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# ENERGY SBU

# INVESTOR PRESENTATION

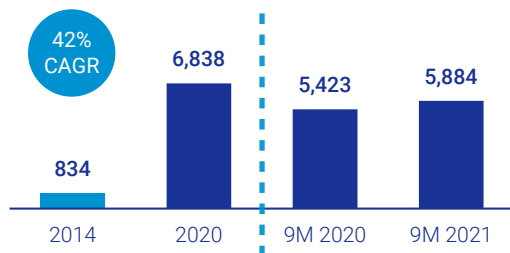
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November 2021

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

Combined Energy SBU EBITDA\*



Significant Share in 2021 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 IPPs

## 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 12.3%
- 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

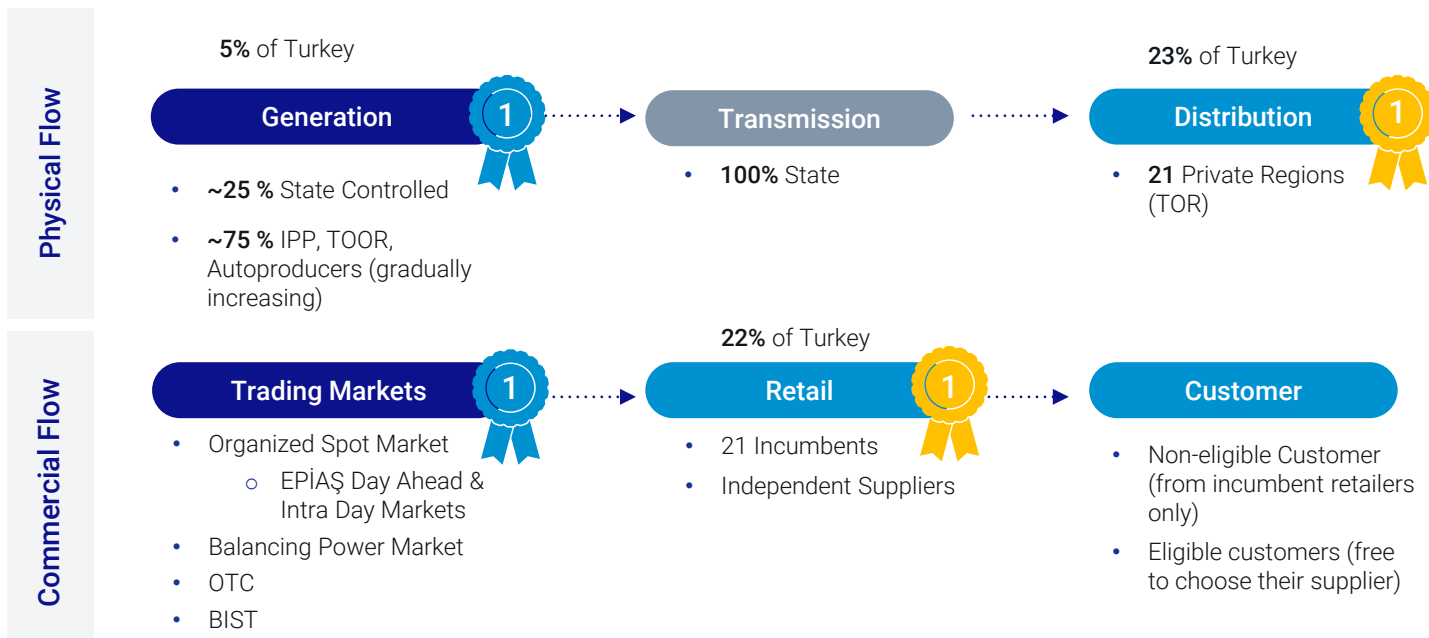


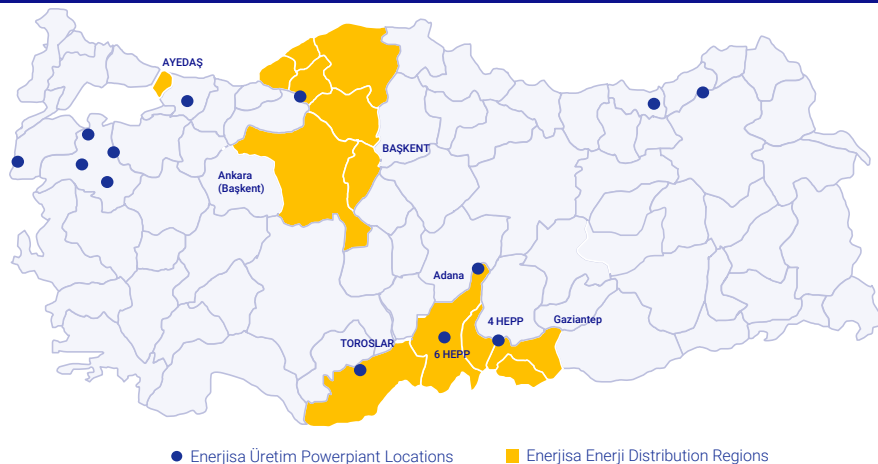
Leading Player in Electricity Generation and Trading



