



#SabanciofNewGeneration

SABANCI

Annual Report 2019

What does Sabancı of New Generation denote for us?

Our new strategic roadmap, which we call Sabancı of New Generation, emphasizes the ever-changing conditions of today's world. Sabancı of New Generation embraces the Sabancı Group's objective of adapting most rapidly and effectively to a world where what is considered "new" changes every single day.

With around 70% Generation Y white-collar, commonly young and dynamic employees, we know how to read the current era well. We make major differences in every facet of our business as we transform technology into value in this digitalized world. Continuously reinterpreting what is new, we achieve success for current and future generations with the right strategies.

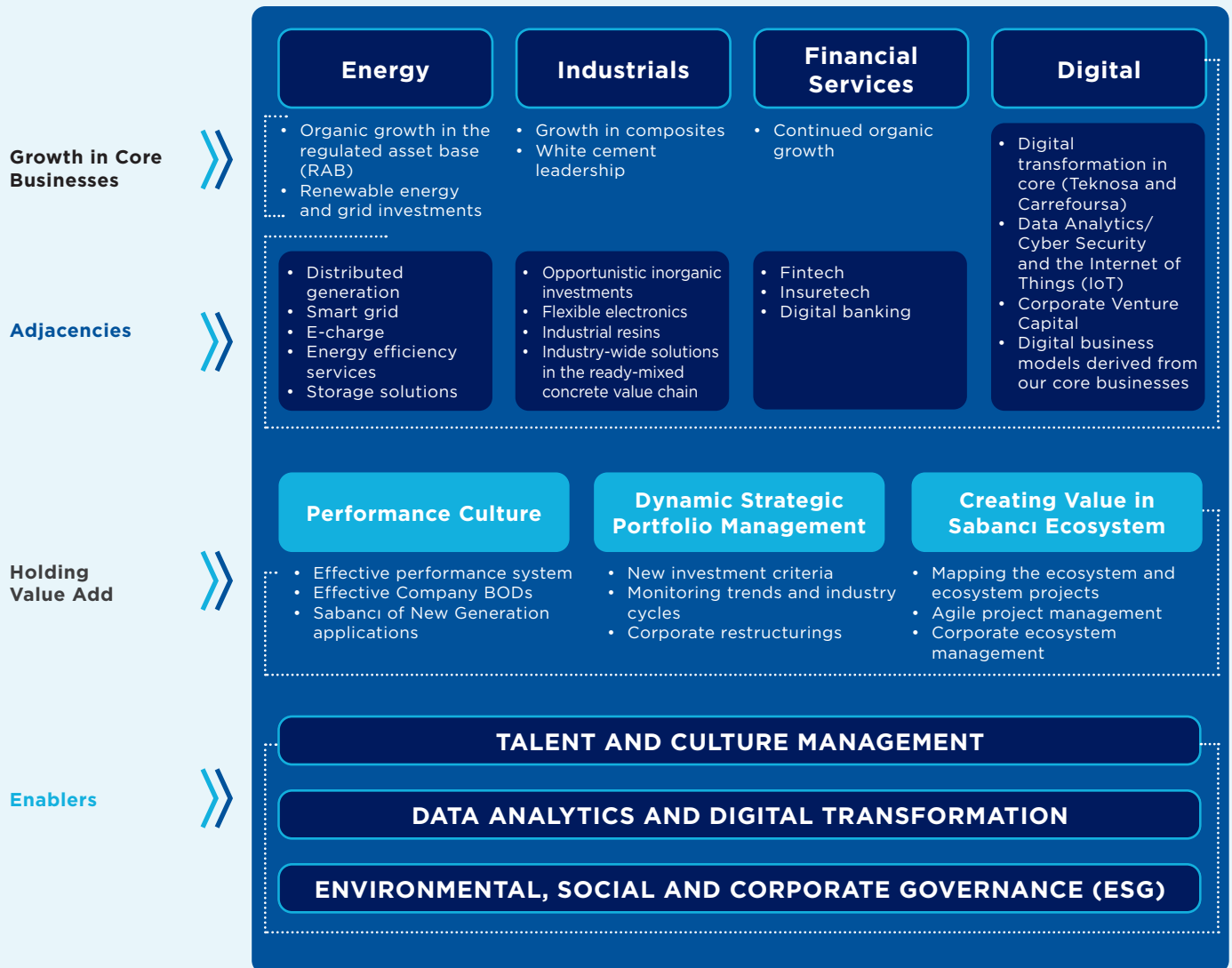
**Our strategic
priorities that form
the Sabancı of New
Generation**



Scan the QR Code to
access our Online Annual
Report...

Sabancı of New Generation

Sabancı Holding



Sabancı of New Generation

Sabancı of New Generation Culture

Putting the needs and expectations of customers & all stakeholders at focus,
Valuing different perspectives and taking decisions by considering comprehensive inclusion,
Being the pioneer of innovation,
Being courageous to make mistakes and seeing it as a learning & development opportunity,
Focusing on long-term and sustainable value creation.

Sabancı Competency Model



Value Drive Competencies

Valuing Differences,
Being Resilient,
Displaying Courage,
Learning From Experiences.



Leadership Drive Competencies

Global and Long-term Thinking,
Cultivating New & Better,
Balancing Stakeholders,
Agile Decision Making,
Driving Vision & Purpose,
Building Effective Teams.



Performance Drive Competencies

These are the competencies,
which are precisely determined
for each Sabancı Group company
and expected to be developed by
employees in order to advance
their performance.

Values



Courage

We express our thoughts freely and take risks. We are not afraid to make mistakes. We take the initiative and assume responsibility. We take action.



Sincerity

We place authenticity, respect and trust at the heart of our relations with all stakeholders, thus appearing as we are and being as we appear.



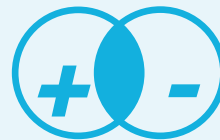
Passion

We approach all tasks with enthusiasm, excitement and perseverance. We mobilize our community with our energy.



Continuous Development

We question ourselves and our work with a positive curiosity based on excitement about innovation. To get better and better, we learn from our past experiences, develop in line with our vision for the future, and become the pioneer of change.



Inclusion

We build environments that encourage the inclusion of all stakeholders, value different ideas and deliver the highest benefit through multiple partnerships.



Photo: SabancıDx Campus

atalist

Sabancı of New Generation grows ever stronger with digitalization.

As Sabancı Group, we recorded significant successes across our businesses in 2019. For further and sustainable success, via our “Sabancı of New Generation” philosophy, we continuously redefine our ways of doing business through advanced technology and digital approach.

The Mobile Bank: Akbank

With 69% of consumer loans provided via digital channels, Akbank was named the “World’s Best Digital Bank” by Euromoney, one of the most globally respected financial publication groups, as part of Excellence Awards. Akbank garnered this esteemed designation thanks to its digital solutions focused on customer satisfaction and banking services delivered via new generation branches.

Advanced Data Analytics Academy

SabancıDx established the Advanced Data Analytics Academy together with Sabancı University to facilitate the implementation of customer-based advanced data analytics programs. The Academy aims to train data engineers and digital inventors. Since 2018, over 135 employees have graduated from this Academy.

SabancıDx Digital Campus

With a focus on new generation technologies - big data, advanced data analytics, cyber security, industrial IoT, robotic process automation, artificial intelligence, blockchain - Digital Campus aims to develop new products to boost Turkish software exports with synergy from industry, university and startup collaborations.

Catalyst Startup Program

Introduced by SabancıDx, the Catalyst Startup program aims to bring startup enterprises and large companies together to develop new products and services. In 2019, the program evaluated more than 300 startup companies. Of these, over 50 were identified as cooperation candidates and with more than 10 companies worked on value propositions.



Sabancı of New Generation differentiates itself with data analytics.

We see data as the most valuable asset of this era. We believe that processing data with high-level methods and tools and transforming data into information that boosts efficiency in business processes and foresight in future prospects is a powerful driver in terms of ensuring sustainability and making a difference. Sabancı Group has about 80 advanced data analytics projects currently underway.

Advanced data analytics provides efficiency in production

By conducting advanced data analytics-based optimization studies at Kordsa production sites, over 3% efficiency was achieved at the spinning and over 10% energy efficiency was achieved at the twisting processes.

Machine learning provides energy savings

Çimsa created a cloud infrastructure to develop big data projects as part of the Advanced Data Analytics program commenced with SabancıDx. The company developed a machine learning initiative to reduce electricity consumption in cement and raw meal mills. The targeted benefit is decreasing annual electric consumption by 16,160 MWh and saving TL 5-7 million.

Artificial intelligence ADA upsurges customer satisfaction

By introducing ADA (Aksigorta Digital Assistant) – the first artificial intelligence application in the insurance sector – Aksigorta had 3 million successful transactions with ADA over the past two years and enhanced customer satisfaction by three points. Completing more than 70 business processes in eight different departments, ADA was named the “Best IT Cost Efficiency Project of the Year” by International Data Corporation (IDC).

Customized products to meet customer expectations from Akbank

To provide customers with the best banking experience, Akbank rapidly transforms global innovations into banking products and applications at Akbank LAB. As the first bank in Turkey to use blockchain technology for money transfers abroad, Akbank closely monitors Fintech and provides customers with the latest technology by establishing focused and strategic collaborations with Fintech enterprises.



Data management that adds value to the business

Thanks to teams specialized in data analytics, personalized offerings are proposed by estimating the needs of 6 million Carrefoursa card customers. Analyzing data with artificial intelligence algorithms, new applications are introduced to optimize the customer experience. As of year-end 2019, Teknosa holds data on more than 16 million individual customers.

Data-based decision making

During the year, Enerjisa Enerji implemented more than 10 analytical projects - including early detection of defective meters, meter replacement/maintenance, detection of illegal use/theft - as well as initiatives designed to improve call center efficiency. At the IDC 2019 - Energy Summit, the company's Self-Service Analytical Platform project, which will contribute to data democratization, won first place in the "Analytics and Big Data" category.

Production with virtual reality at Brisa

In 2019, we made great progress with our innovative product solutions. During the year, we positioned Brisa as a company that produces mobility solutions, rather than a company that sells tires. Brisa conducted its production operations with virtual reality at its factories in Aksaray and İzmit.

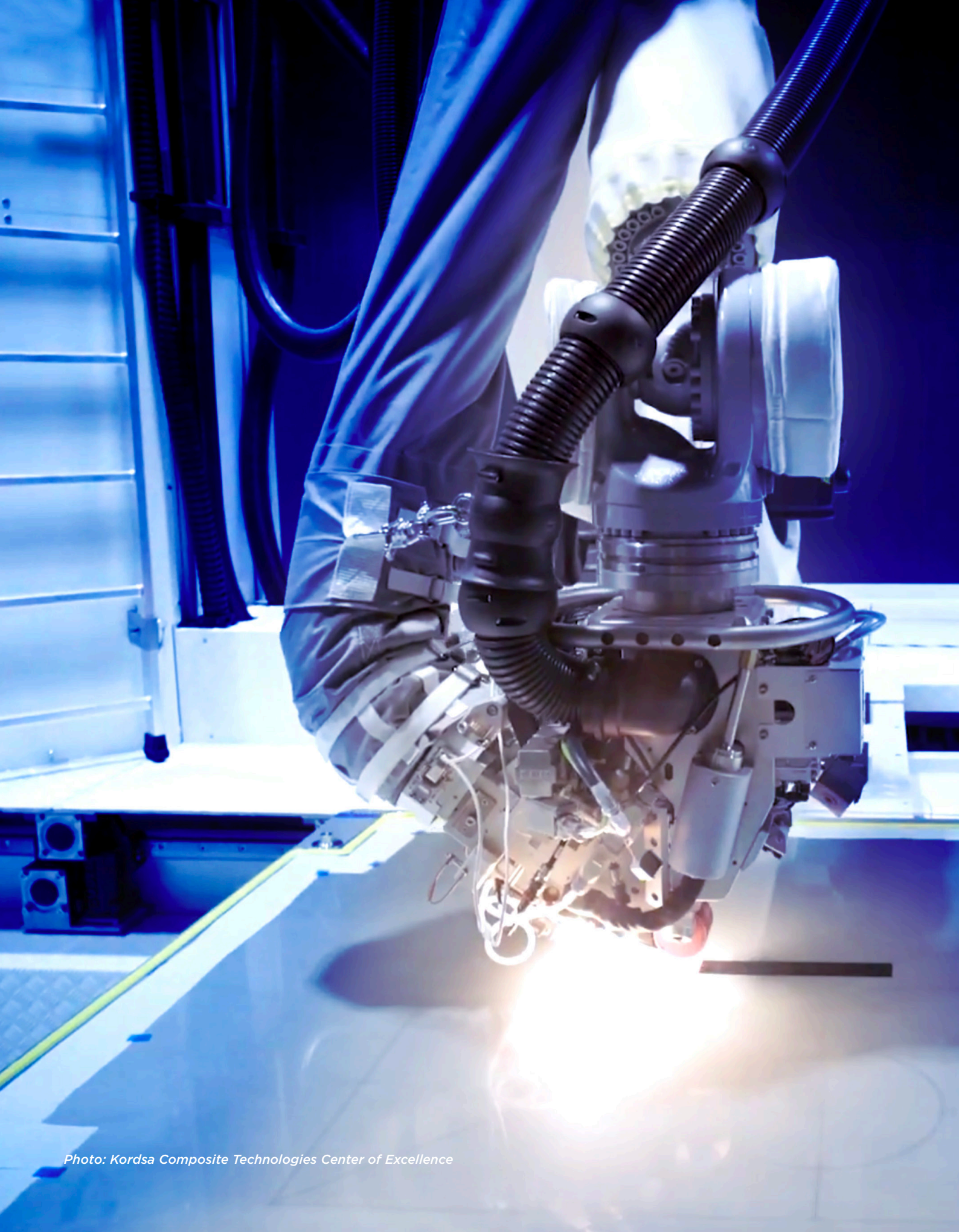


Photo: Kordsa Composite Technologies Center of Excellence

Sabancı of New Generation constructs a new future with major investments.

In 2019, we successfully continued to reinforce our competitive structure, effectiveness and growth within our existing business units. Thanks to our forward-looking strategic decisions, we took major steps toward the future with our growth initiatives.

International investments in white cement

Çimsa has signed an agreement for the acquisition of Buñol, Europe's most technological white cement factory. Completing its grinding facility investment in the USA, which is the first greenfield investment abroad, Çimsa will become the largest company among Non-Asian white cement producers with a 40% increase in its production capacity.

Major growth move in composites

Touching and reinforcing every aspect of life, Kordsa prepares to lead composite material technologies in space and aerospace industry by acquiring Axiom Materials. This transaction is poised to lead the way to create a second Kordsa. Targeting the structural parts of aircraft and cabin interior with three composite companies acquired previously, Kordsa now has the capability to strengthen aircraft engines with this strategic investment.

Dynamic strategic portfolio management

Another big step taken in Sabancı Holding's transformation process was simplification of the portfolio. The decision taken as per our technological and sector focused strategy, is a major step toward investing in high growth and high value accretive areas with a simplified and balanced portfolio approach.

Brisa breaks new ground in Turkey

Through its smart factory built-in Aksaray with an investment of USD 300 million, tire giant Brisa moves forward with its commitment to value-added production and technology.

Brisa is initiating the autonomous era in the tire sector with Industry 4.0 applications at the Aksaray Plant - the first smart factory of Turkey's tire industry.

With its two factories in production and dealer network across Turkey, Brisa supports 60 thousand people look to the future with hope.

Environmentally value added portfolio

Enerjisa Üretim, with 56% domestic and renewable energy portfolio - all the environmentally permitted- prevents 3.8 million tons of CO₂ emission thanks to its renewable power plants. Successfully winning two of four licensed areas in the Wind Renewable Energy Resource Areas (YEKA) tender, Enerjisa Üretim qualified for a 500 MW capacity investment. One of the largest green energy investors in Turkey with its focus on the area of renewable energy, Enerjisa Üretim leads the way forward as the pioneer of the sector.

Sabancı of New Generation is taking strategic steps in sustainability.^(*)

We are committed to sustainability, which has increasingly become a focal point in recent years around the globe. By effectively reading the global economic indicators, we took strategic decisions for the future in our companies. Sustainability focus areas and key priorities across all industries and geographies of our Group include:

Creating Economic Value

Economic Performance
Responsible Investments
Technology Investments
Supply Chain Management

Continuous Improvement of our Human Resources

Occupational Health and Safety
Equality and Diversity in Business
Employee Satisfaction and Engagement
Performance and Total Reward Management
Continuous Learning and Development

Providing Social Benefit

Social Development
Community Relations

Responsibility to the Environment

Energy and Emission Management
Water Management
Waste Management





Sabancı of New Generation continues to grow by achieving stronger results.

With our strong equity base and robust cash generation capability, we grow stronger each day. We operate with a flexible and agile management approach, while minimizing risks and acting quickly.

In line with the targets

With our solid financial performance in 2019, operating profit increased 6% year-on-year to TL 9.4 billion. Meanwhile, our combined sales grew 11% to TL 97.6 billion. Our operational and financial performance demonstrates that we are moving forward in line with our plans and expectations.

Highly competent human resources

We get our power from our employees, 31% of our total and 37% of our executive staff being women, our workforce possesses diverse characteristics and competencies. We are all part of a successful whole.

Growth energy

Our moves in the energy industry have given great momentum to our Group. Our strong financial structure and right management approach contributed positively to our results in the energy business. The positive outlook of our companies in the insurance sector, which has high growth potential in Turkey, continued in 2019.

Target: Excellence

By embracing operational excellence, we aim to lead change in every business area and contribute to our country's future with technology-focused investments. With the approach of setting an example and being the leader, we work to turn every opportunity into value from advanced data analytics, artificial intelligence and robotics applications to new business lines such as composites.

2019 at a Glance

Reaching to an average annual increase of 14% in consolidated profit over the last five years, Sabancı Holding’s return on equity averaged at 12.0% for the same period.

SABANCI HOLDING IMPORTANT INDICATORS (TL BILLION)

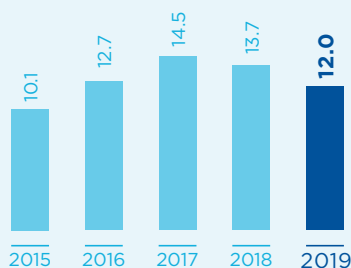
Sabancı Holding Summary Financial Data	2015	2016	2017	2018	2019	CAGR (2015-2019)
Combined Net Sales	47.9	53.8	65.6	88.1	97.6	19%
Combined EBITDA	9.0	11.2	15.0	15.8	17.5	18%
Combined EBITDA ^(*)	8.0	10.8	14.2	15.4	16.9	21%
Consolidated Net Profit (Share of Parent Company)	2.2	2.7	3.5	3.8	3.8	14%
Sabancı Holding Solo Cash Position	0.6	1.1	1.7	2.6	1.7	
Combined Net Financial Debt ^(**)	14.2	16.6	18.1	18.6	18.7	
Combined Net Financial Debt/EBITDA ^(**)	4.0	3.7	3.1	2.3	2.2	

^(*) One-off income/expenses are excluded.

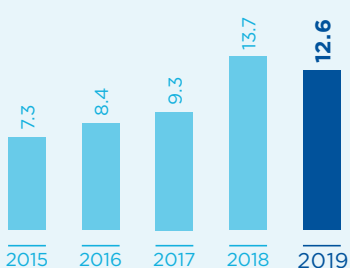
^(**) One-off income/expenses, IFRS16 impact, banking and net cash position of insurance are excluded.

CAGR: Compound annual growth rate

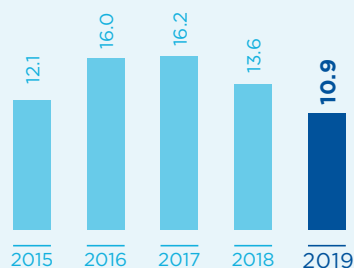
SABANCI HOLDING CONSOLIDATED ROE ^(**) (%)



NON-BANKING CONSOLIDATED ROE ^(**) (%)



BANKING ROE ^(*) (%)

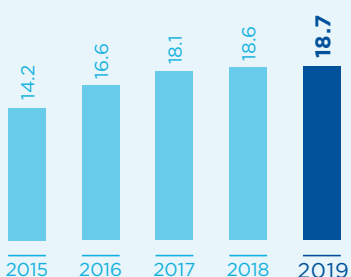


^(*) Based on BRSA results.

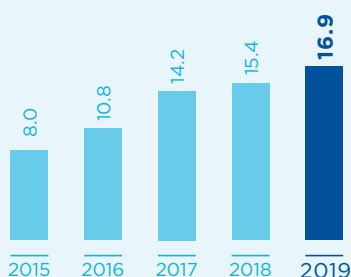
^(**) One-off income/expenses are excluded.

ROE: Return on equity.

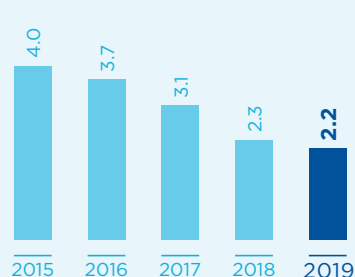
COMBINED NET FINANCIAL DEBT^(**) (TL BILLION)



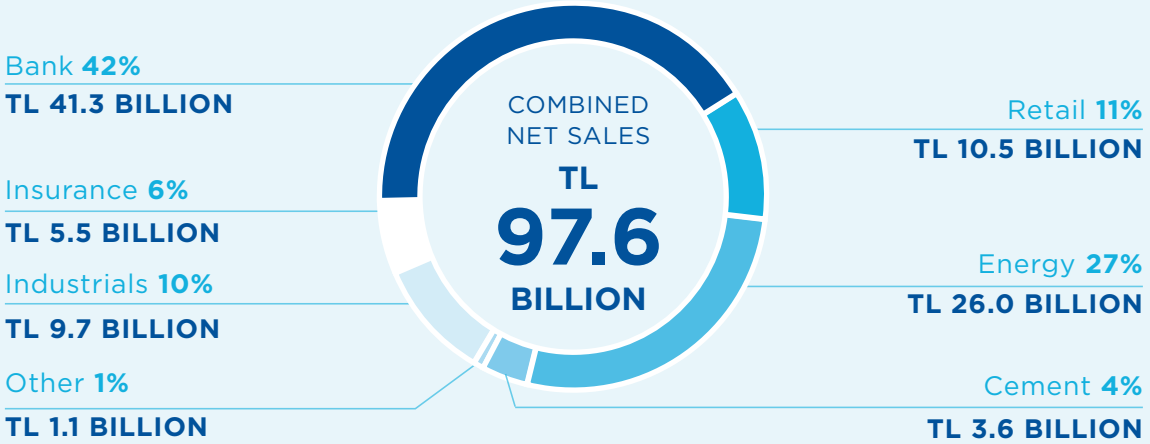
COMBINED EBITDA^(*) (TL BILLION)



COMBINED NET FINANCIAL DEBT/EBITDA^(**)



SECTORIAL DISTRIBUTION OF COMBINED NET SALES

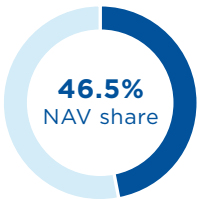


Sabancı in the World

Operations in 12 countries across four continents...
62 thousand+ employees... Strong global partnerships...



Bank



^(*) One-off income/expenses are excluded.

42%
Combined net sales share

45%
Combined EBITDA^(*) share

59%
Consolidated net income^(*) share



AKBANK

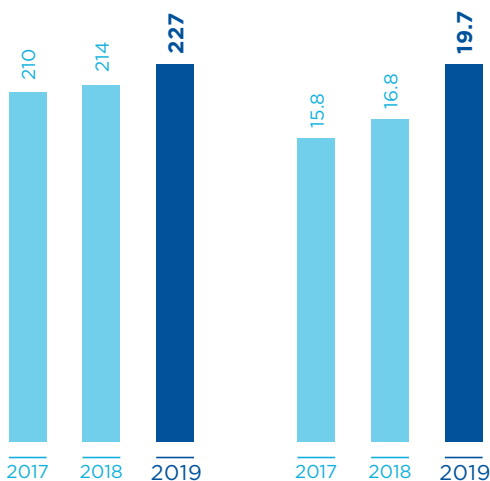
Number of customers **~18 million**
 Number of digital customers **5.1 million**
 Number of branches **771**
 Number of ATMs **5,100**
 Number of POS terminals **600 thousand+**

Loans
(TL billion)

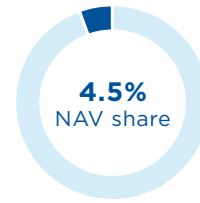
6% ↑

Capital Adequacy Ratio

2.9 percentage points ↑



Insurance



^(*) One-off income/expenses are excluded.

6%
Combined net sales share

4%
Combined EBITDA^(*) share

6%
Consolidated net income^(*) share

Non-life Insurance AKSigorta

Market share
8.3%

Number of customers
3 million

Number of agencies
3 thousand

Premium production
TL 4.5 billion 31% ↑

ROE
45%

Pension and Life Insurance

AVIVA SA

Market share and position
Leader in PPS with 18.8% market share

Number of PPS customers
761 thousand

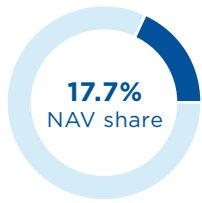
Number of total customers
2.4 million

Assets Under Management^(*)
TL 22.4 billion 33% ↑

ROE
33.7%

PPS: Private Pension System
^(*) Excluding auto-enrollment

Energy



^(*) One-off income/expenses are excluded.

27%
Combined net sales share

34%
Combined EBITDA^(*) share

26%
Consolidated net income^(*) share

Energy Distribution and Retail



Market share and position
Leader with 26% market share

Regulated asset base
TL 8.4 billion 20.9% ↑

(Investment Payment (10 years) and Inflation + WACC^(**) (13.6%) return on investment)

Distribution network
21 million persons in 14 provinces

Number of subscribers
9.9 million

Distribution area
110 thousand km²

^(**) Weighted Average Cost of Capital

Energy Generation and Trade

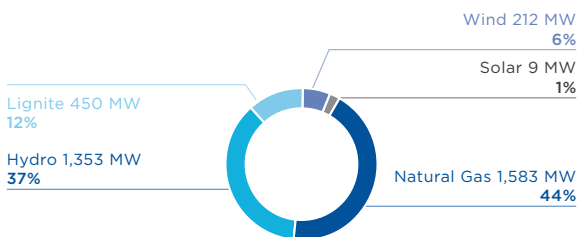


Market share and position
Turkey's largest private sector energy producer with 4% market share

Installed capacity
3,607 MW

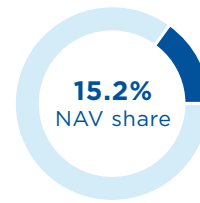
(All income is USD based, except 40% of its natural gas and lignite capacity)

Portfolio



Share of foreign currency based income within EBITDA
82%

Industrials^(**)



^(*) One-off income/expenses are excluded.

10%
Combined net sales share

9%
Combined EBITDA^(*) share

12%
Consolidated net income^(*) share

Tire



Market share and position
Leader with 32% market share

(Domestic sell-out market share)

Production capacity
İzmit: 11 million units, Aksaray: 2.5 million units

Export share within net sales income
39%

Domestic distribution network
1,350 sales points

Overseas distribution network
6 thousand sales points in 83 countries including 610 with Lassa signs

R&D investments
TL 34 million

Reinforcement



Market share and position
Global leader with 27% share in N66; 9% share in PET HMLS

Production areas
Tire reinforcement in 7 facilities in Turkey, Brazil, Indonesia, Thailand and the USA and composite production in 5 facilities in the USA and Turkey

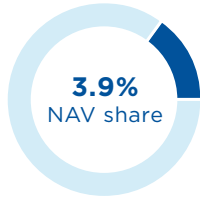
Total sales
TL 5.1 billion (USD 906 million)
(Share of foreign exchange based sales 100%; Share of composite sales 15%)

R&D investments
TL 69 million

Number of patents
183

^(**) Including Philsa and PMSA

Cement



*) One-off income/expenses are excluded.

4%
Combined net sales share

3%
Combined EBITDA^(*) share

0,1%
Consolidated net income^(*) share

Grey Cement Production



Production capacity
9.2 million tons of cement

Production facilities
**3 integrated facilities, 1 grinding plant,
7 domestic terminals, 2 ports**

Export share within net sales income
38%

Grey and White Cement Production

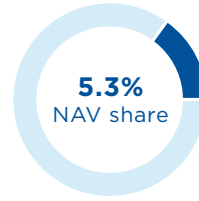


Production capacity
6.9 million tons of cement
(1.7 million tons of white cement, including convertible)

Production facilities
**5 integrated cement facilities, 2 grinding
facilities, 1 cement packaging facility,
7 international terminals**

Export share within net sales income
66%

Retail



*) One-off income/expenses are excluded.

11%
Combined net sales share

5%
Combined EBITDA^(*) share

Food Retailing



Market share
4.7%
(Modern Trade FMCG market share)

Number of Stores
634 (52 provinces)

Sales area
508 thousand m²

Turnover per square meter
TL 12.8 thousand 24.3% ↑

Number of customers
170 million

Technology Retailing



Market share
Technology Superstores: 30%
Total market: 7%

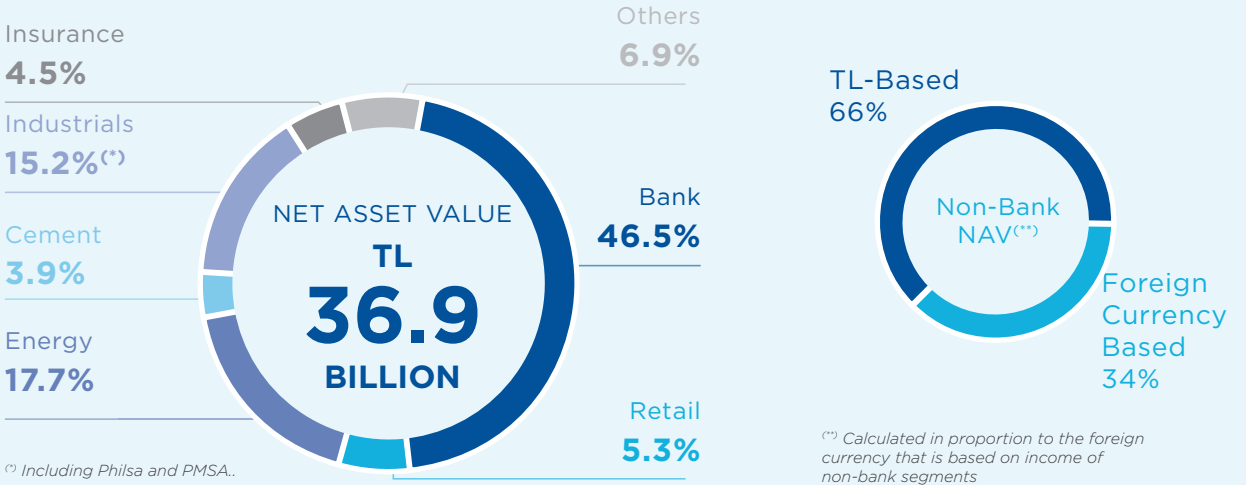
Number of stores
200 (68 provinces)

Sales area
105 thousand m²

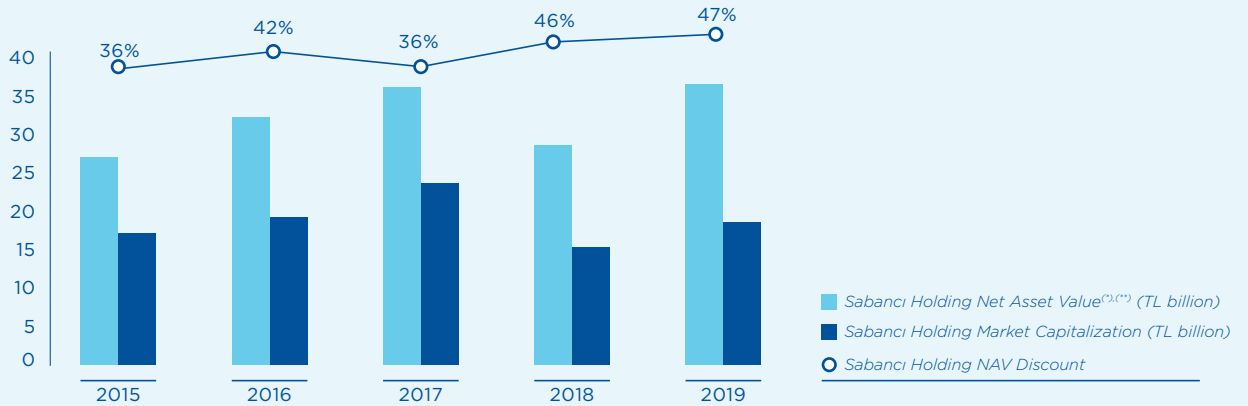
Turnover per square meter
TL 37 thousand 23% ↑

Number of visitors
200 million

SABANCI HOLDING NET ASSET VALUE BREAKDOWN (AS OF 31.12.2019)

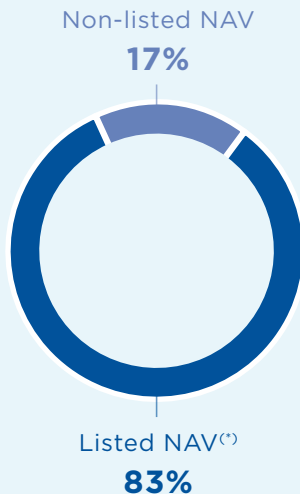


SABANCI HOLDING NAV-MARKET CAPITALIZATION COMPARISON



^(*) Calculated by multiplying the shareholding percentage of Sabancı Holding, based on the closing market value of the last business day of the year.
^(**) Book value and the average of independent research reports used for subsidiaries that are not publicly traded.

83% of Sabancı Holding's Net Asset Value constitutes public companies.



FREE FLOAT RATIOS OF SABANCI GROUP COMPANIES^(*)

BANK	
AKBANK	49%
ENERGY	
ENERJISA ENERJİ	20%
INSURANCE	
AKSİGORTA	28%
AVIVASA	20%
CEMENT	
AKÇANSA	20%
ÇİMSA	36%
RETAIL	
TEKNOSA	34%
CARREFOURSA	3%
INDUSTRIALS	
KORDSA	29%
BRİSA	10%

^(*) Includes Holding solo cash position.

^(*) as of 31.12.2019.

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Hacı Ömer Sabancı Holding A.Ş. General Assembly Meeting Agenda

The 2019 Ordinary General Assembly Meeting to Be Held on March 26, 2020 at 14:00 PM

- 1 - Opening and formation of the Meeting Council,
- 2 - Reading and discussion of the 2019 Annual Report of the Board of Directors,
- 3 - Reading of the summary of 2019 Auditor's Report,
- 4 - Reading, discussion and approval of the 2019 financial statements,
- 5 - Release of the members of the Board of Directors with regard to the 2019 activities,
- 6 - Determination of the usage of the 2019 profit and rate of dividend to be distributed,
- 7 - Submission of Board Member appointment realized due to vacancy in the board membership within the activity year to the approval of the General Assembly,
- 8 - Election of the members of the Board of Directors, determination of their duty term,
- 9 - Determination of monthly gross fees to be paid to the members of the Board of Directors,
- 10 - Election of the Auditor and Group Auditor,
- 11 - Informing the General Assembly regarding the donations and grants made by the company in 2019,
- 12 - Determination of an upper limit for donations to be made in 2020,
- 13 - Granting permission to the Chairman and members of the Board of Directors for the activities under the articles 395 and 396 of the Turkish Commercial Code.

Sabancı Group in Brief

Sabancı Holding is a strategic portfolio company that focuses on creating value add with the Group's ecosystem and prioritizes a high-performance culture.

Sabancı Group's main business areas are banking, insurance, energy, industrials, cement, and retail.

Hacı Ömer Sabancı Holding A.Ş., one of Turkey's leading conglomerates, is the parent company and manages the Sabancı Group's companies with a strategic portfolio approach. The main business areas of Sabancı Group are; banking, insurance, energy, industrials, cement, and retail. Sabancı Group companies are market leaders in most of their respective sectors.

Sabancı Holding's executive activities are carried out by the Executive Committee, consisting of the CEO, CFO, Strategic Business Unit Presidents and the President of Human Resources Group. The Executive Committee reports to the Board of Directors.

Sabancı Holding is responsible for:

- Coordinating and supporting the financing, strategy, business development and human resources functions in accordance with corporate governance principles,
- Fostering career development of the Group's senior and mid-level executives,
- Determining the Group's strategies,
- Deploying a performance culture across the Group,
- Creating shareholder value through intra-Group ecosystem collaborations.

Sabancı Holding prioritizes a performance culture. With the aim of creating value for all stakeholders, a short-term and long-term management incentive system is applied across the organization.

On an annual basis, performance evaluation entails a number of performance criteria including revenue, operating income, net income, change in market capitalization compared to peers for the listed companies and also the market share, cash flow management, working capital efficiency, and employee engagement are among other KPIs. Long term incentive compensation is determined based on Sabancı Holding stock's total shareholder return (TSR) and discount to Net Asset Value (NAV).

In addition to the Audit, Corporate Governance and Early Risk Identification Committees which report to Sabancı Holding Board of Directors, the Portfolio Management Committee was established on March 30, 2017 to ensure a more balanced, dynamic portfolio management and capital allocation perspective. The Committee consists of Board Chairman Güler Sabancı; Vice Chairman Erol Sabancı, Board Members Suzan Sabancı Dinçer, Sevil Sabancı Sabancı, Serra Sabancı and CEO Cenk Alper. The Committee convened six times in 2019 and submitted its assessments to the Board of Directors.

Sabancı Holding assesses business development projects both financially and strategically and prioritizes projects where there is high-value creation, real growth potential, projects in which current competencies within the Group can be utilized effectively as well as sustainable investment projects.

Number of employees

62
thousand+

SABANCI HOLDING INVESTMENT CRITERIA

Potential for geographic/sector-specific value creation
ROIC > WACC + 1-3%



Growth potential > **Real GDP growth**



Emerging stage of life-cycle



Transferability of current competencies



Sustainable investment

ROIC: Return on invested capital.

WACC: Weighted average cost of capital.

SABANCI HOLDING PERFORMANCE CRITERIA



Short-Term KPIs

Revenue, Operational Profitability, Net Profit, Comparative Change in Market Capitalization, Market Share, Cash Flow, Working Capital, Employee Satisfaction, et. al.



Long-Term KPIs

Sahol Total Shareholder Return, Sahol Net Asset Value Discount

Sabancı Group companies currently operate in 12 countries as of year-end 2019 and market their products in regions across Europe, the Middle East, Asia, North Africa, North and South America. Sabancı Group - thanks to its solid reputation, positive brand image, strong joint ventures, extensive experience and know-how about the Turkish market - has fostered its core businesses over the years. These enterprises collectively have also contributed significantly to the development of Turkey's economy.

Sabancı Holding's multinational business partners include prominent global companies such as Ageas, Aviva, Bridgestone, Carrefour, E.ON, Heidelberg Cement, Marubeni and Philip Morris.

In 2019, Sabancı Group posted combined sales revenue of TL 97.6 billion and consolidated net profit of TL 3.8 billion.

Sabancı Holding's own shares, as well as the shares of its 11 subsidiaries, are listed on Borsa Istanbul (BIST) and constitute 8.1% of total market capitalization of Turkish equity market.

The Sabancı Family is collectively Sabancı Holding's majority shareholder. As of year-end 2019, 48.3% of Sabancı Holding's shares are publicly traded.



Letter from the Chairman

In 2019, we, as Sabancı Group, operated in line with our strategic roadmap, which we created with a long-term perspective. While managing our portfolio in a dynamic way, we focused on areas that demonstrate high growth potential for the future.

We embraced our Sabancı of New Generation vision and completed 2019 with many achievements thanks to our goal-oriented work discipline.

Esteemed investors, business partners and valued employees,

The world and Turkey have left a challenging year behind. The effects of trade wars, the Brexit process and tensions in various geographic areas reverberated across the globe. During the year, Turkey's local elections, regional problems, and economic situation topped the agenda in the country.

In 2019, Sabancı Group conducted its business activities in line with its strategic roadmap, which was created with a long-term perspective. While managing our portfolio in a dynamic way, we focused on areas that demonstrate high growth potential for our business lines of the future. We prioritized transforming our business in accordance with developments in technology and future expectations.

We embraced our Sabancı of New Generation vision and completed 2019 with many achievements thanks to our goal-oriented work discipline.

In the Wind Renewable Energy Resource Areas (YEKA) tender, we won two out of four regions - Aydın and Çanakkale - with Enerjisa Üretim. We will be the biggest player in the global white cement business thanks to the acquisition of the Buñol Factory in Spain by Çimsa. With Kordsa's fourth acquisition, Axiom Materials Acquisition LLC, we are creating a growth platform in North America, the home of the space and aviation industry.

While Kordsa has become a global producer of advanced material technologies, we also continue our investments in Turkey. We have also completed our additional spun thread investment that will facilitate new generation production. Furthermore, we opened the doors of SabancıDx Digital Campus - the driver of our digitalization. With this effort, we are opening up a new dimension that will create even more added value for our digital ecosystem.

During the year, we achieved other various successes driven by our passion to work hard and produce efficiently. In 2020, Sabancı Group will move forward to more ambitious goals by providing value to our country and all our stakeholders. Backed by our world-class work approach, sustainability and responsible resource utilization remain our top priorities in addition to financial success for the coming period.

I would like to extend my gratitude to our employees, business partners, customers and stakeholders for their contribution to our successful results in 2019.



Güler Sabancı
Chairman and Executive Member



CEO's Letter

We redefined our business conduct in every segment with the “Sabancı of New Generation” concept. We plan to leverage the Sabancı Holding corporate venture capital fund to invest in the startup ecosystem and to reinforce our collaboration opportunities.

Assessing the economic and industry-specific key indicators from our Group companies, we took forward-looking strategic steps in 2019.

Esteemed investors, dear business partners and employees,

We have left behind a challenging year in 2019 due mostly to the global developments. During a period of rising political and geopolitical risks leading to slowdown in economic growth around the world, we felt the impacts of trade wars and the vulnerability of the global economy. As a result of geopolitical risk factors and its geographic location, Turkey was not immune to the global fluctuations during this period, either.

The major contraction in the Turkish economy, particularly in the first half of 2019, brought about a challenging growth environment in all sectors. However, signs of a partial recovery emerged in Q4, supported by an improved outlook for 2020.

Sabancı Holding's Performance in 2019 and Our Outlook

Sabancı Group recorded major accomplishments across all business areas in 2019.

We bolstered the competitive position, productivity and growth of our existing business units and distinguished the Group from its competitors in 2019 thanks to our advanced data analytics applications, lean processes, and more comprehensive deployment of digitalization and technology in business applications.

During the year we further increased our efforts on sustainability, an increasingly more relevant topic on a global scale. We continued to conduct our business operations successfully owing to our flexible and agile management approach, robust equity capital, strong cash generation capability, and competent human capital. Our focus on operational excellence and supply chain management provided us with a significant competitive edge.

In 2019, we assessed the major trends and disruptive forces that have an impact on our main business lines and markets in general; we evaluated the impact of technology on our business segments and the opportunities it presents for the Group; and we reviewed our portfolio strategy for the next five years. We defined our roadmap based on growth, value creation and sustainability considerations.

We redefined our business conduct in every segment with the “Sabancı of New Generation” concept. As we continue to operate in our existing business lines at an expanded scale, we also develop new processes to unearth new opportunities in similar business areas and we plan to leverage the Sabancı Holding corporate venture capital fund to invest in the startup ecosystem and to reinforce our collaboration opportunities.



CEO's Letter

Data is the lifeblood of all Group companies, and SabancıDx is positioned at a spot that brings the Group together. Serving as the digital multiplier of our companies, SabancıDx will focus on developing data-oriented products and services.

Sabancı Holding has identified three distinct areas of focus in an attempt to create value for the Group companies: reinforcement of the performance culture, dynamic strategic portfolio management, and value creation from the ecosystem.

Sabancı Holding has identified three distinct areas of focus in an attempt to create value for the Group companies:

- (1) Reinforcement of the performance culture,
- (2) Dynamic strategic portfolio management, and
- (3) Value creation from the ecosystem.

We are giving priority to taking better advantage of the strength of our ecosystem. We aim to create an innovation-oriented culture that reinforces cooperation.

Assessing the economic and industry-specific main indicators from our Group companies, we took forward-looking strategic steps in 2019.

First, in our energy business line, the proceeds from the successful public offering of Enerjisa Enerji in early 2018 was deployed as capital injection to Enerjisa Üretim, which in turn bolstered the health of the company's balance sheet.

In the energy industry, Enerjisa Üretim was awarded two out of four regions – Aydın and Çanakkale – in the Wind Renewable Energy Resource Areas (YEKA RES-2) tender. Accordingly, we added half of the 1,000 MW capacity allocated in the tender to the portfolio of Enerjisa Üretim. Our goal is to further expand our capacity by investing in domestic and renewable resources, and we believe that the positive results of this strategy will be apparent in the period ahead. In 2019, we also continued infrastructure investments in our distribution business line through Enerjisa Enerji, deploying a total of TL 1.4 billion.

Demand in the Turkish cement industry contracted materially this year. In our cement business line, we managed to balance the maximum production capacity we achieved in the Turkish market with record-high exports to overseas markets thanks to our 50-year experience in this industry. Çimsa inked a deal to acquire Buñol, a white cement factory in Spain, for USD 180 million. We will be expanding our leadership in the white cement segment to overseas markets upon receiving the requisite approvals related to this investment.

While growing our overseas operations in 2019, we also made progress in our efforts to alleviate Turkey's current account deficit. We expanded our presence to the global arena with the CTCE (Composite Technologies Center of Excellence), which was launched as a partnership between Kordsa and Sabancı University. We completed our fourth acquisition in the United States via Kordsa in the composites segment – one of the business lines of the future. As a result, Kordsa has become a strategic supplier to the most important players in the space and civil aviation industry, including Boeing. Also continuing our investments in Turkey, we placed in commercial operation this year a supplemental polyester yarn facility at Kordsa's İzmit factory that will facilitate new generation manufacturing.

In 2019, we positioned Brisa, another Group company operating in the industrials business segment and the undisputed leader of the Turkish tire market, as a mobility solutions provider, rather than merely a tire seller. We also made great strides with our innovative product solutions during the year.

We integrated virtual reality into the manufacturing process at the Aksaray and İzmit factories, fully equipped with smart manufacturing systems which started operations in 2018.

While maintaining Akbank's robust balance sheet composition in 2019, we made major investments in infrastructure in line with global technological trends. Demand for loans resumed its growth trend in the second half of the year as a result of falling interest rates, which in turn was fueled by declining inflation rate. While lending growth continued in 2019, we boosted our support to the economy to a total of TL 269 billion. Emerging stronger in the Turkish banking industry throughout 2019 thanks to its robust capital position, strong balance sheet, ample liquidity and state-of-the-art infrastructure, Akbank will continue to focus on financing the real economy and the export sector in the coming year.

In our retail business line, we focused on the multi-channel experience, customer relations management and data analytics at Teknosa. We accelerated the digitalization and transformation processes at Teknosa, and these investments will continue in 2020.

In 2019, we continued the transformation process at Carreforsa, which was launched with our "New Generation Super Market" vision, by investing TL 153 million, opening new stores, overhauling the online shopping platform carreforsa.com, focusing on customer experience, and implementing lean processes.

We continue to implement the technology and digitalization roadmap that is the focal point of our Sabancı of New Generation vision for the Sabancı Group, carry out culture management through talent transformation, and center our operations on sustainability.

To this end, we also launched this year "Digital Campus," the new headquarters of SabancıDx, our new generation digital and analytics company. We place great importance on the positioning of SabancıDx within our goal of

creating an innovation-oriented ecosystem that feeds on various business lines while reinforcing the culture of cooperation between the industry, universities and startup ecosystem. By establishing Sabancı University's presence in this campus, we strive to foster an environment where academia, corporate world and other stakeholders engage in joint work and production and create value for Turkey and for the Sabancı Group.

Data is the lifeblood of all Group companies, and SabancıDx is positioned at a spot that brings the Group together. Serving as the digital multiplier of our companies, SabancıDx will focus on developing data-oriented products and services. The company will lead Turkey's digital transformation by prioritizing new generation technologies such as big data, advanced data analytics, cyber security, industrial Internet of things, robotic workforce, and blockchain.

Finally, our 2019 financial statements reveal that Sabancı Group's combined net sales in 2019 reached TL 97.6 billion, up 11% over 2018, while combined operating profit increased 11% to TL 17.5 billion and consolidated net profit reached TL 3.8 billion.

In accordance with our Sabancı of New Generation vision, we will continue to work diligently and productively within our dynamic strategic portfolio management and technology focus to create value for our stakeholders while remaining steadfast to our strategic goals in the period ahead. While doing so, we will always prioritize our responsibility to the environment, the society, and the future.

I would like to extend my gratitude to our employees and all other stakeholders for their confidence in us and their support that made 2019 a successful year for the Group.



Cenk Alper

Member of the Board of Directors and CEO

In accordance with our Sabancı of New Generation vision, we will continue to work diligently and productively to create value for our stakeholders while remaining steadfast to our strategic goals in the period ahead.

Board of Directors

GÜLER SABANCI

Chairman and Executive Member

Güler Sabancı was born in Adana and graduated from Boğaziçi University, Department of Business Administration. She has held various executive roles in the Group and currently serves as Chairman and Executive Member of Sabancı Holding. She is also the Founding President of Sabancı University, Chairman of the Board of Trustees of Sabancı Foundation and Chairman of Sakıp Sabancı Museum.

EROL SABANCI

Vice Chairman

Erol Sabancı was born in Kayseri in 1938 and completed his undergraduate education at Manchester College of Commerce in the UK. In addition to his position as the Vice Chairman of Sabancı Holding, he is also the Honorary Chairman and Consultant to the Board and a Board Member of Akbank where he has been serving since 1967. He is married and has two children.

SEVİL SABANCI SABANCI

Board Member

Sevil Sabancı Sabancı was born in Istanbul in 1973 and graduated from Marmara University, Department of Business Administration (English). She worked in different managerial positions within the Group and served as a Member of the Board from 1997 to 2001. Ms. Sabancı is also a Member of the Board of Trustees of Sabancı University and Board Member at Sakıp Sabancı Museum.

SERRA SABANCI

Board Member

Serra Sabancı was born in Adana in 1975 and graduated from the University of Portsmouth, and Istanbul Bilgi University, Department of Economics, where she graduated as the top student in her class. Having served at Temsa, Serra Sabancı participated in the Institute of Directors (IOD) seminars and courses on Board Membership, Mergers and Acquisitions in London after becoming a Board Member of Sabancı Holding. Serra Sabancı currently serves as Board Member at Sabancı Holding and various Sabancı Group companies. She is also a Member of the Board of the Sabancı Foundation.

SUZAN SABANCI DİNÇER

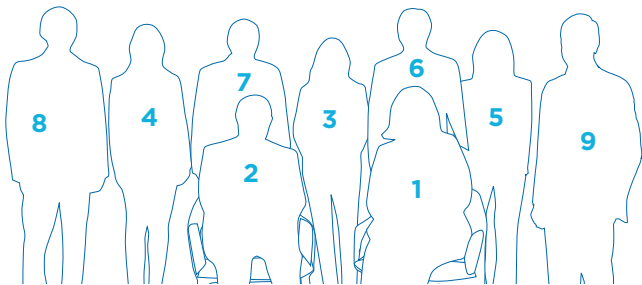
Board Member

Suzan Sabancı Dinçer received her BA in Finance from Richmond College in the UK. She also holds an MBA from Boston University in the USA. Suzan Sabancı Dinçer began her banking career in 1986 and went on to join Akbank as Executive Vice President in charge of Treasury. In 1997, she was named Executive Board Member for Treasury and International Banking Relations. Mrs. Sabancı Dinçer was appointed Executive Board Member to oversee the bank-wide change and transition program in 2001. Mrs. Sabancı Dinçer is a Member of the Institute of International Finance Board of Directors and Emerging Markets Advisory Board. She is also a Member of Harvard University's Global Advisory Council, Harvard Business School's Global Leaders Circle, Harvard Kennedy School Mossavar-Rahmani Center for Business and Government's Advisory Council and an Emeritus Member of the Harvard Business School's Middle East and North Africa Advisory Board. Mrs. Sabancı Dinçer is a Member of the Global Board of Advisors at the Council on Foreign Relations (CFR) and a Member of the Board of Managing Directors. Currently serving as Akbank Chairperson, Mrs. Sabancı Dinçer is married and has two children.

CENK ALPER

Board Member and CEO

Cenk Alper graduated from Middle East Technical University, Mechanical Engineering Department in 1991. He received his master's degree in Mechanical Engineering from the same university and completed an MBA at Sabancı University. Joining Sabancı Group in 1996 as Process Engineer at Beksa, Mr. Alper was appointed as the Global Technology Director at Kordsa in 2007 after serving in various positions in Turkey and abroad within Beksa. Holding various executive roles at Kordsa, Cenk Alper was CEO of the company from 2013 to 2017. Appointed as the Sabancı Holding Industry Group President in 2017, Cenk Alper holds this position currently in addition to his responsibilities as the CEO of Sabancı Holding as of August 2019. Mr. Alper is the Chairman of the Board of Directors at Brisa, Carrefoursa and Kordsa.



**GÜLER SABANCI (1)**

Chairman and Executive Member

EROL SABANCI (2)

Vice Chairman

SEVİL SABANCI SABANCI (3)

Board Member

SERRA SABANCI (4)

Board Member

SUZAN SABANCI DİNÇER (5)

Board Member

CENK ALPER (6)

Board Member and CEO

NAFİZ CAN PAKER (7)

Independent Board Member

AHMET ERDEM (8)

Independent Board Member

MEHMET METE BAŞOL (9)

Independent Board Member

AHMET ERDEM**Independent Board Member**

Ahmet Erdem is a graduate of Istanbul Technical University, Department of Civil Engineering. He also studied Engineering Management at Istanbul University, Institute of Management. From 1990 onwards, he assumed senior positions at Shell's Turkey, the Middle East and Europe operations. In 2006, Mr. Erdem performed a major role in establishing the Shell & Turcas joint venture in which he is also the Chairman of the Board of Directors.

He was appointed Shell Kenya Country President for the period 2008-2009 and currently serves as Shell Turkey Country President. Aside from his responsibilities at Shell, Mr. Erdem also serves as Chairman of the International Investors Association (YASED); Petroleum and Petroleum Products Industry Council President at the Union of Chambers and Commodity Exchanges of Turkey (TOBB); Independent Board Member at Sabancı Holding; Board Member at Oil Industry Association (PETDER), Foreign Economic Relations Board (DEİK), Energy Efficiency Association (ENVER); and Advisory Board Member at British Chamber of Commerce.

NAFİZ CAN PAKER**Independent Board Member**

Nafiz Can Paker was born in Istanbul in 1942. He received his undergraduate degree from the Technical University of Berlin, an MBA from Columbia University and his Ph.D. in Mechanical Engineering. Since 1971, Mr. Paker has held top management positions at Türk Henkel A.Ş., serving as General Manager from 1984 to 2004.

Mr. Paker has served as a Member of Sabancı Holding Board of Directors, Sabancı University Board of Trustees, Turkish Industry & Business Association (TÜSİAD) Board of Directors, TÜSİAD Court of Honor, Istanbul Culture and Arts Foundation (İKSV) Board of Directors, Robert College Board of Trustees, and as Chairman of the Board of Directors at Turkish Economic and Social Studies Foundation (TESEV). Mr. Paker currently serves as Founder and Executive Shareholder of B.O.Y. Consulting, Chairman of the Board of Directors at Inovent Fikri Mülkiyet Hakları Yönetim Ticaret ve Yatırım A. Ş. (Inovent Intellectual Property Rights Management,

Trade and Investment) and as a Member of the Board of Directors at Sabancı Holding A.Ş. He is a Member of Akbank's Board of Directors and Founding Member of the Center for Public Policy and Democracy Studies (PODEM). Mr. Paker is married and has one child.

MEHMET METE BAŞOL**Independent Board Member**

Mehmet Mete Başol was born in 1957. He received a BSc in Economics from Arizona State University. Mr. Başol started his professional career in 1984 at Interbank in Mid-Term Loans Department by making economic evaluations of various investment projects and preparing sector reports. In 1988, he was named Treasury, Fund Management and Foreign Relations Manager at Turk Merchant Bank, established as a joint venture between Bankers Trust Co. New York and İşbank. In 1992, he became Assistant General Manager, assuming the responsibility of the Capital Markets Group as well.

Başol was elected to the Board of Directors and Credit Committee Membership after the acquisition of the bank by the Bankers Trust in 1995. From 1997 to 2001, he served as Chairman and General Manager of the bank, which was renamed Bankers Trust A.Ş.

Between 2001 and 2003, Mr. Başol took office as Managing Director of the Public Banks Joint Executive Board (T.C. Ziraat Bankası, T. Halk Bankası, T. Emlak Bankası). Subsequently, he provided financial and administrative consultancy services to SMEs at Tridea Consultancy, which he established with two partners. After 2009, Mr. Başol continued to deliver his consultancy services under his own company. He served as Board Member at Galatasaray Sportif A.Ş. (2011-2012), T. İş Bankası A.Ş. (2011-2014), Dedeman Holding A.Ş. (2008-2014) and Dedeman Turizm Otelcilik Yatırım A.Ş. (2012-2014) and Independent Board Member at Coca-Cola İçecek A.Ş. (2012-2018) and Anadolu Efes Biracılık ve Malt Sanayii A.Ş. (2012-2018). Currently, Mr. Başol is a Board Member at Enerji Yatırım Holding A.Ş. (2015), Eneya Gaz Dağıtım A.Ş. (2015), Eneya Gaz Ticaret A.Ş. (2015), Nurol Yatırım Bankası A.Ş. (2014) and Independent Board Member at H.Ö Sabancı Holding (2018) and ENKA İnşaat ve San. A.Ş. (2018).

CEO and Strategic Business Unit Presidents

CENK ALPER

Board Member and CEO

Cenk Alper graduated from Middle East Technical University, Mechanical Engineering Department in 1991. He received his master's degree in Mechanical Engineering from the same university and completed an MBA at Sabancı University. Joining Sabancı Group in 1996 as Process Engineer at Beksa, Mr. Alper was appointed as the Global Technology Director at Kordsa in 2007 after serving in various positions in Turkey and abroad within Beksa. Holding various executive roles at Kordsa, Cenk Alper was CEO of the company from 2013 to 2017. Appointed as the Sabancı Holding Industry Group President in 2017, Cenk Alper holds this position currently in addition to his responsibilities as the CEO of Sabancı Holding as of August 2019. Mr. Alper is the Chairman of the Board of Directors at Brisa, Carrefoursa and Kordsa.

BARIŞ ORAN

Chief Financial Officer

Bariş Oran graduated from Boğaziçi University, Department of Business Administration and received an MBA from the University of Georgia. Beginning his professional career as an auditor at PricewaterhouseCoopers in 1995, he held positions at Sara Lee Corp. (Chicago, IL) initially in audit, then in the finance and treasury/capital markets areas from 1995 to 2003. Between 2003 and 2006, Mr. Oran served as Senior Manager at Ernst & Young, first in Minneapolis, MN, and then Senior Manager in charge of Europe, Middle East, Africa and India. Mr. Oran joined Kordsa in 2006 and held the positions of Internal Audit Director, Global Finance Director, and Chief Financial Officer (CFO). He was appointed as Sabancı Holding Finance Director in 2011 and Sabancı Holding's Head of Planning, Reporting and Finance Department in 2012. Mr. Oran is Chief Financial Officer at Sabancı Holding since 2016.

Mr. Oran is Chairman of the Board of Teknosa, Board Member at Carrefoursa, Enerjisa Enerji and Enerjisa Üretim and Deputy Chairman of the Board of Directors in Philip Morrissa and Philsa companies. He is also a Member of the Board of Directors in TÜSIAD.

