

Sabancı Holding

Q2 2019 Earnings Presentation



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2019

Q2 Highlights



Resilient operational and financial performance
Non-bank Combined Net Sales and EBITDA* grew
30% and 53% YoY, respectively

Temsa bus business stake divested
Our partner in **Temsa İş Makinaları** to assume full control
Buyout of Axiom stake by **Kordsa** completed
500MW Wind Tender won by **Enerjisa Generation**



Exceptional **cash flow** performance
facilitates further **deleveraging**

* Excludes non-operational one off items

2019

Remarkable cash generation supports deleveraging

OPERATIONAL CASH FLOW (MTL)*

	Q2 2018	Q2 2019	% Change	H1 2018	H1 2019	% Change
Energy	970	1.473	52%	1.263	2.884	128%
Cement	125	212	70%	118	122	3%
Retail	90	216	140%	-293	261	189%
Retail - Adjusted for Comparison**	90	100	11%	-293	33	111%
Industrials - Excludes Temsa Bus	279	342	23%	351	618	76%
TOTAL	1.464	2.243	53%	1.439	3.885	170%

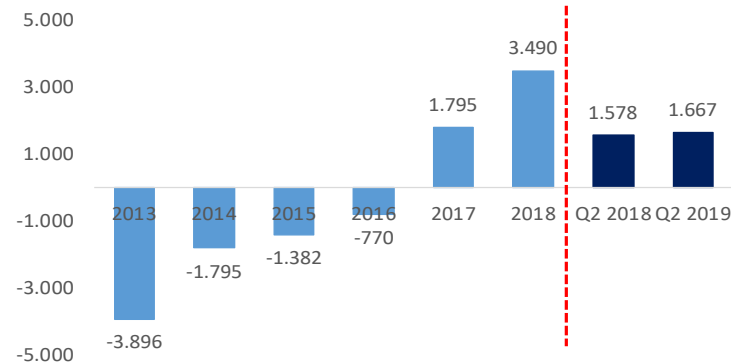
FREE CASH FLOW (MTL)*

	Q2 2018	Q2 2019	% Change	H1 2018	H1 2019	% Change
Energy	495	1.138	130%	345	1.845	435%
Cement	20	115	475%	42	17	-60%
Retail	885	168	-81%	624	187	-70%
Retail - Adjusted for Comparison**	885	52	-94%	624	-41	-107%
Industrials - Excludes Temsa Bus	177	245	38%	169	483	186%
TOTAL	1.578	1.667	6%	1.178	2.532	115%

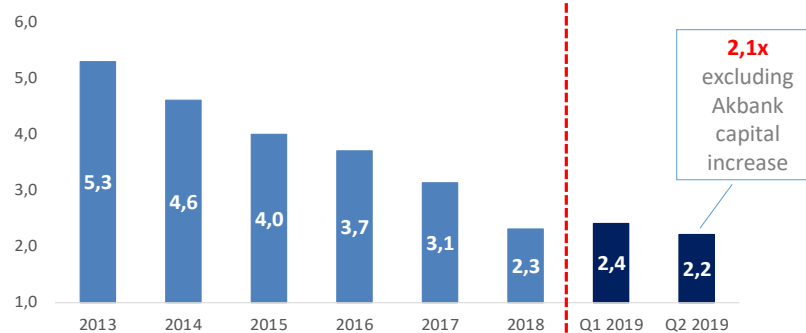
* Management reporting, excludes Insurance, Banking, Other segment and Temsa Bus

** Adjusted for IFRS16 impact

Free Cash Flow, Combined for Non-Bank*



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



*** Excludes Banking, Other segment and net cash position of Insurance

EBITDA excludes one-offs and IFRS16 impact in retail segment

2019

Continual Outstanding Non-Bank Performance

Combined Net Sales

MILLION TL	Q2 2018	Q2 2019	% Change	H1 2018	H1 2019	% Change
TOTAL*	19.990	24.688	24%	38.709	47.982	24%
BANK	9.210	10.665	16%	17.172	21.363	24%
NON-BANK*	10.779	14.023	30%	21.537	26.619	24%

