

Sabancı Holding

Q3 2018 Earnings Presentation



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Stellar Non-Bank Outperformance

Combined Net Sales

MILLION TL	Q3 2017	Q3 2018	% Change
TOTAL*	16.685	22.521	35%
BANK	6.910	9.731	41%
NON-BANK*	9.775	12.790	31%

Market share gains

Pass through of cost increases

Rise in exports

Combined EBITDA

MILLION TL	Q3 2017	Q3 2018	% Change
TOTAL*	3.408	4.072	19%
BANK	1.958	1.905	-3%
NON-BANK*	1.450	2.167	49%

Disciplined cost management

Supportive regulatory environment

FX linked revenues support operating profit

Consolidated Net income

MILLION TL	Q3 2017	Q3 2018	% Change
TOTAL*	863	1.154	34%
BANK	614	575	-6%
NON-BANK*	249	579	132%

Focus on Deleveraging

Long FX position supported Net Income

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

Revenues

Topline driven by Energy and Industrials

TOTAL BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q3 2017	Q3 2018	% Change	9M 2017	9M 2018	% Change
TOTAL*	16.685	22.521	35%	46.155	61.230	33%
BANK	6.910	9.731	41%	19.743	26.903	36%
NON-BANK*	9.775	12.790	31%	26.412	34.327	30%
ENERGY	4.359	6.165	41%	11.553	16.077	39%
CEMENT	826	921	12%	2.146	2.624	22%
RETAIL	2.073	2.315	12%	5.761	6.404	11%
INSURANCE	751	907	21%	2.100	2.869	37%
INDUSTRIALS	1.722	2.440	42%	4.739	6.210	31%
OTHER*	44	41	-5%	113	142	26%

Price and volume gains drove **Energy** top line

Industrials and Cement top line driven by exports and strong international demand

Market share gains in **Insurance**

Excludes non-operational one off items.

* Holding dividend income excluded

TOTAL BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q3 2017	Q3 2018	% Change	9M 2017	9M 2018	% Change
TOTAL*	3.408	4.072	19%	9.723	11.376	17%
BANK	1.958	1.905	-3%	5.916	5.981	1%
NON-BANK*	1.450	2.167	49%	3.806	5.395	42%
ENERGY	773	1.209	56%	2.143	3.228	51%
CEMENT	215	235	9%	474	643	36%
RETAIL	77	100	31%	172	136	-21%
INSURANCE	76	154	104%	236	362	53%
INDUSTRIALS	319	481	51%	813	1.065	31%
OTHER*	-9	-13	-46%	-32	-39	-22%

* Holding dividend income is excluded

** Excludes non-operational one off items.

Energy was driven by efficiency and productivity gains both in upstream and downstream coupled with supportive regulatory environment and feed-in-tariff FX revenues.

In **Insurance**, focus on profitable and growing segments

In **Industrials**, switch to exports/international markets paid off.

Consolidated FX long position supported bottom line

MILLION TL	Q3 2017	Q3 2018	% Change	9M 2017	9M 2018	% Change
CONSOLIDATED NET INCOME*	863	1.154	34%	2.378	2.987	26%
BANK	614	575	-6%	1.855	1.810	-2%
NON-BANK	249	579	132%	524	1.177	125%
ENERGY	28	-24	-183%	25	107	320%
CEMENT	48	64	33%	103	155	51%
RETAIL	-21	-31	-49%	-74	-139	-88%
INSURANCE	25	45	81%	78	111	42%
INDUSTRIALS	128	148	16%	313	329	5%
OTHER	41	375	822%	78	613	685%

Strong FX risk management... **Energy** segment supplemented by **Holding** (other) FX gains.

Rising float resulted in higher financial income in **Insurance**

*Excludes non-operational one off items.

Strong Operational performance in Both Businesses

BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q3 2017	Q3 2018	% Change	9M 2017	9M 2018	% Change
SALES	4.359	6.165	41%	11.553	16.077	39%
EBITDA*	773	1.209	56%	2.143	3.228	51%
NET INCOME*	57	-6	-110%	51	344	580%
EBITDA* MARGIN	17,7%	19,6%		18,5%	20,1%	

*Excludes non-operational one off items.

