Coca-Cola Icecek

Moderator:

Ladies and gentlemen, thank you for standing by. I would like to welcome you to the Coca-Cola Icecek's conference call and live webcast to present and discuss the 2Q26 financial and operational results. We are here with the management team, and today's speakers are the CEO, Mr. Ahmet Ertin, 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:

Well, good morning and good afternoon, ladies and gentlemen. Welcome to our second quarter 2026 results webcast. As the operator said, I'm here with our CEO, Ahmet Ertin, and CFO, Çiçek Uşaklıgil Özgüneş. Today's remarks will be accompanied by a slide deck, then we will turn the call to over 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 2026 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 general purchasing power of Turkish lira in accordance with TAS 29 and finally expressed in terms of the purchasing power of TL as of June 30, 2026. However, certain items from our finances 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 Ahmet Bey.

Ahmet Ertin:

Thank you, Burak. Good morning and good afternoon, everyone. Thank you for joining CCI's second quarter 2026 results webcast. It is a pleasure to speak with you for the first time as CEO of CCI. Having spent many years with the company, I have had the privilege of witnessing the dedication of our people and the strength of our business across our diverse markets. Our values, strategic priorities, and disciplined approach to execution remain firmly in place. We will continue to focus on sustainable, profitable growth, disciplined capital allocation, and creating long-term value for all our stakeholders.

Our second quarter performance once again highlighted the resilience of our business model and the benefits of our diversified geographic footprint. Despite continued macroeconomic and geopolitical uncertainty across several of our markets, including the impact of the ongoing regional conflict, we delivered another strong quarter and a resilient first-half performance. Supported by the balanced contribution of our operations, we continued to deliver on our Quality Growth Algorithm, turning robust volume growth into value creation across the P&L and converting that value into strong cash generation.

We delivered a solid second quarter, with consolidated sales volume increasing by 9.8% year-on-year to 519 million unit case. Strong momentum across our international operations, led by Pakistan and Central Asia, more than offset the subdued volume performance in Türkiye. Pakistan delivered an outstanding quarter, while Central Asia sustained its strong growth momentum.

In line with our mix improvement strategy, the consolidated Immediate Consumption share improved by 23 bps from 28.0% to 28.2% in 2Q26. Similarly, our on-premise channel continued to gain traction, with its share in total volume increasing to 33.8%. We also continued to increase the penetration of "no-sugar" products within the sparkling category, with their share rising by 84 bps y/y to 3.8%, further strengthening our portfolio mix and increasing the share of higher-margin products.

We delivered a 284 bps expansion in gross margin to 38.2%, driven by improvements in both Türkiye and our international operations. In Türkiye, timely pricing actions, favorable input costs and disciplined cost management supported profitability. Our international operations also delivered healthy margin expansion, supported by solid volume growth and continued cost discipline despite a more moderate pricing environment.

Below the gross profit line, we continued to deliver strong financial performance, with EBIT margin expanding by 287 basis points to 17.9%, supported by stronger gross profitability, disciplined operating expense management across both Türkiye and our international operations, and to a lesser extent, a softer base in the prior year. This translated into an increase in net profit to TL 8.3 billion, supported by stronger operating profitability and lower net financial expenses.

We generated a strong free cash flow of TL 2.3 billion in the first half of the year, or TL 2.5 billion excluding inflation accounting, supported by improved profitability, disciplined capital allocation and lower financing costs.

Finally, while our first-half performance was ahead of expectations, we believe it is prudent to maintain our full-year guidance. The operating environment remains uncertain, with ongoing geopolitical developments, potential pressure from energy and commodity costs, and a competitive market backdrop across several of our geographies. We prefer to retain the flexibility to continue investing in the market where we see attractive opportunities, rather than optimize for a short-term guidance upgrade.

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International operations delivered strong volume growth, led by Pakistan and Central Asia, with positive contributions from all markets.

The sparkling category maintained its growth momentum in 2Q26, delivering a 7.9% increase on top of a 4.9% growth base in the same period last year. Coca-Cola™ outperformed the category, posting an 11.1% growth in sales volume. The stills category, including iced teas, energy drinks and juices, delivered robust growth of 18.5%, primarily driven by Fusetea, whose sales volume increased by 23.9% y/y and remained the key contributor to overall category performance. The energy segment also posted a strong 21.2% y/y growth, supported by the continued solid volume performance of both Monster and Predator along with Predator launch in Pakistan. The water category posted an 18.4% y/y increase in 2Q26, due to low base effect and pre-summer inventory build-up by distributors.

