

Sabancı Holding

Q1 2020 Earnings Presentation





Rapid measures against COVID-19 pandemic

- Banking, food retailing & energy transformed into public services
- Uninterrupted production & services through digitalization
- Top financial priorities: Business sustainability, cost control, liquidity & working capital management



Q1 financial results

- Strong set of results thanks to our balanced and resilient portfolio
- The quarter was marked by strong operating profitability & low leverage
- Positive outcomes of our LT strategy of focusing on sustainability

Q1 2020 Highlights



Solid non-bank operational performance



Robust balance sheet, solid liquidity and low leverage



Rapid measures against COVID-19 pandemic



Corporate governance strengthened to increase independence

Sustainability measures during crisis

Business sustainability & continuity measures

Focus on uninterrupted production & services mainly in the bank, energy and food retail businesses

- Initiatives taken to cope with increased **e-commerce** demand on food and technology retail
- Optimize **supply chains** to ensure continuity of operations
- Dynamic **product mix** management by balancing changes in demand and suppliers' ability

Spending & working capital management measures

Reduced cash outflows by cutting non-essential spending & CAPEX, optimized working capital

- Formed **working capital management, cost** and **liquidity** teams in every group company
- Adopted KPI based payment methodology with suppliers to better manage **working capital**
- Introduced FCF based **CAPEX** spending & **cost-cutting** to keep the liquidity level unchanged

Liquidity measures to keep robust balance sheet

Maintain liquidity to ensure the preservation of the robust balance sheet strength at the Group level

- Run several stress tests to monitor and take necessary precautions to keep group's solid **liquidity**
- **Loan limits** evaluated/updated for group companies, adopted for **Economic Stability Shield package**
- Eliminated, otherwise limit, already very limited short-**FX positions**

Majority professionals and independents in BoD

- The Board has commenced a **recruitment process** to hire new non-executive members, with the **final objective of the Board being composed of majority non-family members**
- **Sakıp Sabancı Holding**, our largest shareholder, **nominated to the BoD, represented by a professional, Saime Gonca Artunkal**

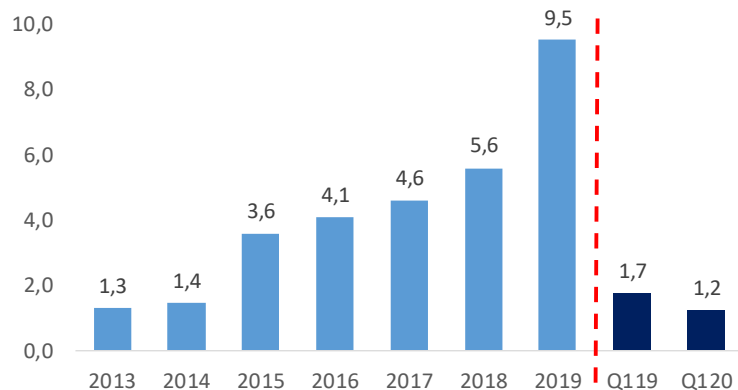
Empower the Management

- **Portfolio Management Committee** is eliminated
- Corporate Governance, Remuneration and Nomination and Early Detection of Risk Committees will be **assuming** some of the Portfolio Management Committee functions

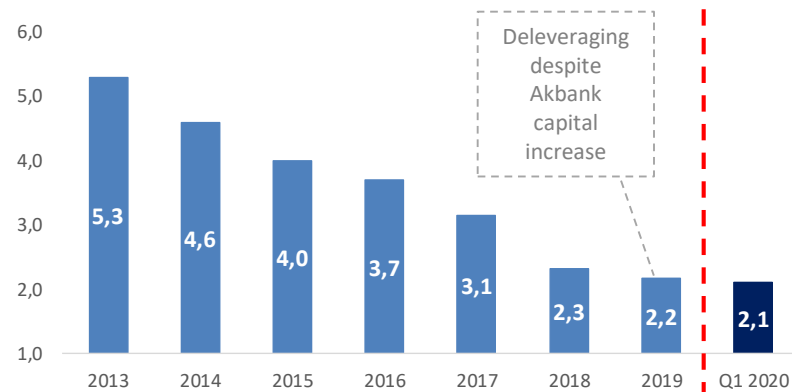
Q1 2020

Net debt/EBITDA improved

Operational Cash Flow, Combined for Non-Bank* (TL bn)



Combined Net Financial Debt to Non-Bank EBITDA**



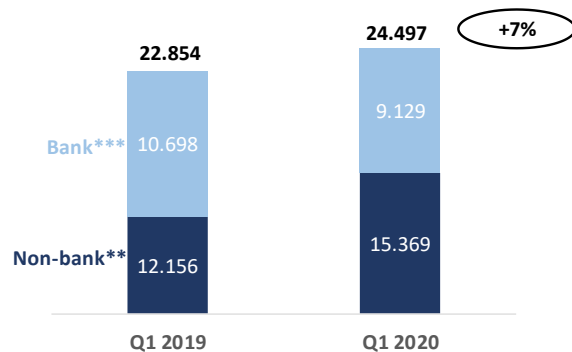
* Excludes Financial Services, Banking, Other segment (Financial services funds: TL 3,5 bn in Q1 20 vs. TL 2,6 bn in Q1 19)

