

#SabanciofNewGeneration

# Investor

PRESENTATION

November 2020



**SABANCI**

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

- Joined Sabancı Group in 1996
- Appointed as the CEO of Kordsa in 2013
- President of the Industrial SBU between 2017 and 2019
- Appointed as the CEO of Sabancı Holding, August 2019



**Barış Oran – CFO**

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



**Eyüp Engin – Banking**

- Joined Akbank in 1978
- Head of Internal Audit in 2007
- Served on BoD of subsidiaries in 2017-2019
- Elected as Executive Board member in 2019



**Haluk Dinçer – Financial Services**

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



**Hakan Timur – Human Capital & Sustainability**

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



**Tamer Saka – Building Materials**

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



**Kivanç Zaimler – Energy**

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



**Cevdet Alemdar – Industry**

- 27 years within Sabancı Group
- Kordsa Global's Tech.&Market Development VP, 2010-13
- CEO of Brisa, Bridgestone Sabancı JV Tire Co. in 2017-2020
- President of the Industry Group since April 2020



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

# "New Generation's" Sabanci

### Focusing

and growing the core while exploring opportunities in adjacencies and digital

### Creating

Holding value add by leveraging

- ☑ Performance Culture
- ☑ Dynamic portfolio management and capital allocation
- ☑ Eco-system

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

# Introduction / Portfolio in Continuous Evolution

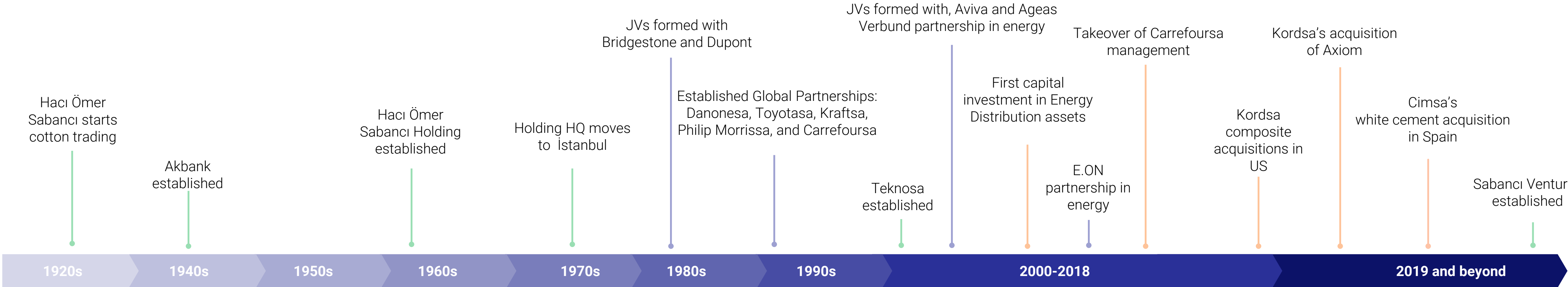


1940s - 1960s  
**Early Growth Phase - Initial Diversification**

1970s - 2000s  
**Proliferation of Global Partnerships-Conglomeration**

2000s - 2010s  
**Refocus Portfolio**

Present and Future  
**"New Generation's Sabanci"**



- Organic growth
- JVs formed
- Acquisitions
- Divestments
- IPOs

**Buy & Hold**

**Dynamic Portfolio Management**

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

### Banking & Financial Services

- ☑ The best bank in Turkey in 2019 (Euromoney, Global Finance, World Finance) and World's Best Digital Bank 2019 (Euromoney); Leading player in pension

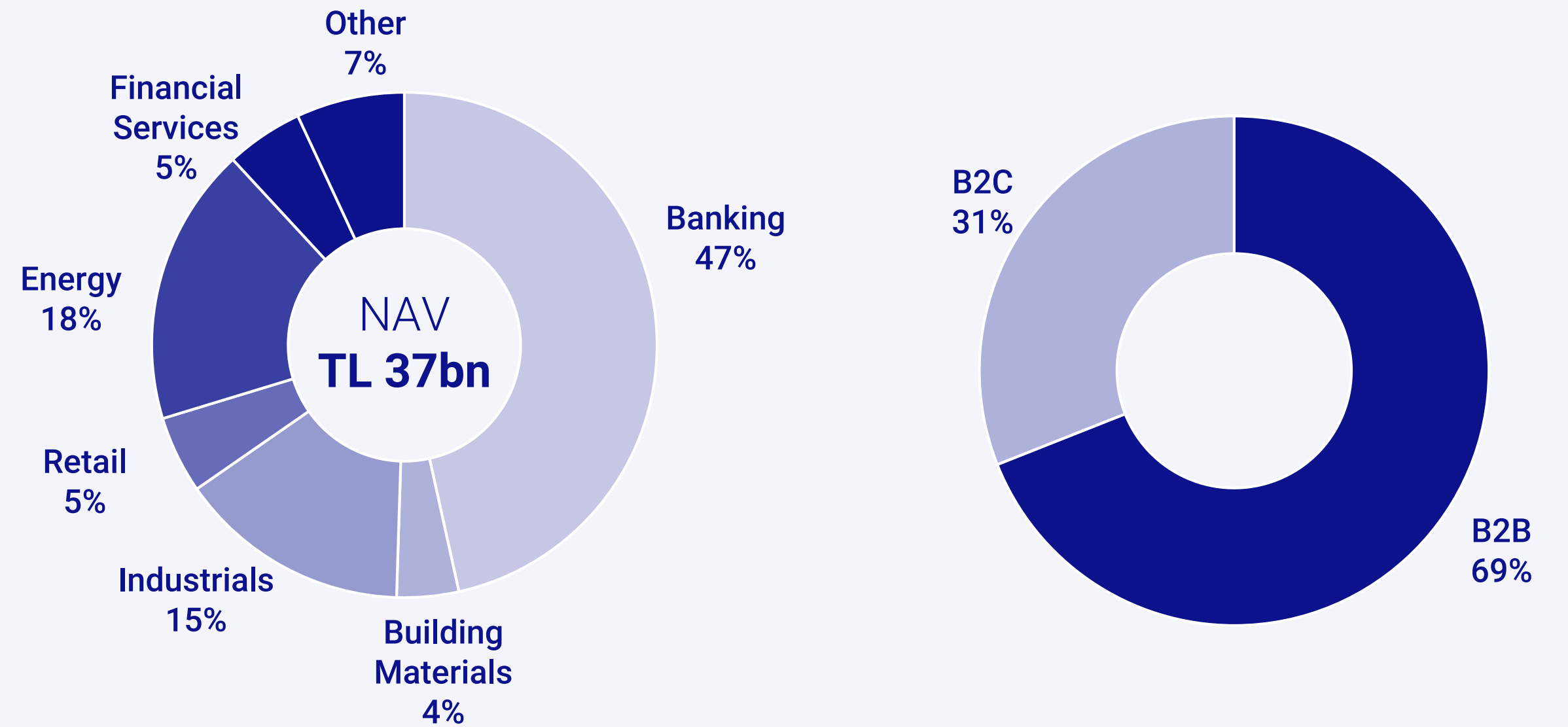
### Energy & Utilities

- ☑ The industry pioneer in upstream / downstream electricity markets; leadership in rapidly growing segments

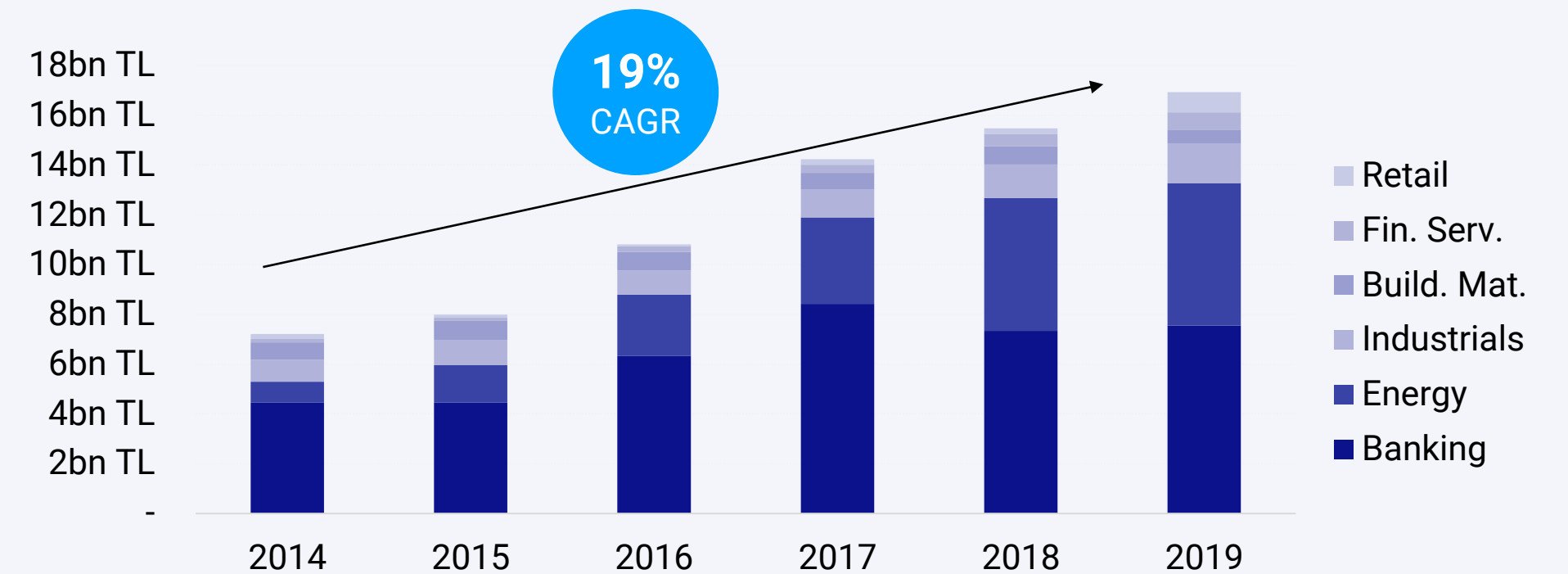
### Industrials (Reinforcement & Cement)

- ☑ Innovative culture / global leader in international markets / leader in Turkey with strategic positioning in the market

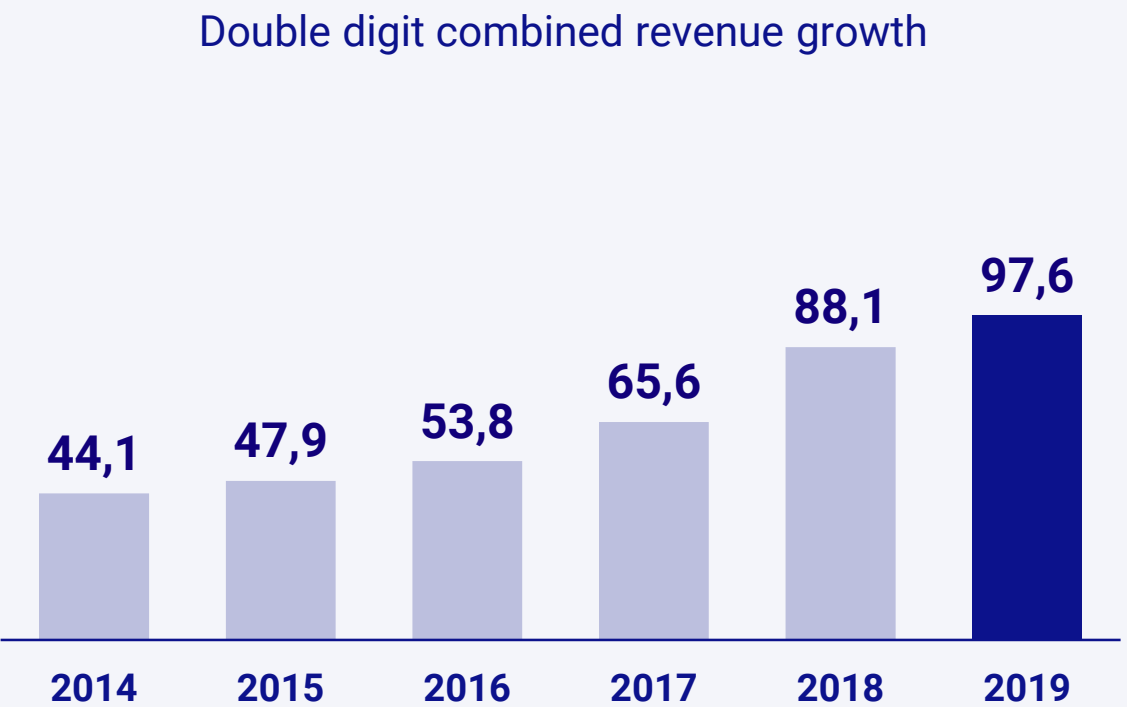
Diversified portfolio (Dec-2019)



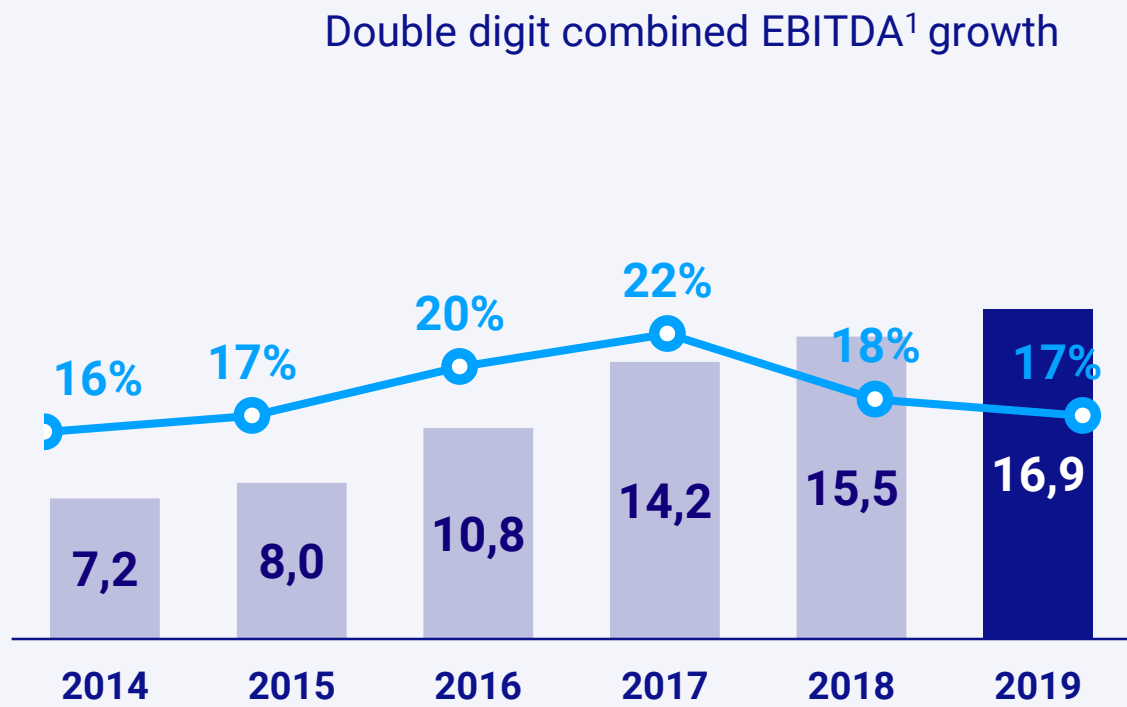
Track record of real growth (above inflation+GDP growth of Turkey)<sup>2</sup>  
Combined EBITDA<sup>1</sup>



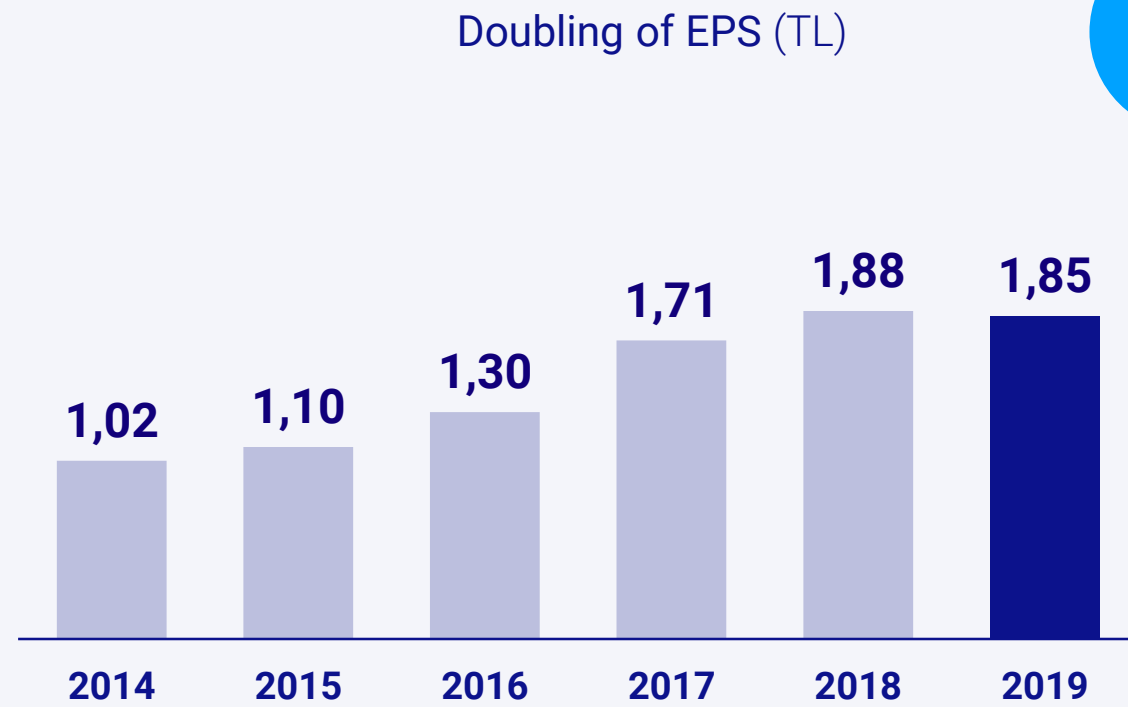
## Sabancı's 2014-2019 financial performance, TL bn



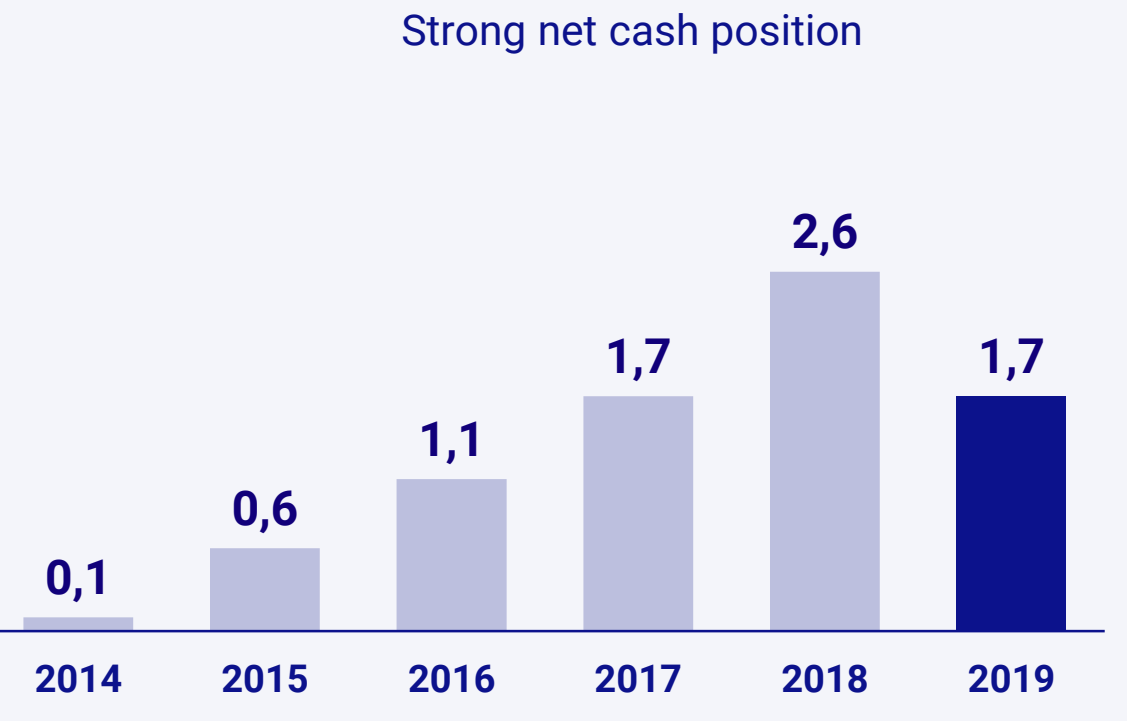
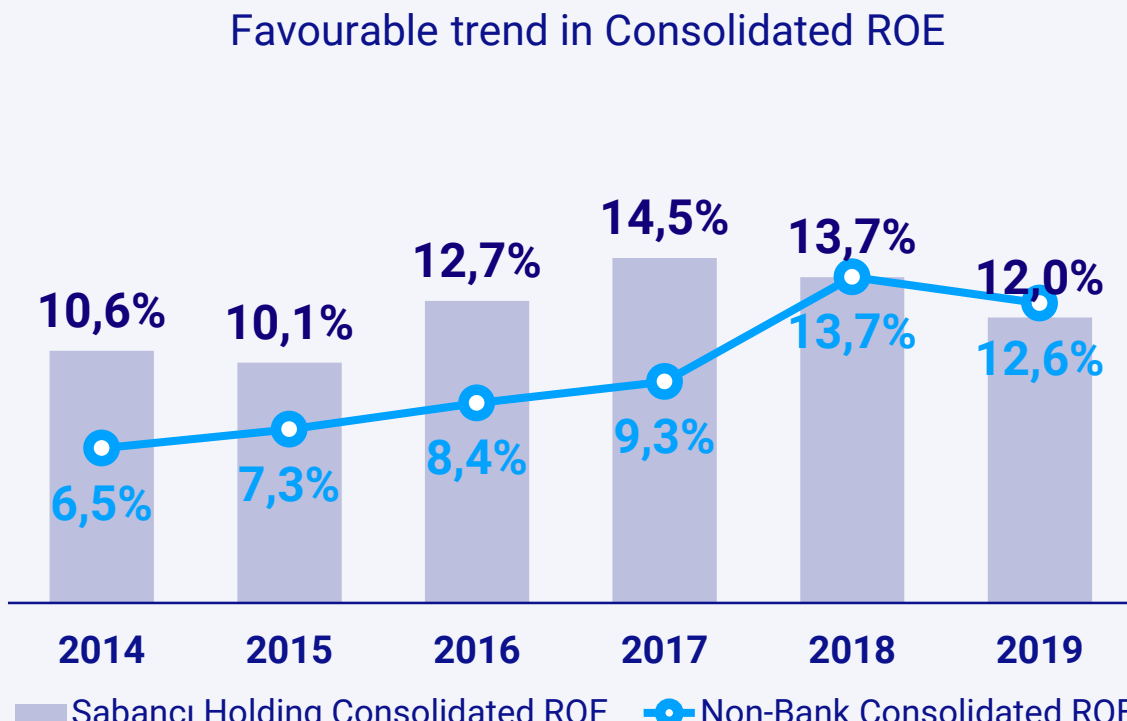
**17%**  
CAGR



