

# Sabancı Holding

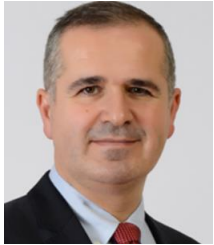
Investor Presentation

November 2019



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**Cenk Alper**  
**Board Member and CEO**

Started his career in 1992  
 Joined Sabancı Group in 1996  
 Appointed as the CEO of Kordsa in 2013  
 President of the Industrial SBU between 2017-2019  
 Appointed as the CEO of Sabancı Holding effective August 2019



**Barış Oran – CFO**

24 years of US and International Experience  
 13 years within Sabancı Group  
 CFO of Holding Company since 2016



**Hakan Timur – HR**

22 years of Human Resources Expertise  
 President of the HR Group since 2018



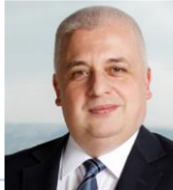
**Hayri Çulhacı – Banking**

Joined Akbank in 1990  
 Vice Chairman of Akbank's BoD since 2010  
 Chairman of Audit Committee and Executive Risk Committee since 2011



**Haluk Dinçer – Insurance**

24 years within Sabancı Group  
 Served as Retail and Insurance Group President from 2011 to 2016  
 President of the Insurance Group since 2016



**Tamer Saka – Cement**

First joined Sabancı Group in 2004  
 Served as the CEO of Kibar Holding between 2014-2018  
 President of the Cement Group since 2018



**Kıvanç Zaimler – Energy**

Started his career in 1992  
 Joined Sabancı Group in 2008  
 Appointed as the CEO of Enerjisa Enerji in 2016  
 President of the Energy Group since 2018

# Sabancı, Turkey's leading group

- ✓ 90+ years of creating market leaders in large and growing business areas, evolving through dynamic portfolio management and leveraging our industrial heritage and the experience of our JV partners
- ✓ Strong financial track record of real growth and returns
- ✓ Robust balance sheet, cash generation and distribution

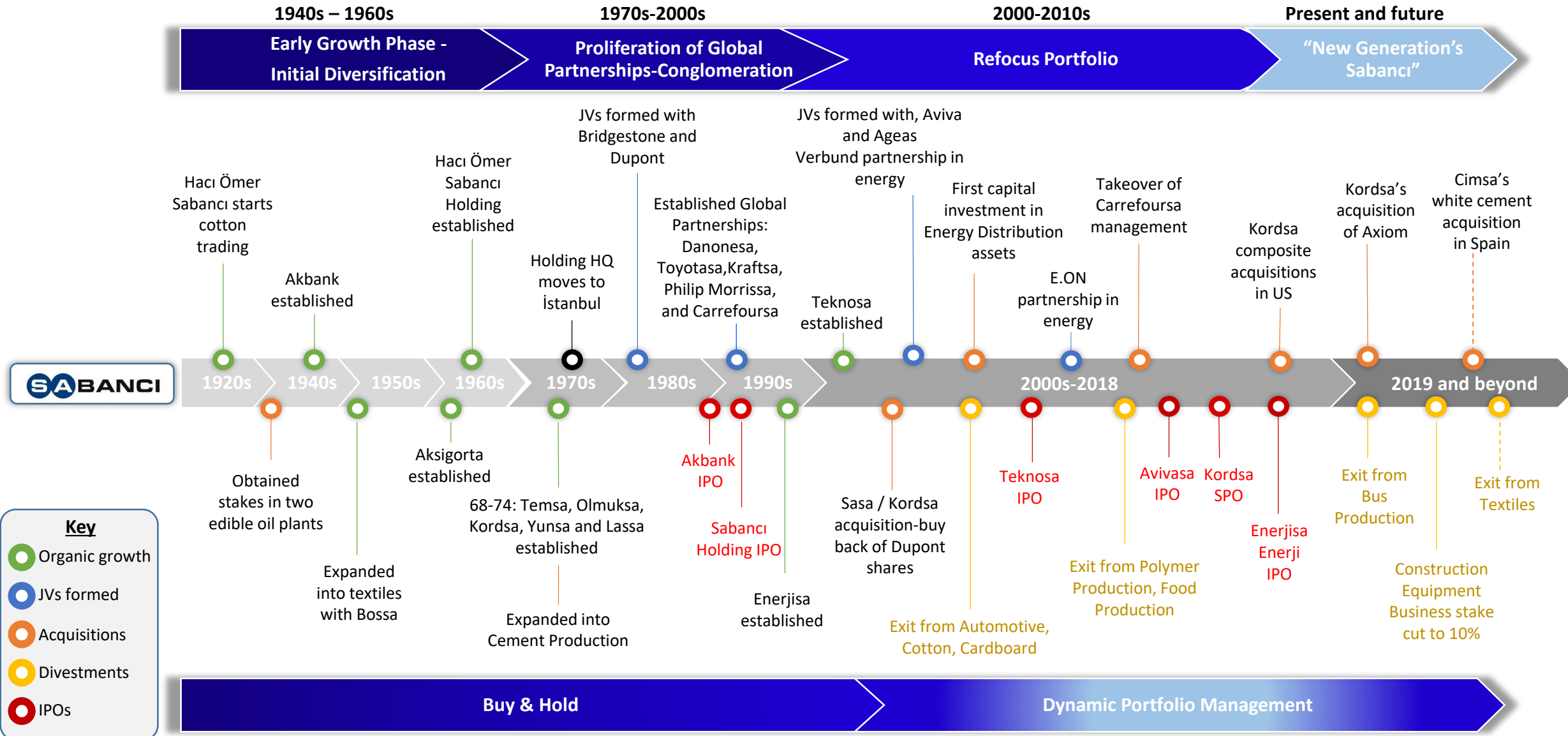
## "New Generation's" Sabancı

- ✓ Focusing and growing the core while exploring opportunities in adjacencies and digital
- ✓ Creating Holding value add by leveraging
  - ✓ Performance Culture
  - ✓ Dynamic portfolio management and capital allocation
  - ✓ Eco-system

**Committed to delivering value to all of our stakeholders**

# Introduction

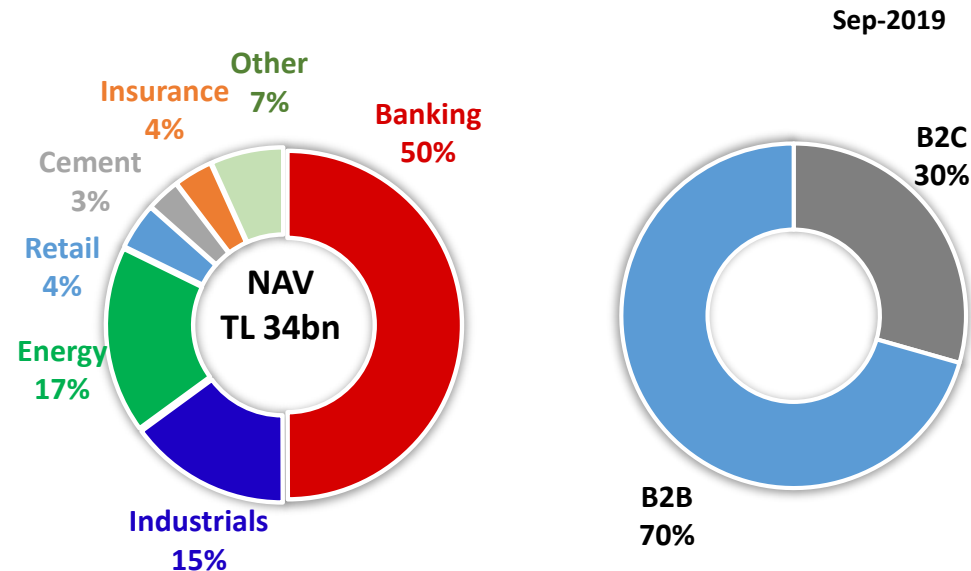
# Portfolio in Continuous Evolution



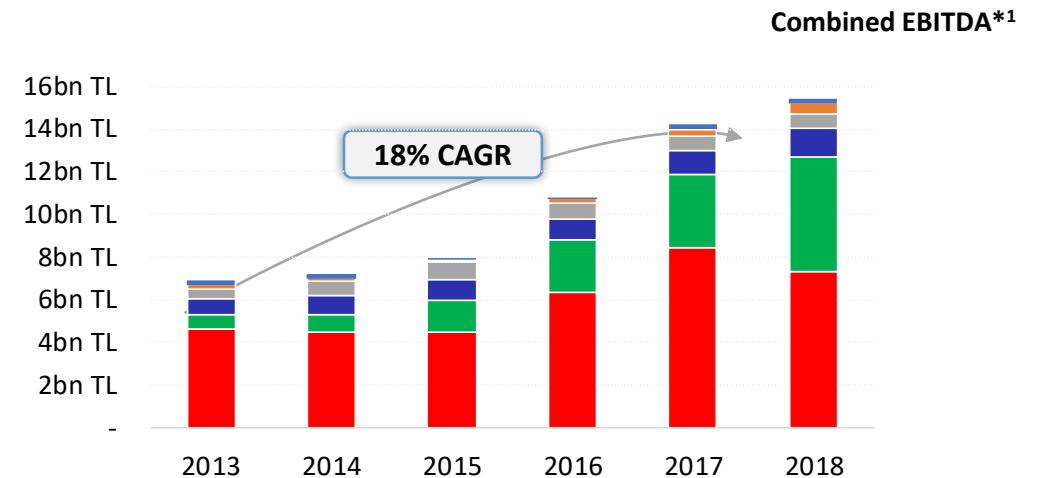
Our companies are market leaders in critical areas within their respective sectors

- **Financial Services (Banking & Insurance)** - The best bank in Turkey in 2019 (Euromoney, Global Finance, World Finance) and World's Best Digital Bank 2019 (Euromoney); Leading player in pension
- **Energy & Utilities**— The industry pioneer in upstream / downstream electricity markets; leadership in rapidly growing segments
- **Industrials (Reinforcement & Cement)** – innovative culture / global leader in international markets / leader in Turkey with strategic positioning in the market

### Diversified portfolio



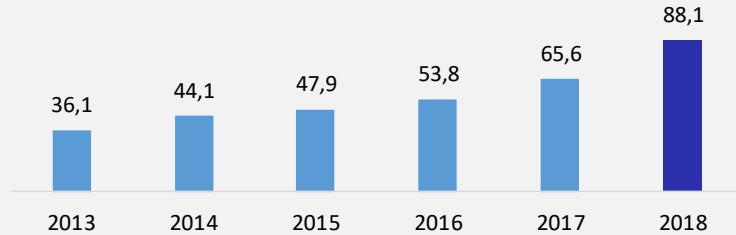
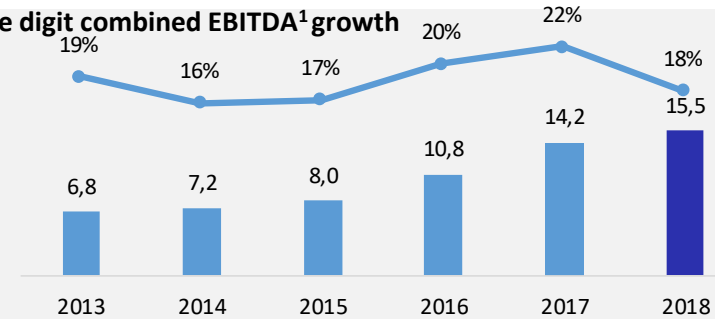
### Track record of real growth (above inflation+GDP growth of Turkey)<sup>2</sup>



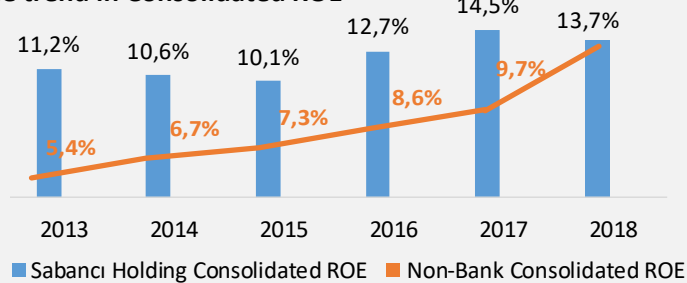
1. Total EBITDA before consolidation adjustments. Excludes one-offs  
2. 2013-2018 Ave. Inflation: 10%

## Sabancı's 2013-2018 financial performance, TL bn

Double digit combined revenue growth

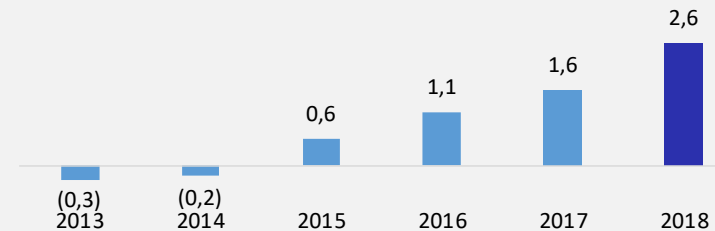
20%  
CAGRDouble digit combined EBITDA<sup>1</sup> growth18%  
CAGR

Favourable trend in Consolidated ROE

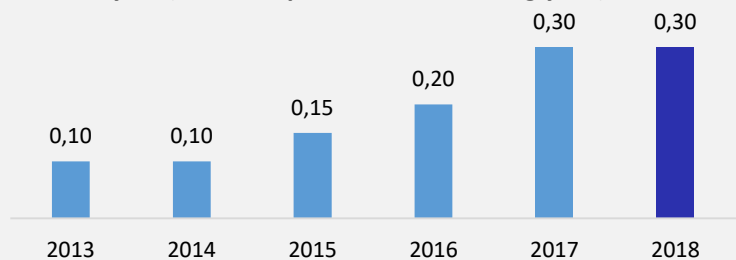


■ Sabancı Holding Consolidated ROE ■ Non-Bank Consolidated ROE

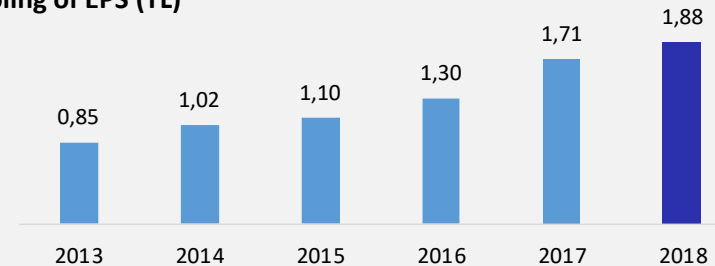
Strong net cash position (MTL)



Increase in DPS by 3x (TL, to be paid in the following year)

25%  
CAGR

Doubling of EPS (TL)

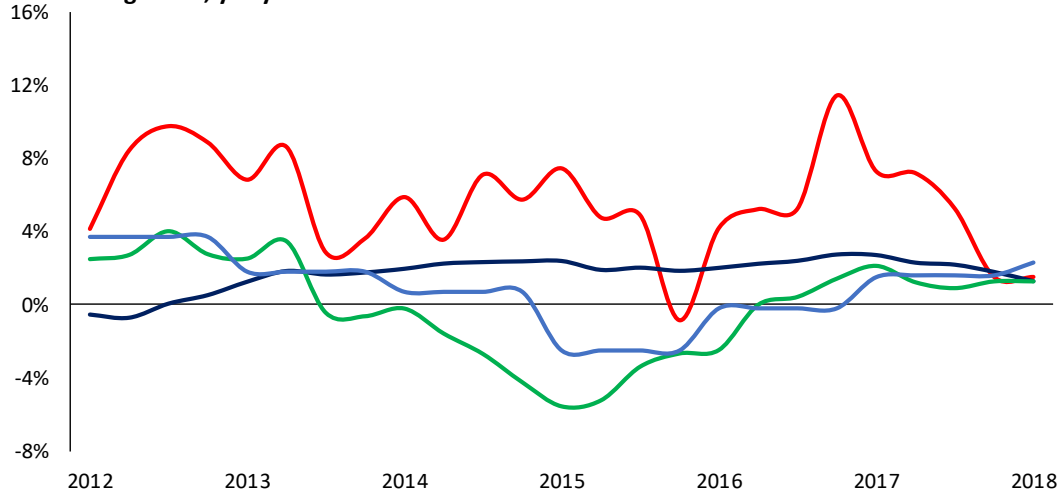
17%  
CAGRTrack record of high growth (above inflation + GDP growth of Turkey)<sup>2</sup>

