

Sabancı Holding

Capital Markets Day



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Mehmet Göçmen
Board Member and CEO

Appointed as the CEO of Sabancı Holding in March 2017

Joined the Sabancı Group in 2003

Since joining the Group, Mr Göçmen has held various positions, including Head of Human Resources, Cement SBU President and Energy SBU President

University degree in Industrial Engineering

Master's degree in Industrial Engineering and Operational Research



Barış Oran
Chief Financial Officer

Appointed as the CFO of Sabancı Holding in 2016

Joined the Sabancı Group in 2006

Prior to joining Sabancı Holding he held several positions at Sara Lee Corp and E&Y in the US and was the CFO of Kordsa Global

Graduated from Bogazici University, Department of Business Administration and holds an MBA from the University of Georgia

Sabancı, Turkey's leading group

- ✓ 90+ years of creating market leaders in large and growing business areas, evolving through dynamic portfolio management and leveraging our industrial heritage and the experience of our JV partners
- ✓ Strong financial track record of real growth and returns
- ✓ Robust balance sheet, cash generation and distribution

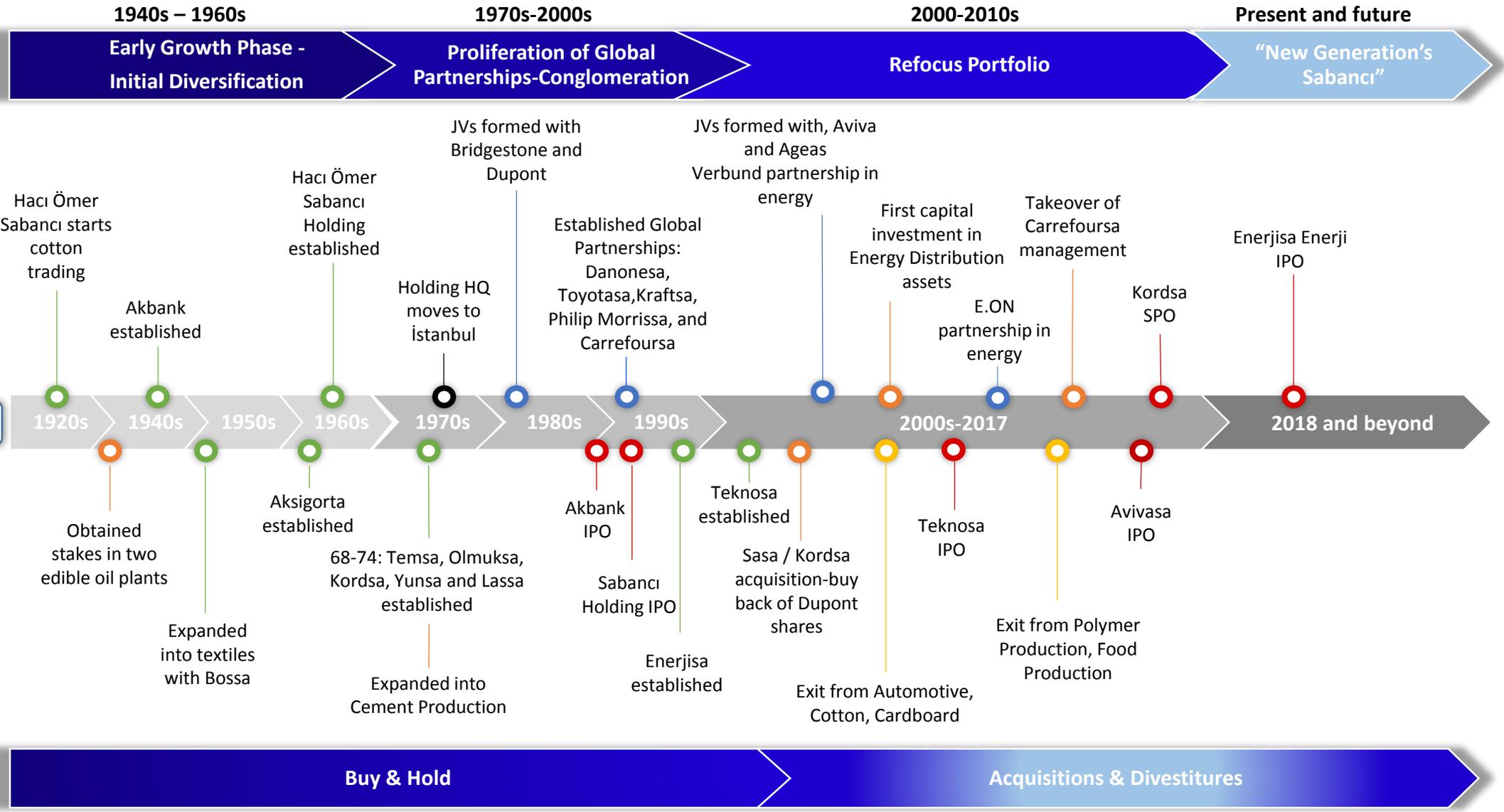
"New Generation's" Sabancı

- ✓ Greater focus on strategic portfolio management and capital allocation
- ✓ Further development of a performance-led culture that attracts and retains top talent and supports management to deliver results in a multi business environment via collaboration
- ✓ Investing more in technology and data to create a competitive advantage

Committed to delivering value to all of our stakeholders

Introduction

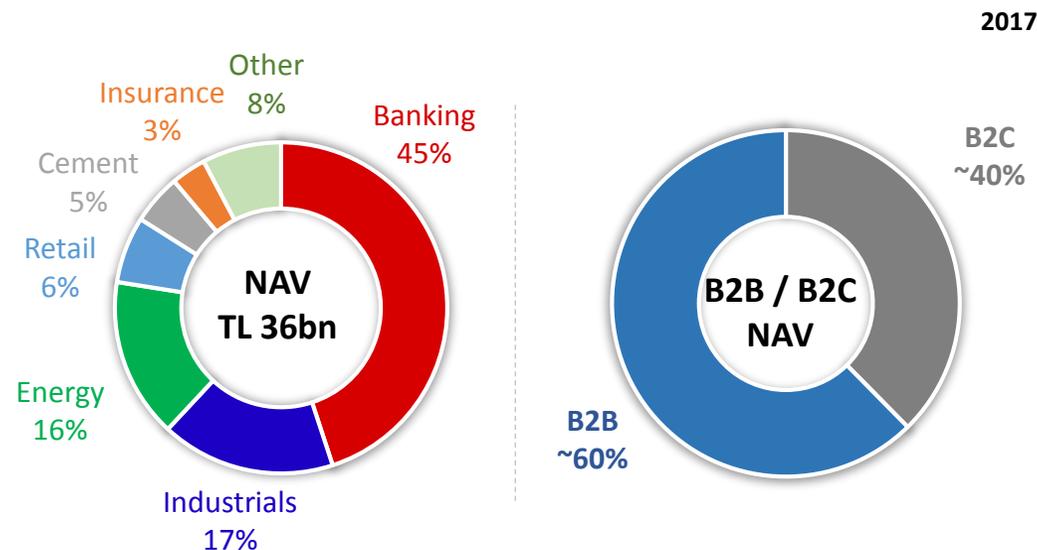
In continuous evolution



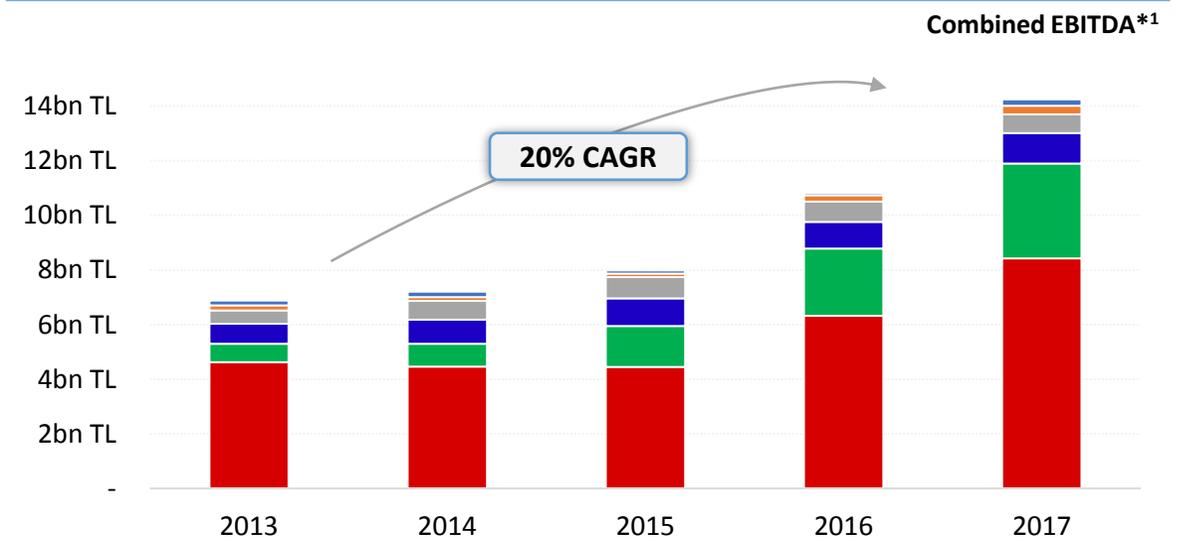
Our companies are market leaders in critical areas within their respective sectors

- **Banking** - the best bank in Turkey in 2017 (Euromoney)
- **Cement** - the leading Turkish cement supplier with strategic positioning in the market, and a prominent global white cement player
- **Energy** – the industry pioneer in upstream / downstream electricity markets; leadership in rapidly growing segments
- **Industrials** – innovative culture that implements and leads Industry 4.0 in Turkey
- **Insurance** - the leading player in pensions

