

Energy

Sabancı Holding's
Energy Group is the
leading private sector group
in Türkiye's energy transition.



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2023 saw many rapidly emerging developments in energy markets around the world and in Türkiye. Sabancı Group energy companies maintained a strong financial and operational performance by focusing on energy transformation, sustainability and technology despite the volatility this year.

Sabancı Group's energy business unit was once again the main contributor to the Group's non-bank revenue and EBITDA. For the electricity distribution and retail business, the year witnessed record growth in distribution network investments, the foundation of Sabancı Group's commitment to electrification and energy transformation. Significant investments were made in customer energy solutions services, such as solar energy and energy efficiency projects. These efforts were further bolstered by an accelerated deployment of electric vehicle high speed charging stations. The Group's generation business in Türkiye navigated challenging market conditions successfully, becoming the main driver of revenue and EBITDA growth in the energy group while continuing its investments with a low debt ratio. The 25.2 MW Akköy WPP was commissioned under the Renewable Energy Resource Zone (YEKA) project, in which Enerjisa Üretim, Group's generation company, has a total of 1 GW wind power capacity across western Türkiye.

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Protect and Grow the Core

In Türkiye, Sabancı Group's energy business operates in every field where the private sector takes part in the electricity value chain – from electricity generation to trade, distribution to retail. The Group's energy companies operating in Türkiye maintain their market leadership positions while pursuing sustainable growth.

Sabancı Group's electricity generation business in Türkiye reached a portfolio of 3,792 MW, consisting of five different technologies. The generation business executes a portfolio management strategy designed to maximize the economic value created by the installed capacity. The generation fleet's average availability exceeds that of the overall sector. The technologically diversified portfolio enables the Group's electricity generation company to take advantage of all opportunities in the market while mitigating risks.

In line with its sustainability-focused growth strategy in renewable energy, Sabancı Group's energy business unit prioritized new investments in 2023. The Group's generation company started commissioning the 1,000 MW wind power generation capacity project in the Renewable Energy Resource Zone (YEKA) – one of the biggest wind power projects in Europe.

In 2023, Sabancı Group's electricity generation company recorded 13.6 MW wind power capacity growth in existing power plants and acquired 26.1 MW operational wind power plants at two different locations across Türkiye. With these investments, the generation company increased its installed capacity in wind energy to 397 MW and expanded its wind fleet to eight WPPs. Moreover, the energy generation company invested in 90 MW hybrid solar power capacity to integrate into the current fleet, while at existing power plant locations, investment processes started for a total of 73 MW hybrid solar capacity.

Energy trade is another business line of Sabancı Group's generation company, which has engaged in energy and related commodities for over a decade. Taking an important step towards becoming a global energy trader, Enerjisa Commodities B.V. was established as a subsidiary of Enerjisa Üretim in Amsterdam. In 2023, carbon and green certificates were traded heavily in addition to electricity and gas, contributing to the company's strong financial performance while bolstering its position in Türkiye and several international markets in 2023.

Hydrogen production within the Group's energy generation business commenced with a pilot project. The green hydrogen production project, which also includes other business partners, received an EUR 8 million grant from the European Union's Horizon Europe program – the largest grant issued for such a project in Türkiye to date. In addition, the Hydrogen Valley Grant Agreement was signed at the end of July.

At another critical position in the electricity value chain, Sabancı Group's electricity distribution and retail company is the leading player in the market. The company provides electricity distribution and retail



services to a population of 22 million – one out of every four people in Türkiye – in three regions and 14 cities, six of which are metropolitan. As a result, the company serves a population larger than many European countries.

The Group's electricity distribution and retail company has maintained its instrumental position in the fourth tariff period of 2021-2025, which supports investments, encourages quality improvements in service levels and fosters better corporate governance. Grid investments reached a record high in 2023 to provide energy to customers and boost network quality. Realized distribution CAPEX jumped by more than 200% in 2023 compared to the previous year, on a TRY basis.

The ever-changing geopolitical environment roiled energy markets and caused price volatility in Europe and Türkiye this year. Despite these challenges, Sabancı Group's retail energy business has maintained its operational earnings profitability in 2023. Electricity sales operations also registered a successful performance in fulfilling commitments to customers.

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Committing to
100%
zero carbon
technologies in
new power plant
investments

In line with its focus on sustainable services and technologies, Sabancı Group has long included electrification and e-mobility as part of its energy business. The Group's distribution and retail company, via its subsidiary Enerjisa Müşteri Çözümleri A.Ş., increased its stake in Eşarj – Türkiye's first and fastest electric vehicle charging station operator – to 100% this year. In 2023, Eşarj expanded its charging network to 1,780 points, up more than 125% compared to the previous year. By the end of the year, Eşarj operated charging stations at 1,003 locations across Türkiye. In fast speed DC charging, Eşarj is the market leader in Türkiye by a large margin and has a presence in all 81 cities of the country.

