

Energy

SBU strategies

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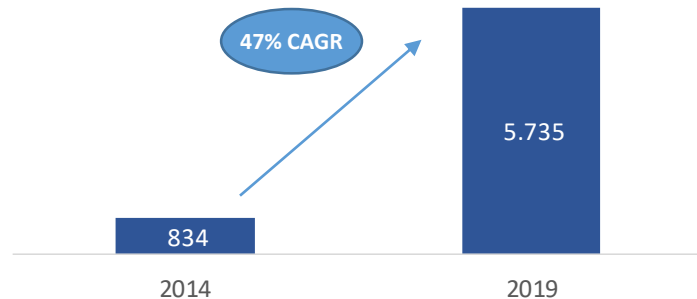
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Energy is an attractive sector for Sabanci... and it's getting more important..

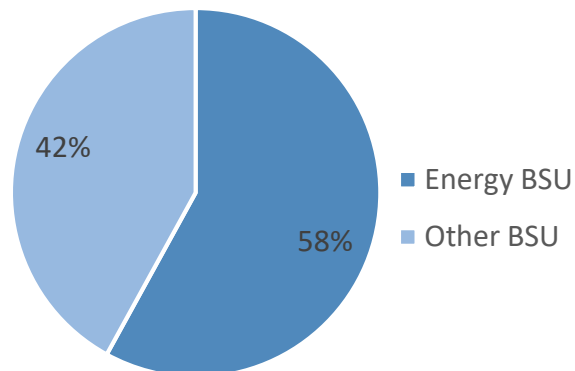
Share of Energy Increasing in Non-bank Combined EBITDA*

Energy SBU Combined EBITDA (MTL)



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

Significant Share in 2020 Non-bank Dividend** Stream



**As of June 2020



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 Private Energy Generation



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



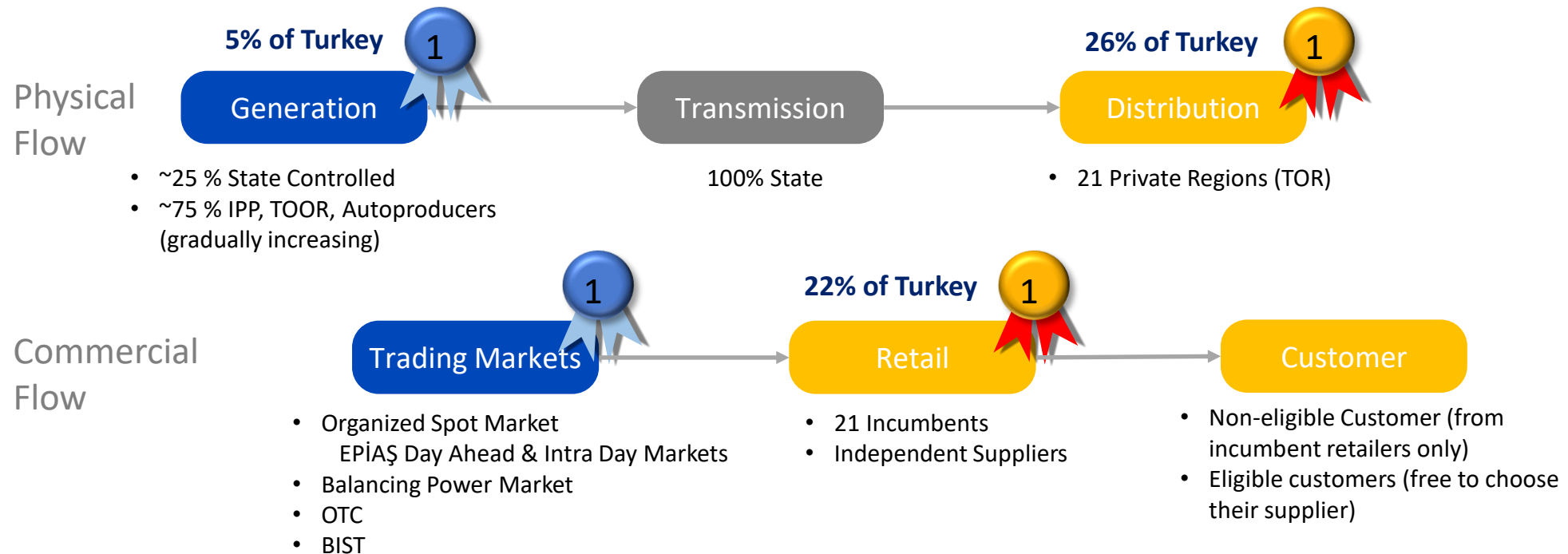
Future Trends

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

Turkish Electricity Market Framework Replicates the Tested Electricity Market Structures



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



Note: EPIAS: Market operation company; OTC: Over The Counter; BIST: Istanbul stock Exchange; TOR: Transfer of Operating Rights, IPP: Independent Power Producers.

