

# Sabancı Holding

Q2 2020 Earnings Presentation



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## Q2 2020 Highlights



Solid non-bank results during the peak of COVID-19 pandemic



Robust B/S, strong cash flow generation, & low leverage are intact



Keeping all COVID-19 related health & business measures in place

# COVID-19 Responses

## Success in all sustainability measures during COVID-19 peak

### Business sustainability & continuity measures

**Initiative:** To focus on uninterrupted production & services mainly in the bank, energy and food retail

- **E-commerce demand met:** Both on food & technology retail through prior e-commerce investments
- **Operations sustained:** Bank, energy and food retail operations prevailed without any interruption

### Spending & working capital management measures

**Initiative:** To reduce cash outflows by cutting non-essential spending, CAPEX, optimize working capital

- **Non-essential spending cut:** Combined EBIT margin was up by 2,6ppt y/y and 0,4ppt q/q
- **Non-essential CAPEX cut:** CAPEX timeline revisited
- **Working capital optimized:** Adjusted\* combined working capital to sales ratio improved by 1,4ppt

### Liquidity measures to keep robust balance sheet

**Initiative:** To maintain liquidity by preserving robust balance sheet at the Group level

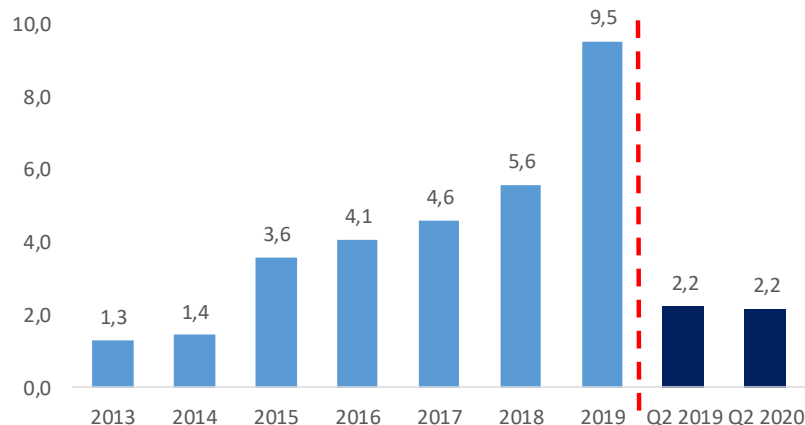
- **Stable indebtedness:** Combined Net Financial Debt to Non-Bank EBITDA remained stable at 2,2x
- **Loans:** Loan limits updated, interest expenses down by 24% y/y and 4% q/q on lower interest rates
- **Long-FX position** Increased further to US\$343mn in Q2 vs. US\$331mn in Q1 20, US\$308mn in FY19

\*Excludes Banking, Financial Services, and Other segments. Total adjusted\* CAPEX to adjusted\* sales

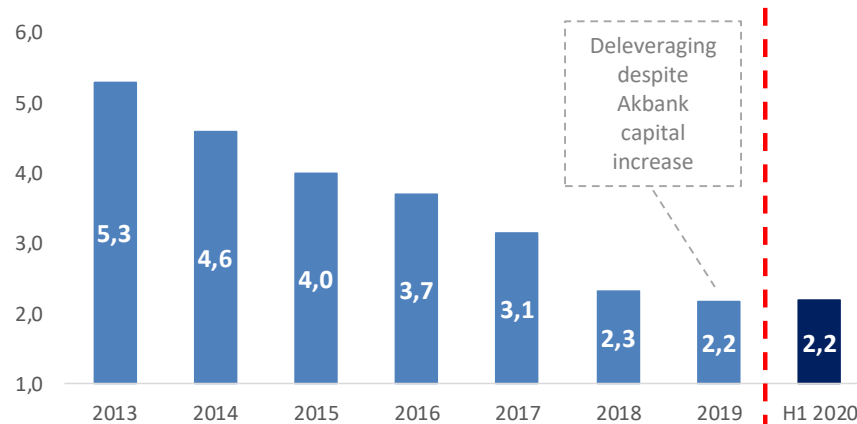
Q2 2020

## Stable operational cash flow and net debt/EBITDA

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



## Combined Net Financial Debt to Non-Bank EBITDA\*\*



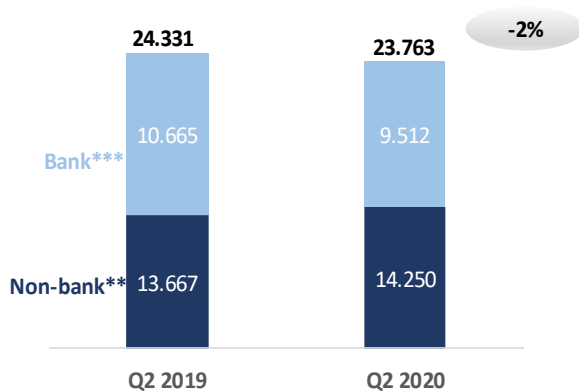
\*Excludes Financial Services, Banking, Other segment (Financial services funds: TL 3,8 bn in H1 20 vs. TL 2,8 bn in H1 19)

