



Sabancı Holding Q2 2022 Financial Results Webcast

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Speakers:

Cenk Alper, CEO

Orhun Köstem, CFO

Kerem Tezcan, IR Director

Webcast Video: Digitalization. Decarbonization. Decentralization. Circular economy. Health revolution. We live in the future with our multi business efforts investments and vision because the only way to predict the future, is to design the future. We believe the formula to achieve this is to pioneer sustainability, invest in technology and act globally. We have pioneered Turkish industry for a century. We position ourselves in a new economy with global partnerships employment for 60,000 and reaching more than 40 million people on five continents. We invest in energy and climate, material and digital technologies. Through an agile global footprint to design a sustainable future, with a goal of achieving 'Net Zero' by 2050. We are the industry leader in energy transition focusing on energy and climate technologies. More than half of our established capacity is renewable. We are the initiator of Turkey's first hydrogen plant, manufacturer of Turkey's first electrical bus, owner of the first and fastest a charging network. We are proud to have pioneered at all. We designed the future of mobility and building materials through material technologies that drive the industry to become smarter and more sustainable. We reinforce one out of every three automobile tires and two out of every three aircraft tires in the world. The trusted partner of the global aerospace industry through our advanced composites. Founder of Turkey's first and best R&D centers. The innovative leader in the building materials industry with high value-added sustainable products. We design and grow our ecosystem through digital technologies. Our mobile first strategy earned us the best digital bank position in the world. We ensure over 6 million people via our new generation insurance approach. Through transforming into a digital marketplace with physical stores, we reach millions of retail customers. Provide services to more than half of Turkey's vehicle fleets using telematics. We produce digital

technology solutions, focusing on cybersecurity, advanced data analytics, software technologies and more. Beyond the sheer importance of numbers and achievements that brought us to leadership. The results speak for themselves. With our 10s of thousands of stakeholders, talents, and investments in multiple businesses worldwide what connects us is our purpose. We unite Turkey and the world for a sustainable life with leading enterprises.

Mr. Kerem Tezcan, IR Director: Good afternoon, good morning, so depending on your time zone. Welcome to Sabancı Holding's Q2' 22 results webcast. As you can see, we would like to welcome you quite different style. Right now, I would like to draw your attention to our disclaimer for movements. And now I would like to leave the floor to our CEO Cenk Alper, Sir.

Mr. Cenk Alper, CEO: Hello everyone, thank you for joining us today at Sabancı Holding Q2 2022 results call. As always, we hope you and your families remain safe and healthy.

While we continue to deliver very strong financial performance, which I will touch on shortly, we continued to keep our efforts to deliver our strategic commitments.

Since the beginning of the 2022, we have maintained our strict focus on executing on our Group commitment of "We unite Turkey and the World for a sustainable life with leading initiatives" despite the challenging operational and macroeconomic backdrop. We have intensified our efforts on transforming our portfolio into new economy including renewables, climate technologies, advanced materials and digital technologies while solidifying leadership position in our core businesses

Throughout this period, we benefitted from our strong balance sheet, which gave us the confidence and flexibility to mitigate the local and global risks. Orhun and Kerem will touch on these points more in detail in the next slides.

After completing a key divestiture from tobacco business, successful acquisition of Arvento, Türk Telekom stake sale in our banking business and initiating Turkey's first hydrogen usage in the first quarter of 2022, we have continued to invest in our businesses up until today with an increasing pace to support our Group's midterm ambitions further.

In April, in building material business, we continued to pursue opportunities in high-value-added and sustainable products including Calcium Aluminate Cement and decided to increase our production capacity with an additional investment by spending 45 million dollars in our Mersin plant.

In May, Kordsa, our tire reinforcement business, decided to expand its production line in HMLS polyester yarn to meet the increasing demand of our customers and consolidate our strong position in the market. The new production line amounting 9,8 million dollar is expected to start its operations in the third quarter of 2024 and will contribute 7,000 tons HMLS polyester yarn capacity to Kordsa Turkey operations.

