Sabancı Holding

Q1 2017 Earnings Presentation

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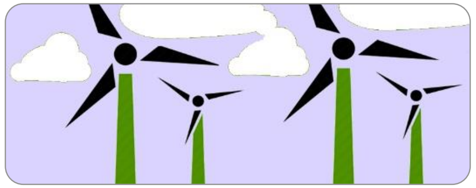
Key Highlights

Strong Performance in Energy, Recovery in Retail After Restructuring



Energy segment continues to drive non-bank EBITDA, providing 58% of total

Restructuring plan in **Retail** continues to pay off: highest Q1 EBITDA over the last five years

Rising pension penetration, growing premium generation and successful claims management has led to a solid growth in profitability of **Insurance** business

Unusually severe winter conditions and referendum related delays in demand capped ability to reflect rising costs to prices in **Cement**

Revenues

Base Effect in Retail Capped Non-Bank Revenue Growth in Q1

MILLION TL	Q1 2016	Q1 2017	% Change
TOTAL*	12.906	14.102	9%
BANK	5.326	6.159	16%
NON-BANK*	7.580	7.943	5%
ENERGY	3.270	3.482	6%
CEMENT	583	547	-6%
RETAIL	1.872	1.736	-7%
INSURANCE	570	728	28%
INDUSTRIALS	1.245	1.416	14%
OTHER*	41	34	-17%

* Holding dividend income excluded

Retail revenues climbed down from a high base due to store network optimization

Strong premium growth and ongoing pension demand drives Insurance top line

Industrials top line supported with revenues in international markets

EBITDA

Energy and Retail: Top Contributors to Q1 Non-Bank EBITDA Growth

MILLION TL	Q1 2016	Q1 2017	% Change
TOTAL*	**2.434**	**2.972**	**22%**
BANK	1.411	1.906	35%
NON-BANK*	**1.023**	**1.066**	**4%**
ENERGY	576	615	7%
CEMENT	154	96	-38%
RETAIL	3	43	1239%
INSURANCE	49	70	42%
INDUSTRIALS	250	254	2%
OTHER*	-9	-12	-40%

Excluding one off items

* Holding dividend income is excluded

Strong operational income in banking drives combined EBITDA in Q1

Energy operational profitability was driven by distribution business

Restructuring in Retail has delivered the highest Q1 EBITDA over the last five years

Strong underwriting profitability in insurance and pension businesses has delivered a solid growth in Insurance

Consolidated Net Income

Dilutive New Capacities and FX in Energy Caused a Drop in Q1 Net Income

MILLION TL	Q1 2016	Q1 2017	% Change
CONSOLIDATED NET INCOME*	**659**	**722**	**9%**
BANK	441	596	35%
NON-BANK	**219**	**126**	**-43%**
ENERGY	83	-27	-132%
ENERGY-Adjusted for comparison*	75	-27	-136%
CEMENT	44	22	-50%
RETAIL	-42	-26	39%
INSURANCE	16	23	45%
INDUSTRIALS	123	103	-17%
OTHER	-5	31	687%
NON BANK CONSOLIDATED NET INCOME-Adjusted for comparison*	*210*	*126*	*-40%*

New Capacities, Tufanbeyli and Bandırma II net income dilutive in Energy Segment

Insurance bottom line supported by financial income

FX gain at Holding, boosting «other» segment

*Excludes non-operational one off items.

** Consolidated Net Income Adjusted for Comparison - Excluding the effect of Enerjisa Tufanbeyli tax incentive

Energy

New Capacities in Generation Business Net Income Dilutive in Q1’17

MILLION TL	Q1 2016	Q1 2017	% Change
SALES	3.270	3.482	6%
EBITDA*	576	615	7%
NET INCOME*	167	-54	-132%
NET INCOME** - Adjusted for comparison	150	-54	-136%
EBITDA* MARGIN	17,6%	17,7%	

**Excludes non-operational one off items.*

***Tax Incentive regarding Tufanbeyli Lignite Plant is recalculated based on the changes in economic assumptions; the incentive itself is not treated as a one-off item in the financials; excluded only for comparison purposes*

Current Assessment

Distribution Business:

- Expansion of Regulated Asset Base
- Improvement in T&L performances in all regions

Retail Business:

- Reduction of eligibility limit to 2.400 KWh/year
- Decrease in national tariff and impact of FIT costs suppressing top line and margins

Generation Business:

- Natural gas curtailment effective until early February
- Renewable tariff and lignite incentive price contributing to margins
- Hydrology trend

Financing:

- FX position impacting P&L
- Volatile FX environment

Factors to Watch

Distribution Business:

- Regulatory Changes

Retail Business:

- National tariff changes
- Doubtful receivable component of retail tariff

Generation Business:

- Hydrology outlook
- Operational profitabilty of Tufanbeyli lignite plant

Financing:

- Proactive management of FX position

Energy

Restructuring Energy Business to Increase Focus on Separate Business Lines

Current Structure

- SABANCI 50% / e.on 50%
  - Enerjisa Consolidated – JV
    - Enerjisa Generation and Trading Company
    - Enerjisa Electricity Distribution Company (EEDAŞ) → Carries acquisition loans of distribution regions
      - Retail Business
        - Başkent Retail Company
        - Ayedaş Retail Company
        - Toroslar Retail Company
      - Distribution Business → Carries capex loans only
        - Başkent Distribution Company
        - Ayedaş Distribution Company
        - Toroslar Distribution Company