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

Q2 2020

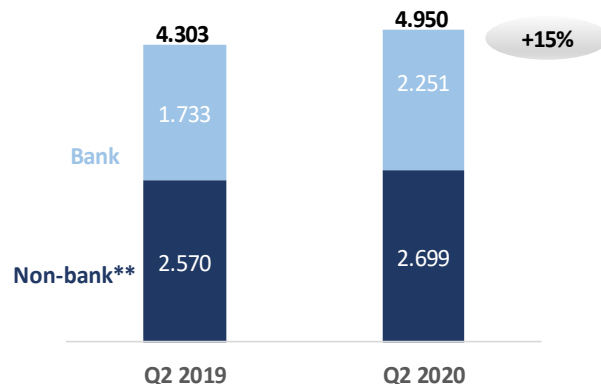
## Financial performance summary

## Combined Revenue\* (TL mn)



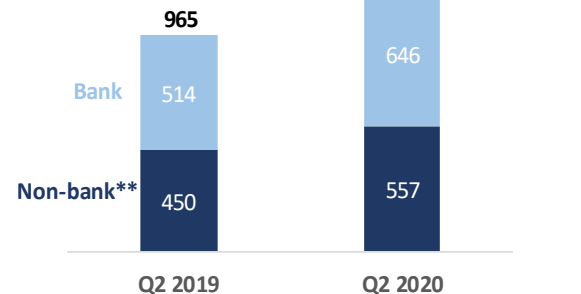
Non-bank revenue growth sustained

## Combined EBITDA\* (TL mn)



Improved on lower claims &amp; better fixed cost management

## Consolidated Net Income\* (TL mn)



Pass-through &amp; well-managed financing

\*Excludes Holding dividend income \*\*Excludes divested businesses and IFRIC adjustment in energy \*\*\* Bank revenue = Interest income + commission income + capital markets gains/losses + net derivative gains/losses

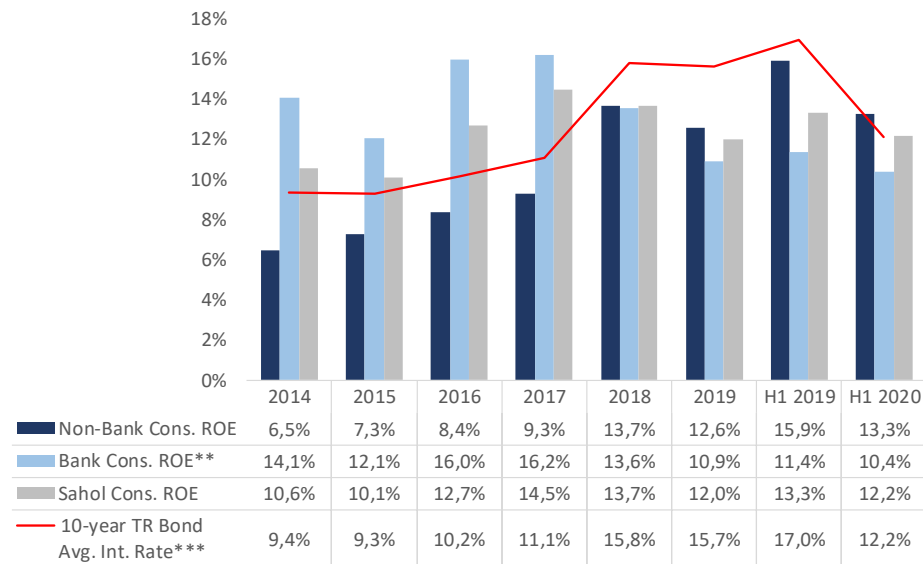
\*Excludes non-operational one off items  
\*\*Excludes divested businesses in industrials, IFRS16 impact in retail, and IFRIC adjustment in energy

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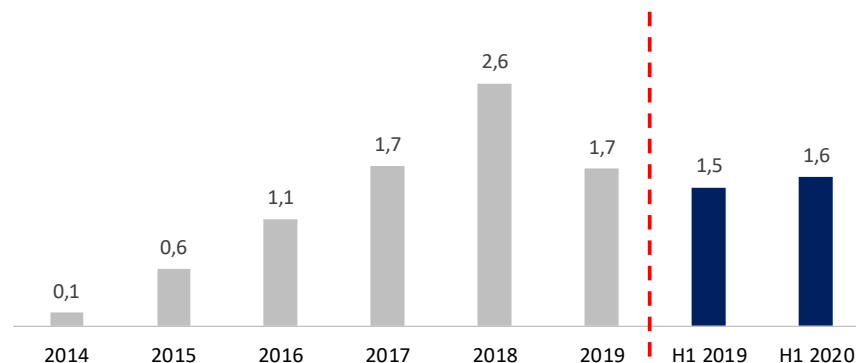
Q2 2020

## High ROE in a lower cost of capital environment

## Return on Equity\*



## Holding Only - Net cash position (TL bn)



## Consolidated Long FX position (USD mn, excluding Bank)

	Dec 31, 2019	June 30, 2020
<b>TOTAL CONSOLIDATED FX POSITION AFFECTING PL</b>	<b>308</b>	<b>343</b>

\*Excludes non-operational one off items \*\*Source: Akbank earnings presentation