Our mix optimization initiatives continued to strengthen portfolio quality, supported by higher immediate consumption, on-premise and no-sugar mix in line with our commitment to sustainable long-term value creation.

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Türkiye sales volume declined by 1.1% y/y to 159 million unit case in 2Q26, bringing the cumulative six-month volume to 289 million unit case, broadly flat compared to the first six months of last year.

Our increasingly diversified portfolio continued to support volume performance during the quarter. While sparkling volumes declined by 6.6%, Coca-Cola Zero Sugar grew by 16.9% y/y. At the same time, the stills category expanded by 8.8% y/y, led by the continued strong momentum of Fusetea, up 11.0% y/y. The water category increased by 15.1% due to low base of last year and pre-summer inventory build-up by distributors.

Türkiye reported NSR of TL 26.0 billion in 2Q26, down 3.4% y/y. Excluding TAS 29, NSR grew by 28.0% y/y, with NSR per unit case reaching TL 162, up 29.4% y/y. Gross profit, EBIT and EBITDA (excl. other) margins all improved sharply year-on-year, driven by the utilization of previously secured lower-cost raw material inventories, favorable sugar prices, and disciplined cost and operating expense management.

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International operations delivered a robust 15.4% y/y sales volume growth in 2Q26, building on a strong 10.6% growth base in the same period last year. Growth was broad-based across markets, with Pakistan emerging as a standout performer during the quarter, while Central Asia continued to deliver strong momentum. All major categories posted double-digit growth.

NSR increased by 12.3% to TL 41.2 bn driven by disciplined revenue growth management initiatives that balanced affordability with volume growth along with mix optimization and successful product innovations. EBIT margin (exc. other) expanded by 296 bps y/y in 2Q26, mainly driven by a substantial improvement in gross profit margin, while disciplined management of operating expenses provided additional support.

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Pakistan sales volume increased by an impressive 17.0% y/y to 122 million unit case in 2Q26. Growth was driven by Coca-Cola™, successful product innovations, particularly Fanta Pomegranate and Predator, as well as the Eid season. Despite a challenging geopolitical environment, our strengthened competitive market positioning, supported by continued investments in coolers, returnable glass bottles (RGB) and outlet expansion, remained a key competitive advantage.

Kazakhstan delivered 12.7% y/y volume growth, cycling a solid 16.7% growth, supported by commercial initiatives and innovation launches. Growth was broad-based across both sparkling and stills categories, with Fusetea remaining a key growth driver, while the immediate consumption mix continued to improve.

Uzbekistan sustained its strong growth trajectory in 2Q26, with sales volume increasing by 21.1% y/y, following exceptional growth of 40.7% in the first quarter. The operating environment remained highly supportive, benefiting from favorable macroeconomic conditions and multiple demand tailwinds, which continued to underpin healthy consumer demand and business momentum. Commercial initiatives, including product innovations and under-the-cap promotions across both RGB and PET packs, also contributed to the strong performance. Market conditions remained broadly unchanged from the first quarter.

Operating conditions in Iraq remained challenging, with regional geopolitical tensions, oil-related disruptions and lower tourism continuing to weigh on consumer demand. Despite these headwinds, we delivered resilient volume performance, growing sales volume by 1.1% to 37 million unit case in the quarter. Our immediate consumption mix reached 77.2% in 2Q26.

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

Çiçek Uşaklıgil Özgüneş:

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

Building on the strong momentum from the first quarter, we delivered another solid quarter with robust performance across all key financial metrics.

I would like to highlight the quality of the performance. Revenue growth was accompanied by a significant improvement in operating profitability, which also translated strongly into the bottom line, supported by lower net financial expenses.

Net sales revenue increased by 5.7% year-on-year to TL 67.2 billion, bringing the first half revenue to TL 123.3 billion, up 7.9%. When we look at our performance excluding the impact of inflation accounting, the underlying strength of our business becomes even more evident. Net sales revenue grew by 40.7%, while NSR per unit case increased by 28.1%, reflecting our disciplined revenue growth management, effective pricing actions and favorable mix.