Invest in New Growth Platforms

Sabancı Group's energy companies are successfully carrying out their sustainability-oriented activities in line with Sabancı Holding's strategic plan. The Group's energy companies, with a sharp focus on sustainability, lead the industry in operational quality, health and safety measures, and digital transformation. Besides employing the most qualified human resources in the sector, the Group's energy companies use digital applications at a rate above the European average.

Over the past few years, Sabancı Group's generation company has invested in digital solutions for power plant management, predictive maintenance, data services, and business transformation.

To commercialize these solutions while securing a competitive advantage, Senkron.Energy Digital Services B.V. was established in Amsterdam. In November, Senkron.Energy announced a cooperation with global tech giant Microsoft to develop digital solutions for renewable energy generation development at the Conference of the Parties of the United Nations Framework Convention on Climate Change (COP28 UNFCCC).

Sabancı Group's distribution and retail company further improved its ESG performance and ratings this year, especially in terms of CDP climate change, and CDP water. Investments in technology and network modernization will boost this performance in the future. In order to meet Sabancı Holding's net zero emissions goal, The Group's generation company in Türkiye also follows a 4-pillar approach while transforming its generation portfolio until 2045, namely:

- Committing to 100% zero carbon technologies in new power plant investments
- Transforming the existing fleet into hybrid solar energy hubs
- Using nature based solutions and offsetting technologies
- Implementing a hydrogen strategy

While strengthening its leading position in Türkiye with Enerjisa companies, Sabancı Group aims to transfer its experience in the energy sector to the global arena and identify early-stage energy and climate

technologies to create new business areas. Toward this objective, Sabancı Climate Technologies was established in 2022 as a 100% Sabancı Holding subsidiary under the energy business unit.

Sabancı Renewables, a subsidiary of Sabancı Climate Technologies, focuses on renewable power plant investments in the US. In 2023, the company increased its total obtained project licensed capacity in the US market to 504 MW with two solar power plants. Field operations are ongoing for additional solar power plants in the US, with the first plant expected to be commissioned by mid-2024.

Sabancı Climate Ventures is structured as the venture capital arm of Sabancı Climate Technologies. The firm aims to invest in venture capital funds and startups while supporting promising technologies by establishing a strong link between emerging and developed markets. In 2023, Sabancı Climate Ventures continued its investments in a US-based venture capital fund and obtained the right of direct investment in startups in this fund portfolio. Sabancı Climate Ventures directly invested in five of the world's leading climate and energy technology startups originating from the US's top universities.

The Way Forward

At Sabancı Group, maintaining a healthy balance sheet is a strategic priority. The Group's energy business in Türkiye has the strongest balance sheet and lowest debt ratio in the sector, providing a major opportunity to grow with its own resources while maintaining a solid financial performance. Driven by this positive outlook, the Group's energy business investments in Türkiye and abroad are poised to continue. Through investments in e-mobility, distributed generation and energy efficiency, Sabancı Group's distribution and retail company is set to remain a leader of Türkiye's energy transformation. Grid expansion and modernization will be the priority in the electricity distribution segment, as Sabancı Group pioneers the application of cutting-edge technologies in this field. In the US market, the Group's energy business unit monitors investment

opportunities in renewable energy in various scales, locations, and technologies. Sabancı Renewables' primary objective is to develop a 1,000 MW well-diversified renewable portfolio consisting of on-shore wind and utility-scale solar projects, much like its first two investments, within the next three years. The venture capital arm plans to invest further in venture capital funds and startups.

In Türkiye, Sabancı Group aims to bolster its leading position in renewable energy generation. The goal is to deploy a wind fleet of about 1,500 MW towards the target of 5,000 MW+ total installed capacity. Some 1,000 MW YEKA is scheduled for implementation with a total investment of USD 1.2 billion and gradual commissioning by first quarter 2026. The generation portfolio is planned to reach installed power of about 5 GW with renewable energy constituting 60% of the portfolio. More than 150 MW of hybrid solar capacity is scheduled for completion between 2022-2026.

Growth in new geographies in energy trading is a core of objective of the Group's generation company in addition to growth in commercialization of its digital products, services, and know-how.

Further technology analyses, feasibility studies, and market research are ongoing for green hydrogen production on a larger scale. Additional collaborations are planned with local customers for potential on-site generation facilities for green hydrogen. Relationships with European counterparties are being cultivated to develop ideal logistics and production solutions. Sabancı Group's energy business unit plans to explore opportunities for green hydrogen export to Europe.

