFO, iek Uaklıgil zgne. 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 statements. 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 Hyper-Inflationary Economies. The financial figures in this presentation and all comparative amounts for previous periods have been adjusted according to the change in the general purchasing power of the Turkish Lira in accordance with TAS 29 and are finally expressed in terms of the purchasing power of the Turkish Lira as of September 13, 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 over to Mr. Karim Yahı.

Karim Yahı:

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

With the first nine months of 2025 behind us, we continue to execute on our strategic priorities with a clear focus on affordability, balanced volume and value-led growth as outlined at the beginning of the year.

In the third quarter of 2025, we delivered strong results, achieving an 8.9% year-on-year increase in consolidated sales volume, reaching 477 million unit cases. This growth was broad-based with all international markets contributing positively. Central Asia stood out with an exceptional 27% increase driven by continued momentum in Uzbekistan and Kazakhstan.

Our stills category led the volume growth with a 26% increase, while the sparkling category delivered a solid 8.9% growth, reinforcing the strength of our diversified portfolio. We also maintained progress on our quality mix strategy. Immediate consumption share rose by 6 basis points and on-premise share expanded by 62 basis points year-on-year, reaching 30.5%.

From a brand and category perspective, Fusetea grew by 47.9% and the energy segment was up by 42.6% year-on-year. These results reflect our disciplined execution and ability to balance volume growth with value creation despite a challenging context.

Our strong operational performance translated into solid financial results driven by margin expansion and disciplined cost management. In the third quarter, we recorded consolidated revenue of 52.2 billion TL with an increase of 6.7% compared to the same period of last year. Gross profit margin improved by 166 basis points year-on-year, supported by both Türkiye and international operations. EBIT margin expanded by 125 basis points, mainly reflecting improvement in gross margin and operating effectiveness. As a result, net income reached 7.2 billion TL, up 4.2% year-on-year despite lower monetary gains, thanks to enhanced operating profit and tight financial expense management. These outcomes underscore our ability to deliver sustainable bottom-line growth while navigating a challenging macroeconomic environment.

Excluding TAS 29 adjustments, our nine-month results demonstrate continued momentum with 8.6% volume growth and a healthy 16.6% EBIT margin, fully aligned with our focus on quality growth. Over the past five years, our disciplined approach has translated into sustainable value creation with 7% CAGR in volume and 17% top-line growth as well as 17% EBIT growth in US dollar terms.

As we approach the final months of the year, we remain focused on managing volatility and driving profitable growth. We are confident in delivering our full-year EBIT guidance. While net sales revenue per unit case may come in slightly below initial expectations, our volume performance is ahead of plan, and we expect EBIT margin dilution versus prior year to remain within the acceptable range we characterized as “slight” at the beginning of the year.

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CCI's consolidated volume in the third quarter was up by 8.9% at 477 million unit cases, compared to the same period of last year, bringing the cumulative sales volume for the first nine months of the year to 1.3 billion unit cases, up by 8.6% year-on-year. All international markets contributed positively, reinforcing the strength of our diversified geographical footprint. Meanwhile, Türkiye operations recorded a modest decline of 1.7%, primarily driven by a double-digit drop in the water category. This performance is in line with our multi-year strategy to prioritize value-adding categories over low margin segments.

In the third quarter of 2025, the sparkling category grew by 8.9%, led by Coca-Cola™, which delivered a solid 9.1% increase. Fanta also contributed strongly with 14% growth, supporting the category's overall positive performance. The stills category delivered an outstanding 26% growth in the third quarter, accelerating from 20.6% in the previous quarter. This remarkable performance was powered by Fusetea, which surged by an impressive 47.9%, reaffirming its position as a key growth driver in our portfolio.

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 product portfolio, with a clear focus on quality mix, in line with our long-term strategy.

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In the third quarter of 2025, sales volume in Türkiye declined by 1.7% year-on-year to 173 million unit cases, bringing the cumulative nine-month volume to 462 million unit cases, a slight decrease

of 0.4% compared to the same period last year. Although sales volumes remained in positive territory during July and August, supported by favorable weather conditions, volumes declined in September due to deteriorating weather conditions and weakening consumer purchasing power.

