TRANSCRIPT OF ENERJİSA ENERJİ FY 2024 EARNINGS CALL

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SPEAKERS:	Dr. Philipp Ulbrich – CFO
	Cem Gökmen Gökkaya – Treasury, Risk, Investor Relations and Tax Director
	Martin Jaeger – Head of Investor Relations

PRESENTATION SESSION

Martin Jaeger:
Dear investors and analysts. Welcome to the full year 2024 earnings call. We're here with our CFO, Philipp, and with Cem, our director for Treasury, Risk, IR and Tax. Philipp will now start running you through the financial and operational performance of the year 2024. And with that, let's kick it off over to you, Philipp.

Page 2: Highlights

Dr. Philipp Ulbrich: Thank you, Martin, and a warm welcome to all of you from my side. Today, I want to emphasize **three** important messages to you.

1- **We are fully delivering on our promises, and during 2024, the entire Enerjisa family has delivered solid results. Allow me to state that I'm very proud of the achievements that we have delivered operationally and financially in a still very difficult market environment. Our strong 2024 performance is placing the UNI well in the upper half of the guidance range. This is the basis for our dividend proposal, and we certainly stand to our promise to distribute at least 80 percent of our UNI.**
2- **We continue to successfully drive the energy transition of Turkey with our massive infrastructure investments and again have proven that we can grow our asset base above inflation. This is and will remain the earnings driver of the company.**
3- **Even the macro environment demands a lot from us. We will continue to deliver a solid performance. This is reflected in our ambitious goals for 2025 that we are going to share with you today.**

Let me provide some color on those messages. In 2024, we realized Operational Earnings in the magnitude of 41 bn TL and an UNI of 4.2 bn TL. So both metrics are sitting within the ranges that we have guided for back in May last year and are predominantly a result of the growth of our RAB, which stood at almost 60 bn TL by year end. Of importance is on top that our asset base grew in a financially healthy way, so faster than our Economic Net Debt. Let me also remind you that the year over year decline of our UNI in real terms was expected and stems mainly from the high interest that we have paid on our debt during 2024. We accepted this in return for the RAB growth, which will pay out with the WACC return over the coming years. And as the UNI is the basis on which we distribute dividends, I'm happy to announce the proposal of distributing 2.87 TL per share for the fiscal year 2024, which is corresponding to our promise of paying out at least 80 percent of UNI . Also in 2024, we have fully delivered on our ambitious investment program. On group level, investments amount to 15.5 bn TL, of which more than 13 bn TL have been invested into the RAB. By doing so, we successfully continue to be the engine of Turkey's energy transition. Without these infrastructure investments, the modernization and expansion of the electricity grids would not be possible. We continue to connect new customers and increase the quality and reliability of power distribution significantly. For doing so, an important factor is our ability to finance the investments. You all know that borrowing costs in Turkey have peaked in 2024. Meanwhile, we diligently managed to keep our investment costs under control with the result that the increase of our debt happens slower as the growth of the assets, also to protect UNI. With falling rates, we now expect an improvement of our bottom line earnings already during 2025. I will come back to our guidance for the full year at the end of our presentation.

Page 3: Business Highlights

Let me now continue with our business highlights for 2024 on page three. As mentioned in the Distribution business, we have made the expected progress on the investment side. We have been able to deliver investments slightly above the 100% threshold as agreed with the regulator EMRA. At the same time, we have prepared ourselves for the upcoming tariff period starting in 2026 with a swift reorganization that was initiated in November 2024 and is now already fully executed. We put emphasis in streamlining our operations and focusing on operational excellence. This streamlining will allow us to remain the market leader also in terms of being attractive for the most talented and good workforce while keeping our costs under control in the high inflation environment. This market leadership is equally visible in the quality of our operations, which has significantly improved again. The most important metrics to assess this improvement are the reduction of outage times and also the frequency, how often customers don't have access to electricity. Both metrics to measure that, SAIDI and SAIFI have significantly improved.

In Retail, we observe increasing electricity demand in the entire country driven by the increasing electrification and the need for air conditioning, especially during the summer months, but also electrical heating during the winter. Again, the increase of our customer volumes is growing much quicker than the average increase in the country.