**19%**  
CAGR



**13%**  
CAGR

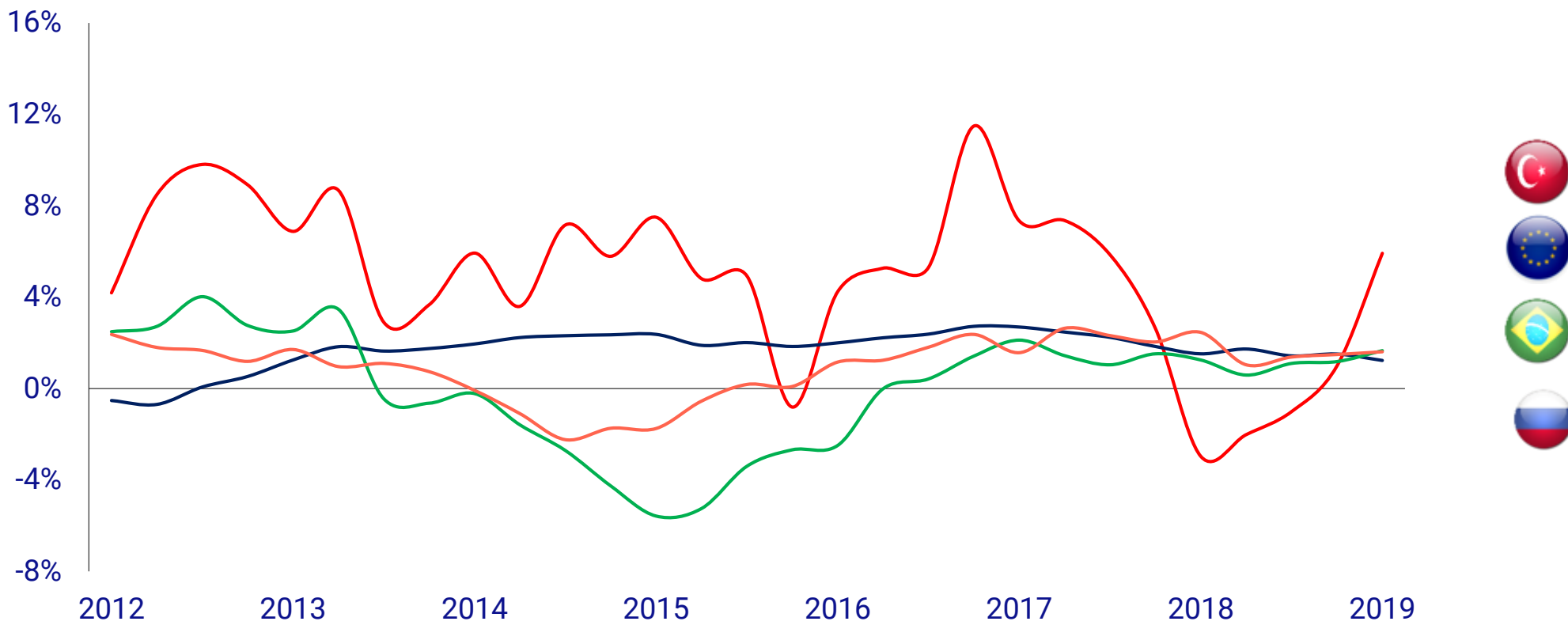


**27%**  
CAGR

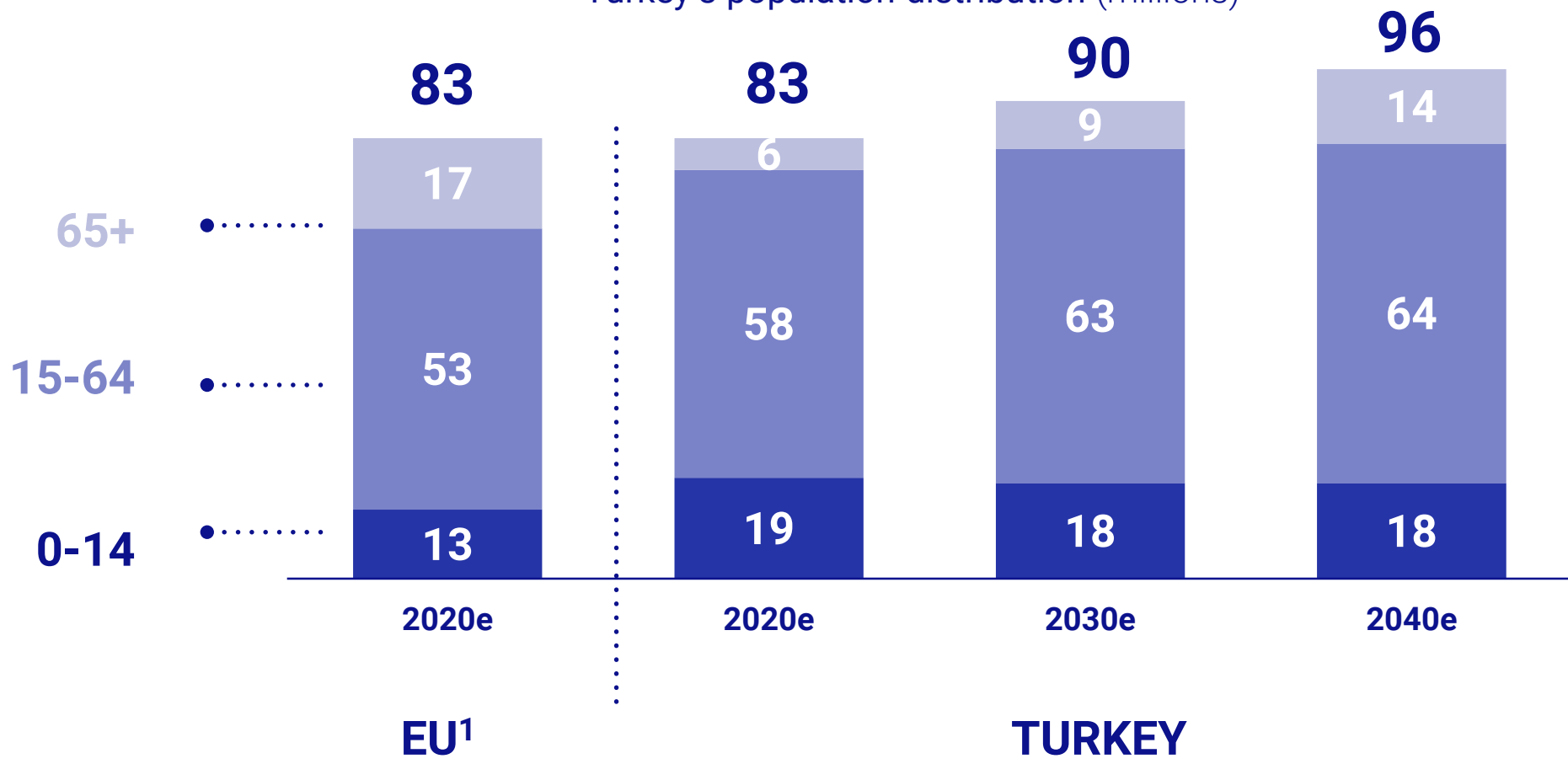
**Track record of high growth (above inflation + GDP growth of Turkey)<sup>2</sup>**

1-Combined EBITDA. Excludes one-offs. 2-2014-2019 Ave. Inflation: 11%

Turkey is one of the world's fastest growing economies  
Real GDP growth, y-o-y



High population growth with a young demographic  
Turkey's population distribution (millions)



## Sabancı, able to efficiently leverage the Turkish opportunity

- ✓ **One of the highest growth economies in the world** with real GDP growth consistently above European and emerging economies

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- ✓ Large domestic market with a population of **83m** which is young, **dynamic** and **well-educated**:
  - ➔ The largest youth population in Europe (half the population under the age of 31)
  - ➔ Qualified and competitive labour force, with higher levels of education compared to other emerging markets

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- ✓ A strong base for international growth with a geographical location which provides a 'natural bridge' between the East-West and North-South axes, facilitating access to **1.6 billion customers** in Europe, Eurasia, the Middle East and North Africa

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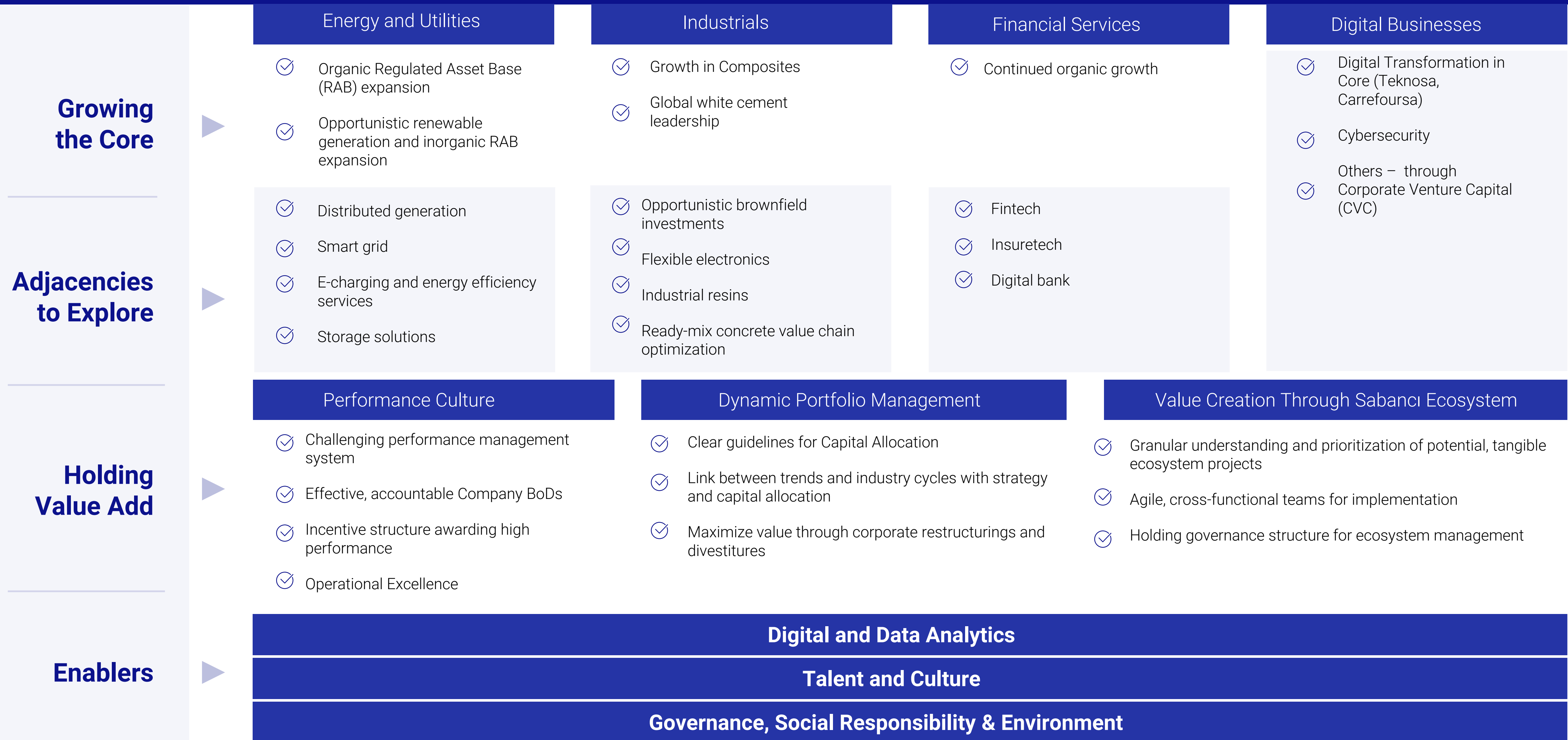
- ✓ Part of the European Customs Union benefiting from Free Trade Agreements with **27 countries** to provide competitive products (low cost and high quality)

<sup>1</sup>-EU 2020e proportions applied to Turkey's 2020e population for comparison purposes Source: Bloomberg, Turkstat, Europea, Eurostat

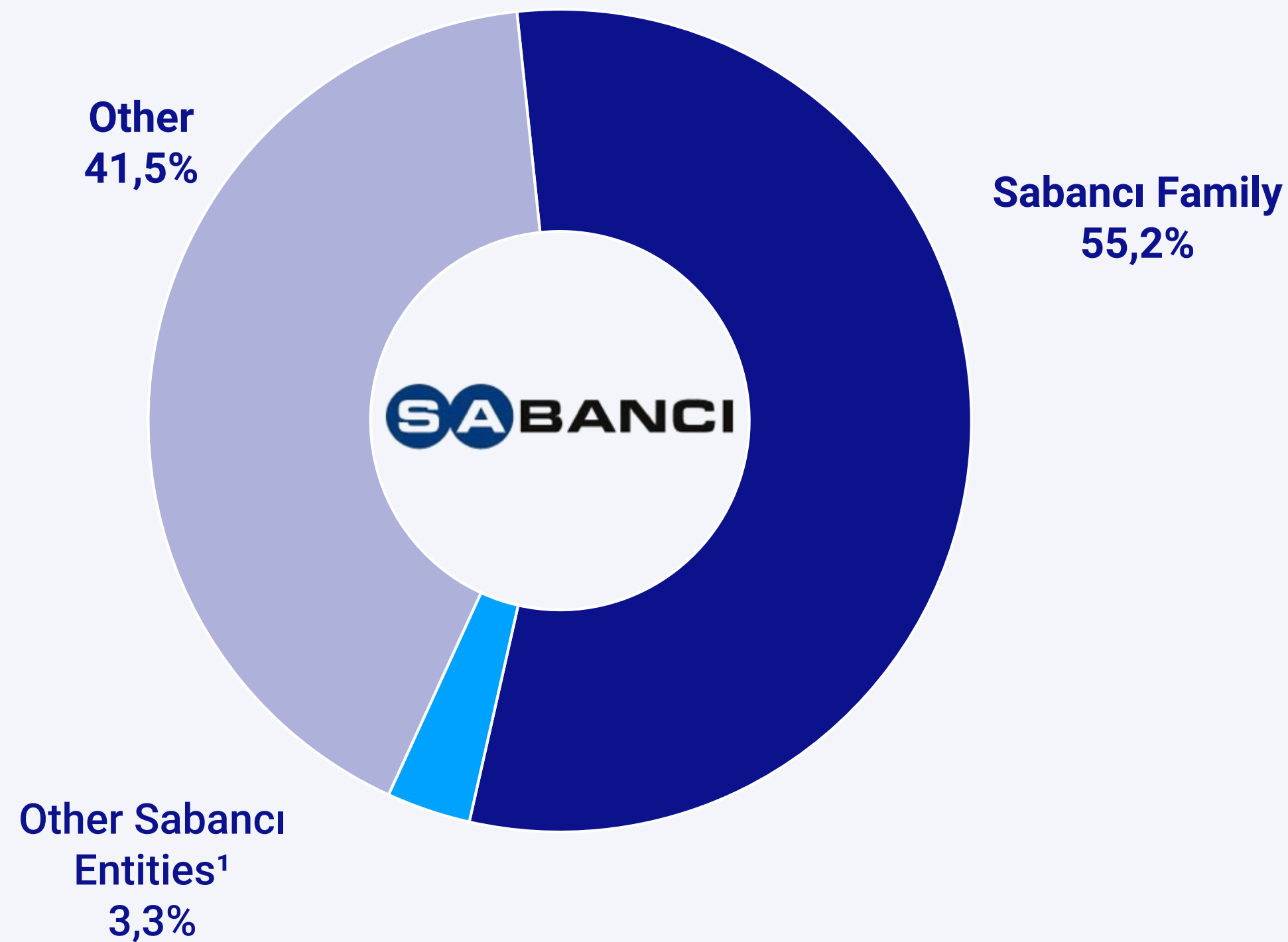


	Potential Implications for Sabanci	Relevancy of trend post-Covid
<b>Urbanization</b>	<ul style="list-style-type: none"> <li>Need for <b>upgrade of grid and the infrastructure</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Urbanization</b> trend will prevail</li> </ul>
<b>Global polarization &amp; Geographic growth shift</b>	<ul style="list-style-type: none"> <li>Enforces need for <b>geographic diversification</b></li> <li>Potential to leverage <b>composites</b> in aerospace and defense</li> <li><b>High growth appetite</b> would require investments into <b>EMs</b></li> </ul>	<ul style="list-style-type: none"> <li>Geographic diversification for <b>supply-chain resilience</b></li> <li><b>EM recovery faster</b> than DMs</li> </ul>
<b>Disruptive technology advancements</b>	<ul style="list-style-type: none"> <li>Potential to <b>stand out from competition</b> through University, Dx capabilities, and potential ecosystem play</li> </ul>	<ul style="list-style-type: none"> <li><b>Technology-dependency</b> acceleration post-Covid</li> </ul>
<b>Sustainability and Climate change concerns</b>	<ul style="list-style-type: none"> <li>Increased <b>importance of composites in new applications and renewable</b> energy generation assets</li> <li>Growing importance of <b>sustainable manufacturing</b></li> </ul>	<ul style="list-style-type: none"> <li>Efforts will continue to <b>sustain the environmental wins</b> of the Covid period</li> </ul>
<b>Longer life expectancy</b>	<ul style="list-style-type: none"> <li>Increased importance and penetration of health <b>insurance and life/pension products</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Healthcare and health tech</b> will be among the focal points</li> </ul>

# New Generation / Building “New Generation’s” Sabancı



## Shareholder base



## Corporate structure and division of responsibilities

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

## Fostering performance

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

### Short term KPIs - 1 year

- > Revenue
- > EBITDA
- > Free Cash Flow
- > Working Capital
- > Market Capitalization
- > Market Share
- > Employee Engagement

### Long term KPIs – 3 years

- > NAV Discount
- > Outperforming TSR of peers
- > Single digit NAV discount by 2021

Previous vs New Total Cash Model



Illustrative for company general manager

## Overview

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

## New policy for capital allocation

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

## Growth (~57% of NAV)

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

## Cash generators (~31% of NAV)

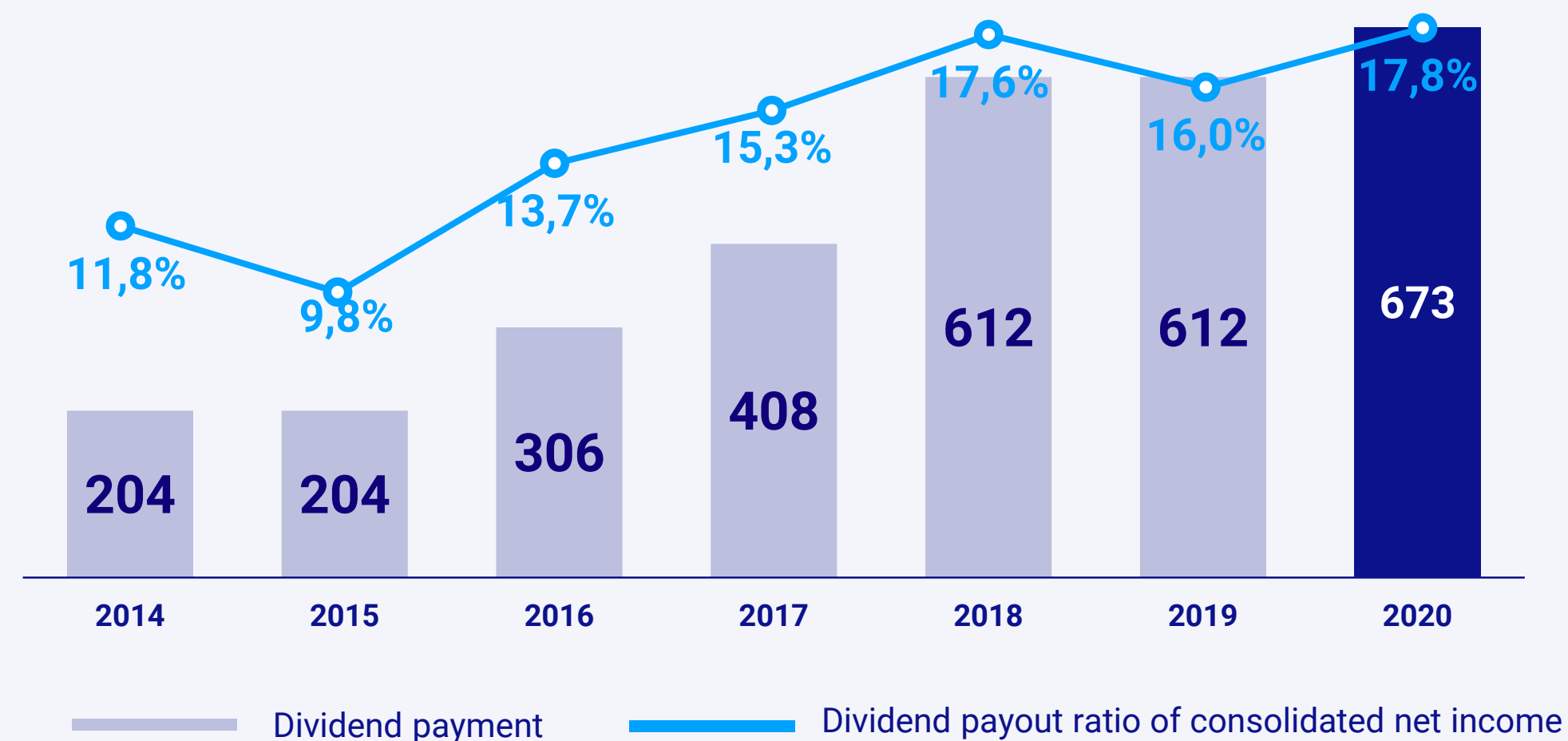
- ✓ Strong cash and profit generation in relatively stable markets
- ✓ Seek to sustain and defend competitive advantage

## Manage for value (~12% of NAV)

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

## Dividend policy – overview

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



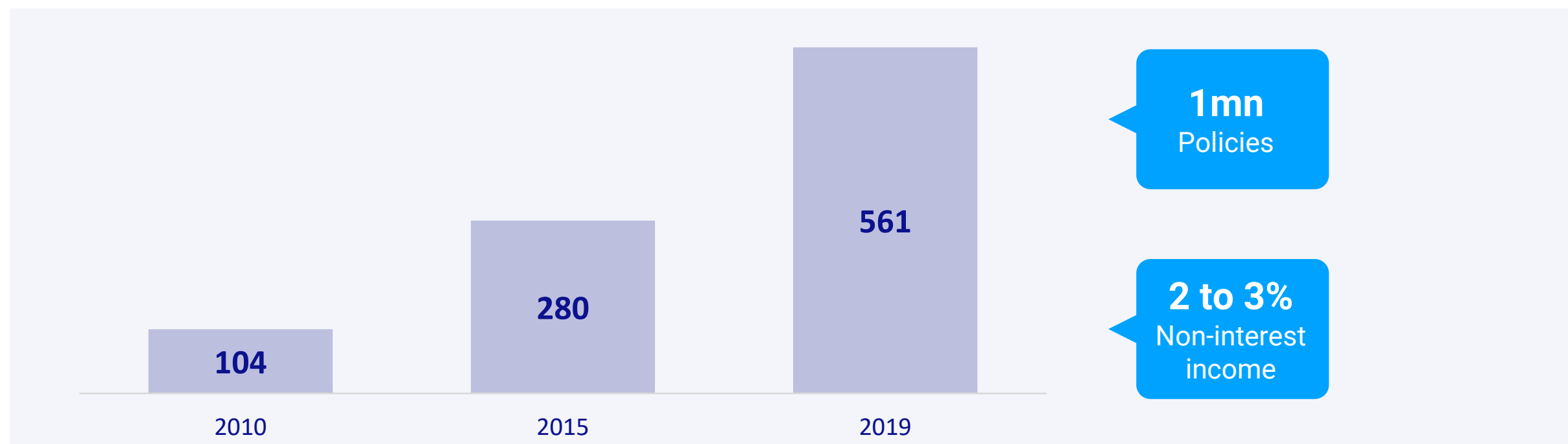
## Dividend policy to benefit all shareholders

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

## Strong collaboration in Bancassurance

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

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



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

Phygital Branches	5.1 mn Digital Customers	Call Center
Corporate	Retail	Commercial
		SME



**~18mn**  
Customers

## Brisa – Enerjisa Enerji Cooperation

### Future of mobility vision: Electrification



Eşarj Charging Stations in Brisa Network

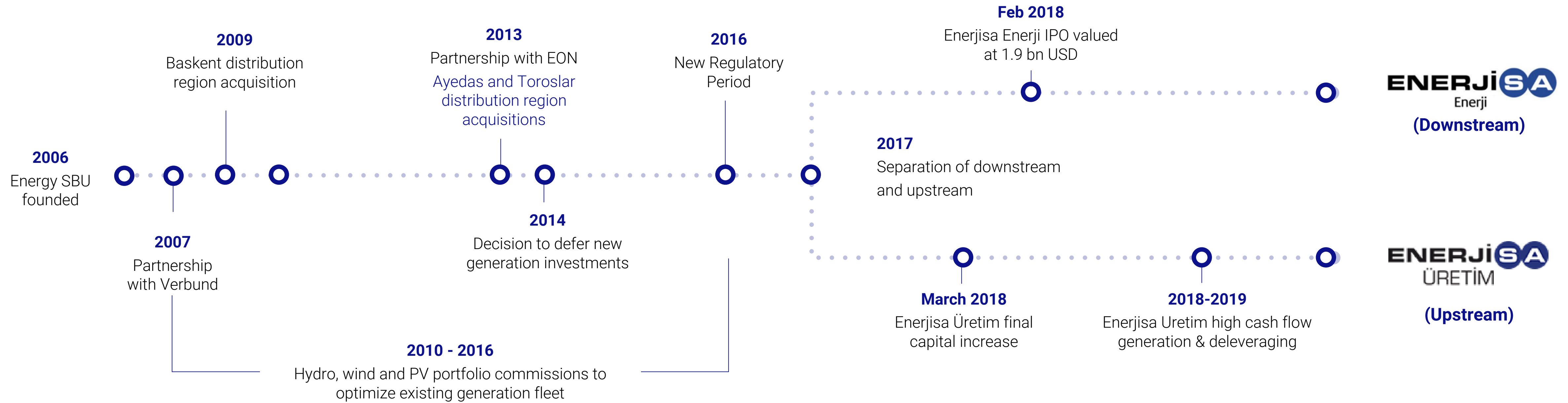
Fast Growing market  
eV park

2019 **3k** → 2026 **600k**

- ✓ Increased traffic at Brisa sales points (PoS)
- ✓ Cross-sell opportunities
- ✓ Business enrichment for Brisa dealers
- ✓ Faster Penetration of E-şarj (558 PoS opportunity)