HAKAN TİMUR

Human Resources

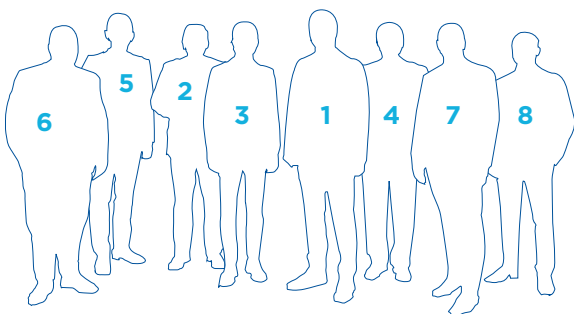
Hakan Timur graduated from Istanbul University, Department of Economics (English) and holds a Master's degree from Sabancı University, Energy and Technology Management Graduate Program. He began his professional career in 1997 at Marsa-Kraft Foods International. Mr. Timur continued his career in Sabancı Food Group as Human Resources Manager; Sabancı Holding Human Resources Manager; Global Human Resources Director at Kordsa; Deputy General Manager of Human Resources at Akçansa; Human Resources and Corporate Competencies Chief Officer at Enerjisa. He has been serving as SBU President of Human Resources since February 1, 2018.

In addition to his duty of Human Resources Group President, Hakan Timur also serves as the Executive Committee Member at Sabancı Holding, Vice Chairman at Çimsa and SabancıDx companies and a Board Member of Enerjisa Enerji and Enerjisa Üretim companies.

HAYRİ ÇULHACI

Banking

Hayri Çulhacı has been serving as Vice Chairman of Akbank's Board of Directors since July 18, 2010. He joined Akbank in 1990 and served as Executive Vice President in charge of Corporate Communications, Investor Relations and Strategy; Advisor to the Chairman; and Executive Board Member. Before joining Akbank, Hayri Çulhacı worked as a Financial Analyst and Department Head in the Ministry of Finance. A graduate of Ankara University, Faculty of Political Sciences, he holds an MBA from Northeastern University in the US. Mr. Çulhacı is also a Member of the Board of Trustees of Sabancı Foundation, and Board Member at Aksigorta and Avivasa.





Cenk Alper (1)
Board Member and CEO

Barış Oran (2)
Chief Financial Officer

Hakan Timur (3)
Human Resources

Hayri Çulhacı (4)
Banking

Haluk Dinçer (5)
Insurance

Tamer Saka (6)
Cement

Kıvanç Zaimler (7)
Energy

Gökhan Eyigün (8)
Secretary General

HALUK DİNÇER

Insurance

Haluk Dinçer was appointed President of Sabancı Holding's Insurance Group in June 2016. Prior, he served as the Retail and Insurance Group President from 2011 to 2016, Retail Group President between 2007 and 2011, Food and Retail Group President from 2004 until 2007, and Food Group President between 2002 and 2004. Mr. Dinçer has held significant leadership positions in the Group's automotive, food and retail companies since joining Sabancı in 1995. In addition to serving as the Chairman of the Board of Directors in, Aksigorta, Avivasa, AEO, Tursa and Exsa, Dinçer also serves as a Member of the Board of Directors in Brisa.

Previously, Mr. Dinçer served as the President of Turkish Industry & Business Association (TÜSİAD) and Chairman of the Foreign Economic Relations Board (DEİK) Turkish-American Business Council between 2008-2014.

Mr. Dinçer holds a Bachelor's degree in Mechanical Engineering and an MBA from the University of Michigan. Dinçer is married and has two children.

TAMER SAKA

Cement

Tamer Saka completed his undergraduate, graduate and doctoral studies at Istanbul University, Faculty of Business Administration. He served as Manager and Senior Manager responsible for Risk Management Consultancy at Arthur Andersen and Ernst & Young. In 2004, Mr. Saka joined Sabancı Holding as Risk Management Director. In 2010 and 2011, he worked at Willis London as Managing Director in charge of business development activities in nearly 20 countries including Turkey. In December 2011, Tamer Saka joined Kibar Holding as Strategy and Business Development Coordinator. He served as Automotive and Corporate Functions Group President and Member of the Board of Directors at Kibar Holding as of May 2012. Tamer Saka served as the CEO of Kibar Holding from 2014 until 2018. He was appointed President of the Cement Group at Sabancı Holding in April 2018.

Currently, Mr. Saka serves as Chairman of the Board of Directors at Akçansa and Çimsa; Member of the Board of Directors at Kordsa and Carrefoursa; Chairman at Turkish Cement Manufacturers' Association, Deputy Chairman at American-Turkish Council (ATC), Deputy Chairman at Corporate Governance Association of Turkey (TKYD). He is also a Member of the Board of Directors at Global Cement and Concrete Association (GCCA), Member of the Board at CEMBUREAU and Member of TÜSİAD and Federation of Istanbul Industrialists and Businessmen Associations.

KIVANÇ ZAIMLER

Energy

Kivanç Zaimler graduated from Istanbul Technical University, Department of Industrial Engineering in 1991. Mr. Zaimler started his professional career in 1992 after studying at Berlin Technical University. Until 2008, he held various managerial positions at Türk Elektrik Endüstrisi, RAM Dış Ticaret and Aygaz companies.

Kivanç Zaimler joined Sabancı Group in 2008 and served as Trade Director, Distribution Companies General Manager, Sales Companies General Manager and CEO at Enerjisa respectively. As of July 2018, Zaimler was appointed President of the Energy Group at Sabancı Holding.

Taking active roles in NGOs, Zaimler serves as Turkish Vice President at World Energy Council; Chairman at TÜSİAD Energy Working Group; Board Member at YASED, Elder, Sabancı University Istanbul International Energy and Climate Center (IICEC) and Advisory Council Member at SHURA. He is also Chairman of the Board at Enerjisa Enerji and SabancıDx, serves as Deputy Chairman of the Board at Enerjisa Üretim and is a Member of the Board of Directors at Aksigorta.

Sabancı Holding Management

COMMITTEE MEMBERS

Portfolio Management Committee

Güler Sabancı
Erol Sabancı
Suzan Sabancı Dinçer
Sevil Sabancı Sabancı
Serra Sabancı
Cenk Alper

Audit Committee

Mehmet Mete Başol
Ahmet Erdem

Corporate Governance Committee

Nafiz Can Paker
Sevil Sabancı Sabancı
Serra Sabancı
Gökhan Eyigün
Levent Demirağ

Early Risk Identification Committee

Mehmet Mete Başol
Sevil Sabancı Sabancı
Gökhan Eyigün

SENIOR MANAGEMENT

Gökhan Eyigün
Secretary General

Fuat Öksüz
Head of Audit

Levent Demirağ
Head of Finance and Accounting
Department

Burak Orhun
Head of Strategy & Business
Development

Filiz Karagül Tüzün
Director - Corporate Communication

Güven Oktay
Director - Risk and Compliance

İlker Yıldırım
Director - Accounting

Mustafa Özturan
Director - Human Resources and Labor
Relations

Olçay Gürdal
Coordinator, Security

Ruba Unkan
Director - Legal Affairs

Seval Kor
Director - Human Resources

Şerafettin Karakış
Director - Financial Affairs

Şermin Mutlu
Director - Financial Planning, Analysis
and Financing

Taner Aytan
Director - Audit

Tuğba Gök
Director - Human Resources

Neslihan Döngel
Director - Financial Analysis, Planning
and Reporting

Eren Mantaş
Director - Financial Analysis, Planning
and Reporting

Fezal Okur Eskil
Director - CEO Office

Öner Çelebi
Director - Strategy and Business
Development

Kerem Tezcan
Director - Investor Relations



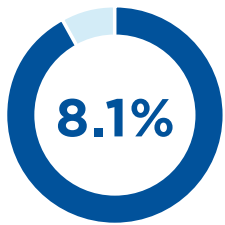
Investor Relations and Dividend Policy

Investor relations activities are designed to increase Sabancı Holding's value for current shareholders and attract new potential investors.

12^(*)

12 listed companies

^(*) Includes Sabancı Holding.



8.1% of the Total Market Capitalization of Borsa Istanbul

Investor Relations

Sabancı Holding management maintains open and frequent communications with its shareholders. Investor relations activities are designed to increase Sabancı Holding's value for current shareholders and attract new potential investors. Therefore, Sabancı Holding management is committed to timely and transparent communication of strategic plans and operational results with analysts and investors. The focus on transparency is also reflected in the Holding's management structure. In line with this approach, three independent Board Members serve on Sabancı Holding's Board of Directors.

At Sabancı Holding, investor relations are managed by the Investor Relations Department under the Finance Group within the scope of Corporate Governance Principles published by the Capital Markets Board (CMB). The Department handles daily information flow to the investment community. In 2019, the Investor Relations Team responded to numerous investor and equity analyst requests by phone and e-mail. The team also proactively contacted interested parties after quarterly results announcements or any new material development. Sabancı Holding's

Investor Relations Department conducts its activities on a global scale. Department representatives attended conferences at the company's headquarters and in various financial centers across Europe and the USA throughout the year and held meetings with 221 corporate investors and analysts.

Industrial Sector Day has been organized with local analysts in 2019, bringing together the Industry Group President and related public companies. The related Group President and company CEOs presented information to analysts about the developments in the sector and the strategies of the companies. Four web conferences were held to share quarterly financial results with investors and analysts.

The Investor Relations Department aims to pursue close dialogue and relationships with existing and potential shareholders by continuing to deliver the strategic agenda and implementation plans to investors in 2020.

Investor Relations Department can be contacted at investor.relations@sabanci.com for all inquiries and needs.

Investor Relations Department can be contacted at investor.relations@sabanci.com for all inquiries and needs.



Dividend Policy

Hacı Ömer Sabancı Holding A.Ş.'s Dividend Policy is to distribute dividend up to 20%, but not less than 5% of the distributable profit of the year calculated in accordance with the provisions of the Turkish Commercial Code, Capital Markets Legislation and the provisions of our Articles of Association, in cash and/or in the form of shares. Implementation of this policy is determined by the General Assembly in accordance with Sabancı Holding's medium- and long-term strategies as well as domestic and global economic conditions.

Dividends are paid to the owners of all shares, regardless of their date of issuance or acquisition, equally within the legally mandated timeframes on the date determined by the Board of Directors after approval of the General Assembly of Shareholders.

Sabancı Holding has increased its dividend payments at a compound annual growth rate (CAGR) of 32% over the last five years.

(TL Million)	2015	2016	2017	2018	2019
Dividends Received	822	755	884	1,212	601
Dividends Paid	204	306	408	612	612
Dividends Paid/Dividends Received	25%	41%	46%	50%	102%
Consolidated Net Income	2,236	2,660	3,481	3,830	3,780
Dividends Pay Out Ratio	10%	14%	15%	18%	16%

SABANCI HOLDING SHAREHOLDER STRUCTURE

Shareholder Name	Nominal Value (TL)	Share in Capital (%)	Voting Right Share (%)
Sakıp Sabancı Holding Anonim Şirketi	287,100,000.56	14.07	14.07
Serra Sabancı	147,160,295.80	7.21	7.21
Suzan Sabancı Dinçer	141,566,960.87	6.94	6.94
Çiğdem Sabancı Bilen	141,566,960.87	6.94	6.94
Other	1,323,009,712.90	64.84	64.84
Total	2,040,403,931.00	100.00	100.00

Risk Management

To maximize the value creation for shareholders and ensure the sustainability of the Group, Sabancı Group set corporate risk management principles.

The management of financial, strategic, operational and compliance risks of the Group affiliates are monitored and guided by the Risk Management Unit.

To maximize the value creation for shareholders and ensure the sustainability of the Group, the Group companies manage potential deviations in strategic and financial targets in line with the Group's risk policy by using corporate risk management principles.

At Group subsidiary Akbank, risk management is conducted in conformity with Banking Regulation and Supervision Agency legislation, under the responsibility and supervision of the Bank's Board of Directors. The Board fulfills its oversight responsibility via various committees, such as the Audit Committee, Executive Risk Committee and Credit Committee. The Bank's risk-taking levels are determined by the risk limits that are approved by the Board of Directors. The Bank's executive management is responsible to the Board of Directors for carrying out daily activities related to the prescribed risk management processes and risk limits. The Audit Board, Internal Control Department and Risk Management Department, which report directly to the Board of Directors, conduct their respective activities in coordination with the execution units. Nationally and internationally accepted risk models and parameters are used to detect, measure, and monitor risks at the bank. Internal methods and models are continuously improved and developed to ensure effective risk management. Under extraordinary circumstances, different scenario assessments are made to analyze potential risks the bank might be exposed to; emergency plans are prepared accordingly. A wide range of techniques to minimize risk is used to limit and safeguard against the Bank's risk exposure.

At the non-financial services companies of Sabancı Group, risks are managed by designated risk management officers and company senior management responsible for risk management processes and activities. These efforts are under the supervision of the Board of Directors and company Risk Committees that report to the Board. Group companies determine potential risks that they may encounter. These risks are ranked according to the probability and the size of the damage that they might cause. Prioritized risks are monitored by each company's management, the Early Risk Identification Committee and the Board of Directors in the form of periodic reports. Risk management processes, which include measures to be taken, are determined; implementation and results are closely monitored. Financial, strategic, operational and compliance risks of subsidiaries are also overseen and supervised by the relevant Group President and Finance Group as well as the Risk Management Unit at the Holding level.

Sabancı Group categorizes risks under these major headings:

Compliance Risks: This risk type includes legal penalties, reputation loss or material damage that may arise in case of not complying with applicable, rules or regulations, code of ethics, or a company's internal policies and directives. To support Group subsidiaries in efficiently managing compliance risks within the determined framework, instructional activities are carried out by the Holding's Compliance Management Department.

Financial Risks: This category includes risks that may arise as a result of a company's financial position and preferences. Financial risks include those caused by loans, interest rates, FX rates, cash management, and commodity prices.

Within Sabancı Group, futures contracts are used against foreign currency exchange risk if necessary. Furthermore, to prevent any short term volatility that might be caused by FX risk in cash management, loans in foreign currency to be used for long-term investment projects and sectors where it is possible to make foreign currency revenue, or revenue indexed to foreign exchange is preferred. Moreover, our investments are divided into phases and extended over a period of time.

To efficiently manage the interest risk of subsidiaries, interest rates of financial institutions are tracked. Group companies are directed to those institutions that provide more reasonable rates. Besides bank borrowings, support is given at the Holding level to issue corporate bonds.

To hedge against commodity price risks, Group companies either develop operational capabilities, like dynamic pricing, or take other relevant measures, such as using operational or financial derivative instruments.

Strategic Risks: This risk group includes structural risks that may prevent a company from reaching its short, medium or long-term goals. Risks arising from planning, business model, business portfolio, corporate governance and market analysis are considered strategic risks.

At the Holding level, strategic risks are efficiently managed with a long-term dynamic portfolio management approach. Sabancı Holding's portfolio management strategy is designed to focus on sectors where it is possible to create a competitive advantage in highly profitable and sustainable businesses. Efforts are carried out at the Holding level to diversify the portfolio according to key criteria, such as sectors, regions, customer profiles, technology content, exports, and the like.

Operational Risks: This category comprises risks that may arise due to the possibility of loss as a result of company activities and/or the possibility of losses stemming from fault and negligence caused as a result of failures in a company's control systems. Operational risks also include company management and personnel not acting properly in terms of time and circumstances; managerial faults; faults and failures in information technology systems.

The Audit Group conducts control related activities of company processes and systems to determine and eliminate these risks.

Brand/Reputation Management Risks: This risk type includes a company losing value due to not managing its name and commercial brands effectively; decreasing demand in a company's products and services because

of damaged reputation stemming from various incidents; a company losing customers, profit and competitive strength. With a multi-discipline monitoring and management system, risks in the Group's main assets, namely its brands and reputation, are monitored and managed by taking necessary actions.

Reporting Risks: These risks include false statements that do not comply with legal and regulatory requirements and reporting standards; not sharing sufficient information in management reporting; not measuring and sharing key indicators effectively; deficiencies in the quality of the reports in terms of timing and detail. Quality of reporting is monitored in the audits performed by the Audit Group and independent firms.

External Environment Risks: This category includes risks based on external factors the company cannot control through its operations and management processes (e.g. natural disasters; political and economic developments within and outside the country; new decisions made by regulatory authorities in sectors where business activities are subject to public regulation; changes made in competition rules). While maximum measures are taken to eliminate risks, insurance coverage is also secured to cover risks under appropriate circumstances. In 2019, the Holding Risk Committee closely monitored legislative changes that may potentially shape the energy business, which has a significant weighting in Sabancı Holding's consolidated financials.

Hacı Ömer Sabancı Holding A.Ş. Board of Directors established the Early Risk Detection Committee with a resolution made on April 25, 2013, to implement the precautionary risk management in publicly traded companies approach stipulated by the Turkish Commercial Code and the Capital Markets Board. The Committee Chairman is Independent Board Member Mr. Mete Başol; Committee Members are Board Member Ms. Sevil Sabancı Sabancı and General Secretary Mr. Gökhan Eyigün. The purpose of the Committee is: To evaluate the early detection, determination of necessary measures, and management processes regarding strategic risks, operational risks, financial risks, compliance risks, reputation risks, reporting risks, external environment risks and all other types of risks that can jeopardize H.Ö. Sabancı Holding A.Ş.'s existence, development and continuity; and to inform the Board of Directors about these issues to make decisions accordingly. In line with its purpose, the Committee identifies and evaluates the risks Hacı Ömer Sabancı Holding A.Ş. is exposed to, monitors them via a reporting system and follows up the measures taken to counteract the risks. Risks in subsidiaries' business activities that can impact the Holding's consolidated financial statements and strategic targets are also monitored by the Holding's Risk Committee. The Committee convened six times in 2019 and presented its evaluations for the information of the Board of Directors.

At the Holding level, strategic risks are efficiently managed with a long-term dynamic portfolio management approach.

Human Resources

Sabancı Group's human resources strategies are formulated in line with Sabancı of New Generation vision to continuously sustain its stance of being "Employer of Choice."

As of the end-2019, Sabancı Group has provided employment opportunity to approximately 62 thousand people, including subcontractors' employees.

The main objective of Human Resources management and practices is to make Sabancı Group's position of "Employer of Choice" permanent and sustainable for its current and potential employees.

As of the end-2019, Sabancı Group has employed about 62 thousand people, including subcontractor employees. Sabancı Group is powered by its high caliber human resources who have diverse capabilities and competencies; 31% of its employees and 37% of managers are women while about 70% of all white-collar employees are Generation Y.

Human Resources Strategy Management

Sabancı Group's Human Resources (HR) strategies are formulated to continuously sustain its stance of being "Employer of Choice."

Our human resources strategy is aiming to deploy Culture, Values and initiatives that will foster "Sabancı of New Generation" throughout Sabancı Group and establish a unique end-to-end employee experience. Our goal is to attract, retain and develop the best talent and to create value by implementing effective human resources policies, systems and processes.

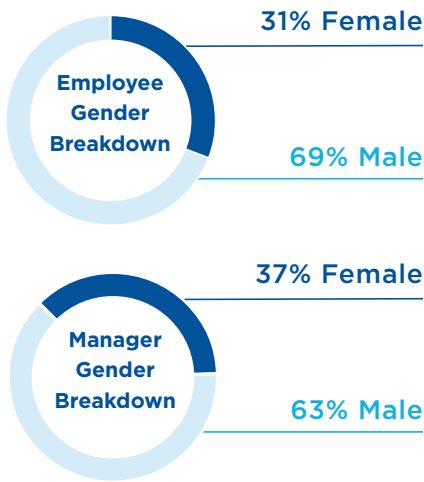
Culture Management

To deploy the culture, values and competencies that are the pillars of Sabancı of New Generation vision, all HR processes and systems started to be revised in line with this approach, new generation working environments have been designed, flexible working model have been introduced, different projects and programs have been implemented to internalize the Sabancı of New Generation values across the Group companies, the projects carried out have been rewarded and the role model practices have been shared via different channels in 2019.

Approximately one thousand Sabancı Group employees have participated in the 41st Istanbul Marathon. Sabancı employees who have participated in the marathon have collected donations for five different NGOs that reflect Sabancı values namely, courage, sincerity, passion, continuous development and inclusion.



HUMAN RESOURCES GENDER BREAKDOWN



According to the “Most Attractive Employers Research 2019” of Universum, Sabancı Group rose at least one rank in all departments’ evaluation compared to 2018 in the list of employers preferred by students.

Talent Management

Employer Brand Management and Talent Acquisition

Sabancı Group having a strong employer brand among both professionals and university students, increased its ranking at least one for all university departments compared to 2018 results on the list of most preferred employers by university students according to the “Most Attractive Employers Research 2019” of Universum, one of the world’s most well-known research institutions in this area.

Organizational Design, Planning, Succession and Career Management

At Sabancı Group, the Organizational Design and Planning process comprises the regular review of the organizational structure in line with company strategies, targets and needs, as well as necessary design and planning.

Succession and Career Management includes assessing future strategies and organizational needs, drafting of both best successions plans for the organization and meaningful career plans for employees, in due consideration of individual year-end performances, leadership potentials and career preferences.

Organizational People Review (OPR)

In 2019, the process of the Organizational People Review (OPR) – which forms the foundation of sustainable human resources at Sabancı Group and where all components of talent management

on company basis are evaluated each year – was revamped end to end on a company basis. As a result, potential evaluation according to the Sabancı Leadership Model that emerged under the vision of Sabancı of New Generation, succession principles and organizational health check criteria were updated. The Sabancı Leadership Model Establishes from the Competency Model that forms the Sabancı of New Generation vision and traits, drivers and experiences in a holistic manner. The Sabancı Leadership Model is taken as a basis for supporting all leader’s development throughout the Group. In the OPR process, objective assessment results are considered for leadership potential and succession decisions. Therefore, the OPR process is ensured to operate at a much higher quality.

Sabancı People Review (SAPR) for Top Management

The OPR process continued with the Sabancı People Review (SAPR) for top management of the Group; For critical positions internal and intercompany succession plans and development plans for successors were created These plans are followed regularly.

Continuous Learning and Development

The Development Programs currently being implemented throughout the Group are based on the Competency Model created according to the Sabancı of New Generation vision. These Development Programs are targeting specially to develop the components of the Sabancı Leadership Model.

About **70%** of all white-collar employees are from **Generation Y.**

The Development Programs being implemented throughout the Group are based on the competency model established according to the Sabancı of New Generation vision.

Human Resources

The X-CELERATE program was developed to ensure that the leadership potential of top management is further improved under the Sabancı of New Generation vision in response to today's rapidly changing dynamic business environment.



X-CELERATE

The X-CELERATE program was developed to ensure that the leadership potential of top management is further improved under the Sabancı of New Generation vision in response to today's rapidly changing dynamic business environment.

Initiated with the General Managers of Group companies in 2018, the X-CELERATE program was applied to Deputy General Managers/Directors in 2019.

X-CELERATE consists of three modules and is designed as an 8-month journey. The program features many different learning methods - ranging from in-class training to personal coaching sessions, company visits for sharing know-how to business simulation tools.



X-POSURE

The X-POSURE program, developed in 2019 to improve the leadership potential of Sabancı Group mid-level managers, was designed as a one-year journey that includes three modules. X-POSURE includes in-class training, webinar sessions, coaching sessions and business simulation practices with reputable instructors, as well as other diverse learning methods.

The first module of the program was held in October 2019 with the participation of 22 mid-level managers from all Sabancı Group companies.



TP-X

In 2019, Sabancı Group developed the Talent Pool of Next (TP-X) program to improve the leadership skills of high potential talents who are almost new in their business career and also in Sabancı Group.

The TP-X program consists of three modules and is designed as an 18-month journey. Webinar sessions, mentoring and business simulation practices with reputable trainers as well as diverse learning methods are included in the program.

The first module of Talent Pool of Next (TP-X) was held with the participation of 22 employees from Sabancı Group companies in 2019.

Under the Digitalization and Advanced Data Analytics strategy, which forms part of the Sabancı of New Generation vision, the Group established the Sabancı Advanced Data Analytics Academy to develop the human resources that will make this journey sustainable.



Industry Leaders (In-Lead)

The Industry Leaders program, developed in collaboration with Sabancı University's Executive Development Unit, encourages the professional and leadership development of as well as knowledge and experience sharing among high-caliber technical managers and engineers in Industrials, Cement and Energy Group companies.

The program's second cluster started in 2018 and was completed in 2019. Final presentations based on results of projects, which are built up on actual problems, were delivered by 19 participants at their companies. The program is planned to continue in 2020 with its third cluster of participants.



Advanced Data Analytics Academy

Under the Digitalization and Advanced Data Analytics strategy, which forms part of the Sabancı of New Generation vision, the Group established the Sabancı Advanced Data Analytics Academy in collaboration with Sabancı University in 2018 to develop the people that will make this journey sustainable. The academy took 5-month program. During the training process, 37 Data Scientists and 33 Data Translators experienced different types of learning sessions like classroom trainings for technical competency development, site visits and best practice sharing sessions. The program gives participants an opportunity to compete in teams throughout Hackathon and experience a real life big data case.

Graduates of the 2019 Advanced Data Analytics Academy continue their learning experiences through DnA as members of the Sabancı Group Digital and Analytics Community.

The Industry Leaders program targets the professional and leadership development of high potential technical managers and engineers working in the Industrials, Cement and Energy Groups. The program facilitates information and experience sharing between these employees.

Human Resources

DnA Platform has been established in 2019 to render collaboration and sustainable continuous development between employees within the scope of “Data Analytics and Digital” focused projects.

In 2019, a total number of 61 employees of our Group companies benefited from the support for participation in post graduate programs of universities.

DnA (Digital and Analytics) Platform

DnA platform was established in 2019 to facilitate information exchange between graduates of Advanced Data Analytics Academy and competent Sabancı Group employees working in data analytics. The platform aims to increase the skills and competencies in this key area and support the development of data analytics and digital projects with the outputs and information shared. Three major meetings were held with members of the DnA platform with the sponsorship of SabancıDx. At the meetings, renowned speakers in the field of data analytics and digitalization were hosted. Besides, the meetings ensured that projects across the Sabancı Group were empowered a collective learning experience.

DnA projects are being tracked on a members-only platform at SabancıDx and being shared with senior management.

Training Program on Ethics and Data Protection

Sabancı Business Ethics Rules (SA-ETHICS) are centered on the Sabancı values and working principles forged during successful business endeavors over many years.

SA-ETHICS not only protects the Group companies and staff but also goes beyond all the laws, rules, regulations and internal procedures that are decisive in our operations, to guide the workforce.

Full compliance with the entirety of SA-ETHICS is the foremost responsibility of all Sabancı Group

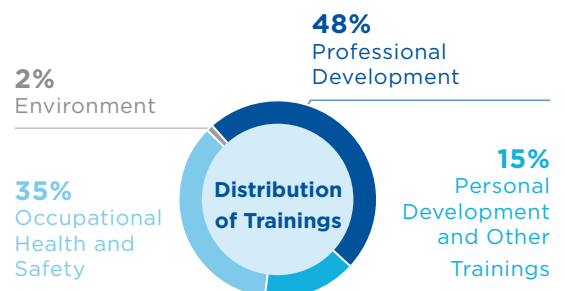
employees and cannot be delegated to anyone else. For this reason, all recruits to the Group undergo SA-ETHICS training.

To continuously update their know-how on SA-ETHICS and raise awareness, current employees join a regular refreshment training every year. At the end of these trainings, written and signed documents which include the statements for compliance with SA-ETHICS are obtained from the employees.

Additionally, in 2019, Sabancı Group continues to provide a training program on Protection of Personal Data via an online training platform to increase awareness and knowledge about the safeguarding of personal data.

Other Development Opportunities Provided to Employees

A total of 61 employees from Sabancı Group companies benefited from support for their participation in graduate programs in 2019. The distribution of the trainings throughout the Group arranged by total training hours is presented in the graph below.



In the 5-year strategic roadmap of Sabancı Group created in 2019, “Performance Culture” is positioned as one of the factors enabling added value.

Organizational Climate, Employee Satisfaction and Loyalty Management

To receive feedback from employees and to determine the actions to improve employee engagement, regular employee loyalty and satisfaction are measured through independent companies and the results are evaluated in terms of engagement, employer branding, leadership, performance culture and employee experience. In addition to these studies, the feedback of employees regarding the organizational climate and the leadership styles of the management team, which give the greatest impact on this climate are measured by independent organizations every year.

Performance Management

The Performance Management Process aims to highlight employees' successful work results, attitude & behaviors in line with the corporate culture and values, and their high performance.

During the Performance Management Process in 2019, all white-collar employees were evaluated. The process yielded favorable results.

In the 5-year strategic roadmap of Sabancı Group created in 2019, Performance Culture is positioned as one of the core factors enabling added value. On the road to this target, the Group identified a challenging performance culture, incentive systems that reward high performance and operational excellence as its focus areas.

To make Performance Culture an integral part of working life, Sabancı Group laid the groundwork for a new performance management system in 2019. The new Performance Management System is designed with participatory methods to support both Group and company strategies, commitments and targets. The PMS aims to be transparent, agile and flexible while fostering cooperation, in a contemporary structure based on open and continuous feedback dialogues. The new PMS is expected to be introduced in 2020.

Recognition, Appreciation and Total Reward Management

Sabancı Group's Total Rewards and Benefits Management process includes fair and objective recognition and reward practices that bolster high performance and center on employees' work objectives and competencies. The process also covers rewarding, motivating and competitive remuneration and side benefits.

All practices under Rewards and Benefits Management are regularly reviewed and updated through market analyses and benchmarking studies.

The sizes of all roles throughout the Group are evaluated with objective methods and the job grading structure created based on these values is the basis for remuneration and benefits management. In 2019, the Group's job grading structure and performance-based bonus system were reviewed and redesigned to strengthen the organization's competitive edge.

In 2019, the Sabancı Group's job grading structure and performance-based bonus system were reviewed to strengthen the organization's competitive edge.

Human Resources

10th of the Sabancı Golden Collar Awards, an important part of the Recognition & Appreciation systems, has been held in June 2019 with the participation of more than 700 employees among Group companies.

Short-term incentive system support companies to attain their budget goals and outperform their business results targets.

Remuneration; is conducted per legal and regulatory requirements, and in line with reward policies. Remuneration policies formulated in consideration of macroeconomic data, salary trends in the market, the size of each company, as well as its long-term goals, individuals' workloads, and in-house and external salary patterns.

To support remuneration models with additional benefits, all Sabancı Group companies, in line with employee expectations and needs, run separate side benefits schemes in varying content and flexibility based on role status and requirements.

Group's short-term incentive system aims to help companies attain their budget goals and outperform their business results targets as well as to encourage employees to demonstrate superior performance and foster a target-oriented performance culture.

On behalf of the projects awarded within the scope of Golden Collar Awards, donations are made to the NGOs determined with Sabancı Foundation. Within the scope of the 10th Golden Collar Awards, a donation has been made to a foundation which offers solutions to inequality of opportunity for hearing impaired groups with limited access to education as well as a foundation which carries out activities to support the psychosocial development of children in need, both selected with the guidance of Sabancı Foundation.



For top management positions, a long-term incentive plan is in place to boost the company's share value and help senior managers gain a shareholder's perspective. Long-term performance and consistency are rewarded.

10th of the Sabancı Golden Collar Awards, an important part of the Recognition & Appreciation systems, has been held in June 2019 with the participation of more than 700 employees among Group companies. 183 projects among the Group companies competed in categories such as "Sabancı of New Generation," "Innovation," "Customer Experience," "Lean Transformation & Continuous Development" and "Digitalization." The winners were selected by Group employees votes.

Flexible Working/Career Development Training Support/Golden Collar Awards/Recognition & Appreciation Programs/ Work Environment	Recognition, Appreciation and Supportive Practices	Total Reward
Private Pension Plans with Company Support/ Private Health Insurance/ Life Insurance/Employee Transportation Support / Fuel Support / Company Car/Mobile Phone/ Data Line	Benefits & Allowances	
Short Term Incentives Long Term Incentives	Variable Salary	Total Cash
Base Salary	Fixed Salary	
		Total Income Package

HR Data Analytics and Digitalization Projects

In line with the Technology and Data Analytics strategy, Sabancı Group launched the HR-Next project in 2018 to digitalize human resources processes and implement human resources analytics schemes. In the first step of the project, all human resources data related to employees across all Group companies were transferred to a joint database and the iKolay Database was established. In 2019, the Group conducted four main modules of the HR-Next project: Performance Management, Sabancı Social Network, Data Analytics and Organizational People Review.

- **Performance Management**

To support the new Performance Management System designed in 2019, new-generation performance management software was developed by SabancıDx for Sabancı Group as part of the HR-Next program. The user-friendly software is transparent, agile, flexible, cooperation-supporting, open and continuously develops with ongoing feedback dialogues. The new software is also accessible through different platforms.

The new performance management software will be introduced in 2020.

- **Sabancı Social Network**

The Sabancı Social Network project aims to develop an easy-to-use, reliable mobile and web platform that provides access to group-wide HR applications from one place. This effort is designed to improve communication and cooperation between Sabancı Group employees. The platform's preparations were completed in 2019; Sabancı Social Network will be available for employee use in 2020. Under the Sabancı of New Generation vision, rapid communication and the agile way of working are expected to spread across the Group with this platform.

- **HR Data Analytics**

The Human Resources Data Analytics projects are designed to consolidate decision mechanisms related to human resources with proactive data-based models. Data enrichment activities that form the foundation for the projects as well as support them were completed. Continuous access was provided by producing HR Database and reporting and analysis solutions. As part of the efforts in 2019, Sabancı Group conducted research studies to provide feedback to the candidate determination process. The studies

aimed to support succession, appointment and development planning decisions with data-based insights, accelerate and simplify the evaluation process, boost candidate diversity and career opportunities. The Group plans to introduce a platform for the above-mentioned objectives in 2020.

- **Digital Organizational People Review**

In 2019, the Organizational People Review (OPR), which constitutes Sabancı Group Talent Management, was renewed on a digital platform. As a result, OPR was relaunched as a more user-friendly digital application.

Labor Relations Management and Legal Compliance

Labor Relations Management

Sabancı Group closely monitors studies conducted worldwide and in Turkey related to the change and development of business and statistical data and trends. Opinions, analyses and results are shared with Group companies and are used in human resource planning, developing model practices and setting labor relations standards.

All legislative amendments and developments that affect work life are closely monitored. Proactive measures against the risks that may arise are shared with Sabancı Group companies. The Group makes use of all opportunities and incentives, including flexible working models, presented by labor legislation. Developments in this area are closely monitored. In 2019, under the Employment Incentives and Subcontractor Practices project conducted and participated by all enterprises across the organization, Sabancı Holding kept Sabancı Group companies informed on developments related to these subjects, shared best practice examples within the Group, and facilitated an exchange of perspectives and viewpoints.

In 2019, the Labor Relations Portal was introduced to share legal and regulatory changes. The portal also serves as a platform to publish analyses and studies conducted by public/private institutions or conducted within the Sabancı Group with Human Resources of Labor Relations - professionals working in Group companies. Data obtained from Group companies are reported systematically to top management.

In 2019, four main project modules of the “HR-Next” project, Performance Management, Sabancı Social Network, Data Analytics, Organizational People Review projects have been carried out.

The Organizational People Review (OPR) process which constitutes the Sabancı Group Talent Management has been renewed in a digital platform in 2019 and has been introduced as a more user-friendly digital application.

Human Resources

Occupational health and safety is regarded as a natural part of the work-life and the corporate culture in Sabancı Group and aimed to be improved continuously.

Sabancı Group respects the rights of its employees in union organization and collective bargaining agreements. We take an unbiased approach in the union selection and union organization process of our employees. Currently, 95% of our blue-collar employees are affiliated with a union. Effective cooperation and dialogue platform is being established to ensure improvement and continuance of labor peace together with employee and employer unions.

Occupational Health and Safety

Occupational health and safety is a natural part of the workplace and corporate culture at Sabancı Group. We aim to continuously improve the OHS culture across the Group. Occupational

health and safety applications are carried out under relevant legal and regulatory requirements, obligations and standards; national and global trends and best practices in this field are constantly monitored and being adapted at the same time.

In all its business activities, Sabancı Group analyzes potential risks in advance and adopts proactive approaches to prevent these risks. Occupational health and safety refresher training is provided to all employees upon recruitment and at certain intervals thereafter. Sabancı Group aims to standardize and continuously improve occupational health and safety practices via the sharing of information and experience. The Group

In all our activities, the potential risks are analyzed in advance and proactive approaches to prevent these risks are adopted.



In the Women Friendly Companies 2018 research of Capital Magazine; we have been awarded first place in Group with the Highest Number of Female Executives category and second in The Group with the Highest Number of Women Employees category. Our woman employee ratio is 31% and the ratio of female executives is 37%.



extends this compliance and pursuit of excellence toward its workforce and all stakeholders. For this purpose, synergy and difference-making opportunities are evaluated between Group companies. In 2019, a platform was created where all Group companies can share industry-leading best practices within the framework of Occupational Health and Safety Week.

Equality and Diversity in Business

Sabancı Group has also agreed to the Declaration of Equality. Establishing and maintaining a fair working environment for employees is a top priority at Group companies. Any type of discrimination within the organization based on language, race, skin color, gender, political thought, faith, religion, denomination, age, physical disability or similar reasons is not tolerated.

To ensure the effective participation of women, young people and disabled individuals in business, the Group implements practices that encourage these groups to participate while offering equal employment opportunities.

The physical facilities necessary for disabled employees to work effectively are offered and regularly reviewed by the Group.

BUSINESS AGAINST DOMESTIC VIOLENCE

At Sabancı Group, we provide full support to the Business Against Domestic Violence (BADV) project executed by Sabancı University Corporate Governance Forum. The project aims to benefit from the managerial and organizational talent of the business community and to determine measures and support methods against domestic violence. This effort aims to establish support mechanisms against domestic violence in workplaces and illuminate the issue of violence against women. All our companies have participated in Gender Equality Trainer Training and Training on Workplace Policies for Combating Domestic Violence Against Women as part of the BADV effort in 2019.

The BADV guide application was developed at Avivasa, Çimsa, Kordsa, Teknosa and Yünsa as of 2019.

To ensure the effective participation of women, young people and disabled individuals in business, the Group implements practices that encourage these groups to participate while offering equal employment opportunities.

SabancıDx

SabancıDx is a digital and analytics company with a forward-looking vision targeting investments in new generation technologies – big data, advanced data analytics, cyber security, industrial IoT, robotic process automation, artificial intelligence and blockchain.

SabancıDx's mission is to take companies forward into the future by producing sustainable benefits with innovative digital ideas.

COMPANY PROFILE AND ACTIVITIES

SabancıDx is a digital and analytics company with a forward-looking vision targeting investments in new generation technologies – big data, advanced data analytics, cyber security, industrial IoT, robotic process automation, artificial intelligence and blockchain.

With its expert staff, SabancıDx meets all IT needs – from business consultancy to company-specific applications, operation to technical services, hardware to the software of medium and large-sized enterprises – in accordance with a future-oriented vision.

SabancıDx's main products and platforms include Edoksis, an e-invoice, e-archive, e-dispatch, e-ledger, e-analysis, e-learning platform; Pratis, a digital B2B purchasing platform; and HR-Web, a human resources and payroll management platform.

With the vision of leading the Digital transformation of Turkey and expanding globally using the power of software, SabancıDx maintains its mission of carrying the business into the future by creating sustainable benefits with innovative digital ideas.

BUSINESS LINES AND SOLUTIONS

Advanced Data Analytics Services

SabancıDx provides advanced data analytics technology that enables the production of data, the most valuable asset of the modern era, with high-level methods and tools. It also provides information that boosts efficiency in future operations and business processes. SabancıDx established the Advanced Data Analytics Academy together with Sabancı University for customer-based advanced data analytics programs to be implemented. The Academy aims to train data engineers and digital inventors. Currently, SabancıDx executes about almost 80 advanced data analytics projects at Sabancı Group.

Software as a Service (SaaS)

SabancıDx offers Edoksis, an e-invoice, e-archive and e-ledger integration platform; Pratis, an electronic purchasing platform that has been exported abroad; and HR-Web, a human resources and payroll management platform, all delivered via cloud-based



SabancıDx represents the undiscovered and the future with the "X" in its brand and plays an important role with its new generation technological solutions in the "Sabancı of the New Generation" approach adopted by the Sabancı Group.

technologies. Thanks to their ease of use and quick integration capability, these solutions integrate new technology into business processes quickly at optimum cost.

Data Center Services

Serving Turkey's leading companies via its Corporate Data Center Services, SabancıDx operates two dedicated data centers compliant with Tier 3 standards in Istanbul and Kocaeli that were reconfigured in accordance with state-of-the-art technology. Companies can securely host their business-critical applications and data in these centers where reliable, continuous and backup infrastructure components provide 24/7 uninterrupted operational capability with hosting and application admin services.

Professional Services

With extensive experience in many different industries, SabancıDx delivers solutions that make a difference with its established methods gained from completed projects as well as its product expertise. The first SAP Consultancy Support Center of Turkey, SabancıDx has operated in this field since 1995.

Certifications

SabancıDx is committed to customer satisfaction and continuous improvement in business processes. To this end, the company demonstrated its adherence to quality in information technology services and commitment to customers by obtaining the ISO 22301 Business Continuity Management System and ISO 27001 Information Security Management System certifications.

SabancıDx Digital Campus and R&D Activities

In 2019, SabancıDx established SabancıDx Digital Campus to implement an R&D ecosystem that includes academia, startups and the private sector to develop new generation technologies. SabancıDx Digital Campus will focus on developing new generation technologies – such as big data, advanced data analytics, cyber security, industrial IoT, robotic process automation, artificial intelligence and blockchain. Equipped with the components of entrepreneurship culture, Digital Campus aims to develop new software products for export as Turkey also envisions with the synergy from industry, university and startup collaborations.



PLATFORMS AND PROGRAMS

Catalyst Startup Program

Introduced by SabancıDx, the Catalyst Startup Program aims to bring startups and large companies together to develop new products and services. In 2019, the program evaluated more than 300 startup enterprises. Of these, over 50 cooperation candidates were identified and with more than 10 companies worked on value propositions.

DnA Platform

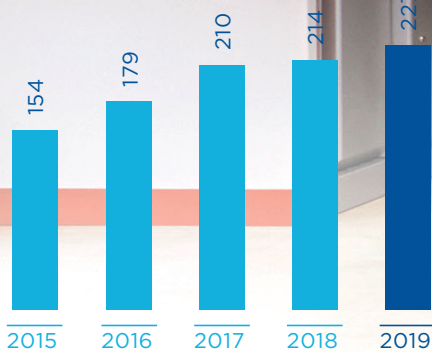
The DnA (Digital and Analytics) Platform, established in 2019 by SabancıDx, aims to position individuals involved in advanced data analytics projects within Sabancı Group as ambassadors of advanced data analytics. This community reached a membership of around 120 in 2019. Members of the platform convene both physically and on a digital platform, bringing Group companies together at the intersection of data and analytics. Projects carried out to keep the platform active are tracked digitally. Comprehensive content such as presentations, sample projects, hackathon and design thought leadership are offered by leading speakers in Turkey and worldwide.

Introduced by SabancıDx, the Catalyst Startup program aims to bring startups and large companies together to develop new products and services.

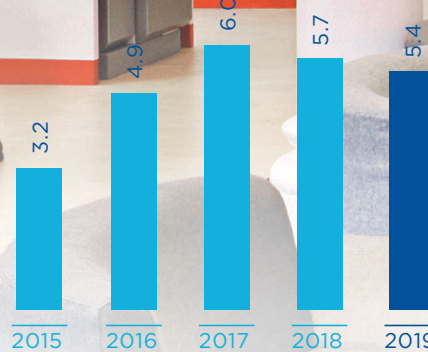
BANKING

Named “World’s Best Digital Bank” in 2019, Akbank maintained its strong balance sheet while making major investments in advanced technology in line with global trends.

LOANS
(TL BILLION)



CONSOLIDATED NET INCOME
(TL BILLION)



DEVELOPMENTS IN 2019

A YEAR OF AWARDS

In 2019, Akbank was named “World’s Best Digital Bank” and “Best Bank of Turkey” by Euromoney.

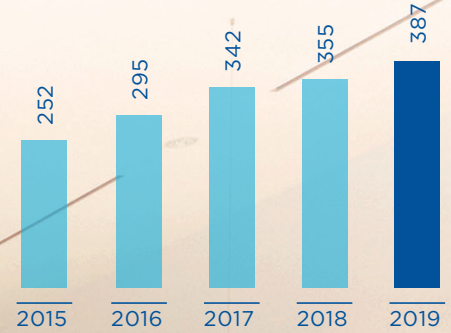
RECORD-BREAKING DEMAND OF 160%

With a target of USD 600 million, Akbank’s syndicated loan generated demand totaling about 160% of the target from foreign banks.

DEFINING THE FUTURE OF BANKING

Akbank develops innovative models that inspire all sectors, in banking as well as design and customer experience.

TOTAL ASSETS^(*) (TL BILLION)



^(*) Consolidated figures.

Hoş geldiniz

Merhaben Merve.
Size nasıl yardımcı olabilirim?

Photo: Akbank Galata Branch

Banking

As the leader of digital banking in Turkey, Akbank provides solutions to its customers for their financial needs offering the best customer experience and leads the way in the introduction of new technologies to the sector and Turkey.

Having begun in 2017, the construction of “Akbank Data and Life Center” continued throughout 2018 and was completed in 2019.

A 71-year old institution that shapes the future of banking: Akbank

Akbank brings the future of banking to the present day with its technology investments and 12 thousand well-skilled employees. In its 71st year, the bank initiated a transformation program that will shape the entire sector in Turkey. Providing customers with the latest developments in advanced technology and a reliable, dynamic, straight-forward, innovative and people-oriented approach, Akbank implemented its new banking model at 314 branches as of year-end 2019.

As the leader of digital banking in Turkey, Akbank provides solutions to meet its customers' financial needs coupled with excellent customer experience. The bank leads the way in introducing new technologies to the industry and Turkey. In 2019, Akbank achieved great success for the Turkish banking sector: Euromoney named Akbank the “World’s Best Digital Bank.” Akbank is honored to receive these prestigious awards in recognition of its advanced technology investments, new generation banking vision, forward-looking banking activities and strong financials.



The Bank of Mobile: Akbank

Akbank aims to provide customers with a sleek, modern design and smart mobile banking experience using the latest technology. In 2019, Akbank Mobile was completely renewed in line with this vision. Placing customer experience at the center of its new design, Akbank Mobile was introduced in September. All mobile services were redesigned and integrated with new artificial intelligence-based applications.

Akbank Data and Living Center launched

Having commenced in 2017, the construction of “Akbank Data and Life Center” was completed in 2019. The Center includes Akbank Data Center, which will be the heart of all the bank’s technology infrastructure, and Akbank Life Center, which provides social services to 3 thousand Akbank employees. The facility is the largest one-time investment ever made by the bank.

AKBANK'S STRONG FOUNDATIONS

- 1 Strong, local majority shareholder
- 2 Solid capital
- 3 Highly-qualified team
- 4 Prudent risk management and robust asset quality
- 5 Proactive ALM and strong liquidity
- 6 Favorable cost base and high efficiency
- 7 Stable and broad-based funding mix
- 8 Well-diversified and sustainable revenue generation
- 9 Innovative initiatives that herald the future of banking

Digital Banking Design Studio

Akbank's in-house design studio undertakes efforts to expand design culture across the bank. The new products and services designed by the design studio in cooperation with cross-functional teams reach out to customers much faster.

Robust capital

Akbank's capital increase in 2019 further bolstered its robust financial position, created additional capacity for growth in the coming years, and enhanced its market competitiveness. This major transaction demonstrated the confidence of Akbank shareholders, in Turkey and the Turkish economy. The capital increase resulted in about USD 210 million foreign direct investment to Turkey at the start of 2019. With the strongest capital structure in the banking industry, Akbank is well-positioned for sustainable growth in the future.

Committed to creating sustainable value for Turkey, Akbank provided loan support totaling TL 269 billion to the country's economy in 2019, including TL 227 billion in cash loans. Thanks to its sound financials and strong international reputation, Akbank brought USD 8 billion in overseas funding to Turkey's economy in 2019, including other placements made during the year.

Akbank: From Past to Present

Akbank was founded as a privately-owned commercial bank in Adana on January 30, 1948. Established originally with the core objective to provide funding to local cotton producers,

the bank opened its first branch in the Sirkeci district of Istanbul on July 14, 1950. In 1954, after relocating its Head Office to Istanbul, Akbank rapidly expanded its branch network and had automated all banking operations by 1963.

Publicly listed in Turkey in 1990, Akbank shares began trading on international markets as an American Depository Receipt (ADR) after its secondary public offering in 1998.

Akbank's core operations include corporate and investment banking, commercial banking, SME banking, retail banking, payment systems, treasury transactions, international banking and private banking services. In addition to conventional banking activities, the bank's branches provide insurance brokerage services on behalf of Aksigorta A.Ş. and Avivasa Emeklilik ve Hayat A.Ş.

With its capital increase in 2019, Akbank further bolstered its strong financial structure.



Banking

Maintaining its leadership position in the Turkish banking industry, Akbank reported consolidated net income of TL 5.4 billion and total consolidated assets of TL 387 billion at year-end 2019.

Akbank operates a robust and widespread distribution network with 770 branches and over 12 thousand employees.

With a strong and extensive domestic distribution network of 770 branches and 12 thousand employees, Akbank operates from its Head Office in Istanbul and 21 regional directorates across Turkey. In addition to providing services via its branch network, the bank's traditional delivery channel, Akbank also serves more than 18 million customers through Akbank Direkt Internet Branches, Akbank Direkt Mobile, the Call Center, about 5,100 ATMs and nearly 600 thousand POS terminals (including Virtual POS) as well as other high tech channels.

Akbank LAB: Visionary solutions centered on innovation

Akbank Innovation Center's "Akbank LAB" was established in late 2016 to develop innovative solutions to meet the needs of the bank's business units. Akbank LAB is also focused on ensuring an excellent customer experience by integrating globally proven financial solutions with Akbank's business processes. With this revamped innovation development structure, the bank became better prepared to develop the technology of tomorrow today. Akbank LAB was also designed to ensure that innovation becomes an integral part of Akbank's culture.

Robust financial results

Boasting a robust capital base, reliable deposit structure, ability to raise foreign financing on favorable terms coupled with superior asset quality, Akbank maintains its leading position in the Turkish banking industry. The bank reported consolidated net income of TL 5.4 billion and total consolidated assets of TL 387 billion at

year-end 2019. Akbank's consolidated capital adequacy ratio according to Basel III standards was 19.7% in 2019 – one of the highest figures in the sector.

TL 223 billion in funding for the real economy

Committed to creating sustainable value for Turkey's economy, Akbank's loan support in 2019 reached TL 269 billion, including TL 227 billion in cash loans. The bank's support for the real economy reached TL 223 billion this year via SME and corporate loans.

Akbank shares are listed on Borsa Istanbul with a free float of 51.1%. The bank's Level 1 ADRs are traded on the OTC market in the United States. As of December 31, 2019, Akbank's market capitalization stood at USD 7.1 billion.

Akbank AG

Akbank AG, Akbank's wholly-owned subsidiary, capped fiscal year 2019 with success in terms of both business diversification and profitability. As of 2019, the bank reported balance sheet of EUR 4.4 billion and shareholders' equity of EUR 724 million. The support provided by Akbank AG to the economy during the year through loans exceeded EUR 3.5 billion. The bank accounts for nearly 10% of total loans extended to Turkish companies from Germany.

As of December 31, 2019, Akbank AG recorded a capital adequacy ratio calculated according to Basel III criteria of 19.71% and a liquidity coverage rate of 750%.

Akbank AG's share in consolidated profit

6.7%

Aklease number of branches

12

Ak Asset Management, the leader with pension funds market share of

18.9%

Akbank AG boasts the largest balance sheet among Turkish-capital banks in Europe and has a strong capital structure. In 2019, the bank's share of consolidated assets was 7.6% and its share of consolidated profit was 6.7%.

Aklease

In 2019, Aklease, a 99.99%-owned subsidiary of Akbank, effectively capitalized on its robust financial structure, strong equity, 12 branches, broad funding network, and most importantly, its highly specialized and dynamic workforce. The company provided excellent service to all investors while delivering the highest level of customer satisfaction during the year. With resources allocated to projects that will contribute to Turkey's future, Aklease continued to support the country's economy. These projects included 123 MW of solar energy and 79 MW of wind energy investments, as well as subways, highways and other infrastructure/superstructure projects that are critical components of urban and intercity transportation networks. Other projects supported include machinery-equipment investments across all sectors contributing to the country's exports.

Aklease also made significant progress on its digital transformation journey in 2019. The company upgraded its technology platform and software utilized to execute financial leasing transactions. This effort ensures that Aklease's solutions are fast, practical, mobile-enabled and in sync with state-of-the-art technologies.



Ak Asset Management

A wholly-owned subsidiary of Akbank, Ak Asset Management reported a total portfolio size of TL 44.3 billion at end-of-year 2019. The company's total assets under management expanded 79% year-on-year – outperforming the sector average. Posting 36% growth in investment funds, the company managed TL 12.3 billion in investment fund assets in 2019. Ak Asset Management manages 58 pension fund portfolios established by various global pension companies. As a result, Ak Asset Management is the leader among private sector institutions, managing pension fund assets totaling TL 24.1 billion with 18.9% market share.

With resources allocated to projects that will contribute to Turkey's future, Aklease provided significant support to the domestic economy.

Banking

In 2019, Ak Asset Management introduced FonPro – Turkey’s first mobile pension investment management platform – with the cooperation of Avivasa.

The destination for next generation investing, Ak Investment’s advanced technology investments in 2019 included digitalizing its business processes and renewing TradeAll, its trading platform.

Commencing operations in 2006, Ak Asset Management recorded 52% growth in Corporate and Individual Portfolio Management in 2019. The company managed assets totaling TL 6.1 billion in this segment as of year’s end and maintained its leading position among private portfolio management firms. Since 2016, Ak Asset Management has provided asset management services to Akbank Private Banking customers with a holistic service approach. The company is focused on further developing its activities and adding value in this privileged business line.

In 2019, Ak Asset Management introduced FonPro – Turkey’s first mobile pension investment management platform – with the cooperation of Avivasa. This innovative offering meets the expectations of new generation investors with advanced digital technologies.

Ak Investment

The destination for next generation investing, Ak Investment’s advanced technology investments in 2019 included digitalizing its business processes and renewing TradeAll, its trading platform. Redesigning its internal business processes with automated workflows, Ak Investment provides investors with valuable market and product data via continuous information services.

Ak Investment prioritizes advanced technology and expertise. With this vision, Ak Investment provided investors with all types of market data by renewing the TradeAll application in 2019. The renewed TradeAll ensured direct and quick user access to domestic, international and forex markets.

Investing in financial literacy in 2019, Ak Investment launched PlayAll, the sector’s first financial game application for everyone interested in investment. PlayAll has made a difference in the sector by helping users learn about the investment world by gamifying the process and providing useful information.

In 2019, Ak Investment boosted its net profit by 13% and increased its transaction volume market share by 17%. The company maintained its leadership position in structured borrowing instruments, executing 89 issuances during the year. Ak Investment ranked first in leveraged trading volume among all brokerage firms with a 16.5% market share in 2019.

AkÖde

AkÖde Elektronik Para ve Ödeme Hizmetleri A.Ş. (“AkÖde”), a wholly-owned subsidiary of Akbank, was established in 2018 to render payment services and issue digital currency according to the Code on Payment and Security Settlement Systems, Payment Services and Electronic Money Institutions numbered 6493.

In June 2019, AkÖde’s first product, Tosla, was launched in online application marketplaces. In September, communication and marketing activities were initiated to reflect Tosla’s unique and vibrant world.



Tosla aims to solve daily financial transactions in an easy, fast and fun way for young people without the need to become a bank customer.

To become a Tosla user, one downloads the Tosla application from online app marketplaces and registers quickly. Users are able to deposit money from all bank accounts, bank cards and Akbank ATMs for free and withdraw money from all ATMs. Tosla also facilitates money transfers 24/7 between users. Tosla users can purchase digital products, especially game pins from contracted merchants within the application, or make purchases from any online/offline store with their contactless Tosla cards that bear the Mastercard logo.

Based on the daily habits of its target population, Tosla is also differentiated in terms of social interaction. Developed with the slogan, "Social form of

money," Tosla allows users to share all transactions they have completed. Users can find their friends, follow them and see their posts. Young people who live and share their social lives with their friends can continue this experience on Tosla as well.

From day one, Tosla was designed by listening to its target audience: young people. To ensure that users support the product in a more structured way, the Tosla Sounding Board, a platform consisting entirely of young people - a first in Turkey, was launched during the year.

AKBANK

Areas of activity

Corporate and investment banking, commercial banking, SME banking, retail banking, payment systems, Treasury transactions, private banking and international banking

Countries of activity

Turkey, Germany, Malta

Number of employees

12 thousand+

Number of customers

-18 million

Number of digital customers

5.1 million

Number of branches

771

Number of ATMs

5,100

Number of POS terminals

600 thousand+

R&D investments

USD 200 million

Digital distribution channels

Internet Banking, Mobile Banking, Digital Branches

Sabancı Holding share

40.75%

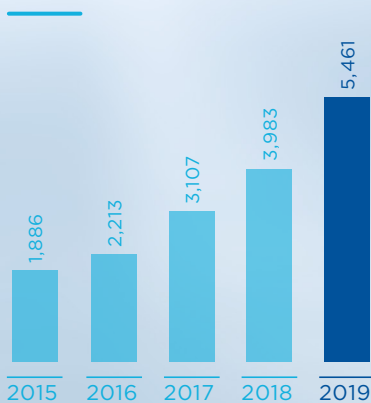
Website

www.akbank.com

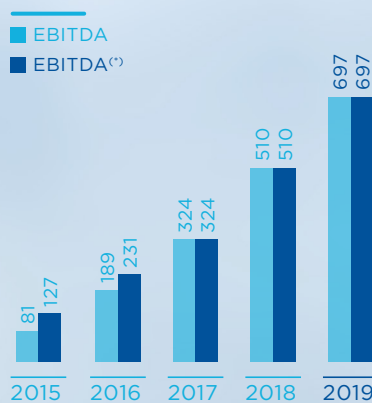
INSURANCE

Throughout 2019, Avivasa and Aksigorta engaged in product development, customer experience design, service and technology development efforts as part of their customer orientation focus.

COMBINED NET SALES
(TL MILLION)

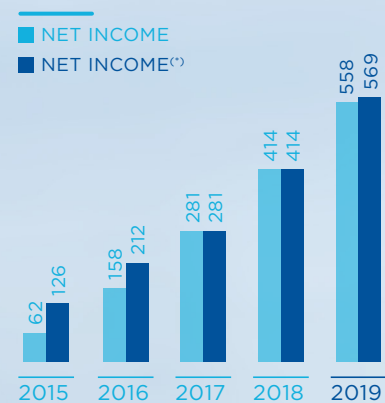


COMBINED EBITDA
(TL MILLION)



^(*) One-off income/expenses are excluded.

COMBINED NET INCOME
(TL MILLION)



^(*) One-off income/expenses are excluded.

DEVELOPMENTS IN 2019

SIGNIFICANT CHANGES IN THE SECTOR

As the industry experienced major changes in 2019, focus on customer-orientation, digitalization and new business models came to the forefront.

STRONG GROWTH

Recording TL 57.8 billion premium production in 2019, the non-life insurance sector posted an 18% growth in traffic insurance, 32% growth in health segment, 20% growth in auto insurance and 20% growth in non-auto.

ARTIFICIAL INTELLIGENCE APPLICATION

With ADA, Aksamgorta and the sector's first artificial intelligence application, approximately 2 million transactions were conducted in 2019.

