

Sabancı Holding

Q1 2018 Earnings Presentation



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Combined Net Sales

MILLION TL Q1 2017 Q1 2018 % Change

TOTAL*	14.102	18.719	33%
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BANK	6.159	7.962	29%
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NON-BANK*	7.943	10.757	35%
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Strong Demand

Pricing Power

Combined EBITDA*

MILLION TL Q1 2017 Q1 2018 % Change

TOTAL*	2.972	3.704	25%
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BANK	1.906	2.257	18%
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NON-BANK*	1.066	1.447	36%
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High Asset Utilization

Regulatory Support

Better than Expected Operational Performance

Consolidated Net Income*

MILLION TL Q1 2017 Q1 2018 % Change

TOTAL*	722	894	24%
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BANK	596	691	16%
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NON-BANK*	126	202	61%
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Deleveraging Continues

Capital Increase of Enerjisa Üretim (Generation)

Financial Income from High Cash Position

Excludes non-operational one off items. * Holding dividend income is excluded

Revenues

Energy, Industrials and Insurance Drives Q1 Non-bank Revenue Growth

MILLION TL	TOTAL BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)		
	Q1 2017	Q1 2018	% Change
TOTAL*	14.102	18.719	33%
BANK	6.159	7.962	29%
NON-BANK*	7.943	10.757	35%
ENERGY	3.482	5.158	48%
CEMENT	547	748	37%
RETAIL	1.736	1.957	13%
INSURANCE	728	1.073	47%
INDUSTRIALS	1.416	1.761	24%
OTHER*	34	61	77%

Energy top line driven by positive regulatory changes that boosted Downstream revenues

Industrials top line driven by strong tire sales and international revenues

Strong premium growth in motor products drive **Insurance** top line

Pick up in domestic demand and strong price growth drove **Cement** top line

* Holding dividend income excluded

EBITDA

Supportive regulation and strong pricing drives Q1 Non-Bank EBITDA

TOTAL BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL

TOTAL*

BANK

NON-BANK*

ENERGY

CEMENT

RETAIL

INSURANCE

INDUSTRIALS

OTHER*

	Q1 2017	Q1 2018	% Change
TOTAL*	2.972	3.704	25%
BANK	1.906	2.257	18%
NON-BANK*	1.066	1.447	36%
ENERGY	615	895	45%
CEMENT	96	161	67%
RETAIL	43	8	-81%
INSURANCE	70	104	49%
INDUSTRIALS	254	291	15%
OTHER*	-12	-12	-1%

Energy operational profitability was largely driven by supportive regulatory changes and service quality gains in the downstream business.

Cement EBITDA benefitted from ongoing improvement in domestic demand and price improvements

Insurance technical profitability showed strong growth with successful claims management

Excludes non-operational one off items.

* Holding dividend income is excluded

Consolidated Net Income

Non-bank Bottom-line Growth Driven by Energy and Financial Income in Q1

MILLION TL

Q1 2017 Q1 2018 % Change

CONSOLIDATED NET INCOME*

722 894 24%

BANK

596 691 16%

NON-BANK

126 202 61%

ENERGY

-27 30 **212%**

CEMENT

22 31 **43%**

RETAIL

-26 -60 -129%

INSURANCE

23 31 **34%**

INDUSTRIALS

103 91 -11%

OTHER

31 78 **152%**

Strong operational profitability growth in Downstream has driven Q1 bottom line for **Energy**

Solid FX based net cash position at holding level supported **Other** bottom line

While operational performance was strong, due to end of capitalization for investments **Industrial** bottom line deteriorated slightly due to interest expenses and depreciation

*Excludes non-operational one off items.

Increase in Profitability on the Back of Upstream and Downstream

TOTAL BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q1 2017	Q1 2018	% Change
SALES	3.482	5.158	48%
EBITDA*	615	895	45%
NET INCOME*	-54	99	283%
EBITDA* MARGIN	17,7%	17,4%	

Current Assessment

Distribution & Retail Business (Enerjisa Enerji):

- Favorable regulatory updates on WACC, Theft Detection Incentive, Quality Parameters and CAPEX realization.
- Higher national tariff prices

Generation Business (Enerjisa Üretim Santralleri):

- Favorable capacity payment mechanism for thermal assets
- Increase in natural gas prices
- Improvements in Tufanbeyli operations

