

#SabanciofNewGeneration

ENERGY

SBU STRATEGIES

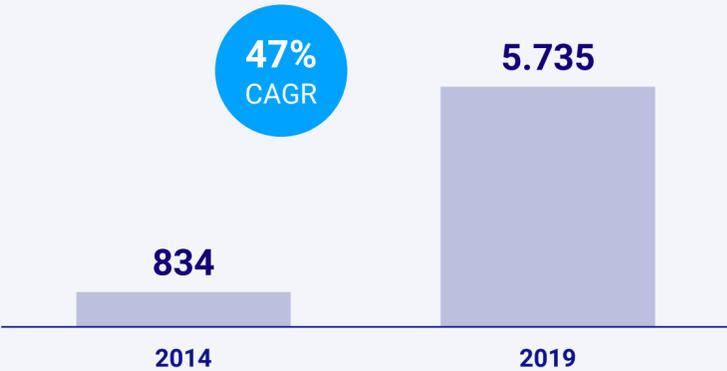
November 2020



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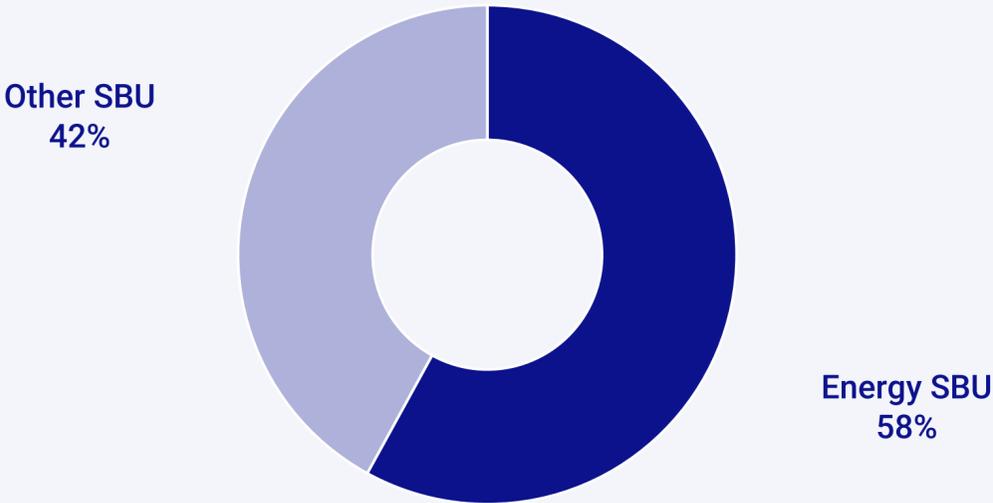
Turkish Electricity Sector and its Importance for Sabancı	4-7
Generation Segment	8-11
Distribution and Retail Segment	12-14
Energy SBU Financials	15
Strategies for Future	16-18

Share of Energy Increasing in Non-bank Combined EBITDA*



**One off items excluded based on Sabanci Holding one off definition

Significant Share in 2020 Non-bank Dividend** Stream



Strategic

- ✓ Directly linked with the welfare and development of the country
- ✓ Attractive growth potential (demographics, urbanization)
- ✓ Well positioned in the entire value chain as the key player
- ➔ 25% Market Share with 3 Regions
- ➔ 5% Market Share in IPP's

Regulatory Support

- ✓ Transparent & professional regulatory framework supporting
- ➔ Supply security of the country
- ➔ Local and renewable generation capacity
- ➔ Service quality for citizens/customers
- ➔ Development of infrastructure and technology

Business

- ✓ High Cash Flow Generation
- ✓ Sustainable and attractive returns in distribution and retail
- ✓ Distribution – Inflation linked – Real Return of 13.6%
- ✓ Generation – Hard Currency – EBITDA heavily linked to Feed-in-Tariff and similar guaranteed revenue streams

Future Trends

- ✓ A strong platform to grow into new businesses
- ✓ All macro trends are linked with energy
- ✓ Technological changes
- ✓ High potential for digitalization and data analytics

