

Sabancı Holding

Q3 2022 Financial Results

Earnings Release

November 3, 2022

Resilient growth and high-quality earnings despite accelerating cost inflation

Sabancı Group's robust financial performance continued in the third quarter of 2022 as revenue, EBITDA and net income growth comfortably exceeded inflation amid rising cost pressures. Consequently, revenue* reached TL275 billion in the first nine-months of 2022 corresponding to a stellar 175% year on year increase and EBITDA* more than tripled, driven by banking and energy businesses. Consolidated net income* exceeded TL23 billion in the first nine-months while ROE* reached 41.4% with strong contribution from the banking business. Balance sheet improved further as net debt to EBITDA* was down to 0.7 times at the end of third quarter - ahead of Group's upcoming investment cycle especially in the energy segment - coupled with a strong holding only net cash position at TL4.4 billion.

Sabancı Holding CEO Cenk Alper said:

"Given the challenging macro environment, I'm happy with our financial performance as we managed to complete another successful quarter by generating strong topline, EBITDA and net income growth, well above inflation, while maintaining a solid balance sheet. We also continued with our strategic transformation momentum as we focus on climate technologies, advanced material technologies and digital technologies in line with our strategic priorities driven by our Group Purpose. Enerjisa Üretim, our generation and energy trading company, which has Turkey's first remote-controlled hydroelectric power plant, will increase the share of renewable energy in its portfolio to 57% in 2026 with a total of 1,000 MW additional wind energy investment, significantly contributing to Turkey's green energy production. In addition, we carry our renewable energy investments beyond Turkey through Sabancı Climate Technologies, with solar generation investments in the US as well as strategic investments in various venture capital funds and start-ups on emerging climate technologies based in the US. At the same time, Kordsa is expanding its capacity in cord and fiber production both in Turkey and the US, and we also started our initiatives in healthcare by establishing a new company under Aksigorta."

Financial Highlights for the period

- Growth in combined revenue* further accelerated and reached 191% y/y in the third quarter, remaining well above inflation across all business lines. The third quarter performance led to TL275.4 billion in combined revenue in the first nine-months, a 175% y/y growth, driven by energy, bank and industrials businesses.
- Combined EBITDA* that surged almost 4-folds compared to last year in the third quarter primarily driven by banking business, brought nine months figure to TL74.7

billion, up by 259% compared to the same period of last year driven by stronger revenue as well as well-managed inflationary cost pressures.

- Earnings quality continued to improve with a consolidated net income* growth exceeding the growth in operating profitability. Consolidated net income* in the first nine-months reached TL23.4 billion, up by more than 4-folds compared to the same period of the last year. This came as a result of disciplined management of financing expenses in addition to solid operational performance across the board despite ongoing challenges in the macro environment.
- Strong performance in consolidated ROE* prevailed with the bank's ROE* sharply increasing to 55.1% in the first nine-months accompanied by ongoing improvement in non-bank ROE*.
- Combined non-bank operational cash flow* jumped to TL13.4 billion in the first nine-month, more than recovering the sharp drop in the first half as imbalance between electricity procurement prices and current national tariffs in energy retail business were addressed to a large extent thanks to introduction of numerous regulatory mechanisms.
- Balance sheet continue to be very strong at the end of first nine-month with net debt to EBITDA* declining 0.7x, coupled with an ample holding-only cash of TL4.4 billion to support future investments and growth, as the Group continue to execute its midterm strategic plan.

Strategic Highlights for the period

- Kordsa will make the following capacity increase investments that will be operational by 2024:
 - Single-end cord production line investment in Turkey for USD7 million to meet the increasing global demand in single-end cord which is used in high-performance tires,
 - Polypropylene Monofilament Fiber production line investment in Turkey for USD5 million in order to maintain the growth in Turkey and evaluate potential opportunities in export markets in line with Kordsa's growth strategies in construction reinforcement segment,
 - Dipping production line investment in the US for USD20 million to meet the increasing demand in tire reinforcement segment regionally with an additional 19 kilotons/year tire cord production capacity.
- In line with Group's strategy of growth in health market as a leading healthcare player in financial services segment, Sabancı Ageas Sağlık Sigorta, 100% subsidiary of Aksigorta, was established in order to meet the health insurance needs of Aksigorta customers.
- 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 in 53 cities with an investment plan of approximately TL300 million within the scope of the tender.
- As a part of network optimization in building materials, Çimsa concluded the sale of Niğde and Kayseri Cement Factories and Ankara Cement Grinding Facility for a total price EUR110 million on July 28, 2022.