Leading Player in Electricity Distribution and Retail

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

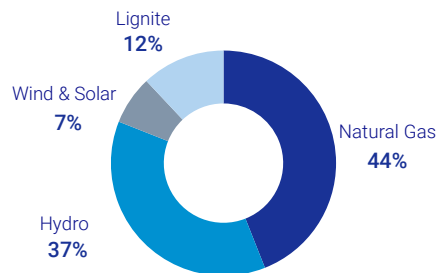




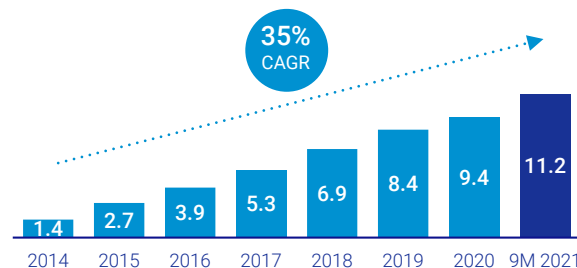
Distribution & Retail

14 Cities	6 Metropolises	21+ m Population
10.2 m Customers	34 TWh 2020 Trade Volume	11.6 m Connections
TL11.2 bn RAB		245,943 km Network

Well Balanced Generation Portfolio  
Installed Capacity (3.607 MW)



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



Generation & Trading



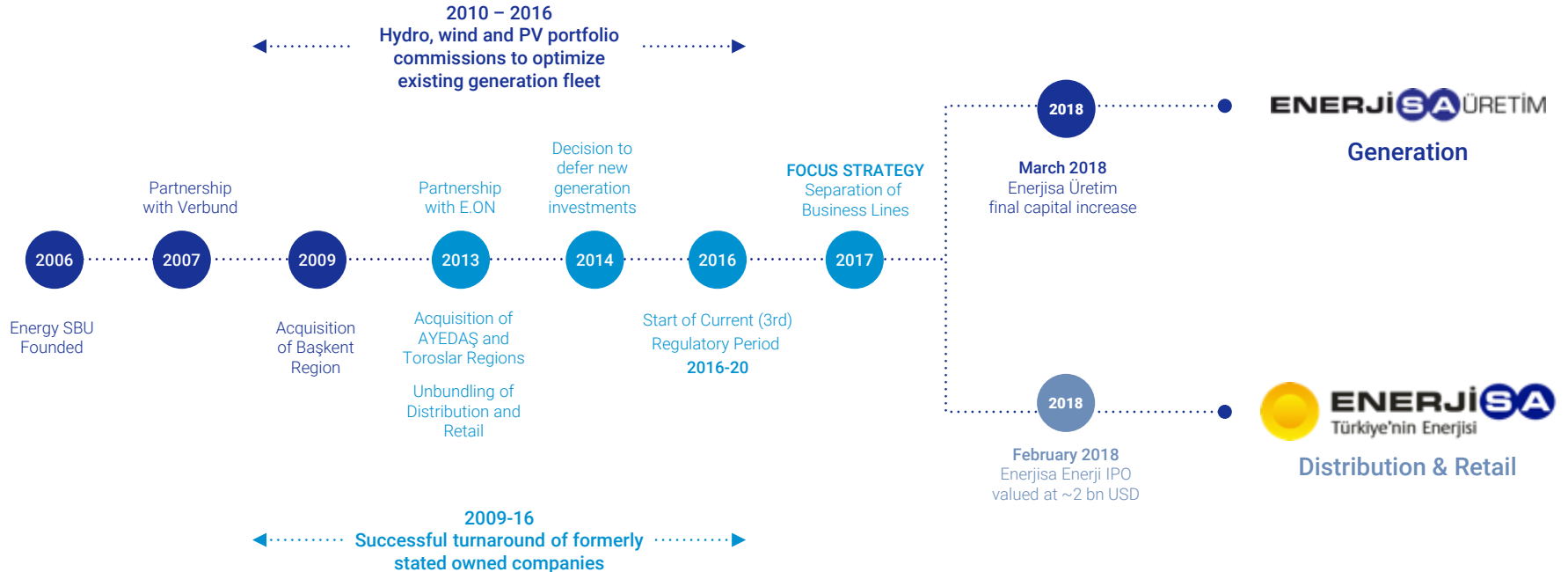
1st Private Player	21 Power Plants	3,607 MW Capacity
44% → 51%* Renewables (#1 in Turkey)	17 TWh 2020 Trade Volume	15.6 TWh 2020 Generation

