

Sabancı Holding

Q2 2022 Financial Results

Earnings Release

August 11, 2022

Profitable growth with robust earnings quality

Following a successful first quarter, Sabancı Group posted faster growth across all key business units in the second quarter of 2022. This stronger performance in Q2 brought combined revenue* growth to 165% y/y in the first half owing to successful revenue growth management, and more than tripling EBITDA* driven by effective cost management amid high inflationary pressures. Consolidated net income* and ROE* reached TL13.6 billion and 33.6%, respectively, with larger contribution from the banking business. Balance sheet remained healthy as net debt to EBITDA* dropped to 1.3 times accompanied by a strong holding only net cash position standing at TL5.5 billion.

Delivering on Our Strategic Initiatives

Despite local and global challenges, Sabancı Group remained on course in achieving its strategic objectives and continued to invest in its core businesses as well as in new economy initiatives in the second quarter. There were capacity increases in building materials and tire reinforcement businesses, followed by new investments in start-ups that can provide value add to Sabancı ecosystem. On the other hand, the Group successfully completed the acquisitions of two digital companies in cyber security and digital marketing at USD45.3 million with an ambition to create a new global digital business vertical. Moreover, acquisition of European Microtex Composites, an important supplier in the automotive and motorsport industries, with a total value of EUR24.6 million enabled the tire reinforcement business to further diversify its product range and geographical exposure.

With a commitment of Net Zero Emission by 2050, the Group's continued efforts are recognized globally as Refinitiv, the solution partner of Borsa Istanbul Sustainability Index, placed the Sabancı Holding at the top of 60 global investment holding companies assessed by the rating agency.

Sabancı Holding CEO Cenk Alper said:

"I am very happy to report another successful quarter with robust financial performance, despite significant global macro volatilities, evidencing our focus on operational excellence at times of uncertainty. Moreover, we furthered our initiatives in transforming our portfolio with new economy investments in the quarter. In particular, we finalized important investments in digital technologies, an indispensable element of our new economy-oriented growth strategies. Following our investment in Radiflow, one of the world's leading startups in cyber security especially in the field of operational technologies, we also acquired SEM, a data-driven digital

marketing business. Likewise, we contributed to the development of the startup ecosystem, while pioneering the transformation of innovative ideas and practices into global value as evidenced by our investments in Bulutistan, Zack.ai and Albert Health. Among other things, we finalized the acquisition of Microtex that will further diversify our geographical and industry footprint in composites. Finally, our balance sheet remains healthy and our liquidity ample, important factors to take us through these testing times and capitalize on growth opportunities."

FINANCIAL HIGHLIGHTS

- Combined revenue* growth accelerated further by reaching 187% y/y in the second quarter, remaining well above inflation across all business lines. This led to TL162.9 billion combined revenue in the first half corresponding to a 165% annual growth, primarily driven by energy, bank and industrials.
- Combined EBITDA* more than tripled y/y in Q2 with strong contribution from both bank and non-bank businesses. In the first half, combined EBITDA* growth reached 242% and exceeded combined revenue growth owing to effective cost management amid inflationary pressures. Combined EBITDA* reached TL43.4 billion in the first half of the year.
- Consolidated net income* surged almost 5-folds in Q2, exceeding TL8.0 billion and bringing the first half net income to TL13.6 billion. The growth is driven by both bank and non-bank businesses as a result of well-managed financing expenses on top of good operational performance despite challenges in the macro environment.
- Consolidated ROE* continued to improve, more than doubling in comparison to H1 2021 as non-bank ROE* expansion was complemented by bank's ROE* sharply increasing to 47.1% in the first half.
- Combined non-bank operational cash flow* reached TL1.9 billion in the first half, reflecting a material decline on annual basis despite bouncing back quarter on quarter. Higher working capital requirement driven by accelerated business activity and ongoing imbalance between electricity procurement prices and current national tariffs in energy retail business impact operational cash flow performance development each quarter.
- A healthy balance sheet was maintained at the end of six months with net debt to EBITDA* at 1.3x, coupled with a solid holding-only net cash position of TL5.5 billion after the dividend inflows/outflows, acquisitions and share buybacks realized in the second quarter.