** Excludes Banking and net cash position of Financial Services; EBITDA excludes non-operational one-off items and IFRS16 impact in retail

Q1 2020

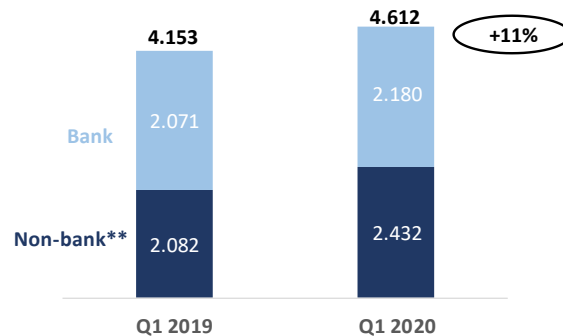
Financial performance summary

Combined Revenue* (TL mn)



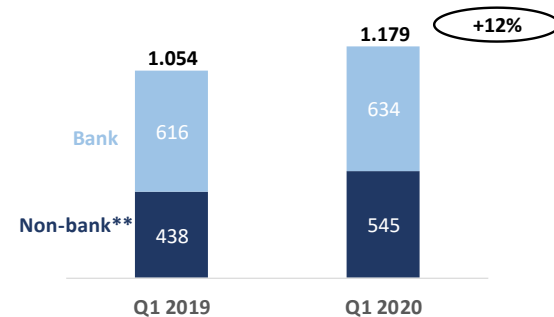
Solid growth driven by non-bank

Combined EBITDA* (TL mn)



Improvement in combined EBITDA margin

Consolidated Net Income* (TL mn)



Led by well-managed financing

*Excludes Holding dividend income **Excludes divested businesses
 *** Bank revenue = Interest income + commission income + capital markets gains/losses + net derivative gains/losses

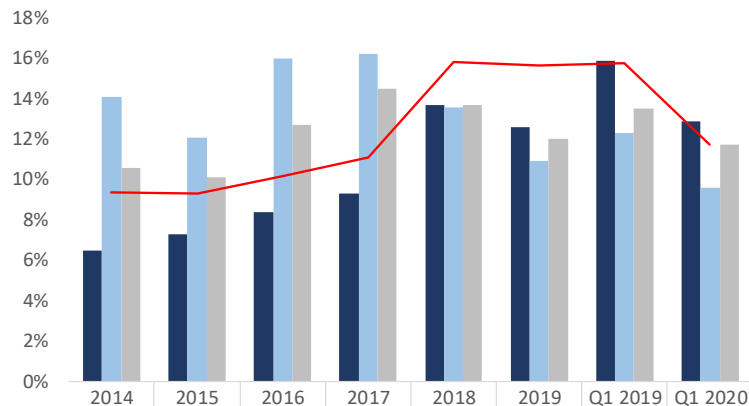
*Excludes non-operational one off items
 **Excludes divested businesses in industrials and IFRS16 impact in retail

*Excludes non-operational one off items
 **Excludes divested businesses in industrials and IFRS16 impact in retail

Q1 2020

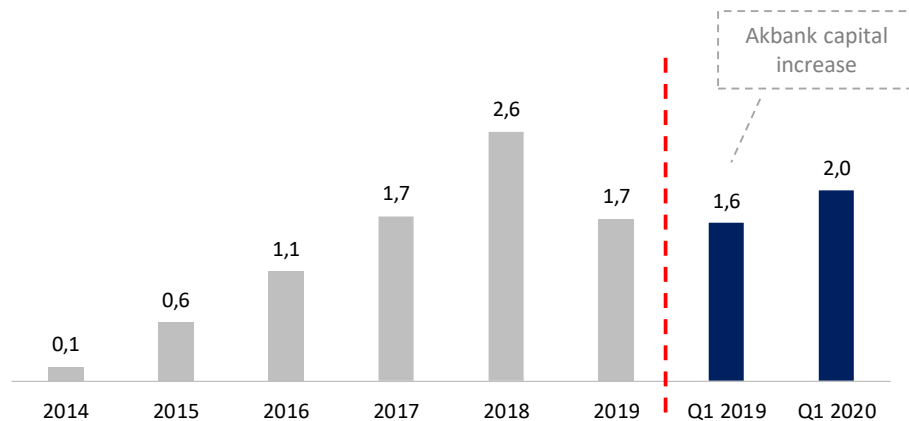
High ROE in a lower cost of capital environment

Return on Equity*



Non-Bank Cons. ROE	6,5%	7,3%	8,4%	9,3%	13,7%	12,6%	15,9%	12,9%
Bank Cons. ROE	14,1%	12,1%	16,0%	16,2%	13,6%	10,9%	12,3%	9,6%
Sahol Cons. ROE	10,6%	10,1%	12,7%	14,5%	13,7%	12,0%	13,5%	11,7%
10-year TR Bond Avg. Int. Rate**	9,4%	9,3%	10,2%	11,1%	15,8%	15,7%	15,8%	11,7%

Holding Only - Net cash position (TL bn)