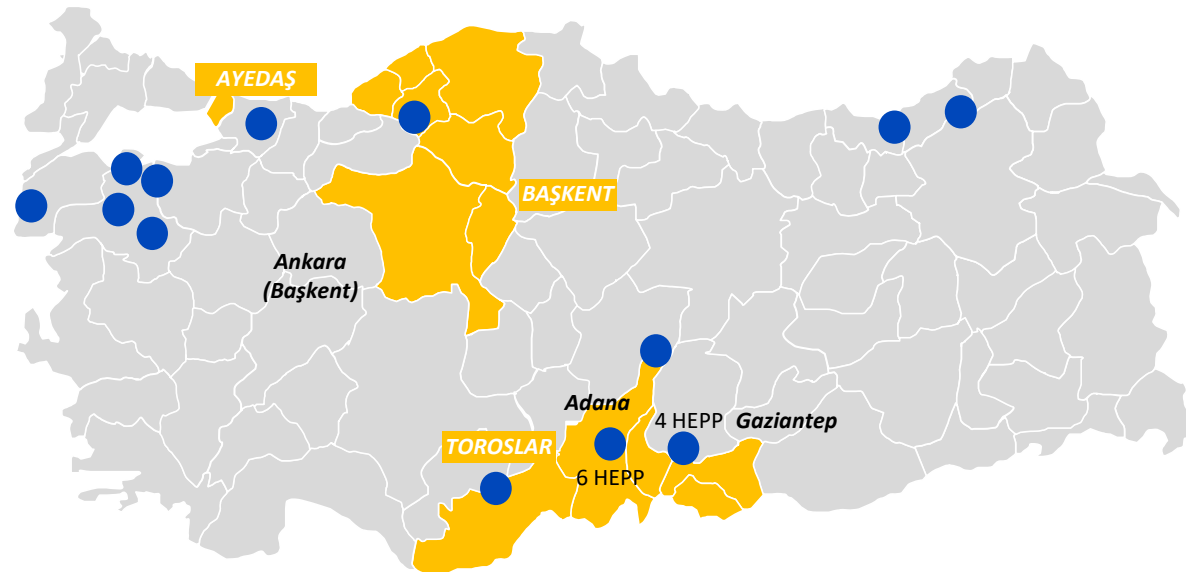
Energy SBU

Well Positioned & Strong Leader in Turkish Energy Industry



Generation & Trading

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

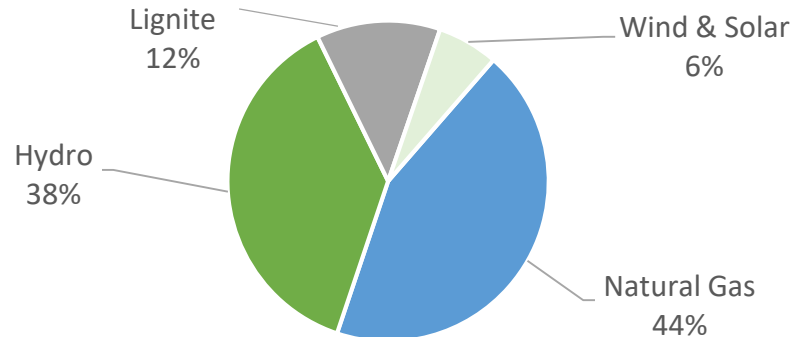


Distribution & Retail

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

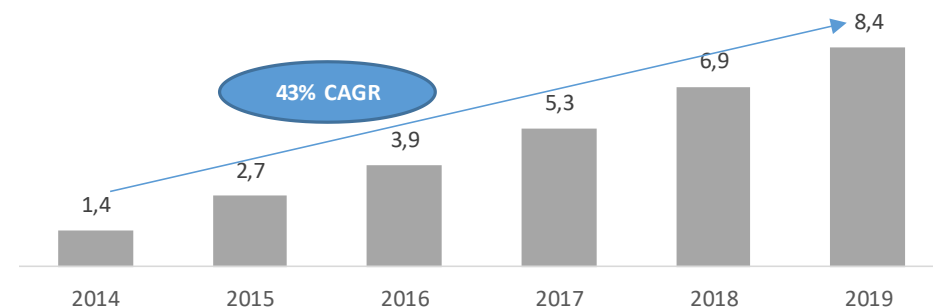
Well Balanced Generation Portfolio

Installed Capacity (3.607 MW)



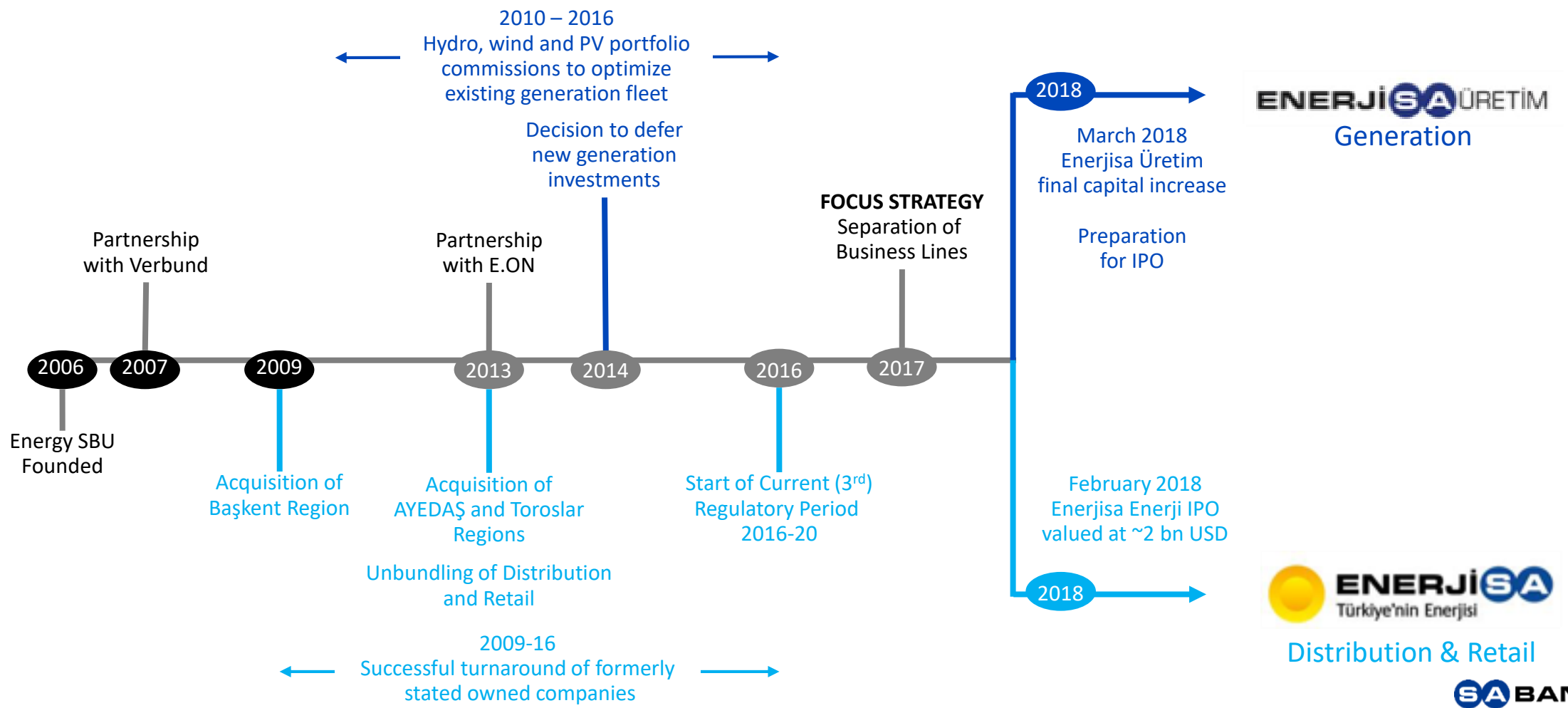
Strong Historical Growth in Network Investment

Regulated Asset Base (TLbn)



