

## About the Company

### 1) On which stock exchanges are Enerjisa Enerji shares traded and what is the stock ticker?

Enerjisa Enerji shares are traded in Borsa İstanbul (BIST) with the stock ticker ENJSA  
For more information about Indices that Enerjisa Enerji is included, please visit [Index Info](#).

### 2) When was Enerjisa Enerji listed on the stock exchange?

Enerjisa Enerji shares started trading on Borsa İstanbul (BIST) on February 8, 2018.

### 3) What is Enerjisa Enerji's ownership structure and paid in capital?

Enerjisa Enerji's total number of outstanding shares is 118,106,896,712. Shares are traded in lots of 100. The issued capital of the Company which is TL 1,181,068,967.12 is fully paid. For detailed information please visit [Shareholding Structure](#).

### 4) What is the free float rate of Enerjisa Enerji?

20% of Enerjisa Enerji shares are free floating.

### 5) Where can I find Enerjisa's Articles of Association?

For this information please visit [Articles of Association](#).

### 6) What are the business areas of Enerjisa Enerji?

Enerjisa Enerji is Turkey's largest and only listed electricity distribution and retail company in a regulated sector, operating in 3 regions. Electricity distribution is carried out by Başkent Elektrik Dağıtım A.Ş. (Başkent EDAŞ), İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş. (AYEDAŞ) and Toroslar Elektrik Dağıtım A.Ş. (Toroslar EDAŞ). The operations of electricity distribution companies are limited to the regions defined in their licenses. Retail sales of electricity is carried out by Enerjisa Başkent Elektrik Perakende Satış A.Ş. (Başkent EPSAŞ), Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş. (AYESAŞ) and Enerjisa Toroslar Elektrik Perakende Satış A.Ş. (Toroslar EPSAŞ). Enerjisa Müşteri Çözümleri A.Ş. was established on December 29, 2017 to operate in customer solutions and distributed generation.

### 7) What are the subsidiaries of Enerjisa Enerji?

	<u>Place of incorporation and operation</u>	<u>Proportion of ownership interest and voting power held by the Group (%)</u>	<u>Principal activity</u>
Başkent Elektrik Dağıtım A.Ş.	Ankara	100	Electricity distribution services
Enerjisa Başkent Elektrik Perakende Satış A.Ş.	Ankara	100	Electricity retail services
İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş.	İstanbul	100	Electricity distribution services
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.	İstanbul	100	Electricity retail services
Toroslar Elektrik Dağıtım A.Ş.	Adana	100	Electricity distribution services
Enerjisa Toroslar Elektrik Perakende Satış A.Ş.	Adana	100	Electricity retail services
Enerjisa Müşteri Çözümleri A.Ş.	İstanbul	100	Customer solutions and distributed generation services
E-şarj Elektrikli Araçlar Şarj Sistemleri A.Ş.	İstanbul	94	Electric vehicles and charging stations equipment services

- 8) How many employees work at Enerjisa Enerji?**  
For this information please visit [Consolidated Financial Statements](#).
- 9) When is Enerjisa's fiscal year?**  
Fiscal year of Enerjisa is the 12-month calendar year (January - December).
- 10) How often does Enerjisa Enerji report Earnings?**  
Enerjisa Enerji releases its financials every three months in compliance with CMB rules. Please visit [Investor Calendar](#) for more information.
- 11) When is the Annual General Assembly of Enerjisa Enerji?**  
The Ordinary General Assembly dates are announced on the Public Disclosure Platform and on the [Investor Calendar](#) of the Investor Relations website. Please visit [General Assembly](#) for more information.
- 12) What is Enerjisa's dividend policy and when are dividend payments made?**  
For dividend policy, please visit [Dividend Policy](#) section and for dividend payment information, please visit [Dividend Pay-Out Information](#).
- 13) How can I find historical financial information on Enerjisa?**  
For this information please visit [Consolidated Financial Statements](#).
- 14) Who are Enerjisa Enerji's independent auditors?**  
For this information please visit [Independent Auditor Information](#).
- 15) Where can I find information on bonds issued by Enerjisa Enerji?**  
For this information please visit [Bond Issue](#).
- 16) Does Enerjisa have a credit rating?**  
For this information please visit [Rating](#).
- 17) Where can I find Enerjisa's Annual Reports?**  
For this information please visit [Annual Reports](#).
- 18) Where can I find Enerjisa's Sustainability Reports?**  
For this information please visit [Sustainability Reports](#).
- 19) Where can I find Enerjisa's Company Presentation?**  
For this information please visit [Company Presentations](#).
- 20) Where can I access Enerjisa's Corporate Governance Compliance Reports?**  
For this information please visit [Corporate Governance Compliance Report](#).
- 21) Where can I find Enerjisa's Public Disclosures?**  
For this information please visit [Material Disclosure](#).
- 22) Where can I find Enerjisa's Code of Ethics?**  
For this information please visit [Code of Ethics](#).
- 23) What is Enerjisa's disclosure policy?**  
For this information please visit [Disclosure Policy](#).