1. Combined EBITDA. Excludes one-offs

2. 2013-2018 Ave. Inflation: 10%

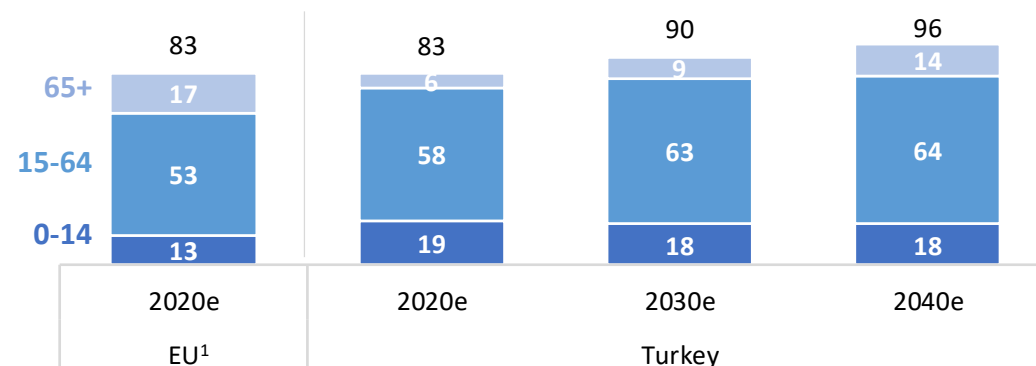
## Turkey is one of the world's fastest growing economies

Real GDP growth, y-o-y



## High population growth with a young demographic

Turkey's population distribution (millions)



## Sabancı, able to efficiently leverage the Turkish opportunity

- One of the highest growth economies in the world with real GDP growth consistently above European and emerging economies
- Large domestic market with a population of c. 82m which is young, dynamic and well-educated:
  - The largest youth population in Europe (half the population under the age of 31)
  - Qualified and competitive labour force, with higher levels of education compared to other emerging markets
- A strong base for international growth with a geographical location which provides a 'natural bridge' between the East-West and North-South axes, facilitating access to 1.6 billion customers in Europe, Eurasia, the Middle East and North Africa
- Part of the European Customs Union benefiting from Free Trade Agreements with 27 countries to provide competitive products (low cost and high quality)



## Urbanization



- Need for **revamp/upgrade of grid and utility infrastructure**

## Global polarization



- Enforces need for **geographic diversification**
- Potential to leverage **composites** in aerospace and defense

## AI and combinatorial technologies



- Potential to **stand out from competition** through University, Dx capabilities, and potential ecosystem play

## Climate change and (un)limited resources



- Increased **importance of composites in new applications and renewable** energy generation assets
- Growing importance of **sustainable manufacturing**

## Longer life expectancy



- Increased importance and penetration of **insurance and life/pension products**

## Geographic growth shift



- **High growth appetite** would require investments into **Emerging Markets**

# New Generation

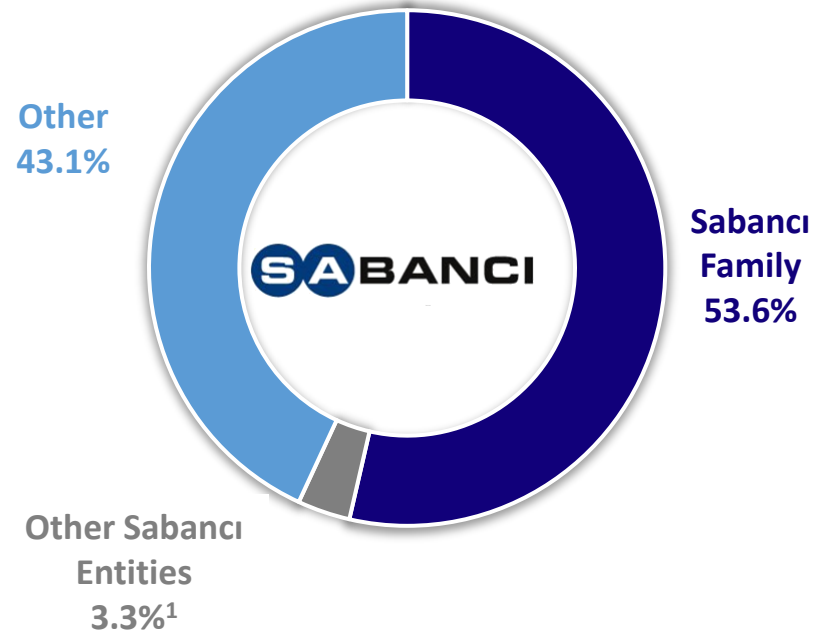
# Building “New Generation’s” Sabancı

## Sabancı Holding

	Energy and utilities	Industrials	Financial Services	Digital Businesses
<b>Growing the Core</b>	<ul style="list-style-type: none"> <li>Organic Regulated Asset Base (RAB) expansion</li> <li>Opportunistic renewable generation and inorganic RAB expansion</li> </ul>	<ul style="list-style-type: none"> <li>Growth in Composites</li> <li>Global white cement leadership</li> </ul>	<ul style="list-style-type: none"> <li>Continued organic growth</li> </ul>	<ul style="list-style-type: none"> <li>Digital Transformation in Core (Teknosa, Carrefoursa)</li> <li>Cybersecurity</li> <li>Others – through Corporate Venture Capital (CVC)</li> </ul>
<b>Adjacencies to Explore</b>	<ul style="list-style-type: none"> <li>Distributed generation</li> <li>Smart grid</li> <li>E-charging and energy efficiency services</li> <li>Storage solutions</li> </ul>	<ul style="list-style-type: none"> <li>Opportunistic brownfield investments</li> <li>Flexible electronics</li> <li>Industrial resins</li> <li>Ready-mix concrete value chain optimization</li> </ul>	<ul style="list-style-type: none"> <li>Fintech</li> <li>Insuretech</li> <li>Digital bank</li> </ul>	
<b>Holding Value Add</b>	<p><b>Performance Culture</b></p> <ul style="list-style-type: none"> <li>Challenging performance management system</li> <li>Effective, accountable Company BoDs</li> <li>Incentive structure awarding high performance</li> <li>Operational Excellence</li> </ul>	<p><b>Dynamic Portfolio Management</b></p> <ul style="list-style-type: none"> <li>Clear guidelines for Capital Allocation</li> <li>Link between trends and industry cycles with strategy and capital allocation</li> <li>Maximize value through corporate restructurings and divestitures</li> </ul>	<p><b>Value Creation Through Sabancı Ecosystem</b></p> <ul style="list-style-type: none"> <li>Granular understanding and prioritization of potential, tangible ecosystem projects</li> <li>Agile, cross-functional teams for implementation</li> <li>Holding governance structure for ecosystem management</li> </ul>	
<b>Enablers</b>	<p>Digital and Data Analytics</p> <p>Talent and Culture</p> <p>Governance, Social Responsibility &amp; Environment</p>			



## Shareholder base



## Corporate structure and division of responsibilities

- Evolved from a family owned group to a corporation with an effective governance structure, accelerated by our JV partners
- **Sabancı family** is an active majority shareholder focused on LT value creation. Their Board presence provides decades of experience and Turkish market know-how
- **Sabancı Group** has a decentralized management structure
- **Sabancı Holding Corporate Office** is responsible for:
  - Coordination and support of financing, strategy, business development, risk management and human resources functions in accordance with corporate governance principles
  - Determination of the Group's strategies
  - Career development of the Group's senior and mid-level executives
  - Deployment of performance culture across the Group
  - Shareholder value creation through nurturing an ecosystem within the group companies
- **Company level Management and the Board of Directors** hold the main accountability for execution
- **Strategic Business Unit ("SBU") Presidents** are the link between the Sabancı Holding Company and our portfolio companies, as the Chairman of the related company Board of Directors, helping to add value and drive the company forward
- **Sabancı Group is a lean operator with holding costs of <25bps of NAV**

1. Sabancı Foundation, Sabancı University and bought back shares  
Note: As of 29 March 2019



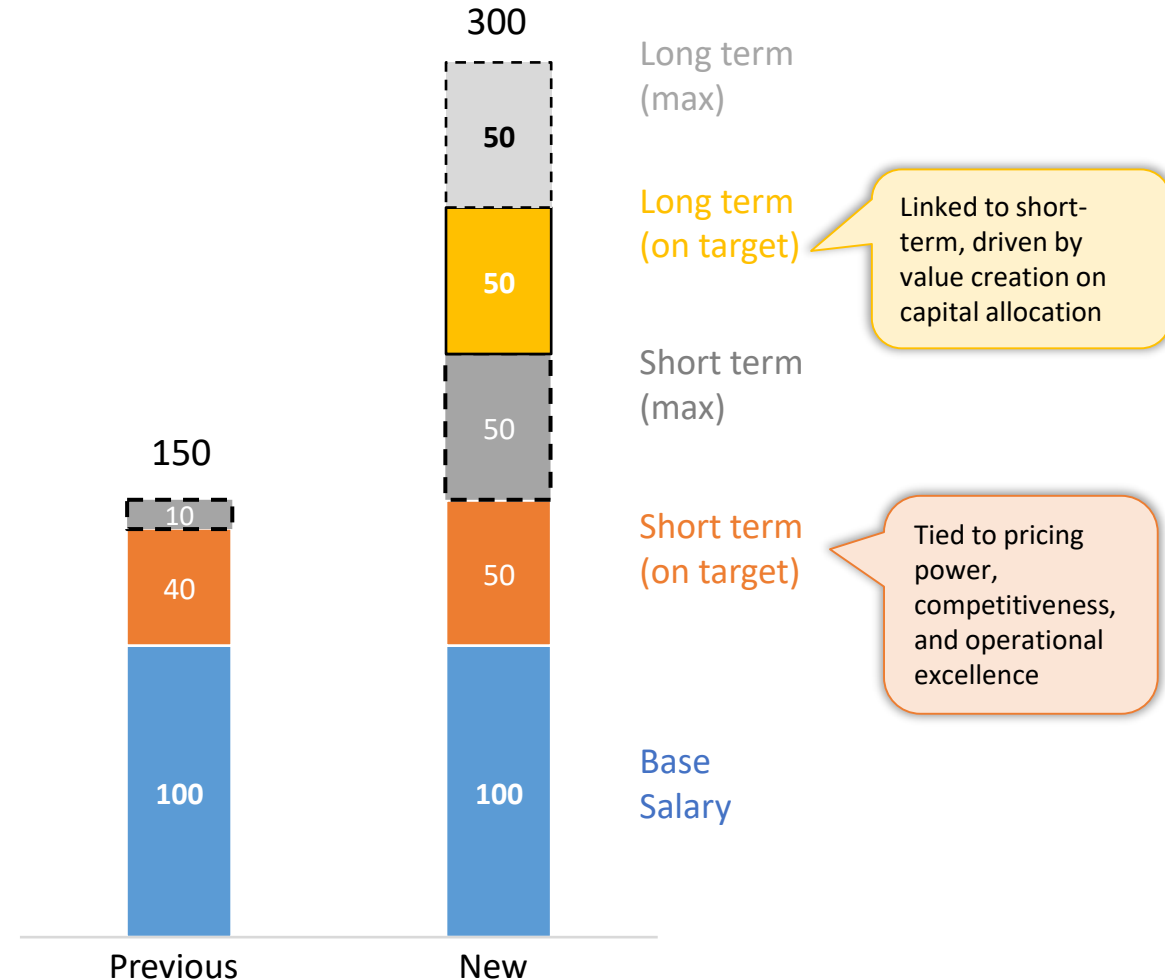
## Fostering performance

- Targets to implement ownership and best practice sharing culture
- Set of short term KPIs determined for each year at the end of budget process, the targets set at minimum to outperform last year performance
- Long term incentive targets will be reviewed at the beginning of each year for the next 3-year term

Short term KPIs - 1 year
<ul style="list-style-type: none"> <li>• Revenue</li> <li>• EBITDA</li> <li>• Free Cash Flow</li> <li>• Working Capital</li> </ul>
<ul style="list-style-type: none"> <li>• Market Capitalization</li> <li>• Market Share</li> <li>• Employee Engagement</li> </ul>

Long term KPIs – 3 years
<ul style="list-style-type: none"> <li>• NAV Discount</li> <li>• Outperforming TSR of peers</li> </ul>
<ul style="list-style-type: none"> <li>• Single digit NAV discount by 2021</li> </ul>

## Previous vs New Total Cash Model



Illustrative for company general manager



## Overview

- Revised capital allocation strategy to ensure disciplined use of capital
- Dynamic portfolio management, an important pillar of the capital allocation strategy
  - To redefine portfolio companies
  - To ensure value creation for all shareholders
  - Specific financial and strategic investment criteria
- Revised dividend policy part of wider capital allocation initiatives
  - Ensures shareholders support by policy directly linked to performance of portfolio companies

## New policy for capital allocation

Value creation potential	ROIC > WACC +1-3%
Growth potential > Real GDP growth	✓
Emerging / development phase of life cycle	✓
Leverages existing competencies	✓
Sustainable Investment	✓

### Growth (~58% of NAV)

- Strategically attractive markets where Sabanci can add value
- Build a sustainable competitive advantage (organically / inorganically)
- Explore adjacencies for growth

### Cash generators (~32% of NAV)

- Strong cash and profit generation in relatively stable markets
- Seek to sustain and defend competitive advantage

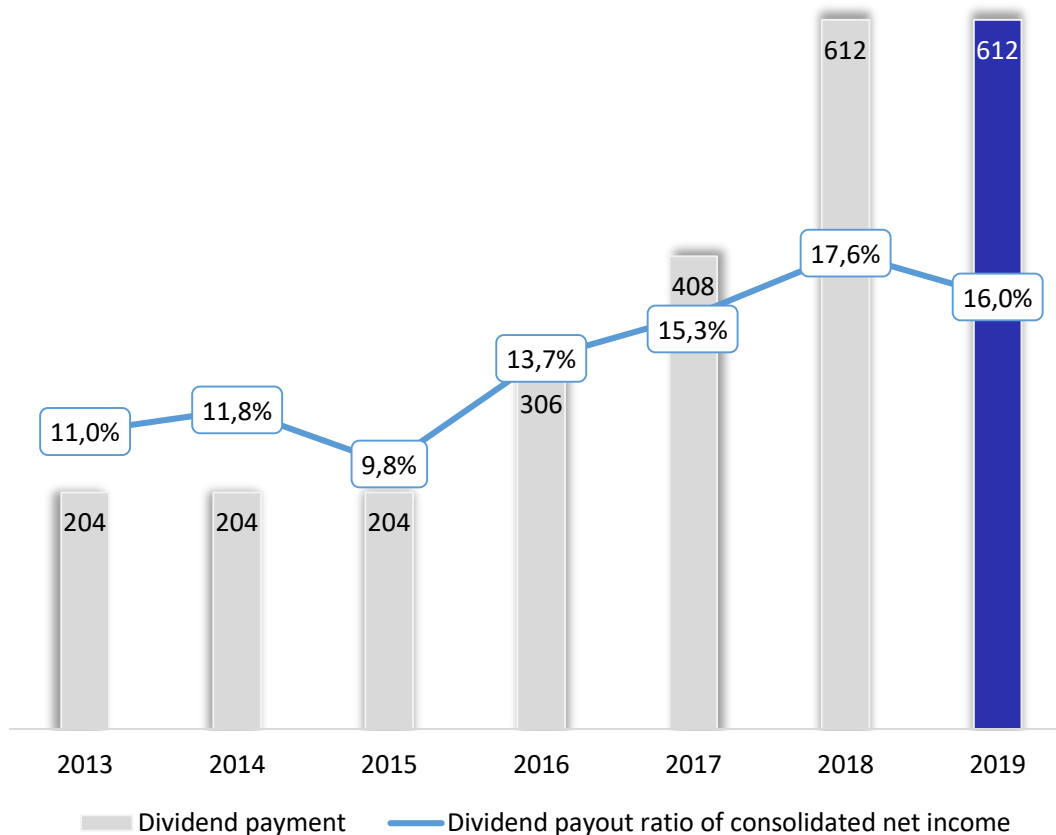
### Manage for value (~10% of NAV)

- Increase flexibility for maximizing value by allocating capital selectively and disciplined performance tracking
- **Optimise:** Create value through investment to optimise, increase capacity rather than pure growth investments
- **Turnaround:** Clear turnaround plan in place and fundamentals highlight sustainable positive cash flow
- **Divest:** Business can generate greater value outside of Sabanci Group or are no longer strategic