And in digital, as we have communicated before, we have established a new company in Netherlands, Sabancı DxBV and acquired 100% of a digital marketing company, SEM, which is operating in Turkey, and 51% of a global OT cyber security company Radiflow, which has a wide range of product offering to the Middle East, USA, European and to Asia. We successfully closed the deals in May and June by spending 45.3 million dollars. In addition to these acquisitions, we also contributed to the development of the startup ecosystem through our Corporate Venture Capital Fund, Sabancı Ventures, while pioneering the transformation of innovative ideas and practices into global value as evidenced by our investments in Bulutistan, Zack.ai and Albert Health.

Since ESG is important part of Sabancı Group companies' daily routine to reduce our carbon footprint, in June, our building materials and tire businesses decided to build solar energy panels with the cooperation of Enerjisa Enerji. I will go more in detail on our ESG developments in the next slide, but these initiatives are for sure an integral part of our strategy and important milestones towards our net zero emission targets by 2050.

In July, we successfully closed on the sale of some of our cement plants with total value of 110 million euros for network optimization purposes in the building materials business unit.

Moreover, I am happy to share with you that E-şarj, our e-charging company won the rights to install 495 high-speed charging stations in 53 cities and planning to invest approximately 300 million TL in the next 2 years to reach 1,000 stations in 81 cities in Turkey. Once these investments were completed E-sarj will be Turkey's largest and fastest electric vehicle charging station network, which is in line with our transforming the core business into sustainable new growth platforms.

And finally in August, in our tire reinforcement business, Kordsa successfully closed the deal for the acquisition of 60% of Microtex Composites in Italy. With this investment, we aim to increase product diversity in our tire reinforcement business; diversify our markets and also diversify the product range by expanding in the automotive and motorsport businesses in Europe.

We also focused on identifying opportunities within the Group for further improvement in our sustainability performance and reporting, as we seek to continue reducing our emissions within the scope of our Group-wide net zero emission target by 2050.

Let me share some of the recent achievements of Sabancı Group in sustainability area on slide 4 and I am happy to say that there are additional details in our recently published sustainability report.

We reduced our total emissions in its total combined revenues by 27% and energy intensity 25%, compared to 2020. The ratio of waste we reintroduced to the economy was 80% and for water, the same ratio was 23%. Renewable electricity use was up by 116% compared to the previous year. Our total environmental investments and expenditures, together with our sustainability-related R&D expenditures, reached to almost TL 1 billion in the last two years. Non-bank revenues from sustainability-related products and services amounted to TL 7.7 billion.

The proportion of expenditures related to sustainability in total R&D and innovation expenditures increased from 44% to 51% compared to the previous year.

We aim to contribute transition to a sustainable economy with the operational excellence, products and services of our Group companies. Let me express what I mean; Brisa and Enerjisa Enerji initiated a collaboration that will help to reduce the carbon footprint and Enerjisa Enerji installed more than 10,400 solar panels on the roof of the Brisa Aksaray Factory. Çimsa also made a major investment both for solar energy and waste management areas. Çimsa is preparing to establish one of Turkey's largest solar power solutions in the cement sector at its Afyon Factory with an investment amount of 52 million TL.

Other investment which is Afyon Waste-Derived Fuel Feeding Facility, is put into service in order to achieve its sustainability goals by reducing the use of fossil fuels. With this investment, it is aimed to prevent the release of 46,200 tons of carbon dioxide annually. This amount is equivalent to the annual carbon capture capacity of 23,000 hectares of forest area.

We believe that transformation should not happen just for Sabancı but in the entire economy. One of the important examples is Akbank, as it has provided financing worth 27 billion TL to support transition to a sustainable economy.

In addition to these achievements, in 2021 40% of managerial roles at the Group level and 44% of the BODs at the Holding level were women, which are higher than EU average. Currently there are no Group companies that have BoDs without women directors.

All these efforts and developments enable us to reach out a better performance in ESG ratings:

1. Top ranked company in Refinitiv ESG Score among investment holdings
2. First and Only Turkish Conglomerate in 2022 Bloomberg Gender Equality Index

Moving forward, we will continue to improve our performance and disclose our metrics transparently.

Let me now share our financial performance highlights briefly before Orhun and Kerem will be taking you through it more in detail.