Target Structure

- SABANCI 50% / e.on 50%
  - Enerjisa Electricity Distribution Company (EEDAŞ)
    - Retail Business
      - Başkent Retail Company
      - Ayedaş Retail Company
      - Toroslar Retail Company
    - Distribution Business
      - Başkent Distribution Company
      - Ayedaş Distribution Company
      - Toroslar Distribution Company
- SABANCI 50% / e.on 50%
  - Enerjisa Generation and Trading Company

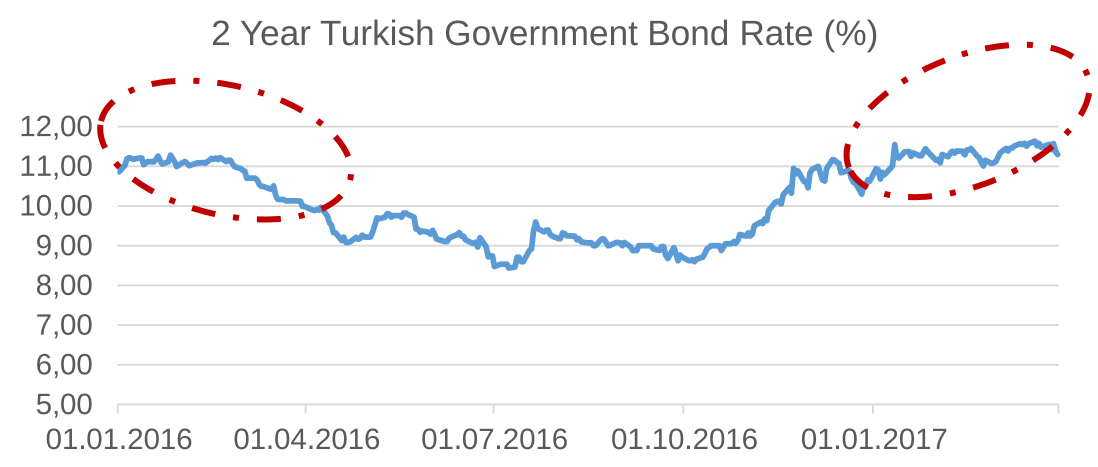
EEDAS*** Consolidated

Momentum in Operational Profitability Improvement Sustained in the New Tariff Period

MILLION TL	Q1 2016	Q1 2017	% Change
Net sales	2.637	2.713	3%
*Gross margin (%)***	21,3%	27,6%	6,3pp
*Operational Expenses***	-233	-354	-52%
Other income/(expense)	7	18	156%
EBITDA*	335	413	23%
EBITDA* margin (%)	12,7%	15,2%	2,5pp
Operational FX and Interest Income/(expense)	9	4	-55%
Interest and other financial income/(expense)	-162	-227	-40%
FX income/(expense)	-4	-16	-308%
Net income*	92	81	-12%

*Excludes non-operational one off items.

** Excludes depreciation



***EEDAŞ;Enerjisa Electricity Distribution Company: Distribution & Retail businesses consolidated

EEDAŞ Consolidated

Balance Sheet and Cash Flows

MILLION TL	DEC 2016	MAR 2017	% Change
Cash	75	724	871%
Trade Receivables	1.946	1.524	-22%
Financial Assets	4.292	4.409	3%
Fixed Assets	5.217	5.168	-1%
Other Assets*	4.030	4.417	10%
TOTAL ASSETS	**15.559**	**16.242**	**4%**
Bank Borrowings	6.190	7.241	17%
Trade Payables	1.225	574	-53%
Other Liabilities**	3.426	3.600	5%
TOTAL LIABILITIES	**10.842**	**11.415**	**5%**
TOTAL EQUITY	**4.716**	**4.827**	**2%**
TOTAL LIABILITIES AND EQUITY	**15.559**	**16.242**	**4%**

	DEC 2016	MAR 2016	MAR 2017	% Change
Cash at the beginning of the year	152	152	75	-51%
Net cash provided by operating activities	**1.601**	**420**	**321**	**-24%**
Net cash used in investing activities	**-1.278**	**-153**	**-398**	**161%**
Net cash (used in)/provided by financing activities	-401	-174	726	516%
Cash at the end of year	75	245	724	196%
Free cash flow	**323**	**267**	**-77**	**-129%**

- Increased investments and timing differences of payments effects free cash flow negatively
- Pre-financing to lock favorable interest rates for rest of the year impacts loan balance and cash balance

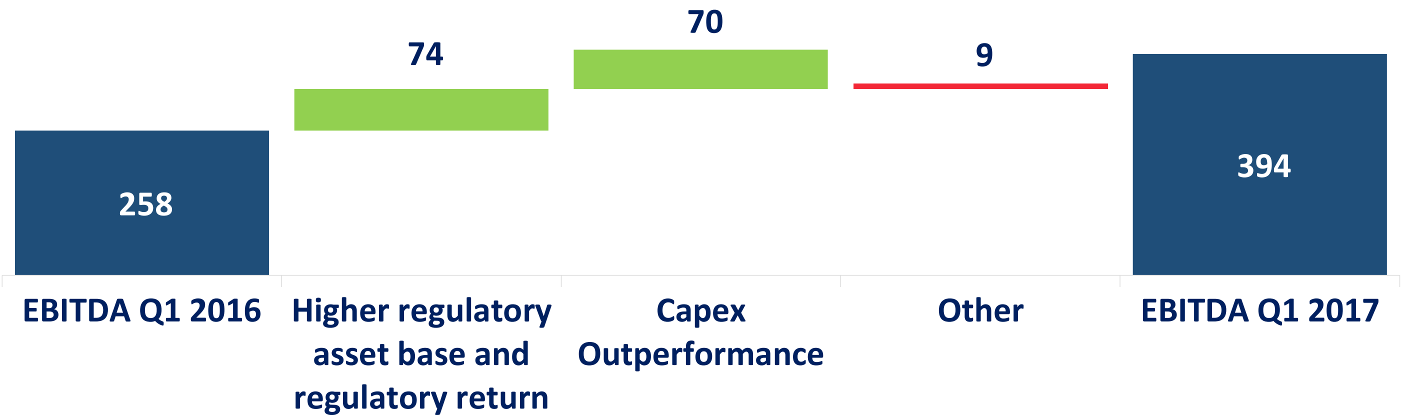
* Mainly consists of goodwill, income accruals and deposits paid.