TURKEY'S ASSETS UNDER MANAGEMENT^(*) (TL BILLION)

26%^(*) INCREASE

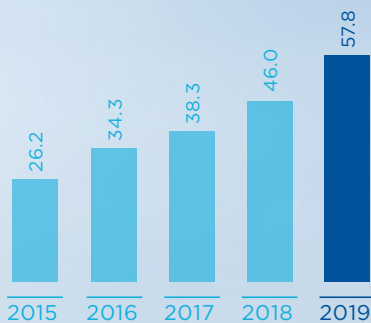


^(*) 2015-2019 CAGR

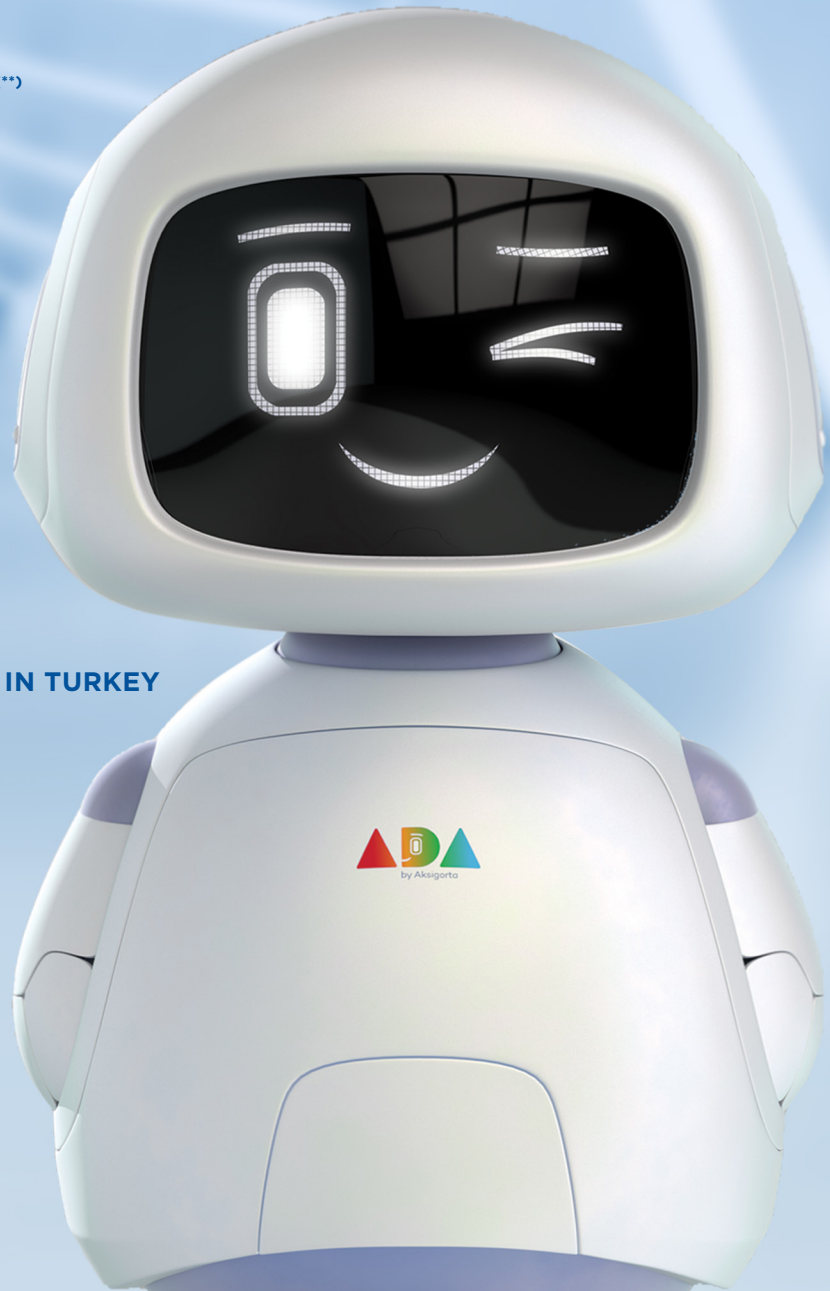
^(*) Excluding auto-enrollment.

TOTAL NON-LIFE PREMIUM PRODUCTION IN TURKEY (TL BILLION)

22%^(*) INCREASE



^(*) 2015-2019 CAGR



Insurance

Well-balanced product portfolio and profitable growth...

4.5

(TL billion)
Aksigorta premium production

18.8%

Market share
Avivasa is the sector leader in PPS

Aksigorta ranks as one of Turkey's leading non-life insurance companies with a robust capital structure of TL 646 million in equity capital and its profitable growth with TL 4.5 billion premium production.

Non-life Insurance

Profit-oriented, robust growth in strategic segments: Total premium production of TL 4.5 billion.

In Turkey, annual non-life insurance spending amounts to USD 127 per capita. In European countries, total underwritten insurance premiums to GDP amounts to 3.02%, while this ratio stands at 1.15% in Turkey.

Pension and Life Insurance

As of December 2019, Avivasa is the leader of the private pension market with total assets under management* of TL 22.4 billion and a market share of 18.8%. The company's total life and personal accident insurance premium production rose to TL 988 million in 2019 with an annual increase of 75% above sector average.

Turkey's insurance industry has posted average annual growth of 22% in the non-life segment and 26% in the pension segment over the last five years.

Simple, lean and accessible insurance

Moving forward with the vision "Making insurance simple, lean and accessible," Aksigorta managed risks effectively in 2019 with its 59-year corporate know-how and expertise. The company maintained its profitable growth in all products, channels and segments. The company continued its investments focused on analytics, innovation and digitalization toward the goals of sustainable profitability and operational efficiency.

Aksigorta ranks as one of Turkey's leading non-life insurance companies with a robust capital structure of IFRS based TL 646 million in equity. The company is also a profitable enterprise with TL 4.5 billion in premium production. Aksigorta serves individual and institutional clients across Turkey with a comprehensive lineup of products, from health, travel, auto and compulsory earthquake insurance to business insurance and liability insurance.

Cyber Protection Insurance

In the sector continuing to grow in new areas with new products, intellectual property, databases, digital networks, intangible assets as well as global warming are among the new risks. The threat posed for corporations by cyber risk has increased as well; as a natural consequence, cyber risk insurance has reached a market of USD 5 billion throughout the world. As of the end of 2020, this figure is expected to reach USD 7.5 billion. It is expected that the increased risk perception with the Law on Personal Data Protection, as well as the companies' search for a solution regarding these risks to quickly increase the demand for cyber insurances. In this regard, Aksigorta has introduced its Cyber Protection Insurance product, which provides comprehensive coverage such as cyber blackmail, media liability, business interruption, cyber-crime against the sanctions within the scope of the data violations and the Law on Personal Data Protection.

Robot Transformation Project

As the first company to use the robots in the insurance sector in Turkey, Aksigorta focuses on assigning well-defined jobs to machines and robots while leaving

TL
988
million

Avivasa's total life premium production has reached TL 988 million with a 75% annual increase.

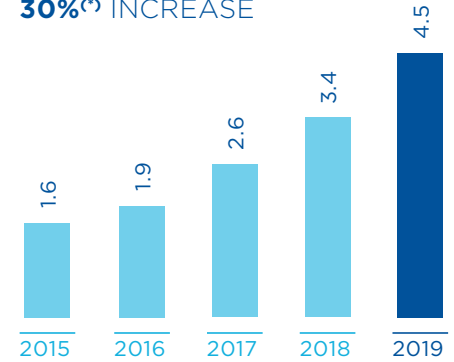
^(*) Excluding auto-enrollment.

AKSIGORTA IN 2019

- 1 Aksigorta has almost 3 million customers in total.
- 2 With a capital adequacy ratio of 129%, it ranks above the sector average.
- 3 Aksigorta's customer-oriented technological initiatives resulted in prestigious awards in 2019.

AKSIGORTA'S PREMIUM PRODUCTION INCREASE (TL BILLION)

30%^(*) INCREASE



^(*) 2015-2019 CAGR

jobs that are not well defined and requiring creativity to its employees within the scope of the Robot Transformation Project. Introducing ADA (Aksigorta Digital Assistant), the first artificial intelligence application of the insurance industry in 2018 in this context, Aksigorta has completed 3 million successful transactions with ADA in the past 2 years and managed to increase customer satisfaction by 3 points. Completing more than 70 business processes in 8 different departments, ADA was selected as the "Best IT Cost Efficiency Project of the Year" by International Data Corporation (IDC).

ClaimsChat Application

In terms of technological transformation; introducing the ClaimsChat application, which provides the customer with responses at chat speed, Aksigorta forms a WhatsApp group, which includes the expert, file manager, service and customer representative after the claim notification is made by the customer. Aksigorta managed to shorten the claim processes by 30% with this application by providing a transparent and fast communication environment.

Companion of Agencies: Technology

Designing technology and digitalization as the friend and companion of agencies which are the most traditional channels of the sector, Aksigorta has provided agencies to instantly track commission gains, productions, claims and policy renewals thanks to its agencies' world application.

The undisputed leader of the Private Pension System (PPS) over the last five years: Avivasa

Continuously maintaining its industry leadership first established in 2015, Avivasa capped the fiscal year

2019 with a fund size of TL 22.4 billion, a market share of 18.8%, 761 thousand PPS participants and 2.4 million customers in total.

Turkey: An attractive private pension market

Turkey is a key market for UK-based Aviva and other global insurance companies. Given that the European market is largely saturated, the Turkish market offers attractive opportunities for foreign insurance companies thanks to its high growth rate, young and dynamic population, and strong fiscal structure. The Private Pension Sector displayed an average annual growth of 26% in terms of total fund size in the last 5 years. As of the end of 2019, total fund size, including the government's contributions, increased by 35% to TL 119.1 billion and the number of participants rose to 6.9 million.

Avivasa is a strong player in the life insurance market with an 8.2% share

In addition to the private pension sector, Avivasa is also active in the life insurance industry. According to year-end 2019 figures from the Insurance Association of Turkey, the company has an 8.2% share in the total life insurance and personal accident insurance market with premium production of TL 988 million. Avivasa has gained 0.6 pps market share in total life insurance and personal accident insurance compared to the year 2018.

Auto-Enrollment scheme's huge contribution to the growth

The Auto-Enrollment scheme initiated in 2017 added significant momentum to the private pension system in Turkey. The government contribution, the first reform to the system, and Auto-Enrollment, the second major reform, were crucial in extending the PPS and encouraging society's propensity to save.

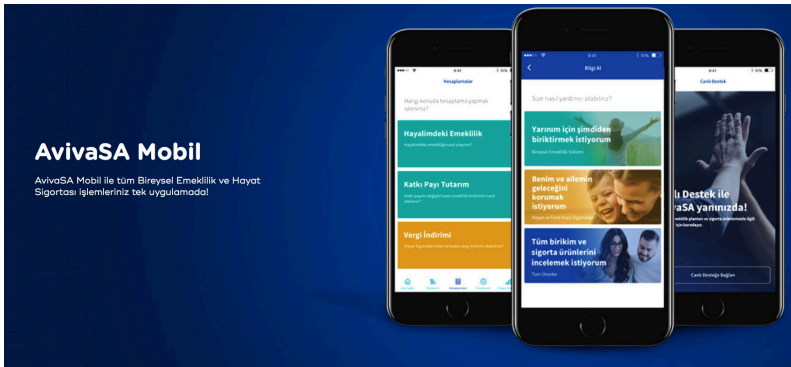
Maintaining its leader position in the sector; Avivasa capped the fiscal year 2019 with a fund size of TL 22.4 billion, a market share of 18.8%, 761 thousand PPS participants and 2.4 million customers in total.

Insurance

The constant leader of the private pension market

AVIVASA IN 2019

- 1 Avivasa maintained its leadership position in the private pension fund size.
- 2 With customer-oriented innovations in Life and Personal Accident insurances, growth above the sector has been recorded.
- 3 In line with customer orientation priority, it has continued its product development, customer experience design, service and technology improvement activities throughout 2019.



Putting customer at the heart of digital transformation, Aksigorta has taken customer relationship management to the next level with its new CRM system, while Avivasa has designed Avivasa Mobile, the most developed mobile application of the sector.

As of year-end 2019, Auto-Enrollment grew to TL 8.2 billion in fund size and a total of 6 million participants. During the same period, Avivasa attained an Auto-Enrollment fund size of TL 774 million and 752 thousand participants. Private pension and Auto-Enrollment are very important opportunities for countries with relatively low insurance penetration and individual savings rates. Participant numbers in the Auto-Enrollment scheme, which was initiated in 2017, in just two years reached more than half of the participants of the PPS, which was set up 15 years ago.

Fund size expected to reach TL 250 billion by 2023

The private pension market is projected to reach a fund size of over TL 250 billion in 2023. The Auto-Enrollment scheme, meanwhile, is expected to expand to a fund size of TL 30 billion in the same period.

Sabancı Holding's combined sales in the insurance business line have reached TL 5.5 billion, up 37%. In the same period, consolidated net income of the Group's insurance companies increased 34% year-on-year to TL 211 million.

DIGITAL TRANSFORMATION

New digital investments move Sabancı Group forward to a more productive future.

Customers are at the heart of Aksigorta's digital transformation

Continuing to use technology effectively in every area and determining digitalization as a focal point, Aksigorta has taken customer relationship management to the next level with the new CRM System implemented. By bringing customer information, call center services, customer demand and complaint management on a single platform, Aksigorta can track the service quality of third-party companies providing services on behalf of Aksigorta. Aksigorta's new CRM system was awarded a Silver Stevie in the "Best Use of Technology - Insurance" category at the Stevie Sales and Customer Service Awards. Aksigorta continued its Robot Transformation Project, a pioneering effort in Turkey and the industry. In 2018, the company launched ADA (Aksigorta Digital Assistant), the first artificial intelligence application in the insurance industry, in line with its digitalization strategy. Aksigorta aims to realize 2 million transactions per year with ADA, which is

used in 30 different business processes in six different departments. As a result, the company plans to direct its employees to value-added jobs by removing routine operations from their job definition.

Avivasa received 4 awards as a result of its efforts on digital transformation

Avivasa has designed Avivasa Mobile, the most advanced mobile application of the sector by focusing on customer orientation and digital transformation. Being in a unique position with the digital fund consultancy service FonPro, "Avivasa Mobile" deemed worthy of the bronze award in the "Financial Services" category of the "Stevie Awards" and received the "Most Customer-Centric Life Insurance Company" in "International Finance Awards." Additionally, by breaking new ground in the sector, Avivasa launched its new customer loyalty program, Avivasa Bi'dolu, to its customers through an online platform.

With "paper-free sales platform" Bi'Tikla Online Sales, launched in line with its digitalization vision, Avivasa has taken a crucial step in terms of customer satisfaction, operational efficiency and sustainability. With the Bi'Tikla Online Sales platform in which "Biometric Signature" technology is implemented, the application processes which lasted for a few days were reduced to minutes and at the same time, paper usage was reduced.

In 2019, Avivasa continued its efforts toward digital transformation and upgrading its information technology infrastructure at full speed. In recognition of the company's excellence in this area, Avivasa received the Special award in the "Digital Transformer" category at IDC Turkey Digital Transformation Awards with its "Business Technologies Life Transformation Program." Besides, the company won first place in the "Financial Institution and Commercial Enterprise Business Partners" category at IDC Turkey Finance Technology Awards with its "Agency Portal-Account" project.

FUTURE OUTLOOK

Our sustainable growth is set to continue in 2020 with technology usage.

2020: Onward sustainable growth

As the pioneering player of the Turkish non-life insurance industry, Aksigorta plans to decisively continue its value-added focused digital transformation and take major steps to bolster its ties with agencies across Turkey in the coming year. The company will continue pursuing sustainable growth with its transparent and solid balance sheet, strong capital structure, well-balanced product and channel portfolio.

While maintaining its leadership position in PPS thanks to its advanced technology investments, customer-oriented product

and service improvements in 2019, Avivasa aims to extend its rapid growth in life insurance. While pursuing sustainable growth, Avivasa targets becoming opinion leader of the health insurance sector, which it has just entered. The company will pursue its new customer acquisition and customer retention targets with planned innovative upgrades to Mobile, Online Sales, Call Center and other customer contact points in 2020. Avivasa will maintain its investments to foster a human-centric business culture. To this end, the company will continue its journey with the Cultural Transformation Program initiated in early 2017 and the Cultural Development initiated at the start of 2019.

AKSigorta

Area of activity
Non-life insurance activities

Countries of activity
Turkey

Number of provinces
81

Distribution channel
10 regional directorates, 3 thousand independent agencies, nearly 800 Akbank branches, 69 brokers and almost 6 thousand contracted institutions

Digital sales channels
aksigorta.com.tr

Products
Fire, Marine, Accident, Engineering, Agriculture, Legal Protection, Personal Accident, Health, MTPL, Auto Insurance, Credit, Travel and Loan Insurance

Number of customers
3 million

Total premium production
TL 4.5 billion

Number of employees
664

Sabancı Holding share
36.0%

Website
www.aksigorta.com.tr

According to data as of 31.12.2019.

AVIVA SA

Area of activity
Personal pension and life insurance

Countries of activity
Turkey

Number of provinces
40

Digital service channels
avivasa.com.tr and Avivasa Mobile application (iOS and Android)

Products
PPS and Life Insurance

Number of customers
2.4 million

Fund size
TL 22.4 billion

Market share and position
Leader in PPS with 18.8% market share

Number of employees
1,357

Sabancı Holding share
40.0%

Website
https://www.avivasa.com.tr

According to data as of 31.12.2019.

ENERGY

Energy Group companies created value while maintaining sector leadership in every segment of our portfolio. Effective investment solutions and financial models in dynamic market conditions made this possible alongside with good governance, efficiency and operational excellence.



DEVELOPMENTS IN 2019

HIGH PERFORMANCE

Energy Group companies have solidified their industry leadership by recording strong operational and financial achievements in their respective fields of activity.

SUSTAINABLE GROWTH IN RENEWABLE ENERGY

Successfully managing its current portfolio, Enerjisa Üretim was awarded the 500 MW YEKA Wind Power Plant tender in 2019 in line with its sustainable growth targets.

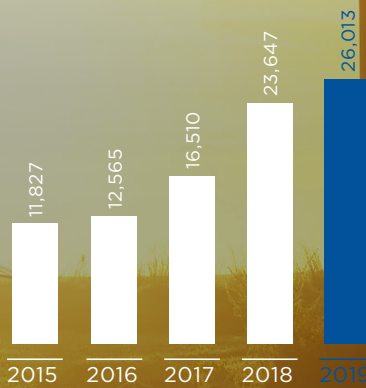
PIONEERING STEPS IN ADVANCED TECHNOLOGY AND R&D

Enerjisa Enerji's successful performance as a sector leader is due to its pioneering steps in sustainability, advanced technology and R&D. Besides, the company remains committed to operational excellence, capital investment and strong financial results.

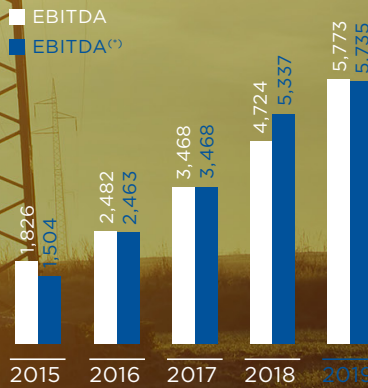
CORPORATE SUSTAINABILITY EFFORTS

In 2019, Enerjisa Enerji published its first sustainability report in accordance with international standards. The company was presented with the Gold Award at the LACP 2019 Inspire Awards. Enerjisa Enerji also ranked 39th on the Top 100 Global Reports list.

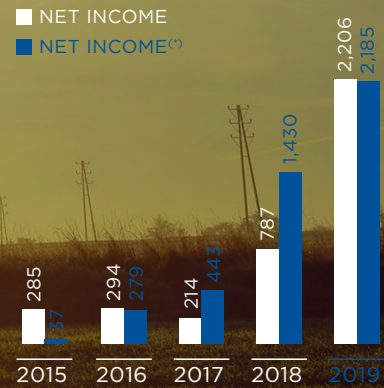
COMBINED NET SALES (TL MILLION)



COMBINED EBITDA (TL MILLION)



COMBINED NET INCOME (TL MILLION)



* One-off income/expenses are excluded.

* One-off income/expenses are excluded.

Energy

Within Sabancı Group, Enerjisa Enerji is the sector leader in electric distribution and sales while Enerjisa Üretim leads the sector in electric production and energy trade.

Enerjisa Enerji maintains its sector leadership in both distribution and sales by providing electricity to one out of every four people in Turkey.

A critical year for the Turkish energy sector

2019 was an extraordinary year for the Turkish energy sector. With a high potential within the framework of energy trends such as distributed production, digitalization, low carbon and electrification as well as global trends such as economic growth, industrialization, prolonged average life, rapid urbanization and climate, the Turkish energy sector left behind a year in which the grid continued to grow by 3% with new customers, despite pauses in economic growth and energy demand. With the effect of high hydrology, while the share of hydroelectric power plants increased in order to meet the electricity demand, market prices started to fall with the decrease in the weight and margins of natural gas power plants. Infrastructural investments continued and liberalization extended with the changing tariffs and the last resource tariff limit falling to 7 GWh.

Sabancı Energy Group companies, leader of the Turkish energy sector

Enerjisa Enerji is the leading company in Turkey along its two business lines of electricity distribution and sales. While providing 21 million people access to electricity in 14 provinces under Başkent, Ayedaş and Toroslar; it provides services to approximately 10 million customers in the electric retail sector as well.

While Enerjisa Enerji is maintaining its sector leadership in both distribution and sales by providing electricity to one out of every four people in Turkey; Enerjisa Üretim, the leader production and trade company of Turkey, is



the largest private-sector energy producer and the strongest market player in Turkey with its diversified 3,607 MW electricity generation portfolio.

Sabancı Energy Group Companies manage these two business lines, which have very different dynamics but create value in integration, by focusing on operational excellence and effective risk management to create value for all stakeholders.

Successful performance and strong growth by Energy Group companies

Enerjisa Group companies performed quite successfully in the challenging year 2019.

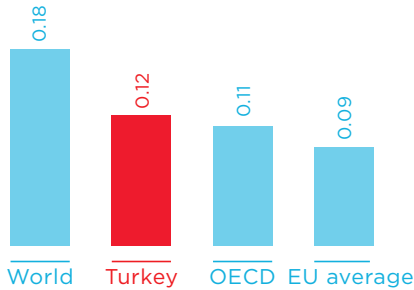
Enerjisa Enerji, 20% of which went public with the equal share sale of Sabancı Holding and E.ON has continued its public offering success

Electric production portfolio

3,607
MW

ENERGY INTENSITY

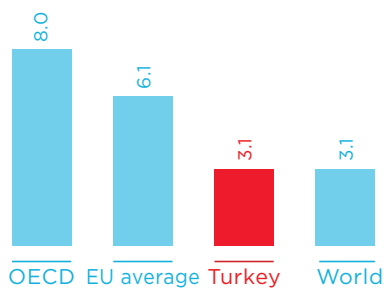
ENERGY INTENSITY (TON OF OIL EQUIVALENT/USD 2010)



Turkey's energy intensity is higher than the OECD average.

ELECTRICITY

CONSUMPTION PER CAPITA (MWH/PERSON)



Source: International Energy Agency, EU statistics, National Energy Efficiency Action Plan

Turkey's electricity consumption per capita is half the EU average.

with its high share performance and dividend payment. Continuing its activities in line with operational excellence and customer satisfaction in 2019, Enerjisa Enerji completed its strategy work covering the main lines of business, similar and new areas, and put it into practice. It has continued its dynamic portfolio management in line with the market conditions of 2019 and increased its Regulated Asset Base to TL 8.4 billion by maintaining its strong growth in operational efficiency and investment areas. It has created positive value in quality parameters and successfully managed its sales portfolio with a dynamic management against variable prices and tariffs.

As the largest electric production company of the private sector, Enerjisa Üretim's balanced and diversified production portfolio in terms of energy sources is one of the most important competitive advantages. The operational profitability of the company possessing 56% domestic and renewable energy resources in its portfolio maintained underprice assurance through the YEKDEM mechanism and dollar-based bilateral agreements. Enerjisa Üretim has been the highest performing company within Sabancı Group with his success in energy trade as well as its high availability. Combining operational excellence and trade capabilities in 2019 with high hydrology and price volatility, Enerjisa Üretim has achieved its highest ever cash flow and profitability. Enerjisa Üretim has produced 4.2 TWh electricity with 95% availability in hydroelectric, 672 GWh with 98%

availability in wind, 2.7 TWh with 85% availability in Tufanbeyli while total demand reached 300 TWh. Integrating its success in operational excellence with trade pricing and ancillary services, it has generated an income which exceeded all expectations. Additionally, with successful risk and finance management, strong cash generation has been achieved and the net debt level has been decreased significantly.

Managing its current portfolio successfully, Enerjisa Üretim has won the 500 MW YEKA wind power plant tender in 2019 in line with its sustainable growth targets. Under US dollar-based and long-term purchase guarantees, the growth target of the portfolio in the field of renewable energy has been solidified. By transforming trade experience in order to create value in foreign markets and to seize the opportunities that may arise in the European market, necessary steps have been taken for the establishment of Enerjisa Europe.

Energy Group expands its growth focus on regulated asset base and renewable energy with the distributed production, smart networks, e-mobility, energy efficiency services and storage solutions.

Regulated Asset Base

**TL
8.4
billion**

Energy

With the vision of “new generation energy production” in 2019, Enerjisa Üretim has commenced many projects and initiatives such as end processing in cloud technologies, virtual intelligence in advanced data analytics and digital twin applications.

Energy Group companies have continued their improvement in human capital and technology as well.

Leader practices in human resources, technology and digitalization in energy

Energy Group companies have continued their improvement in human capital and technology as well. As the programs developed for talent improvement continue, numerous steps have been taken for the performance culture and digital management of human resources. Likewise, a number of practices have been implemented in technology and digitalization areas in the sector. In addition to the digitalization projects regarding operational excellence and process developments, projects on data analytics, cloud technologies, operational technologies were carried out with internal and external sponsorships. With 10 projects carried out in the field of advanced data analytics, over TL 25 million positive financial impact has been achieved. Considering technology as an opportunity for the development of the business, Energy Group companies also carried out many projects within the Sabancı Group to create synergy.

Enerjisa Enerji, the sector leader in the technologic transformation

The 5th year of “NAR,” the Internal Entrepreneurship and Innovation Program which aims to implement new ideas has been completed, many pioneer projects in the sector have been successfully implemented. Machine Learning-Based Consumption Data Separation Project awarded by TÜSİAD Industry Transformation, PEAKAPP Project supported by Horizon 2020 and awarded with the TÜBİTAK

Success Award, SECUREGRID project approved by the ITEA cluster of the European Union and many projects such as information security and energy efficiency projects carried out with EMRA as well as image processing, fault detection and analysis, fault time estimation and partner hub project for network management enhanced Enerjisa Enerji’s leadership in terms of technologic and digital transformation in the Turkish electric sector.

Data-based decision making with Data Analytics methods

Over 10 analytical projects have been actualized such as the “Self Service Analytical Platform” project aiming to contribute to data democratization which has been awarded the winner prize in the Analytical and Big Data category at IDC 2019 - Energy Summit, a project for early detection of defective gauges and proactive replacements/maintenances, theft and illegal usage project aimed at detecting the use of illegal energy and optimizing work orders, duplicate call analysis project that aims to increase call center efficiency and 10% increase has been achieved in daily work orders and 59% increase has been achieved in successful completion rates.

In addition to all these, Enerjisa Enerji has achieved a 40% improvement in critical work accidents since the beginning of 2019 after the introduction of the Video Monitoring System, which was implemented for the first time in the sector.





New generation and technological energy production

With the vision of “new generation energy production” in 2019, Enerjisa Üretim has commenced many projects and initiatives such as end processing in cloud technologies, virtual intelligence in advanced data analytics and digital twin applications. It has increased its technology intensity with numerous digitalization projects in different fields such as Nikola for cash flow management, Box for financial impacts of currency rate fluctuations, Co-Pilot for the monitoring of field equipment, Plant-check for operational controls, Fark@ for mobile OHS management, PPA for the digitalization of plant operations, Stok Sahası for stock management, EI-Dispatcho for trade optimization and Advanced Monitoring for planned maintenances.

Successful implementation in corporate sustainability and governance

Energy Group companies solidified corporate sustainability and governance activities in 2019 to create sustainable value for their stakeholders. By publishing its first sustainability report in 2019, Enerjisa Enerji has taken part in BIST Sustainability Index and has been included in the BIST Corporate Governance Index by taking 9.45 out of 10 in Corporate Governance rating. Enerjisa Enerji's sustainability report ranked



39th in the Top 100 Global Reports list and was deemed worthy of the Golden Award in LACP 2019 Inspire Awards. The company has also signed the United Nations Global Compact, the world's largest voluntary corporate sustainability initiative, and the United Nations Women's Empowerment Principles (WEPIs).

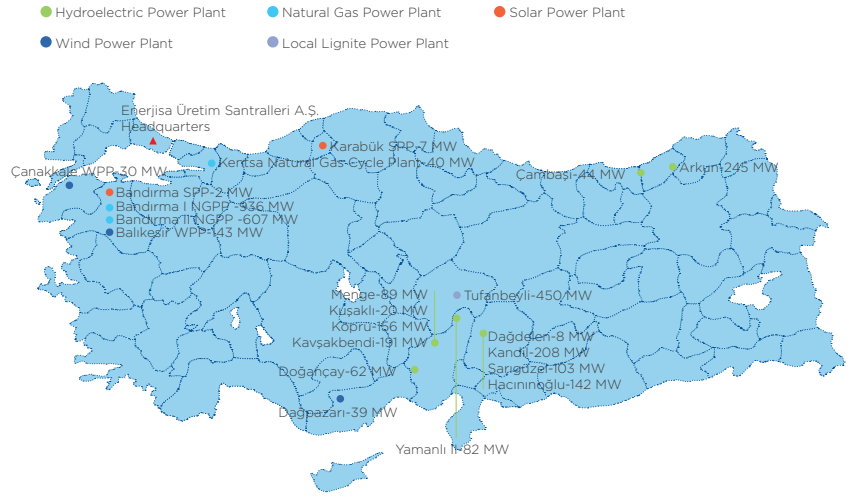
Completing all environmental permits of its portfolio, Enerjisa Üretim prevented 3.8 million tons of CO₂ emission thanks to its renewable power plants. As one of the largest investors in the area of green energy of Turkey, it will continue its leading role with its growth in renewable energy area.

Energy Group companies solidified corporate sustainability and governance activities in 2019 to create sustainable value for their stakeholders.

Energy

Domestic and renewable energy portfolio

56%



Energy Group companies will continue their leading roles in 2020 by supporting sector growth and development toward higher efficiency, increased competition and greater institutionalization.

2020 priorities and sectorial strategy

Mega trends as well as technological investments and solutions in the energy business and Turkey's leading dynamics such as growth, urbanization, young population constitute important areas of opportunity which facilitate the energy sector to intersect with various industries, smart cities and transportation.

In 2020, the new implementation period is expected to create a framework to encourage investments, efficiency, quality and innovation, and enable many new opportunities. The new implementation period holds great importance in terms of developing a regulatory framework that will spur investments, boost efficiency and raise quality to achieve a reliable and cost-effective

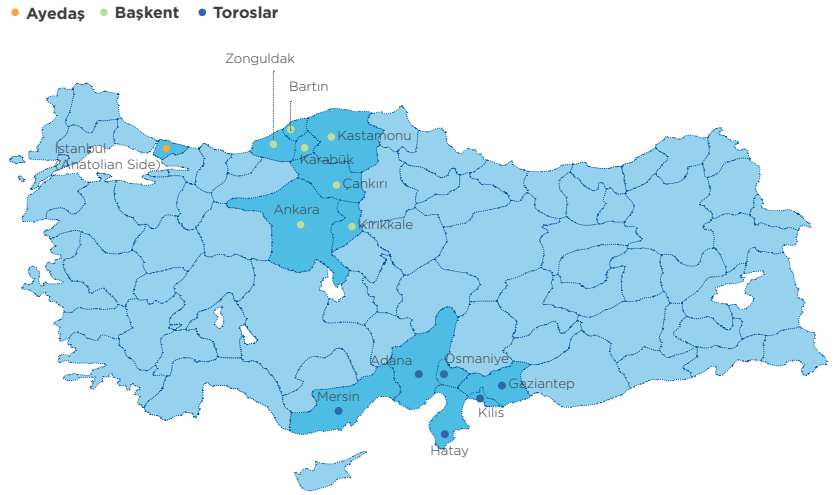
network infrastructure in Turkey. To determine implementation period metrics for the country, sector and consumers in the best way possible, Energy Group companies contribute to the process by establishing close contact with regulatory authorities and public institutions.

Energy Group companies will continue their leading roles in 2020 by supporting sector growth and development toward higher efficiency, competition and greater institutionalization. Sabancı Group aims to maintain its high growth in energy business by providing value to all stakeholders while supporting the growth potential and strategic importance of the sector together with its energy partner E.ON.



ENERJİSA ENERGY DISTRIBUTION AND DESIGNATED SUPPLY COMPANY REGIONS

21 million users in 14 provinces



Area of activity
Electricity distribution and sales

Market share and position
Leader with 26% market share

Countries of activity
Turkey

Number of provinces
14

Number of users
21 million+

Distribution connection point
11.2 million

Retail sales volume
45.8 TWh

Number of customers
9.9 million

Number of employees
10 thousand+

Sabancı Holding share
40.0%

Website
www.enerjisa.com.tr

According to data as of 31.12.2019.



Area of activity
Electric production and trade

Market share and position
Turkey's largest private-sector energy producer with 4% market share

Countries of activity
Turkey

Installed capacity
3,607 MW (Natural gas 44%, hydro 37%, lignite 12%, wind 6%, solar 1%)

Production portfolio
12 Hydroelectric power plants, 3 wind power plants, 3 natural gas power plants, 2 solar power plants, 1 domestic lignite power plant

Total production
12.5 TWh

Number of employees
750+

Sabancı Holding share
50.0%

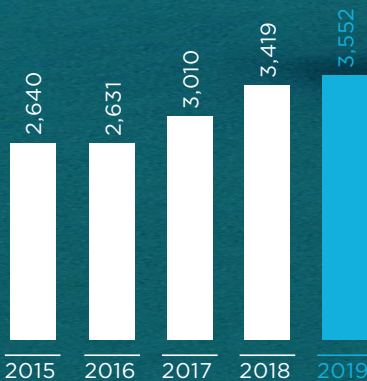
Website
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According to data as of 31.12.2019.

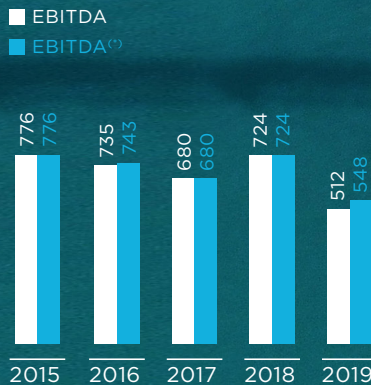
CEMENT

As one of the most important players in the cement sector with its expertise and know-how, Sabancı Holding realized approximately 30% of Turkey's cement exports in 2019 through Akçansa and Çimsa.

COMBINED NET SALES (TL MILLION)

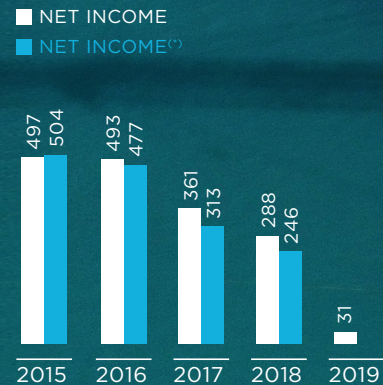


COMBINED EBITDA (TL MILLION)



^(*) One-off income/expenses are excluded.

COMBINED NET INCOME (TL MILLION)



^(*) One-off income/expenses are excluded.

(23)

DEVELOPMENTS IN 2019

INVESTMENTS ABROAD

Çimsa has signed the acquisition agreement of Buñol, a white cement factory in Spain, for USD 180 million. The competition authority approval process continues.

STRATEGIC SOLUTION PARTNER

Akçansa is among the suppliers of 1915 Çanakkale Bridge, which will be the "World's largest suspension bridge with a span."

TECHNOLOGY-ORIENTED PRODUCTION

In 2019, Akçansa and Çimsa directed their investments and focus on value-added products and digitalization.



Photo: Akçansa 1915 Çanakkale Bridge Project

Cement

Having realized the highest export in the history of the Turkish cement sector as of 2019, Akçansa has reached approximately 4 million tons of exports with the logistic advantage provided by Çanakkale Port.

In 2019, Group increased its cement export revenue to TL 1.8 billion up from TL 1.2 billion in 2018.

Sector and Sabancı Cement Group companies - 2019 and priorities

The Turkish cement sector is the largest producer in Europe with 54 integrated production facilities, 22 grinding facilities with a production capacity of approximately 100 million tons. In 2019, with the contraction in consumption in the domestic market, the Turkish cement sector turned to exports and became the second-largest exporting country in the world.

Akçansa and Çimsa represent 16% of total Turkish clinker capacity

Akçansa produces cement and ready-mixed concrete in the Marmara, Aegean and the Black Sea regions. Akçansa operates seven cement terminals in Ambarlı, Aliağa, Yalova, Derince, Marmara Ereğlisi, Trabzon and Hopa in addition to Istanbul, Çanakkale and Ladik plants. Operating in the Marmara, Aegean and Black Sea regions of Turkey, Akçansa produces ready-mixed concrete at 26 ready-mixed concrete plants under the “Betonasa” brand and aggregate in the Saray, Kemerburgaz, Samsun and Bursa aggregate quarries under the “Agregasa” brand. Also, Karçimsa Cement Grinding and Packaging Facility has been established with the partnership of 51% Akçansa and 49% Karabük Demir Çelik İşletmeleri.

Çimsa operates in the cement and building materials industry with five integrated plants in Kayseri, Mersin, Eskişehir, Niğde and Afyonkarahisar; two grinding facilities in the USA and Ankara; Malatya Cement Packaging facility; 22 ready-mixed concrete facilities organized under four regional offices; and international cement terminals.

Approximately 30% of the cement export of Turkey in 2019 is from Sabancı Group

In 2019, Cement Group increased its cement export revenue to TL 1.8 billion up from TL 1.2 billion in 2018. Having realized the highest export in the history of the Turkish cement sector as of 2019, Akçansa has reached approximately 4 million tons of exports with the logistic advantage provided by Çanakkale Port. With its effective port management and long-standing customer portfolio based on trust, Akçansa has gained important and permanent export markets and increased its export revenues by 119% compared to the same period of the previous year.

Akçansa also broke a record with the developments in port management. Providing a 46% increase in port capacity utilization rate in 2019, Akçansa carried out about 1 million tons of clinker export operation for the first time in one year from Ambarlı Port.

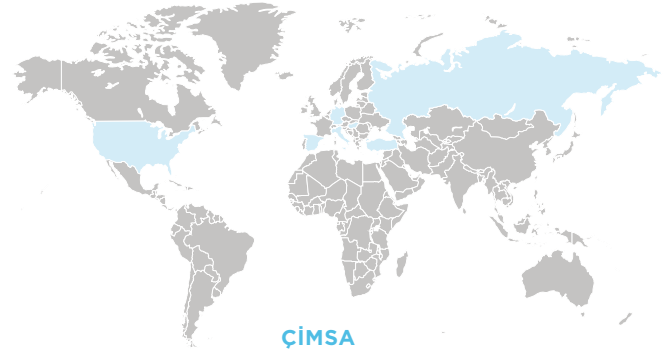


● Akçansa plant ● Çimsa plant ▲ Akçansa terminal ▲ Çimsa terminal



AKÇANSA

3 integrated plants
1 grinding facility
7 domestic terminals
2 ports



ÇİMSA

5 integrated cement factories
2 grinding facilities
1 cement packaging facility
7 international terminals

As one of the global brands in white cement, Çimsa continued to contribute to our country in 2019 as well. With seven terminals abroad, the company has exported white cement and specialized products to over 65 countries, especially those in the Middle East, Europe, North Africa and the USA. With the logistics advantage of the Mersin Plant, Çimsa has reached around 3 million tons of export with an increase of 52% in 2019 compared to the previous year and increased its export revenue by 32%.

In 2019, total sales remained flat with the support of exports despite the contraction in domestic demand while there have been increases in energy input costs as a result of both prices and the currency rates. Our companies have made a difference with improvements in both fuel and raw material product receipts and using the advantages of the logistics network.

With the participation of the Buñol Factory in its production and distribution network, Çimsa began to dominate a wider geography and now aims to create a strong export network in Europe as well as the North African and South American markets. Completing its grinding plant investment in the USA also in 2019, which is the first greenfield investment abroad, Çimsa will become the largest company in the world in terms of global white cement trade with a 40% increase in its production capacity.

In 2019, the highest alternative fuel usage rate has been achieved

Sabancı Cement Group has achieved the highest rate in its history with an alternative fuel utilization rate of 15% in Akçansa and 8% in Çimsa (including Afyon plant). Akçansa Büyükçekmece plant is positioned as the solution partner of Istanbul's waste issue. By using most of the dried sludge from the treatment plants of İSKİ in Istanbul as fuel in the Büyükçekmece plant, energy recovery is provided. In 2019, especially Akçansa has achieved an important success by realizing an alternative fuel utilization rate of 23% in the Samsun Ladik plant.

Akçansa is the strategic solution partner in 1915 Çanakkale Bridge

In 2019, Akçansa was among the suppliers of 1915 Çanakkale Bridge which will connect Gelibolu and Lapseki and which will be the "World's largest suspension bridge with a span." With its product named 1803 concrete, developed for long R&D studies, concrete pouring stage of the project have been completed within the year. 450 thousand m³ of ready-mixed concrete was poured by an experienced team of 125 people in a total of six ready-mixed concrete plants. Unlike the standard concrete, 1803 concrete is a specialized product with high performance, which provides processability for a record six hours for offshore pouring activities, also resistant to environmental influences, impermeable and in which heat development can be controlled. 1915 Çanakkale Bridge Project is an exemplary project with innovative product studies and zero-error project management while leaving a legacy to the generations to come.

In 2019, Akçansa was among the suppliers of 1915 Çanakkale Bridge which will connect Gelibolu and Lapseki and which will be the "World's largest suspension bridge with a span."

Cement

In 2019, Akçansa and Çimsa, Turkey's leading construction material companies, have directed their investments and focus on value-added products and digitalization.

The priority for Sabancı Group cement companies in 2020 is to actualize their high value-added digital transformation projects.

Leader in technology-focused production

The product named 1803 concrete produced within the scope of the Çanakkale Bridge project of Akçansa will replace traditional sampling methods and lead digital transformation in the sector.

Additionally, Akçansa has initiated studies on the clinker production by artificial intelligence in rotary kilns in order to increase efficiency and reduce dependency on imported energy sources. This project is made in collaboration with SabancıDx and consultants and planned to be

applied in other rotary kilns in the event the pilot application of the project becomes successful. Development and test processes are ongoing.

Çimsa has created a cloud infrastructure to develop projects with big data, within the scope of the Advanced Data Analytics program commenced with SabancıDx. It has developed a machine learning project to reduce electricity consumption in cement and raw material mills. The targeted benefit is to decrease the annual electric consumption by 16,160 MWh and to save TL 5-7 million. Studies on implementing this project in all other Çimsa plants as well as on productization process are ongoing.





Focusing on Industry 4.0 projects by prioritizing smart factory systems, data analytics and efficiency in line with its digital strategies, Çimsa's R&D Center Formülhane continues its activities in the Mersin Plant as a global solution center for the needs of cement users. The center, aim of which is to bring out products causing 40% less carbon emissions, also makes a difference as the first Ministry-approved R&D Center in the Turkish cement sector. Two Horizon 2020 projects are being executed in the center which has benefited from European Union funds in the near-term.

Sustainability

Following the rules set forth by the International Concrete Sustainability Council, Akçansa's Kemberburgaz Ready Mixed Concrete Plant became the first in Turkey to be granted the globally recognized CSC "Responsible Use of Resources - Gold Sustainability Certification," which is given to the most select manufacturers of cement, concrete and aggregate.

Çimsa is focused on creating value to the environment, society and the national economy within the scope of its sustainability studies. While carrying out the investments, designing the product and service development applications, social and environmental factors are taken into consideration. With its waste policy, Çimsa aims to contribute to a clean environment, to provide value to its main areas of activity, and to protect the health of its stakeholders by managing the disposal of wastes in a modern method.

Gold standard in employee management and development

As a company that invests in human capital, Akçansa has been awarded the Gold Standard in Investors in People, which is the only people-oriented quality standard in the world, focusing on all practices for the development and management of human capital, and Akçansa became the first company in Turkey to receive this award.

Operating a business model centered on sustainability and human capital, Sabancı Group cement companies also set a global example for best practices in their field.



Cement

Akçansa has made contributions to society with its “Benim Komşum (My Neighborhood)” social responsibility project since 2015, while Çimsa’s “Yaz Çocukları (Summer Children)” project has been ongoing for nine years.

Corporate social responsibility

“Benim Komşum (My Neighborhood)” Social Responsibility Project, which has reached over 30 thousand people since its launch in 2015, has started its educational practices with students, teachers and parents in Ladik, Samsun following Büyükçekmece and Çanakkale. In the Akçansa Mobile Training Center, expert psychologists of TOÇEV are providing support to boarding high school students with respective programs regarding the difficulties of being away from their families.

On the other hand, Çimsa executes social responsibility projects with its sustainability approach focused on creating value for the society and defines education as one of the areas that need corporate support and contribution and prioritizes projects that support children.

With the Yaz Çocukları (Summer Children) project, which has been ongoing for nine years, Çimsa contributes to the children who live in rural areas to have a desire to succeed, to develop teamwork and cooperation, while aiming to support their emotional, social and physical development. The project started in 2011 with the participation of the children of Çimsa Niğde Plant employees. 116 children were educated during the terms held in Niğde and Kayseri in 2019. The program managed to reach approximately one thousand children in nine years.

Additionally, Çimsa has made a collaboration with the Mersin Metropolitan Municipality within the scope of the Disability Awareness Week for five years, contributing to the supply of battery-powered wheelchairs for disabled people. In the project, 191 battery-powered wheelchairs have been delivered to those in need.





Priorities in 2020

The contraction in 2019 in the domestic market caused Akçansa and Çimsa to prioritize exports and it has resulted in a record in exports by working at full capacity. In addition to success achieved in exports, the priority for Sabancı Group cement companies in 2020 is to actualize their high value-added digital transformation projects. In this context, studies involving smart factory systems and cloud solutions are progressing at full speed to increase production and efficiency in energy usage.

Completing the acquisition of Buñol Plant, which is one of the leading white cement producers, in 2019, Çimsa will continue the integration process of the facility in 2020.

AKÇANSA

Area of activity

Grey cement and clinker production, ready-mixed

Countries of activity

Turkey

Cement and clinker plants

3 integrated plants (Istanbul - Büyükçekmece, Çanakkale and Samsun - Ladik)

Terminals

7 Terminals (Istanbul-Ambarlı, İzmir-Aliağa, Yalova, Trabzon, Hopa, Derince and Marmara Ereğlisi)

Total capacity

9.2 million tons/year cement

Ready-mixed concrete and aggregate plants

26 concrete plants and 4 aggregate plants

Number of employees

987

Sabancı Holding share

39.7%

Website

www.akcansa.com.tr

According to data as of 31.12.2019.

ÇİMSA

Area of activity

Grey and white cement and clinker production, ready-mixed

Countries of activity

Turkey, Germany, USA, Italy, Spain, Russia, Romania and TRNC

Cement plants

5 integrated plants (Mersin, Eskişehir, Kayseri, Niğde and Afyonkarahisar), 1 grinding plant (USA) and 1 grinding plant (Ankara), 1 terminal (Marmara) and 1 packaging plant (Malatya)

White cement terminals

7 International terminals (Hamburg-Germany, Trieste-Italy, Sevilla and Alicante-Spain, Gazimagusa-TRNC, Constanta-Romania and Novorossiysk-Russia)

Ready-mixed concrete plants

22 concrete plants

Total capacity

5.2 million tons/year grey cement, 1.7 million tons/year white cement

Number of employees

1,032

Sabancı Holding share

58.1%

Website

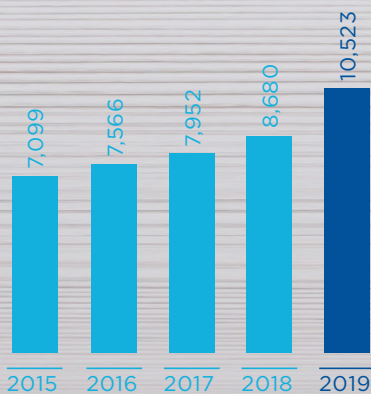
www.cimsa.com.tr

According to data as of 31.12.2019.

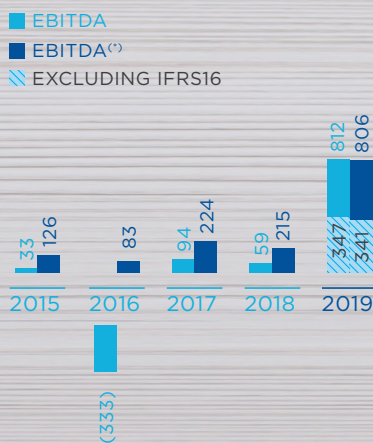
RETAIL

As of the end of 2019, Sabancı Retail Group companies serve consumers through 634 food markets and 200 technology stores in over 70 cities.

COMBINED NET SALES (TL MILLION)

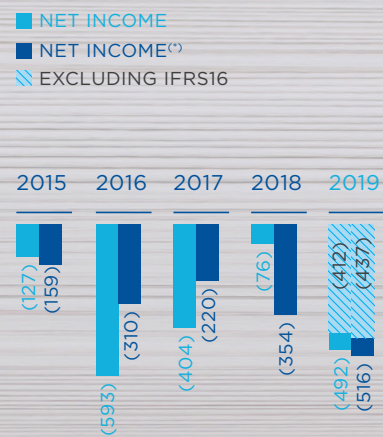


COMBINED EBITDA (TL MILLION)



⁽¹⁾ One-off income/expenses are excluded.

COMBINED NET INCOME (TL MILLION)



⁽¹⁾ One-off income/expenses are excluded.

DEVELOPMENTS IN 2019

TECHNOLOGY RETAILER WITH THE WIDEST NETWORK

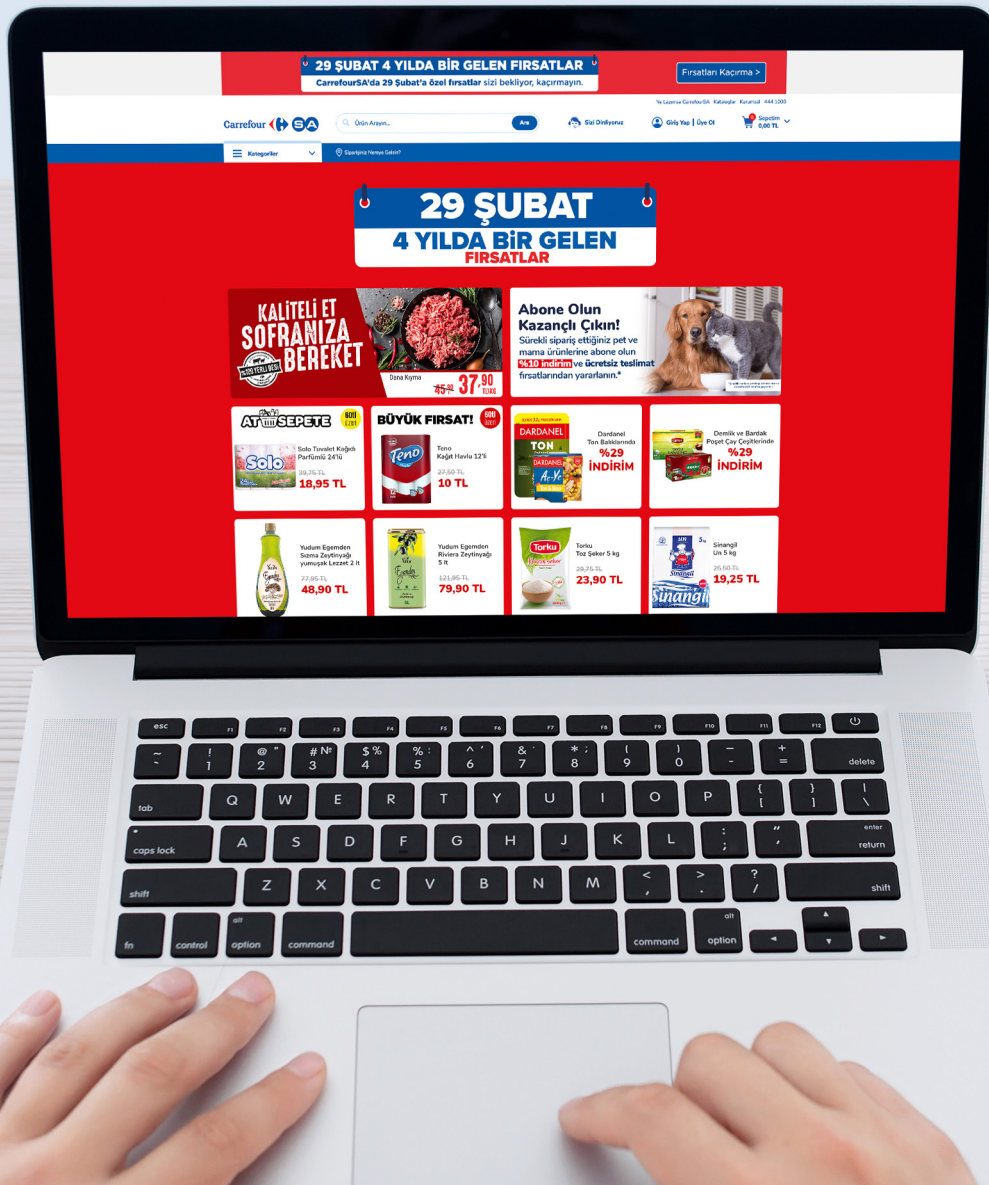
Teknosa is the most widespread technology retail company in Turkey with 200 stores in 68 cities. Nearly 200 million people visited Teknosa stores and Teknosa.com during the year.

RETAIL TRANSFORMATION PROGRAM

Thanks to holistic transformation programs executed by Sabancı Holding retail companies – including New Generation Market of Carrefoursa and New Generation Teknosa of Teknosa – successful operational results were achieved in 2019.

ACTIVITIES TO BOOST CUSTOMER SATISFACTION

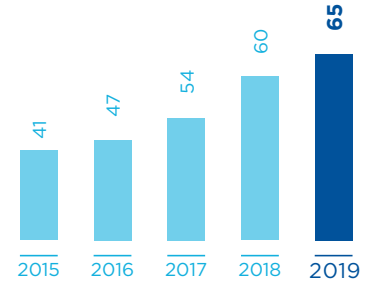
Carrefoursa improved both its product range and service approach in line with the data obtained through CRM activities and enriched customer experience measurement data.



Retail

Teknosa is in the leading position in the electronics retailing market, while Carrefoursa is among the leading players in the multi-format segment in the food retailing market.

TURKEY'S CONSUMER TECHNOLOGY PRODUCTS MARKET (TL BILLION)



Sabancı Retail Group companies are providing services with differentiated formats positioned in line with the needs of the customers.

The positive impact of the recovery in the country's economy as of the second half of 2019 on the retail sector has been observed in the consumer confidence index and sectorial turnover index results that are announced in the third quarter of the year.

The retail sector achieved 5% real growth in the third quarter. The most important data to support this growth is the increase in turnover per square meter. The index recorded an increase of 15.9% compared to the previous year while food retail has shown an increase of 13.7%. The technology products market reached a volume of TL 65 billion in 2019 with an increase of around 10%.

Teknosa holds the leading position in the electronics retailing market, while Carrefoursa is among the leading players in the multi-format segment in the food retailing market.

Sabancı Group retail companies are providing services with differentiated formats positioned in line with the needs of the customers. Teknosa operates under three format types: Standard, Extra and Exxtra. Carrefoursa operates under four format types: Hypermarket, Supermarket, Gourmet and Mini. Both companies are continuing their investments in technology with the focus of growth in e-commerce, to be more accessible.

Carrefoursa shopping traffic in 2019

170
million

2019 ACTIVITIES

Transformation programs

Carrefoursa is getting the results of the transformation program focused on all main processes of the company, which has been initiated with the "New Generation Market" vision in 2018 and continued throughout 2019. Closing the year with a total of TL 153 million in investments, Carrefoursa has become a brand that provides 470 thousand people with products and services through 634 markets in 52 cities daily with its customer-oriented approach and 170 million customers have shopped from its stores in total.



Number of
Carrefoursa stores

634

Carrefoursa
sales area

508
thousand m²

Widespread store
network

52
cities

Carrefoursa continued its store overhaul efforts and new store investments in 2019. The company also conducted domestic seed, livestock and fish projects to support local production.

Teknosa has launched the “New Generation Teknosa” transformation program in the second half of 2019 in line with the vision for a Teknosa that creates more value for all its stakeholders, which has a stronger financial structure and is sustainable.

While strengthening the customer experience within the scope of this program, Teknosa restructured its processes as per the company’s sustainability and profitability goals in many areas from product availability to stock management, from field operations to performance management of stores as well as pricing, promotion management and spending efficiency. It was able to increase the value it creates in 2019 through these improvements.

Both companies have focused on analytic studies and the improvement of sales efficiency to provide the consumers the correct product mix in accurate locations within the scope of operational excellence, to onboard new customers, to increase the efficiency of the stores, to provide dynamic pricing, inventory and cost optimization as well as to reach the turnover and profitability goals.



Customer-oriented digital transformation

Teknosa and Carrefoursa have extended their technical infrastructure investments in 2019 to provide their customers with an uninterrupted, faster and enjoyable shopping experience by integrating the processes in online and offline channels.

In 2019, Carrefoursa increased its sales by 102% in the e-commerce channel. At the end of 2018, teknosa.com started to use Hybris, which is one of the best e-commerce platforms of the world; and the improvements on enhancing the performance of the website have continued in 2019 as well.

Teknosa and Carrefoursa have extended their technical infrastructure investments in 2019 to provide their customers with an uninterrupted, faster and enjoyable shopping experience across all channels.

Retail

Within Sabancı Retail Group companies, CRM infrastructures have been solidified in 2019. Following the singularization of customer data, data enrichment studies have been carried out and personalized recommendations and campaigns have been developed.

Teknosa total number of visitors

~200
million

Within the activities in Teknosa e-commerce channel, operational benefits and services that improve customer satisfaction such as the fast implementation of campaigns in the website as well as providing the customers with the opportunity to make the payment via the website and receive the product from the store within the same day have been important. Online shopping loans and express delivery options have been offered for the first time. By making around 50% of the deliveries of e-commerce orders from the inventories of the stores, the delivery process has been accelerated. Additionally, the direct delivery of goods from supplier stocks to customers has been implemented.

Studies regarding the integration of store cash screens and call center applications with integrated multi-structure have been completed.

To provide the customers with a better product experience, store renovation activities have continued. Dedicated experiential areas have been built for game lovers and those who want to make home life easier and more enjoyable through smart systems.

Data management that adds value to the business
CRM infrastructure of Sabancı Retail Group companies have been strengthened in 2019. Following the singularization of customer data, data enrichment studies have been carried out and personalized recommendations and campaigns have been developed.

The needs of 6 million CarrefourSA loyalty cardholders are estimated with teams specialized in data analytics and personalized promotions are offered.



Number of
Teknosa stores

200

Teknosa sales
area

105
thousand m²

Technology retailer with
the widest network

68
cities

to analyze the data with artificial intelligence algorithms and to optimize the customer experience. As of the end of 2019, there are more than 16 million single customer data at Teknosa.

Performance in 2019

As of 2019, Carrefoursa has a network with 508 thousand m² total net sales area consisting of 30 Hypermarkets, 370 Supermarkets, 25 Gourmets and 208 Mini and 1 franchise market and has recorded a turnover of TL 6.4 million.

In 2019, Teknosa reported a turnover of TL 4.1 billion. Teknosa is the most widespread technology retail company in Turkey with 200 stores in 68 cities. The company welcomed nearly 200 million visitors in its stores and teknosa.com throughout the year.

During the year, Teknosa continued to launch various training and development programs under Teknosa Academy to ensure that all employees possess the skills, competencies and education required by new generation retailing. In addition to periodic trainings, further training efforts were conducted to cultivate the leaders of today and tomorrow with the cooperation of Sabancı University. The company trained 33 internal trainers in 2019 as part of the internal trainer project that started in 2018. Teknosa also continued the mentoring development process.

In 2019, Teknosa announced new practices that will add value to employees and new staff candidates. These include the Support Team project, which covers postgraduate education

support, a scholarship provided for staff children, flexible and remote work, opportunities for head office employees to experience the work environment at the store, and the Future Talent internship program, which offers an enriched experience for students at the start of their careers.

