

Sabancı Holding

2022 FY Financial Results

Earnings Release

March 1, 2023

Solid execution on strategy and outstanding financial performance

As a part of its commitment to dynamic portfolio management strategy, Sabancı Group has successfully executed its transformation process in 2022 by completing investments in various businesses. After divesting its shares in Phillip Morris by the beginning of the year and raising TL3.2bn in proceeds, Sabancı Group allocated TL5.9bn throughout 2022 specifically to climate technologies, advanced material technologies and digital technologies, which are defined as the “new economy” by the Group. Sabancı Holding also focused on improving its ESG roadmap by defining 80 high-level actions to transform its entire Group activities. Such efforts in ESG have been recognized by the independent rating agencies as the MSCI upgraded the Group’s rating to “A”. The Group also became the first conglomerate from Türkiye to be included in the Bloomberg Gender Equality Index for two consecutive years. Finally, it received an “A” rating among more than 50 companies in the Investment Holding Companies category in the Refinitiv ESG Assessment and categorized as “Low ESG Risk” by Sustainalytics.

Along with its solid execution on strategy and on ESG, the Group delivered another outstanding performance in 2022 with a strong finish in the fourth quarter. Revenue growth remained strong at 168% led by banking and energy businesses. Against the backdrop of macroeconomic uncertainties and inflationary pressures, the solid revenue performance was more than reflected at the bottom-line, which has more than tripled compared to a year ago, reaching TL44bn. With this improved earnings quality, the Group’s operational cash flow generation more than doubled, reaching TL28.7bn. Cash at the Holding-only level stood at TL3.1bn and non-bank Net Debt/EBITDA remained well below 1.0x at the end of the year. Consolidated ROE almost doubled and reached 45.4%.

A solid execution on strategy, exceptionally strong financial performance, rapid execution in ESG metrics and actively managed share buyback program, which became an integral part of Group’s capital allocation strategy, Sabancı Holding achieved a higher shareholder return in 2022 compared to previous years. These accomplishments positively affected Sabancı Holding’s NAV discount. Despite 81% growth in its NAV in 2022 in USD terms, Sabancı Holding’s NAV discount narrowed by 19 pps during the year to 26.6% by December 2022.

Sabancı Holding CEO Cenk Alper said:

"We proudly demonstrated our ability to leverage the benefits of having a well-diversified portfolio and to excel in identifying and capitalizing on opportunities even in a challenging macro environment. Alongside our strong financial performance, I am pleased to see our continuously improving balance sheet especially in a year in which we have accelerated our investments. In energy business, we have carried our renewable energy investments beyond Turkey through our newly established Sabancı Climate Technologies company, while making strategic investments in start-ups including our direct investments in Commonwealth Fusion Systems and Quaise Energy, which are symbol initiatives of disruptive innovation in energy and climate technologies in the US. In Türkiye, Enerjisa Üretim, generation and energy trading company, will reach 57% of renewable energy share by 2026 after completing its 1,000 MW additional wind energy investment. In industrials, Temsa, the leading manufacturers of electric busses, expanded into global electric vehicles market by selling its first electric couches to the US and European markets throughout 2022. Temsa also boosted the electric vehicle transformation in Türkiye with Avenue EV, the first domestically produced electric bus. Temsa is now diversifying its revenue stream by producing battery packs and battery management systems. Kordsa expanded its global footprint to Europe with the acquisition of Microtex, strengthening its presence in composite business. Our building materials companies continued to increase their efforts in sustainability successfully, by investing in alternative fuel usage and ESG focused start-ups. In digital technologies, following our new acquisitions in OT cyber-security and digital marketing, we have invested in emerging technologies and innovative business models through Sabancı Ventures with an aim to extract synergies and create value among Sabancı Group companies and startups. In short, we are building the "Sabancı of New Generation" through creating an interconnected ecosystem around our diversified portfolio of investments to better address the dynamic needs of ever-evolving business environment."

Financial Highlights for the period

- Growth in combined revenue* reached 152% y/y in Q4, remaining well above inflation across all business lines. Combined revenue in 2022 exceeded TL400bn, a 168% y/y growth, driven mainly by banking and energy businesses.
- Combined comparable EBITDA* surged more than 3-folds y/y in Q4 primarily driven by banking business. Combined comparable EBITDA* in 2022 reached TL112bn, up by 242% y/y.
- Consolidated comparable net income* reached TL11.2 billion in Q4, up by almost 3-folds y/y. Consolidated comparable net income* in 2022 reached TL34.6bn and registered 257% y/y growth, driven by banking businesses.
- Strong performance in consolidated ROE* prevailed with the bank's ROE* sharply increasing to 54.7% in 2022 accompanied by ongoing improvement in non-bank ROE*.
- Combined non-bank operational cash flow* more than doubled and reached TL28.7 billion in 2022.
- Deleveraging continued as non-bank Net Debt/EBITDA* dropped to 0.4x by the end of 2022 vs 1.2x at the end of 2021.
- The Group has successfully executed its transformation strategy through its investments that are falling under new economy, which totaled at TL5.9bn in 2022. Despite increase in investment pace Holding-only net cash is standing at TL3.1bn.