Diversified portfolio



Track record of real growth (above inflation+GDP growth of Turkey)²

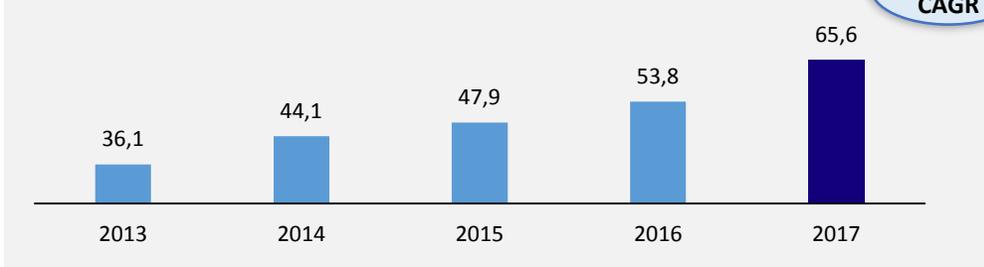
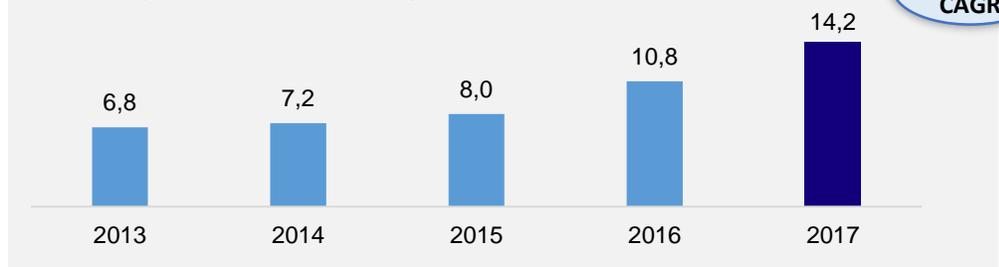
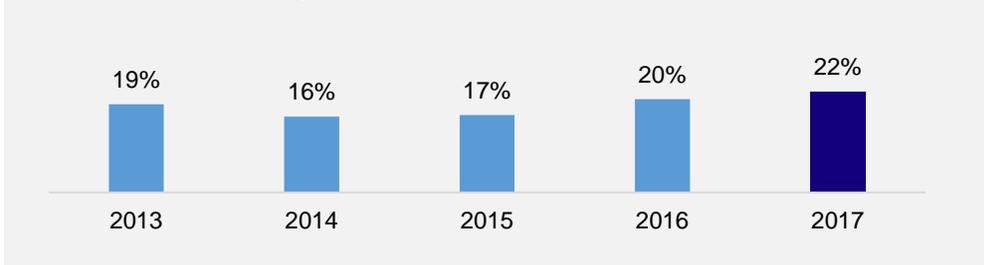


1. Total EBITDA before consolidation adjustments. Excludes one-offs

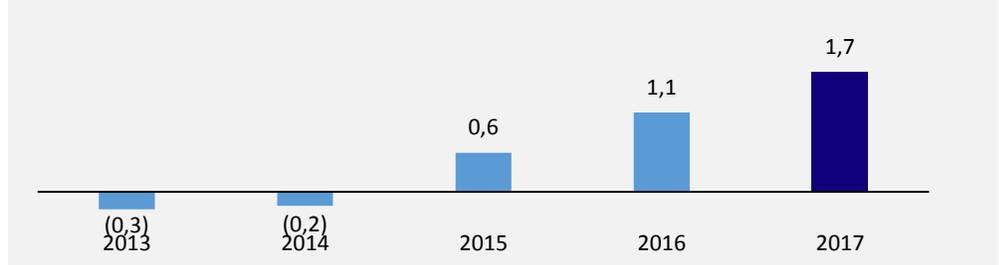
2. 2013-2017 Ave. Inflation: 9%

Sabancı's 2013-2017 financial performance, TL bn

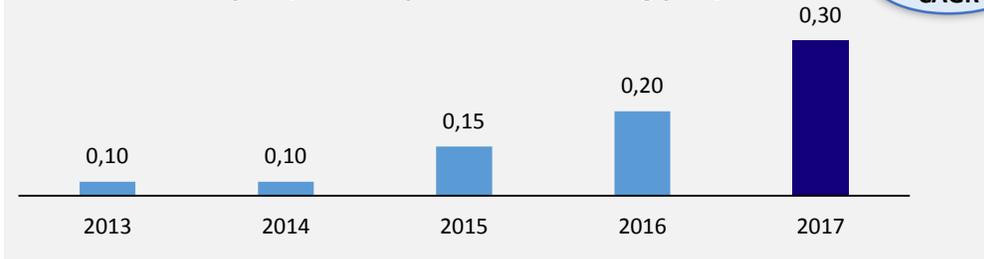
Double digit combined revenue growth

Double digit combined EBITDA¹ growthCombined EBITDA margin¹ (%)

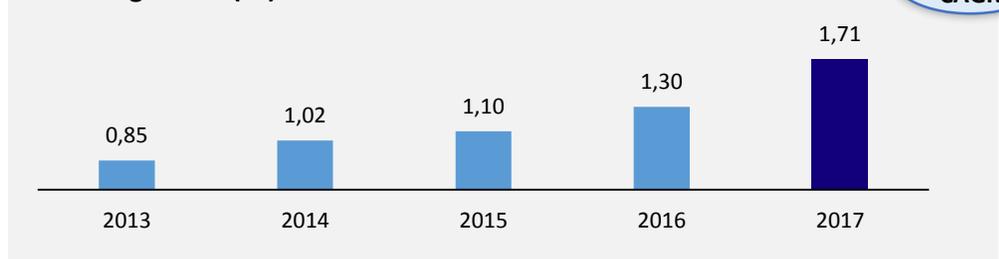
Strong net cash position (MTL)



Increase in DPS by 3x (TL, to be paid in the following year)



Doubling of EPS (TL)

Track record of high growth (above inflation + GDP growth of Turkey)²

1. Combined EBITDA. Excludes one-offs

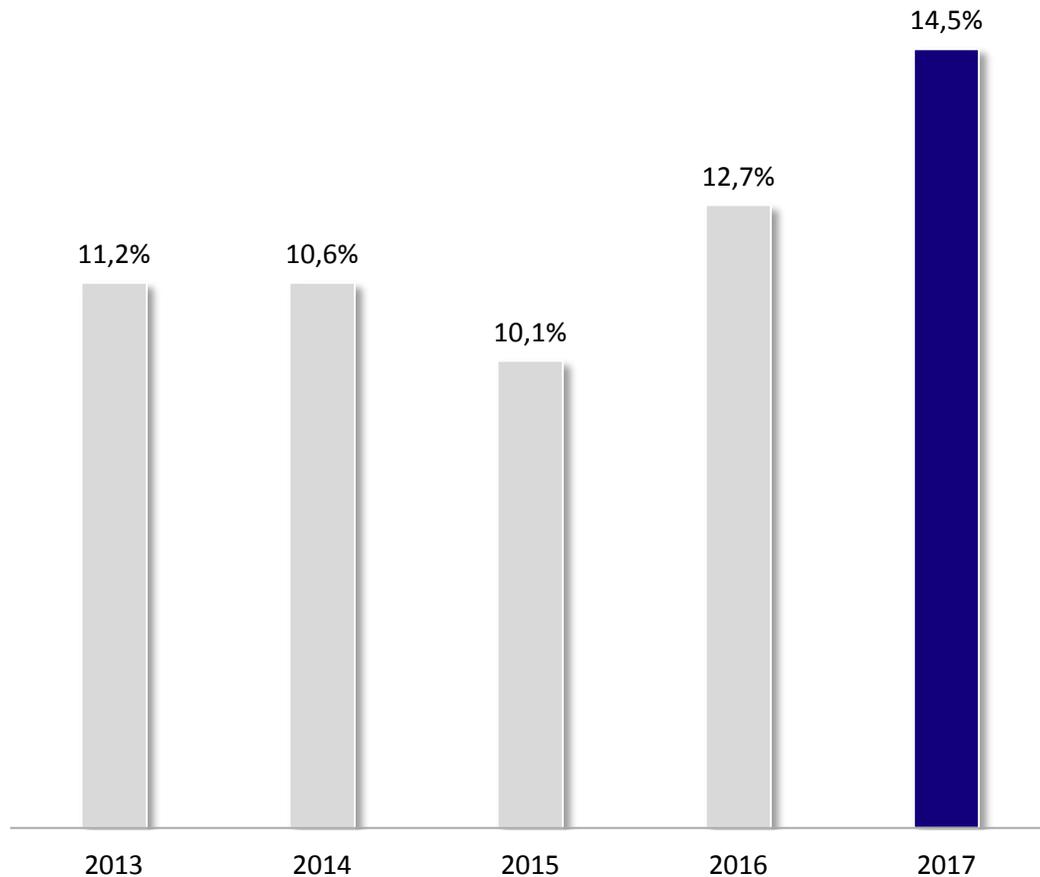
2. 2013-2017 Ave. Inflation: 9%

Introduction

Improved capital allocation and focus on performance has led to a favourable trend in Return on Equity year-on-year

Return on Equity

Sabancı Holding consolidated ROE

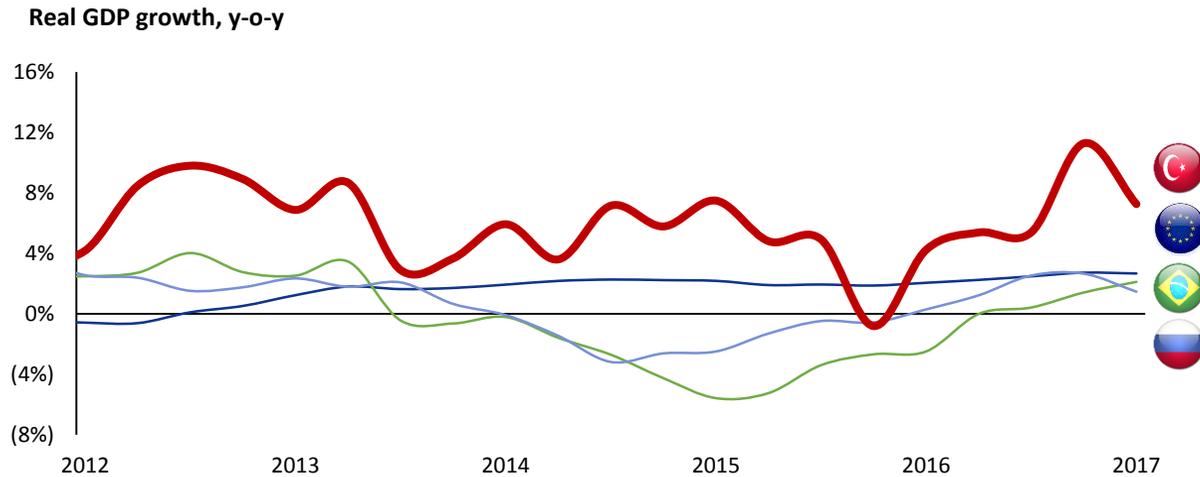


Segment ROE ¹	2013	2014	2015	2016	2017	13-17 Δ pts	Equity Share ²
Energy	n.m.	n.m.	0.4%	3.0%	4.6%	+9.4%	18.7%
Cement	14.8%	20.0%	22.8%	21.0%	14.6%	-0.2%	3.8%
Industrials	20.6%	25.7%	25.9%	30.4%	25.4%	+4.8%	6.9%
Insurance	24.4%	20.6%	17.2%	26.0%	27.8%	+3.4%	1.6%
Retail	-0.1%	-0.3%	n.m.	n.m.	n.m.	n.m.	0.1%
Banking	14.0%	14.1%	12.1%	16.0%	16.2%	+2.2%	59.8%
Consolidated ROE	11.2%	10.6%	10.1%	12.7%	14.5%	+3.4%	