**24) How long are the current concession periods?**

Our distribution companies (AYEDAŞ, Başkent EDAŞ and Toroslar EDAŞ) hold distribution licenses for their distribution operations and our retail companies (AYESAŞ, Başkent EPSAŞ and Toroslar EPSAŞ) hold supply licenses for their retail sale operations.

The expiry dates of the licenses are as follows:

AYEDAŞ: December 31, 2042

Başkent: September 1, 2036

Toroslar: December 31, 2042

**25) What are Tariff Parameters for Enerjisa Distribution Companies?**

For this information please visit [Regulation Update](#).

**26) How can I contact Enerjisa Investor Relations?**

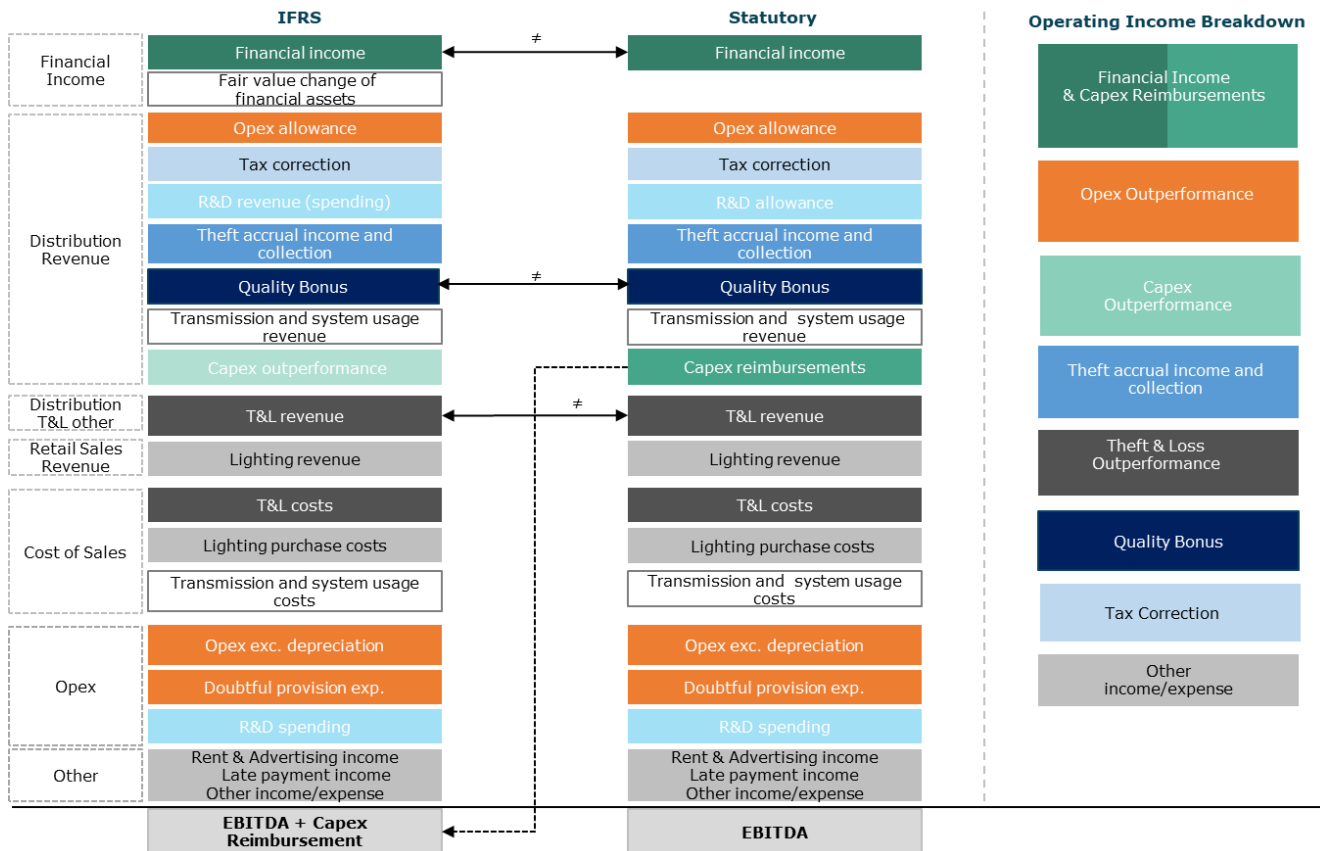
Email : investorrelations@enerjisa.com

Telephone : +90 (216) 579 0932

### 1) What are the differences between IFRS and statutory financial statements?

The main differences between IFRS and statutory financial statements are as follows:

	<b>IFRS</b>	<b>Statutory</b>
<b>Financial income</b>	<ul style="list-style-type: none"> <li>Included but calculation differs from statutory</li> </ul>	<ul style="list-style-type: none"> <li>Included but calculation differs from IFRS</li> </ul>
<b>Valuation difference of financial assets</b>	<ul style="list-style-type: none"> <li>Only relevant for IFRS as a consequence of IFRIC 12 application</li> </ul>	<ul style="list-style-type: none"> <li>Not included</li> </ul>
<b>Capex reimbursements</b>	<ul style="list-style-type: none"> <li>Not included due to application of IFRIC 12</li> <li>Adjusted KPI EBITDA + Capex reimbursements is used for comparability versus peers</li> </ul>	<ul style="list-style-type: none"> <li>Part of statutory P&amp;L</li> </ul>
<b>Capex outperformance</b>	<ul style="list-style-type: none"> <li>Recognized in IFRS earnings</li> <li>Need to reclassify this EBITDA contribution from operating cash flow to investing cash flow when reconciling operational earnings with cash flows</li> </ul>	<ul style="list-style-type: none"> <li>Only shown implicitly as a lower Capex in statutory accounts (in cash flow)</li> </ul>