\*after 560 MW windfarm became operational between 2023 and 2025

**Growth & High Investment**  
2006-2013

**Turnaround**  
2013-2017

**Capital Recycling**  
2017 onwards



# Enerji 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

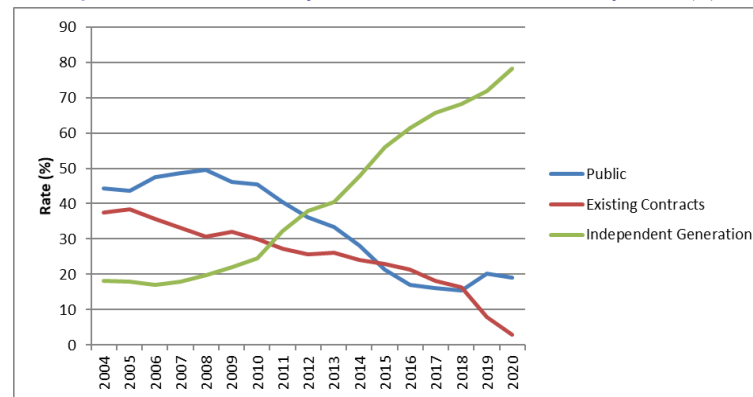
**Clear state strategies for supply security**

- 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.

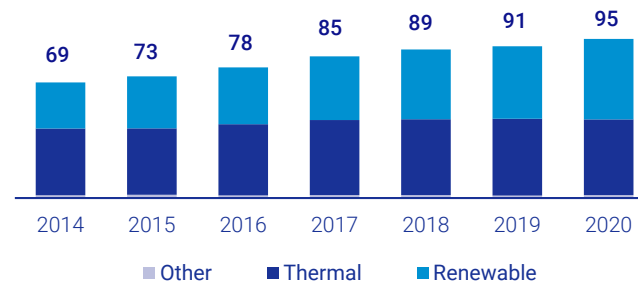
**Mechanisms to promote use of local resources**

- Well-established, 10-year fixed price USD-based Feed-in Tariff mechanism for renewables that will become operational until 30 June 2021.
- Additional support mechanisms to promote use of local lignite, such as EUAS PPA's and capacity charge mechanisms

**Change of Licensed Electricity Generation as Public-Private by Years (%)**



**Increasing Renewable Electricity Generation Capacity**  
Installed Capacity of Turkey (GW)



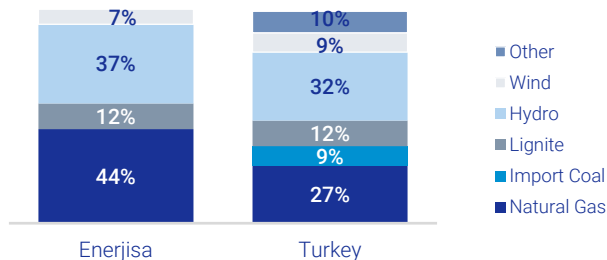


# Enerji SBU: Generation / A Well-balanced, Efficient and Diversified Portfolio A Hard Currency Business...

## Competitive advantages

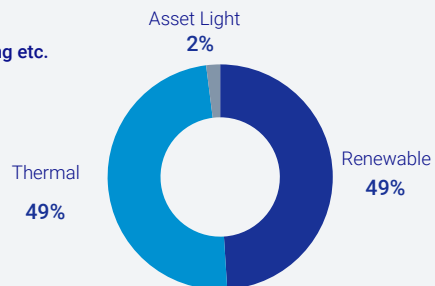
- Market leader amongst private generators (Highest renewable portfolio)
- Hard Currency driven business
- Strongest balance sheet in the sector
- Predictable EBITDA outlook thanks to feed-in-tariff & EÜAŞ PPA
- Pioneer and leader of energy trade
- Sustainable dividend
- Highest secured renewable growth plan

## Electricity Generation Mix in line with Country mix (2020)



## Breakdown of Generation EBITDA (9M 2021)

Tolling,  
prop trading etc.



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

## Natural Gas:

- Merchant play
- Capacity mechanism (from 2018)

## Lignite:

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

## SECURED RENEWABLE GROWTH PLAN

Region	# of bidders	Winner	Price
Aydın (250 MW)*	4	Enerjisa Üretim	45,6 \$/MWh
Çanakkale (250 MW)*	6	Enerjisa Üretim	36,7 \$/MWh
Kayseri (65 MW)**	31	Enerjisa Üretim	~35,0 \$ – 40,0 \$/MWh***