Also, it is important to note that volume softness was mainly due to the decline in the water category, which was a deliberate choice. In Türkiye, we continue to consistently focus on driving quality mix. The share of immediate consumption packages remained unchanged at 33.4% in the third quarter, cycling a strong 181 basis points year-on-year increase recorded in the third quarter of 2024. The on-premise channel share in Türkiye increased by 48 basis points, reaching 32.4% in the third quarter.

Türkiye operations net sales revenue declined by 0.9%, while net sales revenue per unit case grew by 0.9%, marking a steady improvement trend since the beginning of the year. Excluding TAS-29 adjustments, net sales revenue in Türkiye grew by 32.3% in the third quarter, while net sales revenue per unit case reached 136.2 TL, reflecting a strong 34.6% year-on-year increase. In US dollar terms, net sales revenue per unit case grew by 10.7%, reaching \$3.35, a 10-year record high. This performance was driven by our continued focus on efficient revenue growth management initiatives, including mix management, supported by close monitoring of consumer purchasing power to ensure affordability, while also keeping a close eye on cost inflation dynamics and optimized trade promotions to sustain competitiveness.

Türkiye operations gross margin increased by 44 basis points, driven by right pricing, a normalized cost base, and effective mix management initiatives, while maintaining a clear focus on balancing value to offset volume softness. Excluding the impact of inflation accounting, Türkiye's gross margin remained stable at 44.2% in the third quarter, bringing the cumulative nine-month gross margin to 38.8%. This positive trend was also reflected in EBIT and EBITDA, both of which showed similar year-on-year and quarter-on-quarter improvements, demonstrating our progress towards more profitable growth.

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International operations maintained its strong sales volume performance as seen throughout the year, delivering a solid 16.1% growth in the third quarter and reaching 304 million unit cases. With this performance, nine-month cumulative sales volume reached 875 million unit cases, up by 14.1% year-on-year. The solid performance of international operations was primarily fueled by strong contributions from Central Asia and Iraq. Despite ongoing geopolitical sensitivities in the Middle East, which continue to weigh on Jordan, Pakistan, and Bangladesh, all these markets still delivered positive volume growth, where we remain agile and consumer-focused, proactively adapting to evolving demand patterns and emphasizing our localness.

In international operations, net sales revenue increased by 13.8% year-on-year to 27.8 billion Turkish lira, while net sales revenue per unit case was down by 2%. Without the impact of TAS-29, net sales revenue increase was 45.1% year-on-year, and net sales revenue per unit case improvement was 25% year-on-year.

Amid ongoing macroeconomic headwinds and the continued negative impact of the Middle East conflict, price adjustments in our international markets were kept limited or implemented cautiously in line with our commitment to affordability and supporting volume growth.

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Although July marked the peak season, operations in Pakistan were temporarily impacted by severe floods, which caused distribution disruptions for approximately one week. In response, we significantly increased our investment in trade promotions to support volume recovery. These

efforts helped mitigate the short-term impact, particularly in a market already facing affordability challenges.

Our sales volume in Pakistan increased by 0.7% year-on-year in the third quarter, reaching 76 million unit cases. Despite the natural disasters and rising political tensions during the year, cumulative volumes for the nine months of the year rose to 280 million unit cases, representing a 5.1% year-on-year growth. The overall operating environment remains fragile, largely due to sensitivity around ongoing geopolitical tensions in the Middle East. At the same time, local brands continue to invest aggressively in the market, intensifying competition.

Kazakhstan's sales volume reached 60 million unit cases in the third quarter, marking a remarkable 24.2% year-on-year growth. This robust quarterly performance brought the nine months total to 174 million unit cases, reflecting a solid 17.4% increase compared to the same period last year.

The stills category remained a key growth driver, while the ongoing expansion of our on-premise customer base further contributed to volume momentum. Despite a deliberate reduction in trade promotions, we managed to achieve market share gains.

