TRANSCRIPT OF ENERJİSA ENERJİ 9M 2024 EARNINGS CALL

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SPEAKERS:	Dr. Philipp Ulbrich – CFO
	Cem Gökmen Gökkaya – Treasury, Risk, Investor Relations and Tax Director
	Martin Jaeger – Investor Relations and Capital Markets Financial Regulation Manager

PRESENTATION SESSION

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Martin Jaeger: Dear Investors and Analysts, welcome to Enerjisa Enerji's 9M 2024 Earnings call. We are here with our CFO Philipp, and with Cem, our Director for Treasury, Risk, IR and Tax.

Philipp will now run you through the financial and operational performance of the first nine months of 2024.

Before handing over to Philipp one housekeeping remark. We would like to remind you that we will present and discuss the 9M financials today based on inflation accounting and will show the respective 2023 data with 2024 end of September purchasing power. That means, all P&L related developments are presented net of inflation. We have highlighted those metrics where inflation accounting does not have any impact such as Investments, Free Cash Flow or Financial Net Debt.

With that, over to you Philipp.

Page 2: Highlights

Dr. Philipp Ulbrich: Thank you, Martin, and a warm welcome to all of you from my side. As usual I will only focus on the material developments and kick it off with the **three** most important messages of today.

1) **Enerjisa is uniquely positioned in the current dynamic macro environment as it will benefit from falling interest rates and it offers at the same time a business model protecting investors against inflationary impacts, which is especially of importance if the risk materializes that the reduction of inflation takes longer than planned or gets interrupted.**
2) **Enerjisa is the leading energy transition company in Türkiye and continues to focus its investments on profitable regulated infrastructure and green energy solutions for customers – those investments strengthen our leading position in future years and provide attractive returns to Enerjisa`s investors.**
3) **We continue to deliver on our promises also now and successfully maneuver through a challenging year 2024 regarding our operational and financial ambition. We therefore re-confirm our guidance set out for the full year.**

Let me elaborate on this in more detail

First, beyond the robustness of our business model and the regulatory mechanics that protect us against inflation, we are in a unique position to benefit from the expected reduction of interest rates. We have not only managed to finance our investments and the burden stemming from the tariffs with attractive conditions in the past months in a high interest environment, we also see us now getting closer to the tipping point of reversing rates. With this we project a significant upside potential for our Underlying Net Income in the case of falling interest rates

Second, we continue to invest into the energy transition in Türkiye. Our visible and strong investment program in our distribution grids is progressing and delivers significant growth of our Regulated Asset Base. A growing Asset Base is the best indicator of how future Operational Earnings will increase.

And Third, Enerjisa Enerji is showing a remarkable financial performance amid challenging circumstances both from the regulatory side as well as the macro side. Most important the Underlying Net Income is sitting well within our expectations for the full year. And that's why we also fully confirm our 2024 guidance for Enerjisa including our strong dividend pledge of distributing at least 80% of our Underlying Net Income. Our dividend pledge is based on Underlying Net Income and not an any other KPI, as Underlying Net Income is best reflecting the performance of our businesses. I would like to repeat this as we have seen some confusion regarding this in the market. Let me add more than the necessary headroom not only for investing but also to pay the attractive dividends that we have promised to our shareholders.

Before I run you through the financial performance of the first nine months on the following pages, let's have a closer look how Enerjisa is positioned in the expected macro environment. This has been the most important topic discussed with investors over the past months.

Page 3: Macro Environment

Market participants currently expect interest rates to have their peak in Türkiye in the first half of 2025 and project falling rates thereafter. So, what does that mean for Enerjisa Enerji?

First of all, top line earnings will still smoothly grow. As you know our Regulated Asset Base is revalued with inflation every year in June. Even with inflation slowing down, it will still continue to grow with two-digit rates. In addition, certainly we continue to invest. That means the financial income and the inflation adjusted Capex reimbursements from the regulated activities will also grow accordingly. As both account for more than 80% of Enerjisa's Operational Earnings, these will grow respectively.

In our financing we have given strict priority to floating or short-term fixed rates. If now interest rates will move to a low double-digit level, the growth of our Underlying Net Income will be significant and over-proportional to the growth of Operational Earnings. If you would like to have an indicator, simply look at the historic ratios between Underlying Net Income compared to Operational Earnings. This year's guidance shows a record low ratio of approximately 10% only.