Consolidated Long FX position (USD mn, excluding Bank)

	Dec 31, 2019	Mar 31, 2020
TOTAL CONSOLIDATED FX POSITION AFFECTING PL	308	331

Holding only cash breakdown: 80% long in foreign currency

	Dec 31, 2019	Mar 31, 2020
SHARE OF FX	86%	80%
SHARE OF TRY	14%	20%

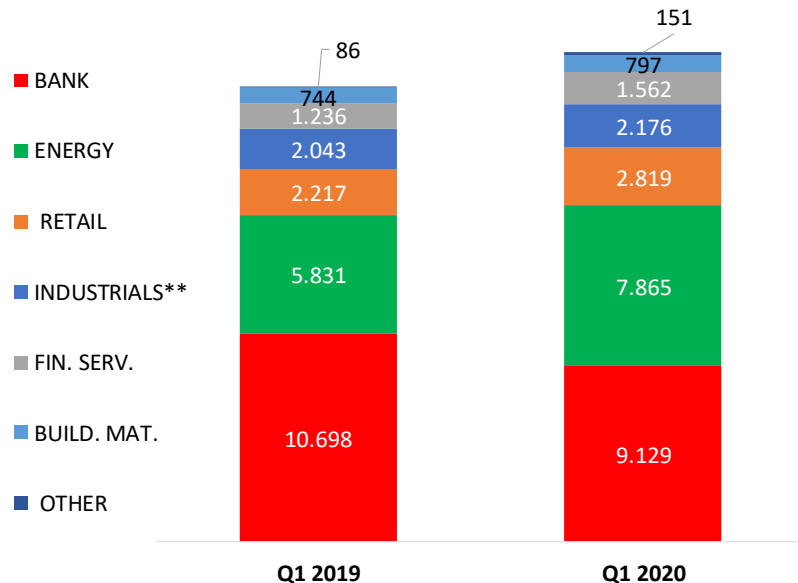
*Excludes non-operational one off items

**Source: Foreks

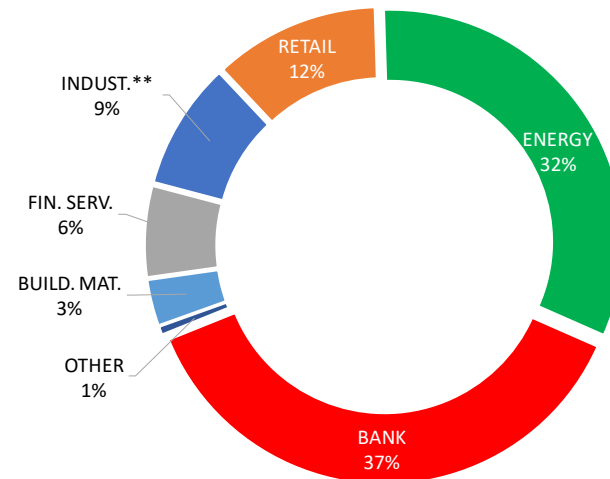
Combined Revenues

Above-inflation non-bank growth on Energy, Retail & Industrials

Combined Revenue* (TL mn)



Combined Revenue* Breakdown



Key non-bank drivers

Energy: Strong retail business on higher pricing and higher sales volume in generation

Retail: Strong LfL growth thanks to solid overall basket size increase in both businesses

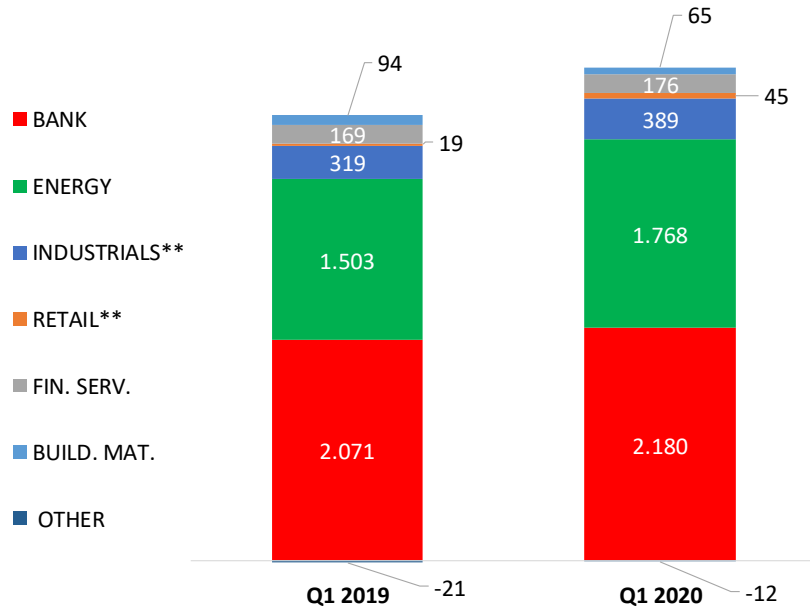
Industrials: Strong performance on solid domestic tire replacement market sales growth

* Holding dividend income is excluded **Excludes divested businesses in industrials