Current Assessment

Distribution & Retail Business (Enerjisa Enerji):

- Increase in Regulated Asset Base (9M18: +35% y-o-y)
- Higher inflation and improved WACC resulted in higher financial income
- EMRA increases the theft accrual retention rate to 55% from 40%.
- Increase in National tariff in Retail: August 15% and September 18%

Generation Business (Enerjisa Üretim Santralleri):

- Improvements in Tufanbeyli operations, both in availability and efficiency
- Jump in electricity prices due to increase in natural gas cost
- Capacity payment mechanism for thermal assets

Funding:

- Active management of financing costs and USD generating renewable assets

Factors to Watch

Distribution & Retail Business (Enerjisa Enerji):

- Operational efficiencies and investments in distribution
- Regulated segment profitability

Generation Business (Enerjisa Üretim Santralleri):

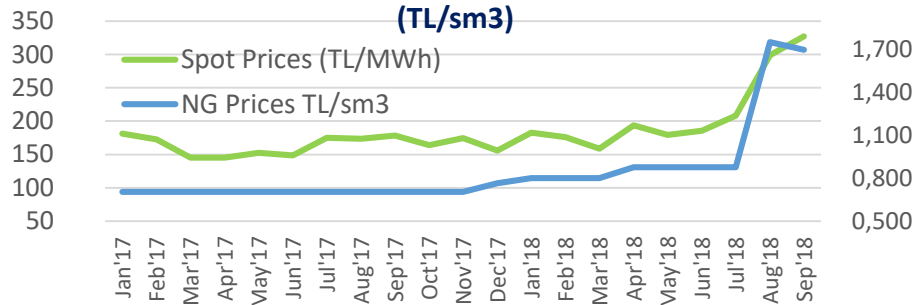
- Natural gas prices driven market prices
- Water inflow

Financing:

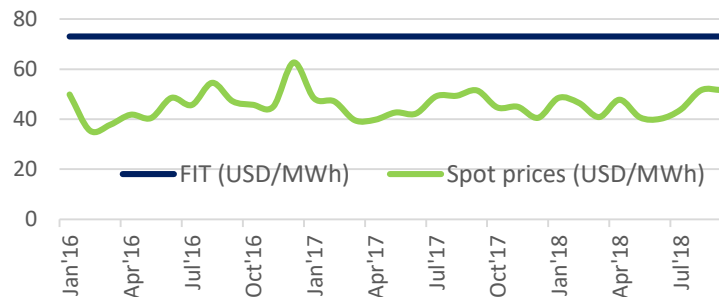
- FX volatility, inflation and financing costs in the market

Jump in Electricity Prices in Q3.. Dollarized prices

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

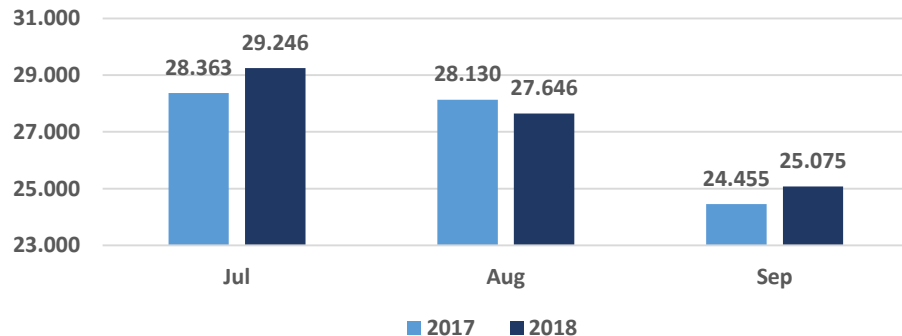


Spot prices vs Feed-in-tariff (USD/MWh)

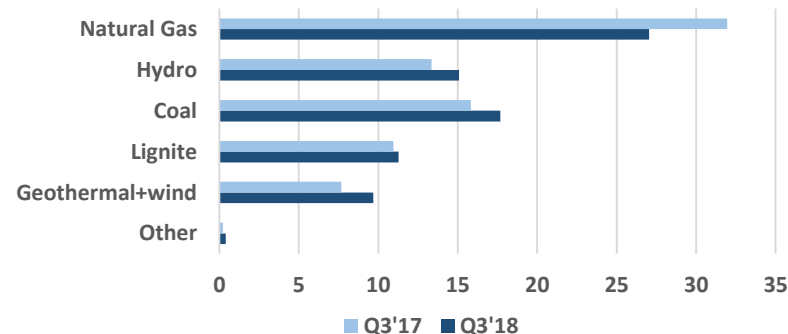


Electricity consumption (GWh) Q3 [1.3% growth]