High renewable generation volume and regulated electricity sales

FX linked revenues in Industrials

Combined EBITDA

MILLION TL	Q2 2018	Q2 2019	% Change	H1 2018	H1 2019	% Change
TOTAL*	3.600	4.454	24%	7.304	8.708	19%
BANK	1.819	1.733	-5%	4.076	3.804	-7%
NON-BANK*	1.781	2.721	53%	3.228	4.903	52%

Strong Energy Generation profitability

Improved combined ratio in Insurance

Consolidated Net income

MILLION TL	Q2 2018	Q2 2019	% Change	H1 2018	H1 2019	% Change
TOTAL*	940	963	2%	1.834	1.991	9%
BANK	543	514	-5%	1.235	1.130	-8%
NON-BANK*	397	448	13%	599	861	44%

Energy and Industrials main contributors of bottom line

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

Revenues

Energy, Insurance and Industrials top-line drivers

TOTAL BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q2 2018	Q2 2019	% Change	H1 2018	H1 2019	% Change
TOTAL*	19.990	24.688	24%	38.709	47.982	24%
BANK	9.210	10.665	16%	17.172	21.363	24%
NON-BANK*	10.779	14.023	30%	21.537	26.619	24%
ENERGY	4.754	6.569	38%	9.912	12.400	25%
CEMENT	955	959	0%	1.703	1.702	0%
RETAIL	2.132	2.564	20%	4.089	4.781	17%
INSURANCE	889	1.276	44%	1.961	2.511	28%
INDUSTRIALS	2.010	2.547	27%	3.771	5.030	33%
OTHER*	40	108	173%	100	194	93%

Higher FX linked renewable volume at **Generation** and higher regulated electricity sales prices for **Retail** drove **Energy** top line

Higher written premiums due to price impact in **Insurance**

Higher FX linked revenues in **Industrials**

* Holding dividend income excluded

EBITDA

Significant contribution from Energy segment

TOTAL BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q2 2018	Q2 2019	% Change	H1 2018	H1 2019	% Change
TOTAL*	3.600	4.454	24%	7.304	8.708	19%
BANK	1.819	1.733	-5%	4.076	3.804	-7%
NON-BANK*	1.781	2.721	53%	3.228	4.903	52%
ENERGY	1.124	1.762	57%	2.019	3.265	62%
CEMENT	248	166	-33%	409	260	-36%
RETAIL	27	196	618%	35	326	823%
RETAIL-Adjusted for Comparison**	27	80	192%	35	98	178%
INSURANCE	103	155	50%	207	316	53%
INDUSTRIALS	293	448	53%	584	763	31%
OTHER*	-14	-5	64%	-26	-26	2%

Generation business has driven growth in **Energy**

Strong performance and improved combined ratio at non-life segment in **Insurance**

Operational excellence and Emerging Market footprint in **Industrials**

*Holding dividend income is excluded

**Adjusted for IFRS16 impact

EBITDA excludes non-operational one off items

Consolidated Net Income

Energy accounts for more than two thirds of bottom-line

MILLION TL	Q2 2018	Q2 2019	% Change	H1 2018	H1 2019	% Change
CONSOLIDATED NET INCOME*	940	963	2%	1.834	1.991	9%
BANK	543	514	-5%	1.235	1.130	-8%
NON-BANK	397	448	13%	599	861	44%
ENERGY	100	315	214%	130	635	387%
CEMENT	60	-9	-114%	91	-8	-109%
RETAIL	-48	-76	-58%	-108	-168	-56%
RETAIL-Adjusted for comparison**	-48	-65	-34%	-108	-145	-35%
INSURANCE	34	52	51%	66	102	55%
INDUSTRIALS	90	130	46%	181	180	0%
OTHER	160	36	-78%	238	120	-50%

Solid operational profitability and hedged FX position in **Energy**

Strong financial income in **Insurance**

Cement and Retail depressed by higher financial expenses

Lower FX and interest rate gains at the **Holding**

*Excludes non-operational one off items

**Adjusted for IFRS16 impact

BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q2 2018	Q2 2019	% Change	H1 2018	H1 2019	% Change
SALES	4.754	6.569	38%	9.912	12.400	25%
EBITDA*	1.124	1.762	57%	2.019	3.265	62%
NET INCOME*	251	662	164%	350	1.362	289%
EBITDA* MARGIN	23,6%	26,8%		20,4%	26,3%	