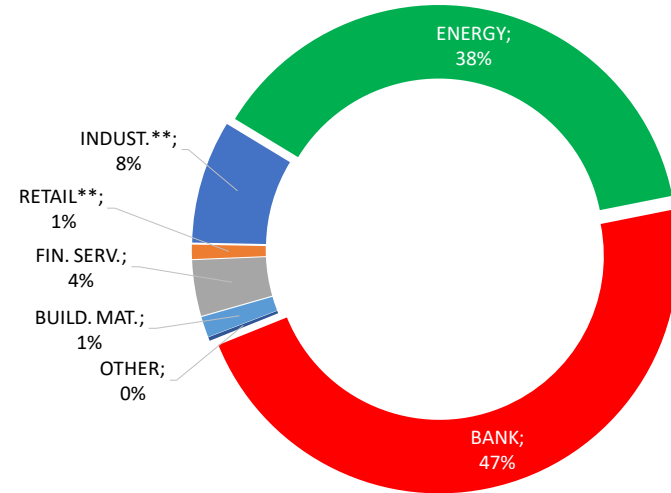
Combined EBITDA

Non-bank growth driven by Energy and Industrials

Combined EBITDA* (TL mn)



Combined EBITDA* Breakdown



Key non-bank drivers

Energy: Generation's strong lignite performance on higher availability, higher sales prices & lower unit cost

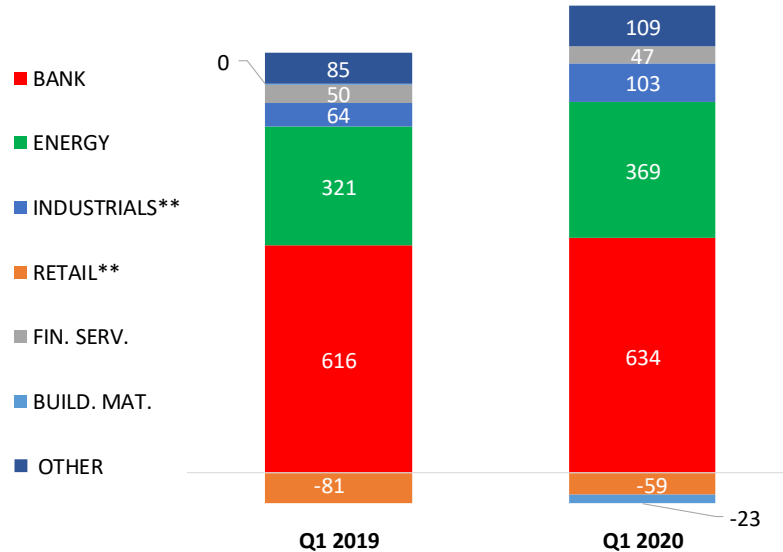
Industrials: Downward trend in tire raw material prices

*Excludes non-operational one off items **Excludes divested businesses in industrials and IFRS16 impact in retail

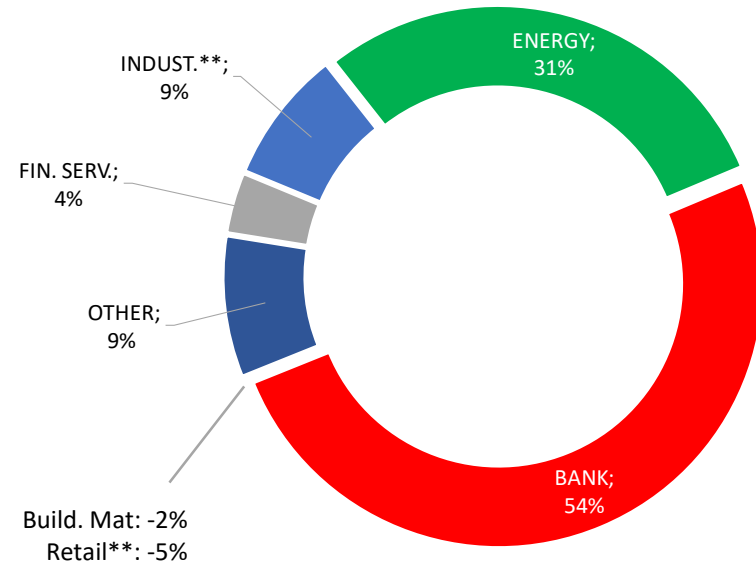
Consolidated Net Income

Solid profitability on well-managed financing

Consolidated Net Income* (TL mn)



Consolidated Net Income* Breakdown



Key non-bank drivers

Energy: Solid pass-through of strong operational performance

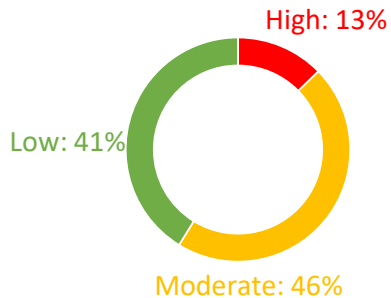
Industrials: Lower financial expenses on declining interest rates

*Excludes non-operational one off items **Excludes divested businesses in industrials and IFRS16 impact in retail

Group's cyclicity exposure

Relatively low exposure to highly cyclical industries limits downside risk

Business	Share in NAV*	Low cyclicity	Moderate cyclicity	High cyclicity
Energy	21%	●		
Food retail	8%	●		
Other**	12%	●		
Banking	41%		●	
Financial services	5%		●	
Industrials	8%			●
Building materials	4%			●
Technology retail	1%			●



* Excluding Holding-only cash that constitutes 6% of the NAV. As of end of March 2020 ** Includes tobacco business and other small businesses.

