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Sabancı Holding
Q4 2024 Financial Results
Webcast

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<u>Speakers:</u>
Cenk Alper,CEO
Orhun Köstem, CFO
Kerem Tezcan, IR Director

Mr Kerem Tezcan, IR Director: Hello everyone, welcome to Sabancı Holding Q4 Earnings Call. Please refer to our disclaimer before we proceed with the presentation. As a tradition Our CEO, Cenk Alper, here with us today, together with our group CFO, Orhun Köstem. Let me leave the floor to our CEO, Cenk Bey.

Mr. Cenk Alper, CEO: Before we review last year's results, as I always do, I will address the strategic executions across our businesses during the year. Let me start with Mannok, where we are hosting this call. Following our previous expansion in Spain with the acquisition of Bunol Plant, and ongoing grinding investment in the U.S., as you all know we acquired Irish Mannok for 253 million euros in October 2024. This is Çimsa's third major global expansion in the past three years, providing wide range of products such as insulation materials and sustainable packaging in addition to cement and cement base products. This strategic move also represents Sabancı Group's most substantial overseas acquisition in recent history.

Again, under material technologies, we doubled our CAC — calcium aluminate cement — capacity at Çimsa's Mersin plant in Türkiye, making us the third-largest producer globally and further solidifying our position in the industry.

In energy business, our YEKA-2 construction has been progressing as planned. At the end of 2024, we reached a total generation capacity of 3.9 GW through acquisitions and new capacity additions, with 47% of this capacity being renewable. Recently, Enerjisa Uretim secured a loan agreement of over 1 billion dollars for the financing of 750 MW of the 1,000 MW under YEKA-2 project. As a creditor, the Development Finance

Corporation is a key stakeholder in this financing, and our objective is to finance the entire 1,000 MW capacity through debt.

In the US, the commissioning of the 272 MW Cutlass-II solar power plant completed in June 2024, two months ahead of original plan, and started generating positive net income only two years after the establishment of Sabancı Renewables. The construction of the 232 MW Oriana Solar Power Plant is progressing in line with our projections, with the commissioning scheduled for June 2025. Upon completion, we will have half a GW of operational capacity in US with a 60MW storage capacity.

Digital is another key component of our strategic priorities, and this is an area where we see significant synergies with our energy business. As we have suggested in our mid-term guidance, we are exploring opportunities with digital infrastructure businesses that have the potential to scale up significantly over the next five years and represent a much higher share in our NAV by 2029. As a strategic move to reach this target, we acquired an additional 65% of Bulutistan, Türkiye's leading cloud technology company, bringing our total effective ownership to more than 75%.

Aligning perfectly with our objective of identifying scalable business models in the digital, through Sabancı Ventures we have recently invested in Quera, one of the leaders in quantum computing. We have made direct investments in 15 companies to date, reaching a total investment amounting of over 14 million dollars through Sabancı Ventures.

Turning to the result. Financial results are clear; 2024 was a challenging year due to high inflation, macro prudential measures implemented under disinflationary program impacting a lot of sectors including banking, as well as the gap between inflation and devaluation of the Lira in Türkiye. This posed a particular challenge for large groups like us that have banking and export-oriented businesses. Specifically, groups that consolidate banks reported net losses under inflation accounting, as the banks with strong cash positions were severely punished by inflation accounting.

However, our businesses continued to demonstrate good operational performance to navigate this environment successfully supported by our B2B portfolio. In 2024, Sabancı Holding delivered 6% combined top line growth. But more importantly, our operational profitability performance on a quarterly basis is impressive as we consistently improve our non-bank EBITDA margins during the year and the bottom line in non-bank turned from 711 million TL losses to 1.3 billion TL net income excluding non-recurring items, and monetary losses incurred at Holding balance sheet. Orhun will provide you with more details.

From the balance sheet perspective, the strength of our balance sheet allows us to lead our businesses through volatility and economic slowdown. We ended the year with a healthy leverage ratio of one point four times and having a strong cash position just under 350 million dollars. Our capex to sales ratio reached 13.5%, more than doubling over the past 5 years. This is on track with our recently announced target to reach 15%-20% in 2029.