Uzbekistan delivered an impressive 36.5% volume growth in the third quarter, building on the already strong 44.8% growth recorded in the second quarter. With this momentum, total sales volume reached 73 million unit cases in the third quarter. This strong performance was fueled by two key factors. One, a supportive macroeconomic environment, with all major indicators showing improvements compared to the previous year, and two, our strong competitive execution, which enabled us to grow ahead of the industry.

While all categories contributed to volume growth, Fusetea stood out with a remarkable performance, nearly tripling its sales volume in the third quarter compared to the same period last year, supported by the successful launch of new flavors.

Iraq once again delivered solid volume growth of 7.8% year-on-year in the third quarter, reaching 42 million unit cases. This marks the 10th consecutive quarter of volume growth in the market, highlighting the consistency of our performance. This strong third quarter performance was primarily driven by the success of Sprite Lemon Mint, which grew by 42.4% and made a significant contribution to the growth in the sparkling category.

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 third quarter of 2025, we have delivered solid underlying momentum despite the dynamic and inflation-challenged consumer environment. Our net sales revenue increased by 6.7% year-on-year and was recorded as 52.2 billion Turkish Lira. NSR per UC declined by 2.1% year-on-year during the period. This was driven by international markets, while Türkiye actually delivered growth in NSR per UC, supported by price increases and a favorable mixed impact. Despite local currency NSR per UC increase in international operations as well, reported figures were affected by TAS-29 hyperinflation adjustments. The average USD-TL devaluation in the quarter remained below the inflation indexation coefficient, resulting in a translation-driven contraction in consolidated NSR per UC. Without inflation accounting, NSR and NSR per UC increase was 40% and 28% respectively.

Our commitment to affordability and right pricing, coupled with disciplined discount and mixed management, was a key contributor to third quarter performance. Consolidated gross margin rose

by 166 basis points to 38.1% in third quarter. International operations saw a strong year-over-year increase of 311 basis points in gross margin. And as Karim mentioned, in Türkiye, gross margin improved by 44 basis points thanks to effective pricing, normalized costs, and product mix optimization. Without the impact of inflation accounting, Türkiye's gross margin remained stable at 44.2% in third quarter, bringing the cumulative nine-month gross margin to 38.8%. In international operations, pre-inflation accounting gross margin expansion was 264 basis points to 34.9%, supported by solid volume growth across almost all of our major markets and disciplined cost control measures.

In the third quarter, our consolidated EBIT margin reached 18.8%, expanding by 125 basis points. This performance is in line with the expected trend we mentioned in our earlier earnings calls, and decreased the year-on-year nine-month EBIT margin contraction in the first nine months to 190 basis points from 380 basis points in the first half. Excluding TAS 29 accounting, third quarter EBIT margins stood at 20.4%, up to 91 basis points year-on-year, marking a remarkable improvement versus previous year.

As we mentioned in our earlier webcast, we have been reducing the FX share in our total borrowings. This strategy implies higher borrowing costs in local currency terms, obviously, but in exchange for lower foreign exchange loss risk.

Nevertheless, the overall benefit is clearly visible at the net income level. This was evident in the third quarter as well, where we successfully decreased the total financial expenses. Strict financial expense management combined with improved profitability supported our bottom line, resulting in a 4.2% year-on-year increase in net profit. And it reached 7.2 billion Turkish Lira in third quarter. This is despite a 45% decline in monetary gain compared to the third quarter of 2024, as inflation levels were lower compared to the prior years. Excluding TAS 29 accounting, net profit amounted to 6.9 billion Turkish Lira, up by 55.7% over last year.

As we discussed, in first quarter, we prioritized volume growth, which put some pressure on NSR. In second quarter, we achieved a better balance. And in third quarter, we found a much healthier volume-value balance, which helped us improve NSR and accordingly margins.

Although it is challenging to balance consumer demand with intensified competition from local brands, our RGM initiatives are helping us steadily advance toward a more profitable and resilient business model.

While in full year, NSR per unit case may come in somewhat below our earlier expectations, posing a minor downside just to the top line. We expect this to be largely offset by the improvement on the cost side. Overall, we continue to anticipate ending the year with an EBIT margin performance that can still be characterized as Karim said, "slight" contraction. This is without inflation accounting. And with inflation accounting, we are confident to deliver the initial margin guidance.

