ANADOLU EFES

CONFERENCE CALL TO DISCUSS ANADOLU EFES Q4 2021 RESULTS

Company: Anadolu Efes

Date: 24.02.2022

Participants:

- Aslı Demirel, Head of Investor Relations
- Can Çaka, Beer Group President & Anadolu Efes Chief Executive Officer
- Mr. Gökçe Yanaşmayan, Chief Financial Officer

Aslı Demirel:

Ladies and gentlemen, welcome to Anadolu Efes' last quarter 2021 Financial Results Conference Call and Webcast. My name is Aslı Demirel and I am the Investor Relations of Director of Anadolu Efes. Our presenters today, Mr. Can Caka; the CEO and Mr. Gökçe Yanaşmayan, the CFO.

All participants will be in a listen-only mode. Following the first part of this call, there will be a Q&A session and you will be able to write-down your questions on the question box of your web screen during the presentation. For those who would like to ask question, please write our questions before the Q&A session, because it takes some time for us to seem them on our screen.

Just to remind you, this conference call is being recorded and the link will be available online.

Before we start, I would kindly request you to refer to our notes in our presentation regarding forward-looking statements.

Now, I'm leaving the ground to Mr. Can Çaka, Anadolu Efes CEO. Sir?

Can Çaka:

Thank you, Aslı. Good afternoon to all. I'm very happy for the full year financial results call. Obviously, this is not a great day to talk about the operations, actually yesterday we reported our very solid results for 2021 and yesterday basically what they were thinking and contemplating to highlight this call talking about our solid results what we have delivered last year and how we managed these. However, as we all followed very sorrow all through the day, things change rapidly in our region and unfortunate events we are facing actually forced me to give an update on the current tension between Russia and Ukraine.

Like many of you, we watch the developments very closely with sorrow. Obviously, we are not in a position to comment on the politics; however, we hope that the two countries will meet on the ground of dialog and as soon as possible, and that order and peace will be restored as soon as possible.

Let me give you an update on how we are managing with the developments and how all these are impacting our business as of today, that's obviously very early to make long-term statements any forecast however, obviously the tensions did not start yesterday that's was ongoing for a while. And since the start of the tensions, we had a team consisting of the top management and the key personnel who were working on several different scenarios. So all these happenings are part of our scenario planning as well. So we had a planning for this and our plans today were already ready and we took very rapidly actions up until now specifically for Ukraine.

In Ukraine, we have three breweries there in the cities of Chernihiv in Central Ukraine, Kharkiv in the North and Mykolaiv in the South and around 3,000 employees. As always, our first priority is to ensure the safety of our employees. All possible precautions have been taken in this regard. We are making sure that we will support our employees in every possible way. The second priority is to make sure that the plants and brewing infrastructure is safe in the country. And as of this morning, the breweries were shut down and the sales operations were halted. We are also making sure that the necessary equipment-related to IT infrastructure and communication is also being relocated. In terms of financing and liquidity, we are checking our situation at the moment, but we still have some available limits from several banks. Let me remind you that the share of Ukrainian operations within Anadolu Efes' sales revenues are around 5% and lower for our EBITDA. Similar to our results, the timing of the guidance, that's a part of our annual results as usual, was also kind of unfortunate. Obviously when we put forward certain assumptions and we provided the guidance yesterday, the assumptions were based on the normal course of business. There will always be risks associated and we have seen some of the risks materialized that as of this morning. Therefore, we need to observe what's happening, how long this will take. So obviously we need to revise our guidance in the coming days. But today is quite early to make any judgments anyway and any forecast, but I know, I can say there would be some amendments, and we need to follow the developments in the region.

So as of today, my focus is ensuring the safety of our employees and my hope is that piece would be restored as soon as possible. So that's general remarks about what's happening in Ukraine and specifically the tensions between Ukraine and Russia.