Financing:

- Active management of financing costs under volatile FX environment
- Capital increase in generation business

Factors to Watch

Distribution & Retail Business (Enerjisa Enerji):

- Operational efficiencies and investments in distribution
- Impacts of further increase in National Tariff

Generation Business (Enerjisa Üretim Santralleri):

- Natural gas prices
- Water inflow

Financing & Cash Flow:

- FX volatility, inflation and financing costs in the market
- Improvement in Operating Cash Flow with the revised price equalization mechanism

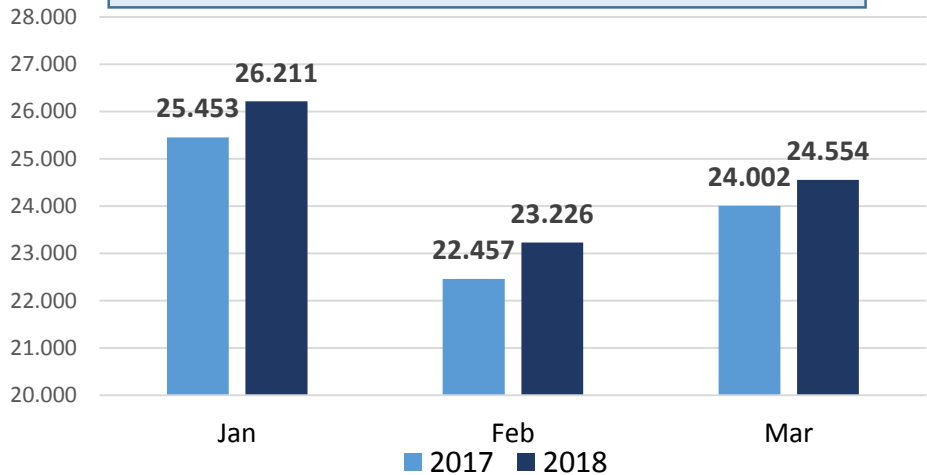
*Excludes non-operational one off items.

Generation Sector

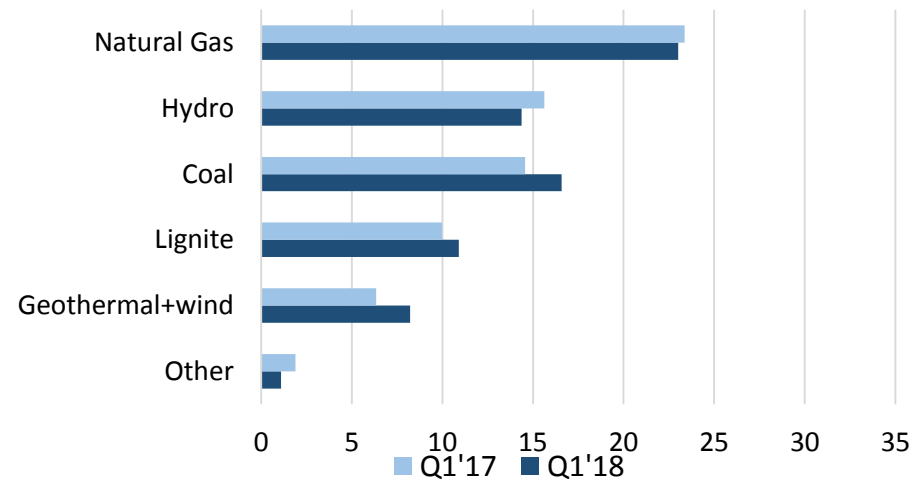
3% Growth in Electricity Demand in Q1

Electricity consumption (GWh) Q1 [3% growth]