**Currently 3 PoS's operating,**  
Scale up plan till December 2020 up to 100 PoS

# Growing the Core / Enerjisa: Sabancı, driving value as a strategic investor



## Growth and high investment 2006-2014

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

## Turnaround 2014-2017

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

## Capital Recycling 2017 onwards

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



# Growing the Core / Enerjisa: Turnaround in Energy between 2014 and 2017

## 2014

Decision to defer generation investment

## 2017

Separation of downstream and upstream

### Operational initiatives

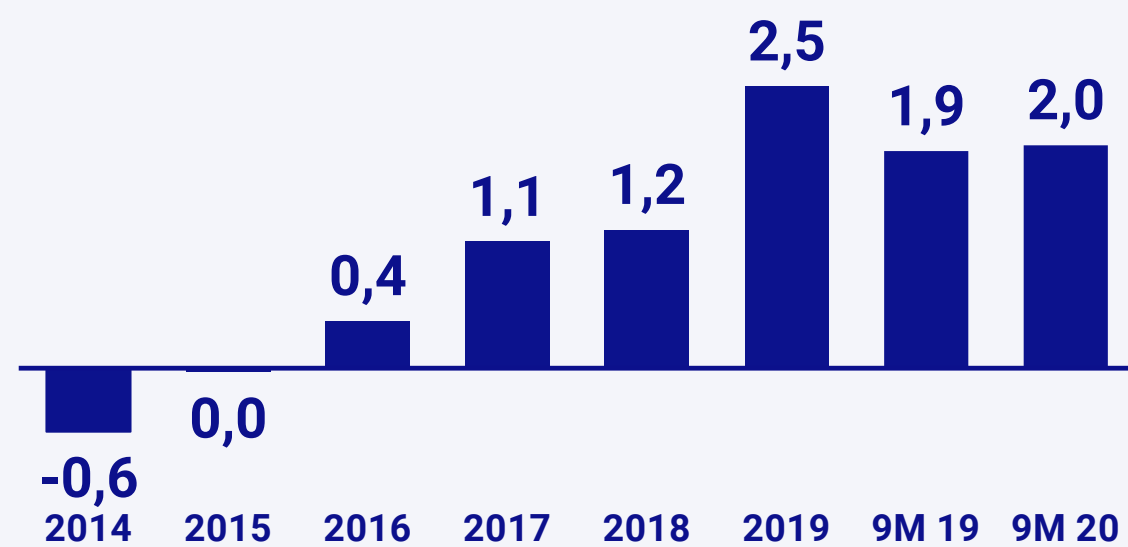
#### Upstream

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

#### Downstream

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

Upstream FCF Generation, TL bn

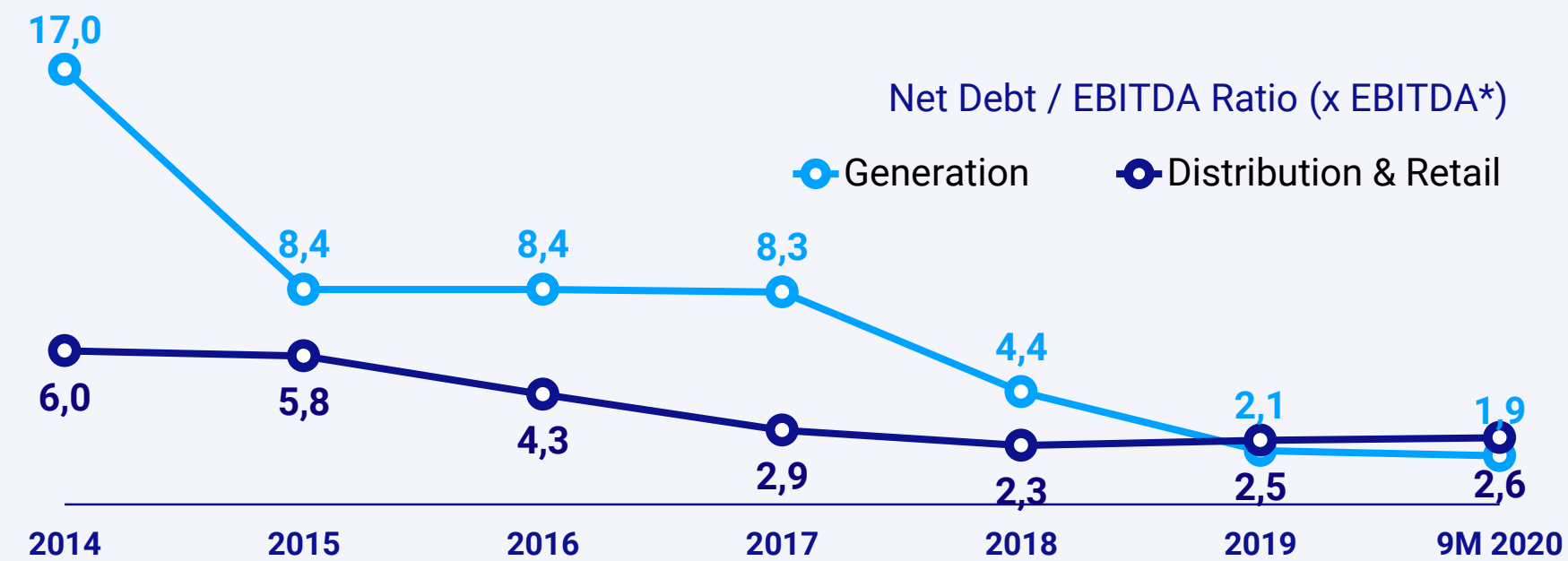


#### KPI improvements

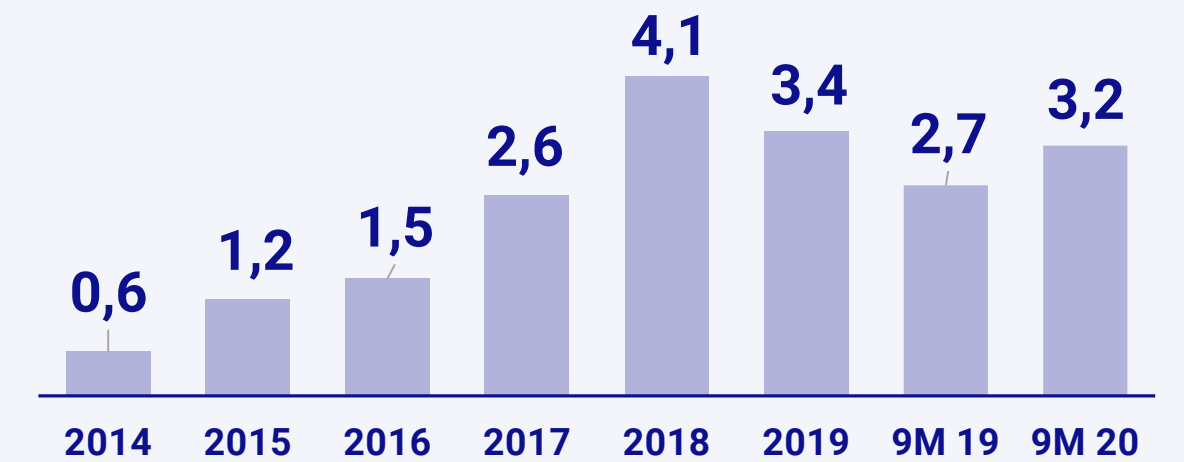
- ✓ Tufanbeyli availability improved from 63% to 80% 12 months following commission
- ✓ Renewable fleet availability improved from 95% to 96% from 2014 to 2018

### Turnaround achievements

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



Downstream EBITDA, TL bn



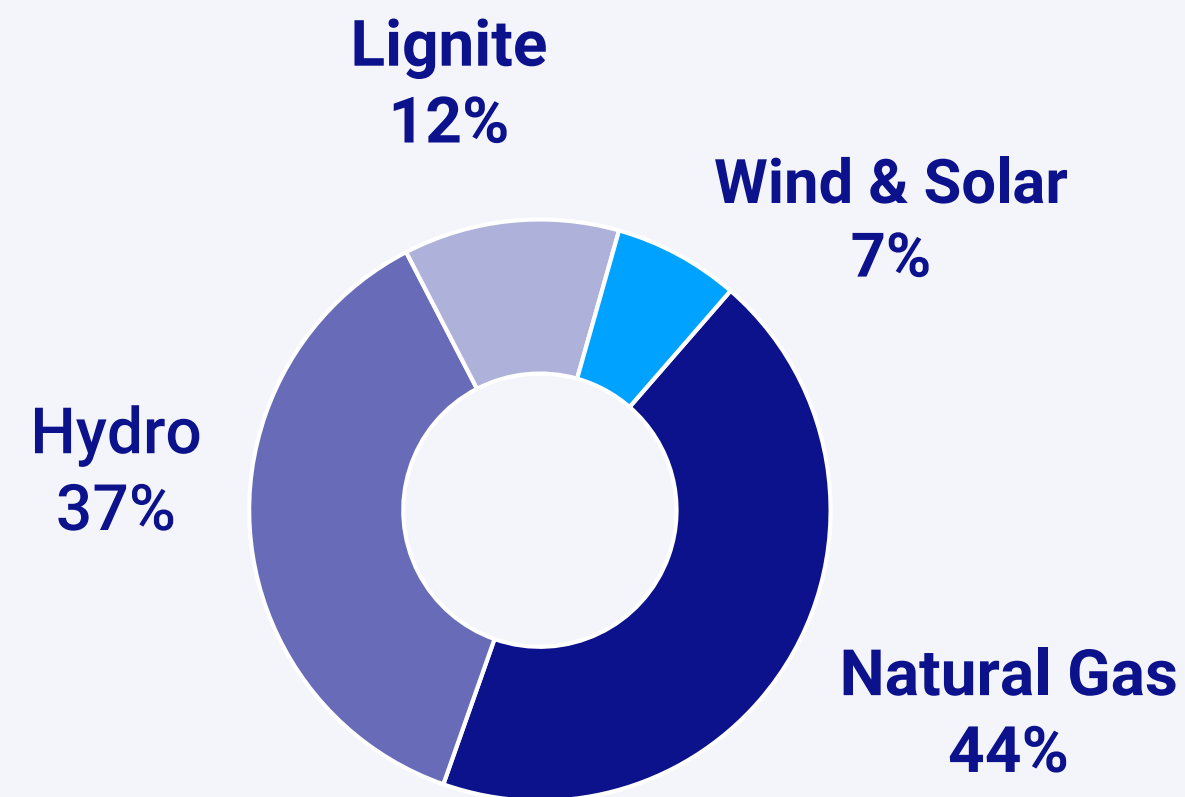
#### KPI improvements

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

\*Excludes non-operational one off items

## Well Balanced Generation Portfolio with Strong Renewables

Installed Capacity (3.607 MW)



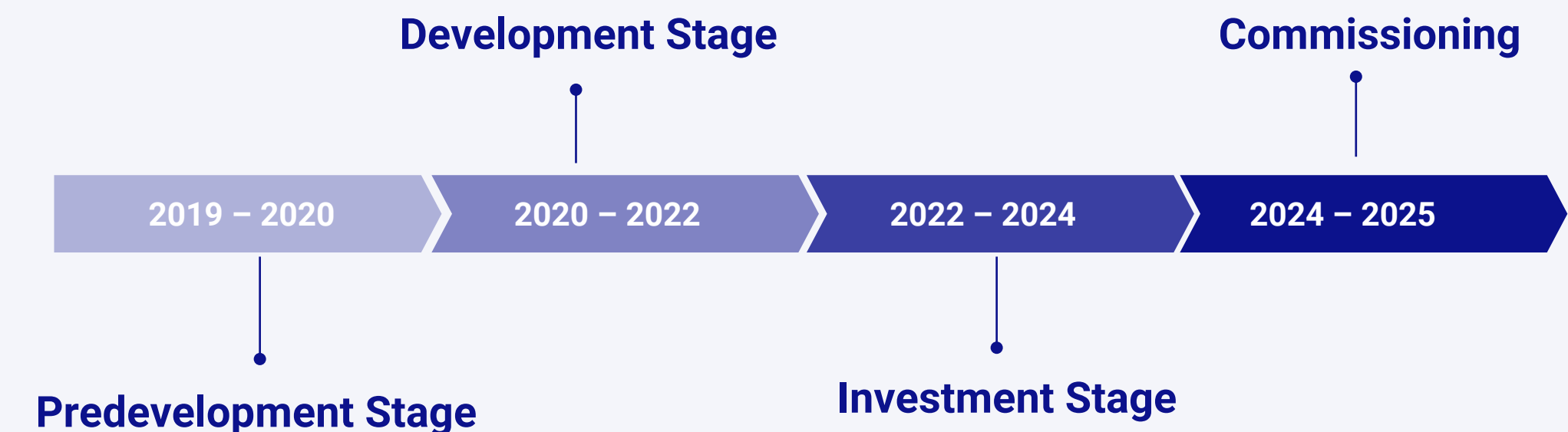
- ✓ Renewable portfolio has **44%** weight in installed capacity.
- ✓ 12 hydroelectric power plants: **1.350 MW**
- ✓ 3 wind power plants: **212 MW**
- ✓ 2 solar plants: **9 MW**
- ✓ All generating hard currency revenues thanks to **feed-in-tariff (FIT)**
- ✓ Profitable growth potential in **Renewables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

## Current Growth Pipeline in Renewables

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

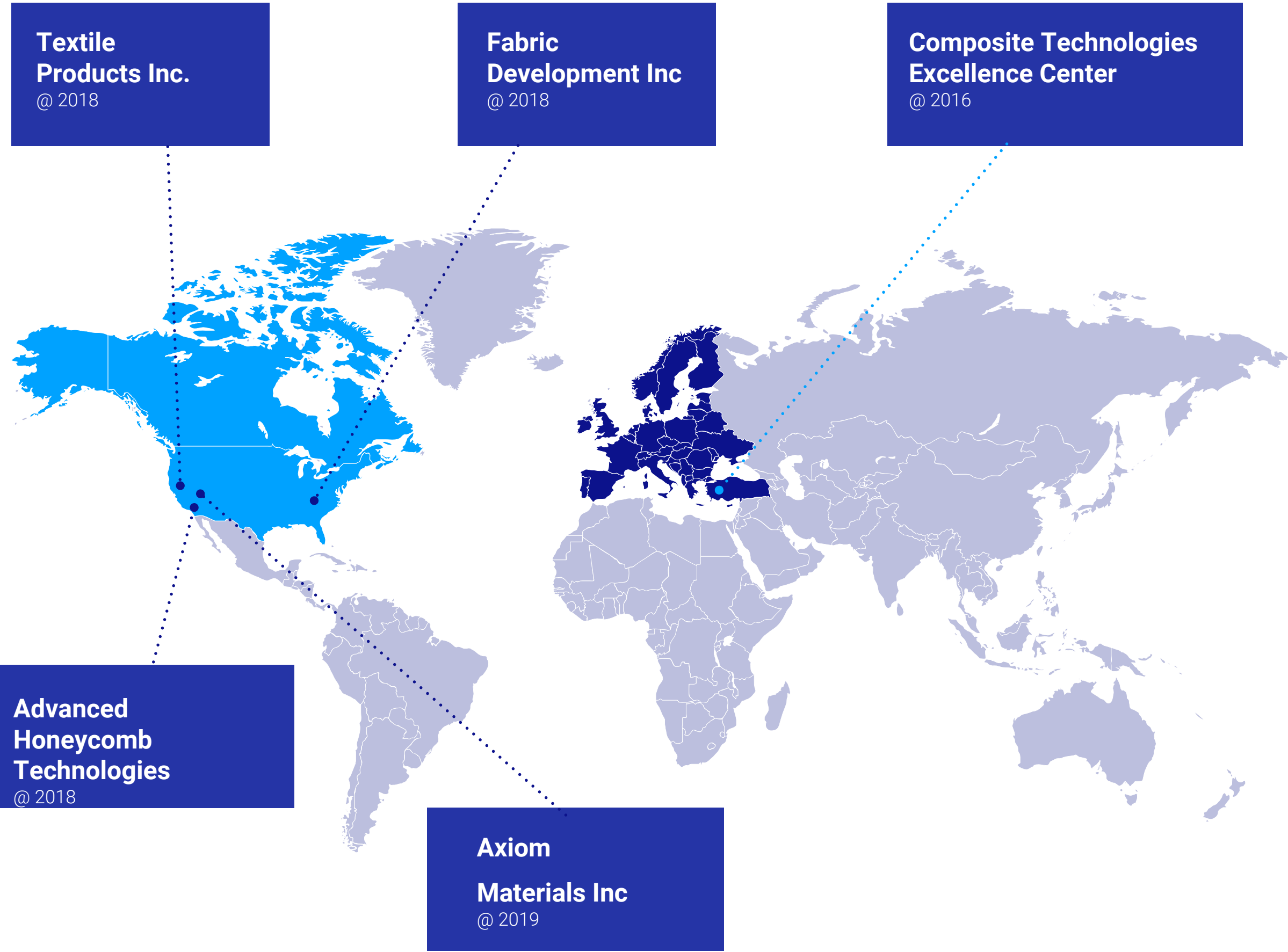
Region	# of bidders	Winner	Price
Aydın (250 MW)*	4 bidders	Enerjisa Üretim	45.6 \$/MWh
Çanakkale (250 MW)*	6 bidders	Enerjisa Üretim	36.7 \$/MWh

- ✓ The weight of renewable portfolio will increase to **50%** while securing additional USD based revenue stream for next 15 years.
- ✓ Investment timeline highly inline with the deleveraging of Enerjisa Üretim to support further organic growth
- ✓ Project estimated timeline;

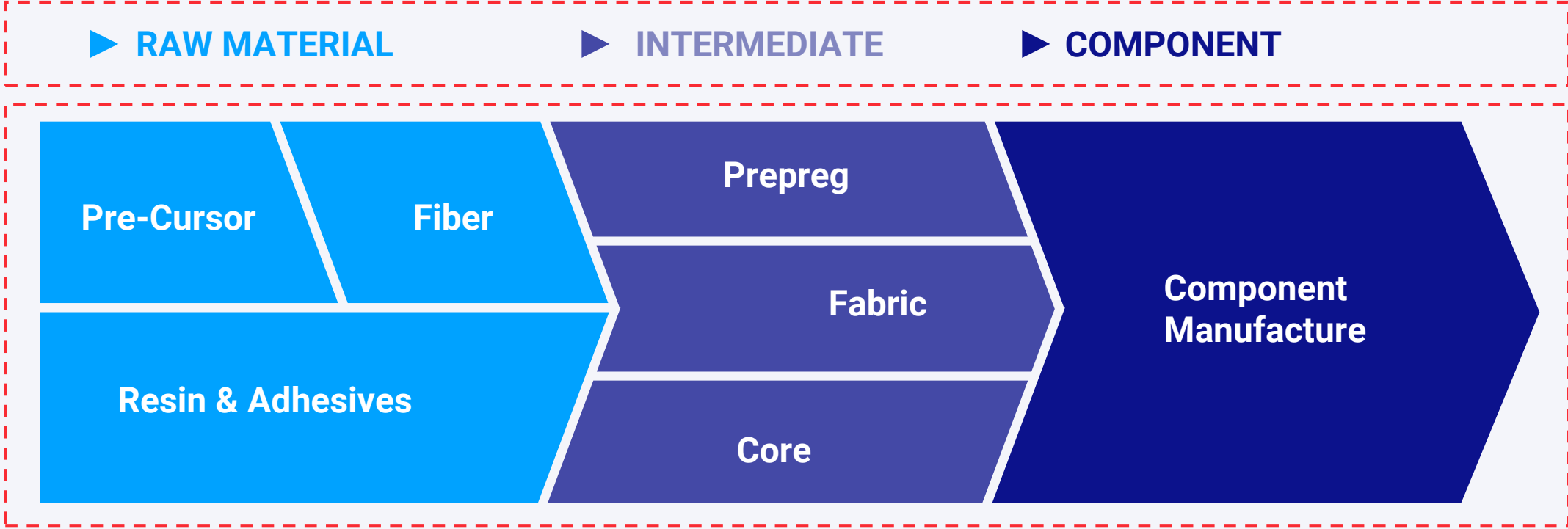


\* Option to build projects, final investment decision to be given in 2021-22 period