In our Customer Solutions business, we have surpassed the 100 megawatt peak mark for the photovoltaic capacities we installed for our customers by year end. As you know, we approach our investments into these projects opportunistically. If we see returns that are equally or even more attractive than those for investments into the distribution grids, we allocate CAPEX into that division project by project. Our e-Mobility activities grow beyond our expectations. By end of 2024, we operated more than 2,500 charging plugs throughout Turkey and are the market leader in that business.

Page 4: Financial Highlights

Page four presents an overview of the key financial developments for the period. Before going into details here, let me remind you that all the figures, including 2023 numbers, other than investments and cash related KPIs, are reported with 2024 purchase power on a real basis. So they are fully comparable.

Operational Earnings grew by 6% in real terms, despite the challenging market conditions, and came in at 41.2 bn TL. Group earnings were especially benefiting from our profitable investments in the past.

Our UNI is realized at 4.2 bn TL. While it shows a year over year decline of 13%, this is an outcome we already anticipated. In 2024, we delivered results in line with our guidance range, where we targeted a UNI between 3.5 to 4.5 bn TL, despite the complex and demanding market conditions experienced in the past two years. To now come up even beyond the midpoint of our guidance range, demonstrates our financial resilience, excellence in execution, and commitment to our promises.

Investments totaled 15.5 bn TL at the end of 2024, reflecting a 2% decline in nominal terms. This decrease is primarily due to the exceptionally high investments in 2023, which reached 180% of our initial target. In 2024, we now went back to normal and continued to invest the level agreed with the regulator, thus 100%.

Free Cash Flow increased by 2.4 bn TL year over year, to a negative 10.5 bn TL. We managed our cash flow through striking a careful balance, while at the same time sustaining our commitment to long-term profitable growth and upholding short-term financial discipline in a challenging environment.

This balance is also visible in our leverage remaining at the same level of very healthy 1.1x, Even with an increase in our Net Financial Debt. We have managed to grow our Operational Earnings, which would allow us to access financing at attractive rates, despite market conditions remaining challenging. Now let's move to page five for further insights into our earnings development.

Page 5: Operational Earnings Development

2024, we achieved Operational Earnings growth and returns mainly driven by continuous cost management in a high inflation environment. We observe a year over year decrease in financial income due to our conservative accounting approach, which is an outcome of the accounting obligations and the high inflation environment. As the deviation of inflation rate narrows, we will observe the increase in financial income going forward.

Our Distribution business growth through our continuous profitable investments is resulting in a significant increase in CAPEX reimbursements, even in real terms.

Furthermore, we realized a strong 5.2 bn TL increase in the efficiency and quality bonus. This is reflecting our focus on cost management in the high inflation environment. Another reason is that we fully booked the OPEX reimbursement of earthquake related costs that we did not accrue in 2023. Additionally, we have significantly benefited from an improvement of our quality related earnings due in 2024.

We successfully increased our Theft and Loss performance in all three of our distribution regions. We are observing a better outperformance, especially in Toroslar.

Similar to nine months, the lower mark to market valuation of CAPEX hedges in foreign currency is the main driver for the 2 bn TL negative year over year change in “other”. We continue to avoid taking a risk by applying strict risk management policies. The neutralizing counterpart of the negative item is being accounted for in the UNI under revaluation of fixed based liabilities.

In the Retail business, our sales volumes continue to increase in both the regulated and the liberalized segment. In 2024, our total sales volume increased by 14%, well above the overall demand growth of 4% in Turkey. At the same time, the margin in the regulated segment remained under pressure from the prevailing low market price environment, the ongoing subsidy mechanisms and the postponement of any tariff adjustments. Even though the liberalized segment suffered from the lower cost base of the electricity procurement as well, we realized the volume driven higher gross profit in nominal terms in 2024. The year over year decrease of 657 million TL we see here is due to prices and margins not increasing with inflation as they remained rather stable.