Q3 2017: 80.9 TWh Q3 2018: 82.0 TWh



Electricity generation by source in Q3 (TWh)

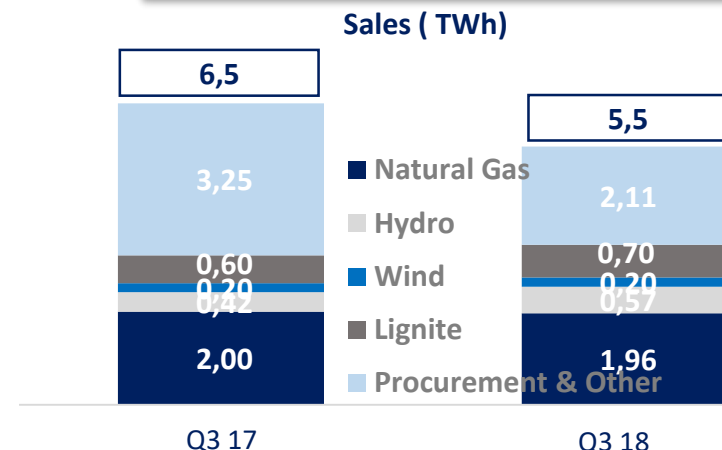
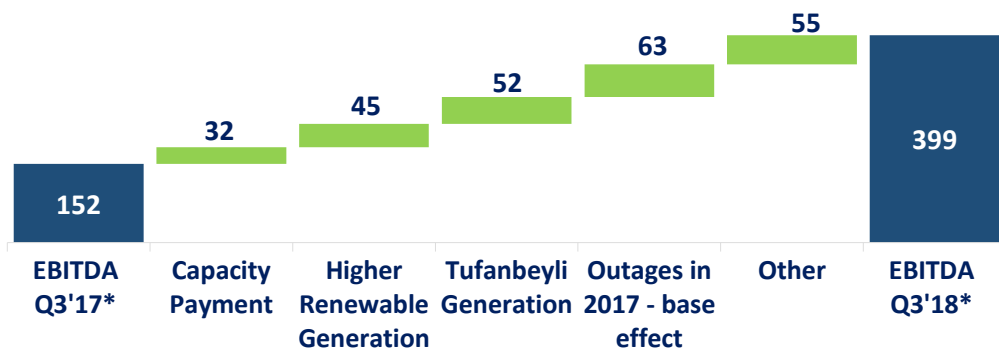


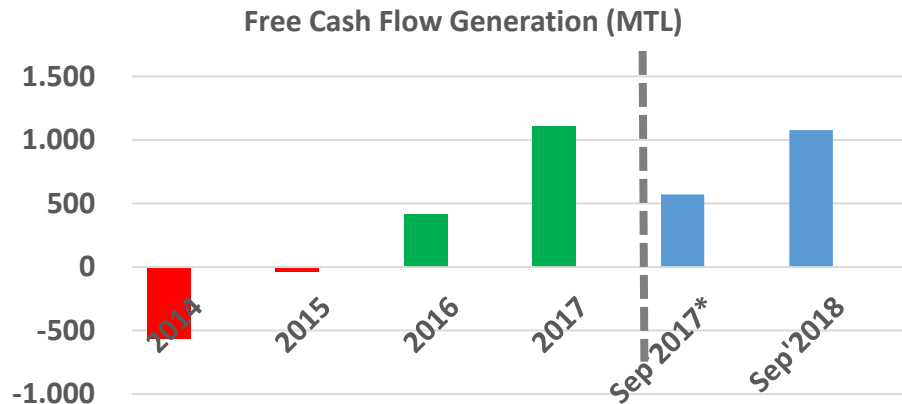
Effective operations across the board

MILLION TL	Q3 2017	Q3 2018	% Change	9M 2017	9M 2018	% Change
Net sales	965	1.494	55%	2.962	3.578	21%
EBITDA*	152	399	163%	629	1.026	63%
<i>EBITDA* margin (%)</i>	16%	27%	11,0pp	21%	29%	7,4pp
Depreciation	-110	-111	-1%	-318	-328	-3%
Financial Income/(expense)	-282	-581	-106%	-848	-1.163	-37%
Net income*	-185	-214	-16%	-403	-310	23%