Consolidated EBIT margin increased by 287 basis points year-on-year to 17.9%. Excluding TAS 29, EBIT margin reached 19.9%, up 299 basis points year-on-year. The expansion was primarily driven by a significant improvement in gross margin, complemented by disciplined operating expense management. As a result, both our Türkiye and international operations delivered year-on-year margin expansion.

Our bottom-line performance remained strong in the second quarter. Net profit increased by 24.2% year-on-year to TL 8.3 billion, bringing first-half net profit to TL 13.9 billion, up 64.3% versus the same period last year. This performance was supported by stronger operating profitability across both Türkiye and our international operations, as well as lower net financial expenses, while monetary gains remained broadly stable year-on-year. Excluding the impact of inflation accounting, net profit almost doubled to TL 8.2 billion from TL 4.4 billion in the second quarter of last year, highlighting the significant improvement in our underlying profitability.

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Let me briefly walk you through our per unit-case metrics, as they provide a clearer view of the underlying business performance.

On a per unit case basis, NSR declined by 3.7% year-on-year in the second quarter. Excluding the impact of inflation accounting, NSR per unit case reached TL 133.3, up 28.1%, providing a better indication of the underlying revenue trend. In U.S. dollar terms, NSR per unit case reached $2.9, marking the highest second-quarter level in the past ten years.

The real progress this quarter is on the cost side. COGS per unit case declined by 8.0% in the second quarter, reflecting favorable commodity costs, effective hedging and disciplined cost management. This resulted in a meaningful improvement in gross margin. Together with frugal opex management, EBIT per unit case increased by 14.6% and by over 50% excluding inflation accounting.

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Moving further down the P&L, the improvement in operating profitability translated into strong bottom-line growth. Net profit reached TL 8.3 billion in the second quarter, up 24.2% year on year, representing an increase of TL 1.6 billion. The biggest contributor was clearly the improvement in operating profitability.

But there is another element I would like to highlight here. Financial expense management. Despite the high-interest rate environment across several of our markets, lower net financial expenses made a positive contribution to net earnings. This is an area where we have been very deliberate, looking at liquidity and funding increasingly through a consolidated balance sheet lens, rather than managing each market in isolation. So the improvement in net income reflects not only stronger operations, but also better conversion of operating profit into earnings for our shareholders. Monetary gains remained broadly stable year on year. Excluding TAS 29, net profit almost doubled to TL 8.2 billion in 2Q26 from TL 4.4 billion recorded in 2Q25.

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And this brings me to Free Cash Flow, which remains one of our key priorities. We generated TL 2.3 billion of free cash in the first half, marking a significant improvement compared to TL negative

7.4 billion in the same period last year. This strong performance was primarily driven by improved operating profitability and lower financing costs, supported by a meaningful decline in interest expenses. In addition, the timing of capex spending provided a temporary benefit to free cash flow generation in the first half as well. Excluding TAS 29 inflation accounting, free cash flow amounted to TL 2.5 billion.

The positive free cash flow generation we delivered in the first quarter, despite the usual seasonality of our business, provided a solid foundation for our 1H performance. While some capex timing benefited Free Cash Flow strongly during the first six months and is expected to normalize in the remainder of the year, and the continuation of the regional conflict may put some pressure on working capital, however, the fundamentals of our cash generation remain strong. We continue to focus on profitable growth, disciplined working capital management and sustainable cash generation.

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In periods of heightened volatility like today, we deliberately take a conservative approach, prioritizing business continuity while preserving financial flexibility. Maintaining visibility over our cost base is therefore a key priority.

This was particularly relevant during the quarter, as geopolitical tensions in the Gulf region created upward pressure on petrochemical-linked input costs. While we observed price increases across certain categories during the second quarter, we did not have any disruptions or delays in our supply chains. This is the most important thing for us.

Our Revenue Growth Management capabilities, together with ongoing supply chain initiatives, provide us with multiple levers to mitigate input cost inflation. In addition, our participation in the Coca-Cola System's Cross-Enterprise Procurement Group strengthens our purchasing capabilities, while our previously secured inventory further cushions the near-term impact of higher input costs.

I can confidently say that we benefit from a broad and resilient supplier base across our geography and our key inputs, anchored by local sourcing capabilities. And executing with local agility, sustainability of supply is the main thing here.

