

Letter from the CEO

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Dear Investors, Business Partners and Esteemed Employees,

Challenges and uncertainties are undeniably inherent aspects of our business environment.

In today's multipolar world, geopolitics has become a defining factor in the global economy. Regionalization trends, trade route competition, supply chain transformations, and the critical materials required for the green transition all pose potential risks, further complicating the international landscape.

These developments create a more demanding global economic environment. However, they also underscore a crucial truth: We are all in the same boat, and we are only as strong as our weakest member.

As the pandemic clearly revealed, and the recent inflationary pressures sharply demonstrated, today's world is closely intertwined. The ongoing global fight against inflation, thankfully, is showing signs of progress.

While Türkiye recently faced a period of economic hardship impacting all segments of society, we are now entering a new phase. New economic policies are fostering renewed confidence and investor sentiment is recovering.

These early gains are promising, yet we recognize that enduring success depends upon unwavering determination.

Sabancı Group is proud to have achieved solid results in 2023 despite these major economic challenges.

We achieved a combined revenue increase of 57%, a combined EBITDA growth of 23% and a consolidated net income increase of 20%, all without inflation adjustments and in line with our midterm guidance. Additionally, we remain on track to meet our targets for New Economy and FX share in our total revenue.

While exceeding financial targets, particularly income statement metrics, we maintained our focus on cash generation, keeping our balance sheet rock solid. In fact, we recorded a historic high year-end cash position at the Holding-level on an annualized basis. Our net debt to EBITDA ratio remains well below our midterm target, providing a solid foundation for further investment.

Our energy business unit spearheads our portfolio's sustainability transformation. By year-end 2023, Enerjisa Üretim's total operational installed capacity increased to 3,792 MW with the completion of renewable energy projects. We are confidently progressing toward our 2026 goal of exceeding 5,000 MW of installed capacity in Türkiye, with 60% generated from renewable sources. This translates to Sabancı Group establishing one-third of the country's new wind and solar power plants over the next five years.

2023 marked the production of our first green hydrogen in the Hydrogen Valley, constructed by Enerjisa Üretim in Bandırma. This project holds the potential to position Türkiye as Europe's leading green hydrogen supplier, while also representing a major step forward in Europe's energy security.

Our commitment to renewable energy extends globally. In 2023, we initiated our second solar energy investment in the U.S. with a 232 MW solar plant and a 60 MW energy storage facility in Texas. This investment expands our US solar energy capacity to 504 MW.

Our Building Materials unit advanced our Sabancı of the World vision with a strategic investment this year. Construction of a new USD 82 million grey cement grinding plant in the US is underway and is scheduled to commence operation in fourth quarter 2025. This major investment will solidify Çimsa's global presence in the grey cement market after its success in white cement. Furthermore, Çimsa continues to expand its sustainable product portfolio. Çimsa commissioned a USD 42.5 million calcium aluminate cement (CAC) investment at its Mersin plant to become a global leader in this key segment.

In our Industrials unit, Kordsa celebrated its 50th anniversary last year and maintained global leadership in tire reinforcement despite fierce competition. The company also achieved steady growth in composite technologies, a sector poised to revolutionize materials. Kordsa expanded its composites business line to 20% of total revenue in 2023 and launched compounding as a fourth core business line. This business unit will develop essential raw materials for sustainable plastics and provide value-added, sustainable products across diverse industries including automotive, aviation, aerospace, electric and electronics, white goods, small household appliances, and packaging.

Both Kordsa's expansion into compounding and Çimsa's CAC investments demonstrate our commitment to sustainable materials.



Brisa, another Sabancı industrial company, plans to further expand its Aksaray Factory (USD 300 million investment in 2018) with a USD 34 million investment equipping it with state-of-the-art technologies. This additional investment will increase the Aksaray Factory's production capacity to 4.6 million tires annually by 2026.

Temsa, a leader in zero-emission vehicles, signed an R&D agreement with Portugal-based CaetanoBus to develop Türkiye's first hydrogen-fueled intercity bus, following its launch of Europe's first intercity electric bus. The prototype is targeted for completion in 2024, with mass production beginning in 2025.

Akbank significantly increased its credit support to Türkiye's economy in 2023, reaching TL 1.201 trillion, with TL 962 billion provided in cash loans. Maintaining a strong consolidated capital adequacy ratio of 21%, Akbank continues to be a vital contributor to the growth and development of the real economy.

Aksigorta and Ageas, within our financial services unit, delivered on their mission to pioneer next-generation financial services.

We solidified our multi-channel strategy fostering synergy between Sabancı Holding and Ageas. Our newly established health insurance company, already incorporated and poised to begin operations in 2024, will position us as a leader in the evolving healthcare ecosystem.

At Sabancı Group, we continued to prioritize innovation in 2023. A key organizational change established a dedicated Digital Strategic Business Unit under the Holding. This unit has a dual goal: strengthening recently acquired cybersecurity and digital marketing capabilities while exploring new growth platforms. Cloud technologies, scalable digital technology platforms, and hyper-scale data centers are our priority focus areas. We are currently exploring synergies between these data centers and our pioneering renewable energy initiatives. Our roadmap also emphasizes establishing SabancıDX as a service provider, digitizing Teknosa's multi-channel operations, and enhancing Carrefoursa's digital capabilities, building on its successful asset-light growth strategy.