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On a per unit case basis, consolidated NSR is down by 2.1% in third quarter compared to third quarter of last year. While in Türkiye, NSR per UC grew by 1% in the quarter, as I mentioned. Consolidated NSR is also being negatively impacted by currency translation effect as the devaluation of Turkish Lira is lower than the inflation adjustment. Without inflation accounting, NSR per UC reached 115.8 Turkish Lira in third quarter up by 28.1% year on year. In dollar terms, NSR per UC reached \$2.8 in third quarter. This is the highest among the third quarters of the last decade.

With proactive contracts and timely hedges, our COGS per UC declined by 4.6% year on year in the third quarter. And accordingly, EBIT per UC is up by 4.9% to 20.6 TL. Excluding the impact of TAS 29, our EBIT per UC increased by 34.2% in third quarter of 2025.

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As always, we strive to maintain strong visibility over our cost base, which allows us to stay focused on revenue growth initiatives. In line with our proactive risk management approach, we continue to hedge and pre-buy key raw materials to mitigate cost volatility.

For 2025, we have already secured nearly all of our raw material needs. In addition, we have started building our positions for 2026 and beyond, having hedged 39% of our resin, 35% of our aluminum, and 7% of our sugar requirements for 2026. We are taking advantage of the dips, market dips, but leaving some room still to take advantage of any favorable movements in the market. These figures reflect our dynamic and market-sensitive approach, especially in an environment where visibility remains limited and volatility has increased.

In addition to key raw materials, other cost components, such as labor and utilities, continue to shape our overall cost of goods sold. Given 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 to support long-term cost efficiency and margin stability.

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Net profit for the third quarter was 7.2 billion TL, up from 6.9 billion TL in the same period of last year. As inflation levels were lower compared to the prior year, as we discussed, monetary gains declined by 44.9%, which limited net profit growth. Yet bottom line was supported by improved operating profit and tight financial expense management, as I mentioned before.

The share of hard currency-denominated debt in our total portfolio was flattish compared to last year. However, some of the higher interest rate Turkish lira borrowings were replaced with relatively lower cost local currency debt in our other markets, which also does not create a fixed open position. I will elaborate more on this in the next slide. Therefore, we saw a decline in financial expenses.

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As we always highlight, one of our key strengths is our tight financial discipline, which becomes even more important in times of increased volatility and invisibility. This enables resilience and agility. This quarter, too, our balance sheet remains to be strong and flexible. As of end of third quarter, our net debt stood at 580 million dollars, reflecting a significant improvement in our leverage profile. Our net debt to EBITDA ratio declined to 0.8 times compared to 1.4 times in the previous quarter. This was the result of nearly 5 billion Turkish lira of free cash flow generation in nine months.

The free cash flow was positively impacted from improvement in net working capital, besides improved profitability and lower interest costs. Just to elaborate further on free cash flow, it remains a top priority for us. Cash generation is obviously the ultimate measure of our business health, and it fuels growth, supports investments, and protects our balance sheet strength.

Despite all the challenges in our operating markets, we achieved a significant improvement in working capital net worth quarters, which we are quite proud of. This was mainly driven by disciplined management across all components. Naturally, higher volumes helped collections and DSO performance, but as growth normalized in the fourth quarter, maintaining the same discipline will be a key.

Our capacity investments and improving line efficiencies also enabled tighter inventory management. On the payable side, we continue to extend payment terms in a sustainable manner without deteriorating our supplier relationships. As a result, we are delivering a structural improvement in working capital and free cash flow, and this will remain a key management focus going forward as well. While we recognize that quarterly CAPEX phasing will work in the opposite direction in the fourth quarter, we still target a positive full year free cash flow.

As of September 30, 2025, 54% of our consolidated financial debt is in US dollar, 5% in euro, and the remaining 41% is in local currencies, including Turkish lira. While our lower 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 against hard currencies, our funding strategy has delivered significant progress in reducing total financial costs.

Moreover, our diversification strategy extends beyond Turkish lira to include Uzbek som, Pakistan rupee, Kazakhstan tenge, and Azerbaijan manat. This is the beauty of our diversified footprint. And this is what I explained in the previous slide when I was talking about the improvement in financial expense.