STRATEGIC HIGHLIGHTS

- Sabancı Group aims to create a global player in the digital world by focusing on business models based on next generation technologies. Accordingly, following transactions have been concluded in the second quarter of 2022 by Dx Technology Services and Investment BV (DxBV), a wholly owned subsidiary of Sabancı Holding incorporated in the Netherlands:
 - the acquisition of 100% of the shares in SEM İnternet Reklam Hizmetleri ve Danışmanlık A.Ş., a digital marketing company operating in Turkey, and 100% of the shares in Liberdatum İnternet Reklam Hizmetleri ve Danışmanlık A.Ş., which also operates in Turkey as a digital marketing company, in consideration for a total of USD14.8 million,

- a share sale and purchase agreement has been signed with regard to the acquisition of 100% of the shares in Radiflow Ltd., a global cyber security company operating in the Middle East, USA, European and Asian markets. 51% of the shares in Radiflow was acquired in consideration for a total of USD30.5 million.
- New investments were completed through Sabancı Holding's Corporate Venture Capital Fund, Sabancı Ventures. Accordingly, Sabancı Ventures became a shareholder of Bulutistan, a cloud technologies company, Zack.ai, which specializes in artificial intelligence-oriented smart assistant services and Albert Health, which develops artificial intelligence-based disease management and telehealth service platform in the field of digital health.
- In order to meet the increasing demand of its customers in the segments and region in which it operates and consolidate its strong position in the market, Kordsa decided to invest in HMLS polyester yarn production line at its Izmit plant in the second quarter of 2022. The investment amounting USD9.8 million is expected to start its operations in the third quarter of 2024 and it will contribute 7,000 tons HMLS polyester yarn capacity to Kordsa Turkey operations.
- Çimsa decided to invest in a Solar Power Plant at its Afyon Factory in collaboration with Enerjisa Enerji with a 9-year investment plan at amount of TL52 million starting from the third quarter of 2022. In line with Sabancı Group's aim to reduce carbon footprint, solar power plant installations have been in progress in cooperation with Enerjisa Enerji, not only in building materials segment but also in different Group companies.
- Çimsa decided to expand the capacity of its Calcium Aluminate Cement (CAC) facility at its Mersin Plant in line with its growth plan in high value-added and sustainable building materials products at an investment amount of USD45 million. The investment which started in the second quarter of 2022 is expected to be completed in the third quarter of 2023.
- Çimsa also concluded the sale of Niğde and Kayseri Cement Factories and Ankara Cement Grinding Facility for a total price EUR110 million on July 28, 2022
- In line with the Group's strategy of product and geographic diversification in composites to transform tire reinforcement business into advanced materials, Kordsa Inc finalized to purchase 60% shares of Italian company Microtex Composites which specializes in the weaving of carbon fiber and producing prepregs mainly for super-luxury automotive and motorsports in Europe for a consideration of EUR24.6 million on August 5, 2022.
- The results of the "Fast Charging Stations Support Program" for Electric Vehicles initiated by the Ministry of Industry and Technology of the Republic of Türkiye have been announced. Accordingly, Eşarj (E-charging company) in which Enerjisa Enerji fully owned subsidiary Enerjisa Müşteri Çözümleri A.Ş. (Enerjisa Customer Solutions) has a 94% stake, entitled to establish 495 fast charging stations (minimum 90 Kw and with minimum 2 charging sockets) in 53 cities with an investment plan of approximately TL300 million within the scope of the tender. The contract with the Ministry is expected to be signed within August 2022.

- Sabancı Holding has been recognized as a leader among the top 60 global investment holding companies assessed by Refinitiv, the solution partner of Borsa Istanbul Sustainability Index.

SEGMENTS HIGHLIGHTS

- **Energy:** Robust performance driven by solid returns in generation business
- **Industrials:** Exceptionally strong operational performance maintained in both businesses
- **Building Materials:** Alternative fuel usage offset ongoing inflationary pressures
- **Retail:** Accelerated top-line growth while improving operational profitability
- **Financial Services:** Life business compensating for the weakness in non-life business
- **Bank:** Robust customer acquisition drives solid core operating performance

