

# ANADOLU EFES – 1H2015 Results Conference Call Presentation

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August 14, 2015

## Forward-Looking Statements

This presentation may contain certain forward-looking statements concerning our future performance and should be considered as good faith estimates made by the Company. These forward-looking statements reflect management expectations and are based upon currently available data. Actual results are subject to future events and uncertainties, which could materially impact the Company's actual performance.

# General Overview & Operating Performance

*by Damian Gammell*



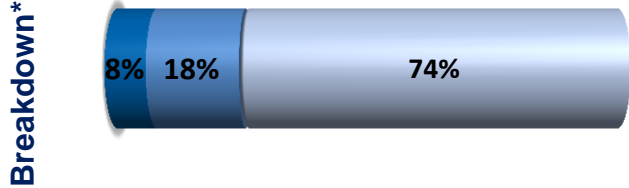
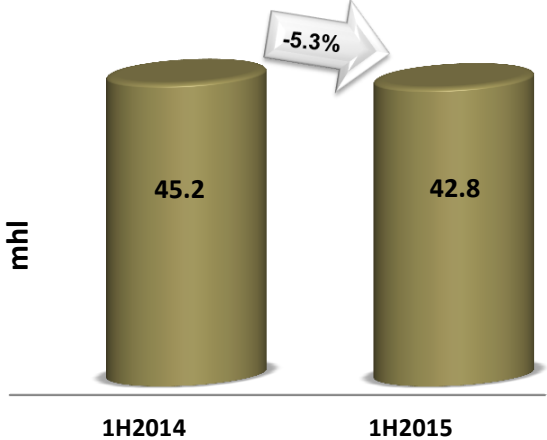
# 1H2015 Key Highlights

- ✓ Flat revenues y-o-y despite one-off factors, such as the Ramadan impact and destocking
- ✓ Net sales revenues impacted positively by;
  - Price increases
  - Positive product & packaging mix
- ✓ Better than expected improvement in margins of international beer segment
- ✓ Positive FCF generation on beer operations despite the shift of Ramadan period
- ✓ Consolidated sales volume momentum improved in the second quarter of 2015 in soft drink business
  - Higher revenue and EBITDA in absolute terms in 1H2015 y-o-y
- ✓ Capacity expansion in CCI;
  - New plants in Pakistan & Kazakhstan; total capacities up by 20% and 30%, respectively
  - Production started in Tajikistan



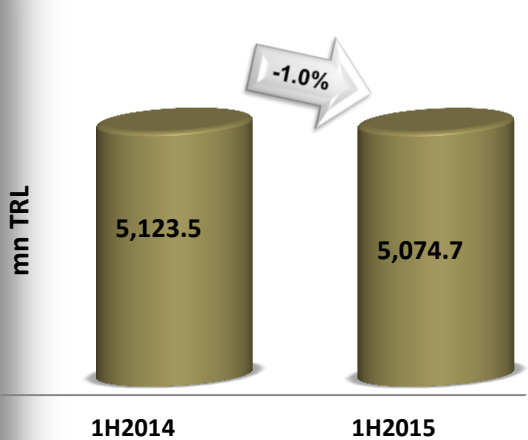
# Consolidated Performance – 1H2015

## SALES VOLUME



Consolidated sales volume was down 5.3% in 1H2015 vs 1H2014

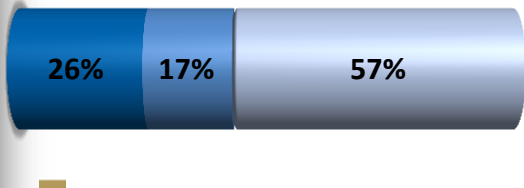
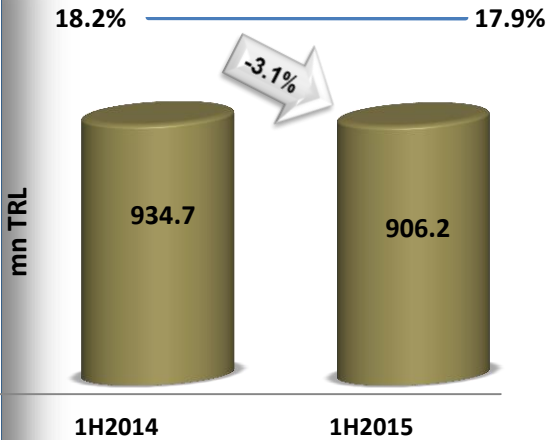
## NET SALES REVENUE



Revenue decline was lower than that of volume, despite devaluation in local currencies of some major markets, assisted by;