We have a short FX position after net investment hedge at \$44 million, and before net investment hedge, which I always like to highlight, \$401 million. We consistently monitor our short position by benchmarking it against our international EBITDA, ensuring it remains within prudent and manageable levels. And right now, it is at a comfortable level for us. And the reason for benchmarking it against international EBITDA is that we repatriate hard currency dividends from international operations and use this to serve our FX liabilities.

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 within this context.

Now, back to Karim for his closing remarks.

Karim Yah:

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

Moderator:

Thank you. So, we will now move to the question and answer section. If you would like to ask a question, please press star 2 on your phone and wait to be prompted. If you're dialed in by the web, you can type your question in the box provided or request to ask a voice question. We'll just wait a moment or two for the questions to come in. Okay. Our first voice question comes from Ece Mandacı from AK Investment. Ece, please go ahead. Your line is now open.

Ece Mandacı:

Thank you very much for the presentation. You have delivered very strong results. Congratulations on that. I have two questions. One is regarding the EBITDA margin generation, and secondly, about the working capital improvement. Firstly, you delivered strong growth in international EBITDA margin, and we have also seen increase on EBIT/uc USD basis or revenue/uc USD basis improvement as well, double-digit improvement. So, would it be possible for you to talk a little bit improvement as well, double-digit improvement? So, would it be fair to

assume that this was mostly driven by the regional mix, maybe higher revenue share of Kazakhstan and Uzbekistan and higher volume contribution from those regions? And secondly, the price adjustment in Kazakhstan, and that also resulted in a better margin. Could we assume like that? And how sustainable is the current high 23-24% EBITDA margin levels for this business? Now, it is only high quarters, peak quarters. So, will this be sustainable for 2026 as well? And how can this be achieved? This is my first question.

And secondly, you delivered strong working capital improvement in the third quarter. And in all metrics, we have seen improvements on their working capital on a Q-on-Q basis. So, on a country-wide analysis, where do you really see at most the working capital improvement? Do the new capacity additions contribute to that? And is this working capital sales level will be sustainable for the coming quarters? What should we assume on that front? Thank you very much.

Çiçek Uşaklıgil Özgüneş:

Thank you, Ece, for your questions. Let me start. And if Karim wants to elaborate, he can also jump in.

On margin expansion, you're right. Geographical mix also had a positive impact. As you know, Central Asia usually tends to have a higher margin. But in the third quarter, we have also seen, as you know, expansion in Türkiye as well. So, it was a more balanced, I would say, contribution. But Central Asia's impact on the total EBITDA has increased, and that helps from a geographical mix point of view.

In terms of 2026 guidance, it is too early for us to comment on it. We are right now actually in the business planning cycle. And there will be certain iterations of it. And then we will be able to present to our board in December. And then we will be able to give guidance to the investor community, probably when we announce our full year results. So, it is very early to say anything on 2026. But our direction remains the same. We aspire to create lasting value. And this lasting value comes from maintaining or expanding our margins. So, next year, we will be continuing to focus on growing volumes, and also making sure that our margins either stay stable or improve. But as I said, it is too early to comment on that. So, I will not be able to answer it in more detail in terms of 2026.

When it comes to networking capital, yes, you're right, we have achieved improvement in all levers of working capital. And main improvements are coming from actually inventory days. There has been significant improvement in inventory. And as you rightly pointed out, increased capacity has also helped from this perspective. So, that limited the requirement to build up stock for the season with the increased capacity. And also our line efficiency has been improving. This is one of the main KPIs of our supply chain team and line efficiencies are increasing. That is also helping with the inventory management as well. And there has been a very, I have to be very frank, there has been a very, very strict follow up on the inventory days, along with all other levers of networking capital. So, this is not a coincidence. It was the result of a very hard work by all teams. And this is coming from a contribution from all countries, but especially from Türkiye and Uzbekistan, I have to say. The main improvement has come from these countries in terms of net working capital. So, I hope this answers your question.

Ece Mandacı:

Thank you very much.