1. Excludes one-offs, bank results are BRSA based

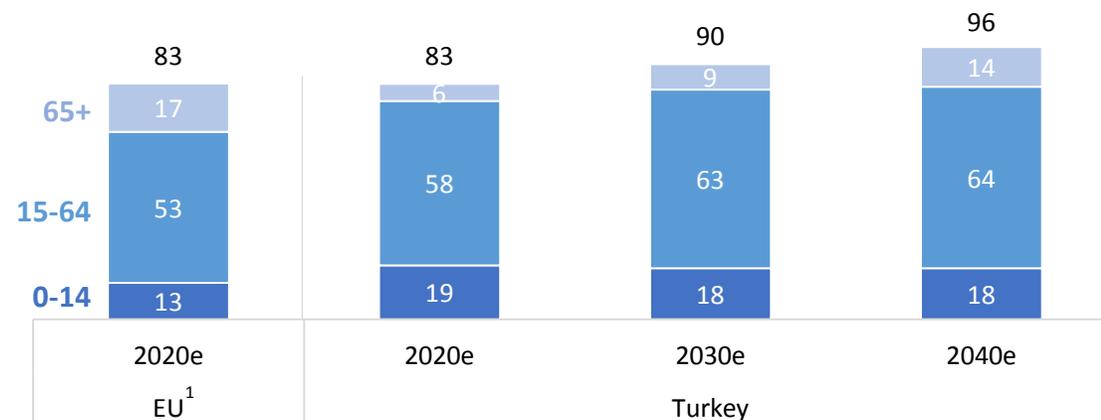
2. Equity share attributable to Other segment = 9%

Turkey is one of the world's fastest growing economies



High population growth with a young demographic

Turkey's population distribution (millions)



Sabancı, able to efficiently leverage the Turkish opportunity

- One of the highest growth economies in the world with real GDP growth consistently above European and emerging economies
- Large domestic market with a population of c. 80m which is young, dynamic and well-educated:
 - The largest youth population in Europe (half the population under the age of 31)
 - Qualified and competitive labour force, with higher levels of education compared to other emerging markets
- A strong base for international growth with a geographical location which provides a 'natural bridge' between the East-West and North-South axes, facilitating access to 1.6 billion customers in Europe, Eurasia, the Middle East and North Africa
- Part of the European Customs Union benefiting from Free Trade Agreements with 27 countries to provide competitive products (low cost and high quality)

New Generation’s Sabancı

Continue to invest to drive sustainable growth by investing into new geographies, new products, adjacent industries and in asset light areas such as digital and data analytics



Capital allocation

- Dynamic portfolio management using our capital allocation framework to effectively deploy generated capital and recycle invested capital at the portfolio and holding company level
- Clear strategic and financial benchmarks guiding capital allocation decisions
- Focus majority of investment in strategic businesses – such as cement and industrials
- Revised dividend policy with a clearer link between performance and shareholder return



Technology and data

- Technology and data analytics initiatives to ensure portfolio companies are well positioned to take advantage of ‘new economy’ growth and digitalisation



Talent Management

- Redefining leadership profile of the new generation
- Instilling the Sabancı values throughout the organisation to develop the next generation leaders
- Performance-led culture supporting management to nurture talent, to retain and attract top individuals, and deliver results
- Alignment of short and long-term compensation to performance KPIs



Corporate Governance



Linking value creation to performance targets

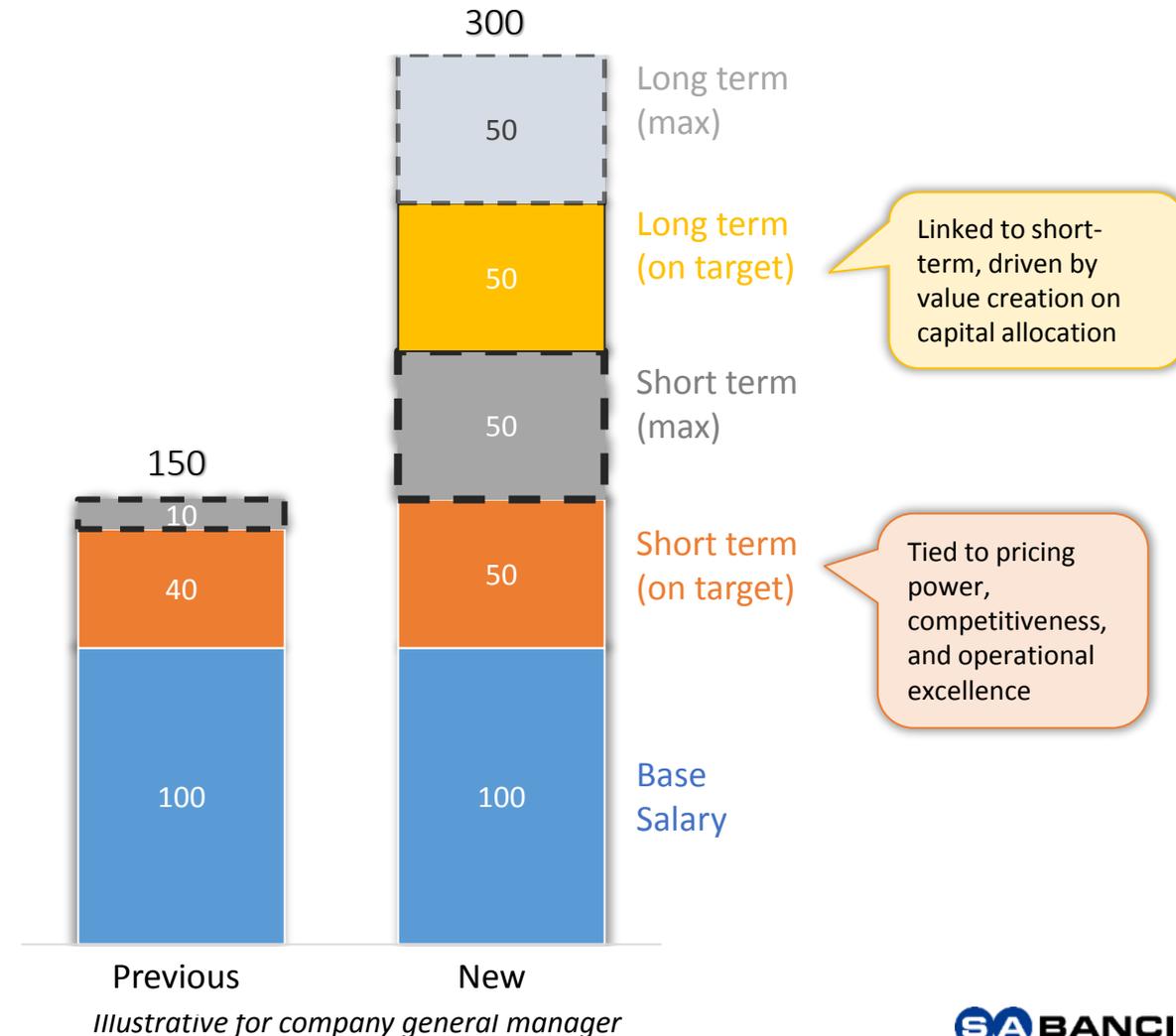
Fostering performance

- Targets to implement ownership culture
- Set of short term KPIs determined for each year at the end of budget process, the targets set at minimum to outperform last year performance
- Long term incentive targets will be reviewed at the beginning of each year for the next 3-year term

Short term KPIs - 1 year
<ul style="list-style-type: none"> • Revenue • EBITDA • Free Cash Flow • Working Capital
<ul style="list-style-type: none"> • Market Capitalization • Market Share • Employee Engagement

Long term KPIs – 3 years
<ul style="list-style-type: none"> • NAV Discount • Outperforming TSR of peers
<ul style="list-style-type: none"> • Single digit NAV discount by 2021

Previous vs New Total Cash Model





Growth (~50% of NAV)

- Strategically attractive markets where Sabancı can add value
- Build a sustainable competitive advantage (organically / inorganically)
- New product development (R&D)

Cash generators (~35% of NAV)

- Strong cash and profit generation in relatively stable markets
- Seek to sustain and defend competitive advantage

Manage for value (~15% of NAV)

- Increase flexibility for maximizing value by allocating capital selectively and disciplined performance tracking
- **Optimise:** Create value through investment to optimise, increase capacity rather than pure growth investments
- **Turnaround:** Clear turnaround plan in place and fundamentals highlight sustainable positive cash flow
- **Divest:** Business can generate greater value outside of Sabancı Group or are no longer strategic



Overview

- Revised capital allocation strategy to ensure disciplined use of capital
- Dynamic portfolio management, an important pillar of the capital allocation strategy
 - To redefine portfolio companies
 - To ensure value creation for all shareholders
 - Specific financial and strategic investment criteria
- Revised dividend policy part of wider capital allocation initiatives
 - Ensures shareholders support by policy directly linked to performance of portfolio companies
- Growth areas
 - Heavy Capital: Cement, Industrial adjacencies, new industry platforms
 - Light Capital: Data analytics, Digitalization
 - R&D capacity: own and develop leading technology

New policy for capital allocation

Value creation potential	ROIC > WACC +1-3%
Growth potential > Real GDP growth	✓
Emerging / development phase of life cycle	✓
Leverages existing competencies	✓

