

Sabancı Holding

Q1 2022 Financial Results

Earnings Release

May 10, 2022

Profitable growth in Q1 with a strong execution on strategic initiatives

Building up on a successful year of 2021, Sabancı Group made a solid start to 2022. While combined revenue* grew by over 140% year on year in the first quarter, reaching TL 70.7 billion, combined EBITDA* surged three-fold, as the Group benefitted from having diversified businesses and its ability to manage costs effectively amid inflationary pressures. Consolidated net income* reached TL 5.6 billion with a new all-time high consolidated ROE* of 24.7% in the first quarter - 2 percentage points improvement compared to 2021 year-end. Balance sheet remained healthy as net debt to EBITDA* stood solid at 1.2 times with a strong holding only net cash position at TL 7.7 billion.

The execution in strategic initiatives that gained momentum in 2021, has further intensified in the first five months of 2022. In addition to investments in mobility solutions and composites in industrials business unit, Sabancı Holding acquired two companies in cyber security and digital marketing with an ambition to create a new global digital business vertical.

Group's efforts and achievements in sustainability area continued to be recognized globally. Refinitiv recognized Sabancı Holding with an ESG rating of "A" and assessment of "excellent performance", placing Sabancı Holding among the top ranked global holding companies assessed by Refinitiv.

Sabancı Holding CEO Cenk Alper's comment:

"Considering geopolitical risks, inflationary threats and supply chain problems around the world that is complicating the global operating environment, thinking globally and being close to customers has become an indispensable factor for companies. While we shape our strategies in line with this approach, we continue to grow uninterruptedly with the investments we made both abroad and in Turkey.

Our Q1'22 financial results show that our operational and financial performance continues to progress in line with our plans and expectations. Thanks to our improving earnings quality, further increase in ROE and healthy indebtedness, which we keep a close eye on, are the most important elements of our balance sheet management not only at Holding level but also across Sabancı Group companies. We are making important breakthroughs that will make Sabancı a global company while adding value to our shareholders."

FINANCIAL HIGHLIGHTS

- Combined revenue* growth accelerated to 141% y-o-y driven by both bank and non-bank businesses. Energy, industrials and retail businesses were the main drivers of non-bank revenue growth due to higher volumes and FX impact.
- Combined EBITDA* increased by 192% y-o-y on strong performances from bank and non-bank businesses. Solid topline growth coupled with effective cost management amid inflationary pressures led to a healthy growth in non-bank EBITDA in Q1'22.
- Consolidated net income* more than tripled in Q1, exceeding TL5.6bn, driven by phenomenal growth both in bank and non-bank segments as a result of well-managed financing expenses and FX gains over solid operational performance.
- Consolidated ROE* improved further and reached 24.7% as bank's ROE sharply improved, reaching 38.6% in Q1'22.
- Combined non-bank operational cash flow* turned negative in Q1 due to higher working capital requirement on accelerated business activity and ongoing increase in electricity procurement prices that was behind current national tariffs in energy retail business in the period.
- Our holding only net cash position increased sharply to TL7.7bn in Q1 from TL2.5bn at the end of last year driven by TL3.1bn proceeds received from Philsa sale and dividend income in Q1. The sharp increase holding-only cash position and striking EBITDA growth in Q1 resulted in a healthy level of net debt to EBITDA* at 1.2x by the end of March.

STRATEGIC HIGHLIGHTS

- Sabancı Holding's entire shares in PHILSA in PMSA was acquired by PM in consideration of TL2.7bn on January 5, 2022 post predetermined adjustments at closing. The acquisition price was collected by Sabancı Holding on the same day. Further, PM paid Sabancı Holding an additional TL373mn on March 31, 2022 post predetermined adjustments based on the audited financial results of PHILSA and PMSA for the 2021 fiscal year. As a result, final acquisition price for the sale of PHILSA and PMSA shares was TL3.1bn.
- With the aim of creating a global player in the digital world by focusing on business models based on next generation technologies at Sabancı Group, following transactions have been initiated by Dx Technology Services and Investment BV (DxBV), a company incorporated in the Netherlands of which Sabancı Holding is the sole and founding shareholder:
 - A share sale and purchase agreement has been signed regarding the acquisitions of 100% of the shares in SEM İnternet Reklam Hizmetleri ve Danışmanlık A.Ş., a digital marketing company operating in Turkey, and 100% of the shares in Liberdatum İnternet Reklam Hizmetleri ve Danışmanlık A.Ş., which also operates in Turkey as a digital marketing company, in consideration for a total of USD13.5mn, subject to customary adjustments as per acquisition and closing procedures.
 - Additionally, a share sale and purchase agreement has been signed with regard to the acquisition of 100% of the shares in Radiflow Ltd., a global cyber security company operating in the Middle East, USA, European and Asian markets. According to the agreement, 51% of the shares in Radiflow will be acquired as of the closing date in consideration for a total of USD31.1mn, subject to customary adjustments as per

acquisition and closing procedures, through purchase of shares both from the existing shareholders and capital increase to be made by Radiflow in 2022 at the initial phase. It is intended to increase total share in the company up to 100% through purchasing the remaining shares from the sellers and together with the additional capital increases amounting USD14mn to be made by Radiflow in 2023 and 2024, depending on the fulfillment of the conditions set forth in the agreement.

- The closing procedures regarding such acquisitions are contemplated to be completed by the end of the third quarter of 2022, provided that necessary permissions and approvals are obtained. Depending on the course of the investment projects envisaged by DxBV, it is aimed to increase its current share capital from USD10mn to USD120mn, in order to support its anticipated growth.