Energy Segment Summary Financials*

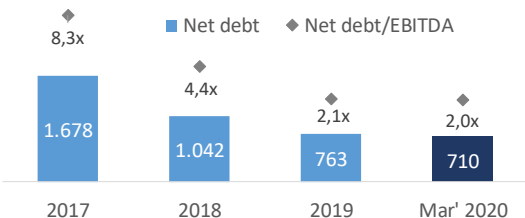
MILLION TL	Q1 2019	Q1 2020	% Change
SALES	5.831	7.865	35%
EBITDA**	1.503	1.768	18%
NET INCOME**	701	806	15%
EBITDA** MARGIN	25,8%	22,5%	

* Before consolidation adjustments, combined ** Excludes non-operational one off items

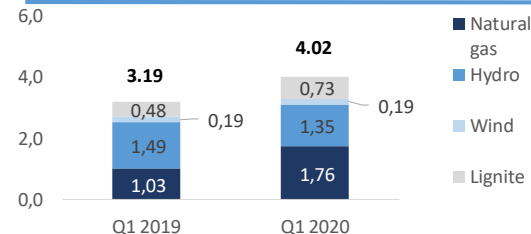
Enerjisa Generation Summary Financials

MILLION TL	Q1 2019	Q1 2020	% Change
Net sales	1.348	2.086	55%
EBITDA*	655	806	23%
EBITDA* margin (%)	49%	39%	-9,9pp
Depreciation	110	124	12%
Financial Income/(expense)	-108	-164	-51%
Net income*	403	465	15%

Net Debt (EUR mn) & Net Debt/EBITDA



Generation volume (TWh)



Current Assessment

- **Distribution & Retail:** EBITDA up by 14% y/y owing to increasing RAB (up by 12% y/y), better theft/loss performance and more profitable liberalized retail operations
- **Generation:** Generation volume up 26% y/y. EBITDA increased by 23% y/y with positive contribution from all generation assets

Factors to Watch

- Electricity demand and spot prices
- Inflation, interest rates
- New Regulatory Tariff Period

Industrials Summary Financials*

MILLION TL	Q1 2019	Q1 2020	% Change
SALES	2.482	2.176	-12%
SALES-Comparable	2.043	2.176	7%
EBITDA**	315	389	24%
BRİSA	122	197	61%
KORDSA	197	160	-19%
OTHER	-5	31	753%
EBITDA**-Comparable	319	389	22%
NET INCOME**	77	161	109%
BRİSA	-3	76	2973%
KORDSA	111	54	-51%
OTHER	-31	31	200%
NET INCOME**-Comparable	107	161	50%
EBITDA** MARGIN	12,7%	17,9%	

Current Assessment

- Contraction in global tire and tire reinforcement market
- Strong domestic sell-in, Turkey's undisputable market leader in tire business
- Support of low raw material prices

Factors to Watch

- Pace of recovery
- Working capital management
- Pricing & commodity prices

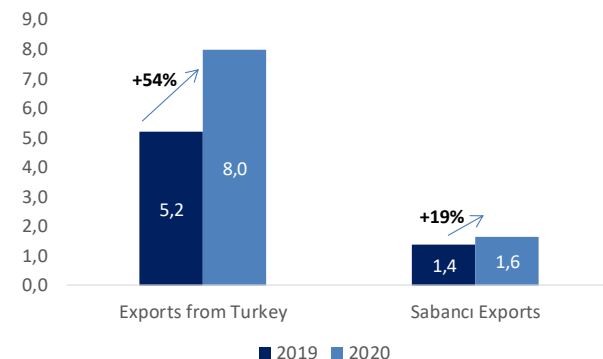
* Before consolidation adjustments, combined ** Excludes non-operational one off items
Comparable excludes divested businesses

Building Materials Summary Financials*

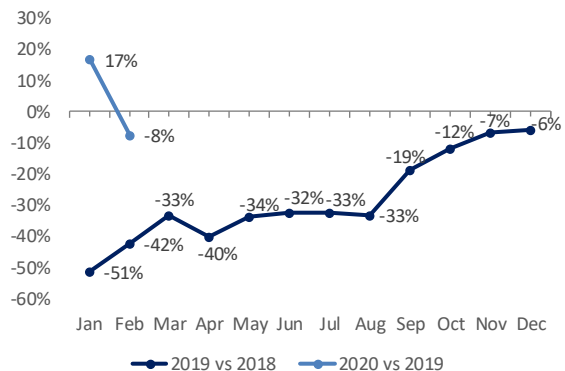
MILLION TL	Q1 2019	Q1 2020	% Change
SALES	744	797	7%
EBITDA**	94	65	-31%
NET INCOME**	-9	-54	-471%
EBITDA* MARGIN	12,6%	8,2%	