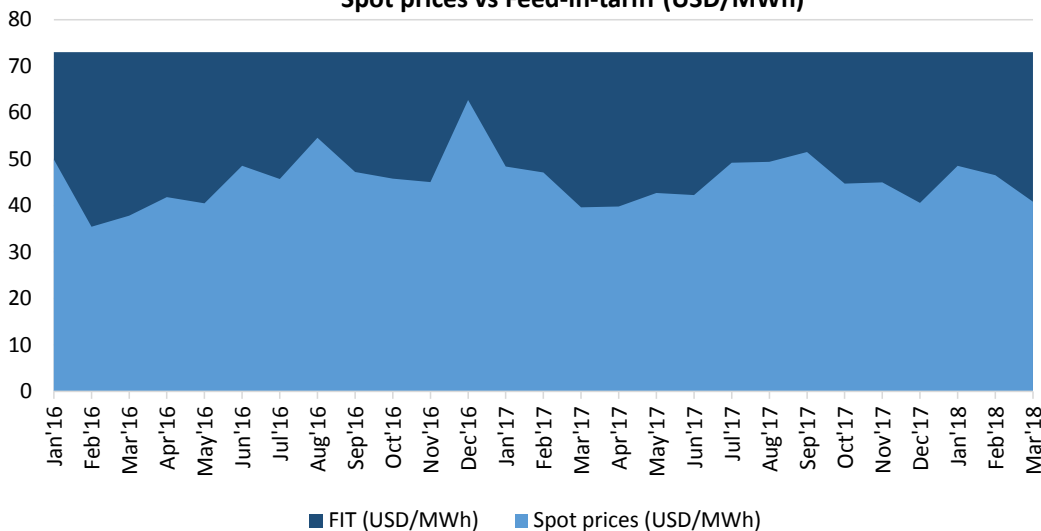
Q1 2017: 70.6 TWh Q1 2018: 73.9 TWh



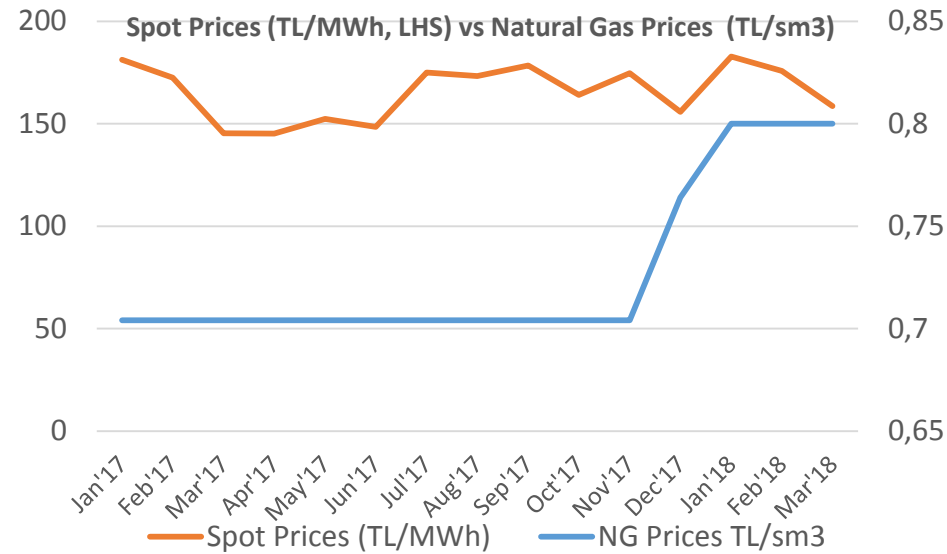
Electricity production by source in Q1 (TWh)



Spot prices vs Feed-in-tariff (USD/MWh)