\*\*\*Source: Foreks

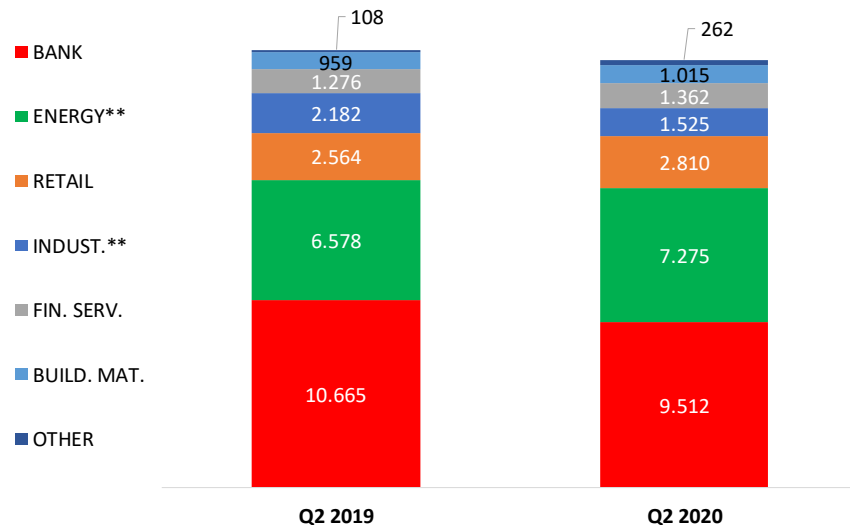
## Holding only cash breakdown: Almost 100% long in foreign currency

	Dec 31, 2019	June 30, 2020
<b>SHARE OF FX</b>	<b>85,9%</b>	<b>99,8%</b>
<b>SHARE OF TRY</b>	<b>14,1%</b>	<b>0,2%</b>

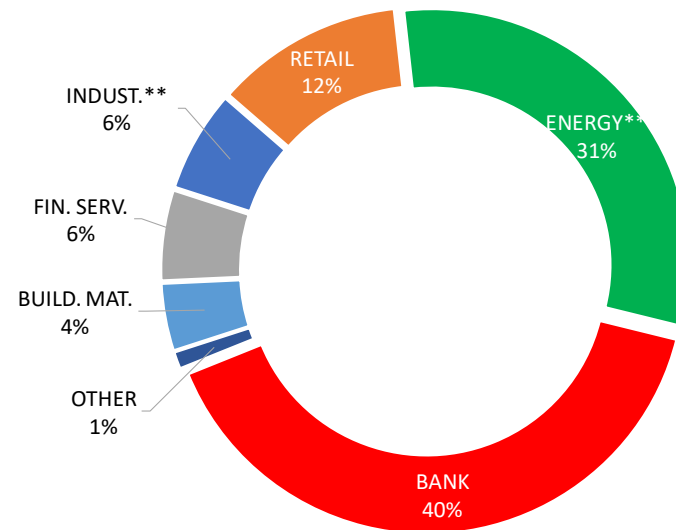
# Combined Revenues

## Non-bank growth on Energy, Retail & Financial Services

### Combined Revenue\* (TL mn)



### Combined Revenue\* Breakdown



### Key non-bank drivers

**Energy:** RAB growth in distribution and higher electricity prices in retail & generation businesses

**Retail:** Strong performance of food retail

**Financial Services:** Solid protection premium growth in life and pension business

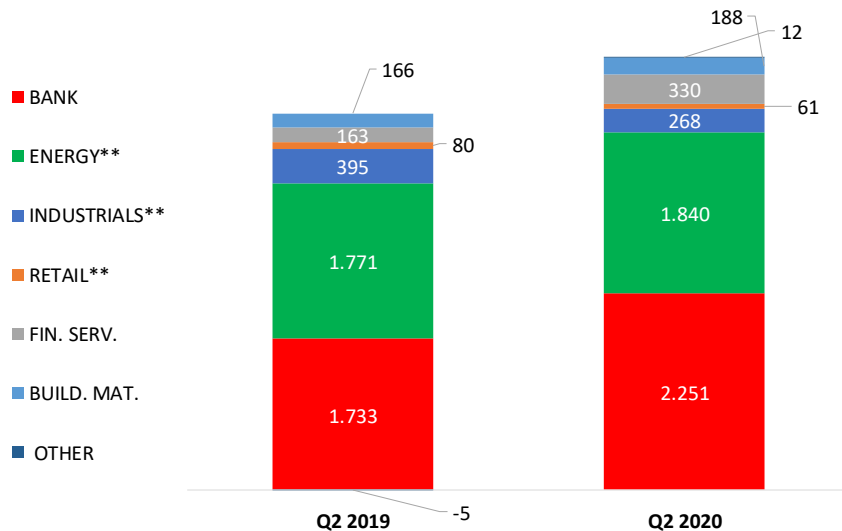
\*Holding dividend income is excluded \*\*Excludes divested businesses in industrials and IFRIC adjustment in energy



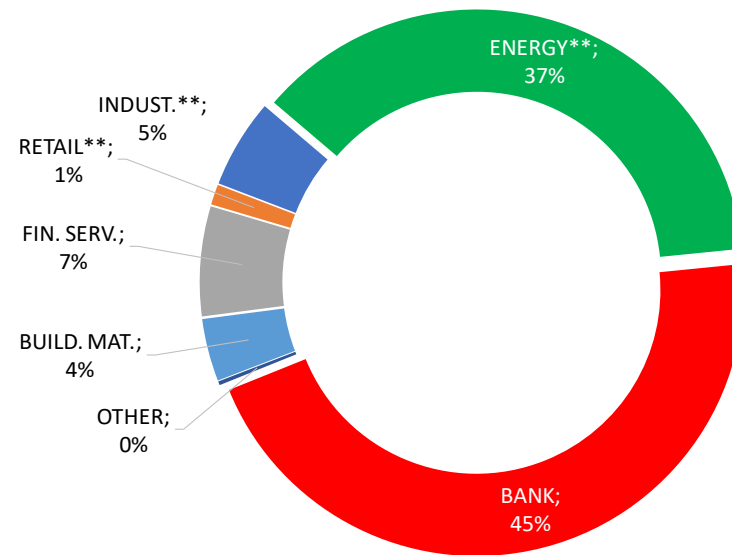
# Combined EBITDA

## Non-bank growth driven by Energy and Financial Services

### Combined EBITDA\* (TL mn)



### Combined EBITDA\* Breakdown



### Key non-bank drivers

**Energy:** Rise in RAB in distribution & retail business and positive impact from lignite and natural gas plants in generation