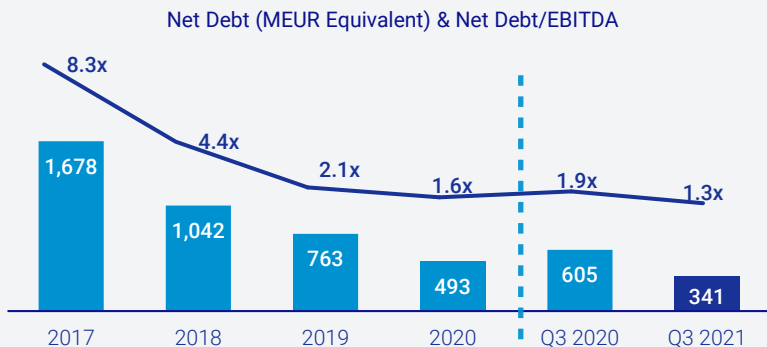
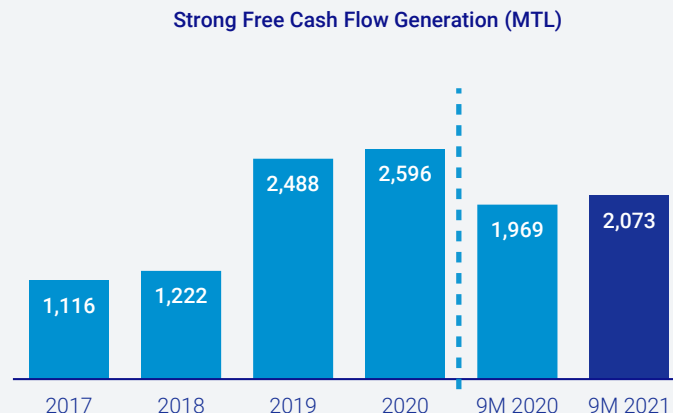
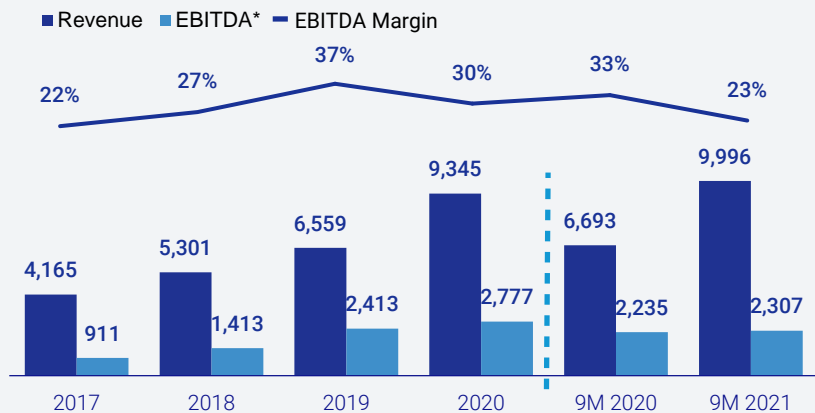
\*Option to build projects, final investment decision to be given in 2021-22 period

\*\*According to new TL-based YEKDEM scheme, Escalation to be applied on a quarterly basis with a basket of Domestic PPI, Domestic CPI, change in USD exchange rate, and change in EUR exchange rate.

\*\*\*Merchant play is an option

# Enerji SBU: Generation / Resilient Operational Performance

## Deleveraging on Track



### Drivers of Strong Free Cash Flow Generation

- Hard Currency (Feed in Tariff) EBITDA
- Capital Structuring
- Dynamic Cash Management
- Limited Capex requirement
- Improved Operational Efficiency
- Capital injection (Feb'18) from both shareholders contributed deleveraging
- Economically totally hedged with USD linked revenue stream

\*Excludes non-operational and non-recurring one off items

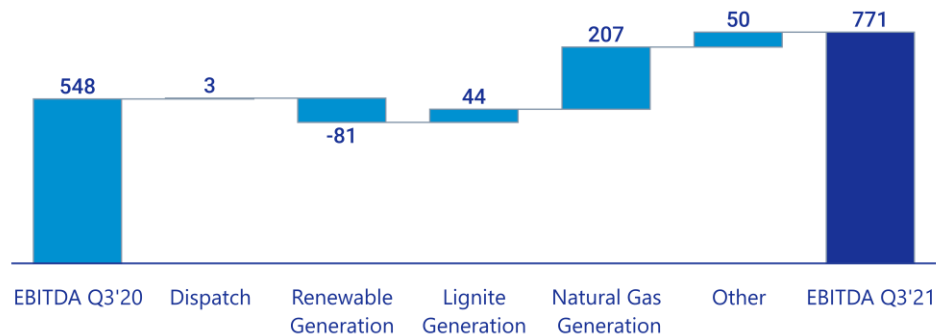
# Energy SBU : Generation / Effective Operations Across the Board & More Liberalized Market Mechanism



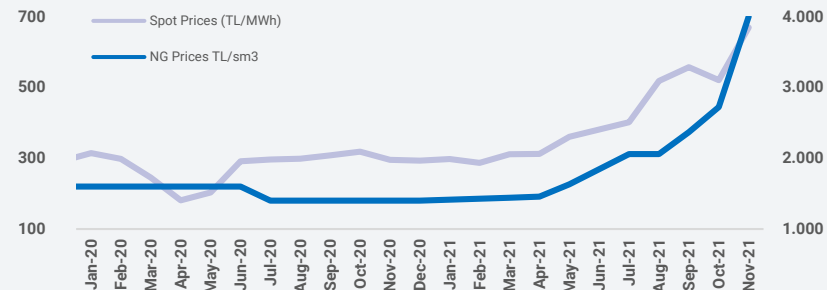
## Generation: Latest Financials

MILLION TL	Q3 2020	Q3 2021	Change	9M 2020	9M 2021	Change
<b>SALES</b>	2,658	<b>4,235</b>	59%	6,693	9,996	49%
<b>EBITDA*</b>	548	<b>771</b>	41%	2,236	2,307	3%
<b>EBITDA* MARGIN (%)</b>	21%	<b>18%</b>		33%	23%	
Depreciation	-635	<b>-667</b>	-5%	-382	-402	-5%
Financial Income/(expense)	-211	<b>-258</b>	-22%	-646	-834	-29%
<b>NET INCOME**</b>	219	<b>351</b>	60%	1,112	1,002	-10%