<b>Timing difference in accounting of items</b>	<ul style="list-style-type: none"> <li>Timing difference in accounting of items such as quality bonus, theft accrual and collection, uncontrolled expenses exist between IFRS and statutory accounts. For example, financial income on overspent capex starts to be recognized in the year overspend Capex is realized in IFRS accounts, while accrued financial income is recognized in the beginning of next regulatory period in statutory accounts.</li> </ul>	<ul style="list-style-type: none"> <li>Timing difference in accounting of items such as quality bonus, theft accrual and collection, uncontrolled expenses exist between IFRS and statutory accounts. For example, financial income on overspent capex starts to be recognized in the year overspend Capex is realized in IFRS accounts, while accrued financial income is recognized in the beginning of next regulatory period in statutory accounts.</li> </ul>



# Main categories only and not to scale. Other differences exist between IFRS and statutory financial statements.

## 2) What is Regulated Asset Base?

Statutory Regulated Asset Base is the cumulative balance of **Initial Allowed Capex** set by the regulator (EMRA), valued at regulated unit costs and adjusted for inflation, net of the reimbursement of investments. In calculation of statutory RAB, it is assumed that the yearly Capex is equal to the amount (initial allowed capex) set by the tariff. IFRS Regulated Asset Base is the cumulative balance of total investments (initial allowed capex and over/under spend) approved by EMRA, valued at regulated unit costs and adjusted for inflation, net of the reimbursement of investments. Statutory and IFRS Regulated Asset Base might diverge during a regulatory period especially if the actual capex spend is above initial allowed capex (overspending), while the figures converge during the next regulatory period.