Strategic Highlights for the period

- In order to strengthen its leading position in renewables energy market in Türkiye, 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. On the other hand, the acquisition of all shares in Akhisar WPP which is a company operating wind power plant with an installed capacity of 55 MW since 2011 by Enerjisa Üretim has been completed. Additionally, the approvals of Ministry of Energy and Natural Resources have been granted for a total installed capacity of 80 MW, 65 MW of which is wind power, and 15 MW is hybrid solar power in the Erciyes WPP. With the completion of these projects, it is expected to increase the installed wind power capacity to 1,332 MW and the share of renewable energy in the total portfolio to 57% by 2026.
- Sabancı Climate Technologies, of which Sabancı Holding is the sole and founding shareholder, was established 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. Sabancı Climate Technologies has a paid-in share capital amounting TL 2,964 million.
- 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 can bring 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. An Engineering, Procurement and Construction Agreement (EPC) has been signed for the investment of a power plant in the state of Texas, USA. The project is expected to be completed in the first half of 2024.
- Share capital of Sabancı Building Solutions B.V. (formerly known as Cimisa Sabancı Cement BV) has been increased by EUR100 million, of which Sabancı Holding and its subsidiary Cimisa subscribe with EUR60 million and EUR40 million, respectively, pro rata to their shares in the company.
- Since the start of the buyback program, Sabancı Holding has spent 85.4% of the total allocated budget to repurchase 75.9 million ordinary shares, 3.72% of the total outstanding shares in the market. On 12 December 2022, Sabancı Holding sold 40.8 million of the repurchased shares, representing circa 2% of total shares outstanding, to institutional investors. The shares were sold at a fixed price of TL 36.6 per share through a block sale executed on Borsa Istanbul. Sabancı Holding generated TL 1.5

billion additional cash from the sale of the portion of its repurchased shares, recording TL 856 million in profit before tax and surcharges.

- On 19 December 2022, Sabancı Holding extended its share buyback program, boosting the total allocated budget by TL 1.75 billion up to TL 3.25 billion.

Subsequent Events Highlights after the balance sheet date

- 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.
- The incorporation of Kordsa Advanced Materials GmbH, which is based in Munich, Germany, was completed.
- 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 on February 16, 2023. Accordingly, up to 5.2 billion shares with a nominal value of TL52 million representing approximately 1% of Akbank's issued share capital are contemplated to be repurchased, and total maximum funds allocated for share buy-back transactions were determined as TL1 billion. The share buy-back shall be put on the agenda of the first following general assembly meeting of Akbank and shall be presented to the information of the shareholders at the general assembly.
- Akbank decided to establish a 100% owned subsidiary in the Netherlands named Akbank Ventures BV, with USD 30 million initial capital, to be able to invest in financial technology ventures.

Segments Highlights

- **Energy:** Strong performance continued in both businesses
- **Industrials:** Lower margins on escalated inflationary pressures on costs
- **Building Materials:** Sharp profitability growth on further improvement in operational excellence
- **Retail:** Strong top-line growth led to improvement in bottom line
- **Financial Services:** Weak Non-Life business pulled down segment's profitability
- **Bank:** Solid core operating performance with stellar customer acquisition & agile ALM