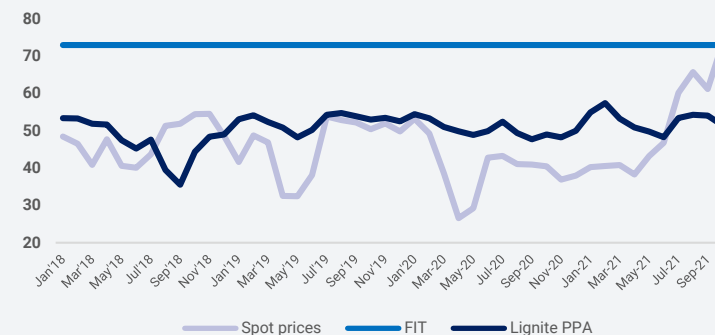
## Quarterly EBITDA bridge (MTL)



## Higher spread due to increase in spot prices despite higher BOTAS tariff TL Spot Electricity Prices (TL/MWh, LHS) vs Natural Gas Prices(TL/sm3)



## Spread between spot prices and Feed-in-tariff narrowed due to demand increase Spot prices vs Feed-in-tariff & Lignite PPA (USD/MWh)



\*Excludes non-operational and non-recurring 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

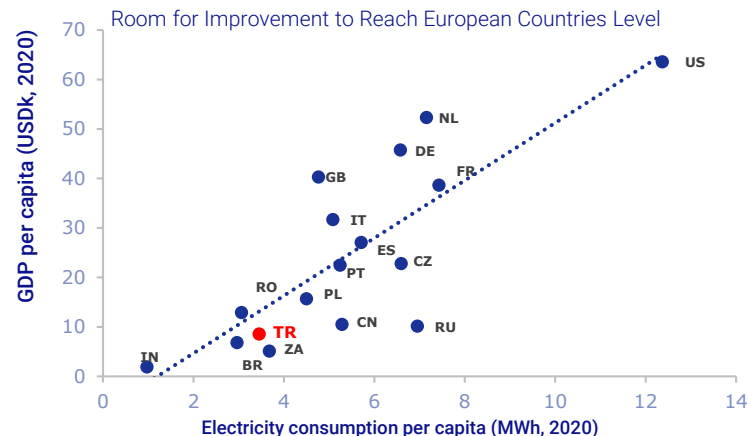
## Quality improvements required

- 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

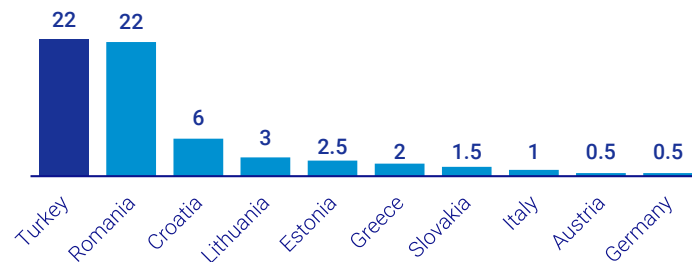
- Exceptional wind and solar generation capacity increase from virtually nothing in 2000 to >10 GW has driven network requirements
- Renewables and decentralised energy will play a significant role in security of supply in the future (>5 GW wind and solar installed capacity expected until 2023)

### Electricity per Capita Consumption



### SAIDI Unplanned Electricity Outages- Benchmarking

Hours per year, 2019

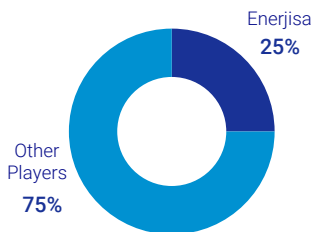


## Competitive Advantages

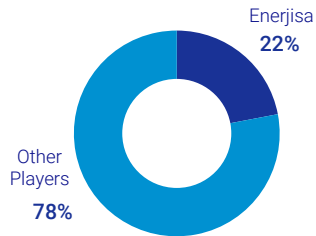
- Turkey's leading electricity distribution and retail company – Economies of Scale
- TL and inflation linked long-term borrowing to match revenue stream – Access to competitive financing with Sabancı name
- Regulated and therefore predictable earnings
- Fundamental growth from incumbent regions (Başkent, Ayedaş and Toroslar)
- Large retail customer base of more than 10 million (representing 22% market share) with high proportion of regulated sales
- Premium Sponsors and Superior Governance (Sabancı & E.ON)
- Well Positioned to Capture Growth & Attractive Dividend Pay-Out