## 3) What is Capex reimbursements?

Capex reimbursements refers to the guaranteed principal return component of the investment returns (the other component being the WACC return, i.e. financial income). It is comparable to the return of the principal amount of a financial bond instrument. In other regulatory jurisdictions (e.g. the UK) it is also known as an amortization allowance as it can be considered to offset depreciation expenses if the depreciation and reimbursement periods are aligned.

While Capex reimbursements is a revenue item in local GAAP and a cash-effective component of operating cash flow, it is not part of the IFRS P&L due to IFRIC 12 accounting. Similarly, depreciation of investments is also not part of the IFRS P&L.

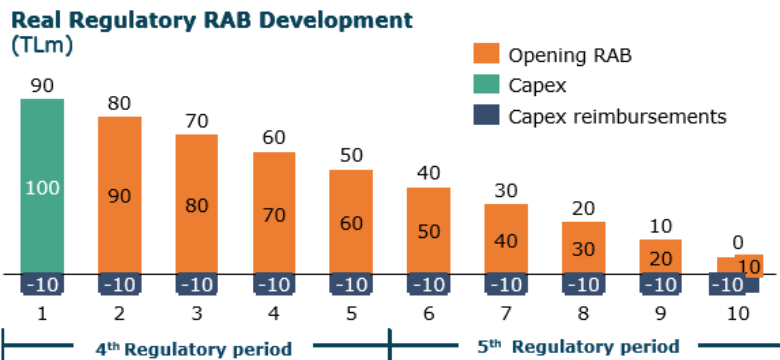
In Turkey, the reimbursement period is 10 years, while the depreciation period is until end of concession period. As a result, Capex reimbursements currently grows faster than depreciation expenses. Tax correction revenue mechanism is implemented in Turkey to adjust for the timing difference between reimbursement period and depreciation period.

#### 4) What is the return of a marginal 100mTL investment?

There are two scenarios with different return mechanisms for a TL100m of Capex spending:

##### Scenario 1: Spending within the initial Capex allowance

Assumption: TL100m capex in the 1. year of the current regulatory period in the scope of initial capex allowance

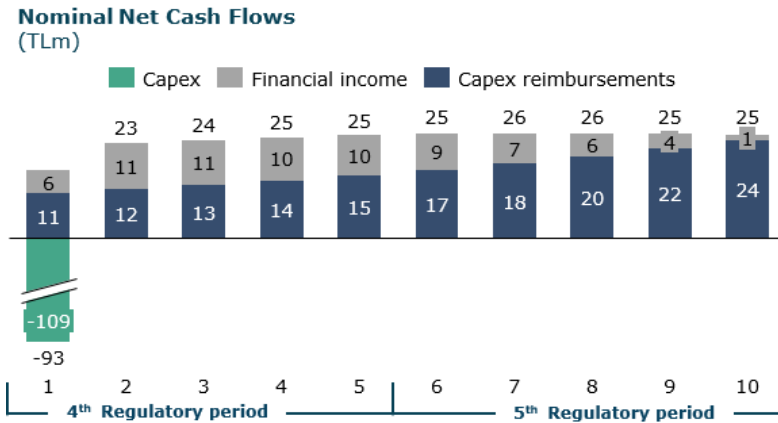


TL100m Capex in year one is equal to the initial Capex allowance. The amount is immediately added to the regulatory RAB.

Consequently, Capex reimbursement as well as financial income starts immediately in the first year. Given the reimbursement period of 10 years, both cash flows are received over a 10 year period until the Capex is fully reimbursed.

##### ASSUMPTIONS

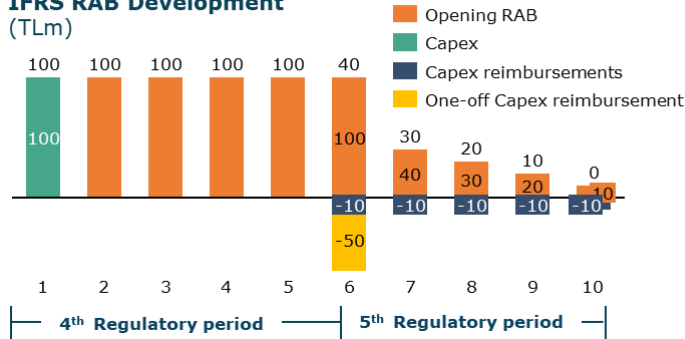
- 12% WACC (real, pre-tax, year-end) and 9% inflation are assumed for the analysis. Inflation and other assumptions in the scenario analysis may differ from current assumptions.
- Assumes capex is spent at year end.
- Assumes the duration of 5<sup>th</sup> regulatory period to be 5 years, consistent with length of previous regulatory periods.
- IRR (pre-tax) ~ Regulatory WACC + Inflation.