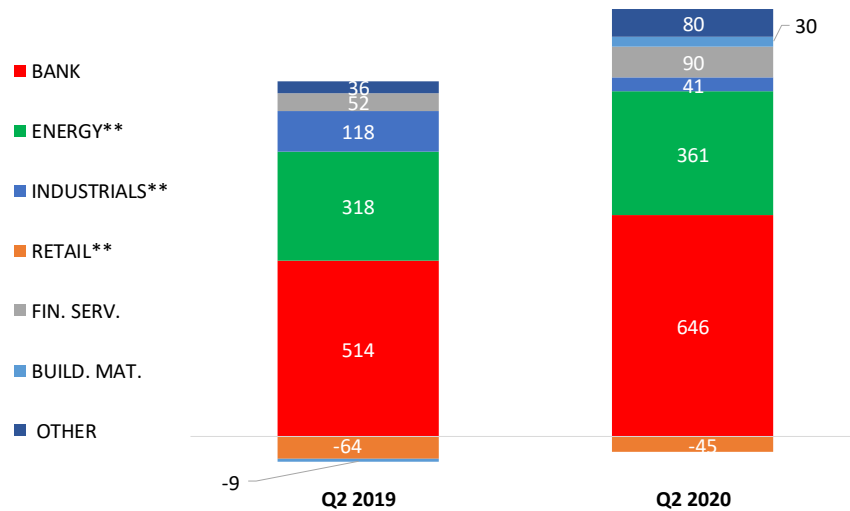
**Financial Services:** Decline in claim frequency due to Covid-19, creating high technical income

\*Excludes non-operational one off items \*\*Excludes divested businesses in industrials, IFRS16 impact in retail, and IFRIC adjustment in energy

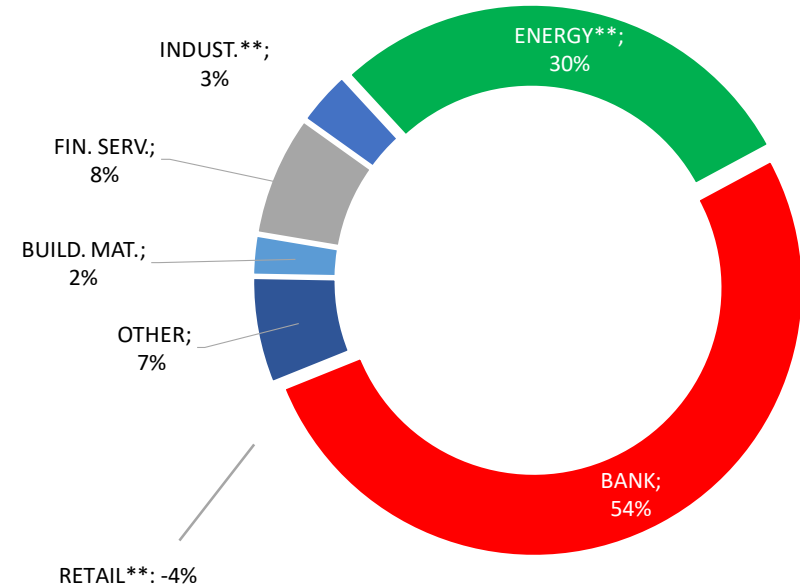
# Consolidated Net Income

## Solid profitability on pass-through and well-managed financing

### Consolidated Net Income\* (TL mn)



### Consolidated Net Income\* Breakdown



### Key non-bank drivers

**Energy:** Higher financial income based on higher RAB in distribution & retail business and lower borrowing rates

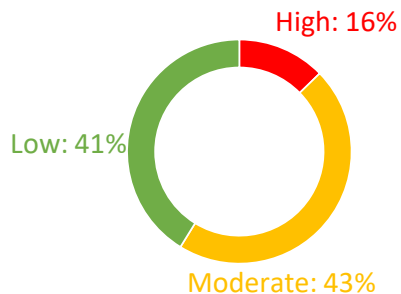
**Financial Services:** Led by high technical income offset lower financial income

\*Excludes non-operational one off items \*\*Excludes divested businesses in industrials, IFRS16 impact in retail, and IFRIC adjustment in energy

## Group's cyclicity exposure

Relatively low exposure to highly cyclical industries limits downside risk

Business	Share in NAV*	Low cyclicity	Moderate cyclicity	High cyclicity	Q2 comparable EBITDA performance (y/y chg.)
Energy	22%	●			+4%
Food retail	8%	●			-27%
Other**	11%	●			sharp improvement
Banking	38%		●		+30%
Financial services	5%		●		+102%
Industrials	10%			●	-32%***
Building materials	5%			●	+14%
Technology retail	1%			●	-19%



\*Excluding Holding-only cash that constitutes 4% of the NAV; as of end of June 2020 \*\*Includes tobacco business and other small businesses \*\*\*Includes tobacco business in line with our financial segment reporting