Energy SBU

Well Focused to Adapt to Market Developments by Splitting Business Lines



**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.

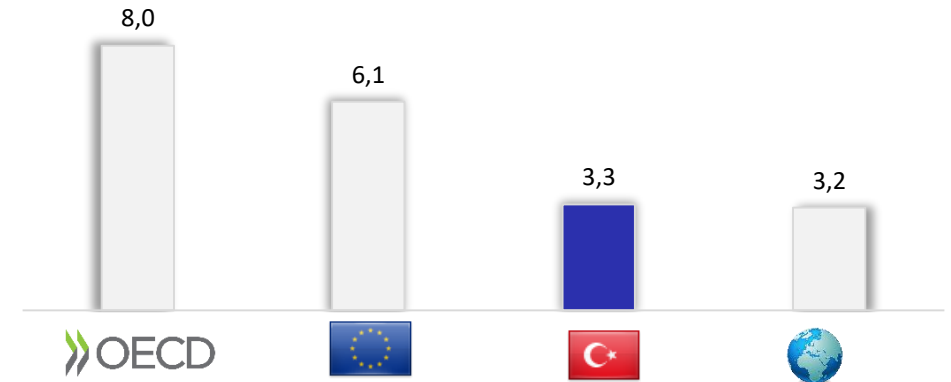
**Mechanisms to
promote use of local
resources**

- 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

Source: EIU, Worldbank, TEIAS, EMRA

Consumption Growth to Outpace EU Countries

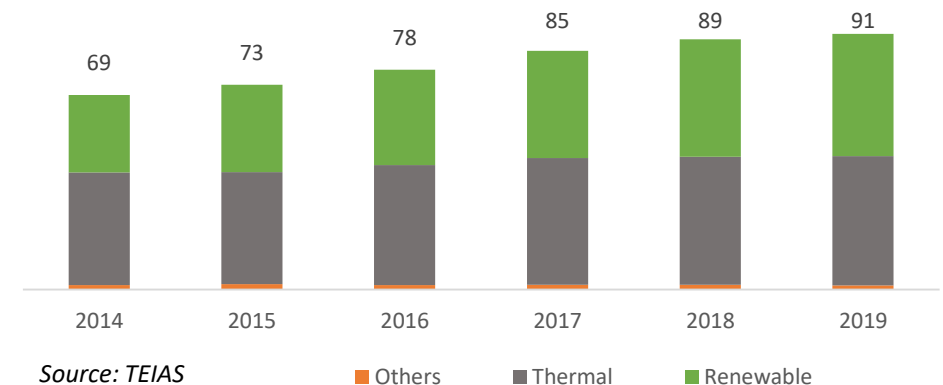
Electricity consumption per capita (MWh), 2017



Source: EIU, Worldbank

Increasing Renewable Electricity Generation Capacity

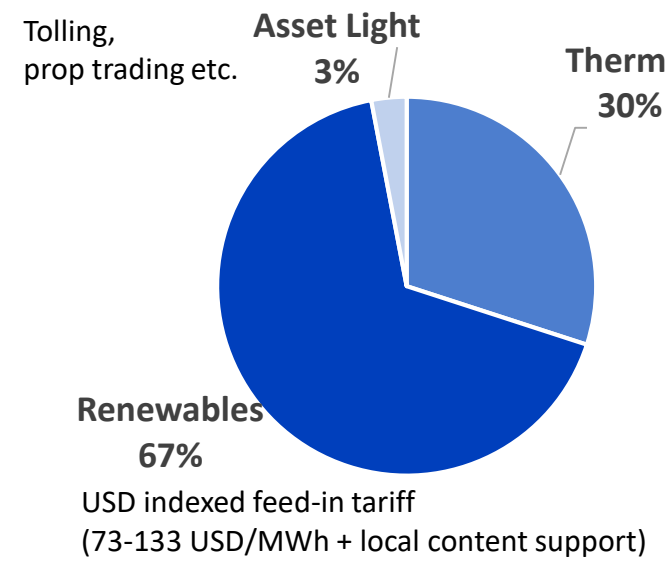
Installed Capacity of Turkey (GW)



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

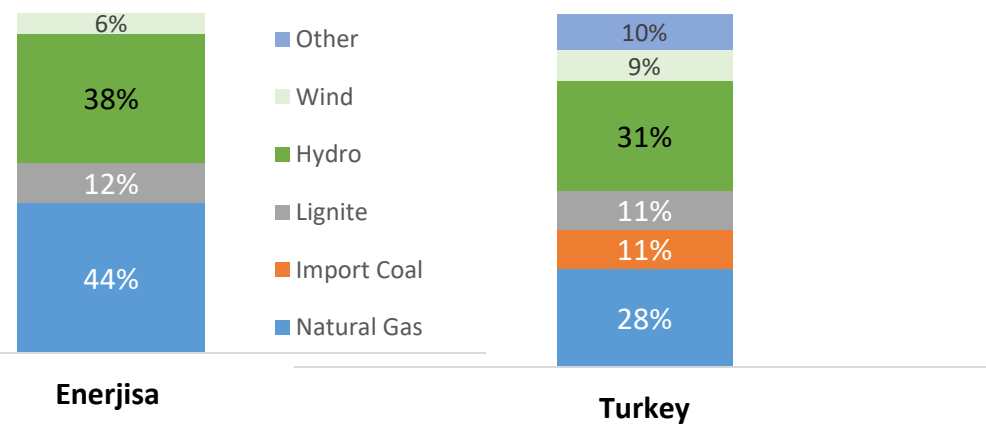
Breakdown of Generation EBITDA (2019)



- 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)

Renewables 67%
USD indexed feed-in tariff (73-133 USD/MWh + local content support)