** Consists of deposits and guarantees received, deferred income, provisions for legal claims and employment benefits.

Distribution Business

Investments Drive Growth in EBITDA

MILLION TL	Q1 2016	Q1 2017	% Change
SALES	796	1.069	34%
EBITDA	258	394	52%
EBITDA MARGIN	32,4%	36,8%	

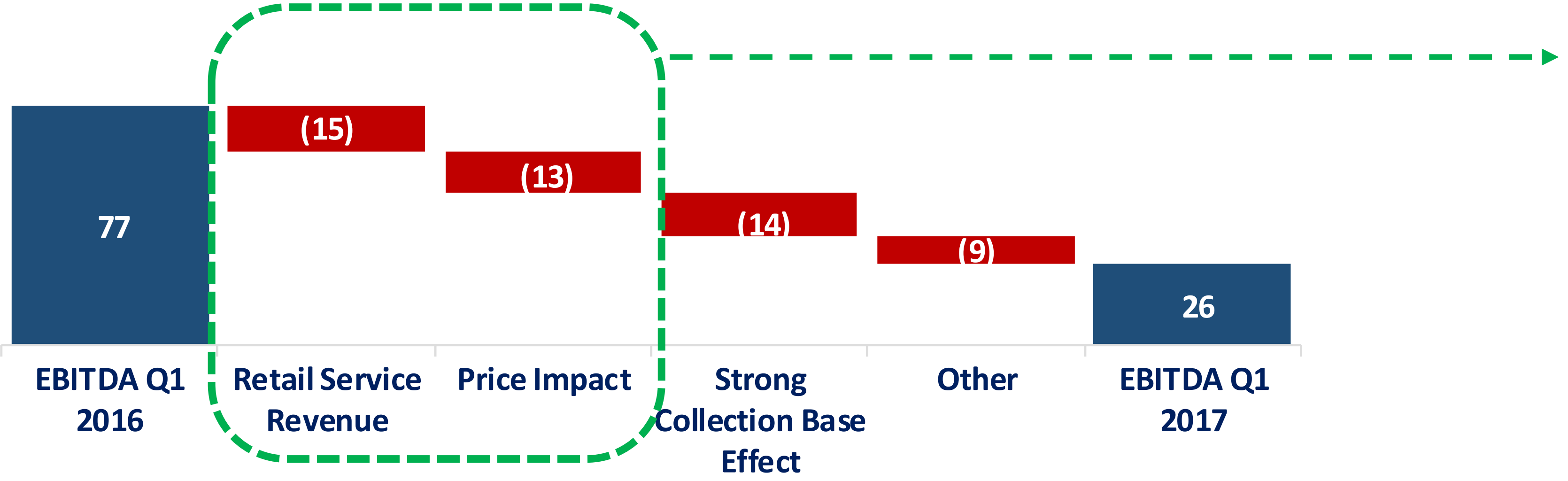


- In Q1'17, Distribution business asset base is 1.4x last year
- Increase in asset base improved EBITDA by 74 MTL in the comparable tariff period.

Retail Business
Temporary Impacts Narrow Profitability

MILLION TL	Q1 2016	Q1 2017	% Change
SALES	2.623	2.424	-8%
EBITDA- Adjusted for comparison*	77	26	-66%
EBITDA MARGIN	2,9%	1,1%	