- Strong portfolio initiatives
- Prudent pricing

## EBITDA (BNRI)



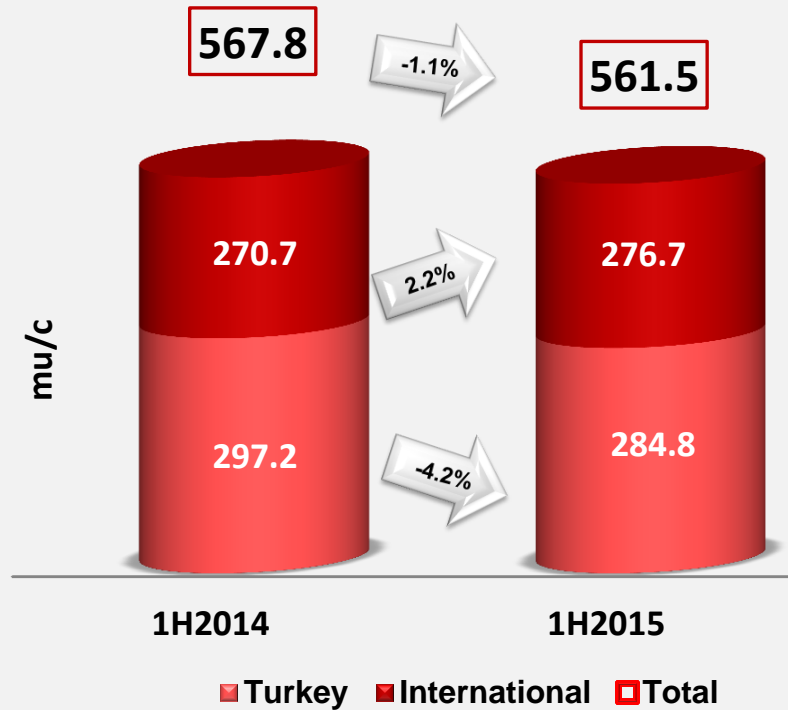
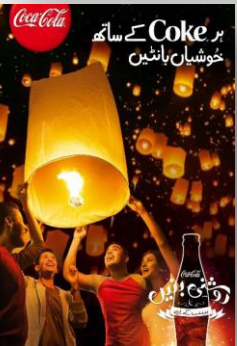
EBITDA margin was 17.9% in 1H2015 vs. 18.2% in 1H2014; mainly due to softer margins in CCI.

Margin improvement in beer operations assisted by;

- Continued cost controls
- Procurement savings
- Tight opex management



# Soft Drinks Volume Development



Consolidated sales volume momentum improved in 2Q2015 as impact of high base of last year is easing gradually

- Volume performance in Turkey started showing signs of improvement in 2Q2015
- Deceleration in volume growth in international operations was mainly attributable to slower growth in Pakistan and Central Asia

