

# Energy

## SBU strategies

# Disclaimer

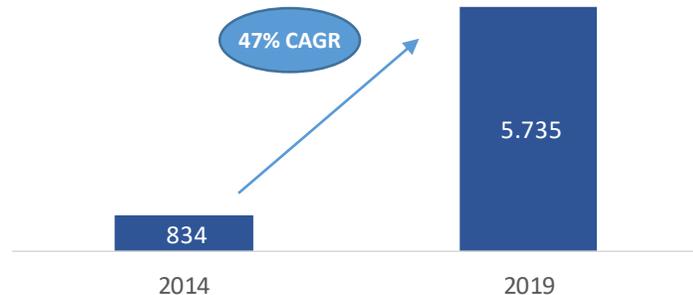
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	Pages
• Turkish Electricity Sector and its Importance for Sabanci	4-7
• Generation Segment	8-11
• Distribution and Retail Segment	12-14
• Energy SBU Financials	15
• Strategies for Future	16-18

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

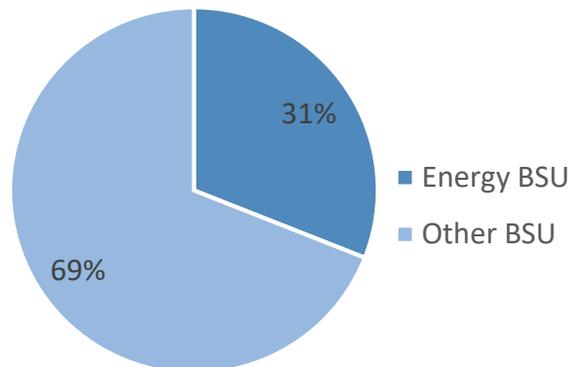
## Share of Energy Increasing in Non-bank Combined EBITDA\*

Energy SBU Combined EBITDA (MTL)



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

## Significant Share in 2019 Non-bank Dividend\* Stream



\*Dividend proposals



### 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



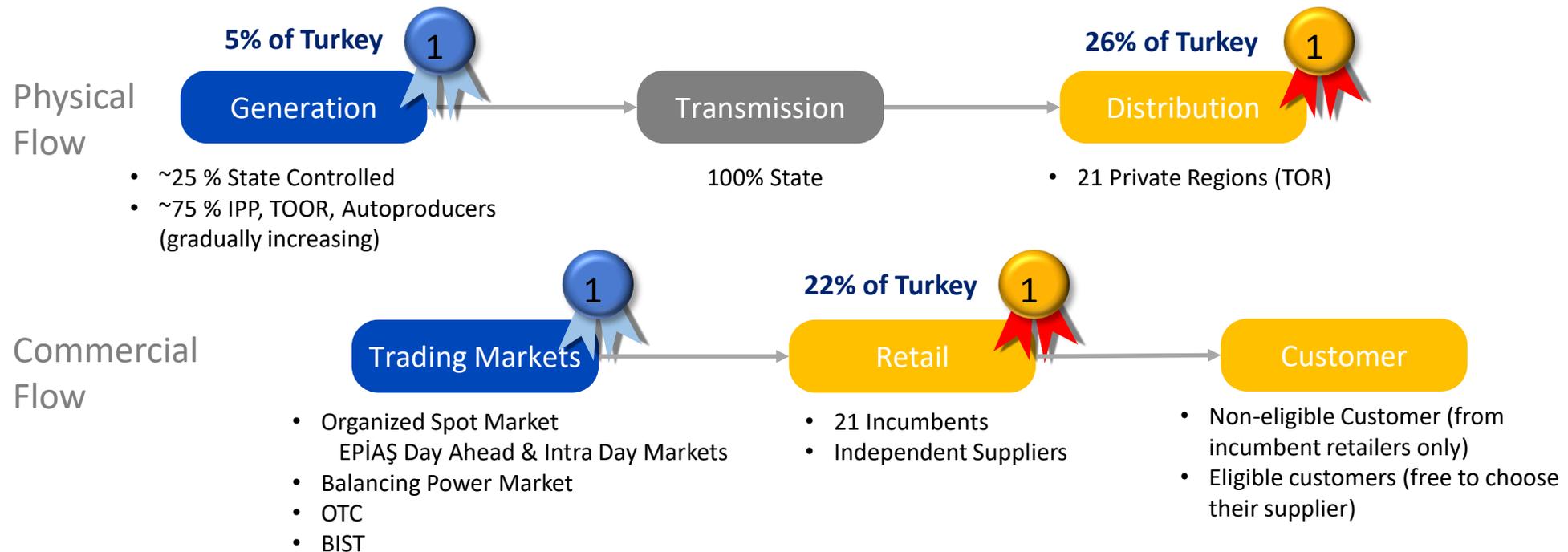
### Future Trends

- 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.

ENERJİSA ÜRETİM

## Generation &amp; Trading

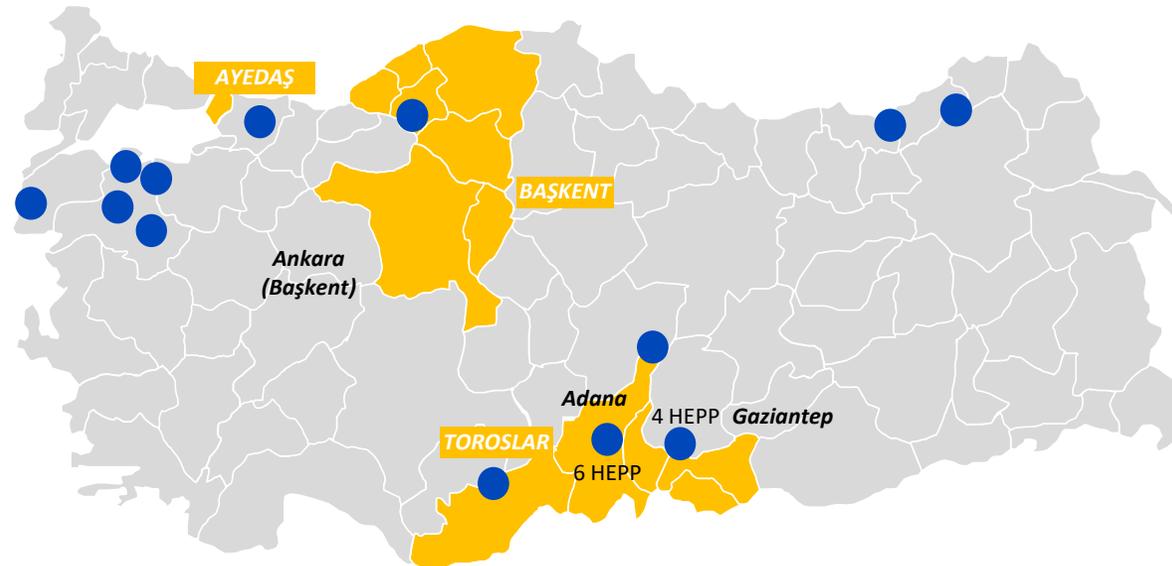
1<sup>st</sup> Private Player3.607 MW  
Capacity