## Dividend policy – overview

	Before	Today
<b>Policy</b>	Based on Distributable Net Income, Tied to Paid-in Capital	Based on Distributable Consolidated IFRS Net Income
<b>Range</b>	0% - 20%	5% - 20%



## Dividend policy to benefit all shareholders

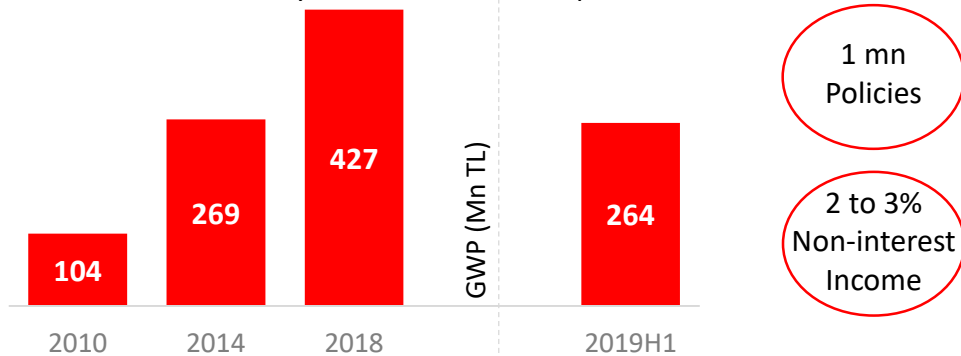
- Sabancı's revised dividend policy was announced in 2018
- Revision based on strong cash flow and reduced capital needs
- Dividend payment based on 5-20% consolidated IFRS net income
- More closely linked with earnings results
  - No longer constrained by being tied to paid-in-capital
- Part of wider capital allocation initiatives
  - Disciplined approach to use of capital
  - Higher dividend inflows from group companies
  - Ensures shareholders directly benefit from performance at group companies



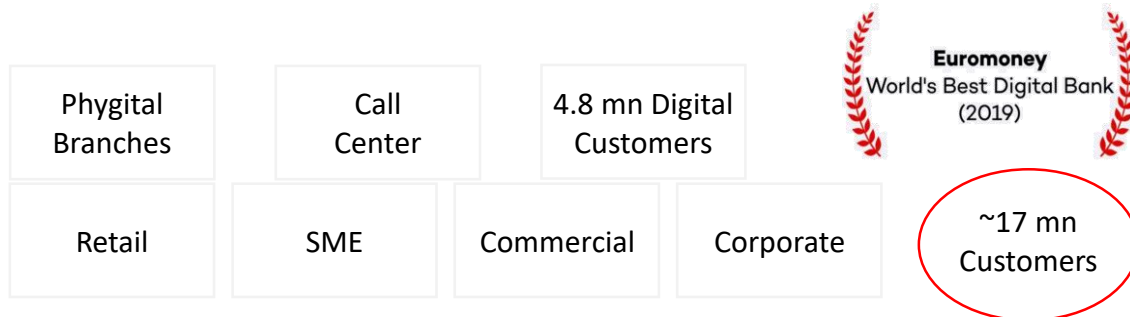
**Strong collaboration in Bancassurance**

Aksigorta reached a significant premium production level in bancassurance... continue to invest with a joint vision and targets

- Presence in all physical and digital channels
- Effective governance model
- High technology, integrated insurance system
- Segment based, innovative products
- Bank support model for commercial and corporate segments
- Increased focus on analytics and customer experience



Leveraging best-in-class channels of Akbank across all segments



**Brisa – Enerjisa Enerji Cooperation**

Future of mobility vision: Electrification

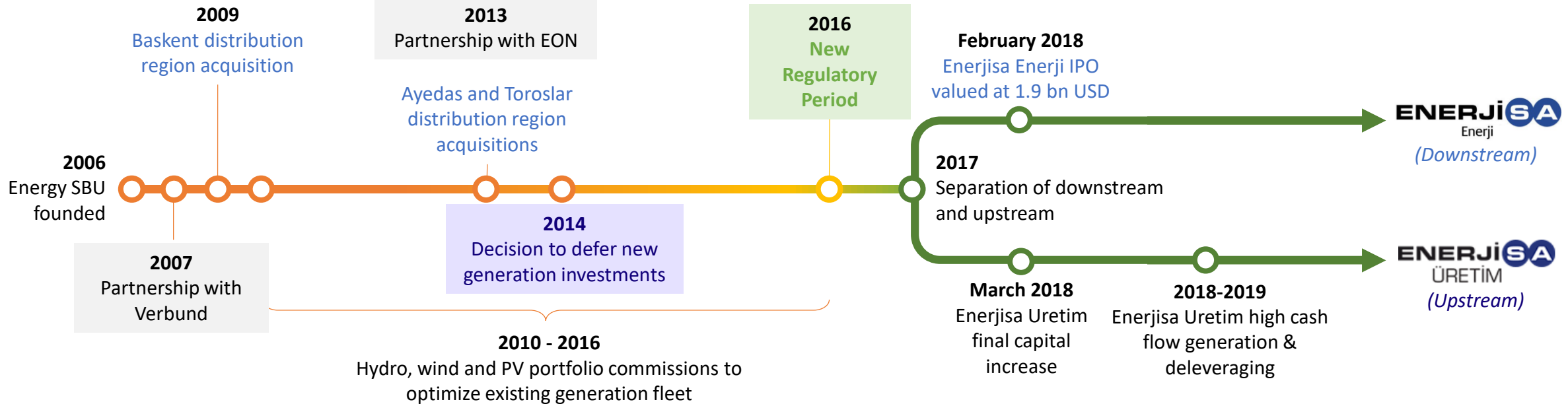
**Eşarj Charging Stations in Brisa Network**



Fast Growing market:  
eV park 3k<sub>2019</sub> → 600k<sub>2026</sub>

- Increased traffic at Brisa sales points (PoS)
- Cross-sell opportunities
- Business enrichment for Brisa dealers
- Faster Penetration of E-şarj (615 PoS opportunity)

Currently 9 PoS's operating,  
will be open to all Brisa network on December 2019



- Energy identified and selected as a strategic sector by SAHOL
- Initial greenfield investments made in electricity generation capacities followed by downstream grid acquisitions during Turkey's grid privatization
- Macro-economic challenges and significant industry competition emerges

- Market deemed to be structurally challenged
- New upstream project investments deferred
- Investments focused on optimising existing generation fleet
- Operational initiatives and favourable regulatory change returns downstream to outperformance
- 'Downstream' and 'Upstream' businesses created due to differing underlying dynamics

- IPO of Downstream to increase transparency, unlock value and recycle capital – 4.8x oversubscribed
- Proceeds used to accelerate Upstream's deleveraging and healthy balance sheet
- First dividend from Upstream expected by 2021 as a result of the ongoing operational improvements and efficiency in all fleet and increasing free cash flow





**2014**  
Decision to defer generation investment

**2017**  
Separation of downstream and upstream

**Operational initiatives**

**Upstream**

- Capacity target reduced from 7.5 GW to 3.5 GW
- Divesture of incomplete investments
- Availability and output of the fleet improved
- Focus shifted from expansion to deleveraging and FCF generation

**Downstream**

- Implementation of existing operational excellency to the acquired assets
- Prioritization of grid investments to build up RAB
- Economies of scale on Cost and OpEx

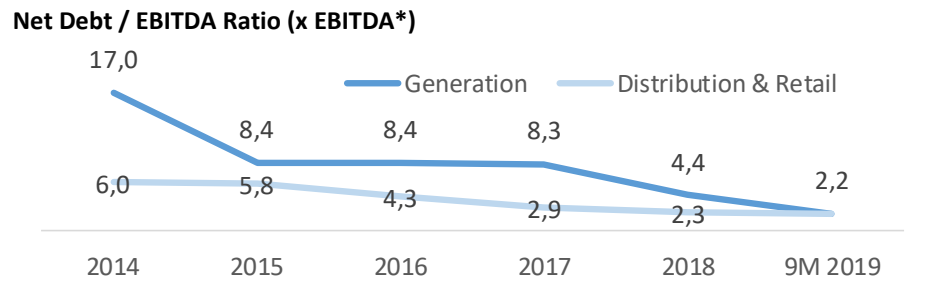
**Turnaround achievements**

**Upstream FCF Generation, MTL**

**KPI improvements**

- Tufanbeyli availability improved from 63% to 80% 12 months following commission
- Renewable fleet availability improved from 95% to 96% from 2014 to 2018

- Creation of two financially sustainable, successful and leading companies
- Robust financial contribution to Sabanci's results
- Successful IPO of Downstream business
- Downstream business providing dividends to shareholders
- Continued de-leveraging and cash generation within Upstream, dividend payout in 2021



**Downstream EBITDA, MTL**

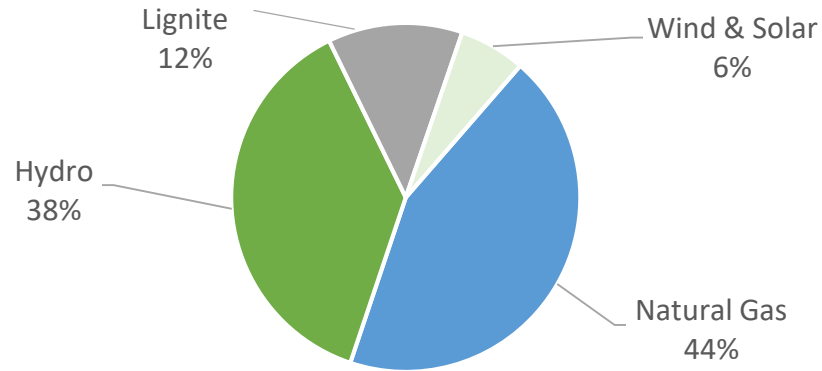
**KPI improvements**

- Strong RAB growth (48% CAGR between 2014-18)
- Theft and loss fell by 1.3%
- Grid collection rates improved by 170bps since privatization



## Well Balanced Generation Portfolio with Strong Renewables

### Installed Capacity (3.607 MW)



- Renewable portfolio has **44%** weight in installed capacity.
  - 12 hydroelectric power plants: 1.350 MW
  - 3 wind power plants: 212 MW
  - 2 solar plants: 9 MW
- All generating hard currency revenues thanks to feed-in-tariff (FIT)
- Profitable growth potential in Renewables with FIT regime

## Current Growth Pipeline in Renewables

- In May 2019 two wind tenders (YEKA) with 500 MW capacity won by Enerjisa Üretim

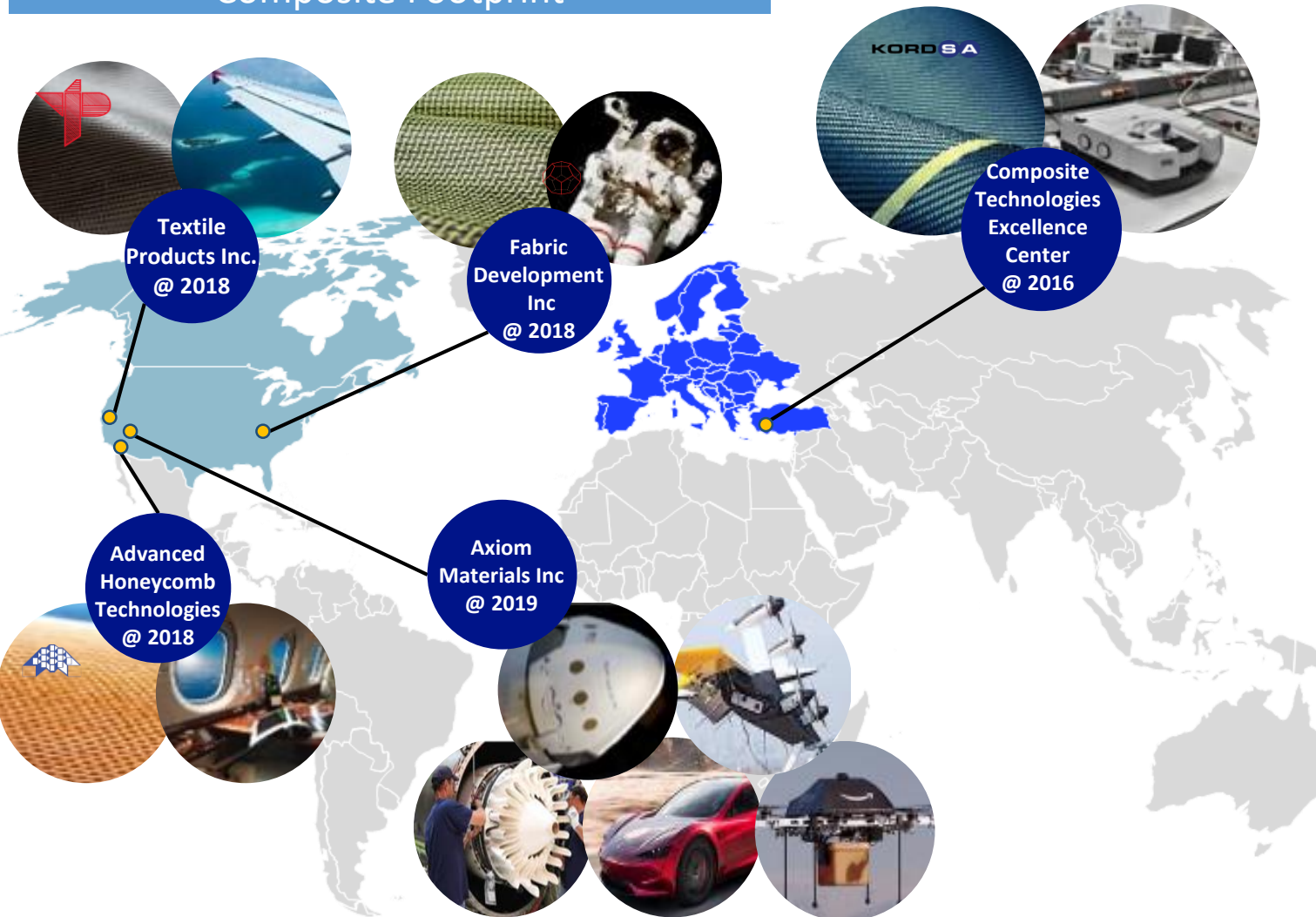
Region	# of bidders	Winner	Price
Aydın (250 MW)*	4 bidders	Enerjisa Üretim	45.6 \$/MWh
Çanakkale (250 MW)*	6 bidders	Enerjisa Üretim	36.7 \$/MWh

\* Option to build projects, final investment decision to be given in 2021-22 period

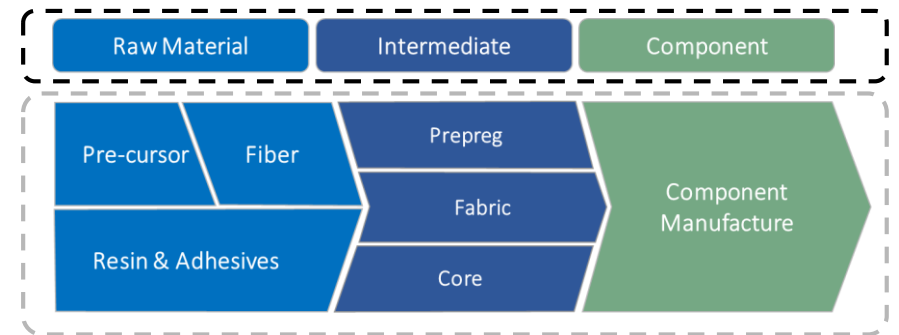
- The weight of renewable portfolio will increase to **50%** while securing additional USD based revenue stream for next 15 years.
- Investment timeline highly inline with the deleveraging of Enerjisa Üretim to support further organic growth
- Project estimated timeline;
  - 2019 – 2020 - Predevelopment Stage
  - 2020 – 2022 - Development Stage
  - 2022 – 2024 - Investment Stage
  - 2024 – 2025 - Commissioning