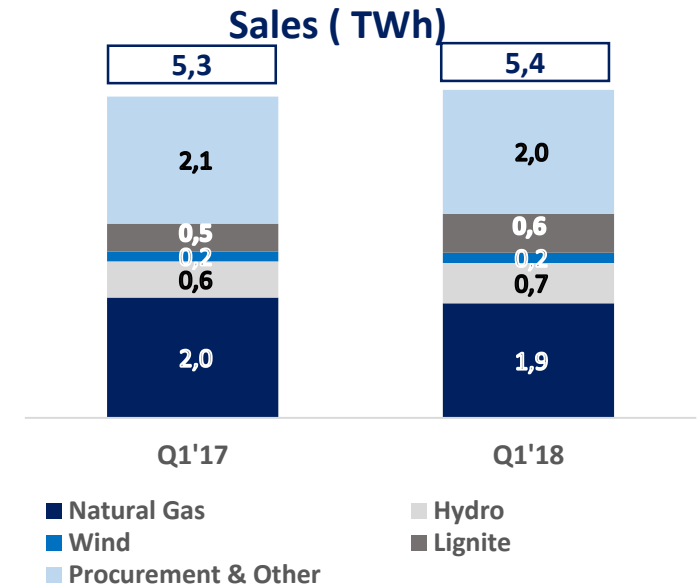
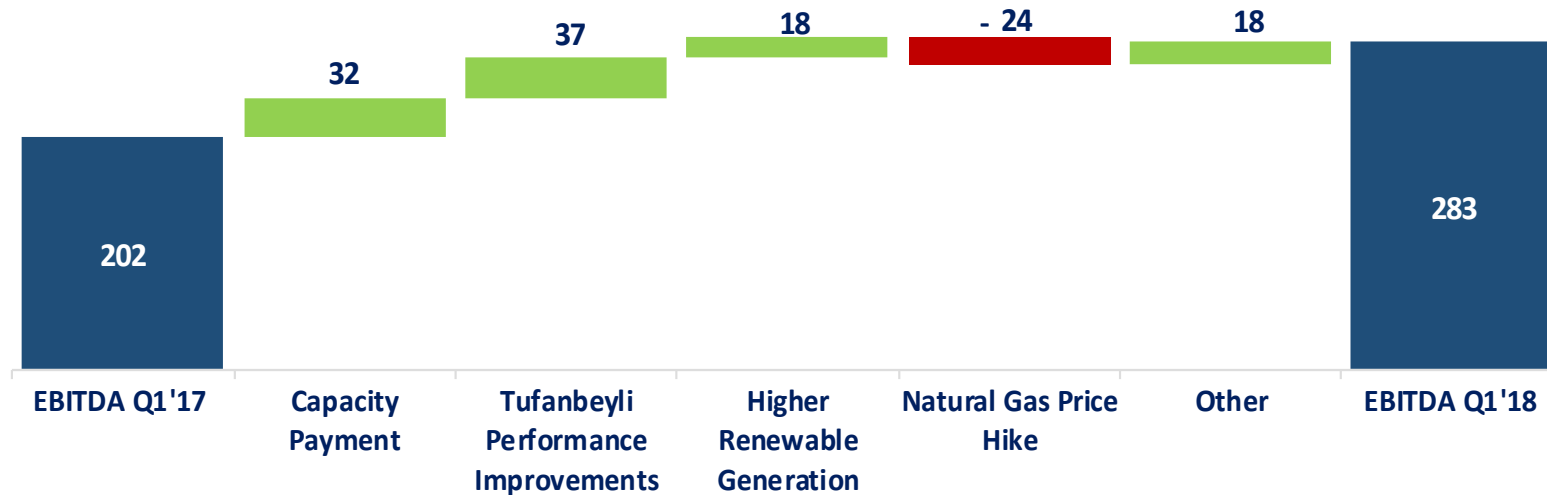
Spot Prices (TL/MWh, LHS) vs Natural Gas Prices (TL/sm3)



Higher Utilization Supported by Capacity Payment

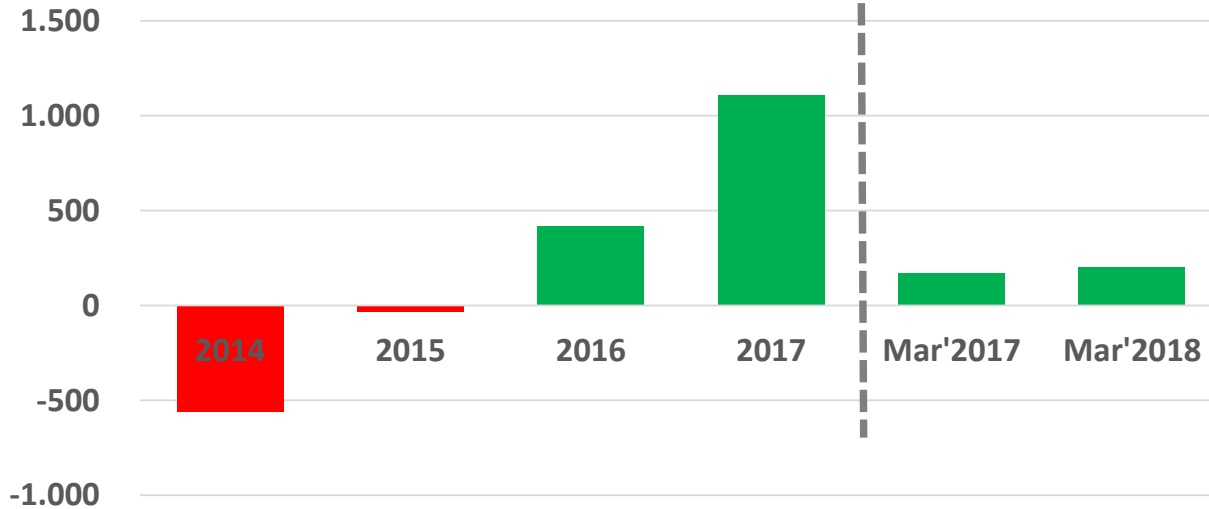
MILLION TL	Q1 2017	Q1 2018	% Change
Net sales	907	1.087	20%
EBITDA*	202	283	40%
EBITDA* margin (%)	22%	26%	3,8pp
Depreciation	-102	-108	-7%
Financial Income/(expense)	-270	-291	-8%
Net income*	-135	-94	30%