* Before consolidation adjustments, combined ** Excludes non-operational one off items

Domestic cement demand y/y growth



Cement exports from Turkey (mn tons)



Current Assessment

- Positive trend in petro-coke and coal costs
- Stable sales volumes

Factors to Watch

- Demand and supply in local market
- Exports
- Infrastructure and construction projects

Source: Turkish Cement Manufacturers' Association

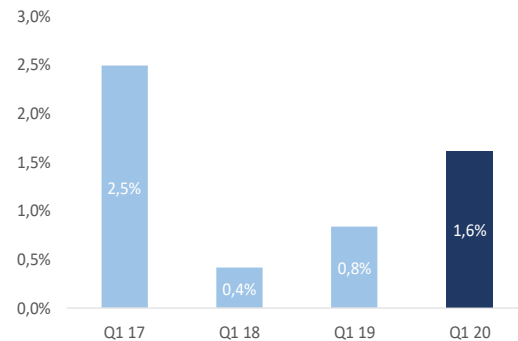
Source: Central Anatolian Exporters' Union

Retail Summary Financials*

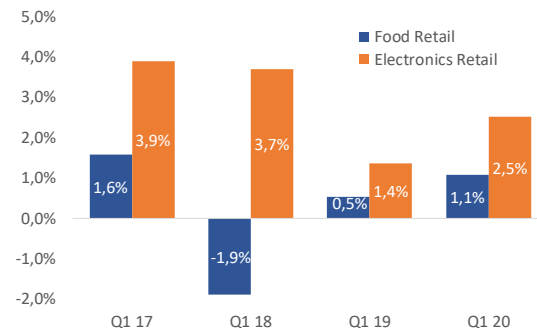
MILLION TL	Q1 2019	Q1 2020	% Change
SALES	2.217	2.819	27%
EBITDA**	130	169	29%
EBITDA**-Comparable	19	45	143%
NET INCOME**	-172	-126	27%
NET INCOME**-Comparable	-152	-112	26%
EBITDA** MARGIN	5,9%	6,0%	
EBITDA** MARGIN-Comparable	0,8%	1,6%	

* Before consolidation adjustments, combined ** Excludes non-operational one off items
 Comparable excludes IFRS16 impact

Comparable EBITDA** margin



Comparable EBITDA** margin by segment



** Excludes non-operational one off items; Comparable excludes IFRS16 impact

Current Assessment

- Top line supported by overall basket size
- Improved operational profitability driven by top line growth despite higher hygiene expenses in food retail
- Lower financial expenses contributing to the improvement in bottom line

Factors to Watch

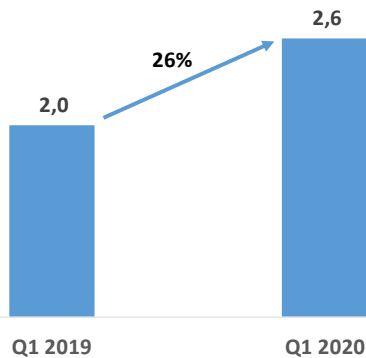
- Changes in consumers' buying behavior in the post-COVID era
- Trends in e-commerce
- Ongoing turnaround projects in both companies

Financial Services Summary Financials*

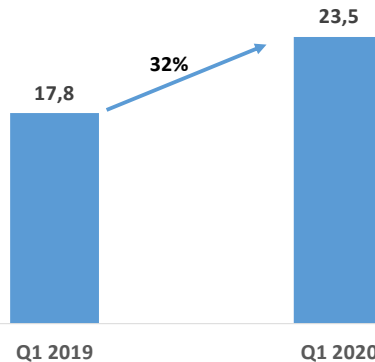
MILLION TL	Q1 2019	Q1 2020	% Change
SALES	1.236	1.562	26%
EBITDA	169	176	4%
LIFE	56	60	8%
NON-LIFE	113	116	3%
NET INCOME**	132	125	-5%
LIFE	60	53	-11%
NON-LIFE	72	71	-1%

* Before consolidation adjustments, combined ** Excludes non-operational one off items

Aksigorta AUM* (TL BN)



Avivasa Pension AUM* (TL BN)



Current Assessment

- Pension maintains #1 position in terms of AUM with a 18,6% market share
- Strong life & non-life performance
- Lower financial income contribution

Factors to Watch

- Natural disasters, pandemic and claims management
- Interest rates, FX & inflation
- Regulatory changes

* Assets Under Management

* Assets Under Management. Including auto enrolment

Best positioned to remain healthy & profitable in a challenging environment

Summary Combined Financials*

MILLION TL	Q1 2019	Q1 2020	% Change
REVENUE	10,698	9,129	-15%
EBITDA	2,071	2,180	5%
NET INCOME	1,511	1,556	3%

Key Ratios

%	Q1 2019	Q1 2020	Bps Change
Leverage	8,1x	7,8x	-0.3x
NIM (swap adj.)	3.74%	4.83%	1.1
CIR¹	33.4%	33.8%	0.3
CAR²	16.2%	18.8%	2.6
Tier 1²	13.8%	16.0%	2.2