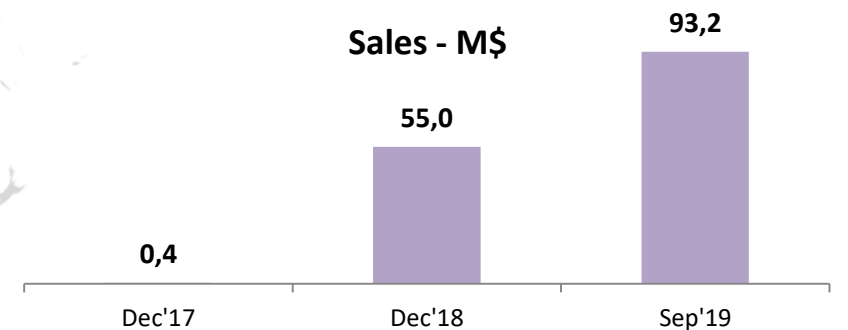
## Composite Footprint

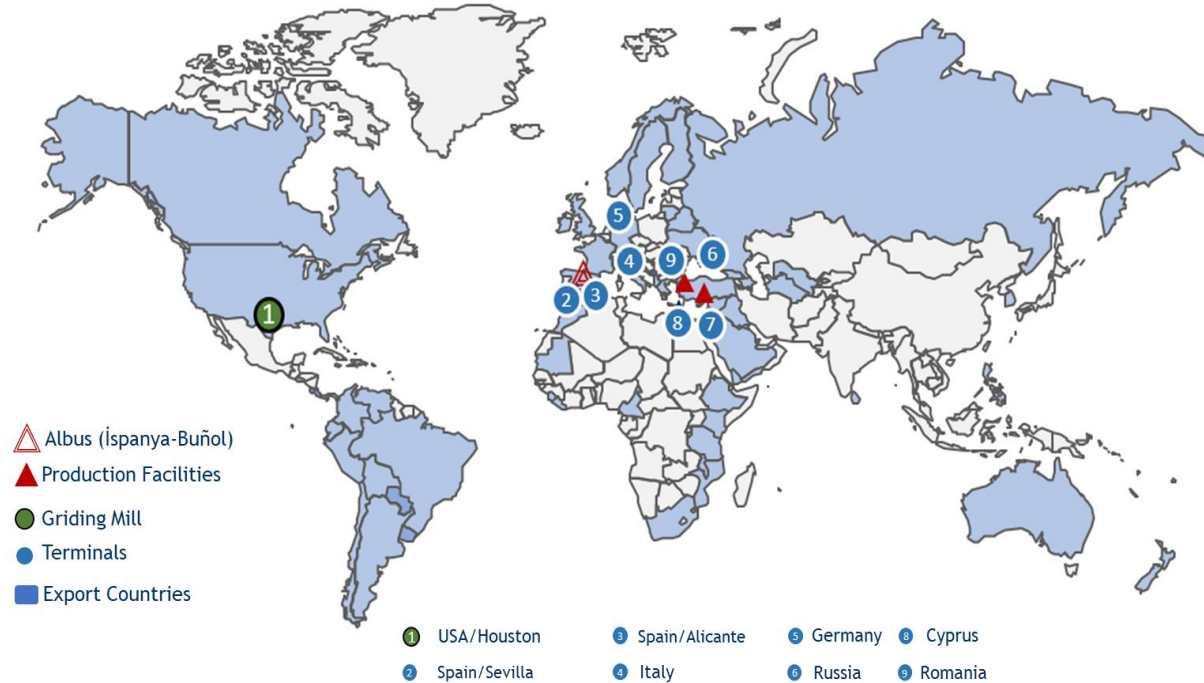


## Composite Value Chain



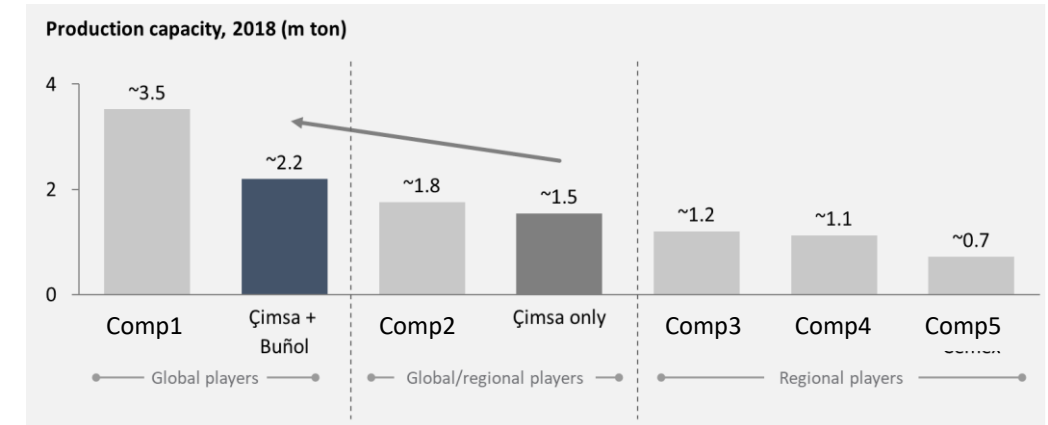
- Composite use in aerospace & automotive is increasing, due to improved material properties and weight savings over conventional materials.
- Total composite investment accounts approx. 310M USD
- Potential M&A targets are always under consideration.
- Specialization areas:
  - Fabric Development Inc and Textile Products Inc: Fabric Production
  - Axiom Materials Inc.: Prepreg Production
  - Advanced Honeycomb Technologies: Core Production





- ▶ March 28<sup>th</sup>, 2019 agreement to acquire Cemex's white cement plant in Spain & global white cement client base (except for Mexico and the US) for \$180m. Currently at competition boards approval.
- ▶ Çimsa to become a global player in terms of capacity as transaction completed
- ▶ Optimization among Mersin, Eskişehir and Buñol plants considering the cost structure, quality, logistics and demand dynamics
- ▶ Currently ¼ of Çimsa capacity is white cement providing ~½ of its EBITDA
- ▶ Çimsa also has low cost base production advantage for exports; Wide spread terminals in Europe and new grinding facility in Houston, TX

## Çimsa set to become 2<sup>nd</sup> largest white cement producer globally



Louisiana State Museum and Sports Hall of Fame  
Natchitoches, LA, USA



Museo Internacional del Barroco  
Puebla, Mexico

- ▶ White cement not constrained by the economics of transportation
- ▶ A global niche product preferred for durable, energy-efficient and aesthetic architectural projects
- ▶ Global consumption stands around 18 mt, with Asia taking the lead as the largest consumer, followed by Europe and the Middle East
- ▶ White cement is the ideal material for concrete works providing an aesthetic finish whilst maintaining high structural performance.



## Insurance market in Turkey has a long way ahead

### Total Insurance Gross Written Premiums (GWP) (2017)



- Insurance is closely linked with level of economic development
- Turkey is the 19<sup>th</sup> largest economy in the world, whereas the ranking in: non-life insurance is #25; life insurance is #45

## Low penetration levels signal growth potential

	Penetration <sup>1</sup>
Compulsory motor third party liability insurance (MTPL)	78%
Compulsory earthquake insurance	50%
Motor own damage insurance (MOD)	27%
Health insurance	5%
Pension participants <sup>2</sup>	12%

1. Defined as # of insured / # of insurable

2. Defined as # pension participants / total population

## Why are we in insurance?

- Sector grows much faster than nominal GDP:

	2014-2018 CAGR
Non-Life Insurance GWP	+18%
Life Insurance GWP	+23%
Pension AUM	+25%

- Structural growth market with high growth areas, for example, the pension system is fully supported and incentivised by the Turkish government
- Strong distribution synergies with Akbank
- High growth and RoE generating business, highly cash generative
- Sabanci has leading market positions in both Pensions and Non-Life, and is growing market share in life



Digitalization by using Next Generation Technologies, RPA, AI, Digital Twin enables to create efficiency and needs driven insurance experience for all our stakeholders including customers, distribution channels and employees.

External  
Digitalization

### Digitize the Core

- End to end segment based customer journey designation onboarded for retail products leveraging analytics and digital.

### Digital Products & Services

- Whatsapp channel is utilized as a communication channel.
- Smart applications developed for customers, agencies and sales force management enabling to scale our business.

### Agile Way of Working

- Self managed teams are empowered and trained to work with agile principles.
- ~6 agile teams in place running continuous sprints and delivering with a minimum viable product approach.

Internal  
Digitalization

### Robotics Transformation Program

- Using Robotics Process Automation (RPA) technology to automate well defined processes



### ADA Program

- ADA, Aksigorta Digital Assistant, first digital assistant with AI in sector
- We embed new human skills to ADA by using next generation technologies. (AI, RPA, Chatbot) step by step.
- Focus on processes touch on customers or agencies with high transaction volume

### Digital Mirror

- Creating Digital Twins of insurance processes to improve process productivity and efficiency by solving identified pain points of processes
- Solve these pain points by using new Technologies, lean processes or re-organization.

Provide Aksigorta with virtual workforce to **sustain high growth.**

**Best in class GWP/G&A ratio in the market 5% '18YE.**

Make **Aksigorta competitive** in the market minimizing operation cost with RPA and AI

**Virtual workforce corresponding to ~70FTE is in place.**

Respond **rising expectation of our customers and agencies** especially regarding speed, easiness and availability.

**Customer NPS Score 43% vs market average of 32%.**

# New Bets

# Advanced and Predictive Analytics


 **Vision**

- Embed advanced predictive analytics across companies of Sabancı Holding in all decision making processes by the end of 2022 to create competitive advantage supporting both the development of topline and bottom-line

 **Value Creation**

Grow and transform the core	Scale up cross-company initiatives	New businesses through integration to ecosystems
Local data	Cross-company data	Internal and external data
34 advanced analytics use-cases have already been identified among selected six Group companies. Companies' data lake projects have been started	Gaining momentum from local data, cross-company advanced analytics use-cases will be implemented to further boost existing business lines	Further enriching our unprecedentedly rich consumer data will pave the way for integration to ecosystems and new data-driven business lines creation

**Sizeable additional EBITDA potential without significant CAPEX requirements**

 **Prioritized Sector Specific Use Cases**

<b>Insurance</b> <ul style="list-style-type: none"> <li>• Network Optimization</li> <li>• Cross-sell</li> <li>• Up-sell</li> <li>• Behavioural Pricing</li> </ul>	<b>Cement</b> <ul style="list-style-type: none"> <li>• Smart Energy-fuel Optimization</li> <li>• Predictive maintenance</li> <li>• Process optimization</li> <li>• Smart Planning</li> </ul>	<b>Industrials</b> <ul style="list-style-type: none"> <li>• Predictive Quality</li> <li>• Demand forecasting</li> <li>• Price optimization</li> <li>• Geo Marketing</li> </ul>	<b>Retail</b> <ul style="list-style-type: none"> <li>• Customer Behavioural Segmentation</li> <li>• Cross Sell-Upsell</li> <li>• Customer Acquisitions</li> </ul>	<b>Energy</b> <ul style="list-style-type: none"> <li>• Customer Responsiveness</li> <li>• Customer Segmentation</li> <li>• Commercial Pricing Prediction, Collection</li> </ul>
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**+15-20% increase in EBITDA in 3 years from solo company and ecosystem measures**

 **Organization**

- **Center of Excellence** on advanced analytics set up to lead development of new businesses and data partnerships

 **Talent**

- **Analytics Academy** formed to build necessary capabilities and train required talent, i.e. data scientist, data engineer, business translator, etc. – Currently 135 graduates

 **Culture**

- Data-driven decision making, test and learn approach, agile way of working and passionate curiosity will be indigenised

**World wide Scalable AA and AI products with Microsoft/SAP partnership**

# New Bets

# Driving Digital Transformation



As Digital Multiplier of Sabancı, catalyzing digital transformation journey of companies while creating high tech products stemming from our domains



**Digital Campus (Jun-19)**

Collaboration for Sabancı Group, Startups, Tech Giants and Sabancı University!

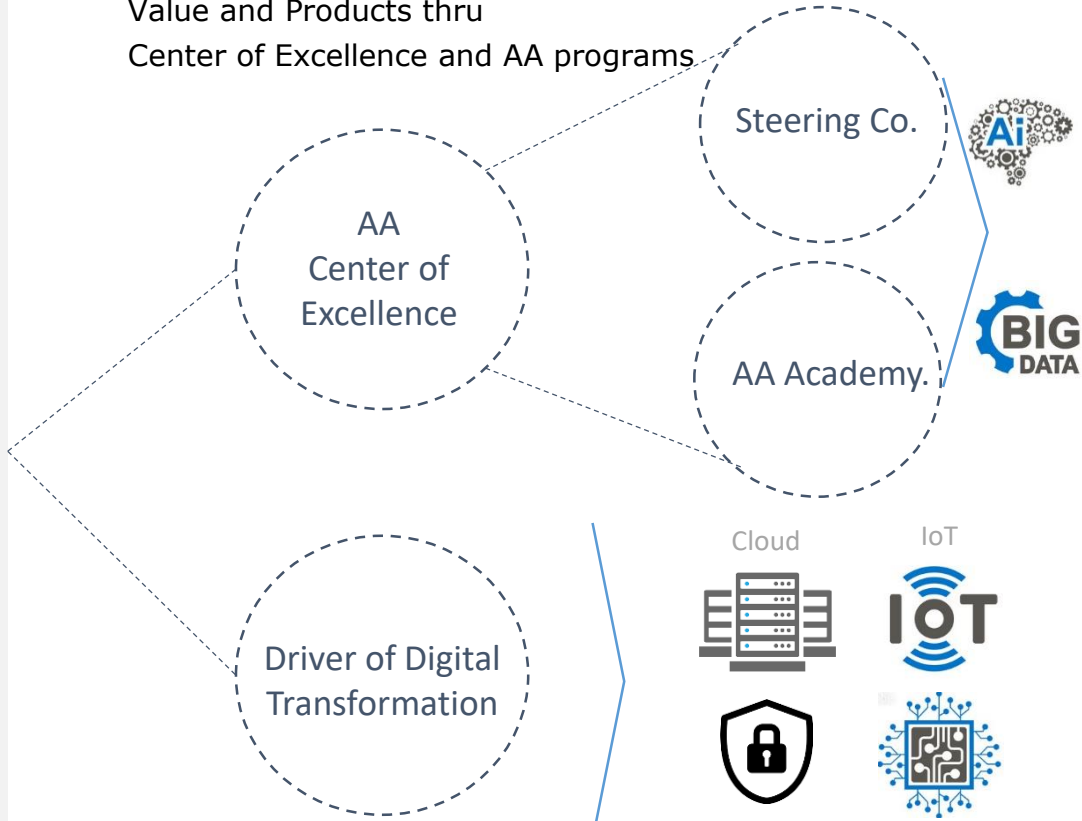
### Catalist Startup Program

- Adv. Analytics and AI
- Industrial IoT
- Cyber Security

Catalist Startup Program launched to collaborate with startups. SabancıDx will share the Group's and its know-how with startups and aims to generate synergies

## 1 Advance Analytics - AA

Capitalize Sabancı Holding Data Assets into Value and Products thru Center of Excellence and AA programs.