SABANCI HOLDING COMBINED SEGMENT RESULTS

SABANCI HOLDING COMBINED RESULTS in thousands TL	12M 2022	12M 2021	CHANGE %	Q4 2022	Q4 2021	CHANGE %
REVENUES	403,570,644	151,611,869	166.2	126,120,185	49,997,297	152.3
Bank	150,384,009	53,006,038	183.7	52,691,338	16,841,623	212.9
Non-Bank	253,186,635	98,605,831	156.8	73,428,847	33,155,674	121.5
Industrial	32,520,244	14,562,540	123.3	9,184,031	4,868,525	88.6
Building Materials	21,590,968	7,916,114	172.7	6,598,991	2,734,563	141.3
Retail	36,639,296	16,887,586	117.0	12,980,815	5,303,132	144.8
Energy	140,515,678	46,986,667	199.1	37,696,570	16,631,270	126.7
Financial Services	17,280,346	9,007,720	91.8	6,233,210	3,138,056	98.6
Other	4,640,103	3,245,204	43.0	735,230	480,128	53.1
EBITDA -excluding one offs	113,014,260	33,432,906	238.0	37,809,729	12,189,659	210.2
Bank	81,473,173	17,688,307	360.6	29,332,771	7,196,108	307.6
Non-Bank	31,541,087	15,744,599	100.3	8,476,959	4,993,551	69.8
Industrial	5,193,331	3,128,029	66.0	1,211,182	1,013,366	19.5
Building Materials	3,016,425	1,059,937	184.6	717,354	154,875	363.2
Retail	2,793,513	1,490,449	87.4	965,741	553,128	74.6
Energy	19,480,579	8,655,514	125.1	5,534,021	2,771,861	99.7
Financial Services	844,596	1,194,224	(29.3)	102,775	409,947	(74.9)
Other	212,643	216,445	(1.8)	(54,114)	90,373	n.m.
NET INCOME -excluding one offs	79,876,466	21,365,836	273.9	26,863,518	8,795,741	205.4
Bank	60,057,681	12,399,426	384.4	21,818,863	5,039,109	333.0
Non-Bank	19,818,785	8,966,410	121.0	5,044,655	3,756,632	34.3
Industrial	3,321,744	2,023,179	64.2	556,622	681,134	-18.3
Building Materials	1,736,126	521,649	232.8	365,974	64,373	468.5
Retail	284,837	(198,731)	n.m.	155,685	65,742	136.8
Energy	11,022,904	4,345,627	153.7	3,574,375	1,746,445	104.7
Financial Services	989,112	933,900	5.9	190,166	332,073	(42.7)
Other	2,464,061	1,340,787	83.8	201,834	866,866	(76.7)

ENERJISA URETIM (GENERATION & ENERGY TRADING COMPANY) KEY FINANCIALS

ENERJISA URETIM KEY FINANCIALS in millions TL	12M 2022	12M 2021	CHANGE %	Q4 2022	Q4 2021	CHANGE %
REVENUES	56,067	16,439	241	13,690	6,443	112
EBITDA -excluding one offs	8,579	3,264	163	1,992	957	108
EBITDA Margin	15.3%	19.9%		14.6%	14.9%	
NET INCOME -excluding one offs	6,543	1,931	239	1,648	929	77

SABANCI HOLDING CONSOLIDATED SEGMENT RESULTS

SABANCI HOLDING CONSOLIDATED RESULTS in thousands TL	12M 2022	12M 2021	CHANGE %	Q4 2022	Q4 2021	CHANGE %
REVENUES	234,479,163	88,192,397	165.9	80,053,251	29,221,675	174.0
Bank	150,384,009	53,006,038	183.7	52,691,338	16,841,623	212.9
Non-Bank	85,871,463	35,959,288	138.8	27,733,050	12,977,053	113.7
Industrial	18,439,744	7,928,278	132.6	4,678,574	2,738,725	70.8
Building Materials	11,068,691	4,370,902	153.2	3,152,306	1,362,701	131.3
Retail	36,551,677	16,841,255	117.0	12,942,500	5,260,271	146.0
Financial Services	17,280,346	5,147,088	235.7	6,233,210	3,138,056	98.6
Other	2,531,005	1,671,765	51.4	726,460	477,300	52.2
Intersegment eliminations	(1,776,309)	(772,929)	(129.8)	(371,137)	(597,001)	37.8
EBITDA -excluding one offs	95,487,342	24,847,514	284.3	32,962,217	9,788,161	236.8
Bank	81,473,173	17,688,307	360.6	29,332,770	7,196,108	307.6
Non-Bank	14,014,169	7,159,207	95.8	3,629,447	2,592,053	40.0
Industrial	3,140,610	2,058,648	52.6	569,469	712,019	(20.0)
Building Materials	1,963,551	727,973	169.7	408,611	89,273	357.7
Retail	2,793,512	1,490,546	87.4	965,618	521,336	85.2
Energy	5,078,582	1,844,232	175.4	1,600,990	745,557	114.7
Financial Services	843,454	830,088	1.6	138,707	433,274	(68.0)
Other	194,460	207,720	(6.4)	(53,948)	90,595	n.m.
NET INCOME -excluding one offs	34,580,182	9,661,136	257.9	11,166,987	4,112,081	171.6
Bank	24,473,505	5,052,766	384.4	8,891,187	2,053,446	333.0
Non-Bank	10,106,677	4,608,370	119.3	2,275,800	2,058,635	10.5
Industrial	1,653,241	1,198,596	37.9	222,590	419,470	(46.9)
Building Materials	809,678	241,188	235.7	127,267	15,619	714.8
Retail	127,425	(120,536)	n.m.	77,866	31,144	150.0
Energy	5,074,197	1,931,324	162.7	1,595,044	791,464	101.5
Financial Services	403,126	360,482	11.8	81,418	127,471	(36.1)
Other	2,039,010	997,317	104.4	171,615	673,468	(74.5)

*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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