# Soft Drinks Strategy

**1** Accelerate Revenue and Margin Growth



**2** Grow Sparkling Category and Per Caps



**3** Selectively Expand Profitable Still Portfolio



**4** Continue to Build and Enhance our Reputation



**5** Build a World Class Organization

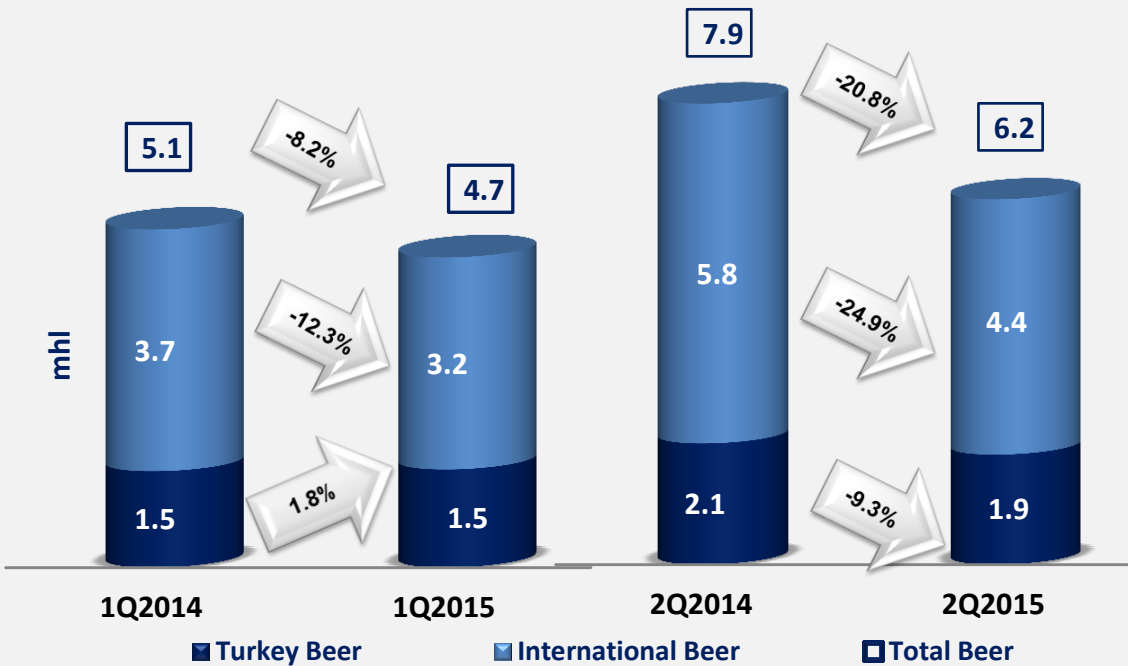


• Winning At The Point of Sales

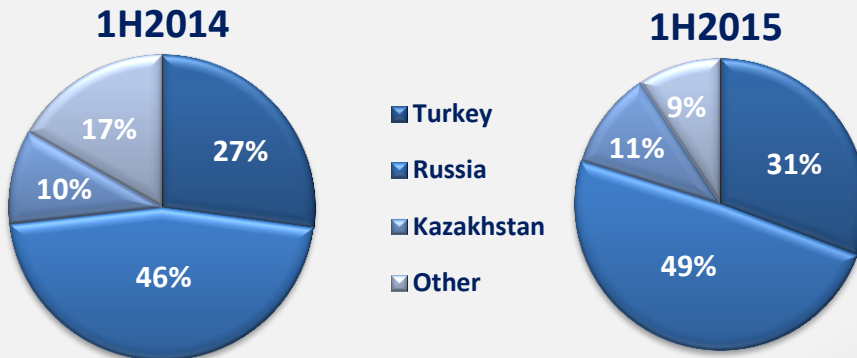
• Sales Force Effectiveness - SFE

• Revenue Growth Management - OBPPC

# Beer Volume Development



## Volume Breakdown\*



- Volumes contracted in 2Q2015 y-o-y in Turkey due to some one-off factors
- We continued to beat our volume targets in our largest market Russia in 2Q2015
- Challenges in other international markets continued
- Excluding Ukraine, EBI's volume decline was 8.7% y-o-y in 1H2015





## B BRANDS

Provide choice and innovation to consumers:  
Grow brand love

## E EXECUTION

Excel in customer collaboration, availability and point of sale activation

## E EFFICIENCY

Build competitive advantage through lean and efficient operations

## R RELATIONSHIPS

Focus on employees, customers, regulators, community and environment



# Engaging With Our Key Stakeholders

## consumers

Creating **brands** that people **use** and **love**



## shoppers

Bringing our brands to life in every outlet in a way that **converts shoppers into buyers**



## customers

Building powerful partnerships with our customers to **win together**



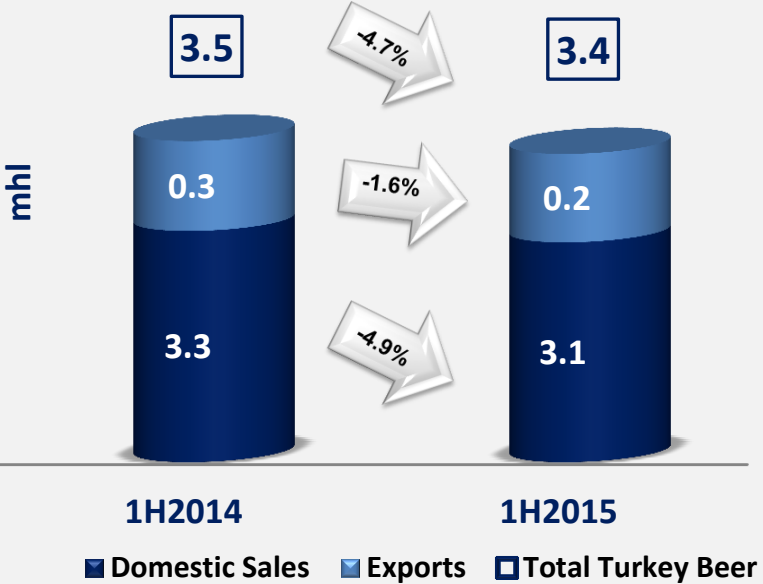
Perfect **brand experience** lived-shared-spread

perfect **shopper experience** every time

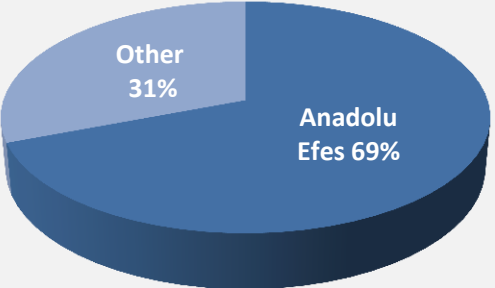
Preferred beer partner to **collaborate for value** of our brands