## 2 Digital Transformation

Trigger/Enable/Catalyze Digital Transformation thru providing solutions on Cloud, IoT, DDS and Cyber Security

### Verticals

**Retail**

**Industry**

**Energy**

**Insurance / Finance**

### Output

#### Existing SaaS Products

- E-Auction**  
3.2 billion USD volume per year/27.000 supplier/35.000 user  
80 company/1.200 user
- E-Invoicing**  
1.670 contract/50 million e-invoice per year
- HR-WEB**  
114 company/30.000 user/73.000 employee
- RPA**  
350+ developed process/  
100+ live process

#### Work In Progress

- Big Data Lake (Cross-Sale)
- AA and Dx Projects
- AA and AI Products



### CVC Fund: Focus on Growth, Technology and Innovation

---

- A CVC fund is going to be formed to gain early and economical access to new technological developments/markets/innovations and to create agile and technology-driven growth platforms in line with our Next Generation Sabancı strategy
- To be established as a private fund under Akportföy (asset management subsidiary of Akbank), applications strated.
- Akportföy will act as fund administrator only. Investments scouting, analysis and review will be made by holding while final investment decisions will be made by SAHOL Executive Committee



### Fund Size and Return Targets

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- Total fund size: \$30m
- No time limit for fund life
- Return target above SAHOL ROE

### Investment Strategy

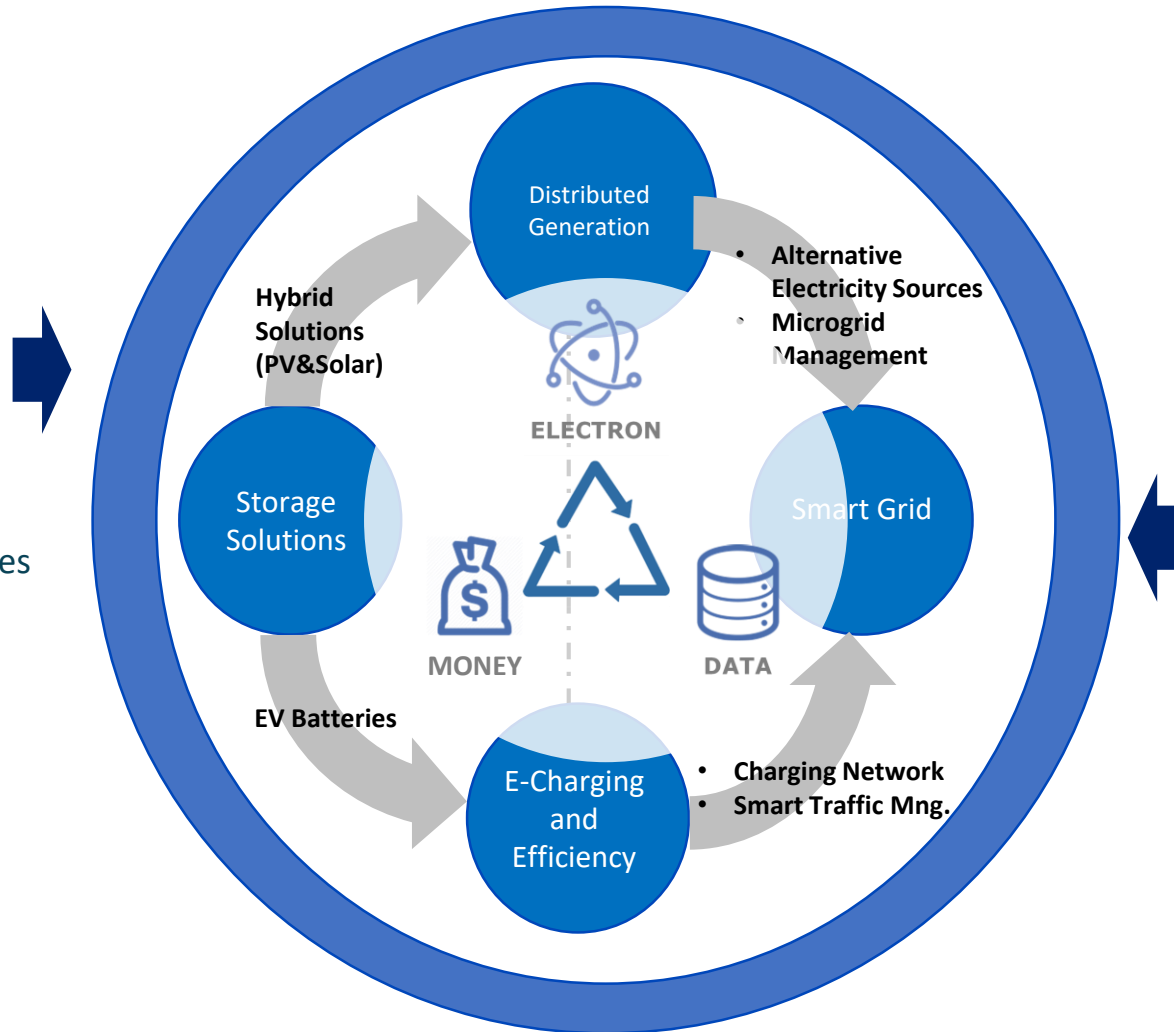
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- Early stage Start-ups or Scale-up's in need of growth capital
- Primary focus on Industrial and B2B technologies, AI and Big Data utilization
- Investment size between \$2-4m
- Become majority shareholder or own minority stake with strong minority protections



Energy SBU assessed new business areas based on Sabancı Holding investment criteria, global mega trends and industry/market dynamics

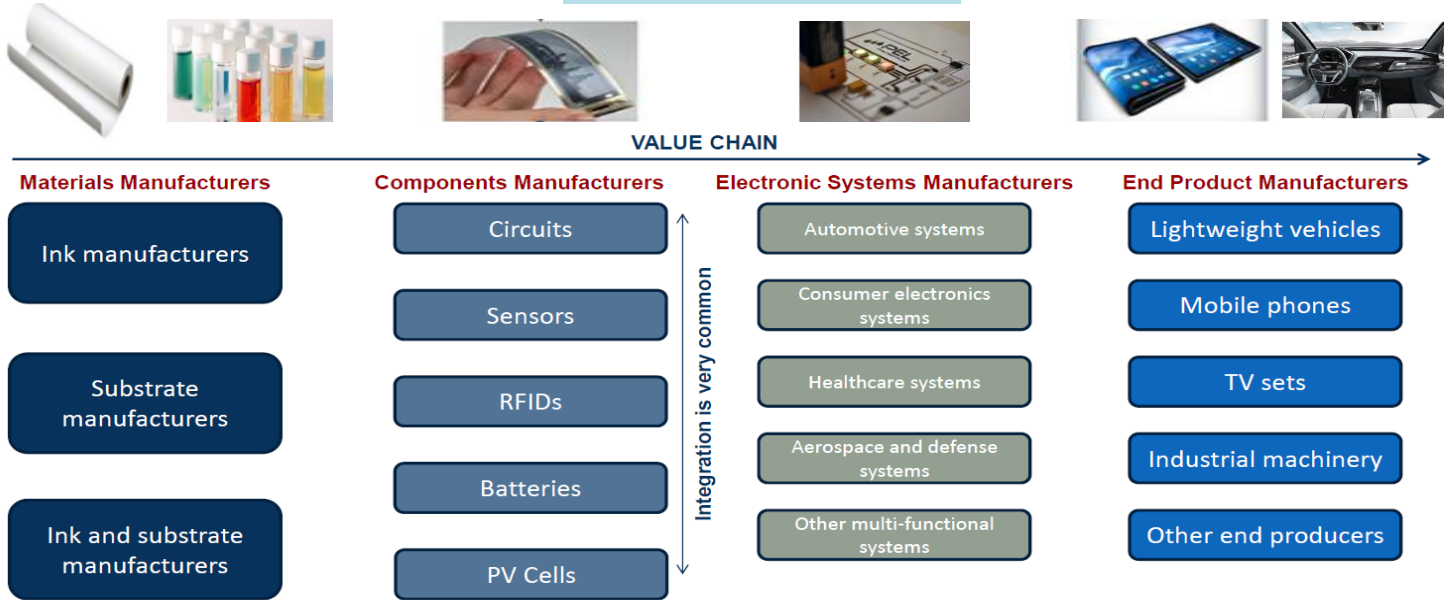
- ✓ Global and regional play
- ✓ Strong growth
- ✓ New Technology Focused
- ✓ Non-commoditized
- ✓ Synergies with Existing Businesses



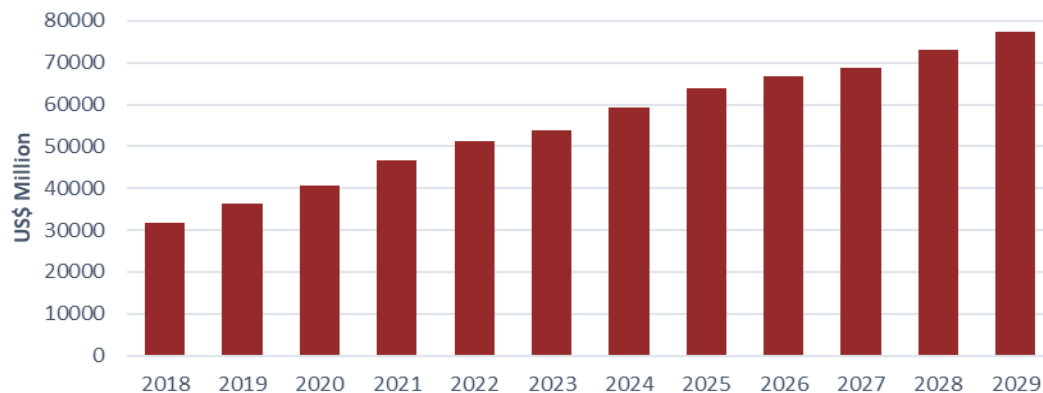
- ✓ Electrification
- ✓ Digitalization
- ✓ Security of Energy Supply
- ✓ Urbanization and Changing Demographics
- ✓ New Business Models
- ✓ Demand for Alternative Energy Sources and Systems



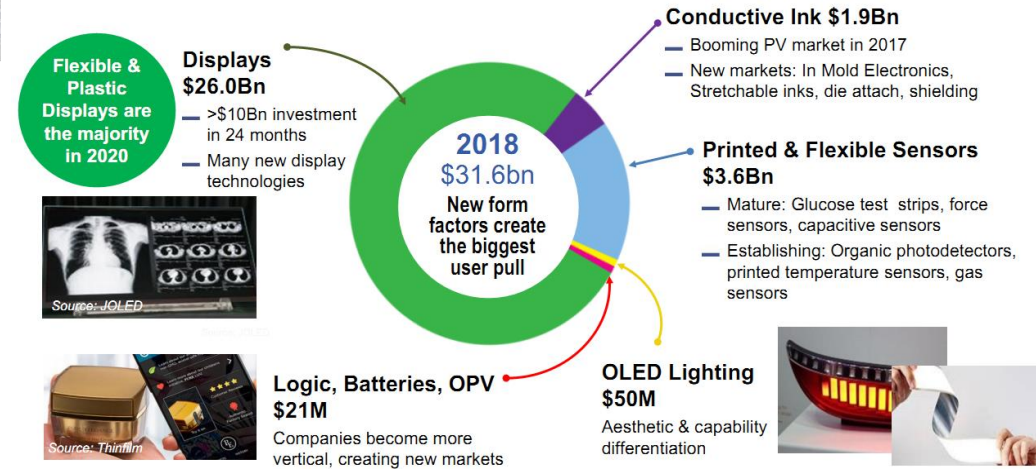
## Value Chain



## Market Size for Flexible and Printed Electronics Components and Materials 2018-2029



## 2018 Market Snapshot



- Using Flexible and Printed Electronics Technology in OLED displays, sensors, photovoltaics, electrochromic displays and batteries are increasing
- Potential application areas as a Component Manufacturer are under investigation.
- Detail market and technical investigation on specific sensors going on.
- Structural Health Monitoring, In mold electronics, Electrochromic Displays & Healthcare Sensors are main focus areas
- Collaboration with SABANCI University and Institutes
- Lab and Pilot Machines are being installed in November 2019 in KORDSA IZMIT Plant

# Focus Areas and Priorities for Sustainability

## In All Sectors and Geographies We Operate

*Sabancı Holding sustainability approach is structured in 4 focus areas and priority topics*

### Creating Economic Value

- Economic Performance
- Responsible Investment
- Technology Investments
- Supply Chain Management

### Developing Our Human Resources Continuously

- Occupational Health & Safety
- Equal Opportunity at Work
- Employee Satisfaction and Engagement
- Performance and Total Reward Management
- Continuous Learning and Development

### Realizing Social Contribution

- Social Development
- Community Engagement

### Being Responsible for Environmental

- Energy and Emission Management
- Water Management
- Waste Management

<b>Board of Directors</b>	<p>9 BOD members (3 independent); Highest level strategic decision-making body</p> <p>Responsible for definition of corporate objectives, ensuring compliance with corporate governance principles, risk management and control systems</p>
<b>Portfolio Management Committee</b>	<p>Has been established in order to make provisions which ensure maximum value through capital allocation and dividend yield of the portfolio of Sabancı Holding.</p>
<b>Early Risk Identification &amp; Corporate Governance Committee</b>	<p>Risk and remuneration practices are overseen respectively.</p>
<b>Executive Team</b>	<p>Includes CEO, CFO and Group Presidents</p> <p>SBU presidents as the Chairman of Company BODs are the link between Sabancı Holding and Group Companies to deploy strategy, top initiatives and governance principles</p>

### **Sabancı Code of Business Ethics (SA-ETHICS)**

Based on the values and business principles of the Sabancı Group

Protecting the companies and the personnel, in addition to all laws, regulations and internal company procedures for our employees, it acts as a guidance that leads all decisions and operations

### **Sustainability Work Group**

Established in 2018 to strengthen our perspective on sustainability throughout the entire Group.

President of the Human Resources leads the strategies of the Work Group

### UN Women's Empowerment Principles

In accordance with a focus on diversity and equal opportunities, Sabancı Holding attaches special attention to women's participation to work life and gender-based equality. In parallel to this perspective, the Holding supports domestic and international organizations, and applies pioneer practices in this field. Sabancı Holding is the first Turkish company to sign the United Nations Women's Empowerment Principles which is one of the primary initiatives in this area.

- Employment opportunities for +64,000 people
- 30% of our employees and 37% of our managers are female
- First Turkish company to sign the UN Women Empowerment Principles in 2011

- Sabancı Volunteers Program: Employees Engagement opportunity for 'Corporate Citizenship'
- Sabancı Foundation, Sabancı University and Sakıp Sabancı Museum; the 3 pillars of social development at Sabancı Group.



ESG

## Social Responsibility



## WE CREATE EQUAL OPPORTUNITIES FOR YOUNG PEOPLE

More than 47 thousand scholarships, approximately 1.500 scholarship holders a year...



## WE SUPPORT THE TRANSFORMING POWER OF ART

Thousands of artists, hundreds of thousands of art lovers...



## WE TOUCH THE LIVES OF INDIVIDUALS EVERYWHERE IN TURKEY

Grants for 137 Projects in 74 Provinces, 160 Changemakers...



## WE LEAVE A MARK IN CITIES AND HEARTS

More than 120 institutions all over Turkey...

23. SAKIP SABANCI SANAT ÖDÜLLERİ  
1974 RESİM - HEYKEL - GELENEKSEL TÜRK SANATLARI 2016



## WE ENCOURAGE SUCCESS

More than 1.100 awards...

# Sabancı Foundation Supports Social Development



Sabancı Foundation continues its activities for women, youth and persons with disabilities for 45 years

## EDUCATION



SABANCI  
UNIVERSITY



**120+**  
INSTITUTIONS



**47.000+**  
SCHOLARSHIPS



**1.100+**  
AWARDS

## CULTURE-ARTS



SABANCI INTERNATIONAL  
ADANA THEATER FESTIVAL



SABANCI  
FOUNDATION SHORT  
FILM COMPETITION

NATIONAL YOUTH  
PHILHARMONIC  
ORCHESTRA



METROPOLIS  
ARCHEOLOGICAL  
EXCAVATIONS



## SOCIAL CHANGE



23 MN GRANTS  
TO 159 PROJECTS



**190**  
CHANGEMAKERS



INTERNATIONAL  
AWARDS



PHILANTHROPY  
SEMINARS

*“Guided by Love for Humanity”*



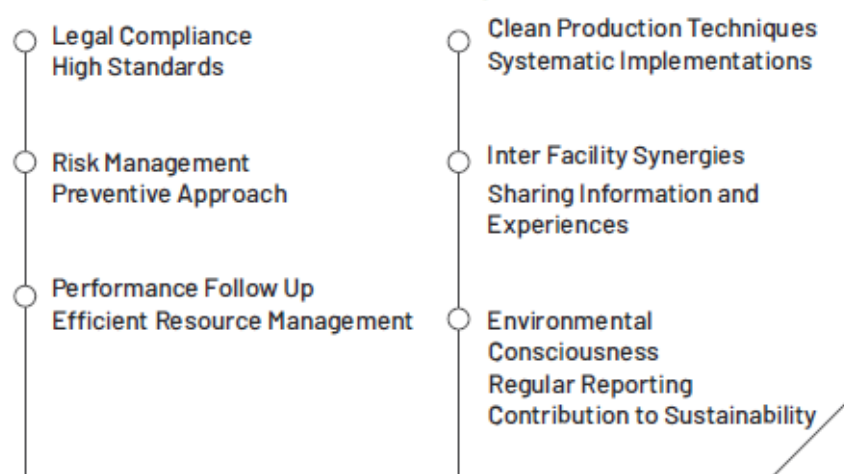
# Environmental Responsibility – Principles of our approach



Our environmental consciousness is based on responsible utilization of natural resources and reduction of our impacts on climate change.

Cement and Energy segments are the main contributors of carbon emissions. Rising share of alternative fuels usage and improved process efficiency contributed to decrease our emissions.

## BASIC PRINCIPLES OF OUR ENVIRONMENTAL POLICIES



## Transparency in environmental performance

### Carbon Disclosure Project (CDP)

As Sabancı Holding, we participate in Carbon Disclosure Project (CDP), which is run by Sabancı University Corporate Governance Forum. Among our Group companies Akbank, Akçansa, Brisa, Çimsa and Yünsa participates in CDP Turkey. In this way, we transparently disclose our performance regarding climate change and protection of natural resources and use opportunities to further improve our performance.