On the back of good operational performance and a positive outlook for 2025, our Board has proposed a dividend of TL3 per share, that will be subject to ordinary general assembly approval on March 27. This will be the 23rd year that we have paid dividends to our shareholders without any pause.

As part of our investment criteria let me also summarize our ESG activities during the year:

We translate our sustainability commitments into tangible actions. One of the major shifts we have made recently, is to evolve our approach from a climate-focused one to a broader nature-centric strategy.

We are committed to reducing Scope 1 and 2 GHG emissions 15% by 2025 AND 42% by 2030, ultimately reaching net-zero by 2050. In parallel, we have made significant progress in reducing emissions, achieving a 20% reduction in Scope 1&2 emissions compared to 2021.

We now started to track global operations and have set new water efficiency targets. As such, we aim to achieve our water-related targets as of 2030 while water management is also among our criteria for investments and acquisitions. We are also working to achieve circular inflow targets until 2030, design all key products with circular principles by 2050, and stop sending our waste to landfills and incineration. With our ongoing investments, we are on track to reach 4 GW of renewable energy capacity by the end of 2026, representing almost two-thirds of our installed capacity. Furthermore, we have committed USD 5 billion spending to SDG-linked activities by 2027, with 24% of that commitment already realized as of the end of 2023. Finally, Akbank's inclusion in the Net Zero Banking Alliance reinforces our leadership in sustainable finance and our commitment to a net-zero future.

With all our efforts around sustainability, we have gained significant momentum in our CDP performance. This year, almost all of our 11 reporting companies managed to be included CDP Global A List in at least one category. This success, which we have demonstrated in one of the most prestigious indexes within the framework of international regulations, is one of the clearest indicators of how strong a position we have on a global scale. We increased our score in the Dow Jones Sustainability Index and were selected for S&P Global's Sustainability Yearbook for two years in a row. We hold leading rankings in major indices such as MSCI and LSEG and awarded six diamonds by EFQM with a special award for Outstanding Achievement in Sustainability.

Now, let me leave the word to Orhun.

Mr. Orhun Köstem, CFO: Thank you, Cenk. Good morning, good afternoon, everyone from Ireland, from us. As Cenk was pointing out, we're sitting in the premises of Mannok, the acquisition that Çimsa has completed last October, which has already been integrated into our overall business. Now, I'll try to walk you through the financial results for the quarter and for the year. As usual, if we start from page six, obviously I'll give you a little bit of a backdrop, which I'm pretty sure if you're listening to the other Turkish companies, that must be something you're hearing, but still it's worth mentioning if you bear with me a little bit. Obviously, as we discussed throughout the year 2024, from a commodity and energy prices point of view was a normal year given after the pandemic and Russia's invasion of Ukraine, which hit the energy prices quite significantly in 2022. In the past two years, these have normalized. But other than that, we can say 2024 was a period where Türkiye's economy was in transition. The disinflation program was in place and has implications across many of our businesses. First, of course, the macroprudential measures that are applied has the impact on certain industries, mainly the banking industry, where net income margin generation was quite challenging throughout the year. I'm pretty sure you must be, when you talk to the Turkish banks, you must be hearing. There's a difference between inflation and devaluation, as you see on this page on the bottom left corner, which obviously impacts a lot of exporting companies quite adversely like Çimsa, which is hosting us today, like Akçansa, like Brisa, or like Kordsa in our portfolio, which actually reports in dollars, but has to be translated into Turkish lira. The interest rates are high, even though the banking industry doesn't benefit that because of those macroprudential measures, but the interest rates hit the bottom line of industrial businesses, and it did across 2024. We're applying inflation accounting for especially businesses like ours in Sabancı Holding, where the equity base is strong, that results in serious monetary losses, which we incurred in the period, I'm going to refer those to you, or Sabancı Holding specifically. And of course, if you take Akbank, for example, which has some leading capital adequacy ratios in the sector, it also suffers higher monetary losses, which obviously impacts Sabancı Holding P&L in this period as well. I'm pretty sure you must be following, I've seen through certain reports that there are certain impairments, which went especially in the last quarter of the year. In a year like this, from a prudency point of view, that's something you should expect from us. And finally, deferred taxes. And if you follow our financial statements and look at our footnotes and refer to footnote 4, I'm sure you're going to see the changes in the taxation line between 2023 and 2024, which are very serious in certain businesses like our energy business, for example. I'm sure you must see the swing. And part of that swing comes from the simple fact that there's a very serious difference between CPI and PPI, where we use CPI for IFRS and PPI for statutory accounting purposes, which impacts the bottom line to deferred taxes. So, this is the backdrop for, let's say, or what's been happening in 2024.