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

- 26% Higher renewable volume and USD based feed in tariff revenue
- Favorable market prices and operational improvements significantly increasing Tufanbeyli's profitability.
- Thermal assets continue to enjoy Capacity Payments
- Economically fully hedged, accounting wise 75% hedged

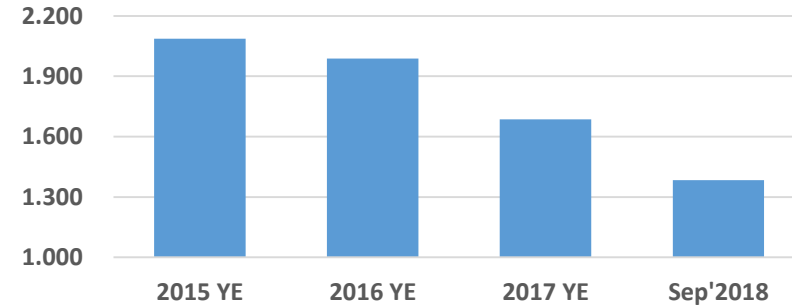




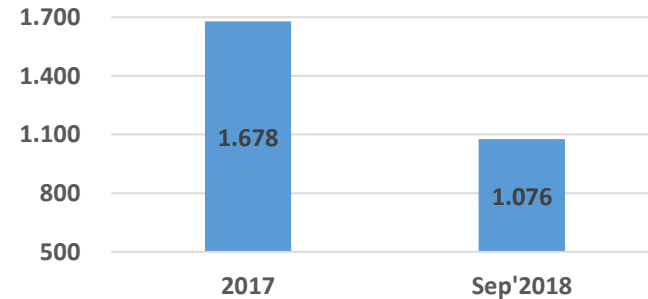
* Adjusted for comparison: Excludes the proceeds from asset sale in 2017

- Free cash flow generation improves
- Capital injection from both shareholders contributes deleveraging
- 75% of FX position is hedged

Total Debt (MEUR Equivalent)



Net Debt (MEUR Equivalent)

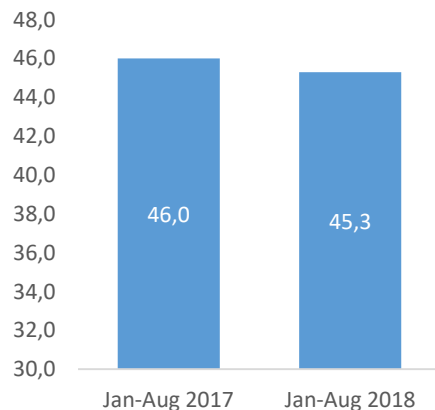


BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

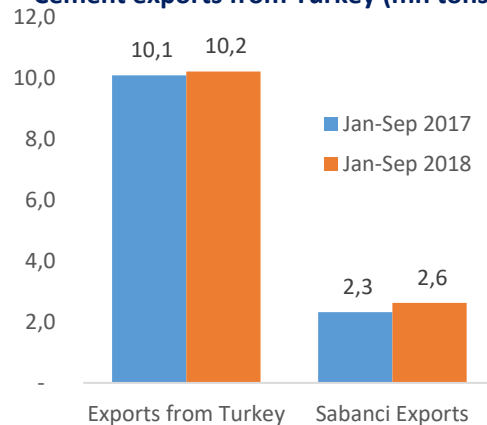
MILLION TL	Q3 2017	Q3 2018	% Change	9M 2017	9M 2018	% Change
SALES	826	921	12%	2.146	2.624	22%
EBITDA*	215	235	9%	474	643	36%
NET INCOME*	101	127	26%	211	315	49%
EBITDA* MARGIN	26,0%	25,5%		22,1%	24,5%	

*Excludes non-operational one off items.