# Turkey Beer Operations

## Volume Development



## Market Share



Nielsen, YTD June 2015

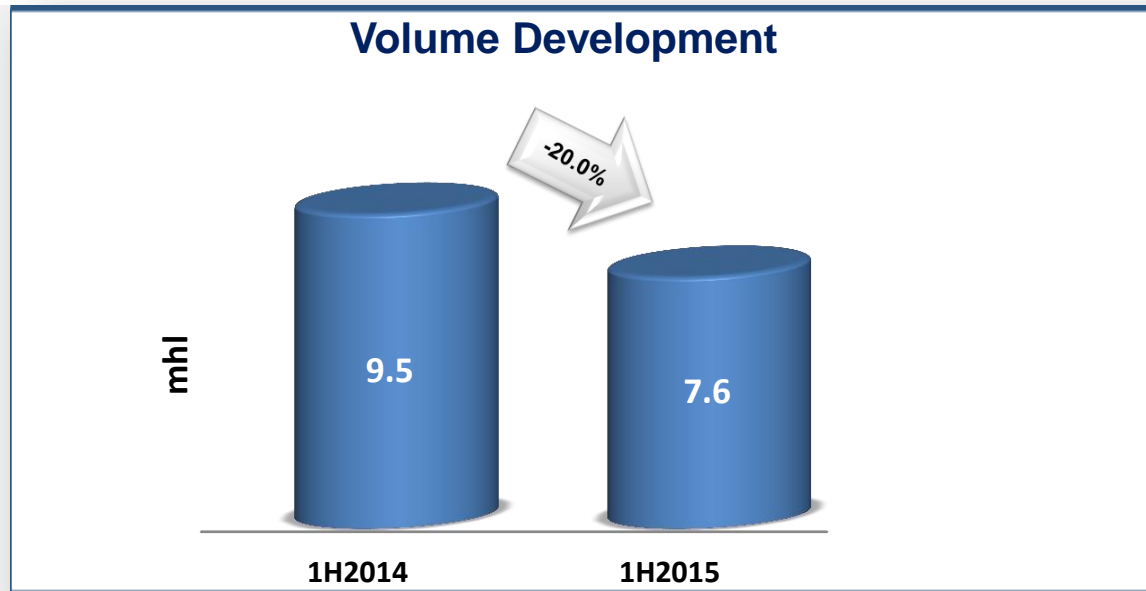
Volumes contracted in 2Q2015 y-o-y mainly due to;

- Earlier Ramadan impact
- Adverse weather conditions
- Slow-down in tourism activity
- Higher shelf prices
- Competition

New launches in 1H2015 include;

- Germany’s famous ‘Weißbier’ brand ‘Erdinger’
- Slim, Sleek & King Cans of Efes Pilsen
- 25cl Slim Can of Efes Malt
- Kozel Dark Keg
- Samuel Adams 75cl Limited Edition
- Two NRB sizes of Amsterdam Navigator
- Newly designed Efes Malt packages

# International Beer Operations



We continued to beat our volume targets in our largest market Russia in 2Q2015

Russian market also performed slightly better than we expected in 1H2015

We achieved stronger growth in our premium portfolio & increased value generation in Russia

The challenges in other international markets continued in 2Q2015;

- Unresolved geo-political issues in Ukraine
- Consumer demand weakness in Kazakhstan
- Political issues in Moldova

Excluding Ukraine, EBI's volume decline was 8.7% in 1H2015

## 1H2015 Portfolio Expansion in Key Markets

Focused on occasions and portfolio opportunities in 1H2015 via new package introductions, flavor extensions and international brands

### Russia :

'Beliy Medved Baskirskoe'  
Beliy Medved Strong and Miller 1 It Cans  
Miller 0.5 It Can



### Kazakhstan:

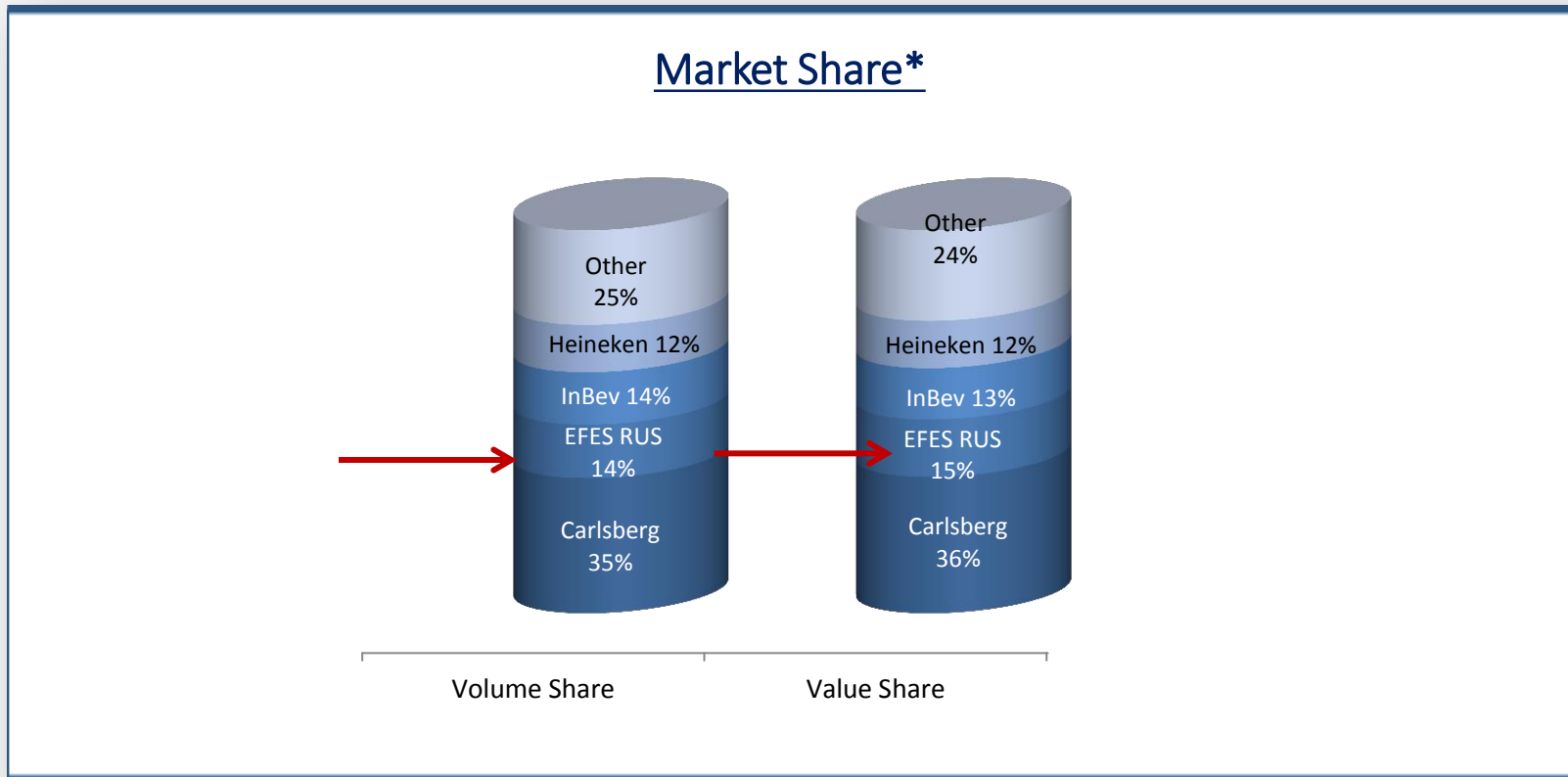
Affordable European beer 'Steininger'  
New economy brand 'Almatau '  
Beliy Medved V Rozliv 1 It Bottle  
Karagandinskoye and Zhigulevskoye 1 It Cans