21 Power Plants

15 TWh  
Generation

44% Renewables

+12 TWh Trading

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Türkiye'nin Enerjisi

## Distribution &amp; Retail

14 Cities

6 Metropolises

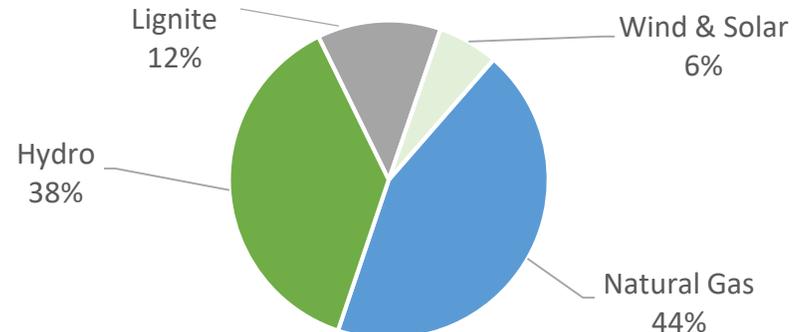
21+ m  
Population

9.6 m Customers

232,000 km  
Network11.2 m  
ConnectionsTL8.4bn  
2019 RAB

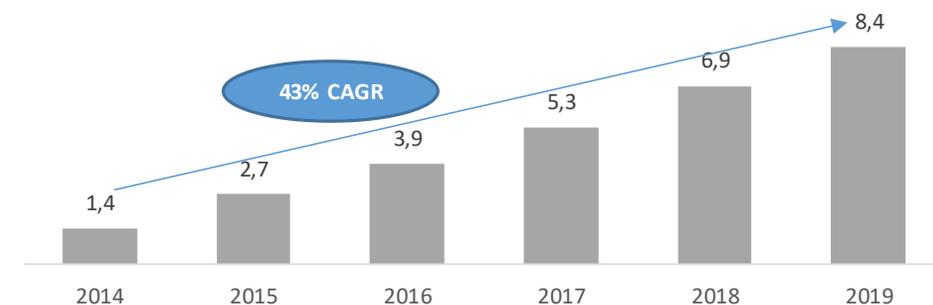
## Well Balanced Generation Portfolio

Installed Capacity (3.607 MW)



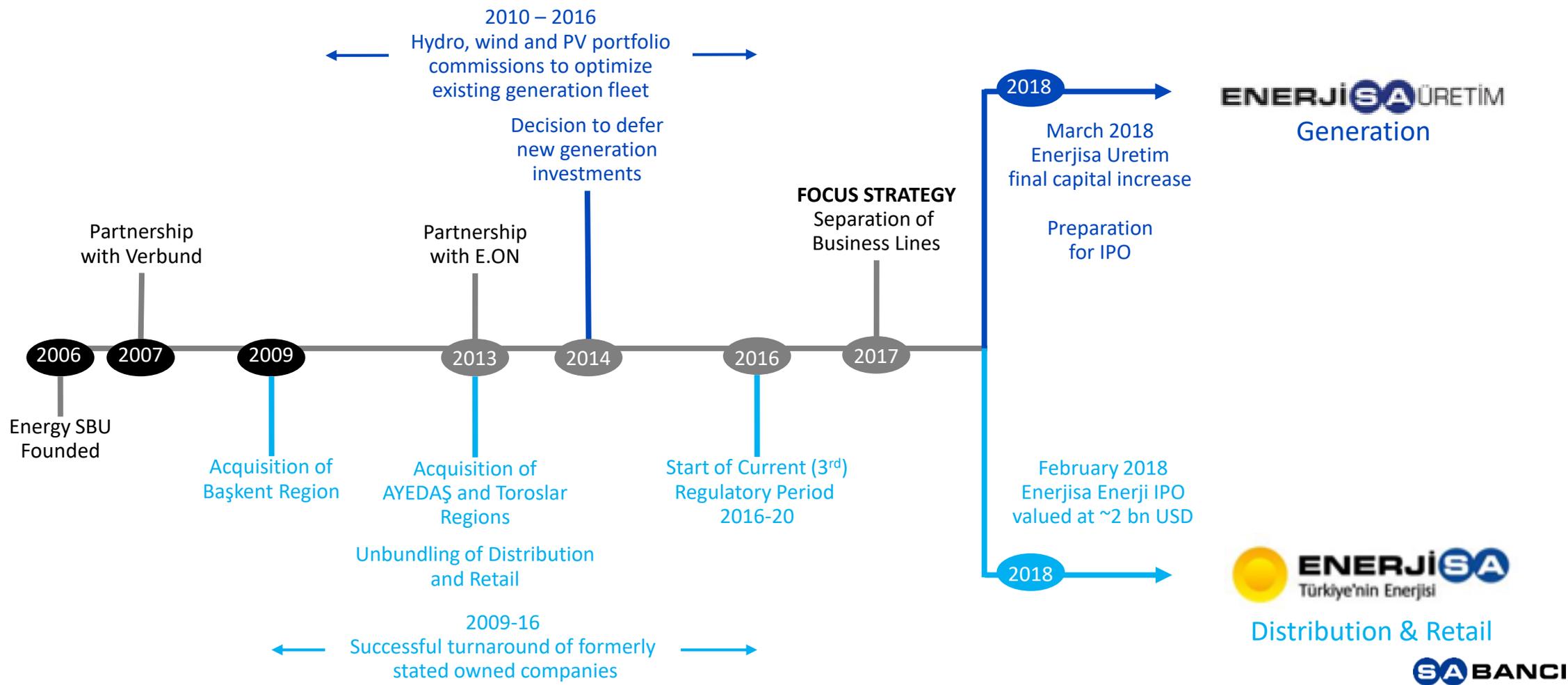
## Strong Historical Growth in Network Investment

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.