So going into the year, that's at the end of the day, we need to go through review our results. Well, one thing we wanted to emphasize on this page, we just wanted to look back on a longer horizon five years. For the last five years, I would like to note that and which I am very proud with is what we have achieved solid and consistent growth momentum in all the other metrics. Obviously, this has been supported with the merger in Russia the inorganic growth as well. But again that's a testimony of our value creation capabilities, our passion to create value for our stakeholders. And we have been very successful to grow our EBITDA ahead of our revenues and our revenues ahead of our volumes so that provides a strong algorithm and as you see all the numbers on the screen and our free cash flow generation capability was again stronger than the EBITDA growth and which grew more than to 32% on an annual basis for the last five years on an average CAGR basis. And over the last five years, the growth came from both business lines but obviously tends to be healthy growth that we have achieved in our beer operations, especially on the international side, our portfolio is now much more diversified and balanced compared to five years ago, but given what's happening on the ground, we may say we are on more geographies and we are open and exposed to the issues going in all these geographies obviously.

When we look at the international versus the domestic portion, the contribution of our international business in both business lines have been continuously increasing. We are now generating almost 70% of our revenues. That's, and again underlying our let's say passion to grow our business internationally in becoming successful regional player. Next page, please.

Going into 2021 specifically, despite considerable headwinds and challenges we faced through the year, let me remind the beginning of the year was marked by the increase in the COVID cases and basically in every other country there were lockdowns that were impacting our business and starting from the mid-year second half we have seen enormous increases on commodity prices. But despite all, I'm very satisfied with the very strong results that we have reported, we have achieved in some metrics. I would say, the results were beyond our planning, beyond our expectations, you would remember our guidance at the beginning of the year. As noted, the year started with the pandemic-related restrictions and in the second half of the year, despite the fact that we entered in a period of normalization in terms of the COVID so the restrictions were lifted. So, especially during the season things were much more normalized, but then we started to saw sharp increases in commodity and raw material prices globally and that also inevitably impacted our business. This unexpected increases in our procurement prices as well as the inflationary environment, reflecting all these across the board necessitated us to revisit our value proposition and to be ready for 2022 actually, we have taken all the steps. We have discussed this in the third quarter call actually and we started to take pricing increased prices in every other operations looking into existing price levels and also the hedges that we have. Therefore, these price increases in the last quarter also heled us to deliver strong top line growth and our revenues grew more than around 47% on a year-on-year basis and when we look into that on a constant currency basis that the growth was 28% and that was quite a strong growth.

These numbers were obviously nourished by strong volume growth, which was around 12% and the price increases that we have taken at the beginning of the year and at the end of the year to after year I would say an increased share of our premium portfolio as we discussed in every other call. And those were supporting our top line growth. Although we started the year with the strategy to expand, to continue to support our brand power, the brand equity so and so forth. So, as we discussed in the last couple of years we were focusing to support more and more of our business, more marketing and sales spend when we started to face the input cost pressures especially starting in the second half we've taken the cautionary steps and spending less in that perspective in order to mitigate the pressure in gross margin to some extent and, as you would go through, we were able to cover some of the gross margin dilution at the profitability at bottom-line level. Although we have seen still see some dilution year-on-year basis, we were able to achieve profitable margins this year as well.

And when it comes to capital working capital management we had been presenting a superior performance for the last three years and again that supported this year also our free cash flow generation. And we continued to deliver a record high level of free cash flow, which was more than TRY4 billion TL on such a challenging year. And I'm also very happy to announce that, in line with our commitment to maximize shareholder value, our Board of Directors proposed TRY1.1 billion dividends for 2021, taking into consideration the significant amount of free cash flow generation throughout the year.

I'm going on the next page, and as you see our consolidated sales volume showed a solid growth both in Q4 and for the full year and yielding a performance, and when you look at the Q4, it's better than the prior quarter's peak period and the volumes also increased by 12% on a year-on-year basis on a reported basis, but if we exclude be the impact of Uzbekistan acquisition by CCI, growth was still strong around level 11% reaching around 116 million hectoliters. Both business lines contributed positively to this growth and the beer group volume expansion was 5% and again that's supported by international and Turkish domestic operations as well. And on the soft drink, similarly, both domestic and international operations were resilient recorded double-digit volume growth specifically for the performance through the year.