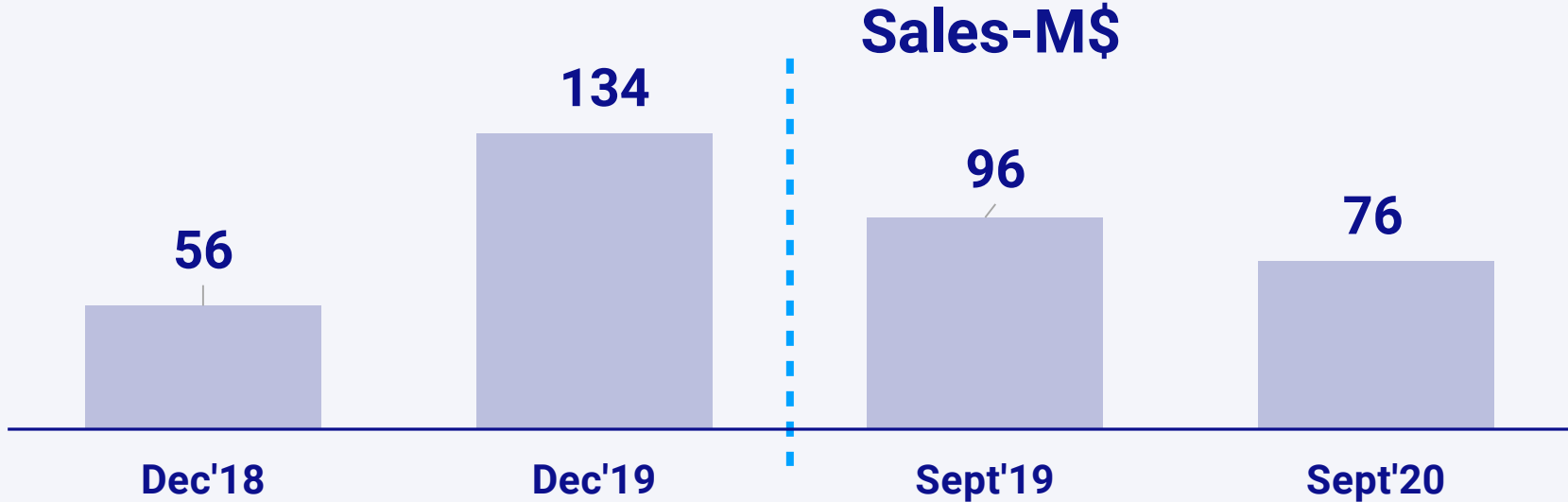
## Composite Footprint

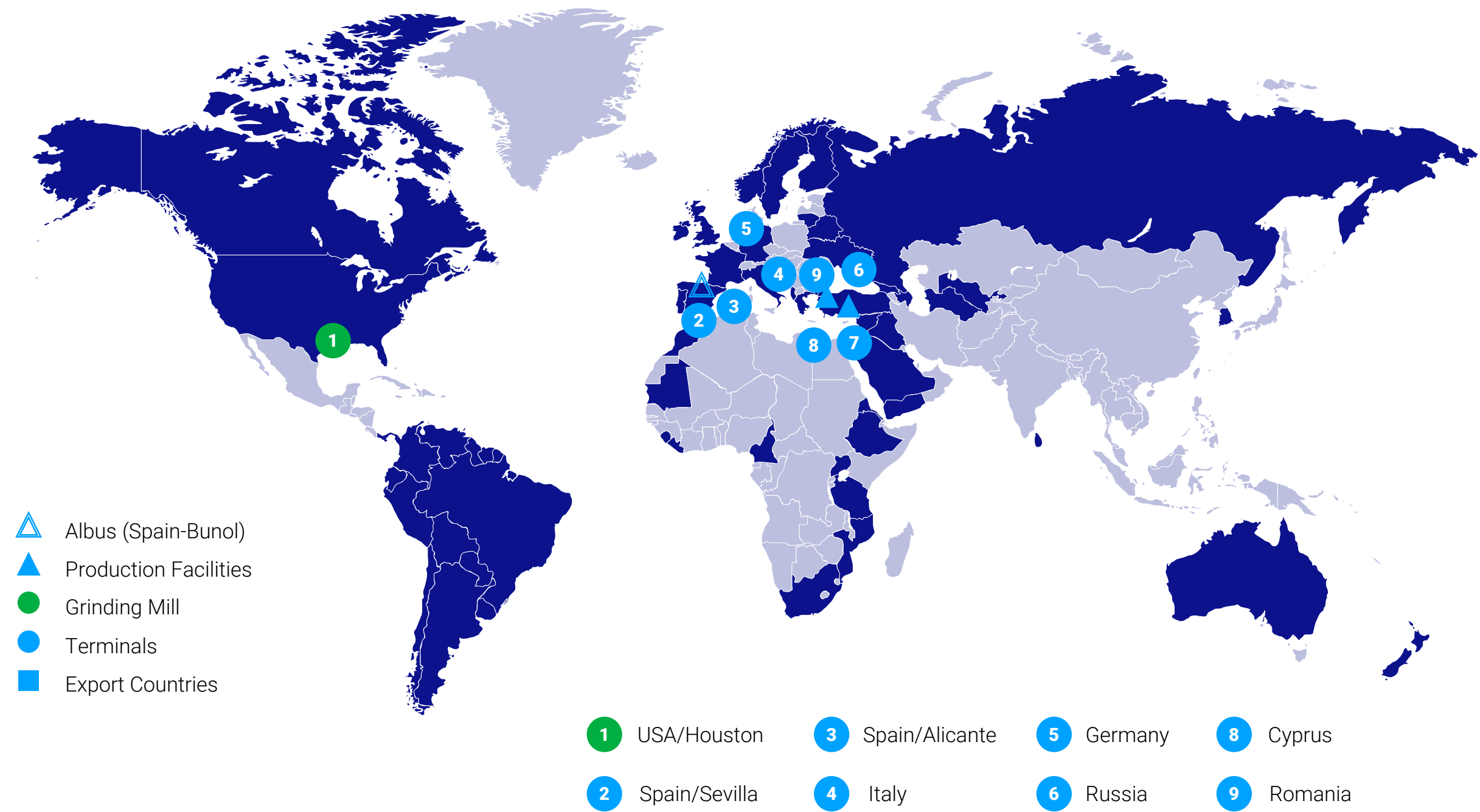


## Composite Value Chain

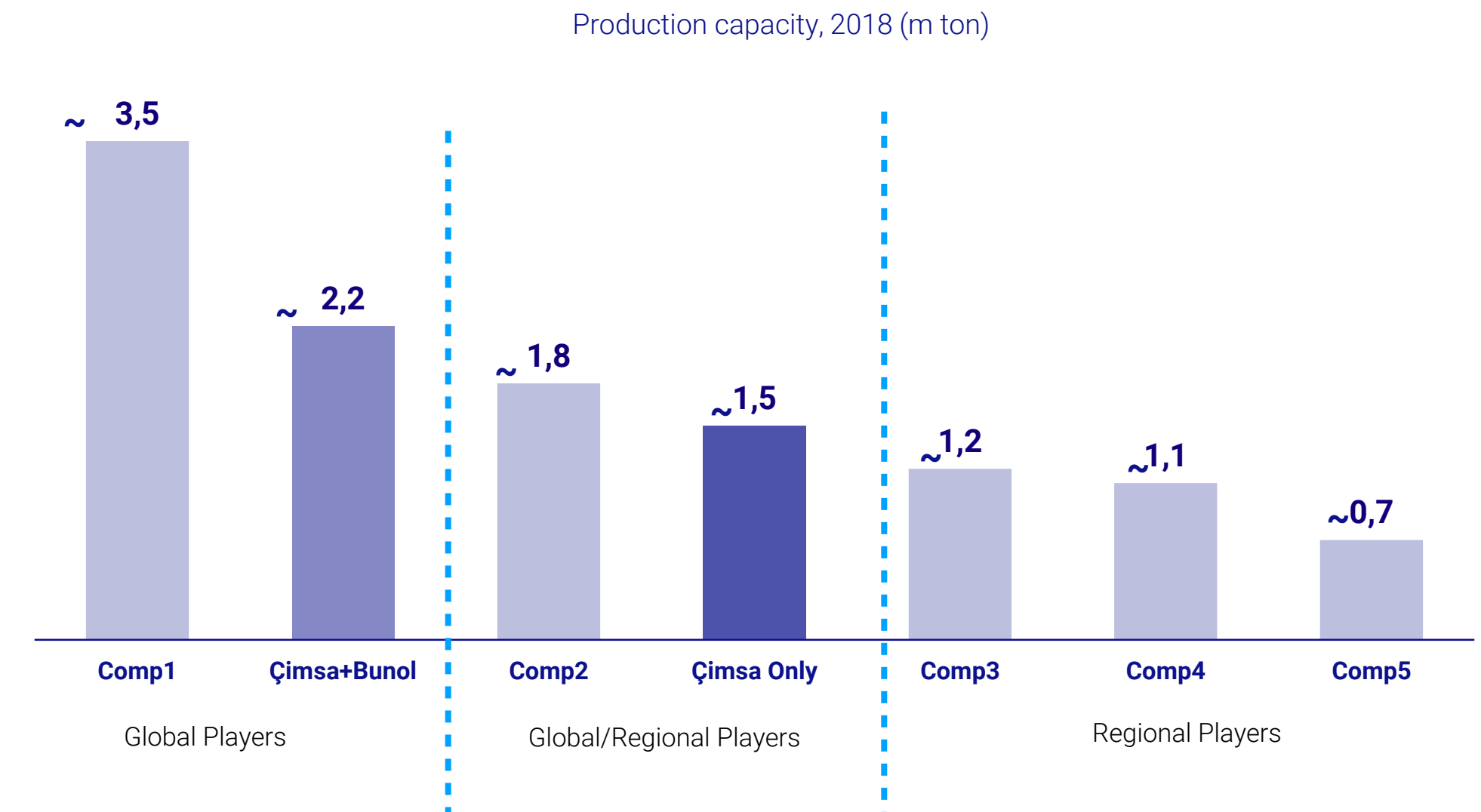


- ✓ Composite use in aerospace & automotive is increasing, due to improved material properties and weight savings over conventional materials.
- ✓ Total composite investment accounts approx. 310M USD
- ✓ Potential M&A targets are always under consideration.
- ✓ Specialization areas:
  - ➔ Fabric Development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





Çimsa set to become **2nd largest** white cement producer globally



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



Luisiana state Museum and Sports Hall of Fame Natchitoches, LA, USA



Museo Internacional del Barroco Puebla, Mexico

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

## Insurance market in Turkey has a long way ahead



- ✓ Insurance is closely linked with level of economic development
- ✓ Turkey is the 19th largest economy in the world, whereas the ranking in: non-life insurance is #30; life insurance is #52

## Low penetration levels signal growth potential

	Penetration <sup>1</sup>
Compulsory motor third party liability insurance (MTPL)	81%
Compulsory earthquake insurance	56%
Motor own damage insurance (MOD)	29%
Health insurance	4%
Pension participants <sup>2</sup>	8%

## Why are we in insurance?

- ✓ Sector grows much faster than nominal GDP:

	2015-2019 CAGR
Non-Life Insurance GWP	+18%
Life Insurance GWP	+32%
Pension AUM	+26%

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

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

**External Digitalization**

**Digitize the Core**

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

**Digital Products & Services**

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

**Agile Way of Working**

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

**Internal Digitalization**

**Robotics Transformation Program**

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



**ADA Program**

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

**Digital Mirror**

- ✓ Creating Digital Twins of insurance processes to improve process productivity and efficiency by solving identified pain points of processes
- ✓ Solve these pain points by using new Technologies, lean processes or re-organization.
- ✓ Designing digital dashboards enabling real time monitoring of process transaction levels to monitor and proactively take optimization actions.

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

**Best in class GWP/G&A ratio in the market 5% '19YE.**

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

**Virtual workforce corresponding to ~101FTE is in place.**

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

**Customer NPS Score 43%, +11 bps above the sector**

## Vision Mission

- ✓ Advanced Analytics will lead to re-innovating of business and drive with insight utilization
- ✓ Support the efficiency and growth need of companies and their businesses with Advanced Analytics

## Value Creation

### Grow and transform the core

#### Local data

34 advanced analytics use-cases have already been identified among selected six Group companies. Companies' data lake projects have been started

### Scale up cross-company initiatives

#### Cross-company data

Gaining momentum from local data, cross-company advanced analytics use-cases will be implemented to further boost existing business lines

### New businesses through integration to ecosystems

#### Internal and external data

Further enriching our unprecedentedly rich consumer data will pave the way for integration to ecosystems and new data-driven business lines creation

## Potential Impact:

Sizeable additional EBITDA potential without significant CAPEX requirements

## Prioritized Sector Specific Use Cases

### Insurance

- ✓ Network Optimization
- ✓ Cross-sell
- ✓ Up-sell
- ✓ Behavioural Pricing

### Cement

- ✓ Smart Energy-fuel Optimization
- ✓ Predictive maintenance Process optimization
- ✓ Smart Planning

### Industrials

- ✓ Predictive Quality
- ✓ Demand forecasting Price optimization
- ✓ Geo Marketing

### Retail

- ✓ Customer Behavioural Segmentation
- ✓ Cross Sell-Upsell
- ✓ Customer Acquisitions

### Energy

- ✓ Customer Responsiveness
- ✓ Customer Segmentation
- ✓ Commercial Pricing Prediction, Collection

## Potential Impact:

+15-20% increase in EBITDA in 3 years from solo company and ecosystem measures

## Organization

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

## Talent

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

## Culture

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

## SABANCI Dx

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



Digital Campus (Jun-19)  
Collaboration for Sabanci Group, Startups, Tech Giants and Sabanci University!

### Catalist Startup Program

Adv. Analytics and AI

Industrial IoT

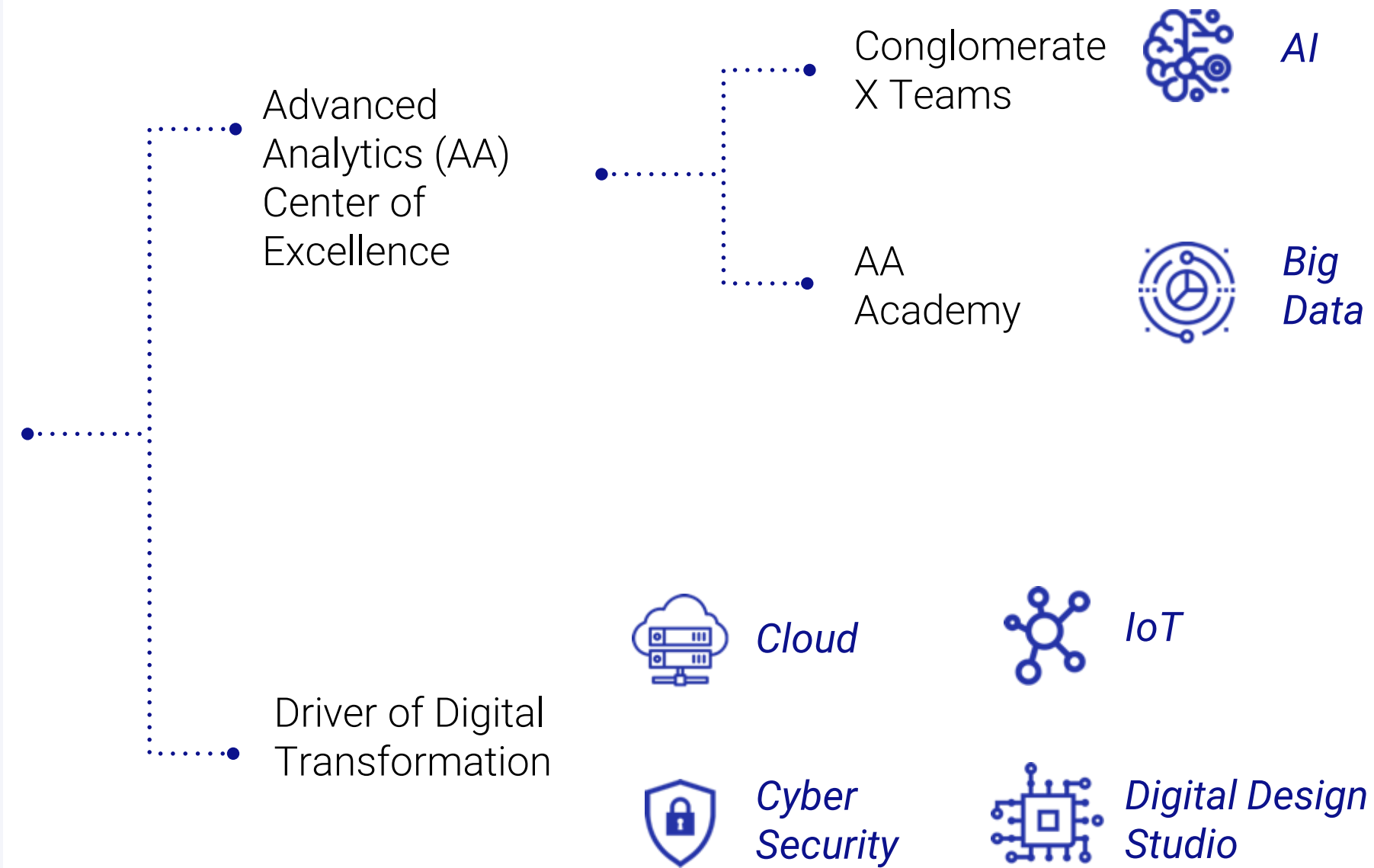
Cyber Security

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

# 01

## Analytics Transformation

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



# 02

## Digital Transformation

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

### Verticals

### Output



Retail

### Existing SaaS Products



#### E-Procurement

3.2 billion USD volume per year/  
30.000 suppliers / 35.000 users  
100 companies/1.500 users



#### E-Invoicing

1.700 contracts/50 million e-invoices per year



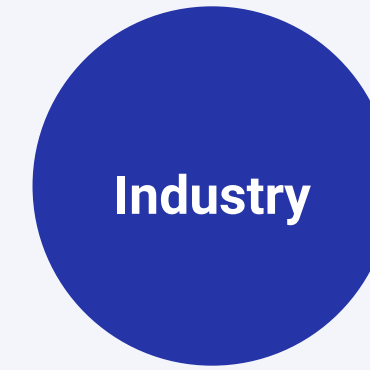
#### HR-WEB

210 companies/36.500 users/  
87.000 employees



#### RPA

350+ developed processes/  
100+ live processes



Industry



Energy

### Work In Progress



#### Big Data Lake (Cross-Sale)



#### AA and DX Projects



#### AA and AI Products



Insurance / Finance





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

- ✔ A CVC fund was formed to gain early and economical access to new technological developments/markets/innovations and to create agile and technology-driven growth platforms in line with our Next Generation Sabancı strategy
- ✔ A private fund under Akportföy (asset management subsidiary of Akbank), Akportföy will act as fund administrator only. Investments scouting, analysis and review will be made by holding's Strategy and Business Development department while final investment decisions will be made by SAHOL Executive Committee
- ✔ First investment in Thread In Motion, an industrial wearable company aiming to simplify industrial processes and transition to Industry 4.0.

## Fund Size and Return Targets

**\$30m**

Total Fund Size

**12 years**

Fund Life

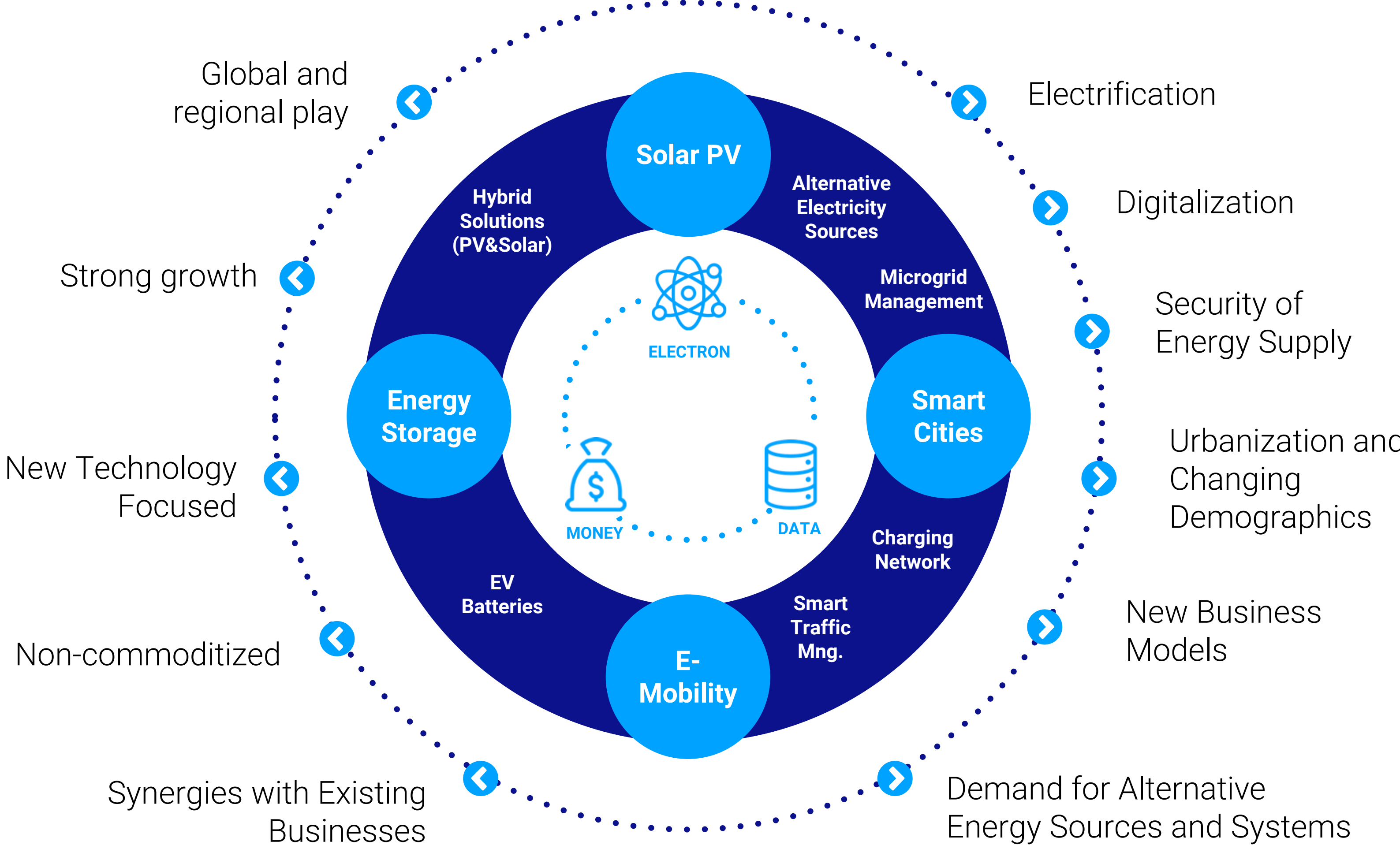
**\$0.5-4mn**

Ticket Size

## Investment Strategy

- ✔ Seed, Series A-B stages
- ✔ Primary focus on IoT, Materials, Energy, Mobility, AI and Cyber Security
- ✔ Own minority stake with strong minority rights and protections
- ✔ Synergy potential with Holding and Subsidiaries

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



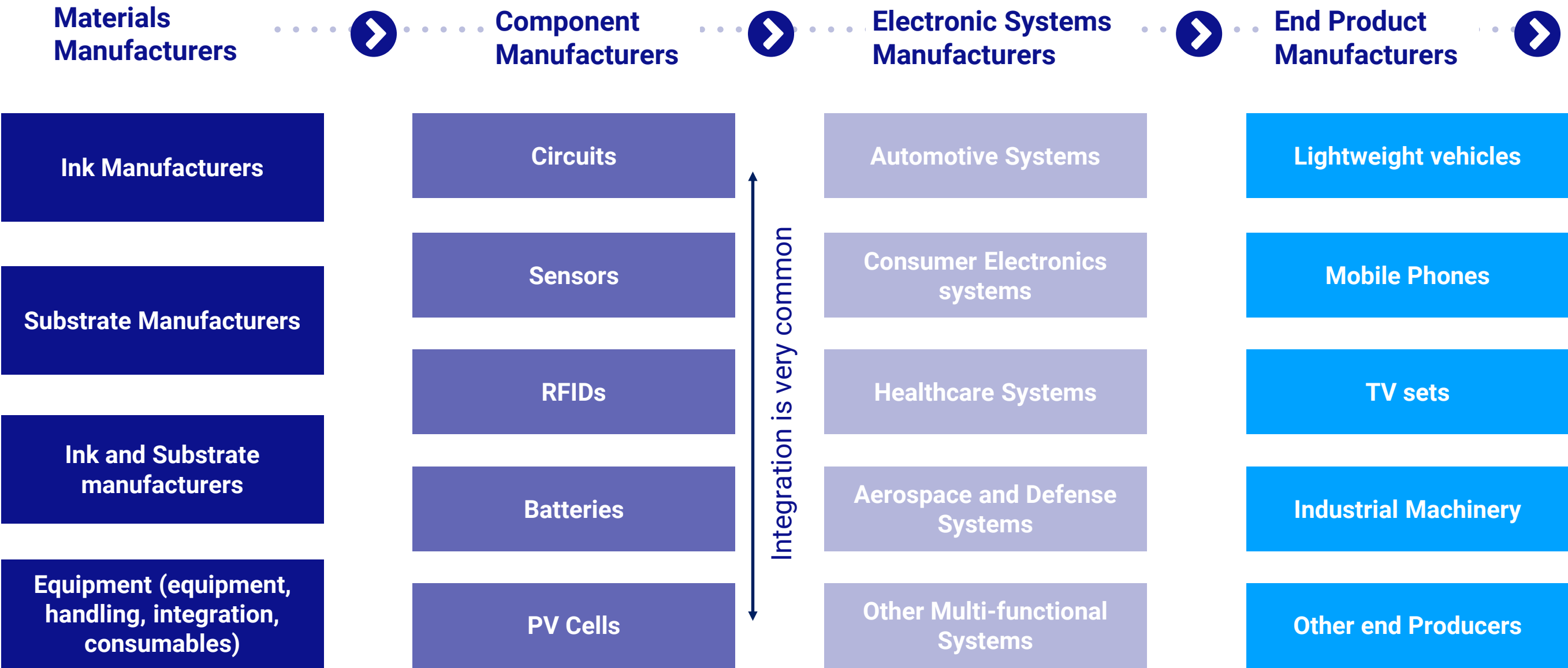
## Printed, Flexible and Organic Electronics

\$37.1 Bn in 2019



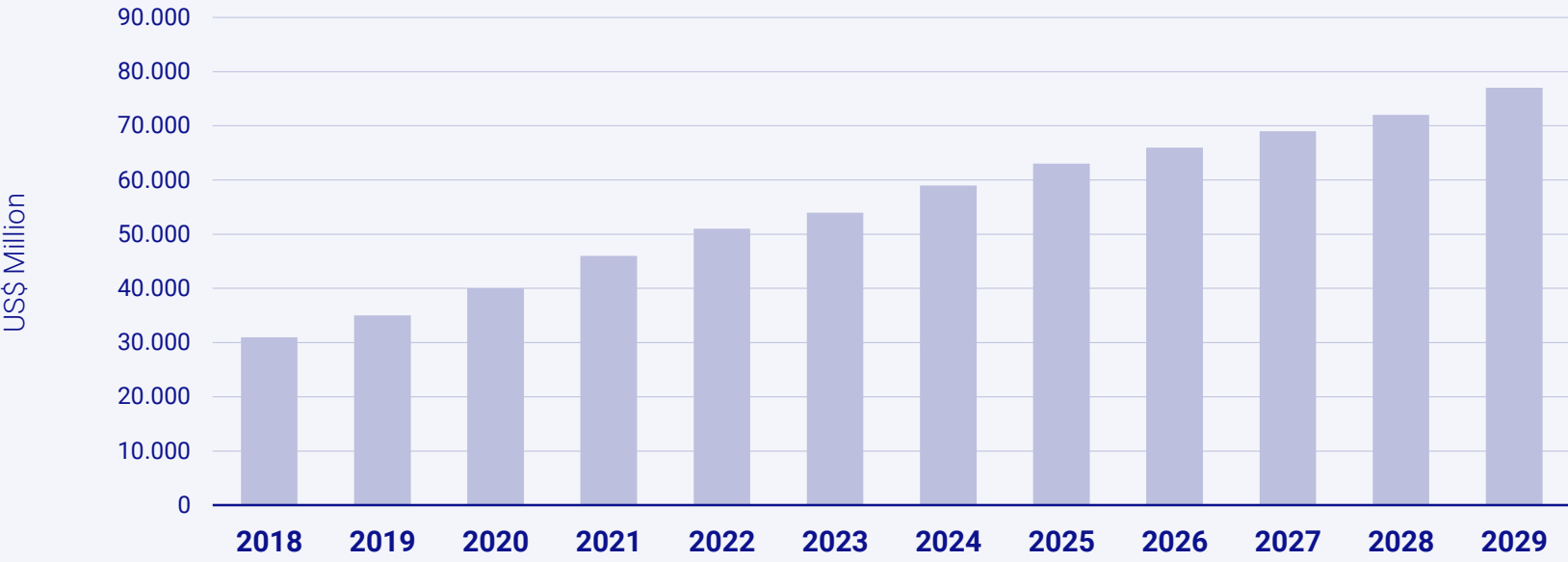
<b>OLED Displays</b> \$30.2 Bn	<b>E-paper &amp; other displays</b> \$0.6 Bn	<b>Sensors</b> \$3.9 Bn	<b>Conductive Ink</b> \$2.3 Bn	<b>OLED Lighting</b> \$25 Mn	<b>Logic, Batteries, OPV E-Textiles</b> \$81 Mn
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### Value Chain



- ✓ Flexible and Printed Electronics Technology penetration with benefits in OLED displays, sensors, photovoltaics, electrochromic displays and batteries are increasing
- ✓ Potential application areas as a Component Manufacturer are under investigation.
- ✓ Detailed market and technical investigation on specific sensors going on.
- ✓ Structural Health Monitoring, In mold electronics, Healthcare Sensors are main focus areas
- ✓ Collaboration with SABANCI University and Institutes
- ✓ Lab scale machines were installed in November 2019

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



## 01

On an annual basis, material issues are reviewed in accordance with stakeholder expectations and priorities that we are obtaining from different channels.

## 02

While determining our priorities, ESG approaches of MSCI (Morgan Stanley Capital International) and Vigeo EIRIS are taken into consideration.

## 03

Material issues are grouped into four key focus areas and our performance progress on each material issue is associated with United Nations Sustainable Development Goals (SDGs).

### In All Sectors and Geographies We Operate

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

Key Focus Area	Economic Value				Working at Sabancı Holding					Social Investments		Environmental Impact		
Material Issue	Economic Performance	Responsible Investments	Technology Investments	Supply Chain Management	Talent Management	Equal Opportunity and Diversity at work	Employee Satisfaction and Engagement	Performance Management	Occupational Health and Safety	Social Development	Relations with society	Energy and Emission Management	Water Management	Waste Management
Related Sustainable Development Goal(s)		   	  		 	 			 	  		 	 	 

**Board of Directors**

- ✔ **9 BoD members** (3 independent); Highest level strategic decision-making body
- ✔ Board being composed of majority non-family members.

**Early Risk Identification & Corporate Governance Committee**

- ✔ Risk and remuneration practices are overseen respectively.
- ✔ Assuming some of the Portfolio Management Committee’s functions, which was recently eliminated.