*Excludes non-operational one off items

Current Assessment

Distribution & Retail Business (Enerjisa Enerji):

- Higher average procurement prices resulted in high sales growth
- Increased RAB (up 20% yoy)
- High base impact (242 MTL IFRIC 12 income recorded in 2Q18 EBITDA)

Generation Business (Enerjisa Üretim Santralleri):

- Renewable generation volume up by 47% yoy
- Higher average USD/TL rates supported EBITDA growth
- Higher contribution from dispatch and feed-in-tariffs

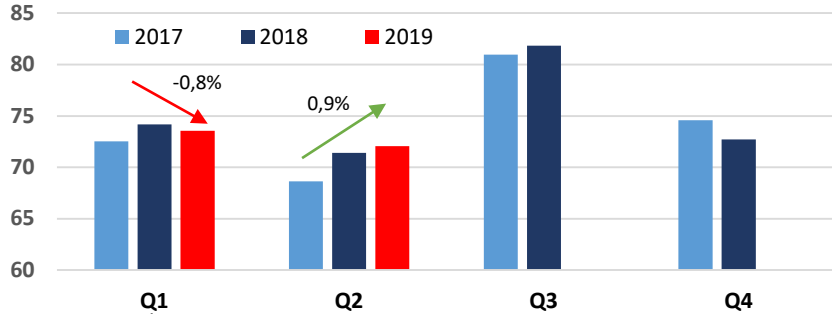
Factors to Watch

- **Demand and spot prices** in the upcoming quarters
- **Inflation:** driver for Enerjisa Enerji's financial income
- **FX Volatility:** Enerjisa Üretim is a hard currency business
- **Interest Rates:** Enerjisa Enerji secured most of its 2019 funding requirement. No significant re-financing need for this year but financing costs important for investment decisions.

Generation Sector

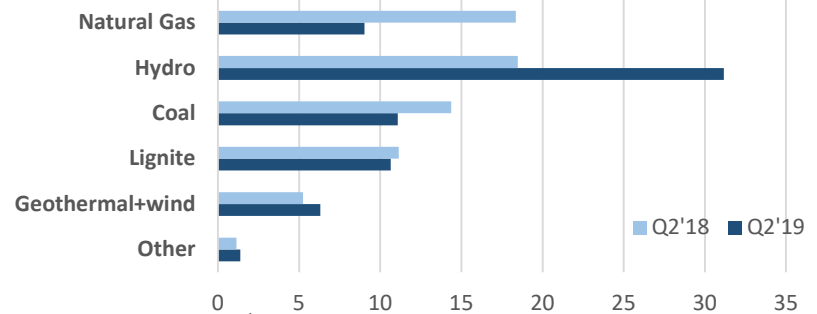
Spot prices dipped with jump in hydro generation

Electricity consumption (GWh)



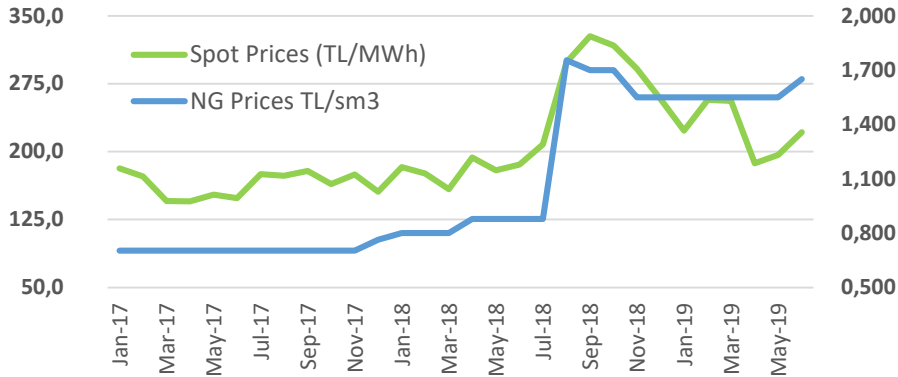
Source: TEİAŞ

Electricity generation by source in Q2 (TWh)