* Intercompany corrections excluded. No impact on consolidated level

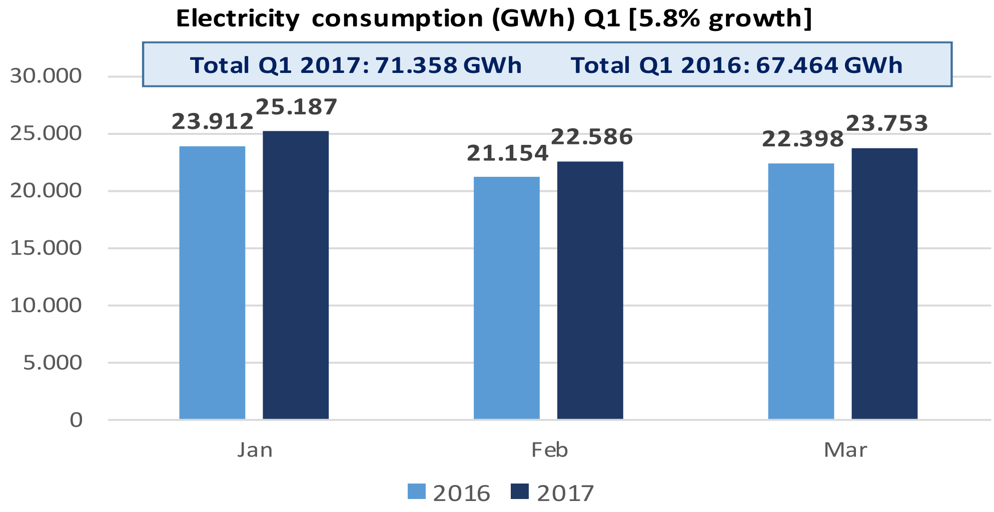


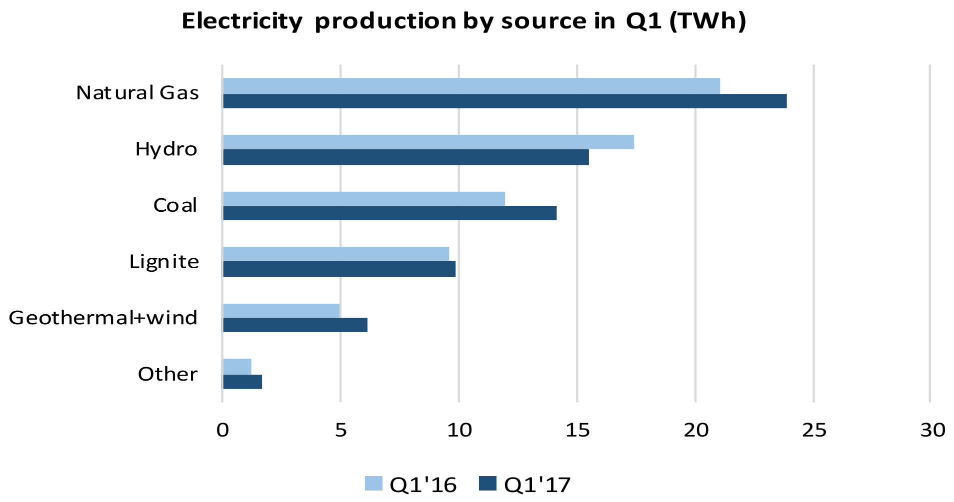
Retail Service Revenue: Revenue items received through the tariff for opex and management of doubtful receivables

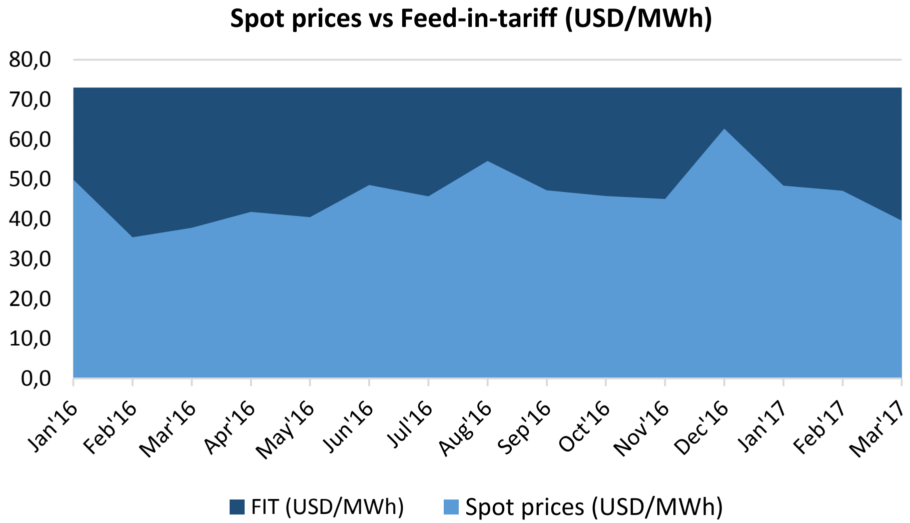
- **<u>Almost 1,1pp Margin reduction due to regulatory impacts</u>**
- Reduction in national tariff hinders profitability in free market
- Compensation for doubtful receivables through retail service revenue has been capped at Turkey average