## Turkey's no.1 electricity distribution and retail company

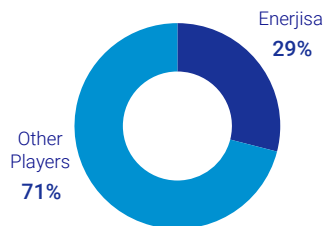
11.6 m Distribution Connections



10.2 m Retail Customers

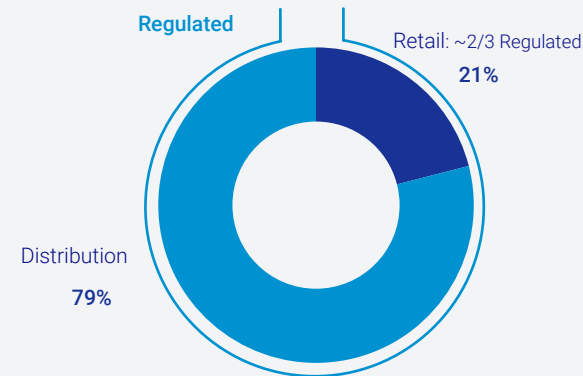


Share of National RAB



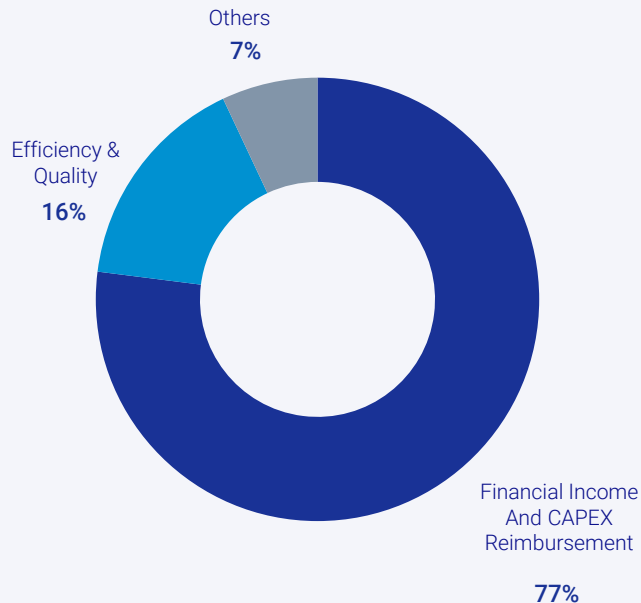
## Supportive and Transparent Regulatory Framework

Breakdown of EBITDA (9M 2021)

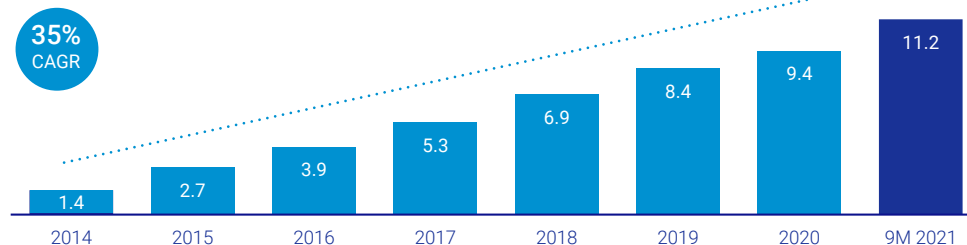


- Regulated Investment Returns with a supportive WACC (12.3%)
- Regulated Efficiency & Quality Parameters
- Regulated Retail Margin (2.38% on reference procurement price + retail service revenues resulting in 8.5% gross margin in 2020)

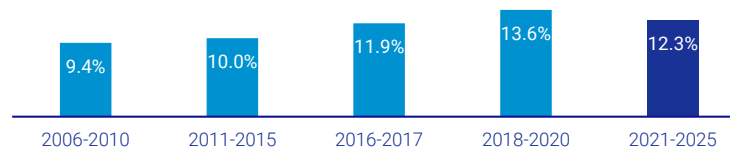
Distribution Operational Earnings\* Breakdown (9M 2021)



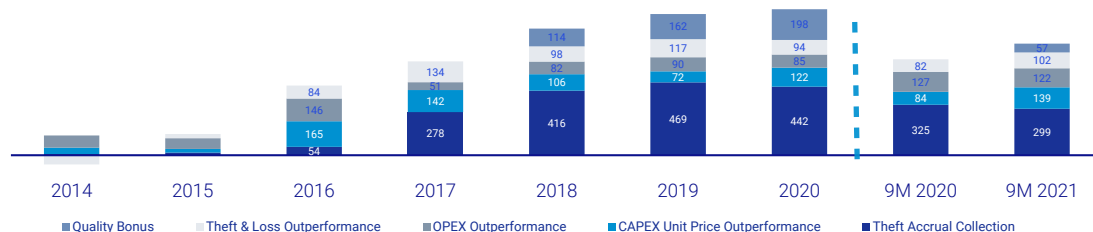
Strong Historical Growth and Untapped Potential  
Regulated Asset Base (TL bn)



Regulation Incentivizes Investments - Regulated WACC (real)