**Executive Team**

- ✔ **Includes CEO, CFO and Group Presidents**
- SBU presidents as the Chairman of Company BoDs are the link between Sabancı Holding and Group Companies to deploy strategy, top initiatives and governance principles

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

Based on the values and business principles of the Sabancı Group

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

**Sustainability Work Group**

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

Human Capital & Sustainability Group President leads the strategies of the Work Group

## UN Women's Empowerment Principles

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

**+62.000**

Employment opportunities

**31%**

Female employees

**37%**

Female Managers

**First Turkish company**

to sign the UN Women Empowerment Principles in 2011

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



### Quality Education

Ensure inclusive and equitable quality education and promoting lifelong opportunities for all



### Gender Equality

Achieve gender equality and empower all women and girls



### Reduced Inequalities

Reduce inequality within and among countries

<b>ARCHITECTURE</b>	<b>We leave a mark in cities and hearts</b>	More than <b>120</b> institutions (schools, dormitories, cultural centers etc.) all over Turkey
<b>SCHOLARSHIPS</b>	<b>We create equal opportunities for young people</b>	More than <b>48.000</b> scholarships so far, nearly <b>1.500</b> scholarships in one year
<b>CULTURE &amp; ARTS</b>	<b>We support the transforming power of art</b>	Hundreds of artists, hundreds of thousands of art lovers
<b>SOCIAL CHANGE</b>	<b>We touch the lives of individuals everywhere in Turkey</b>	Grants for <b>173</b> projects <b>195</b> change makers
<b>AWARDS</b>	<b>We encourage success</b>	More than <b>1.150</b> Awards

### Education

Sabancı University

120+  
Institutions

48.000+  
Scholarships

1.150+  
Awards

### Culture & Arts



Sabancı International Adana Theater Festival



Sabancı Foundation Short Film Competition



National Youth Philharmonic Orchestra



Metropolis Archeological Excavations

### Social Change

173  
Projects

195  
Change Makers

28,5  
MTL Grants

4  
International Awards

12  
Philanthropy Seminars

“Guided by Love for Humanity”

Sabancı Foundation continues its activities for women, youth and persons with disabilities for 46 years





## 01

The Sabancı Volunteers program is in progress with the participation of about 2,000 employees.

## 02

Having spent three years on gender equality projects, Sabancı Volunteers will create new projects focused on problems of the younger generation in the second three-year term as part of their nine-year targets.

## 03

July 2020, UN Volunteers named Sabancı Volunteers, one of the largest corporate volunteering programs of Turkey, as the "best-case".

- ✓ Our environmental consciousness is based on responsible utilization of natural resources and reduction of our impacts on climate change.
- ✓ Building Materials and Energy segments are the main contributors of carbon emissions. Rising share of alternative fuels usage and improved process efficiency contributed to decrease our emissions.

## BASIC PRINCIPLES OF OUR ENVIRONMENTAL POLICIES



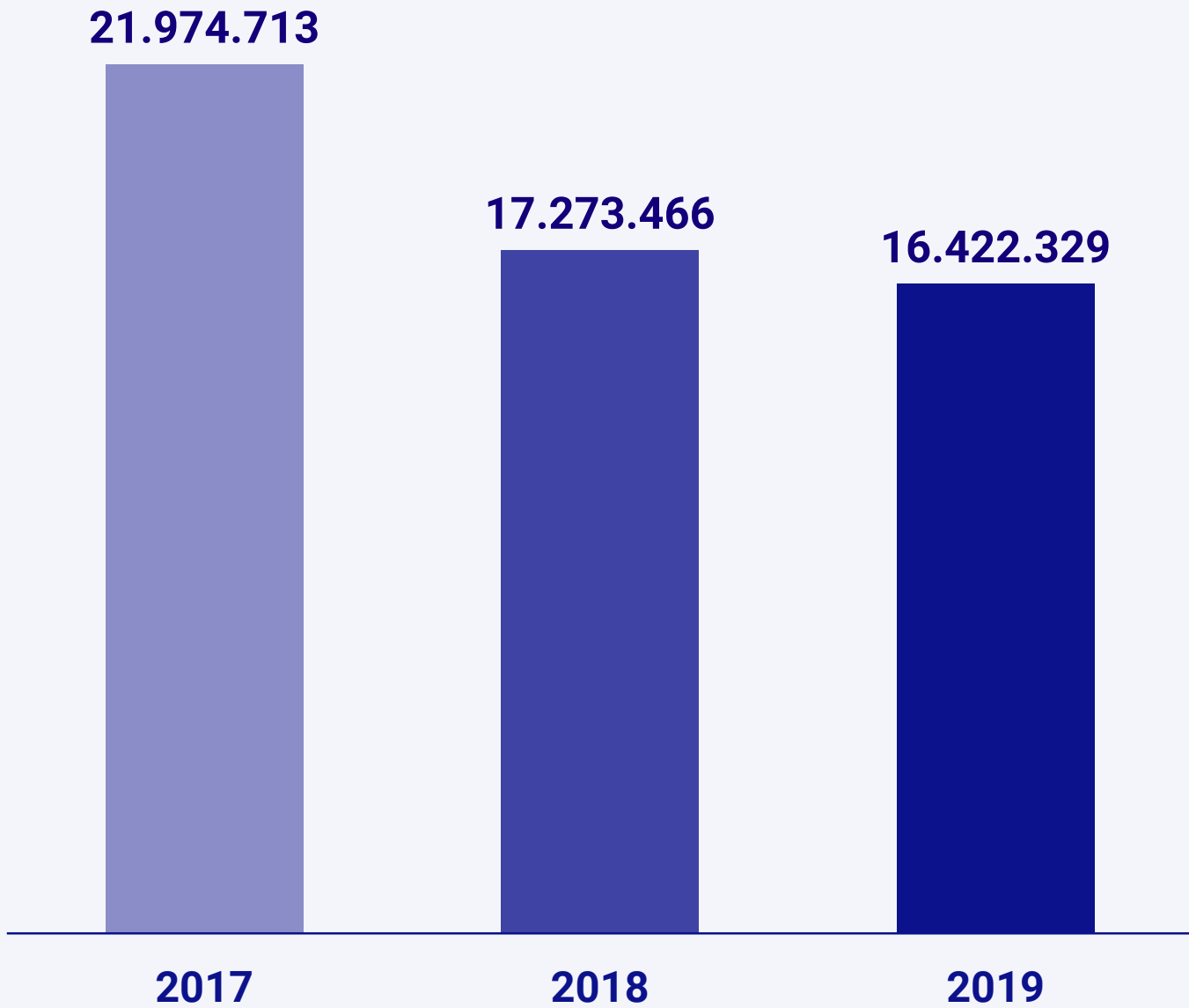
## Transparency in environmental performance

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

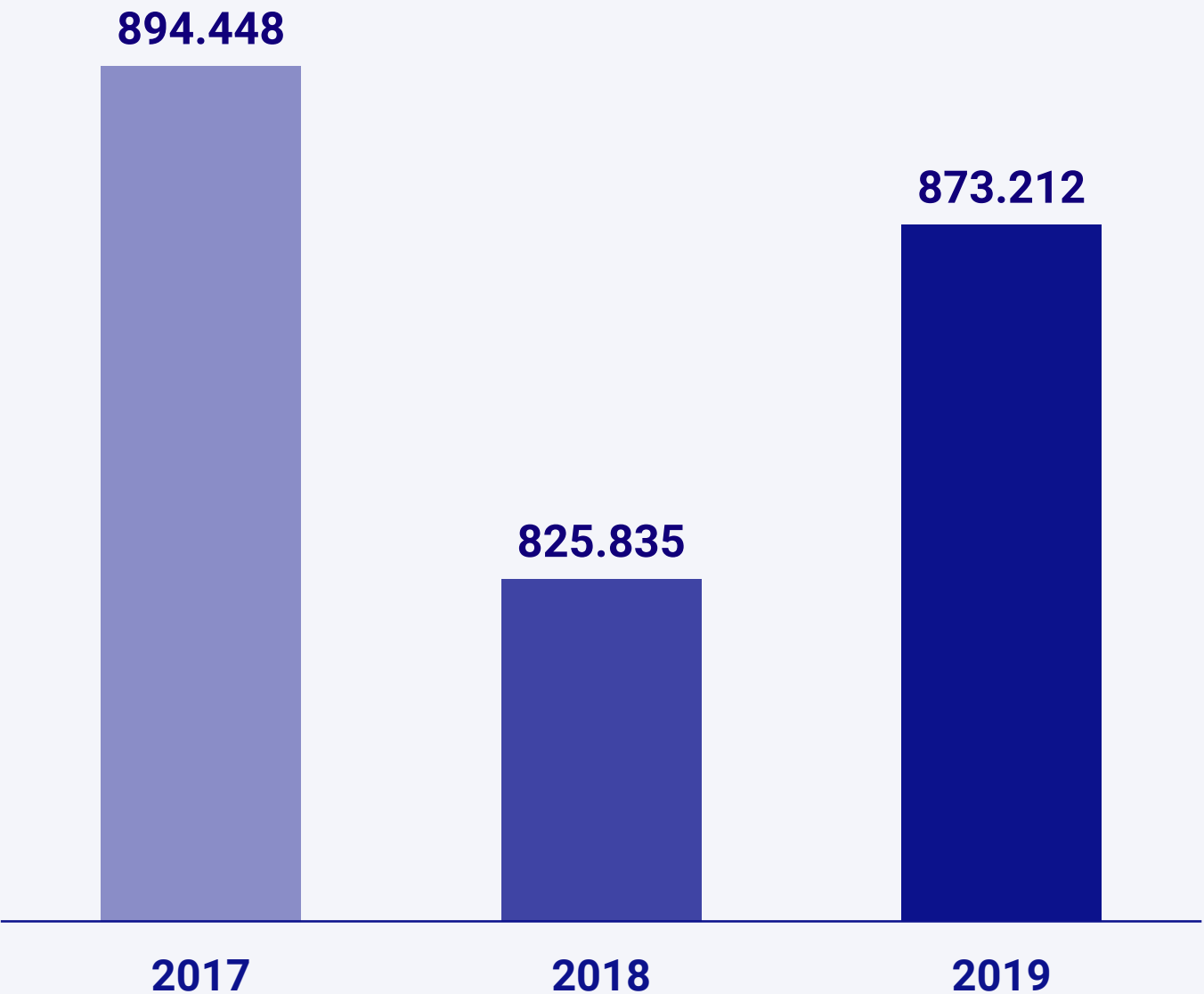
We contribute to the UN Sustainable Development Goals 12, 13 and 15 through our efforts in managing our environmental impact.

	<h3>Responsible Consumption and Production</h3> <p>Ensure sustainable consumption and production patterns</p>
	<h3>Climate Action</h3> <p>Take urgent action to combat climate change and its impacts</p>
	<h3>Life on Land</h3> <p>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</p>

Scope 1



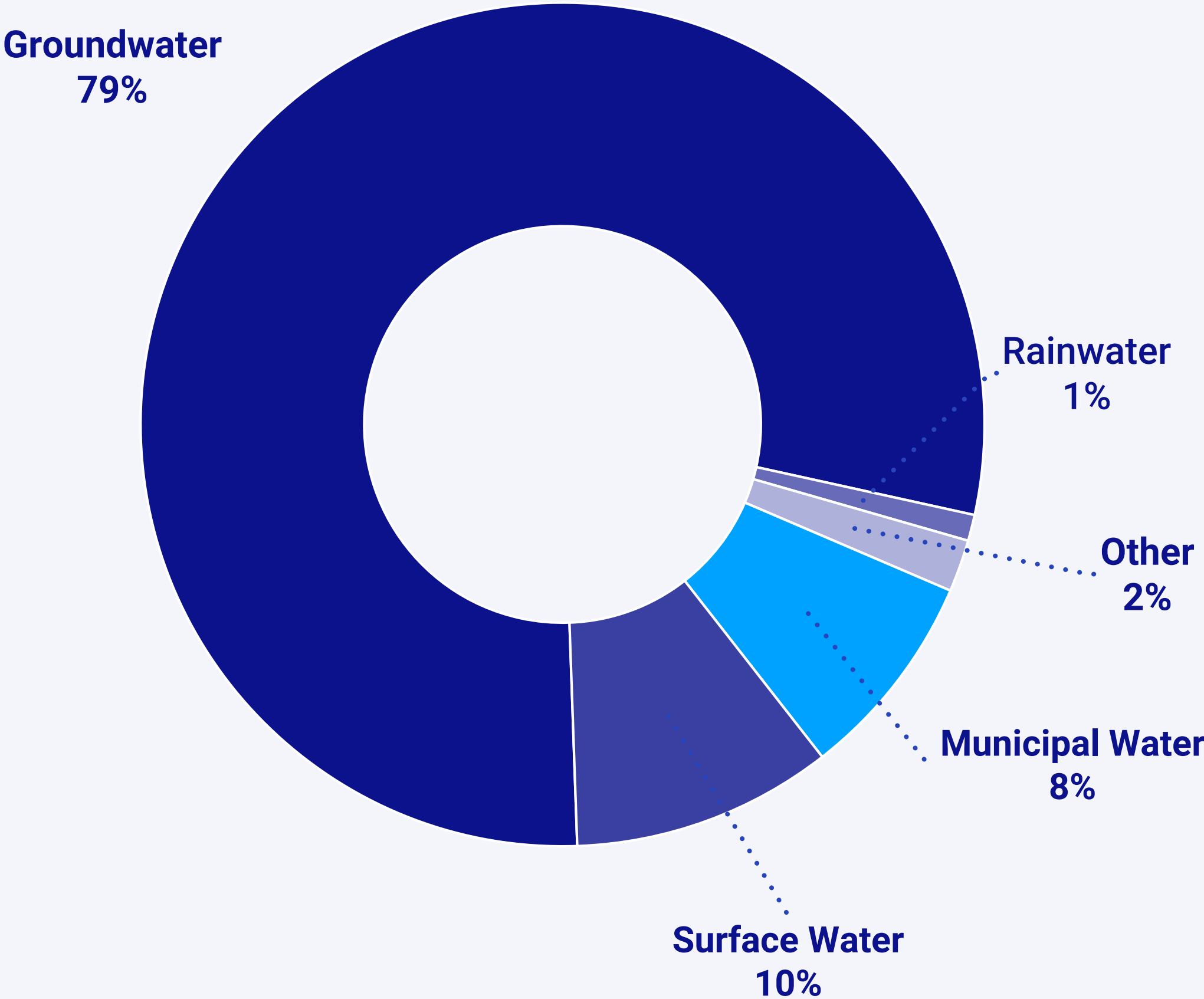
Scope 2



## Energy and emission management

- Sabancı Group consumed a total of **18,774,462 MWh** of energy in 2019.
- Energy intensity is decreased **20%** compared to previous year.
- Our Scope 1 and Scope 2 emissions totaled **17,295,541** tons of CO2, and this figure reached 17,297,900 tons when the Scope 3 emissions added.
- GHG intensity is decreased **20%** in reference to last year.

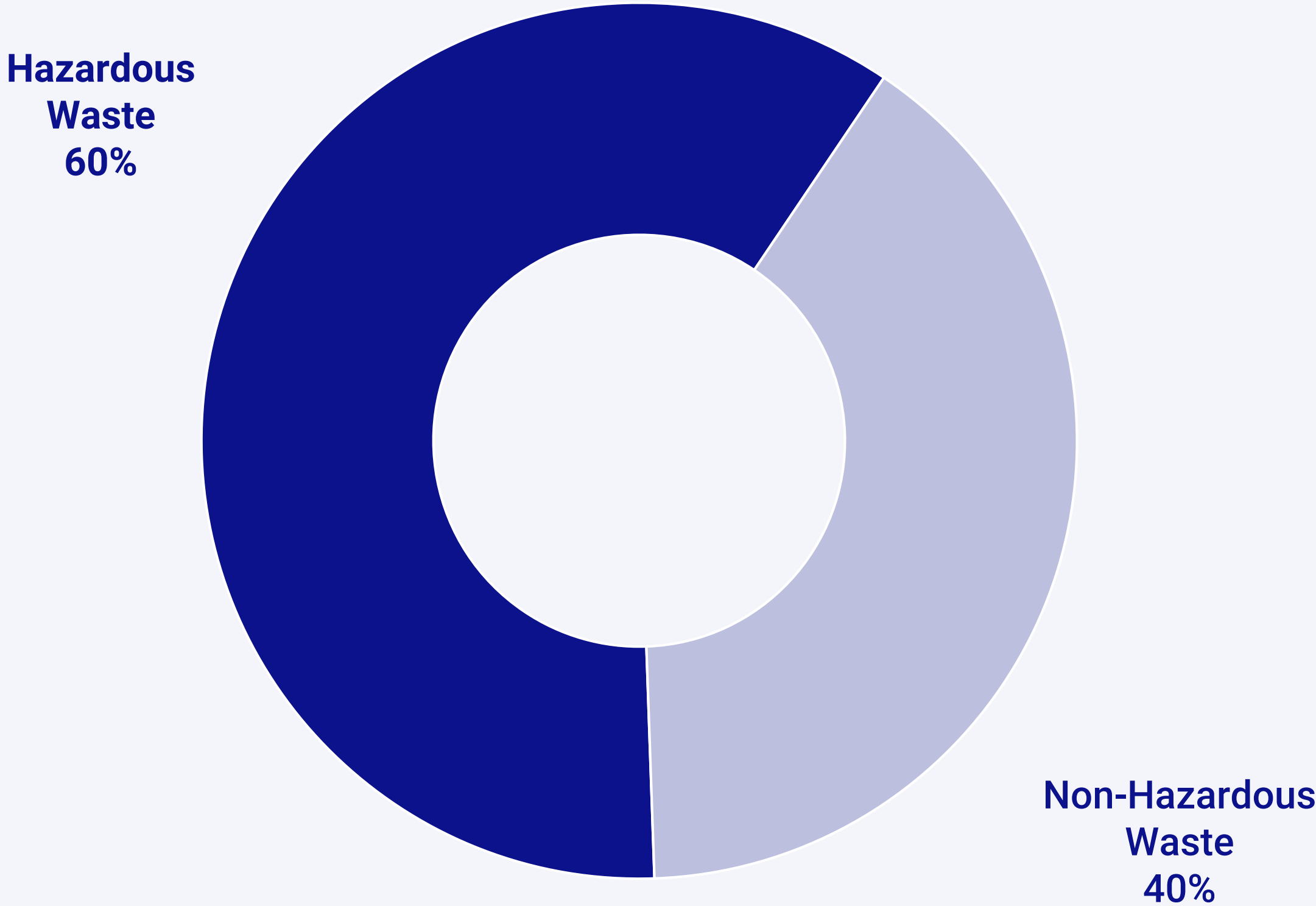
Water Use by Source (%)



### Water management

- To ensure the continuity of our business, we value the efficient use of water, a fundamental natural capital. Efficient use and recovery are the main factors of water management.
- We recycled **20%** of the water we consumed in 2019. The amount of wastewater we discharged to receiving water bodies in the last three years has decreased by **17%**.

Waste Amount (%)



### Waste management

- We joined the Business World Plastic Initiative in 2019, which guides the business community to combat against plastic pollution.
- In 2020, group plastic reduction target will be announced.

# Protecting Biodiversity

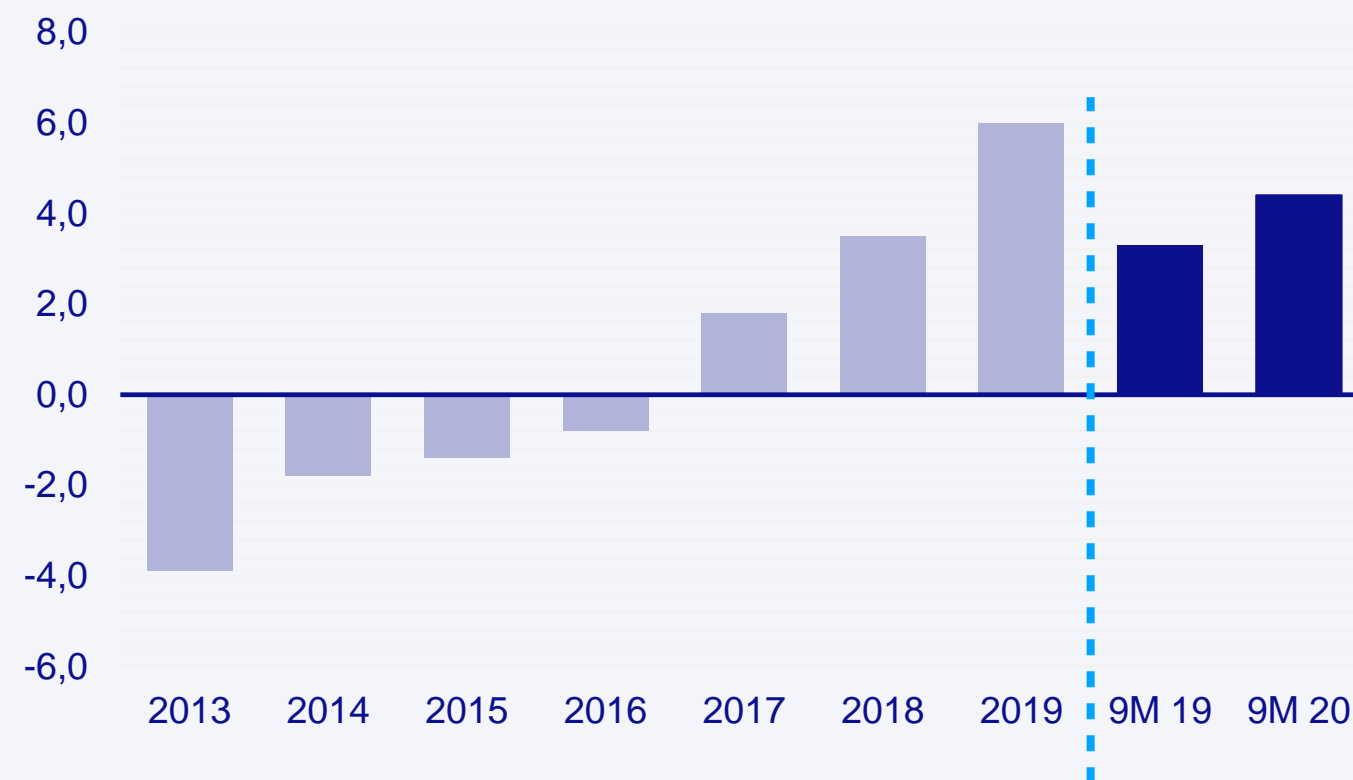


As of 2019, it has rehabilitated a total of 25.2 hectares in the mining area, where production was terminated, by planting trees compatible with the local flora.

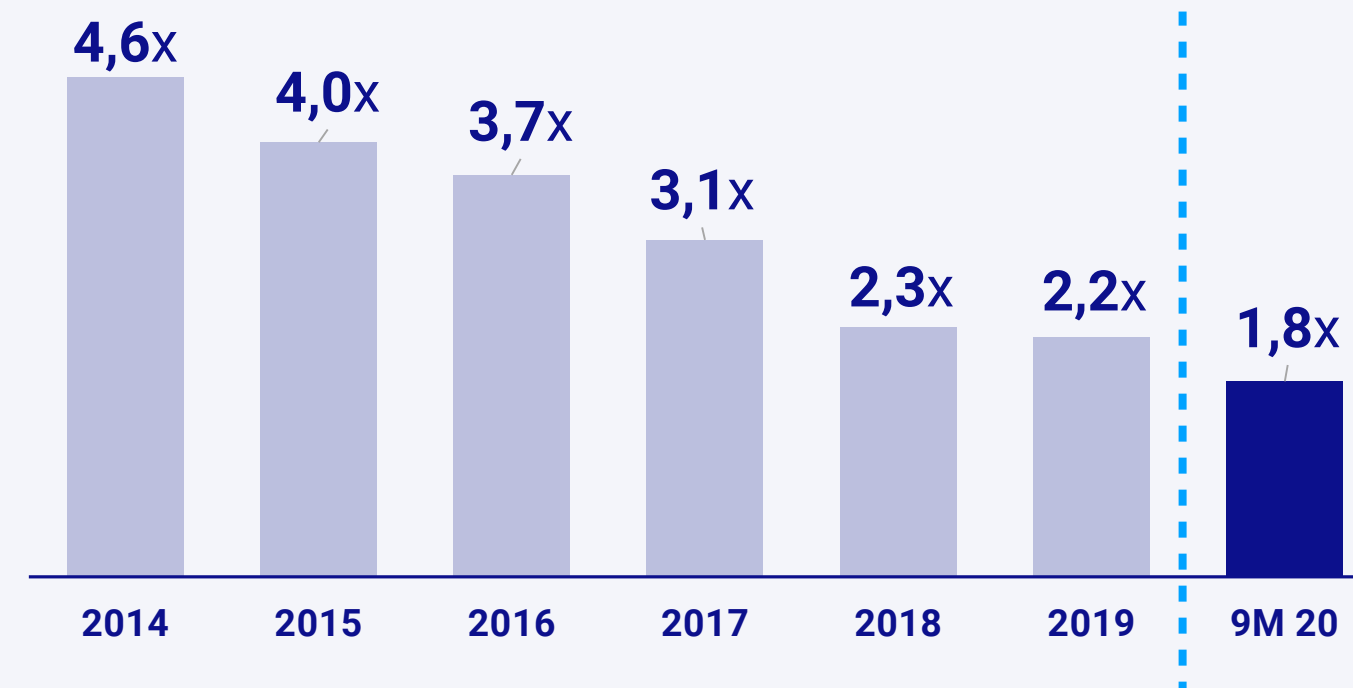
Since 2013, Akçansa organizes the Biodiversity Project Competition, a first in the industry, to promote fauna/flora diversity at mining sites and restore degraded lands in harmony with local ecology.