Generation

Increasing Demand and Lower Water Inflows Result in Higher NG Generation in Q1





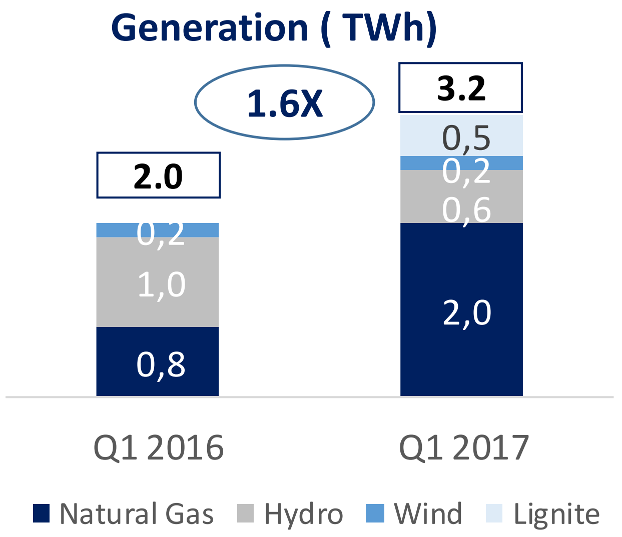


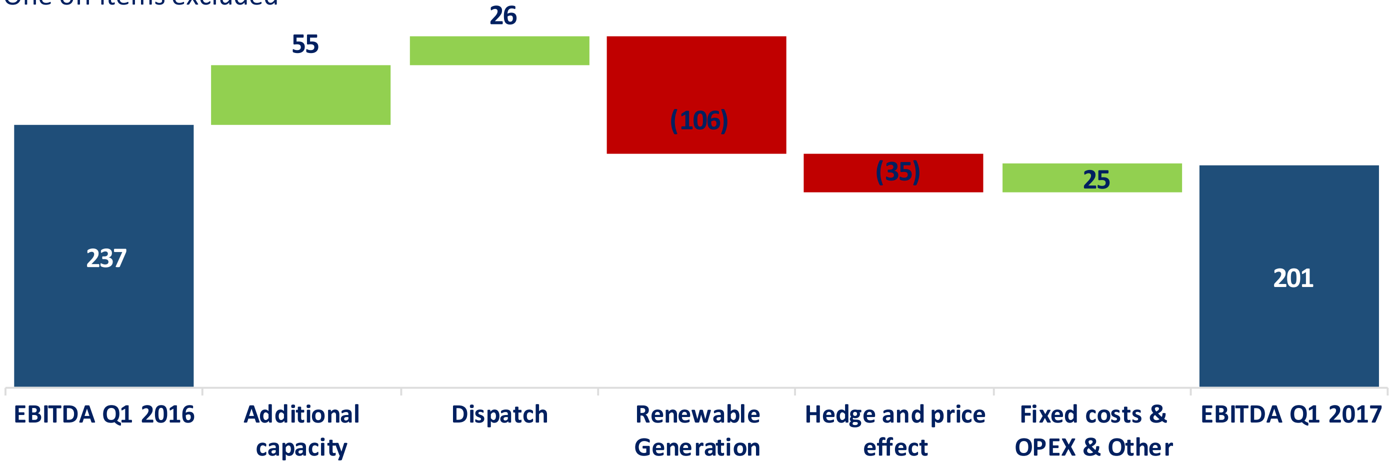
Generation

Challenging Market Conditions Limit Profitability

MILLION TL	Q1 2016	Q1 2017	% Change
Net sales	977	907	-7%
Gross margin (%)	27%	23%	-4,0pp
EBITDA	237	-80	N.M
EBITDA*	**237**	**201**	**-15%**
EBITDA* margin (%)	**24%**	**22%**	**-2,1pp**
Depreciation	-58	-102	-75%
Interest and other financial income/(expense)	-56	-87	-56%
FX income/(expense)	-54	-189	-253%
Net income*	72	-135	-288%
NET INCOME - Adjusted for comparison**	**55**	**-135**	**-345%**

* One off items excluded



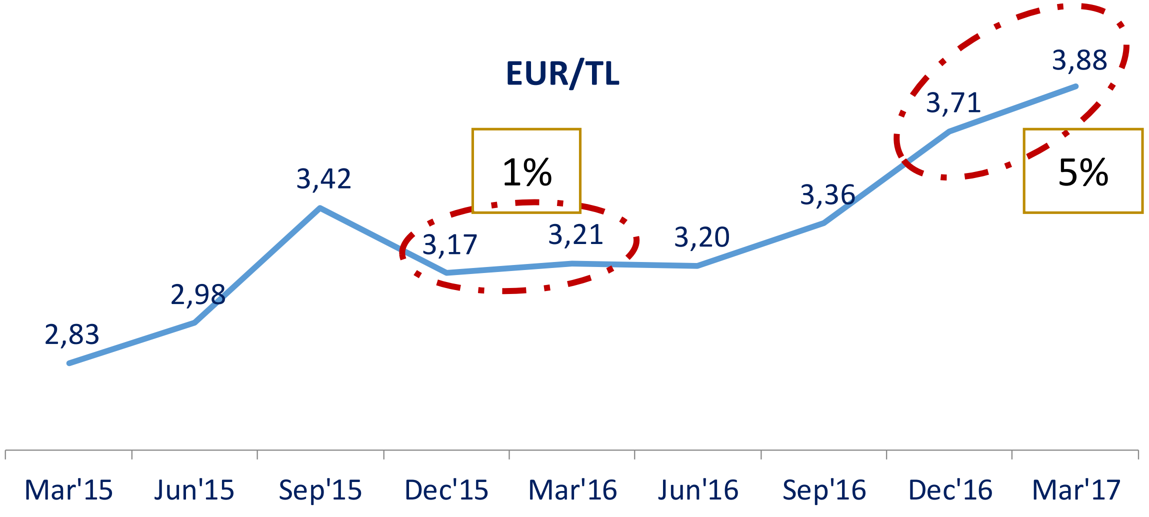


- Bandırma II Natural Gas Plant and Tufanbeyli Lignite Plant becoming operational, impacted bottom line dramatically because of financial expenses and additional depreciation expenses; EBITDA contribution is limited with 55 MTL
- Renewable generation decreased as a result of lower water inflows

Generation

Balance Sheet and Cash Flows

MILLION TL	DEC 2016	MAR 2017	% Change
Cash	21	42	97%
Trade Receivables	422	315	-25%
Fixed Assets	11.116	11.053	-1%
Other Assets*	1.780	1.665	-6%
TOTAL ASSETS	**13.339**	**13.075**	**-2%**
Bank Borrowings	7.371	7.583	3%
Trade Payables	409	388	-5%
Other Liabilities**	793	773	-3%
TOTAL LIABILITIES	**8.573**	**8.744**	**2%**
TOTAL EQUITY	**4.766**	**4.331**	**-9%**
TOTAL LIABILITIES AND EQUITY	**13.339**	**13.075**	**-2%**



