



2017 Q4
EARNINGS RELEASE

2017 Guidance

		2017 Growth Guidance	2017 Growth Realization	Status
ENERGY*	SALES	10-15%	31%	Exceed
	EBITDA	10-15%	41%	Exceed
INDUSTRIALS*	SALES	5-15%	26%	Exceed
	EBITDA	5-15%	15%	Met
SABANCI HOLDING COMBINED NON-BANK *	SALES	5-10%	23%	Exceed
	EBITDA	10-15%	30%	Exceed

- Almost all of the targets have been exceeded with sizeable outperformance.

Net Sales

MILLION TL	TOTAL BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)			2016	2017	% Change
	Q4 2016	Q4 2017	% Change			
TOTAL*	14.068	18.556	32%	53.094	64.711	22%
BANK	6.100	7.608	25%	22.669	27.352	21%
NON-BANK*	7.968	10.948	37%	30.425	37.359	23%
ENERGY	3.299	4.957	50%	12.565	16.510	31%
CEMENT	662	864	30%	2.631	3.010	14%
RETAIL	1.911	2.191	15%	7.566	7.952	5%
INSURANCE	615	1.007	64%	2.213	3.107	40%
INDUSTRIALS	1.425	1.874	32%	5.228	6.613	26%
OTHER*	56	55	-2%	222	168	-24%

* Holding dividend income excluded

- The key driver of the top line growth was Energy and Industrials, with 50% and 32% growth y-o-y respectively.
- For Energy segment, growth was driven by downstream business.

- In Industrials, Local demand pick-up, fx demominated revenues coupled with stronger pricing, particularly in Brisa, Kordsa and Temsa, have driven the 32% growth in the top line.
- Insurance segment topline posted 64% growth with strong premium generation in MTPL, non-motor segment as well as Life and Protection products.
- Retail top line posted 15% growth on the back of improved customer like for like and basket size.
- Cement segment revenues increased with new capacity in Afyon, export revenues and pricing improvement in gray cement for the domestic market.

EBITDA

MILLION TL	TOTAL BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)					
	Q4 2016	Q4 2017	% Change	2016	2017	% Change
TOTAL*	3.005	4.479	49%	10.768	14.201	32%
BANK	1.581	2.511	59%	6.323	8.427	33%
NON-BANK*	1.424	1.968	38%	4.445	5.774	30%
ENERGY	836	1.326	59%	2.463	3.468	41%
<i>ENERGY - Adjusted for Comparison**</i>	696	949	36%	2.554	2.877	13%
CEMENT	144	207	43%	743	680	-8%
RETAIL	116	52	-55%	83	224	171%
INSURANCE	83	88	6%	231	324	40%
INDUSTRIALS	258	305	19%	975	1.118	15%
OTHER*	-12	-10	18%	-50	-41	18%

- Energy segment has boosted its performance strongly with the help of supportive regulatory changes as well as efficiency improvements. Taking a look at actual unadjusted 2017 Q4 EBITDA, Energy segment brought nearly 70% of the non-bank EBITDA and 30% of total combined EBITDA in Q4.
- Industrial segment benefitted from stronger demand in both domestic and export markets. Combined with reflection of increased raw material costs over prices, segment EBITDA posted 19% growth.
- With higher domestic demand and price improvements, Cement segment EBITDA posted 43% growth vs 2016 Q4.
- In Insurance segment, underwriting performance was capped with elevated combined ratio on flood and hail claims, leading to lower EBITDA growth vs last years 4th quarter.
- Retail segment profitability was challenged in the fourth quarter. Main reasons were promotional campaigns and operational expenses related to new initiatives in place to improve customer traffic and retention.

CONSOLIDATED NET INCOME

MILLION TL	Q4 2016	Q4 2017	% Change	2016	2017	% Change
CONSOLIDATED NET INCOME*	792	1.237	56%	2.800	3.615	29%
BANK	491	788	60%	1.979	2.643	34%
NON-BANK	301	449	49%	821	973	18%
ENERGY	50	196	289%	140	222	59%
<i>ENERGY-Adjusted for comparison**</i>	-16	48	395%	150	-12	-108%
CEMENT	44	48	10%	217	151	-31%
RETAIL	-11	-36	-232%	-161	-110	32%
INSURANCE	29	29	-2%	81	107	33%
INDUSTRIALS	127	129	2%	469	442	-6%
OTHER	62	83	34%	76	161	112%

■ Energy segment benefitted from strong operational profitability growth and ongoing deleveraging in Downstream business. In addition to that, tight FX hedging strategies have helped limiting FX losses on the Upstream business.

