

Industrials

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Sabancı Group's industrials business companies performed and delivered positive results with executional depth.

In 2023, Sabancı Holding Industrials Strategic Business Unit (SBU) strengthened its leadership in its respective fields with operational excellence and competitiveness while shaping the future with product and service innovations.

More than 70% of the SBU's combined revenue consists of foreign currency revenues from activities in 125 countries around the world. In 2023, conditions in these markets can be summarized as high inflation in Türkiye; contracting demand due to macro measures to reduce inflation in North America and Europe; a combination of slowing domestic demand and falling supply chain costs in China and Far East triggering the redirection of inventories to Western markets.

In this environment, the SBU recorded positive results. Brisa boasted one of the world's highest operating profit margins in its field and differentiated in the global market with its pioneering mobility solutions. Temsa demonstrated historical superior financial results and strengthened its international footprint by expanding its competence in new

energy vehicles. Kordsa took major steps towards cost reduction and cash management and keeping its world leadership in tire reinforcement, while its composite product range outperformed its competitors.

While delivering an exceptional performance today, SBU also strengthened the foundations of its future strategy in two priority areas: Advanced Materials and Mobility Solutions. In advanced materials, Kordsa established two technical centers – in Indonesia and Germany – with the approach of 'Innovation Everywhere, Together with the Customer.' As a result, Kordsa brought its R&D activities closer to where its customers are, ensuring innovation is driven from these locations. Furthermore, Kordsa initiated R&D activities on bio-based polymers to the market through its compounding business unit, which initially prioritized recycling. In mobility solutions and equipment for climate technology, Temsa introduced vehicles operating with new types of energy to new markets in Europe and America. Meanwhile, Brisa extended Arvento's digital telematics services to 750,000 vehicles, as the undisputed leader in its sector.

