

Sabancı Holding

Q1 2023 Financial Results

Earnings Release

May 8, 2023

Solid results amid challenges and uncertainties

The first quarter of the year has been marked by global and local macro volatility and the devastating earthquake in the eastern part of Türkiye. Yet, Sabancı Holding managed to deliver solid set of results despite challenges and uncertainties owing to its balanced portfolio supported by its successfully executed transformation process that has accelerated in 2022.

In addition to its undisputed presence in banking and financial services, the Group is committed to support the “new economy” investments of energy and climate technologies, advanced material technologies and digital technologies through its well-executed capital allocation strategy. Moreover, Sabancı Holding maintained its strong focus on improving its ESG roadmap. After defining 80 high-level actions to transform its entire Group activities in 2022, the Group has provided its commitment to reduce Scope 1 and Scope 2 carbon emissions by 42% until the end of 2030, in line with global standards set by The Science Based Targets initiative (SBTi).

The Group’s revenue* growth remained solid at 76% led by banking and energy businesses. Consolidated net income* growth materialized at 18%. The Group generated TL9.0bn operational cash flow* in the first quarter of the year. Cash at the Holding-only level stood at TL6.5bn and non-bank Net Debt/EBITDA* remained at 0.4x at the end of the quarter. Consolidated ROE* sharply improved compared to the same period in 2022 and reached 35%.

Sabancı Holding CEO Cenk Alper said:

“I am happy to report robust a set of results in a very challenging quarter at the start of 2023.

Once again, we are deeply saddened by the tragedy caused by devastating earthquake that has affected 10 cities at the eastern part of Türkiye. Our Group has also been impacted from this tragedy as almost 7 thousand employees have been directly affected. We continue to provide all the support for the speedy recovery of the region.

Aside from the major impact of the earthquake, global and local macroeconomic volatility coupled with continued inflationary pressures played important role in the first quarter of the year. I am proud of our execution that resulted in our well-diversified portfolio to deliver steady growth in this difficult period. Our balance sheet and liquidity remain strong to weather through uncertainties and capitalize on opportunities.

In addition to our solid performance, we remain at the forefront in terms of sustainability. As a part of our Net Zero target in 2050 and in line with proposals set by SBTi, a globally recognized entity that provide targets on sustainability, the Group provided its commitment to reduce Scope 1 and Scope 2 emissions by 42% by 2030. All the Group companies will provide their support in reaching 42% emission reduction by shifting to renewable energy, increasing alternative fuel usage, reducing theft and loss in electricity distribution, increase green hydrogen usage and continue to invest in the “new economy”.

Furthermore, we are fully dedicated to investing in climate technologies, advanced material technologies and digital technologies, which we believe are the integral driver for us reaching our 2050 Net Zero target.

Looking forward to continuing to deliver solid performance for the rest of the year.”

Financial Highlights for the period

- Combined revenue* in Q1 2023 exceeded TL124bn registering 76% y/y growth, driven mainly by banking and energy businesses.
- Combined EBITDA* in Q1 2023 reached TL22bn, up by 27% y/y driven primarily by banking and energy businesses.
- Consolidated net income* in Q1 2023 reached TL6.6bn with a growth rate of 18% y/y, again driven primarily by banking business.
- Consolidated ROE* improved further and reached 35.0% vs 24.7% at the end of Q1 2022.
- Combined non-bank operational cash flow* presented a solid TL9.0 billion in Q1 2023 whereas it was in negative territory mainly driven by price equalization impact in energy retail business in the Q1 2022.
- The Holding-only net cash position remained rock solid at TL6.5bn in Q1 from TL3.1bn at the end of 2022 mainly driven by dividend income generated in Q1 despite TL3.6bn dividends paid. Non-bank Net Debt/EBITDA* declined further and reached 0.4x that renders sufficient buffer against volatility.

Strategic Highlights for the period

- To create synergy and support operational efficiency in Kordsa's Indonesia and North America organizations, the intra-group mergers were completed where PT Indo Kordsa Polyester was acquired by PT Indo Kordsa, while Advanced Honeycomb Technologies Corp. was acquired by Axiom Materials Inc., a fully owned subsidiary of Kordsa Inc.
- Kordsa Advanced Materials GmbH was incorporated in Munich, Germany by Kordsa to undertake R and D initiatives.
- In order to support healthy price formations and stability at Akbank shares and to protect the interests of investors, Akbank initiated a share buy-back program with TL1 billion allocated budget to repurchase up to 1% of total shares outstanding on February 16, 2023.
- JCR Eurasia Rating has evaluated Sabancı Holding in the highest investment grade category, assigning the Long-Term National Credit Rating as "AAA (tr)" and the Short-Term National Credit Rating as "J1+ (tr)" with "Stable" outlooks.
- Digital Strategic Business Unit (SBU) has been established to foster the existing digital businesses and to accelerate new investments and initiatives in this area as part of the

Group's portfolio management strategies. DxBV and Teknosa will be managed under Sabancı Holding Digital SBU in this new setting.

- Extension application for Brisa's investment incentive certificate for its Aksaray plant was approved on March 30, 2023, and incentives such as Insurance Premium Employer's Share Support (7 years), Tax Reduction Rate (80%) and Investment Contribution Rate (40%), VAT Exemption, Customs Duty Exemption and Interest Support were renewed.
- Sabancı Holding and its portfolio companies have held their Annual General Meetings of 2022 by March 30, 2023. As resolved in these meetings, Sabancı Holding generated TL7.076 million dividend income and paid out TL3.571 million to its shareholders in dividends on April 5, 2023, marking a TL1.75 DPS and 4.42% yield.
- In the first quarter, TL548.5 million was spent to repurchase 13.6 million shares as part of the share buyback program. As of March 31, 2023, total repurchased shares amount to TL50.6 million which represent 2.5% of total shares outstanding.