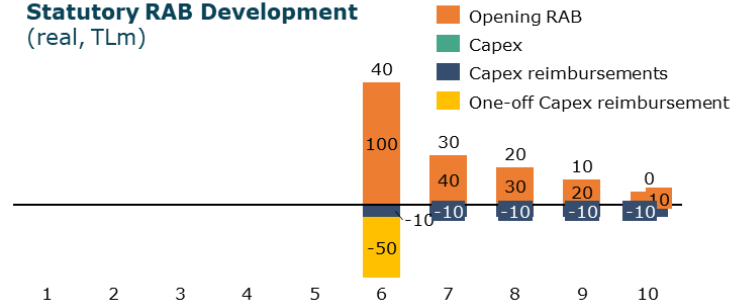
## Scenario 2: Overspend Capex, i.e. spending in excess of the cumulative initial Capex allowance

Assumption: Overspending TL100m Capex in the 1. year of the current regulatory period

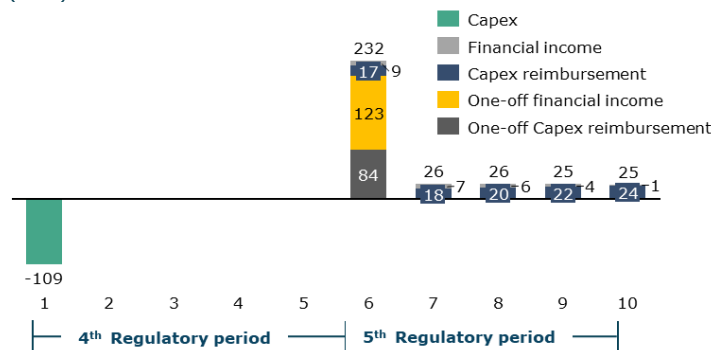
### IFRS RAB Development (TLm)



### Statutory RAB Development (real, TLm)



### Nominal Net Cash Flows (TLm)



While additional TL100m Capex is spent in the first year, the regulator only recognizes the Capex at the beginning of the next regulatory period as the Capex is not made in the cumulative scope of the initial Capex allowance of the current regulatory period. Accordingly, cash returns from both financial income as well as Capex reimbursements starts in the next regulatory period.

The regulator compensates for this time lag in the beginning of the next regulatory period (year 6 or year 6 & year 7) by retrospectively determining the actual RAB base for the past regulatory period and calculating the foregone real financial income. This foregone real financial income is inflated with the year-end WACC until the beginning of the next regulatory period.

### ASSUMPTIONS

- 12% WACC (real, pre-tax) and 9% inflation are assumed for the analysis. Inflation and other assumptions in the scenario analysis may differ from current assumptions.
- Assumes Capex is spent at year end.
- Assumes the duration of 5<sup>th</sup> regulatory period to be 5 years, consistent with length of previous regulatory periods.
- IRR (pre-tax) ~ Regulatory WACC + Inflation

## 5) Why do you use Operational Earnings as KPI instead of EBITDA?

Operational Earnings refer to EBITDA plus Capex reimbursements excluding exceptional items. In Turkey, distribution companies are not the legal owners of the networks and receive guaranteed investment return components. As a result, our distribution companies are subject to the application of IFRIC12 (an IFRS standard that governs accounting for service concession arrangements). Accordingly, we account our licence to operate and invest in the networks as a financial asset. This asset is not depreciated and it is treated like a financial loan. Accordingly, our P&L does not include depreciation expenses of networks. Similarly, our P&L also excludes the reimbursement of Capex (i.e. the depreciation allowance) as a revenue item. This means that our EBITDA figure is not comparable to international peers that do not apply IFRIC12 accounting and we use Operational Earnings as a KPI for comparability.