Electricity Generation Mix in line with Country mix



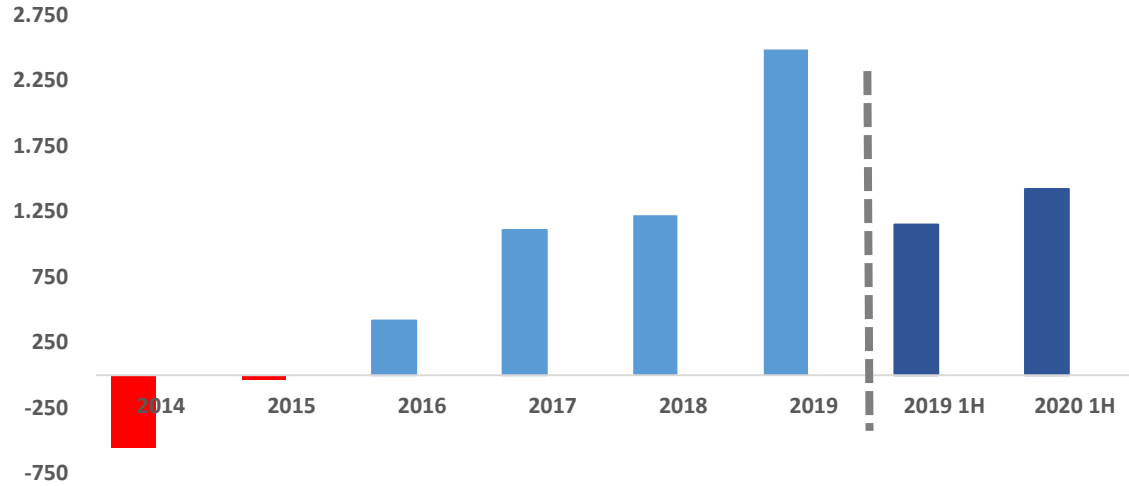
Further Growth for Renewable Pipeline

- 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

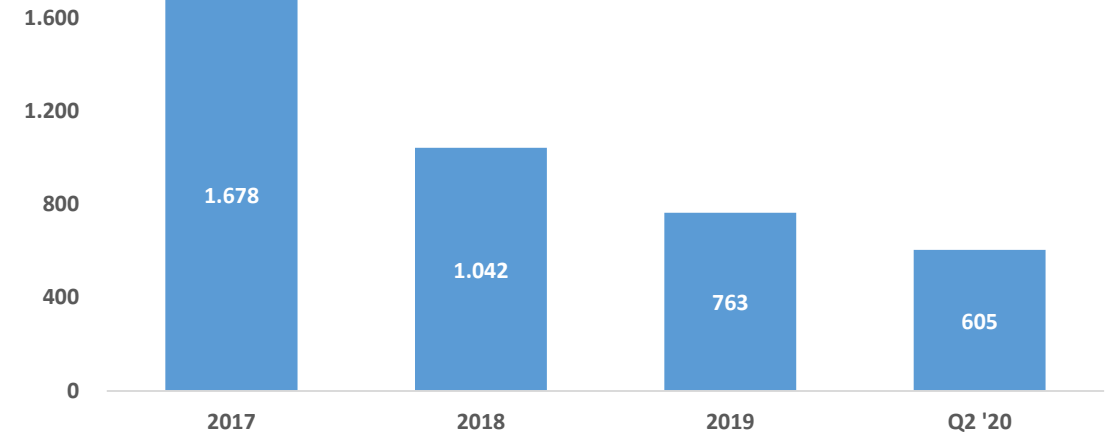
Strong Free Cash Flow Generation (MTL)



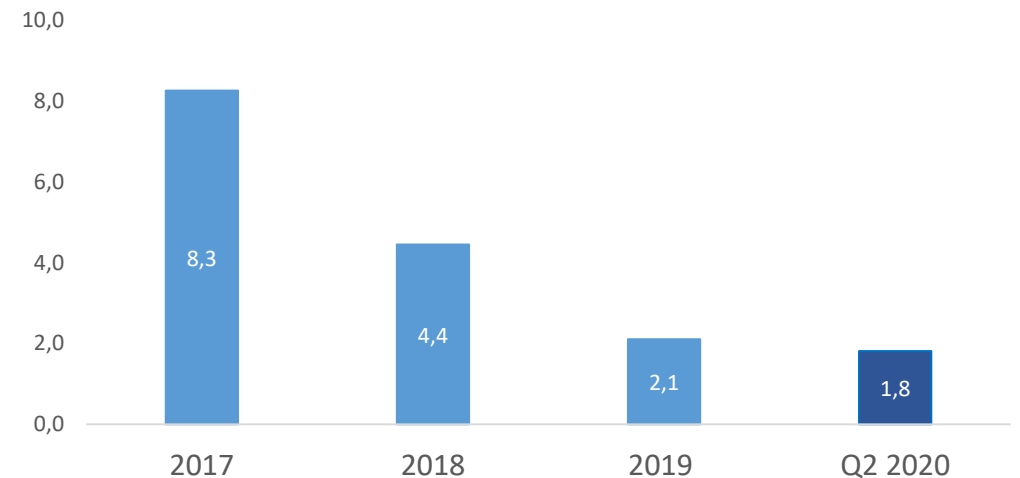
Drivers of strong Free Cash Flow Generation

- 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)

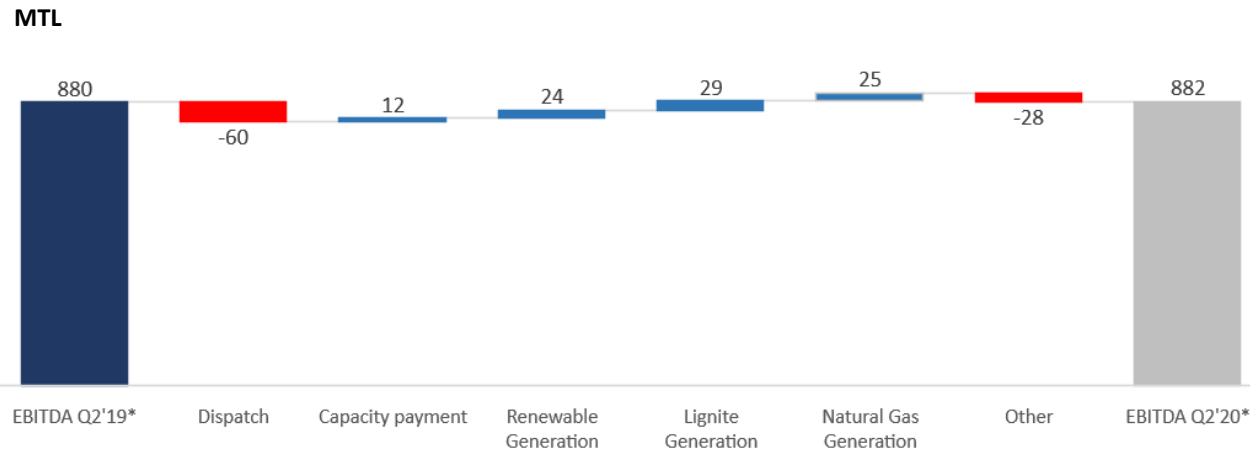


Generation: Latest Financials

MILLION TL	Q2 2019	Q2 2020	% Change	H1 2019	H1 2020	% Change
Net sales	1.726	1.949	13%	3.073	4.035	31%
EBITDA*	880	882	0%	1.536	1.688	10%
EBITDA* margin (%)	51%	45%	-5,7pp	50%	42%	-8,2pp
Depreciation	111	128	16%	221	252	14%
Financial Income/(expense)	-227	-271	-20%	-335	-435	-30%
Net income*	500	428	-14%	904	893	-1%