And in this backdrop, if I walk you through the next page, basically from a 50,000 feet point of view, our combined revenues were up by 6%, EBITDA down 44%, and net loss from net income between 2023 and 2024. Now here, as I was referring to, a bigger part of our business, obviously, is Akbank. And just like any other bank, the banking sector, Akbank is adversely affected by the disinflation program, you know, certain restrictions on the banking sector in terms of credit growth and etc. And obviously, a monetary loss that it's bottom line needless to say, in addition to which, as I'm sure you will remember, the banking sector still pay relatively higher taxes based on their non-inflation accounted results. So that's all included in our bottom line, a little bit of extraordinary for this year. If you look at the non-bank side of the business, we see some revenue contraction by about 12%, but a much slower EBITDA contraction. In fact, we've seen our EBITDA margin increasing just under 100 basis points throughout the year.

And in fact, except for the material technology segment, all of our business segments have posted positive EBITDA margin expansion in the year. And the material segment is mainly driven by what's happening across Kordsa's global markets. And I'm sure if you listen to our friends in Kordsa, you must have heard how they are now in the process of rearranging the business to be more competitive going forward, basically. If you look at the bottom line again, I will just iterate the fact that of the 4.3 billion Turkish lira non-bank net loss you see on a consolidated level here, there is 5.6 million monetary losses only incurred by the holding company, which is driven by A) the cash that we hold, and B) obviously the fact that our equity is quite strong, which results in a disbalancing position. As far as the impairment piece is concerned, I see that there were a lot of reference to that. Again, there are, as usual in a year like this, inventory impairments and etc, but the biggest part is coming from our Radiflow business, our cybersecurity business. I think that's to the tune of 23, 24 million dollars. And that's mainly driven by the fact that, you know, given the Gaza incident that started at the end of 2023, you may remember this was an Israeli-based business. Of course., there's an impact on that business because of what's been happening throughout 2024, basically, and just from a prudency point of view, we wanted to make sure we reflect that onto our bottom line for this year. Hopefully going forward, we now have a stronger base to continue building, not only the Radiflow business, but obviously our other businesses as well.

And as you may remember throughout the year, if I can take you to the next page, what I told you was, I'm going to show you again that on a quarter-by-quarter basis our non-bank operating performance have been improving, and this you see is our last quarter, the fourth quarter of the year. But on a consolidated level, you see a 9% revenue growth, just under 40% EBITDA contraction. And again, from a net profit turned to net losses in the period. If you look at the non-bank side though, we're seeing a 4% revenue contraction and a 76% EBITDA improvement. In fact, our EBITDA margin on the non-bank business has expanded by 565 basis points in the quarter, basically. And all in all, as we were discussing, if you look at the last quarter again, by way of reference, we're looking at more or less a billion Turkish Lira of impairment and about a billion Turkish Lira of monetary losses incurred by the holding company against the, you know, 700, give or take 683 million TL losses that we incur. So in a nutshell, we believe our non-bank businesses are in very good shape operationally. They have been improving performance quarter on quarter. On the banking side, as I said, 2024 was an exceptional year given the disinflation program in place. And hopefully as the program continues and bears fruit, and as the interest rates come down and those macroprudential measures are eased, obviously we will be in the best position to continue delivering across all our business segments.

On the next page, what we wanted to demonstrate to you was what we told you throughout the year. On quarter basis, our non-bank business operating performance have been improving. And as you see, we have reached a 13% EBITDA margin in the last quarter of 2024. And on the right-hand side, you see the net losses incurred during the period in every quarter. And as you see, a majority of that is coming from the monetary losses that are incurred by the holding company only. There are obviously monetary gains and losses across the group as part of the business. The holding, the reason why we want to demonstrate this to you is obviously not necessarily part of the operations, which nevertheless impacts the bottom line. But still, we believe our operating performance has been satisfactory and which we believe puts us in a very good place to capitalize on any improvement in the environment in 2025 and forward.