## Solidified Market Position in Russia

- ✓ Total beer market declined at high single digit level in Russia\* in 1H2015 vs. 1H2014
- ✓ Market share of Efes Russia was flat at 13.9% in 1H2015 vs 1H2014



# Financial Overview

*by Onur Çevikel*



# ANADOLU EFES CONSOLIDATED

## Operational Snapshot – 1H2015 Performance

<b>AEFES</b>	<b>1H2104</b>	<b>1H2015</b>	<b>Growth (%)</b>
<b>Total Sales Volume (mhl)</b>	<b>45.2</b>	<b>42.8</b>	<b>-5.3%</b>
<b>Net Sales (mn TRL)</b>	<b>5,123.5</b>	<b>5,074.7</b>	<b>-1.0%</b>
<b>Gross Profit (mn TRL)</b>	<b>2,228.5</b>	<b>2,159.6</b>	<b>-3.1%</b>
<b>Gross Profit margin (%)</b>	<b>43.5%</b>	<b>42.6%</b>	<b>-94 bps</b>
<b>EBITDA BNRI (mn TRL)</b>	<b>934.7</b>	<b>906.2</b>	<b>-3.1%</b>
<b>EBITDA BNRI margin (%)</b>	<b>18.2%</b>	<b>17.9%</b>	<b>-39 bps</b>

# BEER GROUP

## Operational Snapshot – 1H2015 Performance

	Turkey Beer (mn TRL)		International Beer (mn USD)		Beer Group (mn TRL)	
	1H2015	vs. 1H2014	1H2015	vs. 1H2014	1H2015	vs. 1H2014
Net Sales	759.1	3.3%	413.5	-36.2%	1,829.0	-14.8%
Gross Profit	468.8	-0.4%	195.9	-33.6%	976.7	-12.4%
Gross Profit margin (%)	61.8%	-228 bps	47.4%	186 bps	53.4%	147 bps
EBITDA (BNRI)	243.4	-6.3%	63.1	-27.8%	378.4	-9.5%
EBITDA BNRI margin (%)	32.1%	-329 bps	15.2%	177 bps	20.7%	121 bps

# BEER GROUP

## Free Cash Flow

Beer Group Free Cash Flow (mn TRL)	1H2014	1H2015
EBITDA	409.0	367.8
Change in Working Capital	86.0	(96.4)
Income Taxes & Employee Benefits Paid	(37.4)	(36.5)
CAPEX, net	(182.5)	(132.3)
Other Financial Income /(Expense), net	21.7	62.5
Other investing activities (Acq., Disp., Min. Buy-Out and SC Increases)	(10.5)	(8.9)
<b>FCF</b>	<b>286.4</b>	<b>156.2</b>
<b>FCF (excluding minority buy-out and other investing activities)</b>	<b>296.9</b>	<b>165.1</b>