Going a little bit around various operations probably we will discuss Russia and Ukraine, as I started. Let's look into what happened throughout 2021 again what's happening today on the ground. We have no forecast or no vision how long this will continue or how much is to the extent. So that's very difficult to make any judgment to comment here, but again let's look back for 2021 performance the Russian beer market actually grew throughout the year by around 3% and basically the news was that the Russian beer market, was the fourth consecutive year of growth in Russia. And again, since the merger we've overperformed the market. And with that, all performance we sustained both our value and volume leadership in the country with around 30% value share on average for the year as you would recall, we are focusing on the value share and making sure that the volume performance is also supported with the pricing strategy in the country due to improve the profit pool. And also sales main drivers of this success some growth or overperformance of the market, again, as we discussed in the past, the premium segment, the premium side of the Business we are having stronger position. And specifically, our focus on the non-alcoholic and flavored beer would be categories as we are expanding into these categories slowed lately beyond our competitors. But again, we have seen very strong double-digit growth rates compared to a year ago and when looking at the brand performances, the growth was supported by our main premium brand, Bud in the country, Redd's and also Essa, on the mainstream side Stary Melnik iz Bochonka and Bud Light was supporting together with Gold Mine Beer, and Zhigulyovskoye contributing to the portfolio growth.

On the other hand, as I mentioned, we have started to focus on the growing non-alcoholic beer segments, our portfolio again with strong international brands enabled us to achieve superior performance in the non-alco and flavored categories and demonstrating its significant growth versus the market and we became the second player in the non-alcoholic beer segment that was a result of strong performance through the year, there is performance obviously the growth of the non-alcoholic segment. We are discussing globally, but also in Russia for more recently supported with the trends around the health lifestyles as well as the development of e-commerce and the express delivery services. Look, that's about Russia.

When we switch to Ukraine, let's say another tough year. We were obviously seen the whole market was impacted by the pandemic but again as our focus is more and more on the value we had the price increase is higher than competition didn't follow us, let's say we believe that's the right amount of price increases we have taken in the country, but unfortunately the competition didn't cope for lower the price increase properly, it will continue to and promotions and discounting. But again, we lost some volume share as a result of this on the pricing and the increased promotion by the competition, but we believe that's much healthier for our balance of our profitability and volume in the country and we are obviously focusing on the premium segment in the country like we're doing in other countries. And that segment contributed to our sales volumes Stella Artois, Corona Extra and Velkopopovicky Kozel showed market share increases. So those are probably those world promising developments in Ukraine, and also we have seen again, our volumes positively supported by beyond beer categories as we discuss from time to time we are focusing to expand our portfolio and beyond beer categories kvass and cider, specifically for Ukraine part of our portfolio expansion and they outperformed their segments and we are happy with the developments in these new categories that we are moving into, and then our cider brand in Ukraine that become the second biggest brand, similarly kvass-brand gained a strong position in the segment.

Going into CIS. As we discussed for the last three years, we've been focusing very much on strengthening our mainstream brands increasing the premium portfolio and premium brands in our portfolio, and investing in our brands in both range that was supporting our business and we see the solid results continued and I'm very happy, all these efforts of this strategy reflecting into our performance so and that's creating a very sustainable performance and we see the leadership in every other market, the volumes grew by mid-teens on average for the year. And CIS countries other than Russia and Ukraine makes around 11% before volumes. And we have higher margins. With our much more balanced portfolio. So, the contribution of these countries to profitability is higher in that perspective, and in Kazakhstan, we have benefited from these eased restrictions as well as the economic growth in the country. Again, I mean, maybe we need to make a statement here. At the beginning of the year, there were some public unrest in Kazakhstan but I was it Kazakhstan 10 days ago, everything was calm down in the country. So the businesses continue on the normal case. We have also premiumization in Kazakhstan, we have introduced Miller in the country two year ago and it became the leader in this premium segment supporting our both topline and the profitability and also we are expanding with non-alcoholic segment, we have Efes 0.0 in Kazakhstan and flavored beers with our various brands so we are expanding our portfolio in this country as well. Similarly, very strong performance in Moldova especially on trade pulling the easing of restrictions similar to other countries. Our core mainstream brand and our premium segment continued to grow and especially premium was supported with our flagship brand Efes and Corona from the ABI portfolio. Similarly, Georgia showed a good momentum with strong growth rates, supported by the economic rebound in the country, the market growth for debt and both our beer and lemonade sales achieved double-digit volume growth this year. And again here, we see the premiumization. We have Efes, Lowenbrau, and Staropramen on top of on top of the mainstream brands. So basically as noted I am very happy with the performances of the successful operations and sustaining and expanding margins and continuing to generate our very strong free cash flow in these countries.