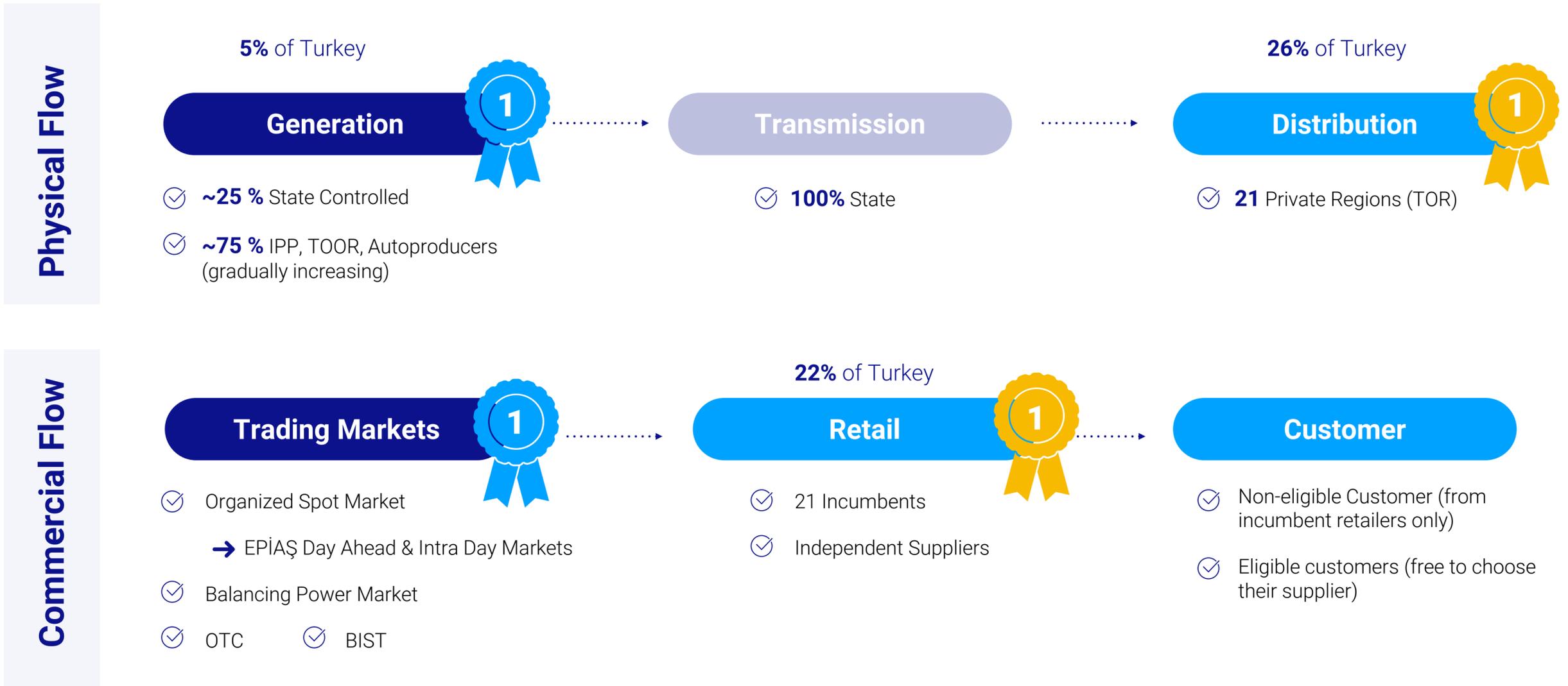
ENERJİSA ÜRETİM

Leading Player in Electricity Generation and Trading

ENERJİSA
Türkiye'nin Enerjisi

Leading Player in Electricity Distribution and Retail

Strong presence and footprint in the value chain by two leading players



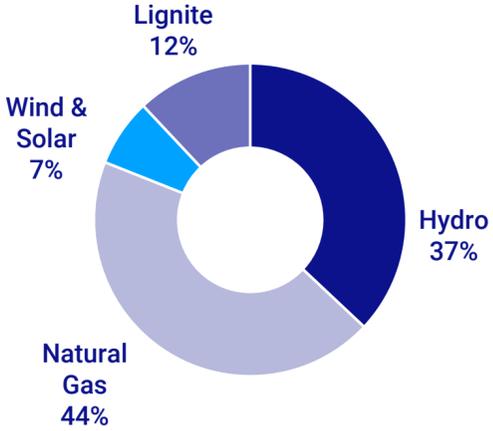


Distribution & Retail

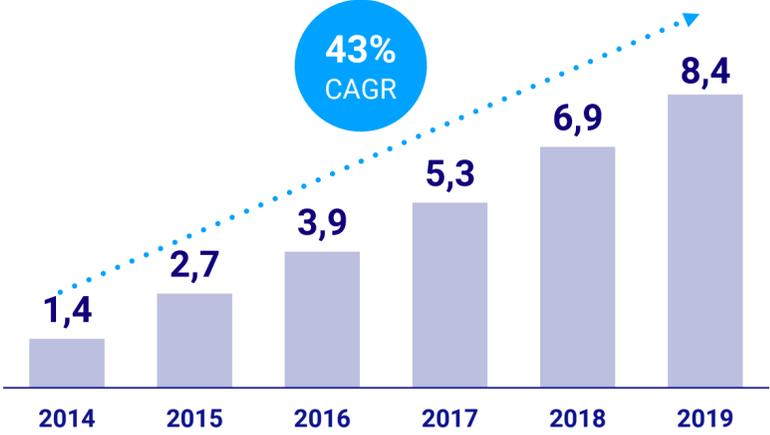


14 Cities	6 Metropolises	21+ m Population
9.9 m Customers	36,1 TWh Trade Volume	11.2 m Connections
TL8.4bn 2019 RAB		232,000 km Network

Well Balanced Generation Portfolio
Installed Capacity (3.607 MW)



Strong Historical Growth in Network Investment
Regulated Asset Base (TL bn)

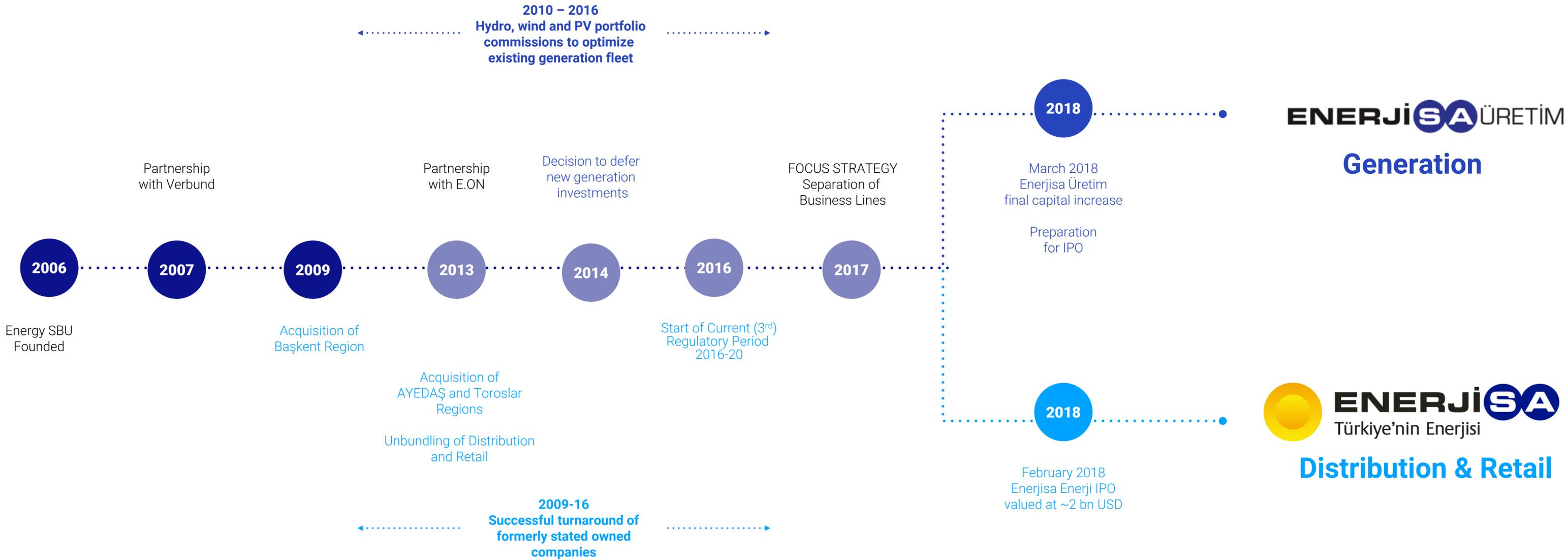


Generation & Trading



1st Private Player	21 Power Plants	3.607 MW Capacity
44% Renewables	+12 TWh Trading	15 TWh Generation

Energy SBU / Well Focused to Adapt to Market Developments by Splitting Business Lines



Energy SBU Generation / Strong foundations in established regulatory framework and clear energy policy targets

Strong electricity demand

(5% CAGR since 2000)

- ✓ Electricity demand grew by CAGR ~5% in the last 15 years and projected to continue growing since per capita power consumption is well below OECD average.
- ✓ Min. 2.5-3 GW annual addition need to installed capacity in order to sustain healthy reserve margin

Established market and regulatory framework

- ✓ Independent regulator, EMRA , setting regulatory framework and market rules since 2001
- ✓ Established day ahead market run by private/public owned EPIAS, since 2011
- ✓ OTC market with ~100 TWh annual volume, since 2014

Clear state strategies for supply security

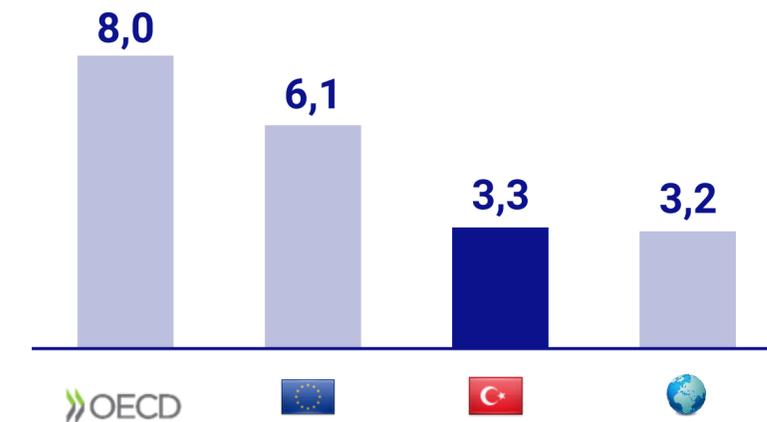
- ✓ Clear state strategy and resulting support mechanisms to ensure supply security, such as capacity payments for flexible new generation Natural Gas plants, rise in theft accruals, increase in WACC etc.