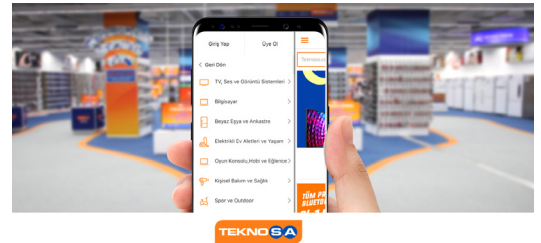
Outlook for 2020

Carrefoursa plans to open 100 new stores and 15 new Lezzet Arası restaurants in 2020 in line with its aim of "A Growing Carrefoursa." The company aims to expand its accessibility via different platforms by focusing on e-commerce. The transformation program initiated in 2018 will continue at full speed. Lean practices and operational efficiency, product range optimization, advanced data analytics applications and alternative channels will be prioritized under this effort.

Teknosa aims to continue its holistic transformation journey within the scope of the New Generation Teknosa in 2020, to accelerate its digitalization initiatives as well as to achieve

its operational excellence target. The company plans to continue embracing its new generation retailing philosophy. To this end, the company aims to focus on highly profitable post-sales services which also support the brand image, including the mobile communication service Teknosacell, its private label product family

Carrefoursa aims to expand its accessibility via different platforms by focusing on e-commerce, a rising trend in the digitalized world, and Teknosa aims to continue its holistic transformation journey with the New Generation Teknosa program in 2020.



Retail

Carrefoursa has been taking steps that focus on the environment and people for the past 26 years. The company is involved in long-term projects which concern the future of Turkey in terms of sustainability.



Preo and other value-added products. The company plans to continue its efforts that make a difference in the sector with product categories on a rising trend across the world, such as health, personal care and gaming. Prioritizing its investments in digitalization by using data analytics effectively in implementing innovations, Teknosa aims to grow above the market with its omnichannel presence.

Corporate social responsibility

Carrefoursa has been taking steps that focus on the environment and people for the past 26 years of its legacy. The company is involved in long-term projects which concern the future of Turkey in terms of sustainability.

With the support provided to the Basic Needs Association (TİDER), which is a non-profit non-governmental organization that has been working to ensure that people reach their basic needs in a fair and equal manner for nearly seven years, 50 tons of products were provided to 20 thousand people.

Carrefoursa is continuing to support the "From the Field to the School" project of UNICEF designed to raise awareness on child labor in agriculture.

In the second year of the "Support a Child with Every Package" campaign in collaboration with the Community Volunteers Foundation (TOG), 1,500 students in 10 cities have been reached.

As part of Carrefoursa's collaboration with ÇEVKO, waste materials collected in the markets, such as paper and batteries, are being recycled. As research

Product support
to TİDER by
Carrefoursa

50
tons



studies with DEHA Biodizel continue, support is provided to the collection of waste vegetable oils through the stores.

With the "Friends Movement" project initiated jointly with Carrefoursa and Confederation for Animals' Right to Life (HayKonfed), fresh food leftovers continue to be shared with HayKonFed volunteers free of charge to be fed to animals living on the streets in urban areas.

Technology for Women

Teknosa continued its social responsibility project "Technology for Women" which was launched in 2007. This innovative effort contributes to Turkey's digitalization drive. Within the framework of this project, which is conducted in cooperation with Habitat Association and various local organizations, Teknosa helped 18 thousand women in 66 provinces to become digitally literate. Women who participated in the project's training seminars indicated that they feel more confident, equal and empowered after becoming more informed in technology.

Teknosa conducts voluntary studies with NGOs under the leadership of the Teknosa Volunteers Club to raise awareness of social responsibility among employees. Additionally, Teknosa contributes to Sabancı Volunteers projects.

TEKNOSA

Area of activity
Technology retailing

Countries of activity
Turkey

Number of provinces
68

Number of stores
200 stores

Digital sales channels
teknosa.com and mobile application (iOS and Android)

Number of visitors
200 million

Sales area
105 thousand m²

Number of employees
2,200+

Sabancı Holding share
60.3 %

Website
www.teknosa.com

According to data as of 31.12.2019.

Carrefour  

Area of activity
Food and non-food retail

Countries of activity
Turkey

Number of provinces
52

Number of Stores
634 (30 Hypermarkets, 370 Supermarkets, 25 Gourmets and 208 Mini and 1 franchise market)

Digital sales channels
carrefoursa.com and mobile application (iOS and Android)

Annual number of customers
170 million

Sales area
508 thousand m²

Number of employees
10 thousand+

Number of loyalty cards
6 million+

Sabancı Holding share
50.6%

Website
www.carrefoursa.com

According to data as of 31.12.2019.

INDUSTRIALS

Industry Group companies have carried out successful applications that will lead our country in the sectors they do business in by the commercialization of innovation, lean applications, advanced data analytics and Industry 4.0 in 2019 as well.



DEVELOPMENTS IN 2019

GROWTH IN COMPOSITE TECHNOLOGIES MARKET

Industry Group company Kordsa has acquired Axiom Materials in the USA in 2019 and continued to grow in the composite technologies market.

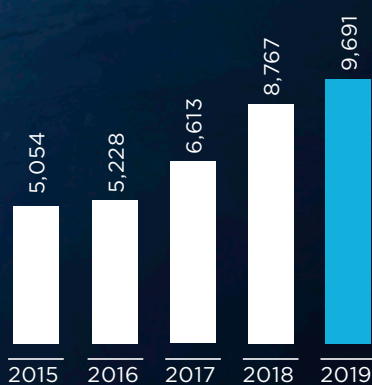
ADVANCED DATA ANALYTICS FOCUS

Industry Group has achieved significant gains in 2019 with its focus on advanced data analytics.

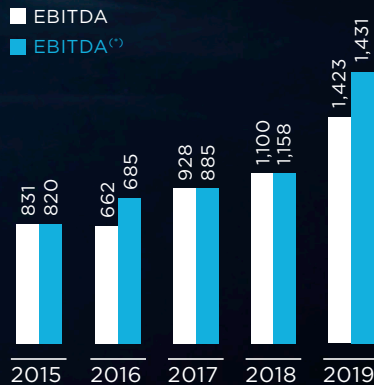
IMPORTANT INCREASE IN HARD CURRENCY INCOME

Kordsa and Brisa continued to add value to the Turkish economy by increasing their hard currency income significantly in 2019.

COMBINED NET SALES (TL MILLION)

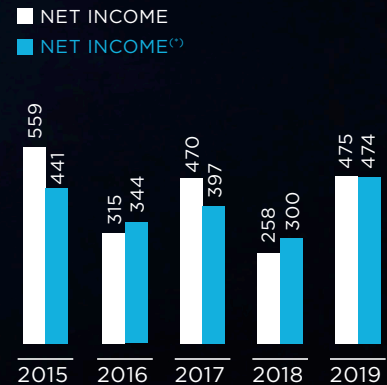


COMBINED EBITDA (TL MILLION)



Note: Philip Morris is excluded.
 ☺ One-off income/expenses are excluded.

COMBINED NET INCOME (TL MILLION)



Note: Philip Morris is excluded.
 ☺ One-off income/expenses are excluded.

Industrials

Throughout 2019; Industry Group has focused on occupational safety, quality, efficiency, working capital and cash management in main areas of activity and achieved a healthy growth, development and consolidation of competencies, new technologies and new collaborations.

HIGHLIGHTS

Kordsa

With the acquisition of Axiom Materials, the competencies in advanced technology composite intermediate portfolio and competencies in the field of composite products have been developed in the US.



Kordsa reinforces one out of three automobile tires and two out of three aircraft tires in the world.

Brisa

With the Smart Culture roadmap and the Digital Transformation Journey, cultural change throughout the organization has been focused on.



Brisa is the provider of one out of three tires reaching the final consumer in Turkey.

Priorities in 2019

Throughout 2019; Industry Group has focused on occupational safety, quality, efficiency, working capital and cash management in main areas of activity and achieved a healthy growth, development and consolidation of competencies, new technologies and new collaborations. As decisions to cease activities in some lines of business within the direction of the dynamic portfolio management target in 2019 has been taken, growth has been achieved through investments in other areas.

Reinforcing one out of every three automobile tires and two out of every three aircraft tires worldwide, Kordsa's leading position in the market, strong global footprint, technology leadership and experience in reinforcement technologies are consolidated to create a second Kordsa.

In 2019, with the acquisition of Axiom Materials by Kordsa in the US, organic growth continued to be supported with inorganic growth in the composite technologies market. In the aviation sector, the journey has been set off with acquisition of Fabric Development and Textile Products both of which produces structural materials that require a high level of engineering. The journey continued with Advanced Honeycomb Technologies, a producer of cabin interior parts which has been acquired to broaden our competencies. With the acquisition of Axiom Materials, Kordsa has created a growth platform in North America, which is the global center of the space and aviation industry.

Brisa operating
profit

382.8
TL million

Kordsa operating
profit

614.3
TL million

Axiom Materials provides materials to the new generation vehicles as well as space and aviation industry and leads the composite market with its R&D efforts. With Axiom Materials, Kordsa has become the leader in the market of high temperature resistant oxide-oxide ceramic composite materials used in aircraft engines.

Producing one out of every three tires that reach the end consumer, the company steadily executed its capital investment plan thanks to its people, innovation capacity, advanced technology and balanced financial structure.

In 2019, Brisa has effectively managed the financial volatility by taking the right actions in its markets as well as in its manufacturing base in İzmit with proven success, the Aksaray plant equipped with end to end smart applications and its R&D competencies. Proving its undisputed leadership in the domestic market, Brisa has broken three export records with the Lassa brand in international markets.

Aiming to create value in occupational safety, quality, efficiency and production processes by investing in digital technologies in both companies in 2019, Sabancı Industry Group has achieved critical gains through its advanced data analytics focus.

Enhancing its presence in international markets while focusing on domestic leadership in the contracting and fluctuating market conditions, the Group has increased its export revenue in TL by 38% compared to the previous year.

Performance in 2019

Kordsa bolstered its global market leadership in tire reinforcement, its core business while continuing to execute strategic and visionary investments in composite technologies.

Kordsa's financial indicators have been realized following the expectations. While the company's total turnover increased by 30% in 2019 compared to the previous year, reaching TL 5.1 billion; its operating profit has increased by 17% to TL 614.3 million. Exporting 38 countries in 2019, Kordsa increased its export revenue by 15%.

The annual total sales turnover reached TL 3.6 billion with an increase of 19% compared to the previous year and its operating profit reached TL 382.8 million as a result of Brisa's strong presence in the domestic market and the increasing sales volume in international markets in 2019.

Kordsa bolstered its global market leadership in tire reinforcement, its core business while continuing to execute strategic and visionary investments in composite technologies.



Brisa consistently implemented its investments with its focus on human, innovation, technology and balanced financial structure.

Industrials

Axiom Materials company, which provides high-tech composite materials to next generation vehicles as well as space and aviation industries and leading the composite market with its R&D studies, has joined Kordsa in 2019.

Brisa focused on the balance sheet and cash management in 2019 in addition to operational profitability.

As one of the biggest supporters of open innovation, Kordsa has combined its deep knowledge base and expertise in the field with Continental, one of the most important players in the tire sector.

Brisa increased its turnover based on US dollars by 16% compared to the previous year with its export focus in 2019. The company focused on the balance sheet and cash management in 2019 in addition to operational profitability. As a result of successful operating capital management, the working capital turnover has been improved by 23 days with the success in the collection of receivables. In this context, the net debt decreased to TL 1.2 billion with successful cash and debt management.

TECHNOLOGY AND INVESTMENTS

Composite investments

Providing high-tech composite materials to next-generation vehicles as well as space and aviation industries and leading the composite market with its R&D studies, Axiom Materials company has joined Kordsa in 2019. Thus, Kordsa gained competencies in the reinforcement of aircraft wings, bodies and internal parts, in addition to its competencies in the reinforcement of aircraft tires.

With the additional polyester yarn line that was commissioned in 2019, Kordsa has become able to produce new generation polyester yarns with very high strength and better dimensional stability, in addition to the production of standard HMLS polyester yarns.

Mission to develop eco-friendly and sustainable products

Kordsa has worked to develop a resorcinol- and formaldehyde-free, eco-friendly glue formula. This effort reflects the company's mission to develop more sustainable products in tire reinforcement technologies.

As one of the biggest supporters of open innovation, Kordsa has combined its deep knowledge base and expertise in the field with Continental, one of the most important players in the tire sector with this mission. Creating an alternative to the formula used in the market for almost a century, with this very environmentally-friendly formula named Cokoon, Kordsa has attracted great interest and pioneered the sector by creating a free licensing pool with an open innovation approach.

Besides, Kordsa has developed a revolutionary e-glass prepreg for lightening works heavy commercial vehicles over 16 tons in cooperation with Ford Otosan. Within the scope of the Horizon 2020 program which aims to offer innovative technologies for plastic recycling, PolynSPIRE project partnership is continued. In 219, Kordsa Turkey plant has received the IATF 16949:2016 Automotive Management System certificate.





By carrying out advanced data analytics based optimization studies at Kordsa production sites, over 3% efficiency has been provided in the yarn facility and over 10% efficiency increase has been achieved in the twisting facility.

Construction reinforcement technologies which are among the new lines of business of Kordsa, are preferred in infrastructure and superstructure projects due to the synthetic fiber reinforcements that deliver energy efficiency, long-term durability and low carbon emission.

By adding the service orientation to its production and sales axis, Brisa managed to spread its Otopratik network and Enerjisa has entered into a collaboration with its subsidiary, Eşarj, to provide charging services for electric vehicles at sales points.

Brisa's digital transformation journey

To create an organization that is ready for the digital era, Brisa is in a cultural transformation that focuses on itself and its business partners. By investing in technology, it deepens its long-term leader position in the sector with powerful products and new generation services. Smart Culture roadmap has been prepared by feeding on diversity with wide participation and the establishment of a suitable climate has been determined as a priority for the employees to provide the highest contribution in the transformation process.

Digital Fleet era

Brisa has initiated the Digital Fleet era for its customers with its innovative and technological services. It has continued to offer added value to



its customers by increasing efficiency, security and profitability in fleets with digital tire pressure tracking and driving support systems offered to commercial customers.

People

Kordsa demonstrated its world-class success by garnering numerous prestigious awards that recognized its innovative technologies, human resources practices and business ethics. In addition to the awards the company has received in Turkey, Kordsa has been designated as one of the best employers by the Great Place to Work Institute in Bahia, Brazil for four years in a row. Kordsa also won the Best Employee award in Indonesia for two consecutive years.

Kordsa aims to strengthen all the societies where it operates. To this end, the company continued its social responsibility activities across four continents in 2019.

Industrials

Industry Group aims to increase its competitiveness in the current activities by utilizing new generation technologies such as Industry 4.0, digitalization, advanced data analytics and artificial intelligence-based robotic works.

The future vision of the Industry Group will be brought to life by enhancing our level of competitiveness in current businesses as well as assessing opportunities in high value added new business areas.

Brisa has compiled the actual and sincere courage stories from the lives of its employees in two books named “We Drive on with Courage” and “We Also Drive on with Courage.” Sales income has been offered as a transportation scholarship to ensure 500 children in Anatolia to safely go to their schools.

Brisa Academy has been accredited as a Personnel Certification Body in line with ISO/IEC 17024 by the Turkish Accreditation Agency (TÜRKAK). Therefore, it has deepened its contribution to the development of the industry and shown its determination to create a corporate university.

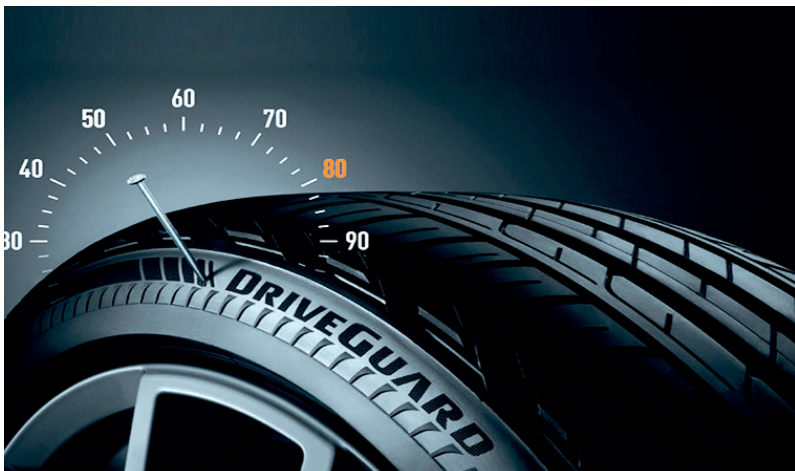
With “Taking-off Safely” digital communication activities with Lass, Brisa has supported the long-distance drivers working in difficult conditions to travel healthily.

2020 priorities and strategy

In the coming year, the Industry Group plans to boost its competitive edge in existing operations by using the next generation technologies, such as Industry 4.0 applications, digitalization, advanced data analytics and robotics based on artificial intelligence. Besides, the Group aims to realize its vision of shaping the future by entering high value-added businesses – such as energy storage, printable flexible electronics and thin-film technologies – and using its advanced competencies in electro-mobility and material science.

Kordsa aims to grow in all regions it conducts business with the strength of technology and product development competencies. Among the 2020 priorities of Kordsa; increasing the growth rate with the integration of US composite investments, growing in the composite value chain in Europe, leading the sectors in which it operates by developing new and innovative technologies with an R&D understanding that is an integral part of its corporate culture and including digitalization and robotic systems to its business processes.

Brisa aims to consolidate its presence in international markets with Lassa brand, to take its leadership further in domestic markets by developing fast, flexible and customer-oriented service solutions, to provide value to all its stakeholders by focusing on cash management and to offer added value to its customers with technology investments while transforming its internal processes and culture.



KORDSA

Area of activity

Tire and construction reinforcement, composite technologies

Market position

1 out of 3 automobile tires and 2 out of 3 aircraft tires are reinforced by Kordsa.

Countries of production

Turkey, Brazil, Indonesia, Thailand and the US

Number of facilities

12

Number of produced covered area

580 thousand m²

Number of exported countries

38

Number of employees

4,497

Products

Tire reinforcement products (for passenger, agricultural and industrial vehicles, buses, trucks, aircraft and motorcycles), construction reinforcement products (Kratos macro and micro), composites

R&D investments

TL 69 million R&D investments, 183 patents

Sabancı Holding share

71.1 %

Website

www.kordsa.com

According to data as of 31.12.2019.

BRISA

Area of activity

Tire production for passenger vehicles, light commercial vehicles, buses, trucks, agricultural and construction vehicles

Market position

Leader: the provider of one out of three tires reaching the final consumer

Countries of production

Turkey

Number of facilities

2 (Kocaeli and Aksaray)

Number of produced covered area

507 thousand m²

Number of exported countries

83

Number of employees

2,874

R&D investments

TL 34 million R&D investment, 81 R&D employees, 3 patent applications

Sales network

1,350 + sales points with Lassa sign domestically, sales in 6 thousand + points in 83 countries including 610 with Lassa sign

Sabancı Holding share

43.6%

Website

www.brisa.com.tr

According to data as of 31.12.2019.

TEMSA

MOTORLU ARAÇLAR
PAZARLAMA VE DAĞITIM A.Ş.

Area of activity

Sales, marketing, service and spare part services of Mitsubishi Motors branded passenger and commercial vehicles

Countries of activity

Turkey

Number of employees

43

Distribution network

27 authorized dealers and 52 authorized services

Website

www.temsamotorluaraclar.com.tr

According to data as of 31.12.2019.

TEMSA İŞ MAKİNALARI

Area of activity

Turkey, Azerbaijan and Georgia distributor of world-famous construction vehicles; Turkey distributor of heavy vehicles and industrial products

Countries of activity

Turkey, Azerbaijan and Georgia (construction vehicles)

Brands

Komatsu, Volvo Trucks, Crown, Dieci and Terex Finlay

Number of employees

227

Distribution network

2 authorized dealers and 48 authorized services

Website

www.temsaismakinalari.com.tr

According to data as of 31.12.2019.

Others

While improving their competitiveness by establishing a lean and effective value chain with digital transformation, PMSA and Philsa have focused on creating long-term value with the sense of responsibility and sustainability vision.

Evaluating opportunities in the entire supply chain and reducing environmental impacts is a priority area in PMSA and Philsa.

Philsa

Philsa was established in 1991 as a joint venture owned 75% by Philip Morris International (PMI) and 25% by Sabancı Holding. Starting operations in late 1992, the manufacturing facility in the Torbalı district of Izmir has built its reputation as a world-class factory thanks to its specialized staff and investments in state-of-the-art technology. As of the end of 2019, approximately USD 955 million investment was made to this factory. Philsa produces the highest quality for Turkish and foreign markets.

Philip Morrissa

Established in 1994 as a joint venture owned 75% by Philip Morris International (PMI) and 25% by Sabancı Holding, PMSA undertakes the nationwide sales and distribution of PMI's cigarette brands in Turkey. The company's distribution network includes nearly 130 thousand sales points in 81 provinces. With nearly 40 distributors and their sales staff, PMSA has one of the largest sales networks in Turkey with approximately 2 thousand sales personnel in the field. As of year-end 2019, PMSA captured a 42.1%* share of the legal cigarette market.

Evaluating opportunities in the entire supply chain and reducing environmental impacts is a priority area in PMSA and Philsa. Joint programs and projects are conducted with all stakeholders in many areas such as;

- increasing efficiency in production and waste reduction,
- responsible and renewable energy usage,
- sustainability of water resources,
- sustainable supply chain with our business partners,
- sustainable agriculture applications,
- prevention of child labor and farmer training,
- combating illegal trade of tobacco products,
- digital transformation of traditional retailer channel,
- women's empowerment and woman leaders programs,
- diversity and inclusion programs in the workplace,
- programs regarding employment,
- collaboration with universities and non-governmental organizations on spreading the latest technologies.

While improving their competitiveness by establishing a lean and effective value chain with digital transformation, PMSA and Philsa have focused on creating long-term value with the sense of responsibility and sustainability vision.

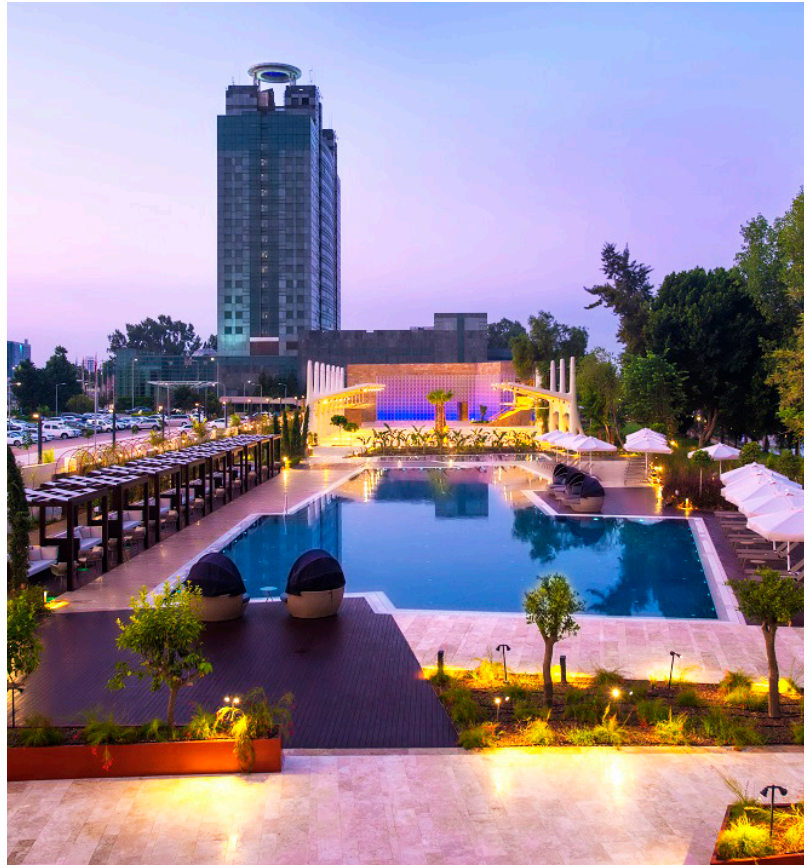
As of year-end 2019, the Hiltonsa chain of hotels had a 790-room capacity in total: 309 rooms at Ankara Hiltonsa, 295 rooms at Adana Hiltonsa, and 186 rooms at Mersin Hiltonsa.

Tursa/AEO

Tursa, a Sabancı Holding subsidiary, is the owner of Adana Hiltonsa and Mersin Hiltonsa, while Ankara Enternasyonal Otelcilik owns Ankara Hiltonsa. The Group entered the tourism industry with the Adana Erciyes Hotel many years ago. The Group first gained traction in the form of a founding partnership with the inauguration of the Ankara Hiltonsa Hotel in 1988. The Group's tourism business expanded further with Mersin Hiltonsa hotel in 1990 and reached its current state with the opening of Adana Hiltonsa in early 2001. As of year-end 2019, the Hiltonsa chain of hotels had a 790-room capacity in total: 309 rooms at Ankara Hiltonsa, 295 rooms at Adana Hiltonsa, and 186 rooms at Mersin Hiltonsa. The hotels are operated by the Hilton Group.

In 2019, 95% of the hotel was renovated with Ankara Hiltonsa's room/floor modernization. With the new face of the hotel, an increase has been recorded both in terms of occupancy as well as in terms of income and profitability in 2019.

With the "Riverside" project of Adana Hiltonsa completed in 2019, it has become the largest and most prestigious pool and banquet area in the region.



FOUNDATION

We touch the lives of individuals everywhere in Turkey.



Photo: Sabancı University

HIGHLIGHTS OF SABANCI FOUNDATION'S ACTIVITIES

120

INSTITUTIONS

IN **78**

RESIDENTIAL AREAS

162

PROJECTS

GRANT PROGRAMS IN

76

PROVINCES

48 THOUSAND

SCHOLARSHIPS

1,170

AWARDS

Embracing the late Hacı Ömer Sabancı's life philosophy of "sharing what we have obtained from this land with its people," the Sabancı family established the Hacı Ömer Sabancı Foundation (Sabancı Foundation) in 1974 to organize all their philanthropic activities under one organization.

Sabancı Group harnesses the power of its industrial and economic advancements to support social and cultural activities through the Sabancı Foundation. As such, it has become one of the leading family foundations in Turkey.

Sabancı Foundation has built more than 120 institutions all around Turkey in 78 residential areas, such as schools, dormitories, teachers' centers, medical facilities, sports complexes, cultural centers and social facilities for 45 years since its foundation. Since 2007, 162 projects of non-governmental organizations have been supported. In the field of culture and arts, long-term supports are being provided particularly for example to State Theaters - Sabancı International Adana Theater Festival which has been organized for 21 years. Having provided 48 thousand scholarships in 45 years, Sabancı Foundation encourages success with awards in the fields of education, art and sports.

We **support** innovative education through Sabancı University. We **empower** non-governmental organizations by making grants and sharing our expertise. We **share** our knowledge and experience to strengthen philanthropy. We **inspire** society by increasing the visibility of "Changemakers." We **encourage** students and artists by offering scholarships and grants. We **pioneer** new approaches and methods implemented in the field of philanthropy, especially by supporting civil society with grants. We **contribute** to the resolution of social issues by working with non-governmental organizations. We **build** institutions in the fields of education, culture, healthcare and sports.

Sabancı Foundation

Education, social change, culture and the arts comprise Sabancı Foundation's main areas of activity. The Foundation particularly focuses on "women," "youth" and "persons with disabilities" within these activities.

The vision of the Sabancı Foundation is "a society where all individuals enjoy their rights equally."

The Sabancı Family has contributed to Turkey's economy through the many industrial enterprises they have established. Family members have focused their efforts on launching institutions that benefit the public in the fields of education, healthcare, culture, sports and social services, and have played an active role in philanthropic work. Reflecting the philosophy of the late Hacı Ömer Sabancı, "Sharing what we have obtained from this land with its people," the Sabancı Family established the Hacı Ömer Sabancı Foundation (known as Sabancı Foundation) in 1974. Sadika Sabancı, the wife of Hacı Ömer



Sabancı, donated her entire wealth to the Foundation's endowment. Sabancı Foundation's financial resources consist of donations by the Sabancı Family and Sabancı Group, and revenues generated from the Foundation's various assets.

Education, social change, culture and the arts comprise the Foundation's main areas of activity. The Foundation particularly focuses on women, youth and persons with disabilities within these activities.

Sabancı Foundation has memberships in the leading non-governmental organizations in Turkey and abroad. It is a Founding Member of Third Sector Foundation of Turkey (TÜSEV); a Member of European Foundations Center (EFC); a Founding Member of EFC's European Consortium of Foundations on Human Rights and Disability and Gender Thematic Network; a Zero Project impact transfer partner and a Member of the US Council on Foundations (COF).

Sabancı Foundation Social Change

The Sabancı Foundation supports the projects of leading non-governmental organizations with grants to find solutions for today's complex social issues and make a lasting impact. The Foundation engages in long-term, inter-institutional partnerships to increase its impact.

First launched in 2007, the **Sabancı Foundation Grant Programs** aim to support non-governmental organizations in promoting social development to achieve equality and active participation of women, youth and persons with disabilities. In 12 years since 2007, 162 projects were supported reaching directly more than 200 thousand and indirectly over 800 thousand individuals across the country.



On October 15, 2019, a meeting has been organized with the organizations that have been given grants to date. More than 200 non-governmental organization representatives from 78 organizations have participated in the meeting. On October 19, 2019, the meeting with the theme “Sowing Season” was organized to share information and experiences among the 10 NGOs who have completed their projects in 2019 with the support from the Sabancı Foundation Grant Program. A book entitled “Sowing Season: Sabancı Foundation Grant Program Stories” was distributed to the participants and related organizations.

Completed in 2019, the “Make Tomorrow” Project executed with the collaboration of the Technology Development Foundation of Turkey was among the projects supported within the scope of the Grant Programs. Within the scope of the projects which aim to contribute to the development of students and teachers who can exhibit the modern educational requirements of the world in the field of technology, 845 students from four provinces have developed 165 technology projects.

In 2019, the **Turkey’s Changemakers Program**, highlighting the stories and efforts of individuals who make significant contributions to social development and inspire society in Turkey has completed its 10th season. Out of about 2,700 applications, 190 Changemakers were selected

and videotaped since the Turkey’s Changemakers Program’s launch year of 2009. The videos were shared on the program’s website, Facebook, Twitter, Instagram and YouTube reaching more than 33 million views on domestic and international platforms.

The program is focused on the themes of environment, education, economic development, health, social justice and civil participation and one example from among the Changemakers of the 10th season is Lisinia Nature Project, who works in the field of environment. Within the scope of the project, activities such as saving Burdur Lake, nature school, protection of native plant and animal species and environmentally-friendly farming practices are carried out.

By bringing together non-governmental organizations, foundations, the private sector and public agency representatives with national and international experts, the Sabancı Foundation enables experience sharing regarding new approaches in philanthropy and civil society. In this context, the 12th of the **“Sabancı Foundation’s Philanthropy Seminars”** was organized on December 2, 2019, under the theme “Technologies for Life without Barriers - Empowerment through Education.” The main speaker of the seminar was Yetnebersh Nigusie, a human rights lawyer. Within the scope of the seminar moderated by Dr. Yankı Yazgan, a panel and an inclusive dance performance

The 12th of the “Sabancı Foundation’s Philanthropy Seminars” was held on December 2, 2019, under the theme “Technologies for Life without Barriers - Empowerment through Education.”

Sabancı Foundation

Opened in 2009 after being renovated by the Foundation, Sakıp Sabancı Mardin City Museum and Dilek Sabancı Arts Gallery have celebrated their 10th anniversary in 2019.

Sabancı Foundation has built over 120 institutions over the past 45 years since its establishment.

has been carried out. Additionally, participants were provided with the chance to experience innovative technologies in the exhibition area that contribute to life without barriers in the field of education.

In 2019, the Sabancı Foundation continued to develop partnerships, follow up and contribute to the developments in the international arena in its focus areas. The Foundation continued to participate and contribute to the work in disability rights and gender at the European Foundation Center, which has been a member of since 1991 and served on the Board of Directors as the only foundation from Turkey between 2011-2016. The Foundation has also continued its mission of thought leadership with articles published in reputable international publications in the field of philanthropy.

Institutions

Over the past 45 years, the Foundation has built more than 120 institutions at 78 residential areas across Turkey including schools, student

dormitories, healthcare facilities, cultural centers, sports facilities, libraries, teachers' centers, social facilities and Sabancı University, which is one of the most significant investments of the Sabancı Foundation.

In 2019, one of these institutions, Adana - Hacı Ömer Sabancı Cultural Center has been renovated and the Sabancı Chamber Theater has been added as a new hall to the center.

Sakıp Sabancı Mardin City Museum and Dilek Sabancı Art Gallery has been operated first by Mardin Governorship and then by the Ministry of Culture and Tourism after being restored and opened by Sabancı Foundation in 2009. The museum and the art gallery started to be operated by Sabancı Foundation in 2018 and have celebrated their 10th anniversary in 2019. In 2019, a photography exhibition named "From Document to Fiction, From Workshop to Museum - Photographs on Mardin" has been opened. Besides, the 1952 model Chevrolet automobile started to be exhibited on the entrance of the museum, which was the only automobile during its time in Mardin. The total number of visitors since the opening of the museum has reached more than 900 thousand people.



Culture&Art

In 2019, the Foundation continued to support various culture and arts activities, including **State Theaters - Sabancı International Adana Theater Festival and the International Ankara Music Festival.**



Having received support from Sabancı Foundation for 11 years, the **Turkey Youth Philharmonic Orchestra** was comprised of 76 young musicians chosen from 12 universities in 2019. After a three-week camp at Sabancı University, the ensemble performed seven concerts overseas and two concerts in Istanbul.

Initiated in 1990 and supported by Sabancı Foundation since 2003, the **Metropolis Ancient City** excavation continued in 2019. Located in Izmir, Torbalı, Metropolis was opened to visitors as an archaeological site in 2015. The special Turkish bath structure discovered in 2019 shows that it has a very advanced heating system, and engineering work has been made which allows clean and dirty water to pass without contacting each other.

In 2016, the Sabancı Foundation started a Short Film Competition with the motto **“Short Film, Long Impact”** to raise awareness on social issues through art, to highlight the creative perspective of cinema and to empower and encourage young talents. The award ceremony for the third Short Film Competition with the theme “Discrimination” was held in January 2019. Sabancı Foundation 4th Short Film Competition, was opened for application with a special preview held in Sakıp Sabancı Mardin City Museum and was organized with the theme “Digital Loneliness.”

The other events supported in the area of culture-arts by the Sabancı Foundation have been 7th Dilek Sabancı Theater Festival, 6th Ayvalık AIMA Music Festival and 7th Accessible Film Festival.

Scholarships and Awards

Since its establishment, the Foundation has provided more than 48 thousand scholarships through the scholarship program in 45 years. In 2019, nearly 1,500 students benefited from Sabancı Foundation scholarships, with 300 being first-time beneficiaries. A well-attended scholarship meeting was held with the participation of graduated and current scholars of the Foundation in 2019 and mentorship relation has been established between the graduated scholars and the current ones.

Additionally, the Sabancı Foundation Awards Program recognized individuals with awards for their exceptional performance in education, sports, arts and culture both in Turkey and abroad. More than 1,150 awards have been provided to date.

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Sabancı University

Sabancı University is ranked first among the 34 Turkish universities in the 2020 World University Rankings by Times Higher Education (THE), placed in the 401st-500th interval.

Sabancı University is ranked first among the foundation universities in Turkey according to the “University Entrepreneurship and Innovation Index” produced by Ministry of Industry and Technology, and TÜBİTAK.

Sabancı Group established a “world university” under Sabancı Foundation’s stewardship in 1994. During the foundation of Sabancı University, a new and original university design was created. Sabancı University opened its doors to students in 1999 and today is considered a model institution by numerous universities.

Sabancı University’s original education system is what makes a difference. Academic programs at Sabancı University are innovative and interdisciplinary.

The educational system of the university is based on the Common Foundations Development Year, which all students must complete regardless of their subsequent program choices. During this year, students develop a

foundation of knowledge, critical reasoning and an interdisciplinary approach. In the second phase of Foundations Development, students are free to choose the introductory courses of their preferred diploma program from among 13 different programs.

Turkey’s most entrepreneurship-focused and innovative foundation university

In 2012, for the first time in Turkey, the Ministry of Industry and Technology, and TÜBİTAK produced a “University Entrepreneurship and Innovation Index.” Sabancı University was ranked first among the universities in Turkey. Sabancı University received the highest rating among all universities in 2015, 2016 and 2017 to be named Turkey’s “Most Entrepreneurial and Innovative University.” In 2018 ranking, Sabancı University maintained the first place among foundation universities.

One of the most prestigious universities in the world

In 2019, Sabancı University maintained its position in the global top rankings compiled by prestigious organizations such as Times Higher Education and QS.

In Times Higher Education’s THE 2020 World University Rankings, Sabancı University placed in the 401st-500th interval among a total of 1,396 universities from 92 countries. Sabancı University was the top Turkish university in THE 2020 World University Rankings, which featured a total of 34 universities from Turkey.





Sabancı University entered the ranking of “Times Higher Education (THE) Best Universities in the Emerging Economies 2020” at the 40th place and ranked first among the 34 universities in Turkey. Moreover, Sabancı University ranked also first among the Turkish universities in THE 2019 Best Young Universities in the World ranking and THE Asia Universities Ranking 2019.

Sabancı University Nanotechnology Research and Application Center (SUNUM) was established in 2010 through a joint investment of the Ministry of Development and Sabancı Foundation. The Center conducts interdisciplinary studies in a wide range of areas, including advanced materials, nanobiotechnology, nanomedicine, nanoelectronics, nano-optics, micro-nanofluids, micro-nanoelectromechanical systems, renewable energy systems, three-dimensional printing, biosensors and biomedical applications, food security and wireless broadband communication technologies.

Sabancı University Integrated Manufacturing Research and Application Center (SU-IMC) aims to become a global bridge between academia and industry through exemplary university-industry cooperation. Established in Teknopark Istanbul by SU-IMC and Kordsa as a pioneering business model in the field of composite technologies, the Composite Technologies Center of Excellence (CTCE) has taken its rightful place among the world’s leading composite technology centers, inspiring pride across Turkey.

Istanbul International Center for Energy and Climate (IICEC) was established to deliver objective, high-quality economic and political studies in the area of energy and climate. IICEC is a future-oriented, independent research and policy center. IICEC’s initiatives help develop forward-looking sustainable energy solutions for the region and the world.

The Sabancı University Center of Excellence in Finance (CEF) serves as a bridge between academia, the world of finance and the real sector. CEF organizes certification programs, seminars, workshops and high-level conferences. Additionally, the Center researches a wide range of groups, from academics and the finance world to the real sector and individual investors.

Sabancı University Gender and Women’s Studies Center of Excellence (SU Gender)’s main activities include Purple Certificate and Curious Steps. SU Gender also promotes the accumulation of further knowledge in the field via the Dicle Koçacıoğlu Article Awards and Şirin Tekeli Research Awards. The Center supports the transformation toward gender equality in society through activities such as international conferences, panels, talks and adult education.

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Sabancı University

In 2019, Sabancı Business School entered the 69th ranking in the Financial Times European Business School Rankings, which it took the first place among the Turkish business schools.

Education at Sabancı University is organized under the Faculty of Engineering and Natural Sciences (FENS), Faculty of Arts and Social Sciences (FASS), and Sabancı Business School (SBS).

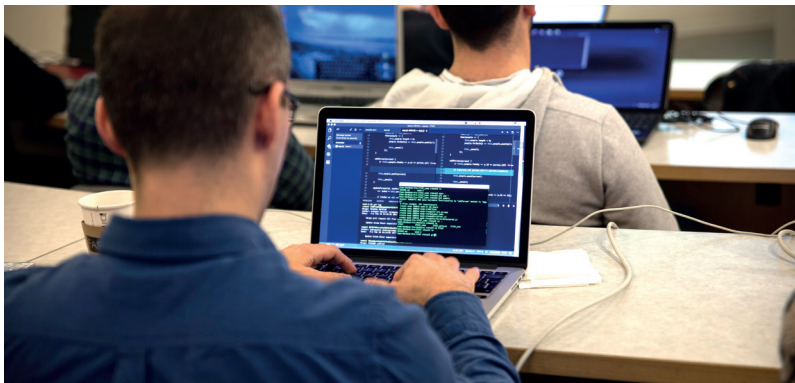
Istanbul Policy Center (IPC) is a policy research institution working at a global level, with expertise in major political and social issues ranging from democratization to climate change, transatlantic relations to conflict analysis and resolution.

Faculties

Education at Sabancı University is organized under three faculties: Faculty of Engineering and Natural Sciences (FENS), Faculty of Arts and Social Sciences (FASS), and Sabancı Business School (SBS). All faculties offer undergraduate, graduate and postgraduate programs.

Industrial Engineering; and graduate programs in Energy Technologies and Management, Information Technology, Data Analysis, Molecular Biology, Genetics and Bioengineering, Electronics Engineering, Computer Science and Engineering, Mechatronics Engineering, Industrial Engineering, Manufacturing Engineering, Materials Science and NanoEngineering, Cyber Security, Physics, and Mathematics.

The Faculty of Arts and Social Sciences offers undergraduate programs in Economics, Visual Arts and Visual Communication Design, Cultural Studies, Political Science, International Studies and Psychology. Graduate-level programs include Economics, Visual Arts and Visual Communication Design, Public Policy, Political Science, Conflict Analysis and Resolution, Cultural Studies, History, European Studies, Turkish Studies, International Studies and Gender Studies.



The Faculty of Engineering and Natural Sciences offers undergraduate programs in Computer Science & Engineering, Molecular Biology, Genetics and Bioengineering, Materials Science and NanoEngineering, Mechatronics Engineering, Electronics Engineering, and

Sabancı Business School offers undergraduate, graduate and postgraduate degrees in Management as well as Executive Programs at the graduate level in Management, Finance and Business Analytics. In 2018, as part of the Executive Education cooperation between Sabancı Business School and Columbia Business School (CBS), one of the top management schools in the world, Executive MBA students participated in a two-week leadership program at CBS in New York. In 2019, Sabancı Business School entered the 69th ranking in the Financial Times European Business School Rankings, which is one of the most prestigious universities and programs ranking organizations of the world and it took the first place among the Turkish business schools.



The Executive MBA Program of the Sabancı Business School also ranked 94th in the Executive MBA Ranking 2019 published annually by the Financial Times, one of the world's most prestigious publications.

Sabancı University Executive Development Unit (EDU) organizes executive development programs for the corporate world. EDU also has education programs open to general enrollment to share its knowledge and experience with wider audiences and to provide support to professionals seeking continuous development. In 2019, EDU ranked 58th in the Financial Times' Executive Education - Customized Programs ranking, rising 20 places. EDU was also the only educational institution to be listed in the region between Italy and India in 2019.

Alumni

To date, a total of 12,567 diplomas, 8,071 of which are from undergraduate programs and 4,496 from graduate programs have been awarded by Sabancı University. Some 81% of graduates entered the workforce while 13% opted to advance their education at the postgraduate level; meanwhile, 96% of Sabancı University graduates were either employed or admitted to graduate school within one year of graduation. The universities that Sabancı University graduates chose as their destinations for graduate school include Carnegie Mellon University, University of California, Politecnico di Milano, Boston University, Harvard University, Brown University, Stanford University and the University of Massachusetts.

A campus that lives and breathes

Sabancı University's campus is capable of meeting all the day-to-day needs of its students. It is equipped with all necessary amenities and facilities, including a performing arts center, gym, health center, supermarket, movie theater and outdoor athletic facilities.

Sabancı University Altunizade Campus will be completed in the first half of 2020 and will become a part of an innovation-focused ecosystem that consolidates the collaboration created under SabancıDx Digital Campus after commencing education, research and academic studies. Therefore, with the collaboration between Sabancı University and SabancıDx, the university will create added value in this environment, where the academy, business world and all stakeholders will be working and producing together.

Sabancı University Altunizade Campus will become a part of an innovation-focused ecosystem that consolidates the collaboration created under SabancıDx Digital Campus.



Sabancı University Sakıp Sabancı Museum (SSM)

SSM currently offers a multi-faceted museum environment with rich collections, conservation units and exemplary educational programs. It also hosts temporary international exhibitions. The facility regularly organizes and hosts concerts, conferences and seminars.



Sakıp Sabancı Museum's Painting Collection constitutes a cultural treasure providing significant clues about the initial phases of Turkish painting.

The Sakıp Sabancı Museum (SSM) is located in the estate known as 'Atlı Köşk' with the annex of galleries built subsequently. The estate was bought by Hacı Ömer Sabancı in 1951 and used as a summer house by the family before it became a permanent residence for Sakıp Sabancı, housing his extensive calligraphy and painting collections. The mansion was bequeathed to Sabancı University, along with its collections and furniture in 1998. A modern gallery wing was added to the original structure and the museum was opened to the public in 2002. The exhibition space was expanded in 2005 and upgraded to meet international technical standards.

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SSM Collections

Sakıp Sabancı Museum Collection of the Arts of the Book and Calligraphy offers a comprehensive overview of 500 years of Ottoman calligraphy, with rare Koran manuscripts, kitas, albums, panels, hilyes, edicts and calligraphic tools. In 2012, the Collection was re-launched with a new design and a contemporary display allowing visitors to view augmented reality animations and take a detailed look at valuable and rare manuscripts, page by page via iPad.

Sakıp Sabancı Museum's Painting Collection constitutes a cultural treasure providing significant clues about the initial phases of Turkish painting, thus proving to be a historic continuation of the Arts of the Book and Calligraphy Collection. The collection bears witness to the processes of the transformation of the concept of image and the evolution of art and artists in Turkey while embodying the clues of the modernization process from the Ottoman Empire to the Republic of Turkey.

The Painting Collection at the SSM includes the most distinguished examples of early Turkish painting, as well as paintings by foreign artists who lived in Istanbul during the last period of the Ottoman Empire, produced from the 1850s onwards. The rooms on the ground floor of the Atlı Köşk display furniture influenced by baroque, rococo, neo-gothic, neo-classic and empire styles and ornamental works from the 19th century. The Archeological and Stone Works Collection consists of Roman, Byzantine and Ottoman pieces and is exhibited in the Museum's garden.



Exhibitions held at SSM

Sakıp Sabancı Museum continued in 2019 its rich programming of exhibitions made possible with the sponsorships of local and international notable institutions and corporations, introducing the prominent artists and art movements to art enthusiasts in Turkey.

The Russian Avant-garde. Dreaming the Future through Art and Design:

SSM hosted the most comprehensive exhibition of the Russian Avant-garde to date in Turkey with the support of Sabancı Holding. The exhibition 'The Russian Avant-garde. Dreaming the Future through Art and Design' represented the Russian Avant-garde movement, whose activities spanned a period from the beginning of the 20th century to 1930s, through its fertile productivity and the works of the artists and the schools that aimed to spread their art to every aspect of life with a selection including paintings, design, literature, film and theatre. As part of Sabancı University, SSM aimed to fulfill its academic mission by presenting the political strata behind the Russian Avant-garde in the exhibition in such a way as to provide a source.

The exhibition contained 513 works from the George Costakis Collection at the State Museum of Contemporary Art, Thessaloniki as well as Moscow's All-Russian Museum of Decorative Arts and Multimedia Art Museum and leading private collections in Europe, shown together for the first time, thus shedding a light upon the important place Russian Avant-garde occupied in the history of art.

Besides, the exhibition presented talks on themes such as the history of Russian politics, the architecture of the time, Russian Avant-garde's influence on art history, the artists and movements of the period, as well as film screenings, ballet and theater performances, all held in gallery spaces.

Avni Lifij. The Modern of His Time: SSM hosted the exhibition 'Avni Lifij. The Modern of His Time' in 2019 with the support of Sabancı Holding, featuring works by one of the masters of the Turkish painting, as a continuation of the previously held exhibitions 'Feyhaman Duran. Between Two Worlds' and 'Selim Turan. Thesis-Antithesis-Synthesis.' 'Avni Lifij. The Modern of His Time' consisted of the artist's works covering a wide range of genres such as self-portraits, pochades, landscapes and compositions with figures as well as his articles on politics and culture, art criticism and photographs.

The exhibition presented a selection of more than a thousand pieces by the artist, including oil paintings, studies, drawings, sketches, pochades, photographs, archive materials and personal belongings from the collections of SSM, Mimar Sinan Fine Arts University Istanbul Painting and Sculpture Museum, Ankara Painting and Sculpture Museum, National Library and private collections.

The exhibition also provided a comprehensive view of Hüseyin Avni Lifij's production in the fields of painting, photography and writing through concurrently held talks and children's workshops.

Sakıp Sabancı Museum continued in 2019 its rich programming of exhibitions made possible with the sponsorships of local and international notable institutions and corporations, introducing the prominent artists and art movements to art enthusiasts in Turkey.

Sabancı University Sakıp Sabancı Museum (SSM)

SSM organized educational programs on art and art history, history, world literature and cinema under the direction of academicians of Turkey's leading universities as part of its 2019 Education Program for Adults.

Sakıp Sabancı Museum Children's Education Programs continued throughout 2019, including midterm and summer vacations, with activities for different age groups.

Osman Hamdi Bey Beyond Vision: The exhibition 'Osman Hamdi Bey Beyond Vision' features the findings of the conservation and the scientific research on six paintings by Osman Hamdi Bey, which has been carried out as part of the Bank of America Merrill Lynch's global 'Art Conservation Project.' The exhibition is open since June 5, 2018, at the Atlı Köşk.

The exhibition aims to inform the guests about Osman Hamdi Bey's paint application techniques, the materials he used and the restoration work his paintings have undergone.

The scientific research of the exhibition was executed with the collaboration of SSM, Sabancı University Nanotechnology Research and Application Center, Koç University Surface Science and Technology Center, Istanbul Technical University Organic Chemistry Laboratory and Getty Conservation Institute.

SSM Educational Activities and Events

Children's Education

Sakıp Sabancı Museum Children's Education Programs continued throughout 2019, including midterm and summer vacations, with activities for different age groups. The programs featured special workshops, designed with inspiration from the Museum's permanent collections and temporary exhibitions, as well as activities related to philosophy, music and performing arts. The museum also organized a special event for April 23, the National Sovereignty and Children's

Day and hosted the event 'Little Gourmets' in collaboration with MSA (Mutfak Sanatları Akademisi) where participants prepared dishes with inspiration from the works by the French artist Monet.

Education Program for Adults

SSM organized educational programs on art and art history, history, world literature and cinema under the direction of academicians of Turkey's leading universities as part of its 2019 Education Program for Adults. These programs included World Literature with Prof. Cevat Çapan, 12 Master Directors: Cinema as an Art with Jak Shalom, The Art of Painting in the Ottoman Empire with Prof. Dr. Tarkan Okçuoğlu.

The museum also hosted the educational event 'Emotion Based Cultural Heritage Preservation' for the educators on November 24, the Teachers' Day.





digitalSSM Technological Arts Preservation Project

The project digitalSSM, through which the items from SSM's collections and archives are digitized and shared online via more than 77 thousand images along with related academic information, has been provided with its own physical space in 2019. Since its inception, the digitalSSM Archive and Research Space has hosted events focusing on issues such as digital archiving, digital preservation, the endurance of the technological works of art in the future and application of artificial intelligence in the museums. The events program started with a series of conferences on maintaining the endurance of the digital cultural heritage in the future and featured talks by Prof. Dr. Yaşar Tonta of the Hacettepe University, the advisor İlkyay Holt and Assist. Prof. Selçuk Artut of the Sabancı University.

The digitalSSM Archive and Research Space also initiated the Technological Arts Preservation Project in collaboration with the Sabancı University. The project, realized with an international scope, consisted of a series of conferences and workshops conducted by scholars from the prominent arts and culture institutions such as Tate Modern, Rhizome and ZKM, focusing on the preservation of digital-based art and internet art, as well as the reconstruction of works of digital art and new media art. The Technological Arts Preservation Project will continue with events inviting the representatives of the art institutions in Turkey to discuss the problems and solutions regarding digital preservation.

Collection Meetings

The 'Collection Meetings,' providing the visitors with the story behind Atlı Köşk's transformation into a 'house museum' continued in 2019, its fourth year. The monthly event is carried out under the titles 'The Arts of the Book and Calligraphy Collection Meeting', 'House Museum Meeting' and 'Preserving Cultural Heritage.'

Performing Arts Events and Film Screenings in Open-Air

In compliance with its aim of creating new spaces for performing arts in Istanbul, Sakıp Sabancı Museum hosted several open-air events in the summer of 2019. The program 'Soirée at the Museum,' organized by Jak Šalom, the director of Kadıköy Municipality Cinemathèque, featured classical films of Hollywood with major stars, in the screenings held at the Museum's Bosphorus looking garden.

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Sabancı University Sakıp Sabancı Museum (SSM)

SSM's theater event the "Stage at the Museum" that has attracted attention since its inception in 2017, took place between July 24-28, 2019.

As one of the venues of the Istanbul Jazz Festival, organized by İKSV, Sakıp Sabancı Museum hosted a performance by Cyrille Aimée & Elchin Shirinov Trio in its garden.

The "Stage at the Museum," SSM's theater event that has attracted attention since its inception in 2017, took place between July 24-28 this year with the theme 'Turning Body into a Poem.' Curated by Emre Koyuncuoğlu, the program featured plays, performances, talks, dance performances and workshops. In addition to staged performances by prominent names of the Turkish theater, such as Genco Erkal, Tülay Günal and Nazan Kesal, the event opened with the speech of Prof. Dikmen Gürün and presented talks by the journalist-writer Zeynep Oral and actor-writer Pelin Batu.

The event also featured works by young representatives of the Turkish theater, such as Erdem Şenocak and Aslı Bostancı, and included workshops aimed at both the adults and the children.

In addition to the 'Stage at the Museum', SSM also hosted the opening event of the FRINGE festival in its first year in Turkey.

Concerts

As one of the venues of the Istanbul Jazz Festival, organized by İKSV, Sakıp Sabancı Museum hosted a performance by Cyrille Aimée & Elchin Shirinov Trio in its garden. The Seed, the multi-purpose activity center within the museum, continued its program of 'Istanbul Recitals' that has featured performances of the classical music stars such as Freedy Kempf, Andrew Tysons, Goran Filipec, Stephen Kovacevich, Yeol Eum Son ve Jeung Beum Sohn.

The museum also organized a series of classical music performances titled 'The Summer Festival in the Garden,' taking place between August 5 and September 5, featuring performances by renowned names of the classical music such as İzmir Barok, Thomas Gabriel Trio, Musica Minore, Konstantin Lifschitz, Hortus Musicus, Stabat Mater and Barock M Ensemble.

Moreover, the museum hosted the documentary concert 'Voice of History at the Museum' featuring Atatürk's favorite songs on November 10 in collaboration with OMAR (Ottoman Period Music Performance and Research Center).

Yoga

Free yoga classes at SSM, which has attracted attention since its beginning and turned into a traditional event, continued in 2019 in collaboration with Cihangir Yoga. The classes, conducted by the instructors from Cihangir Yoga, took place every Wednesday between June 12 and September 25. June 21, the International Day of Yoga was also celebrated in a special event where the participants joined together for the sun salutation on the longest day of the year and Chris Chavez gave a class on August 2.

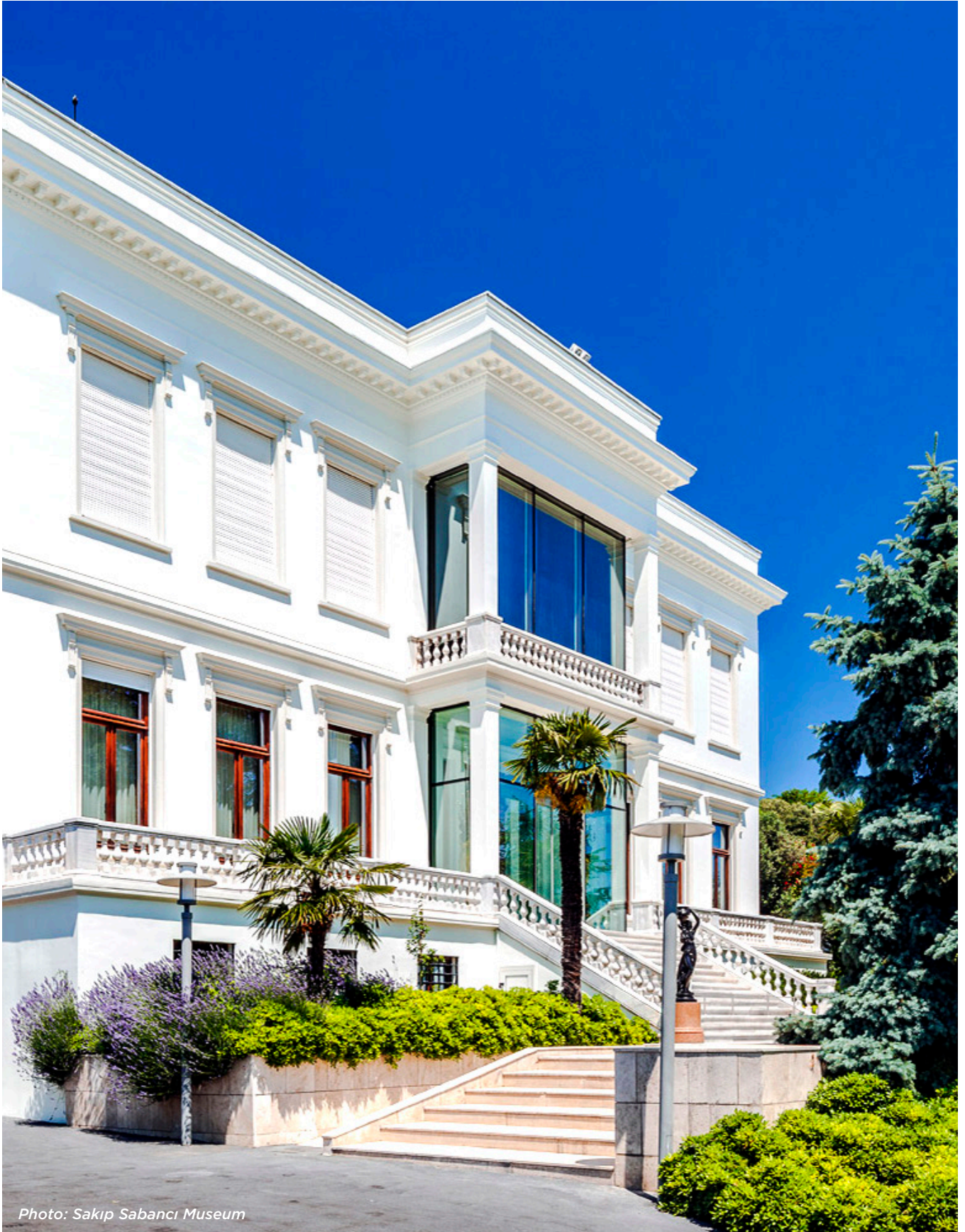


Photo: Sakıp Sabancı Museum

Corporate Social Responsibility Policy and Principles

With this policy statement, the Sabancı Group stresses corporate social responsibility principles as well as the importance and priority given to the topic by the Group.

Based on the accepted core values of modesty, respect and proximity to people, the Sabancı Group regards basing all corporate conduct on the awareness of social responsibility as an unchangeable core component of its management approach. We expect all our establishments that constitute the Sabancı Group to manage the economic, social and environmental impact of their actions with responsibility and to place a priority on the development of society. We do not regard the scope of our social responsibility limited to just our business operations or their impact. We determine our level of social responsibility and its priority on what is good for society and the environment as a whole.

We pursue a pioneering role concerning actions that protect democracy, human rights as well as the environment. At the Sabancı Group, the SA-ETHICS program, prepared and put into practice following the Principles of Corporate Social Responsibility, constitutes a guide to our business operations.

The basic principles that govern our social responsibility practices are:

Any discrimination within the organization based on race, religion, gender, age, political opinion, language, physical challenge or similar reasons is not tolerated.

We strive to ensure that people of different beliefs, views and opinions work together in harmony by creating a positive and cordial work environment that supports cooperation and prevents conflict.

We administer programs that contribute to preserving employee health that we accept as important to ensuring our employees' quality of life and success.