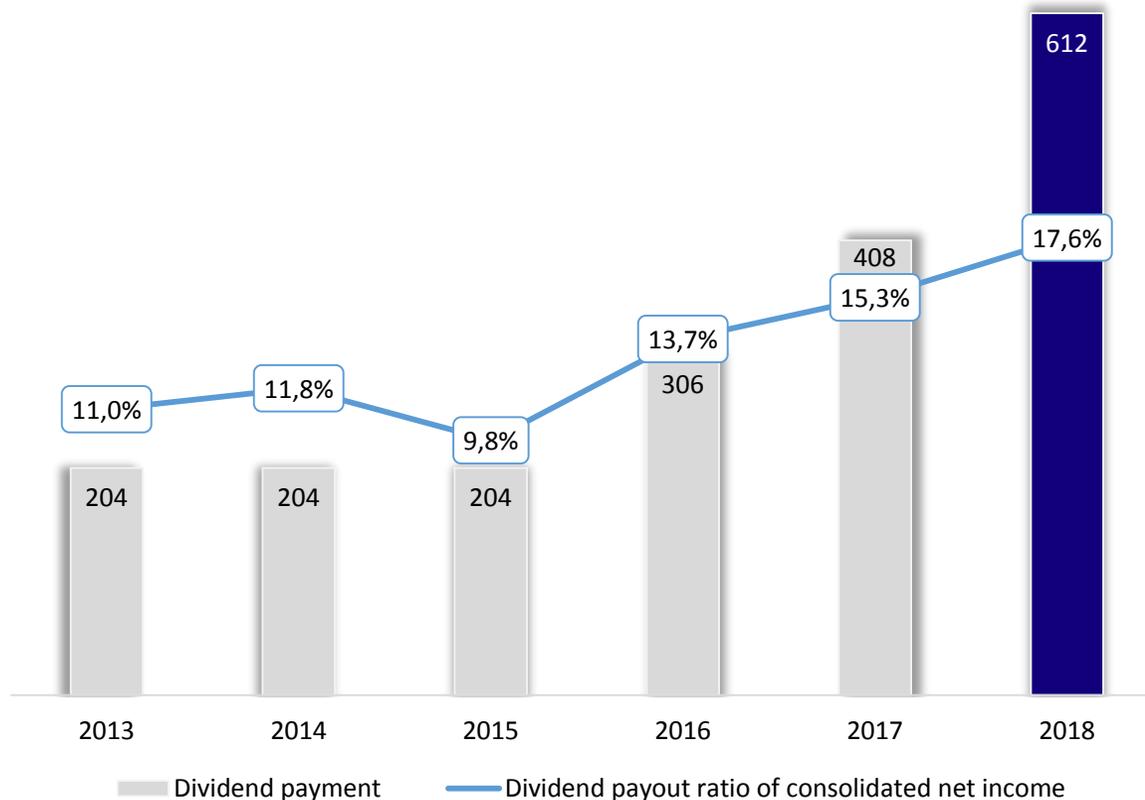


Dividend policy – overview

	Before	Today
Policy	Based on Distributable Net Income, Tied to Paid-in Capital	Based on Distributable Consolidated IFRS Net Income
Range	0% - 20%	5% - 20%

Dividend policy to benefit all shareholders

- Sabancı's revised dividend policy was announced at Q4 2017 results
- Revision based on strong cash flow and reduced capital needs
- Dividend payment based on 5-20% consolidated IFRS net income
- More closely linked with earnings results
 - No longer constrained by being tied to paid-in-capital
- Part of wider capital allocation initiatives
 - Disciplined approach to use of capital
 - Higher dividend inflows from group companies
 - Ensures shareholders directly benefit from performance at group companies
- Revised policy results in a 50% uplift in dividend paid in 2018



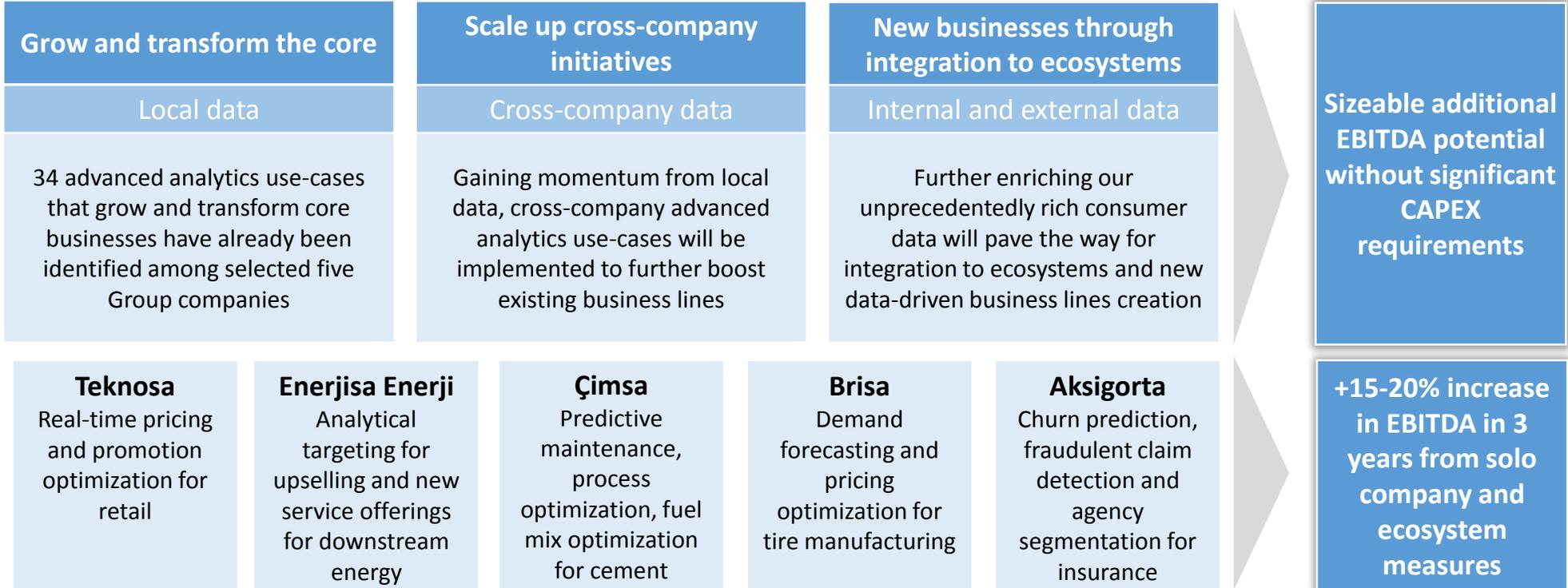


New Generation

Advanced and Predictive Analytics

- 
Vision
- 
Value Creation
- 
5 pilot companies selected
- 
Organization
- 
Talent
- 
Culture

- Embed advanced predictive analytics across functions of Sabancı Holding in all decision making processes by the end of 2022 to create competitive advantage supporting both the development of topline and bottomline



- Center of Excellence** on advanced analytics will be set up to lead development of new businesses and data partnerships
- Analytics Academy** formed to build necessary capabilities and train required talent, i.e. data scientist, data engineer, business translator, etc.
- Data-driven decision making, test and learn approach, agile way of working and passionate curiosity will be indigenised

What makes Sabancı different?

- Active owner focused on long-term value creation
- Best-in-class domestic reputation, brand image and corporate governance culture which attracts the best talent
- Well positioned in sectors with above average growth
- Significant value and know-how generated in Turkey, serving as a platform for global growth
- Strong balance sheet with low cost of financing and cash generation enabling a wide range of investment opportunities, whilst maintaining dividends
- Efficient operator of assets, facilitated through industry expertise and our heritage

22%	33%
2017	Q1 2018
Revenue growth¹	

32%	25%
2017	Q1 2018
EBITDA growth¹	

29%	24%
2017	Q1 2018
Net Income growth²	

How Sabancı drives value

- Focusing on long-term value creation as an active owner
- Fostering performance within portfolio companies through alignment of incentives to our mission, through active portfolio and risk management, and nurturing talent
- Leveraging our attractive position within the growing Turkish economy
- Managing a balanced portfolio, using our deep expertise across sectors and consumers
- Utilising our platform of market leading companies for international expansion, currently present in 13 countries
- Using our capital allocation framework to effectively deploy generated capital and recycle invested capital

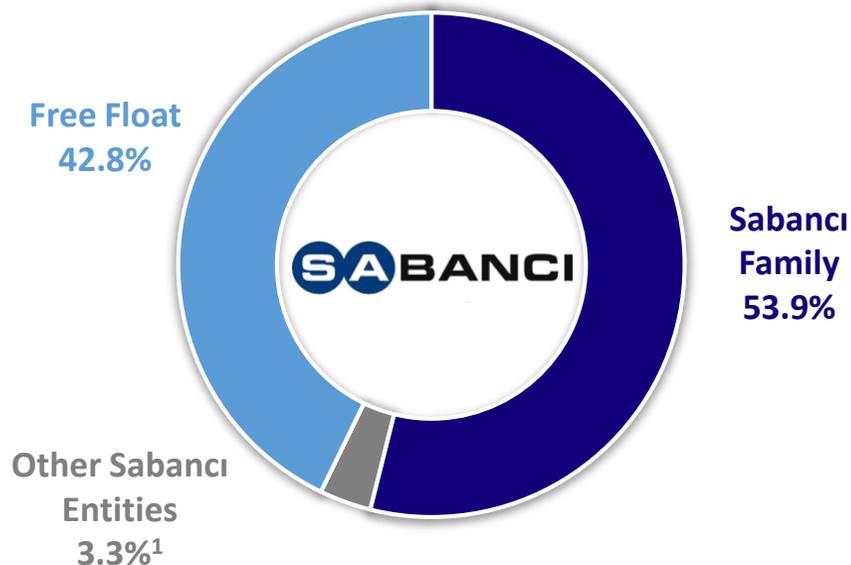
1. Combined excluding one-offs. Revenues exclude dividend income flowing to Holding

2. Consolidated excluding one-offs

Our value add

An effective corporate and governance structure, tailored to drive value creation

Shareholder base



Note: As of 31 December 2017

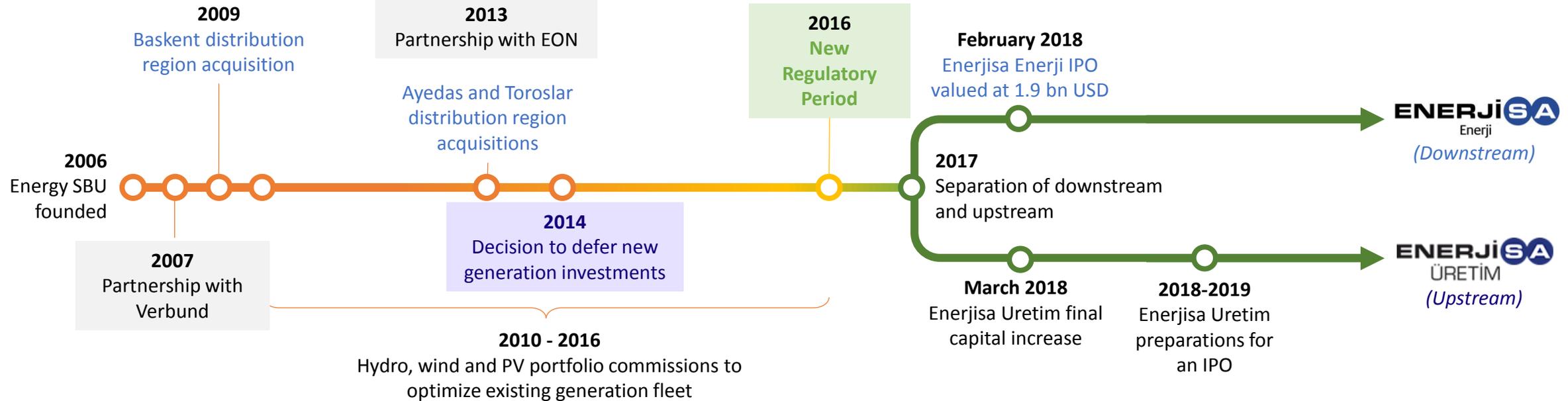
Corporate structure and division of responsibilities