Mechanisms to promote use of local resources

- ✓ Well-established, 10-year fixed price USD-based FiT mechanism for operational renewables
- ✓ Additional support mechanisms to promote use of local lignite, such as EUAS PPA's and capacity charge mechanisms

Consumption Growth to Outpace EU Countries

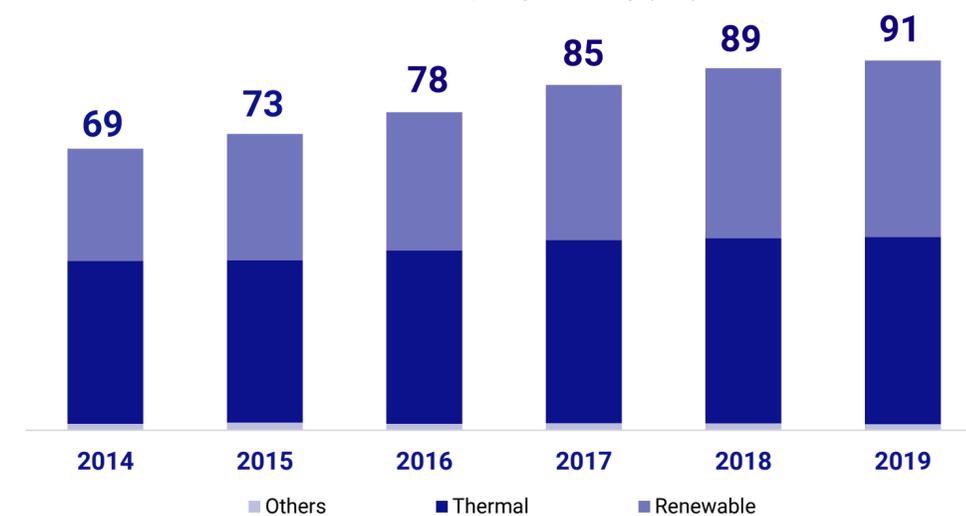
Electricity consumption per capita (MWh), 2017



Source: EIU, Worldbank

Increasing Renewable Electricity Generation Capacity

Installed Capacity of Turkey (GW)

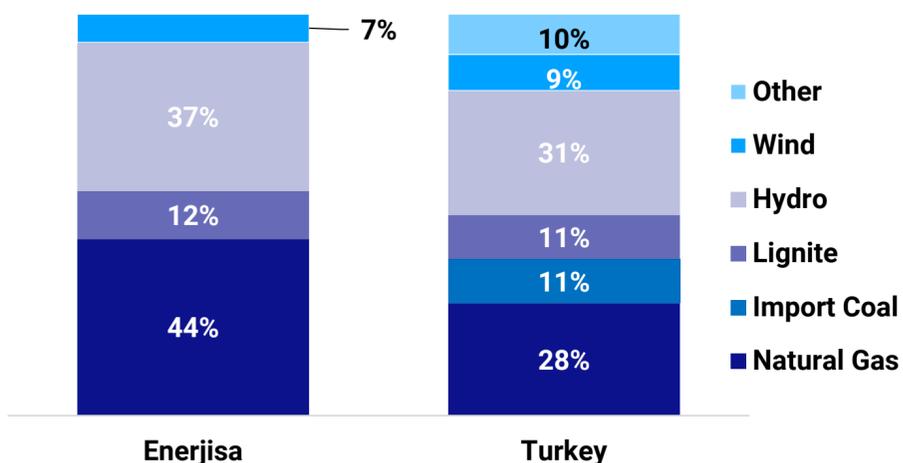


Source: TEIAS

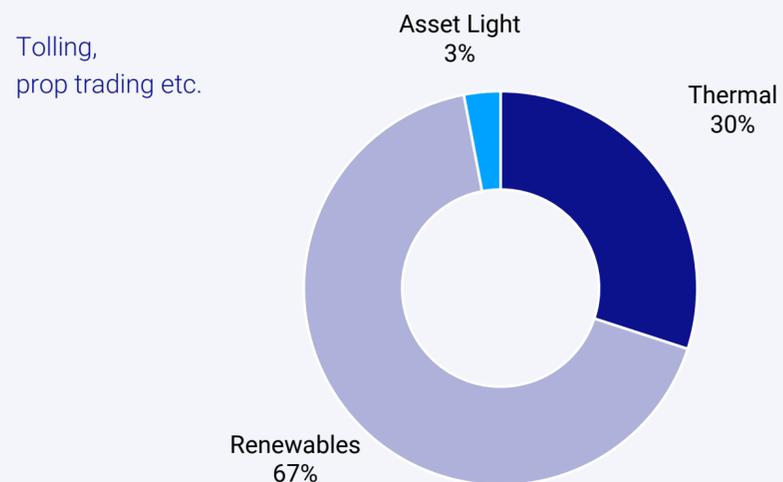
Competitive advantages

- ✓ Market leader amongst private generators
- ✓ Well-diversified generation mix in line with the country mix for optimizing market risks
- ✓ Hard Currency driven business
- ✓ Predictable EBITDA outlook thanks to feed-in-tariff
- ✓ Strong generation fleet with continuous performance improvements
- ✓ Pioneer and leader of energy trade
- ✓ High renewable growth potential

Electricity Generation Mix in line with Country mix



Breakdown of Generation EBITDA (2019)



Tolling, prop trading etc.

USD indexed feed-in tariff (73-133 USD/MWh + local content support)

Natural Gas :

- Merchant play (~42 USD/MWh)
- Capacity mechanism (from 2018)

Lignite :

- PPA with state based on USD linked pricing (ranging at 50-55 USD/MWh) until 2025
- Merchant play (~42 USD/MWh)
- Capacity mechanism (from 2018)

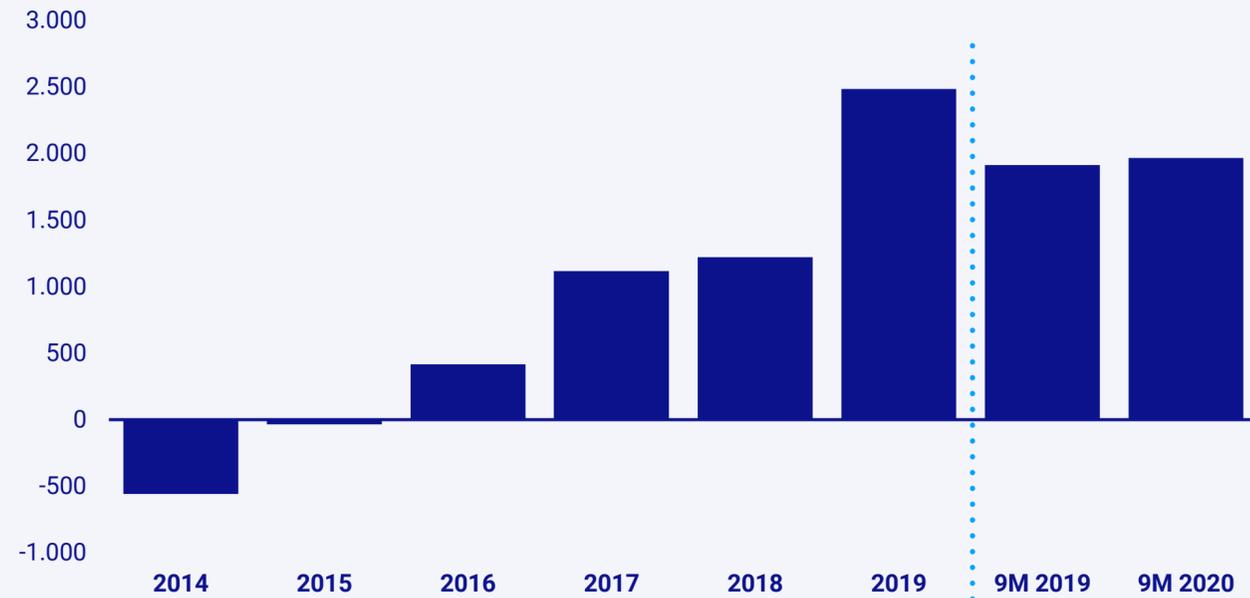
Further Growth for Renewable Pipeline

In May 2019 two wind tenders with total 500 MW capacity are won by Enerjisa Üretim with following results;