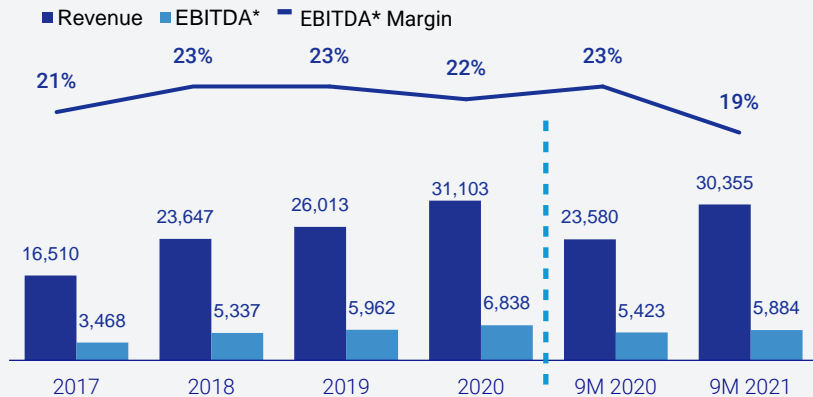


High Support for Efficiency Improvements - Efficiency & Quality Split (m TL)

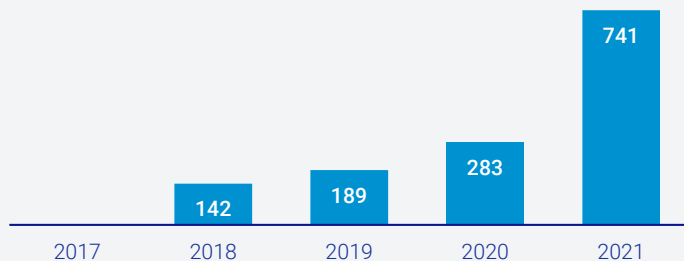


\*Operational Earnings include Capex Reimbursement

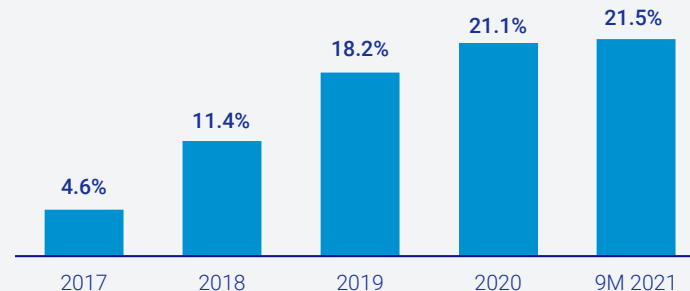
# Energy SBU / Operating Performance Remained Resilient Despite Continuous Weakness in Hydrology



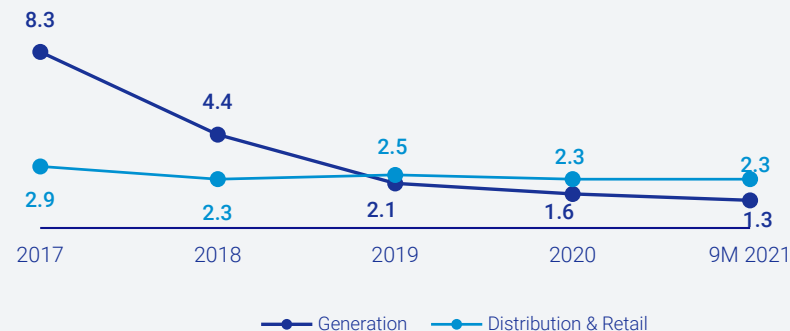
**Paying back to the shareholders**  
Dividends Paid to Sabancı Holding (m TL)