While we continued to keep our efforts to deliver our strategic commitments and they are right on track, we had yet another successful quarter and managed to achieve very strong financial results in the second quarter.

Following a successful first quarter, we accelerated our growth driven by solid performance across all key business units in the Q2. We have achieved a combined revenue growth of 165% year on year in the first half and more than tripling our EBITDA. Consolidated net income* reached TL13.6 billion, lead by overall improvement in the quality of our earnings. Consolidated ROE reached 33.6% while our balance sheet and

liquidity remained healthy, which is at the core of all our efforts to transform our portfolio in new economy and take advantage of growth opportunities.

So overall we are in a very strong position in the first half of the year, and we maintain our midterm guidance despite very challenging operational environment. We will continue to act on our strategic priorities, transforming our portfolio by investing in new economy such as renewables, climate technologies and advanced materials along with disciplined capital deployment and continuous commitment to our Net Zero Emission target by 2050. This, in turn, will enable us to deliver greater long-term value for all of our stakeholders. We look forward to sharing more details on our progress with you in the coming quarters.

I'm now going to pass on to Orhun to walk you through details of our financial results.

Mr. Orhun Köstem, CFO: Thank you Cenk. Good morning good afternoon, everyone. We are very pleased to be with you in another successful quarter. As Cenk has underlined, we have a set of strong financial results. Our revenues have increased by 165%, our Ebitda increased by 242%. These are combined revenues and combined Ebitda. Consolidated net income was up by 300%. The numbers are looks great, but a few things we need to underline.

1. We believe the earnings quality was well. We have not only grown but also being able to expand our margins in the period.
2. As you know, we are reporting in Turkish lira, and then the CPI at the end of June was about 79%. So, we're also happy that our results have exceeded the top line inflation and we have been able to deliver in real terms.

The other thing, of course, the bank's contribution was quite strong in the period. We're quite happy with the bank's capitalization and its competitive position in the market. Having said that, we would need to underline that are non-banking businesses also performed quite well. In that sense, of course, i'm sure you must have noticed that the second quarter performance overall has accelerated. In this period, which i'm going to touch base quite soon. Non-bank piece, as I said, the reason why we also look at it very closely. There is also a high increase in energy prices, fuel prices, raw material prices, as well as interest rates, globally, not only in Turkey obviously. Therefore, our delivery of about 177% of revenue growth, 113% Ebitda growth and about 192% of net income growth for our non-bank businesses is also quite important for us.

In the next page what I would like to show you is again our return on equity has come up to 33.6% which suggests actually we have more than doubled our return on equity versus the same period of last year. And at the end of the first half, we have had investment, i'm sure you must have followed, but we still have about 5.5 million to cash. Therefore, we believe we have a very good liquidity position.

On the next page, I would like to walk through your through the cash flow and indebtedness. If you recall our first quarter call you will see that this number was negative. There's a significant rebound from the first quarter to the second quarter of 2022.

Having said that, compared to the first half of last year, the number is significantly down. That's primarily owing to working capital. There are two main reasons.

1. In our non-bank businesses, industrial businesses as the prices increase, our growth have picked up quite significantly. Our absolute working capital numbers are increasing.
2. On Enerjisa Enerji i'm sure you must be following that due to price equalization the working capital requirements have increased. On the retail side of the business which the Enerjisa Enerji have successfully funded. Nevertheless, it had an impact on the overall operating cash flow generation.

That being said, if you look at our net financial debt to non-bank Ebitda on a combined basis, it stands is about 1.3 times still compare to favorably. So, we still run very healthy balance sheet.

In the next page, if you look at the quarter performance. As you see, our combined revenues up by 187%. The number for the first quarter was 141. So, as I said, we've picked up acceleration in the quarter. Except for the bank, obviously, the key drivers are coming from the energy businesses. Obviously, energy demand is high. Especially, generation business as a very competitive market positioning with a variety of diverse supply of sources. Therefore, it benefits through dispatch operations that actually increases its revenues quite significantly. If you look at the industrial business, obviously, on one hand, given the mobility versus the same period of last year has increased that actually adds up to the demand. So therefore, in addition to the volume growth obviously we're quite happy with the revenue growth management initiatives we're executing, thereby increasing revenues. On retail, obviously both CarrefourSA and Teknosa are growing quite well actually. So that in the second quarter all together if you look at the non-bank revenue growth adds up to 198%. But for retail obviously also remember that in the second quarter of 2021. There were closures due to Covid or etc so is coming off a very relatively soft base in the second quarter of 2022.