* Excludes non-operational one off items

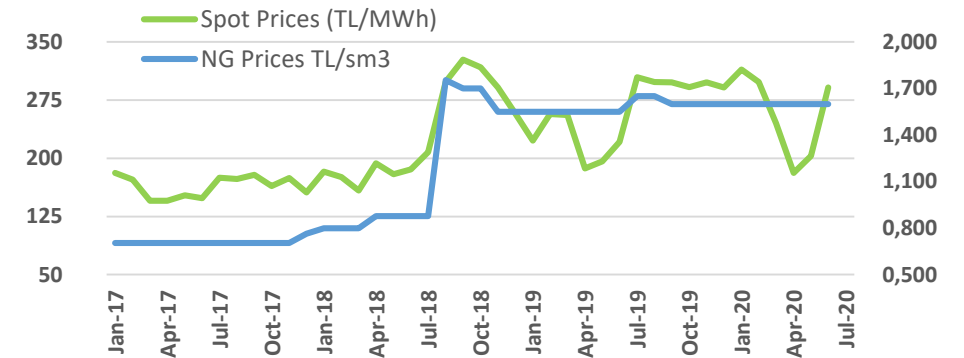
Quarterly EBITDA bridge



* Excludes non-operational one off items

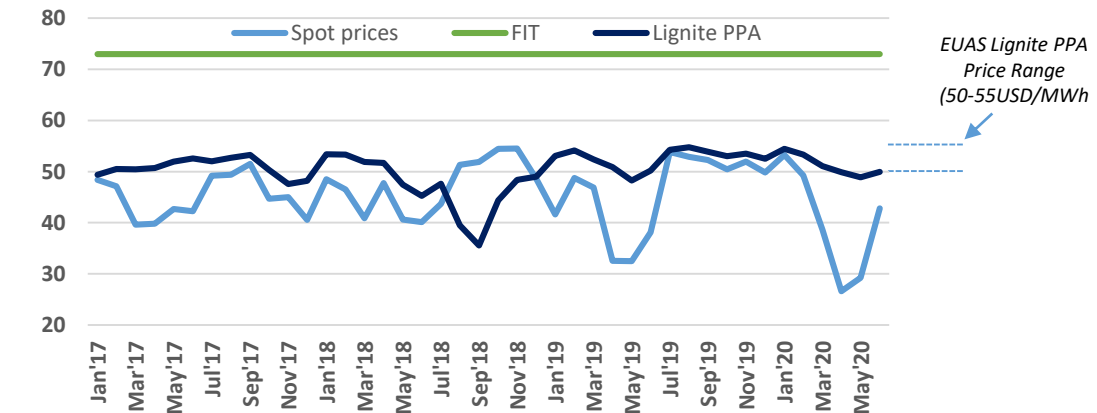
Spot prices started to recover with demand recovery

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)





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

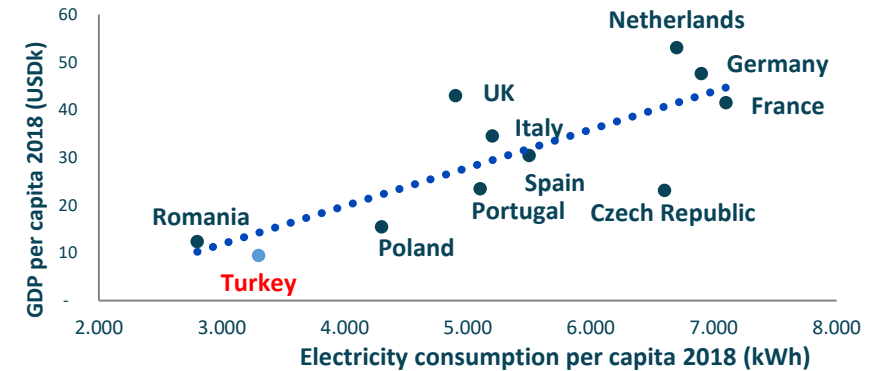


Impact from renewables / decentralised energy

- 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)

Source: EIU, Worldbank, TEIAS, EMRA

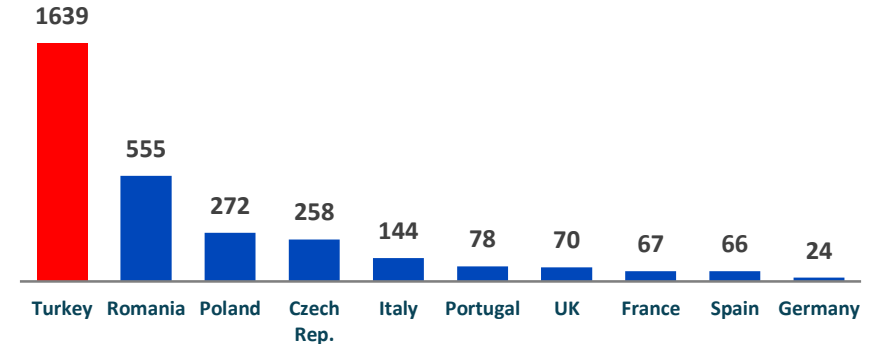
Electricity Consumption per Capita Significantly Below European Countries



Source: IEA, Worldbank

Unplanned Electricity Outages- Benchmarking

Minutes per year, 2016



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

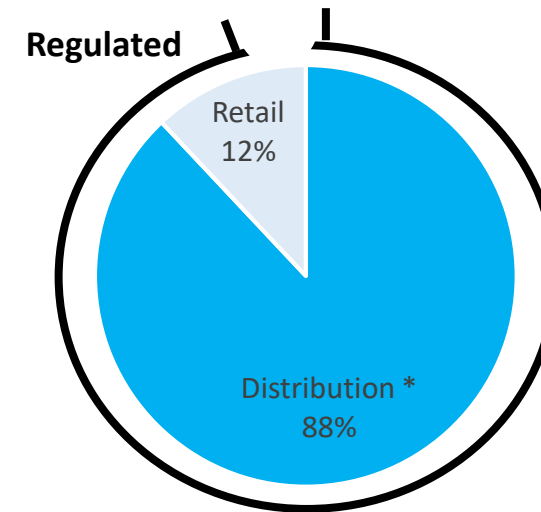


Competitive advantages

- 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

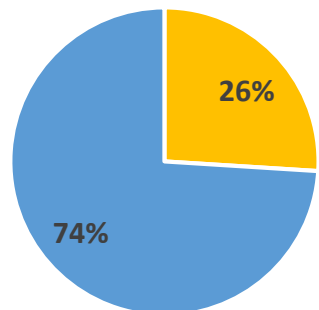
Supportive and Transparent Regulatory Framework