Now on the next page, one of the reasons why we have this conviction is how we have been able to improve our cash flow generation. There's a very big difference between the first half and the second half of the year. Obviously, that's partly driven by our EBITDA performance and partly driven by our working capital performance. And yes, our bottom line is negative and therefore our return on equity has come down quite significantly from both banking and non-banking businesses. But again, we feel we are in a very good position to build on in the coming periods.

On the next page, you see we have been able to manage a very healthy balance sheet. Through the year, as you remember, there has been, as you see, some increase in our capex levels. We're now at 13.5, just under our guidance on the midterm, which was 14%. And obviously, some major elements in there, was the acquisition of Mannok. With an EV over 300 million euro, Çimsa funded this by her own resources. And also, Enerjisa Üretim's wind generation capacity expansion. As you will remember, Üretim's expanding its capacity by another gigawatt of wind, and 750 megawatts of which is already funded, about a billion dollars that went into our financials in this year. And still, we run a very healthy balance sheet. And obviously, our cash position on Sabancı holding level, which is 12.4 billion Turkish lira. It's just under 350 million dollars. Unfortunately, it weighs on and contributes to this monetary losses, but nevertheless, gives us, together with our balance sheet, a very healthy room to continue investing behind our strategic goal.

On the next page, our NAV has grown by about 16% in dollar basis. And now you see, again, the energy and climate piece now has become quite comparable to the banking and financial services. But this year, as you may have guessed, given the EBITDA performance, obviously, it's more half and half, meaning we have generated half of the EBITDA from non-bank businesses this year, which obviously is reflected onto our NAV composition. We still have an attractive discount. I mean, as of yesterday, it was 44%, although you see by the end of February, it was 45. This, as some of you may remember, went as low as under 20% back in 2022. But as we grow, especially our non-listed businesses, by value, obviously, it's a positive challenge for us to continue making sure that we close the gap and expand the gap.

So, with this, I'll turn the floor back to Kerem. Thank you very much.

Mr Kerem Tezcan, IR Director: Thank you Orhun Bey. Let me begin with the bank. And just to remind the banking numbers presented on this page are based on BRSA financials as the banks are exempt from inflation accounting.

Akbank's expertise in flexible balance sheet management, along with its adaptation ability to tight regulatory environment as well as sustained fee performance continued to underpin its profitability in 2024. Despite sector-wide headwinds, including high borrowing rates and macroprudential restrictions, Akbank has remained committed to enhance its recurring revenues and ensure sustainable profitability. While identifying areas for sustainable growth, Akbank maintained prudence in risk management and cost control.

Akbank's active customer base reached 14.5mn, up 72% over the last 3 years, with 6.1mn net active customer growth. This growth has solidified the bank's market position and set a strong foundation for long-term resilience. Moreover, Akbank's ongoing success in customer acquisition contributed to an improvement in the fee – to – opex ratio, which improved by 28pp since 2022 to 86%, achieving even a higher quarterly figure of 92% during last quarter, thanks to all time high fee chargeable customer base and strong cross-sells.

Akbank managed to expand its footprint in the retail segment, and gaining market share especially in products where the Bank can boost and lock-in margin while extending maturities. Akbank has dominance in high-yielding longer-maturity consumer loans, while have strategically strengthened its position in mortgages by gaining 670bps market share and built a strong position in the longer maturity business instalment loans. All these are expected to be supportive for margin evolution going forward. While growing, Akbank continued to manage its risk in a prudent manner, with AI based and automated loan decision processes.

Additionally, with a total capital adequacy ratio of 17.8% and Tier 1 ratio of 15.1%, Akbank continues to maintain a solid capital structure, providing a buffer against market volatility and challenges, ensuring critical resources for sustainable and profitable growth. Its strong capital position, well-structured balance sheet to prosper in disinflationary environment along with a low TL loan to deposit ratio of 82% offers considerable potential for margin improvement, leading to an ROE above inflation.

Moving on our largest non-bank segment: Energy.