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

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

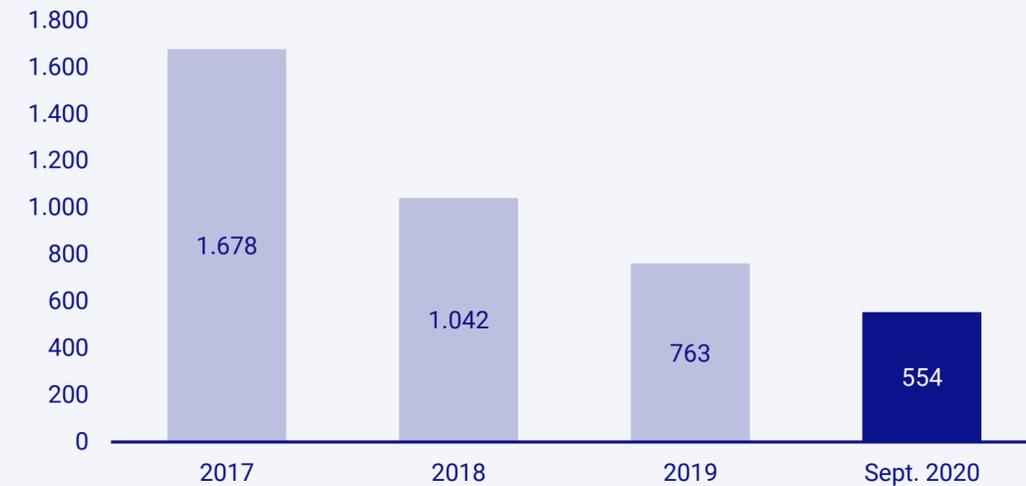
Strong Free Cash Flow Generation (MTL)



Drivers of strong Free Cash Flow Generation

- ✓ Hard Currency FIT EBITDA
- ✓ Limited Capex requirement
- ✓ Improved Efficiency
- ✓ Capital injection (Feb18) from both shareholders contributed deleveraging
- ✓ Economically totally hedged with USD linked revenue stream

Net Debt (MEUR Equivalent)



Deleveraging...Net Debt / EBITDA ratio (TL based)

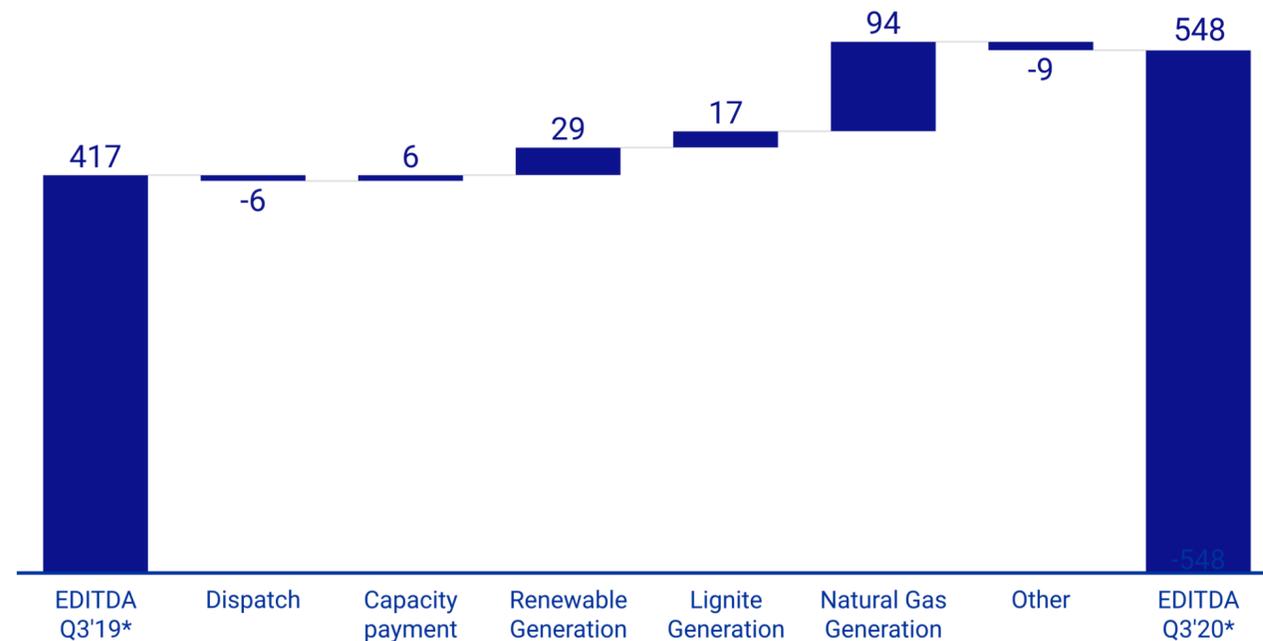


Generation: Latest Financials

MILLION TL	Q3 2019	Q3 2020	% Change	9M 2019	9M 2020	% Change
SALES	1.751	2.658	52%	4.824	6.693	39%
EBITDA**	417	548	31%	1.953	2.236	14%
EBITDA** MARGIN (%)	24%	21%	-3,2pp	40%	33%	-7,1pp
Depreciation	122	130	6%	343	382	11%
Financial Income/(Expense)	-163	-211	29%	-490	-646	32%
NET INCOME**	149	218	47%	1.054	1.112	5%

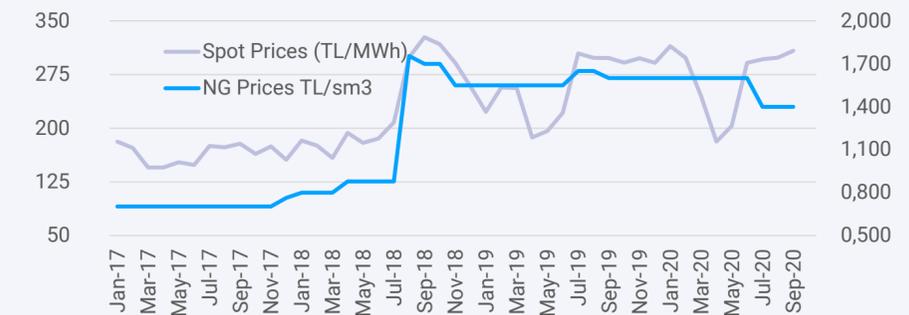
* Excludes non-operational one off items