If we get to the Ebitda, Ebitda growth was 286%. Again, the first quarter was 192% so we also picked up growth here. Again, except for the bank, the non-bank businesses Ebitda growth was 121% so solid grow an absolute basis. Here, obviously the drivers of growth, again, is energy. In this time, obviously as i'm sure you must have followed Enerjisa Enerji's call that their operating income levels are improving, in addition to Enerjisa Üretim. So, both contribute to the well diversified portfolio to the Ebitda growth of our portfolio. On the building materials, more than 50% of the building materials revenues go through exports. We have a solid volume performance in the first half. Through the fuel mix optimization whereby we are increasing our alternative use of fuel to about 25% compared to in Turkish average of 9%. It obviously and contribute positively to our cost base at this otherwise challenging period. Industrials again, as we discussed also contributes quite favorably to our Ebitda growth in this quarter. Kordsa, as we have discussed enjoys a wider global footprint. From a competitive point of view, enjoys the fact that its production locations are not consulted in certain geographic areas. Therefore, have been able to supply the market very effectively. That obviously

help the business and also across the board in industry, as we have seen very disciplined the expense management with an obviously compares favorably in terms of Ebitda performance.

We also need to tell that in absolute terms on our non-bank businesses you've seen very positive absolute growth, but we have also seen margins less than last year. This was part of the plan. You know, given the fact that we're expecting electricity, energy price increases, raw material price increases. I can say that we have so far have been able to deliver better than our original plans for 2022.

Maybe the exception is a consumer facing businesses or retail where obviously any price adjustments can be done relatively quicker than some of the other businesses, we have that by reacting much quicker to such cost increases. If you look at the consolidated net income, increase is about 285%. Again, very good increase here. If you look at the non-bank businesses, the increase in the second quarter was also 237% so very healthy bottom-line growth. On the energy side again that's one of the key drivers. The generation businesses have been the leveraging. The net debt to ebitda of the business compared to the previous period has come down a full multiple to about 0.8 times at the end of this second quarter. The building materials business, as we said exports was driven the top line and the ebitda growth of the business. Obviously, as we report in Turkish lira, the favorable currency helps ebitda and net income generation of this business. The industrials again, for example, in Kordsa as you know, revenues and earnings are in dollars, whereas carries that in euros and therefore enjoys the parity changes during the period. So again, a very healthy and strong bottom line generation.

Before Kerem walk you through the details by business unit, I will need to say we're quite happy with what we have achieved in the second quarter and the first half, but of course the rest of the year ahead of us. Although we started the second our whole deal quite favorably. We are also aware of the fact that the energy prices or inflation or raw materials prices could remain high. So we continue to be vigilant in terms of our conduct of our business. Now with that i'll hand over to Kerem to walk us through the details.

Kerem Tezcan, IR Director : Thank you Orhun Bey. Like always we start with energy. We continue to benefit from having a portfolio in our energy business in terms of generation and distribution and retail.

In Q2, energy segment delivered a robust performance as EBITDA growth reached 140% y/y thanks to both Enerjisa Enerji and Enerjisa Generation's contributions.

Enerjisa Enerji recorded a strong performance as the distribution segment's EBITDA more than doubled compared to last year in Q2 thanks to higher financial income based on higher short and mid-term inflation assumptions. Despite lower opex and capex outperformance due to impact of higher commodity costs, theft accrual and collection increased due to better field performance and higher national tariff.

As of H1 2022 RAB growth reached 73% y/y mainly reflecting revaluation of opening balance with inflation.

In the retail side of our energy business, gross profit increased driven by volume growth, impact of increase in procurement costs and inflation and to some extent the base impact in liberalised segment. Higher gross profit in core business and increasing contribution of solar projects supported EBITDA despite higher OPEX spending as a result of high inflation.