- **Evolved from a family owned group to a corporation** with an effective governance structure, accelerated by our JV partners
- **Sabancı family** is an active majority shareholder focused on LT value creation. Their Board presence provides decades of experience and Turkish market know-how
- **Sabancı Group** has a decentralized management structure
- **Sabancı Holding Corporate Office** is responsible for:
 - Coordination and support of financing, strategy, business development, risk management and human resources functions in accordance with corporate governance principles
 - Determination of the Group's strategies
 - Career development of the Group's senior and mid-level executives
 - Deployment of performance culture across the Group
 - Shareholder value creation
- **Portfolio company level Management and the Board of Directors** hold the main accountability for execution
- **Strategic Business Unit ("SBU") Presidents** are the link between the Sabancı Holding Company and our portfolio companies, as the Chairman of the related company Board of Directors, helping to add value and drive the company forward
- **Sabancı Group is a lean operator with holding costs of <25bps of NAV**

1. Sabancı Foundation, Sabancı University and bought back shares

Enerjisa example

Sabancı, driving value as a strategic investor



Growth and high investment

2006-2014

- Energy identified and selected as a strategic sector by SAHOL
- Initial greenfield investments made in electricity generation capacities followed by downstream grid acquisitions during Turkey's grid privatization
- Macro-economic challenges and significant industry competition emerges

Turnaround

2014-2017

- Market deemed to be structurally challenged
- New upstream project investments deferred
- Investments focused on optimising existing generation fleet
- Operational initiatives and favourable regulatory change returns downstream to outperformance
- 'Downstream' and 'Upstream' businesses created due to differing underlying dynamics

Capital Recycling

2017 onwards

- IPO of Downstream to increase transparency, unlock value and recycle capital – 4.8x oversubscribed
- Proceeds used to accelerate Upstream's deleveraging and bring forward its IPO to 2019
- First dividend from Upstream expected by 2020 as a result of the ongoing operational improvements and efficiency in all fleet and increasing trading optimisations

Enerjisa example

Turnaround in Energy between 2014 and 2017

2014
Decision to defer generation investment

2017
Separation of downstream and upstream

Operational initiatives

Upstream

- Capacity target reduced from 7.5 GW to 3.5 GW
- Divesture of incomplete investments
- Availability and output of the fleet improved
- Focus shifted from expansion to deleveraging and FCF generation

Downstream

- Implementation of existing operational excellency to the acquired assets
- Prioritization of grid investments to build up RAB
- Economies of scale on Cost and OpEx

Turnaround achievements

Upstream FCF Generation, MTL

Year	FCF Generation (MTL)
2014	(559)
2015	(35)
2016	417
2017	1,108

KPI improvements

- Tufanbeyli availability improved from 63% to 80% 12 months following commission
- Renewable fleet availability improved from 95% to 98% from 2014 to 2017

- ✓ Creation of two financially sustainable, successful and leading companies
- ✓ Robust financial contribution to Sabancı's results
- ✓ Successful IPO of Downstream business
- ✓ Downstream business providing dividends to shareholders
- ✓ Continued de-leveraging and cash generation within Upstream, IPO readiness aimed by end of 2019

Downstream EBITDA, MTL

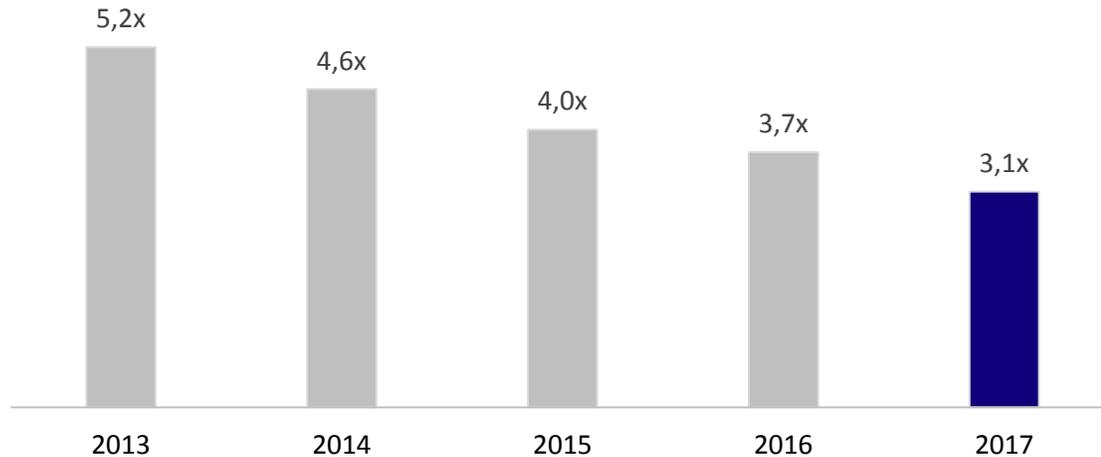
Year	EBITDA (MTL)
2014	569
2015	1,232
2016	1,495
2017	2,555

KPI improvements

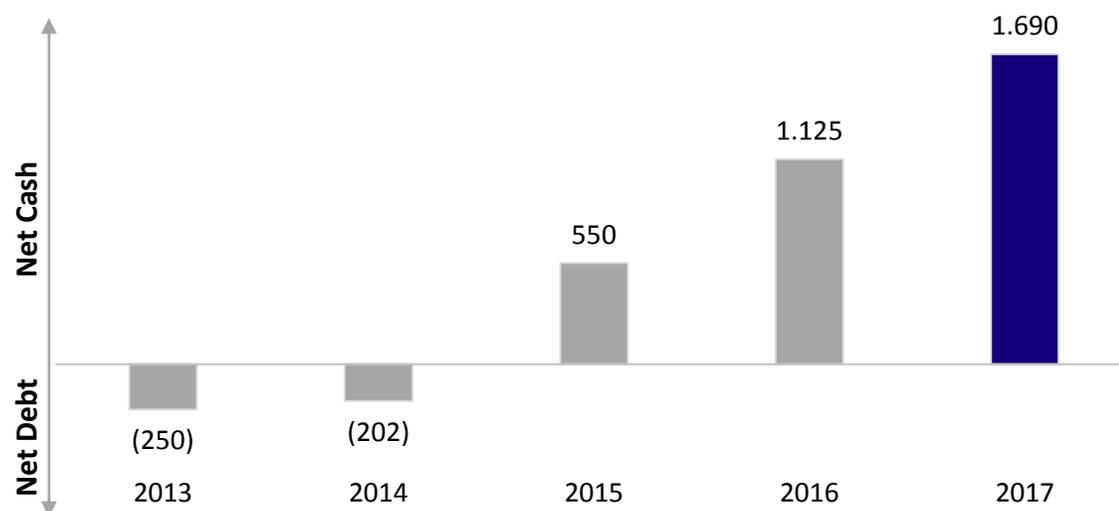
- Strong RAB growth (55% CAGR between 2014-17)
- Theft and loss fell by 1.5%
- Grid collection rates improved by 150bps since privatization

Robust Holding Company and Group balance sheet

Combined net financial debt / EBITDA¹



Holding Company - net (debt) / cash position over time, TLm



Commentary

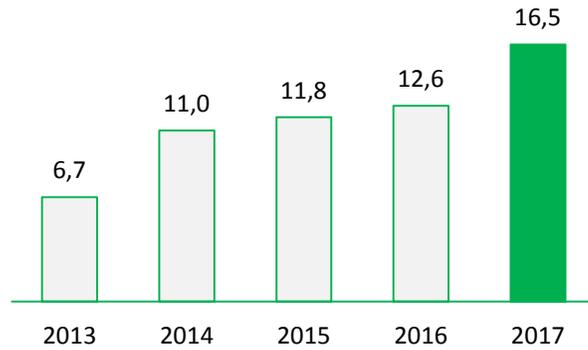
- Effective management of Sabancı's balance sheet linked to capital allocation approach
- Strong de-leveraging profile for the group
- Lean Holding Company costs (currently <25bps of NAV) in addition to growing dividend stream from investment companies has led to a robust net cash position
- Increasing net cash position achieved at the same time as rising dividend payments to Sabancı Holding shareholders
- Strong Holding Company net cash position of TL 1.7bn provides Sabancı with firepower and flexibility to take advantage of acquisitions / investments that meets our rigorous investment criteria

1. Excludes bank and insurance. EBITDA used excludes one-offs

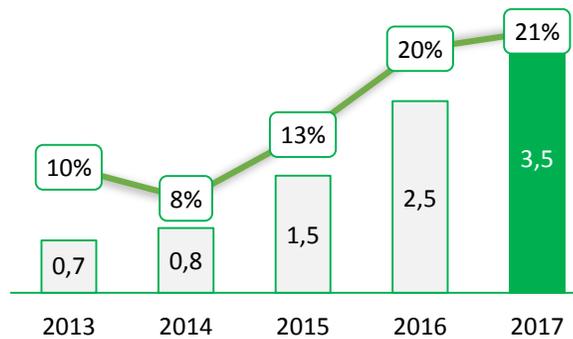
Business unit financial performance, TL bn¹

Energy

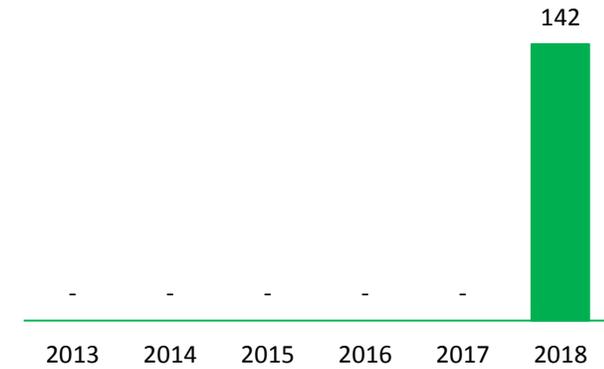
Combined Revenue



Combined EBITDA & EBITDA margin

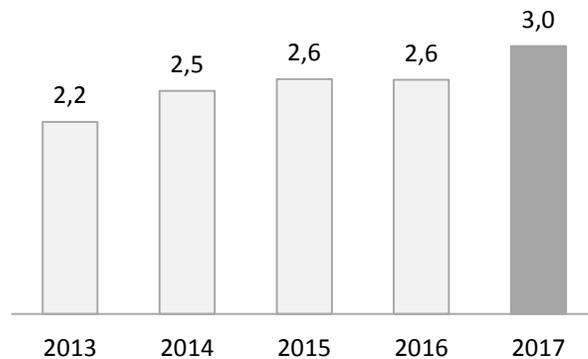


Dividends paid to Sabancı Holding (TL m)