Moderator:

Okay. Thank you. Thank you very much. Our next voice question comes from Hanzade from JP Morgan. Please go ahead. Your line is now open.

Hanzade Kılıçkiran:

Hello. Thank you very much for the presentations and congratulations for the strong performance.

I have two questions. The first one, I really appreciate that you still work on 26 budget, but I wanted to ask about your current experience in the market and whether you see any opportunity to gradually phase out the discount management in Türkiye particularly, so that NSR per unit case may start growing in line with the inflation next year. Do you see any room for this at the moment?

And second, I think this was asked by the previous, I mean, I think it's already asked, but I didn't receive the answer. Have you done any price increases in Central Asia? And do you see room to grow further in Kazakhstan, which has been performing strongly recently and penetration rates are relatively high compared to other markets? Thank you.

Karim Yahi:

Hanzade, thank you for the questions and thank you for the positive note.

On your first question, you know that we manage the business in a very dynamic manner, right? So, we look at context and context translates into inflation and inflation translates into cost increase. So, on one side, we look at what is the cost of goods sold per unit case going to be. On the other side, we look at what is the food and beverage inflation going to be. And, you know, as a methodology, and that is valid for Türkiye, but for all our operations, as a methodology, we want to be managing our revenue per unit case and increase our revenue per unit case above cost of goods sold per unit case increase, and right behind food and beverage inflation. So that on one side, we make sure that margin are protected. On the other side, we ensure that we are relatively affordable versus other food and beverage categories. Well, when it comes to what do we see in the market right now, if you look at Türkiye, for example, food and beverage inflation, you know, last 12 months trading is approximately 35%, right? You know, in the narrative earlier on our numbers, you see that, our net sales revenue per unit case was roughly around that. And the cost of goods sold was actually not too far from that. So, all in all, it is all managing, again, two things. One is affordability, creating the right volume. On the other side, you know, managing to protect margins. So what we see in the market right now, volume overall, in Türkiye for example, in the fourth quarter is going to cycle a very high base. I'm going to take you back in history, last year, in the fourth quarter of 2024, we said, we need to regain volume, that was mission critical. And we did. And as a result of that, we actually expanded a lot deductions from revenue to support the trade. We have done that deliberately, that was a choice. And we continued actually in the first quarter of 2025. So all this to say that what we see in the market right now is overall, from an economic standpoint, as I mentioned, inflation still remains in the 35% overall. That's number one, which puts pressure on consumers as it has eroded purchasing power. And you actually can see overall in September that the categories FMCG overall, NARTD also are not really growing in volume. And that is basically the current context for Türkiye. So within this context, we manage discounts to create the right revenue per unit case so that we can again, cover cost increase, but always aspire to remain right behind food and beverage inflation. Now, this is how we see the end of the year right now, how it will look like in 2026. As Çiçek mentioned earlier, we are right now in the planning cycle for all our markets. But it's fair to assume that context is going to continue to remain challenging. But it's also fair to assume that we will continue with the same methodology

in terms of creating net revenue per unit case, above cost of goods sold per unit case to protect margins, but right behind food and beverage inflation.

Your second question regarding Kazakhstan. In 2025, we actually took two price increases. One was in February, one was in September. Overall average portfolio 10% price increase. Inflation in the local market was or is around 10%. So again, and the cost of goods sold in overall and the cost has been increasing by approximately 10%. So overall, again, pretty much the same methodology as what I described for Türkiye. Within your second question, there was another sub question about, you know, how much more we can grow in Kazakhstan. Well, we have opportunity in Kazakhstan. Clearly, that is the reason why we opened a new greenfield in the market. We said we have to regionalize the opportunity, we have to capture the opportunity. So and you know, we see that the market is responding well to that. And the big learning out of 2025 comes from the fact that we have launched innovations in Kazakhstan. We have expanded the portfolio in flavored sparkling. We have expanded the portfolio in Fusetea with new flavors. And that has really created an entire momentum where we managed to grow faster than the industry. We managed to gain shares, we managed to solidify volume growth. And because these are very profitable categories, also increment margins. So and we want to continue doing that in the future.