Quarterly EBITDA bridge (MTL)



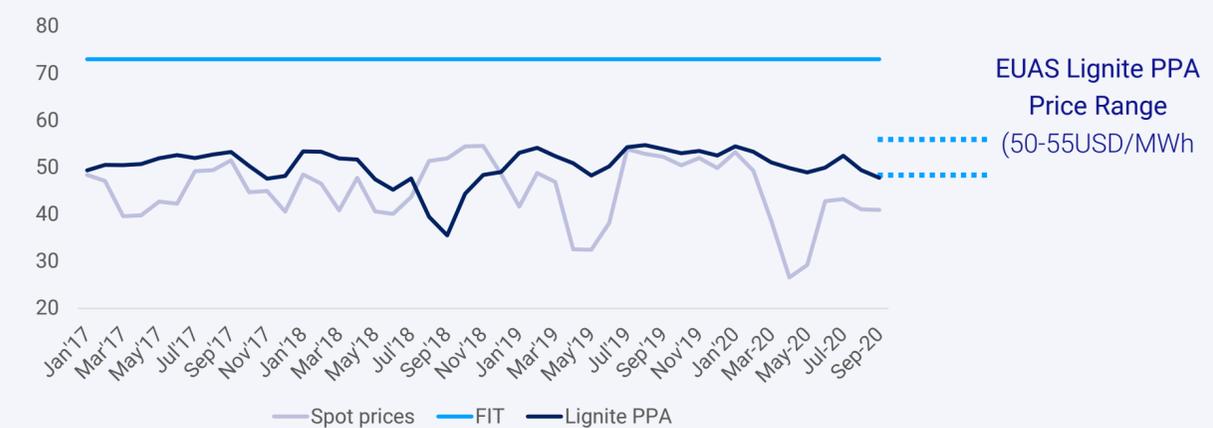
Spot prices started to recover with demand recovery

TL Spot Electricity Prices (TL/MWh, LHS) vs Natural Gas Prices(TL/sm3)



Spread between spot prices and Feed-in-tariff widened

Spot prices vs Feed-in-tariff & Lignite PPA (USD/MWh)



* Excludes non-operational one off items

Strong macro with favourable dynamics

- ✓ Population growth of 1.4% p.a. since 2000, expected 0.6% p.a. until 2042
- ✓ Economic growth driven by increasing population and prosperity, with GDP expected to grow 4.7% p.a. until 2042
- ✓ Young population with median age of 32 years
- ✓ Urbanization rate is around 75% and below European countries

Strong electricity demand

(5% CAGR since 2000)

- ✓ Electricity demand growth ~5% p.a. since 2000, and projected to continue growing since per capita power consumption is well below OECD average
- ✓ Electricity consumption per capita of 3.3 MWh in 2018 is significantly behind European countries

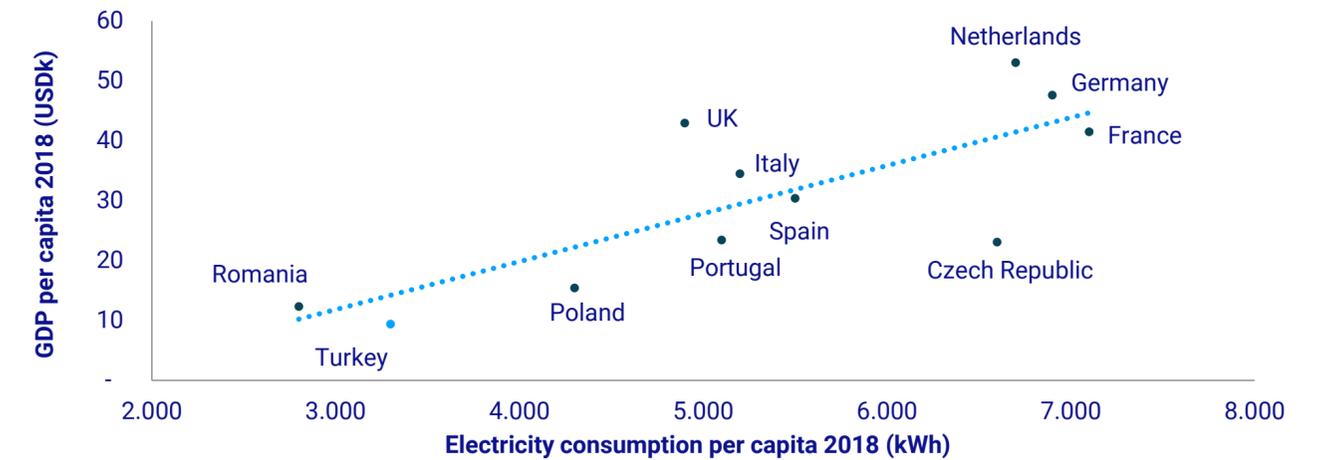
Quality improvements required

- ✓ Frequency and duration of outages as well as level of theft and loss rates vs. other EU countries highlight need for significant additional investments into network quality improvements

Impact from renewables / decentralised energy

- ✓ Exceptional wind and solar generation capacity increase from virtually nothing in 2000 to >10 GW has driven network requirements
- ✓ Renewables and decentralised energy will play a significant role in security of supply in the future (>5 GW wind and solar installed capacity expected until 2023)

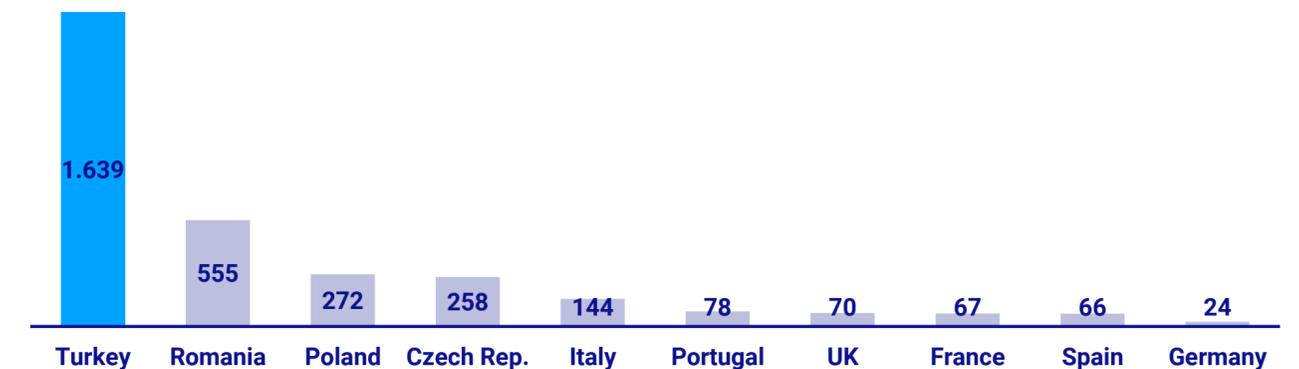
Electricity Consumption per Capita Significantly Below European Countries