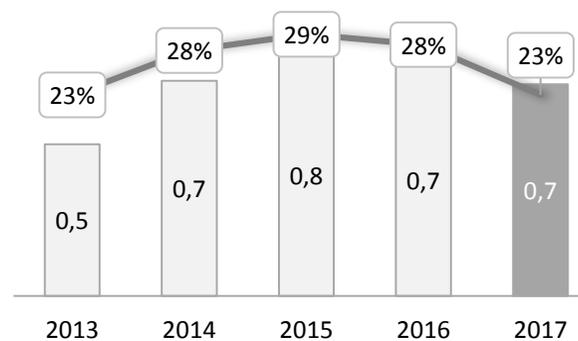


Cement

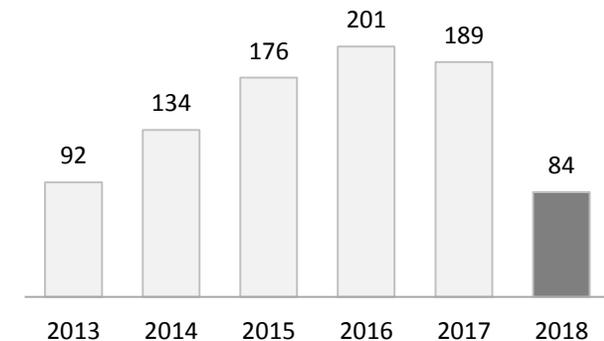
Combined Revenue



Combined EBITDA & EBITDA margin



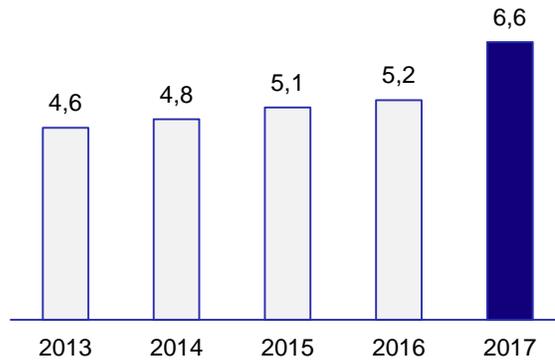
Dividends paid to Sabancı Holding (TL m)



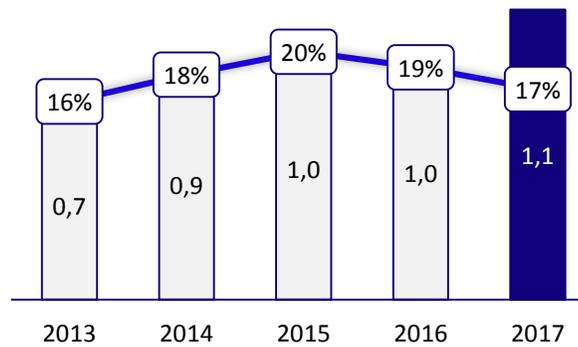
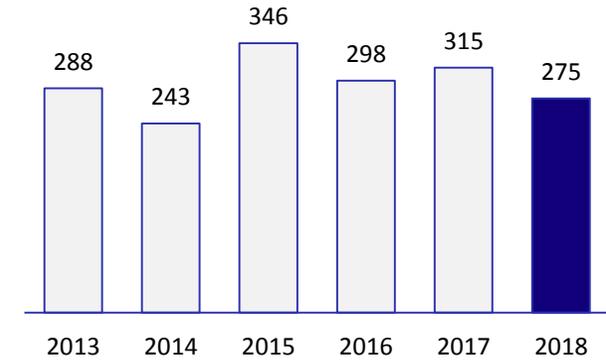
Business unit financial performance, TL bn¹

Industrials

Combined Revenue

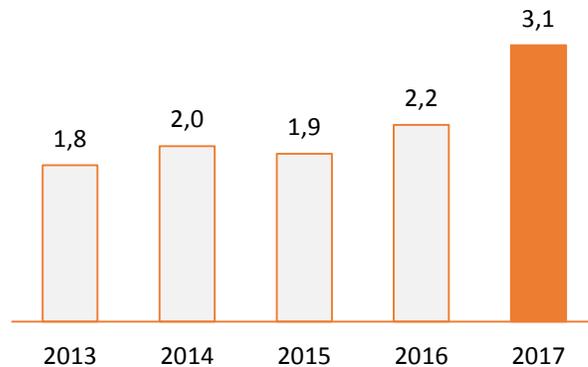
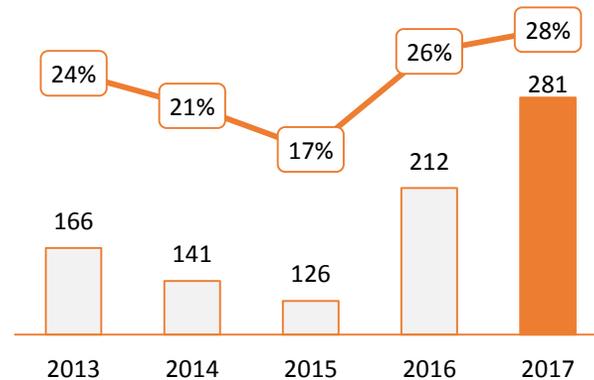


Combined EBITDA & EBITDA margin

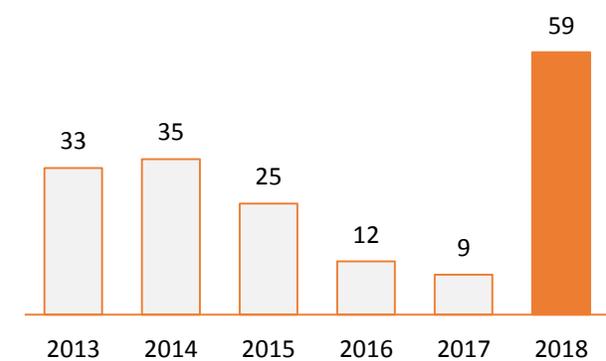
Dividends paid to Sabancı Holding (TL m)²

Insurance

Combined Revenue

Combined Net Income³ (TL m) & Consolidated ROE

Dividends paid to Sabancı Holding (TL m)



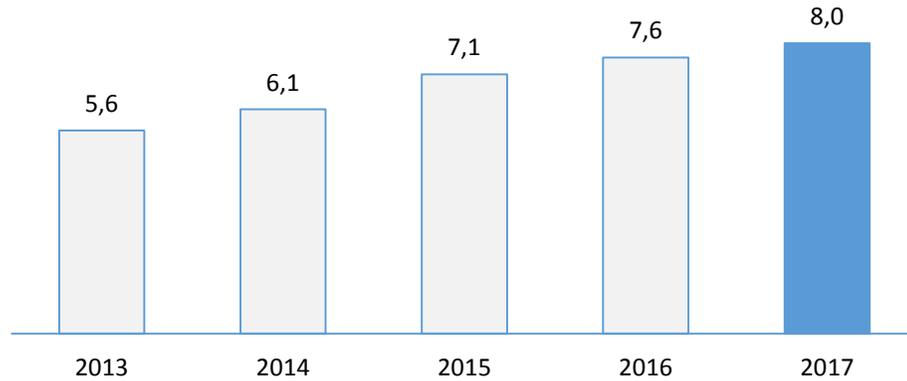
1. Financials shown are before consolidation adjustments. EBITDA excludes one-offs 2. Includes Philsa dividend

3. Excludes one offs

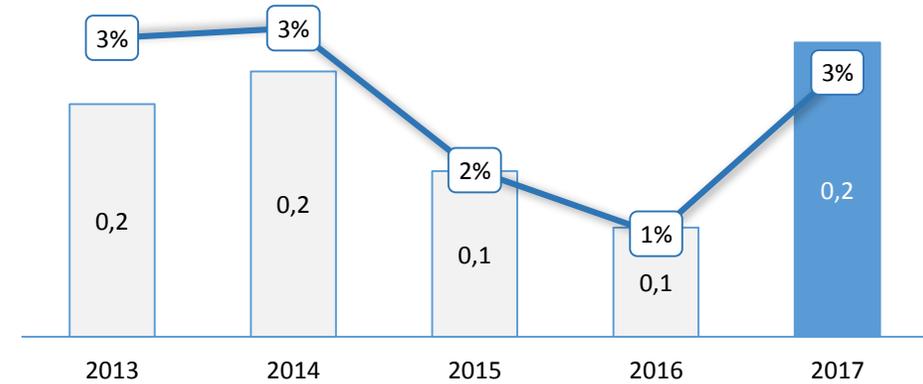
Business unit financial performance, TL bn¹

Retail

Combined Revenue

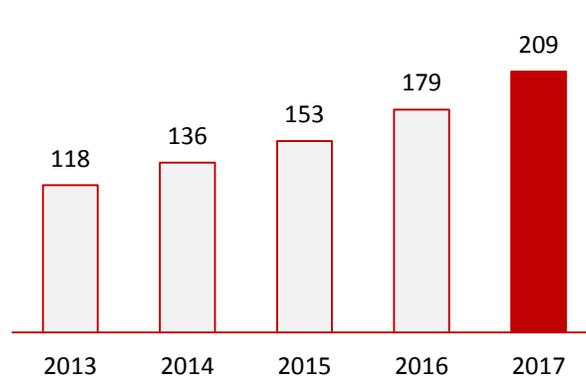


Combined EBITDA & EBITDA margin

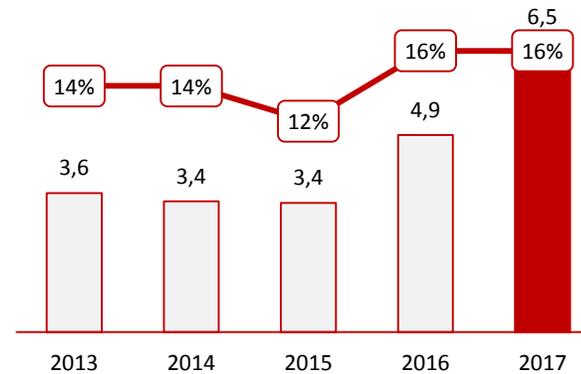


Banking

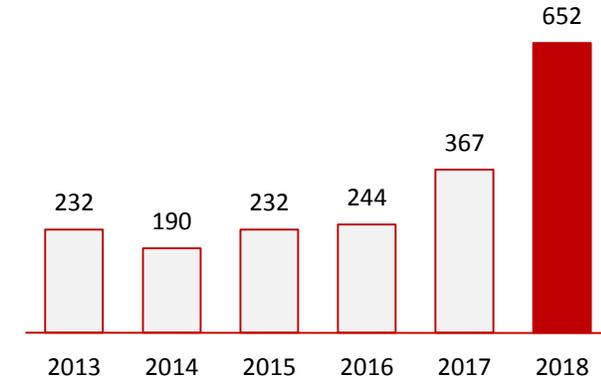
Total Loans



Combined Net Income & ROE



Dividends paid to Sabancı Holding (TL m)