Going into Turkey, Turkey as we discussed, from the very beginning of the pandemic, Turkey was the mostly impacted operation from pandemic and following restrictions for the pandemic. Most of few who are living in Turkey and following Turkey very closely would recall in the first five months of the year, actually if restrictions were tough, there has been almost no on-trade sales, and during the weekends there were off-trade sales limitations as well. Even during the mid of second quarter there, we continued to 17 days of sales ban actually curfew and following sales. Ban for the 17 days of the second half of the Ramadan so restrictions were tough that impacted the market. The right after these restrictions were lifted, as we enter into the season unfortunate events like forest fires continued for two weeks in the Southern provinces of Turkey, where actually the tourism and the hotel reservations were affected at the high season, beginning of third quarter. However, during the fourth quarter, we have seen normalization in our sales performance. Last year's 4Q was a very low base too, the quarter was impacted by these similar restrictions in terms of the on-trade sales and partly with off trade. So that's was a low comparable and we benefited from the fourth quarter of this year 2021. As a result, Turkish beer operations, we have seen margins growing 5% on the year-on-year basis reaching 4.9 million hectoliters. Our export operations also demonstrated double-digit volume growth that has been led by the volume growth in China, the Middle East and Northern Africa regions. And with this performance, we've been able to reach our target of doubling our export volumes within the last three years. And now we are setting even higher targets. As you may recall we had in 2020 for our mainstream brand, Efes we had a new production brewing technique +1 technique. So we have relaunched of this Efes +1, and then, but most of the marketing was limited to up since the relaunch in basically this year was our first year of the season. And we had more marketing efforts in that perspective, but again all these unfortunate events and pandemic was kind of always a barrier in that perspective, but at anyway we never gave up and continue to invest into our efforts to reach out to our consumers and describing this Efes +1 relaunch better quality and smoother drinking experience, which our consumers are obviously liking much, that would continue to strengthen our ties with our consumers. Together with the efforts around our Efes, we also continued to show the innovation leadership and Efes Glutensiz was the start of the that perspective. So, we have introduced the First Gluten-free beer produced in Turkey. Again, that has been highly appreciated by consumers. We have seen volumes grow nicely and contributing to our volume performance. So with all these I am also really happy with the development of our portfolio. Upper mainstream also Efes extensions like the Efes special series with the green bottles where we have also a sustainability effort behind our brand. So we have seen such a phenomenal performance through the year with our BUD brand and Efes Özel Seri, so they increased their market shares in the period. So those were the positive developments in Turkey.

Finally, a couple of short remarks. I'm sure you all followed the CCI that's why we don’t need to go into details, but again a few words. For those who are interested, consolidated sales volumes increased its momentum 2021 and we reported strong growth of around 16% excluding Uzbekistan he organic growth was around 14% again and all operations contributed positively to this successful performance. Turkey operations for CCI recorded a strong recovery in 2021 and grew by 14% stronger than the circle trends continued focus on at-home consumption occasions and the recovery in the on-trade channel, helped to trend breaking successful result. On a full-year basis Coca-Cola brand grew 15%, both still and sparkling categories recorded double-digit growth. So those are positive contributors. We have also witnessed a significant increase in the share of on-trade, compared to a year ago. And that's obviously the result of releasing pandemic related restrictions.

In the international side, all operations, particularly Pakistan and Kazakhstan contributed positively, and despite the price increases taken throughout the year, sales volumes in Pakistan increased around 17% and sustained its leadership in the markets. Good performance was based on higher penetration in the outlets, improved route to market initiatives, and again its strong promotion and trade management. Kazakhstan sales volumes grew around 15% with the support of the sparkling category growth. One word about the new operations, newcomer to the portfolio, and Uzbekistan contributed just for one quarter it into the performance and Records around 25 million units which was predominantly sparkling beverages.