Financing costs increased driven by both higher financial debt (due to temporary price equalization mechanism) and interest rates, and also the increase in revaluation expenses of bonds and customer deposits due to elevated inflation.

Thanks to positive contribution of strong operating performance, the company's net income increased by 117% y/y offsetting higher financial expenses.

Regarding the cash flow, now the risks are skewed to the upside, given the possibility for EUAS to start supplying volumes for regulated retail segment, with the prospects of a recovery in cash flow of retail business in the second half of the year.

Looking at generation's performance, Enerjisa Generation's revenue increased by 412% y/y driven by much higher spot electricity prices as well as weaker Turkish Lira and higher energy trading volume despite lower generation volume. Even though hydro generation volume increased compared to last year, total generation volume declined by 4% y/y as a result of the efforts to optimize natural gas plants' production to reach highest profitability level as far as the spark spreads are concerned.

EBITDA growth reached 135% y/y as natural gas and lignite profitability continued to drive higher spark and dark spreads in generation business in Q2 due to higher market prices. Moreover, our team's ability on energy trade, which led us to capture market opportunities and higher dispatch contribution supported EBITDA growth in the quarter. Despite increase in effective tax rate, net income registered solid returns y/y thanks to robust EBITDA contribution and declining financial expenses.

Moving on the industrials, segment's combined revenue grew by %147 thanks to steady growth in both businesses on the back of volume growth and well managed pricing strategy. Higher freight costs, commodity and energy price hikes pressured on the segments' profitability in this quarter. Yet, note that better pricing flexibility as well as strict cost management offset a part of the negative impact of inflationary pressures at the EBITDA level.

Coming down to the bottom line, net profit grew by 60% thanks to operational performance pass through and declining net financial expenses. As a recent development, in addition to organic growth, Kordsa has successfully finalized acquisitions of Arvento and Microtex Composites as Cenk Bey mentioned in the beginning.

One a positive note, after almost tripling from January to May as the impact of pandemic fades, Baltic dry index declined by 53% as of August, which could be a positive factor for our exporting companies.

Moving on to the Building Materials, segment's revenues tripled in the quarter thanks to solid volume and pricing strategy. Çimsa Sabancı Cement BV's revenue contribution in the segment's result is reached to a material level as the ramp-up process of Bunol plant has completed.

Despite fuel mix optimization that led to a better energy margin and better opex to sales ratio, negative impact of higher fuel, electricity and raw material costs resulted in a lower EBITDA margin.

We would also like to point out that, alternative fuel usage ratio improved even further to 25% from 14% compared to last year, which is much higher than Turkey's average of 9% with the completion of Çimsa's new investment at its Afyon plant. Coming down to the bottom line, net income grew by %228 on solid operational performance and lower net financial expenses.

Just to remind that the transfer process of landlocked Kayseri and Niğde Integrated Cement factories have been completed as of July 28 by Çimsa and the company received 110 million euros.

On retail, segment's combined revenues increased by 111% y/y thanks to strong contribution from both electronics retail and food retail, which was well above the average inflation in Q2 2022. Like for like traffic in both businesses have shown double digit improvement due to last year's low base when there were Covid restrictions, especially in May 2021. Despite high base year, both companies recorded strong performances in online sales. Benefiting from early purchasing due to ongoing inflation.

Solid top line growth managed to cover elevated operating expenses and operating profitability improved in both businesses. Segment's IFRS-adjusted EBITDA increased by 284% y/y in 2Q22 and margin improved by 2,6 pp. Despite higher financials expenses, segment's bottom line improved with positive contribution from both companies.

Financial services segment is one of our important businesses that once again proved the importance of having a diversified portfolio. The segment's top-line growth reached 109% y/y on strong performance both life and non-life businesses. In life business, technical income increased by 77% y/y, driven by life protection volume growth and pension assets under management.

On the other hand, in non-life business, underwriting results were adversely by 30% interim minimum wage hike in June, which resulted in additional reserve build-up in motor and non-motor lines, at around 100 MTL. In addition to the negative impact of ongoing increase in inflation and TRY depreciation on claims costs, upward revision to ultimate loss ratio led to additional reserve increase in motor line.