■ In Industrials, FX losses largely limited strong operational performance to be reflected down to bottom line

■ Retail segment bottom line weakened with lower operational profitability and increased financing costs. However segment bottom line still at an improving shape from an annual perspective.

SEGMENT HIGHLIGHTS

Energy

MILLION TL	Q4 2016	Q4 2017	% Change	2016	2017	% Change
SALES	3.299	4.957	50%	12.565	16.510	31%
EBITDA*	836	1.326	59%	2.463	3.468	41%
NET INCOME*	101	392	289%	279	443	59%
EBITDA* MARGIN	25,3%	26,7%		19,6%	21,0%	

**Excludes non-operational one off items.*

■ Energy segment delivered significant increase in EBITDA both for the quarter and full year in 2017, mainly thanks to the contributions from Distribution business.

■ Regulator has announced several updates and mostly very favorable for the Distribution and Retail business.

■ In Distribution business,

- Regulated WACC reached 13,61% from 11.91%, leading to positive revaluation of the related financial asset already in 2017.
- In addition to that, incentives regarding theft detection activities improved and application is done retrospectively for the prior years as well.
- Furthermore, additional OPEX allowances given to the regions to incentivize additional call center and repair&maintenance activities.

■ On the retail front, while unchanged national tariff capped the margins, demand shifted to regulated tariff supported the volumes and margins as well.

■ In Q1 2018, the expected increase in national tariff is realised as 7%; which is positive for the profitability in the coming months.

■ Also, regulatory changes allow gaining 2,38% margin on top of regulated feed in tariff cost is going to contribute to the profitability of 2018.

■ In generation business,

- renewable tariff and lignite incentive continue to impact 2017 positively.
- For 2018, the updates for the regulation for capacity payments of natural gas plants and TETAŞ pricing mechanism for Tufanbeyli will be followed.

■ On top of operational impacts, 2017 was a volatile year in terms of EUR/TL and financing environment.

Energy – Segment figures adjusted for comparison

MILLION TL	Q4 2016	Q4 2017	% Change	2016	2017	% Change
SALES	3.299	4.957	50%	12.565	16.510	31%
EBITDA* - Adjusted for comparison	696	949	36%	2.554	2.877	13%
Net Income** - Adjusted for comparison	-32	95	395%	300	-24	-108%
EBITDA* MARGIN - Adjusted for comparison	21,1%	19,1%		20,3%	17,4%	

*Excludes non-operational one off items.

- As the WACC increased to 13,61%; the fair value of financials assets in financials, has improved by around 462 MTL. Since this is a non-recurring exceptional item; it is excluded from 2017.
- Distribution Company also had some non-recurring income related to 2016 fiscal year, amounting to 115 MTL excluded from 2017 figures as well.
- Overall, adjusted EBITDA increased by 36% in Q4 2017 and adjusted Net Income increased almost 4x in Q4 2017.

Enerjisa Enerji A.Ş.

MILLION TL	Q4 2016	Q4 2017	% Change	2016	2017	% Change
Net sales	2.184	3.753	72%	9.103	12.345	36%
EBITDA	268	1.043	290%	1.495	2.555	71%
EBITDA - Adjusted for comparison*	268	674	151%	1.495	1.973	32%
Net Income	-45	534	1292%	377	988	162%
Net Income - Adjusted for comparison**	-45	238	629%	377	522	38%

*See previous slide for the details of EBITDA adjustments.

** See previous slide for the details of Net Income adjustments.

*Excludes non-operational one off items.

- In Distribution Business,
 - Asset base continue to grow on the back of accelerated investments and reaches 5.3 bn TL.
 - Higher capex driven RAB and higher inflation positively impact the returns and contributes to EBITDA with around 186 MTL in Q4 2017 y-o-y.

- In Q4 2017, higher efficiency and quality gains at Disco due to significantly higher theft accrual collection income as well as T&L outperformance contributed to EBITDA 149 MTL on top of 2016 Q4.

Enerjisa Üretim Santralleri A.Ş.

MILLION TL	Q4 2016	Q4 2017	% Change	2016	2017	% Change
Net sales	1.172	1.204	3%	4.155	4.165	0%
EBITDA*	427	282	-34%	1.058	911	-14%
EBITDA* margin (%)	36%	23%	-13,0pp	25%	22%	-3,6pp
Depreciation	-101	-110	-8%	-307	-428	-39%
Financial Income/(expense)	-248	-315	-27%	-701	-1.164	-66%
Net income*	13	-142	-1209%	-77	-545	-606%

*Excludes non-operational one off items.