For our investors that means also growing dividends, as those are paid out on the basis of Underlying Net Income. Thus, in the current market dynamics our exposure to the macro environment looks very promising.

In case high inflation prevails longer than expected, Enerjisa`s financials are protected by the inflation adjustments of the Regulated Asset Base. On top of this, only very limited income streams are driven by the country´s GDP, hence Enerjisa will also not be facing significant impacts in case of orthodox policies hamper the economic growth.

With that over to our 9M results on the next page.

Page 4: Financial Highlights

Page 4 shows you the financial highlights of the period

Operational Earnings under IAS 29 show an increase by 1% to roughly 30 billion TL and Underlying Net Income fell by 36% to now 3.1 billion TL.

Three messages are important regarding this:

First, this year-over-year development is exactly what we expected and fully in line with our year end Operational Earnings guidance of 40 to 45 billion TL and respectively 3.5 to 4.5 billion TL for Underlying Net Income.

Second, the Operational Earnings of Distribution grew significantly driven by the profitable investments that we carried out as you will see in a minute, while the Retail business is still heavily suffering from temporary and not sustainable regulation. Both trends are currently netting off each other, though we expect a strong net positive balance on operational earnings once tariffs are being increased and the liberalization of the retail markets progresses

Third, the rising interest costs in our P&L that are affecting the Underlying Net Income are more than compensated by the rise in our Regulated Asset Base, this means the basis for our future earnings, and thus will pay off over time. Due to Financial Asset accounting of our distribution investments, we are however not allowed for recording this under TFRS.

Investments are slightly up by 3% in nominal terms and stand now at 9.1 billion TL in the first nine months. Our investments are matching the well-known seasonal pattern and we confirm our full year target of 15-17 billion TL. The investment level in 2024 is reflecting our long-term plan. Enerjisa continues to significantly invest into the energy infrastructure of Türkiye, as this is the pre-requisite of the transformation of the overall energy system and the basis for the growth of the economy. We are committed to modernize the aging networks, to connect new customers and to further integrate renewable electricity generation to our grids. And we expect that the regulator - understanding the importance of these investments - will set the right incentives to allow for profitable investments also in the future.

On Free Cash Flow, we see a flattish development year over year and an improvement versus H1 2024. We will look into the details how the delay of tariff changes and our significant investment program are impacting the Cash Flow in the second part of our presentation.

Finally, we continue to carry a strong balance sheet. Despite the tariff burden, this allows us to invest further and pay attractive dividends.

For our earnings development let’s move now to page 5.

Page 5: Underlying Net Income (UNI)

Our Distribution business growth in the first nine months is stemming from the higher Regulated Asset Base and therefore we record a higher financial income and higher Capex reimbursements. Our profitable investments carried out in the past clearly pay-off in that respect. If we compare the increase of the Financial Income and Capex reimbursements by almost 2.8 billion TL to the operational earnings of distribution as of 9M 2023 of 23 billion TL, this equals an increase of more than 13%, all values certainly denominated in purchase prices as of Q3 2024.

In Retail, we see the same drivers that we have already recorded in the first Half of the year. Volumes continue to increase same as the regulated margin, still our Retail segment suffers from the lower market price environment, the subsidies in place and the fact that any tariff increase now has been postponed to 2025. Our regulated market gross profit is impacted most, but also the liberalized margins are under pressure from the lower sourcing costs. We are optimistic that the market environment will change to the better, as the regulator has taken first decisions to further liberalize the market.

In Customer Solutions we have achieved a gross profit up to more than 3 billion TL driven by a continuous growth of solar PV capacities sold to our customers.

Let’s now move to page 6 having a look how Underlying Net Income of Enerjisa Enerji developed.

Page 6: Underlying Net Income

With our 9M Underlying Net Income performance we fully confirm the mid-point of our guidance range of 3.5 to 4.5 billion TL for the full year.

Year-over-year our UNI decreased by 36% on a real basis and reached 3.1 billion TL in the first nine months.

Lower Operational Earnings contributions from our Retail activities and the increase of financial expenses as a consequence of the higher debt volumes and higher interest environment are mainly driving the year-over-year performance. Within this increase we also account for the interest expense of approximately 1.7 billion TL which is related to the distribution tariff burden. As we get compensated for these expenses, the corresponding amount is reverted and dominates the other financial expenses so the line just below. Both lines are closely interrelated.

Please be also aware that a significant amount of the upside enabled by the debt financings and thus justifying interest costs, is not reflected in the P&L but in the increase of the Regulated Asset Base being the main driver of future profits. We will explain this in more detailed on the next page.