As of August, we have secured a very significant portion of our key commodity requirements for 2026, including over 90% of sugar and resin and 80% of aluminium. We have also started selectively building coverage for 2027 where we see attractive opprotunities, while maintaining flexibility.

As said, resin and aluminum are among the raw materials most sensitive to rising geopolitical tensions in our region. However, we are carefully capitalizing on attractive pricing windows through disciplined procurement and hedging, supporting long-term cost efficiency and margin stability.

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Finally, let me close with the balance sheet. We have always placed strong emphasis on financial discipline, which continues to stand out as one of our key competitive strengths, particularly in periods like today, where geopolitical tensions are elevated and visibility remains limited. Our balance sheet is one of the main drivers of our resilience.

Strong cash generation and disciplined capital allocation have allowed us to maintain leverage below 1x despite continued investment behind growth. As of the end of 2Q26, our net debt was USD 640 million with our net debt to EBITDA ratio improving to 0.7x from 0.8x at the end of 2025.

Our consolidated financial debt remains well diversified, with 54% denominated in USD, 4% in EUR, and the remaining 23% in TL and other local currencies. While our overall FX position has remained broadly stable year-on-year, we have continued to optimize our borrowing structure by increasing exposure to lower-interest-rate markets. This strategic shift has supported a reduction in total interest expenses. Importantly, our diversification strategy goes beyond Turkish Lira, extending into key operating currencies such as the Uzbek Som, Pakistani Rupee, Kazakhstani Tenge, and Azerbaijani Manat, further strengthening the natural hedge within our balance sheet.

We continue to maintain a disciplined FX position. We hedge where appropriate, we match currencies where possible and we limit structural FX short position on the balance sheet. We currently have a short FX position after Net Investment Hedge at only USD 78 million. And before net investment hedge of USD 325 million. We consistently monitor our short position by benchmarking it against our international EBITDA right now it is 0.5 times, 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.

The majority of our scheduled debt repayments in 2026 consist of local currency loans or the short-term portion of long-term facilities. Therefore we do not anticipate any refinancing risk in this context.

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

Moderator:

Thank you very much. So we'll now move to the question and answer section. If you would like to ask a question, please press star two on your phone and wait to be prompted. If you are dialed in via the web, you can type your question in the box provided or request to ask a voice question. We'll just wait a moment for the questions to come in. Our first question comes from Maxim Nekrasov from Citi. Your line is open. Please go ahead.

Maxim Nekrasov:

Yes, good afternoon. Thank you so much for the presentation. I think the most important question and topic I wanted to discuss is the guidance or the lack of any guidance upgrades. So I was wondering if you can help us to reconcile very strong results we saw in the first half and the lack of guidance change both on the volume side and on the margin side. I'm interested in particular, are there any signs in July and August that prevents you from changing the guidance and whether you see some reversal on the volume side and some moderation? And on the margin side, flat

EBIT margin guidance for the full year basically implies a four percentage point decline in the second half of the year. Is this what you are guiding for or you just prefer to be cautious, but there might be upside risk to your full year margin? Thank you.

Ahmet Ertin:

Thank you, Maxim. I will try to cover some part of that, and I will ask Çiçek as well to support me. I mean, we try to cover that one during the presentation as well. While first half performance was strong, particularly in our international markets, we remain prudent on the second half. We benefited from a relatively favorable cost environment in the first half, while we expect higher raw material, energy, and distribution costs across our markets going forward. At the same time, pressure on disposable income makes affordability increasingly important. We many, many times we underline that we are operating in a low per capita market, so that's something that we have to watch out always. And we want to continue investing in our markets and execution to sustain volume momentum. While the strong first half may provide some upside potential on the margin side, at this stage, we do not see it as significant enough to justify a revision to our full year guidance. Overall, we believe our current guidance appropriately balances the opportunities and risks we see for the remainder of the year. Çiçek, you want to add something on top of that?

Çiçek Uşaklıgil Özgüneş:

Maybe I can elaborate on Maxim's question on July or August. No, actually, we are not seeing anything that would reverse our current trend. It's going in line with our expectations. The volume is still solid, especially in the international markets. I said, as Ahmet also said we are seeing second quarter from just purely, from a base effect perspective, and also because the utilization of the lower cost inventory and the rest of the year, we are facing a higher cost inventory. These are the main reasons why we are not guiding for an upgrade right now. There could be some upside risk naturally especially on the volume side but we didn't see it at a level that would require us to change guidance at this point.