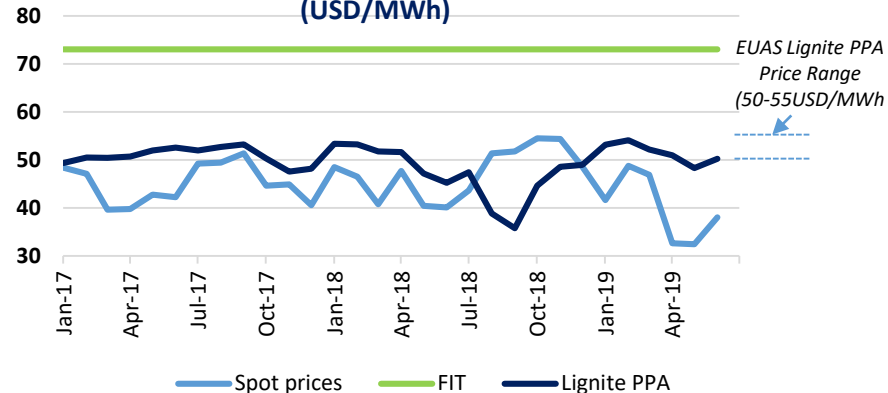
Source: TEİAŞ

Spot Electricity Prices (TL/MWh, lhs) vs NG Prices (TL/sm3)



Source: EPİAŞ

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



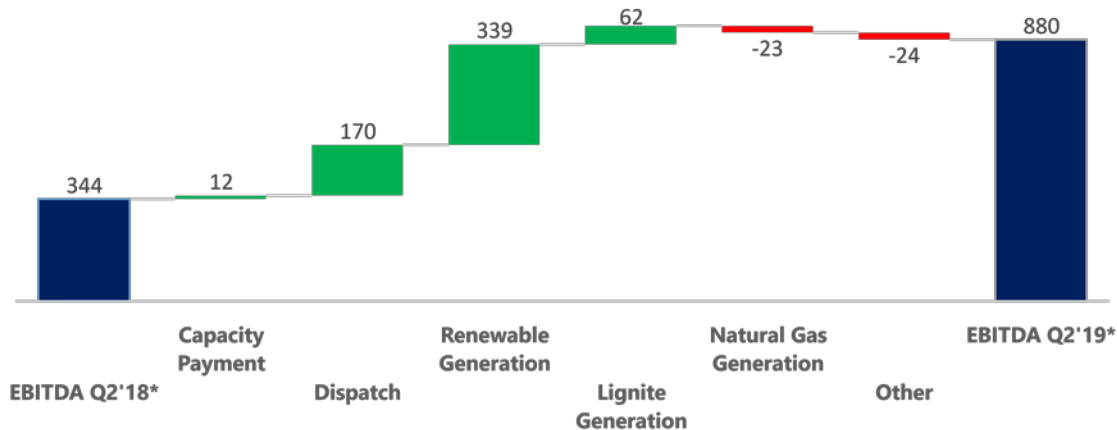
Source: EPİAŞ

Exceptional hydrology, excellent results

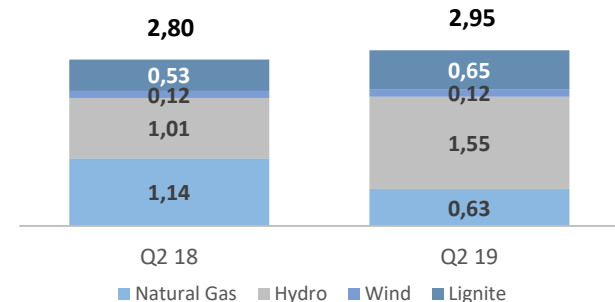
MILLION TL	Q2 2018	Q2 2019	% Change	H1 2018	H1 2019	% Change
Net sales	997	1.726	73%	2.085	3.073	47%
EBITDA*	344	880	156%	627	1.536	145%
EBITDA* margin (%)	34%	51%	16,5pp	30%	50%	19,9pp
Depreciation	109	111	2%	217	221	2%
Financial Income/(expense)	-280	-227	19%	-571	-335	41%
Net income*	-2	500	n.m.	-96	904	n.m.