## **6) What is Underlying Net Income?**

Underlying Net Income refers to Net Income excluding exceptional items. Exceptional items mostly refer to the non-recurring items. The resulting KPI sets the basis on which our dividend pay-out policy is applied.

## **7) What is Initial Allowed Capex?**

Initial Allowed Capex is the Capex budget granted to the distribution companies by EMRA at the beginning of the regulatory period. The initial allowed Capex is announced as a cumulative number in real terms over the entire regulatory period of 5 years. EMRA assumes Initial Allowed Capex to be fully spent and in equal amounts per annum during the regulatory period. Respective Capex reimbursement and WACC returns (financial income) are paid to distribution companies through the distribution tariffs.

## **8) What is Actual Allowed Capex?**

Actual allowed Capex corresponds to the actual investments executed in a given period and valued at regulated unit costs. They are different from cash-effective Capex (reported in the cash flow statement) for the same period for three reasons:

- Actual unit costs are different from regulated unit costs (Capex outperformance)
- VAT payment is not included in actual allowed Capex reported, but is included in cash-effective Capex
- Actual allowed Capex includes over/underspend vs. initial allowed Capex included in tariffs

## **9) Can you explain distribution earnings that are not yet cash effective?**

The majority of our operational earnings are directly cash effective. However, we do have earnings that become cash effective with a time lag.

There are two categories in that respect in our distribution business:

### **a) The first category is explicitly reported as financial income not yet cash effective.**

Financial income not yet cash effective arises due to two factors:

- Inflation revaluation of RAB (as in analogy to inflation lined bonds, inflation valuation related to outstanding principal to be cashed in at future years).
- The financial income differential to be accrued in case we invest differently than originally assumed by EMRA. Financial income on excess Capex versus the initial allowance in a regulatory period starts to become cash effective at the start of the next regulatory period.

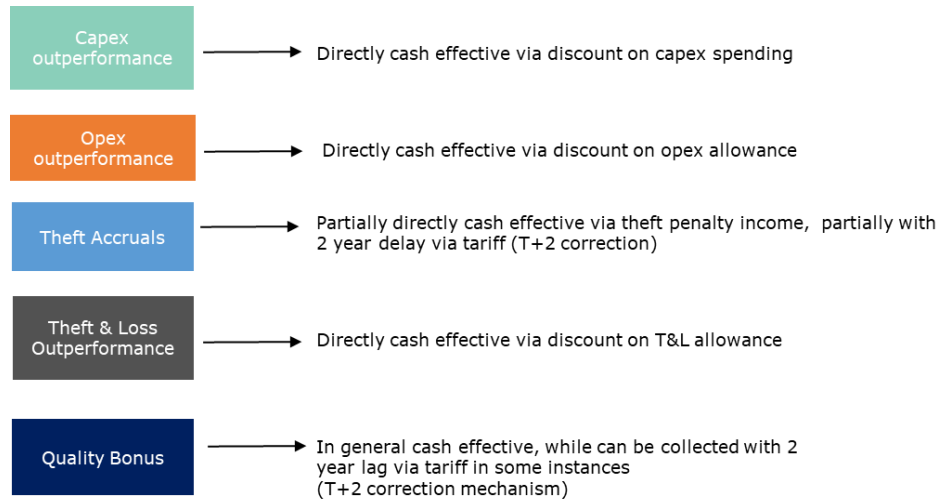
The return of principal (Capex reimbursements) is over 10 years. For initial allowed Capex it starts within the current regulatory period, for overspend Capex it starts with the next regulatory period. The foregone reimbursement for the difference in Capex spending vs. tariff assumption for the current regulatory period is reimbursed at the beginning of following regulatory period. Rest of the difference is reimbursed within remaining portion of normal Capex reimbursement schedule of 10 years (i.e if a distribution company overspends at year 4 of current regulatory period, it receives



reimbursement for years 4 and 5 of the current regulatory period at year 1 or years 1 and 2 of the following regulatory period. The remaining principal is paid in 8 years starting with year 1 of following regulatory period).

**b) The second category comes from our efficiency & quality earnings.**

In our efficiency & quality earnings, most incentive mechanisms are directly cash-effective via the related allowances. However, part of theft accrual collection income, as well as some part of the quality bonus is paid with a T+2 mechanism, i.e. 2 years later.