The next two items are basically stemming from inflation accounting effects that relate to each other.

On the one hand we recorded a higher monetary loss due to a higher equity growth than the non-monetary asset position on the balance sheet as we are not allowed to inflate our Regulated Asset Base at it is classified by IFRS and TFRS as a financial asset.

The relatively higher inflation revaluation of the equity base compared to the one of the non-financial assets has to be rebalanced ledging to the monetary loss shown.

At the same time the restricted financial asset accounting leads to a significant difference of now more than 18 billion TL between financial assets and Regulated Asset Base. As explained the latter one is the basis of future earnings applied by the regulator and thus a very reliable indicator of our investment performance. The difference is even higher when it comes to the statutory value of the distribution assets, which gets also inflated.

As the second item, you also see a positive deferred tax impact of more than 2.3 billion TL. Majority of this amount is driven by the positive effect from inflation adjustments of the asset base in the statutory financial statements just mentioned, this leads to a reduction in corporate tax due to higher future depreciation. As you can see both effects are interrelated as driven by inflation.

Now over to Cem for details on the operations and the balance sheet.

Page 6: Operations

Cem Gökmen Gökkaya: Thank you, Philipp, and good afternoon, from my side. Let's now continue on page 7, most of the metrics shown on that page follow the trends that we already have seen earlier in the year:

In order to successfully capture the high revaluation of more than 70% in 2023, Enerjisa's distribution investments during last year have been extraordinarily high with a 180% Capex overspending compared to the level that we have agreed with the regulator. And we now returned to our initial plan. 9 months 2024 Distribution Capex came in at more than 8 billion TL in line with the year's regulatory allowance.

As a consequence of the historic investments, we were growing our Regulated Asset Base beyond inflation. Year over year RAB has almost doubled by 89% reaching 57 billion TL and has grown significantly beyond inflation. As stated earlier the increase is driven by investments and the revaluation of the overall asset base including new assets with the June-to-June inflation. This significant RAB revaluation is not booked via P&L even reflecting economically the inflation share in the interest expenses on the debt that we took up to finance our investments.

Liberalized retail volumes increased year-over-year significantly by 36% and well above the market. By this Enerjisa continues to be one of the top suppliers in Türkiye with its competitive advantages in retail, respectively its high credibility closely connected with its strong brand name. Still the liberalized gross margin decreased as power crisis quote on low levels and customers tend to opt for spot indexed products which offer low profitability only.

Also, our regulated volumes increased significantly. Although the margin has increased significantly as well in percentage terms, the absolute margin is directly related to subsidized sourcing cost and with that still artificially low compared to wholesale prices. However, we have been able to grow our regulated margin from 7% to over 10% year-over-year now which has a significant earnings impact in that business as volumes also increased.

Our Customer Solutions gross profit increased to 3.2 billion TL in the first nine months of 2024. We have been able to further grow our sales of solar PV capacities. As of end September, we in total secured now more than 70 MWp solar capacity which is approved by the transmission operator. We continue to successfully execute on our well filled project pipeline.

Page 8: Free Cash Flow

On page 8 you can see our investments, the cash tariff impacts stemming from retail and distribution, and the Free Cash Flow after interest and tax development.

Year over year Free Cash Flow was roughly stable at negative 5.0 billion TL in 9M 2024. The main reason for the negative Cash Flow is the delay of tariff changes of the distribution revenue ceiling and our significant investment program in 2023 with payments amounting to 3.4 billion TL carried forward to

2024. Just recently the government announced that there will not be any tariff increases in 2024, however we expect them to come in 2025 and then the negative cash impact will revert over time and we will on top of this receive a compensation for current interest costs. Tariff burden and respective interest sums up to 7.2 billion TL which is sitting on our Free Cash Flow.

Page 9: Economic Net Debt

Despite a financing environment that remains challenging in Turkey Enerjisa successfully manages its debt position.

Year-to-date we emitted bonds worth more than 15 billion TL. Most recently we issued mainly TLREF indexed bonds or fixed rate financings with a short duration as we expect interest rates to decline over time driven by the orthodox monetary policies.

Let me finally share with you our recent financings on the next page.

Page 10: Financing Developments

Our broad financing strategy pays off in the current tight and challenging financial market environment in Turkey.