This year, our Customer Solutions business achieved a gross profit over 5.9 bn TL, driven by a continuous growth of solar PV capacities built for our customers. In 2024, we have commissioned over 73 megawatt peak additional solar PV capacities. As mentioned above, we will progress opportunistically regarding the investments in that business.

Let's now move to page six, having a look how UNI of energies are developed.

Page 6: UNI (UNI)

Our UNI declined by 13% in returns to 4.2 bn TL. During 2024, we managed to keep the investments and respectively financing level under control to still deliver a meaningful UNI contribution in the record high interest rate environment. We even outperformed by more than 200 million TL on the guided midpoint of our UNI target.

Our financing interest expenses reflect an 8 bn TL year over year increase, driven by a combination of higher average net debt volumes and the high interest rate environment we experienced throughout 2024. Allow me to reiterate that we deliberately increased our net debt and with this our financing expenses in order to finance clearly profitable investments. We did this in a rather conservative way, not affecting our debt sector, which is rather too low for an infrastructure play like ours. This allows us to even increase our investments and hearing when interest rates decline and when we have visibility on the next regulatory periods framework.

The increase in financing interest expenses was partially offset by a 2.9 bn TL year over year increase in the interest income. This growth in interest income was primarily driven by uncollected tariff receivable distribution and Retail. The monetary gain and tax items primarily arise from inflation accounting effects and are closely linked. Year over year, we recorded the 1.1 bn TL lower monetary loss resulting in a negative 4.6 bn TL burden. Let me remind you that the monetary loss stems from the fact that our RAB is classified as a financial asset under IFRS and TFRS, preventing us from applying inflation adjustments to it. Consequently, the disproportionate impact of the inflation accounting on equity base compared to non-financial assets requires a rebalancing adjustment, resulting in a monetary loss recognized in our financials. Not revaluating the financial assets leads to a significant difference of nearly 16 bn TL when comparing it to our RAB. The latter one is the basis of future earnings applied by the regulator. The difference is even higher when it comes to the statutory value of the distribution assets, which also gets inflated.

The positivity for tax impact amounting to nearly 2 bn TL is primarily driven by the inflation adjustments of the RAB and the tax accounts. This adjustment increases the depreciation expenses, effectively reducing corporate tax in the future. As being driven by the same difference in the accounting treatment of the distribution assets, it can be seen as an adjustment to the monetary loss. Now over to Cem for details on the operations and the balance sheet.

Page 7: Operations

Cem Gökmen Gökkaya: Thank you, Philipp, and good afternoon from my side. Let's now continue on page 7. The operational developments shown here align with the trends observed earlier in the year. As highlighted in our previous earnings calls, in 2024 we returned to our original investment plan with a strong focus on full execution of our targets. Staying aligned with this strategy by year-end 2024, our investments in Distribution business totaled more than 13 bn TL, slightly exceeding our CAPEX target for this business model. Our RAB expanded by 72% year-over-year, significantly outpacing year-end inflation, and reached 59 bn TL. This expansion was driven by both our strategic investment and the regulation of our asset base. To achieve this growth, we ramped up our investments in 2023, leveraging three key advantages.

First we benefited from lower borrowing rates in 2023, even already anticipating the high rates in 2024. Second, we took advantage from the inflationary environment in 2024, as our entire asset base, including newly-added assets, was revalued with record-high inflation June to June. And third, we strategically optimized our 2024 investment plans to minimize exposure to higher borrowing rates.

In our Retail business, we achieved a significant volume growth, driven by higher energy consumption. This increase was particularly notable in residential consumption within the Toroslar region, influenced by higher summer temperatures and the normalization following the adverse impacts of the terrible earthquake in 2023. Even with highly subsidized energy sourcing costs, we achieved a 3.2% increase in gross profit margin in the regulated segment, primarily due to higher Retail service revenues compared to 2023. The absolute gross profit remains relatively low, primarily due to subsidized sourcing costs that are still artificially low compared to market prices. Due to the cross subsidies, the tariff remained unchanged since mid-last year, even in nominal terms, and thus does not allow for any real-term margin increase currently. Liberalized Retail volumes grew substantially, rising 32% year-over-year, outpacing market growth, while low sourcing costs characterizing 2024 impacted liberalized margins. That shows Enerjisa continues to be one of the top power suppliers in Turkey, with its competitive advantages in Retail. Respectively, its high credibility closely connected with its strong brand name. Current low sourcing costs, the low national tariff environment, and the high share of regulated pricing present a significant growth potential for the upcoming years, when the necessary steps will be taken by the regulator towards a more liberalized market.