Sabancı Group companies support the protection of biodiversity to the extent of their impact.

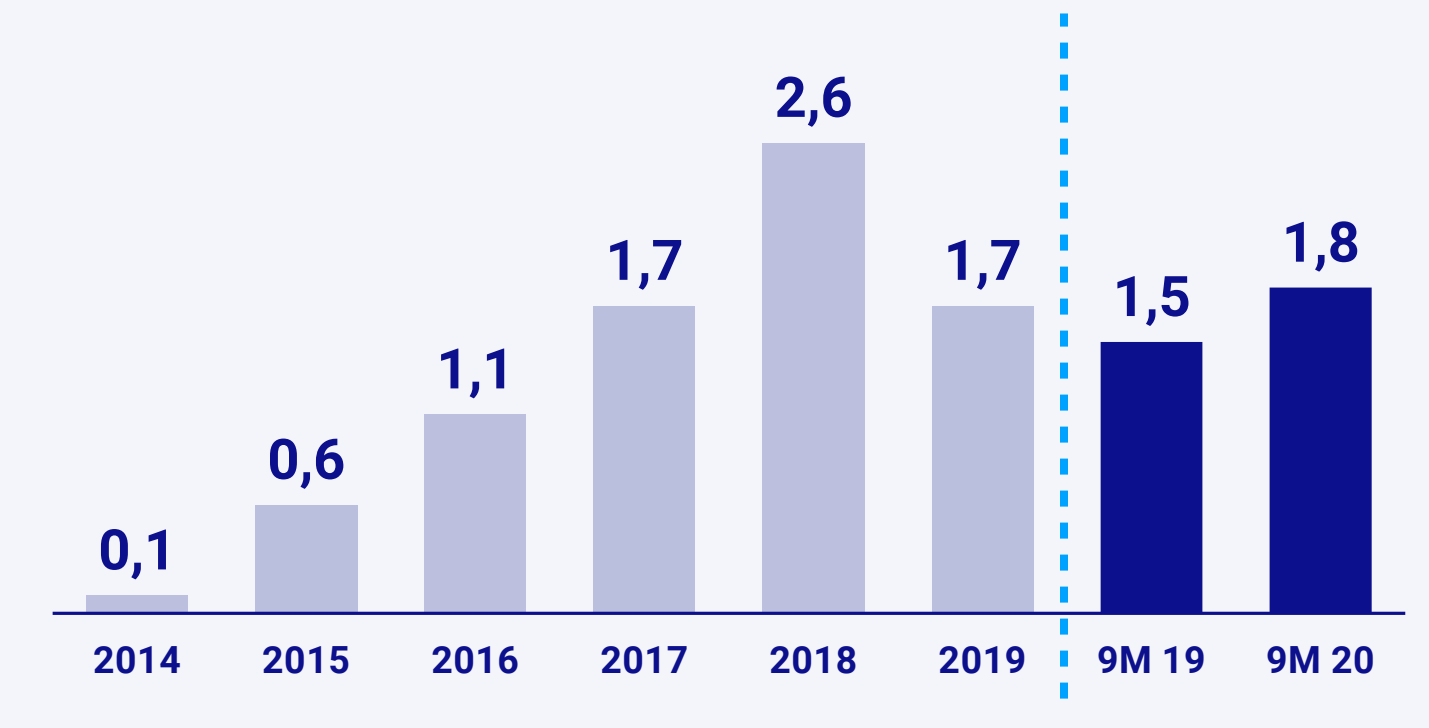
Free cash flow, Combined for Non-Bank, TL bn



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



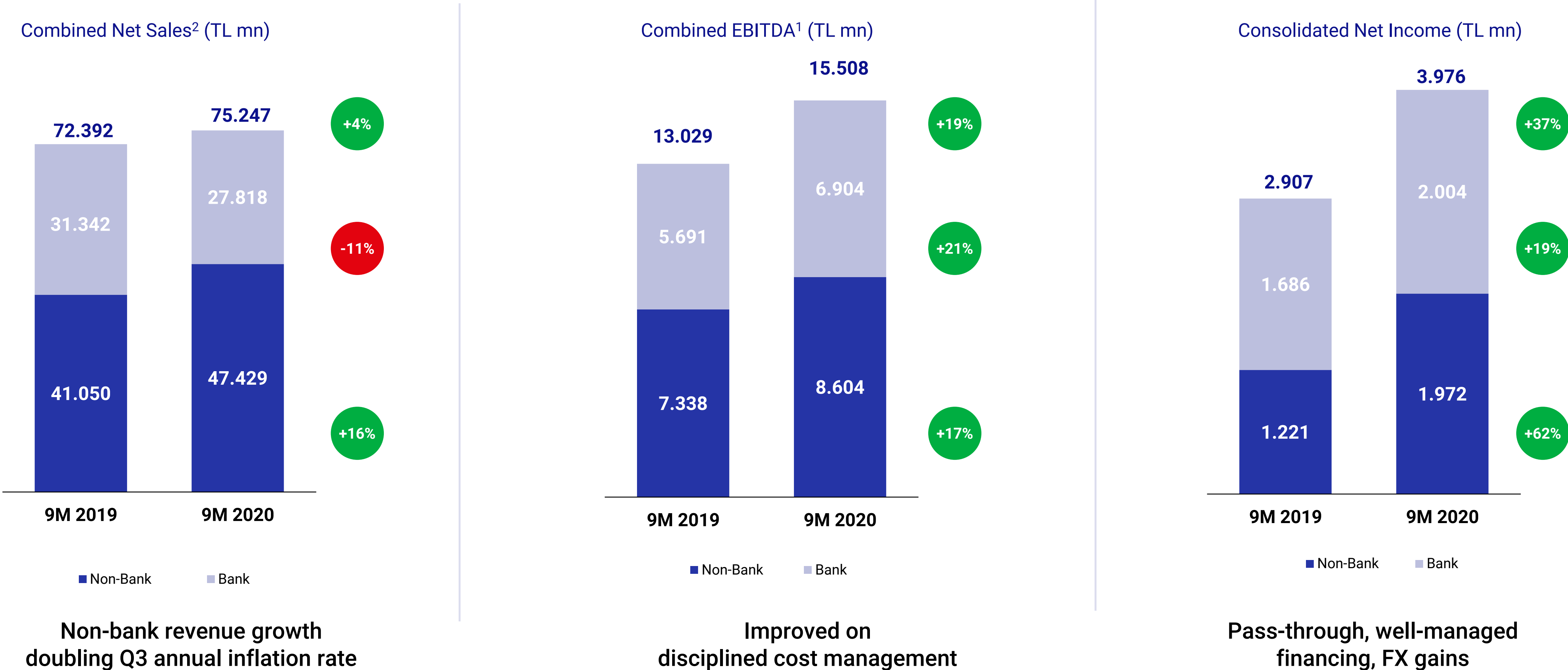
Holding Only - net cash position over time, TL bn



## Commentary

- ✓ Focus on cash generation led to substantial decline in leverage
- ✓ Effective management of balance sheet linked to capital allocation approach
- ✓ Lean Holding Company costs (currently <25bps of NAV) in addition to growing dividend stream from investment companies has led to a robust net cash position
- ✓ Strong Holding Company net cash position provides firepower and flexibility to take advantage of acquisitions / investments
- ✓ Sabancı, standalone at Holding level, has a net cash position of TL 1,8 bn, almost 100% in hard currency. Total non-bank combined liquidity amount of the Group companies excluding financial services and tobacco business totals at TL 8,0 bn. Funds at financial services' companies totals at TL 4,0 bn (TL 3,1 bn on non-life side and TL 0,9 bn on life and pension side).

## Effective FX management to protect returns from volatile TL movements – 311 million USD Long Consolidated FX Position

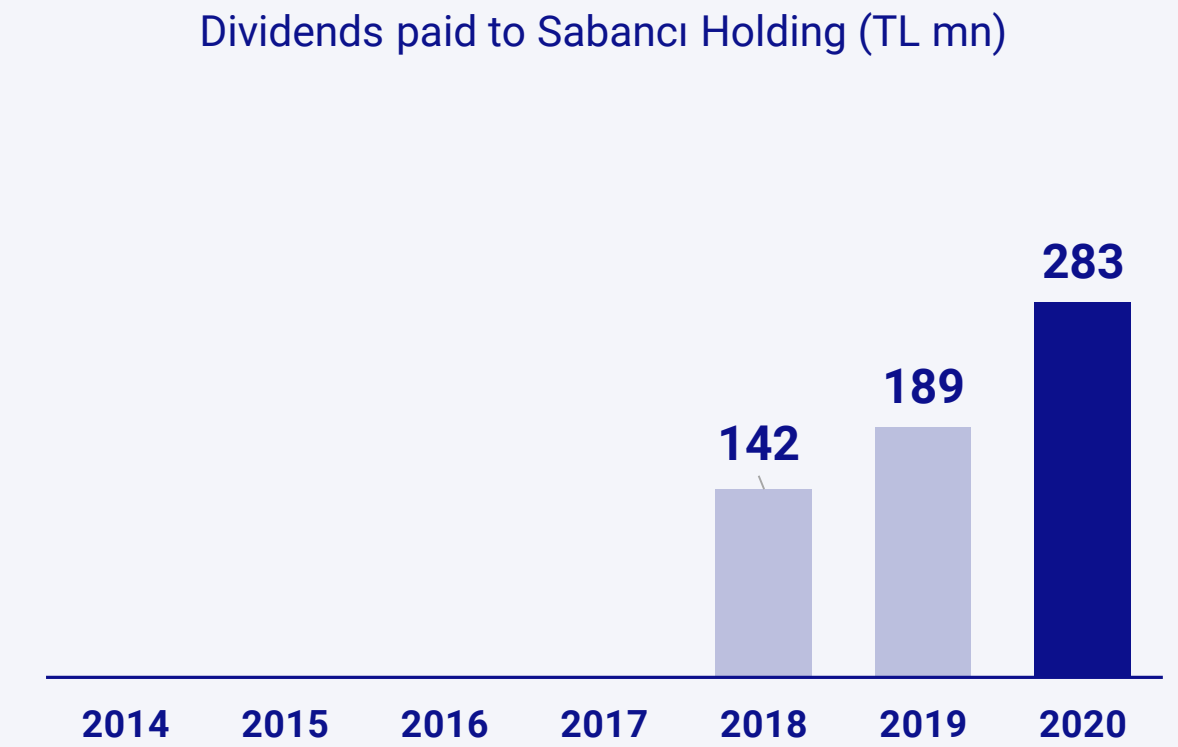
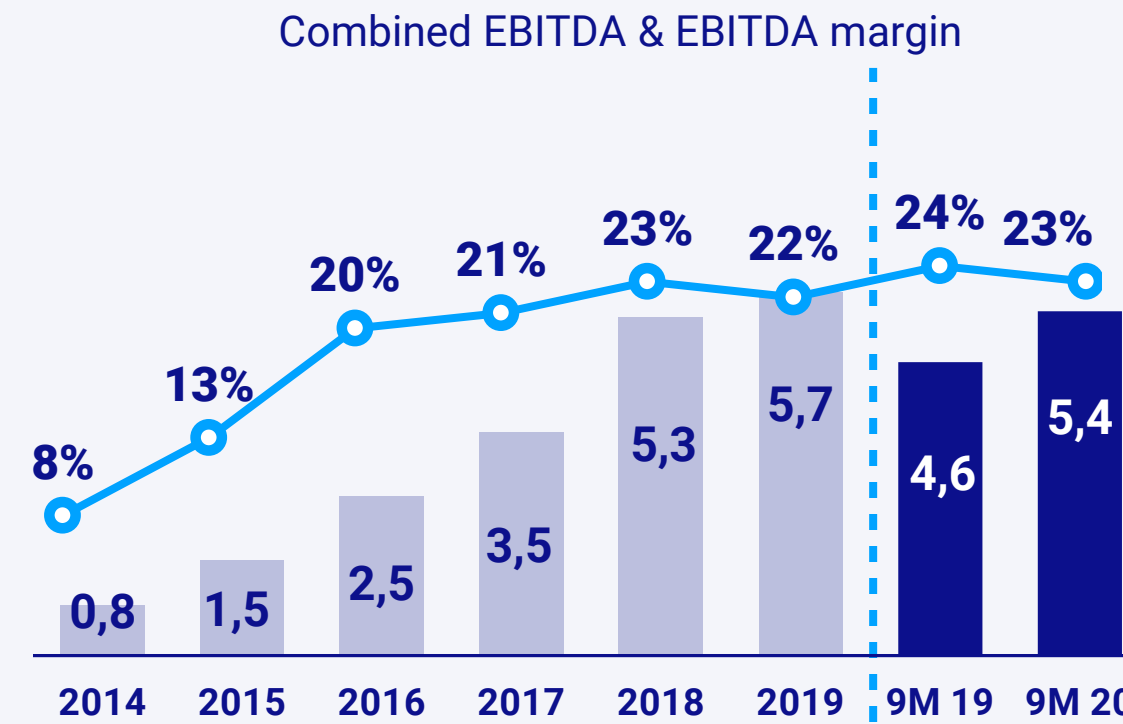
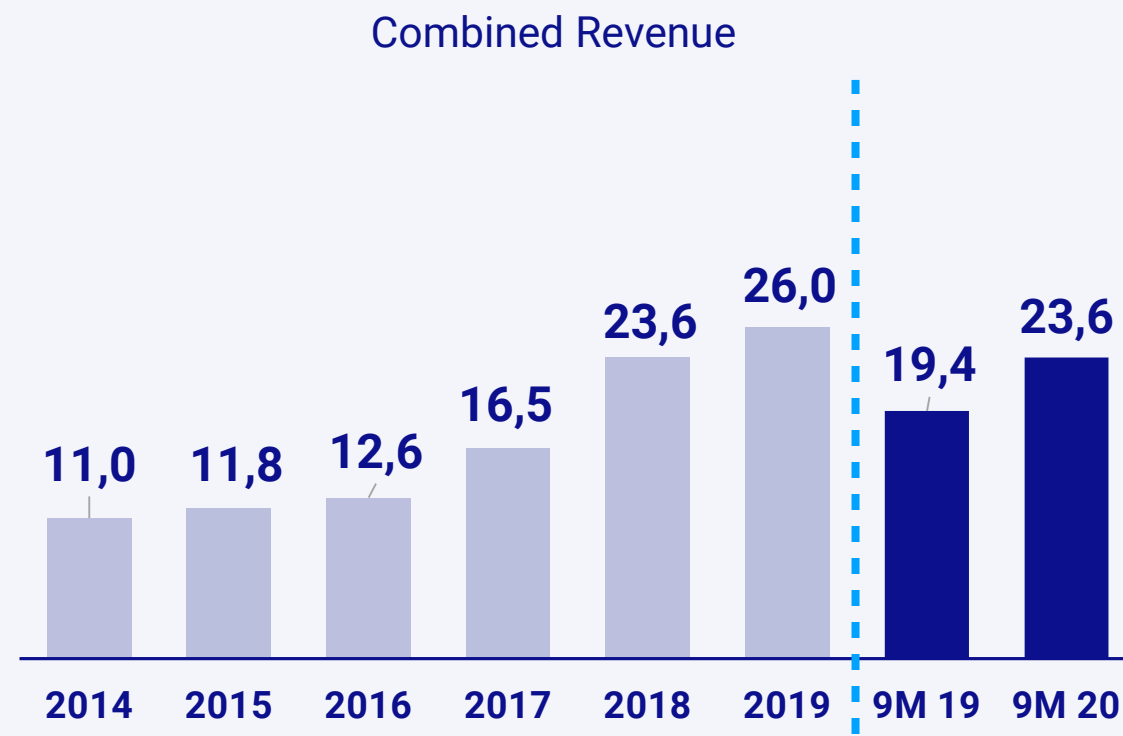


1-Total EBITDA before consolidation adjustments. EBITDA and Net Income excludes one-offs .2-Holding dividend income is excluded

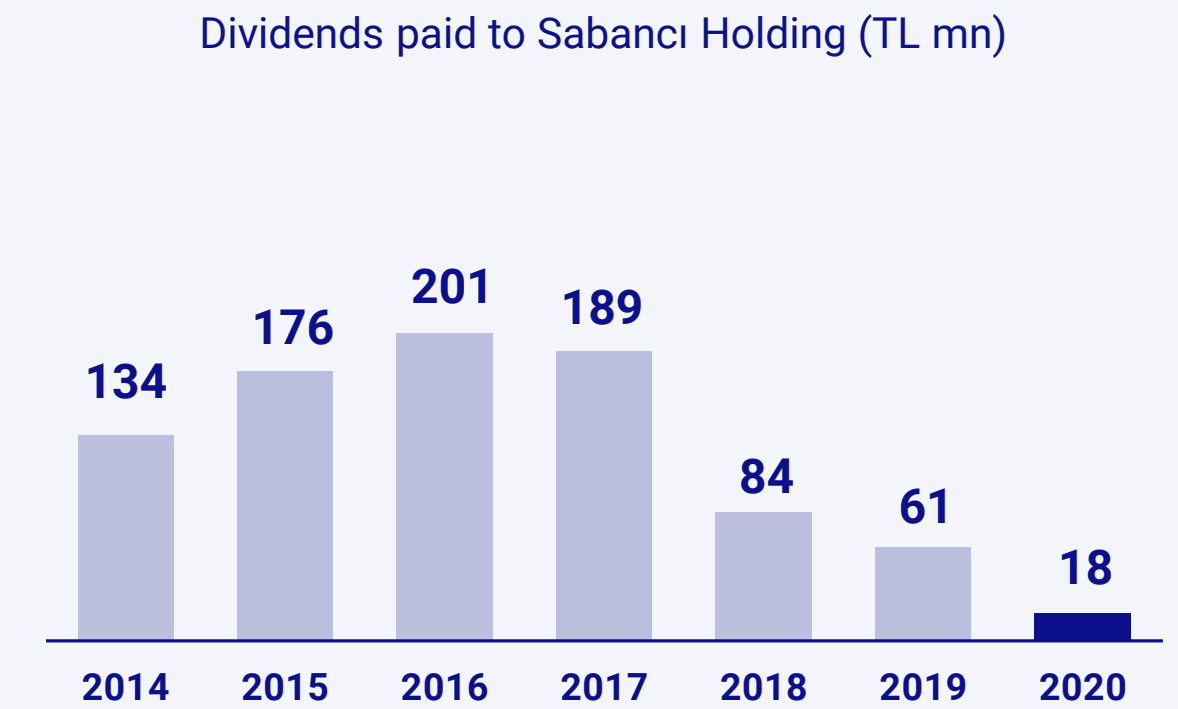
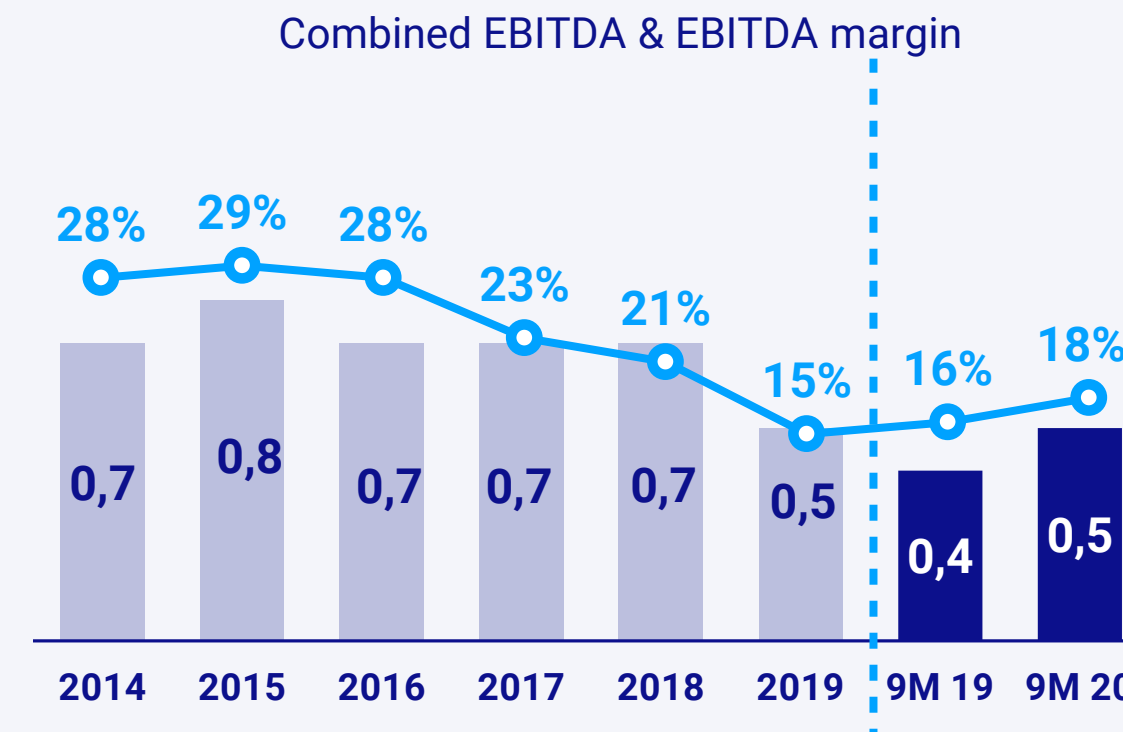
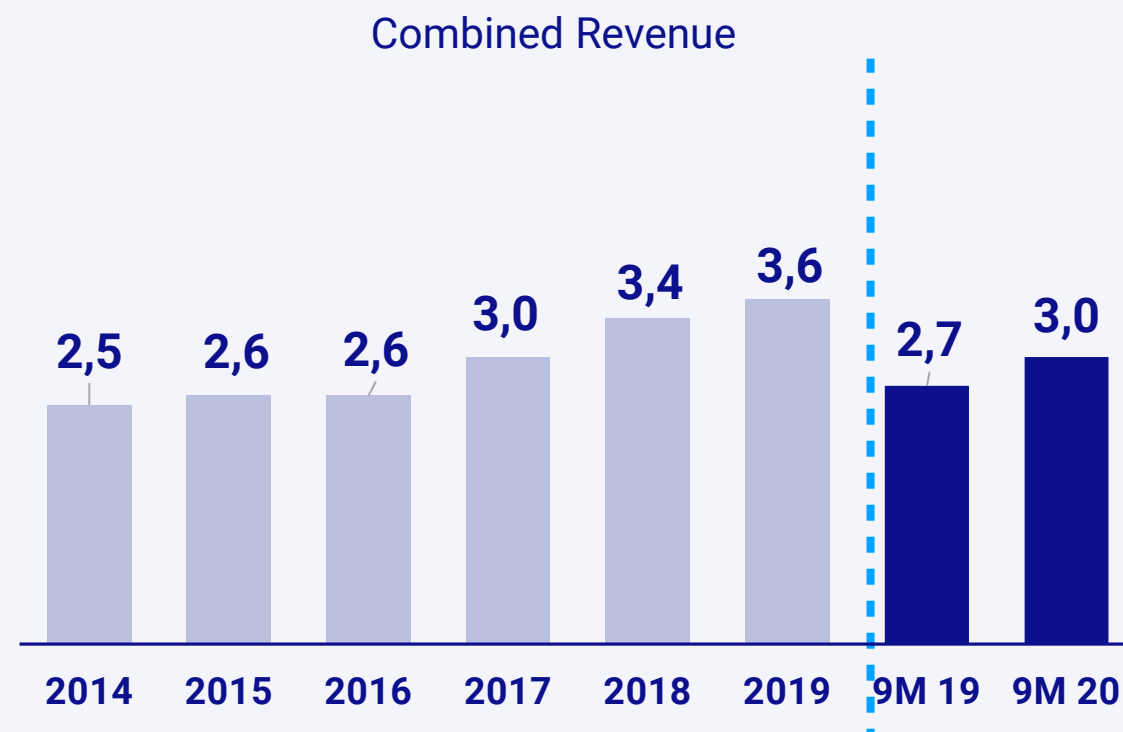