1. At the Sabancı Group, we believe that all employees deserve to work in a healthy and secure work environment consistent with human dignity. Our employees are our most valuable assets and we strive to provide employee safety and security as our primary goal.
2. We require our companies, beyond their legal requirements, to apply the best environmental solutions and to support any initiative that will develop and deploy environment-friendly technology and enhance environmental awareness. At the Sabancı Group, we fulfill our social and environmental responsibilities towards the society in all places that we operate, in close collaboration with our shareholders, employees, public, non-governmental organizations and other stakeholders.
3. We regard our human resources as the most significant component in creating sustainable growth. We ensure that all employees take advantage of their rights as members of the Group, fully and accurately. We treat our employees with honesty and fairness; we are committed to creating a non-discriminatory, safe and healthy work environment. We undertake efforts to enable the personal development of all employees while pursuing a balance between their private and professional lives.



Based on the accepted core values of modesty, respect and proximity to people, the Sabancı Group regards basing all corporate conduct on the awareness of social responsibility as an unchangeable core component of its management approach.

4. We manage the environmental impact of our activities with a sense of responsibility. All our companies are required to identify and apply the necessary improvements and development activities that minimize or eliminate negative environmental impact.
5. At the Sabancı Group, we strive toward the improvement of society pursuant to our sense of corporate social responsibility. We encourage our employees to take part in social and societal volunteering.
6. We develop and implement approaches to ensure that all of our partners, and particularly our suppliers, act following the social responsibility standards of the Group.
7. We show sensitivity to the traditions and culture of Turkey and other countries in which we operate. We comply with all legal regulations currently in effect.
8. We encourage our Group companies to comply with international standards and assure that their operations are certified.

All principles of this policy statement are put into practice in accordance with applicable regulations; relevant units audit the level of implementation. We consider the success of the companies with regard to social responsibility activities as a significant criterion for evaluating overall company performance. At the Sabancı Group, we disclose corporate social responsibility activities realized by our Group with the public via annual reports and on our website.

All our executives and employees, starting with the CEO of Sabancı Holding A.Ş., undertake accountability for carrying out corporate social responsibility activities.

This policy document has been prepared to share with our employees, shareholders and all other stakeholders our public commitment on the part of the Sabancı Group to fulfill our responsibility toward helping to create a better world and a better future.

Communication Principles of Sabancı Group

The Sabancı Group targets the following principle as part of its communications efforts: Sabancı Group plans and implements its operations based on striving for permanent competitive advantages by differentiating itself; the Group's mission is to manage a strategic portfolio with a competitive and sustainable growth potential in such a way that it creates value for shareholders. The principle thus adopted is manifested in the Group's business targets: To be ahead of the competition in the sectors where we operate.

It is of crucial importance that the internal and external communications of the Group are maintained consistently, constantly and transparently to safeguard and promote the corporate reputation of Sabancı Group and to manage it in harmony with its business targets and social responsibilities.

In this context:

- The Senior Management of Sabancı Holding holds public informational meetings at least once a year.
- Group Heads inform the public at least once a year.
- Sabancı Holding shares its first quarter, the first half, nine months and annual financial results with the Capital Markets Board of Turkey (CMB), Borsa Istanbul (BIST) and the public.
- Material disclosures to the BIST and press releases are simultaneously posted on the website.
- Activities of Sabancı Holding are disclosed to the public through its website in both Turkish and English. Sabancı Holding also shares information with the public through social media channels.
- Subsidiaries of Sabancı Holding inform the Sabancı Holding Corporate Communications Department before the implementation of the planned communications activities on a monthly and annual basis.
- Sabancı Holding and its subsidiaries adhere to the principles set out in the Communications Guide in all communications activities.
- The principles of the Sabancı brand usage have been outlined in the Sabancı Corporate Identity Guidelines. Sabancı Holding and its subsidiaries adhere to these principles in all matters relating to the use of the Sabancı brand.
- Frequency of such activities may be increased in line with corporate and operational developments.

Sabancı Group

Environmental Policy

Our Corporate Environment Policy

- We create and practice our environmental standards beyond legal obligations.
- We aim for excellence by sharing know-how and experience between the companies.
- We adopt a proactive approach in all our activities to continuously improve our environmental performance.
- We identify and manage environmental risks.
- We try to implement the best available production techniques.
- We contribute to sustainability while monitoring environmental developments and turning them into business opportunities.
- We support environmental awareness and information sharing for society's development.

Environmental Policy Requirements within the Group

- We comply with environmental legislation and other legal requirements.
- We carry out environmental practices beyond legal obligations and ensure compliance.
- We identify our environmental impacts.
- We identify all our environmental impacts while we develop, monitor and improve our targets, programs and monitoring systems.

We manage resource utilization within the Group.

- We determine organizational roles, responsibilities and powers in infrastructure, technology, finance and human resources, and we ensure that our employees develop environmental awareness.

We ensure systematization in our practices and create synergy among the businesses.

- We set our business standards with a proactive approach and ensure that everyone, including our employees, suppliers, and contractors, is able to practice them.
- We proactively identify the risks that may harm the environment when we carry out our activities, and we try to promptly and fully take the measures that will minimize these risks.

We continuously try to monitor and improve our environmental performance.

- We set and implement targets for energy and waste management, and natural resource utilization.
- While we aim for continuous improvement with clean products and clean production technologies, we undertake the environmental responsibility of our products and services.
- We facilitate access to information while we report our activities.

Corporate Governance Principles

Compliance Report

SECTION I - DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

The company is committed in terms of compliance with the four principles of corporate governance based on Transparency, Fairness, Responsibility and Accountability.

The company complies with the compulsory principles stipulated in the Corporate Governance Communiqué ("Communiqué") no. II-17.1.

However, complete compliance has yet to be achieved due to difficulties faced in the implementation of certain non-compulsory principles, the ongoing debate on the international platform and in our country concerning compliance with some principles, and the incompatibility between certain principles and the structure of the company and the market. The details and explanations regarding the compliant and non-compliant issues are explicitly included in our reporting in URF and KYBF formats, links of which are provided below. Developments on the relevant issues are monitored and the work in respect of compliance is ongoing.

In 2019, in accordance with the legislation, the company provided the investors and analysts with all information that is important enough to affect the investment decisions in due time in a transparent, stable and regular manner and simultaneously, regularly updated the Investor Relations website and participated in investor meetings and conferences, ensuring continuous and optimal communication with investors and analysts. Developments related to legislation were closely followed and the necessary actions were taken.

Sensitive to their social responsibilities, the company complies with regulations related to the environment, consumer, and public health as well as ethical rules. The company supports and respects international human rights.

SECTION II - BOARD OF DIRECTORS

2.1 Structure and Composition of the Board of Directors

The procedures and principles concerning the company's Board of Directors' structure, duties, management right and representation authority etc. are decided upon in accordance with the provisions stipulated in the company's Articles of Association.

The company is managed and represented by a Board of Directors consisting of a minimum of 7 and a maximum of 15 members elected by the General Assembly in accordance with the provisions of the Turkish Commercial Code and Capital Market Legislation.

The minimum qualifications to be sought for the Members of the Board of Directors are not provided for in the Articles of Association. However, the qualifications of the Members of the Board of Directors of the company comply with the required qualifications outlined in the relevant articles of the CMB Corporate Governance Principles. Three of the members of the Board of Directors are independent members determined in accordance with the CMB Corporate Governance Principles and regulations on Corporate Governance. The independent members of the Board of Directors have declarations of independence. There is no circumstance eliminating independence as of the related activity period.

The Members of the Board of Directors may be elected for a term of office of one year, and re-election of the members whose term of office has expired is permissible. If a membership is vacated for any reason, at its first meeting, the Board of Directors elects a new member and submits him/her to General Assembly's approval. This member completes the remaining term of his/her predecessor.

Based on the General Assembly's decisions, Board Members are authorized to perform transactions pursuant to the Articles 395 and 396 of the Turkish Commercial Code.

2.2. Operating Principles of the Board of Directors

The Board of Directors convenes as frequently as required to efficiently fulfill its duties. The Board operates in a transparent, accountable, fair and responsible manner, and while doing so it always considers the company's long-term interests.

Every year, the Members of the Board of Directors elect a chairman and a deputy chairman who will be the acting chairman in the absence of the chairman for the meetings. The Chairman of the Board of Directors determines the agenda of the Board of Directors' meetings by taking the opinions of the other members and the CEO. The determined agenda and the contents of the agenda items are communicated in writing to the Board Members one week in advance to enable them to carry out the necessary assessments and works. The agenda items of the Board of Directors' meetings are discussed explicitly and in every aspect. The Chairman of the Board of Directors is obligated to show the maximum effort for ensuring the effective participation of the non-executive members in the meetings.

The meeting days and agenda are regulated by the chairman or the deputy chairman.

The Board of Directors convenes as necessitated by the company affairs upon the chairman's or deputy chairman's call for the meeting. The meeting date may be determined with the decision of the Board of Directors as well. In case the chairman or the deputy chairman does not call the Board of Directors for the meeting upon the request of one of the members, then the members will be entitled to make a call for the meeting ex-officio.

The Board of Directors must convene at least four (4) times a year.

Unless one of the members requests a meeting that will be held physically, the decisions of the Board of Directors can be taken by means of getting the written approvals of the other members for another member's proposal regarding a certain issue.

Meeting and decision quorums of the Board of Directors are subject to the provisions of the Turkish Commercial Code.

The Board of Directors of the company held 6 meetings between 01 January 2019 and 31 December 2019. At the Board meetings, each member had 1 vote, and unanimous consent was sought while resolving matters and the Board always complied with Corporate Governance Principles. All Board Members, excluding those who were excused, attended all the Board meetings. Since the Board Members did not have any questions regarding these matters, they are not recorded in the meeting minutes. No opposite opinions were put forward against the resolutions reached by the Board Members at the Board meetings held in 2019.

In 2019, the Board Members neither engaged in any business with the company nor attempted to conduct a business falling within the company's fields of operation.

2.3 Number, Structure and Independence of the Committees Established within the Structure of the Board of Directors

According to the Company's Articles of Association, the Board of Directors establishes a sufficient number of Committees ("Committee") to fulfill the required tasks and responsibilities properly.

The liabilities of the "Nomination Committee" and the "Remuneration Committee" stipulated in Article 4.5.1 of the Communiqué are undertaken by the "Corporate Governance

Committee." Moreover, although the company pays special attention to comply with the recommendation outlined in the Article 4.5.5 of the Communiqué providing that "Members of the Board of Directors cannot assume duties in multiple Committees;" since the Committee membership requires professional expertise, members of our Board of Directors can be a member in multiple Committees.

Corporate Governance Committee

Corporate Governance Committee aims to maintain the continuity of the management process based on the ethical values of the company, having internal and external accountability, risk awareness and that is transparent and responsible in its decisions and oversees the benefits of the stakeholders and has a sustainable success goal.

The duty of this Committee is to make suggestions and recommendations to the Board of Directors with regard to establishing the Corporate Governance Principles in line with the principles of the CMB or other internationally recognized Corporate Governance Principles.

Corporate Governance Committee, including the President, is composed of a maximum of five Members, and two Rapporteurs appointed by the Board of Directors of the company in accordance with the "Corporate Governance Principles" of the CMB. The Chairman of the Corporate Governance Committee is appointed by the Board of Directors from among the independent members.

Should the position of Chairman of the Committee become vacant for any reason, the Chairman of the Board assigns one of the Committee Members as temporary Chairman until the new Chairman is appointed at the next Board meeting.

The Corporate Governance Committee ensures the implementation of the Corporate Governance Principles within the company, and if these principles are not implemented, the Committee makes suggestions for improvement to the Board of Directors. The Committee oversees the activities of the Investor Relations Department. Alongside the determination of the principles and evaluation of the performance and remuneration of the Board of Directors and Senior Executive Managers, the Committee submits the independent candidate member proposals to the Board of Directors by evaluating the independence qualifications of the candidates, also taking into account the candidates nominated by the management and the shareholders. The Independent Board Member Candidate submits a written declaration to the Corporate Governance Committee at the time of nomination.

Corporate Governance Principles Compliance Report

The Corporate Governance Committee convenes at least 4 times a year. The Committee convened 5 times in 2019.

The members of the Corporate Governance Committee determined in accordance with the decision of the Board of Directors of the company are as follows:

Name Surname	Position	Nature of the Board of Directors Membership / Duty
Nafiz Can PAKER	Chairman of Corporate Governance Committee	Independent Board Member
Serra SABANCI	Member of Corporate Governance Committee	Non-Executive Board Member
Sevil SABANCI SABANCI	Member of Corporate Governance Committee	Non-Executive Board Member
Gökhan EYİĞÜN	Member of Corporate Governance Committee	Secretary General
Levent DEMİRAĞ	Member of Corporate Governance Committee	Head of Financial Affairs, Accounting and Investor Relations Department

Early Detection of Risk Committee

Early Detection of Risk Committee was established in accordance with Article 378 of the Turkish Commercial Code (Law no. 6102) and the provisions of the Capital Markets Board's Communiqué on the Corporate Governance Principles.

The Committee performs activities with the purposes of early detection of any risk such as strategic, operational, financial, compliance etc. that may jeopardize the existence, development and continuity of the company, of taking necessary measures, implementing solutions and managing the risk.

The members of the Committee shall be determined by the Board of Directors of the company and disclosed to the public. The Chairman of the Committee is appointed among independent members by the Board of Directors of the company. In the Committee; there is a maximum of two Members elected by the company's Board of Directors except for the Chairman. The members of the Committee are preferably selected from among the non-executive Board Members.

Committee meetings are held at least six times a year, at a location deemed appropriate by the Chairman. The annual meeting schedule is determined by the Chairman of the Committee and communicated to all committee members at the beginning of each year.

The term of office of the Committee members is in parallel to the term of office of the Members of the company's Board of Directors. The Committee is re-established upon the election of the Members of the Board of Directors.

Early Detection of Risk Committee convened 6 times in 2019.

Name Surname	Position	Nature of the Board of Directors Membership
Mehmet Mete BAŞOL	Chairman of Early Detection of Risk Committee	Independent Board Member
Sevil Sabancı SABANCI	Member of Early Detection of Risk Committee	Non-Executive Board Member
Gökhan EYİĞÜN	Member of Early Detection of Risk Committee	Secretary General

Audit Committee

The duty of the Audit Committee is to supervise the company's accounting system, financial reporting, disclosure of financial statements, progress and effectiveness of independent audit and internal control systems, on behalf of the company's Board of Directors. The Audit Committee reports its activities, evaluations and suggestions with respect to its duties and area of responsibility to the Board of Directors in writing.

The Chairman and the Members of the Audit Committee are appointed by the Board of Directors from among the Independent Members.

The Audit Committee held four meetings in 2019 and the main agenda items were the review of the independent audit report and the examination of the presentations of the Audit Department.

The members of the Audit Committee determined in accordance with the decision of the Board of Directors of the company are as follows:

Name Surname	Position	Nature of the Board of Directors Membership
Mehmet Mete BAŞOL	Chairman of the Audit Committee	Independent Board Member
Ahmet ERDEM	Member of Audit Committee	Independent Board Member

Portfolio Management Committee

The Portfolio Management Committee was established to implement the necessary measures for the management and development of H.Ö. Sabancı Holding A.Ş.'s portfolio to ensure maximum value and dividend yield and to assist the Board of Directors in fulfilling its duties and responsibilities properly.

The members of the Committee are determined by the Board of Directors of the company. The Portfolio Management Committee convened 6 times in 2019.

Name Surname	Position	Nature of the Board of Directors Membership
Güler SABANCI	Chairman	Chairman of the Board of Directors
Erol SABANCI	Member	Vice Chairman
Suzan Sabancı DİNÇER	Member	Board Member
Sevil Sabancı SABANCI	Member	Board Member
Serra SABANCI	Member	Board Member
Cenk ALPER	Member	Board Member and CEO

2.4. Risk Management and Internal Control Mechanism

The Sabancı Group holds the position that every risk brings an opportunity, and considers that “sustainable growth” may be achieved by effectively identifying, measuring, and managing risks. The Group places great importance on risk management to “create value for its stakeholders,” which is a crucial part of its mission. As one of Turkey’s leading institutions, the Sabancı Group continues to implement a defined risk management system throughout the company with its strong risk management infrastructure.

In Sabancı Group, the risk is seen as a concept that incorporates opportunities as well as threats and corporate risk management is applied as a continuous and systematic process in all Group companies to manage these risks most efficiently. Efforts are being made to cultivate the risk culture throughout the Holding, and assurance is provided to ensure that the right activity is carried out taking the right amount of risk. The risks faced by the Group companies are monitored via Key Risk Indicators (KRI) determined by Sabancı Holding and Group companies. These indicators are continuously monitored and periodically reported. The necessary actions to manage the risks indicated by the Main Risk Indicators are taken by the Group companies under the coordination of Sabancı Holding.

Corporate Governance Principles Compliance Report

Ceaselessly continuing to create shareholder value in 2019 owing to the importance it attaches to risk management, Sabancı Group displayed a sustainable growth performance.

Sabancı Group will manage the potential risks in all business lines in 2020 thanks to its strong capital and effective management understanding.

Similarly, the Internal Control Mechanism has been available since the company was established. With the establishment of the Audit Committee, the Internal Control Mechanism effectively carries out the duties assigned by the Board of Directors, in compliance with the current Audit Committee Bylaws.

2.5. Company's Strategic Goals

Having determined the vision and the mission of the company, the Board of Directors incorporated them in writing in the Annual Report and announced to the public on the company's website, www.sabanci.com and company's long-term strategies are built on these principles.

The Board of Directors, together with the CEO and Group Presidents, sets three-year strategic goals which are updated each year. Whether the targets are achieved or not are monitored by executive reports prepared at the end of each month. Whether the company achieved its targets or not constitutes the basis for performance evaluation at the end of the year.

2.6 Financial Rights

The terms and conditions of any right, fee, and benefit granted to the company's Board Members are laid down in detail in the Articles of Association. The General Assembly determines the payments to be made to the Chairman and Members of the Board of Directors as well as the attendance fee. The payments made to the senior executives are disclosed to the public in the footnotes of our financial statements.

In 2019, the company did not lend any money or extend any credit to the Board Members; did not extend the maturity or improve the terms and conditions of existing debts or credits; did not extend any individual loan through third persons, or did not offer guarantees.

Reporting in URF and KYBF formats are available at <https://www.kap.org.tr/tr/Bildirim/821217> and <https://www.kap.org.tr/tr/Bildirim/826774>

Dividend Distribution Table

HACI ÖMER SABANCI HOLDİNG A.Ş. DIVIDEND DISTRIBUTION TABLE FOR 2019 (TL)

1. Paid in Capital		2,040,403,931
2. General Legal Reserves (As per Statutory Records)		408,080,786.20
According to the Article of Association, 3% of the net profit after deducting 5% general reserves and first category dividend to shareholders within the rate and regulations of the Capital Markets Board, is reserved for Hacı Ömer Sabancı Foundation.		
	As per Capital Markets Board	As per Statutory Records
3. Profit	8,544,190,000	762,235,504.88
4. Taxes (-)	1,579,222,000	30,286,096.42
5. Net Profit for the Period	3,779,736,000	731,949,408.46
6. Previous Years' Losses (-)	0.00	0.00
7. General Legal Reserves (-)	0.00	0.00
8. Net Distributable Profit for the Period	3,779,736,000	731,949,408.46
Dividend Advance Distributed (-)	0.00	0.00
Dividend Advance Less Net Distributable Profit	0.00	0.00
9. Donations During the Year (+)	384,787.50	0.00
10. Net Distributable Profit Including Donations	3,780,120,787.50	0.00
11. First Category Dividend For Shareholders	102,020,196.55	0.00
* Cash	102,020,196.55	0.00
* Share	0.00	0.00
12. Dividends Distributed to the Privileged Shareholders	0.00	0.00
13. Other Dividends Distributed	18,897,876.36	0.00
* Employees	0.00	0.00
* Members of the Board of Directors	0.00	0.00
* Non-Shareholders	18,897,876.36	0.00
14. Dividends Distributed to the Holders of Usufruct Right Certificates	0.00	0.00
15. Second Category Dividend for Shareholders	571,313,100.68	0.00
16. General Legal Reserves	0.00	0.00
17. Status Reserves	0.00	0.00
18. Special Reserves	0.00	33,473,114.97
19. Extraordinary Reserves	3,087,504,826.41	6,245,119.90
20. Other Resource Planned for Distribution	0.00	0.00

HACI ÖMER SABANCI HOLDİNG A.Ş. 2019 DIVIDEND RATES TABLE

	TOTAL DIVIDEND AMOUNT		TOTAL DIVIDEND AMOUNT/NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDEND FOR A SHARE WITH A NOMINAL VALUE OF 1 TL	
	CASH (TL)	SHARES (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
GROSS	673,333,297.23	0.00	17.81	0.33	33
NET^(*)	572,333,302.65	0.00	15.14	0.2805	28.05

^(*) Net amount is calculated with the 15% withholding tax assumption.

Events After the Balance Sheet Period

The General Directorate of Insurance of the Ministry of Treasury and Finance imposed a total administrative fine of TL 94,703,256 (Full) on Akbank, a subsidiary of the group, for failure to comply with Article 32 of the Insurance Law and other related legislation provisions and required Akbank to cease insurance agency operations for 15 days, from January 30, 2020 to February 13, 2020. The fine was paid on February 18, 2020, as per Article 17/6 of Misdemeanor Law No. 5326, and Akbank benefited from a 25% advance payment discount.

Independent Auditor's Report on the Annual Report



CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the General Assembly of Hacı Ömer Sabancı Holding A.Ş.

1. Opinion

We have audited the annual report of Hacı Ömer Sabancı Holding A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the 1 January - 31 December 2019 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Group's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 24 February 2020 on the full set consolidated financial statements for the 1 January - 31 December 2019 period.

4. Board of Director's Responsibility for the Annual Report

Group management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

Independent Auditor's Report on the Annual Report



b) to prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Group may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.

c) to include the matters below in the annual report:

- events of particular importance that occurred in the Company after the operating year,
- the Group's research and development activities,
- financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements of the Group and with the information we obtained in the course of independent audit.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.



Burak Özpoyraz, SMMM
Partner

İstanbul, 24 February 2020

Hacı Ömer Sabancı Holding A.Ş.
Convenience Translation into English of
Consolidated Financial Statements
for the Year Ended 31 December 2019
Together with Independent Auditor's Report
(Originally Issued in Turkish)



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Hacı Ömer Sabancı Holding A.Ş.

A. Audit of the consolidated financial statements

1. Our opinion

We have audited the accompanying consolidated financial statements of Hacı Ömer Sabancı Holding A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated balance sheet as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Emphasis of matter

Subsidiaries are companies in which Holding exercises a dominant influence and power to govern the financial and operating policies through exercise of voting power related to shares held by Holding together with voting power which Holding effectively exercises related to shares held by Sabancı family members. Sabancı family members allow Holding to exercise voting power in respect of shares held in these companies. In the accompanying consolidated financial statements the shares held by Sabancı family members are presented as non-controlling interest. Our conclusion is not modified in respect of this matter.



4. Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the key audit matter was addressed in the audit
<p>Impairment of loans and lease receivables in accordance with TFRS 9</p> <p>The Group has total provision for impairment of TL 12,7 billion in respect to loans and lease receivables of TL 230 billion which represent a significant portion of the Group's total assets in its consolidated financial statements as at 31 December 2019.</p> <p>TFRS 9 is a complex accounting standard which requires considerable judgement and interpretation. These judgements are key in the development of the financial models built to measure the expected credit losses on loans recorded at amortized cost. In addition, the operation of the models require large data inputs that are generated through more than one system and the accuracy and completeness of the data are key in the determination of expected credit losses on loans. Impairment allowances are calculated on a collective basis for portfolios of loans and lease receivables of a similar nature and on individual basis for significant loans taking into account Management's best estimate at the balance sheet date and historical losses incurred.</p> <p>Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loan and lease receivable balances; the classification of loans and lease receivables as per their credit risk (staging) and the importance of determination of the associated impairment allowances. Timely and correctly identification of loss event and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.</p>	<p>Within our audit procedures, we assessed policies and procedures together with the overall governance established by the Group with respect to classification of loans and lease receivables and estimation of impairment in-line with the TFRS 9 framework. We have tested the design and operating effectiveness of controls implemented by the Group in line with its governance, policies and procedures.</p> <p>Together with our modelling specialists, we have evaluated and tested the methodologies used in building impairment models in line with the requirement of TFRS 9 and the Group's policies for the significant portfolio of loans. We have tested model calculations through re-performance together with our modelling specialists. We have independently assessed together with our related specialists methodologies used in the models in respect to segmentation, use of macro-economic expectations, life time expected credit losses, losses given default.</p>



Key Audit Matters	How the key audit matter was addressed in the audit
<p data-bbox="108 527 533 551">Valuation of Pension Fund Obligations</p> <p data-bbox="108 562 770 635">The Bank has booked provision amounting to TL 38 million for Pension Fund Liabilities in the accompanying consolidated financial statements as at 31 December 2019.</p> <p data-bbox="108 664 770 1146">The Bank's Personnel Pension Fund Foundation (Pension Fund) is established in accordance with the Social Security Law numbered 506 article No 20 and is within the scope of Funds to be transferred to the Social Security Institution (SSI). Council of Ministers are authorized to determine the transfer date. The total obligation of the fund is estimated using separate methods and assumption for benefits to be transferred and for non-transferrable benefits. The valuations of the pension obligations require significant judgement and technical expertise in choosing appropriate assumptions. The Bank's management uses external actuaries for the purpose of valuations of pension obligations. The reason we focused on this area during our audit is; the importance of the actuarial and economic assumptions such as discount rates, salary increases, demographic assumptions used in the valuation of pension obligations with respect to social benefits and the significant impact that may arise from the possible change in the assumptions used in the evaluation of pension fund liabilities.</p>	<p data-bbox="788 562 1437 711">We have carried credit review on a selected sample of loans and lease receivables with the objective to identify whether the classification of loans is performed appropriately in line with TFRS 9 staging rules, whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the TFRS 9 framework.</p> <p data-bbox="788 739 1437 915">In addition, we have evaluated the appropriateness of specific impairment provision with supportable input on non-performing loans and on other significant individual loans. Based on our discussions with the Group management, we evaluated and challenged whether the key assumptions and other judgements underlying the estimation of impairment were reasonable.</p> <p data-bbox="788 944 1437 1044">We have reviewed disclosures made within the TFRS 9 framework in the financial statements of the Group with respect to loan and lease receivables and related impairment provision.</p> <p data-bbox="788 1073 1437 1201">Within our audit we tested on a sample basis the accuracy of the employee data supplied by the Bank management to the external actuary firm for the purpose of evaluation pension obligation. In addition, we verified the existence and values of the Pension Fund assets.</p> <p data-bbox="788 1230 1437 1304">Through use of our actuarial specialist, we assessed the reasonableness of assumptions and evaluation made by the external actuaries in the calculation of the liability.</p> <p data-bbox="788 1332 1437 1379">In addition to the above procedures we have reviewed disclosures made with respect to pension fund.</p>

5. Other matters

As explained in Note 2 to the consolidated financial statements, USD amounts shown in the accompanying consolidated financial statements have been translated from Turkish Lira ("TL"), as a matter of arithmetic computation only, at the official USD bid rates announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2019 for the consolidated balance sheet; and the official USD average CBRT bid rates of the year 2019 for the consolidated statement of income, consolidated statement of other comprehensive income and consolidated statement of cash flows, and they do not form part of these consolidated financial statements.



6. Responsibilities of management and those charged with governance for the consolidated financial statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

7. Auditor's responsibilities for the audit of the consolidated financial statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2019 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 24 February 2020.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.



Burak Özpoyraz, SMMM
Partner

İstanbul, 24 February 2020

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HACI ÖMER SABANCI HOLDİNG A.Ş.**CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2019 AND 2018**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

	Note	31	Audited	Audited
	References	December	Current	Prior
		2019 USD(*)	Period	Period
			31 December	31 December
			2019	2018
ASSETS				
Current Assets		34,842,417	206,970,925	185,300,225
Cash and Cash Equivalents	5	3,778,863	22,447,203	23,657,667
Financial Assets		4,749,116	28,210,697	15,789,459
- Through Profit or Loss	6.a	1,227,151	7,289,522	6,869,025
- Through Other Comprehensive Income	6.b	2,819,896	16,750,747	5,450,262
- At Amortised Cost	6.c	702,069	4,170,428	3,470,172
Trade Receivables	9	273,630	1,625,419	2,010,806
Receivables from Finance Sector Operations	32	19,739,701	117,257,770	104,749,857
Reserve Deposits with the Central Bank of the Republic of Turkey		4,468,157	26,541,745	26,433,745
Other Receivables	10	353,752	2,101,358	1,519,760
Derivative Financial Instruments	31	528,245	3,137,883	5,147,767
Inventories	11	526,021	3,124,669	2,944,845
Prepaid Expenses	12	150,338	893,037	900,603
Assets Related to Current Tax		797	4,733	16,167
Other Current Assets	22	160,409	952,864	1,850,945
		34,729,029	206,297,378	185,021,621
Non-current Assets Held for Sale	24	113,388	673,547	278,604
Non-current Assets		33,564,015	199,376,954	186,386,046
Financial Investments		10,465,874	62,169,382	47,654,602
- Through Other Comprehensive Income	6.b	8,547,473	50,773,699	38,909,591
- At Amortized Cost	6.c	1,918,401	11,395,683	8,745,011
Trade Receivables	9	3	17	126,256
Receivables from Finance Sector Operations	32	16,857,039	100,134,183	101,849,702
Other Receivables	10	509,262	3,025,117	3,054,550
Derivative Financial Instruments	31	2,271,099	13,490,781	17,540,849
Investments Accounted Through Equity Method	13	1,234,892	7,335,503	6,756,459
Investment Property	14	32,160	191,035	136,930
Property, Plant and Equipment	15	1,228,221	7,295,877	6,626,678
Use Right of Assets	17	317,407	1,885,463	-
Intangible Assets		563,701	3,348,497	2,108,876
- Goodwill	18	248,365	1,475,337	849,215
- Other Intangible Assets	16	315,336	1,873,160	1,259,661
Prepaid Expenses	12	3,656	21,719	20,991
Deferred Tax Assets	30	59,452	353,154	372,640
Other Non-Current Assets	22	21,249	126,226	137,513
Total Assets		68,406,432	406,347,879	371,686,271

These consolidated financial statements have been approved for issue by the Board of Directors on 24 February 2020 and signed on its behalf by Cenk Alper, Member of Board of Directors and CEO and Barış Oran, CFO. General Assembly has the right to change these consolidated financial statements.

(*) USD amounts presented above are translated from TRY for convenience purposes only, at the official TRY Exchange rate announced by CBRT at 31 December 2019, and therefore do not form part of these consolidated financial statements (Note 2.1.6)

HACI ÖMER SABANCI HOLDİNG A.Ş.**CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2019 AND 2018**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

	Note References	31 December 2019 USD (*)	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
LIABILITIES				
Current Liabilities		46,936,485	278,812,101	255,444,010
Short Term Borrowings	7	1,741,155	10,342,807	9,726,191
Short Term Portion of Long Term Borrowings	7	2,526,062	15,005,313	20,815,668
Liabilities From Leasing Transactions	8	51,661	306,876	-
Trade Payables	9	672,647	3,995,658	3,372,749
Payables from Finance Sector Operations	33	40,053,953	237,928,489	205,815,346
Payables related to Employee Benefits	21	10,510	62,430	93,671
Other Payables	10	1,023,319	6,078,721	6,142,410
Derivative Financial Instruments	31	301,474	1,790,818	5,348,337
Deferred Income	12	31,477	186,978	291,868
Current Tax Liabilities	30	59,913	355,895	62,396
Short Term Provisions		151,584	900,438	1,006,206
- Short Term Provisions for Employee		71,052	422,063	327,351
- Other Short Term Provisions	21	80,532	478,375	678,855
Other Short Term Liabilities	19	312,205	1,854,561	2,764,894
		46,935,960	278,808,984	255,439,736
Liabilities Related to Asset Group Held for Sale	24	525	3,117	4,274
Non-current Liabilities		10,278,835	61,058,335	59,846,465
Long Term Borrowings	7	5,511,037	32,736,661	35,222,289
Liabilities From Leasing Transactions	8	282,475	1,677,959	-
Payables from Finance Sector Operations	33	2,434,770	14,463,018	13,818,904
Other Payables	10	568,023	3,374,173	2,372,596
Derivative Financial Instruments	31	1,224,059	7,271,155	7,583,133
Deferred Income	12	14,020	83,279	116,833
Long Term Provisions		112,759	669,814	452,305
- Long Term Provisions for Employee Benefits	21	92,222	547,820	448,045
- Other Long Term Provisions	19	20,537	121,994	4,260
Taxes and Funds Payable		858	5,094	-
Deferred Tax Liabilities	30	124,070	737,000	185,504
Other Long Term Liabilities	22	6,764	40,182	94,901
EQUITY		11,191,112	66,477,443	56,395,796
Equity Attributable To The Parent	23	5,598,855	33,258,317	29,289,967
Share Capital	23	343,491	2,040,404	2,040,404
Adjustments to Share Capital		576,876	3,426,761	3,426,761
Share Premium	23	3,743	22,237	22,237
Treasury shares (-)	23	(32,065)	(190,470)	(190,470)
Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss		(19,571)	(116,253)	(74,784)
- Actuarial Gain/Loss		(19,571)	(116,253)	(74,784)
Other Comprehensive Income or Expenses Will Be Reclassified to Profit or Loss		89,529	531,823	(370,833)
- Currency Translation Reserve	23	(2,310,826)	1,688,674	1,382,776
- Gains/Losses on Hedge	23	(204,251)	(1,213,290)	(535,681)
- Revaluation Reserve	23	9,501	56,439	(1,217,928)
Restricted Reserves	23	197,617	1,173,886	1,050,078
Retained Earnings		6,369,008	22,590,193	19,556,239
Net Income for the Period		665,332	3,779,736	3,830,335
Non-controlling Interests		5,592,257	33,219,126	27,105,829
TOTAL EQUITY AND LIABILITIES		68,406,432	406,347,879	371,686,271

(*) USD amounts presented above are translated from TRY for convenience purposes only, at the official TRY Exchange rate announced by CBRT at 31 December 2019, and therefore do not form part of these consolidated financial statements (Note 2.1.6)

The accompanying notes form an integral part of these consolidated financial statements.

HACI ÖMER SABANCI HOLDİNG A.Ş.**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

	Note References	1 January - 31 December 2019 (USD) (*)	Audited Current Period 1 January - 31 December 2019	Audited Prior Period 1 January - 31 December 2018
CONTINUING OPERATIONS				
Sales (net)	4, 25	3,306,297	18,782,988	16,260,337
Cost of Sales (-)	4, 25	(2,618,333)	(14,874,681)	(12,857,297)
Gross Profit from Non-Financial Operations		687,964	3,908,307	3,403,040
Interest, Premium, Commission and Other Income	4	7,231,801	41,083,678	38,027,550
Interest, Premium, Commission and Other Expense(-)	4	(4,778,980)	(27,149,264)	(24,712,239)
Gross Profit from Financial Operations		2,452,821	13,934,414	13,315,311
GROSS PROFIT		3,140,785	17,842,721	16,718,351
General and Administrative Expenses (-)	26	(1,350,552)	(7,672,450)	(6,695,806)
Marketing Expenses (-)	26	(385,650)	(2,190,870)	(1,979,695)
Research and Development Expenses (-)	26	(3,430)	(19,486)	(15,086)
Other Income from Operating Activities	27	188,083	1,068,496	1,865,933
Other Expense from Operating Activities (-)	27	(186,069)	(1,057,054)	(1,787,733)
Share of Profit of Investments Accounted for Using the Equity Method	13	258,176	1,466,691	808,460
OPERATING PROFIT		1,661,343	9,438,048	8,914,424
Income from Investing Activities	28	30,893	175,503	739,354
Expense from Investing Activities (-)	28	(13,474)	(73,714)	(6,663)
OPERATING PROFIT BEFORE FINANCIAL EXPENSES		1,678,762	9,537,007	9,647,115
Financial Income	29	12,046	68,432	226,709
Financial Expenses (-)	29	(186,781)	(1,061,097)	(975,562)
INCOME BEFORE TAX FROM CONTINUING OPERATIONS		1,504,027	8,544,342	8,898,262
Tax Expense from Continuing Operations				
Current Tax Expense	30	(344,260)	(1,955,731)	(1,357,175)
Deferred Tax Income/(Expense)	30	66,275	376,509	(298,659)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		1,226,042	6,965,120	7,242,428
DISCONTINUED OPERATIONS				
Income After Tax From Discontinued Operations	24	(27)	(152)	23
PROFIT FOR THE PERIOD ALLOCATION OF PROFIT		1,226,015	6,964,968	7,242,451
- Non-controlling Interests		560,684	3,185,232	3,412,116
- Owner of the Company		665,332	3,779,736	3,830,335
Earnings per share				
- hundreds of ordinary shares (TRY) (Note 34)		0.33	1.85	1.88
Earnings per share from continuing operations				
- hundredss of ordinary shares (TRY) (Note 34)		0.33	1.85	1.88

(*) USD amounts presented above are translated from TRY for convenience purposes only, at the official TRY Exchange rate announced by CBRT at 31 December 2019, and therefore do not form part of these consolidated financial statements (Note 2.1.6)

HACI ÖMER SABANCI HOLDİNG A.Ş.**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

	Note References	Audited Current period 1 January - 31 December 2019	Audited Prior period 1 January - 31 December 2018
NET INCOME FOR THE YEAR		6,964,968	7,242,451
Other Comprehensive Income/(Loss):			
Items That Will Not Be Reclassified			
To Profit or Loss		(84,326)	2,416
Actuarial (losses)/gains, after tax	30	(72,339)	3,887
Other comprehensive income/(expense) shares of investments accounted by equity method, after tax	30	(11,987)	(1,471)
Items That Will Be Reclassified To Profit or Loss		2,452,739	(1,122,129)
Fair value gains/(losses) from financial assets through other comprehensive income	30	3,089,644	(1,934,514)
Currency translation differences	30	710,487	1,512,992
Cash flow hedges after tax	30	(994,821)	(205,284)
Income/(loss) from the derivative financial assets related to net investment hedge in a foreign operation, after tax	30	(155,126)	(384,609)
Other comprehensive income/(expense) shares of investments accounted by equity method, after tax		(197,445)	(110,714)
OTHER COMPREHENSIVE INCOME/(LOSS) (AFTER TAX)		2,368,414	(1,119,713)
TOTAL COMPREHENSIVE INCOME		9,333,381	6,122,738
ALLOCATION OF TOTAL COMPREHENSIVE INCOME			
- Non-controlling Interests		4,692,454	2,784,107
- Equity Holders of the Parent		4,640,923	3,338,631

The accompanying notes form an integral part of these consolidated financial statements.

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currents other than TRY are expressed in thousands unless otherwise indicated.)

	Accumulated Other Comprehensive Income or Losses That Will											Total		
	Not be reclassified					Be reclassified								
	Share capital	Adjustment to share capital	Treasury Shares (-) premium	Share premium	Actuarial gains / losses	Currency translation reserve	Hedge Reserve	Revaluation funds	Restricted reserve	Retained earnings	Net income for the year		Equity attributable to the parent	Non-controlling interests
Balance at 1 January 2018	2.040.404	3.426.761	(190.470)	22.237	(76.380)	724.660	(349.708)	(310.337)	1.032.916	16.790.619	3.481.086	26.591.788	25.406.151	51.997.939
Effect of changes in accounting policies	-	-	-	-	-	-	-	57.591	-	(43.869)	-	13.722	29.183	42.905
Restated balance as of 1 January 2018	2.040.404	3.426.761	(190.470)	22.237	(76.380)	724.660	(349.708)	(252.746)	1.032.916	16.746.750	3.481.086	26.605.510	25.435.334	52.040.844
Transfers	-	-	-	-	-	-	-	-	31.033	3.450.053	(3.481.086)	-	-	-
Dividends paid (*)	-	-	-	-	-	-	-	-	-	(639.523)	-	(639.523)	(1.042.122)	(1.681.645)
Other (**)	-	-	-	-	696	-	-	(435)	(13.871)	15.765	-	2.155	-	2.155
Transactions with non-controlling interests (****)	-	-	-	-	-	-	-	-	-	(16.806)	-	(16.806)	(71.490)	(88.296)
Total comprehensive income	-	-	-	-	900	658.116	(185.973)	(964.747)	-	-	3.830.335	3.338.631	2.784.107	6.122.738
Balances at 31 December 2018	2.040.404	3.426.761	(190.470)	22.237	(74.784)	1.382.776	(535.681)	(1.217.928)	1.050.078	19.556.239	3.830.335	29.289.967	27.105.829	56.395.796
Balance at 1 January 2019	2.040.404	3.426.761	(190.470)	22.237	(74.784)	1.382.776	(535.681)	(1.217.928)	1.050.078	19.556.239	3.830.335	29.289.967	27.105.829	56.395.796
Transfers	-	-	-	-	-	-	-	-	123.808	3.706.527	(3.830.335)	-	-	-
Subsidiary acquisition or sale (*****)	-	-	-	-	-	-	-	-	-	(11.728)	-	(11.728)	(297.901)	(309.629)
Dividends paid (*)	-	-	-	-	-	-	-	-	-	(62.162)	-	(62.162)	(62.162)	(723.007)
Capital increase (***)	-	-	-	-	-	-	-	-	-	(660.845)	-	(660.845)	-	-
Total comprehensive income	-	-	-	-	(41.469)	305.898	(677.609)	1.274.367	-	-	3.779.736	4.640.923	4.692.458	9.333.381
Balances at 31 December 2019	2.040.404	3.426.761	(190.470)	22.237	(116.253)	1.688.674	(1.213.290)	56.439	1.173.886	22.590.193	3.779.736	33.258.317	33.219.126	66.477.443

(*) Dividends paid by the Holding per share with a TRY1 nominal value is TRY0,30 (2018: TRY0,30).

(**) Enerji Enerji A.Ş.'s initial public offering, consisting 20% of the Entity's share, was completed on February 8, 2018.

(***) In January 2019, Akbank's subsidiary's paid-in capital increased by TRY1.2 billion (full) to TRY5.2 billion (full) from 4 billion (full) TRY.

(****) In April 2018, 6.908.992 lot shares corresponding to 5,11% of the shares of Çimsa Çimento Sanayi ve Ticaret A.Ş., a subsidiary of the Group, were purchased at a price of TRY12,78 per lot.

(*****) A subsidiary of the Group Temsa Ulaşım Araçları A.Ş., was sold on 30 May 2019, and subsidiary Yünsa was sold on 26 November 2019.

The accompanying notes form an integral part of these consolidated financial statements.

HACI ÖMER SABANCI HOLDİNG A.Ş.**CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

	Note	Audited 1 January - 31 December 2019	Audited 1 January - 31 December 2018
	References		
Net income before tax from continuing operations		8.544.342	8.898.262
Net income before tax from discontinued operations		(152)	23
Adjustments to reconcile income before taxation to net cash provided by operating activities			
Depreciation and amortization expenses	4	1.403.433	837.400
Provision for loan losses		7.137.683	7.106.229
Changes in the fair value of derivative instruments		639.063	(6.138.539)
Interest income and foreign currency gains		(8.420.665)	(7.778.924)
Interest expense		1.365.778	838.909
Provision for employment termination benefits		139.163	146.888
Impairment charge on property, plant and equipment, intangible assets and investment property	14,15,16	4.395	(10.178)
Impairment of goodwill	18	-	150.200
Income from sale of property, plant and equipment, intangible assets and investment property		(65.429)	(598.483)
Income from associates and joint ventures		(1.466.691)	(808.460)
Income from sale of shares of subsidiaries		46.495	-
Adjustments for impairment loss of non-current assets classified as held for sale	24	938.867	-
Provision for / (reversal of) inventory impairment		(16.917)	2.538
Provision for / (reversal of) doubtful receivables		(125.675)	102.853
Income from sale of shares of associates / joint ventures		(56.525)	(144.538)
Unrealized foreign currency translation differences		36.160	28.146
Other		-	1.459
Net cash provided by operating activities before changes in operating assets and liabilities		10.103.325	2.633.785
Changes in trade receivables		(2.488)	(184.855)
Changes in inventories		(568.957)	(562.451)
Changes in other receivables and other current assets		(26.038)	(2.719.544)
Changes in trade payables		832.258	462.708
Changes in other liabilities and other payables		(275.599)	3.929.590
Net cash provided in operating activities of assets classified as held for sale		240.649	5.973
Changes in assets and liabilities in finance segment:			
Changes in securities held for trading		(411.136)	(138.308)
Changes in receivables from finance sector operations		(15.797.616)	(7.515.936)
Changes in payables from finance sector operations		33.640.035	(8.639.974)
Changes in Central Bank of the Republic of Turkey account		978.156	6.160.679
Income taxes paid	20	(1.385.511)	(1.204.843)
Employment termination benefits paid		(102.435)	(107.311)
Net cash provided from operating activities		27.224.643	(7.880.487)
Capital expenditures	4	(1.900.829)	(2.131.841)
Sale / (purchase) of available for sale and held to maturity financial assets		(20.853.658)	4.340.100
Purchase of subsidiaries, associates and joint ventures		(998.946)	(576.535)
Share sale of subsidiaries		252.149	-
Share sale of joint ventures		152.930	738.168
Proceeds from sale of noncurrent assets held for sale, property, plant and equipment and intangible assets		133.052	1.154.660
Dividends received		565.570	490.026
Capital increase of joint ventures		-	(714.000)
Net cash provided from / (used in) operating activities		(22.649.732)	3.300.578
Cash inflow from financial liabilities		3.245.573	20.180.086
Financial liability repayments		(12.252.903)	(10.276.282)
Dividends paid		(660.845)	(639.523)
Share capital increase of subsidiaries		1.780.902	-
Dividends paid to noncontrolling interests		(62.162)	(1.042.122)
Net cash provided by / (used in) financing activities		(7.949.435)	8.222.159
Effect of change in foreign currency rates on cash and cash equivalents		3.245.458	5.036.545
Net increase / (decrease) in cash and cash equivalents		(129.066)	8.678.795
Cash and cash equivalents at the beginning of the period (*)		18.654.340	9.975.545
Cash and cash equivalents at the end of the period		18.525.274	18.654.340

(*) Cash and cash equivalents at the end of the period comprise interest accruals of TRY5.190 (31 December 2018: TRY 432). Restricted cash in the banks is not included in the cash and cash equivalents. At the beginning and at the end of the current period, restricted deposit is TRY 5.002.895 and TRY 3.916.739, respectively (31 December 2018: TRY 4.541.840 and TRY 5.002.895 respectively)

The accompanying notes form an integral part of these consolidated financial statements.

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP

Hacı Ömer Sabancı Holding A.Ş. (the “Holding”) was established in 1967 to coordinate and perform liaison services regarding the activities of companies operating in various fields including mainly finance, manufacturing and trade. The Holding is registered in Turkey. The number of employees in 2019 is 62,051’dir (31 December 2018: 64,294). Holding’s registered address is as follows:

Sabancı Center, 4. Levent, İstanbul, Türkiye.

The Holding is registered with the Capital Markets Board (“CMB”) and its shares have been quoted on Borsa İstanbul (“BİST”) (previously known as the Istanbul Stock Exchange (“ISE”) since 1997. As of 31 December 2019 the principal shareholders and their respective shareholding rates in the Holding are as follows (Note 23):

	(%)
Sakıp Sabancı Holding A.Ş.	14.07
Serra Sabancı	7.21
Suzan Sabancı Dinçer	6.94
Çiğdem Sabancı Bilen	6.94
<u>Other</u>	64.84
	100.00

The Holding, its subsidiaries, associates and joint ventures are together referred as the “Group”. The Holding is managed by Sabancı Family.

Subsidiaries

As of 31 December 2019, the nature of the business of the Subsidiaries consolidated in these consolidated financial statements and, their respective business segments are as follows:

Subsidiaries	Traded Stock Market	Type of Activity	Business Segment	Number of Employees
Akbank T.A.Ş. (“Akbank”)	BİST	Banking	Banking	16,604
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. (“Carrefoursa”)	BİST	Trade of Consumer Goods	Retailing	12,574
Teknosa İç ve Dış Ticaret A.Ş. (“Teknosa”)	BİST	Trade	Retailing	2,270
Çimsa Çimento Sanayi ve Ticaret A.Ş. (“Çimsa”)	BİST	Cement and Clinker	Cement	2,271
Kordsa Teknik Tekstil Anonim Şirketi (“Kordsa”)	BİST	Tire Reinforcement	Industry	4,520
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. (“Exsa”)	-	Automotive	Industry	
	BİST	Textile	Industry	52
Ankara Enternasyonel Otelcilik A.Ş. (“AEO”)				2
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. (“Tursa”)	-	Trade	Other	3
Sabancı Dijital Teknoloji Hizmetleri A.Ş. (“SabancıDX”)	-	Tourism	Other	
	-	Tourism	Other	190

Subsidiaries are registered in Turkey.

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP (Continued)

For the purposes of segment information, Holding’s stand-alone financial statements have been included within the “Other” business segment (Note 4).

Joint Ventures

As at 31 December 2019, the nature of business and operating segments of the Joint Ventures which are accounted through equity method in the consolidated financial statements are as follows:

	Traded Stock Market	Type of Activity	Bussiness Segment	Ventures	Number of Employees
Joint ventures					
Aksigorta A.Ş. (“Aksigorta”) Avivasa Emeklilik ve Hayat A.Ş. (“Avivasa”)	BİST	Insurance	Insurance	Ageas	662
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. (“Brisa”) Akçansa Çimento Sanayi ve Ticaret A.Ş. (“Akçansa”)	BİST	Pension and Insurance	Insurance	Aviva	1,688
Enerjisa Enerji A.Ş. (“Enerjisa Enerji”) Enerjisa Üretim Santralleri A.Ş. (“Enerjisa Üretim”)	BİST	Tire	Industry	Bridgestone	2,956
	BİST	Cement	Cement	Heidelberg	2,214
	BİST	Energy	Energy	E.ON SE	11,483
	-	Energy	Energy	E.ON SE	1,111

All joint ventures are registered in Turkey.

Associates

As at 31 December 2019, the nature of business and operating segments of the Affiliates which are accounted through equity method in the consolidated financial statements are as follows:

	Traded Stock Market	Type of Activity	Bussiness Segment	Ventures	Number of Employees
Joint ventures					
Philsa Philip Morris Sabancı Sigara ve Tütün San. ve Tic. A.Ş. (Philsa)	-	Tobacco products Production	Industry	Philip Morris	2,944
Philip Morris Sabancı Pazarlama Satış A.Ş. (“Philip Morrissa”)	-	Tobacco products Marketing and Sales	Industry	Philip Morris	

Number of employees represent the total number of employees of Philsa and Philip Morrissa.

All affiliates are registered in Turkey.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 *Basis of Presentation*

2.1.1 *Statement of compliance with TAS*

Sabancı Holding, its Subsidiaries and Joint Ventures registered in Turkey maintain their books of accounts and prepare their statutory financial statements (“Statutory Financial Statements”) in TRY in accordance with the Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance, applicable Turkish insurance laws for insurance companies and banking law, accounting principles and instructions promulgated by the Banking Regulation and Supervising Agency for banks and accounting principles issued by the CMB for listed companies. The foreign Subsidiaries and Joint Ventures maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Turkish Accounting Standards issued by POA.

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards and interpretations (“TAS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué.

Additionally, the consolidated financial statements and disclosures are presented in accordance with the formats published by CMB on 7 June 2013 and the announcement published by Public Oversight Accounting and Auditing Standards Authority (“POA”) on 2 June 2016. The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional and Presentation Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in TRY, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

2.1.2 **New and Revised Turkish Accounting Standards**

a) As at 31 December 2019, new standards in force and amendments to existing previous standards and interpretations:

IFRS 9, “Financial instruments”; Effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 *Basis of Presentation (Continued)*

2.1.2 New and Revised Turkish Accounting Standards (continued)

a) As at 31 December 2018, new standards in force and amendments to existing previous standards and interpretations (continued):

Amendment to IAS 28, “Investments in associates and joint venture”; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.

IFRS 16, “Leases”; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15 ‘Revenue from Contracts with Customers’ is also applied. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right of use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRIC 23, “Uncertainty over income tax treatments”; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)****2.1 Basis of Presentation (Continued)****2.1.2 New and Revised Turkish Accounting Standards (continued)**

Annual improvements 2015 - 2017; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

- IFRS 3, ‘Business combinations’, - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, ‘Joint arrangements’, - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12, ‘Income taxes’ - a company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23, ‘Borrowing costs’ - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

Amendments to IAS 19, ‘Employee benefits’ on plan amendment, curtailment or settlement’; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

- Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

(b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2019:

Amendments to IAS 1 and IAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs:

- i) Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- ii) Clarify the explanation of the definition of material; and
- iii) Incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to IFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.2 New and Revised Turkish Accounting Standards (Continued)

(b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2019 (continued):

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform; effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

IFRS 17, “Insurance contracts”; effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

2.1.3 Basis of Consolidation

a) The consolidated financial statements include the accounts of the parent company, Hacı Ömer Sabancı Holding A.Ş., its Subsidiaries and Joint Ventures (collectively referred to as the “Group”) on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the scope of consolidation have been prepared at the date of the consolidated financial statements, and are prepared in accordance with CMB Financial Reporting Standards as explained in Note 2.1.1. The result of operations of Subsidiaries, Joint Ventures and Associates are included or excluded in these consolidated financial statements subsequent to the date of acquisition or date of sale respectively.

b) Subsidiaries are companies in which the Holding has the power to control the financial and operating policies for the benefit of the Holding either through the power to exercise more than 50% of the voting rights relating to shares in the companies as a result of shares owned directly and indirectly by itself and/or certain Sabancı family members and companies whereby the Holding exercises control over the voting rights of the shares held by them.

c) Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)****2.1 Basis of Presentation (Continued)****2.1.3 Basis of Consolidation (Continued)**

d) When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TFRS. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TFRS 9 “Financial instruments: recognition and measurement”, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The companies which Holding has less than 50% shares are considered as subsidiaries since Holding exercises a dominant influence and power to govern the financial and operating policies through exercise of voting power related to shares held by Holding together with voting power which Holding effectively exercises related to shares held by Sabancı family members. Sabancı family members allow Holding to exercise voting power in respect of shares held in these companies. In the accompanying consolidated financial statements the shares held by Sabancı family members are presented as non-controlling interest.

The table below sets out all consolidated Subsidiaries and shows the proportion of ownership interest and the effective interest of the Holding in these subsidiaries at 31 December 2019 and 2018:

Subsidiaries	31 December 2019		31 December 2018	
	Direct and indirect ownership interest by the Holding and its Subsidiaries (%)	Proportion of ownership interest (%)	Direct and indirect ownership interest by the Holding and its Subsidiaries (%)	Proportion of ownership interest (%)
AEO	76.85	76.85	76.85	76.85
Akbank	40.75	40.75	40.75	40.75
SabancıDX	100.00	100.00	100.00	100.00
Çimsa	63.52	58.10	63.52	58.10
Exsa	61.68	47.90	61.68	47.90
Kordsa	71.11	71.11	71.11	71.11
Teknosa	60.28	60.28	60.28	60.28
Temsa (*)	-	-	48.71	48.71
Tursa	100.00	100.00	100.00	100.00
Yünsa (*)	-	-	57.88	57.88
Carrefoursa	50.61	50.61	50.61	50.61

(*) Temsa Ulaşım, a subsidiary of the Group, was sold on 30 May 2019, a subsidiary of the Group Yünsa was sold on 26 November 2019.

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.1 Basis of Presentation (Continued)****2.1.3 Basis of Consolidation (Continued)**

The balance sheets and statements of profit or loss of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the shares held by the Holding and its Subsidiaries is deducted from the related shareholders' equity. Intercompany transactions and balances between the Holding and its Subsidiaries are eliminated in consolidation. The cost of financing the shares in Subsidiaries held by the Holding and its Subsidiaries and the dividends pertaining to these shares are deducted from equity and income for the period, respectively.

The Subsidiaries are included into or excluded from the scope of consolidation subsequent to the date of transmission of the control to the Group. The shares of non-controlling shareholders in the net assets and operating results of Subsidiaries are presented in the consolidated balance sheet and profit or loss table as non-controlling interests. Sabancı Family, “Sabancı Foundation” and a retirement fund for Akbank employees called “Akbank Retirement Fund” established both by Sabancı Family, have a share in the capitals of some subsidiaries and affiliates which are accounted in the consolidated financial statements. This share is considered as non-controlling share in the consolidated financial statements and it is not included in the current period profit.

e) Joint venture - If Holding and its subsidiaries have rights on net assets relating to operations subject to a joint arrangement, such net assets are accounted through equity method in the consolidated financial statements.

The table below sets out the Joint Ventures and shows the proportion of ownership interest and effective interest of the Holding in these Joint Ventures at 31 December 2019 and 31 December 2018:

	31 December 2019		31 December 2018	
	Direct and indirect ownership interest by the Holding and its Subsidiaries (%)	Proportion of effective interest (%)	Direct and indirect ownership interest by the Holding and its Subsidiaries (%)	Proportion of effective interest (%)
Joint Ventures				
Akçansa	39.72	39.72	39.72	39.72
Aksigorta	36.00	36.00	36.00	36.00
Avivasa	40.00	40.00	40.00	40.00
Brisa	43.63	43.63	43.63	43.63
Enerjisa Enerji	40.00	40.00	40.00	40.00
Enerjisa Üretim	50.00	50.00	50.00	50.00
Temsa Mısır (*)	-	-	73.75	73.75
Temsa İş Makinaları (**)	-	-	51.00	24.84

(*) Temsa Mısır, a joint venture of Temsa Ulaşım, a subsidiary of the Group, was sold on 30 May 2019.

(**) As of 9 August 2019, the Group sold 41% of its shares (Temsa İş Makinaları shares) corresponding to 80% of its total shares. As of the date of the sale, the direct and indirect shares held by the Holding and its subsidiaries decreased to 10%. The related amount is accounted as financial investment.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.3 Basis of Consolidation (Continued)

Investments in Joint Ventures were consolidated by equity method. Sabancı family members do not have any interest in the share capital of the Joint Ventures.

f) Investments in Associates are accounted for by the equity method. These are companies where the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Unrealized gains that result from intercompany transactions between the Group and its Associates are adjusted to the extent of the Group's share in the associate and unrealized losses are restated if the transaction does not address an impairment on transferred asset. In this respect, the Group does not undertake any obligation or make commitment about its Subsidiaries.

The table below sets out all Associates and shows the total interest of the Holding in these associates at 31 December 2019 and 31 December 2018:

Associates	Proportion of effective interest by the Holding (%)
Philsa Philip Morris Sabancı Sigara ve Tütün San. ve Tic. A.Ş. (“Philsa”)	25.00
Philip Morris Sabancı Pazarlama Satış A.Ş. (“Philip Morrissa”)	24.75

Sabancı family members do not have any interest in the share capital of Associates.

2.1.4 Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.1.5 Comparatives and Restatement of Prior Year Financial Statements

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance.

The Group presented the consolidated balance sheet as of 31 December 2019 comparatively with the consolidated balance sheet as of 31 December 2018 and presented the consolidated statement of profit or loss, statement of other comprehensive income, statement of cash flows and statement of changes in equity for the period 1 January - 31 December 2019 comparatively with the year 1 January - 31 December 2018.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies and Estimates and Errors

Changes made in the accounting policies and corrections regarding accounting errors are applied retrospectively and prior year financial statements are restated.

If changes in accounting estimates and errors are for only one period, changes are applied in the current year but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively. In the current year, there are not any material errors and changes in accounting estimate methods of the Group.

If any significant accounting errors are found out, changes are applied retrospectively and prior year’s financial statements are restated. There has been no significant accounting error that the Group determined in the current year.

The preparation of consolidated financial statements in conformity with Turkish Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of current event and actions, actual results ultimately may differ from those estimates. Estimates are regularly reviewed, related corrections are adjusted and accounted for related period income statement. Changes in accounting estimates, if only for a period in which the change in the current period, if it relates to future periods, both in the period they are recognized in future periods, prospectively applied to the financials to see the effect on net profit/loss for the period.

2.2.1. IFRS 16 Leases

The Group has adopted IFRS 16 “Leases” as at 1 January 2019 for the first time, in line with the transition provisions of the standard. Impacts of the first time adoption of IFRS 16 on the condensed interim consolidated financial statements of the Group are as below:

The Group – as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

- a) The contract involved the use of an identified asset – this may be specified explicitly or implicitly.
- b) The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
- c) The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies and Estimates and Errors (Continued)

2.2.1. IFRS 16 Leases (Continued)

- d) The Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
- i. the Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
 - ii. the Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

The Group books a right of use and a lease obligation to the financial statements at the date that the lease is commenced.