## Energy Segment Summary Financials\*

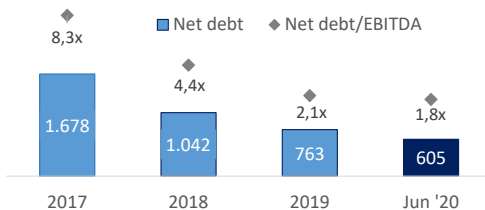
MILLION TL	Q2 2019	Q2 2020	% Change	H1 2019	H1 2020	% Change
SALES	6.569	7.275	11%	12.400	15.140	22%
EBITDA**	1.762	1.840	4%	3.265	3.608	11%
NET INCOME**	662	796	20%	1.362	1.602	18%
NET INCOME-Comparable	669	796	19%	1.369	1.602	17%
EBITDA** MARGIN	26,8%	25,3%		26,3%	23,8%	

\*Before consolidation adjustments, combined \*\*Excludes non-operational one off items. Comparable excludes IFRIC adjustment

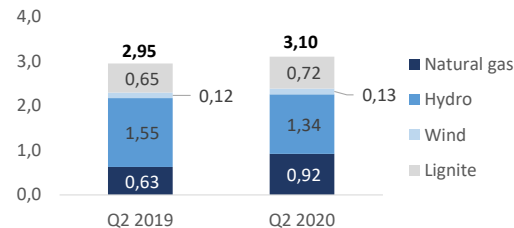
## Enerjisa Generation Summary Financials

MILLION TL	Q2 2019	Q2 2020	% Change	H1 2019	H1 2020	% Change
Net sales	1.726	1.949	13%	3.073	4.035	31%
EBITDA*	880	882	0%	1.536	1.688	10%
EBITDA* margin (%)	51%	45%	-5,7pp	50%	42%	-8,2pp
Depreciation	111	128	16%	221	252	14%
Financial Income/(expense)	-227	-271	-20%	-335	-435	-30%
Net income*	500	428	-14%	904	893	-1%

## Net Debt (EUR mn) &amp; Net Debt/EBITDA



## Generation volume (TWh)



## Current Assessment

- **Distribution & Retail:** EBITDA was up by 4% y/y on higher RAB (+20% y/y in Q2) despite temporarily slowed down Theft & Loss detection activities
- **Generation:** Generation volume was up 5% y/y and stable EBITDA in Q2 despite high base and COVID-19 crisis

## Factors to Watch

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

## Financial Services (pension &amp; insurance) Summary Financials\*

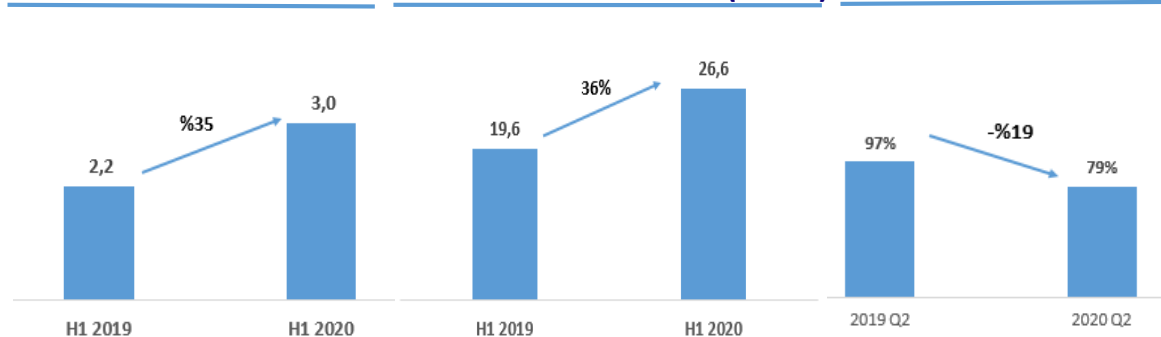
MILLION TL	Q2 2019	Q2 2020	% Change	H1 2019	H1 2020	% Change
SALES	1.276	1.362	7%	2.511	2.923	16%
EBITDA	163	330	102%	332	506	52%
LIFE	50	87	75%	105	147	39%
NON-LIFE	114	244	114%	227	360	59%
NET INCOME**	137	242	77%	269	367	36%
LIFE	64	78	21%	124	131	6%
NON-LIFE	73	165	126%	145	236	63%

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

## Current Assessment

- Strong return performance in pension
- Life: focus on ROP (Return on Product) and success of long-term credit life product
- Declining claim frequency on COVID-19
- Lower financial income contribution

## Aksigorta AUM\* (TL BN) Avivasa Pension AUM\* (TL BN) Aksigorta combined ratio\*



## Factors to Watch

- Natural disasters, pandemic and claims management
- Interest rates, FX, inflation, loan volume growth
- Regulatory changes

\*Assets Under Management

\*Assets Under Management. Including auto enrolment

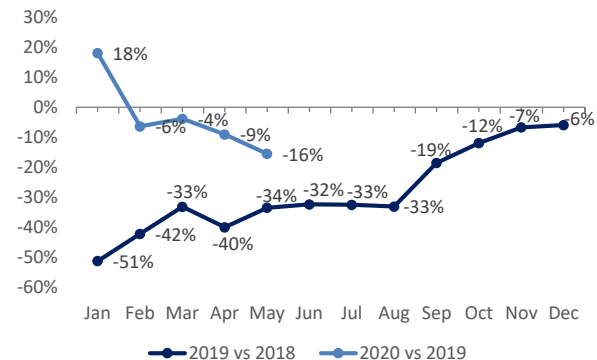
\*Combined Ratio = Claims Ratio + Opex Ratio + Commissions Ratio