And we are continuously expanding our Customer Solutions business, especially the solar PV capacities we contract to our corporate customers. As you can see, by the end of the year, we secured over 102 megawatt peak of solar capacity approved by the transmission operator. Simultaneously, our e-Mobility business is expanding rapidly. By the end of 2024, we reached more than 2,500 charging points, solidifying our position as the leading operator of the largest fast charging network in Turkey. Let's see how our net debt developed in detail now on the next page.

Page 8: Economic Net Debt

Our Economic Net Debt increased by 19.8 bn TL a year-over-year, reaching 65 bn TL, mainly driven by financing interest payments more than setting up the positive Free Cash Flow before interest and tax.

Meanwhile, in 2024, our financial net debt increased by 16.2 bn TL nominally, primarily due to the increase of bonds and loans, partially offset by a nearly 5 bn TL increase of cash reserves.

As you recall, the impact of higher interest payments carries its counter effect in the positive RAB adjustment, which accounts for approximately 25 bn TL in 2024 only. As a result of our ongoing valuecreating, long-term investment strategy, our RAB in 2024 grew also significantly above Economic Net Debt.

Page 9: Free Cash Flow

On page 9, you can see our Free Cash Flow after interest and tax, along with the main factors impacting its development, besides the interest payments that we have just reflected on. These include the cash-effective investments and the cash impacts of tariffs in Retail and Distribution businesses. In 2024, Free Cash Flow increased by 2.4 bn TL compared to 2023. This improvement was driven by the collection of the Retail tariff burden carried over from 2023 and the lower burden incurred in 2024, resulting from the tariff adjustment in July. On top of this, we are still entitled to receive a total of 7.8 bn TL in relation to the tariff burden we carry for the Retail and Distribution businesses, of which the share of distribution amounts at 7.2 bn TL. This is mainly influenced by two factors.

First, the increase in the distribution revenue ceiling, driven by the OPEX ceiling adjustment accrued in the P&L for 2024, has not yet been collected from the tariff. Second, half of our payments for earthquake-related investments from 2023 have been deferred to become cash-effective only in 2025. Furthermore, the regulator did not implement any tariff increases after July 2024. However, we anticipate adjustments in 2025, which will gradually reverse the negative cash impacts accrued so far. Additionally, we will receive compensation for the interest costs caused by the later payments. Let's see the details of our finances on the next page.

Page 10: Financing Developments

Our broad financing strategy pays off in the current tight and challenging financial market environment in Türkiye. Since the beginning of 2024, we have issued bonds totaling nearly 23.3 bn TL, and since the second half of the year, we have exclusively issued TLREF index bonds, while our fixed-rate financing has been limited to short-term durations. Currently, the share of TLREF index funding makes up 57% of our borrowing portfolio. Our financing strategy is guided by the expectation that interest rates will gradually decline, driven by the ongoing implementation of orthodox monetary policies. Our recent financings are also a proof of our high credibility, allowing us to fund significant amounts using short-term market opportunities at attractive rates. Also, our average interest rate in 2024, on the other hand, remained at 46.8%, below current borrowing rates. Our average financing rates will decrease together with the declining interest rates. I will now hand back to Philipp for the new guidance for 2025 and the final remarks.