Right of use asset

The right of use asset is initially recognized at cost comprising of:

- a) Amount of the initial measurement of the lease liability;
- b) Any lease payments made at or before the commencement date, less any lease incentives received;
- c) Any initial direct costs incurred by the Group; and
- d) The costs assumed by the Group related to the restoration of the underlying asset to bring it in line with the terms and conditions of the lease (except those assumed for manufacturing inventory).

To apply a cost model, the Group measure the right-of-use asset at cost:

- a) Less any accumulated depreciation and any accumulated impairment losses; and
- b) Adjusted for any remeasurement of the lease liability

The Group applies IAS 16 “Property, Plant and Equipment” to amortize the right of use asset and to assess for any impairment.

The Group apply IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies and Estimates and Errors (Continued)

2.2.1. IFRS 16 Leases (Continued)

Lease Liability

At the commencement date, The Group measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group use the lessee’s incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a) Fixed payments, less any lease incentives receivable;
- b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c) The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- d) Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, the Group measure the lease liability by:

- a) Increasing the carrying amount to reflect interest on the lease liability;
- b) Reducing the carrying amount to reflect the lease payments made; and
- c) Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Extension and termination options

In determining the lease liability, the Group considers the extension and termination options. The majority of extension and termination options held are exercisable both by the group and by the respective lessor. Extension options are included in the lease term if the lease is reasonably certain to be extended. The group remeasures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment.

Variable lease payments

Group’s lease contracts also include variable lease payments which are based on income. Variable lease payments are recognised in profit or loss in the related period.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies and Estimates and Errors (continued)

2.2.1. IFRS 16 Leases (continued)

Facilitative practices

Lease agreements with lease periods of 12 or fewer months, and agreements related to information technology equipment identified as impaired by the Group (mostly printers, laptops, mobile phones and the like), are considered within the scope of the exemption in the TFRS 16 lease standard, and payments related to these agreements continue to be recognised as expenses in the period in which they occur.

The Group - as a lessor

Assets leased out under operating leases are included in investment property, property, plant and equipment or other current assets in the balance sheet and rental income is recognised equally on a monthly basis. Rental income is recognised on a straight-line basis over the lease term. The lease process, where a significant part of the property risks and returns belong to the lessor, is classified as an operating lease. Payments made within the scope of operating lease (after the incentives received from the lessor are deducted) are reflected in the consolidated income statement by linear method during the lease period.

First adoption to IFRS 16

The Group has adopted IFRS 16 “Lease” replacing IAS 17 from January 1, 2019 with simplified approach. The Group has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach. With this method, use of rights are measured based on the leasing debts (which are adjusted according to leasing costs paid in cash or accrued) in the transition period.

During the initial application, the Group recognized a lease obligation for leases previously classified as operational leases in accordance with TAS 17. These liabilities are measured at the present value of the remaining lease payments discounted using the alternative borrowing interest rates as of 1 January 2019.

The right to use and liability of the leases previously classified as finance leases is measured from the carrying value of the assets before the transition.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.2 Changes in Accounting Policies and Estimates and Errors (Continued)****2.2.1. IFRS 16 Leases (Continued)**

	1 January 2019
Operational lease commitments	3,841,701
- Short term leases (-)	(626)
- Low value leases (-)	(116,482)
Total lease liability	3,724,593
Discounted lease liability with alternative borrowing rate	1,935,643
- Short term lease liability	835,976
- Long term lease liability	1,099,667

The details of the right of use on the basis of asset are as follows:

	31 December 2019	1 January 2019
Real Estates	1,849,197	1,893,886
Fixtures	409	407
Vehicles	22,554	27,624
Other	13,303	11,973
Total right of use	1,885,463	1,933,890

The entries related to the right of use details on the basis of asset are as follows:

	31 December 2019	1 January 2019
Real Estates	256,306	-
Fixtures	162	-
Vehicles	11,328	-
Other	4,136	-
Total entries of right of use	271,932	-

The depreciation expenses related to the right of use of the accounted asset are as follows:

	31 December 2019	1 January 2019
Real Estates	(390,336)	-
Fixtures	(178)	-
Vehicles	(16,093)	-
Other	(3,099)	-
Total depreciation expense for right of use asset	(409,706)	-

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2.2 Changes in Accounting Policies and Estimates and Errors (continued))**2.2.1. IFRS 16 Leases (continued)**

Effects of standard on "Segment reporting" and "Per share" disclosures

As of 31 December 2019, EBITDA, depreciation and amortization expenses increased due to the change in accounting policy. The effects on the basis of sections are as follows:

1 January - 31 December 2019	Banking	Industry	Retail	Cement	Other	Total
EBITDA effect	102,775	10,784	464,956	13,690	7,841	600,046
Interest expenses	16,048	1,772	168,192	2,197	2,132	190,340
Depreciation and amortization expenses	86,727	9,012	296,764	11,493	5,709	409,706

For the six months period ended 31 December 2019, the effect of TFRS 16 on earnings per share was insignificant.

Facilitative practices in the scope of the transition

In the scope of the transition, the following facilitative practices defined in TFRS 16 were adopted as Group policies.

- a) Leases of one year and less were excluded from the scope. In cases where lease duration is one year or less, should the Group have the option to extend the lease and be reasonably sure that it will utilise the said extension option (e.g. have a leasehold improvement investment of a significant amount related to the asset leased, and this investment will be amortised for more than one year), the Group has made a judgement about the agreement and included the said agreement in the scope of TFRS 16.
- b) Assets of low value (mostly IT equipment like printers, laptops, mobile phones etc.) were excluded from the scope.
- c) A single discount rate was applied to a portfolio of leases with reasonably similar specifications (e.g. a similar class of assets with similar remaining lease durations in similar economic conditions).

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2.2 Changes in Accounting Policies and Estimates and Errors (continued))

2.2.1. IFRS 16 Leases (continued)

Current period effect

As a result of IFRS 16, as of 31 December 2019, the Group has recognized “Rights of Use” amounting to TRY1,885,463 and “Liabilities from leasing transactions” amounting to TRY1,984,835 in respect of leases classified as financial leases in accordance with TAS 17. In addition, the Group has recognized depreciation and interest expenses instead of operating lease expenses related to the lease agreements under IFRS 16.

2.3 Summary of Significant Accounting Policies

2.3.1 Cash and cash equivalents

Cash and cash equivalents are carried at cost on the balance sheet. Cash and cash equivalents comprise short-term, highly liquid investments that are readily convertible into cash, cash on hand, with maturities of three months or less at the date acquired and conversion risk is immaterial (Note 5).

2.3.2 Sale and repurchase agreements

Securities sold under repurchase agreements ("Repo") are classified in the Group portfolio as "fair value differences that recorded as profit or loss", "available for sale" or "held to maturity" portfolios and valued according to relevant portfolio basis. Acquired Funds in return of repurchase agreements accounted under "Financial Liabilities" and expense accruals are calculated according to the "effective yield (internal rate of return) method" for the difference amount related to current period between the repurchase agreements and the determined sale and repurchase prices.

Securities purchased under agreements to resell (“reverse repo”) are recorded as cash and cash equivalents in the balance sheet. For the current period portion of the difference between the purchase and resale prices determined by reverse repurchase agreements, the rediscounted interest income is calculated according to the " effective yield method".

2.3.3 Reserve deposits with the Central Bank of the Republic of Turkey

In accordance with the “Communiqué Regarding the Reserve Requirements no. 2013/15, the Group is required to maintain reserves in CBRT for TL and foreign currency liabilities. The required reserve rates for TL liabilities vary between 1% and 7% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2019 (2018: 1,5% and 8% for all TL liabilities) The reserve rates for foreign currency liabilities vary between (31 December 2018: 4% and 20%).

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies

2.3.4 Trade receivables and expected credit losses (continued)

Group uses a provision matrix for the calculation of the expected credit losses on trade receivables. The provision matrix calculates fixed provision rates depending on the number of days that a trade receivable is past due and those provision rates are reviewed and, revised if necessary, in every reporting period. The changes in the expected credit losses on trade receivables are accounted for under “other operating income/expenses” account of the consolidated statement of income. As of the reporting date the provision effect is immaterial.

Impairment

“Expected credit loss model” defined in TFRS 9, “Financial Instruments” superseded the “incurred credit loss model” in TAS 39 “Financial Instruments: Recognition and Measurement” which was effective prior to 1 January 2019. Expected credit losses are a probability weighted estimate of credit losses over the expected life of the financial instrument. The calculation of expected credit loss is performed based on the past experiences and future expectations of the Group.

Group has preferred to apply “simplified approach” defined in TFRS 9 for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to “lifetime expected credit losses” except incurred credit losses in which trade receivables are already impaired for a specific reason.

2.3.5 Receivables From Finance Sector Operations

As of 1 January 2019, Group has adopted “three stage approach (general model)” defined in TFRS 9 for the recognition of impairment losses on receivables from finance sector operations, carried at amortised cost or carried at fair value through other comprehensive income. General model considers the changes in the credit quality of the financial instruments after the initial recognition. Three stages defined in the general model are as follows:

“Stage 1”, includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses (“ECL”) are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date and represents the credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.

“Stage 2”, includes financial instruments that have had a significant increase in credit risk since initial recognition but those do not have objective evidence of impairment. For these assets, lifetime expected credit losses are recognised and interest revenue is calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

2.3.5 Receivables From Finance Sector Operations (continued)

“Stage 3”, includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognised. Group appropriately classifies its financial instruments considering common risk factors (such as the type of the instrument, credit risk rating, guarantees, time to maturity and sector) to determine whether the credit risk on a financial instrument has increased significantly and to account appropriate amount of credit losses in the consolidated financial statements. The changes in the expected credit losses on receivables from finance sector operations are accounted for under “other operating income/expenses” account of the consolidated statement of income.

2.3.6 Related parties

For the purpose of the consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by or affiliated with them, are considered and referred to as related parties.

2.3.7 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories includes all procurement costs, conversion costs and other costs that incurred for bringing the stock in current position and situation. The unit cost of inventories is determined on the moving weighted average basis (Note 11). Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

2.3.8 Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts and currency and interest rate swap instruments are initially recognised in the balance sheet at cost (including transaction costs) and are subsequently re-measured at their fair value. All derivative financial instruments are classified as financial assets at fair value through profit or loss. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate.

The fair value of over-the-counter forward foreign exchange contracts is determined based on the comparison of the original forward rate with the forward rate calculated in reference to the market interest rates of the related currency for the remaining period of the contract. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Changes in the fair value of derivatives at fair value through profit or loss are included in the income statement.

Certain derivative transactions, while providing effective economic hedges under the risk management position, under the specific rules under IFRS 9 treated as derivatives at fair value through profit or loss and their fair value gains and losses are reported in the income statement.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.3 Summary of Significant Accounting Policies (continued)****2.3.8 Derivative financial instruments (continued)**

Gains and losses on interest rate swaps used for hedging purposes are recognised as income or expense on the same basis as the corresponding expense or income on the hedged position. Gains and losses on interest rate swaps are included in the interest income and expense as appropriate.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of hedged asset or liability attributable to the hedged risk is recorded as part of the carrying value of the hedged asset or liability during the effective hedging relationship. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to the income statement over the period to maturity.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged cash flows are recognised in the income statement.

The Group also applies net investment risk hedge transactions in order to hedge currency risk related to investments abroad. For the said net investment hedge transaction, the active part of the fair value change of the hedging instrument is recognised in “Other Accumulated Comprehensive Income or Expenses to be Reclassified in Case of Profit or Loss” under equities.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

2.3.9 Investment property

Land and buildings that are held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property and carried at cost less accumulated depreciation (except land) under the cost method less impairment charges, if any (Note 13). The cost of a self constructed investment property is its cost at the date when the construction or development is complete. Until that date, the Group applies TAS 16 “Property, Plant and Equipment”. At that date, the property becomes investment property and thus is transferred to investment property. Assets held under operating leases are not disclosed as investment property. Fair values of investment properties are not materially different from costs. Depreciation periods are determined by useful lives and between 20-49 years.

2.3.10 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation in the consolidated financial statements (Note 15). Depreciation is provided on property, plant and equipment on a straight-line basis. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	<u>Years</u>
Land improvements	4-50
Buildings	10-50
Machinery and equipment	3-30
Motor vehicles	3-7
Furniture and fixtures	3-15
Other property, plant and equipment	5-10

Gains or losses on disposals of property, plant and equipment are determined with respect to the difference between collections received and carrying amounts of property, plant and equipment and are included in the related income and expense accounts, as appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset plus the residual value of the related assets. Ordinary repair and maintenance expenses are charged to the income statements during the financial period in which they were incurred. Capital expenditures resulting in a capacity increase and increase in future economic benefits are included in the asset’s carrying amount.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

2.3.11 Intangible assets

Intangible assets consist of licences, computer software, development costs, purchased technology, mining rights, acquired rights of use, and other identifiable rights. Intangible assets are initially accounted at cost and amortised using the straight-line method over an estimated useful life that does not exceed 20 years (Note 16). The amortisation of mining rights commences when the extraction begins.

Customer relations and agreements acquired in business combination are recognised at fair value at the acquisition date. Customer relations and contracts are depreciated on a straight-line basis over their estimated useful lives and carried at cost less accumulated amortization and impairment losses (Note 15).

2.3.12 Non-current assets held for sale and discontinued operations

Non-current assets held for sale (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset. The sale of assets held for sale is expected to occur within the following 12 months from the balance sheet date. Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale.

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount or fair value. If fair value is below the carrying value of asset, the related impairment is accounted for expense in the consolidated statement of profit or loss.

2.3.13 IFRS Interpretation 12 - Service Concession Arrangements

IFRS Interpretation 12, provides guidance on the accounting of public-to-private service concession arrangements by operators.

An arrangement within the scope of IFRS Interpretation 12 typically involves a private sector entity (an operator) constructing an infrastructure used to provide a public service or upgrading it, operating and maintaining that infrastructure for a specified period of time.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

2.3.13 IFRS Interpretation 12 - Service Concession Arrangements (continued)

The fee received/to be received by Enerjisa Elektrik Dağıtım A.Ş., which is a subsidiary of the Group, for its distribution services will be recognised over the fair value of the service. The fee amount is recognised as a financial asset. Group recognises this financial asset in line with the cash paid by the licensee or paid by another party as instructed by the licensee in return for the electricity distribution service. The amount to be paid by the licensee or paid by another party as instructed by the licensee is recognised as a receivable as per IFRS 39 “Financial Instruments”.

A financial asset of Enerjisa Elektrik Dağıtım A.Ş., the Group’s subsidiary, is recognised in its own statement of financial position under “Financial Assets” at the current market value calculated by discounting estimated future cash inflows to be realized during the project based on the annual investments determined with the transfer of the operational rights contract concluded in advance, using the effective interest rate method. The revenue calculated based on the effective interest rate method is recognised as “interest revenue earned from a service concession agreement”.

2.3.14 Shareholders’ equity

In the restatement of shareholders’ equity items, the addition of funds formed due to hyperinflation such as the revaluation value increase fund in share capital is not considered as a contribution from shareholders. Additions of legal reserves and retained earnings to share capital are considered as contributions by shareholders. In the restatement of shareholders’ equity items added to share capital the capital increase registry dates or the payment dates are considered. In the restatement of premium in excess of par, the payment dates are considered (Note 23).

Treasury shares under equity stands for the Holding shares owned by the subsidiaries. Those shares are accounted through reducing the share capital of the Holding by the amount of Holding shares owned by subsidiaries in the accompanying consolidated financial statements.

Revaluation fund included in the value increase funds is related to the value increase at the date of the transaction of the net assets owned by the Group before the sale transaction. Since the significant part of the amounts included in revaluation funds are related with the assets subject to amortisation, the revaluation funds are accounted for by transferring the related revaluation fund to the retained earnings during the amortisation period or the disposal period of the aforementioned assets.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in “Hedge Funds” under equity. The Group hedges the net investment risk on foreign investments with the foreign currency denominated financial liabilities. The effective part of the foreign exchange differences on the foreign currency denominated financial liabilities is accounted in the “Hedge Funds” account under shareholders’ equity.

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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.3 Summary of Significant Accounting Policies (continued)****2.3.15 Research expenses and development costs**

Research costs are expensed as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility and only if the cost can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods.

2.3.16 Borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in the income statement as financial expense over the period of the borrowings.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, one that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. Borrowing costs that are not in this scope are recognised directly in the income statement.

The financing costs of borrowings attributable to ongoing investments (interest expenses and foreign Exchange losses based on the difference between the TL benchmark interest and interest regarding the foreign currency denominated loans) are capitalised until the completion of the investments.

2.3.17 Deferred financing charges

Deferred financing charges (primarily comprising legal and other costs incurred in relation to obtaining long-term bank borrowings from financial institutions) are amortised using the effective interest method over the remaining life of the long-term bank borrowings.

2.3.18 Income taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

2.3.18 Income taxes (continued)

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

2.3.19 Employee benefits

Retirement benefits

Akbank’s personnel are members of the “Akbank T.A.Ş. Personnel Pension Fund Foundation” (“Pension Fund”), established in accordance with the Social Security Law numbered 506, article No.20. The financial statements of the Pension Fund have been audited by an independent actuary in accordance with the 38th article of the Insurance Supervisory Law and the “Actuarial Regulation” based on the same article.

On 1 November 2005, Banking Law No,5411 (“New Law”) which requires the transfer of the pension funds of the banks to the Social Security Institution within three years following the publication date was published in the Official Gazette. However, President of the Turkish Republic applied to the Constitutional Court on 2 November 2005 for the abrogation of the related article of Banking Law, and this article was abrogated with the decision No E. 2005/39, K. 2007/33 dated 22 March 2007, which was published in the Official Gazette No 26731 dated 15 December 2007, and its execution was annulled at the publication date of the decision.

Following the publication of the reasoned ruling of the Constitutional Court in December 2007, the relevant commission of the Turkish Parliament began to work on a new law provision establishing the transfer of the pension funds. The law provision was drawn up as a draft in the first months of 2008 and the legislation processes are in progress as of the preparation date of these consolidated financial statements and at 17 April 2008, at No. 5754 of the Social Security Act (“ New Law”) circuit that regulates the principles and provisions of the Parliamentary General Assembly agreed and 8 May 2008 and published in the Official Gazette No. 26870th be entered into force. Following the publication of the reasoned decree of the Constitutional Court, Turkish Grand National Assembly commenced to work on a new law regarding the transfer of the members of funds to the Social Security Institution; the related articles of the Social Security Law (“New Law”) numbered 5754 regarding the transfer of the funds, were ratified by the TGNA General Meeting on 17 April 2008 and came into effect following the publication in the Official Gazette numbered 26870, dated 8 May 2008.

The New Law was requiring that present value of post-employment benefits at the transfer date shall be calculated by a commission consisting of the representatives of SSI, Ministry of Finance, Undersecretariat of Treasury, Undersecretariat of State Planning Organization, BRSA, SDIF and banks and funds, by using a technical discount rate of 9,8 percent taking into consideration the transferrable contributions and payments of the funds including any monthly payment differences paid by the funds above the limits within the framework of SSI regulations. Accordingly the transfer required by the New Law was to be completed until 8 May 2011. According to the decision of the Council of Ministers published on the Official Gazette dated 9 April 2011 no. 27900, the time frame for related transfer has been extended for two years. The transfer should be completed until 8 May 2014. With the change in first clause of 20nd provisional article of the “Social Insurance and General Health Insurance Law no. 5510” published on the Official Gazette no. 28227 dated 8 March 2012, the postponement right of the Council of Ministers has been extended from two years to four years.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.3 Summary of Significant Accounting Policies (continued)****2.3.19 Employee benefits (continued)**Retirement benefits (continued)

The Council of Ministers has been lastly authorized to determine the transfer date in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No,5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated 23 April 2015 and numbered 29335. According to paragraph (I) of Article 203 of Law no. 703 which published in the Official Gazette no. 30473 dated 9 July 2018, the phrase, placed in 20th provisional article of Social Insurance and General Health Insurance Law no,5510, “Council of Ministers” is authorized to determine the date of transfer to the Social Security Institution has been replaced with “president”.

According to the New Law, following the transfer of the members of the fund to the SSI, the funds and institutions will continue to provide the non-transferrable social benefits and payments which are included in the articles of association of the fund.

The Group allocated a provision in its financial statements for the technical gap of TRY38,125 identified with a report prepared by an actuary with the actuarial registration.

The employees of the financial establishments falling in the scope of the consolidation are not included in the retirement plan explained above but are within the scope of the Social Security Institution and other contribution plans.

	31 December 2019	31 December 2018
Current value of funded liabilities	(6,729,229)	(5,784,979)
Advance value of future contributions	4,895,180	4,163,438
Total Transfer Liability to Social Security Institution	(1,834,049)	(1,621,541)
Past service obligation	(269,546)	(167,755)
Transfer to the Social Security Institution and Additional Liabilities	(2,103,595)	(1,789,296)
Market value of assets	2,065,470	1,795,491
Crate surplus after assets	(38,125)	6,195

The amount of the post-employment medical benefits transferrable to SSI is calculated over the net present value of medical liabilities and health premiums.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.3 Summary of Significant Accounting Policies (continued)****2.3.19 Employee benefits (continued)**

The principal actuarial assumptions used were as follows:

Discount rate	31 December 2019	31 December 2018
- Pension benefits transferrable to SSI	%9.80	%9.80
- Post-employment medical benefits transferrable to SSI	%9.80	%9.80
- Other non-transferrable benefits	%3.97	%5.73

The average life expectancy of a person who retired at age 60 for men and 58 years for women was determined according to the statistical data based on statistical data and was 17 years for men and 23 years for women.

The movement table of the fair value of the assets is as follows:

Death rate	31 December 2019	31 December 2018
End of previous period	1,795,491	1,551,402
Real return of fund assets	333,700	338,869
Employer contributions	343,326	232,880
Employee contributions	232,839	199,473
Paid compensations	(639,886)	(527,133)
End of period	2,065,470	1,795,491

The distribution of fund assets is as follows:

	31 December 2019		31 December 2018	
Bank placements	1,181,437	%57	1,160,797	%65
Tangible assets	17,495	%1	17,975	%1
Securities and shares	571,189	%28	358,510	%20
Other	295,349	%14	258,209	%14
End of period	2,065,470	%100	1,795,491	%100

Provision for Employment Termination Benefit

The provision for employment termination benefits represents the present value of the estimated total reserve of the future probable obligation of the Group arising from the retirement of the employees, completion of one year of service of the employees, employees’ being calling up for military service or death of the employees calculated in accordance with the Turkish Labour Law (Note 19). All actuarial gains and losses are accounted for under equity.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 *Summary of Significant Accounting Policies (continued)*

2.3.20 *Provisions, contingent liabilities and assets*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in financial tables and are treated as contingent assets or liabilities.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised. A contingent asset is disclosed where an inflow of economic benefit is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs.

Present obligations arising under onerous contracts are recognized and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

2.3.21 *Investment incentives*

The Group benefits from research and development (“R&D”) grants within the scope of the Communiqué No: 98/10 of The Scientific and Technological Research Council of Turkey (“TÜBİTAK”) and Money Credit and Coordination Board related to R&D grants for its research and development projects given that such projects satisfy specific criteria with respect to the evaluation of TÜBİTAK Technology Monitoring and Evaluation Board.

The nt grants are recognised when there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

The government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Accordingly, government grants are recognised as income when the related costs which they are intended to compensate were incurred. Similarly, grants related to depreciable assets are recognised as income over the periods and in the proportions in which depreciation on those assets is charged.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

2.3.22 Insurance technical reserves

Unearned premiums reserve

Unearned premium reserve is calculated on a daily basis for all policies in force as of balance sheet date for unearned portions of premiums written except for marine and earthquake premiums issued before 14 June 2007. During the calculation of unearned portion of premiums written on a daily basis, it is supposed that the policies start at 12.00 noon and finish at 12:00 noon again. Within the framework of the “Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested,” (“Regulation on Technical Reserves”) issued in Official Gazette No: 26606 dated 7 August 2007, unearned premium reserve and the reinsurer’s share of the unearned premium reserve of the policies, are calculated as the unearned portion of the premiums and ceded premiums to reinsurers without deducting commissions or any other deductions, on an accrual and gross basis. For marine policies with an uncertain end date, unearned premium reserve is calculated as 50% of the premiums written in the last three months.

Continued risk provisions

Within the framework of Regulation on Technical Reserves, insurance companies are required to account for an unexpired risk reserve against the probability that future losses incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected loss ratios. Expected loss ratio is calculated by dividing the current year incurred losses to current year earned premiums. If the loss ratio for a branch is higher than 95% the unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with the unearned premium reserve for the related branch. The difference between gross amount and net amount is considered as reinsurance portion. Opening outstanding claims provision amount is revised consistently with the current period, in calculation of expected loss ratio considered in the calculation of unexpired risk reserve as of 31 December 2019.

Outstanding claim and provision

Group insurance companies allocate outstanding claims reserve for accrued and unsettled but not yet reported unearned but unreported amounts in the previous accounting period or in the current accounting period. Compensations that have been filed before the accounting period but have been notified after these dates are regarded as realized but not reported compensation claims.

According to “Regulation Regarding the Amendment of the Regulation on the Technical Reserves of Insurance and Reinsurance Companies and Pension Funds and the Assets to be Invested in These Provisions” published in the Official Gazette dated July 28, 2010 and numbered 27655 and the “Circular on Outstanding Claims” dated 5 December 2014 and numbered 2014/16, the Company’s Unfunded Claims Provisions were calculated using actuarial chain ladder methods.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

2.3.22 Insurance technical reserves

Life mathematical reserves

Life mathematical reserves comprise actuarial mathematical reserves (those with minimum income guarantee determined by the tariffs approved by the Treasury and those including risk guarantees over one year) and life profit share reserved and represent the Company's total liability to the policyholders in the life branch.

Mathematical reserve; is the sum of reserves specified in the contract's technical terms and calculated using stational and actuarial methods in order to cover the liabilities of insurance companies to policyholders and beneficiaries for life, health, sickness and personal accident insurance contracts with periods longer than a year and if it is committed, the reserves for the part allocated to insured from the revenues derived from the investment of such reserves. In accordance with the Insurance Law, the remaining amount of life branch premiums that are collected in accordance with life insurance agreements, after deduction of expense charges, mortality risk premium and commissions are accounted for as life mathematical reserves. The approval of mathematical reserves is made by the actuaries based on current mortality tables valid for Turkish insurance companies and prepared by considering mortality statistics prepared abroad.

2.3.23 Revenue recognition

Banking

Interest income and expense are recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective yield method based on the actual purchase price until, in management's estimates and judgment, collection becomes doubtful. Interest income includes coupons earned on fixed income securities and accrued discount on treasury bills (Note 4.f.i).

Interest income and expenses are recognized in the income statement by using the “Effective interest rate method”.

Fees and commission income/expenses are primarily recognized on an accrual basis or “Effective interest rate method” according to the nature of the fee and commission, except for certain commission income and fees for various banking services which are recorded as income at the time of collection. Contract based fees or fees received for services such as the purchase and sale of assets on behalf of a third party or legal person are recognized as income at the time of collection.

Insurance

Life:

Premium income represents premiums accrued on policies issued during the period, adjusted by the reserve for unearned premiums for annual life policies, during the period (Note 4 f.ii).

Non-Life:

Premium income represents premiums on policies written during the period, net of cancellations, as adjusted by the reserve for unearned premiums.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

2.3.23 Revenue recognition (continued)

Other segments

Revenues are recognised on an accrual basis at the time deliveries or acceptances are made, the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of the consideration received or receivable. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised as interest income on a time proportion basis that takes into account the effective yield on the asset.

2.3.24 Earnings per share

Earnings per share for each class of share disclosed in these consolidated statements of income are determined by dividing the net income after translation adjustment attributable to that class of shares by the weighted average number of shares of that class that have been outstanding during the period concerned. As disclosed in Note 34 earnings per share are calculated in accordance with IAS 33 “Earnings Per Share”.

Income as per share stated in the income statement is calculated by dividing the net profit by the weighted average of the share certification available in the market during the whole year.

Companies in Turkey can increase their capitals that they distributed to their shareholders from the profits of previous year by “free of charge share certificates”. Such “free of charge share” distributions are considered as issued share incalculation of profit as per share. Accordingly, number of weighted average shares used in these calculations is calculated considering the retrospective impacts of related share certificate.

2.3.25 Foreign currency transactions

Functional Currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The consolidated financial statements are presented in Turkish lira, which is the functional currency of the Holding.

Foreign currency transactions and balances

Income and expenses arising in foreign currencies have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into Turkish lira at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the consolidated income statement.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.3 Summary of Significant Accounting Policies (continued)****2.3.25 Foreign currency transactions (continued)**Foreign Group companies

The results of Group undertakings using a measurement currency other than Turkish lira are first translated into Turkish lira by using the average exchange rate for the period. The assets and liabilities of such Group undertakings are translated into Turkish lira by using the closing rate at the balance sheet date. Differences arising on retranslation of the opening net assets of such Group undertakings and differences between the average and year-end rates are included in translation reserve as a separate item in the shareholders’ equity.

2.3.26 Business combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with TAS 12 Income *Taxes* and TAS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

2.3.26 Business combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or TAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is premeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

2.3.26 Business combinations (continued)

Partial share purchase-sale transactions with non-controlling interests

The group applies a policy of treating transactions with non- controlling interests as transactions with equity owners of the group. For purchases from non- controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to non- controlling interests are also recorded in equity. For disposals to non- controlling interests, differences between any proceeds received and the relevant share of non- controlling interests are recorded in equity under retained earnings since.

2.3.27 Segment reporting

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers and its revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or its segment result, whether profit or loss, is 10% or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or its assets are 10% or more of the total assets of all segments.

The Group has selected business segments as the Group’s primary segment reporting format based on the risks and returns on products produced and services rendered reflecting the primary source of the enterprise’s risks and returns. Geographical segments have not been disclosed in these consolidated financial statements as the secondary segment reporting format on the grounds of materiality as the operations of the Group in geographical areas other than Turkey are not reportable geographical segments individually when compared with the overall consolidated financial statements.

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decision- maker. The chief operating decision-maker is responsible for the decisions related to the allocation of resources to the segments and assessment of performance of segments.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

2.3.28 Events occurring after the balance sheet date

If any event requiring adjustment arises after the balance sheet date, the group adjusts the amounts included in the financial statements in line with the new circumstances. Issues occurring after the balance sheet date which do not require any adjustment are explained in the footnotes of the consolidated financial statements if they affect the economic decisions of the financial statement users.

2.3.29 Impairment defined in the scope of TFRS and related to receivables of loans and lease transactions

In the Group's consolidated financial statements dated 31 December 2019, there are loan and rent receivables totalling TRY230,099,033 thousand, which constitutes an important part of the assets, and a total impairment provision of TRY12,707,080 allocated in relation to these loan and rent receivables. The Group calculates the expected loan loss as per TFRS 9, “Financial Instruments Standard”. TFRS 9 is a complicated accounting standard, requiring critical judgement and interpretation in practice. These judgements and interpretations are key in developing financial models measuring expected loan losses for loans calculated at amortised cost. In addition, a large data set obtained from multiple systems is necessary for use in the models developed. Also, the provision calculation includes complicated information and estimations such as past losses, current conditions and macro-economic expectations. The provision for the expected losses from lease transactions related to loans and receivables is collectively allocated for similar loan portfolios in a way that includes management’s best estimations and past losses as of the balance sheet date, and for important loans, it is allocated by evaluating each item separately.

2.4 Critical accounting estimates and assumptions

When preparing the consolidated financial statements according to Turkish Financial Reporting Standards, Group management must make some assumptions and estimations which identify the amount of income and expenses as of the reporting period, which identify liabilities and commitments likely to occur as of the balance sheet date and which may affect the amount of assets and liabilities which are reported. These estimations and assumptions may differ from actual results even though they are based on the best knowledge of Group management regarding current events and transactions. Estimations are reviewed regularly, and necessary adjustments are made and reflected on the statement of income for the relevant period. If changes in accounting estimations are related to one period only, they are reflected in the financial statements in the current period of the change. If they are related to future periods, they are reflected in the financial statements prospectively, both in the period of the change and in the future period, and are considered when defining the net period profit or loss.

a) Goodwill

Business combinations are recognised using the purchase method in the scope of the TFRS 3 “Business Combinations” standard. (i) The value of the net identifiable assets and the conditional liabilities on the balance sheet prepared on the date of acquisition as per the provisions of TFRS 3, (ii) the value of non-controlling interest and (iii) the difference between them and previously owned shares of the company acquired with a purchase fee are recognised as goodwill. If the difference is negative, goodwill does not arise and the difference is recognised under “Investment operation income” as negotiated purchase earnings.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Critical accounting estimates and assumptions (continued)

a) Goodwill (continued)

Using this method, the purchase fee was calculated at the fair value of cash and other assets provided on the date of acquisition, of excluded capital instruments or of liabilities undertaken. If the business combination agreement includes provisions that the purchase fee may be adjusted in line with future occurrences, and if this adjustment is probable and its value definable, this adjustment is included in the purchase fee at the date of the business combination. Costs related to the acquisition are recognised in the period they arise.

Identifiable assets, liabilities and contingent liabilities of the business acquired in the balance sheet of the business acquired prepared according to the provisions of TFRS 3 are measured at fair value. Goodwill recognised as a result of business combinations is not amortised and instead is tested for impairment annually (as of December 31), or more frequently if circumstances indicate that it might be impaired. Impairment losses calculated on goodwill cannot be associated with the income statement even if the impairment ceases to exist in the following periods. Goodwill is associated with cash-generating units during the impairment test.

Legal mergers among the enterprises controlled by the Group are evaluated within the scope of TFRS 3. Therefore, the goodwill in transactions like this cannot be recognised.

b) The Fund

The Retirement Fund Foundation (“Fund”) of the bank was established as per provisional article 20 of Law No. 506, and it is within the scope of funds to be transferred to SSI. The Council of Ministers is authorized to determine the date of transfer. Total liabilities of the fund, benefits to be transferred and additional benefits to remain the responsibility of the Fund are determined using separate methods and assumptions. Selecting appropriate assumptions for the valuation of retirement fund liabilities requires judgement and a high level of technical expertise. Bank management benefits from the services of an external actuary company for these valuations.

c) Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. If based on the weight of all available evidence, it is the Group’s belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognized.

d) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques based on market-observable data, market comparable approach that reflects recent transaction prices for similar properties and discounted cash flows.

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 3 - BUSINESS COMBINATIONS**The business combinations between the period 1 January and 31 December 2019 are as follows:**

Kordsa Inc., residing in the USA and a 100% subsidiary of the Group, completed the acquisition of 95.86% of Axiom Materials Acquisition LLC on 23 July 2019, which provides advanced composite materials for next generation transportation vehicles as well as the space and aeronautics industry and was wholly owned by Axiom Materials Holdings LLC (Axiom), for USD3,493,365 and USD178,323,365 in cash and operating capital adjustments. The position of Axiom as a strong company offering high-quality composite production in the market and the fact that this company will add value to the Group's growth targets in the composite sector; forms the basis for the goodwill amount. Under the assumption that the acquisitions of Axiom, if purchased on January 1, 2019, consolidated revenue would have been impacted by TRY 36,243,057 (full amount) positively; consolidated profit would have been impacted by TRY 36.243.057 (full amount) negatively.

In accordance with the IFRS 3, Business Combinations, measurement of the fair value of identifiable assets and liabilities required for recognition by using the acquisition method, and allocation of the purchase price to tangible and intangible fixed assets (“Purchase price allocation”) are performed by an independent valuation organization, Houlihan Lokey Financial Advisors, Inc. and valuation studies are ongoing as of the report date. In this context, the fair value of the identifiable assets, liabilities and contingent liabilities of the related companies have been adjusted in accordance with IFRS and therefore the estimated amounts are reflected in the financial statements.

The purchase fee, recognised assets and liabilities on the date of acquisition:

	Axiom Materials (Full TRY)
Intangible assets purchased	408,124,800
Other assets purchased	130,595,623
Liability purchased	(31,045,799)
Total identified net assets	507,674,624
Cash purchase fee	1,010,827,634
Cash and cash-like values acquired	11,881,892
Net cash outflow	998,945,743
Goodwill	503,153,010

The TRY503,153,010 portion of the fair value of identifiable assets, liabilities and contingent liabilities acquired as a result of the purchase and which exceeded the purchase fee, was recognised as goodwill on the balance sheet.

As per the shareholding agreement signed for the share purchase, Axiom has the option to purchase the remaining 4.14% of the shares from the non-controlling interests (Kordsa Inc.'s purchasing liability). The share selling option was recognised under other long-term liabilities at the amortised value (31 December 2019: TRY33,681,278 Full) of the amount constituting the base of the agreement, and was reflected separately under equity attributable to the parent.

The business combinations between the period 1 January and 31 December 2018 are as follows:

Kordsa Inc., which is 100% subsidiary of Kordsa, a subsidiary of the Group, and resident in the USA, completed the acquisition of two different unlimited companies that named as "Fabric Development, Inc." and "Textile Products, Inc.", which provide advanced composite materials to commercial aviation industry and fully owned by Piyush A.Shah and Abantika P.Shah as of 13 July 2018. The total purchase price of FDI shares, amounting to USD 40,587,000 (Full), was paid in cash, and the total purchase price of TPI shares, amounting to USD 49,271,000 (Full) was paid in cash. In parallel with the acquisition, the capital of Kordsa Inc. has increased amounting to USD 65 million (Full).

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NOTE 3 - BUSINESS COMBINATIONS (Continued)**The business combinations between the period 1 January and 31 December 2018 are as follows (continued):**

On 1 October 2018, Kordsa Inc., which is 100% subsidiary of Kordsa, a subsidiary of the Group, and resident in the USA, completed the acquisition of a company named "Advanced Honeycomb Technologies Corporation" which provides advanced composite materials to the commercial aviation industry and owned by Richard Greven, Monnie Greven, Walsh Family Trust of 1981 ve Richard A. Greven, Jr. for total USD 3,180,872 (Full).

In accordance with the IFRS 3, Business Combinations, measurement of the fair value of identifiable assets and liabilities required for recognition by using the acquisition method, and allocation of the purchase price to tangible and intangible fixed assets (“Purchase price allocation”) are performed by an independent valuation organization, Houlihan Lokey Financial Advisors, Inc. and valuation studies are ongoing as of the report date. In this context, the fair value of the identifiable assets, liabilities and contingent liabilities of the related companies have been adjusted in accordance with IFRS and therefore the estimated amounts are reflected in the financial statements.

Purchase price, assets and liabilities recorded at acquisition date:

	FDI	TPI	AHT	Total
Identifiable assets and liabilities purchased (Full TRY)	Fair Value	Fair Value	Fair Value	Fair Value
Cash and cash equivalent	6,373,688	7,402,016	-	13,775,704
Trade receivables	16,870,387	31,771,430	1,299,873	49,941,690
Inventories	28,972,634	34,584,778	1,809,040	65,366,452
Prepaid expenses	383,197	407,450	-	790,647
Other current assets	1,949,941	-	706,844	2,656,785
Property, plant and equipments	6,781,139	6,553,161	1,042,295	14,376,595
Other long-term assets	48,506	48,506	101,833	198,845
Trade payables	(3,739,813)	(23,952,263)	-	(27,692,076)
Deferred income	-	(1,532,790)	-	(1,532,790)
Other current liabilities	(2,711,590)	(904,889)	(1,587,403)	(5,203,882)
Other intangibles assets	94,101,640	122,235,120	7,787,260	224,124,020
Total identifiable net assets	149,029,729	176,612,519	11,159,742	336,801,990

Cost of acquisition (Full TRY 488,238,894) is fully paid. As a result of the acquisition transaction, the amount of TRY 115,525,559 (Full TRY) of the fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recorded as goodwill in the balance sheet. The position of Axiom as a strong company offering high-quality composite production in the market and the fact that this company will add value to the Group's growth targets in the composite sector; forms the basis for the goodwill amount.

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 3 - BUSINESS COMBINATIONS (Continued)

The business combinations between the period 1 January and 31 December 2018 are as follows (continued):

Goodwill movement relating this combination as of 31 December 2018 is as follows;

(Full TRY)	31 December 2018
Acquisition during the year	336,462,914
<i>FDI</i>	140,851,275
<i>TPI</i>	183,250,699
<i>AHT</i>	12,360,940
Transfers to tangible and intangible assets	(220,937,355)
<i>FDI</i>	(93,380,930)
<i>TPI</i>	(121,298,940)
<i>AHT</i>	(6,257,485)
Goodwill (Note 16)	115,525,559

NOTE 4 - SEGMENT REPORTING

Holding key management reviews the results and performance of its reportable operating segments based on EBITDA (earnings before interest, foreign currency gains and losses and due date income and expenses as part of other operating income and expenses and depreciation and amortization). In addition to the requirements of segment reporting, The Group’s management presented this information for certain financial statement readers to utilize this data during their analyses.

a) External Revenues (Consolidated):

	1 January - 31 December 2019	1 January - 31 December 2018
Finance/Banking	41,083,678	38,027,550
Industry	6,132,270	5,768,365
Retail	10,512,353	8,665,651
Cement	1,726,092	1,703,150
Other	412,273	123,171
Total (*)	59,866,666	54,287,887

(*) The distribution of income refers to total revenue in the consolidated income statement.

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NOTE 4 - SEGMENT REPORTING (Continued)**b) Segment Assets (Consolidated):**

	31 December 2019	31 December 2018
Finance/Banking	384,499,463	352,285,657
Industry	7,223,360	6,859,211
Retail	5,335,597	3,526,148
Cement	3,573,333	3,269,258
Other	2,991,852	3,694,905
Segment assets	403,623,605	369,635,179
Assets classified as held for sale	673,547	278,604
Investments accounted through equity method (Note 13)	7,335,503	6,756,459
Unallocated assets	(638,417)	(623,106)
Less: intersegment eliminations	(4,646,359)	(4,360,865)
Total assets as per consolidated financial statements	406,347,879	371,686,271

c) Segment Liabilities (Consolidated):

	31 December 2019	31 December 2018
Finance/Banking	332,159,983	310,344,568
Industry	4,412,665	4,117,957
Retail	5,828,136	3,514,724
Cement	2,358,618	2,051,464
Other	351,883	213,635
Segment liabilities	345,111,285	320,242,348
Assets classified as held for sale	3,117	4,274
Unallocated Liabilities	(614,007)	(597,547)
Less: intersegment eliminations	(4,629,959)	(4,358,600)
Total liabilities as per consolidated financial statements	339,870,436	315,290,475

HACI ÖMER SABANCI HOLDING A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 4 - SEGMENT REPORTING (Continued)**d) The balance sheet items by segment:****i) Banking:**

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Cash and cash equivalents	21,358,331	21,358,331	23,184,134	23,184,134
Financial investments	90,363,657	90,363,657	56,787,860	56,787,860
Derivative financial instruments	16,517,763	16,517,763	22,605,903	22,605,903
Reserve deposits with the Central Bank of Republic of Turkey	26,541,745	26,541,745	26,433,745	26,433,745
Receivables from finance sector operations	219,209,537	219,209,537	213,936,744	213,936,744
Property, plant and equipment	2,010,687	2,010,687	1,521,567	1,521,567
Right of use assets	625,584	625,584	-	-
Intangible assets	953,188	953,188	646,192	646,192
Other receivables and other assets	7,585,038	7,585,038	7,433,896	7,433,896
Total segment assets	385,165,530	385,165,530	352,550,041	352,550,041
Financial liabilities	54,529,896	54,529,896	61,571,596	61,571,596
Payables from finance sector operations	255,155,638	255,155,638	223,310,872	223,310,872
Derivative financial instruments	8,945,703	8,945,703	12,825,003	12,825,003
Other payables and other liabilities	13,528,746	13,528,746	12,637,097	12,637,097
Total segment liabilities	332,159,983	332,159,983	310,344,568	310,344,568

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts after intra-segment eliminations of the subsidiaries and the joint ventures which belong to the related segment considering the Holding's portion of ownership before intersegment eliminations.

As of 31 December 2019, the cash flows from operating activities of the Bank is TRY15,356,988. (31 December 2018: TRY(4,136,205)).

As of 31 December 2019, the cash flows from investing activities of the Bank is TRY(22,163,365) (31 December 2018: TRY6,755,629).

As of 31 December 2019, the cash flows from financing activities of the Bank is TRY3,820,442 (31 December 2018: TRY(1,483,420)).

Accumulated non-controlling interests of Akbank as of 31 December 2019 is TRY31,405,787(31 December 2018: TRY25,006,743).

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 4 - SEGMENT REPORTING (Continued)**d) The balance sheet items by segment (continued):****ii) Insurance:**

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Cash and cash equivalents	2,925,064	-	1,687,939	-
Financial investments	2,639,316	-	2,318,944	-
Receivables from finance sector operations	1,003,875	-	820,924	-
Investments accounted through equity method (Note 13)	-	608,612	-	490,529
Property, plant and equipment	50,599	-	54,008	-
Right of use assets	61,862	-	-	-
Intangible assets	119,104	-	105,201	-
Other receivables and other assets	3,584,901	-	2,741,080	-
Total segment assets	10,384,721	608,612	7,728,096	490,529
Payables from finance sector operations	8,220,517	-	6,000,266	-
Other payables and other liabilities	589,182	-	460,419	-
Total segment liabilities	8,809,699	-	6,460,685	-

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts after intra-segment eliminations of the subsidiaries and the joint ventures which belong to the related segment considering the Holding's portion of ownership before intersegment eliminations.

Insurance segment consists of Aksigorta and Avivasa.

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NOTE 4 - SEGMENT REPORTING (Continued)**e) The balance sheet items by segment (continued):****iii) Energy:**

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Cash and cash equivalents	1,445,263	-	1,650,093	-
Financial investments	122,545	-	836	-
Trade receivables	3,622,499	-	4,197,534	-
Inventories	291,798	-	297,056	-
Investments accounted through equity method (Note 13)	-	5,763,312	-	5,116,565
Property, plant and equipment	10,129,083	-	10,199,559	-
Right of use assets	215,695	-	-	-
Intangible assets	5,279,489	-	5,483,176	-
Other receivables and other assets	15,865,366	-	14,920,870	-
Total segment assets	36,971,738	5,763,312	36,749,124	5,116,565
Financial liabilities	15,674,359	-	16,930,099	-
Trade payables	3,078,322	-	2,822,560	-
Other payables and other liabilities	5,327,626	-	5,503,553	-
Total segment liabilities	24,080,307	-	25,256,212	-

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts after intra-segment eliminations of the subsidiaries and the joint ventures which belong to the related segment considering the Holding's portion of ownership before intersegment eliminations.

Energy segment consists of Enerjisa Enerji A.Ş. and Enerjisa Üretim Santralleri A.Ş.

HACI ÖMER SABANCI HOLDING A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 4 - SEGMENT REPORTING (Continued)**d) The balance sheet items by segment (continued):****iv) Industry:**

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Cash and cash equivalents	1,522,232	729,637	510,289	226,141
Financial investments	102,283	586	107	107
Trade receivables	1,637,792	969,211	2,326,967	1,567,056
Inventories	1,865,732	1,231,051	2,189,688	1,618,064
Investments accounted through equity method	200,670	592,049	342,609	744,416
Property, plant and equipment	4,065,751	2,220,492	3,911,684	2,139,571
Right of use assets	98,500	83,802	-	-
Intangible assets	878,506	797,889	557,990	491,972
Other receivables and other assets	2,653,596	1,198,041	2,198,966	830,520
Total segment assets	13,025,062	7,822,758	12,038,300	7,617,847
Financial liabilities	6,291,380	3,114,110	5,145,695	2,483,597
Trade payables	1,643,553	620,287	1,613,272	846,597
Other payables and other liabilities	1,158,872	681,385	1,245,963	792,037
Total segment liabilities	9,093,805	4,415,782	8,004,930	4,122,231

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts after intra-segment eliminations of the subsidiaries and the joint ventures which belong to the related segment considering the Holding's portion of ownership before intersegment eliminations.

For 2018, the industry portion includes results for Kordsa, Temsa, Yünsa, Brisa, Philsa and Philip Morissa. Because Temsa and Yünsa were sold in 2019, there is no effect on the balance sheet.

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 4 - SEGMENT REPORTING (Continued)**d) The balance sheet items by segment (continued):****v) Retail:**

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Cash and cash equivalents	544,168	544,168	514,619	514,619
Trade receivables	130,564	130,356	121,818	121,015
Inventories	1,648,050	1,648,050	1,131,851	1,131,851
Investment property	29,222	29,222	8,930	8,930
Property, plant and equipment	697,516	697,516	722,996	722,996
Right of use assets	1,116,579	1,116,579	-	-
Intangible assets	82,865	82,865	89,576	89,576
Other receivables and other assets	1,025,798	1,086,841	875,522	937,161
Total segment assets	5,274,762	5,335,597	3,465,312	3,526,148
Financial liabilities	2,525,031	2,525,031	875,502	875,502
Trade payables	2,921,264	2,921,264	2,194,155	2,193,350
Other payables and other liabilities	381,841	381,841	445,067	445,872
Total segment liabilities	5,828,136	5,828,136	3,514,724	3,514,724

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts after intra-segment eliminations of the subsidiaries and the joint ventures which belong to the related segment considering the Holding's portion of ownership before intersegment eliminations.

Retail segment consists of Teknosa and Carrefoursa.

HACI ÖMER SABANCI HOLDING A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 4 - SEGMENT REPORTING (Continued)**d) The balance sheet items by segment (continued):****vi) Cement:**

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Cash and cash equivalents	419,392	267,351	492,848	217,427
Financial investments	185,224	64	184,662	64
Trade receivables	830,052	460,976	864,981	421,740
Inventories	365,985	184,774	435,195	190,255
Investments accounted through equity method (Notes 13)	-	371,530	-	404,949
Property, plant and equipment	2,952,999	2,129,718	2,867,206	2,027,479
Right of use assets	123,313	41,664	-	-
Intangible assets	60,539	18,035	63,521	18,210
Other receivables and other assets	686,256	470,882	583,567	394,083
Total segment assets	5,623,760	3,944,994	5,491,980	3,674,207
Financial liabilities	2,177,285	1,700,831	2,045,633	1,480,472
Trade payables	701,774	346,018	635,486	296,068
Other payables and other liabilities	461,966	311,769	441,045	274,924
Total segment liabilities	3,341,025	2,358,618	3,122,164	2,051,464

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts after intra-segment eliminations of the subsidiaries and the joint ventures which belong to the related segment considering the Holding's portion of ownership before intersegment eliminations.

Cement segment consists of Akçansa and Çimsa.

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT REPORTING (Continued)

d) The balance sheet items by segment (continued):

vii) Other:

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Cash and cash equivalents	2,312,456	2,312,456	3,191,791	3,191,791
Financial investments	12,964,462	25,104	11,939,453	14,207
Trade receivables	97,234	96,260	47,530	45,747
Inventories	60,794	60,794	4,675	4,675
Property, plant and equipment	254,943	218,879	232,546	196,482
Right of use assets	17,834	17,834	-	-
Intangible assets	21,218	21,218	13,745	13,745
Other receivables and other assets	224,267	239,307	227,772	228,258
Total segment assets	15,953,208	2,991,852	15,657,512	3,694,905
Financial liabilities	31,509	31,509	252	252
Trade payables	136,725	135,365	56,099	54,241
Other payables and other liabilities	194,809	185,009	172,426	159,142
Total segment liabilities	363,043	351,883	228,777	213,635

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts after intra-segment eliminations of the subsidiaries and the joint ventures which belong to the related segment considering the Holding's portion of ownership before intersegment eliminations.

Other segment consists of Sabancı Holding A.Ş., Exsa, Tursa, AEO and Sabancı DX.

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT REPORTING (Continued)**e) The reconciliation of the consolidated statement of profit or loss:**

	1 January - 31 December 2019		1 January - 31 December 2018	
	Total Consolidation of Segments Before Elimination	Elimination and Consolidation Adjustments	Total Consolidation of Segments Before Elimination	Elimination and Consolidation Adjustments
Total revenue	60,172,961	(306,295)	54,514,390	(226,503)
Cost of sales and interest, premiums, commissions and other expenses	(42,386,464)	362,519	(38,360,383)	790,847
General administration expenses	(7,761,522)	89,072	(6,768,867)	73,061
Sales, marketing and distribution expenses	(2,200,952)	10,082	(1,980,321)	626
Research and development expenses	(19,486)	-	(15,085)	(1)
Other operating income/(expense) - net	10,010	1,432	83,921	(5,721)
Interest in income of joint ventures	1,466,691	-	808,461	(1)
Operating profit	9,281,238	156,810	8,282,116	632,308
Income/(expense) from investing activities - net	440,046	(341,087)	1,529,681	(796,990)
Operating profit before financial expense	9,721,284	(184,277)	9,811,797	(164,682)
Financial income/(expense) net	(1,182,796)	190,131	(916,472)	167,619
Income before tax	8,538,488	5,854	8,895,325	2,937
Tax	(1,579,221)	(1)	(1,655,834)	-
Profit/(loss) after tax from discontinued operations	(152)	-	23	-
Income for the period	6,959,115	5,853	7,239,514	2,937
Net income attributable to equity holders of the parent	3,779,736	3,779,736	3,830,335	3,830,335

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira ("TRY")) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT REPORTING (Continued)**f) The items of statement of profit or loss:****i) Banking:**

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Interest, commission and other income	41,277,797	41,277,797	38,166,302	38,166,302
Interest, commission and other expenses	(27,493,622)	(27,493,622)	(25,492,000)	(25,492,000)
General administration expenses	(6,930,435)	(6,930,435)	(5,937,871)	(5,937,871)
Other operating income/(expense) - net	181,136	181,136	258,294	258,294
Operating profit	7,034,876	7,034,876	6,994,725	6,994,725
Income/(expense) from investing activities - net	32,954	32,954	6,567	6,567
Profit before tax	7,067,830	7,067,830	7,001,292	7,001,292
Tax	(1,583,508)	(1,583,508)	(1,433,550)	(1,433,550)
Net income	5,484,322	5,484,322	5,567,742	5,567,742
Net income attributable to equity holders of the parent	2,234,855	2,234,855	2,268,860	2,268,860
EBITDA	7,548,604		7,337,881	

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies by deducting the financial asset values of the Holding's subsidiaries, joint ventures and associations before elimination which belong to the related segment considering the Holding's portion of ownership.

Net income of non-controlling interests of Akbank as of 31 December 2019 is TRY3,249,461 (31 December 2018: TRY3,298,882).

HACI ÖMER SABANCI HOLDING A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT REPORTING (Continued)**f) The items of statement of profit or loss (continued):****ii) Insurance:**

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Gross premiums	3,152,586	-	2,352,613	-
Gross written premiums	5,461,314	-	3,982,708	-
Unearned premiums reserves	(2,308,728)	-	(1,630,095)	-
Premiums, commission and other expenses	(2,807,563)	-	(2,199,591)	-
General administration expenses	(603,422)	-	(495,301)	-
Other operating income/(expense) - net	911,135	-	844,967	-
Interest in income of joint ventures (Note 17)	-	210,964	-	156,955
Operating profit	652,736	210,964	502,688	156,955
Income/(expense) from investing activities - net	126,842	-	69,045	-
Operating profit before financial expense	779,578	210,964	571,733	156,955
Financial income/(expense) - net	(58,894)	-	(37,250)	-
Profit before tax	720,684	210,964	534,483	156,955
Tax	(162,316)	-	(120,781)	-
Net income	558,368	210,964	413,702	156,955
Net income attributable to equity holders of the parent	558,368	210,964	413,702	156,955
EBITDA	696,592	-	510,116	-

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies by deducting the financial asset values of the Holding's subsidiaries, joint ventures and associations before elimination which belong to the related segment considering the Holding's portion of ownership.

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT REPORTING (Continued)**f) The items of statement of profit or loss (continued):****iii) Energy:**

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Sales revenue (net)	26,012,514	-	23,647,119	-
Cost of sales	(18,760,424)	-	(16,783,387)	-
General administration expenses	(2,277,481)	-	(1,938,006)	-
Other operating income/(expense) - net	39,381	-	(1,152,397)	-
Interest in income of joint ventures (Note 13)	-	999,499	-	318,574
Operating profit/(loss)	5,013,990	999,499	3,773,329	318,574
Income / (expense) from investment activities -net	1,865	-	194	-
Operating profit/(loss) before financial expense	5,015,855	999,499	3,773,523	318,574
Financial income/(expense) - net	(2,342,691)	-	(2,805,712)	-
Profit/(loss) before tax	2,673,164	999,499	967,811	318,574
Tax	(467,443)	-	(181,124)	-
Net income/(loss)	2,205,721	999,499	786,687	318,574
Net income/(loss) attributable to equity holders of the parent	2,205,721	999,499	786,687	318,574
EBITDA	5,773,285	-	4,724,332	-

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies by deducting the financial asset values of the Holding's subsidiaries, joint ventures and associations before elimination which belong to the related segment considering the Holding's portion of ownership.

HACI ÖMER SABANCI HOLDING A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT REPORTING (Continued)**f) The items of statement of profit or loss (continued):****iv) Industry:**

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Sales revenue (net)	9,690,933	6,132,584	8,767,466	5,768,690
Cost of sales	(7,686,630)	(4,967,890)	(6,913,838)	(4,679,447)
General administration expenses	(407,020)	(292,925)	(522,258)	(369,594)
Marketing expenses	(616,595)	(314,343)	(586,010)	(315,973)
Research and development expenses	(14,412)	(13,040)	(12,273)	(11,234)
Other operating income/(expense) - net	105,517	144,598	215,023	128,691
Interest in income of joint ventures (Note 13)	176,606	226,350	222,906	264,679
Operating profit	1,248,399	915,334	1,171,016	785,812
Income/(expense) from investing activities - net	15,382	17,324	903	952
Operating profit before financial expense	1,263,781	932,658	1,171,919	786,764
Financial income/(expense) - net	(549,088)	(284,649)	(716,780)	(381,547)
Profit before tax	714,693	648,009	455,139	405,217
Tax	(73,835)	(71,437)	(715)	(2,390)
Profit after tax from discontinued operations	(152)	(152)	23	23
Net income	640,706	576,420	454,447	402,850
Net income attributable to equity holders of the parent	640,706	576,420	454,447	402,850
EBITDA	1,588,602	1,296,666	1,296,666	361,200

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies by deducting the financial asset values of the Holdings subsidiaries, joint ventures and associations before elimination which belong to the related segment considering the Holding's portion of ownership.

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira ("TRY")) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT REPORTING (Continued)

- f) The items of statement of profit or loss (continued):
- v) Retail:

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Sales revenue (net)	10,522,668	10,518,308	8,680,380	8,677,090
Cost of sales	(8,069,966)	(8,065,732)	(6,733,071)	(6,726,077)
General administration expenses	(219,448)	(219,363)	(217,482)	(217,124)
Marketing expenses	(1,851,491)	(1,851,491)	(1,639,662)	(1,639,662)
Other operating income/(expense) - net	(368,620)	(368,620)	(358,922)	(358,922)
Operating profit/(loss)	13,143	13,102	(268,757)	(264,695)
Income/(expense) from investing activities - net	(2,755)	(2,755)	566,265	566,265
Operating profit/(loss) before financial expense	10,388	10,347	297,508	301,570
Financial income/(expense) - net	(619,323)	(619,323)	(323,406)	(323,406)
Profit/(loss) before tax	(608,935)	(608,976)	(25,898)	(21,836)
Tax	117,220	117,220	(50,212)	(50,212)
Net income/(loss)	(491,715)	(491,756)	(76,110)	(72,048)
Net income/(loss) attributable to equity holders of the parent	(491,715)	(491,756)	(76,110)	(72,048)
EBITDA	811,606	(263,230)	58,569	(44,767)

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies by deducting the financial asset values of the Holding's subsidiaries, joint ventures and associations before elimination which belong to the related segment considering the Holding's portion of ownership.