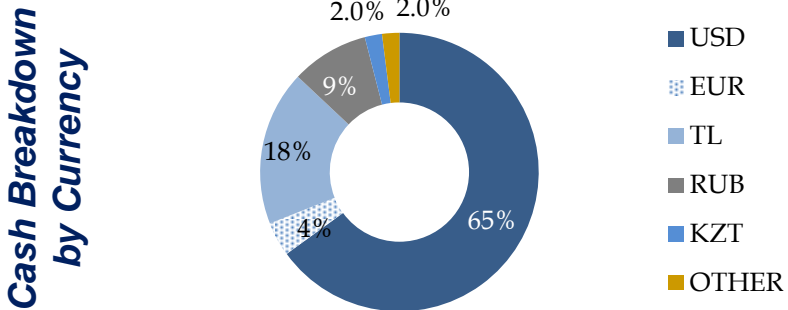
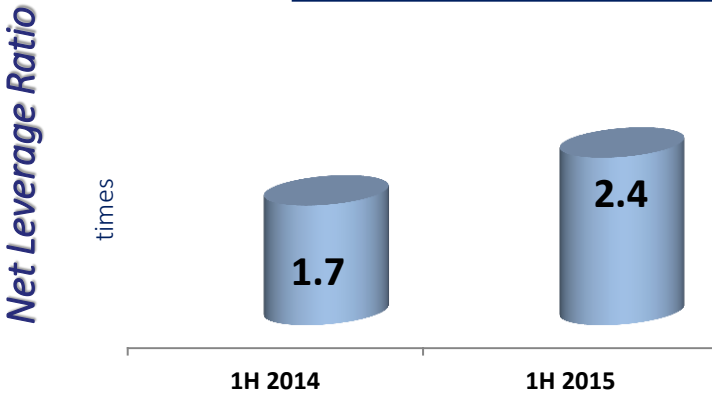
We delivered solid cashflow in our beer operations despite challenges, contributed by;

- Low Capex
- Tight balance sheet management
- Lower interest expense



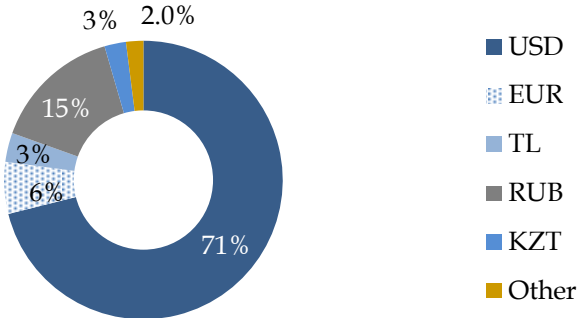
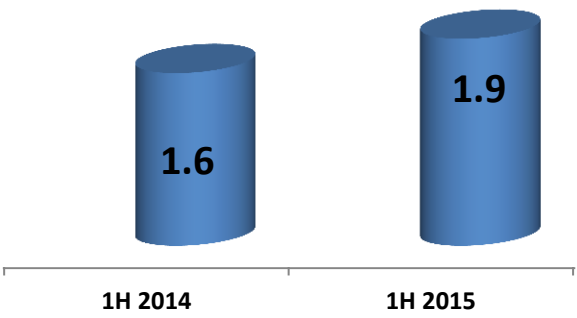
# Balance Sheet Flexibility

## Anadolu Efes Consolidated



		1H2014	1H2015
TOTAL FINANCIAL DEBT	<i>m TL</i>	4,247	5,299
TOTAL CASH & EQUIVALENTS	<i>m TL</i>	1,440	1,277
NET DEBT	<i>m TL</i>	2,807	4,022

## Beer Group

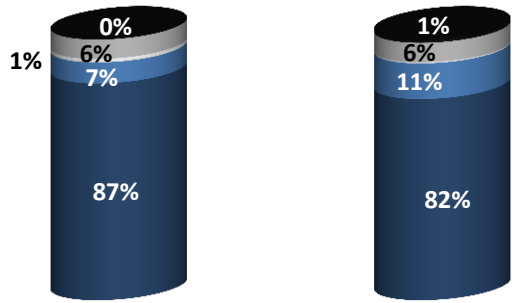


		1H2014	1H2015
TOTAL FINANCIAL DEBT	<i>m TL</i>	1,720	2,173
TOTAL CASH & EQUIVALENTS	<i>m TL</i>	662	793
NET DEBT	<i>m TL</i>	1,058	1,380