* One off items excluded based on Sabancı Holding one off definition



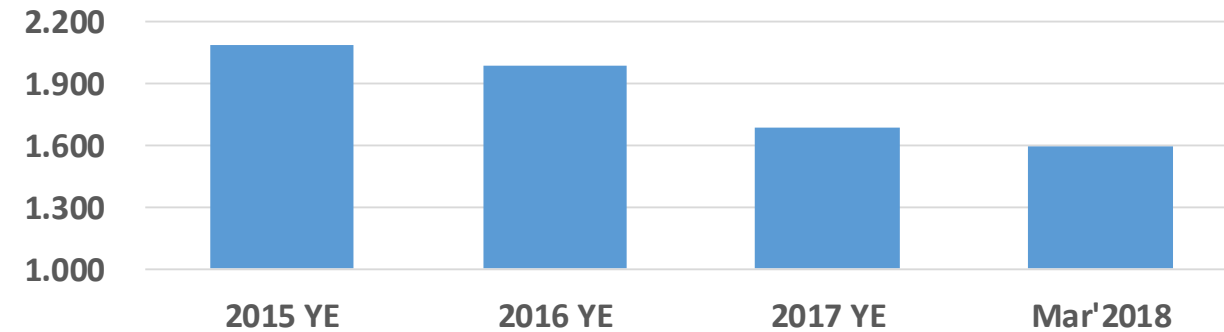
- Capacity payment effective for natural gas and lignite power plant
- Improved performance of lignite power plant
- Higher renewable volume due to early snow melting
- Natural gas price hikes partially offset by higher market prices

Free Cash Flow Generation

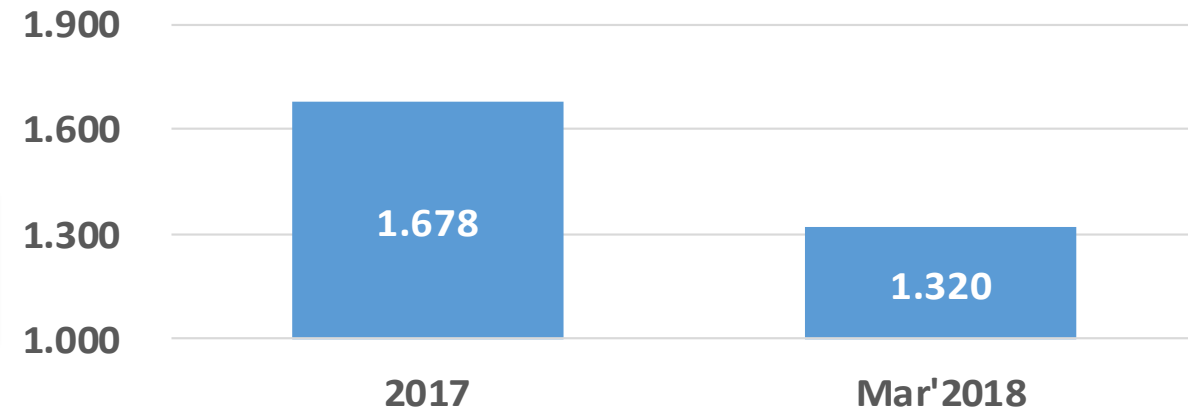


- Capital injection from both shareholders equally
- Despite repayments, bank borrowings level is steady due to TL depreciation against Euro

Generation & Trading Debt (MEUR Equivalent)