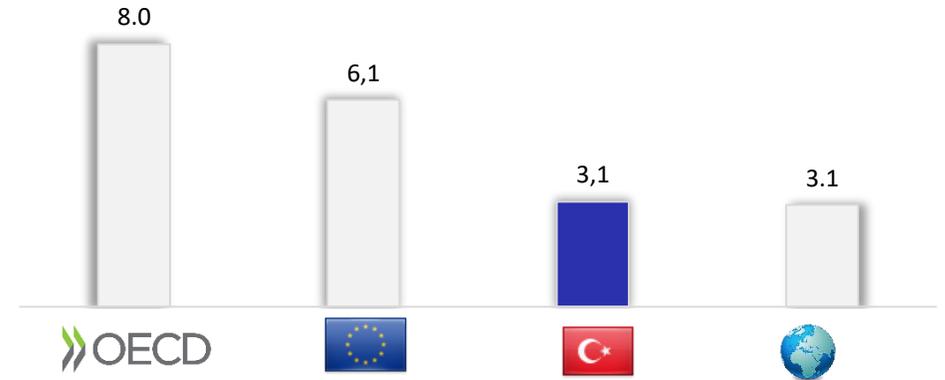
**Mechanisms to promote use of local resources**

- 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

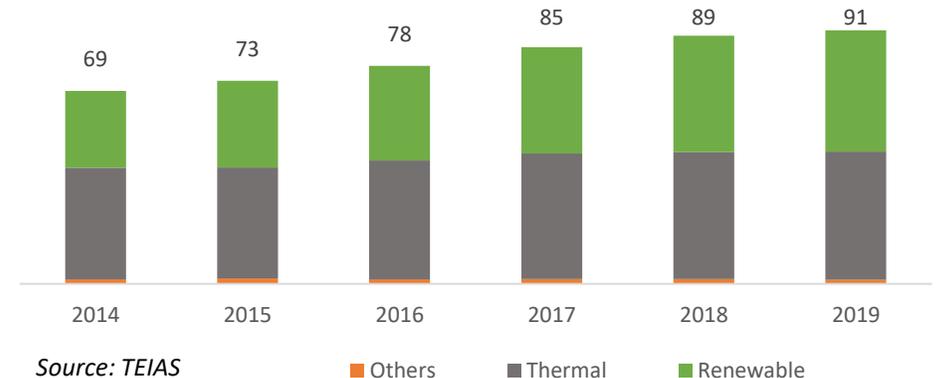
Electricity consumption per capita (MWh), 2016



Source: EIU, Worldbank

## Increasing Renewable Electricity Generation Capacity

Installed Capacity of Turkey (GW)

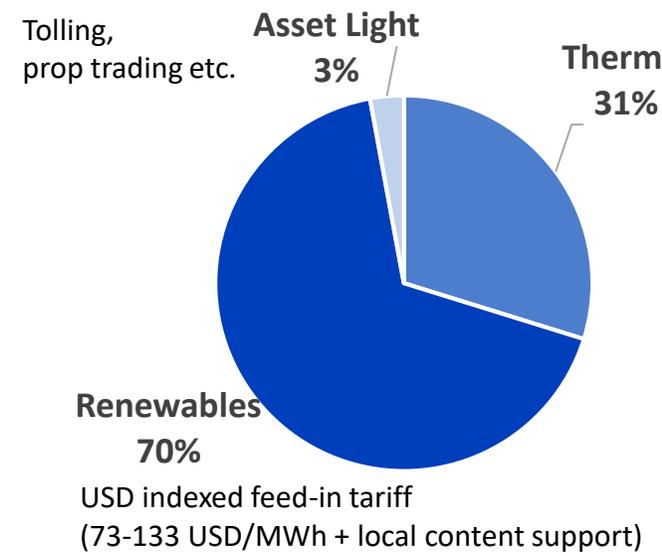




**Competitive advantages**

- 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

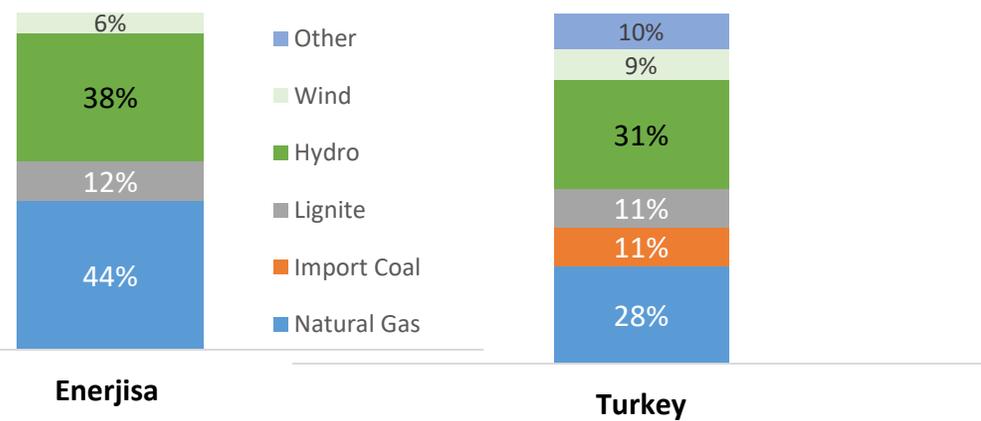
**Breakdown of Generation EBITDA (2019)**



- Natural Gas :**
- Merchant play (~45 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 (~45 USD/MWh)
  - Capacity mechanism (from 2018)