### Building Materials Summary Financials\*

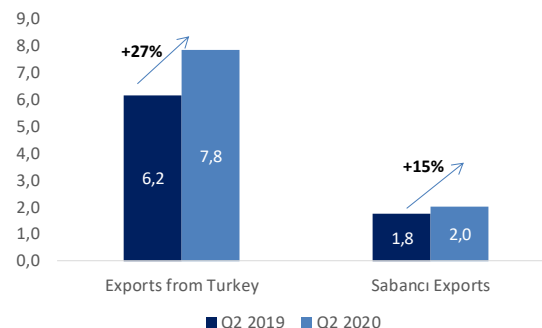
MILLION TL	Q2 2019	Q2 2020	% Change	H1 2019	H1 2020	% Change
SALES	959	1.015	6%	1.702	1.812	6%
EBITDA**	166	188	14%	260	254	-2%
NET INCOME**	-21	60	n.m.	-30	6	n.m.
EBITDA** MARGIN	17,3%	18,6%		15,3%	14,0%	

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

### Domestic cement demand change, y/y



### Cement exports from Turkey (mn tons)



### Current Assessment

- Recovery in Q2 domestic sales volumes despite weak sector outlook
- Supportive trend in petro-coke and coal prices
- Bottom-line improved on lower financing costs

### Factors to Watch

- Pricing, demand and supply in local market
- Exports
- Productions costs (especially fuel)
- Infrastructure and construction projects

Source: Turkish Cement Manufacturers' Association

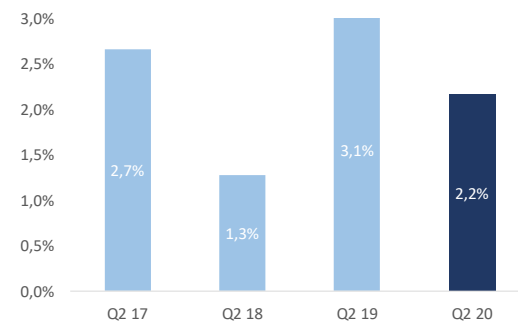
Source: Central Anatolian Exporters' Union

## Retail Summary Financials\*

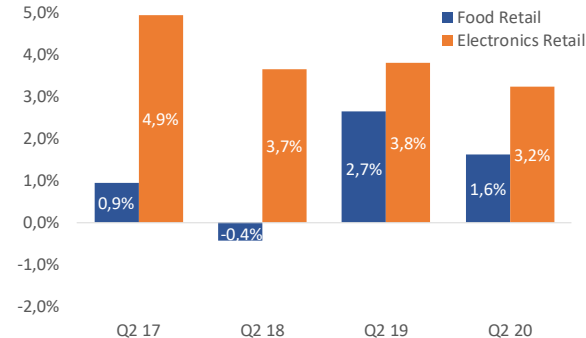
MILLION TL	Q2 2019	Q2 2020	% Change	H1 2019	H1 2020	% Change
<b>SALES</b>	2.564	2.810	10%	4.781	5.629	18%
<b>EBITDA**</b>	196	184	-6%	326	353	8%
EBITDA**-Comparable	80	61	-23%	98	106	8%
<b>NET INCOME**</b>	-142	-101	29%	-315	-227	28%
NET INCOME**-Comparable	-121	-86	29%	-272	-198	27%
<b>EBITDA** MARGIN</b>	7,6%	6,6%		6,8%	6,3%	
EBITDA** MARGIN-Comparable	3,1%	2,2%		2,1%	1,9%	

\*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 food retail
- Slight EBITDA deterioration due to higher costs and operating expenses in food retail
- Improvement in bottom line driven by lower financing costs

## Factors to Watch

- Course of COVID-19 pandemic and impact on consumers' buying behavior
- E-commerce trends
- Ongoing turnaround projects in both companies

## Industrials Summary Financials\*

MILLION TL	Q2 2019	Q2 2020	% Change	H1 2019	H1 2020	% Change
<b>SALES</b>	<b>2.547</b>	<b>1.525</b>	<b>-40%</b>	<b>5.030</b>	<b>3.701</b>	<b>-26%</b>
SALES-Comparable	2.182	1.525	-30%	4.225	3.701	-12%
<b>EBITDA**</b>	<b>448</b>	<b>268</b>	<b>-40%</b>	<b>763</b>	<b>657</b>	<b>-14%</b>
BRISA	139	131	-6%	262	328	25%
KORDSA	216	120	-44%	413	281	-32%
OTHER	93	17	-82%	88	48	-45%
EBITDA**-Comparable	395	268	-32%	714	657	-8%
<b>NET INCOME**</b>	<b>192</b>	<b>60</b>	<b>-69%</b>	<b>269</b>	<b>221</b>	<b>-18%</b>
BRISA	19	30	56%	17	106	537%
KORDSA	108	13	-88%	219	67	-70%
OTHER	64	17	-73%	33	48	44%
NET INCOME**-Comparable	167	60	-64%	275	221	-20%
<b>EBITDA** MARGIN</b>	<b>17,6%</b>	<b>17,6%</b>		<b>15,2%</b>	<b>17,7%</b>	

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

## Current Assessment

- Sharp slow-down in global tire and aviation industries on adverse impact of COVID-19
- Idle time impact at reinforcement business
- Disciplined cost management

## Factors to Watch

- Further demand fluctuations driven by COVID-19
- Effective working capital management
- Pricing and commodity prices