**Improvement in ROE**  
Return on Equity (%)



**Deleveraging**  
Net Debt / EBITDA\* Ratio



\*Excludes non-operational and non-recurring one off items

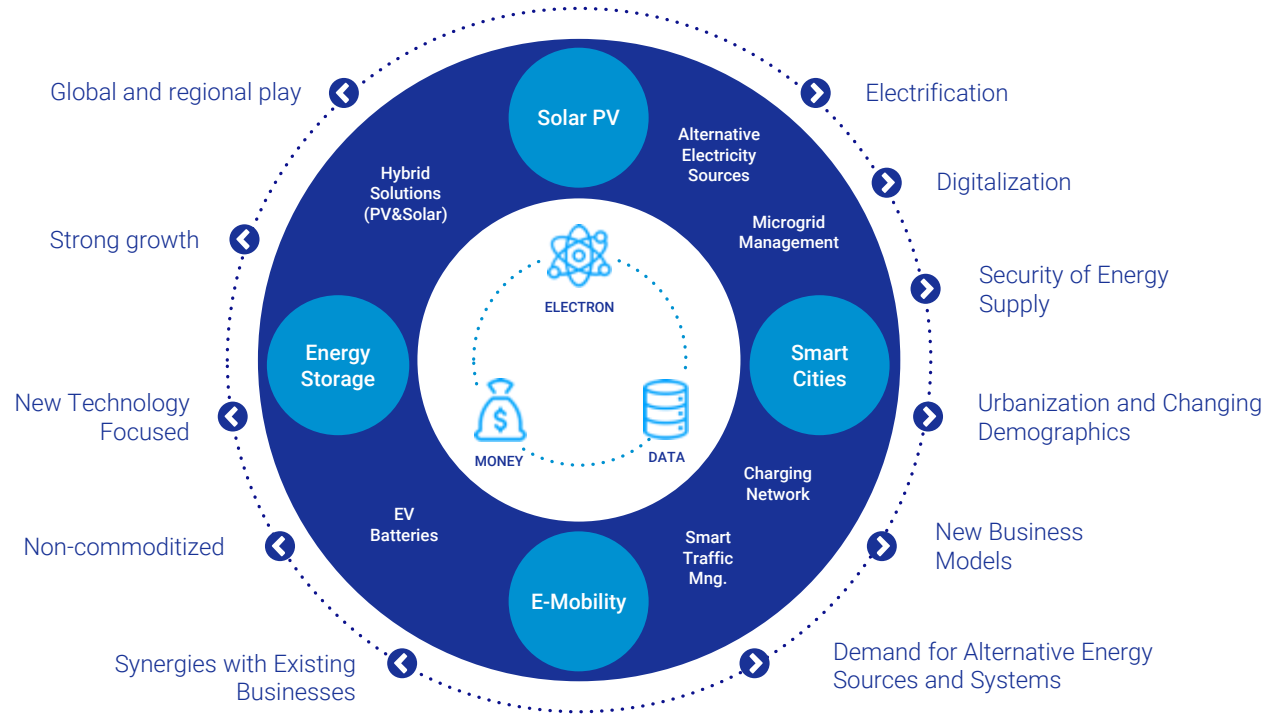


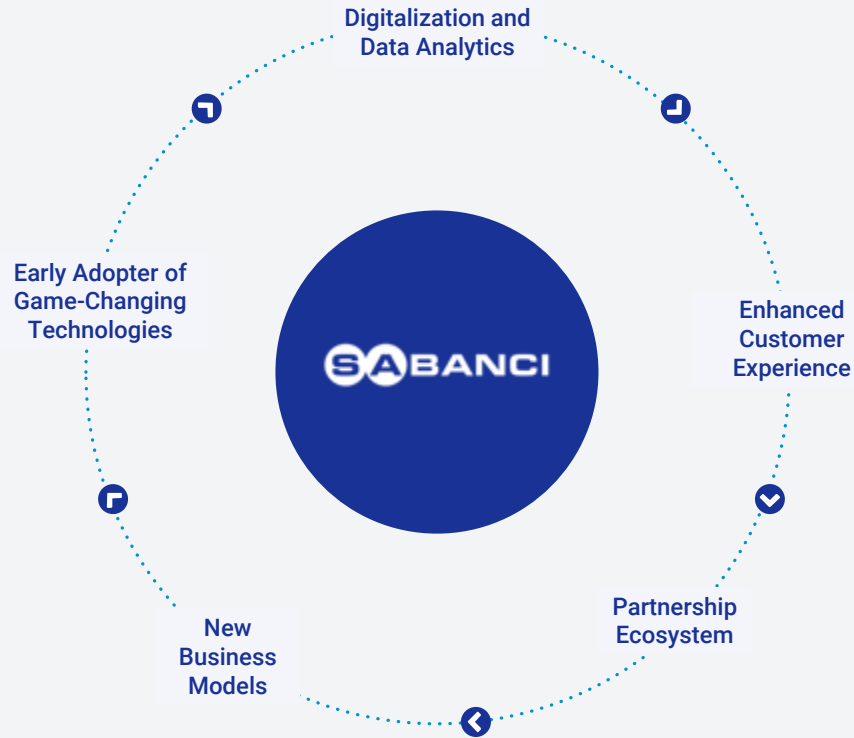
- Healthier Financials and first dividend payout in 2021
- Capitalize growth opportunities by asset light options
- Portfolio optimization with growth in renewables and monitoring M&A opportunities (divest/invest)
- An effective organization, a healthy corporate culture
- Operational Excellence with 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
- Synergies and economies of scale across businesses and regions
- Benefit from Retail Liberalisation
- Drive Operational Excellence, Digitalise all Processes
- Ensure Competitive Financing Cost and Leverage
- Capitalise on Distribution Investment Opportunities
- Stable regulatory framework supporting investments, governance and quality



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

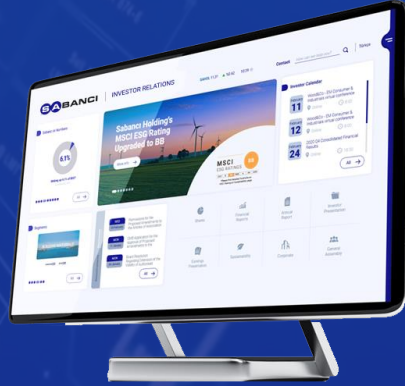
**02** We aim to build our strong human capital and competencies to enhance our leadership position

**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

For Further  
Details

[ir.sabanci.com](http://ir.sabanci.com)



## INVESTOR RELATIONS CONTACTS

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