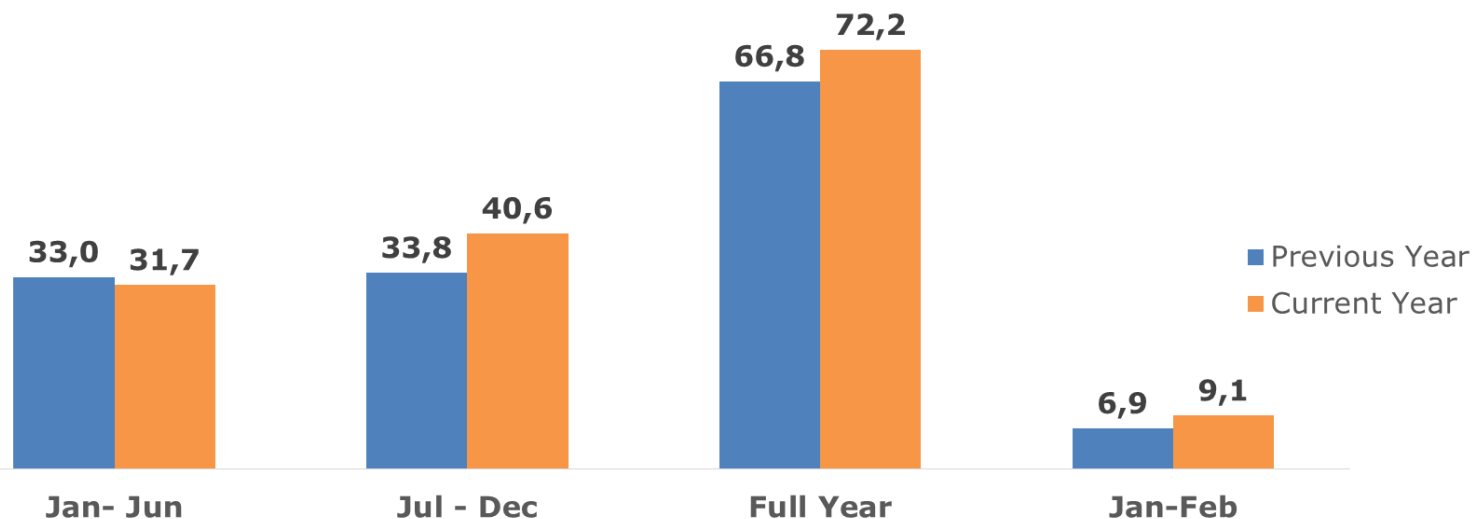
Net Debt (MEUR Equivalent)



MILLION TL	BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)		
	Q1 2017	Q1 2018	% Change
SALES	547	748	37%
EBITDA*	96	161	67%
NET INCOME*	43	65	51%
EBITDA* MARGIN	17,6%	21,5%	

*Excludes non-operational one off items.

Cement Consumption in Turkey (mt)



Current Assessment

- Q1 showed demand increase thanks to good weather conditions. Domestic consumption as of February YTD is 32% above last year.
- Total sector export volume decreased by 8% in February YTD, because of domestic demand increase.
- Strong Demand

Factors to Watch

- Petcoke, coal and electricity prices
- Infrastructure and mega construction projects
- Ongoing urban transformation projects
- New capacities
- Demand and supply in local market
- Export potential in existing and new markets

MILLION TL	BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)		
	Q1 2017	Q1 2018	% Change
SALES	1.736	1.957	13%
EBITDA*	43	8	-81%
NET INCOME*	-51	-117	-130%
EBITDA* MARGIN	2,5%	0,4%	

*Excludes non-operational one off items.

Current Assessment

- Double digit LfL growth in both businesses
- Improvement in LfL growth suppressed both by sales mix higher financing cost
- Sale of a real estate in Istanbul as part of financial optimization

Factors to Watch

- Consumer Sentiment and Economic Outlook
- Potential inflationary pressure over margins in technology retail
- Deleveraging in food retail through realization of value in real estate portfolio
- Further focus on private label products

BEFORE CONSOLIDATION

ADJUSTMENTS (COMBINED)

Q1 2017 Q1 2018 % Change

MILLION TL

SALES

728 1.073 47%

EBITDA*

70 104 49%

NET INCOME*

62 83 35%

*Excludes non-operational one off items.