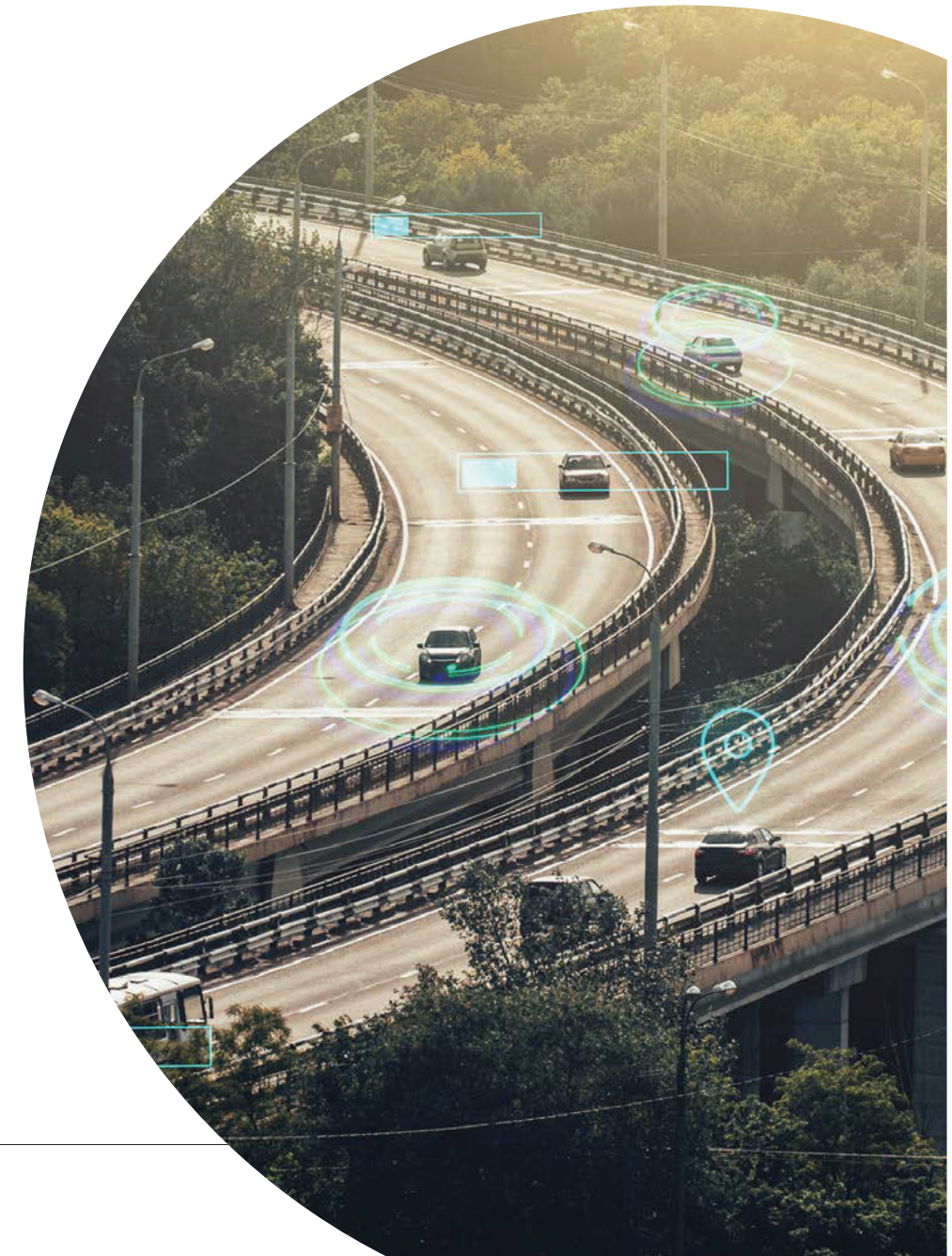
Protect and Grow the Core

Capitalizing on its long history of success in Türkiye, Sabancı Group's industrials business has adopted an international operations model consisting of manufacturing and service centers located in North America, South America, Europe, and Asia. Thanks to its sales and service hubs around the world, the Group's industrials companies have a significant market share in the tire reinforcement, tire, and commercial vehicles business lines. This core business is strengthened through designing new customer experiences and adapting to changing operational models.

Brisa, the Group's tire company, riveted its strong position in domestic and international markets with 7,200 points of sales in 88 countries worldwide while also becoming the leading brand in five countries. Brisa is already supplying energy efficient products compatible with electric vehicles, including Türkiye's first locally produced brand. Launching over 120 new products, Brisa also introduced a new retread brand that helps reuse end-of-life tires. A capacity increase at the Aksaray plant for new generation and high technology tires is scheduled for completion in 2024. To provide a unique customer experience, over 150 tire dealers' websites were standardized and supported with a focus on operational excellence in internal processes. Over 200 processes are now managed with RPAs (Robotic Process Automation). By using artificial intelligence, Brisa implemented production-oriented analytical projects such as forecasting tire operations, an early failure detection system, and warehouse tracking as well as market-oriented initiatives such as demand forecasting.

In commercial vehicles, Temsa reaped the benefits of its restructured international network and bolstered Sabancı Group's electric bus journey during the year by providing five electric bus models to US, Sweden, France, and other major European markets. In 2023, Temsa reached 18% market share in North America, one of the most important and competitive markets worldwide, cementing its position as one of the world's leading commercial vehicle manufacturers. Temsa's TS45E model was successfully tested in Silicon Valley (California, US)

over a two-year period. Sabancı Group's commercial vehicle manufacturer also boosted the electric vehicle transformation in Türkiye by introducing Avenue EV, the country's first domestically produced electric bus. In the Turkish market, Temsa launched a finance application to facilitate consumer access to financing with independent finance sector leaders in Türkiye and abroad.



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Aiming for profitable and sustainable growth, Sabancı Group's industrial business unit adopted a dual growth strategy in Advanced Materials and Mobility Solutions – Equipment for Climate Technology.