Hanzade Kılıçkiran:

Thank you, Karim. That's very clear. So regarding the NSR per unit case in Türkiye, you have started slow this year, but you catch up in the third quarter and probably will be also in line in the fourth quarter. So going into 2026, we will never experience the first half performance of this year, right? I mean, you have done your adjustments now, NSR per unit case should follow the inflation trend.

Karim Yahi:

I mean, rationally, that would be the year to continue implementing the methodology I described, you know, to be right in the band with behind food and beverage, food and beverage inflation, and above cost of goods sold or cost inflation overall. So again, 2025, and end of 2024 were exceptional in the sense that we needed to re-gain volume in Türkiye. And now if you look at our volume trajectory in Türkiye, year to date we're declining slightly. But if you look at the split, sparkling is growing, led by Coca-Cola trademark, stills is growing faster, right? And excluding water, we are in positive territories, right? We're growing at approximately 3% excluding water. And water volume decline is a deliberate choice, because we need to focus on value, creation, sustainable volume growth. And that for us means that we need to be less dependent upon big volume water contribution.

Hanzade Kılıçkiran:

Thank you, Karim.

Moderator:

Thank you. So we'll now move to the next voice question that comes from Maxim Nekrasov from Citi. Please go ahead. Your line is now open.

Maxim Nekrasov:

Yes, good afternoon. Thank you for the presentation and congratulations with quite impressive results. I have a few questions, just to follow up on the fourth quarter. I wonder if you can share maybe some of the trends you observed over the last month, compared to the third quarter, if there's any change in the momentum in any of the markets. And also regarding the margin into the fourth quarter, as was mentioned before, right? We saw a pretty soft margin in the fourth quarter last year, right? So it creates a supportive base. But do you think, considering the improvements that have been done and the more kind of balanced growth, we could reach the levels of basically two years ago, or fourth quarter, 23 in terms of margins this year? And I have also a couple more questions, but maybe we should take one by one. Thank you.

Karim Yahia:

So I'm looking at the margins from two years ago to be sure that I can answer your question properly. But let me first answer or address your first question on what do we see in the market in terms of momentum. So as I mentioned just earlier, with Hanzade, there is softness in the fourth quarter, in terms of volume growth. If you look at our two largest markets, Türkiye and Pakistan, together they constitute approximately two thirds of the business. In Türkiye, again, 35% approximately food and beverage inflation, last 12 months trading, and there was no salary increase in the economy in the second half of 2025. The combination of those two factors has basically created pressure on consumers, as their purchasing power has been eroded. But as a consequence, you actually see in the market overall that FMCG in Türkiye right now is, in terms of volume or in terms of unit growth, is actually not showing growth right now. As FMCG is not showing growth right now, and NARTD, so non-alcoholic ready to drink, is not showing growth right now. So that's a trend that we see that is really shaping what we are doing in Türkiye. Now, Pakistan, on the other side, the work is being done to create a more sustainable economy, right? But it means that, there is, again, a lot of work being done on tax collections, a lot of work being done on the macroeconomic front locally. But the fact is that, between 2020 and 2025, actually, disposable income has not moved. If you look at the statistics, it's pretty much the same disposable income, over five years, when at the same time, inflation or cumulative impact of inflation has caused consumer goods to increase approximately prices by 100%, so 2x, right? So again, in Pakistan, you know, consumers are being squeezed between inflation and the cost of living every day. And on the other side, the lack of disposable income or salary increase that in essence has created a poverty rate that has reached now 45% in the country, right, which is putting pressure on our business. Now, as leaders, we focus on what we can control. And what we can control is how do we go to the market? What do we do with the trade? What do we offer consumers? And on that front, what we do right now is we'll focus again on affordability, right? And in Pakistan, in 2025, until now, we have not taken price, right? We manage trade discounts to our distributors and customers in the best way to ensure that we can have the right finances. But overall, Pakistan is going through difficult times in terms of consumer goods. Now, that is the current trajectory for our two largest markets. On the other side, Central Asia and Iraq are more stable, relatively speaking. And you know, that's why you actually see that there is sustained growth there, and that there is also sustained margin creation there. So hopefully I answered your first question on what do we see in the market right now.