Current Assessment

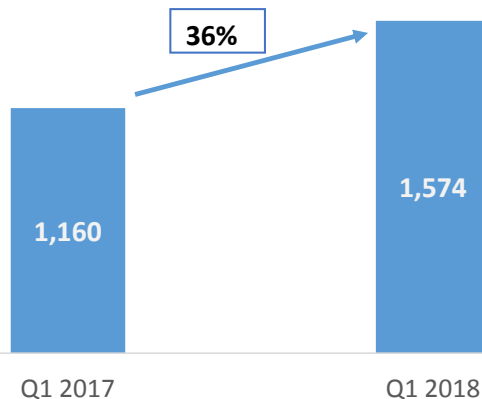
- 51% growth in non-life insurance premiums, driven by both MTPL** (~5x) and MOD** (+29%)
- Combined ratio remained flat, boosting technical income in non-life insurance
- Pension business maintains #1 position in terms of AUM with 19.4% market share
- Both businesses' continued to benefit from elevated interest rates
- Both businesses continue to deliver strong RoE (Aksigorta: 28%, Avivasa: 28%)

Factors to Watch

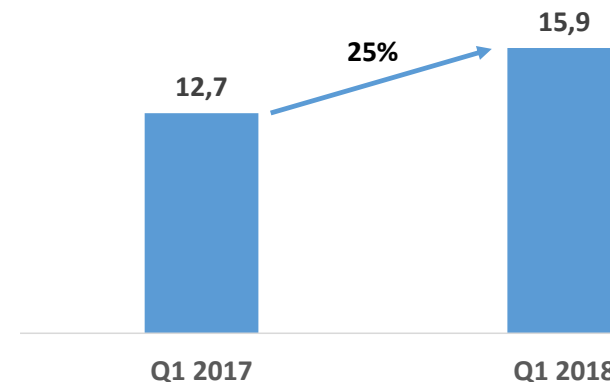
- MTPL product outlook with the new pool mechanism set by the regulator
- Climate related damages and claims management
- Progressive roll out of the Auto Enrollment system in the 2018, opt-out trends, new regulatory incentives
- Loan volume growth for credit-linked product sales in Life protection business line

** MTPL: Motor Third Party Liability
MOD: Motor Own Damage

Aksigorta Investment Portfolio (MTL)



Avivasa Assets Under Management (BN TL)



New Capacity Successfully Online

MILLION TL	BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)		
	Q1 2017	Q1 2018	% Change
SALES	1.416	1.761	24%
EBITDA*	254	291	15%
NET INCOME*	147	124	-16%
EBITDA* MARGIN	17,9%	16,5%	

*Excludes non-operational one off items.

Current Assessment

- Volume growth with strong demand
- Market share gains coupled with operational new tire plant
- Focus on export markets to take advantage of FX income
- Low funding cost
- Operational excellence and efficiency
- High capacity utilization

Factors to Watch

- Pricing / Commodity prices
- Domestic market demand
- Local inflation and financing costs
- Working capital management, inventory and Capex control
- Turkish Lira and other EM currencies