■ Last year in Q4, the compensation from contractor regarding the delays in Tufanbeyli lignite power plant was booked. As a result, there is a strong base effect. Excluding that from Q4 of 2016, EBITDA has increased by 33% and reached 282 MTL in Q4 2017.

■ Overall, Generation volume was 25% higher in 4Q 2017 y-o-y.

■ Renewable Generation was 21% higher in Q4'17 y-o-y and resulted in an additional 35 MTL EBITDA in the quarter compared to the same period last year.

■ Tufanbeyli LPP generation increased by 25 % y-o-y in the quarter. Operational improvements allowed capturing higher availability in the plant, which contributed EBITDA 11 MTL in Q4'17 on top of last year.

■ As the market prices increased, Natural Gas Power Plants had the opportunity to capture more working hours and increased their generation compared to last year. However, as 2016 was a loaded year for electricity hedges, in Q4 2017, there was a 13 MTL net negative impact from hedges and prices.

■ The Company's loans are mainly Euro-denominated resulting in FX losses. However, with active hedging policies, FX loss was considerably limited.

Cement

2017 Q4 FINANCIAL RESULTS

BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q4 2016	Q4 2017	% Change	2016	2017	% Change
SALES	662	864	30%	2.631	3.010	14%
EBITDA*	144	207	43%	743	680	-8%
NET INCOME*	95	102	8%	477	313	-34%
EBITDA* MARGIN	21,8%	23,9%		28,2%	22,6%	

*Excludes non-operational one off items.

- Based on Turkish Cement Manufacturers Association data, Turkish domestic cement demand posted 5% growth vs last year as of November 2017.
- Cement business posted a 22% increase in domestic volumes with New Afyon Plant capacity and improved demand due to good weather conditions in Q4.
- In addition to that, export volumes posted 2% increase as a result of grey cement exports to US, grey clinker to West Africa and white cement globally.
- Overall, cement segment total volume posted 18% increase vs last year's Q4.
- A combination of this high demand, grey cement price improvement and FX linked pricing for exports resulted in 30% growth in the segment topline.
- Although production costs were increased with higher fuel prices, successful reflection of these onto the sales price has led to 2 pps improvement in EBITDA margin vs last year.

Retail

2017 Q4 FINANCIAL RESULTS

BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q4 2016	Q4 2017	% Change	2016	2017	% Change
SALES	1.911	2.191	15%	7.566	7.952	5%
EBITDA*	116	52	-55%	83	224	171%
NET INCOME*	-25	-72	-194%	-310	-220	29%
EBITDA* MARGIN	6,1%	2,4%		1,1%	2,8%	

*Excludes non-operational one off items.

- The retail segment had a challenging period in the last quarter of 2017 due to the strong base effect. However annual performance of the retail segment is promising.
- Both companies reached double digit LfL growth based on positive customer LfL and basket size growth. The improvement of customer conversion rate in the technology retail is another positive for the segment.
- However, companies in retail segment experienced margin deterioration at EBITDA level in Q4.
- Gross margin in food retail stabilized at the levels expected. However, due to operational expenses of new initiatives like in-house fish and meat offerings and field purchases of fresh food to improve customer retention and increase customer traffic have a short term negative impact on EBITDA. Those initiatives are expected to bring longer term profitability.

- Both companies have been working on several projects to further improve operational profitability through increased customer traffic, optimization of supply chain and opex. By the end of 2018, more significant improvement in the financial results are expected.

Insurance

2017 Q4 FINANCIAL RESULTS

BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q4 2016	Q4 2017	% Change	2016	2017	% Change
SALES	615	1.007	64%	2.213	3.107	40%
EBITDA*	83	88	6%	231	324	40%
NET INCOME*	79	76	-4%	212	281	33%

*Excludes non-operational one off items

- Strong top line growth was observed in Insurance, however with limited reflection on EBITDA due to higher claims.

- Aksigorta posted strong growth in MTPL and non-motor sales in Q4 leading to 39% growth in premiums. Combined ratio increased by 4 percentage points due to higher claims resulting in 13% decline in the underwriting profit. Despite higher net financial income, net income, excluding one offs, remained 28% below last year

- Avivasa pension technical profit posted 31% growth in Q4. General expenses increased by 24% with life products focus. Net technical profit posted 39% increase in Q4 compared to last year. Overall, with the help of strong operational profitability and solid financial income, bottom line increased by 46% in Q4 compared to last year.