In non-motor line, underwriting result hit by the negative impact of floods in Ankara & West Blacksea Region in June.

Consequently, combined ratio deteriorated to 131% in the quarter compared to 102% one year ago, yet it showed an improvement from 156% in Q1. Even though non-life business' underwriting results had a negative impact on segment's profitability, higher financial income offset this operational negative impact.

Separately, as you may all aware of it, there will be a capital increase in Aksigorta by 1 billion Turkish Lira in cash. It is projected that a total of TRY 720 million cash will be injected to Aksigorta by both Sabancı Holding and Ageas.

The reasons for 1 billion capital injection are

1. Inflation is far higher than the expected
2. Negative real interest rates.

Our aim to keep this sustainability of the company and also recover the profitability of the company.

On banking, despite all the volatility and challenging market conditions Akbank's strategic priorities have always remained intact. Akbank is one of the best-positioned banks in this environment with its robust capital – highest among peers, solid liquidity, low leverage, highest level of efficiency, low operating cost base. Akbank's 1st half net income was up more than 5 times yoy to 21 billion 1 hundred and 56 million TL. ROA came at an eye-catching 4.9 % ROA and around 47.1% ROE for the 1st half.

Across the board fee performance, market share gains in SME & consumer banking, strategic securities positioning and stellar customer acquisition contributed to solid core operating performance

The bank also further built capital during quarter, reaching a robust figure of 18%, (excluding forbearances) which will continue to provide the bank significant competitive advantage going forward. Due to the solid performance so far, which is well ahead of FY guidance, bank has revised its guidance for the remaining of the year resulting in a revised FY ROE of 50%. Now, I would like to hand over to our CEO for closing remarks, and then we will continue with Q&A.

Mr. Cenk Alper, CEO: As you have seen from our presentation, actually, we have an excellent first half. Our consolidated ROE has reached to 33.6% doubling last year same period. We have maintained of our mid-term guidance. We have continued to our sustainability and new economy investments, so this is a great progress in the strategic prompts. Also, digitalization is becoming a new business vertical for us. So really, I would like to thank to all our employees contributing into this. But of course, we have a difficult macro-economic environment in Turkey and globally. So, we will be watching closely all the risks monitoring them and mitigating the risks. I want to thank to all operational and financial excellence muscles. So, while delivering all the strategic priorities, will keep working hard on day-to-day operations and will guarantee the midterm results of the group companies. Thank you for your participation. Now we can have your questions. I am traveling at the moment, so I have to leave the call as soon

as possible. So, if you have any questions directly to me, please ask. Then Kerem and Orhun will try to answer your questions related financials.

Kerem Tezcan, IR Director : Thank you Cenk Bey. You can either raise your hands or type of question to the Q&A section, thank you.

We have a written question.

Question: Thank you for the presentation. How do you see the second half outlook for energy and cement businesses?

Mr. Cenk Alper, CEO: Energy, as we have explained to you the cash in the overall system was a problem. So, despite the very good p&l results in bottom line and top line, we had liquidity problems in the whole energy system. We believe that a regulator. You know, is working on alternative solutions to support the system, otherwise the whole energy system businesses in Turkey will be in danger. The follow the regulator close loader and hope to receive a positive impact, but both in Enerjisa Üretim and Enerjisa Enerji. We have strong resilient companies and a portfolio of products. So, despite all the negative improvements in energy prices, etc, I believe that we can you know close the year with successful numbers.

In cement, it's a question of energy and commodity prices. So far, we could reflect all the ingredients and energy prices to our sales prices. But you know as the whole world economies are getting slower on growth, we might have slowed down in cement businesses in the second half of the year.

Question: Thank you for the presentation. Do you have a plan to unlock the value in generation business through an IPO or other instruments? Can you please provide total dividend income for 2022?

Mr.Orhun Köstem, CFO: The answer is could be as far as IPO or any of our units are concerned. Not in the short term, though I mean we don't have any plans in the short term, having said that, and the reason is, we have discussed earlier for generation business, as you have asked in the past, the business was not necessarily in a great shape to be IPO. Today, it's an excellent shape, having said that it's difficult to say that about the markets at the moment. Of course, let me do an IPO either we would need to align with our partners in our generation business to either use it as a funding exercise or crystallize the value, etc. But we have the option available for us going forward.