Subsequent Events Highlights after the balance sheet date

- In order to strengthen its leading position in the renewables energy market in Turkey, Enerjisa Üretim (Sabancı Group's generation and energy trading company) signed a contract with Enercon for undertaking the investments and operating of Muğla and Balıkesir Region Wind Energy Renewable Energy Resource Area 2 (YEKA-2) project of 500 MW and Çanakkale and Aydın Region Wind Energy YEKA-2 project of 500 MW, of which the tender was previously won by Enerjisa Üretim. Thereby, 1,000 MW of wind power plants covering YEKA-2 tenders will be implemented with a total investment of USD 1.2 billion within the scope of the agreement between Enerjisa Üretim and Enercon Group. It is aimed to gradually complete the mentioned 1,000 MW of YEKA-2 Project investments by the first quarter of 2026.
- Sabancı Climate Technologies was established, of which Sabancı Holding is the sole and founding shareholder, in order to invest in renewable energy and climate technologies. Sabancı Climate Technologies aims to undertake renewable energy power plant investments and strategic investments in various venture capital funds and start-ups, primarily in the USA and Europe. The capital of Sabancı Climate Technologies was registered as TL 2.964.154.200.
- A long-term strategic partnership between Sabancı Climate Technologies and Safar Partners, one of the leading venture capital fund management companies in the US, has been established. Investments were made in funds and start-ups aiming to provide sustainable and clean energy solutions such as Commonwealth Fusion Systems, an initiative that is capable of bringing fusion technology to life, and Quaise Energy, a company developing deep geothermal energy technologies.
- A company named Sabancı Renewables Inc. was incorporated with its headquarters in Delaware by Sabancı Climate Technologies. Sabancı Renewables Inc. has completed the acquisition of a project license for the establishment of a 272 MW solar power plant in the USA.
- Share capital of Cimsa Sabancı Cement BV (CSC BV) has been increased by EUR100 million, of which Sabancı Holding and its subsidiary Çimsa subscribe with EUR60 million and EUR40 million, respectively, pro rata to their shares in CSC BV.

Segments Highlights

- **Energy:** Robust performance driven by stronger returns in both businesses
- **Industrials:** Escalating cost side pressures partly offset by sales mix & pricing strategy
- **Building Materials:** Resilient financial performance in an inflationary environment
- **Retail:** Accelerated top-line growth & improving operational profitability
- **Financial Services:** Strong growth driven by both life & non-life businesses
- **Bank:** Solid core operating performance with stellar customer acquisition

SABANCI HOLDING COMBINED SEGMENT RESULTS

SABANCI HOLDING COMBINED RESULTS in thousands TL	9M 2022	9M 2021	CHANGE %	Q3 2022	Q3 2021	CHANGE %
REVENUES	277,450,459	101,614,572	173.0	112,495,517	38,560,346	191.7
Bank	97,692,671	36,164,415	170.1	42,548,252	13,538,596	214.3
Non-Bank	179,757,788	65,450,157	174.6	69,947,265	25,021,750	179.5
Industrial	23,336,213	9,694,015	140.7	8,585,241	3,518,878	144.0
Building Materials	14,991,977	5,181,551	189.3	6,153,613	2,148,799	186.4
Retail	23,658,481	11,584,454	104.2	9,924,971	4,395,938	125.8
Energy	102,819,108	30,355,397	238.7	40,762,129	12,630,005	222.7
Financial Services	11,047,136	5,869,664	88.2	3,959,372	2,009,032	97.1
Other	3,904,873	2,765,076	41.2	561,939	319,098	76.1
EBITDA -excluding one offs	75,204,531	21,243,246	254.0	31,454,832	8,258,773	280.9
Bank	52,140,403	10,492,199	396.9	23,043,925	4,511,749	410.8
Non-Bank	23,064,128	10,751,047	114.5	8,410,907	3,747,024	124.5
Industrial	3,982,149	2,114,662	88.3	1,259,233	703,627	79.0
Building Materials	2,299,070	905,062	154.0	924,743	293,270	215.3
Retail	1,827,772	937,321	95.0	785,369	394,968	98.8
Energy	13,946,558	5,883,654	137.0	5,025,116	2,072,894	142.4
Financial Services	741,821	784,277	(5.4)	343,226	244,374	40.5
Other	266,757	126,071	111.6	73,219	37,891	93.2
NET INCOME -excluding one offs	53,012,947	12,570,095	321.7	22,791,559	4,958,094	359.7
Bank	38,238,818	7,360,317	419.5	17,071,630	3,214,660	431.1
Non-Bank	14,774,129	5,209,778	183.6	5,719,929	1,743,434	228.1
Industrial	2,765,122	1,342,046	106.0	928,340	399,581	132.3
Building Materials	1,370,152	457,276	199.6	576,517	123,258	367.7
Retail	129,153	(264,474)	n.m.	115,124	(47,847)	n.m.
Energy	7,448,530	2,599,182	186.6	3,142,594	934,770	236.2
Financial Services	798,946	601,827	32.8	330,754	187,982	75.9
Other	2,262,227	473,921	377.3	626,599	145,689	330.1