Letter from the CEO

2023 marked a year of strategic reinforcement. Guided by cross-functional X-Teams, we developed a comprehensive roadmap for the Sabancı Group.

As a pioneer of Türkiye's modernization journey since 1925, we will move forward toward our own 100th year with Sabancı values that define who we are today.

Since 2020, we have actively invested in startups across Türkiye and global innovation hubs, participating in over 30 funds and startups, half each in Türkiye and internationally.

We established the Sabancı Technology Center under Sabancı Holding in Munich, Germany to support Çimsa and Kordsa's R&D and technology development. Located within one of Europe's leading innovation hubs, this center strengthens our Group's global R&D, technology and sustainable product development capabilities. Sabancı Technology Center also furthers our Sabancı of the World vision and bolsters our commitment to integrate Türkiye with the world. Situated on the Technical University of Munich (TUM) campus, the center fosters exemplary university-industry cooperation in Europe.

Committed to 2050 net-zero goals, Sabancı Group has set ambitious science-based targets. In collaboration with the Science Based Targets Initiative (SBTi), we aim to reduce direct carbon emissions by at least 42% by 2030 (2021 baseline). In addition, the Holding targets a 15% reduction by year-end 2025. By 2027, our cumulative sustainability-linked investments will reach USD 5 billion.

Sabancı Group recognizes the critical role of sustainability in addressing climate change and global inequality. Our comprehensive ESG (environmental, social,

governance) roadmap guides our existing businesses and investments toward a circular economy model. Annual gap analyses, benchmarked against international standards and best practices, ensure continuous improvement. This approach has led to rising sustainability ratings from globally recognized platforms like MSCI and CDP.

A deep sense of responsibility defines Sabancı. This commitment is reflected in our pioneering investments, ambitious steps forward, and sustainability achievements.

The February 6th earthquake was a devastating disaster for Türkiye. Our Group companies, partners, and Sabancı Volunteers responded swiftly with immediate and immense solidarity. We supported nearly 7,000 Group employees and local residents impacted by the disaster. This genuine spirit of unity and solidarity extended through Sabancı Republic Day and the Republic's centennial celebrations.

Led by Sabancı Volunteers, the third annual Sabancı Republic Day campaign focused on eight major education and development projects featuring more than 1,000 individual activities positively impacting nearly 7,000 people, primarily women, youth, and children. This initiative significantly advanced volunteerism in Türkiye.

We are introducing "scalability" as a new investment criterion. We will continue pursuing innovation, but prioritize opportunities with high growth potential for faster, impactful investments.

In October, we partnered with Habitat Association, Brisa, Kordsa, Temsa and Teknosa to open the Sabancı Hatay Incubation Center in earthquake-affected Hatay as part of Sabancı Republic Day activities. Launched in October, the center has already trained 1,250 persons in its first two months. This center aims to support displaced residents' return, empower women and youth economically, create new business opportunities, and integrate local entrepreneurs into broader ecosystem across Türkiye and the world.

Esteemed Stakeholders,

We are constantly innovating and exploring future growth opportunities alongside managing our existing businesses. 2023 marked a year of strategic reinforcement. Guided by cross-functional X-Teams, we developed a comprehensive roadmap for the Sabancı Group.

We established five strategic priorities to achieve our Group Purpose: "Agile global/local footprint that scales," "Digital and AI transformation," "Innovation for growth," "Sustainability for a better life," and "Future-ready organization and talent."

I would like to highlight a key point about these strategic priorities. In addition to sustainability, a core tenet of Sabancı's Group Purpose, we are introducing "scalability" as a new investment criterion. We will continue pursuing innovation, but prioritize opportunities with high growth potential for faster, impactful investments.

Digital and artificial intelligence transformation are key to achieving scalability. We will leverage digital tools much more effectively, especially for customer acquisition. In AI, we plan to prioritize projects and applications that will optimally impact our businesses, enhance

existing customer experiences, broaden our customer base and drive growth. Akbank's 2.3 million new active customers last year exemplify this success. Over 60% of these new customers were acquired digitally, demonstrating how digital is more than simply efficiency and cost reduction. Digital is a business culture that opens new horizons while enabling rapid, high-quality growth.

Our "Future-ready organization and talent" priority focuses on strengthening our purpose-driven culture and attracting top talent by investing in human capital. We will promote delegation, collaboration, and ecosystem synergy across the entire Group. The Executive Committee will lead this transformation.

Moving forward, our enduring mission and top priorities remain: embedding a purpose-driven culture throughout Sabancı, leading by example and collaborating with stakeholders, and empowering our future leaders to reach their full potential.

Dear Stakeholders,

We celebrated the Republic of Türkiye's 100th anniversary with great pride. Now, we approach another important milestone: Sabancı Group's 100th anniversary...

As a pioneer of Türkiye's modernization journey since 1925, we will move forward toward our own 100th year with Sabancı values that define who we are today.

Thank you for being a part of this journey.

Yours sincerely,

Cenk Alper
Member of the Board of Directors
and CEO