	DEC 2016	MAR 2016	MAR 2017	% Change
Cash the beginning of the year	96	96	21	-78%
Net cash provided by operating activities	**1.366**	**171**	**262**	**54%**
Net cash used in investing activities	**-909**	**-168**	**-83**	**51%**
Net cash (used in)/provided by financing activities	-532	61	-158	-358%
Cash at the end of year	21	160	42	-74%
Free cash flow	**457**	**2**	**179**	**8738%**

- Major projects completed,increased EBITDA contribution due to new capacity and decreased capex, increasing Q1’17 free cash flow.
- EUR denominated loan balance
- EUR/TL Depreciation increased significantly in Q1’17

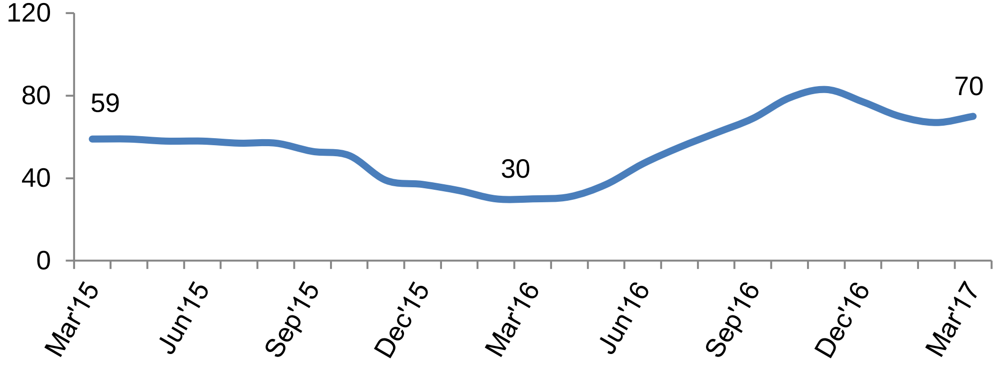
* Other assets consist of VAT, transmission line receivables and other receivables and work advances.

** Other liabilities consist of hedges, expense accruals related to water usage right, legal cases and payables to personnel .

Cement

Decreasing Volumes Due to Colder Weather and Jump in Fuel Costs Result in a Decline in EBITDA

MILLION TL	Q1 2016	Q1 2017	% Change
SALES	583	547	-6%
EBITDA	154	96	-38%
NET INCOME	98	43	-56%
EBITDA MARGIN	26,5%	17,6%	



Current Assessment

- Unusually severe winter conditions especially in January and February continues to suppress growth in local market (Domestic consumption in January and February decreased 8% yoy)
- Exports to growing US market
- Higher petcoke, coal and electricity costs
- Declining domestic grey cement prices in Q1
- Çimsa's new Afyon plant has started production at the end of the Q1 2017

Factors to Watch

- Petcoke, coal and energy prices
- Infrastructure segment and mega construction projects
- Ongoing urban transformation projects
- Expectation of delayed demand coming to market after referendum
- New capacities still coming to market

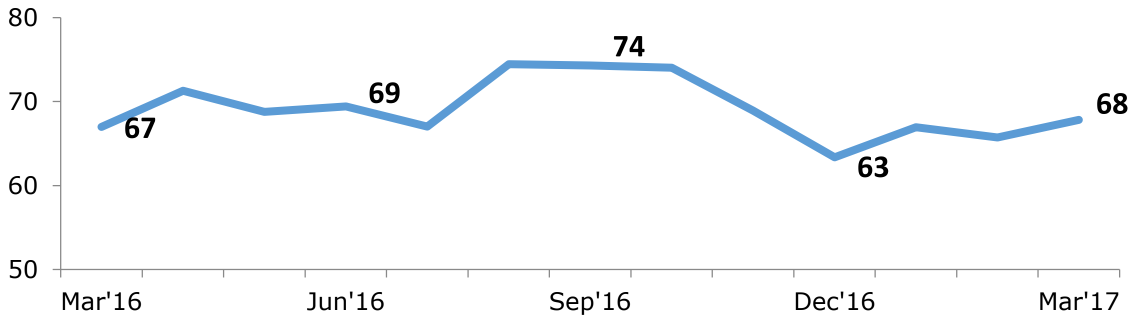
Retail

Maintaining the Positive Momentum

MILLION TL	Q1 2016	Q1 2017	% Change
SALES	1.872	1.736	-7%
EBITDA*	3	43	1239%
NET INCOME*	-81	-51	37%
EBITDA* MARGIN	0,2%	2,5%	

* One off items excluded

Consumer Confidence Index



Source: TUIK

Current Assessment

- Positive LfL growth for both companies
- Rebuilding operational profitability in both companies
- Remodelling the way our companies do business with their suppliers
- Teknosa continues to increase penetration in mobile operations and invest in online channel

Factors to Watch

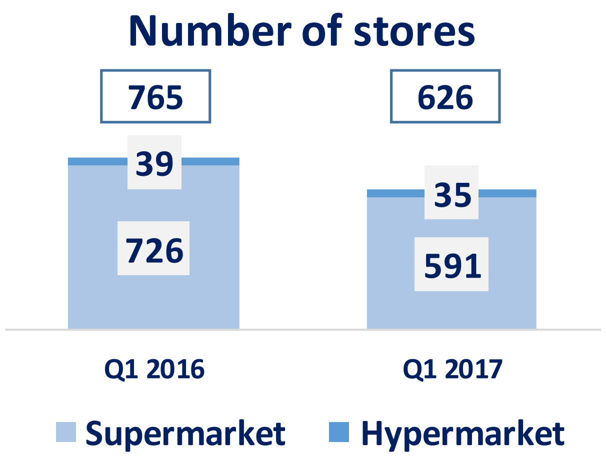
- Consumer Sentiment and Economic Outlook post referendum
- Potential inflationary pressure over margins
- Deleveraging in food retail through realization of value in real estate portfolio
- Investments in private label products
- Consumer preferences on internet retailing for grocery products