Source: IEA, Worldbank

Unplanned Electricity Outages- Benchmarking

Minutes per year, 2016



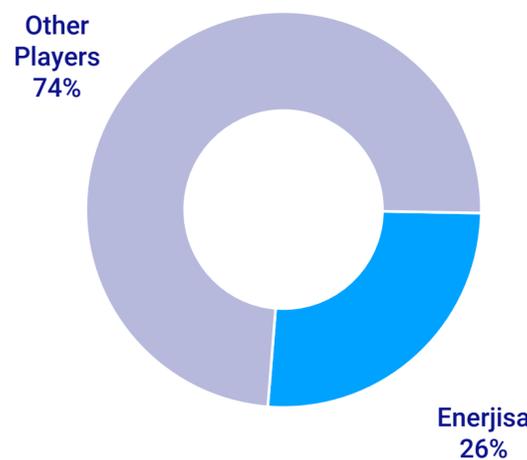
Source: EU, 6th CEER benchmarking report on the quality of electricity

Competitive advantages

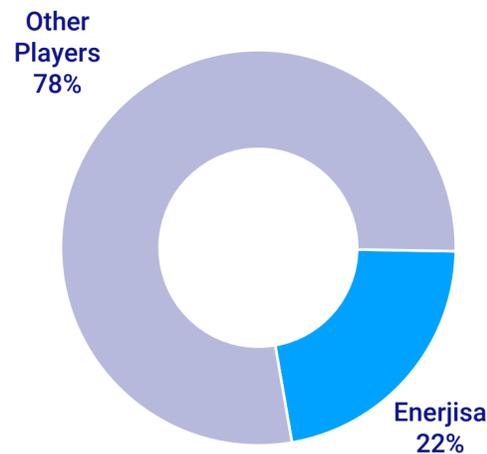
- ✓ Turkey's leading electricity distribution and retail company – Economies of Scale
- ✓ TL and inflation linked long-term borrowing to match revenue stream – Access to competitive financing with Sabancı name
- ✓ Fundamental growth from incumbent regions (Başkent, Ayedaş and Toroslar)
- ✓ Large retail customer base of around 10 million (representing 22% market share) with high proportion of regulated sales
- ✓ Know-how transfer from Sabancı & E.ON
- ✓ Well-known and trusted brand

Turkey's no.1 electricity distribution and retail company

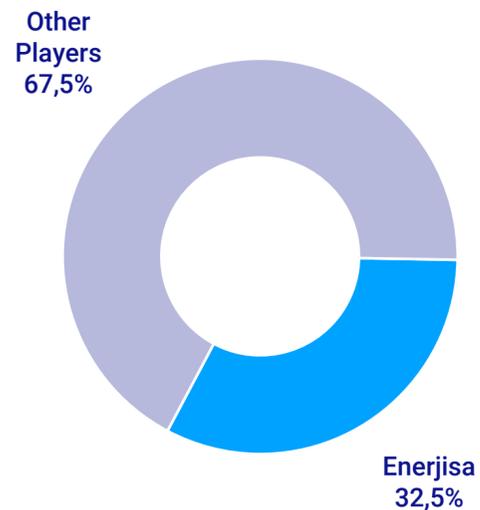
11.2 m Distribution Connections*



9.9 m Retail Customers*

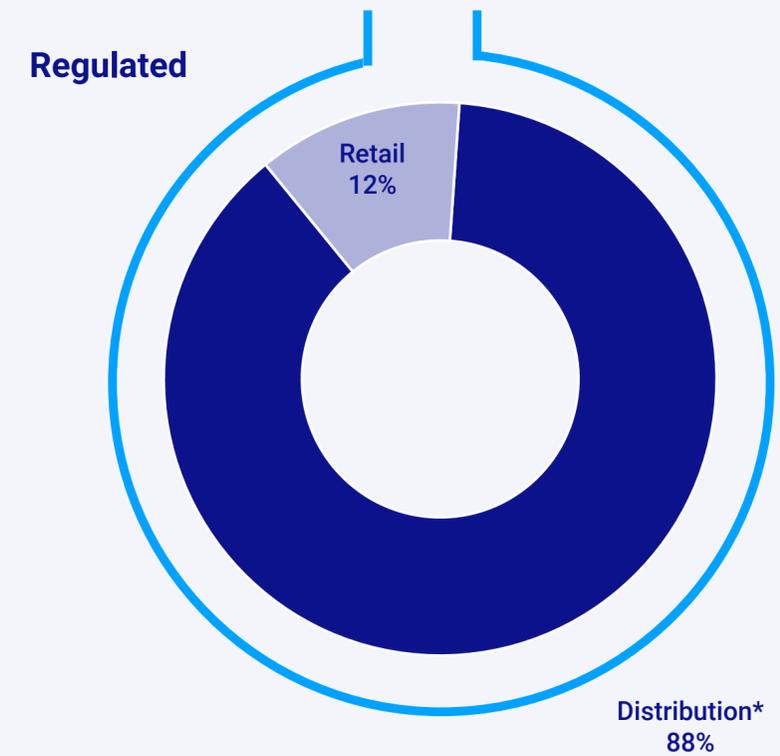


Share of National RAB *



Supportive and Transparent Regulatory Framework

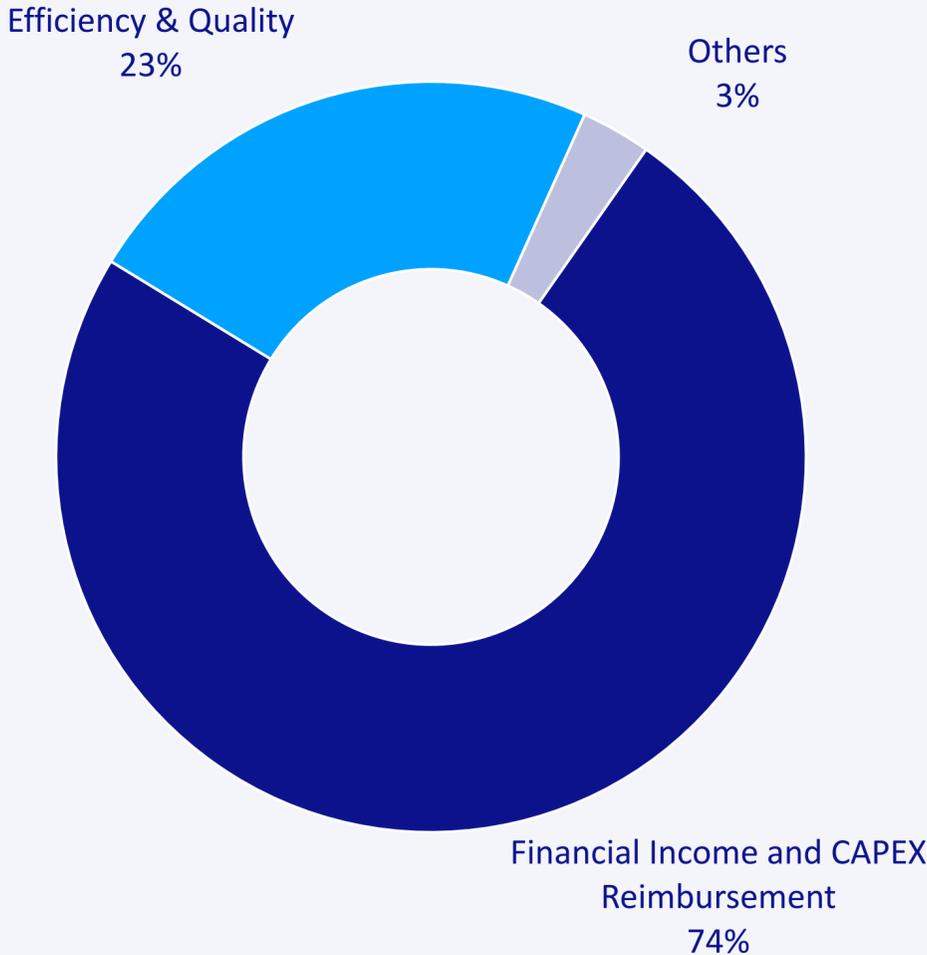
Breakdown of EBITDA (2019)