Let's look into the numbers before I leave the ground to Gökçe for much more details that we keep very high level introduction and the consolidated. When we look into our consolidated financial results revenues grew 47% to TRY39.2 billion TL as a result of the solid volume performance. As we discussed on top of that the price increases, premiumization and revenue growth management initiatives supported this further growth. Please note that the excluding the impact of the FX translation in our results, as we report in TL basis, the growth was still quite successful, it's around 28% on the topline, we were able to deliver 38% EBITDA growth with a margin of close to 18%, around 1% percentage points below last year in line with our guidance of slight decline. And we have been impacted from the rise in the procurement prices, as I noted at the beginning however we had obviously hedges in place and all these helped with the strong operational performance or so we were able to limit this the margin dilution impact of all this commodity and input price increases. And we were in line with our guidance in margin perspective. We delivered a 1.1 billion TL net income compared to 815 million a year ago, so increased our bottom-line profitability as well. This growth was coming from higher operational profitability and higher financial income supported by the FX gains on the soft drink operations. On the other hand, the losses from

Anadolu Etap and increased tax expenses, the profitability increase limited the growth to some extent. Yet, together with all the profitability bottom-line growth, we recorded all-time high free cash flow. As I mentioned at the beginning, around TRY4.2 billion TL out and that's supported with the operational profitability and working capital management and obviously, as usual, a prudent CapEx spending. As a result, we closed the year the consolidated net debt to EBITDA ratio of around 1.5X mainly due to the acquisition of Uzbekistan and partly sharp devaluation of TL in the last quarter also was a contributor to this. If we were to exclude the currency impact in that perspective, the leverage would have been around 1X. So thank you for listening. Let me leave ground to Gökçe to take us for more details.

Gökçe Yanaşmayan

Thank you, Can. Good morning and good afternoon everyone. I would like to also start repeating the same wish that I walked into dialog will start as soon as possible, and peace will be restored.

Well, we have just seen our strong set of financials on close related level for the fourth quarter and a full year. So I'm going to focus on the financial results of the Beer Group. As a matter of fact, we are reporting another quarter with growth in sales volume revenues and profitability, which actually means that we achieved to grow in all four quarters of 2021 versus last year. And these results obviously make us very happy, in such a challenging year and environment. Beer Group sales revenue was again substantially ahead of volumes and grew by 66.9% in 4Q versus last year, mainly driven by higher pricing better discount management and premiumization of our portfolios across the board. The growth in 4Q is the highest quarterly growth achieved during the year. The FX-neutral growth was also clarified and realized that 22.4%. Beer Group sales revenue in full-year 2021 reached TRY17.4 billion TL with a year-on-year increase of 40.6% and that makes on a constant currency basis, an increase of 18.4%.

Well, let's discuss many times by now, one of our major challenges of 2021 has been the dramatic rising input costs, and as this is expected to continue in the foreseeable horizon, we responded with pricing actions in Q4 which are extended to 2022 to as well. Naturally, we saw a decline in gross profit margin. However, the decline was less compared to Q3 thanks to these price increases implemented. As a result, the Beer Group gross profit in full-year 2021 was TRY6.4 billion with a margin of 37.1%. Pressure in gross profit was partially offset by efficiencies and savings in OpEx. Consequently, EBITDA grew by 39.8% and 20.2% respectively in Q4 quarter and full-year and increased to TRY2.4 billion Turkish Lira.

Beer Group cash flow generation, also beats last year's numbers, both for Q4 and the year. In fact, it's more than two times compared to 2020. We were able to deliver a very strong free cash flow of almost TRY1.8 billion. In the next slide, I will give you more details on EBITDA and FCF. Actually EBITDA bridge tells the story of fourth quarter and full year very clearly. Both for fourth quarter and full year, we see a very similar trend of strong revenue growth, which was ahead of our guidance. Q4 was even better with additional price actions taken to mitigate arising cost pressure. The numbers you see on the graph, by the way are on a constant currency basis and to underline again successful revenue management is a result of volume growth, price increases, and favorable price product mix. In other words, growth is driven by all three growth components of revenue moving in the right direction, which makes it is a very heathy case. You can also clearly see in the graph that the pressure from in fourth quarter got bigger compared to the full year numbers. Again, this was also mixed with rising input costs starting from second half of the year. What is also obviously seen in the graph is that tight OpEx management was in our focus throughout full year. This effort paid off even better in the fourth quarter is we're able to move the prices but limit the increase in OpEx. We were able to keep increase in OpEx lower down the revenue increase not only in Q4 but also a full-year thanks to our zero-based budgeting approach. And the other line, you see in the

EBITDA bridge mainly refers to currency translation. Overall, I believe we have done pretty good job growing our EBIITDA despite the headwinds during the year. Free cash flow numbers were also very strong up until the fourth quarter and I'm happily reporting that the same time continued in the fourth quarter despite higher CapEx spending, which was, by the way, already be expected to be realized in the last quarter. However, this impact well netted off with strict working capital management, especially on trade payable side. Consequently, better working capital together with higher profits led to TRY133 million TL in 4Q and TRY965 million more cash generation in full year. Again, this is more than doubling its level versus the year ago and on next slide, I want to talk about balance sheet.