ENERJISA URETIM (GENERATION & ENERGY TRADING COMPANY) KEY FINANCIALS

ENERJISA URETIM KEY FINANCIALS in million TL	9M 2022	9M 2021	CHANGE %	Q3 2022	Q3 2021	CHANGE %
REVENUES	42,377	9,996	324	16,437	4,235	288
EBITDA -excluding one offs	6,587	2,307	186	2,271	771	195
EBITDA Margin	15.5%	23.1%		13.8%	18.2%	
NET INCOME -excluding one offs	4,895	1,002	389	1,873	351	433

SABANCI HOLDING CONSOLIDATED SEGMENT RESULTS

SABANCI HOLDING CONSOLIDATED RESULTS in thousands TL	9M 2022	9M 2021	CHANGE %	Q3 2022	Q3 2021	CHANGE %
REVENUES	154,425,912	58,970,722	161.9	64,715,243	23,544,652	174.9
Bank	97,692,671	36,164,415	170.1	42,548,252	13,538,596	214.3
Non-Bank	58,138,413	22,982,235	153.0	22,528,948	9,924,527	127.0
Industrial	13,761,170	5,189,553	165.2	4,962,158	1,986,656	149.8
Building Materials	7,916,385	3,008,201	163.2	3,133,686	1,201,428	160.8
Retail	23,609,177	11,580,984	103.9	9,915,381	4,412,167	124.7
Financial Services	11,047,136	2,009,032	449.9	3,959,372	2,009,032	97.1
Other	1,804,545	1,194,465	51.1	558,351	315,244	77.1
Intersegment eliminations	(1,405,172)	(175,928)	(698.7)	(361,957)	81,529	n.m.
EBITDA -excluding one offs	62,525,125	15,059,353	315.2	27,087,531	6,254,207	333.1
Bank	52,140,403	10,492,199	396.9	23,043,925	4,511,749	410.8
Non-Bank	10,384,722	4,567,154	127.4	4,043,606	1,742,458	132.1
Industrial	2,571,141	1,346,629	90.9	777,385	447,702	73.6
Building Materials	1,554,940	638,701	143.5	607,988	203,940	198.1
Retail	1,827,894	969,210	88.6	785,637	427,051	84.0
Energy	3,477,592	1,098,675	216.5	1,455,067	389,403	273.7
Financial Services	704,747	396,814	77.6	340,458	237,351	43.4
Other	248,408	117,124	112.1	77,071	37,011	108.2
NET INCOME -excluding one offs	23,413,192	5,549,055	321.9	9,818,093	2,164,282	353.6
Bank	15,582,318	2,999,320	419.5	6,956,689	1,309,971	431.1
Non-Bank	7,830,874	2,549,735	207.1	2,861,404	854,311	234.9
Industrial	1,430,651	779,126	83.6	460,318	232,318	98.1
Building Materials	682,408	225,569	202.5	285,895	61,550	364.5
Retail	49,559	(151,680)	n.m.	55,480	(28,392)	n.m.
Energy	3,479,153	1,139,860	205.2	1,451,028	409,036	254.7
Financial Services	321,708	233,011	38.1	130,778	73,548	77.8
Other	1,867,395	323,849	476.6	477,905	106,251	349.8

*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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