**Renewables 70%**  
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**

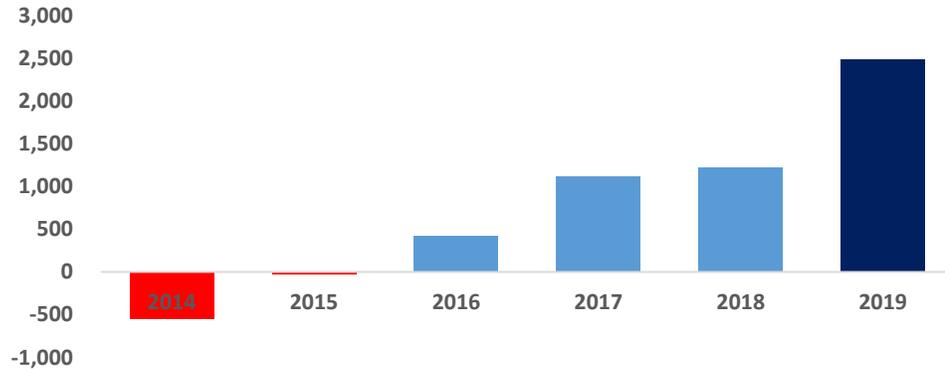
- In May 2019 two wind tenders with total 500 MW capacity are won by Enerjisa Üretim with following results;

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)

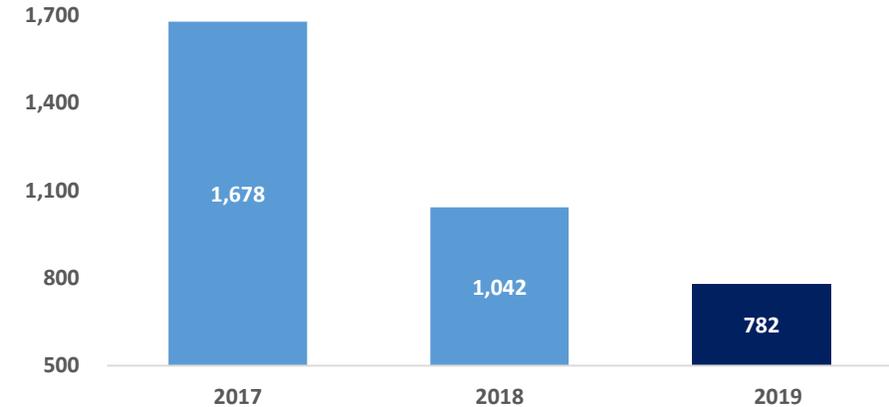
FCF ( million TL)



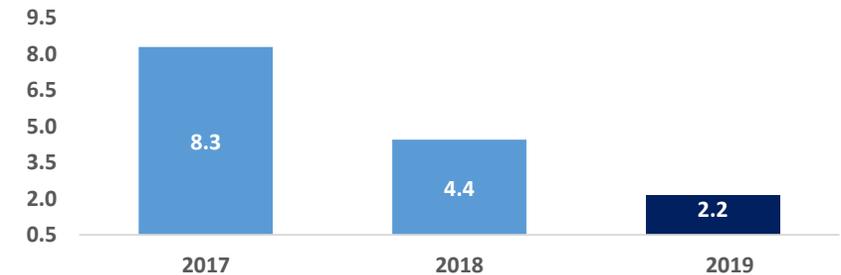
## Drivers of strong Free Cash Flow Generation

- Hard Currency FIT EBITDA
- Limited Capex requirement
- Improved Efficiency
- High free cash flow generation
- 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)



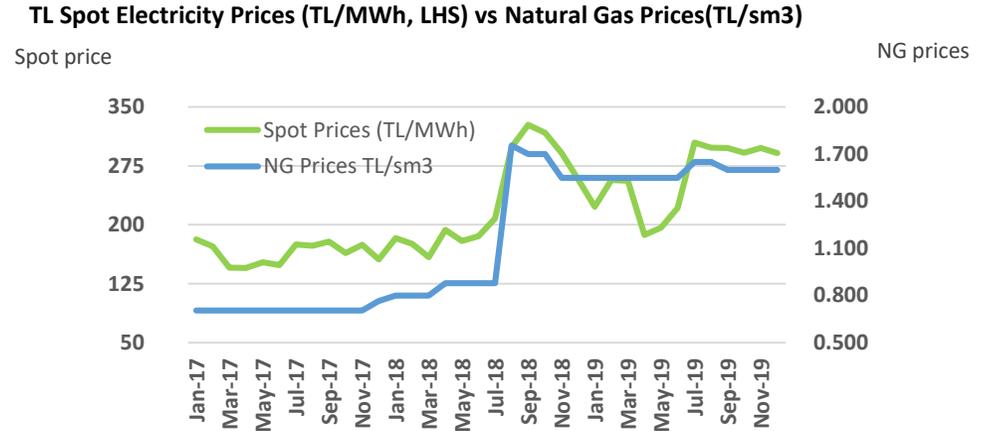


## Generation: Latest Financials

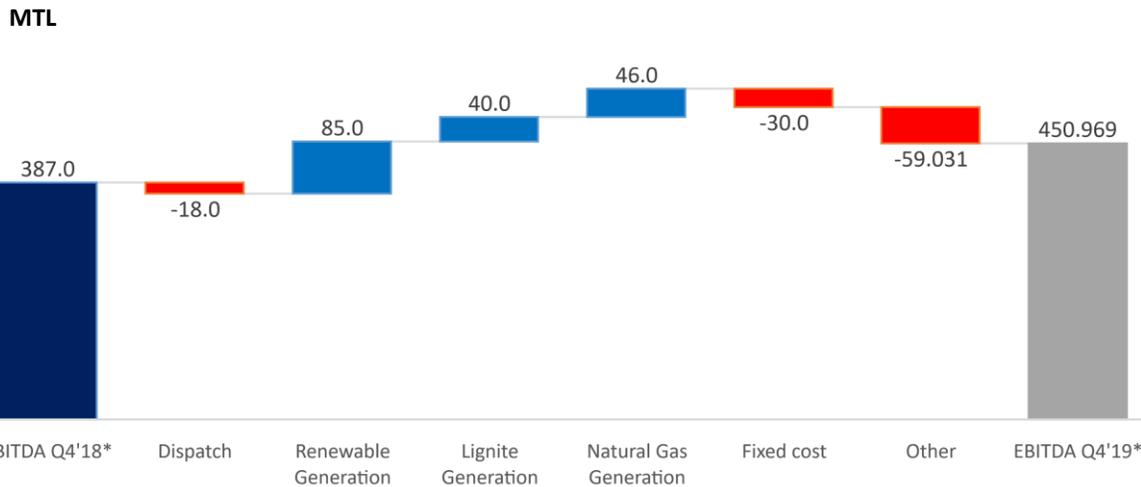
MILLION TL	Q4 2018	Q4 2019	% Change	2018	2019	% Change
Net sales	1.723	1.735	1%	5.301	6.559	24%
EBITDA*	387	451	17%	1.413	2.404	70%
EBITDA* margin (%)	22%	26%	3,5pp	27%	37%	10,0pp
Depreciation	111	123	11%	439	466	6%
Financial Income/(expense)**	-167	-168	0%	-1.329	-658	51%
Net income*	349	118	-66%	39	1.172	2905%