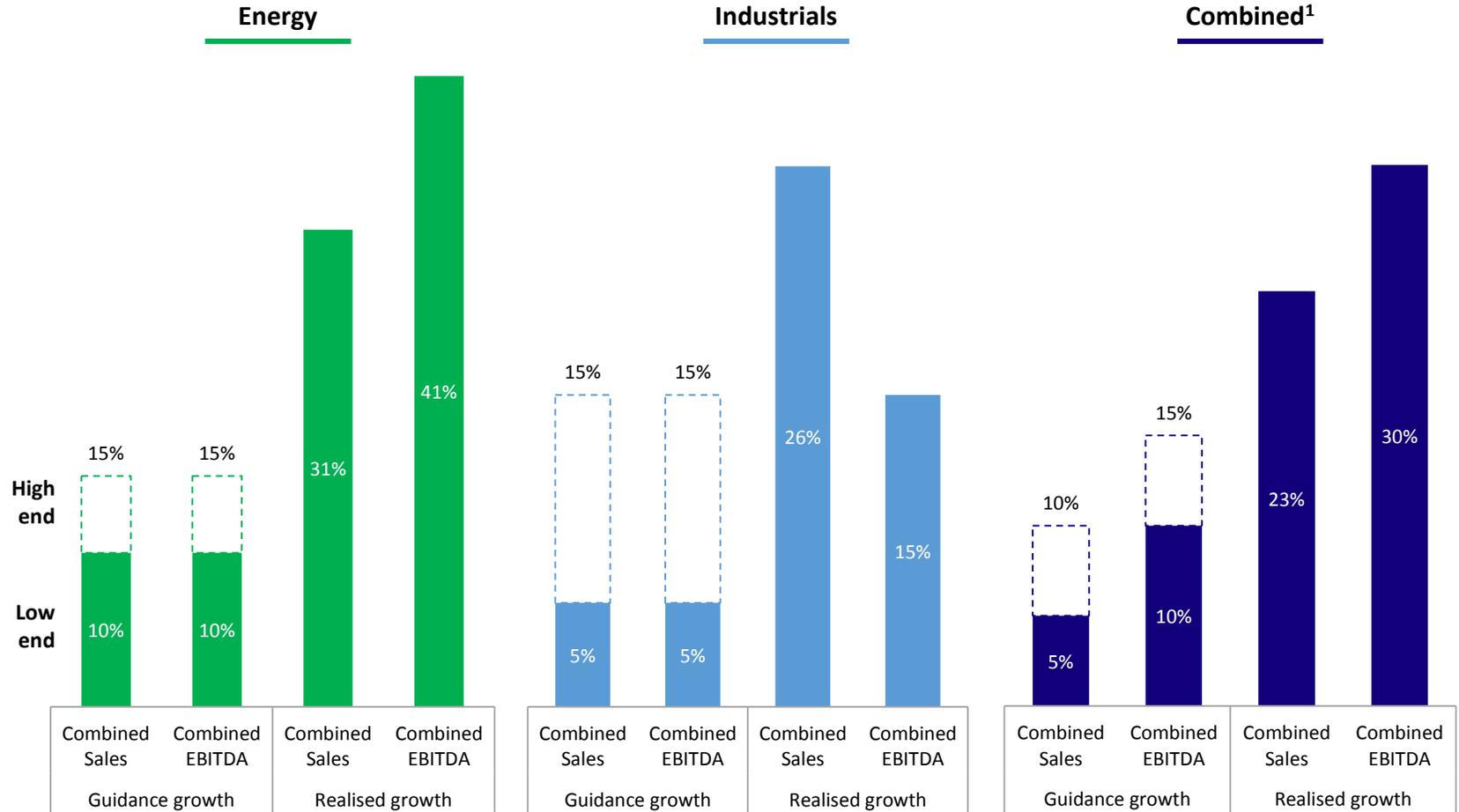


1. Financials shown are before consolidation adjustments. Net Income and EBITDA excludes one-offs

Performance

2017 performance delivered

Sabancı's 2017 financial performance against guidance



Commentary

- Majority of Sabancı's growth targets set for 2017 were exceeded with sizeable outperformance
- Combined non-bank revenues for 2017 increased 23%, with the key driver from the Energy, Insurance and Industrials Segments.
- Combined EBITDA improvement underpinned primarily by efficiency improvements and supportive regulatory changes within Energy

Non-bank sales and EBITDA expected to grow 15-20% in 2018

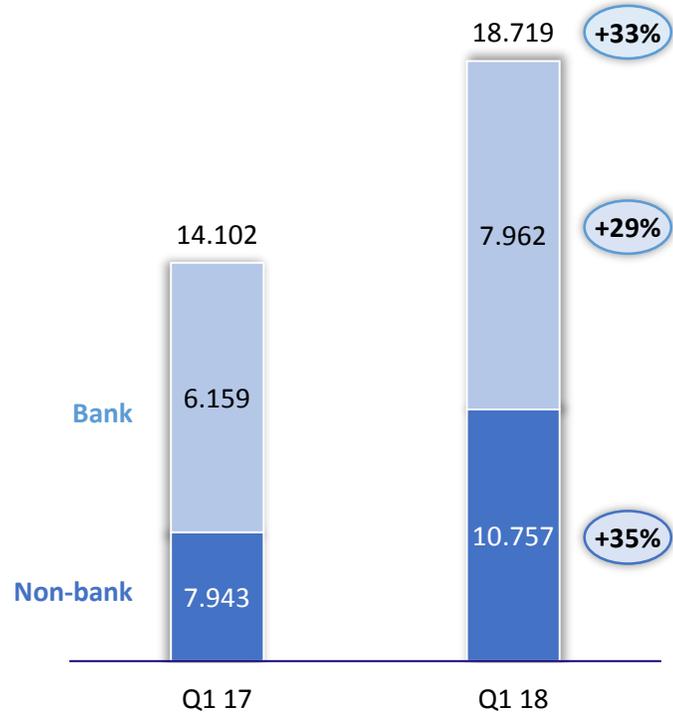
1. Excludes one-offs. Does not include banking

Performance

Q1 2018 - Beating expectations

Combined Net Sales²

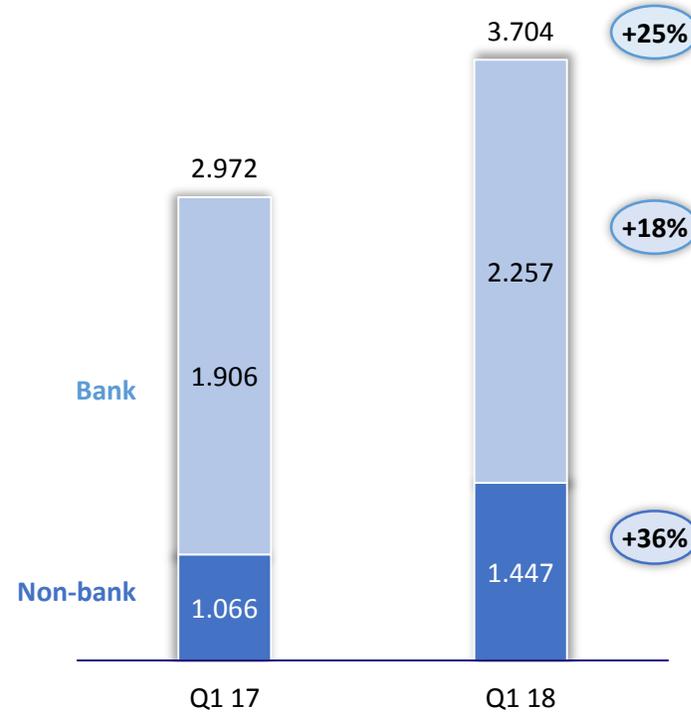
TLm



Strong Demand
Pricing Power

Combined EBITDA¹

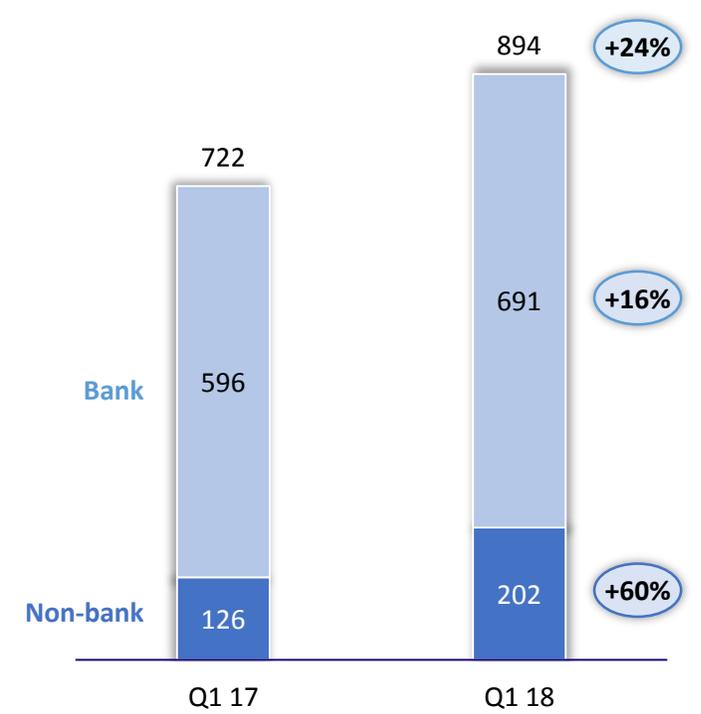
TLm



High Asset Utilization
Regulatory Support
Better than Expected Operational Performance