Page 11: 2024 Outlook

Dr. Philipp Ulbrich: Thank you, Cem. Let me conclude today's presentation with our 2025 outlook. We expect the regulator to acknowledge our efforts to continue with our ambitious investment program. If the transformation of the energy sector shall be successful, the necessary investments into the infrastructure have to be incentivized. Thus, we expect fair returns for distribution companies in 2025, being the last year of the current regulatory period, as well as for the upcoming period from 2026 onwards, especially also in the light of now clearly positive real interest rates. Against this background, we raise the bar in terms of growing our Investments, Operational Earnings, and UNI. So, what are our ambitions for 2025? Both main earnings metrics, Operational Earnings, and UNI are expected to grow between 30 and 35%. So, above our own inflation assumptions that sit above the most recent expectations from the central bank. Respectively, we envisage a range of 52 to 57 bn TL for Operational Earnings and 5 to 6 bn TL for UNI. Investments and RAB shall grow even more. Here, we target for 45%

growth on those metrics, reflecting the confidence that we have in our business model. We target to invest 21 to 24 bn TL overall. Also, this year, we want to grow our RAB faster than the debt side. We expect the RAB to be in the area of 80 to 90 bn TL at year-end, including our expectation for the June over June inflation adjustment. Our dividend promise remains intact, with a targeted payout of at least 80% of UNI. You can see that we have set ourselves again ambitious targets. I'm personally convinced that Enerjisa can fully deliver on those, and I look ahead to the opportunities and challenges that the Enerjisa family will go through in 2025. For all achievements in 2024, I want to express my deepest appreciation to the entire staff of our company and the trust to you as our investors and customers put in us. Before I conclude today's presentation, let me highlight the next important event for Enerjisa Enerji. We will conduct an analyst and investor day on April 15th in Istanbul. Please already now save this date, and I'm looking forward to meet you there in person. With this, let me conclude and pass to Martin to open the Q&A session.

Q&A Session

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

Closing

Q1: Umut Öztürk – Gedik Yatırım

Thanks for the presentation. Which inflation and loan rate assumptions do you use while providing your 2025 guidance?

How do you see the outlook for energy distribution companies in 2025? And do you expect Enerjisa to continue differentiating positively?

Thank you for the question, Umut. What we are using is our own assumptions. And these assumptions are above the most recent expectations of Turkish Central Bank. I hope this is answering your first question.

And for your follow-up question, first of all, I think that the general outlook is positive as we see that the market demands significant investments. So this is also clearly visible to the regulator. We see the demand growth across the country. So the outlook is positive. And then I'm not in a position now to comment on the behavior of competitors, but I think that we at Enerjisa, we are aware of the changes. But we are also really grabbing the opportunities that come with this. Therefore, we are continuing with our investments. We are doing this in a very mindful way. And as we certainly also want to steer against providing a meaningful unigrowth. And this is the clear ambition of Enerjisa. And we might add one thing, that we are certainly the ones out with a clear vision. And that is that we want to continue to invest in the energy sector. And I think that we are doing this also, if you look at the overall market, in a very convincing way. And we might add one thing, that we are certainly the ones out with a clear guidance and also with a clear dividend pledge. That is certainly differentiating us from our competitors.

Q2: Onur Yalınkılıç – Perform Portföy

How will interest rate cuts and lower financing costs affect the UNI? If the WACC stays the same, isn't the UNI guidance a bit conservative, considering the lower financing costs?

Of course, with the declining interest rates, our interest expenses will decrease. But you know that our business, especially on the distribution side, returns are related to also inflation. With the decreasing inflation, there is this balance. But we still say that we are going to grow our UNI above our inflation assumptions, 30 to 35 percent. So there is already a positive impact of the decreasing interest rates in our UNI expectation. And this is expected to continue in the upcoming years as well.

Q3: Ali İncekara – Tera Yatırım

What is your electricity tariff adjustment expectation in 2025?

So I think this is also very difficult to predict if you look at least at private consumers. Because you might be aware that the government has also budgeted subsidies from the side of the state-owned generator. So we expect a tariff increase somewhere around Q2, Q3. And also certainly a significant one. However, not one which is then keeping pace with the inflation. Because we clearly also understand that any power gas price increases would also then have an impact on inflation. So therefore, I think this will happen only stepwise across 2025, but also in the outer years. So this will take time. But we also cater for this certainly in our planning. So the guidance that we have laid out now is not built on very significant tariff increases. I hope this is answering your question.

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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