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT REPORTING (Continued)**f) The items of statement of profit or loss (continued):****vi) Cement:**

	Combined (*)	Consolidated (**)	Combined (*)	Consolidated (**)
	31 December 2019	31 December 2019	31 December 2018	31 December 2018
Sales revenue (net)	3,552,301	1,726,196	3,418,750	1,703,180
Cost of sales	(2,995,986)	(1,422,876)	(2,645,410)	(1,295,375)
General administration expenses	(239,746)	(153,739)	(186,098)	(110,198)
Research and development expenses	(6,446)	(6,446)	(3,851)	(3,851)
Marketing expenses	(38,604)	(15,275)	(40,024)	(18,398)
Other operating income/(expense) - net	40,881	35,981	36,662	38,440
Interest in income of joint ventures	-	29,878	-	68,252
Operating profit	312,400	193,719	580,029	382,050
Income/(expense) from investing activities - net	117,843	47,210	63,370	33,771
Operating profit before financial expense	430,243	240,929	643,399	415,821
Financial income/(expense) - net	(403,311)	(271,433)	(291,407)	(211,263)
Profit before tax	26,932	(30,504)	351,992	204,558
Tax	4,392	16,737	(64,007)	(22,014)
Net income	31,324	(13,767)	287,985	182,544
Net income attributable to equity holders of the parent	31,324	(13,767)	287,985	182,544
EBITDA	512,247	20,996	724,066	134,920

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies by deducting the financial asset values of the Holding's subsidiaries, joint ventures and associations before elimination which belong to the related segment considering the Holding's portion of ownership.

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT REPORTING (Continued)

- f) The items of statement of profit or loss (continued):
- vii) Other:

	Combined (*) 31 December 2019	Consolidated (**) 31 December 2019	Combined (*) 31 December 2018	Consolidated (**) 31 December 2018
Sales revenue (net)	1,130,049	518,076	1,417,271	199,129
Cost of sales	(438,464)	(436,344)	(167,878)	(167,484)
General administration expenses	(178,021)	(165,060)	(140,822)	(134,080)
Marketing expenses	(20,117)	(19,843)	(6,288)	(6,288)
Other operating income/(expense) - net	24,842	16,915	25,219	17,416
Operating profit	518,289	(86,256)	1,127,502	(91,307)
Income/(expense) from investing activities - net	352,481	345,313	929,294	922,126
Operating profit before financial expense	870,770	259,057	2,056,796	830,819
Financial income/(expense) - net	(7,391)	(7,391)	(256)	(256)
Profit before tax	863,379	251,666	2,056,540	830,563
Tax	(58,233)	(58,233)	(147,669)	(147,669)
Net income	805,146	193,433	1,908,871	682,894
Net income attributable to equity holders of the parent		128,338		634,592
EBITDA	552,808		1,153,409	

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies by deducting the financial asset values of the Holding's subsidiaries, joint ventures and associations before elimination which belong to the related segment considering the Holding's portion of ownership.

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT REPORTING (Continued)**g) Detail of net income/(loss) attributable to equity holders of the parent**

One-off income expenses are one-time income or expenses that the Group does not expect to encounter in routine operations. The net income attributable to equity holders of the parent with adjusted segments is as follows:

	31 December 2019	31 December 2018
Banking	2,226,524	2,268,860
Insurance	214,843	156,957
Industry	447,848	380,860
Cement	3,938	120,649
Energy	991,944	576,014
Retail	(275,674)	(183,637)
Other	150,015	511,660
Total	3,759,438	3,831,363

	31 December 2019	31 December 2018
Adjusted net income for reported operating segments (Equity holders of the Parent)	3,759,438	3,831,363
One off income/(expenses) related to Carrefoursa	12,444	138,870
One off income/(expenses) related to Enerjisa	7,555	(257,440)
One off income/(expenses) related to Holding	(47,594)	122,932
One off income/(expenses) related to Exsa	25,914	-
One off income/(expenses) related to Cement	17,058	14,272
Other	4,921	(19,662)
Net income (Equity holders of the Parent)	3,779,736	3,830,335

One off income/(expenses) details	31 December 2019	31 December 2018
Profit on sale of fixed assets	27,234	254,561
Impairment of goodwill	-	(301,602)
Loss on sale of subsidiary	(21,680)	-
Other	14,744	46,013
Total	20,298	(1,028)

HACI ÖMER SABANCI HOLDING A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT REPORTING (Continued)**h) Combined EBITDA Detail**

31 December 2019	Profit Before Tax	Depreciation Expenses	Income/ (expenses) from Investing Activities - net	Financial income/ (expense) - net	Operational foreign exchange differences/ interest	EBITDA
Banking	7,067,830	513,727	32,954	-	-	7,548,604
Industry	714,693	424,142	15,382	(549,088)	83,939	1,588,602
Cement	26,932	240,811	117,843	(403,311)	40,964	512,247
Retail	(608,935)	474,001	(2,755)	(619,323)	(324,464)	811,606
Energy	2,673,164	839,151	1,865	(2,524,204)	261,369	5,773,285
Insurance	720,684	55,139	126,842	(58,894)	11,283	696,592
Other	863,379	37,792	352,481	(7,391)	3,273	552,808

31 December 2018	Profit Before Tax	Depreciation Expenses	Income/ (expenses) from Investing Activities - net	Financial income/ (expense) - net	Operational foreign exchange differences/ interest	EBITDA
Banking	7,001,292	343,156	6,567	-	-	7,337,881
Industry	455,139	336,019	903	(716,780)	210,371	1,296,666
Cement	351,992	194,603	63,370	(291,407)	50,566	724,066
Retail	(25,898)	173,239	566,265	(323,406)	(154,087)	58,569
Energy	967,811	697,314	194	(2,805,712)	(253,693)	4,724,332
Insurance	534,483	34,671	69,045	(43,544)	33,537	510,116
Other	2,056,540	29,431	929,294	(256)	3,524	1,153,409

HACI ÖMER SABANCI HOLDING A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT REPORTING (Continued)**i) Depreciation and amortisation charges, impairment and capital expenditures (Consolidated):****1 January - 31 December 2019**

	Finance						Total	
	Banking	Insurance	Industry	Cement	Energy	Retail		Other
Depreciation and amortization	513,727	-	234,654	143,419	-	474,001	37,632	1,403,433
Capital expenditures	1,225,714	-	200,199	201,191	-	201,129	72,596	1,900,829

1 January - 31 December 2018

	Finance						Total	
	Banking	Insurance	Industry	Cement	Energy	Retail		Other
Depreciation and amortization	343,156	-	177,711	110,439	-	173,239	29,839	834,384
Capital expenditures	1,063,720	-	600,342	260,714	-	157,725	49,341	2,131,842

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira ("TRY")) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT REPORTING (Continued)**j) Depreciation and amortisation charges, impairment and capital expenditures (Combined):****1 January - 31 December 2019**

	Finance						Total	
	Banking	Insurance	Industry	Cement	Energy	Retail		Other
Depreciation and amortization	513,727	55,139	424,142	240,811	839,151	474,001	37,792	2,584,763
Capital expenditures	1,225,714	63,878	481,766	282,301	1,937,026	201,129	72,597	4,264,411

1 January - 31 December 2018

	Finance						Total	
	Banking	Insurance	Industry	Cement	Energy	Retail		Other
Depreciation and amortization	343,156	34,671	336,019	194,603	697,314	173,239	29,431	1,808,433
Capital expenditures	1,063,720	72,589	839,672	361,604	1,909,163	157,725	49,341	4,453,814

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 5 - CASH AND CASH EQUIVALENTS

The detail of cash and cash equivalents at 31 December 2019 and 2018 is as follows:

	31 December 2019	31 December 2018
Cash		
- Banking	3,352,184	3,680,078
- Other companies	28,240	30,941
Bank - time deposit	4,558,212	6,408,625
Bank - demand deposit	14,115,717	12,704,682
Receivables from repo transactions	66,120	539,374
Other cash and cash equivalents	326,730	293,967
Total	22,447,203	23,657,667

Effective interest rates of USD, EUR and TRY denominated time deposits are 1.41% (31 December 2018: 2.35%), 0.03% (31 December 2018: 0.22%) and 10.70% (31 December 2018: 23.83%), respectively.

The maturity analysis as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Demand deposit	17,822,871	16,709,668
Up to 3 months	4,624,332	6,947,999
Total	22,447,203	23,657,667

As of 31 December 2019, total amount of the restriction on the Group’s off- shore cash and cash equivalents, payment accounts related to floating interest rate bond issue, time and demand deposits in the banks is TRY3,916,739 (31 December 2018: TRY5,002,895).

NOTE 6 - FINANCIAL INVESTMENTS**a) Financial assets at fair value through profit and loss:**

The detail of financial assets at fair value through profit and loss is as follows:

	31 December 2019	31 December 2018
Share certificates	232,765	150,685
Government bonds	182,344	10,113
Eurobonds	92,378	-
Other (*)	6,782,035	6,708,227
Total	7,289,522	6,869,025

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 6 - FINANCIAL INVESTMENTS (Continued)**a) Financial assets at fair value through profit and loss (continued):**

(*) In the previous period, the syndication loans provided to Ojer Telekomünikasyon A.Ş. (OTAŞ) were restructured. In this scope, LYY Telekomünikasyon A.Ş. (former name: Levent Yapılandırma Yönetimi A.Ş.), which the creditors are direct or indirect partners of, was established as a special purpose company to protect the creditors and act as a warranty for these loans, and LYY Telekomünikasyon A.Ş. completed the takeover of 192,500,000,000 A Group shares, which made up 55% of Türk Telekom’s issued capital, on 21 December 2018. The bank held 35.56% of LYY Telekomünikasyon A.Ş., which is its share of OTAŞ receivables. In the Ordinary General Assembly of LYY Telekomünikasyon A.Ş. on 23 September 2019 it was decided that a portion of the loan will be turned into capital and added to LYY Telekomünikasyon A.Ş., and the nominal value of the bank’s shares of LYY Telekomünikasyon A.Ş. increased from TRY18 to TRY1,416,090. This increased amount is displayed in the “Assets Held for Sale and Discontinued Operations” row of the financial statements. The value of the portion followed up as a loan was TRY6,723,419 as of 31 December 2019, and was classified under “Other Financial Assets” under “Financial Assets for Which the Fair Value Difference is Reflected to Profit/Loss” in the financial statements. The total fair value decrease recognised for the loan and turned into capital is TRY938,867, and the entire amount was classified under “Assets Held for Sale and Discontinued Operations”. The financial asset for which the fair value difference was reflected in the profit/loss and assets, which was turned into capital and was worth TRY7,200,669 was measured at fair value in the scope of the TFRS 9 Financial Instruments Standard and TFRS 5 Assets Held-for-Sale and Discontinued Operations. The results of a study of an independent valuation company was used to determine this value. For the said valuation study, the fair value was defined by considering the average of various methods (discounted cash flows, similar market factors, similar transaction factors in the same industry, market value and analyst reports). The financial asset for which the fair value difference is reflected in profit/loss, is followed up on as Level 3 in the scope of TFRS 13. Potential changes in the basic assumptions in the said valuation study will affect the carrying value of the amount turned into capital and the financial asset for which the fair value difference is reflected in profit/loss. If both the growth rate and the risk-free investment income rate in the assumptions used in the discounted cash flow method increase or decrease by 0.25%, assuming that all other variables are stable, the assets and period profit before tax recognised in the consolidated financial statements will either increase by approximately TRY170 million or decrease by TRY150 million. The main objective of creditor banks is to hand over the said Türk Telekom shares to an investor expert in the field by meeting the requirements as quickly as possible. An international investment bank was authorised as the sale advisor on 19 September 2019 for the purpose of selling the 55% of shares of Türk Telekomünikasyon A.Ş. owned by LYY Telekomünikasyon A.Ş., and necessary studies related to the sale and negotiations with potential investors will begin.

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 6 - FINANCIAL INVESTMENTS (Continued)**a) Financial assets at fair value through profit and loss (continued):**

Effective interest rates of TRY denominated securities at fair value through profit and loss are as follow:

	31 December 2019	31 December 2018
TRY	%11.17	%13.22

The Group's activities in the finance sector as collateral for the purchase and sale of financial assets is TRY10,049 (31 December 2018: TRY10,599).

The maturity analysis of financial assets at fair value through profit and loss as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
0 to 3 months	257,952	156,811
3 to 12 months	6,882,627	6,700,321
1 to 5 years	121,822	11,893
Over 5 years	27,121	-
Total	7,289,522	6,869,025

Period remaining to contractual repricing dates:

	31 December 2019	31 December 2018
On demand	257,952	156,811
Up to 3 months	22,714	11,893
3 to 12 months	6,860,314	6,700,321
1 to 5 years	121,421	-
Over 5 years	27,121	-
Total	7,289,522	6,869,025

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 6 - FINANCIAL INVESTMENTS (Continued)**b) Financial assets at fair value through other comprehensive income:**

	31 December 2019	31 December 2018
Debt securities		
- Government bonds	35,534,282	23,928,005
- Eurobonds	16,168,796	12,574,559
- Investment funds	424,665	237,585
- Other bonds denominated in foreign currency	15,374,312	7,600,049
Sub-total	67,502,055	44,340,198
Equity securities		
- Listed	138	153
- Unlisted	22,253	19,502
Sub-total	22,391	19,655
Financial assets at fair value through other comprehensive income	67,524,446	44,359,853

Effective interest rates of USD, EUR, JPY and TRY denominated available-for-sale securities are 5.20% (31 December 2018: 4.55%), 2.70% (31 December 2018: 2.38%), 3.09% (31 December 2018: 3.09%) and 14.14% (31 December 2018: 20.97%), respectively. The Group's financial assets through other comprehensive income subject to funds provided from repo are TRY8,422,563 (31 December 2018: TRY12,114,655). Financial assets through other comprehensive income that are given as collateral because of the Group's financing activities are amounting to TRY17,108,499 (31 December 2018: TRY8,854,043).

There are bonds index-linked to consumer prices (“CPI”) in the securities portfolio of Akbank for which the fair value difference is reflected to other comprehensive income and which are measured by amortized cost. These securities are valued and recognised using the effective interest method and are based on the index calculated using real coupon rates, the reference inflation index on the date of issuance and estimated inflation rates. Reference indexes used to calculate the actual coupon payment amounts of the securities are created based on CPIs from two months prior. The bank sets the estimated inflation rate in line with the reference indexes. The estimated inflation rate used is updated during the year when necessary. The real inflation rate is used at the end of the year.

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 6 - FINANCIAL INVESTMENTS (Continued)**b) Financial assets at fair value through other comprehensive income (continued) :**

The maturity analysis in accordance with expiring date as at 31 December 2019 and 2018 is as follows:

	31 December 2019			31 December 2018		
	Banking companies	Other	Total	Banking companies	Other	Total
Up to 3 months	2,570,694	-	2,570,694	1,215,591	-	1,215,591
3 to 12 months	13,755,389	-	13,755,389	3,997,086	-	3,997,086
1 to 5 years	38,853,989	-	38,853,989	29,373,727	13,777	29,387,504
Over 5 years	11,919,710	-	11,919,710	9,522,087	-	9,522,087
On demand	424,664	-	424,664	237,585	-	237,585
Total	67,524,446	-	67,524,446	44,346,076	13,777	44,359,853

As of 31 December 2019 and 2018, according to the remaining period until the re-pricing date determined by the contract:

	31 December 2019			31 December 2018		
	Banking companies	Other	Total	Banking companies	Other	Total
Up to 3 months	11,244,537	-	11,244,537	8,558,547	-	8,558,547
3 to 12 months	20,937,235	-	20,937,235	13,645,080	-	13,645,080
1 to 5 years	25,225,086	-	25,225,086	15,273,796	13,777	15,287,573
Over 5 years	9,692,924	-	9,692,924	6,631,068	-	6,631,068
On demand	424,664	-	424,664	237,585	-	237,585
Total	67,524,446	-	67,524,446	44,346,076	13,777	44,359,853

c) Financial Assets at Amortised Cost:

The details of financial investments valued at their amortized cost are presented below:

	31 December 2019	31 December 2018
Government bonds	15,566,111	12,215,183
Total	15,566,111	12,215,183

Effective interest rates of USD, EUR and TRY denominated debt securities are 5.22% (31 December 2018: 4.89%), 3.46% (31 December 2018: 3.58%) and TRY is 14.74% (31 December 2018: 26.70%).

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 6 - FINANCIAL INVESTMENTS (Continued)**c) Financial Assets at Amortised Cost (Continued):**

The breakdown of financial assets at amortised cost is listed below:

	31 December 2019	31 December 2018
Opening balance, 1 January	12,215,183	18,883,153
Additions	5,397,163	1,654,189
Foreign exchange differences in monetary assets	414,623	1,683,148
Valuation effect	677,288	572,514
Disposals through sales and redemptions (*)	(3,214,759)	(10,713,907)
Allowance for impairment (**)	76,613	136,086
Closing balance	15,566,111	12,215,183

(*) The Bank has reviewed the marketable securities management model in accordance with IFRS 9, and has reclassified its securities to financial assets through other comprehensive income amounting to TRY4,927,185 because appropriate model is collecting cash flows or selling the financial asset which are previously classified and measured at amortized cost.

(**) Expected loss provision is included.

For financial investments valued at their amortized cost as of 31 December 2019 and 31 December 2018, the remaining period to the maturity dates stated in the contract on the basis of Banking and other sectors is as follows:

	31 December 2019			31 December 2018		
	Banking	Other companies	Total	Banking	Other companies	Total
3 to 12 months	4,170,428	-	4,170,428	3,470,091	81	3,470,172
1 to 5 years	10,735,539	586	10,736,125	7,640,711	-	7,640,711
Over 5 years	659,558	-	659,558	1,104,300	-	1,104,300
	15,565,525	586	15,566,111	12,215,102	81	12,215,183

Period remaining to contractual repricing dates for investment security, financial assets at amortised cost at 31 December 2019 and 2018 is as follows:

	31 December 2019			31 December 2018		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	3,989,518	-	3,989,518	3,922,712	-	3,922,712
3 to 12 months	6,008,502	-	6,008,502	4,220,072	81	4,220,153
1 to 5 years	4,907,947	586	4,908,533	2,968,018	-	2,968,018
Over 5 years	659,558	-	659,558	1,104,300	-	1,104,300
Toplam	15,565,525	586	15,566,111	12,215,102	81	12,215,183

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 7 - FINANCIAL LIABILITIES**Short term funds borrowed, bank borrowings and debt securities:**

	31 December 2019	31 December 2018
Short term	10,342,807	9,726,191
Short term portion of long term	15,005,313	20,815,668
Total short term	25,348,120	30,541,859
Long term funds borrowed, bank borrowings and debt securities		
Long term	32,736,661	35,222,289
Total	58,084,781	65,764,148

Maturity analysis as of 31 December 2019 and 31 December 2018 is as follows:

	31 December 2019	31 December 2018
Up to 3 months	9,312,146	8,447,806
3 to 12 months	16,035,974	22,094,053
Short term borrowings and short term portion of long term borrowings	25,348,120	30,541,859
1 to 5 years	20,888,158	21,892,607
Over 5 years	11,848,503	13,329,682
Long term borrowings	32,736,661	35,222,289
Total financial liabilities	58,084,781	65,764,148

As of 31 December 2019 and 2018, repayment plans of long-term financial debts are presented below:

	31 December 2019	31 December 2018
1 to 2 years	5,951,036	7,770,555
2 to 3 years	6,822,421	4,168,543
3 to 4 years	4,620,070	5,887,176
4 to 5 years	3,494,631	4,066,333
Over 5 years	11,848,503	13,329,682
Total	32,736,661	35,222,289

As of 31 December 2019 and 2018, the remaining period until the repricing date of the loans determined by the contract:

	31 December 2019	31 December 2018
Up to 3 months	38,080,668	38,453,236
3 to 12 months	3,998,513	10,334,947
1 to 5 years	7,728,695	9,449,170
Over 5 years	8,276,905	7,526,795
Total	58,084,781	65,764,148

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 7 - FINANCIAL LIABILITIES (Continued)**Short term funds borrowed, bank borrowings and debt securities (continued):**

Financial liability movement as of 31 December 2019 is as follows;

	2019	2018
1 January	65,764,148	55,257,767
Additions	4,175,560	20,180,086
Payments	(12,252,903)	(10,276,282)
Interest accruals	303,677	431,302
Foreign exchange effects	84,406	161,274
Interest capitalization during the period	9,893	10,001
31 December	58,084,781	65,764,148

The transactions related with the funds and loans as of 31 December 2019 are as follows:

Akbank - Funds borrowed via syndicated credit

As of 31 December 2019, Akbank has three outstanding syndicated loan. EUR483 million and USD 604.5 million with a maturity of 1 year and 2 years was obtained through the loan agreement signed on 26 March 2018. The current amount is USD250 million. The cost of 2 years maturity loan is Euribor + 210 bps. EUR303 million and USD 356 million with a maturity of 1 year was obtained through the loan agreement signed on 26 March 2019. The cost of maturity loan is Euribor + 240 and Libor +250. EUR373.5 million and USD402 million with maturities of 1 year were obtained through the loan agreement signed on 7 October 2019. The cost of loans are Euribor +210 and Euribor +225 bps.

Issued securities:

Securities issued consist of USD and TRY assets.

The repayment plan for USD securities issued is summarized below:

	31 December 2019		31 December 2018	
	USD	TRY	USD	TRY
2019	-	-	979,670	5,153,064
2020	1,044,191	6,181,611	1,071,920	5,638,299
2021	583,035	3,451,567	574,885	3,023,895
2022	1,005,694	5,953,708	946,571	4,978,963
2023	533,257	3,156,881	538,218	2,831,027
2024	516,762	3,059,231	493,616	2,596,420
2025	861,331	5,099,080	448,497	2,359,094
2026	79,035	467,887	57,488	302,387
2027	347,457	2,056,945	309,511	1,628,028
2028	241,635	1,430,479	221,586	1,165,542
Total	5,212,397	30,857,389	5,641,962	29,676,719

The balance amounting to USD5,212,397 consists of securitization deals and USD denominated securities issued by the Bank.

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 7 - FINANCIAL LIABILITIES (Continued)

	31 December 2019		31 December 2018	
	EUR	TRY	EUR	TRY
2019	-	-	91,366	549,857
2020	45,883	304,649	23,104	139,044
2021	23,104	153,404	362	2,179
2022	362	2,404	348	2,094
2023	348	2,311	335	2,016
2024	335	2,224	321	1,932
2025	322	2,138	309	1,860
2026	309	2,052	297	1,787
2027	297	1,972	285	1,715
2028	286	1,899	274	1,649
2029	7,082	47,025	6,808	40,955
Total	78,328	520,078	123,809	745,088

The balance amounting to EUR78,328 consists of securitization deals and EUR denominated securities issued by the Group (31 December 2018: EUR123,809)

	31 December 2019		31 December 2018	
	RON	TRY	RON	TRY
2019	-	-	56,222	72,167
Total	-	-	56,222	72,167

As of 31 December 2018, the balance amounting to RON55.562 consists of securitization deals and RON denominated securities issued by the Group. (31 December 2019: None).

	31 December 2019		31 December 2018	
	HUF	TRY	HUF	TRY
2019	-	-	764,752	14,354
Total	-	-	764,752	14,354

In 2018, The balance amounting to HUF764.752 consists of securitization deals and HUF denominated securities issued by the Group. (31 December 2019: None).

	31 December 2019		31 December 2018	
	JPY	TRY	JPY	TRY
2019	-	-	1,002,770	47,772
Total	-	-	1,002,770	47,772

In 2018, The balance amounting to JPY1.002.770 consists of securitization deals and JPY denominated securities issued by the Group. (31 December 2019: None)

In addition, as of 31 December 2019, the Group issued bonds with 1-3 months maturity of TRY1,840,532, 3-6 months maturity of TRY723,846, 1-5 years maturity of TRY678,966 and over 5 years maturity of TRY1,853,449. (31 December 2018: 1-3 months term TRY2,669,292, 3-6 months term TRY278,354, 1-5 years term TRY257,048 and over 5 years term TRY1,650,033).

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 8 - LIABILITIES FROM LEASING TRANSACTIONS

The maturity and currency breakdown of the Group's liabilities regarding leasing transactions in accordance with TFRS 16 are as follows:

Liabilities from short-term lease transactions:

	Up to 3 months	3 to 12 months	Total
TRY	96,816	195,825	292,641
USD	3,798	1,727	5,525
EUR	1,235	6,818	8,053
Other	95	562	657
Total	101,944	204,932	306,876

Liabilities from long-term lease transactions:

	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
TRY	222,828	261,460	705,927	100,304	269,491	1,560,010
USD	11,378	3,073	3,335	3,556	53,072	74,414
EUR	7,359	10,429	924	9,337	15,138	43,187
Other	244	104	-	-	-	348
Total	241,809	275,066	710,186	113,197	337,701	1,677,959

NOTE 9 - TRADE RECEIVABLES AND PAYABLES**Short and long term trade receivables:**

	31 December 2019	31 December 2018
Trade receivables	1,579,878	1,910,959
Notes and cheques	103,073	416,478
	1,682,951	2,327,437
Less: expected credit losses	(57,515)	(190,375)
Total	1,625,436	2,137,062

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

As of 31 December 2019 and 2018, the maturity analysis of the overdue and expected credit loss reserves within the trade receivables balance is as follows:

	31 December 2019	31 December 2018
Up to 3 months	-	3,869
3 to 6 months	-	1,059
6 to 9 months	-	2,348
Over 9 months	57,515	183,099
Total	57,515	190,375

	31 December 2019	31 December 2018
Short and long term trade payables:		
Trade payables	3,995,164	3,371,306
Expense accruals	494	1,443
Total	3,995,658	3,372,749

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	31 December 2019	31 December 2018
Other short term receivables		
Receivables form credit card payments	47,441	35,689
Other receivables(*)	2,053,917	1,484,071
Total	2,101,358	1,519,760

	31 December 2019	31 December 2018
Other long term receivables:		
Deposits and guarantees given	38,935	49,703
Other receivables(*)	2,986,182	3,004,847
Total	3,025,117	3,054,550

(*) Other receivables mainly consist of the collaterals obtained by Akbank for derivative transactions.

	31 December 2019	31 December 2018
Other short term payables		
Payables related to credit card transactions	4,287,406	4,003,963
Taxes and funds payable	563,572	566,985
Export deposits and transfer orders	31,963	95,021
Payment orders to correspondent banks	27,401	42,924
Financial lease payables	24,140	23,712
Other(*)	1,144,239	1,409,805
Total	6,078,721	6,142,410

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 10 - OTHER RECEIVABLES AND PAYABLES (Continued)

Other long term payables	31 December 2019	31 December 2018
Financial lease payables	5,281	58,606
Other(*)	3,368,892	2,313,990
Total	3,374,173	2,372,596

(*) Other payables mainly include the collateral provided by Akbank for derivative transactions.

NOTE 11 - INVENTORIES

	31 December 2019	31 December 2018
Raw materials	551,780	526,711
Work in process	161,794	303,342
Finished goods and merchandises	2,244,043	1,960,169
Spare parts	75,230	90,939
Other	149,801	138,580
	3,182,648	3,019,741
Allowance for impairment on inventory (-)	(57,979)	(74,896)
Total	3,124,669	2,944,845

The movement table of allowance for impairment on inventory is as follows:

	2019	2018
1 January	(74,896)	(72,358)
Provisions	(16,938)	(33,376)
Provisions no longer required	33,855	30,838
31 December	(57,979)	(74,896)

NOTE 12 - PREPAID EXPENSES AND DEFERRED INCOME

Short-term prepaid expenses:	31 December 2019	31 December 2018
Prepaid expenses	856,685	845,205
Advance given for inventory purchases	20,225	16,357
Other	16,127	39,041
Total	893,037	900,603
Long-term prepaid expenses:	31 December 2019	31 December 2018
Advance given for property, plant and equipment purchases	10,862	2,627
Prepaid expenses	10,857	18,364
Total	21,719	20,991

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 12 - PREPAID EXPENSES AND DEFERRED INCOME (Continued)

Short term deferred income:	31 December 2019	31 December 2018
Unearned commission income	124,918	235,687
Advances received	31,276	30,648
Deferred income	30,449	24,965
Other	335	568
Total	186,978	291,868
	31 December 2019	31 December 2018
Long-term deferred income:		
Unearned commission income	83,279	116,833
Total	83,279	116,833

NOTE 13 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD

Book value of Associates and Joint Ventures is as follows:

	31 December 2019	Share (%)	31 December 2018	Share (%)
Aksigorta	277,306	36.00	232,657	36.00
Avivasa	331,306	40.00	257,872	40.00
Brisa	391,379	43.63	401,808	43.63
Akçansa	371,530	39.72	404,949	39.72
Enerjisa Üretim Santralleri	3,033,693	50.00	2,596,999	50.00
Enerjisa Enerji	2,729,619	40.00	2,519,566	40.00
Philsa	111,882	25.00	188,256	25.00
Philip Morrissa	88,788	24.75	37,357	24.75
Temsa Mısır (*)	-	-	(8,104)	73.75
Temsa İş Makineleri (**)	-	-	125,099	51.00
Total	7,335,503		6,756,459	

(*) As of 30 May 2019, the partnership in Temsa Egypt ended with the sale of Temsa Transportation's shares.

(**) As of 9 August 2019, as a result of the sale of 41% of Temsa İş Makinaları shares, it is recognized as a financial investment.

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 13 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD (Continued)

Share of income from Associates and Joint Ventures included in Holding’s consolidated net income is as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Aksigorta	111,453	76,722
Avivasa	99,511	80,233
Brisa	49,744	41,772
Akçansa	29,878	68,252
Enerjisa Üretim Santralleri	586,051	19,495
Enerjisa Enerji	413,448	299,079
Philsa	(8,197)	146,119
Philip Morrissa	173,437	50,586
Temsa Mısır	-	231
Temsa İş Makineleri	11,366	25,971
Total	1,466,691	808,460

The summary financial information of Associates and Joint Ventures is as follows:

	31 December 2019		31 December 2018	
	Total assets	Total Liabilities	Total assets	Total liabilities
Aksigorta	7,333,423	6,563,128	5,464,195	4,817,924
Avivasa	3,051,298	2,246,571	2,263,901	1,642,760
Brisa	5,575,065	4,678,023	4,803,642	3,882,699
Akçansa	1,930,697	982,407	2,103,125	1,070,700
Enerjisa Üretim Santralleri	13,573,530	7,506,145	13,628,412	8,434,414
Enerjisa Enerji	23,398,208	16,574,161	23,120,713	16,821,798
Philsa	3,687,791	3,240,265	3,350,586	2,597,563
Philip Morrissa	1,355,134	996,395	1,267,960	1,117,021
Temsa Mısır	-	-	14,416	25,404
Temsa İş Makineleri (*)	-	-	567,374	262,701
Total	59,905,146	42,787,095	56,584,324	40,672,984

(*) As of 9 August 2019, 41% of Temsa İş Makinaları shares are sold and the rest of the shares are accounted as financial investment.

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NOTE 13 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD (Continued)**Sales**

	1 January - 31 December 2019	1 January - 31 December 2018
Aksigorta	4,473,560	3,417,338
Avivasa	987,754	565,371
Brisa	3,558,329	2,998,776
Akçansa	1,826,106	1,715,570
Enerjisa Üretim Santralleri	6,559,429	5,300,705
Enerjisa Enerji	19,453,085	18,346,413
Philisa (*)	28,489,226	25,241,521
Philip Morrissa	28,940,292	24,901,916
Temsa İş Makineleri	-	935,064

(*) Philisa, which is a manufacturing company, conducts its sales activities through Philip Morrissa, which is a marketing company.

Net profit/(loss)

	1 January - 31 December 2019	1 January - 31 December 2018
Aksigorta	309,590	213,118
Avivasa	248,778	200,584
Brisa	114,013	95,741
Akçansa	74,970	179,757
Enerjisa Üretim Santralleri	1,172,101	38,990
Enerjisa Enerji	1,033,621	747,697
Philisa	(32,789)	584,476
Philip Morrissa	700,756	204,387
Temsa Mısır	-	313
Temsa İş Makineleri (*)	-	50,924

(*) As of 9 August 2019, as a result of the sale of 41% of Temsa İş Makinaları shares, it is recognized as a financial investment.

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 13 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD (Continued)

The movement of the joint ventures is as follows;

	2019	2018
Opening balance, 1 January	6,756,459	6,439,214
Profit/(loss) share	1,466,691	808,460
Initial public offering effect (*)	-	(593,630)
Capital increase (**)	-	714,000
Company disposals (***)	(116,995)	-
Dividend income from joint ventures	(549,171)	(490,026)
Other comprehensive income/(expense) shares	(221,481)	(121,559)
Closing balance, 31 December	7,335,503	6,756,459

(*) As of February 8, 2018, a joint venture of the Group, Enerjisa Enerji A.Ş.’s initial public offering consisting of 20% of the Entity’s shares is completed.

(**) The Group joined the cash capital increase of Enerjisa Üretim amounting to TRY1,428,000,000 (Full); paying its share of TRY714,000,000 (Full) on 7 March 2018.

(***) As of 9 August 2019, as a result of the sale of 41% of Temsa İş Makinaları shares, it is recognized as a financial investment.

HACI ÖMER SABANCI HOLDING A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 14 - INVESTMENT PROPERTY

	1 January 2019	Additions	Disposals	Impairment (*)	Currency translation differences	Transfers	31 December 2019
Cost:							
Land	133,580	69	-	8,278	15,019	16,667	173,613
Buildings	3,962	12,876	-	-	-	1,628	18,466
Total	137,542	12,945	-	8,278	15,019	18,295	192,079

Accumulated depreciation							
Buildings	(612)	(432)	-	-	-	-	(1,044)
Net book value	136,930						191,035

	1 January 2018	Additions	Disposals	Impairment	Currency translation differences	Transfers	31 December 2018
Cost:							
Land	187,643	-	(74,684)	(1,234)	20,917	938	133,580
Buildings	124,220	7,543	(133,210)	(33)	5,442	-	3,962
Total	311,863	7,543	(207,894)	(1,267)	26,359	938	137,542

Accumulated depreciation							
Buildings	(29,357)	(1,547)	32,516	-	(2,224)	-	(612)
Net book value	282,506						136,930

(*) As of 31 December 2019 and 31 December 2018, an independent valuation company determined the fair value of investment properties of PT Indo Kordsa, a Kordsa company in the Asia Pacific region which is a subsidiary of the group. The independent appraisal company is experienced enough and has the required qualifications to determine the fair value of properties in the relevant regions. The fair values of the pieces of land owned were determined using the market comparison method, which reflects the available transaction fees for similar properties. The highest value and the best available value in use were used to determine the fair value of the land. No other valuation technique was used in the current period. As of 31 December 2019, the fair value of investment properties was TRY259 million (total) (31 December 2018: TRY216 million [total]).

HACI ÖMER SABANCI HOLDING A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment for the year ended 31 December 2019 is as follows:

	1 January 2019	Currency translation differences	Additions	Disposals	Transfers (*)	Subsidiary Addition Effect (**)	Subsidiary Disposal Effect (***)	Impairment	31 December 2019
Cost:									
Land and land improvements	504.524	14.372	3.051	(12.866)	80.050	-	(29.844)	-	559.287
Buildings	2.923.521	70.201	85.607	(101.620)	565.453	17.841	(100.822)	(560)	3.459.621
Financial leasing buildings	20.512	-	-	-	(20.512)	-	-	-	-
Machinery and equipment	4.921.161	319.738	189.723	(49.478)	356.425	24.422	(279.336)	(3.442)	5.479.213
Motor vehicles	122.132	1.243	2.390	(10.775)	59	-	(20.779)	-	94.270
Furniture and fixtures	3.336.710	10.502	620.789	(471.290)	13.043	-	(50.694)	2.361	3.461.421
Total	11.828.560	416.056	901.560	(646.029)	994.518	42.263	(481.475)	(1.641)	13.053.812
Construction in progress	863.615	21.490	430.030	(10.650)	(1.054.186)	3.226	(7.084)	-	246.441
Total	12.692.175	437.546	1.331.590	(656.679)	(59.668)	45.489	(488.559)	(1.641)	13.300.253
Accumulated depreciation:									
Land and land improvements	(239.584)	(1.637)	(1.058)	1.636	-	-	9.607	-	(231.036)
Buildings	(1.039.002)	(29.254)	(68.220)	99.873	-	-	45.910	268	(990.425)
Financial leasing buildings	(7.732)	-	-	-	7.732	-	-	-	-
Machinery and equipment	(2.429.790)	(155.709)	(330.731)	35.997	-	(17.555)	232.247	1.828	(2.683.713)
Motor vehicles	(102.139)	131	(5.415)	9.617	-	-	5.588	-	(92.218)
Furniture and fixtures	(2.247.250)	(7.642)	(255.082)	463.478	-	-	39.248	264	(2.006.984)
Total	(6.065.497)	(194.111)	(680.506)	610.601	7.732	(17.555)	332.600	2.360	(6.004.376)
Net book value	6.626.678								7.295.877

(*) TRY39.156 of the transfers from construction in progress in the current period is recognized in intangible assets.

(**) It includes property, plant and equipment of Axiom which is acquired by Kordsa, a subsidiary of the Group, as of 23 July 2019.

(***) It includes amounts related to Temsa Ulaştırma Araçları San. Tic. A.Ş. which is disposed in May 2019, and Yütsa Yünlüt Samayı ve Ticaret A.Ş. Includes balances.

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movement in property, plant and equipment for the year ended 31 December 2018 is as follows:

	1 January 2018	Currency translation differences	Additions (**)	Disposals (**)	Transfers (*)	Impairment	31 December 2018
Cost:							
Land and land improvements	549.569	9.764	4.828	(70.482)	5.299	-	498.978
Buildings	2.688.983	136.368	83.913	(91.933)	126.233	-	2.943.564
Machinery and equipment	3.906.821	528.733	61.456	(5.269)	427.541	-	4.919.282
Motor vehicles	111.243	2.280	19.793	(11.184)	-	-	122.132
Furniture and fixtures	3.143.030	20.096	512.996	(356.139)	12.897	-	3.332.880
Total	10.399.646	697.241	682.986	(535.007)	571.970	-	11.816.836
Construction in progress	644.620	31.545	852.022	(19.084)	(645.488)	-	863.615
Total	11.044.266	728.786	1.535.008	(554.091)	(73.518)	-	12.680.451
Accumulated depreciation:							
Land and land improvements	(235.214)	(5.378)	(8.161)	689	8.480	5.546	(234.038)
Buildings	(977.040)	(52.980)	(60.382)	43.680	(12)	469	(1.046.265)
Machinery and equipment	(1.990.166)	(242.789)	(201.076)	4.241	-	1.879	(2.427.911)
Motor vehicles	(95.743)	(1.470)	(9.611)	4.685	-	-	(102.139)
Furniture and fixtures	(2.216.358)	(14.608)	(290.221)	275.471	12	2.284	(2.243.420)
Total	(5.514.521)	(317.225)	(569.451)	328.766	8.480	10.178	(6.053.773)
Net book value	5.529.745						6.626.678

(*) Transfers from Construction in progress during the period amounting of TRY 65,038 was accounted as intangible assets.

(**) As a result of the sale of two real estate properties in the period by the retailing group, the assets with net book values of TRY 64,503 and TRY 40,093 respectively were disposed from the property, plant and equipment; and an income of TRY 569,337 was accounted under investment income.

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NOTE 16 - INTANGIBLE ASSETS

The movements in intangible assets for the years ended 31 December 2019 and 2018 are as follows

	1 January 2019	Currency translation differences	Additions	Impairment	Disposals	Transfers	Subsidiary purchase effect (**)	Company disposals (***)	31 December 2019
Cost (*)	2,530,399	54,273	556,294	(666)	(437,333)	20,861	426,664	(275,713)	2,874,779
Accumulated amortization (-)	(1,270,738)	(16,156)	(284,453)	316	430,446	-	-	138,966	(1,001,619)
Net book value	1,259,661								1,873,160
	1 January 2018	Currency translation differences	Additions	Impairment	Disposals	Transfers			31 December 2018
Cost (*)	1,827,717	39,638	604,155	113	(5,324)	64,100			2,530,399
Accumulated amortization (-)	(1,010,619)	3,149	(266,402)	(104)	3,238	-			(1,270,738)
Net book value	817,098								1,259,661

(*) Intangible assets mainly consist of licenses and software.

(**) It includes property, plant and equipment of Axiom which is acquired by Kordsa, a subsidiary of the Group, as of 23 July 2019.

(***) Include Temsa Ulaşım Araçları San. Tic. A.Ş. and Yünsa Yünlü Sanayi ve Ticaret A.Ş. the balances sold in 2019.

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NOTE 17 - RIGHT OF USE ASSETS

	1 January 2019	Subsidiary purchase effect (*)	Transfers (**)	Additions	Disposals	Other	31 December 2019
Cost							
Real estates	1,893,886	58,489	20,512	256,306	(77,616)	36,239	2,187,816
Fixtures	407	-	-	162	-	26	595
Motor vehicles	27,624	166	-	11,328	(635)	275	38,758
Other	11,973	-	-	4,136	-	412	16,521
Total	1,933,890	58,655	20,512	271,932	(78,251)	36,952	2,243,690
Accumulated depreciation:							
Real estates	-	-	(7,732)	(390,336)	63,593	(4,144)	(338,619)
Fixtures	-	-	-	(178)	-	(8)	(186)
Motor vehicles	-	-	-	(16,093)	-	(111)	(16,204)
Other	-	-	-	(3,099)	-	(119)	(3,218)
Total	-	-	(7,732)	(409,706)	63,593	(4,382)	(358,227)
Net book value	1,933,890	58,655	12,780	(137,774)	(14,658)	32,570	1,885,463

(*) It includes property, plant and equipment of Axiom which is acquired by Kordsa, a subsidiary of the Group, as of 23 July 2019.

(**) During the period, TRY12,781 of property, plant and equipment has been transferred to Right to Use Assets.

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NOTE 18 - GOODWILL

The movements in goodwill for the years ended 31 December 2019 and 2018 are as follows:

	2019	2018
1 January	849,215	873,097
Additions (*) (Note 3)	40,898	115,526
Acquisitions (**)	503,153	-
Currency translation differences	82,071	10,792
Impairment provision	-	(150,200)
31 December	1,475,337	849,215

(*) Kordsa Inc., which is 100% subsidiary of Kordsa, a subsidiary of the Group, and resident in the USA, completed the acquisition of two different unlimited companies that named as “Fabric Development, Inc.” and “Textile Products, Inc.” in 2018, which provide advanced composite materials to commercial aviation industry and fully owned by Piyush A.Shah and Abantika P.Shah. In parallel with the acquisition, the capital of Kordsa Inc. has increased amounting to USD65 million. In accordance with the IFRS 3, Business Combinations, measurement of the fair value of identifiable assets and liabilities required for recognition by using the acquisition method, and allocation of the purchase price to tangible and intangible fixed assets (“Purchase price allocation”) are performed by an independent valuation organization, Houlihan Lokey Financial Advisors, Inc. and valuation studies are ongoing as of the report date. In this context, the fair value of the identifiable assets, liabilities and contingent liabilities of the related companies have been adjusted in accordance with IFRS and therefore the estimated amounts are reflected in the financial statements. In accordance with IFRS 3, the measurement period is defined as a maximum of one year from the date of purchase and additional assets and liabilities may be recognized if new information is obtained after the completion of the report. As a result of the acquisition transaction, the amount of TRY286.471 of the fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recorded as goodwill in the balance sheet. Fabric Development Inc., a subsidiary of Kordsa, acquired in 2018. has completed the evaluation and application process of the tax incentive opportunities related to the purchase and sale of the tax legislation (“338 (h) / 10 u) to which it is affiliated on 11 April 2019. It has been decided not to apply for tax base correction for intangible assets accounted after purchase. The effect of this adjustment and the effect of the correction of temporary differences in tax bases are recognized as goodwill amounting to TRY 40.897.916 (Full USD7.209.603).

(**) Kordsa, one of the Group's subsidiaries has acquired “Axiom” and fair value of acquired identifiable assets, liabilities and contingent liabilities exceeds the acquisition cost amounting to TRY 503,153,010 (full TRY) booked as goodwill.

The cash producing unit value was tested using the cash flow’s +1%/-1% capital cost sensitivity weighted average (31 December 2018: +1%/-1%). The impairment sensitivity test found that the cash producing unit value is not impaired.

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 19 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other short term provisions	31 December 2019	31 December 2018
Provision for liabilities	452,605	611,896
<i>Credit bonus provision</i>	58,926	53,120
<i>Provisions for litigation</i>	88,207	173,323
<i>Uncompensated and not encashed non-cash loans</i>	297,102	378,740
<i>Onerous contracts</i>	-	5,246
<i>Other short-term provisions</i>	8,370	1,467
Other debt provisions	25,770	66,959
Total	478,375	678,855
Other long term provisions	31 December 2019	31 December 2018
Provision for liabilities	121,994	4,260
<i>Provisions for litigation</i>	35,218	-
<i>Other long-term provisions</i>	86,776	4,260
Total	121,994	4,260
Commitments - banking segment	31 December 2019	31 December 2018
Letters of guarantee given	30,717,394	34,426,832
Letters of credit	4,398,221	6,255,037
Foreign currency acceptance	50,678	2,740,066
Other guarantees given	6,541,435	7,884,108
Total	41,707,728	51,306,043
Commitments - other companies	31 December 2019	31 December 2018
Letters of guarantee given	1,317,516	812,587
Other guarantees given	1,016,434	413,072
Mortgages, guarantees and pledges for tangible assets	12,056	11,480
Total	2,346,006	1,237,139

Commitments for resale and repurchase of debt securities:

Commitments for the resale and repurchase of debt securities (government bonds, treasury bills and Eurobonds) at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Repurchase commitments	10,095,553	14,434,653

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NOTE 19 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Transactions for held for trading	31 December 2019	31 December 2018
Foreign currency purchases	7,573,795	11,135,973
Foreign currency sales	7,228,044	10,525,900
Total	14,801,839	21,661,873
	31 December 2019	31 December 2018
Currency swap purchases	118,346,112	141,036,291
Currency swap sales	120,827,669	139,431,917
Interest swap purchases	76,289,552	68,273,548
Interest swap sales	76,289,552	68,273,548
Total	391,752,885	417,015,304
	31 December 2019	31 December 2018
Spot purchases	2,934,998	7,628,722
Spot sales	2,934,711	7,347,903
Total	5,869,709	14,976,625
	31 December 2019	31 December 2018
Currency, interest and securities options purchases	15,793,725	37,759,363
Currency, interest and securities options sales	15,958,797	37,740,163
Total	31,752,522	75,499,526
	31 December 2019	31 December 2018
Future purchase transactions	85,946	-
Future sales transactions	85,005	-
Total	170,951	-
	31 December 2019	31 December 2018
Other purchase transactions	14,417,136	16,286,966
Other sales transactions	7,763,410	8,749,610
Total	22,180,546	25,036,576

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NOTE 19 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)**Types of derivative transactions held for hedges:**

	31 December 2019	31 December 2018
Interest swap purchases	16,424,864	15,800,831
Interest swap sales	16,424,864	15,800,831
Total	32,849,728	31,601,662

	31 December 2019	31 December 2018
Money swap purchases	18,824,262	17,128,717
Money swap sales	12,985,025	13,443,865
Total	31,809,287	30,572,582

	31 December 2019	31 December 2018
Foreign currency purchases	155,171	-
Total	155,171	-

The maturity analysis of the off-balance sheet assets of the Banking segment at 31 December 2019 is as follows:

	Up to 1 year	Over 1 year	Total
Letters of guarantees given	13,661,607	17,055,787	30,717,394
Letters of credits	3,121,595	1,276,626	4,398,221
Acceptance credits	50,678	-	50,678
Other guarantees	2,043,849	4,497,586	6,541,435
Total	18,877,729	22,829,999	41,707,728

The maturity analysis of the off-balance sheet assets of the Banking segment at 31 December 2018 is as follows:

	Up to 1 year	Over 1 year	Total
Letters of guarantees given	5,334,189	29,092,643	34,426,832
Letters of credits	2,387,037	3,868,000	6,255,037
Acceptance credits	2,457,752	282,314	2,740,066
Other guarantees	3,682,399	4,201,709	7,884,108
Total	13,861,377	37,444,666	51,306,043

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NOTE 19 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The economic sector risk concentrations of the commitments of the Banking segment at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Construction	8,130,380	7,911,886
Wholesale	7,653,743	9,162,663
Financial institutions	4,194,793	7,182,375
Other manufacturing	3,538,816	4,884,605
Small-scale retailers	3,129,987	5,252,181
Electricity, gas and water	2,628,360	2,458,803
Steel and mining	2,301,980	3,218,621
Textile	1,533,427	1,446,126
Food and beverage	1,207,821	1,398,630
Chemicals	1,114,426	1,558,845
Transportation	1,019,990	700,841
Automotive	986,218	1,185,086
Electronics	326,898	298,176
Tourism	322,063	337,699
Agriculture and forestry	274,728	180,924
Telecommunications	255,455	207,104
Other	3,088,643	3,921,478
Total	41,707,728	51,306,043

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 20 - COMMITMENTS

Collaterals, pledges and mortgages (“CRM”) given by the Subsidiaries at 31 December 2019 is as follows:

	31 December 2019				
	Total TL Equivalent	TL	USD	EUR	Other
A, Total amount of the Collaterals given for its own legal entity	1,313,267	539,799	101,429	25,698	-
B, Collaterals given on behalf of fully consolidated companies	2,007,732	299,619	173,609	101,173	3,970
C, Collaterals given on behalf of the third parties’ debt for continuation of their economic activities	41,707,728	19,606,154	1,881,686	1,545,598	644,828
D, Total amount of other Collaterals					
i, Given on behalf of majority shareholder					
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Collaterals	45,028,727	20,445,572	2,156,724	1,672,469	648,798
A, Total amount of the mortgages given for its own legal entity	-	-	-	-	-
B, Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C, Mortgages given on behalf of third parties’ debt for continuation of their economic activities	-	-	-	-	-
D, Total amount of other Mortgages					
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	-	-	-	-	-
A, Total amount of the pledges given for its own legal entity	-	-	-	-	-
B, Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C, Pledges given on behalf of third parties’ debt for continuation of their economic activities	-	-	-	-	-
D, Total amount of other Pledges					
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Pledges	-	-	-	-	-

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NOTE 20 - COMMITMENTS (Continued)

Collaterals, pledges and mortgages (“TRI”) given by the Subsidiaries at 31 December 2019 is as follows:

	31 December 2019				
	Total TL Equivalent	TL	USD	EUR	Other
A, Total amount of the Collaterals given for its own legal entity	816,793	805,186	567	1,239	-
B, Collaterals given on behalf of fully consolidated companies	-	-	-	-	-
C, Collaterals given on behalf of the third parties' debt for continuation of their economic activities	2,803	2,803	-	-	-
D, Total amount of other Collaterals	-	-	-	-	-
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Collaterals	819,596	807,989	567	1,239	-
A, Total amount of the mortgages given for its own legal entity	-	-	-	-	-
B, Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C, Mortgages given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D, Total amount of other Mortgages	-	-	-	-	-
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	-	-	-	-	-
A, Total amount of the pledges given for its own legal entity	-	-	-	-	-
B, Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C, Pledges given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D, Total amount of other Pledges	-	-	-	-	-
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Pledges	-	-	-	-	-

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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 20 - COMMITMENTS (Continued)

Collaterals, pledges and mortgages (“TRI”) given by the Subsidiaries at 31 December 2018 is as follows:

	31 December 2018				
	Total TL Equivalent	TL	USD	EUR	Other
A, Total amount of the Collaterals given for its own legal entity	1,221,553	318,497	107,680	55,593	-
B, Collaterals given on behalf of fully consolidated companies	1,489,327	360,398	10,056	177,683	4,944
C, Collaterals given on behalf of the third parties' debt for continuation of their economic activities	51,306,043	21,761,622	3,087,613	2,122,216	508,077
D, Total amount of other Collaterals					
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Colleterals	54,016,923	22,440,517	3,205,349	2,355,492	513,021
A, Total amount of the mortgages given for its own legal entity	-	-	-	-	-
B, Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C, Mortgages given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D, Total amount of other Mortgages					
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	-	-	-	-	-
A, Total amount of the pledges given for its own legal entity	-	-	-	-	-
B, Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C, Pledges given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D, Total amount of other Pledges					
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Pledges	-	-	-	-	-

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 20 - COMMITMENTS (Continued)

As of 31 December 2018, the collateral / pledge / mortgage (“TRI”) position of the Joint Ventures is as follows;

	31 December 2018				
	Total TL Equivalent	TL	USD	EUR	Other
A, Total amount of the Collaterals given for its own legal entity	1,165,180	1,118,379	7,269	1,419	-
B, Collaterals given on behalf of fully consolidated companies	-	-	-	-	-
C, Collaterals given on behalf of the third parties' debt for continuation of their economic activities	2,850	2,850	-	-	-
D, Total amount of other Collaterals	-	-	-	-	-
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Collaterals	1,168,030	1,121,229	7,269	1,419	-
A, Total amount of the mortgages given for its own legal entity	-	-	-	-	-
B, Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C, Mortgages given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D, Total amount of other Mortgages	-	-	-	-	-
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	-	-	-	-	-
A, Total amount of the pledges given for its own legal entity	-	-	-	-	-
B, Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C, Pledges given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D, Total amount of other Pledges	-	-	-	-	-
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Pledges	-	-	-	-	-

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 21 - EMPLOYEE BENEFITS

Payables related to employee benefits	31 December 2019	31 December 2018
Due to personnel	55,340	73,302
Social security premiums payable	7,090	20,369
Total	62,430	93,671
Short term provisions for employee benefits:		
	31 December 2019	31 December 2018
Unused vacation pay provision	159,152	142,222
Bonus provision	37,771	23,526
Other	225,140	161,603
Total	422,063	327,351
Long term provisions for employee benefits:		
	31 December 2019	31 December 2018
Unused vacation pay provision	5,439	3,638
Provision for employment termination benefits	504,049	416,591
Other	38,332	27,816
Total	547,820	448,045

Provision for retirement pay liability:

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or achieves the retirement age. Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement. At 31 December 2019, the amount payable consists of one month’s salary limited to a maximum of TRY6,379.86 (31 December 2018: TRY5,434.42) for each year of service.

There are no agreements for pension commitments other than the legal requirement as explained above. The liability is not funded, as there is no funding requirement

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 *Employee Benefits* stipulates the development of company’s liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2019, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. However the discount rate used in the calculation of the provisions differs for each subsidiary and associate, the average discount rate is 3.90% - 5.40% at the respective balance sheet date (31 December 2018: 4.30% - 5.80%). Severance pay ceiling is revised semi-annually. TRY6,730.15 severance pay ceiling, which is effective on 1 January 2020, has been considered in the provision for employment termination benefits calculations of the Group.

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 21 - EMPLOYEE BENEFITS (Continued)Provision for retirement pay liability (continued):

Movements in the provision for employment termination benefits for the years ended 31 December 2019 and 2018 are as follows:

	2019	2018
1 January	416,591	385,500
Charge for the period	139,163	135,916
Payments	(102,433)	(107,311)
Interest cost	3,576	10,972
Foreign currency translation adjustments	49	3,348
Company disposals	(57,749)	-
Actuarial (loss)/gain	104,852	(11,834)
31 December	504,049	416,591

NOTE 22 - OTHER ASSETS AND LIABILITIES

Other Current Assets	31 December 2019	31 December 2018
Cheques in clearance	702,265	1,212,261
Deductible, deferred and other VAT	133,747	530,602
Other current assets	116,852	108,082
Total	952,864	1,850,945

Other Non-Current Assets	31 December 2019	31 December 2018
Long term tax claims and other legal receivables	29,861	13,920
Deductible, deferred and other VAT	1,583	3,902
Other non-current assets	94,782	119,691
Total	126,226	137,513

Other Short Term Liabilities	31 December 2019	31 December 2018
Cheques in clearance	1,410,474	2,468,350
Saving deposits insurance	93,838	52,010
Other short term liabilities	350,249	244,534
Total	1,854,561	2,764,894

Other Long Term Liabilities		
Other Long Term Liabilities	40,182	94,901
Total	40,182	94,901

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NOTE 23 - EQUITY

The Holding’s authorised and issued capital consists of 204,040,393,100 (31 December 2018: 204,040,393,100) shares of Kr 1 each.

The Holding’s authorised and paid-in share capital and shareholding structure at 31 December 2019 and 2018 is as follows:

Shareholders:	Share (%)	31 December 2019	Share (%)	31 December 2018
Sakıp Sabancı Holding A.Ş.	14.07	287,100	14.07	287,100
Serra Sabancı	7.21	147,160	7.21	147,160
Suzan Sabancı Dinçer	6.94	141,567	6.94	141,567
Çiğdem Sabancı Bilen	6.94	141,567	6.94	141,567
Other	64.84	1,323,010	64.84	1,323,010
Share capital	100.00	2,040,404	100.00	2,040,404
Treasury shares (-)		(190,470)		(190,470)
Share premium		22,237		22,237

According to Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. (Exsa)’s Board of Director decision on 22 December 2015, company has started to make share buyback at BİST (İstanbul Stock Market). Hence; with these transactions Exsa’s share at Sabancı Holding reached at 1.17% as of 31 December 2019. These shares are shown in consolidated equity as capital adjustments due to treasury shares.

Restricted Reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The Company, reserves 5% of the historical statutory profit as first legal reserve, until the total reserve reaches 20% of the historical paid in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

Furthermore, to be entitled to the exemption for sale of participation shares and property, 75% of related gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. Based on the exemption for sale of participation shares and property, 75% of the related gain is required to be held in account “gain on sale of subsidiaries”. In 2012, related to the initial public offering of Teknosa, Holding accounted for 75% of this gain in this account.

The details of restricted reserves mentioned above are as follows:

	31 December 2019	31 December 2018
Legal reserves	829,399	705,591
Subsidiary sales profit	344,487	344,487
Total	1,173,886	1,050,078

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NOTE 23 - EQUITY (Continued)**Dividend Distribution**

Listed companies processes their profit distributions according to the II-19.1 numbered CMB profit distribution declaration become effective on or after 1 February 2014.

Group companies distribute their profits within the frame of profit distribution policies determined by general assembly and according to the related declaration by the approval of general assembly. Within the mentioned declaration, minimum rate of distribution is not determined. Companies distribute their profits according to the predetermined terms in their articles of incorporation or profit distribution policies.

Accumulated Other Comprehensive Income or Loss to be Reclassified to Profit or Loss

	Revaluation fund	Cash flow hedge fund	Net investment hedge fund	Currency translation differences
Balance as of 1 January 2018	(252,746)	(121,522)	(228,186)	724,660
Increases/(decreases) during the period	(1,127,006)	(43,804)	(200,933)	658,116
Gains transferred to income statement	(149,035)	6,311	-	-
Net gains & losses included in the income statement due to transfer of financial assets through other comprehensive income				
into financial assets at amortized cost	38,628	-	-	-
Tax effect	272,231	8,248	44,205	-
Balance as of 31 December 2018	(1,217,928)	(150,767)	(384,914)	1,382,776

	Revaluation fund	Cash flow hedge fund	Net investment hedge fund	Currency translation differences
Balance as of 1 January 2019	(1,217,928)	(150,767)	(384,914)	1,382,776
Increases/(decreases) during the period	1,495,759	(932,150)	(81,044)	305,898
Gains transferred to income statement	300,933	144,495	-	-
Net gains & losses included in the income statement due to transfer of financial assets through other comprehensive income				
into financial assets at amortized cost	(162,888)	-	-	-
Tax effect	(359,437)	173,260	17,830	-
Balance as of 31 December 2019	56,439	(765,162)	(448,128)	1,688,674

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 24 - ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS**Information on assets held for sale:**

Nile Kordsa Company for Industrial Fabrics S.A.E., a subsidiary of Kordsa, which is a subsidiary of the Group, had a full period profit amounting to Total TRY152.057 as of 31 December 2019 (31 December 2018: TRY22.778 Total loss). For the year ended 31 December 2019 and 31 December 2018, operating results of this company reclassified as income/expense from the discontinued operations in consolidated financial statements. The amount recognised under "Assets Held For Sale" is Total TRY7.347.731 as of 31 December 2019 (31 December 2018: Total TRY14.220.459). The remaining Total TRY131.850 is the land owned by Çimsa as available for sale, which is a subsidiary of the Group (31 December 2018: None). The amount recognised under "Liabilities Held For Sale" is Total TRY3.116.610 as of 31 December 2019 (31 December 2018: Total TRY4.273.745).