Our policy is to hold the mature to of our cash in hard currencies. And given the volatile environment together with geopolitical risks we had an even more cautious approach to cash management and by the end of the year close to 95% of our cash we are holding was hard currency denominated in Beer Group and 75% in Anadolu Efes consolidated. One of the highlight of the year was to refinance our existing bond maturing in November 2022. Again considering current volatility, I think we have executed our transaction with great timing and achieved to extend our maturity for another seven years which makes our average debt maturity 4 years now.

Net debt to EBITDA was 1.5X for Anadolu Efes consolidated and 2.5X for Beer Group. You will remember that we experienced a very rapid hike in Turkey in the last quarter of the year, even very close to the end of the year actually. Turkish lira got depreciated sharply this led to a transition in the balance sheet and P&L items, so if you were to exclude this impact, our net debt to EBITDA would be 1.0X for the Consolidated and 1.6X for the Beer Group.

In an environment where we constantly speak about commodity price increases, I would like to give you a piece of information about our commodity and FX hedges for 2022 as well the commodities that we can hedge. We have so far hedged 64% of aluminum, 95% PET/resin, and 82% of our barley exposure for the next year. Turkish lira was already up and volatile since Q42021 and unfortunately with recent developments, we are experiencing a volatility in Russian ruble as well. These fluctuations obviously make our FX hedges even more important and to give you an idea, around 38% of our COGS and OpEx are FX denominated, 29% of this comes from Russia and Ukraine and 6% comes from Turkey. The good news is that in these countries we have available tools to utilize the hedge these exposures and they are almost completely hedged. 91% for Russia and Ukraine, 98% for Turkey exposure already hedged, and next slide, last but not least, I want to talk briefly about our financial priorities for 2022.

As you see, we have four pillars. The first one is profitability. In an environment of high inflation and cost pressures and looks like this pressure will be persistent in 2022, pricing is very important. Therefore, ensuring necessary pricing action is our number one priority to protect our bottom-line and margins, but at the same time tight OpEx management actually as this year should also continue support our bottom-line. We have budgeted almost 70% of our OpEx through zero based budgeting approach and in a year that we will see cost inflation declining OpEx net sales ratio will help protecting our margins.

Second pillar is balance sheet management and here our priority is the same for ever actually and it is to maintain leverage at had to them and to ensure dividend flow from operations, especially dividend from CIS contributed to our cash flow steadily.

And from risk management point of view, we have touched base a few months ago, but it's mainly about commodity and FX hedges being in place. But at the same time supplier and diversification is also very crucial, not only from a cost point to a few, but also for business continuity. And lastly, free cash flow, we want to continue our disciplined approach to CapEx spending and tight working capital management supports our cash generation.

This will conclude my presentation. So I will give word back to Can. Thank you.

Can Çaka:

Thank you Gökçe. Let's look into again our strategy, our priorities and I will try to reflect back the outlook again that given what's happening on the ground today, we need to revisit the outlook once we seen once we have much more visibility. Again, when we look at the portfolio priorities you would recall for the last three years, I've been talking about strengthening our core segment, making sure that our mainstream brands that our national champions that are the largest volume contributors and are key to our business success and we want to strengthen that and basically here that was kind of a message also every other market. We see our competition more and more going to economy segments trying to underprice or so forth, but the strengthening of the core segment. That's the response to these developments as well. Stronger the mainstream brands, we are much more stronger to respond back to the pricing environment so and so forth that's still will be the key going on, on top of that, we always continue to discuss on the core, our focus on the premium portfolio expansion. So we have throughout the last three years, extended our premium portfolio, improving our profitability supporting our topline growth over the volume growth. So that's an ongoing effort and that will continue. That's very important. That's how the global experience shows that the premium portfolio is expanding and we are having it much stronger position in every other country and again together with the core ensuring the affordability play, especially given the earnings on the pandemic impact on the economies in our region especially.