Maxim Nekrasov:

Understood. And just to confirm on the volume side, so basically you do not see material change compared to the previous momentum on the volume side in July, August so far. And just to follow up on specific markets, right? We saw a strong recovery in Pakistan. For example, how sustainable is that? Because the country was quite volatile, the performance there was quite volatile in the previous quarters. So were you able to sustain that momentum going forward?

Ahmet Ertin:

Thank you, Maxim. Again, I lived in Pakistan 6 years, so I love all the questions related with Pakistan always. Pakistan is one of the most important market for us. That is because the population is 215 million official, but I've been hearing from the people that it is around 250 million. One of the lowest per capita with one of the lowest GDP, yet we have a kind of a capacity of 450 million case of production. So that makes Pakistan a critical market for us, where our affordability-focused approach remains a key competitive advantage. Through returnable packs, enhanced cold availability, targeted cooler investments, expanded outlet coverage, and disciplined trade investments, we have further strengthened our market position and consumer penetration. Despite ongoing cost inflation, we have maintained broad consumer access to our brands, supporting both competitiveness and sustainable growth. Looking ahead, we will continue investing in the market to strengthen our position and capture significant long-term growth opportunity. So I could say that, yes, we are in line with our expectation about Pakistan.

Maxim Nekrasov:

Understood. Thank you so much, Ahmet and Çiçek.

Ahmet Ertin:

Thank you. Thank you.

Moderator:

Thank you so much. Our next question comes from Ece Mandacı Baysal from Ak Yatırım. Your line is open. Please go ahead.

Ece Mandacı Baysal:

Hi. Thank you very much for the presentation. And Ahmet Bey, I would like to congratulate you on your new role. And I have also questions regarding your guidance. You have already mentioned your cautious view for the second half regarding volume growth and margins, also highlighting flagging the possible cost pressure or any other uncertainty on the logistics cost. But in your assumptions, have you taken into consideration any potential increase in the volume share of Pakistan operations? Because as far as I know, Pakistan had a relatively lower margin performance in the last couple of years compared to the other markets in Central Asia. So could it be related to also the change in the geographical mix of your revenues? And secondly, in your guidance, you were previously highlighting high single digits CapEx over sales, but the first half trajectory is lower than that. For the second half, should we see a higher capital intensity? And regarding the working capital, you mentioned the potential risks on higher working capital management going forward. For what particular market do you assume such uncertainty or upward risk on your working capital requirements? Thank you very much.

Ahmet Ertin:

Thank you Ece, so much. I will cover the first part, and I will give the second part to Çiçek. So Pakistan, the question is, we have seen some kind of opportunities coming from some countries, and we have seen some risks coming from some other countries, and overall, that's why we haven't changed the guidance. Pakistan is going well, which is in line our expectations, more or less. We keep it aggressive and competitive. That's why I would say, yes, Pakistan mix could be increased. Meanwhile, I mean, this is always having a kind of a diversified portfolio, and each and every country have a specific role at the beginning of the year, and we guide it like this, and we usually share this one with everyone at the beginning of the year. Pakistan is a market that we are looking volume-driven market, because this is the less per capita with the less NSR and the less GDP. So that's why having an expectation that Pakistan is going to increase the volume and getting a kind of increasing the share could be yes. The second part, I am giving the word to Çiçek.

Çiçek Uşaklıgil Özgüneş:

Ece, on Capex, yes, we guided high single digits Capex over net sales revenue for the full year, and in the first half, it is running behind that. And that is the reason when I was covering the free cash flow, with all the excitement about high free cash flow despite seasonality, I also mentioned that there is some phasing of the spend of the Capex. Therefore, we did not give up certain projects. They are continuing, but just their timings have shifted a bit. Therefore, their spendings have shifted a bit as well. So in the third and fourth quarter, you will see more cash outflow due to this pre-approved, pre-aligned Capex. For the full year, our guidance has not changed. Maybe there could be a small reduction in that, but not meaningfully. We are spending, we are buying lines, we are buying coolers, we are expanding our footprint, manufacturing footprint. Therefore, that is still there, so no changes. On working capital I mean, due to the war, yes, we are extra careful on working capital, because as I mentioned when I was covering the commodity part continuing the supply chains without any interruption is the main priority, obviously. And when the war first started, we started building up stock, both finished goods and raw materials, just to make sure that there was no disruption in the operations. And that trend is continuing with a decreasing trend, but that is also having some impact on working capital. And particularly in Türkiye, which you can also see from Türkiye's standalone balance sheet as well the, the biggest challenge on working capital is in Türkiye, and it's mostly due to the channel mix shift as you can imagine. So, we expect this trend to continue. It is more of a structural thing, but when it's combined with higher inventories because of the war that results in deterioration in net working capital. But nevertheless, it remains a core priority for us to decrease it to the levels that we have achieved back in 2021, 2022. So that's the trajectory which we are going. But right now, because of the war, we are seeing some pressure, especially coming from, uh, Türkiye.

Ahmet Ertin:

Just I would like to beat on the second part. So, you know that we have a war in between of the region, and all these new lines, investments are coming from mainly from Europe. So that's why we had some delays. And when there is a delay in the line and whatever, then there will be a delay in the payment as well. So mainly, Çiçek is right. So that delay was mainly because of that one.

Ece Mandacı Baysal:

Thank you for your comments. So for the full year, will the financial leverage ratio of 0.7 times be sustainable?

Çiçek Uşaklıgil Özgüneş:

Yes, we believe it will. I mean, it will definitely be below one time. That's our expectations. Maybe 0.7, 0.8 times. We do not have a specific target for that. But yes, I mean, there will be positive free cash flow generation throughout the year. And with our much-controlled FX shares as well, ethics exposures on the balance sheet, we believe the year-end Net Debt/EBITDA ratio will stay again very low.

Ece Mandacı Baysal:

Thank you.

Moderator:

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

Hanzade Kılıçkıran:

Thank you. Ahmet Bey, congratulations on your new post, and thank you and Çiçek for the presentation. I have 3 questions on operations and your strategy. I mean, as this is your first earnings presentation, what do your top priority focus areas for the first 3 months, and where do you see the biggest opportunities, particularly in the Turkish market? And second, in Türkiye, sparkling category is slowing, and NSR per unit case is down in the second quarter after a very strong Q1. Do you expect this as a temporary setback, rather than a market share loss? So I try to understand what is happening in the second quarter, from a competition perspective and also pricing perspective. And third, on margins, with Pakistan now growing strongly, do you expect any margin dilution in the second half, excluding the cost headwinds because of the increasing share of Pakistan? And when you say Pakistan is performing in line with expectations, I mean, what volume growth are you anticipating for the second half? Thank you.

Ahmet Ertin:

I mean, let me start from the third one. We know the potential of Pakistan. That's why somehow, we have been always expecting, and we are always pushing Pakistan to deliver more volume for the system. And so far, we haven't seen any risk in terms of overall our margin. We are in line with our margin expectation, so year-end margin expectation. Pakistan volume is increasing, but overall, that's not going to create a huge impact on our total margin. Çiçek, you wanna add something?

Çiçek Uşaklıgil Özgüneş:

Yes, I want to add that, like yes, Pakistan is growing. It's relatively lower margin business, but also what else is growing is Central Asia, especially Kazakhstan is still growing, which is the highest profitability market for us. So it is balancing that in that sense. So overall, we are not yet, in theory, the growth in Pakistan should result in some margin dilution because of the geographic mix. But because Kazakhstan and Uzbekistan is also highly profitable, is growing double digits, that is compensating for the growth in Pakistan from that perspective. So overall, the reason that we are maintaining guidance is mostly coming from the base effect and the raw materials and the invisibility around transportation costs, which is impacting the OpEx. But yes, the growth in Pakistan is also coming at an expense of EBIT. Therefore, maybe the top line could have been more subdued with a higher EBIT margin, but that's not what we are preferring because as Ahmet also previously said, Pakistan's role here is to contribute to growth.