*Excludes non-operational one off items

- In Q2 19, hydro generation volume jumped by 53% YoY
- Positive impact of FX based feed-in-tariff revenues
- Efficient use of asset flexibilities led to higher dispatch contribution
- FX hedge ratio increased to c.100%, as lignite generation is now USD based and used for hedge accounting

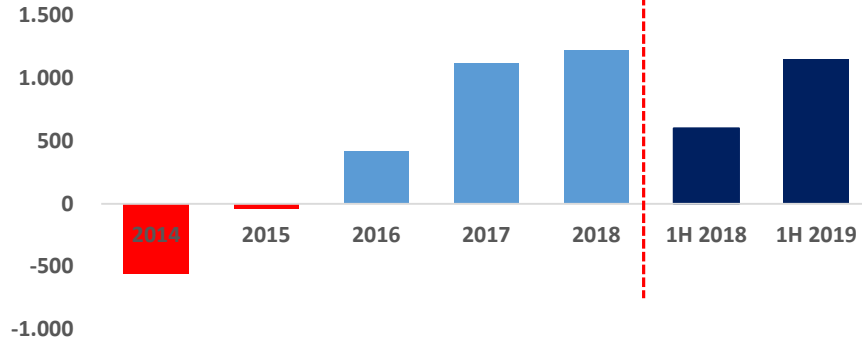


GENERATION VOLUME (TWH)

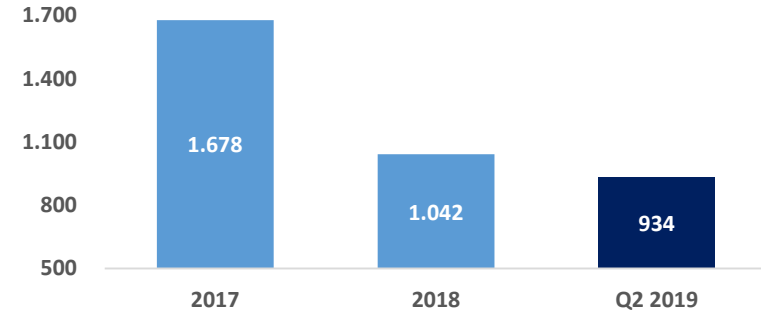


Deleveraging momentum does not lose steam

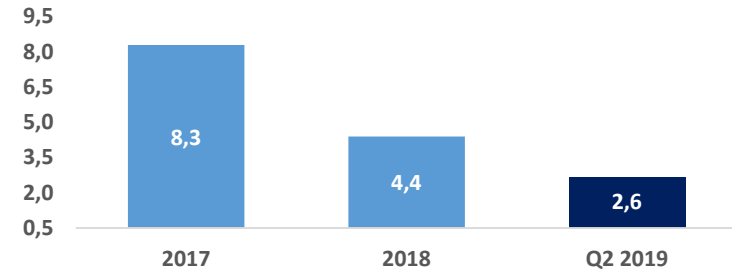
Free Cash Flow Generation (MTL)



Net Debt (MEUR Equivalent)



Net Debt / EBITDA ratio (TL based)



- Impressive Free cash flow generation
- Net debt / EBITDA now significantly below 3x
- Economically totally hedged with USD linked revenue stream

BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

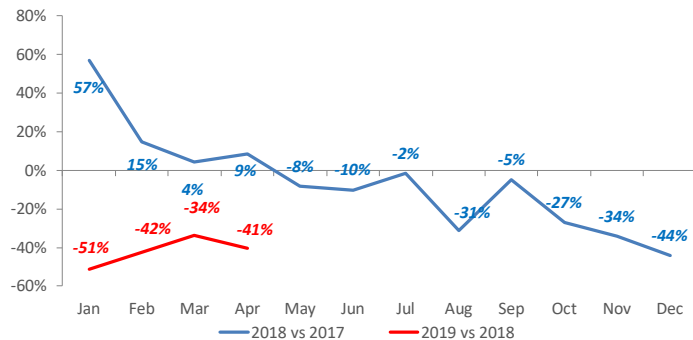
MILLION TL	Q2 2018	Q2 2019	% Change	H1 2018	H1 2019	% Change
SALES	955	959	0%	1.703	1.702	0%
EBITDA*	248	166	-33%	409	260	-36%
NET INCOME*	123	-21	-117%	188	-30	-116%
EBITDA* MARGIN	25,9%	17,3%		24,0%	15,3%	