Industrials

2017 Q4 FINANCIAL RESULTS

BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q4 2016	Q4 2017	% Change	2016	2017	% Change
SALES	1.425	1.874	32%	5.228	6.613	26%
EBITDA*	258	305	19%	975	1.118	15%
NET INCOME*	173	177	2%	634	631	0%
EBITDA* MARGIN	18,1%	16,3%		18,6%	16,9%	

*Excludes non-operational one off items

- A strong growth was observed in both operational profitability and bottom line
- Top line grew by %32 mostly driven by Brisa, Kordsa and Temsa.

- Industrial segment had a strong 4th quarter in overall, through increased local and export sales coupled with successful reflection of increased raw material costs over prices.
- EBITDA of Industrials segment was 19% higher y-o-y thanks to successful topline growth and supportive operational excellence of our companies. However, due to increased raw material costs and lagging pass through over prices limited the EBITDA growth to be below topline growth.
- Depreciation of TL and other EM currencies against USD and EUR is a positive for export businesses and Kordsa in general.
- Despite strong operating performance, net profit increased by only 2% in Q4 mainly due to financial costs.

FX Position

CONSOLIDATED NET FX POSITION (excl. Bank) M€	MILLION EURO	
	DEC 31, 2016	Dec 31, 2017
ENERGY	-271	-240
INDUSTRIALS	-25	1
CEMENT	-8	4
RETAIL	3	0
INSURANCE	6	7
HOLDING & OTHER	167	327
TOTAL CONSOLIDATED FX POSITION AFFECTING PL	-128	99

Holding Only Cash Position is 1.590 MTL

- Holding only cash position is 1.6 Billion TL as of 2017 year end.
- As a reminder, this amount excludes Enerjisa Enerji IPO proceeds.

APPENDIX-CONSOLIDATED FINANCIALS

Balance Sheet (000 TL)

	31.12.2017	31.12.2016
ASSETS		
Current Assets	163.547.705	145.478.662
Cash and Cash Equivalents	14.519.064	12.596.627
Financial Assets	8.832.334	3.835.458
- Held for Trading	39.890	63.921
- Available for Sale	4.190.446	3.050.872
- Held to Maturity	4.593.808	684.900
- Time Deposits	8.190	35.765
Trade Receivables	1.881.888	1.440.602
Receivables from Finance Sector Operations	97.520.756	87.848.505
Reserve Deposits with the Central Bank of the Republic of Turkey	33.055.479	33.171.783
Other Receivables	2.464.026	1.138.432
Derivative Financial Instruments	1.812.017	2.361.989
Inventories	2.312.094	1.995.221
Prepaid Expenses	749.214	486.716
Current Tax Assets	9.093	4.678
Other Current Assets	370.559	576.871
	163.526.524	145.456.882
Assets Classified As Held for Sale	21.181	21.780
Non-current Assets	190.587.046	162.789.177
Financial Assets	52.944.726	49.063.092
- Available for Sale	38.655.381	31.771.008
- Held to Maturity	14.289.345	17.292.084
- Time Deposits	-	-
Trade Receivables	121.678	110.032
Receivables From Finance Sector Operations	114.186.246	92.734.698
Other Receivables	998.184	884.996
Derivative Financial Instruments	7.698.970	6.108.582
Investments Accounted Through Equity Method	6.439.214	6.101.005
Investment Property	282.506	278.476
Property, Plant and Equipment	5.529.745	4.964.509
Intangible Assets	1.690.195	1.687.584
- Goodwill	873.097	1.014.815
- Other Non Current Assets	817.098	672.769
Prepaid Expenses	23.098	129.067
Deferred Tax Assets	552.671	635.401
Other Non Current Assets	119.813	91.735
Total Assets	354.134.751	308.267.839