And moreover, given the price escalations in every other line, so increase in the cost of living, increasing inflation increasing in every other country, so in that perspective the disposable incomes of our consumers are under stressed. So there we have to ensure that we are obviously, today, we produce the best beer brands, and the most relevant beer brands to our consumers. But I'm sure that also we are helping them in that affordability perspective. So that's part of the challenge going forward. And finally, expanding into the adjacent categories non-alcoholic beverages, low alcoholic beverages and different ciders so we have committed them now. We have a much stronger portfolio with a stronger growing and stronger premium. Now, our portfolio and our muscles we believe we are capable of carrying different categories and obviously consumers. We have seen also the healthy lifestyle expanding, so and so forth, consumer preferences are changing. So in that perspective we have to make sure that our portfolio is responding properly to these trends in every other country that we have commitment into expanding our portfolio that perspective. So those are the portfolio priorities that will shape our strategy going forward. And next page, please.

When we look at the capital allocation priorities on our side, again we will continue to strengthen our position as a leading regional beverage company, but for more and more focus on presence in our operating markets with the portfolio strategies, having our higher share in every other market we are and our strategic goals are to maximize organic growth through investing in our brands as I mentioned and into the markets where we have presence and catching the right trends and ensuring tapping those consumer trends.

Digitalization and the termination of the process inevitably going into our agenda again. We started the digital revolution at Anadolu Efes and we'll continue to invest to become more and more efficient and we believe there are a lot of opportunities in that perspective to become more efficient and also create much more value to our customers with the data that we are generating within the operations.

Furthermore, we believe also that we have a strong track records of successful acquisitions integrations and that's also an opportunity to continue growing organically and the expansion of our operations in that perspective, export is also seeding for the inorganic growth and export geographies is opportunity we've learn want more of the markets we learn of the consumers in these markets and we believe of that's seeding our brands. Before making any investments is important that as I mentioned that that during the presentation our export volumes are growing strongly. We are happy with all these developments and we also take into our commitment to maintaining our investment grade rating. Our target is to sustain a healthy balance sheet and keep the leverage ratio below 2X and probably over 1X. And optimizing the capital structure and ensure efficiency of our balance sheet and cost of debt. And we are also committed to preserving shareholder value and that we are happy to have higher dividend yields and providing higher returns to our shareholders, as evidenced by the proposal this year, and also what we have done for the last two years.

And finally the outlook for 2022 again, please note that this was as of yesterday, before all these unfortunate events happened in Ukraine as we all expect hope to and pray that this will be settled soon, but we need to revisit all this outlook once we have much more visibility in that perspective. However, while we were setting the outlook for 2021 of these, what we have achieved throughout 2021 was giving us the confidence despite the cost increases as we discussed, and all these macro-economic developments in the country. And then obviously risk factors this macroeconomic developments geographical tensions currency volatilities and the cost of funding, which I believe it's in a way and so this is starting from the second quarter onwards. We'll see much that is, let's say, situation versus compared on the pandemic. So, unfortunately, as I noted at the beginning of my speech, one of the risk practices is realized today. So that would cause us revisit our guidance.

And then, these circumstances since then we expect our consolidated sales volumes growth by single-digit level and then significant price increases, we have taken, we are expecting there would be an impact on the Beer markets, especially in Turkey and Russia probably more now and Ukraine more now we face some headwinds. So we will be expecting in on this year’s CIS side volume to be flat and slightly higher over last year. Therefore, our overall beers volumes were expected to decline by slightly in the mid-single-digit levels and we expected high single-digit to low-teens growth in the soft drink side of the equation and there are price increases as we started from the fourth quarter and onwards in every other business slide. Our consolidated net sales revenue is expected to grow low 30s on an FX-neutral basis, our Beer revenues that expect to grow by mid-teens on it. And on an FX-neutral basis with high single-digit growth in international beer revenue is low 50% growth in Turkey beer revenues. The expected growth for growth from the soft drinks, inflows low to mid-40s and FX-neutral basis as well. And our consolidated EBITDA margin was expected to decline or on this patient basis points impacted by the increased cost pressures as we discussed. As usual, our CapEx sales ratio would be stabilized normalized levels of five single-digit growth will continue to invest our money and filling infrastructure and our brands and accordingly, we will continue to the deliver strong free cash flow obviously through this cycle out a very high level of 2021 those were, let's say guidance as of yesterday, we report the results.