*Excludes non-operational one off items

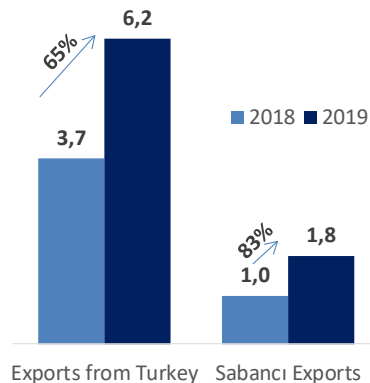
Current Assessment

- Weakness in domestic demand prevails; domestic volumes declined by 42% year-to-date
- Turkey Q2 export volume up by 65% YoY, while Sabanci cement export volume up by 83%
- High cost inflation and weak domestic demand along with low pricing power exerting pressure on EBITDA

Monthly domestic cement demand y-o-y growth



Cement exports from Turkey (mn tons)



Factors to Watch

- Domestic market outlook and sales prices
- Export potential and competition
- Petcoke, coal and electricity costs
- Infrastructure and construction projects
- Distribution channels' financial health

BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q2 2018	Q2 2019	% Change	H1 2018	H1 2019	% Change
SALES	2.132	2.564	20%	4.089	4.781	17%
EBITDA*	27	196	618%	35	326	823%
EBITDA** - Adjusted for comparison	27	80	192%	35	98	178%
NET INCOME*	-94	-142	-51%	-211	-315	-49%
NET INCOME** - Adjusted for comparison	-94	-121	-29%	-211	-272	-29%
EBITDA* MARGIN	1,3%	7,6%		0,9%	6,8%	
EBITDA** MARGIN - Adjusted for comparison	1,3%	3,1%		0,9%	2,1%	

Current Assessment

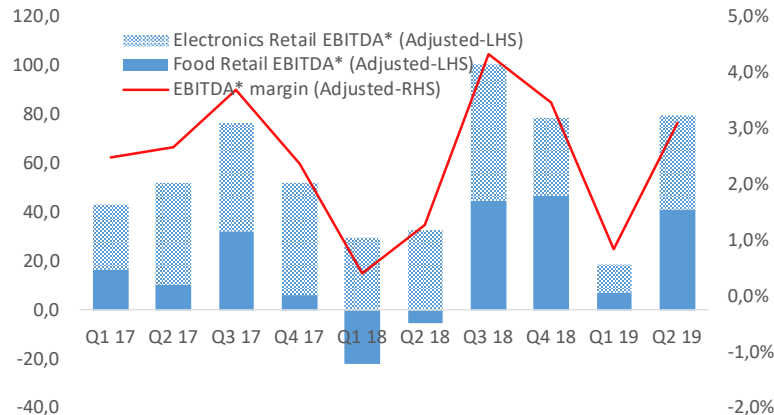
- Stronger LfL revenue growth in food and electronics, led by the improvement in average basket size and customer LfL growth rates
- Revenue stream supported EBITDA
- Higher financial expenses

Factors to Watch

- Consumer sentiment and changing buying behavior
- Interest rates, FX, and inflation outlook
- Turnaround Program to support competitive strategic initiatives to enhance efficiency, profitability, and growth on electronics retail side