LIABILITIES

Short Term Liabilities	247.467.413	211.488.434
Financial Liabilities	13.917.173	8.838.741
Current Portion of Long-Term Financial Liabilities	16.018.279	13.620.874
Trade Payables	2.882.349	2.490.488
Payables from Finance Sector Operations	204.692.399	176.618.716
Short Term Employee Benefits	75.997	63.177
Other Payables	5.401.108	4.725.183
Derivative Financial Instruments	2.138.123	2.734.964
Deferred Income	217.393	149.461
Income Taxes Payable	802.451	347.607
Short Term Provisions	651.218	699.107
- Short Term Provisions for Employee Benefits	318.280	287.751
- Other Short Term Provisions	332.938	411.356
Other Short Term Liabilities	665.662	1.188.398
	247.462.151	211.476.716
Liabilities Classified As Held for Sale	5.262	11.718
Long Term Liabilities	54.669.399	51.972.062
Financial Liabilities	25.322.315	26.458.459
Trade Payables	-	29
Payables from Finance Sector Operations	23.664.909	22.096.811
Other Payables	1.541.534	829.968
Derivative Financial Instruments	3.375.454	1.981.853
Deferred Income	143.793	120.273
Long Term Provisions	416.977	327.449
- Long Term Provisions for Employee Benefits	412.364	323.210
- Other Long Term Provisions	4.613	4.239
Deferred Tax Liabilities	149.352	139.150
Other Long Term Liabilities	55.065	18.070
EQUITY	51.997.939	44.807.343
Equity Attributable to the Parent	26.591.788	23.146.297
Share Capital	2.040.404	2.040.404
Adjustment to Share Capital	3.426.761	3.426.761
Share Premium	22.237	22.237
Adjustments to Share Capital due to Cross Ownership(-)	(190.470)	(190.470)
Accumulated Other Comprehensive Income or Loss That Will Not Be Reclassified to Profit or Loss	(76.380)	(59.814)
- Actuarial Gains/Losses	(76.380)	(59.814)
Accumulated Other Comprehensive Income or Loss That Will Be Reclassified to Profit or Loss	64.615	(268.550)
- Currency Translation Reserve	724.660	499.438
- Hedge Reserve	(349.708)	(323.312)
- Revaluation Reserve	(310.337)	(444.676)
Restricted Reserves	1.032.916	929.750
Retained Earnings	16.790.619	14.585.848
Net Income for the Period	3.481.086	2.660.131
Non-controlling Interests	25.406.151	21.661.046
TOTAL EQUITY AND LIABILITIES	354.134.751	308.267.839

Income Statement (000 TL)

	31.12.2017	31.12.2016
CONTINUING OPERATIONS		
Sales (net)	13.839.851	12.362.180
Cost of Sales (-)	(10.943.850)	(9.778.272)
Gross Profit From Non-Financial Operations	2.896.001	2.583.908
Interest, Premium, Commission and Other Income	27.296.414	22.623.872
Interest, Premium, Commission and Other Expense (-)	(14.663.543)	(12.198.054)
Gross Profit From Financial Operations	12.632.871	10.425.818
GROSS PROFIT	15.528.872	13.009.726
General Administrative Expenses (-)	(5.334.974)	(4.931.039)
Marketing, Selling and Distribution Expenses (-)	(1.745.064)	(1.718.201)
Research and Development Expenses (-)	(7.853)	(5.756)
Income From Other Operating Activities	1.328.631	931.666
Expense From Other Operating Activities (-)	(765.417)	(864.195)
Interest in Income of Investments		
Accounted Through Equity Method	576.380	649.113
OPERATING PROFIT	9.580.575	7.071.314
Income From Investment Activities	110.729	86.203
Expense From Investment Activities (-)	(17.653)	(4.356)
OPERATING PROFIT BEFORE FINANCIAL INCOME / (EXPENSES)	9.673.651	7.153.161
Financial Income	141.096	48.601
Financial Expenses (-)	(596.754)	(371.658)
NET INCOME BEFORE TAX FROM CONTINUING OPERATIONS	9.217.993	6.830.104
Tax Income / (Expense) from Continuing Operations		
Current Income Tax Expense	(1.793.988)	(1.215.115)
Deferred Income Tax Benefit / Charge	10.390	(58.491)
NET INCOME FOR THE YEAR FROM CONTINUING OPERATIONS	7.434.395	5.556.498
DISCONTINUED OPERATIONS		
Net Income After Tax		
From Discontinued Operations	3.503	(9.352)
NET INCOME FOR THE YEAR	7.437.898	5.547.146
ALLOCATION OF NET INCOME		
- Non-controlling Interests	3.956.812	2.887.015
- Equity Holders of the Parent	3.481.086	2.660.131
Earnings per share		
- thousands of ordinary shares (TL)	17,06	13,04
Earnings per share from continuing operations		
- thousands of ordinary shares (TL)	17,04	13,08

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