Ahmet Ertin:

Yes. I mean, Pakistan, we have a very experienced team, and they really know the value of the business. So then there is a kind of competitiveness. They are focusing on the other items to manage the overall profitability as well. So in terms of OpEx, in terms of discounts, in terms of spendings, they are extremely careful. And so far, in the first 6 months, they really performed well in line with our guidance. I mean, my key focus areas specifically for Türkiye, let me answer first. CCI has a kind of a continuous management strategy, so still we are going to focus on growing the core. Still our core responsibility is quality growth algorithm. But specifically, within the next 3 months or next one year, I will very much focus on 3 things.

Key watch out, the number one is energy and raw material cost and prices and everything, providing the right thing. So Çiçek already explained what we are planning to do. Even though we already had some of our needs for 2027 as well. The second one is always talent, so we need talent to lead our business, to manage our business. And the third one, specifically is how we are going to embed the digital into our daily business, because we want to serve fast, we want to focus on our daily business, and trying to get all these data from the system or digitalize.

Specifically, Türkiye, we are the market leader. Türkiye is doing 30-35% of our total business, together with that 30-35% of our total profit. So as a category leader, as a market leader, we have to grow our business. Our core focus is always increasing the categories. I could say for the last, starting from April, May, June, we didn't decline more than the category. Our decline is less than the category. Still, we are trying to do our best. And to support the business, we are focusing on IC mix, and you already realized that IC mix has increased versus the last year, because every month it's increasing. And the categories that are going to support overall business, like the stills, Fusetea, water, energy, each and every category now showing some positive performance, and we keep focusing on increasing our execution quality. These are more or less the areas that we need to focus on Türkiye.

And the second question, sparkling slowing and NSR you see in terms of pricing and market dynamics. More or less, I covered that question as well. As we were covering a low base versus last year, you might remember that first half last year, by purpose, we focused on the volume growth. We said we need to bring the base, we have to focus on the volume. And then I also read your report, it is really describing Türkiye very well. So we have the benefit of this for the last 3 quarters and 4 quarters. Now it is time to have the real numbers. We already have the 162 TL of an NSR level. And we already, I mean, announced the price increase a month before. July, there was a price increase. I don't see a risk in terms of NSR, and still, we are in line with our guidance. So that's all I can say for the moment about Türkiye.

Hanzade Kılıçkıran:

All right. Thank you very much, Ahmet Bey. So you say, I understand there is no market share loss in the Turkish market, so you don't see extra competition in the Turkish market. That's just like the market itself kind of slowing in the sparkling category, right?

Ahmet Ertin:

Yeah, declining less than the category, yes.

Hanzade Kılıçkıran:

On Pakistan, I know you don't want to give any number, but after 17% growth in volume in the second quarter, is it also reasonable to assume like 10%, double digit, I mean, volume growth in the second half?

Ahmet Ertin:

I mean, that's what I will expect from Pakistan. There is a market with a population of 215 million officially. We have a capacity of around 250 million cases. So we have the lines, we have the people, we know what to do. We invest in coolers, glass and everything. We are pushing our team to bring more. Yet also there is guidance for them that while you are doing it, try to do everything in balance. We are still expecting them to make profit as well. Pakistan is a tough case. I would explain, it's very important for the region. It is very important for the CCI because of its potential.

Çiçek Uşaklıgil Özgüneş:

Hanzade, maybe I can elaborate a little bit on that. Like, as you know, we don't give country-wide guidance except for Türkiye. For Pakistan, it is a challenging market in the sense that it is still very focused on affordability, and there are some local players who are playing the game of affordability. Right now, we are at a level that from an indexation perspective, the brand itself, our brand with all the brand value, is at the right index level. Therefore, the consumer pool is very high, together with our good execution. We expect this to continue, but we cannot really predict if this will turn into a price war at one point. But as Ahmet was saying, we are trying to do a balance, and we will not go all in if there is a price war. So therefore, it is very difficult to put a number on Pakistan. Certainly, we have certain expectations, and yes, they are looking double digits right now. However, we prefer not to give a certain guidance on Pakistan at this time.

Hanzade Kılıçkıran:

All right. Thank you very much, Ahmet and Çiçek.

Ahmet Ertin:

Thank you.