*Excludes non-operational one off items

**Adjusted for IFRS16 impact

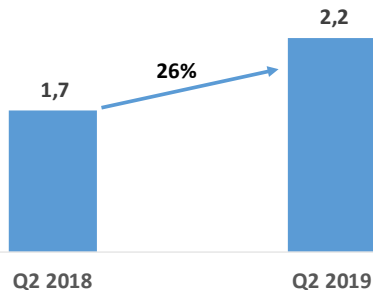


BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

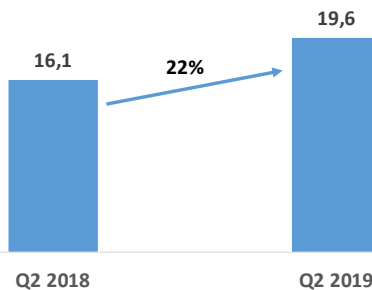
MILLION TL	Q2 2018	Q2 2019	% Change	H1 2018	H1 2019	% Change
SALES	889	1.276	44%	1.961	2.511	28%
EBITDA	103	155	50%	207	316	53%
LIFE	43	41	-5%	75	89	19%
NON-LIFE	60	114	89%	132	227	72%
NET INCOME*	90	137	53%	173	269	56%
LIFE	52	64	23%	89	124	40%
NON-LIFE	37	73	95%	84	145	73%

*Excludes non-operational one off items

Aksigorta Assets Under Management
(BN TL)



Avivasa Assets Under Management
(BN TL) *



Current Assessment

- 46% growth in non-life insurance premiums, driven by Non-motor and MTPL**
- Pension maintains #1 position in terms of AUM*** with a 19,0% market share
- 37%+ RoE in both businesses
- Strong financial income in both businesses
- Float: TL 3,4 bn (TL 2,4 bn in Q2 2018)

Factors to Watch

- Interest rates, inflation, and FX rates
- Climate related damages and claims management
- Economic outlook (new vehicle and house sales, new credit volumes)
- Regulatory changes
- Product pricing and consumers' saving behavior
- Management of AuM***

* Including Auto enrolment

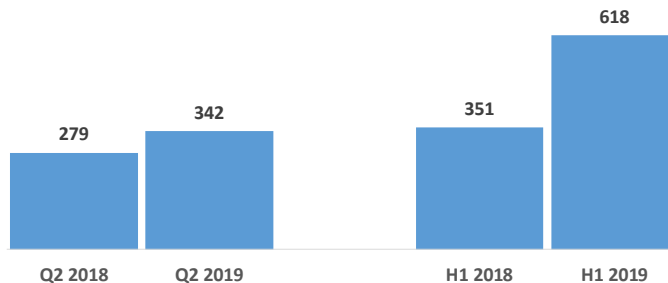
** MTPL: Motor Third Party Liability

*** AUM: Assets Under Management

BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q2 2018	Q2 2019	% Change	H1 2018	H1 2019	% Change
SALES	2.010	2.547	27%	3.771	5.030	33%
EBITDA*	293	448	53%	584	763	31%
BRİSA	102	139	37%	207	262	26%
KORDSA	145	216	49%	267	413	55%
PHILSA	42	40	-4%	85	39	-54%
TEMSA BUS	-30	31	202%	-38	10	126%
OTHER	35	22	-36%	63	39	-38%
NET INCOME*	115	192	66%	240	269	12%
BRİSA	12	19	63%	23	17	-28%
KORDSA	83	106	28%	154	217	41%
PHILSA	42	40	-4%	85	39	-54%
TEMSA BUS	-37	12	133%	-52	-23	56%
OTHER	16	14	-13%	29	19	-34%
EBITDA* MARGIN	14,6%	17,6%		15,5%	15,2%	

Operating Cash Flow**- MTL



Current Assessment

- Increased exports and FX linked revenues
- Operational excellence and efficiency
- Focus on cash generation
- Successfully integration of new Composite acquisitions

Factors to Watch

- Pricing / Commodity prices
- Domestic demand for tire business
- Inflation and funding costs
- Working capital management and tight inventory control
- Emerging Market currencies vs Developed Market currencies

*Excludes non-operational one off items

**Operating Cash Flow based on IFRS management reporting figures

CONSOLIDATED NET FX POSITION (excl. Bank)	MILLION EURO	
	Dec 31, 2018	Jun 30, 2019
ENERGY	-43	31
INDUSTRIALS	16	2
CEMENT	0	5
RETAIL	1	-1
INSURANCE	20	26
HOLDING & OTHER	284	234
TOTAL CONSOLIDATED FX POSITION AFFECTING PL	278	296