Breakdown of EBITDA (2019)

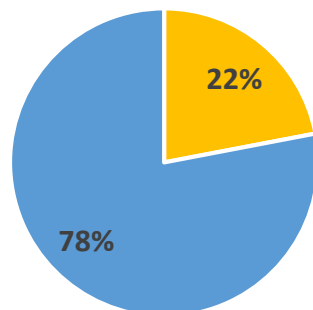


Turkey's no.1 electricity distribution and retail company

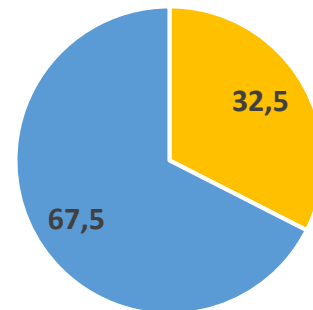
11.2 m Distribution Connections*



9.9 m Retail Customers*



Share of National RAB *



■ Enerjisa ■ Other Players

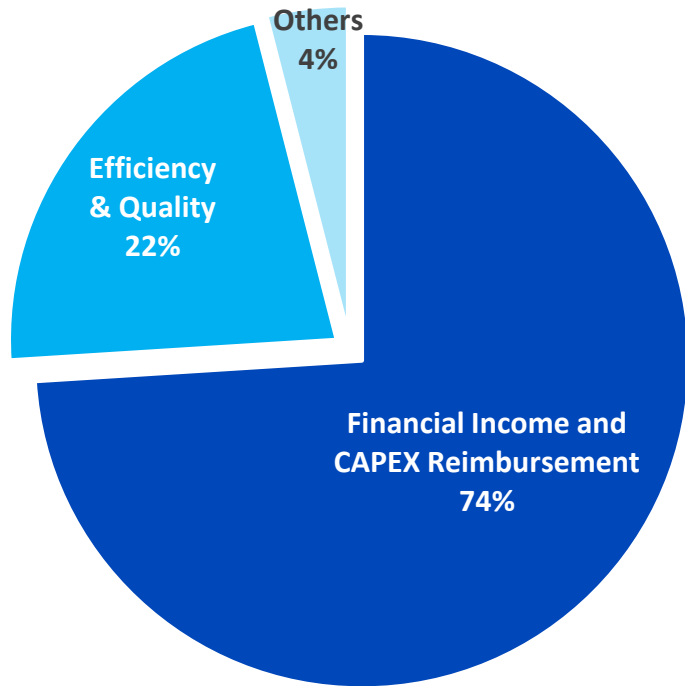
■ Enerjisa ■ Other Players

■ Enerjisa ■ Other Players

* As of 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)

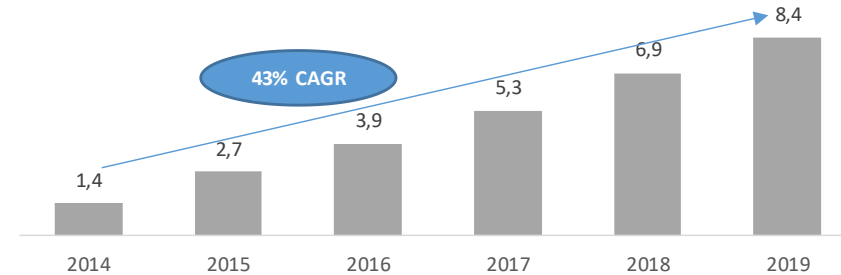
Distribution Operational Earnings*
Breakdown (2019)



*Operational Earnings include Capex Reimbursement

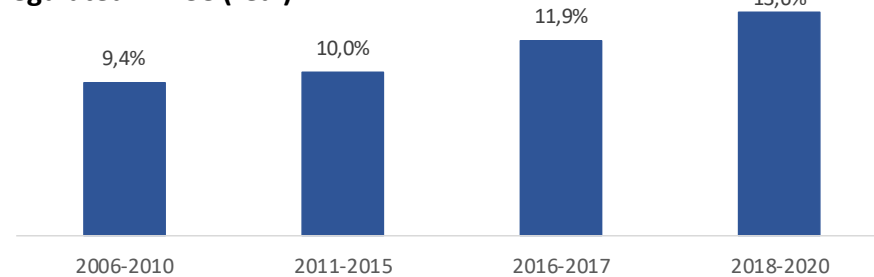
Strong Historical Growth and Untapped Potential

Regulated Asset Base (bn TL)



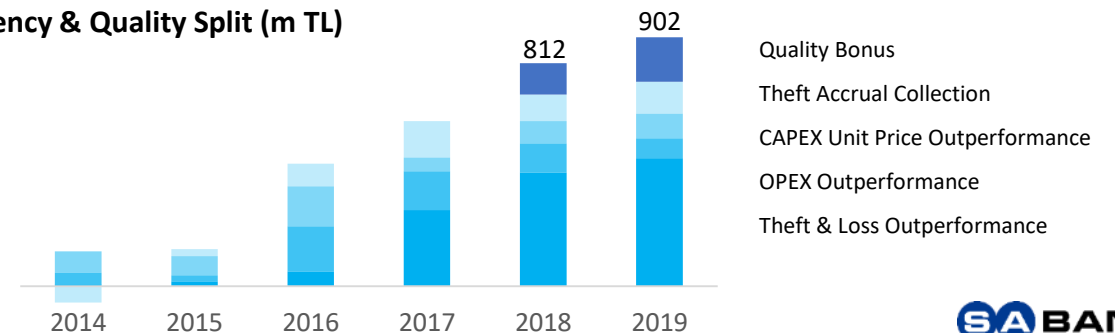
Regulation Incentivizes Investments

Regulated WACC (real)



High Support for Efficiency Improvements

Efficiency & Quality Split (m TL)