# Borrowing Mix

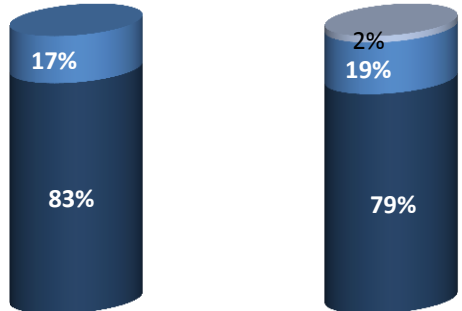
Currency Breakdown

## Anadolu Efes Consolidated



1H2014 1H2015  
 ■ USD ■ EUR ■ TL ■ PKR ■ OTHER

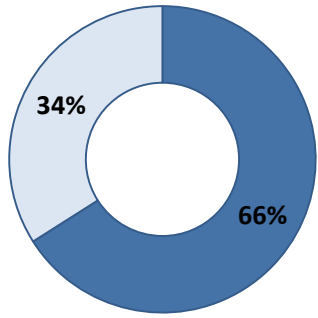
## Beer Group



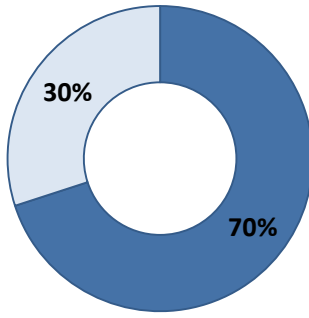
1H2014 1H2015  
 ■ USD ■ EUR ■ TRY

Interest Breakdown

### 1H2014

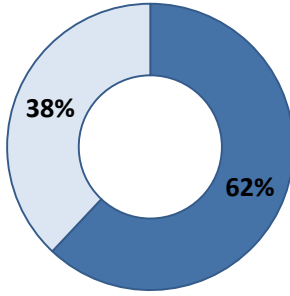


### 1H2015

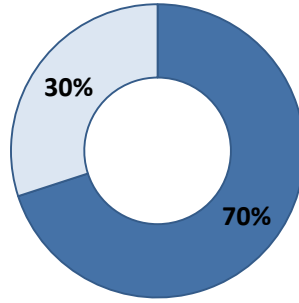


■ Fixed ■ Floating

### 1H2014



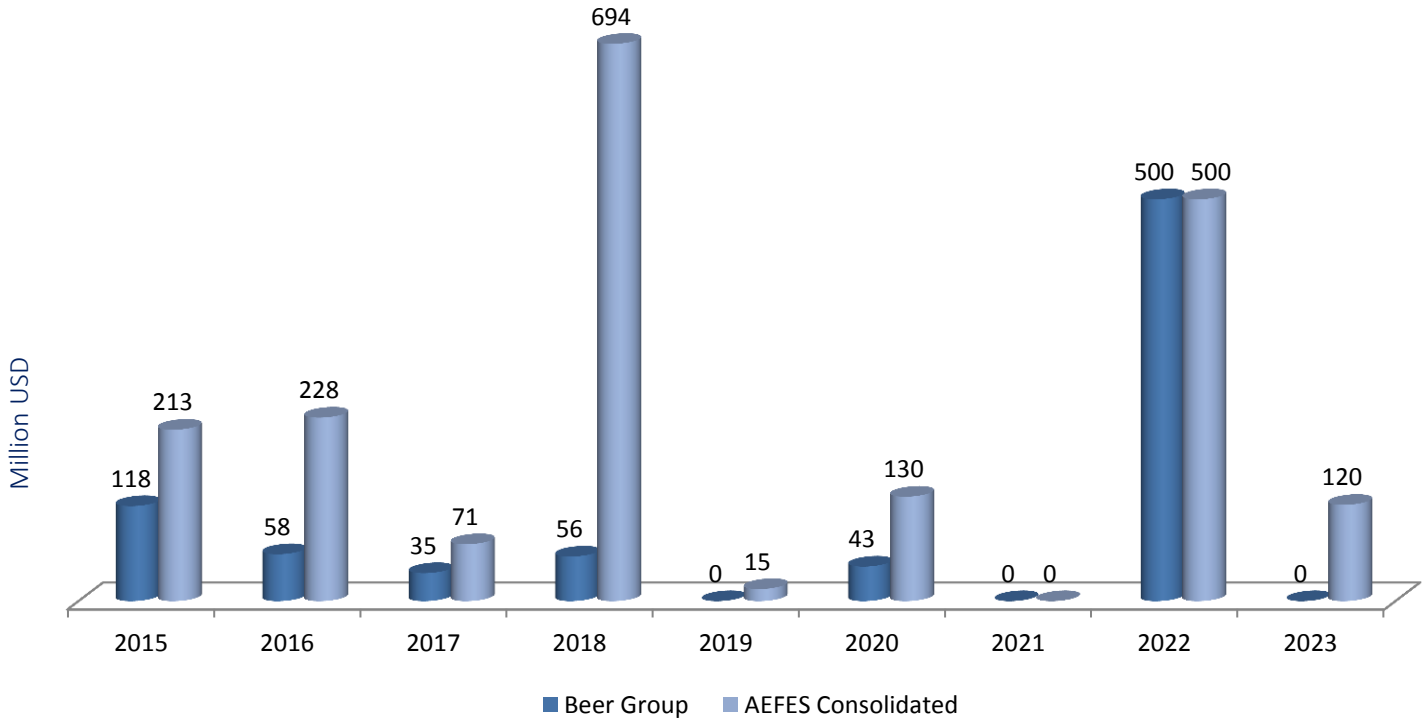
### 1H2015



■ Fixed ■ Floating

# Balanced Amortization Schedule

Maturity Schedule



\* As of 1H2015

Average maturity of the debt for;

- Beer Group is app. 5.2 years
- Anadolu Efes is app. 4.0 years

# ANADOLU EFES CONSOLIDATED

## Free Cash Flow

<b>AEFES Free Cash Flow (mn TRL)</b>	<b>1H2014</b>	<b>1H2015</b>
<b>EBITDA</b>	<b>925.6</b>	<b>895.6</b>
<b>Change in Working Capital</b>	<b>(63.6)</b>	<b>(403.7)</b>
<b>Income Taxes &amp; Employee Benefits Paid</b>	<b>(86.5)</b>	<b>(94.0)</b>
<b>CAPEX, net</b>	<b>(453.4)</b>	<b>(645.1)</b>
<b>Other Financial Income /(Expense), net</b>	<b>(60.2)</b>	<b>80.1</b>
<b>Other investing activities (Acq., Disp., Min. Buy-Out and SC Increases)</b>	<b>(66.3)</b>	<b>(3.7)</b>
<b>FCF</b>	<b>195.5</b>	<b>(170.8)</b>
<b>FCF (excluding minority buy-out and other investing activities)</b>	<b>261.9</b>	<b>(167.0)</b>