In generation business, the company achieved a 6% YoY increase in revenues in 4Q 24, mainly driven by higher generation volumes, which also led to an improved EBITDA performance compared to 4Q 23. Despite the stronger EBITDA, lower bottom-line was mainly driven by a higher base from tax incentives and revaluation effects recorded in the previous year, along with the impairment recorded last quarter. Decline in revenue and profitability for the full year is attributed to lower electricity prices as well as decline in trading activities in the current market, which was less liquid and more stable compared to the previous year. Please also note that combined EBITDA, which was recorded at TL11bn or USD311mn in 2024 includes synthetic hedge in this representation. Excluding hedge reversal impact, EBITDA was realized at USD462mn in 2024.

With regards to Enerjisa Enerji; Operational earnings in distribution business increased by 6% year-on-year as of year-end 2024, mostly driven by higher financial income and

CAPEX reimbursements. Operational earnings in customer solutions segment has significantly improved compared to last year mostly driven by increasing solar projects. Yet, retail segment's operational earnings expectedly declined and dropped by 25% y/y due to lower sourcing costs in both regulated and liberalized segments. In FY 2024, investments stood at TL15.5bn, in line with full year targets. As a result, underlying net income declined to TL4.2bn on a year-on-year basis, which is in-line with guidance. The drop in annual profitability is attributable to lower earnings contribution from the retail activities and increase in financial expenses on higher debt and interest rates.

On Material Technologies segment, in cement business, our ability to shift between export and local markets enabled us to keep sales volumes stable on a quarterly basis. However, below-inflation pricing in the domestic market continued to put pressure on overall cement revenues, while pricing environment in export markets continued to be competitive. Sales volumes in tire reinforcement remained resilient amid increased competition from low-cost manufacturers, weak composites sales volume due to delay in demand recovery, segment's full-year revenues declined 12% despite relatively better performance in Q4. EBITDA in Q4 was lower year on year mainly due to one-off Mannok acquisition expenses impacting Çimsa's EBITDA and weak profitability in tire-reinforcement and composites driven by ongoing price competition in the Far-East market, inventory write-off due to slow-down and delayed recovery in composites. Discrepancy between inflation and devaluation also took a tall on EBITDA performance. Net loss in Q4, driven by higher deferred tax expense in cement business together with lower operational profitability in tire reinforcement and composites.Note that Mannok acquisition contributed approximately 14mn euro to EBITDA with a 19% margin and 8mn euro to net profit to Çimsa's financials.

In Mobility Solutions, in terms of volumes, tire business recorded higher consumer sales volume in replacement despite decline in commercial volumes both in replacement and OE. However, it maintained its strong market share particularly in replacement and gained market share in OE market that has contracted both in consumer and commercial segments. However, segment revenues declined by 5% year-on-year, impacted by price pressure and lower commercial and OE channels sales volumes compared to last year. While, EBITDA remained flat, EBITDA margin improved both on a quarterly and an annual basis thanks to favorable raw material prices, lower energy and fuel costs and reduced fixed costs. The segment's net income was impacted by higher net financial expenses due to increased borrowing costs.

Financial services segment's inflation-adjusted topline slightly dropped by 5% year-on-year, primarily driven by non-life business. The segment's EBITDA increased by 29% compared to the previous year, driven by the significant EBITDA contribution from the life business. This contribution came mainly from the long-term credit life product (Kredim Güvende) and ROP. The strategic key of the non-life business is to maintain long-term sustainable growth without compromising capital adequacy ratio, which also resulted in lower premium generation in the short-term due to maximizing profitability with a focus on high-margin segments. Financial services segment's net income contribution turned positive in the last quarter on higher interest income in both the life and non-life businesses. Moreover, in the context of inflation accounting, there is a reclassification on the impact of deferred income reserve account (from non-monetary liability to monetary liability), which contributed positively to life business' net income through technical profit from Pension business, offsetting the impact of monetary losses. It is worth noting that our life company has strengthened its leadership position among private companies in terms of assets under management in private pensions and auto-enrolment, as well as gross written premiums in life and personal accident.