- ✓ Regulated Investment Returns with a supportive WACC (13.6%)
- ✓ Regulated Efficiency & Quality Parameters
- ✓ Regulated Retail Margin (2.38% on reference procurement price +retail service revenues resulting in 6% gross margin in 2019)

Distribution Operational Earnings*

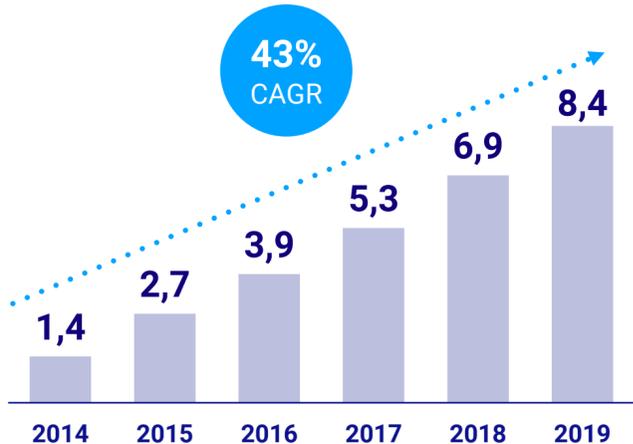
Breakdown (2019)



*Operational Earnings include Capex Reimbursement

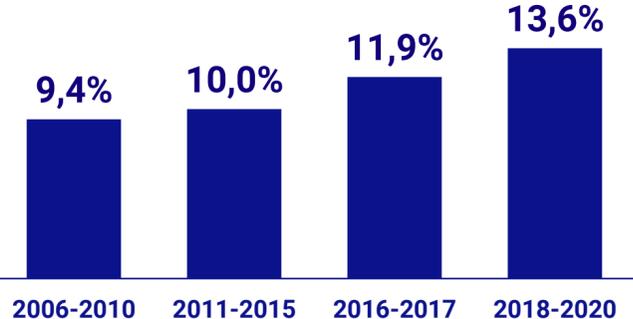
Strong Historical Growth and Untapped Potential

Regulated Asset Base (TL bn)



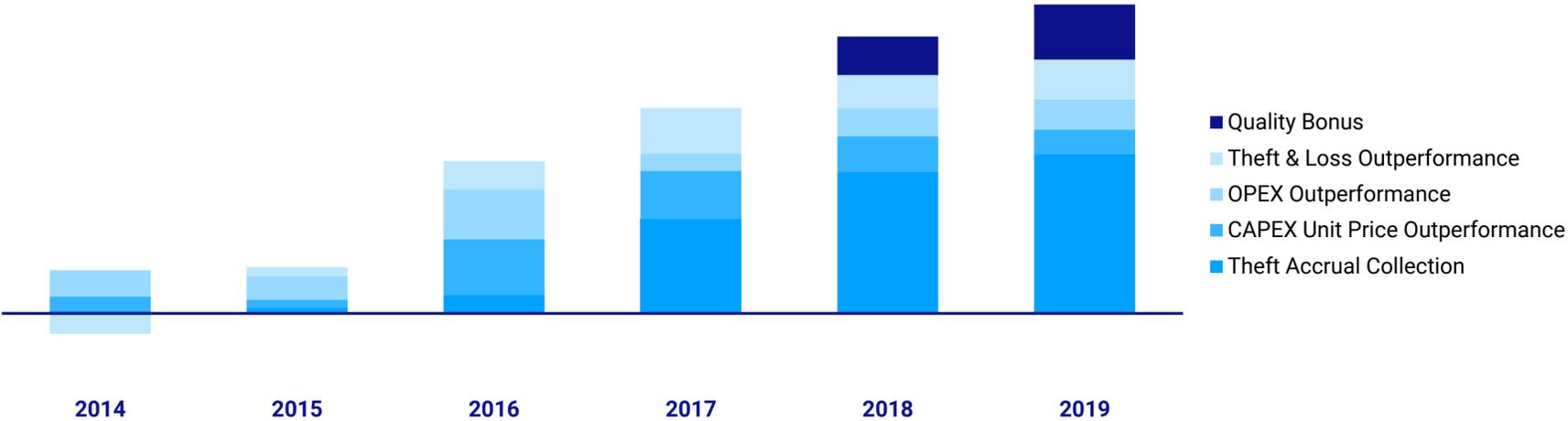
Regulation Incentivizes Investments

Regulated WACC (real)



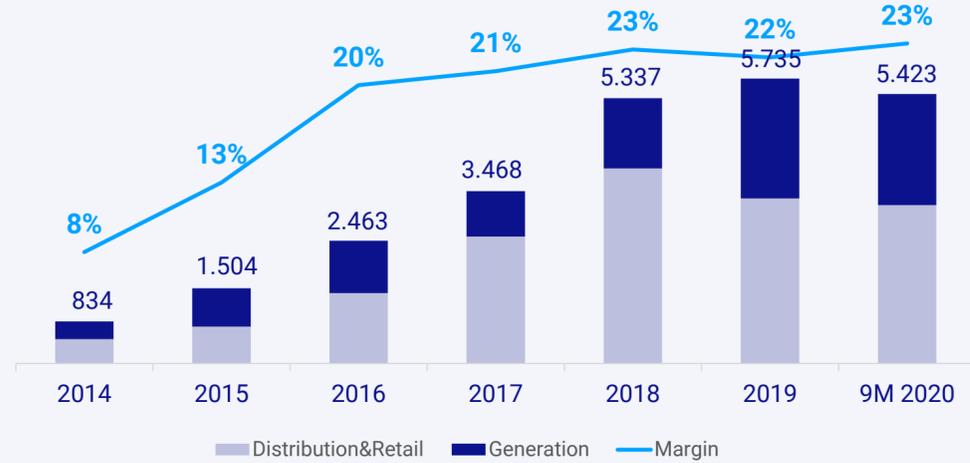
High Support for Efficiency Improvements

Efficiency & Quality Split (m TL)



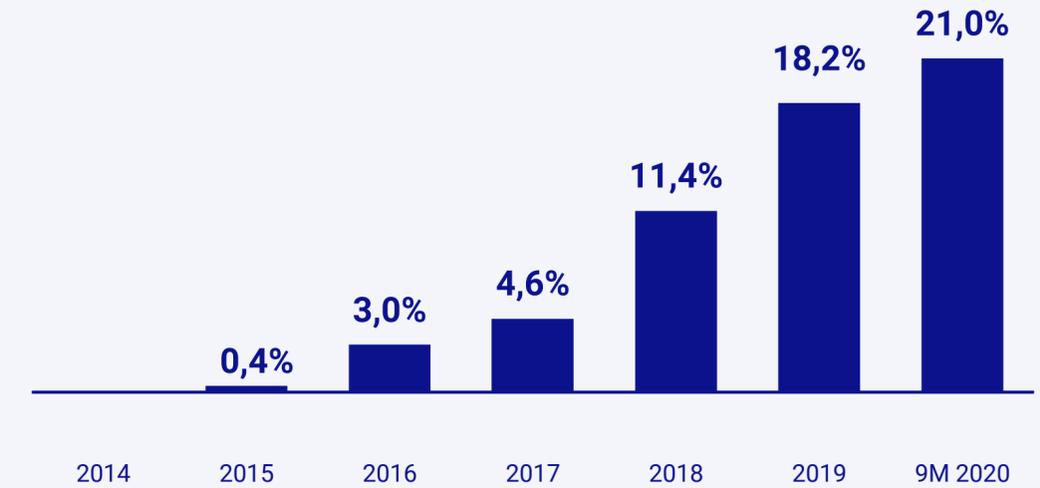
Strong growth in EBITDA

Combined EBITDA & EBITDA margin (TL bn, %)