\* Excludes non-operational one off items

## Normalization in electricity prices.. Dollarized prices

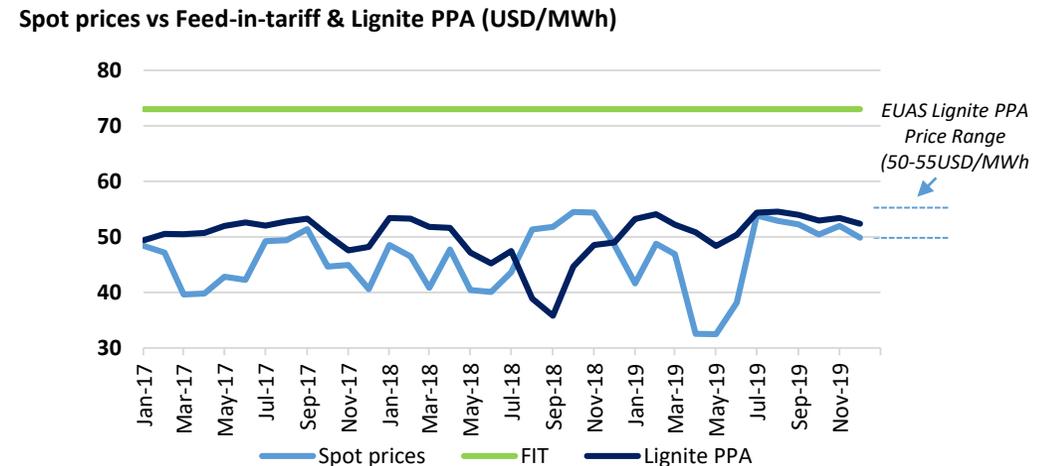


## Quarterly EBITDA bridge



\* Excludes non-operational one off items

## ...prices are still below Feed-in-tariff





### 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 31 years
- Urbanization rate 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 3.1 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

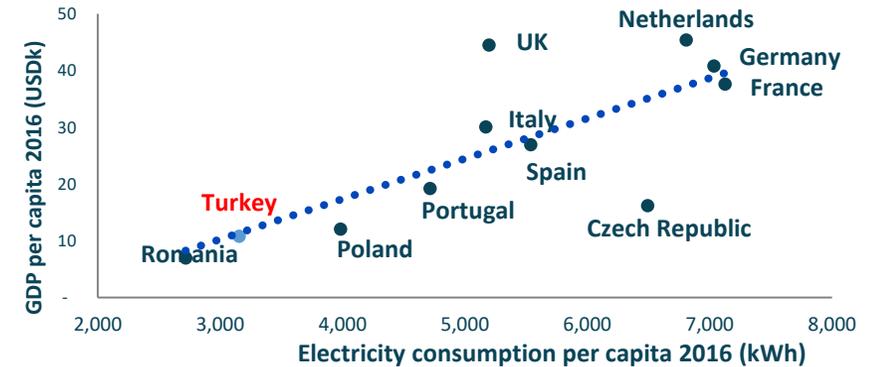


### Impact from renewables / decentralised energy

- 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 since 2023)

Source: EIU, Worldbank, TEIAS, EMRA

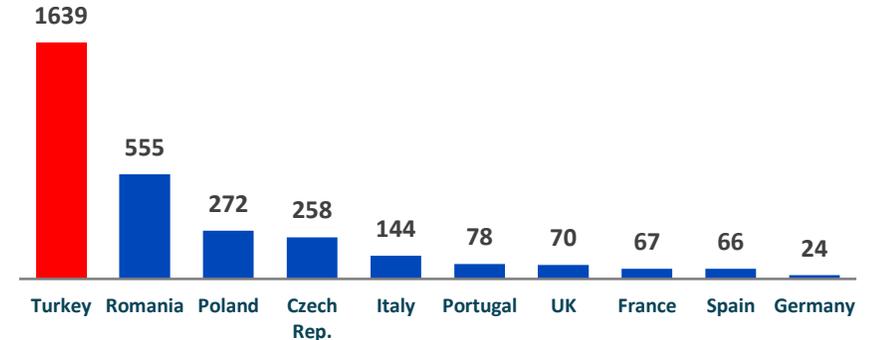
## Electricity Consumption per Capita Significantly Below European Countries



Source: EIU

## Unplanned Electricity Outages- Benchmarking

### Minutes per year, 2016



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

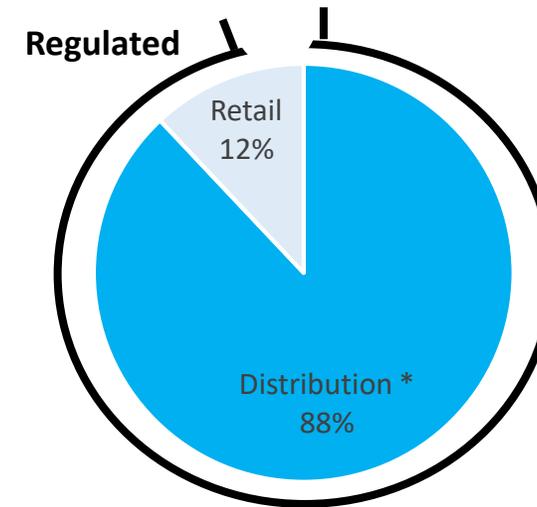


## Competitive advantages

- 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

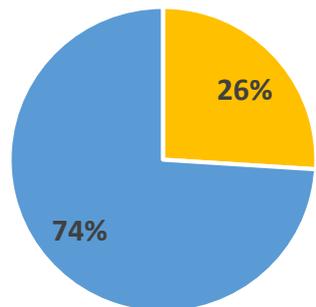
## Supportive and Transparent Regulatory Framework