Additional bond issuances remain a highly effective source of financing for us. Year-to-date we issued bonds worth almost 15 billion TL. Most recently we issued TLREF indexed bonds with a short duration in a size of 4.2 billion TL as we expect interest rates to decline over time driven by the orthodox monetary policies. That we paid a premium of only 100 basis points over TLREF shows that Enerjisa Enerji with its high credibility can capitalize also in significant amounts on short term market opportunities in its debt funding. At the same time our average interest rate during the first half year remained stable at 45% below today's interest levels.

I'll now hand back to Philipp for the final remarks

Page 11: 2024 Outlook

Dr. Philipp Ulbrich: Thank you, Cem.

With today's results presentation you can see how Enerjisa is steadily delivering despite ongoing challenges coming either from the macro side or the regulatory environment which still is causing temporary impacts on our profitability.

Despite these short-term impacts, our continuous investments in the energy infrastructure of Türkiye pay off and will become even more profitable with the expected change in the macros. If these developments take longer than expected or even get disturbed, we are protected in our key income streams. You can derive this when looking at our guidance`s stability.

On top of this, once the energy market regulator is appreciating the efforts and setting the right environment, we will be able to fully exploit also the additional opportunities that our business model is offering, especially in Retail and in Customer Solutions based on our strong balance sheet.

Once interest rates come down, we will see a significant impact on our underlying net income. Enerjisa is uniquely benefitting from the expected macro scenarios, as our top-line earnings will smoothly grow with the increase of our asset base while the reduction of interest rates will lift up the bottom-line earnings.

Consequently, also the outlook of how Enerjisa will be able to grow its dividends in the long run is looking promising. Be reminded that the key metric for the dividend is the Underlying Net Income, for which we fully confirm the 2024 guidance.

Based on the financial performance during the first nine months, I am fully confident that we will also reach our 2024 guidance across all other metrics.

With this message let me conclude and pass to Martin to open the Q&A session.

Q&A Session

Thank you, Philipp, and Cem. We can now start the Q&A session.

Q1: Yasin Sarıhan – Halk Yatırım

Are you fully committed to achieve year-end guidance for operational earnings? Should we expect strong quarter ahead? If we shouldn't expect strong quarter, it seems that year-end operational earnings would be close to lower band of your guidance. Therefore, shouldn't you revise your year-end guidance?

Thank you for the question. First message, repeating what I said, we are confirming our guidance. Please also be reminded that we are the one of the few companies out in this currently very challenging market environment having a guidance set out.As you have also seen in the presentation, there are impacts influencing both levels, for example, FX hedges that are purely market driven on the operational earnings level and on the underlying net income levels compensating each other. I think it’s quite challenging now to narrow the guidance in the given environment. I would like to also come back that much more important piece is about the underlying net income as also driving the dividends.

Q2: Cenk Orçan – HSBC

How quickly will your loan and bond portfolio respond when market interest rates start coming down? What % of the loan book is fixed rate?

Thanks for the question. We will be able to response very quickly, not equals of the share of the floating bonds in our portfolio, the share is still below %50. However, the maturities of fixed loans are mostly in 2025. You can see that looking at the bond list on page 10 as well. So, both with the TLREF indexed bonds we have and the short remaining maturity of our fixed loans, we will be able to very quickly respond to decreasing interest rates.

Q3: Can Alagöz – QNB

How much of your funding for 2025 CAPEX is secured at this stage? On Customer Solutions segment - Can you remind us the reason behind the solid improvement in the Operational Earnings of Customer Solutions segment for 3rd quarter specifically?

Enerjisa’s strong balance sheet and brand name has always been able to borrow it’s needs both from Turkish and international banks and financial institutions. However, we can also for next year say that we are working on loans with local and international financial institutions already. We have signed one very recent agreement with TSKB for 100 million dollar equivalent TL and we are working on others with international financial institutions and development banks for much bigger amounts. Still, I would like to emphasize that, this is not only for securing the needs but also improving the quality of our loan portfolio in terms of maturity and also diversification of resources. Otherwise Enerjisa is always able to fund itself from Turkish banks and the debt capital market.

Just to remind everybody what Customer Solutions business is about. This is providing energy efficiency solutions to B2B customers at larger commercial, industrial scale. Behind that we apply, as we are delivering these solutions based on an ESCO model, IFRS 15 accounting. So, we are accounting for revenues, but also for the corresponding operational earnings, and the basis of milestones that we are reaching. What was very positive now in Q3, we were able to add important milestones, especially in very early stages in the installation - for example a PV Plant of 20MWp only in Q3. So, this is driving the revenues up. We are prepared for much more. Also here, I will go back to what I said earlier; the market environment needs to be the right one, because with the current power price levels we see there are already good incentives, but these incentives for which the customers go to for energy efficiency solutions, will be even higher, if the market prices rise for power.