## Business unit financial performance, TL bn<sup>1</sup>

Energy

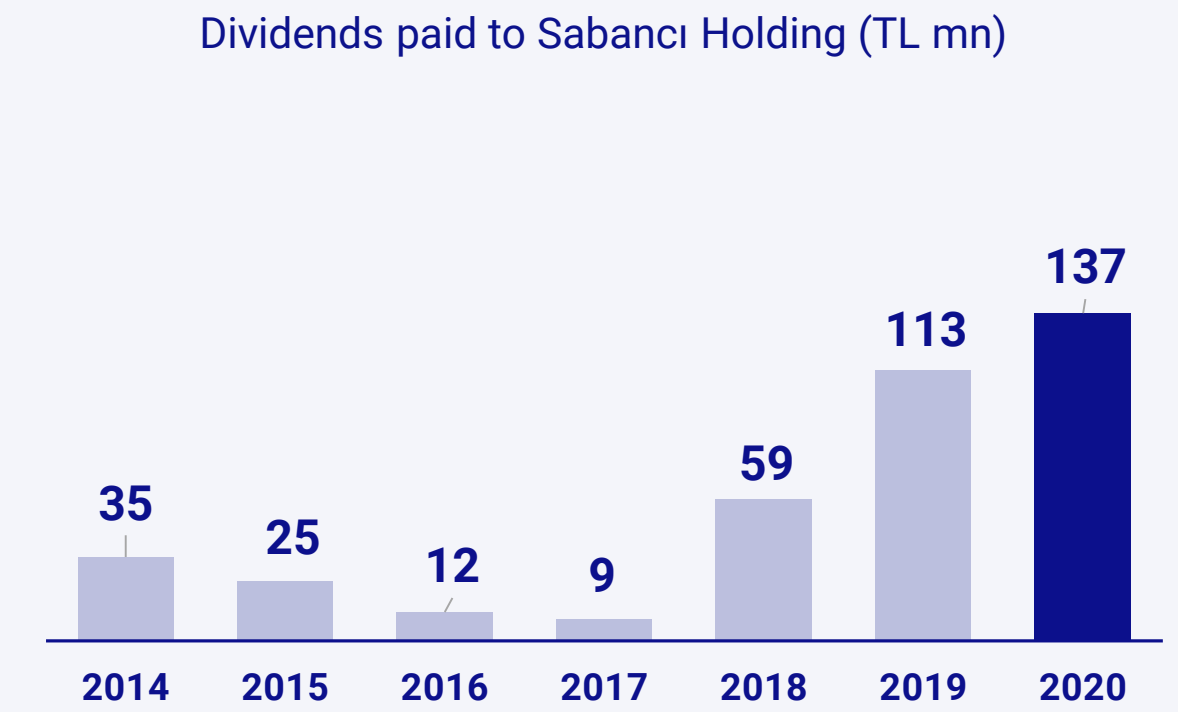
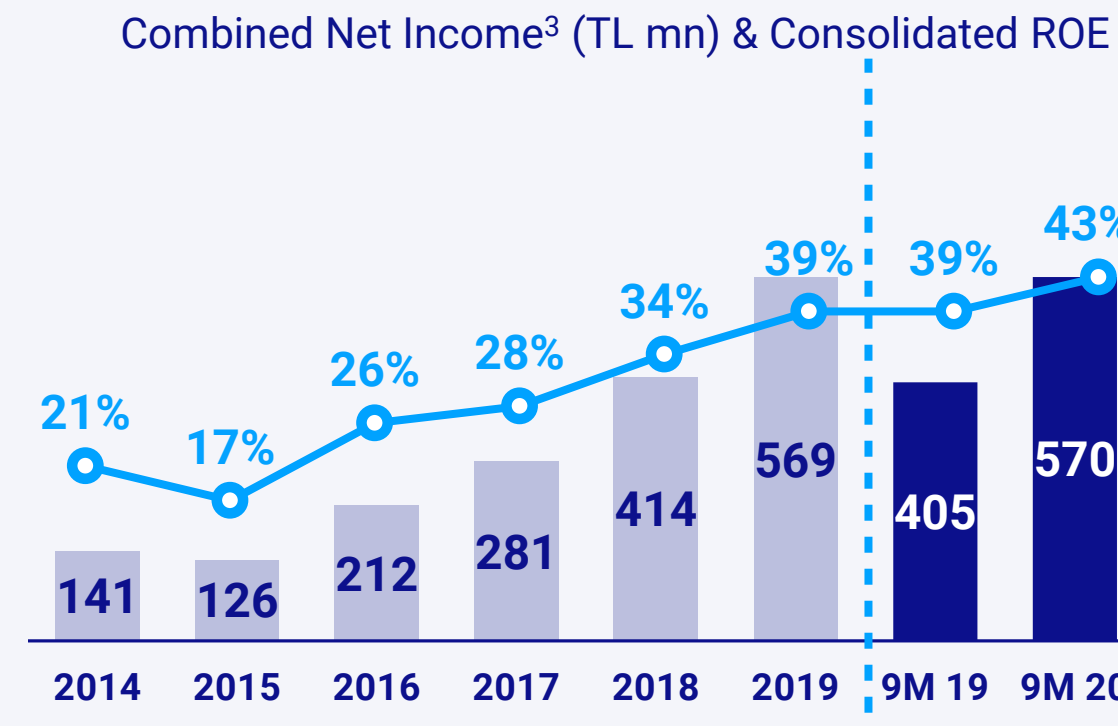
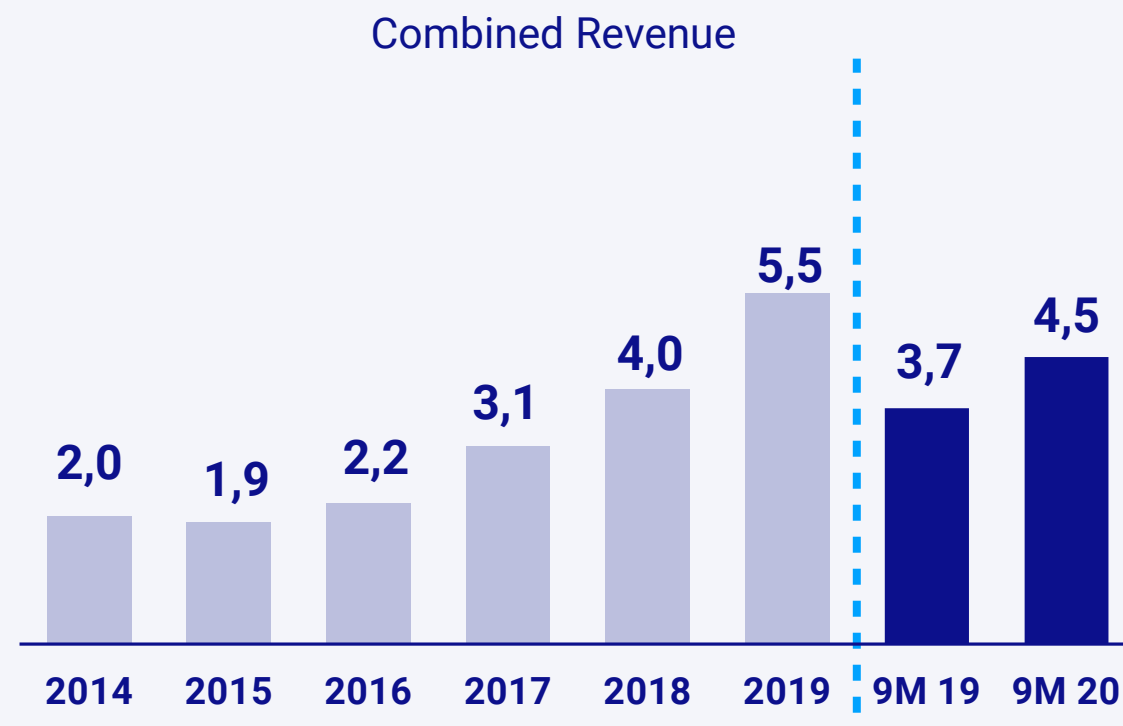
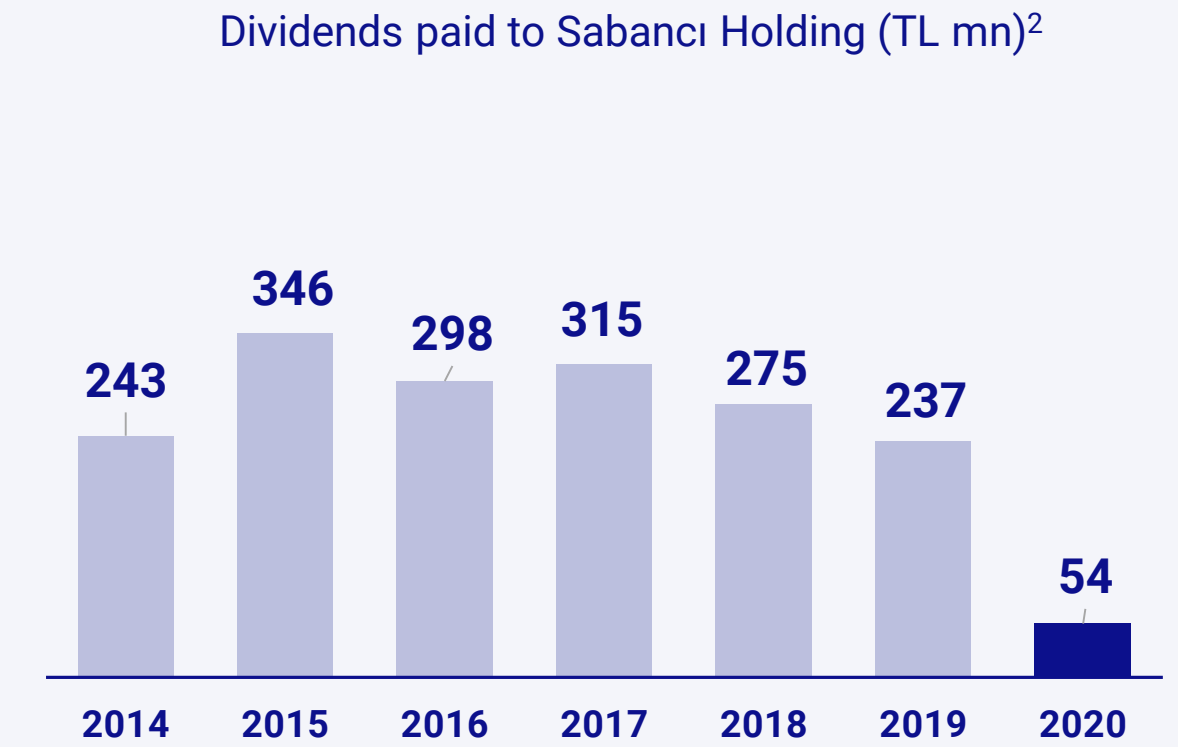
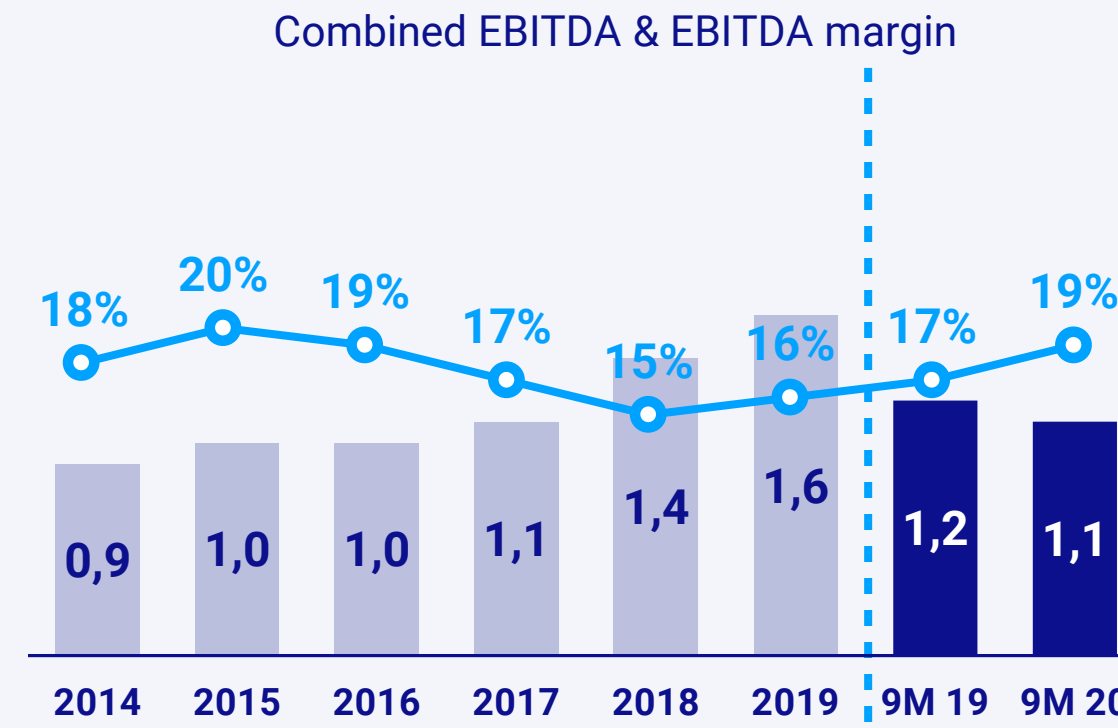
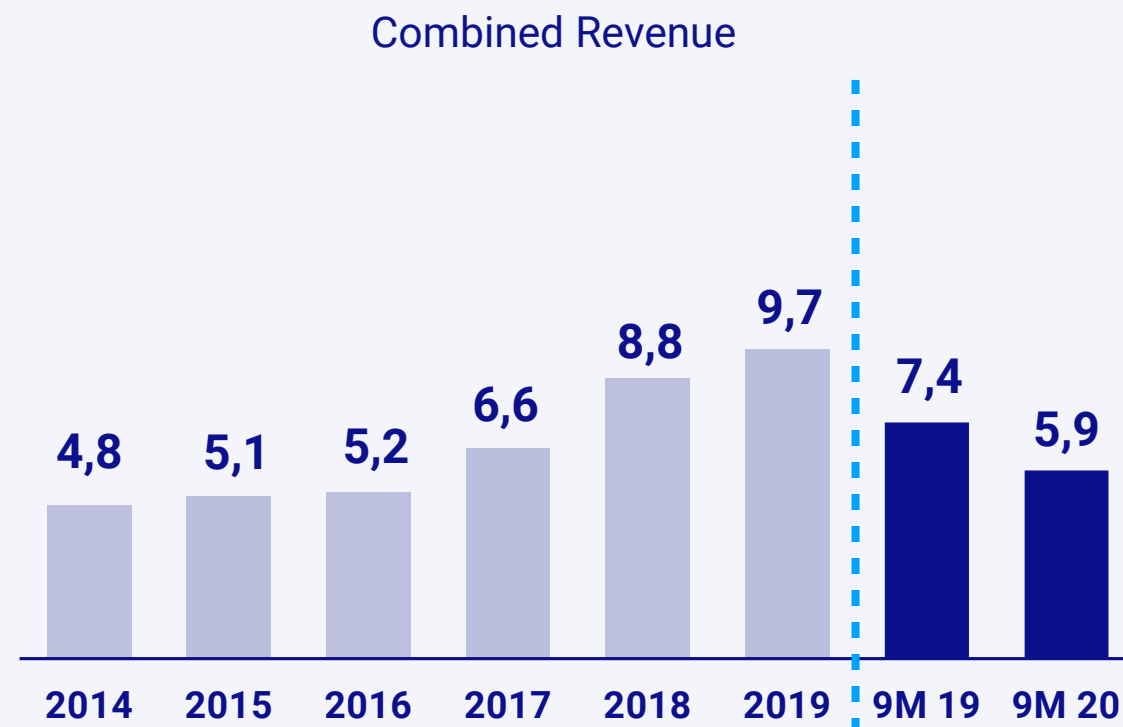


Building Materials



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

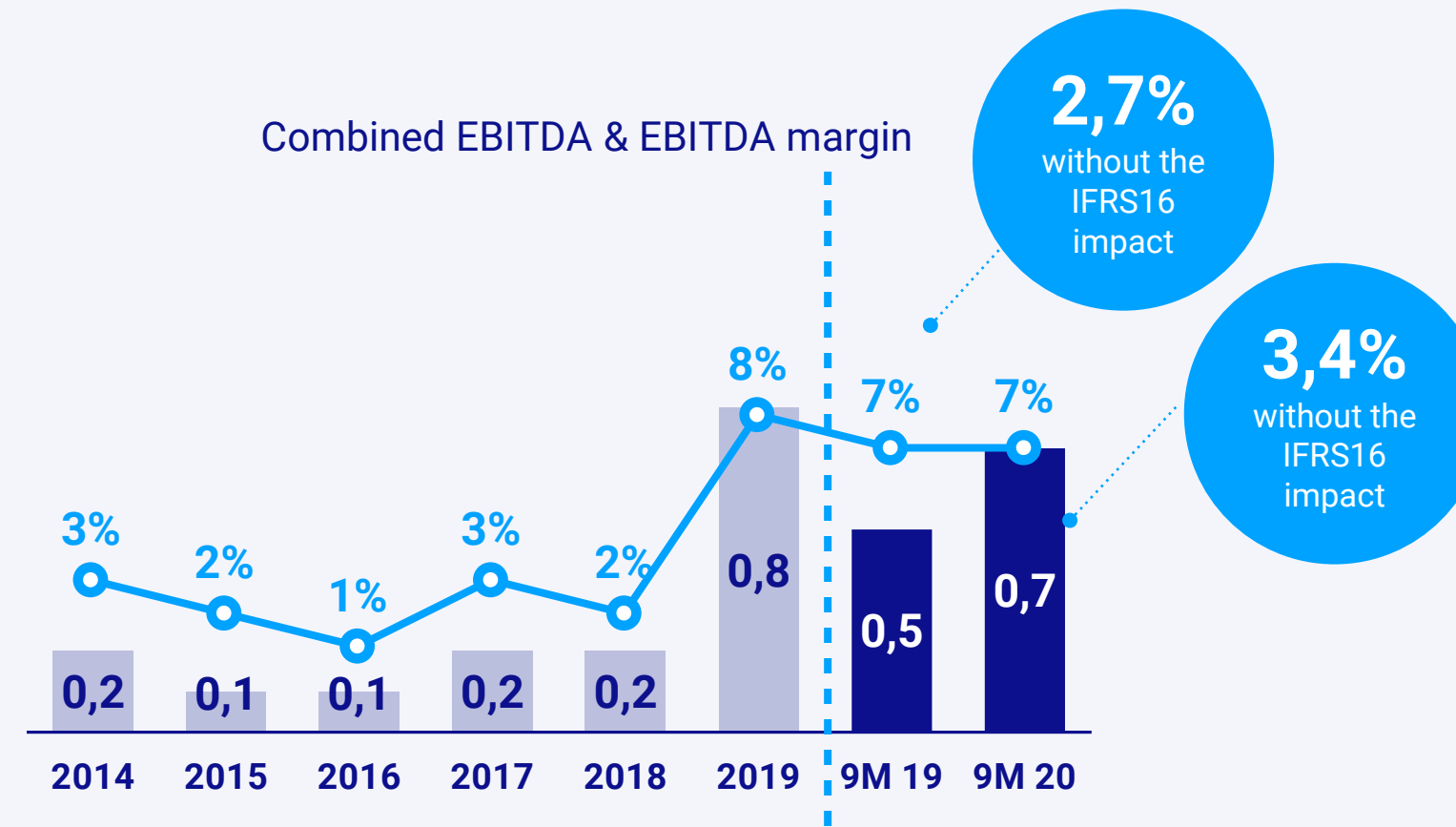
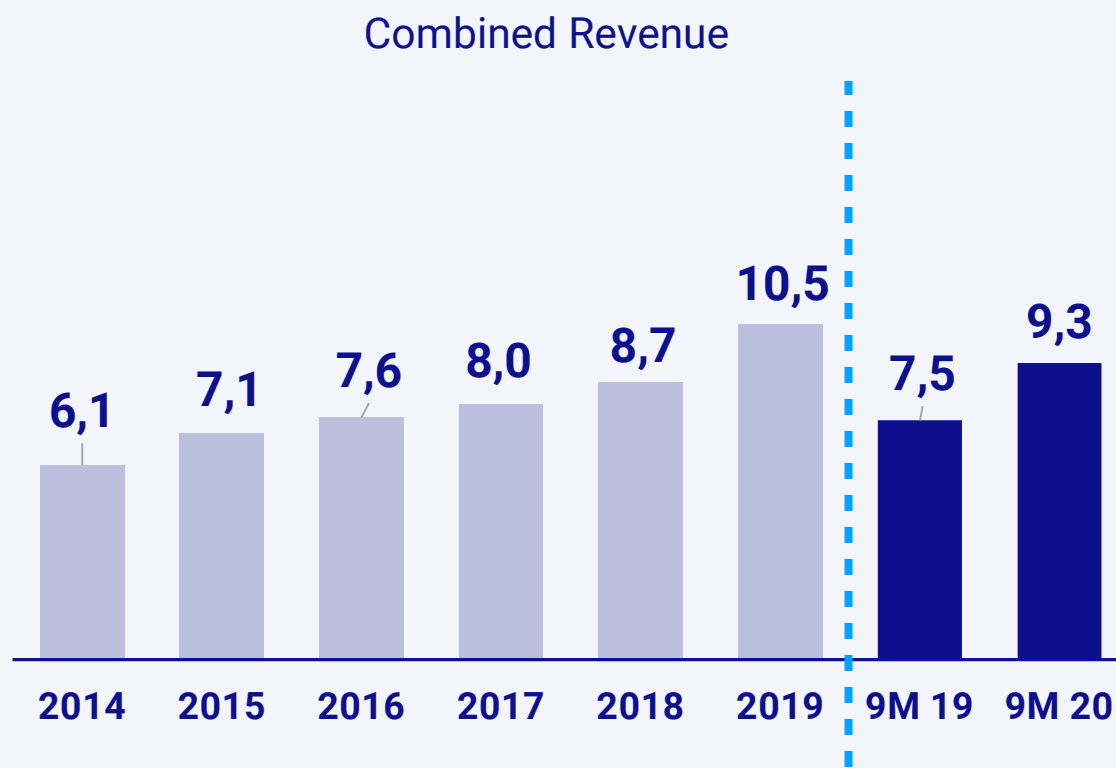
## Business unit financial performance, TL bn<sup>1</sup>



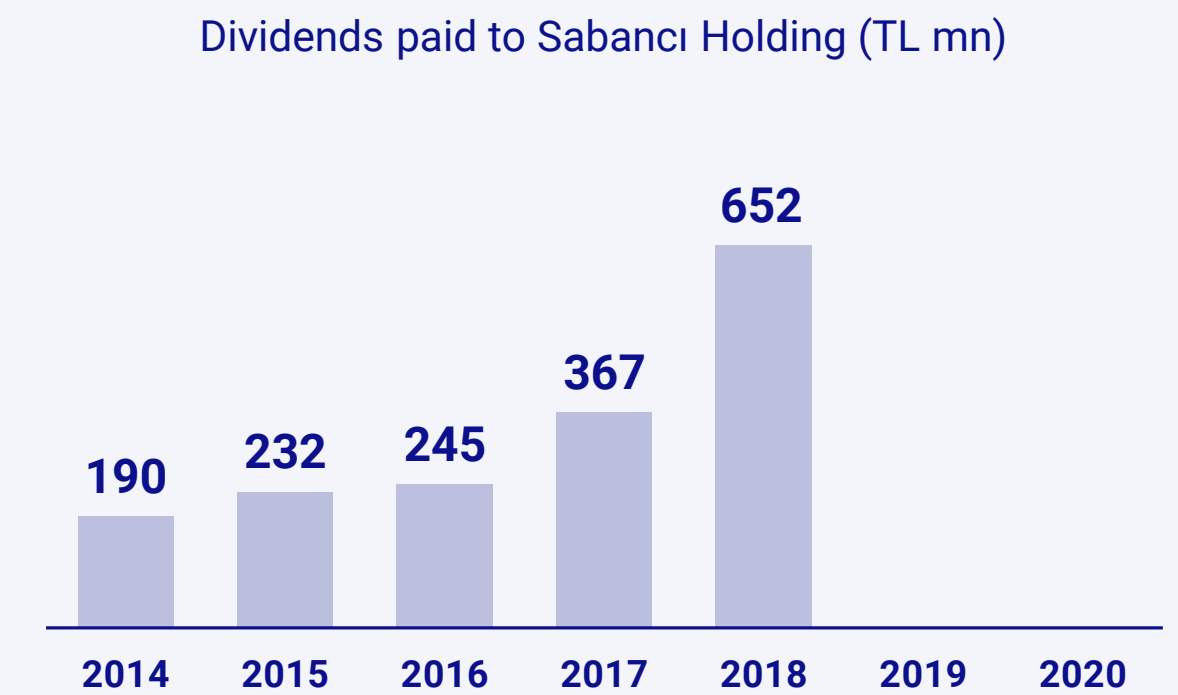
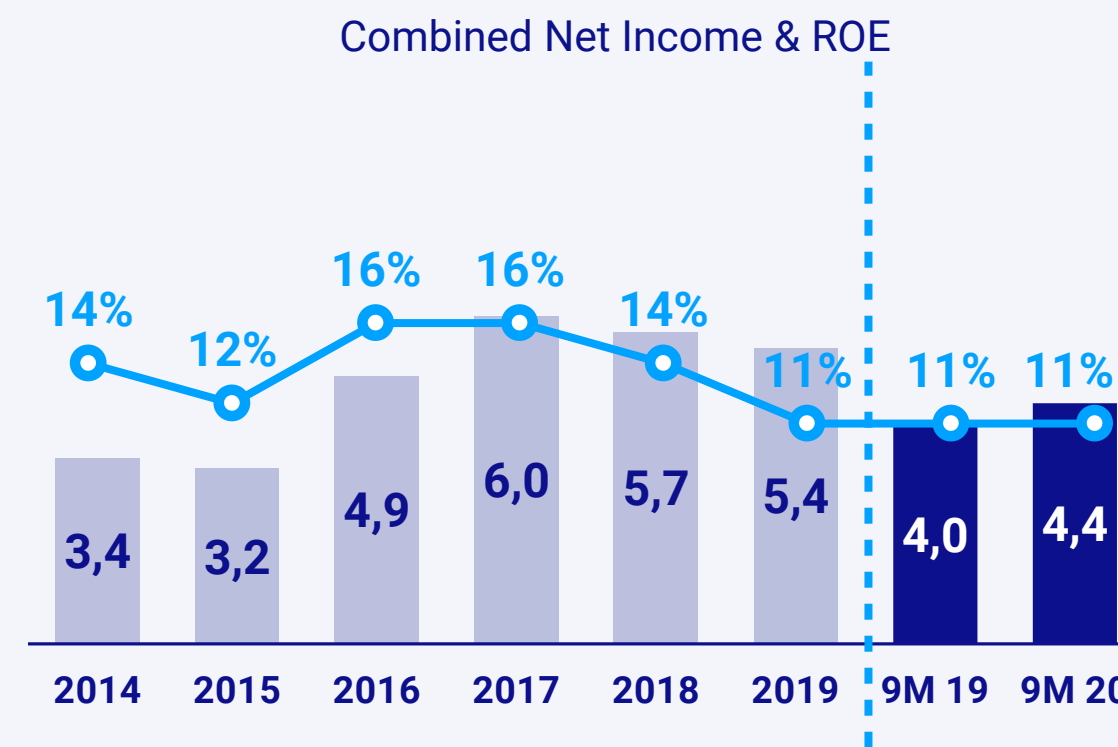
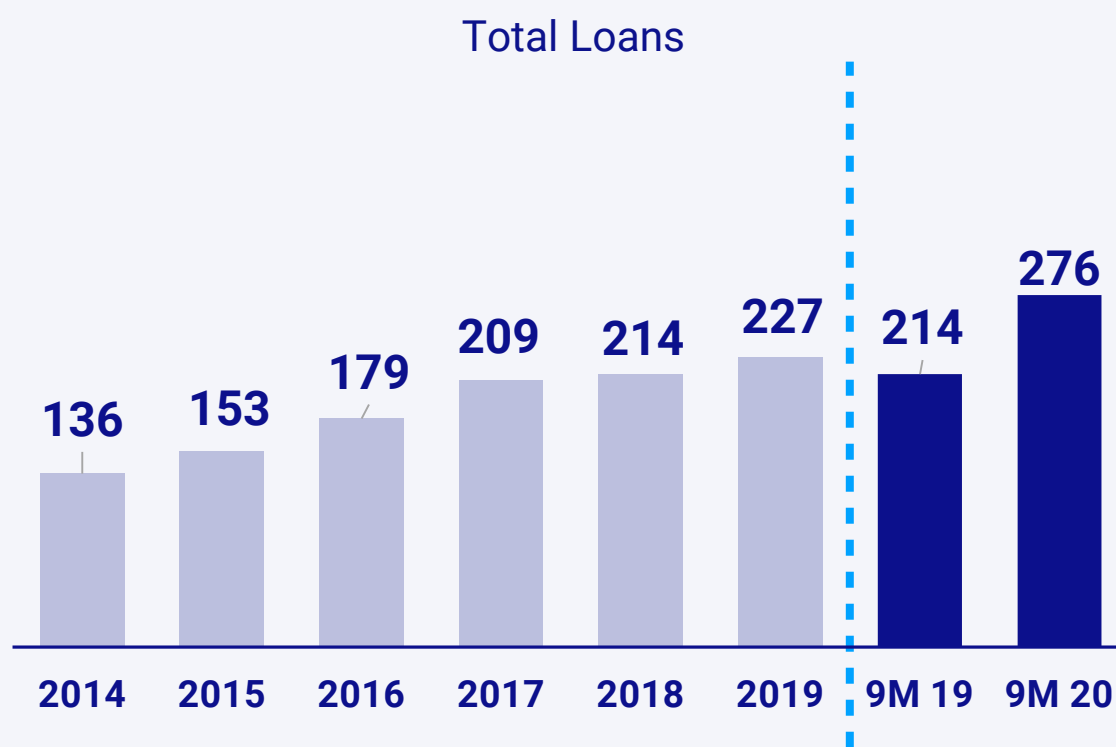
1. Financials shown are before consolidation adjustments. EBITDA excludes one-offs. 2. Includes tobacco business' dividend. 3. Excludes one offs