## Financial Income / Expense Breakdown

<b>Anadolu Efes Consolidated (mn TRL)</b>	<b>1H2014</b>	<b>1H2015</b>
Interest income	42.2	42.8
Interest expense	(100.8)	(108.1)
Foreign exchange gain	506.8	384.3
Foreign exchange loss	(510.7)	(808.7)
Other financial expenses (net)	(6.7)	(13.6)
<b>Net Financial Income /(Expense)</b>	<b>(69.3)</b>	<b>(503.3)</b>

- ✓ Non-cash FX losses due to borrowings was TRL 534 mn



# Financial Priorities

- Tight balance sheet management
- Commitment to strong FCF generation
- Continued focus on reduction in costs & expenses
- Reduce volatility in P&L due to FX movements
- Optimized capital expenditure
- Deleveraging through strong FCF generation
- Continued commitment to Investment Grade Ratings

# Closing Remarks

*by Damian Gammell*



## Summary

- Managed to deliver flat revenues in 1H2015 vs prior year, despite softer volumes
- Full year consolidated top line will deliver growth versus prior year
- Better than expected improvement in the margins of international beer segment in 1H2015
- Positive FCF generation on beer operations despite the shift of Ramadan period & even stronger positive FCF generation expected in the remainder of the year
- Priorities still the same; driving value generation, limiting the impact of volatility in our markets by enhanced risk monitoring & mitigation, improving the health of our balance sheet and achieving an efficient & lean operation
- Target to improve EBITDA margin on a consolidated basis for the full year of 2015 still maintained

# FY2015 Guidance

## BEER OPERATIONS

### Reason for revision vs previous guidance

Turkey Beer Market → flat	↓	<i>Softer than expected 1H2015</i>
Russian Beer Market → inline or higher decline vs 2014	↑	<i>Better than expected 1H2015</i>
Efes Turkey Volume → in line with the market	<i>reiterated</i>	
Efes Russia Volume → in line with the market	<i>reiterated</i>	
Total Beer Volume → low teens decline	↓	<i>Due to Ukraine</i>
Sales Revenues → lower in absolute terms	<i>reiterated</i>	
EBITDA margin → improve	<i>reiterated</i>	
<ul style="list-style-type: none"> <li>▪ higher positive EBITDA contribution from international beer</li> </ul>	↑	<i>Upward revision in Russian operations</i>
<ul style="list-style-type: none"> <li>▪ slight decline in Turkey beer's EBITDA margin</li> </ul>	↓	<i>Lowered volume assump. &amp; high base of 2014</i>

## ON A CONSOLIDATED BASIS

Sales volumes → flat or decline very slightly	↓	<i>Due to Ukraine and CCI</i>
Sales revenue growth > Volume growth	<i>reiterated</i>	
EBITDA (BNRI) growth > Sales rev. growth	<i>reiterated</i>	
EBITDA (BNRI) margin → expansion	<i>reiterated</i>	
<ul style="list-style-type: none"> <li>▪ higher margins in beer operations</li> </ul>	<i>reiterated</i>	<i>Flattish or slightly lower margins in soft drink operations</i>

## Upcoming Events



October : Goldman Sachs CEEMEA Corporate Days, Stockholm-Frankfurt  
Deutsche Bank Turkey & Emerging Europe Conference, Göcek  
J.P. Morgan Asia & CEEMEA Emerging Markets Corporate Conference, London  
November: Release of 9M2015 Financial Results & Webcast



# LIVING THE VALUES!



.....  
**PASSIONATE  
& PROUD**



.....  
**PROFESSIONAL**



.....  
**ENTREPRENEURIAL**



.....  
**COLLABORATIVE**



.....  
**SUSTAINABLE**

# Q&A





# Appendix



## FX Rates

		1H2014	1H2015	Δ%	2014
USD/TL	AVG	2.16	2.56	18%	2.19
	PE	2.12	2.69	27%	2.32
EUR/TRL	AVG	2.97	2.86	-4%	2.90
	PE	2.89	2.98	3%	2.82
USD/RUB	AVG	34.98	57.40	64%	38.42
	PE	33.63	55.52	65%	56.26
USD/KZT	AVG	176.43	185.25	5%	179.19
	PE	183.51	186.20	1%	182.35
USD/UAH	AVG	10.18	21.25	109%	11.87
	PE	11.82	21.02	78%	15.77
USD/MDL	AVG	13.53	18.07	34%	14.04
	PE	14.02	18.70	33%	15.62
USD/GEL	AVG	1.76	2.18	24%	1.77
	PE	1.77	2.25	27%	1.86