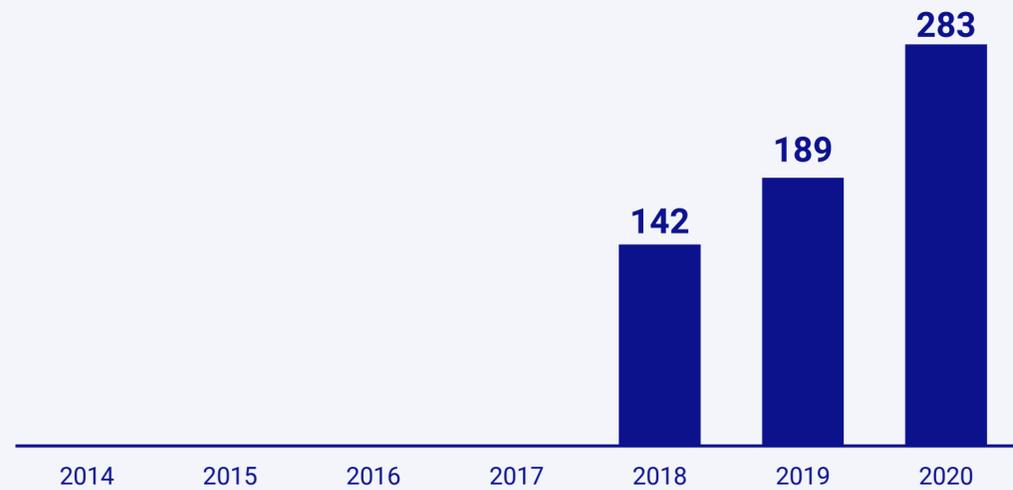
Improvement in ROE

Return on Equity (%)



Paying back to the shareholders

Dividends Paid to Sabanci Holding (m TL)**



Deleveraging

Net Debt / EBITDA* Ratio (x EBITDA*)



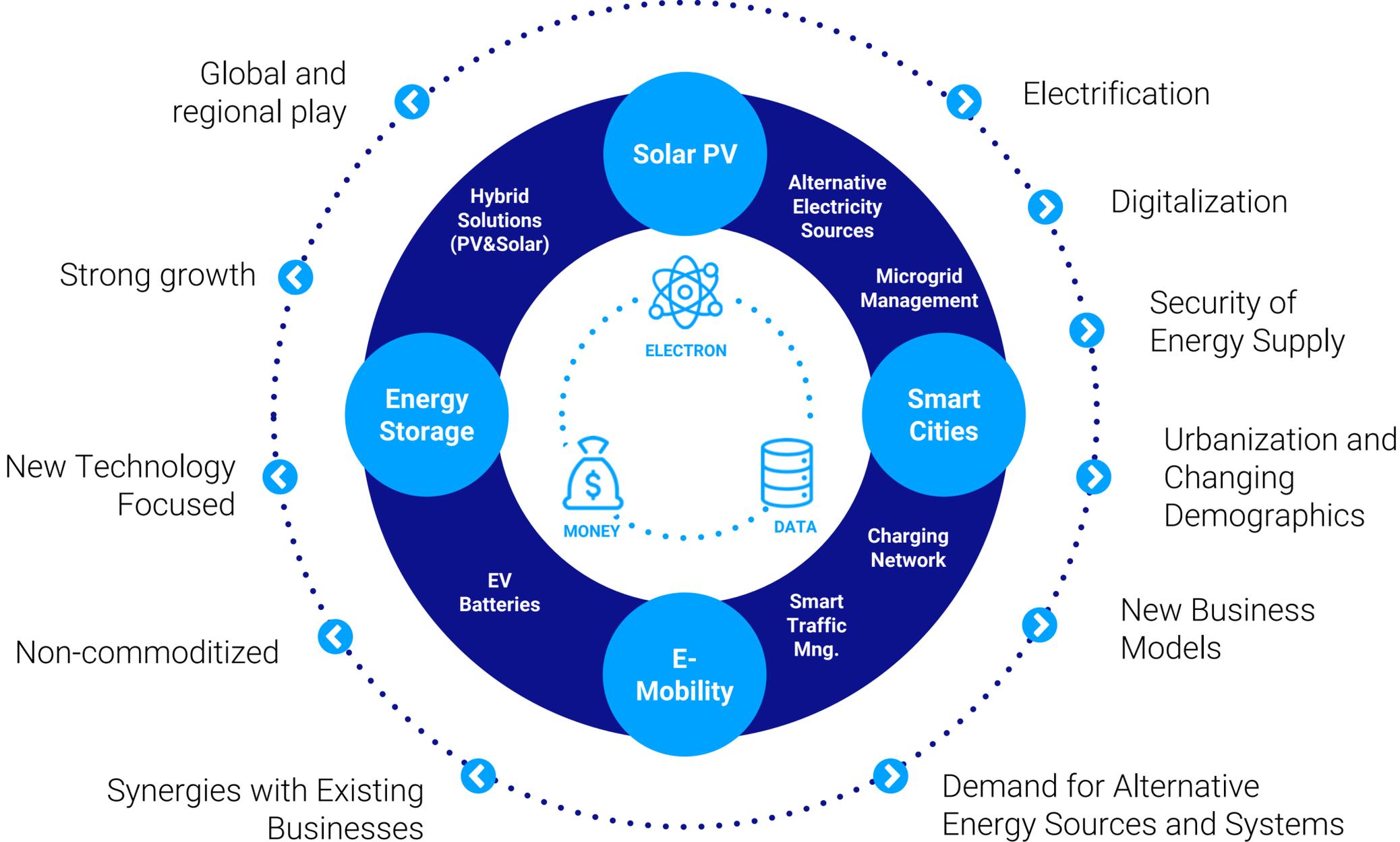
ENERJİSA ÜRETİM



- Healthier Financials and first dividend payout in 2021
- Capitalize growth opportunities by asset light options
- Portfolio optimization with growth in renewables and monitoring M&A opportunities (divest/invest)
- Operational Excellence with improvement projects to increase output, improve cost base and efficiency and establishing culture of performance
- Capital and commercial optimization to ensure strong financials and asset value

- Leverage Customer Base into New Services and Customer Solutions
- Benefit from Retail Liberalisation
- Drive Operational Excellence, Digitalise all Processes
- Ensure Competitive Financing Cost and Leverage
- Capitalise on Distribution Investment Opportunities

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





01 We are committed to staying at the center of the technologies that will shape the future energy world

02 We aim to build our human capital and competencies to enhance our leadership position

03 We position ourselves in the center of the local and global innovation ecosystem

04 Sustainability is our guiding principle in each and every business decision we take

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