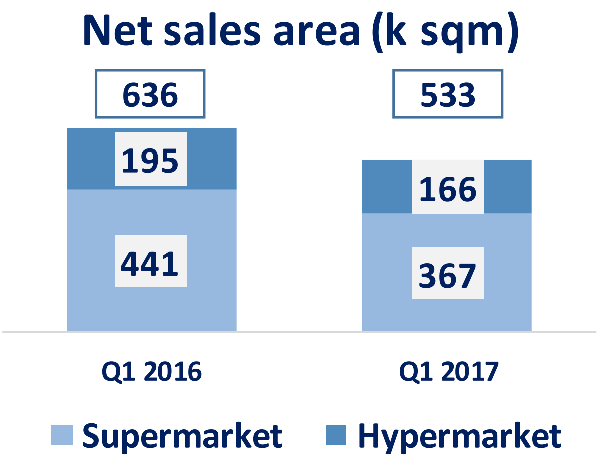
Carrefoursa

Building a Better Carrefoursa

MILLION TL	Q1 2016	Q1 2017	% Change
SALES	1.097	1.047	-5%
EBITDA*	-8	16	304%
NET INCOME*	-68	-48	29%
EBITDA* MARGIN	-0,7%	1,6%	

* One off items excluded





Q1 Highlights

- Sales was impacted following the optimization of the store network
- Improving sales performance in all store formats through positive LfL sales growth (especially in Gourmet and Mini stores)
- Gross margin improved with assortment simplification and optimization solutions
- Continued progress in monetization of real estate portfolio

In progress…

- Just in time inventory (slim stock) management to be fully operational in Q2
- Refurbishment continues in hypers and supers to improve value proposition
- Actions to minimize stock losses

Future Focus

- Deleveraging through proceeds from major real estate disposals
- Focus on further operational excellence for profitability

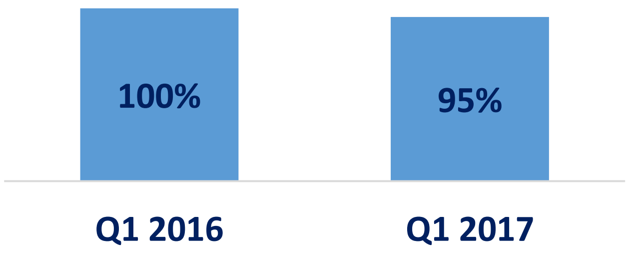
Insurance

Strong Growth in AUM and Successful Underwriting Drove Q1 EBITDA

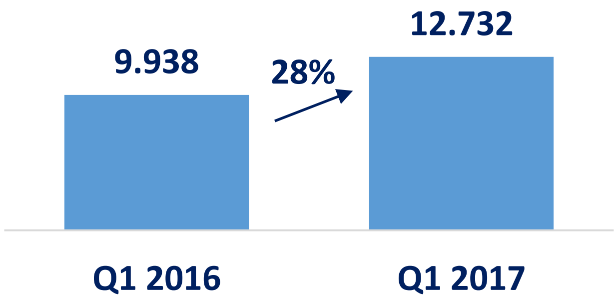
MILLION TL	Q1 2016	Q1 2017	% Change
SALES	570	728	28%
EBITDA	49	70	42%
NET INCOME	42	62	48%

* One off items excluded

Aksigorta Combined Ratio



Avivasa Assets Under Management (MTL)



Current Assessment

- 23% growth in elementary insurance, driven with non-motor segment
- Strong underwriting profit growth thanks to 5pps improvement in combined ratio
- Life and PA business shows strong premium growth in both credit and non-credit linked channels
- Pension business maintains #1 position in terms of AUM and posted 32% growth in technical income in Q1

Factors to Watch

- MTPL product outlook with the new price cap by regulator
- Progressive roll out of the Auto Enrollment system in the rest of 2017 and opt-out trends
- Loan volume growth for credit-linked product sales in Life protection business line

** MTPL: Motor Third Party Liability
MOD: Motor Own Damage

Industrials

Global Market Performance Covers Domestic Stagnation

MILLION TL	Q1 2016	Q1 2017	% Change
SALES	1.245	1.416	14%
EBITDA*	250	254	2%
NET INCOME*	171	147	-14%
EBITDA* MARGIN	20,1%	17,9%	

* One off items excluded

Current Assessment

- Slight improvement in global and local markets for industrial companies compared to last year
- Increased commodity prices, lagged pricing effect
- Focus on export markets to take advantage of TL depreciation

Factors to Watch

- Increase in commodity prices for both costs and product prices
- TL and Emerging Market currencies vs Developed Market currencies
- Domestic market demand
- Working capital management and inventory control