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

Retail



Banking\*

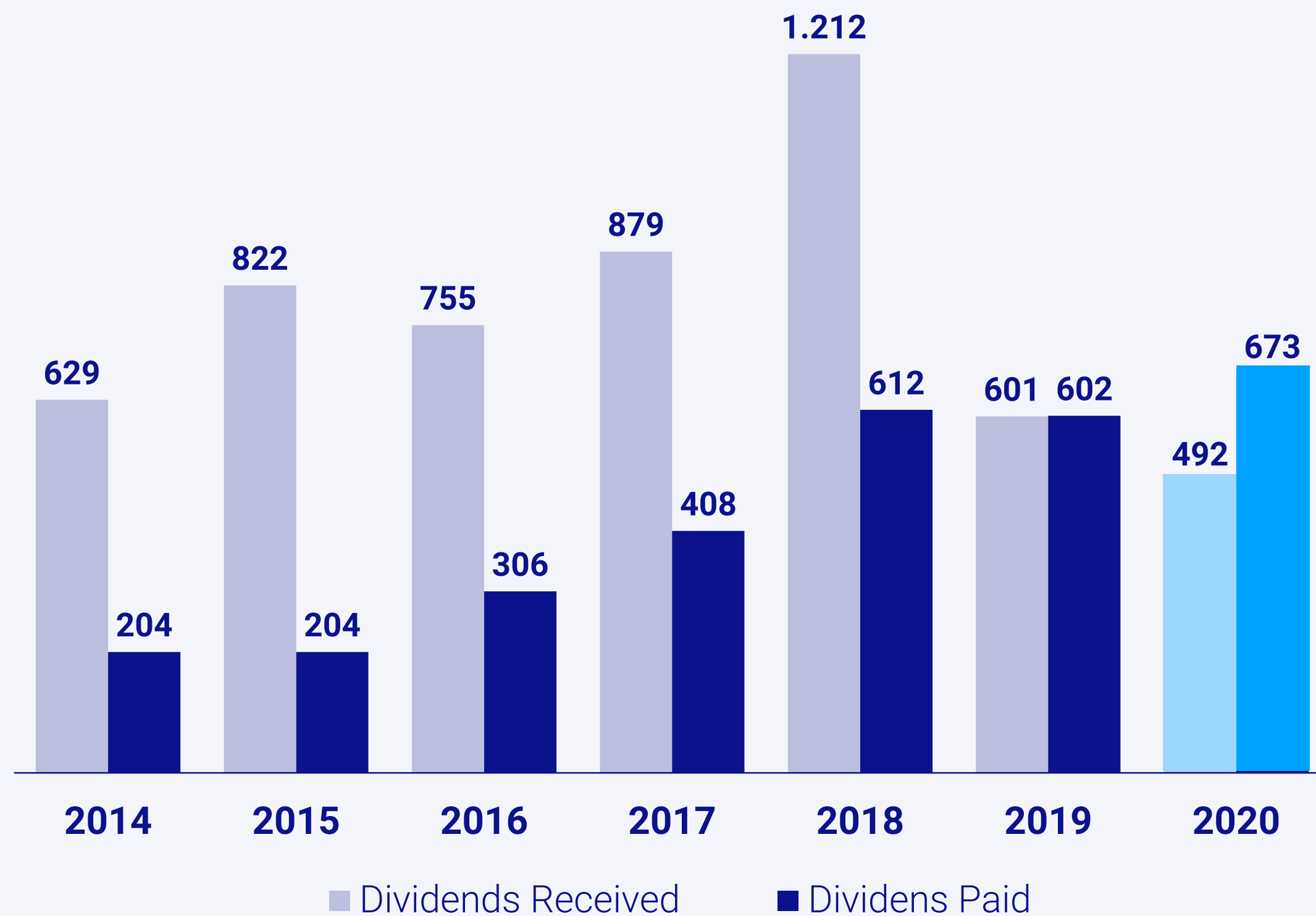


1. Financials shown are before consolidation adjustments. Net Income and EBITDA excludes one-offs. \*BRSA figures are used for banking

# Performance / Sustained dividend payments from portfolio companies

Sabancı Holding dividends paid and received (MTL)\*

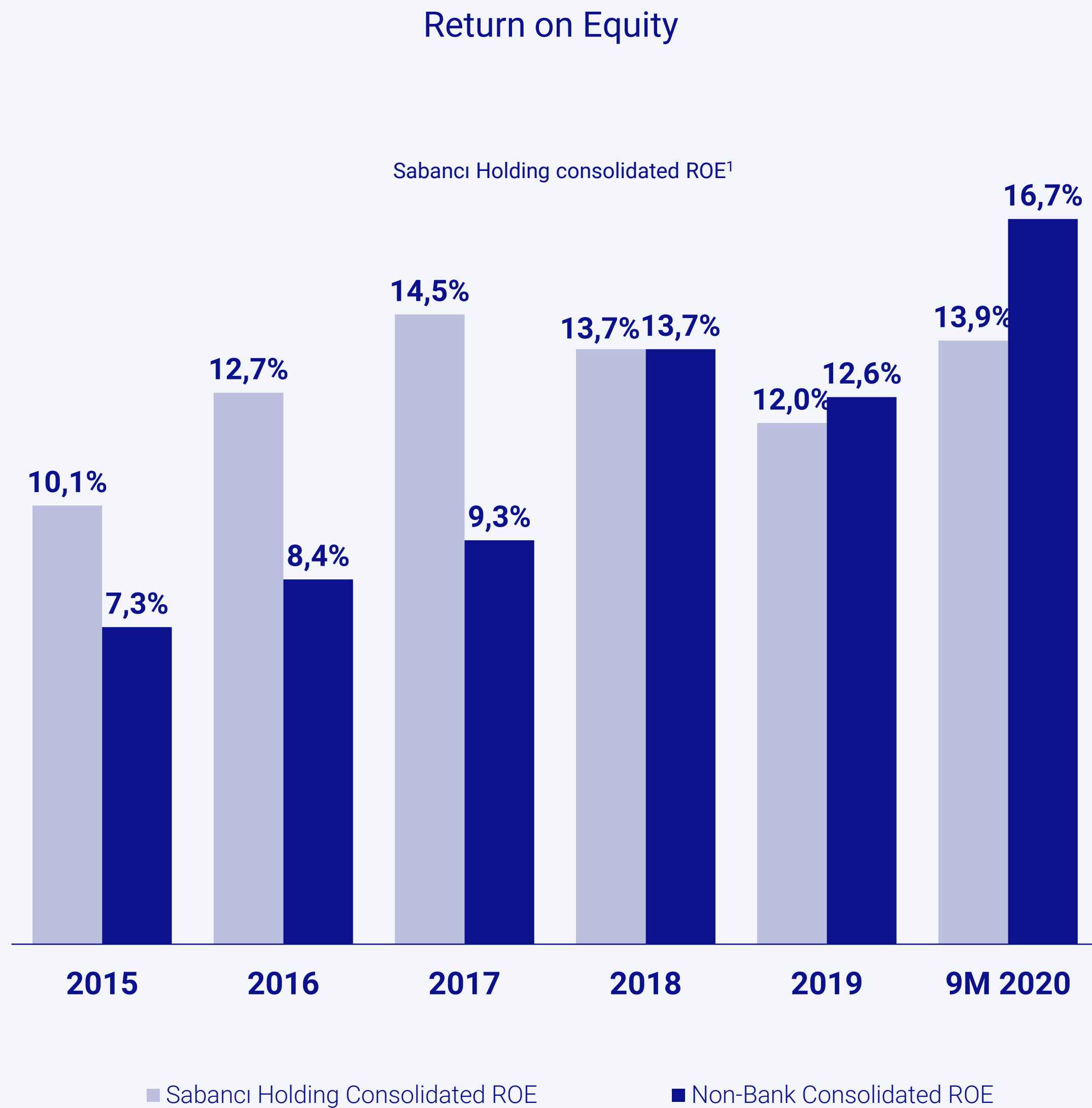
Outflows / Inflows	32%	25%	41%	46%	50%	102%	137%
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TL mn	Segment	2014	2015	2016	2017	2018	2019	2020
Akbank	Banking	190	232	245	367	652	-	-
Akçansa	Building Materials	57	90	102	94	51	61	18
Aksigorta	Financial Services	22	9	-	-	40	73	73
Avivasa	Financial Services	13	16	12	9	19	40	64
Brisa	Industrials	52	66	68	-	-	-	12
Carrefoursa	Retail	-	33	-	-	-	-	-
Çimsa	Building Materials	77	86	99	95	33	-	-
Kordsa	Industrials	-	48	43	41	48	48	35
Teknosa	Retail	27	10	-	-	-	-	-
Yünsa	Industrials	8	10	2	-	-	3	-
Enerjisa Enerji	Energy	-	-	-	-	142	189	283
Others	Industrials	7	4	6	-	-	8	5
Philsa	Industrials	176	218	178	274	227	178	2
<b>Total dividends received*</b>		<b>629</b>	<b>822</b>	<b>755</b>	<b>879</b>	<b>1.212</b>	<b>601</b>	<b>492</b>
<b>Total dividends paid out</b>		<b>204</b>	<b>204</b>	<b>306</b>	<b>408</b>	<b>612</b>	<b>612</b>	<b>673</b>

# APPENDIX

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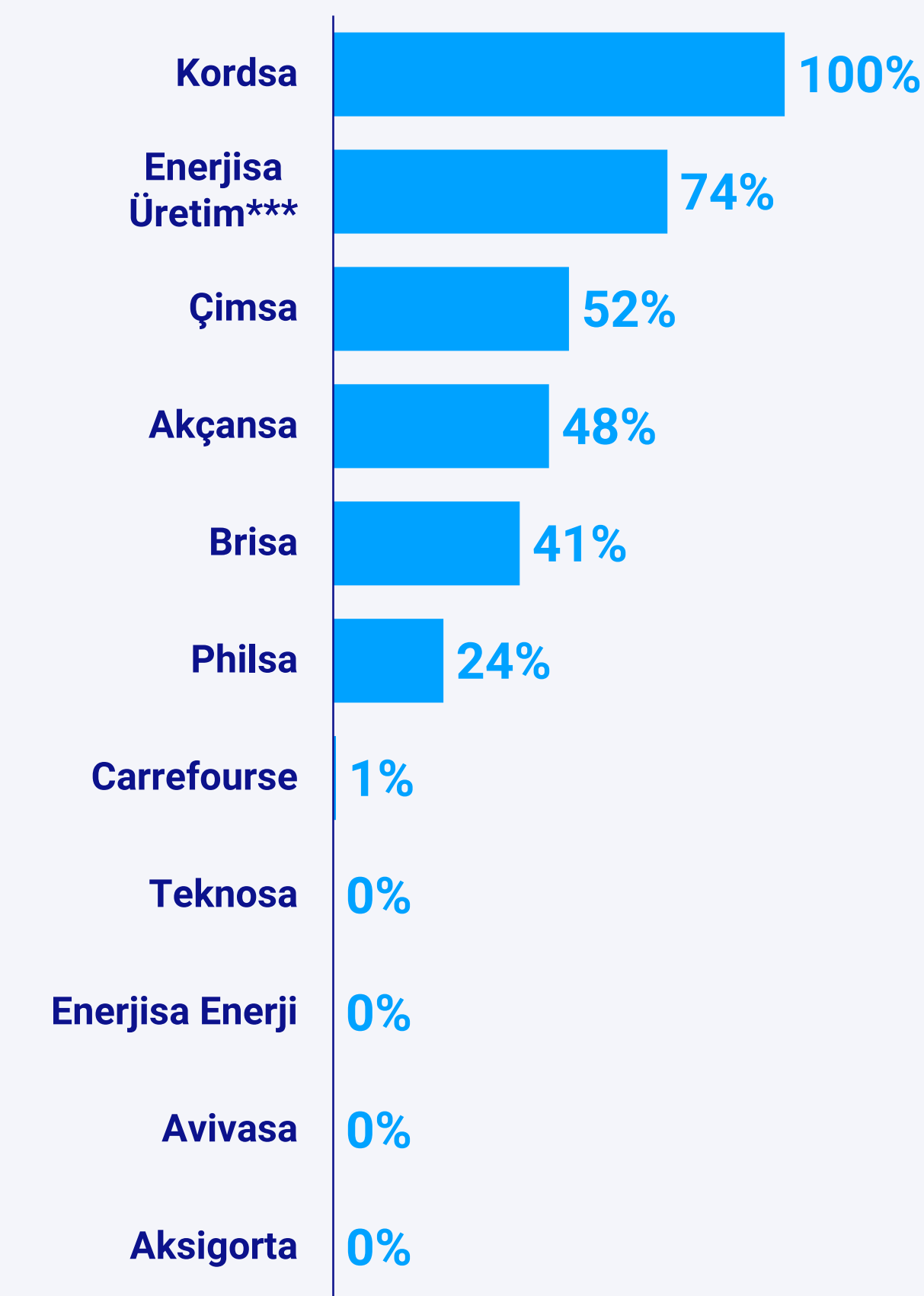


Segment ROE <sup>1</sup>	2015	2016	2017	2018	2019	15-19 Δ pts	Equity Share <sup>2</sup>
Energy	0.4%	3.0%	4.6%	11.4%	18.2%	+17.8%	17.3%
Building Materials	22.8%	21.0%	14.6%	11.4%	0.4%	-22.5%	3.3%
Industrials	25.9%	30.4%	25.4%	18.7%	18.9%	-7.0%	7.5%
Financial Services	17.2%	26.0%	27.8%	33.9%	39.1%	+21.9%	1.8%
Retail	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0%
Banking	12.1%	16.0%	16.2%	13.6%	10.9%	-1.2%	64.9%
<b>Consolidated ROE</b>	<b>10.1%</b>	<b>12.7%</b>	<b>14.5%</b>	<b>13.7%</b>	<b>12.0%</b>	<b>+1.9%</b>	
<b>Non-Bank ROE</b>	<b>7.3%</b>	<b>8.4%</b>	<b>9.3%</b>	<b>13.7%</b>	<b>12.6%</b>	<b>+5.3%</b>	

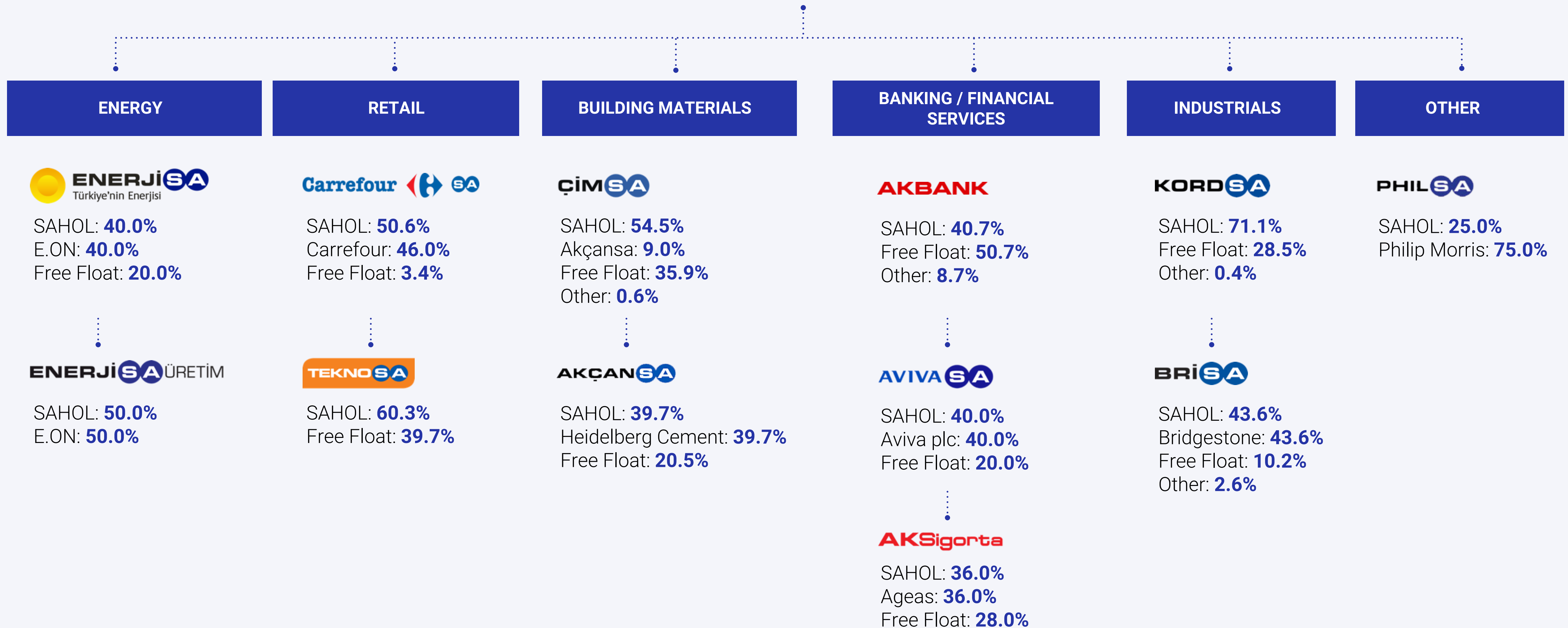
## Sabancı Holding Discount to NAV

USD mn	Direct Stakes (%)	Valuation Method	Mcap	Sept-2020		Dec-2019	
				Value of Stake	% of NAV	Value of Stake	% of NAV
<b>Companies</b>							
Akbank	40,8%	Market Value	3.453	1.407	25,1%	2.891	46,5%
Enerjisa Enerji	40,0%	Market Value	1.358	543	9,7%	587	9,5%
Aksigorta	36,0%	Market Value	306	110	2,0%	113	1,8%
Avivasa	40,0%	Market Value	325	130	2,3%	169	2,7%
Akçansa	39,7%	Market Value	336	133	2,4%	128	2,1%
Çimsa	54,5%	Market Value	256	140	2,5%	113	1,8%
Brisa	43,6%	Market Value	491	214	3,8%	213	3,4%
Kordsa	71,1%	Market Value	291	207	3,7%	304	4,9%
Carrefoursa	50,6%	Market Value	3.162	1.600	28,5%	281	4,5%
Teknosa	60,3%	Market Value	101	61	1,1%	47	0,8%
<b>Total Listed</b>				<b>4.545</b>	<b>81,0%</b>	<b>4.485</b>	<b>78,0%</b>
Enerjisa Üretim	50,0%	1.0 x Book Value	783	392	7,0%	511	8,2%
Philsa	25,0%	Analyst Estimates*	1.235	309	5,5%	422	6,8%
Other		1.0 x Book Value		139	2,5%	153	2,5%
<b>Total Non-listed</b>				<b>840</b>	<b>15,0%</b>	<b>1.086</b>	<b>17,5%</b>
<b>Total</b>				<b>5.385</b>	<b>96,0%</b>	<b>5.932</b>	<b>95,5%</b>
Sabancı Holding Net Cash				225	4,0%	279	4,5%
Sabancı Holding NAV				5.610	100,0%	6.211	100,0%
<b>Sabancı Holding Mcap</b>				<b>2.189</b>		<b>3.274</b>	
<b>Sabancı Holding Discount</b>				<b>-61,0%</b>		<b>-47,3%</b>	

## Share of FX linked Revenues in Total Revenues



## SABANCI HOLDING





# Appendix / Sabancı Holding Earnings Reporting - Combined and Consolidated Numbers



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

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

(1) Akbank, Çimsa, Kordsa, Teknosa, Carrefoursa, Others (AEO, SabancıDX, Exsa, Tursa) (2) Akçansa, Aksigorta, Avivasa, Brisa, Enerjisa Enerji, Enerjisa Üretim (3) Philsa – PMSA

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

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

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

# Appendix / Sabancı Holding Greenhouse Gas Emissions



Greenhouse Gas Emissions by Sector (ton CO <sub>2</sub> )		2017	2018	2019
<b>SABANCI GROUP<sup>10</sup></b>	<b>Scope 1</b>	<b>21.974.713</b>	<b>17.273.466</b>	<b>16.422.329</b>
	<b>Scope 2</b>	<b>894.448</b>	<b>825.835</b>	<b>873.212</b>
	<b>Scope 3</b>	<b>382.741,19</b>	<b>256.256,61</b>	<b>281.729,19</b>
SABANCI HOLDING	Scope 1	56,97	51,57	49,61
	Scope 2	440,29	454,88	478,45
	Scope 3	128,00	140,00	130,00
BANKING	Scope 1	6.558,43	6.569,33	6.151,44
	Scope 2	41.132,78	42.586,24	47.663,16
	Scope 3	542,02	581,77	564,69
ENERGY	Scope 1	10.189.162,57	6.259.311,66	5.826.692,68
	Scope 2	22.589,79	16.344,33	42.263,31
	Scope 3	-	-	1.286,15
FINANCIAL SERVICES	Scope 1	1.645,38	1.412,28	1.281,10
	Scope 2	1.821,61	1.897,98	1.555,74
	Scope 3	309,81	307,00	304,40
BUILDING METARIALS	Scope 1	11.569.866	10.830.739	10.394.484
	Scope 2	511.738,00	463.268,000	480.549,00
	Scope 3	-	-	-
RETAIL	Scope 1	136.408,22	82.351,70	98.568,92
	Scope 2	124.955,93	118.583,10	115.213,05
	Scope 3	17,22	13,69	13,12
INDUSTRY	Scope 1	71.015,46	93.030,24	95.101,37
	Scope 2	191.770,09	182.700,47	185.489,01
	Scope 3	381.744,15	255.241,15	279.428,84
OTHER	Scope 1	10.886,18	11.189,56	11.432,84
	Scope 2	1.687,36	1.862,04	3.041,02
	Scope 3	-	-	-

10. Sabancı University is not included in the total figure of Sabancı Group

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