And regarding your detailed question about 2024 margin level, so 2024 full year margin level, that was what, like 16.3%, right, full year, right? We guided towards slight dilution and we are still within the range of this slight dilution versus the 16.3% and that's why we are confident in our guidance.

Maxim Nekrasov:

Understood, thank you. And just on the balance sheet, I just wanted to follow up to the previous questions, in terms of very strong free cash flow and working capital improvements in the third quarter, should we expect some maybe normalization towards the year end, or you see current levels of leverage and net debt in absolute terms as sustainable until the end of the year?

Çiçek Uşaklıgil Özgüneş:

Thank you, Maxim. Thanks for asking this question.

Yes, we want to highlight that because yes, third quarter performance was exceptionally good. There is some significant progress that was made, as I mentioned, from working capital, which is sustainable and will continue towards the end of the year, and going forward as well. But of course, one component of working capital is coming from receivables, and then volumes grow significantly, that really supports. As Karim was also explaining, and as you can sense from our tone as well, for the remaining of the year, fourth quarter, in terms of volume growth, we will see a deceleration in terms of growth year on year, compared to the first nine months performance, still delivering, or maybe even achieving our volume for the full year guidance. But fourth quarter, we will see a deceleration in the volume, and that might impact the DSO slightly. But other than that, on working capital side, we are quite committed to continue with making sure that the progress continues, except for certain unsustainable, like receivables of taxes, etc, that came in in the third quarter, that helped the working capital, that will obviously not continue, but the other sustainable factors of the core working capital will continue.

In terms of the trajectory of the free cash flow for the full year, as I mentioned during my presentation as well, we are committed to still delivering a positive full year free cash flow, but there has been some phasing of CAPEX from third quarter to fourth quarter, so the fourth quarter free cash flow generation will not be as strong as the third quarter. We have to just make the expectations realistic from that perspective. Having said that, we do not expect significant deterioration in our net debt to EBITDA position, so we still expect to end the year with around one times or less, so not exceeding one times, that's our current expectation and aspiration, I have to say.

Maxim Nekrasov:

Understood, thank you so much, Çiçek and Karim, that's very clear, thank you.

Çiçek Uşaklıgil Özgüneş:

Thank you.

Karim Yahi:

Thank you.

Moderator:

Thank you very much. Before we move to the next question, just a quick reminder to the audience, 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 request to ask a voice question or send your question as a text. We have received a text question from Bartu Çolak from Istanbul Portfolio, how would you see your net debt EBITDA level at the end of 2026?

Çiçek Uşaklıgil Özgüneş:

Thank you, Bartu, for the question.

We have a general policy of maintaining our net debt to EBITDA below two times, although there is no covenant at this level, as management we don't feel comfortable exceeding two times given that we are operating in emerging markets, so we have to be flexible on the balance sheet, so that's the upper target. For the floor, we actually don't have a floor, so we can go to even net cash position if that's required, so and that's our general policy. When it comes to our expectations for 2026, obviously it will impact, it will depend on how the EBITDA outlook will be and as I said we will not be able to give any guidance on our EBITDA or free cash flow generation for next year, but as I said again in during my presentation, free cash flow is and will continue to be a priority for us, therefore we still will generate positive free cash flow next year and therefore as a result we should see deleveraging on the portfolio in the absence of any acquisitions, so that could be the outlook I can give without giving too much guidance on 2026. I hope it helps.

Moderator:

Thank you, thank you very much. So maybe just a final reminder for the audience. If you're connected via the phone and 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 request to ask a voice question or send your question as a text. I'll just give a moment or so for any additional questions to come in.

Karim Yahi:

Okay, well thank you for today's call. You have our commitment that we will do everything to deliver our guidance and thank you for your interest and we're looking forward to seeing you soon. We have our Capital Markets Day that is scheduled for the 14th of November in Istanbul physically, where Çiçek and I will be happy to host you. If you want to attend, please contact our team and we're looking forward to seeing you soon. Thank you for your interest and thank you. Have a great day today.

Çiçek Uşaklıgil Özgüneş:

Thank you, bye.

Moderator:

Thank you. This concludes today's call. We are now closing all the lines.