Consolidated Net Income

TLm



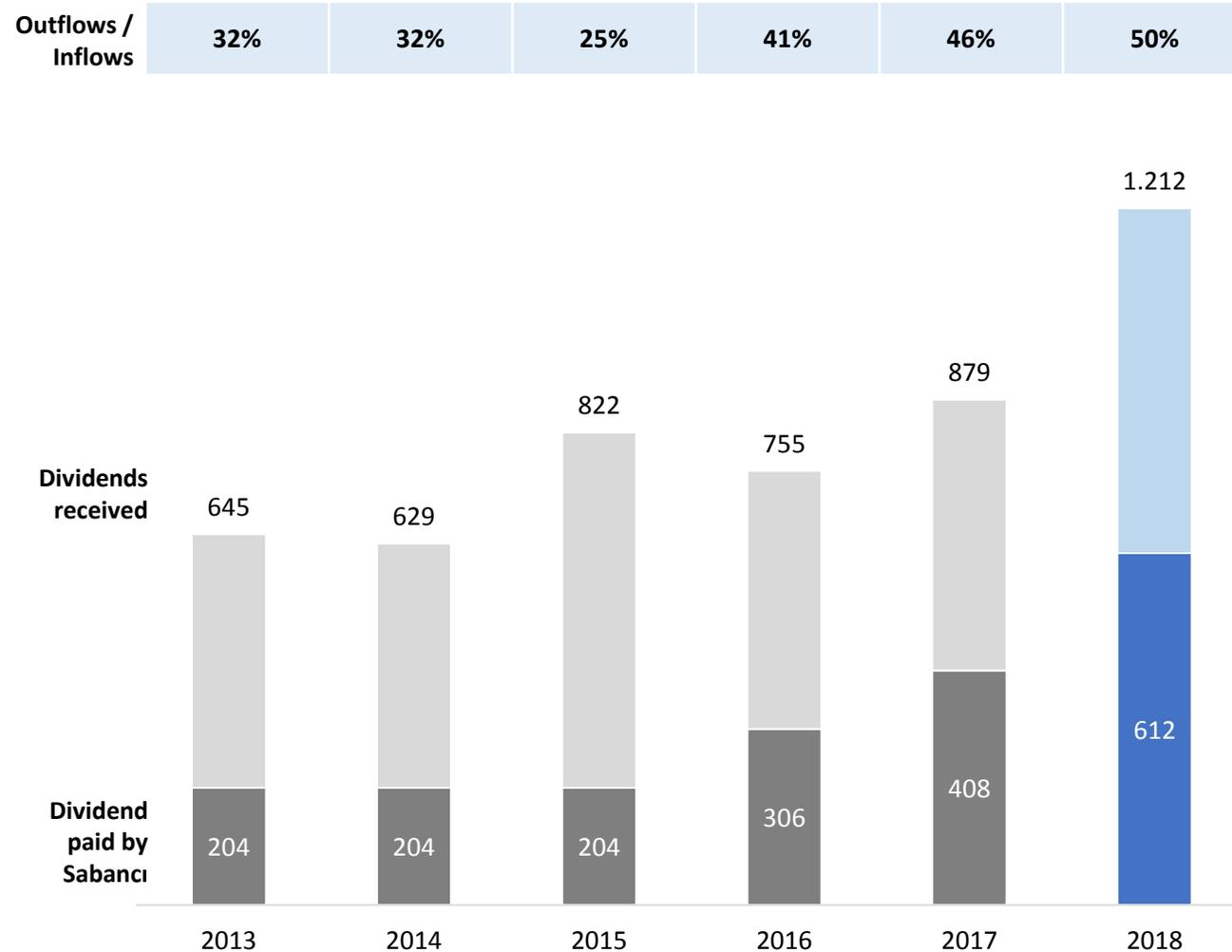
Deleveraging continues
Capital increase of Enerjisa Üretim (Generation)
Financial Income from High Cash Position

Effective FX management to protect returns from volatile TL movements – 40 milyon EUR Long Consolidated FX Position

1. Total EBITDA before consolidation adjustments. EBITDA and Net Income excludes one-offs.
2. Holding dividend income is excluded

Increasing dividend payments from portfolio companies

Sabancı Holding dividends paid and received (MTL)



TLm	Segment	2013	2014	2015	2016	2017	2018
Akbank	Banking	232	190	232	245	367	652
Akçansa	Cement	44	57	90	102	94	51
Aksigorta	Insurance	16	22	9	-	-	40
Avivasa	Insurance	17	13	16	12	9	19
Brisa	Industrials	31	52	66	68	-	-
Carrefoursa	Retail	-	-	33	-	-	-
Çimsa	Cement	48	77	86	99	95	33
Kordsa	Industrials	32	-	48	43	41	48
Teknosa	Retail	-	27	10	-	-	-
Yünsa	Industrials	4	8	10	2	-	-
Enerjisa Enerji	Energy	-	-	-	-	-	142
Others	Industrials	3	7	4	6	-	-
Philsa	Industrials	218	176	218	178	274	227
Total dividends received		645	629	822	755	879	1,212
Total dividends paid out		204	204	204	306	408	612

Sabancı, Turkey's leading group

- ✓ 90+ years of creating market leaders in large and growing business areas, evolving through dynamic portfolio management and leveraging our industrial heritage and the experience of our JV partners
- ✓ Strong financial track record of real growth and returns
- ✓ Robust balance sheet, cash generation and distribution

"New Generation's" Sabancı

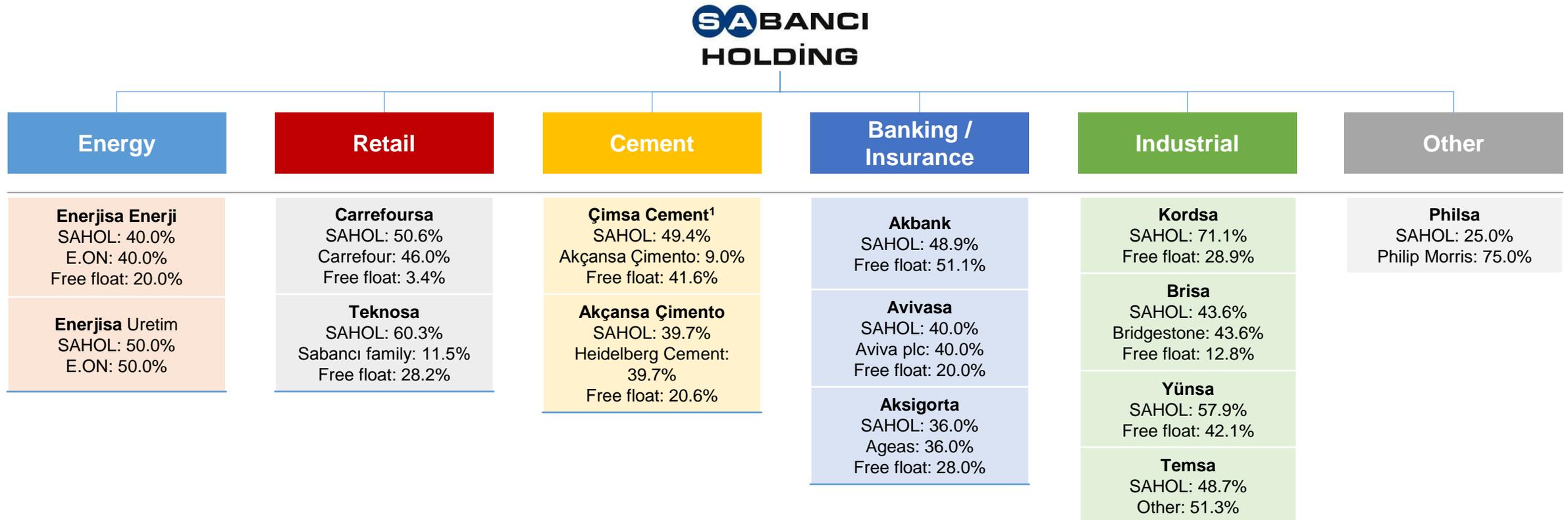
- ✓ Greater focus on strategic portfolio management and capital allocation
- ✓ Further development of a performance-led culture that retains and attracts top talent and supports management to deliver results
- ✓ Investing more in technology and data to create a competitive advantage

Committed to delivering value to all of our stakeholders

Sabancı Holding

Appendix

Overview of corporate structure



Note: As of 31 March 2018

¹ Sabancı Holding's Çimsa stake increased to 54.5% after acquisition of 5% stake on April 6, 2018

Appendix

Sabancı Holding Earnings Reporting - Combined and Consolidated Numbers

Combined	Net Sales	EBITDA	Net income
Subsidiaries (1)	line by line	line by line	line by line
Joint Ventures (2)	line by line	line by line	line by line
Associates (3)	<i>Not included</i>	Proportion of ownership interest * Net income	Proportion of ownership interest * Net income

Consolidated	Net Sales	EBITDA	Net income
Subsidiaries (1)	line by line	line by line	line by line
Joint Ventures (2)	Not included	Proportion of ownership interest * Net income	Proportion of ownership interest * Net income
Associates (3)	Not included	Proportion of ownership interest * Net income	Proportion of ownership interest * Net income

(1), Akbank, Çimsa, Kordsa, Teknosa, Temsa, Yünsa, Carrefoursa, Others (AEO, Bimsa, Exsa, Tursa)

(2) Akçansa, Aksigorta, Avivasa, Brisa, Enerjisa Enerji, Enerjisa Üretim, Temsa İş Makinaları

(3) Philsa - PMSA

Subsidiaries	Segment	Effective Ownership%
Akbank T.A.Ş. ("Akbank")	Bank	40,75%
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. ("Carrefoursa")	Retail	50,61%
Teknosa İç ve Dış Ticaret A.Ş. ("Teknosa")	Retail	60,28%
Çimsa Çimento Sanayi ve Ticaret A.Ş. ("Çimsa")	Cement	53,00%
Kordsa Teknik Tekstil Anonim Şirketi ("Kordsa")	Industrials	71,11%
Temsa Global Sanayi ve Ticaret A.Ş. ("Temsa")	Industrials	48,71%
Yünsa Yünlü Sanayi ve Ticaret A.Ş. ("Yünsa")	Industrials	57,88%
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. ("Exsa")	Others	46,23%
Ankara Enternasyonel Otelcilik A.Ş. ("AEO")	Others	76,85%
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. ("Tursa")	Others	100,00%
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş. ("Bimsa")	Others	100,00%

Joint Ventures	Segment	Effective Ownership%
Aksigorta A.Ş. ("Aksigorta")	Insurance	36,00%
Avivasa Emeklilik ve Hayat A.Ş. ("Avivasa")	Insurance	40,00%
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. ("Brisa")	Industrials	43,63%
Akçansa Çimento Sanayi ve Ticaret A.Ş. ("Akçansa")	Cement	39,72%
Enerjisa Enerji A.Ş. ("Enerjisa Enerji")	Energy	40,00%
Enerjisa Üretim Santralleri A.Ş. ("Enerjisa Üretim")	Energy	50,00%
Temsa İş Makinaları	Industrials	24,84%

Associates	Segment	Effective Ownership%
Philsa Philip Morris Sabancı Sigara ve Tütün San. ve Tic. A.Ş. (Philsa)	Industrials	25,00%
Philip Morris Sabancı Pazarlama Satış A.Ş. ("Philip Morrissa")	Industrials	24,75%

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