Now we can't provide a dividend number for you. All I can say is dividend policy for Sabancı is that we distribute you know between 5% to 20% of distributable income as dividends. We generally pay out at least 50% of the dividends that we received from our subsidiaries if you look back over the course of past five years as an average. Therefore, we don't see any reason why we should deviate from either our policy or you know normal conduct or business for 2022. So, towards the end of the year, when obviously the results become much clearer for our subsidiaries as well, I hope it will be easier to judge that.

Question: Thank you for the presentation. It seems like you have been able to pass on high costs in 1H22. Which segments will be most vulnerable to demand destruction with further price hikes in 2H22? Also can you talk about hyperinflation accounting which was mentioned in a press interview today? Thanks!

Mr.Orhun Köstem, CFO: Let me start by answering the second question that's on the hyperinflation accounting. As you may have followed from today as well. We have across the group we're preparing ourselves for a hyperinflationary accounting and reporting. We will see that for the first half results, even though, by the way, you know, regardless how the regulator does. I think our plan is to see that in the first half, so that would know company by company. What is our required IT infrastructure or capabilities, or if there are any skills that we like for that, just to remind you, I remember at the times when they were hyperinflationary accounting in Turkey. But, for example, the partners of the big four doesn't because it's like 20 years ago. So that's everyone needs to get some preparation. We will definitely see on 9 months results on inflation accountant basis. For us it's not only about reporting obviously that is important but, more importantly, we need to assess our performance in hyperinflationary environment as well. So that we can you know discuss with yourselves, or at least follow up on our own performance. By the yearend, obviously, will definitely be in a position to report in IFRS continuously. The expectation is obviously as I said, regardless of what the regulator wants us to do, we expect to show you IFRS results by that time.

Mr. Cenk Alper, CEO: Of course, you know, every country trying to control the higher inflation right now. Especially on regulated businesses, we believe that there will be some price pressures in the second half of the year. Likewise, the retail businesses with their force of controlling the inflation at the county level will be under pressure that's for sure. On our global businesses, we have started to see some slowdown in Asia Pacific. So that might reflect to competitive environment on global businesses. This have successfully reflected the increases in ingredients to prices, but second half of the year will be for sure more difficult.

Question: How serious do you think is the cash problem in energy business? Do you foresee a major worsening in your working capital?

Mr.Orhun Köstem, CFO: Obviously the cash issue was not something that we were planning for the year. It has made our working capital plans much worse than what we were expecting. Having said that Enerjisa Enerji's balance sheet, even with funding this working capital is still quite under leveraged. So, I mean it's not a matter of being able to fund it. Secondly, obviously, as Cenk was mentioning we believe the regulator not only for Enerjisa of course, but for the whole system, we believe, will obviously set of this because it also impacts other you know players in the market, which is not something that the regulator would like, in the light of this whole you know energy demand or etc. And then again, we believe we could find our way until the time that this would be resolved sooner than later, hopefully, because we know that the regulator obviously working on that.

Mr. Kerem Tezcan, IR Director: Once again, you can either raise your hands or type of question to the Q&A section, thank you. It seems that there are no further questions, thank you for participating, and now I would like to leave the floor to our CEO and CFO for closing remarks. Thank you.

Mr. Cenk Alper, CEO: Again, thank you so much for your participation to our call. We try to keep our commitments on operational level on financials also with the implementation of our strategic priorities. First half of the year was very fruitful for the implementation of strategic priorities. Now, we have to integrate all those new businesses into our system, provide a faster organic growth in those businesses to support our core businesses. While looking for new opportunities in the market locally and globally. I would like to thank you all for your trust Sabancı Holding.

Mr. Orhun Köstem, CFO: Thank you. Again, as you stated, we had a great quarter, great first half. We need to continue being quite careful in the second half of the year to ensure that we deliver on our commitments and our guidance you. Thank you for your participation today, goodbye.