## Environmental Improvements

### Sabancı Center

The amount of electric energy saved based on 1994 is 158,836 GJ with a decrease of 25.6%, and the saving in natural gas is 187.656 GJ with a decrease of 45.8% in the same period. This amount corresponds to the prevention of 25,596 Ton CO<sub>2</sub>e emissions. In 24 years -since the Center began to operate- our water use decreased by 46% and we saved 660,978 m<sup>3</sup> of water.

# Environmental Responsibility – Best practices



## **AKBANK: Climate Friendly Loans**

2,408 M\$ financial support to renewable energy projects -> 5,8 Mt CO2 reduction

## **AKÇANSA: Emission Management and the Responsible Utilization of Resources**

7/24 active Continuous Emission Monitoring Systems & first certificate in TR “Responsible Utilization of Resources”

## **BRİSA: Reduction of Underground Water Consumption**

49% reduction in water use compared to 2008, 400 K\$ annual save & first in TR having ISO 14046 certificate

## **CARREFOURSA: Transport and Route Planning Optimization & Project to Reduce Losses**

Transport costs declined by 8% (annual save 4 MTL) & loss in agricultural products declined by 1,8% (annual save 23,6 MTL)

## **ÇİMSA: Utilization of Alternative Raw Materials and Alternative Fuels**

Use of 363 Kt of alternative raw materials in 3-years

## **ENERJİSA ENERJİ: Energy Efficiency & E-Şarj Sustainable Transportation**

Developing charging stations network management software solutions

## **KORDSA: Materials Recovery**

Turning by-products into value-added ones, 1000 t in 2018 -> \$1,7m saved

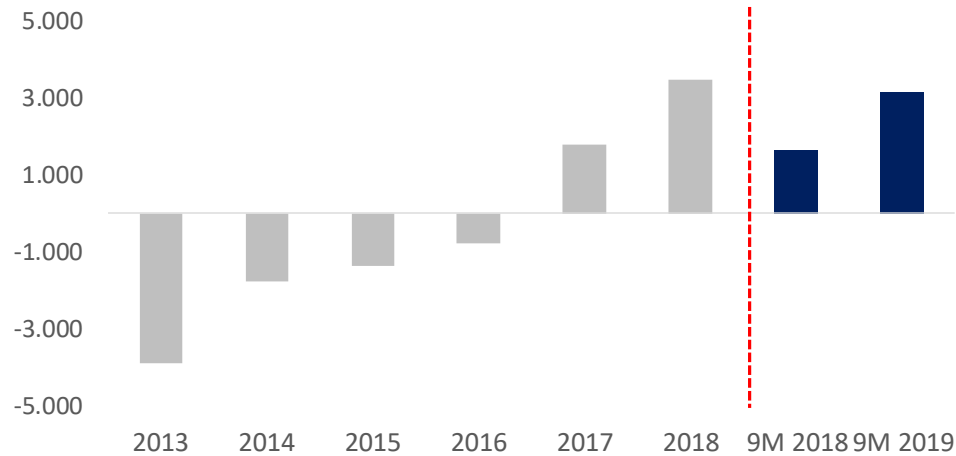
## **YÜNSA: Water Efficiency and Waste Water Reduction & Chemical Management System**

ZDHC program -> reducing hazardous chemical content in discharged-water

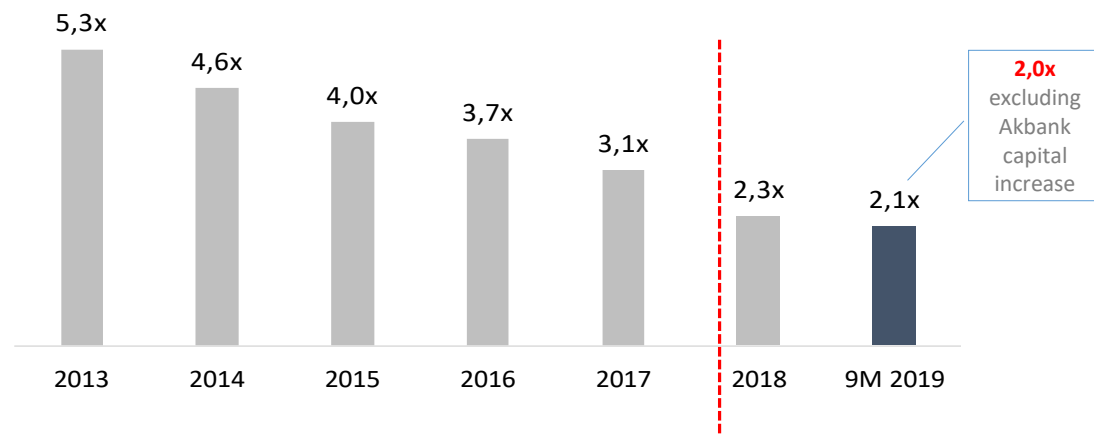


# Strong Cash Generation and Robust Holding Company

## Free cash flow, Combined for Non-Bank, TLm



## Combined net financial debt / EBITDA<sup>1\*</sup>



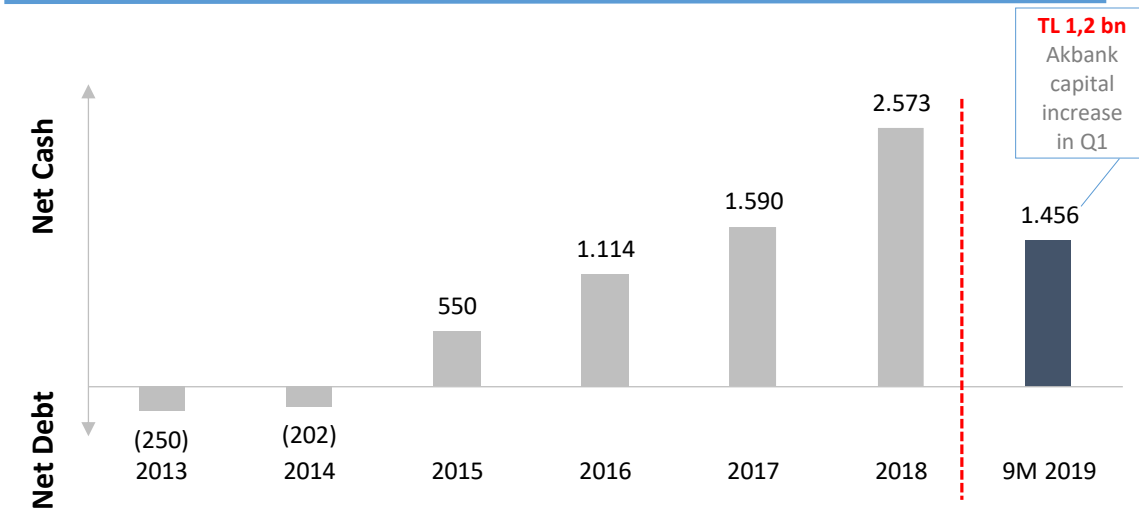
1. Excludes bank and insurance. EBITDA excludes one-offs

\* Adjusted for IFRS16 impact

## Commentary

- Focus on cash generation led to substantial decline in leverage
- Effective management of balance sheet linked to capital allocation approach
- Lean Holding Company costs (currently <25bps of NAV) in addition to growing dividend stream from investment companies has led to a robust net cash position
- Strong Holding Company net cash position provides firepower and flexibility to take advantage of acquisitions / investments
- Sabancı, standalone at Holding level, has a net cash position of TL 1,5 bn, which is mainly in hard currency. Total non-bank combined cash amount of the Group companies excluding insurance and Philsa totals at TL 6,1 bn. Float at insurance companies totals at TL 3,9 bn (TL 2,4 bn on non-life side with 24% average yield and TL 1,5 bn on life and pension side with 17% average yield).

## Holding Only - net (debt) / cash position over time, TLm

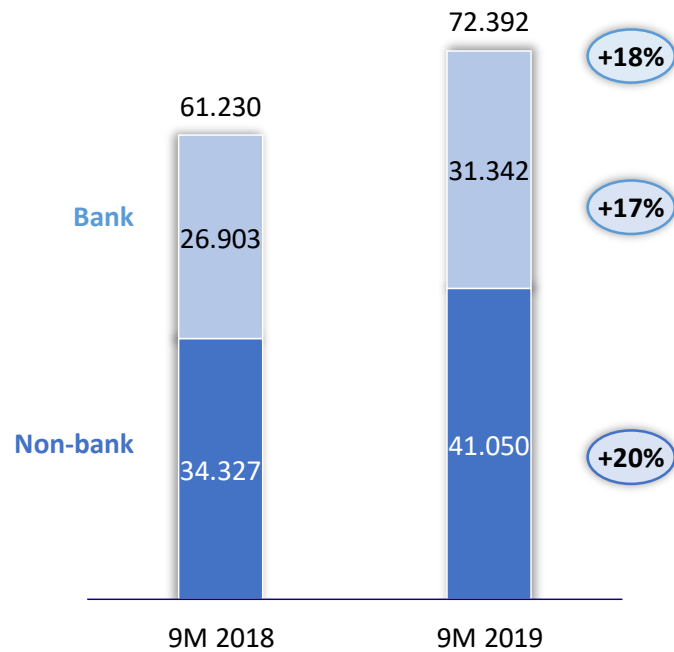


# Performance

# 2019 - Financial performance snapshot

## Combined Net Sales<sup>2</sup>

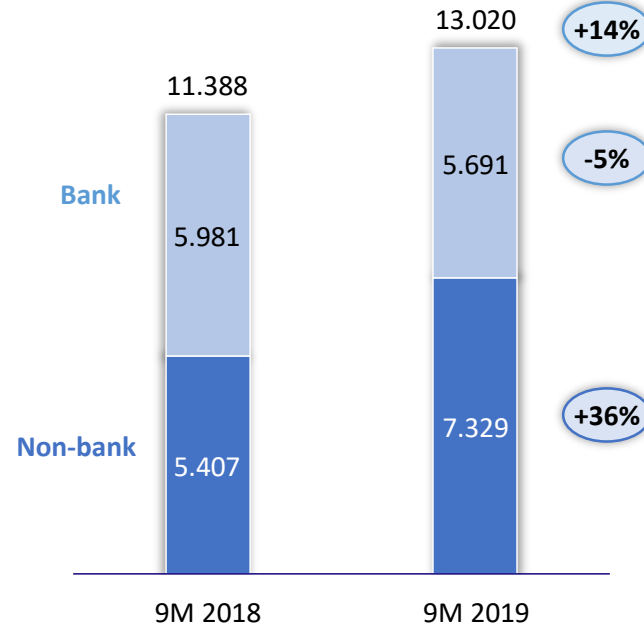
TLm



*Stronger FX linked revenues  
Higher renewable generation volume in energy*

## Combined EBITDA<sup>1</sup>

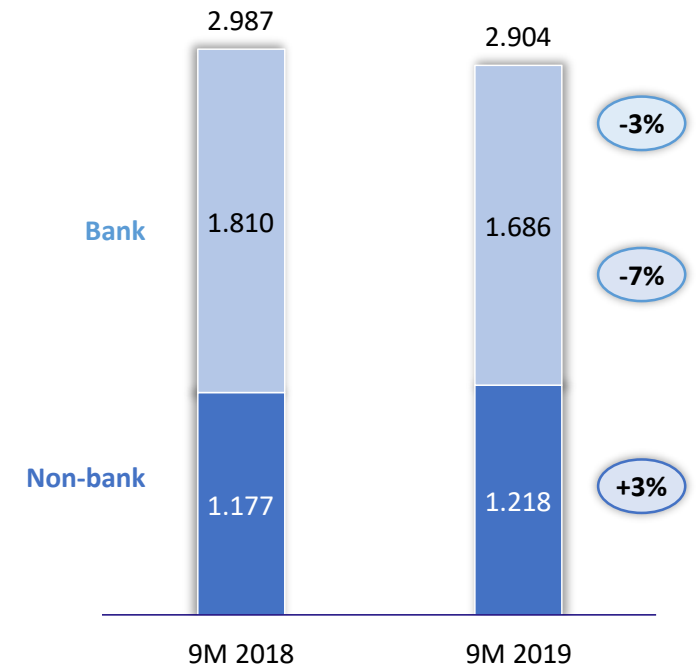
TLm



*Strong Energy Generation profitability*

## Consolidated Net Income

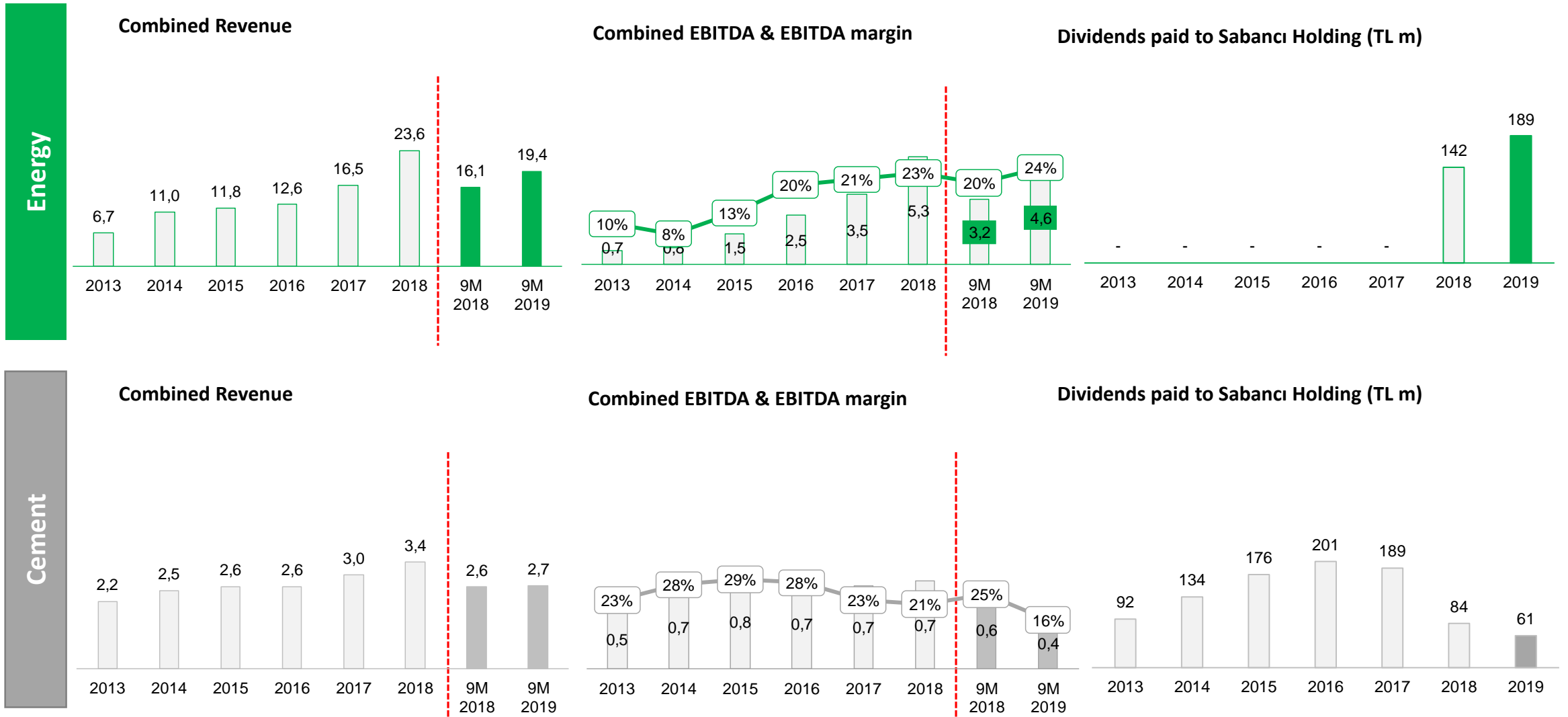
TLm



*Strong contribution from energy businesses offset by FX loss at holding level*

Effective FX management to protect returns from volatile TL movements – 349 million USD Long Consolidated FX Position

1. Total EBITDA before consolidation adjustments. EBITDA and Net Income excludes one-offs.  
2. Holding dividend income is excluded