Digital Segment's revenues dropped by 5% year-on-year in the last quarter, but despite market slowdown sales increased 2% y/y on an annual basis thanks to the successful execution of the omnichannel strategy, strong focus on digitalization and the consistent customer experience improvement in our technology retailer. Gross Merchandise Value declined by 10% year-on-year due to intense market competition and profitability-focused expansion strategy. In the fourth quarter, EBITDA recovered strongly compared to the same period last year and previous quarters. Margin expansion is also notable thanks to ongoing cost optimization, and effective inventory management. Despite the significant improvement in margins, the segment's net income heavily impacted by high credit card expenses driven by high interest rates compared to last year.

In Retail, the segment achieved 3% year-on-year topline growth, while EBITDA increased strongly, supported by ongoing cost reduction efforts. However, high financial expenses continued to weigh on profitability, resulting in a net loss.

Let me leave the floor again to our CEO, Cenk Bey, for closing remarks.

Mr. Cenk Alper, CEO: Thank you Kerem. We are coming to the end of our call today. Overall, 2024 was a challenging and transitionary year. 2025 will also be a difficult year, especially in the first six months. Disinflation program should continue consistently to attract foreign interest, which is a matter of particular importance to us in the context of potential IPO preparations.

We are aware of the headwinds to growth in Türkiye, but there are some encouraging factors to consider as well. In the banking sector, credit growth seems to gradually expand as the net interest margins are improving. In the energy sector, electricity prices for high-consumption households in Türkiye have been liberalized, very positive improvement. Specific to Sabancı, I believe our B2B-dominated portfolio is poised to maintain its competitive edge, even in an economic slowdown, setting us apart from consumer businesses. In the US, our second solar project, Oriana, is scheduled to commence operations in the first half. The full year impact of Mannok will be reflected in our consolidated financials in 2025. Our strategic investments, particularly in the digital sector, will continue.

And finally, it is crucial to emphasize that long-term success is much more important than the short-term results. As a group, we are committed to our midterm guidance including many critical details, such as investment areas, expected returns, and other key metrics. We are in the process of transforming the portfolio to a more balanced structure between bank and non-bank with a stronger focus on energy and digital businesses, and we are confident that we will continue to demonstrate our strong track record of execution, thereby increasing shareholder value. Yes, I would like to thank all Sabancı Group management teams for their effort and our Board for their support that enables us to deliver in this dynamic environment.

I will stop here and open the floor for Q&A.

Thank you very much.

Mr Kerem Tezcan, IR Director: The first question, thank you for the presentation. What is your forecast for spot electricity prices in 2025? Additionally, how sensitive is the generation EBITDA to changes in these electricity prices?

Mr. Orhun Köstem, CFO: Thank you Hanzade Hanım. Well, I think in a normal year in the Turkish market, over the long term, the electricity prices should be between $70 to $80. At the highest, back in 2022, they reached over $100, if I'm not mistaken, 120-125. And at the slowest, we've seen them, as you may remember, less than $60. I think for 2025, at this point in time, it's not useful to assume anything other than what the long-term trend could be. That would be first. And having said that, secondly, obviously, I'm sure you must be aware that there have not been any tariff hikes in the first quarter. And there's a possibility that the regulator may skip the second quarter also, potential market balancing, given the high season. So, we'll see every year has its own impact. Now, this obviously, the hard cap impacts the EBITDA performance of Uretim, but not only that. As you may remember, we talk about this from time to time. You know, the hydrology is an important factor, how a year will pass. The wind regime can become an important factor. And more obviously, again, the overall electricity demand is an important factor. So, you know, we'll see how the year progresses. As we discussed last time as well, specifically, Hanzade Hanım you were asking about the EBITDA generation of Uretim. I think 2024 has shown us what the business could deliver in a year where there is hard cap, sub-optimal growth, if I may say so, given the GDP has grown less than 5%. I think that could be given as a benchmark in that sense.

Mr Kerem Tezcan, IR Director: The second question, can you please provide more details on hedging effects on Enerjisa generation company results? What is the EBITDA in 2023 without hedging?

Cenk, we also already have 2023 EBITDA without hedging in the presentation. The rest Orhun Bey will comment.