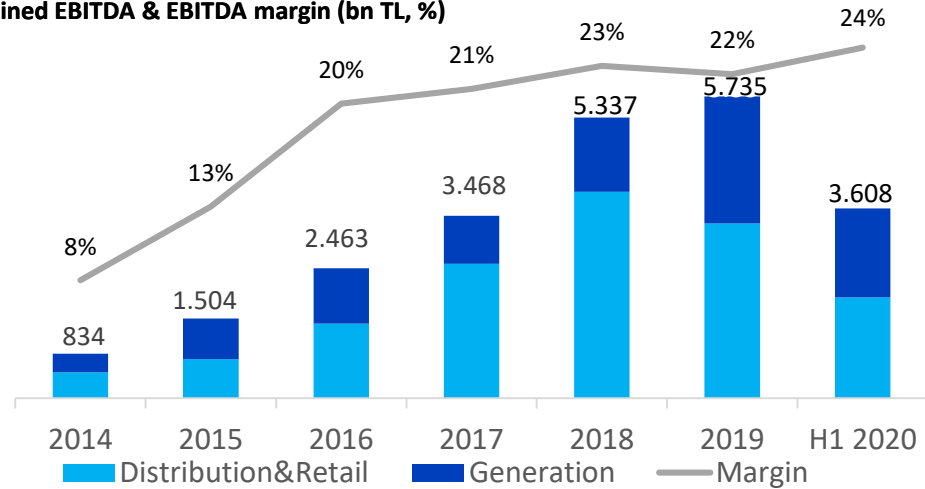


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Real Growth above GDP Growth and Favorable Trend in Performance and Returns

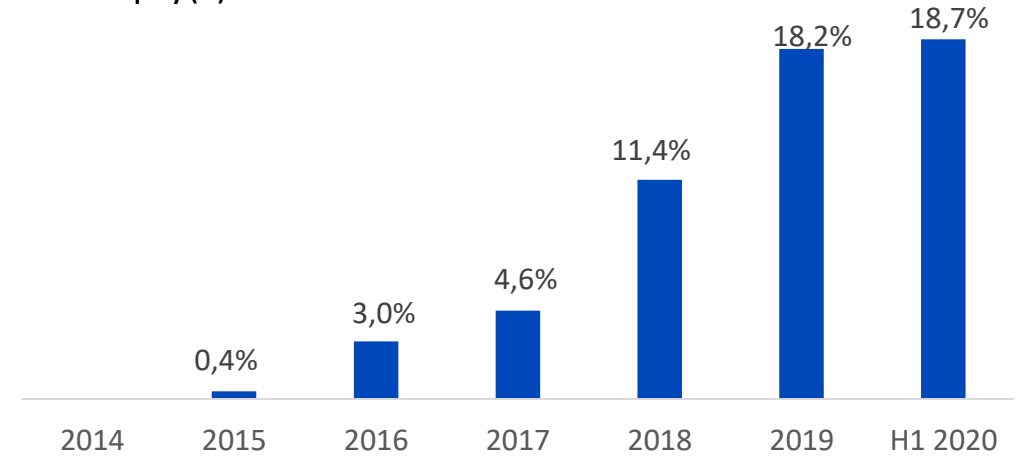
Strong growth in EBITDA

Combined EBITDA & EBITDA margin (bn TL, %)



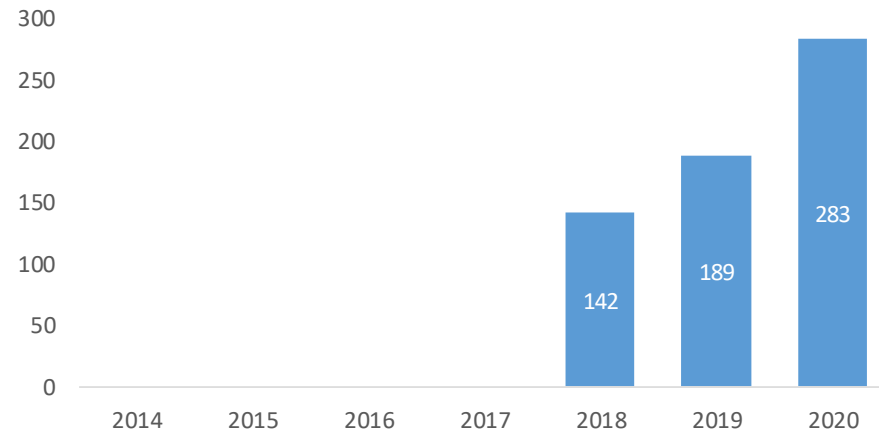
Improvement in ROE

Return on Equity (%)



Paying back to the shareholders

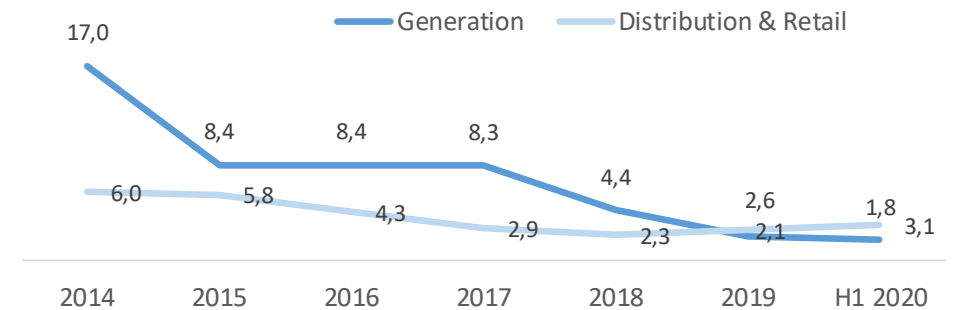
Dividends Paid to Sabancı Holding (m TL)**



** As of June 2020

Deleveraging..

Net Debt / EBITDA* Ratio (x EBITDA*)



* Excludes non-operational one off items

Clear strategies for sustained and profitable growth with efficient investments and operational excellence