Breakdown of EBITDA (2019)

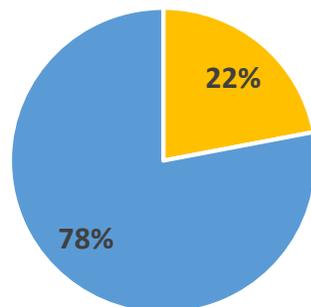


## Turkey's no.1 electricity distribution and retail company

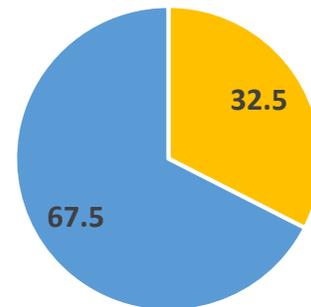
11.2 m Distribution Connections\*



9.9 m Retail Customers\*



Share of National RAB \*



■ Enerjisa ■ Other Players

■ Enerjisa ■ Other Players

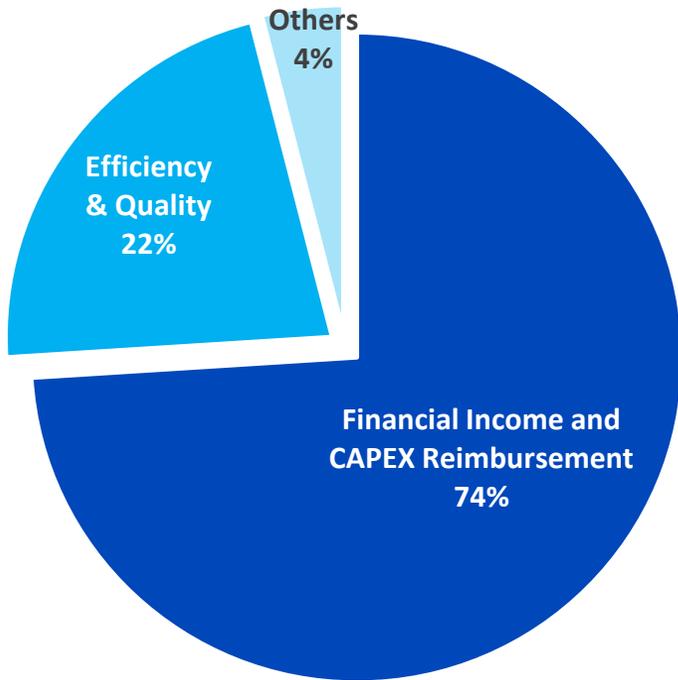
■ Enerjisa ■ Other Players

\* 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)



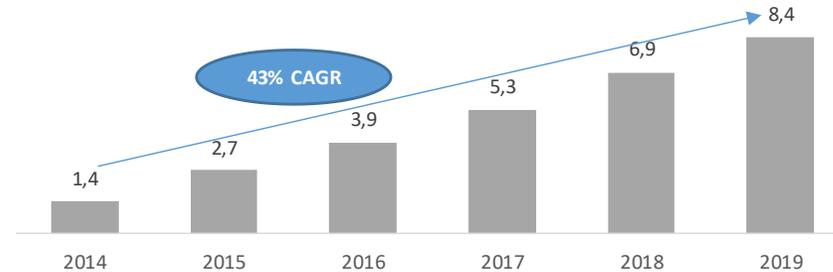
Distribution Operational Earnings\*  
Breakdown (2019)



\*Operational Earnings include Capex Reimbursement

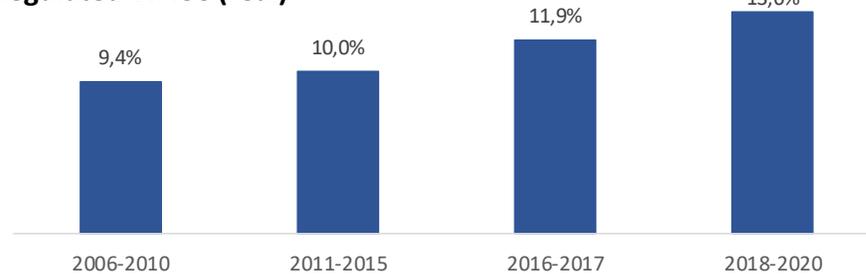
Strong Historical Growth and Untapped Potential

Regulated Asset Base (bn TL)



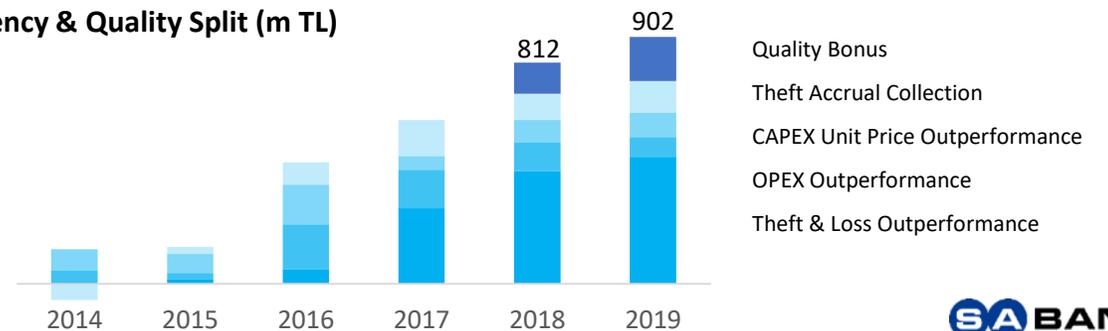
Regulation Incentivizes Investments

Regulated WACC (real)