Mr. Orhun Köstem, CFO: Look, I think it's, Cenk Bey, thank you for the question. It's an ongoing process, obviously, because we, on our side, given the fact that we talk about electricity prices in Turkey, measured in dollars, talked about in dollars, we always look at the performance of the business in dollars as well. So, that's a Turkish business. So, there's always an ongoing hedging vis-a-vis FX. That's always in place, basically. And I think if you look at the, if I'm not mistaken, the appendices of our announcement, you're going to see the, you know, what it looks like on Turkish Lira bases with hedging, and then you're going to see the dollar impact, and there's no hedging because there's no FX risk. I think on a year-on-year, you could see those changes taking place. As far as we’re concerned when we're communicating with you, we always refer you to the dollar-to-dollar numbers. You may assume either you end up with adding back the impact of hedging or on a dollar-to-dollar change from one year to another.

Mr Kerem Tezcan, IR Director: Thank you, Orhun Bey. If you would like to ask a question, please type to the Q&A section of the Zoom. Thank you.

Once again, if you have any question, please type to the Q&A section of the Zoom.

Yes, one question. Does Çimsa export to the US? Do you expect an adverse impact from tarriffs?

Mr. Cenk Alper, CEO: As we are in Mannok, you are very lucky. The general manager of Çimsa, Umut, is here with us. So, let me give the word to Umut.

Mr. Umut Zenar, CEO (Çimsa): Hi, everyone. Yes, Çimsa will export to the US in 2025 and 2026. As you know, we are exporting clinker to the United States. We have a grinding mill in Houston and we are selling quite white cement from our Houston grinding mill. And also now we are making an investment in the United States, Houston again. It's a grey cement grinding mill. So, we will continue to make sales in Houston also. So, Çimsa will not be affected by the tariffs because probably the United States will apply these tariffs to Mexico and also Canada. So, Turkey will not be affected currently. If Turkey or the other companies will be affected, the tariff probably will be imposed on the final product, cement. But we will be exporting clinker to this region. So, we will not be affected.

Mr. Cenk Alper, CEO: Thank you, Umut. So, having an operation, grinding operation in the US is quite advantageous for us.

Mr Kerem Tezcan, IR Director: Next question is, could you please give a bit more detail on impairment losses in Q4?Thank you.

Mr. Orhun Köstem, CFO: Ali Bey, let me try to help with that. This is Orhun speaking. I think there has to be about a billion TL of informed, 1.4 billion total, but billion coming from the non-bank piece. You know, on the banking side, these are usually customer impairment that takes place throughout the year, so nothing specific. On the non-bank side, as I said, the biggest part comes from our cybersecurity business, Radiflow. I think this was close to $24 million dollars. And that explains about, you know, 80-85% of the non-bank piece. You may remember, again, apologies for repetition, but this is an Israeli business that was acquired back in 2022 when the incident, Gaza incident, took place at the end of 2023, obviously, there were some interruptions in the business because, you know, all of our people were called to military in the first place. And throughout 2024, you know, that has continued. So, from a prudency point of view, we reflected that impact as impairment on our financial statements in 2024. Now, obviously, againgoing forward there could be upside to this business, but from a prudency point of view, we want to make sure what we experienced in 2024 has been reflected on to the financial statements. I hope this helps.

Mr Kerem Tezcan, IR Director: Thank you, Orhun Bey. Another question, could you please give a color on where you stand with the data center investments on the digital?

Mr. Cenk Alper, CEO: Let me take that question. This is Cenk Alper. Two axes. On one axis, we continue to develop partnerships or consortiums with the potential customers, hyperscalers. We have significant progress over there. On the second dimension, we are actively completing our feasibilities on a couple of projects in the US and in Turkey. When they are successful, hopefully, we will be able to share this with you. But as I have explained in London to you, this is a concrete, solid development sector for us, having lots of synergy with our energy business, and we are working on it. So, hopefully, in 2025, you will be hearing from us concrete, solid investment decisions.

Mr Kerem Tezcan, IR Director: Thank you, Cenk Bey. If you have any further questions, please type to the Q&A section of the Zoom. Thank you.

Okay, it seems there are no further questions. Thank you for joining and have a great day.

Mr. Cenk Alper, CEO: Thank you. Thank you very much for joining. Hope to see you either face-to-face in our one-to-one meetings or hope to hear you in the next call.

Mr. Orhun Köstem, CFO: Yes, thank you very much and bye for now. Thank you.

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