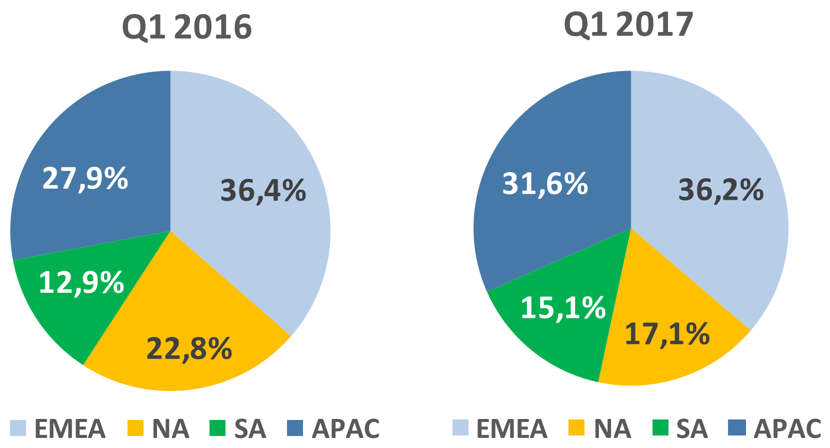
Kordsa

Strong Operational Performance Coupled with FX Denominated Revenues

MILLION TL	Q1 2016	Q1 2017	% Change
SALES	488	631	29%
EBITDA*	78	111	42%
NET INCOME*	64	71	10%
EBITDA* MARGIN	16,0%	17,6%	

* One off items excluded

Sales Distribution by Regions



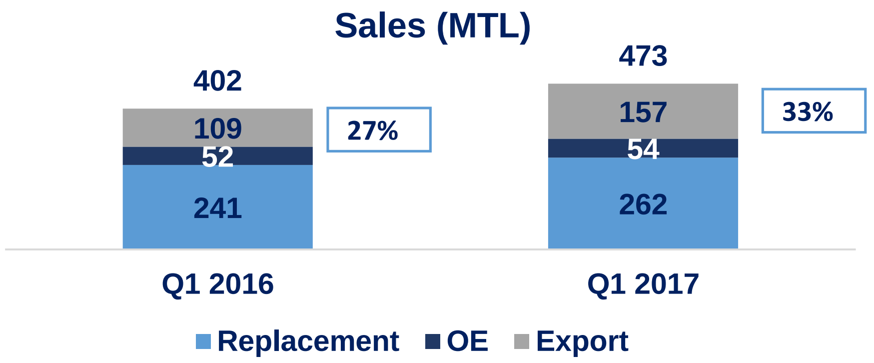
Q1 Highlights

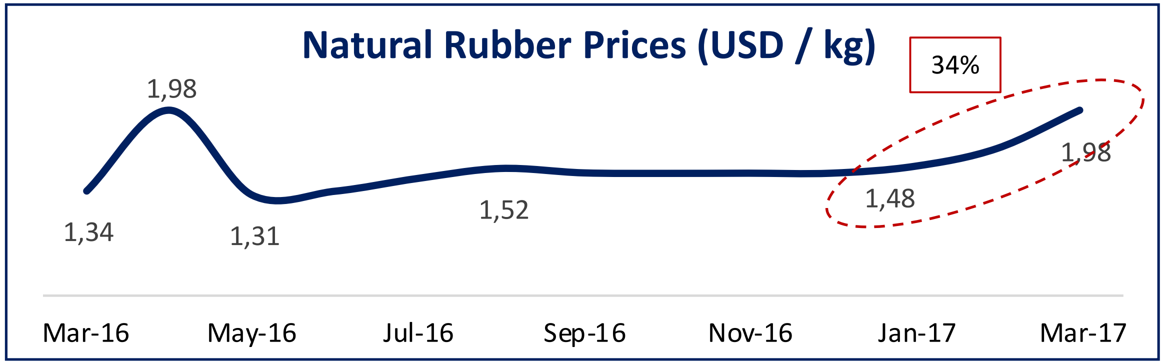
- Market demand is picking up globally
- Favorable exchange rates boosted top line
- Improvement in conversion costs
- Despite adverse raw material costs, operational profitability has improved
- Continue to focus on Commercial Excellence for sustainable profitable growth

Brisa

Focus on Export Markets

MILLION TL	Q1 2016	Q1 2017	% Change
SALES	402	473	18%
EBITDA	68	69	2%
NET INCOME	23	25	9%
EBITDA MARGIN	16,9%	14,7%	





Source: Singapore Stock Exchange

Q1 2017 Highlights

- Macroeconomic conditions resulted in limited growth in the markets overall.
- Increasing rubber prices and depreciation of TL negatively impacting gross margins
- Improvement signals in demand :
  - High growth in «Passenger Car» segment sales and change in winter tire regulation

Increase in export sales by 44% in Q1 2017, driving the top line

FX Position

Disciplined FX management

CONSOLIDATED NET FX POSITION (excl. Bank) M€	MILLION EURO	
	DEC 31, 2016	MAR 31, 2017
ENERGY*	-271	-160
INDUSTRIALS	-25	-7
CEMENT	-8	5
RETAIL	3	7
INSURANCE	6	4
HOLDING & OTHER	167	244
TOTAL CONSOLIDATED FX POSITION AFFECTING PL	**-128**	**92**

*Capitalized borrowings of Energy segment amounting to 29 MEUR and the other FX assets/liabilities that do not create FX gain/loss are excluded

Holding Only Cash Position is 1.656 MTL

2017

Maintaining Guidance for 2017

		2017 Growth Guidance
ENERGY*	SALES	10-15%
	EBITDA	10-15%
INDUSTRIALS*	SALES	5-15%
	EBITDA	5-15%
SABANCI HOLDING COMBINED NON-BANK **	SALES	5-10%
	EBITDA	10-15%

* One off items excluded.

** Including «other» segment

Q&A

SABANCI