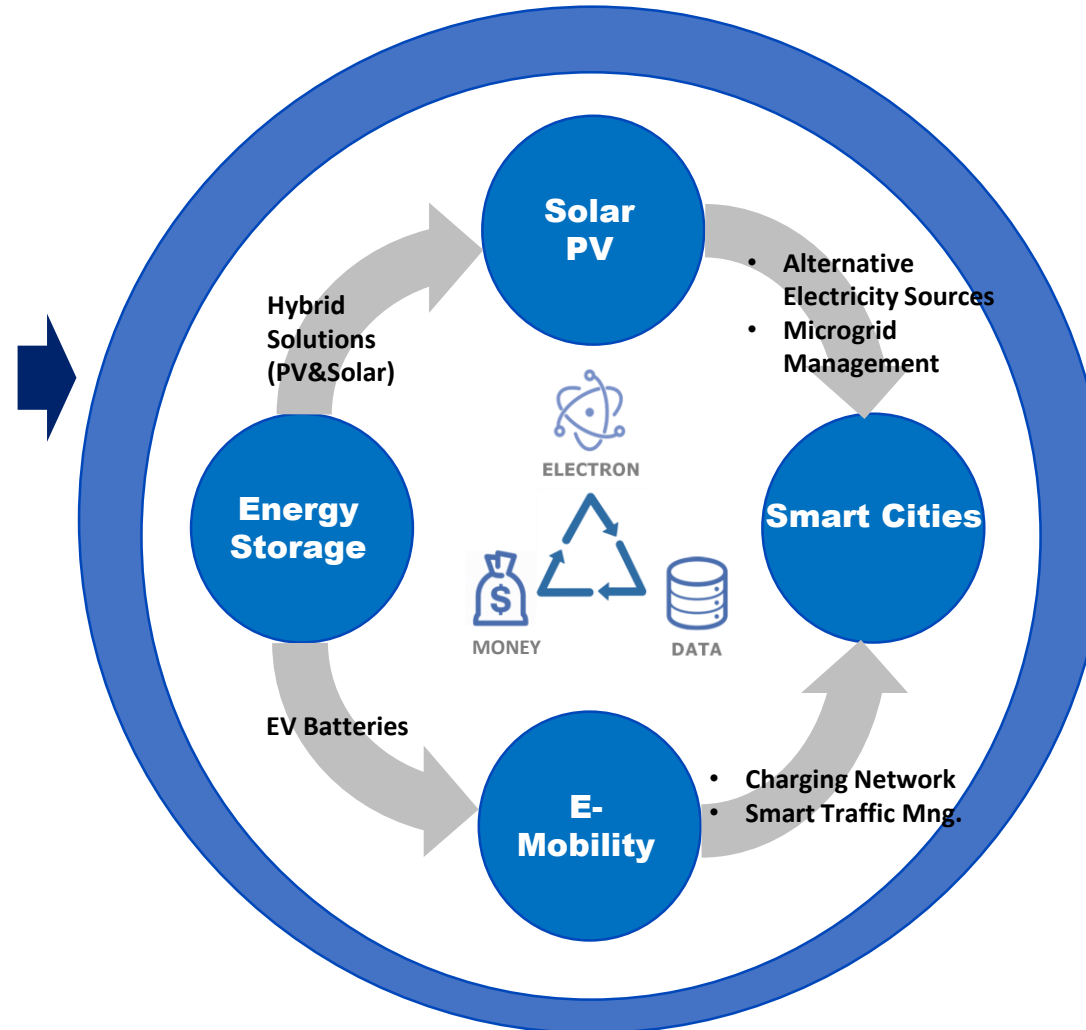
ENERJİSA
ÜRETİM

ENERJİSA
Türkiye'nin Enerjisi

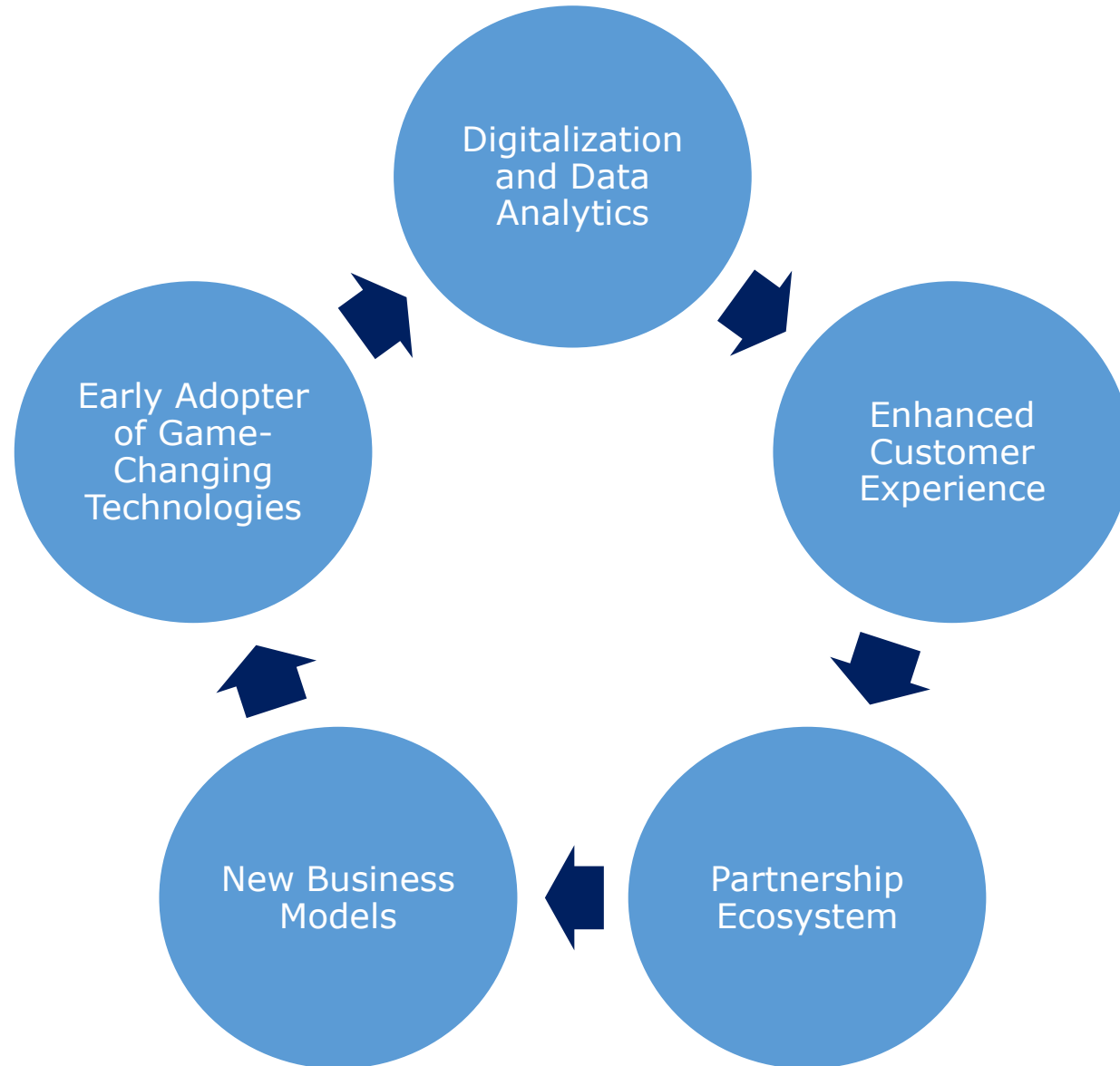


Energy SBU assessed new business areas based on Sabancı Holding investment criteria, global mega trends and industry/market dynamics

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



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



- We are committed to staying at the center of the technologies that will shape the future energy world
- We aim to build our human capital and competencies to enhance our leadership position
- We position ourselves in the center of the local and global innovation ecosystem
- Sustainability is our guiding principle in each and every business decision we take