Thank you for patience. Thank you I have seen a lot of questions actually on the screen.

Thank you for your questions. Basically, when I look at the questions first couple of questions as were around, let's say and the different proportions of Russia and Ukraine. I'm sure Gökçe will help me on that perspective and I can comment on some other ones. Gökçe if you don't mind, can you take the lead from there?

Gökçe Yanaşmayan:

Sure, let me start with the questions then. Actually the first question was about the Beer Group EBITDA breakdown between regions. So I can give a rough guidance on that. If we are talking about Beer EBITDA, about 50-55% comes from Russian and Ukrainian Beer business. Close to 20% comes from Turkey and the rest is coming from CIS. And the second part of the question was about Russia and Ukraine net debt, I can say this was less than USD 100m by the end of last year. The second question again comes with Russia, but this time about revenue % of the Group. Around 30% of Consolidated Anadolu Efes revenues comes from Russia and Ukraine operations. We have a question about COGS per hl increase for the Group and Beer alone. On a constant currency basis, our costs per hl increase around 25% for Beer group and more than 30% for Consolidated for next year to come.

Can Çaka:

There is a question on price increases in Russia during 2021. Our price increase was higher than inflation throughout 2021, that is ahead of our competitors. Following question was about 2014 performance.

Aslı Demirel:

Can bey, can you repeat because the line was broken?

Can Çaka:

Yes, thank you for the question, I understand that you're trying to make an analogy with 2014 similarly events unfortunately happened at that time and sanctions in Russia, but again I mean please let me remind you doubt back in those days. There are a lot of regulatory changes in Russian beer market as well. It is between 2010 and 2016-17 I would say. So it is very difficult to make a judgment, but when it comes to self-sufficiency in production in Russia. I would say the majority of the barley is local, but the packaging producers are local. So, there is not that much of an issue in terms of, I'm sure there are certain chemicals or there are certain for our suppliers to chemicals for the production. I don't know where it is packaging that is or so forth. Now, it might be further let's say dependencies on let's say in quotation. But again, I mean back in Q2 2021, we had the supply chain dependable, but we haven't seen any issues that perspective and probably that wouldn't be which for this year and the team is on the ground looking on hold perspective. And is there any debt or substantial cash sitting on these two and this could you please to this correct me if I'm wrong, but I would say basically no, because they can't I mean there is that, but that's majority is local debt in both countries and cash also distributed as a dividend to our shareholders, to our Dutch entity.

Again question around so what would be the price increase in Russia during 2020. We have taken the price increase at the beginning of the year following fourth quarter increase or so and that's again we believe our pricing in the country will be higher than the inflation throughout the year. We are for the competition; we have seen the competition compliant with our following the price increase that we have taken during the fourth quarter. That's good news for Russia and we have the price increase at the beginning of the year, we expect them to follow that. And that would be helpful for the profitability improvements that we are expecting.

Well, the next questions about the strategic plans against the developments, frankly speaking, that's very we have a team following what's happening on the ground. And ensuring the first thing in Ukraine for the safety of our people and keeping the infrastructure ready for when everything is resolved. Russia is more or less on the normal course of business.

Again, I mean that's very early to make any judgment, what's going to happen volume and price split again we gave the volume guidance and the volume and the revenue growth basically majority is the pricing and we also have premiumization and channel improvements in that perspective. I would say how do you expect profitability in Russia to develop during 2022 is again, we need to see how things would evolve around the current conflict before that it's very difficult to make any judgment today.

I would have said if we had this call the day before. I would say, our aim is to have our profitability and in line with our general guidance, but now again we have to be more cautious. We need to see any negative volume impacts from price increases in Beer Group that's a very good question. I would say basically again region by region different reactions. CIS was kind of our normal. So we haven't seen any major impact with the prices we have taken at the beginning of the year. For Russia It was okay in January. Again Ukraine and Turkey worse struggling more of the pricing I would say, we have taken at the beginning of the year So that takes us to the end of the questions. Thank you very much for your interest.

Again this was a kind of a difficult call for us within all these, all these heat of the developments.

So been following what's happening and trying to reach out to our people, ensuring their safety and helping our teams on the ground, and thank you for your interest and for your questions. it's time I see no new questions. So basically, I would take this as a time to say goodbye and to end this call.

Thank you all.

Gökçe Yanaşmayan:

Thank you.