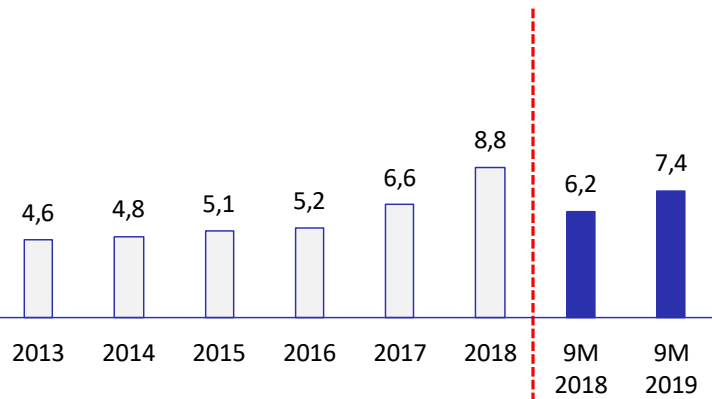
Business unit financial performance, TL bn<sup>1</sup>

1. Financials shown are before consolidation adjustments. EBITDA excludes one-offs

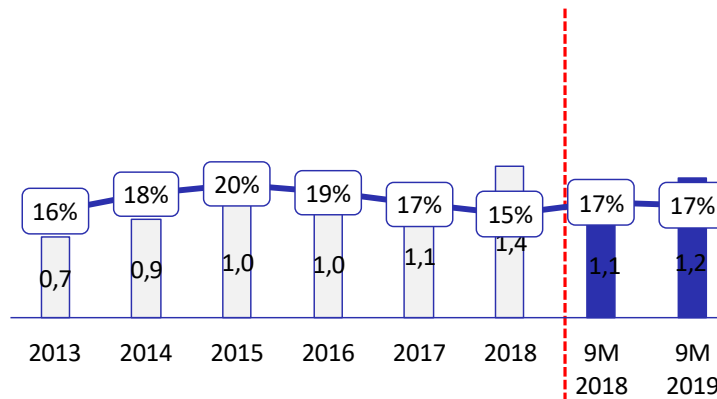
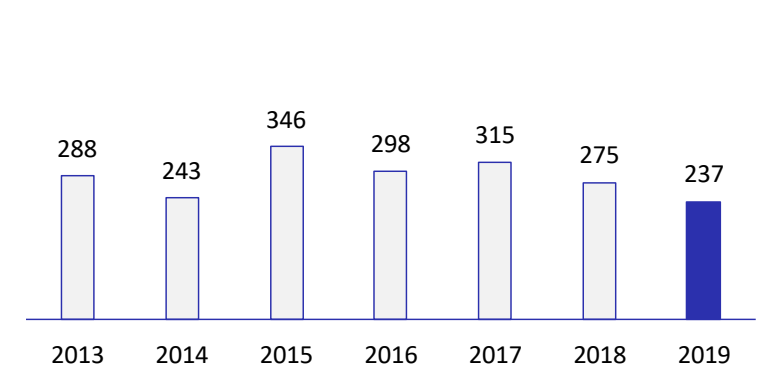
Business unit financial performance, TL bn<sup>1</sup>

## Industrials

Combined Revenue

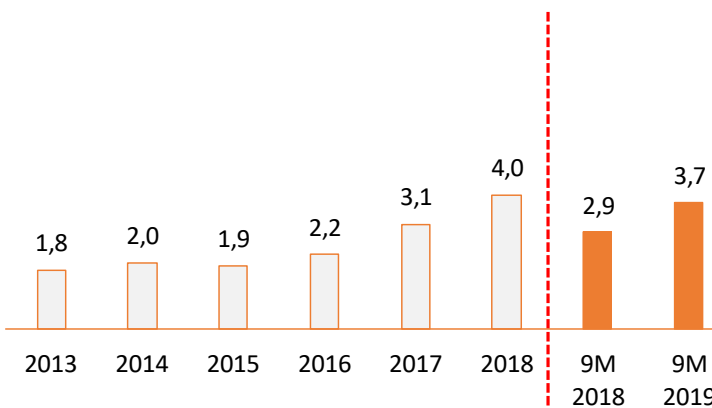
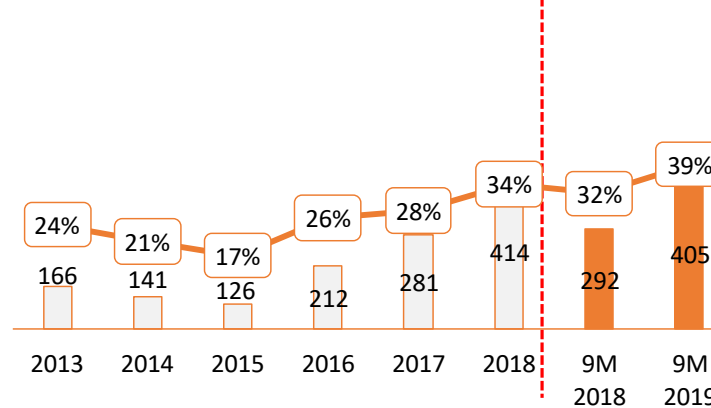


Combined EBITDA &amp; EBITDA margin

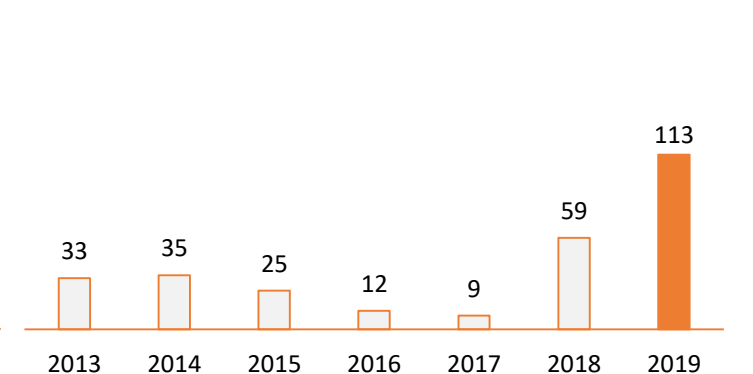
Dividends paid to Sabancı Holding (TL m)<sup>2</sup>

## Insurance

Combined Revenue

Combined Net Income<sup>3</sup> (TL m) & Consolidated ROE

Dividends paid to Sabancı Holding (TL m)



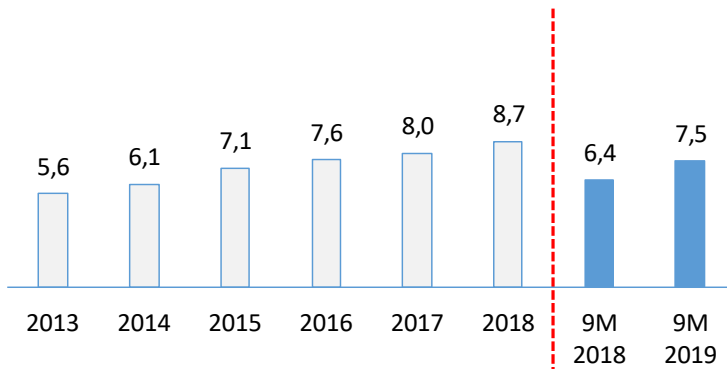
1. Financials shown are before consolidation adjustments. EBITDA excludes one-offs 2. Includes Philsa dividend

3. Excludes one offs

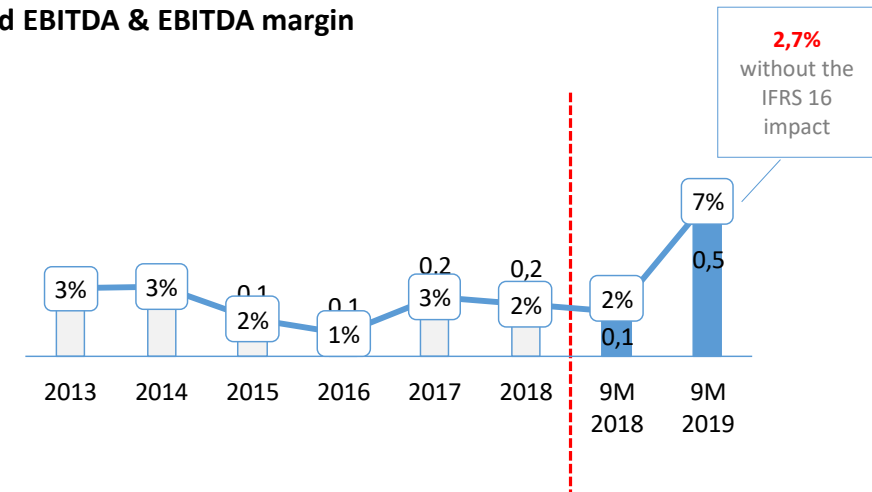
Business unit financial performance, TL bn<sup>1</sup>

Retail

Combined Revenue

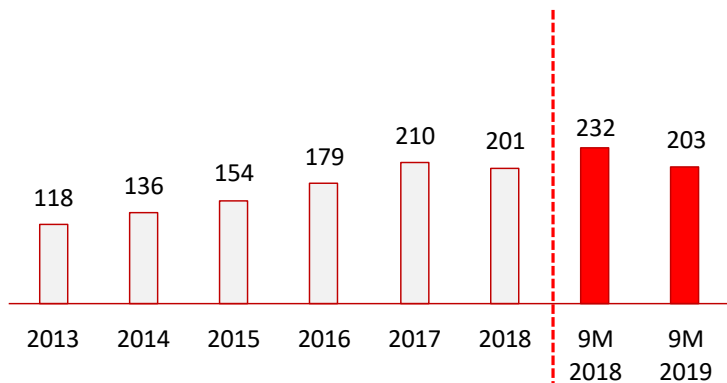


Combined EBITDA &amp; EBITDA margin

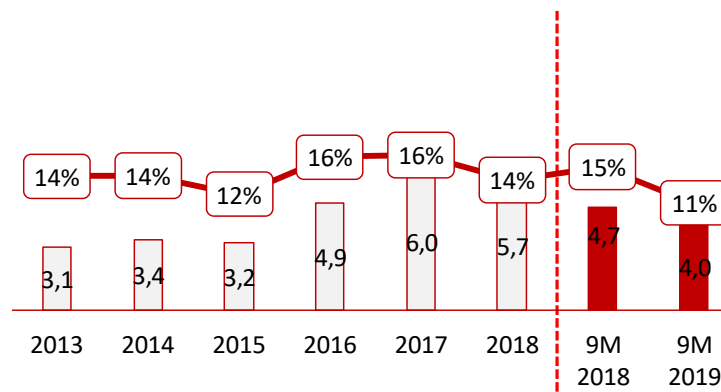


Banking\*

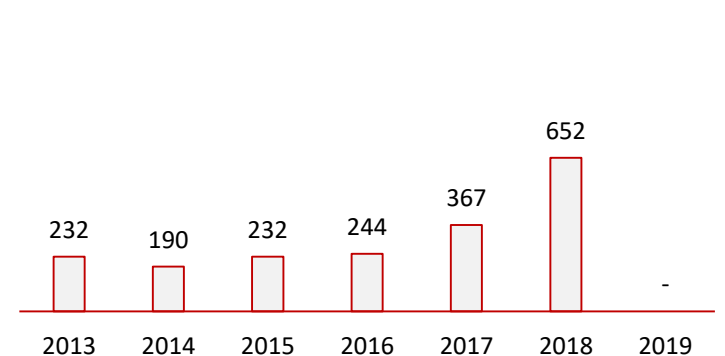
Total Loans



Combined Net Income &amp; ROE



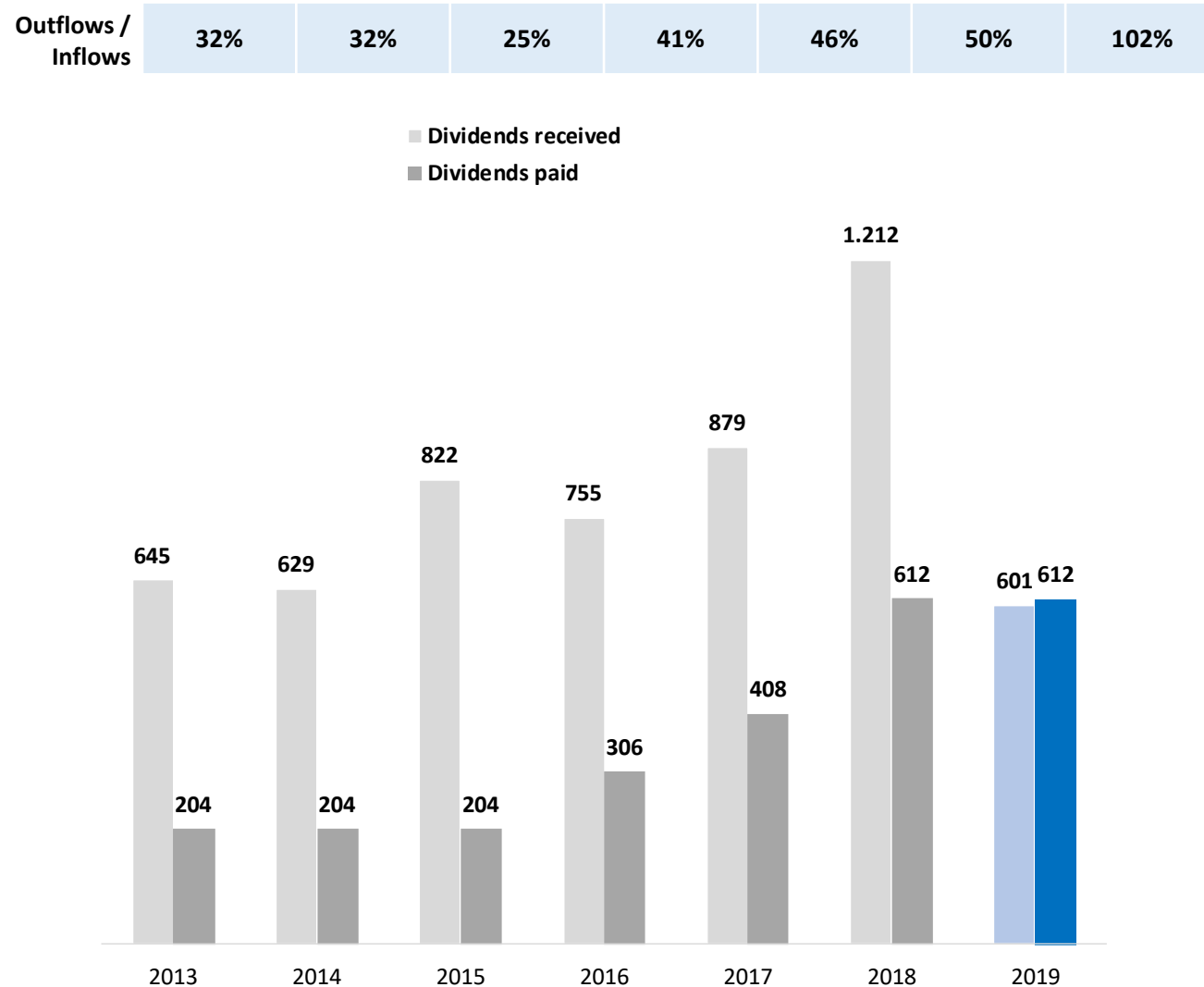
Dividends paid to Sabancı Holding (TL m)



1. Financials shown are before consolidation adjustments. Net Income and EBITDA excludes one-offs

\* BRSA figures are used for banking

## Sabancı Holding dividends paid and received (MTL)



TLm	Segment	2013	2014	2015	2016	2017	2018	2019
Akbank	Banking	232	190	232	245	367	652	-
Akçansa	Cement	44	57	90	102	94	51	61
Aksigorta	Insurance	16	22	9	-	-	40	73
Avivasa	Insurance	17	13	16	12	9	19	40
Brisa	Industrials	31	52	66	68	-	-	-
Carrefoursa	Retail	-	-	33	-	-	-	-
Çimsa	Cement	48	77	86	99	95	33	-
Kordsa	Industrials	32	-	48	43	41	48	48
Teknosa	Retail	-	27	10	-	-	-	-
Yünsa	Industrials	4	8	10	2	-	-	3
Enerjisa Enerji	Energy	-	-	-	-	-	142	189
Others	Industrials	3	7	4	6	-	-	8
Philsa	Industrials	218	176	218	178	274	227	178
<b>Total dividends received</b>		<b>645</b>	<b>629</b>	<b>822</b>	<b>755</b>	<b>879</b>	<b>1,212</b>	<b>601</b>
<b>Total dividends paid out</b>		<b>204</b>	<b>204</b>	<b>204</b>	<b>306</b>	<b>408</b>	<b>612</b>	<b>612</b>