High Support for Efficiency Improvements

Efficiency & Quality Split (m TL)

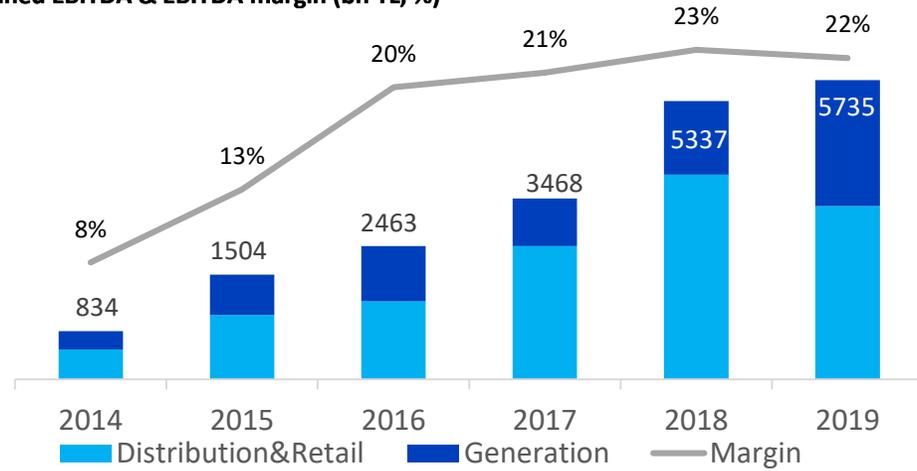


# Energy SBU

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

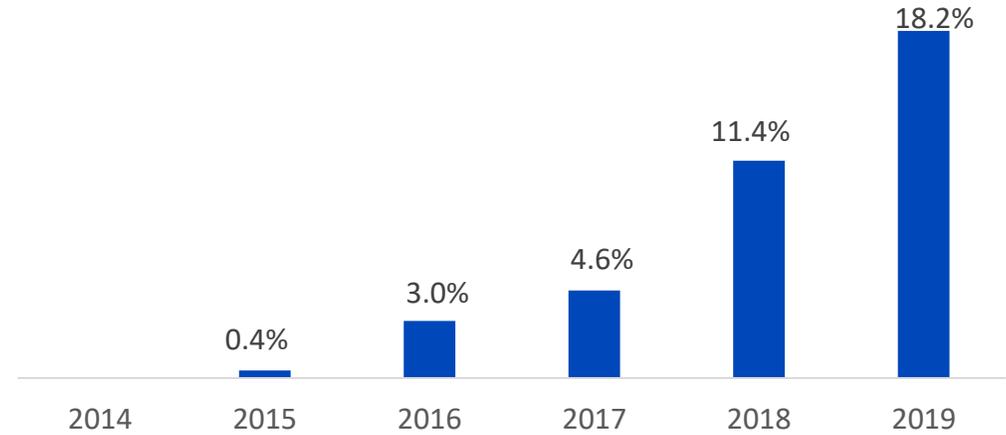
## Strong growth in EBITDA

Combined EBITDA & EBITDA margin (bn TL, %)



## Improvement in ROE

Return on Equity (%)



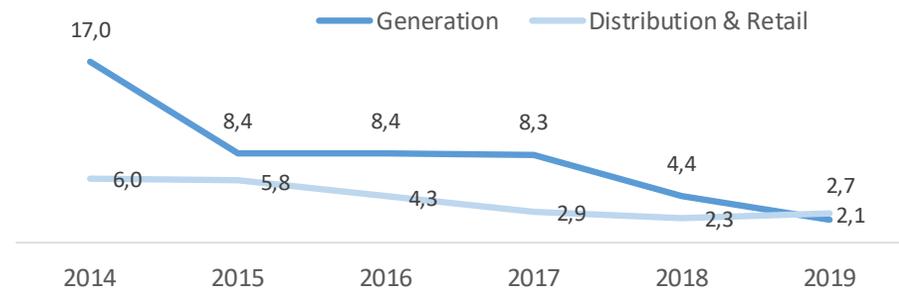
## Paying back to the shareholders

Dividends Paid to Sabanci Holding (m TL)



## Deleveraging..

Net Debt / EBITDA Ratio (x EBITDA\*)