Cement demand in Turkey (mn tons)



Cement exports from Turkey (mn tons)



Current Assessment

- Following a strong start to the year (Q1:+19%) and balanced Q2, domestic consumption contracted in Q3 (Jul-Aug18: -18% y-o-y).
- Total sector export volume is in parallel with last year in Sep YTD, while Sabanci cement export volume rose by %13 YTD as of September.
- EBITDA supported by higher price levels than last year and FX linked revenues.

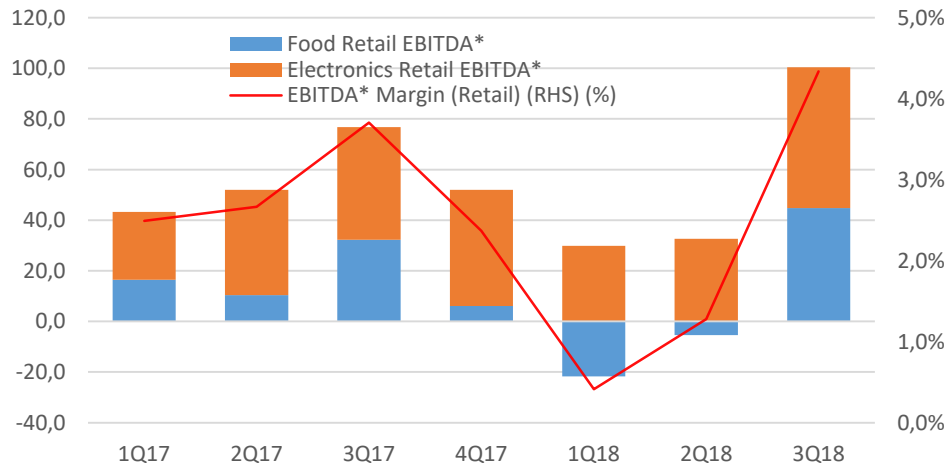
Factors to Watch

- Demand in local market
- Petcoke, coal and electricity costs
- Infrastructure and mega construction projects
- New capacities
- Export potential in existing and new markets

BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q3 2017	Q3 2018	% Change	9M 2017	9M 2018	% Change
SALES	2.073	2.315	12%	5.761	6.404	11%
EBITDA*	77	100	31%	172	136	-21%
NET INCOME*	-43	-61	-43%	-148	-272	-84%
EBITDA* MARGIN	3,7%	4,3%		3,0%	2,1%	

*Excludes non-operational one off items.



Current Assessment

- Positive customer LFL and Strong LFL revenue growth in food retailing
- High inflation supported sales revenue
- Restrained operating expenses
- Higher financing expenses suppressed bottomline profitability
- Delevered

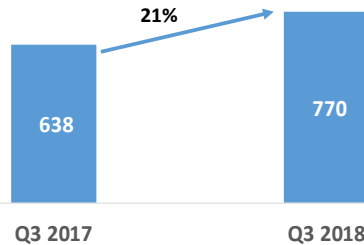
Factors to Watch

- Consumer sentiment and changing buying behavior
- Potential inflationary and FX pressures over margins
- Further focus on private label products
- Financial effect of TL fixing for rental and logistic agreements

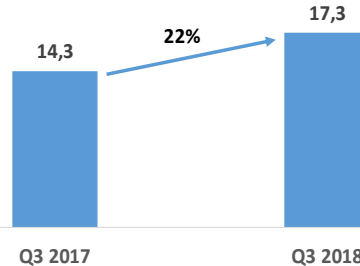
BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q3 2017	Q3 2018	% Change	9M 2017	9M 2018	% Change
SALES	751	907	21%	2.100	2.869	37%
EBITDA	76	154	104%	236	362	53%
<i>Life & Pension</i>	<i>35</i>	<i>61</i>	<i>75%</i>	<i>89</i>	<i>136</i>	<i>52%</i>
<i>Non-Life</i>	<i>41</i>	<i>93</i>	<i>129%</i>	<i>147</i>	<i>225</i>	<i>53%</i>
NET INCOME	65	119	83%	205	292	42%
<i>Life & Pension</i>	<i>40</i>	<i>61</i>	<i>51%</i>	<i>106</i>	<i>150</i>	<i>41%</i>
<i>Non-Life</i>	<i>25</i>	<i>58</i>	<i>136%</i>	<i>99</i>	<i>142</i>	<i>44%</i>

Aksigorta Gross Written Premiums (MTL)