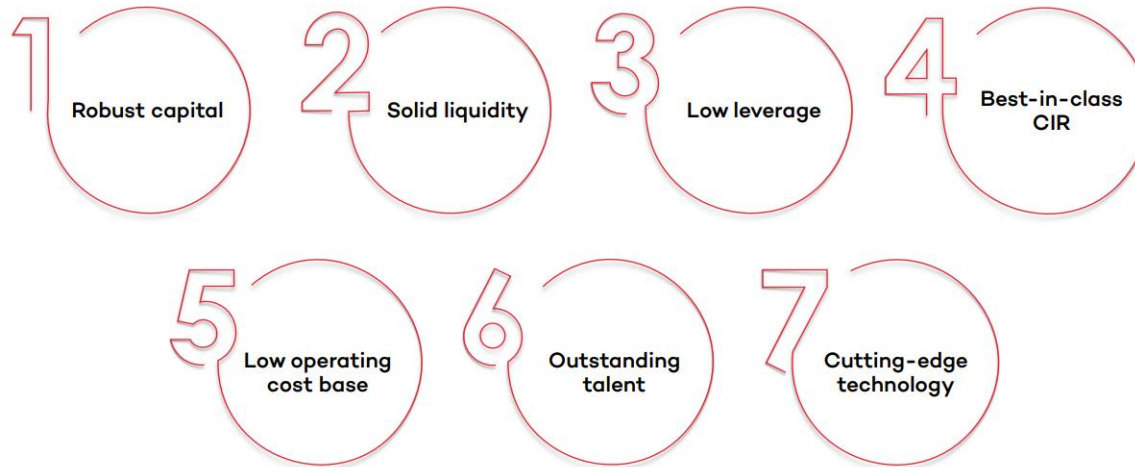
Bank revenue = Interest income + commission income + capital markets gains/losses + net derivative gains/losses.

Current Assessment

- In Q1 20 Akbank, achieved solid core operating performance
- Preserved best-in-class CIR
- Performed in line with guidance CoC
- Maintained significant capital buffers
- Realized ROE of 9.6% (free provision adj. 11.5%)

Despite

- Muted loan growth
- Regulatory change on fees
- LYY MtM negative adjustment of TL871mn
- Setting aside TL250mn free provision



(1) CIR calculation excludes FX gain from long FX position related with stage 1&2 provisions as well as insurance penalty of TL 71 mn

(2) Q1 20 CAR & Tier 1 ratios exclude forbearances announced by BRSA in Mar '20

Group's opportunities

Post-Covid-19 strategies and initiatives

Group

- Maintain robust balance sheet and liquidity
- Exploit new opportunities for rebooting economy
- Cautious/prepared for a relapse of infection risk

Bank

- **2020 Outlook:** moderate impact from Covid-19
- **Long-term initiatives:** To create superior customer experience by leveraging digitization, AI & continuous investments in our people & infrastructure

Building materials

- **2020 Outlook:** high impact from Covid-19
- **Long-term initiatives:** Explore local/global consolidation opportunities; diversify export markets

Energy

- **2020 Outlook:** low impact from Covid-19
- **Long-term initiatives:** Market share gains in non-regulated segment, speed-up grid investments to increase returns

Financial services

- **2020 Outlook:** moderate impact from Covid-19
- **Long-term initiatives:** Focus on remote & digital sales, digital channels and partnerships

Strategic Business Unit

Industrials

- **2020 Outlook:** high impact from Covid-19
- **Long-term initiatives:** Invest in products that sell to healthcare; replace Far East exports with Europe

Retail

- **2020 Outlook:** moderate impact from Covid-19
- **Long-term initiatives:** Intensify omni-channel / e-commerce penetration, reduce SKUs to efficiently manage inventory

APPENDIX



Appendix

Financials in detail

Combined Revenue* (TL mn)

MILLION TL	Q1 2019	Q1 2020	% Change
TOTAL*	23.294	24.497	5%
TOTAL*-Comparable	22.854	24.497	7%
BANK	10.698	9.129	-15%
NON-BANK*	12.596	15.369	22%
NON-BANK*-Comparable	12.156	15.369	26%
ENERGY	5.831	7.865	35%
BUILDING MATERIALS	744	797	7%
RETAIL	2.217	2.819	27%
FINANCIAL SERVICES	1.236	1.562	26%
INDUSTRIALS	2.482	2.176	-12%
INDUSTRIALS-Comparable	2.043	2.176	7%
OTHER*	86	151	75%

*Holding dividend income excluded; Comparable excludes divested businesses in industrials

Combined EBITDA* (TL mn)

MILLION TL	Q1 2019	Q1 2020	% Change
TOTAL*	4.261	4.735	11%
TOTAL*-Comparable	4.153	4.612	11%
BANK	2.071	2.180	5%
NON-BANK*	2.190	2.555	17%
NON-BANK*-Comparable	2.082	2.432	17%
ENERGY	1.503	1.768	18%
BUILDING MATERIALS	94	65	-31%
RETAIL	130	169	29%
RETAIL-Comparable	19	45	143%
FINANCIAL SERVICES	169	176	4%
INDUSTRIALS	315	389	24%
INDUSTRIALS-Comparable	319	389	22%
OTHER*	-21	-12	43%