Subsequent Events Highlights after the balance sheet date

- AgeSA initiated a share buyback program on April 10, 2023 with TL750 million allocated budget to repurchase up to 10% of its share capital, in order to support formation of an healthy pricing and achieving fair value for its shares as well as to provide an attractive long-term investment opportunity.
- Akbank Ventures BV was incorporated in the Netherlands with USD 30 million initial capital by Akbank on April 11, 2023 in order to invest in financial technology ventures.
- After March 31, 2023, an additional 5.2 million shares were repurchased for TL205.4 million, making total number of repurchased shares 55.8 million and 2.7% of total shares outstanding as of May 8, 2023.

Segments Highlights

- **Energy:** Strong profitability continued in generation business despite drought
- **Industrials:** Lower margins on high base, weak demand and wage hikes exceeding TL depreciation
- **Building Materials:** Almost five-fold net income growth on robust EBIT performance
- **Digital:** Rapid top-line growth meeting expectations
- **Retail:** Strong top-line growth despite earthquake impact
- **Financial Services:** Robust growth in top-line and technical profits
- **Bank:** Strong momentum in customer acquisition and agile ALM

SABANCI HOLDING COMBINED SEGMENT RESULTS

SABANCI HOLDING COMBINED RESULTS in thousands TL	MARCH 2023	MARCH 2022	CHANGE %
REVENUES	131,435,210	72,703,590	80.8
Bank	47,575,480	23,063,863	106.3
Non-Bank	83,859,730	49,639,727	68.9
Industrial	9,855,991	6,874,567	43.4
Building Materials	6,647,750	3,489,985	90.5
Digital	7,027,409	3,241,736	116.8
Energy	39,877,482	27,332,053	45.9
Financial Services	6,699,007	3,157,296	112.2
Other	13,752,091	5,544,090	148.0
EBITDA -excluding one offs	22,461,955	17,700,376	26.9
Bank	14,280,701	10,881,570	31.2
Non-Bank	8,181,254	6,818,806	20.0
Industrial	1,439,878	1,568,556	-8.2
Building Materials	1,107,900	378,832	192.5
Digital	435,767	235,271	85.2
Energy	4,832,784	4,268,365	13.2
Financial Services	378,965	111,899	238.7
Other	-14,040	255,883	-105.5
NET INCOME -excluding one offs	16,027,955	12,173,104	31.7
Bank	11,292,563	8,054,598	40.2
Non-Bank	4,735,392	4,118,506	15.0
Industrial	895,250	1,098,886	-18.5
Building Materials	649,685	122,051	432.3
Digital	72,560	66,438	9.2
Energy	3,091,337	1,988,848	55.4
Financial Services	267,353	177,589	50.5
Other	-240,793	664,693	-136.2

ENERJISA URETIM (ENERGY GENERATION AND TRADING) KEY FINANCIALS

ENERJISA URETIM KEY FINANCIALS in millions TL	MARCH 2023	MARCH 2022	CHANGE %
REVENUES	11,236	9,802	14.6
EBITDA -excluding one offs	2,795	2,466	13.3
EBITDA Margin	24.9%	25.2%	
NET INCOME -excluding one offs	2,621	1,776	47.6

SABANCI HOLDING CONSOLIDATED SEGMENT RESULTS

SABANCI HOLDING CONSOLIDATED RESULTS in thousands TL	MARCH 2023	MARCH 2022	CHANGE %
REVENUES	75,512,376	38,439,509	96.4
Bank	47,575,480	23,063,863	106.3
Non-Bank	28,788,195	15,953,689	80.4
Industrial	5,194,085	4,160,331	24.8
Building Materials	3,153,724	1,911,147	65.0
Digital	6,978,391	3,233,036	115.8
Financial Services	6,699,007	3,157,296	112.2
Other	6,762,988	3,491,880	93.7
Intersegment eliminations	-851,299	-578,043	47.3
EBITDA -excluding one offs	17,879,010	13,710,404	30.4
Bank	14,280,701	10,881,570	31.2
Non-Bank	3,598,309	2,828,834	27.2
Industrial	675,447	1,042,410	-35.2
Building Materials	623,401	230,549	170.4
Digital	435,767	235,271	85.2
Energy	1,498,770	973,149	54.0
Financial Services	378,965	109,491	246.1
Other	-14,041	237,964	-105.9
NET INCOME -excluding one offs	6,579,839	5,597,780	17.5
Bank	4,601,720	3,282,249	40.2
Non-Bank	1,978,120	2,315,531	-14.6
Industrial	379,187	564,458	-32.8
Building Materials	266,746	62,107	329.5
Digital	17,127	36,135	-52.6
Energy	1,450,966	973,149	49.1
Financial Services	106,175	74,575	42.4
Other	-242,081	605,108	-140.0

*Combined revenue excludes Holding dividend income. Combined EBITDA and consolidated net income excludes non-operational and non-recurring one-off items. Operational cash flow and net debt figures exclude banking, financial services and other segment. Consolidated ROE excludes non-operational and non-recurring one-off items.

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