Holding Only Cash Position by the end of Q2 2019 →1.5BTL

2019

Guidance unchanged despite positive outlook

		Growth Guidance
SABANCI HOLDING COMBINED NON-BANK *	SALES	10-20%
	EBITDA	10-20%

* Excludes one off items

** Sabanci Group plans to invest approximately 6 Billion TL in 2019, excluding any strategic M&A opportunities that may arise within the year

2019

Conclusion



Exceptional **operational and financial** performance sustained in Q2 2019

Capital allocation strategy executed **effectively** as planned



Our focus will continue to be on **selective growth, cash generation, and quality of earnings**

Q&A

SABANCI



2019

Net Income: Non-operational and Non-recurring items

Non-Operational and Non-Recurring Items

	Q2 2018	Q2 2019	H1 2018	H1 2019
CONSOLIDATED NET INCOME EXCLUDING NON OPERATIONAL & NON RECURRING ITEMS	940	963	1.834	1.991
Gain on sales of Enerjisa Enerji shares (IPO proceeds)	0	0	123	0
Carrefoursa one-offs	206	0	236	10
Loss on sale of Temsa Ulaşım	0	-66	0	-66
Other	9	-7	29	12
CONSOLIDATED NET INCOME	1.155	889	2.222	1.946

2019

Sabancı Holding Discount to NAV*

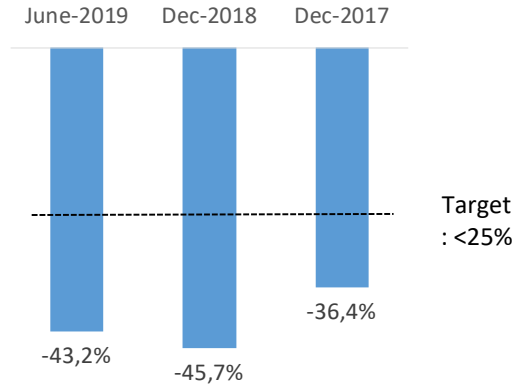
USDmnn Companies	Direct Stakes (%)*	June-2019 Value of			Dec-2018 Value of	
		Mcap	Stake	% of NAV	Stake	% of NAV
Akbank	40,8%	6.139	2.502	46,7%	2.117	39,6%
Enerjisa Enerji	40,0%	1.130	452	8,4%	456	8,5%
Aksigorta	36,0%	236	85	1,6%	76	1,4%
Avivasa	40,0%	281	112	2,1%	105	2,0%
Akçansa	39,7%	209	83	1,5%	106	2,0%
Çimsa	54,5%	146	80	1,5%	105	2,0%
Brisa	43,6%	315	138	2,6%	160	3,0%
Kordsa	71,1%	409	291	5,4%	256	4,8%
Yünsa	57,9%	23	13	0,2%	14	0,3%
Carrefoursa	50,6%	386	196	3,7%	233	4,4%
Teknosa	60,3%	48	29	0,5%	37	0,7%
Total Listed			3.979	74,3%	3.666	68,5%
Enerjisa Üretim	50,0%	1.005	502	9,4%	492	9,2%
Temsa**			12	0,2%	40	0,7%
Philsa	25,0%	1.820	455	8,5%	507	9,5%
Other			148	2,8%	157	2,9%
Total Non-listed			1.118	20,9%	1.195	22,3%
Total			5.097	95,2%	4.861	90,9%
Sabancı Holding Net Cash			256	4,8%	487	9,1%
Sabancı Holding NAV			5.353	100,0%	5.348	100,0%
Sabancı Holding Mcap			3.043		2.905	
Sabancı Holding Discount			-43,2%		-45,7%	

Source: Bloomberg, Sabancı Holding Finance Department

*Enerjisa Generation and Temsa are valued at Book Value, while Philsa valuation is based on Sell-side analyst estimates

**Temsa includes Temsa Motorlu Araçlar and Temsa İş Makinaları

NAV* Discount



Breakdown of NAV* (June 2019)