# Sabancı Holding

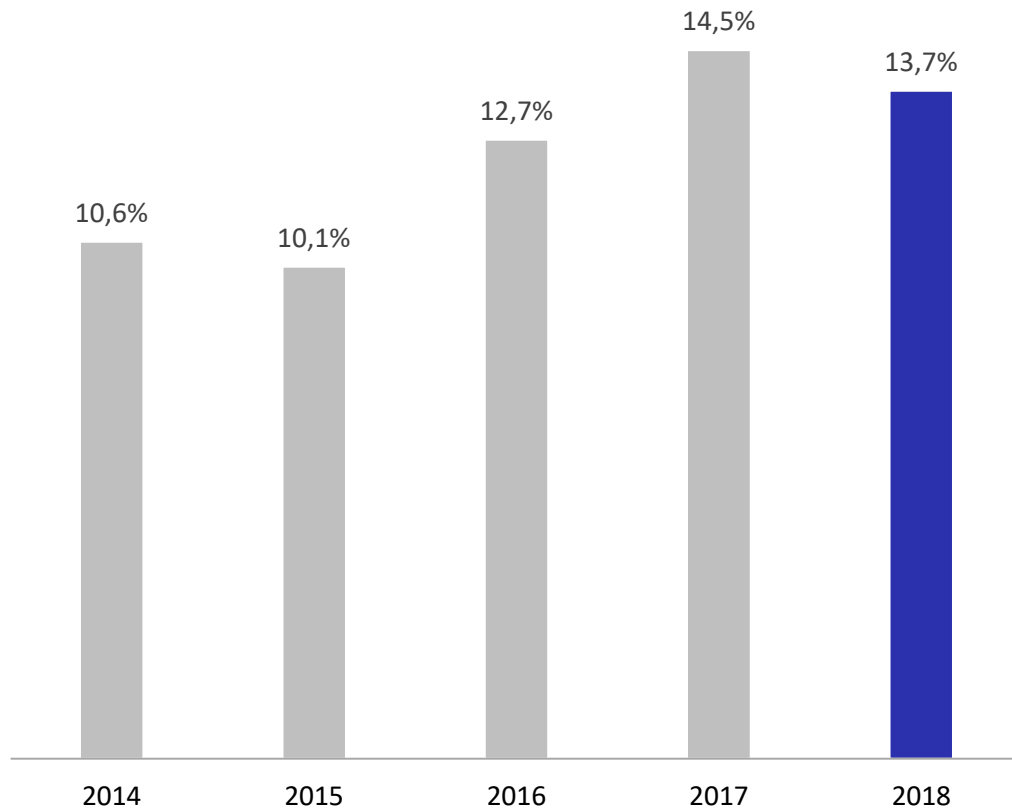
## Appendix

## Introduction

## Improved capital allocation and focus on performance has led to a favorable trend in Return on Equity

## Return on Equity

## Sabancı Holding consolidated ROE



Segment ROE <sup>1</sup>	2014	2015	2016	2017	2018	14-18 Δ pts	Equity Share <sup>2</sup>
Energy	n.m.	0.4%	3.0%	4.6%	11.4%	+13.5%	17.5%
Cement	20.0%	22.8%	21.0%	14.6%	11.4%	-8.6%	3.8%
Industrials	25.7%	25.9%	30.4%	25.4%	18.7%	-7.0%	7.6%
Insurance	20.6%	17.2%	26.0%	27.8%	33.9%	+13.3%	1.7%
Retail	-0.3%	n.m.	n.m.	n.m.	n.m.	n.m.	0%
Banking	14.1%	12.1%	16.0%	16.2%	13.6%	-0.5%	58.7%
<b>Consolidated ROE</b>	<b>10.6%</b>	<b>10.1%</b>	<b>12.7%</b>	<b>14.5%</b>	<b>13.7%</b>	<b>+3.1%</b>	

1. Excludes one-offs, bank results are BRSA based

2. Equity share attributable to Other segment = 11%

# Sabancı Holding Discount to NAV\* and FX linked Revenues

## Sabancı Holding Discount to NAV\*

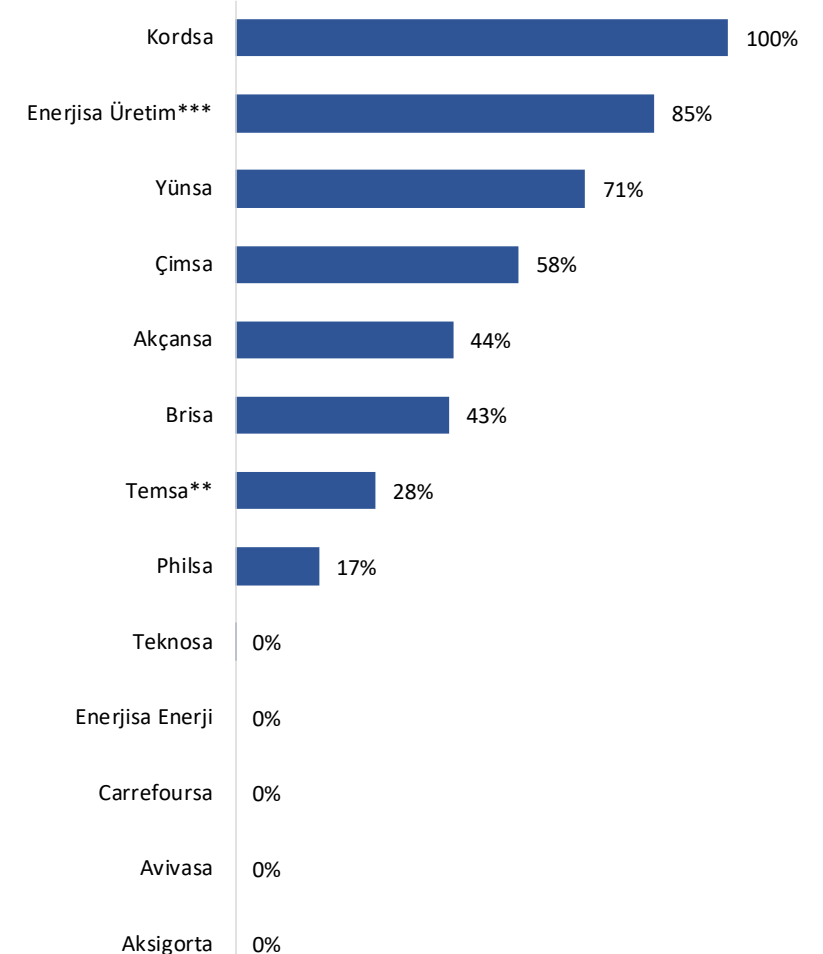
USDm	Direct	Sep-2019			Dec-2018	
Companies	Stakes (%)*	Mcap	Value of	% of NAV	Value of	% of NAV
			Stake		Stake	
Akbank	40,8%	7.475	3.046	50,0%	2.117	39,6%
Enerjisa Enerji	40,0%	1.300	520	8,5%	456	8,5%
Aksigorta	36,0%	281	101	1,7%	76	1,4%
Avivasa	40,0%	296	119	1,9%	105	2,0%
Akçansa	39,7%	230	91	1,5%	106	2,0%
Çimsa	54,5%	178	97	1,6%	105	2,0%
Brisa	43,6%	335	146	2,4%	160	3,0%
Kordsa	71,1%	437	311	5,1%	256	4,8%
Yünsa	57,9%	26	15	0,3%	14	0,3%
Carrefoursa	50,6%	454	230	3,8%	233	4,4%
Teknosa	60,3%	55	33	0,5%	37	0,7%
<b>Total Listed</b>			<b>4.710</b>	<b>77,3%</b>	<b>3.666</b>	<b>68,5%</b>
Enerjisa Üretim	50,0%	1.070	535	8,8%	492	9,2%
Temsa**			5	0,1%	40	0,7%
Philsa	25,0%	1.743	436	7,1%	507	9,5%
Other			153	2,5%	157	2,9%
<b>Total Non-listed</b>			<b>1.129</b>	<b>18,5%</b>	<b>1.195</b>	<b>22,3%</b>
<b>Total</b>			<b>5.838</b>	<b>95,8%</b>	<b>4.861</b>	<b>90,9%</b>
Sabancı Holding Net Cash			258	4,2%	487	9,1%
Sabancı Holding NAV			6.096	100,0%	5.348	100,0%
<b>Sabancı Holding Mcap</b>			<b>3.457</b>		<b>2.905</b>	
<b>Sabancı Holding Discount</b>			<b>-43,3%</b>		<b>-45,7%</b>	

Source: Bloomberg, Sabanci Holding Finance Department

\*Enerjisa Generation and Temsa are valued at Book Value, while Philsa valuation is based on Sell-side analyst estimates

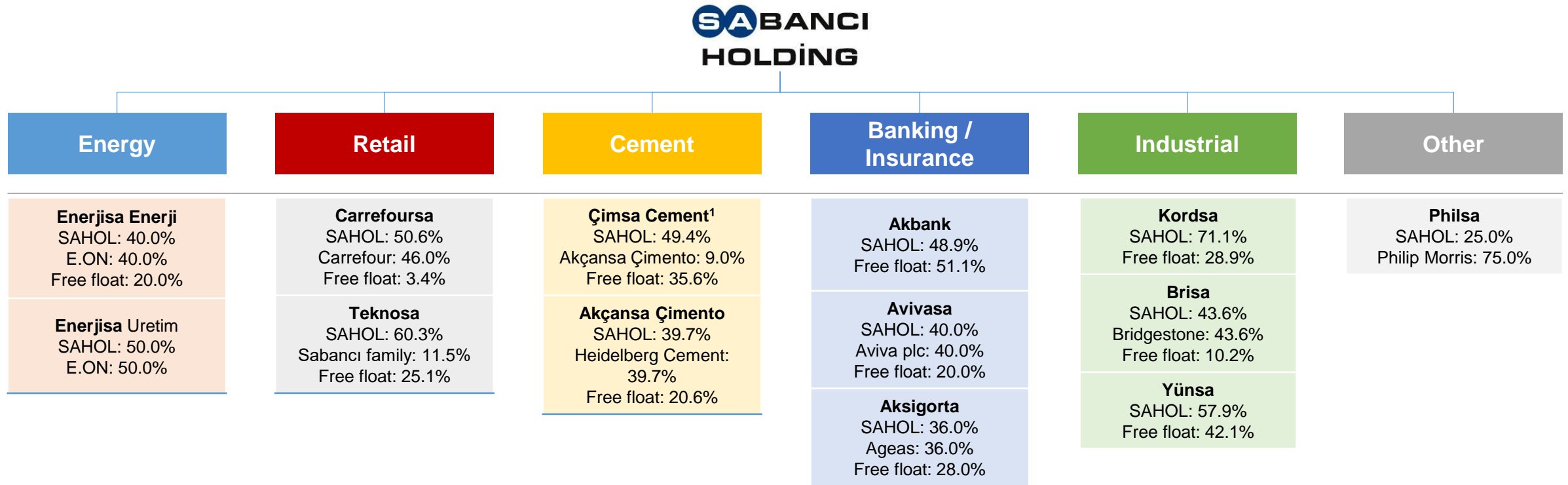
\*\*Temsa includes Temsa Motorlu Araçlar and Temsa İş Makinaları

## Share of FX linked Revenues in Total Revenues



\*\*\* Share in EBITDA

## Overview of corporate structure



Note: <sup>1</sup> Sabancı Holding's Cimsa stake increased to 54.5% after acquisition of 5% stake on April 6, 2018

## Appendix

## Sabancı Holding Earnings Reporting - Combined and Consolidated Numbers

Combined	Net Sales	EBITDA	Net income
Subsidiaries (1)	line by line	line by line	line by line
Joint Ventures (2)	line by line	line by line	line by line
Associates (3)	<i>Not included</i>	Proportion of ownership interest * Net income	Proportion of ownership interest * Net income

Consolidated	Net Sales	EBITDA	Net income
Subsidiaries (1)	line by line	line by line	line by line
Joint Ventures (2)	Not included	Proportion of ownership interest * Net income	Proportion of ownership interest * Net income
Associates (3)	Not included	Proportion of ownership interest * Net income	Proportion of ownership interest * Net income

(1) Akbank, Çimsa, Kordsa, Teknosa, Temsa Motorlu Araçlar, Yünsa, Carrefoursa, Others (AEO, Sabancı DX, Exsa, Tursa)

(2) Akçansa, Aksigorta, Avivasa, Brisa, Enerjisa Enerji, Enerjisa Üretim

(3) Philsa – PMSA, Temsa İş Makinaları

Subsidiaries	Segment	Effective Ownership%
Akbank T.A.Ş. ("Akbank")	Bank	40,75%
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. ("Carrefoursa")	Retail	50,61%
Teknosa İç ve Dış Ticaret A.Ş. ("Teknosa")	Retail	60,28%
Çimsa Çimento Sanayi ve Ticaret A.Ş. ("Çimsa")	Cement	58,10%
Kordsa Teknik Tekstil Anonim Şirketi ("Kordsa")	Industrials	71,11%
Temsa Motorlu Araçlar Pazarlama ve Dağıtım A.Ş. ("Temsa Motorlu Araçlar")	Industrials	47,90%
Yünsa Yünlü Sanayi ve Ticaret A.Ş. ("Yünsa")	Industrials	57,88%
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. ("Exsa")	Others	47,90%
Ankara Enternasyonel Otelcilik A.Ş. ("AEO")	Others	76,85%
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. ("Tursa")	Others	100,00%
Sabancı Dijital Teknoloji Hizmetleri A.Ş. ("SabancıDX")	Others	100,00%

Joint Ventures	Segment	Effective Ownership%
Aksigorta A.Ş. ("Aksigorta")	Insurance	36,00%
Avivasa Emeklilik ve Hayat A.Ş. ("Avivasa")	Insurance	40,00%
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. ("Brisa")	Industrials	43,63%
Akçansa Çimento Sanayi ve Ticaret A.Ş. ("Akçansa")	Cement	39,72%
Enerjisa Enerji A.Ş. ("Enerjisa Enerji")	Energy	40,00%
Enerjisa Üretim Santralleri A.Ş. ("Enerjisa Üretim")	Energy	50,00%

Associates	Segment	Effective Ownership%
Philsa Philip Morris Sabancı Sigara ve Tütün San. ve Tic. A.Ş. (Philsa)	Industrials	25,00%
Philip Morris Sabancı Pazarlama Satış A.Ş. ("Philip Morrissa")	Industrials	24,75%
Temsa İş Makinaları	Industrials	4,79%

## Sabancı Holding Greenhouse Gas Emissions

GREENHOUSE GAS EMISSIONS (t CO2e)	2017		2018		CHANGE	
	Scope 1	Scope 2	Scope 1	Scope 2	Scope 1	Scope 2
<b>Sabancı Holding</b>	1.359	5.671	733	3.632	-46%	-36%
<b>Akbank</b>	7.515	36.115	6.970	33.153	-7%	-8%
<b>Akçansa</b>	6.052.352	272.269	5.611.429	246.137	-7%	-10%
<b>Aksigorta</b>		857	44	199	N/A	-77%
<b>Avivasa</b>	1.835		32	660	-98%	N/A
<b>Brisa</b>	29.940	96.898	49.537	84.514	65%	-13%
<b>Çimsa</b>	4.100.000	256.853	5.218.962	296.900	27%	16%
<b>Kordsa</b>	35.995		26.903	84.094	-25%	N/A
<b>Temsa İş Makinaları</b>			63	156	N/A	N/A
<b>Temsa Motorlu Araçlar</b>			20.340	27.000	N/A	N/A
<b>Yünsa</b>	8.664	12.687	9.205	13.565	6%	7%
<b>Sabancı University</b>			31.190	1.571	N/A	N/A
<b>TOTAL</b>	<b>10.237.660</b>	<b>681.351</b>	<b>10.975.408</b>	<b>791.581</b>	<b>N/A</b>	<b>N/A</b>

Note 1: Enerjisa Üretim Scope 1 emissions 10.208.279 tons in 2017 vs. 6.236.050 tons in 2018. Deviation partly due to methodology change (energy factor constant in 2017, analysis results used in 2018) and generation amount

Note 2: Scope 1 emissions are direct emissions from owned and controlled sources, Scope 2 emissions are indirect emissions from the generation of purchased electricity

[investor.relations@sabanci.com](mailto:investor.relations@sabanci.com)

**Şermin Mutlu**

**Finance Director**

Investor Relations

[smutlu@sabanci.com](mailto:smutlu@sabanci.com)

+90 212 385 81 50