Kordsa, Sabancı Holding's pioneer company in material sciences, is a global leader in cord fabric, reinforcing 1 out of every 3 automobile tires and 2 out of every 3 aircraft tires worldwide. Currently, Kordsa is focused on offering green products developed jointly with global tire manufacturers to replace those manufactured with conventional chemicals. Kordsa's highlights of the year included growth in the composite business line, the opening of new technical centers and the introduction of 100% recycled polyester cord fabric products to consumers. Further research and development activities conducted in partnership with Sabancı University, focusing on recycling polypropylene products and bio-based resins, were merged with the company's polymerization capabilities to lay a solid groundwork for the future of sustainable plastics. Kordsa has outstripped its competitors in expanding business volume and profitability within the composite sector, driven by growth in the US aviation and aerospace industry and diversification efforts in geography and applications, while increasing the share of composites in its total revenue to 20%.

Sabancı Holding's industrial companies rose to new heights in the sector in 2023 thanks to their remarkable successes in the field of sustainability. Two industrial companies achieved the highest accolade by securing a place on the A list in the Climate Change category of CDP, one of the world's most recognized and respected environmental reporting platforms. This accomplishment reinforces the companies' unwavering commitment to environmental sustainability and their leadership in combating climate change. At the same time, three of the industrial companies demonstrated excellence in environmental impact management by setting medium- and long-term emission reduction targets that are scientifically based and approved by the Science Based Targets initiative (SBTi). Financial scenarios were studied in-depth related to the impact of the Carbon Border Adjustment Mechanism (CBAM). Seeing sustainability as a holistic ecosystem, the Group's tire company also contributed to the transformation of its dealers. Under the Green Dealer Program, Brisa dealers were supported on various sustainability-related solutions, such as energy, water, and waste management.

Invest in New Growth Platforms

Aiming for profitable and sustainable growth, Sabancı Group's industrial business unit adopted a dual growth strategy in Advanced Materials and Mobility Solutions – Equipment for Climate Technology.

In advanced materials, the Group's industrials business took the first step of its journey to transform its reinforcement unit with composites. Demand to transition from traditional materials to composites grows every day in a wide range of usage areas, expanding out from aerospace to automotive, motorsport, sports equipment, marine and wind turbines. In the aerospace industry, Kordsa offers AX180 flame retardant epoxy resin for aircraft cabin interiors and seats instead of solutions that release harmful gases during the production process. The company signed an agreement to supply epoxy-based products to a leading global aerospace parts manufacturer. In automotives, innovative KCF650 carbon fabrics provide lightening, hardness, and chemical sealing in the event of explosion malfunction of electric vehicle battery boxes.



Kordsa has applied for 44 patents developed at the Composite Technology Excellence Center (CTCE). By acquiring the Italian composite company Microtex, Sabancı Group's advanced materials operations are expanding beyond the US to Europe. Combined with the R&D capabilities of CTCE, Microtex is diversifying its composites product portfolio to strategic segments such as motorsport and luxury vehicles. The newly opened technical center at Munich Technical University will further boost growth in the composites business by being closer to European customers and developing a strong university-industry cooperation.

The Kratos® product line, designed to serve reinforcement applications in construction was enhanced with carbon fiber wrappings and strips, used for earthquake resistance.

Sabancı Group's bus manufacturer Temsa is diversifying its revenue in the Mobility Solutions and Equipment for Climate Technology sector by adding battery packs and battery management systems to its portfolio, alongside producing electric buses, to explore new market opportunities. Developed internally by the R&D center, these products have a wide range of usage areas, from storage to marine, farming to refrigeration. Temsa signed a joint development agreement with the European company CaetonaBus to produce hydrogen buses; Türkiye's first inter-city hydrogen bus prototype is scheduled to roll off the assembly line at the Adana facility in 2025. The E-quad last-mile micro mobility vehicle has also commenced mass production, reflecting the Group's commitment to sustainable mobility.

Otopratik and Propratik service points, the best-known domestic brands in the fast-service category servicing more than 1 million vehicles, expanded to 154 locations in 58 cities in Türkiye. E-vehicle charging services were delivered via 68 charging stations in 35 cities. Brisa signed an agreement with an American-based, electric light commercial vehicle brand to provide authorized services under Otopratik. A comprehensive training program was carried out to boost the competencies of Otopratik's technicians on hybrid and electrical vehicles. Efforts are underway to expand the Pratik service point network to over 500 locations by 2028.