Q4: Umut Öztürk – Ata Yatırım

Thanks for the presentation. What are your assumptions for inflation and interest rates for 2025 and going forward?

We shared on page number 3 in the presentation, here we refer to the current market consensus assuming low to mid double digits for 2025 and then beyond 2025 to go further down to low double digits.

First, there are many market participants that are much better positioned at coming up with a prognosis on the inflation than us, even if we are a listed company with certainly high activity also in the debt market. Why am I acting pretty much now relaxed regarding this and this is coming back to what I mentioned earlier. We have really this inherent inflation protection in our business. So for us there is certainly an importance that the speed in which we see the change of inflation and of interest is not getting to much disconnected, that you can easily drive from our business model. However, it is not stressing us, in what quarter we would see now significant changes in inflation and also where we would stand than at the end of the year, even this is impacting a lot of macros at the same time. This is the second answer. Third answer, I think we have seen that also in the last two months very much, we expect that there are still a lot of base effects sitting in what will be coming as inflation. One of the most likely examples for us is the electricity price, where we haven’t seen now the necessary tariff updates. This is a base effect sitting in inflation. So once we see then, the step to liberalization, tariffs increasing that will have a negative effect on inflation keeping it up, hopefully not increasing again. Certainly this not what the policies are for. But we expect that certainly it will take some time.

Q5: Cenk Orçan – HSBC

Your recent borrowings bear an interest in the 50s vs 46% avg. funding cost of the portfolio currently which has gone up only marginally in the 3rd quarter - can we say that you are now reaching a plateau in terms of avg. financing rate?

Straight answer is yes with the current expectations.

Q6: Cenk Orçan – HSBC

What's the "other" item under CS P&L that's a loss of 1.2bn – that's a swing from a profit of 1.1bn last year – and wipes out the big jump in revenue and gross profits – if it was not, CS would have generated operational earnings almost as much as Retail.

Customer Solutions we use a model called ESCO, where we finance the investment, make investment and transfer the ownership of the asset to our customer and charge the customer with monthly invoices. The item in the other line is the rediscounting of our future receivables from our customers with some interest rate assumptions, which will always be in our P&L or future receivables discount.

Q7: Ali İncekara – Tera Yatırım

Could you please comment on the expected tariff changes starting in 2025 with the threshold being lowered and heavy users increasingly paying the market price. How important is this change for the market in general and for Enerjisa specifically?

That is an interesting topic. We are certainly talking here about the news in the market that household tariffs or households consuming more than 5000kWh per year would be affected by this market liberalization. So , just some takes on it.First one is, the related regulation is not published yet on official gazette. We really need to see this and also than the subsequent legislations to asses this in more detail. For sure if it comes likes this, it will shrink the group of regulated customers that are highly subsidized. This could be part of the tariff increases that we are asking for because having this highly subsidized system currently is not sustainable. What is also to be mentioned, there are lot of variables playing this: The remaining national tariff level, what are spot prices, how are subsidies provided , is this then also coming as lower sourcing costs to us driving our margin or is there another mechanism in place. This is also certainly having repercussions on the working capital. Still difficult to assess picture, but let me come from a higher level to this. Certainly, and this is why we appreciate this initiative, it will be a very clear step towards market liberalization in retail. It will provide opportunities in the market, and we as Enerjisa Enerji having the biggest market share, will be certainly also the very first in the competition to financially benefit from this and we will set ourselves then the corresponding financial targets thatwill bee achieved by the retail team in order to fully benefit from this.

Q8: Cenk Orçan – HSBC

There is a good improvement in your FCF before interest and tax within Q3, which comes mainly from Retail. What's the driver, is it the regulated tariff increase in July?

This is mainly related to the regulated burden and surplus we from time to time refer to. Last year our retail business had a regulatory burden and now this year this has changed and improved. I mean at the end of the September we even had a very slight surplus, so from last year's negative to this year's positive, it is creating a big delta which is improving the FCF this year.

Closing

Martin Jäger: It seems that we have no further questions for now. Thank you very much for attending today's Earnings Call. If you have any further questions, please do not hesitate to reach the IR team. Good bye everyone and have a nice day.

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