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

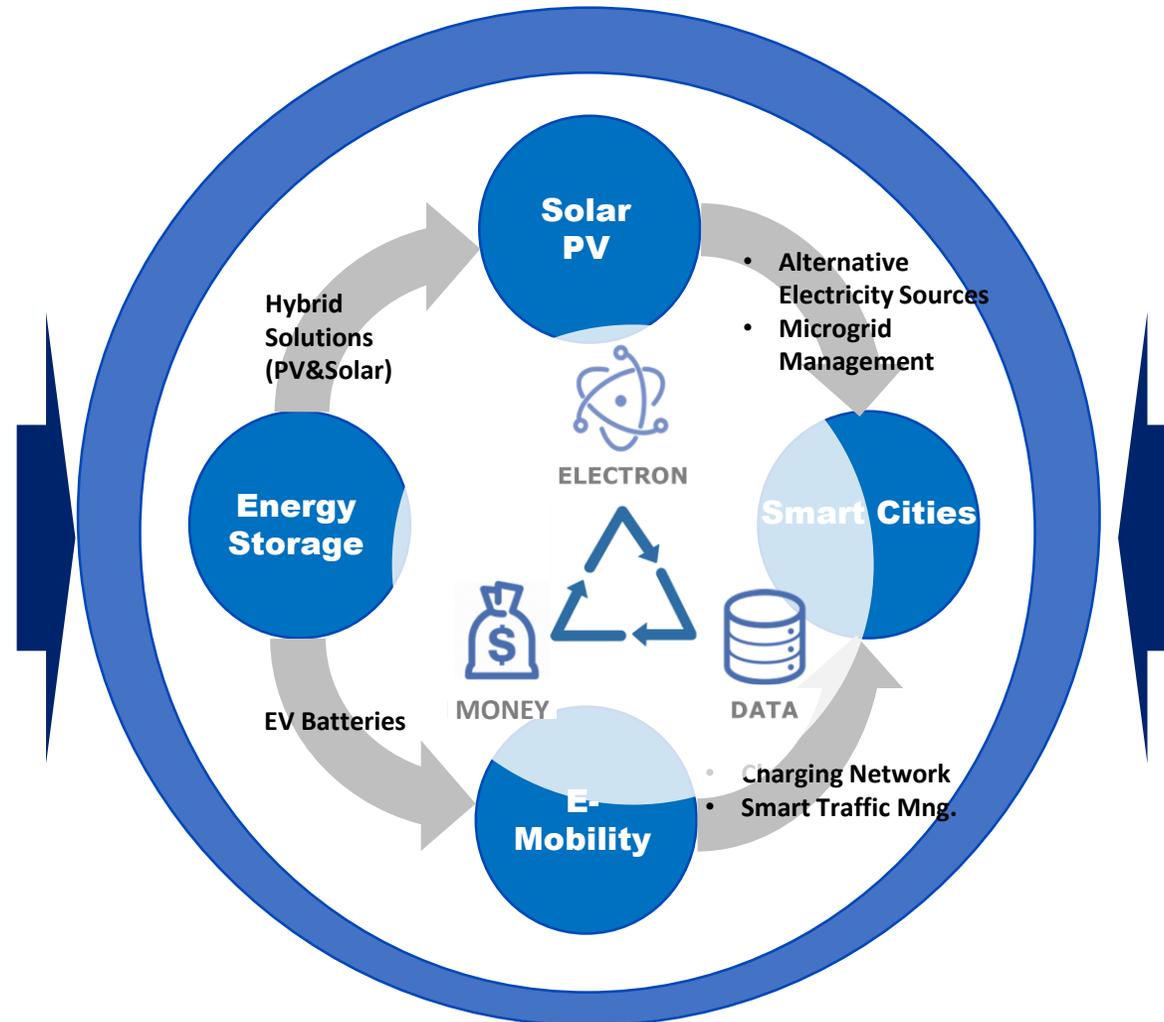
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ÜRETİM

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Türkiye'nin Enerjisi

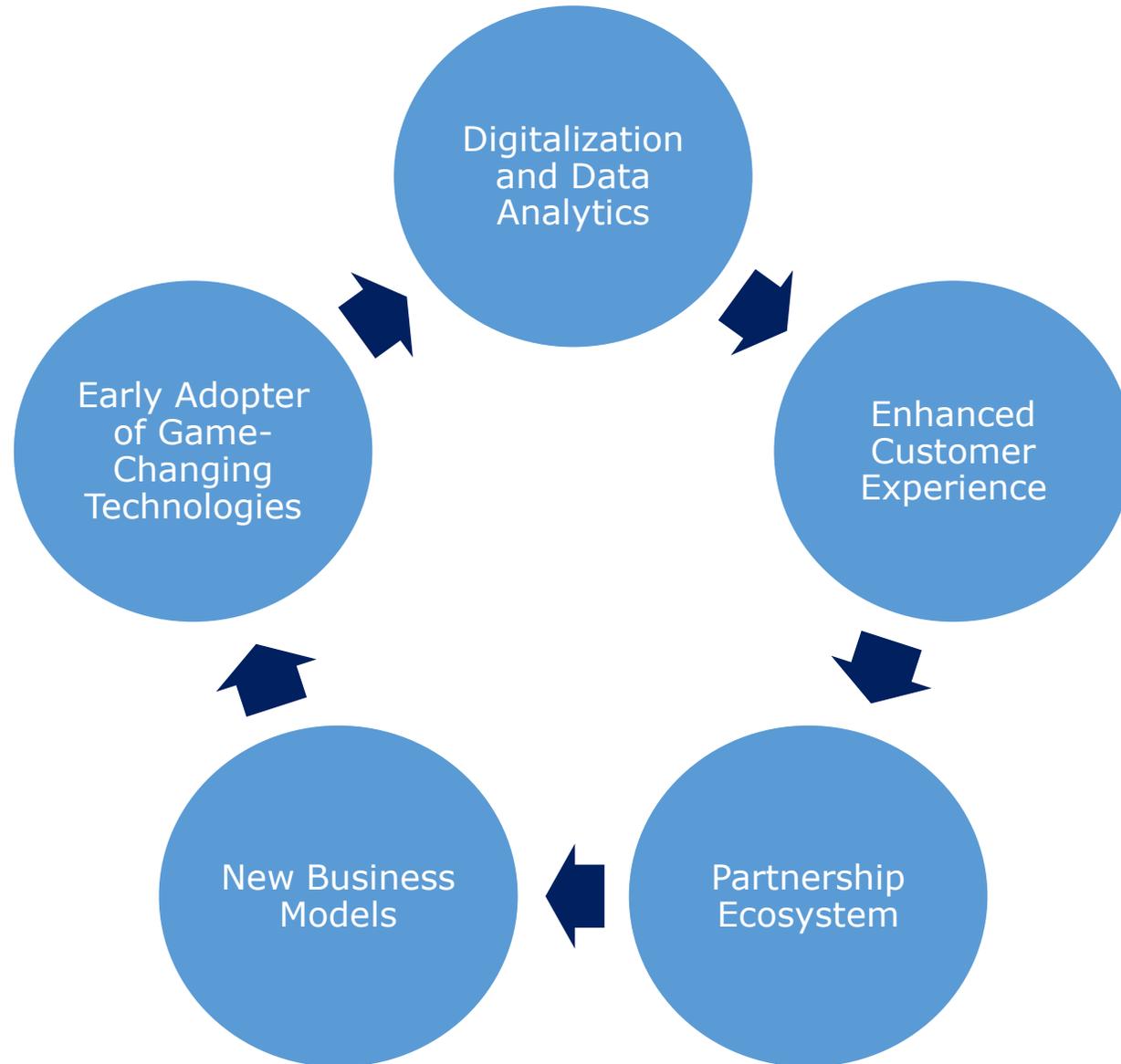


Energy SBU assessed new business areas based on Sabancı Holding investment criteria, global mega trends and industry/market dynamics

- ✓ 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