Avivasa Assets Under Management (BN TL) *



Current Assessment

- 21% growth in total non-life insurance premiums, driven by MTPL** (+44%), moving Aksigorta to #3 in the market
- Pension maintains #1 position in terms of AUM
- AvivaSA is relatively resilient in a credit crunch thanks to its stand-alone sales
- Both businesses continued to benefit from elevated interest rates. Non-life business AuM reached 1,9bn TL
- 30%+ RoE in both Aksigorta and AvivaSA

Factors to Watch

- Management of AuM
- Volatility in FX rates creates difficulty in product pricing
- Deterioration in MOD*** underwriting profitability
- Opt-out trends
- Potential slowdown in economic activity (new car, house sales and credit volumes)

* Including Auto enrolment

** MTPL: Motor Third Party Liability

*** MOD: Motor Own Damage

BEFORE CONSOLIDATION ADJUSTMENTS (COMBINED)

MILLION TL	Q3 2017	Q3 2018	% Change	9M 2017	9M 2018	% Change
SALES	1.722	2.440	42%	4.739	6.210	31%
EBITDA*	319	481	51%	813	1.065	31%
NET INCOME*	189	194	2%	454	433	-5%
EBITDA* MARGIN	18,5%	19,7%		17,2%	17,2%	

*Excludes non-operational one off items.

Current Assessment

- EM footprint of Tire reinforcement segment
- Focus on export markets and hard currency revenue stream support operational profit
- Operational excellence and efficiency
- Increased overall financing costs and depreciation of TL
- Focus on cash generation

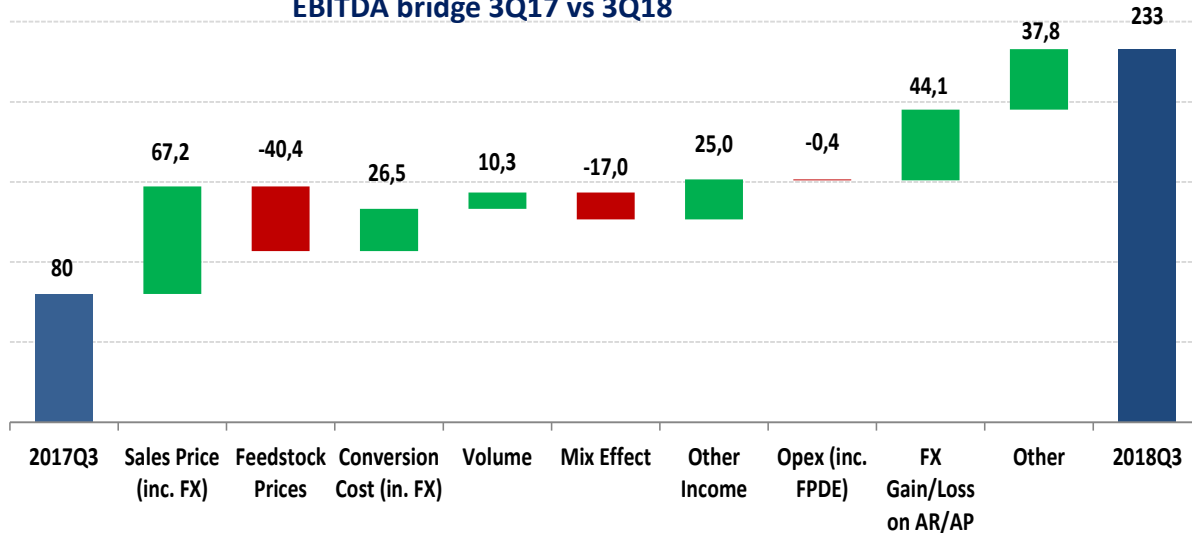
Factors to Watch

- Pricing / Commodity prices
- Domestic demand for tire business
- Inflation and funding costs
- WC management and Capex control
- Competitive Turkish Lira supporting exports
- Emerging Market currencies vs Developed Market currencies

MILLION TL	Q3 2017	Q3 2018	% Change	9M 2017	9M 2018	% Change
SALES	599	1.237	107%	1.838	2.776	51%
EBITDA*	80	233	191%	273	500	83%
NET INCOME*	37	133	257%	146	286	96%
EBITDA* MARGIN	13,4%	18,9%		14,9%	18,0%	

*Excludes non-operational one off items.