*Excludes non-operational one off items; Comparable excludes divested businesses in industrials and IFRS16 impact in retail

Consolidated Net Income* (TL mn)

MILLION TL	Q1 2019	Q1 2020	% Change
TOTAL*	1.028	1.172	14%
TOTAL*-Comparable	1.054	1.179	12%
BANK	616	634	3%
NON-BANK	412	538	30%
NON-BANK-Comparable	438	545	24%
ENERGY	321	369	15%
BUILDING MATERIALS	0	-23	n.m.
RETAIL	-92	-67	28%
RETAIL-Comparable	-81	-59	27%
FINANCIAL SERVICES	50	47	-6%
INDUSTRIALS	50	103	107%
INDUSTRIALS-Comparable	64	103	60%
OTHER	85	109	29%

*Excludes non-operational one off items; Comparable excludes divested businesses in industrials and IFRS16 impact in retail

Non-Operational and Non-Recurring Items (TL mn)

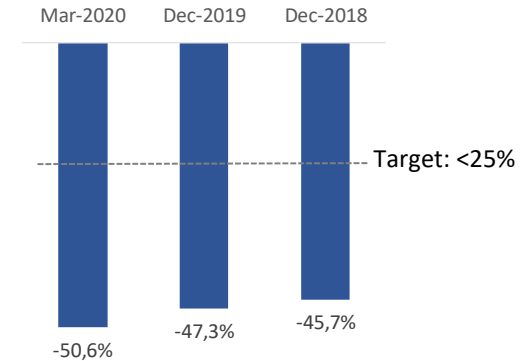
	Q1 2019	Q1 2020
CONSOLIDATED NET INCOME EXCLUDING NON OPERATIONAL & NON RECURRING ITEMS	1.028	1.172
Carrefoursa one-offs	10	0
Avivasa one-offs	0	19
Other	19	2
CONSOLIDATED NET INCOME	1.057	1.193

USDmn			Mar-2020 Value of			Dec-2019 Value of	
Companies	Direct Stakes (%)*	Valuation Method	Mcap	Stake	% of NAV	Stake	% of NAV
Akbank	40,8%	Market value	4.428	1.805	38,3%	2.891	46,5%
Enerjisa Enerji	40,0%	Market value	1.218	487	10,4%	587	9,5%
Aksigorta	36,0%	Market value	216	78	1,7%	113	1,8%
Avivas	40,0%	Market value	364	146	3,1%	169	2,7%
Akçansa	39,7%	Market value	205	81	1,7%	128	2,1%
Çimsa	54,5%	Market value	130	71	1,5%	113	1,8%
Brisa	43,6%	Market value	334	146	3,1%	213	3,4%
Kordsa	71,1%	Market value	281	200	4,2%	304	4,9%
Carrefoursa	50,6%	Market value	682	345	7,3%	281	4,5%
Teknosa	60,3%	Market value	102	61	1,3%	47	0,8%
Total Listed			3.420	72,7%		4.845	78,0%
Enerjisa Üretim	50,0%	1.0 x Book Value	913	456	9,7%	511	8,2%
Philsa	25,0%	Analyst Estimates*	1.508	377	8,0%	422	6,8%
Other		1.0 x Book Value	154	154	3,3%	153	2,5%
Total Non-listed			987	21,0%		1.086	17,5%
Total			4.407	93,7%		5.932	95,5%
Sabancı Holding Net Cash			299	6,3%		279	4,5%
Sabancı Holding NAV			4.706	100,0%		6.211	100,0%
Sabancı Holding Mcap			2.324			3.274	
Sabancı Holding Discount			-50,6%			-47,3%	

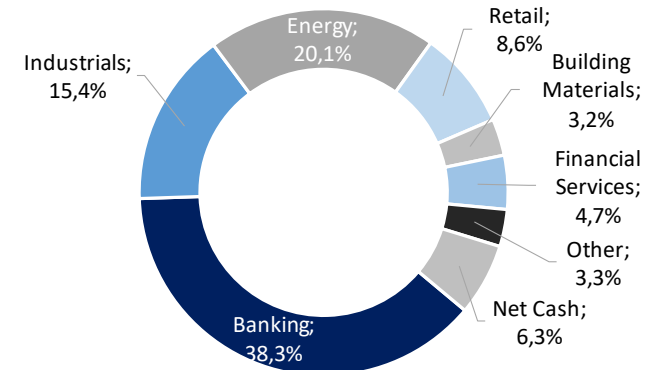
Source: Bloomberg, Sabancı Holding Finance Department

*# of Analyst Estimates: 14

NAV Discount



Breakdown of NAV (March 2020)



- In IFRS16, the change is that now most leased items with a duration longer than one year have to be included as an asset in the company books.
- In addition, the payments that will be made on the lease agreement have to be reported as a liability on the balance sheet.
- Added to these, the depreciation of the asset and interest on the lease liability have to be shown on P&L instead of rent expenses. This leads to higher operating profit compared to the periods before IFRS16 application.
- For comparison purposes, 2019 and 2020 figures are adjusted to reflect the IFRS16 impact.

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Q&A

SABANCI