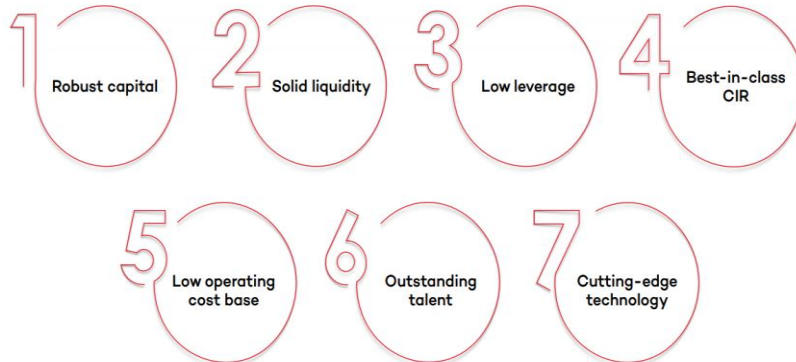
## Summary Combined Financials\*

MILLION TL	Q2 2019	Q2 2020	% Change	H1 2019	H1 2020	% Change
REVENUE	10.665	9.512	-11%	21.363	18.641	-13%
EBITDA	1.733	2.251	30%	3.804	4.431	16%
NET INCOME	1.262	1.586	26%	2.773	3.141	13%

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

## Key Ratios

%	Q2 2019	Q2 2020	Change	H1 2019	H1 2020	Change
Leverage	7,6x	7,7x	0,1x	7,6x	7,7x	0,1x
NIM (swap adj.)	3,91%	4,42%	0,5%	3,86%	4,63%	0,8%
CIR <sup>1</sup>	34,2%	29,6%	-4,6%	33,8%	31,6%	-2,2%
CAR <sup>2</sup>	17,7%	19,0%	1,3%	17,7%	19,0%	1,3%
Tier 1 <sup>2</sup>	15,0%	16,1%	1,1%	15,0%	16,1%	1,1%



## Current Assessment

- In Q2 20 Akbank, maintained solid core operating performance
- Leveraged superior digital capabilities
- Preserved best-in-class CIR
- Maintained significant capital buffers
- Realized ROE of 10.4% in 1H (free provision adj. 11.4%)

## Despite

- Prudently increased loan loss provisions
- Lower fee income impacted by regulatory changes, Covid-19 related waivers & lower # of transactions
- LYY MtM negative adjustment of TL412mn

(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) Q2 20 CAR & Tier 1 ratios exclude forbearances announced by BRSA in 2020

## Post-Covid-19 strategies and initiatives

## Group

- Maintain a robust balance sheet and high liquidity
- Exploit new opportunities while the economy is rebooting
- 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 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	Q2 2019	Q2 2020	% Change	H1 2019	H1 2020	% Change
<b>TOTAL*</b>	24.688	23.763	-4%	47.982	48.260	1%
<b>TOTAL*-Comparable</b>	24.331	23.763	-2%	47.186	48.260	2%
<b>BANK</b>	10.665	9.512	-11%	21.363	18.641	-13%
<b>NON-BANK*</b>	14.023	14.250	2%	26.619	29.619	11%
<b>NON-BANK*-Comparable</b>	13.667	14.250	4%	25.823	29.619	15%
<b>ENERGY</b>	6.569	7.275	11%	12.400	15.140	22%
<b>ENERGY-Comparable</b>	6.578	7.275	11%	12.409	15.140	22%
<b>BUILDING MATERIALS</b>	959	1.015	6%	1.702	1.812	6%
<b>RETAIL</b>	2.564	2.810	10%	4.781	5.629	18%
<b>RETAIL-Comparable</b>						
<b>FINANCIAL SERVICES</b>	1.276	1.362	7%	2.511	2.923	16%
<b>INDUSTRIALS</b>	2.547	1.525	-40%	5.030	3.701	-26%
<b>INDUSTRIALS-Comparable</b>	2.182	1.525	-30%	4.225	3.701	-12%
<b>OTHER*</b>	108	262	143%	194	413	113%

\*Holding dividend income excluded; Comparable excludes divested businesses in industrials and IFRIC adjustment in energy

## Combined EBITDA\* (TL mn)

Q2 2019	Q2 2020	% Change	H1 2019	H1 2020	% Change
4.462	5.073	14%	8.724	9.808	12%
4.303	4.950	15%	8.456	9.562	13%
1.733	2.251	30%	3.804	4.431	16%
2.729	2.822	3%	4.919	5.377	9%
2.570	2.699	5%	4.652	5.131	10%
1.762	1.840	4%	3.265	3.608	11%
1.771	1.840	4%	3.274	3.608	10%
166	188	14%	260	254	-2%
196	184	-6%	326	353	8%
80	61	-23%	98	106	8%
163	330	102%	332	506	52%
448	268	-40%	763	657	-14%
395	268	-32%	714	657	-8%
-5	12	n.m.	-26	0	n.m.

\*Excludes non-operational one off items; Comparable excludes divested businesses in industrials, IFRS16 impact in retail and IFRIC adjustment in energy.

## Consolidated Net Income\* (TL mn)

Q2 2019	Q2 2020	% Change	H1 2019	H1 2020	% Change
963	1.196	24%	1.991	2.367	19%
965	1.203	25%	2.019	2.383	18%
514	646	26%	1.130	1.280	13%
448	549	23%	861	1.087	26%
450	557	24%	889	1.103	24%
315	361	15%	635	730	15%
318	361	14%	638	730	14%
-9	30	n.m.	-8	7	n.m.
-76	-53	31%	-168	-119	29%
-64	-45	31%	-145	-104	28%
52	90	74%	102	137	35%
130	41	-69%	180	144	-20%
118	41	-65%	182	144	-21%
36	80	124%	120	189	57%

\*Excludes non-operational one off items; Comparable excludes divested businesses in industrials, IFRS16 impact in retail, and IFRIC adjustment in energy.