EBITDA bridge 3Q17 vs 3Q18



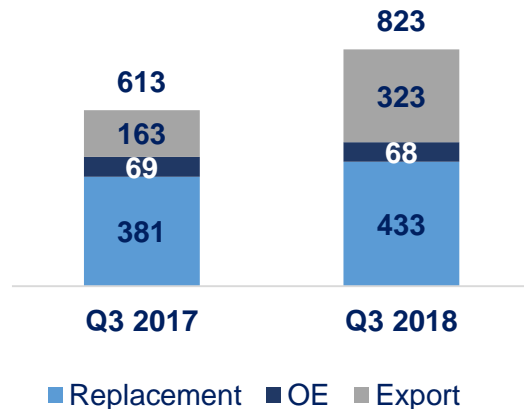
Q3 Highlights

- Focus on both operational and commercial excellence for sustainable growth
- Favourable Exchange rates and increase in volumes boosted the top line
- Improvement in conversion costs
- Despite adverse raw material costs, operational profitability has improved
- Successful in reflecting raw material costs increases over prices
- Successfully integrating new acquisitions and acquired a complementary business in US

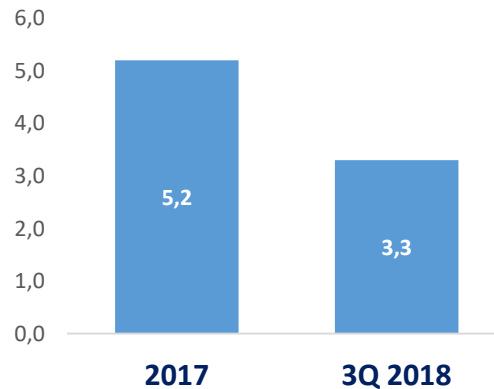
Strong exports and deleveraging

MILLION TL	Q3 2017	Q3 2018	% Change	9M 2017	9M 2018	% Change
SALES	613	823	34%	1.621	2.237	38%
EBITDA	115	164	43%	240	372	55%
NET INCOME	49	52	6%	76	75	-1%
EBITDA MARGIN	18,7%	20,0%		14,8%	16,6%	

Sales (MTL)



Net Debt/ EBITDA



Current Assessment

- Improved pricing, increased sales of high value added products strategy and increased export volume boosted margins well above expectations
- Rigorous working capital management
- Capex discipline & Opex control
- Decline in leverage ratios

Factors to Watch

- Local consumer segment demand
- Working capital management, inventory and Capex control
- Commodity prices and macro environment

CONSOLIDATED NET FX POSITION (excl. Bank)	MILLION EURO	
	Dec 31, 2017	Sep 30, 2018
ENERGY	-240	-160
INDUSTRIALS	1	7
CEMENT	4	6
RETAIL	0	-3
INSURANCE	7	5
HOLDING & OTHER	327	247
TOTAL CONSOLIDATED FX POSITION AFFECTING PL	99	103

Holding Only Cash Position stands at 2.7BTL

2018

Key Developments In 3Q..Quarter of execution



Solid operational and financial performance continues in our businesses. Non Bank EBITDA grew 49% y-o-y

Strategic steps to grow Composite business executed one by one



Focus on cash generation and deleveraging continues.

2018

Guidance revised upwards reflecting confidence in future

		Previous Growth Guidance (February 26, 2018)	Current Growth Guidance
SABANCI HOLDING COMBINED NON-BANK *	SALES	15-20%	25-35%
	EBITDA	15-20%	35-45%

* Excludes one off items.

Q&A

SABANCI



2018

Net Income: Non-Operational and Non-Recurring Items

Non-Operational and Non-Recurring Items²

	Q3 2017	Q3 2018	9M 2017	9M 2018
CONSOLIDATED NET INCOME EXCLUDING NON OPERATIONAL & NON RECURRING ITEMS	863	1.154	2.378	2.987
Gain on sales of Enerjisa Enerji shares (IPO proceeds)	0	0	0	123
Carrefoursa gain on asset sale;litigation resolution;impairment	1	0	13	236
Other	17	26	-51	55
CONSOLIDATED NET INCOME	881	1.179	2.340	3.401