Information on other assets held for sale:

	Current period 31 December 2019	Previous period 31 December 2018
Cost	666,140	264,463
Accumulated depreciation (-)	73	79
Net book value	666,067	264,384

	Current period 31 December 2019	Previous period 31 December 2018
Beginning, net book value	264,384	133,515
Acquired (*)	1,575,616	180,171
Disposed of (-), net	235,066	49,220
Impairment (-)	938,867	82
Closing, net book value	666,067	264,384

(*) Akbank, one of the subsidiaries of the Group, has participated in the newly established LYY Telekomünikasyon A.Ş. at a rate of 35.56% and classified the share of TRY18 under the assets held for sale in the previous period. In the current period, the share of LYY Telekomünikasyon A.Ş. in the capital increased from TRY18 to TRY1.416.090. This amount is shown in the "Acquired" line in the table above.

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NOTE 25 - REVENUE AND COST OF SALES

	1 January - 31 December 2019	1 January - 31 December 2018
Domestic sales	16,642,186	14,785,979
Foreign sales	2,760,345	2,156,318
Less: Discounts	(619,543)	(681,960)
Total	18,782,988	16,260,337

	1 January - 31 December 2019	1 January - 31 December 2018
Cost of raw materials and merchandises	(12,015,299)	(10,370,697)
Change in finished good work in process inventory and merchandises	(439,341)	(23,091)
Depreciation and amortization expenses	(336,031)	(273,841)
Personnel expenses	(668,524)	(518,870)
Other	(1,415,486)	(1,670,798)
Total	(14,874,681)	(12,857,297)

NOTE 26 - EXPENSES BY NATURE**Research and development expenses:**

Allocation of research and development expenses on nature basis for the years ended 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Personnel expenses	(8,236)	(9,300)
Consultancy expenses	(9,578)	(3,990)
Depreciation and amortization expenses	(862)	(765)
Repair and maintenance expenses	(194)	(959)
Other	(616)	(72)
Total	(19,486)	(15,086)

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NOTE 26 - EXPENSES BY NATURE (Continued)**Marketing expenses:**

Allocation of marketing, selling and distribution expenses on nature basis for the years ended 31 December 2019 and 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Personnel expenses	(894,805)	(719,275)
Depreciation and amortization expenses	(421,707)	(129,584)
Rent expenses	(149,641)	(478,492)
Energy expenses	(147,807)	(113,854)
Transportation, logistic and distribution expenses	(136,679)	(130,115)
Advertisement expenses	(112,881)	(72,235)
Consultancy expenses	(52,995)	(42,929)
Outsourced services	(48,537)	(36,781)
Maintenance and repair expenses	(44,731)	(46,637)
Insurance expenses	(5,565)	(8,171)
Communication expenses	(1,870)	(3,276)
Material expenses	(1,363)	(3,736)
Other	(172,289)	(194,610)
Total	(2,190,870)	(1,979,695)

General administrative expenses:

Allocation of general administrative expenses on nature basis for the years ended 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Personnel expenses	(3,123,937)	(2,570,013)
Credit card and banking service expenses	(835,319)	(726,023)
Depreciation and amortization expenses	(644,963)	(433,210)
Repair and maintenance expenses	(623,686)	(535,697)
Consultancy expenses	(319,505)	(239,725)
Insurance expenses	(316,761)	(231,087)
Taxes, duties and charges	(239,094)	(217,329)
Communication expenses	(191,025)	(180,498)
Advertisement expenses	(150,655)	(128,118)
Energy expenses	(88,589)	(59,534)
Material expenses	(47,058)	(52,040)
Outsourced services	(1,432)	(1,264)
Other	(1,090,426)	(1,321,268)
Total	(7,672,450)	(6,695,806)

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 27 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other income from operating activities for the years ended 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Foreign currency gains resulting from operations	660,325	1,390,732
Due date income from trade receivables	90,449	97,565
Other income	317,722	377,636
Total	1,068,496	1,865,933

The details of other expenses from operating activities for the years ended 31 December 2019 and 2018 are as follows

	1 January - 31 December 2019	1 January - 31 December 2018
Foreign currency losses resulting from operations	(466,432)	(1,128,327)
Due date expense from trade receivables	(367,739)	(234,153)
Goodwill impairment provision expenses	-	(150,200)
Provision expense	(21,305)	(22,698)
Other expenses	(201,578)	(252,355)
Total	(1,057,054)	(1,787,733)

NOTE 28 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES**Income from investing activities**

The details of other income from investing activities for the years ended 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Fixed asset sales profit	74,432	598,483
Gain on sale of associates	76,524	126,411
Dividend income	10,123	6,593
Interest income on time deposits	4,171	2,366
Time deposit exchange difference income	3,564	-
Other	6,689	5,501
Total	175,503	739,354

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NOTE 28 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES (Continued)**Income from investing activities (continued)**

The details of other expenses from investing activities for the years ended 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Loss on sale of fixed assets	(9,003)	(6,663)
Loss on sale of subsidiary	(66,494)	-
Time deposit exchange difference expense	(1,047)	-
Total	(76,544)	(6,663)

NOTE 29 - FINANCE INCOME/EXPENSES

	1 January - 31 December 2019	1 January - 31 December 2018
Financial income		
Foreign currency gains	56,340	221,567
Interest income	12,092	5,142
Total	68,432	226,709
Financial expenses		
Foreign currency losses	(158,600)	(376,587)
Interest expense	(737,236)	(324,206)
Other financial expenses	(165,261)	(274,769)
Total	(1,061,097)	(975,562)

Financial income and financial expenses relate to segments outside of banking.

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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 30 - TAX ASSETS AND LIABILITIES

	31 December 2019	31 December 2018
Corporate and income taxes payable	1,690,444	448,621
Less: prepaid taxes	(1,339,282)	(402,392)
Total taxes payable	351,162	46,229

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

The Corporate Tax Law was amended as of 13 June 2006 with Law No 5520. The majority of the clauses of Law No 5520 are effective as of 1 January 2006. The effective tax rate of the fiscal year 2019 is 22% (2018: 22%). Corporation tax is payable at a rate of 20% on the total income of the Holding after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, and investment allowance, etc. and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed.

In accordance with the “Law on the Amendment of Certain Tax Acts and Some Other Laws” numbered 7061 and published in Official Gazette on 5 December 2017; the corporate tax rate for the years 2018, 2019 and 2020 has been increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2018 are calculated with 22% tax rate for the temporary differences that will be realised in 2018, 2019 and 2020; and with 20% tax rate for the temporary differences that will be realised after 2021 and onwards.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, except from these corporations dividends subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations calculate corporate tax quarterly at the rate of 22% on their corporate income and declare it until the 10th day and pay it on the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

In Turkey, corporate tax rate is 20%. This ratio will be applied as 22% for a period of three years, according to Law No: 7061 “The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations” published in the Official Gazette dated 5 December 2017.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns by the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

There are numerous exemptions in the Corporate Tax Law concerning the corporations. Those related to Group are as follows:

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NOTE 30 - TAX ASSETS AND LIABILITIES (Continued)***Affiliation Privilege***

Dividend income from participation in shares of capital of another full-fledged taxpayer corporation (except for dividends from investment funds participation certificates and investment partnerships shares) are exempt from corporate tax

Emission premiums exemption

Gains from issued premiums derived from the disposal of sales at nominal values during incorporations and the capital increase of joint stock companies are exempt from corporate tax.

Exemption for participation into foreign subsidiaries

The participation income of corporations participating in 10% or more of the capital of a limited liability or joint stock company which does not have its legal or business center in Turkey (except for corporations whose principal activity is financial leasing or by investment of marketable securities) for at least one year until the date of the income is generated and transferred to Turkey until the date of the filing of the corporate income tax return of the fiscal year in which the income is generated is exempt from corporation tax subject to those subsidiaries being subject to corporate income tax, or alike, in their country of legal residence or business center at the rate of at least 15% (the corporate income tax rate applicable in Turkey for those companies whose principal activity is financial assurance or insurance).

Exemption for sale of participation shares and property

75% of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which have remained in assets for more than two full years are exempt from corporate tax. As of 1 January 2018, the exemption for real estate has been revised to 50%. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. The proceed related to the sale transaction has to be collected up until the end of the second calendar year following the year the sale was realized.

Brokerage houses and real estate companies who are dealing with the trading and the leasing of the real estate cannot benefit from this exemption.

Investment incentives

The corporate tax rate in Turkey is 22%. However, there is a reduced corporate tax application for investments related to incentive certificate. The two factors that are important in calculating the discounted corporate tax in the Investment Incentive System are the contribution rate to investment and the rate of tax reduction. The amount of contribution of the investments to be met by Government through the tax is defined as the amount of contribution to the investment and dividing this amount by the total amount invested is defined as the rate of contribution to the investment. These rates are determined by the President according to the sectors and regions. Regulations on Reduced Corporate Tax are included in the Decree No: 2012/3305 of the Council of Ministers and 1 Serial Number of Corporate Tax.

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 30 - TAX ASSETS AND LIABILITIES (Continued)

Tax amounts related to comprehensive income items in the consolidated statement of other comprehensive profit or loss for the period ended 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019			31 December 2018		
	Before Tax	Tax Expense	After Tax	Before	Tax Charge	After
Fair value gain/(losses) from financial assets through other comprehensive income	3,988,937	(877,566)	3,111,371	(2,503,516)	550,774	(1,952,742)
Cash flow hedges, after tax	(1,551,392)	341,306	(1,210,086)	(378,805)	83,337	(295,468)
Financial assets related to the hedging of net investment in a foreign operation, after tax	(198,879)	43,753	(155,126)	(493,088)	108,479	(384,609)
Currency translation differences	706,580	-	706,580	1,510,690	-	1,510,690
Actuarial gain/loss	(108,110)	23,784	(84,326)	3,098	(682)	2,416
Other comprehensive income	2,837,136	(468,723)	2,368,413	(1,861,621)	741,909	(1,119,713)
				31 December 2019		31 December 2018
Profit before tax included in the consolidated financial statements				8,544,341		8,898,262
Expected tax charge according to parent company’s tax rate 22% (2018: 22%)				(1,879,755)		(1,957,618)
Tax rate differences of subsidiaries				3,055		4,607
Expected tax charge of the Group				(1,876,700)		(1,953,011)
Revenue that is exempt from taxation				51,307		28,892
Non-deductible expenses				(56,514)		(16,252)
Utilizing carryforward tax losses that are not subject to deferred tax				1,606		(37,551)
Impact of profits from investments valued by equity method				322,672		177,861
The effect of timing differences will not be subject to tax				-		91
Investment incentives impact				16,385		35,154
Real estate sales profit exemption				-		22,981
Other				(37,978)		86,001
Current year tax charge of the Group				(1,579,222)		(1,655,834)

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 30 - TAX ASSETS AND LIABILITIES (Continued)***Deferred tax***

The Group recognises deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under TAS and their statutory tax financial statements. These differences usually result from the recognition of revenue and expenses in different reporting periods for TAS and tax purposes, carry forward tax losses and investment incentive exceptions. Deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in coming years under the liability method using a principal tax rate of 20% in Turkey.

Since the subsidiaries and joint ventures which are separately taxpayers presented their deferred tax assets and liabilities as net values in their financial statements, the effect of the presentation of the net amounts has been reflected to the Group’s consolidated balance sheet. Temporary differences and deferred tax assets and liabilities presented in the table below are based on the gross values.

According to Law No: 7061 “The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations” published in the Official Gazette dated 5 December 2017 and temporary 10th Article added to Corporate Income Tax Law No. 5520, tax ratio will be applied as 22% for the periods of 2018, 2019 and 2020. After these three years, it is foreseen that the tax rate will be 20%. The Council of Ministers is authorised to reduce the rate up to 20%.

For the period ended 31 December 2019, tax on the income generated for the three-month periods are paid at the rate of 22% (2018: 22%) according to tax legislation and the amounts paid in this manner are deducted from the tax calculated on the annual earnings. With the amendment made in the law, this ratio was set at 22% for the years 2018, 2019 and 2020.

At 31 December 2019, the Group has not recognized deferred income tax assets over carry forward tax losses in the amount of TRY1,174,440 which can be offset against future taxable profits for a period of five years (31 December 2018: TRY840,246). As of 31 December 2019 and 31 December 2018 carry forward tax losses and the latest annual periods are as follows:

	31 December 2019	31 December 2018
2020	-	24,796
2021	361,220	465,178
2022	439,217	344,549
2023	344,107	5,723
2024	29,896	-
Total	1,174,440	840,246

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 30 - TAX ASSETS AND LIABILITIES (Continued)**Deferred tax (continued)**

Deferred tax assets/(liabilities) for the years ended at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Deferred tax assets	353,154	372,640
Deferred tax liabilities	(737,000)	(185,504)
Net Deferred Tax Assets	(383,846)	187,136

The movements in deferred income tax assets/(liabilities) for the six-month periods ended 31 December 2019 and 2018 are as follows:

	2019	2018
1 January	187,136	403,319
Charged to equity	(685,472)	149,563
Change in foreign currency translation differences	(110,184)	(35,408)
Company disposals	(130,356)	-
Charged to statement of profit or loss	376,509	(298,659)
Other	(21,479)	(31,679)
31 December	(383,846)	187,136

NOTE 31 - DERIVATIVE FINANCIAL INSTRUMENTS

31 December 2019	Fair Value	
Derivative instruments held for trading:	Assets	Liabilities
Foreign exchange derivative instruments		
Currency and interest rate swaps purchases and sales transactions	7,835,600	7,537,430
Forward currency purchases and sales transactions	585,732	260,172
Currency purchases and sales options	71,902	100,197
Other purchases and sales transactions	2,776,466	34
Total derivative instruments held for trading	11,269,700	7,897,833
Derivative instruments held for hedging:		
Currency and interest rate swap purchases and sales transactions	5,350,817	1,164,140
Currency purchases and sales transactions	8,147	-
Total derivative instruments held for hedging	5,358,964	1,164,140
Total derivative instruments	16,628,664	9,061,973

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 31 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

31 December 2018	Fair value	
	Assets	Liabilities
Derivative instruments held for trading:		
Foreign exchange derivative instruments		
Currency and interest rate swaps purchases and sales transactions	12,772,069	11,181,788
Forward currency purchases and sales transactions	1,084,169	450,783
Currency purchases and sales options	521,910	609,422
Other purchases and sales transactions	3,249,356	867
Total derivative instruments held for trading	17,627,504	12,242,860
Derivative instruments held for hedging:		
Currency and interest rate swap purchases and sales transactions	5,058,434	688,610
Currency purchases and sales transactions	2,678	-
Total derivative instruments held for hedging	5,061,112	688,610
Total derivative instruments	22,688,616	12,931,470

Akbank, Brisa, Yünsa, Carrefoursa and Enerjisa hedge against cash flow risk through the use of interest rate swaps against the cash flow risk arising from its financial debts.

NOTE 32 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS**Banking**

Loans and advances to customers	31 December 2019	31 December 2018
Consumer loans and credit cards receivables	50,475,117	45,957,225
Project finance loans	50,398,684	48,446,550
Construction	20,827,726	21,226,158
Financial institutions	17,022,629	25,290,619
Small-scale enterprises	15,521,011	14,967,236
Mining	7,801,926	6,241,256
Other manufacturing industries	6,546,945	8,031,069
Food and beverage, wholesale and retail	6,482,757	5,149,361
Textile	6,212,710	6,004,275
Chemicals	3,818,271	4,608,734
Automotive	3,653,900	4,556,178
Telecommunication (*)	1,342,522	293,681
Other	34,854,517	17,894,126
Total loans and advances to customers	224,958,715	208,666,468
Leasing receivables	5,140,318	6,415,536
Provision for loan losses	(12,707,080)	(8,482,445)
Net loans and advances to customers	217,391,953	206,599,559

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 32 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)**Banking (continued)**

The above table includes the bank's live and non-performing total loans, and the loan risk reserve is separated as a result of the bank assessment considering all credit risk.

(*) The loans of the Company regarding Levent Yapientation Management A.Ş., which it has previously displayed in the telecommunications sector, are classified under other financial assets under the “Fair Value Differences of Profit or Loss” item. The same classification was reflected in the financials of 31 December 2018 in order to show the financial statements mutually consistent.

Current period	Commercial Loans		Consumer Loans		Credit Cards		Financial Lease		Total	
31 December 2019	Balance	Credit Loss	Balance	Credit Loss	Balance	Credit Loss	Balance	Credit Loss	Balance	Credit Loss
Loans	174.937.877	9.980.877	32.871.448	1.362.081	17.149.390	962.411	5.140.318	401.711	230.099.033	12.707.080
Stage 1	137.566.735	486.248	27.841.519	59.540	14.579.181	57.358	4.082.393	46.066	184.069.828	649.212
Stage 2	25.146.239	3.188.196	3.427.255	100.130	1.540.707	67.061	484.459	63.171	30.598.660	3.418.558
Stage 3	12.224.903	6.306.433	1.602.674	1.202.411	1.029.502	837.992	573.466	292.474	15.430.545	8.639.310
Financial Asset	101.850.036	185.359	-	-	-	-	-	-	101.850.036	185.359
Other	12.222.751	53.097	-	-	-	-	-	-	12.222.751	53.097
Non cash loans	42.699.025	297.102	-	-	-	-	-	-	42.699.025	297.102
Stage 1&2	42.440.518	232.314	-	-	-	-	-	-	42.440.518	232.314
Stage 3	258.507	64.788	-	-	-	-	-	-	258.507	64.788
Total	331.709.689	10.516.435	32.871.448	1.362.081	17.149.390	962.411	5.140.318	401.711	386.870.845	13.242.638

Previous period	Commercial Loans		Consumer Loans		Credit Cards		Financial Lease		Total	
31 December 2019	Balance	Credit Loss	Balance	Credit Loss	Balance	Credit Loss	Balance	Credit Loss	Balance	Credit Loss
Loans	162.812.541	5.576.750	30.310.656	1.476.363	15.543.270	928.150	6.415.537	501.182	215.082.004	8.482.445
Stage 1	133.601.128	391.823	25.569.867	179.790	13.096.826	105.190	5.022.227	61.129	177.290.048	737.932
Stage 2	23.328.009	2.257.273	3.572.225	336.290	1.659.792	148.050	792.903	122.000	29.352.929	2.863.613
Stage 3	5.883.404	2.927.654	1.168.564	960.283	786.652	674.910	600.407	318.053	8.439.027	4.880.900
Financial Asset	82.797.786	48.418	-	-	-	-	-	-	82.797.786	48.418
Other	14.475.064	59.733	-	-	-	-	-	-	14.475.064	59.733
Non cash loans	52.795.371	381.930	-	-	-	-	-	-	52.795.371	381.930
Stage 1&2	52.614.940	331.189	-	-	-	-	-	-	52.614.940	331.189
Stage 3	180.431	50.741	-	-	-	-	-	-	180.431	50.741
Total	312.880.762	6.066.831	30.310.656	1.476.363	15.543.270	928.150	6.415.537	501.182	365.150.225	8.972.526

Effective interest rates of loans and advances to customers in US Dollars, Euros, Yen and Turkish Lira are 6.88% annually (31 December 2018: 7.26%), 4.45% (31 December 2018: 4.28%), respectively. 7.19% (31 December 2018: 9.06%) and 15.47% (31 December 2018: 18.41%).

As of 31 December 2019, the movement table of credit risk provision of banking industry segment by asset classes is as follows:

	Commerical Loans	Consumer Loans & Credit Cards	Leasing receivables	Total
1 January 2019	5,576,750	2,404,514	501,182	8,482,446
Gross provisions	6,203,867	844,337	89,479	7,137,683
Collections	(561,958)	(464,870)	(45,998)	(1,072,826)
Written-off (*)	(1,237,782)	(459,489)	(142,952)	(1,840,223)
31 December 2019	9,980,877	2,324,492	401,711	12,707,080

(*) The Bank accounts for TRY 714 million (full TRY amount) of its non-performing loans portfolio, İstanbul Varlık Yönetim A.Ş. for a fee of TRY 32.9 million (full TRY amount). and to the future Varlık Yönetim A.Ş. TRY113.8 million of TRY714 million was written off from the asset in 2017 and before. Ak Finansal Kiralama A.Ş. sold TRY50.8 million (full TRY amount) of non-performing financial lease receivables to Met-Ay Varlık Yönetim A.Ş. for a price of TRY425 thousand (full TRY amount).

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 32 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)**Banking (continued)**

As of 31 December 2018, the movement table of credit risk provision of banking industry segment by asset classes is as follows:

	Commerical Loans	Consumer Loans & Credit Cards	Leasing receivables	Total
1 January 2018	4,052,518	2,911,020	209,879	7,173,417
IFRS 9	845,575	(919,590)	49,480	(24,535)
Gross provisions	4,986,256	1,753,633	366,340	7,106,229
Collections	(709,473)	(440,373)	(5,794)	(1,155,640)
Written-off (*)	(3,598,126)	(900,176)	(118,723)	(4,617,025)
31 December 2018	5,576,750	2,404,514	501,182	8,482,446

(*) The Bank accounts for a portion of TRY774 million (full TRY amount) of its non-performing loans portfolio, Güven Varlık Yönetim A.Ş., Efes Varlık Yönetim A.Ş. for a fee of TRY36 million (full TRY amount). and Hayat Varlık Yönetim A.Ş. to 3 companies. The portion of the Bank's non-performing loans portfolio amounting to TRY446 million (full TRY amount), Arsan Varlık Yönetim A.Ş., İstanbul Varlık Yönetim A.Ş. for a total of TRY19.4 million (full TRY amount). and Sümer Varlık Yönetim A.Ş. to 3 companies.

The maturity analysis of loans and advances to customers as of 31 December 2019 and 31 December 2018 is presented below:

	31 December 2019	31 December 2018
Up to 3 months	75,181,405	61,110,257
3 to 12 years	40,330,281	41,483,652
Current	115,511,686	102,593,909
1 to 5 years	75,734,797	74,553,660
Over 5 years	21,005,152	23,036,454
Non current	96,739,949	97,590,114
Total	212,251,635	200,184,022

As of 31 December 2019 and 31 December 2018, the repricing dates of loans and advances given to customers in the contracts are as follows:

	31 December 2019	31 December 2018
Up to 3 months	97,452,545	86,877,733
3 to 12 months	43,842,267	45,661,631
1 to 5 years	65,290,494	60,537,709
Over 5 years	5,666,329	7,106,950
Total	212,251,635	200,184,022

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 33 - PAYABLES FROM FINANCE SECTOR OPERATIONS**Banking**

	31 December 2019			31 December 2018		
	Demand	Time	Total	Demand	Time	Total
Saving deposits	29,769,128	118,639,877	148,409,005	20,345,719	105,662,512	126,008,231
Commercial deposits	20,861,510	61,873,309	82,734,819	19,275,050	48,031,661	67,306,711
Bank deposits	1,555,546	5,220,007	6,775,553	1,487,220	6,564,165	8,051,385
Funds provided from						
Repo transactions	-	9,955,766	9,955,766	-	14,275,016	14,275,016
Other	1,410,044	3,106,320	4,516,364	1,321,784	2,671,123	3,992,907
Total	53,596,228	198,795,279	252,391,507	42,429,773	177,204,477	219,634,250

Effective interest rates of USD, EUR and TRY denominated customer deposits are 2.15% p.a. (31 December 2018: 3.51% p.a.), 0.05% p.a. (31 December 2018: 0.26% p.a.) and 9.43% p.a. (31 December 2018: 22.55% p.a.).

As of 31 December 2019 and 2018, deposits and money market borrowings, the analysis of the remaining maturity dates and repricing dates in the contract are presented below:

	31 December 2019	31 December 2018
Demand	53,596,228	42,429,773
Up to 3 months	176,547,906	149,747,370
3 to 12 months	13,797,294	20,966,242
1 to 5 years	7,469,389	5,955,533
Over 5 years	980,690	535,332
Total	252,391,507	219,634,250

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 34 - EARNINGS PER SHARE

Earnings per share (parent company share) stated in the consolidated profit or loss statement is determined by dividing the net period profit by the weighted average number of shares issued within the relevant period.

	31 December 2019	31 December 2018
Earnings per share total TRY		
- ordinary share (‘00)	1.85	1.88
Earnings per share from continuing operations total TRY		
- ordinary share (‘00)	1.85	1.88
Number of treasury shares	(190,470,000)	(190,470,000)
Earnings per share		
excluding treasury shares (total TRY)		
- ordinary share (‘00)	1.85	1.88
Earnings per share from continuing operations		
excluding treasury shares (total TRY)		
- ordinary share (‘00)	1.85	1.88
Weighted average number of shares		
as of the reporting date (per share of Kr 1 nominal value)		
-ordinary share	204,040,393,100	204,040,393,100

NOTE 35 - RELATED PARTY DISCLOSURES**Key management personnel compensation:**

The Group defined its key management as board of directors, general manager, general secretary, group chiefs, head of departments and group directors belonging to a group and over. Short term benefits include wages, bonuses, social security, health insurance, premium bonus and incentive premium. Other long term benefits include private pension system payments. Benefits provided for retirement include retirement and unused vacation payments paid to senior executives for retirement and transfer.

The detailed schedule of compensation paid or payable to key management for the years ended 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Short term benefits provided to senior executive	33,411	25,556
Benefits provided by termination	1,283	3,125
Other long term benefits	331	271
Total	35,025	28,952

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS**36.1 Financial Instruments and Financial Risk Management****36.1.1 Financial risk management**

The Group’s activities expose it to a variety of financial risks. These risks; market risk (including currency risk, fair value interest rate risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The Group’s overall risk management programme focuses on seek to minimizing the variability of financial markets and the potential adverse effects on the Group’s financial performance. The Group benefits from derivative financial instruments to hedge against various risks that it is exposed to.

Risk management is implemented by individual Subsidiaries and Joint Ventures under policies, approved by their Board of Directors.

36.1.1.1 Foreign Exchange Risk

The Group is exposed to foreign exchange risk through the impact of rate changes on the translation of foreign currency assets and liabilities to local currency. These risks are monitored and limited by analysing foreign currency position. The Group benefits from derivative instruments with the aim of minimizing the foreign exchange risk arising from balance sheet items by using swap and forward usage is limited to foreign exchange risk.

The difference between the assets and liabilities of Akbank both denominated in foreign currency is defined as the “Net Foreign Currency (“FC”) position” and is the exposure to foreign currency risk. Another dimension of the foreign exchange risk is the change in the value of the foreign currencies themselves within the net FC position (cross rate risk). Akbank’s exposure to currency risk is within the limits set by Risk Management Committee. The Risk Management Committee monitors the general economic conditions and developments in the markets and sets new limits when necessary. These limits are set and monitored separately for the net FC position and for the cross rate risk. As a means of managing foreign exchange risk, futures contracts such as swap and forward are also used when necessary to provide hedging protection.

The Group is mainly exposed to foreign exchange risk in EUR, USD and GBP.

Foreign currency denominated assets and liabilities held by the Group before consolidation elimination at 31 December 2019 and 2018 terms of TRY are as follows:

	31 December 2019	31 December 2018
Assets	184,702,062	178,595,578
Liabilities	(214,694,810)	(201,601,365)
Net foreign currency balance sheet position	(29,992,748)	(23,005,787)
Net foreign currency position of off-balance sheet derivative financial instruments	34,764,951	26,926,316
Net foreign currency balance sheet and off-balance sheet position	4,772,203	3,920,529

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NOTE 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)**36.1 Financial Instruments and Financial Risk Management (continued)****36.1.1.1 Foreign Exchange Risk (continued)**

31 December 2019	Total TRY Equivalent	USD TRY Equivalent	EUR TRY Equivalent	GBP TRY Equivalent	Other TRY Equivalent
Assets					
Cash and cash equivalents	22,368,133	11,720,587	8,006,380	2,044,154	597,012
Financial investments	42,169,122	35,762,261	5,451,050	-	955,811
Receivables from financial operations	85,166,689	36,364,679	48,704,558	21	97,431
Reserve deposits at central banks	25,808,586	15,377,023	9,277,376	-	1,154,187
Trade receivables	674,130	303,192	330,038	2,391	38,509
Other assets	8,515,402	5,712,945	2,707,410	85	94,962
Total assets	184,702,062	105,240,687	74,476,812	2,046,651	2,937,912
Liabilities					
Funds borrowed and debt securities in issue	49,960,071	41,136,439	8,814,696	0	8,936
Customer deposit	158,867,209	90,653,462	58,377,522	4,061,118	5,775,107
Trade payables	412,303	288,168	103,806	367	19,962
Other payables and provisions	5,455,227	2,430,269	2,965,486	2,838	56,634
Total liabilities	214,694,810	134,508,338	70,261,510	4,064,323	5,860,639
Net assets/(liabilities) foreign currency position of off-balance sheet derivative financial instruments					
	34,764,951	31,083,116	(1,258,919)	2,012,918	2,927,836
Monetary items net assets/(liabilities) foreign currency position					
	4,772,203	1,815,465	2,956,383	(4,754)	5,109

Net profit effect of the consolidated to the total net foreign currency position is TRY1,831,974 as of 31 December 2019 (Bank and Philsa-Philip Morrissa excluded).

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NOTE 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)**36.1 Financial Instruments and Financial Risk Management (continued)****36.1.1.1 Foreign Exchange Risk (continued)**

31 December 2018	Total TRY Equivalent	USD TRY Equivalent	EUR TRY Equivalent	GBP TRY Equivalent	Other TRY Equivalent
Assets:					
Cash and cash equivalents	23,603,634	16,396,562	5,458,393	1,403,846	344,833
Financial investments	26,175,616	19,210,249	6,342,367	-	623,000
Receivables from financial operations	95,632,459	44,747,843	50,843,790	3,001	37,825
Reserve deposits at Central Bank	23,504,830	11,522,486	8,549,661	-	3,432,683
Trade receivables	932,242	216,542	638,387	23,246	54,067
Other assets	8,746,797	6,404,821	2,220,539	143	121,294
Total assets	178,595,578	98,498,503	74,053,137	1,430,236	4,613,702
Liabilities:					
Funds borrowed and debt securities in issue	57,923,109	45,858,329	11,873,391	-	191,389
Customer deposits	138,209,510	87,646,861	43,801,101	3,267,100	3,494,448
Trade payables	288,550	116,258	132,337	956	38,999
Other payables and provisions	5,180,196	2,123,396	2,973,325	2,230	81,245
Total Liabilities	201,601,365	135,744,844	58,780,154	3,270,286	3,806,081
Net assets/(liabilities) foreign currency position of off-balance sheet derivative financial instruments	26,926,316	38,527,197	(12,450,162)	1,852,690	(1,003,409)
Monetary items net assets/(liabilities) foreign currency	3,920,529	1,280,856	2,822,821	12,640	(195,788)

Net profit effect of the consolidated to the total net foreign currency position is TRY1,675,565 as of 31 December 2018 (Bank and Philsa-Philip Morrissa excluded).

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NOTE 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)**36.1 Financial Instruments and Financial Risk Management (continued)****36.1.1.1 Foreign Exchange Risk (continued)**

Since the foreign currency position risk of the Bank is insignificant, exchange rate changes have no significant effect on the financial statements.

The table below summarizes the situations in which the net foreign exchange position in the Group's balance sheet will reach with changes in the exchange rates for the Group companies that are out of the banking industry division in the years ended 31 December 2019 and 2018:

31 December 2019	Profit/Loss	
	Appreciation of foreign currency	Appreciation of foreign currency
Change in USD against TRY by 20%		
USD net assets/liabilities	306,608	(306,608)
USD hedge items (-)	-	-
USD net effect	306,608	(306,608)
Change in EUR against TRY by 20%		
EUR net assets/liabilities	21,565	(21,565)
EUR hedge items (-)	-	-
EUR net effect	21,565	(21,565)
Change in GBP against TRY by 20%		
GBP net assets/liabilities	1,045	(1,045)
GBP hedge items (-)	-	-
GBP net effect	1,045	(1,045)
Change in other currency against TRY by 20%		
Other currency net assets/liabilities	(700)	700
Other hedges items(-)	-	-
Other currency net effect	(700)	700

31 December 2018	Profit/Loss	
	Appreciation of foreign currency	Appreciation of foreign currency
Change in USD against TRY by 20%		
USD net assets/liabilities	287,692	(287,692)
USD hedge items (-)	-	-
USD net effect	287,692	(287,692)
Change in EUR against TRY by 20%		
EUR net assets/liabilities	1,124	(1,124)
EUR hedge items (-)	-	-
EUR net effect	1,124	(1,124)
Change in GBP against TRY by 20%		
GBP net assets/liabilities	3,826	(3,826)
GBP hedge items (-)	-	-
GBP net effect	3,826	(3,826)
Change in other currency against TRY by 20%		
Other currency net assets/liabilities	(730)	730
Other hedges items(-)	-	-
Other currency net effect	(730)	730

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NOTE 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)**36.1.1.2 Interest Rate Risk**

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. In addition to the natural hedges that arise from offsetting interest rate sensitive assets and liabilities, the Group also manages this risk through derivative transactions for hedging purposes.

Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. During 2019 and 2018, the Group’s borrowings at floating rates are denominated in TRY, USD, EUR and GBP.

As of 31 December 2019 and 2018, the interest position table of the Group's non-banking industrial segments is as follows:

	31 December 2019	31 December 2018
Fixed interest rate financial instruments		
Financial assets	566,479	122,991
Time deposits	566,479	122,991
Financial liabilities	3,559,543	3,278,377
Floating interest rate financial instruments		
Financial liabilities	619,496	399,176

Renewing existing positions for non-banking industrial segments by the Group. Various scenarios were prepared for bank loans with floating interest rates taking into account alternative financing and hedging. According to this scenarios: (Please refer to Note 35.1.1.5 for banking industrial segment).

At 31 December 2019, if the annual interest rate of variable interest loans in TRY were 10% higher/lower and all other variables remained constant; There is no current period loss before tax as a result of high interest expenses consisting of variable loans. (31 December 2018: 25.731 TL).

At 31 December 2019, if the annual interest rate on USD denominated floating rate borrowings had been higher/lower by 1% with all other variables held constant, income before tax for the year would have been TRY(6.195) (31 December 2018: TRY(1.419)) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

At 31 December 2019, if the annual interest rate of variable interest loans in Euro unit was 1% higher/lower and all other variables remained constant; There is no current period loss before tax as a result of high interest expense, which consists of variable loans (31 December 2018: TRY(861)).

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NOTE 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)**36.1.1.3 Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business the Group aims to maintaining flexibility in funding by keeping committed credit lines available.

i) Banking industrial segment

A major objective of Akbank’s asset and liability management is to ensure that sufficient liquidity is available to meet Akbank’s commitments to customers and to satisfy Akbank’s own liquidity needs. The ability to fund the existing and prospective debt requirements is managed by maintaining sufficient cash and marketable securities. The primary funding sources of Akbank are equity placed in interest bearing assets, well-distributed and stable deposits and medium to long term borrowings obtained from international markets.

In spite of a substantial portion of deposits from individuals being short-term, diversification of these deposits by number and type of depositors together with the past experience of Akbank indicate that these deposits will provide a long-term and stable source of funding for Akbank.

As of 31 December 2019 and 2018 the contractual cash flows of the non-derivative financial liabilities in accordance agreement of the Group companies banking segment are as follows:

Liabilities	31 December 2019						
	Book value	Contractual cash flows	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Customer deposits	252,391,507	253,584,157	198,801,601	25,385,879	14,182,312	12,294,248	2,920,117
Funds borrowed and debt securities in issue	54,529,896	60,236,410	4,913,399	4,262,874	15,586,740	22,513,357	12,960,040
Interbank money market deposits	150,754	150,754	150,754	-	-	-	-
Total	307,072,157	313,971,321	203,865,754	29,648,753	29,769,052	34,807,605	15,880,157

Liabilities	31 December 2018						
	Book value	Contractual cash flows	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Customer deposits	219,634,250	221,979,763	160,696,918	25,266,132	21,293,569	12,072,952	2,650,192
Funds borrowed and debt securities in issue	61,571,596	69,670,416	1,597,187	5,832,101	20,954,835	32,060,105	9,226,188
Interbank money market deposits	66,047	66,047	50,730	15,317.00	-	-	-
Total	281,271,893	291,716,226	162,344,835	31,113,550	42,248,404	44,133,057	11,876,380

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NOTE 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)**36.1.1.3 Liquidity Risk (continued)****ii) Other industrial segments**

The table below depicts the cash outflows of the Group's non-banking industrial segments for the balance sheet liabilities as of the balance sheet date. The amounts shown in the table are the contractual undiscounted cash flow amounts and the Group considers the liquidity management based on the expected undiscounted cash flows.

As of 31 December 2019 and 2018, the Group's analysis of non-derivative financial liabilities of non-banking business segments according to their contractual maturity dates as follows:

31 December 2019						
Liabilities	Book value	Contractual cash flows	Up to 3 months	3-12 months	1-5 years	Over 5 years
Financial liabilities	4,179,039	4,798,940	1,618,542	914,386	2,266,012	-
Financial lease obligations	1,231,902	2,112,521	102,686	325,407	578,788	1,105,640
Trade payables	3,995,658	3,991,324	3,239,712	751,612	-	-
Other payables	129,079	121,511	86,160	15,826	19,525	-
Total	9,535,678	11,024,296	5,047,100	2,007,231	2,864,325	1,105,640

31 December 2018						
Liabilities	Book value	Contractual cash flows	Up to 3 months	3-12 months	1-5 years	Over 5 years
Financial liabilities	4,192,552	5,090,865	1,129,371	2,651,964	1,309,530	-
Financial lease obligations	85,957	144,978	10,057	20,808	33,576	80,537
Trade payables	3,372,749	3,398,346	3,024,194	374,152	-	-
Other payables	183,203	198,135	105,799	-	92,336	-
Total	7,834,461	8,832,324	4,269,421	3,046,924	1,435,442	80,537

36.1.1.4 Credit Risk**i) Banking industrial segment**

Credit risk of the banking industrial segment is the risk that the counterparties of Akbank may be unable to meet the terms of their agreements. Akbank sets credit limits to counterparties in order to limit the risk of credit risk to credit limitations and does not extend credit limits beyond these limits. Credit risks are determined for each individual customer, enterprise, business group and risk groups separately. While determining credit risk, criteria such as the customers' financial strength, commercial capacities, sectors, geographic areas and capital structure are evaluated. Analyses of the financial position of the customers are based on the statements of account and other information in accordance with the related legislation. Previously defined credit limits are constantly revised as a result of assessing general economic developments and monitoring changes in customers' financial information and activities. Loan limits are provided on the basis of customer-specific types and amounts of guarantees

Limits determined on the basis of products and customers are taken as a basis in credit transactions, and risk and limit information is constantly checked.

There are risk control limits established against credit risk and market risks on positions held in terms of futures and options contracts and other similar contracts.

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NOTE 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)**36.1.1.4 Credit Risk (continued)*****i) Banking industrial segment (continued)***

In order to meet and control the credit risks that may arise from fluctuations in foreign exchange and interest rates, futures are also carried out when necessary.

Non-cash loans transformed into cash loans are included in the same risk group as cash loans which are not collected upon maturity. Credit risk management is applied for all positions involving counterparty risk.

Rescheduled or restructured loans are followed by Akbank according to Akbank's credit risk management and follow-up principles. The financial status and business activities of the relevant customer are analyzed continuously and the related units are monitored whether principal and interest payments are made according to the renewed plan.

Within the framework of Akbank's risk management approach, it is assumed that long-term commitments are exposed to more credit risk than short-term commitments and that risk factors such as risk limits and guarantees for long-term risks are covered more broadly than short-term risks.

Akbank's banking activities in foreign countries and credit transactions do not constitute an important risk in terms of the related countries' economic conditions and activities of customers and companies. When considered within the financial activities of other financial institutions, Akbank as an active participant in the national and international banking market is not exposed to a significant credit risk when evaluated together with the financial activities of other financial institutions.

Akbank assesses the credit quality and assigns an internal risk rating to all borrowers and other counterparties based on Advanced Internal Rating Based Approach (Advanced IRB Approach).

With the help of scoring systems created for customers with different features, the probability of counterparty default is calculated and separate rating systems are created for corporate, commercial, SME, consumer and credit card.

Akbank calculates the probability of customers falling into default through the rating systems created for different types of customers. In the table below, concentration information of loans classified using rating systems is given.

	31 December 2019	31 December 2018
Above average	43.72%	37.55%
Average	41.21%	43.68%
Below average	11.11%	16.25%
Unrated	3.96%	2.52%

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NOTE 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)**36.1.1.4 Credit Risk (continued)*****i) Banking industrial segment (continued)***

Maximum exposure to credit risk of banking industrial segment is as follow:

	31 December 2019	31 December 2018
Loans and advances to banks	44,547,892	49,617,879
Loans and advances	217,391,953	206,599,559
<i>Consumer loans and advances</i>	48,541,904	43,449,413
<i>Corporate loans and advances</i>	164,111,441	157,210,010
<i>Financial lease receivables</i>	4,738,608	5,940,136
Financial assets at fair value through profit and loss	7,264,839	6,869,025
Derivative financial assets at fair value through profit and loss	11,166,945	22,688,615
Derivative transactions held for hedges		
financial assets	5,350,817	-
Financial assets at fair value through other comprehensive income and financial assets measured at amortized cost	83,089,971	56,561,178
Other assets	4,511,154	5,130,107
Total	373,323,571	347,466,363

Marketable securities of the banking industrial segment as of 31 December 2019 and 2018. Moody's rating analysis of available-for-sale financial assets and held-to-maturity financial assets is as follows:

31 December 2019	Financial assets through profit or loss	Financial assets through other comprehensive income	Financial assets at amortized cost	Total
Aaa	170,485	2,319,297	334,259	2,824,041
Aa1, Aa2, Aa3	-	275,375	-	275,375
A1, A2, A3	-	272,190	-	272,190
Baa1, Baa2, Baa3	-	132,165	-	132,165
Ba1	-	-	-	-
Ba2	-	-	-	-
Ba3	-	-	-	-
B1, B2, B3	137,668	64,525,419	15,231,266	79,894,353
Total	308,153	67,524,446	15,565,525	83,398,124

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NOTE 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)**36.1.1.4 Credit Risk (continued)*****i) Banking industrial segment (continued)***

31 December 2018	Financial assets through profit or loss	Financial assets through other comprehensive income	Financial assets at amortized cost	Total
Aaa	-	-	-	-
Aa1, Aa2, Aa3	-	253,903	-	253,903
A1, A2, A3	-	239,278	-	239,278
Baa1, Baa2, Baa3	-	266,730	-	266,730
Ba1	-	840	-	840
Ba2	-	62,051	-	62,051
Ba3	22,006	37,193,092	9,754,326	46,969,424
B1, B2, B3	-	6,330,182	2,460,776	8,790,958
Total	22,006	44,346,076	12,215,102	56,583,184

The geographical distribution of the financial assets of banking industrial segment for the years ended 31 December 2019 and 2018 are summarized as follows:

31 December 2019	Turkey	USA	EU Countries	Non-EU Countries	Total
Loans and advances to banks	27,579,823	4,634,554	11,893,974	439,541	44,547,892
Loans and advances	208,508,507	2,428	8,327,859	553,159	217,391,953
<i>Consumer loans and advances</i>	<i>48,541,904</i>	-	-	-	<i>48,541,904</i>
<i>Corporate loans and advances</i>	<i>155,227,995</i>	<i>2,428</i>	<i>8,327,859</i>	<i>553,159</i>	<i>164,111,441</i>
<i>Financial lease receivables</i>	<i>4,738,608</i>	-	-	-	<i>4,738,608</i>
Financial assets at fair value through profit and loss	7,264,839	-	-	-	7,264,839
Derivative financial assets at fair value through profit and loss	5,378,666	1,118	5,734,846	52,315	11,166,945
Derivative transactions held for hedges	-	-	-	-	-
financial assets	-	-	5,350,817	-	5,350,817
Financial assets at fair value through other comprehensive income and financial assets measured at amortized cost	79,750,267	2,319,297	816,138	204,269	83,089,971
Other assets	4,511,154	-	-	-	4,511,154
Total	332,993,256	6,957,397	32,123,634	1,249,284	373,323,571

31 December 2018	Turkey	USA	EU Countries	Non-EU Countries	Total
Loans and advances to banks	31,332,399	5,988,306	12,268,242	28,932	49,617,879
Loans and advances	197,530,819	39,047	8,368,831	660,862	206,599,559
<i>Consumer loans and advances</i>	<i>43,449,413</i>	-	-	-	<i>43,449,413</i>
<i>Corporate loans and advances</i>	<i>148,141,270</i>	<i>39,047</i>	<i>8,368,831</i>	<i>660,862</i>	<i>157,210,010</i>
<i>Financial lease receivables</i>	<i>5,940,136</i>	-	-	-	<i>5,940,136</i>
Financial assets at fair value through profit and loss	6,869,025	-	-	-	6,869,025
Derivative financial assets at fair value through profit and loss	8,631,718	2,964	14,030,923	23,010	22,688,615
Financial assets at fair value through other comprehensive income and financial assets measured at amortized cost	55,757,809	-	803,369	-	56,561,178
Other assets	5,130,107	-	-	-	5,130,107
Total	305,251,877	6,030,317	35,471,365	712,804	347,466,364

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NOTE 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)**36.1.1.4 Credit Risk (continued)*****i) Banking industrial segment (continued)***

The industrial distribution of the financial assets of banking sector for the years ended 31 December 2019 and 2018 are summarized as follows:

	Financial institutions	Public sector	Wholesale and retail trade	Manufacturing	Other	Individual	Total
Loans and advances to banks	44,547,892	-	-	-	-	-	44,547,892
Loan and advances	16,122,386	3,079,818	27,207,406	66,702,318	55,738,121	48,541,904	217,391,953
<i>Consumer loans and advances</i>	-	-	-	-	-	48,541,904	48,541,904
<i>Corporate loans and advances</i>	16,025,627	3,079,516	26,847,140	64,955,284	53,203,874	-	164,111,441
<i>Financial lease receivables</i>	96,759	302	360,266	1,747,034	2,534,247	-	4,738,608
Financial assets at fair value through profit and loss	-	-	-	-	7,264,839	-	7,264,839
Derrivative financial assets at fair value through profit and loss	33,030	274,722	-	-	401	-	308,153
Derrivative instruments	5,534,108	-	-	-	5,593,211	39626	11,166,945
Derivative transactions held for hedges							
financial assets	5,042,449	-	-	-	215	-	5,042,664
Financial assets at fair value through other comprehensive income and financial assets measured at amortized cost	15,363,217	66,302,961	-	1,362,555	61,238	-	83,089,971
Other assets	4,511,154	-	-	-	-	-	4,511,154
31 December 2019	91,154,236	69,657,501	27,207,406	68,064,873	68,658,025	48,581,530	373,323,571
31 December 2018	102,680,480	48,297,644	25,331,701	73,497,361	54,192,716	43,466,462	347,466,364

ii) Other industrial segments

Credit risk for the other than that of the banking segment arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Group's exposure to types of financial instruments of other industrial segments as of 31 December 2019 and 2018 is as follows.

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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)**36.1.1.4 Credit Risk (continued)**

31 December 2019	Trade receivables	Receivables from insurance operations	Other receivables (*)	Bank deposits	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D)	1,625,436	-	157,343	733,902	110,902
Collateralized or secured with guarantees part of maximum credit					
A. Restructured otherwise accepted as past due and impaired	1,493,247	-	157,343	733,902	110,902
B. Past due but not impaired net book value	132,189	-	-	-	-
C. Net book value of impaired assets		-	-	-	-
- Past due (Gross amount)	57,515	-	-	-	-
- Impairment	(57,515)	-	-	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-

31 December 2018	Trade receivables	Receivables from insurance operations	Other receivables (*)	Bank deposits	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D)	2,137,062	-	156,649	430,097	82,712
Collateralized or secured with guarantees part of maximum credit					
A. Restructured otherwise accepted as past due and impaired	1,854,908	-	156,649	430,097	82,712
B. Past due but not impaired net book value	284,154	-	-	-	-
C. Net book value of impaired assets		-	-	-	-
- Past due (Gross amount)	190,375	-	-	-	-
- Impairment	(190,375)	-	-	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-

(*) Does not include tax and other legal receivables.

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NOTE 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)**36.1.1.5 Value at risk**

Stress tests provide indications of the extent of the damage that may occur in unusual circumstances. The stress test conducted by the Akbank Risk Management department includes the interest rate stress test as predicted by Akbank's market risk policies. For all banking transactions except for the trading portfolio, the interest rate risk is monitored under the interest rate risk arising from banking accounts. The results of the stress test are analyzed by the Asset and Liability Committee (ALCO).

Calculation and reporting of interest rate risk arising from banking accounts the monthly rate is calculated in accordance with the "Regulation on Measurement and Evaluation of Interest Rate on Banking Accounts Based on Standard Shock" published in the Official Gazette dated 23 August 2011 and numbered 28034.

As of 31 December 2019 and 2018, the fair value changes of Turkish Lira and foreign exchange after performing 500 and 200 basis points in the account balances subject to the calculation is as follows;

Currency	Applied Shock (+/- x basis points)	31 December 2019		31 December 2018	
		Gains /Losses	Gains /Shareholders Equity-Losses /Shareholders Equity	Gains /Losses	Gains /Shareholders Equity-Losses /Shareholders Equity
TRY	(400)	3,588,028	%5.69	2,653,182	%5.28
TRY	500	(4,027,453)	%(6.38)	(2,982,938)	%(5.94)
USD	(200)	922,614	%(1.46)	(199,575)	%(0.40)
USD	200	(882,350)	%(1.40)	200,621	%0.40
EUR	(200)	(35,477)	%(0.06)	107,373	%0.21
EUR	200	(828,729)	%(1.31)	(790,100)	%(1.57)
Total (for negative shocks)		4,475,165	%7.09	2,560,980	%5.10
Total (for positive shocks)		(5,738,532)	%(9.09)	(3,572,417)	%(7.11)

Akbank considers foreign exchange risk and interest rate risk as two significant factors of market risk. Market risk is measured by two method named as “inherent method” and “standard method”.

According to the “inherent method”, the market risk related to the trading portfolio is measured through the Value at Risk (VaR) approach, which takes into consideration diverse risk factors. To calculate the VaR, the Bank uses the variance-covariance, historical simulation and Monte Carlo simulation methods. The software used for this purpose is able to make calculations based on forward efficiency curves and volatility models. The VaR model is based on the assumption of a 99% confidence interval and a 10-day retention period. VaR analyses are reported daily to senior management and are also used as a risk parameter and limit management tool for the bond portfolio. The Risk Management Committee sets risk limits for market risk and closely monitors the risk limits in the light of market conditions. The risk limits are under authorization boundaries and control efficiency is increased.

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NOTE 36 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)**36.1.1.5 Value at risk (continued)**

RMD analyzes are supported by scenario analyzes and stress tests, which are unexpected and unlikely to occur, but take into account the effects of major events and fluctuations in the market. Retrospective testing of model outputs is regularly carried out.

According to the “standard method”, market risk is measured on securities portfolio basis in a way that includes the Group's exchange risk daily and weekly, and reported to the senior management.

36.1.2 Capital risk management

The Group manages its capital to ensure that entities in the Group’s objectives are to maintain the Group ability to operate in order maintain optimal capital structure in order to benefit other shareholders and reduce capital cost.

In order to maintain or recapitalize the capital structure, the Group will determine the dividend payable to shareholders, issue new shares and sell its assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents and tax liabilities (current period and deferred income tax liabilities).

The net liability/invested capital ratios at 31 December 2019 and 2018 are as follows:

Thousand TRY	31 December 2019	31 December 2018
Total financial liabilities	339,870,436	315,290,475
Cash and cash equivalents	22,447,203	23,657,667
Net liability	317,423,233	291,632,808
Equity	66,477,443	56,395,796
Invested capital(*)	383,900,676	348,028,604
Net liability/invested capital ratio	83%	84%

(*) The capital invested consists of equity and net debt total.

NOTE 37 - FINANCIAL INSTRUMENTS**Fair Value of Financial Instruments**

The estimated fair values of financial instruments have been determined by the Holding and its Subsidiaries and Joint Ventures using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Holding and its subsidiaries and joint ventures could realise in a current market transaction.

The following methods and assumptions were used in estimating the fair value of the financial instruments for which the fair value of the Group can be determined:

HACI ÖMER SABANCI HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 37 - FINANCIAL INSTRUMENTS (Continued)**Fair Value of Financial Instruments (continued)**Financial assets

The fair value of the foreign currency denominated amounts, which are translated by using the exchange rates prevailing at period-end, is considered to approximate their fair value.

The fair values of certain financial assets carried at cost including cash and due from banks, deposits with banks and other financial assets are considered to approximate their respective carrying values due to their short-term nature. The fair value of investment securities has been estimated based on the market prices at balance sheet dates.

The trade receivables along with the related allowances for doubtful receivables uncollectibility are carried at amortised cost using the effective yield method, and hence are accepted to approximate their fair values.

Financial liabilities

The fair value of short-term funds borrowed and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Long-term borrowings, which are principally at floating rates and denominated in foreign currencies, are translated at year-end exchange rates and accordingly their carrying amounts approximate their fair values.

Trade payables are valued at amortized cost using the effective interest method and are thus considered to approximate their fair values.

Derivative financial instruments

The fair value of forward foreign exchange contracts and currency/interest rate swaps is estimated based on quoted market rates prevailing at the balance sheet date.

Fair values of the financial assets and liabilities of the Group’s banking segment as of 31 December 2019 and 2018 are as follows:

Fair value classifications of the financial assets and liabilities of the Group carried at fair value is as stated below:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data.

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NOTE 37 - FINANCIAL INSTRUMENTS (Continued)**Fair Value of Financial Instruments (continued)****Banking**

Fair values of the financial assets and liabilities of the Group’s banking segment as of 31 December 2019 and 2018 are as follows:

Current Year - 31 December 2019	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss				
- Government Debt Securities	274,722	-	-	274,722
- Marketable Securities Representing Capital Share	232,764	-	-	232,764
- Other Financial Assets	58,216	401	6,723,419	6,782,036
Financial Assets at Fair Value Through Other Comprehensive Income				
- Government Debt Securities	51,703,078	-	-	51,703,078
- Marketable Securities Representing Capital Share	-	-	-	-
- Other Financial Assets	13,803,815	2,017,553	-	15,821,368
Derrivative Financial Assets				
Derrivative Financial Assets at Fair Value Through Profit or Loss	-	2,127,012	-	2,127,012
- Fair Value Difference of Derrivative Financial Assets, Reflected on Other Comprehensive Income	774	14,500,878	-	14,501,652
Borrowings	-	217,391,953	-	217,391,953
Financial Assets measured at amortized cost (Net)				
- Government Debt Securities	14,030,740	-	-	14,030,740
- Other Financial Assets	1,544,704	-	-	1,544,704
Total Assets	81,648,813	236,037,797	6,723,419	324,410,029
Derrivative Financial Liabilities				
- Reflected on Other Comprehensive Income at Fair Value Difference	-	901,104	-	901,104
- Reflected on Other Comprehensive Income at Fair Value Through Profit or Loss	311	8,160,558	-	8,160,869
Financial Liabilities at Fair Value				
- Customer Deposit	-	198,306,881	-	198,306,881
- Interbank money market deposits, funds borrowed and debt securities in issue	-	54,084,626	-	54,084,626
Total Liabilities	311	261,453,169	-	261,453,480

(*) The fair value of the loan, which is considered as Level 3, has been determined based on the results of the study, which includes various valuation methods. Possible changes in the basic assumptions in the said valuation study may affect the carrying value of the loan.

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NOTE 37 - FINANCIAL INSTRUMENTS (Continued)**Fair Value of Financial Instruments (continued)****Banking (continued)**

Current Year - 31 December 2018	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss				
- Government Debt Securities	10,113	-	-	10,113
- Marketable Securities Representing Capital Share	150,684	-	-	150,684
- Other Financial Assets	18,020	-	6,690,208	6,708,228
Financial Assets at Fair Value Through Other Comprehensive Income				
- Government Debt Securities	36,502,564	-	-	36,502,564
- Marketable Securities Representing Capital Share	-	-	-	-
- Other Financial Assets	6,637,479	1,219,810	-	7,857,289
Derrivative Financial Assets				
Derrivative Financial Assets at Fair Value Through Profit or Loss	-	1,989,608	-	1,989,608
- Fair Value Difference of Derrivative Financial Assets, Reflected on Other Comprehensive Income	1,371	20,697,637	-	20,699,008
Borrowings	-	206,599,559	-	206,599,559
Financial Assets measured at amortized cost (Net)				
- Government Debt Securities	9,441,205	-	-	9,441,205
- Other Financial Assets	2,852,363	-	-	2,852,363
Total Assets	55,613,799	230,506,614	6,690,208	292,810,621
Derrivative Financial Liabilities				
- Reflected on Other Comprehensive Income at Fair Value Difference	-	644,958	-	644,958
- Reflected on Other Comprehensive Income at Fair Value Through Profit or Loss	248	12,286,264	-	12,286,512
Financial Liabilities at Fair Value				
- Customer Deposit	-	159,253,841	-	159,253,841
- Interbank money market deposits, funds borrowed and debt securities in issue	-	60,380,409	-	60,380,409
Total Liabilities	248	232,565,472	-	232,565,720

(*) The fair value of the loan, which is considered as Level 3, has been determined based on the results of the study, which includes various valuation methods. Possible changes in the basic assumptions in the said valuation study may affect the carrying value of the loan.

The table below shows the movement table of Level 3 financial assets:

	31 December 2019	31 December 2018
Balance at the beginning of the period	6,690,208	-
Purchases	-	-
Redemption or sales	-	-
Valuation difference	759,654	-
Transfers	(726,443)	6,690,208
Balance at the end of the period	6,723,419	6,690,208

The shares classified in financial assets whose fair value is not traded in the organized markets and whose fair values cannot be determined reliably are reflected in the consolidated financial statements after deducting the provision related to the depreciation, if any, over the value loss. There was no transfer between the levels in the current year and the past year.

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NOTE 37 - FINANCIAL INSTRUMENTS (Continued)**Classification of financial instruments and fair value**

31 December 2019	Note	Financial Assets at Amortised Cost	Loans and receivables (cash and cash equivalents included)	Financial assets through other comprehensive income	Financial liabilities measured at amortized cost	Book value	Fair value
Financial Assets							
Cash and cash equivalents	5	-	22,447,203	-	-	22,447,203	22,447,203
Trade receivables	8	-	1,625,436	-	-	1,625,436	1,625,436
Other financial asset (*)	6,9	15,566,111	5,792,542	67,524,446	-	88,883,099	88,894,295
Receivables from financial operations	30	-	217,391,953	-	-	217,391,953	228,831,850
Financial Liabilities							
Financial payables	7	-	-	-	58,084,781	58,084,781	58,084,781
Trade payables	8	-	-	-	3,995,658	3,995,658	3,995,658
Other financial liabilities (**)	9	-	-	-	9,452,894	9,452,894	9,452,894
Payables from financial operations	31	-	-	-	252,391,507	252,391,507	252,169,296
31 December 2018							
Financial Assets							
Cash and cash equivalents	5	-	23,657,667	-	-	23,657,667	23,657,667
Trade receivables	8	-	2,137,062	-	-	2,137,062	2,137,062
Other financial asset (*)	6,9	12,215,183	4,838,694	44,359,853	-	61,413,730	61,056,630
Receivables from financial operations	30	-	206,599,559	-	-	206,599,559	196,887,883
Financial Liabilities							
Financial payables	7	-	-	-	65,764,148	65,764,148	65,764,148
Trade payables	8	-	-	-	3,372,749	3,372,749	3,372,749
Other financial liabilities (**)	9	-	-	-	8,515,006	8,515,006	8,515,006
Payables from financial operations	31	-	-	-	219,634,250	219,634,250	218,872,618

(*) Other financial assets consist of other receivables, available-for-sale securities, time deposits and securities held for to maturity.

(**) Other financial liabilities consist of other payables.

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NOTE 38 - EVENTS AFTER THE REPORTING PERIOD

The General Directorate of Insurance of the Ministry of Treasury and Finance imposed a total administrative fine of TRY94,703,256 (Full) on Akbank, a subsidiary of the group, for failure to comply with Article 32 of the Insurance Law and other related legislation provisions and required Akbank to cease insurance agency operations for 15 days, from 30 January 2020 to 13 February 2020. The fine was paid on 18 February 2020, as per Article 17/6 of Misdemeanor Law No. 5326, and Akbank benefited from a 25% advance payment discount.

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