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

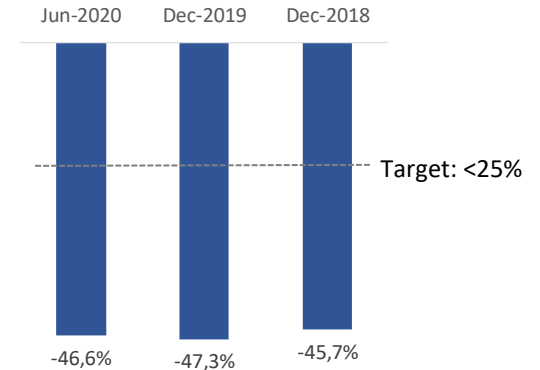
	Q2 2019	Q2 2020	H1 2019	H1 2020
<b>CONSOLIDATED NET INCOME EXCLUDING NON OPERATIONAL &amp; NON RECURRING ITEMS</b>	963	1.196	1.991	2.367
<b>Carrefoursa one-offs</b>	0	-1	10	-1
<b>Loss on sale of Temsa Ulaşım</b>	-66	0	-66	0
<b>Avivasa one-offs</b>	0	0	0	19
<b>Energisa Generation Pervari Impairment</b>	0	-148	0	-148
<b>Other</b>	-7	-11	12	-8
<b>CONSOLIDATED NET INCOME</b>	889	1.036	1.946	2.229

USDm Companies	Direct Stakes (%)	Valuation Method	Jun-2020 Value of			Dec-2019 Value of	
			Mcap	Stake	% of NAV	Stake	% of NAV
Akbank	40,8%	Market value	4.618	1.882	36,5%	2.891	46,5%
Enerjisa Enerji	40,0%	Market value	1.483	593	11,5%	587	9,5%
Aksigorta	36,0%	Market value	304	110	2,1%	113	1,8%
Avivasa	40,0%	Market value	386	155	3,0%	169	2,7%
Akçansa	39,7%	Market value	361	143	2,8%	128	2,1%
Çimsa	54,5%	Market value	196	107	2,1%	113	1,8%
Brisa	43,6%	Market value	562	245	4,8%	213	3,4%
Kordsa	71,1%	Market value	354	252	4,9%	304	4,9%
Carrefoursa	50,6%	Market value	759	384	7,5%	281	4,5%
Teknosa	60,3%	Market value	110	66	1,3%	47	0,8%
<b>Total Listed</b>			<b>3.936</b>	<b>76,4%</b>		<b>4.845</b>	<b>78,0%</b>
Enerjisa Üretim	50,0%	1.0 x Book Value	941	471	9,1%	511	8,2%
Philsa	25,0%	Analyst Estimates*	1.455	364	7,1%	422	6,8%
Other		1.0 x Book Value		152	3,0%	153	2,5%
<b>Total Non-listed</b>			<b>986</b>	<b>19,1%</b>		<b>1.086</b>	<b>17,5%</b>
<b>Total</b>			<b>4.923</b>	<b>95,5%</b>		<b>5.932</b>	<b>95,5%</b>
Sabancı Holding Net Cash			230	4,5%		279	4,5%
Sabancı Holding NAV			5.152	100,0%		6.211	100,0%
<b>Sabancı Holding Mcap</b>			<b>2.754</b>			<b>3.274</b>	
<b>Sabancı Holding Discount</b>			<b>-46,6%</b>			<b>-47,3%</b>	

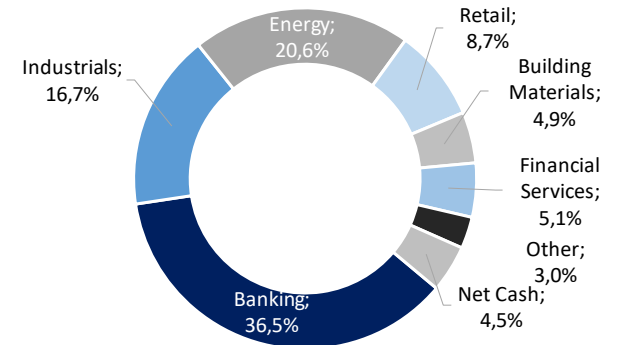
Source: Bloomberg, Sabancı Holding Finance Department

\*# of Analyst Estimates: 13

## NAV Discount



## Breakdown of NAV (June 2020)



- We have recorded impairment losses related to Enerjisa Generation's Pervari and Incir projects as we have not started construction in these sites and decided to consider strategic opportunities including the return of the licenses in accordance with the draft law. The impact of this impairment on Sabancı Holding's consolidated EBITDA and net income is 148 MTL. Yet, the figures in the remainder of this presentation do not include this impact as this impairment is treated as an one-off item.

- In accordance with In IFRS16, 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.
- The depreciation of the asset and interest on the lease liability have to be included in the P&L instead of rent expenses. This leads to higher operating profit compared to the periods before the application of IFRS16.
- For comparison purposes, 2019 and 2020 figures are adjusted to reflect the IFRS16 impact.

- Based on IFRIC12 “Service Concession Arrangements”, the CAPEX spending on Regulated Asset Base is treated as financial asset and measured with an Internal Rate of Return Model. As one of the key parameters in energy distribution business revenue model is inflation, any change in inflation (current and/or projected) results in a change in the value of the financial asset.
- For comparison purposes, 2019 and 2020 figures are adjusted to reflect the IFRIC12 adjustment.



Q&A

SABANCI