- Enerjisa Üretim (energy generation company), an affiliate of Sabancı Holding with 50% interest, distributed a total of TL 925mn gross cash dividend on March 4, 2022 from its net profit in 2021. The amount that is distributable to Sabancı Holding from the said dividend payment was TL 462mn.
- With the aim of growing with pioneering services beyond tyres and be a pioneer of mobility in Turkey, Brisa acquired 88.89% of Arvento shares on March 1, 2022 for a consideration of TL334mn post adjusting for FX revaluation of Arvento's assets as of closing date.
- In line with the Group's strategy of product and geographic diversification in composites to transform tyre reinforcement business into advanced materials, a share purchase agreement dated 20.04.2022 was signed with regard to the acquisition of 60% of Microtex by Kordsa Inc for a consideration of EUR 24.6mn. The acquisition of shares is expected to be finalized in the second quarter of 2022. With this investment in composite technologies, Kordsa aims to increase its product diversity; grow the number of its client sectors; and also, to expand its service range in the automotive and motorsports sectors. Subject to the fulfillment of the conditions set forth in the agreement, Kordsa Inc will be able to purchase the remaining 40% shares of Microtex within 5 years after the closing date and Kordsa Inc will be able to increase its shares up to 100%.
- Teknosa's marketplace, which allows third-party sellers to sell electronic products to Teknosa customers through renewed teknosa.com, was launched. Combining its brick and mortar business model with its new marketplace, a first in technology retail sector in Turkey, Teknosa is aiming to provide a wider range of products and services to its customers in the fast growing e-commerce channel with a holistic experience.
- Sabancı Holding has been recognized by Refinitiv, the solution partner of Borsa Istanbul Sustainability Index, and given an ESG rating of "A", which placing it among the top ranked companies in 50+ global investment holding companies assessed by Refinitiv.

SEGMENTS HIGHLIGHTS

- **Energy Segment:** Robust performance driven by tripling net income in generation business
- **Industrials Segment:** Second largest contributor to the combined results
- **Building Materials Segment:** Lower margins on escalated cost side pressures
- **Retail Segment:** High growth while maintaining profitability
- **Financial Services Segment:** Solid performance in life business offset contraction in non-life business
- **Bank:** Robust customer acquisition drives solid core operating performance

SABANCI HOLDING COMBINED SEGMENT RESULTS

SABANCI HOLDING COMBINED RESULTS in thousands TL	MARCH 2022	MARCH 2021	CHANGE %
REVENUES	72,703,590	30,906,673	135.2
Bank	23,063,863	10,625,026	117.1
Non-Bank	49,639,727	20,281,647	144.8
Industrial	6,874,567	2,986,754	130.2
Building Materials	3,489,985	1,252,884	178.6
Retail	6,045,717	3,549,515	70.3
Energy	27,332,053	8,499,622	221.6
Financial Services	3,157,296	1,983,733	59.2
Other	2,740,109	2,009,139	36.4
EBITDA -excluding one offs	17,700,373	6,134,727	188.5
Bank	10,881,570	2,743,804	296.6
Non-Bank	6,818,803	3,390,923	101.1
Industrial	1,568,555	713,151	119.9
Building Materials	378,832	219,463	72.6
Retail	429,249	286,783	49.7
Energy	4,268,365	1,873,980	127.8
Financial Services	111,899	257,351	(56.5)
Other	61,903	40,196	54.0
NET INCOME -excluding one offs	12,173,123	3,879,472	213.8
Bank	8,054,598	2,033,798	296.0
Non-Bank	4,118,525	1,845,674	123.1
Industrial	1,098,885	482,256	127.9
Building Materials	122,071	129,260	(5.6)
Retail	(46,092)	(85,610)	46.2
Energy	1,988,848	918,636	116.5
Financial Services	177,589	201,096	(11.7)
Other	777,224	200,036	288.5

SABANCI HOLDING CONSOLIDATED SEGMENT RESULTS

SABANCI HOLDING CONSOLIDATED RESULTS in thousands TL	MARCH 2022	MARCH 2021	CHANGE %
REVENUES	38.439.509	16.814.180	128,6
Bank	23.063.863	10.625.026	117,1
Non-Bank	15.942.532	6.223.471	156,2
Industrial	4.160.331	1.514.223	174,8
Building Materials	1.911.147	725.540	163,4
Retail	6.029.742	3.539.491	70,4
Financial Services	3.157.296	-	
Other	684.016	444.217	54,0
Intersegment eliminations	(566.886)	(34.317)	(1.551,9)
EBITDA -excluding one offs	13.704.725	4.147.330	230,4
Bank	10.881.570	2.743.804	296,6
Non-Bank	2.823.155	1.403.526	101,1
Industrial	1.042.411	441.633	136,0
Building Materials	230.095	158.450	45,2
Retail	429.456	286.837	49,7
Energy	973.149	407.090	139,1
Financial Services	103.872	77.908	33,3
Other	44.172	31.609	39,7
NET INCOME -excluding one offs	5.597.780	1.739.168	221,9
Bank	3.282.249	828.770	296,0
Non-Bank	2.315.531	910.398	154,3
Industrial	564.458	271.264	108,1
Building Materials	62.107	74.960	(17,1)
Retail	(30.489)	(49.069)	37,9
Energy	973.149	407.090	139,1
Financial Services	74.575	77.908	(4,3)
Other	671.731	128.245	423,8

*Combined revenue excludes holding dividend income. Combined EBITDA and consolidated net income excludes non-operational and nonrecurring one off items & IFRS16 impact in retail. Operational cash flow and net debt figures exclude banking, financial services and other segment. Consolidated ROE excludes non-operational and non-recurring oneoff items.

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