FX Position

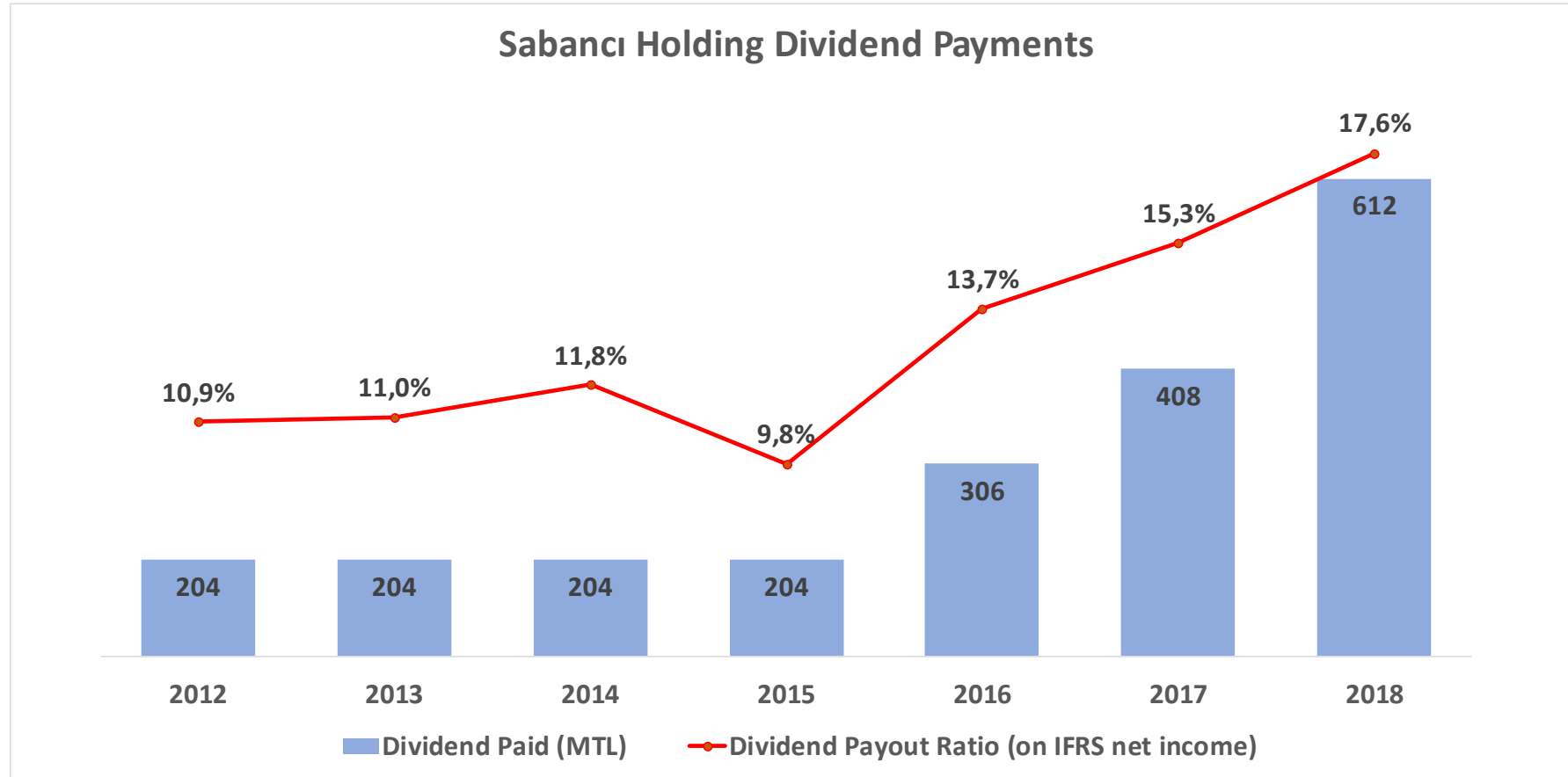
Long FX Position Limits Risks and Creates Financial Income

CONSOLIDATED NET FX POSITION (excl. Bank)	MILLION EURO	
	Dec 31, 2017	Mar 31, 2018
ENERGY	-240	-198
INDUSTRIALS	1	-2
CEMENT	4	-2
RETAIL	0	3
INSURANCE	7	8
HOLDING & OTHER	327	232
TOTAL CONSOLIDATED FX POSITION AFFECTING PL	99	40

Holding Only Cash Position increased to 2.556 MTL

2018

Strong Dividend Growth



	2012	2013	2014	2015	2016	2017	2018
Dividend Received (MTL)	542	645	629	822	755	879	1.212
Dividend Paid (MTL)	204	204	204	204	306	408	612
Dividend Outflow/Inflow	38%	32%	32%	25%	41%	46%	50%

2018

Key Developments In Q1



Solid operational and financial performance continues in our B2B businesses

New capital allocation framework has been disclosed and dividend payments increased



Management changes to ensure best performance and improve strategic focus

2018

Guidance Maintained

		2018 Growth Guidance
SABANCI HOLDING COMBINED NON-BANK *	SALES	15-20%
	EBITDA	15-20%

* Excludes one off items.

Q&A

SABANCI



2018

Non-Operational and Non-Recurring Items

Non-Operational and Non-Recurring Items

	Q1 2017	Q1 2018
NET INCOME EXCLUDING NON OPERATIONAL & NON RECURRING ITEMS	722	894
Gain on sales of Enerjisa Enerji shares (IPO proceeds)	0	123
Carrefoursa gain on asset sale;litigation resolution;impairment	13	30
Other	-65	20
NET INCOME	669	1.066