SABANCI HOLDING COMBINED SEGMENT RESULTS

SABANCI HOLDING COMBINED RESULTS in thousands TL	H1 2022	H1 2021	CHANGE %	Q2 2022	Q2 2021	CHANGE %
REVENUES	164,954,942	63,054,226	161.6	92,251,352	32,147,553	187.0
Bank	55,144,419	22,625,819	143.7	32,080,556	12,000,793	167.3
Non-Bank	109,810,523	40,428,407	171.6	60,170,796	20,146,760	198.7
Industrial	14,750,972	6,175,137	138.9	7,876,405	3,188,383	147.0
Building Materials	8,838,364	3,032,752	191.4	5,348,379	1,779,868	200.5
Retail	13,733,510	7,188,516	91.0	7,687,793	3,639,001	111.3
Energy	62,056,979	17,725,392	250.1	34,724,926	9,225,770	276.4
Financial Services	7,087,764	3,860,632	83.6	3,930,468	1,876,899	109.4
Other	3,342,934	2,445,978	36.7	602,825	436,839	38.0
EBITDA -excluding one offs	43,749,698	12,984,474	236.9	26,049,325	6,849,747	280.3
Bank	29,096,478	5,980,450	386.5	18,214,907	3,236,646	462.8
Non-Bank	14,653,221	7,004,024	109.2	7,834,418	3,613,101	116.8
Industrial	2,722,916	1,411,035	93.0	1,154,361	697,885	65.4
Building Materials	1,374,327	611,792	124.6	995,495	392,330	153.7
Retail	1,042,403	542,353	92.2	613,154	255,570	139.9
Energy	8,921,443	3,810,759	134.1	4,653,078	1,936,779	140.2
Financial Services	398,595	539,903	(26.2)	286,696	282,552	1.5
Other	193,537	88,181	119.5	131,634	47,985	174.3
NET INCOME -excluding one offs	30,221,389	7,612,001	297.0	18,048,266	3,732,530	383.5
Bank	21,167,188	4,145,657	410.6	13,112,590	2,111,859	520.9
Non-Bank	9,054,201	3,466,344	161.2	4,935,676	1,620,671	204.5
Industrial	1,836,782	942,465	94.9	737,897	460,209	60.3
Building Materials	793,635	334,018	137.6	671,564	204,758	228.0
Retail	14,028	(216,627)	106.5	60,121	(131,017)	145.9
Energy	4,305,935	1,664,413	158.7	2,317,087	745,777	210.7
Financial Services	468,192	413,844	13.1	290,603	212,748	36.6
Other	1,635,628	328,231	398.3	858,404	128,196	569.6

SABANCI HOLDING CONSOLIDATED SEGMENT RESULTS

SABANCI HOLDING CONSOLIDATED RESULTS in thousands TL	H1 2022	H1 2021	CHANGE %	Q2 2022	Q2 2021	CHANGE %
REVENUES	89,710,669	35,426,070	153.2	51,271,160	18,611,890	175.5
Bank	55,144,419	22,625,819	143.7	32,080,556	12,000,793	167.3
Non-Bank	35,609,465	13,057,708	172.7	19,666,933	6,834,237	187.8
Industrial	8,799,012	3,202,897	174.7	4,638,681	1,688,674	174.7
Building Materials	4,782,699	1,806,773	164.7	2,871,552	1,081,233	165.6
Retail	13,693,796	7,168,817	91.0	7,664,054	3,629,326	111.2
Financial Services	7,087,764	-	-	3,930,468	-	-
Other	1,246,194	879,221	41.7	562,178	435,004	29.2
Intersegment eliminations	(1,043,215)	(257,457)	(305.2)	(476,329)	(223,140)	(113.5)
EBITDA -excluding one offs	35,437,594	8,805,145	302.5	21,732,868	4,657,815	366.6
Bank	29,096,478	5,980,450	386.5	18,214,908	3,236,646	462.8
Non-Bank	6,341,116	2,824,695	124.5	3,517,960	1,421,169	147.5
Industrial	1,793,756	898,927	99.5	751,345	457,294	64.3
Building Materials	946,952	434,760	117.8	716,857	276,311	159.4
Retail	1,042,257	542,159	92.2	612,801	255,322	140.0
Energy	2,022,525	709,272	185.2	1,049,376	302,182	247.3
Financial Services	364,289	159,463	128.4	260,416	81,555	219.3
Other	171,336	80,113	113.9	127,164	48,505	162.2
NET INCOME -excluding one offs	13,595,099	3,384,773	301.7	7,997,319	1,645,605	386.0
Bank	8,625,629	1,689,349	410.6	5,343,380	860,579	520.9
Non-Bank	4,969,470	1,695,424	193.1	2,653,939	785,026	238.1
Industrial	970,333	546,808	77.5	405,875	275,544	47.3
Building Materials	396,513	164,019	141.7	334,406	89,059	275.5
Retail	(5,921)	(123,288)	95.2	24,568	(74,219)	133.1
Energy	2,028,125	730,824	177.5	1,054,976	323,734	225.9
Financial Services	190,930	159,463	19.7	116,355	81,555	42.7
Other	1,389,490	217,598	538.6	717,759	89,353	703.3

**Combined revenue excludes holding dividend income. Combined EBITDA and consolidated net income excludes non-operational and nonrecurring one off items & IFRS16 impact in retail. Operational cash flow and net debt figures exclude banking, financial services and other segment. Consolidated ROE excludes non-operational and non-recurring oneoff items.*

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