Moderator:

Thank you very much. Just a reminder, if you would like to ask a question, please press star 2 on your phone and wait to be prompted. If you are dialing via the web, you can either type your question in the box provided or request to ask a voice question. We'll just wait a moment or 2 for more questions to come in. Our next question comes from Mehmet Yiğit Yorulmaz from Ünlü & Co. Should we expect a stronger price mix in international markets in second half to support the flat to mid-single-digit consolidated net sales revenue per unit case guidance?

Çiçek Uşaklıgil Özgüneş:

I mean, you should expect a stronger price mix from all markets. In the first half, the price mix, as Ahmet was also telling, we wanted to support the volumes as well. So in the second half, you will see the price mix balanced across all markets, not only international markets, but also on the Türkiye side.

Moderator:

Thank you so much. Our next question is a text question from Juan Cantus from Cobas Asset Management. How much positive impact you seen from the World Cup? Do you plan for higher net sales revenue per unit case in US dollars in the second half of the year?

Ahmet Ertin:

I will cover the first one. I mean, definitely, yes, we have seen the positive impact of the World Cup. We mentioned this in 2 ways. First, we said that we are heavily investing in the DME to not miss that kind of big occasion. And meanwhile, 4 of our countries joined the World Cup. Unfortunately, all of them were eliminated in the first quarter. We haven't seen the benefit more. And during the presentation, we shared that almost in all our countries, our IC mix increased. So basically, this World Cup incentivizes our IC mix products, the can and all these kinds of initiatives. That helps us a lot. second part, Çiçek, you can cover that one.

Çiçek Uşaklıgil Özgüneş:

I mean, to support the volumes and to keep the momentum, we are looking at applying all the revenue growth management tools to deliver a solid top line to support the volumes. Therefore, in the second half of the year, the NSR per uc will not be lower than first half, but the growth trend will be slower in certain markets than in the first half because some price increases will be postponed, maybe postponed. But this will be a very agile decision as we go looking at how the volume is performing. So right now, we have not made, as you know, any changes to our guidance, so we are confident that we can deliver our NSR per uc guidance as well. But there could be some slowdown in certain markets because of growth coming down to support the volumes.

Moderator:

Thank you so much. Our next question comes from Ömer Kara from Tacirler Asset Management. Firstly, Ömer, thank you so much for your first question. The CCI team has already answered that. Now, regarding your second question. Are you taking sugar tax and competition authority decision regarding the refrigerator into consideration as a significant risk in terms of market share and price increases?

Ahmet Ertin:

I mean, for the sugar tax, this is an ongoing policy discussion in Türkiye around potential additional health-related fiscal measures, including a possible contribution mechanism linked to the Healthy Living Fund. So they are calling this Healthy Living Fund. However, no final framework has been announced at this stage, so it is too early to assess any potential financial impact. It is important to note that the non-alcoholic beverage category already carries a significant indirect tax burden, including special consumption tax in addition to VAT. We fully support the public health objective and believe that the most effective approach should be evidence-based, holistic, and developed through broad stakeholder consultation, considering existing taxation, consumer affordability, and overall economic impact. So we continue to monitor the regulatory process closely and engage constructively with relevant stakeholders. From an operational perspective, our diversified portfolio, growing low and no sugar offering, package architecture, and revenue growth management capabilities provide us with flexibility to adapt to different regulatory and consumer environments. Yeah, and ultimately, any potential impact will depend on the final scope, tax base, and implementation timeline of the regulation.

And competition boards, I mean, yes, we have a kind of new set of requirement. I mean, I could say with the competition board that I was in Türkiye at that time, the first time that we had these kinds of requirements. Since then, we have been working in line with this guidance. It has been roughly 12 to 13 years, I think, the first time that we have some kind of a requirement as of 2013, if I'm not wrong. But since then, yes, we know how to lead our business in line with the expectations of the authority. And I'm confident that we are going to do the same again.

Moderator:

Thank you very much. Just a final reminder, if you would like to ask a question, please press star 2 on your phone and wait to be prompted. If you are dialed in by the web, you can either type your question in the box provided or request to ask a voice question. We'll just wait a moment or 2 for more questions to come in. I'm not seeing any more questions, so perhaps I can hand it back to the CCI team for the closing remarks.

Çiçek Uşaklıgil Özgüneş:

Thank you all for joining and listening. Hope to see you next quarter.

Ahmet Ertin:

Thank you.

Moderator:

This concludes the call for today. We are now closing all the lines. Thank you and have a nice day.