### 1) What are the regulatory periods?

In Turkey, the regulation duration is 5 years since 2006. We refer to these periods either as regulatory periods or tariff implementation periods. Regulatory parameters are defined ex ante in real terms before the start of a new period and usually remain effective for the entire period of 5 years.

1<sup>st</sup> regulatory period: Between September 1, 2006, and December 31, 2010

2<sup>nd</sup> regulatory period: Between January 1, 2011, and December 31, 2015

3<sup>rd</sup> regulatory period: Between January 1, 2016, and December 31, 2020

4<sup>th</sup> regulatory period: Between January 1, 2021, and December 31, 2025

### 2) What is National Tariff?

National Tariff is composed of a regulated **Distribution Tariff** and a regulated **Retail Energy Sales Tariff**.

Regulated **Distribution Tariff** which is determined by EMRA, includes:

- Cost of operating and maintaining the distribution network
- Reimbursement of Capex and regulated return on RAB (related to WACC)
- Cost of supplying energy for theft and loss
- Transmission fees (calculated through transmission tariffs and passed on to the state-owned transmission operator)
- R&D allowance
- Quality parameters
- Theft accrual and other income

Regulated **Retail Energy Sales Tariff**, which is determined by EMRA, includes:

- Energy procurement costs (including feed-in tariff costs)
- Profit margin (which is set at 2.38% for the period between 2021 and 2025)
- Other costs associated with the provision of the retail services to regulated customers (opex, financing costs, partial compensation of doubtful receivable costs etc.) and
- Quality parameters

For further details, please visit [Regulation Update](#).

### 3) Who are eligible customers?

Eligible customers in Turkey have the option to choose their energy supplier in the liberalized market, i.e. a supplier different from the incumbent supplier of the respective region. Customers are eligible if:

- they consume equal to or more than the eligibility limit determined by EMRA (i.e. 1.1 MWh for 2022),
- are in the premises connected to transmission lines (i.e. lines with 36 kV and above high voltage level) and
- they are in organized industrial zones

#### **4) Who are regulated customers?**

All ineligible customers and eligible customers who choose to remain in the regulated market. The sales price to regulated customers is defined by the National Tariff.

#### **5) Where can I find tariff information?**

For this information please visit [Tariffs](#) section of the Company website.

#### **6) How long is the current concession period and what is the process for renewal?**

Our distribution companies (AYEDAŞ, Başkent EDAŞ and Toroslar EDAŞ) hold distribution licenses for their distribution operations and our retail companies (AYEPSAŞ, Başkent EPSAŞ and Toroslar EPSAŞ) hold supply licenses for their retail sale operations.

The expiry dates of the licenses are as follows:

- AYEDAŞ and AYEPSAŞ: December 31, 2042
- Başkent EDAŞ and Başkent EPSAŞ: September 1, 2036
- Toroslar EDAŞ and Toroslar EPSAŞ: December 31, 2042

Since the electricity retail market in Turkey is being liberalized, a further extension of regulated retail licences will not be required and we will remain the owners of our unregulated retail customer portfolio post these dates. For the distribution business, when these licenses expire, a new tender process will be held with two potential outcomes:

- We win the tender process and can continue to operate the networks in our regions.
- We lose the tender process and receive the unreimbursed regulated asset base and the T+2 correction amounts.

#### **7) What is the mechanism for additional Capex Allowances?**

The regulation in Turkey obliges distribution companies to execute all new connections (whether in the scope of the initial Capex allowance or not), explicitly allows and even encourages investments beyond the scope the initial Capex allowance. There is a clearly defined process of when and how to apply for additional Capex allowance. Whenever a distribution company reaches or expects that it will reach within a short period 80% of the cumulative initial Capex allowance for a given regulatory period, an application for additional Capex allowance may be made to EMRA. Following the approval by EMRA, the additional Capex allowance can be spent.

#### **8) What are Tariff Parameters for Enerjisa Distribution Companies?**

Key tariff parameters defined by EMRA for the fourth regulatory period are available on the Enerjisa investor relations web page. Please visit [Regulation Update](#).

#### **9) Can you describe your cash collection mechanism?**

Majority of our cash inflows in Retail and Distribution business are from our **customers**. Therefore, our risk is late payment of the bills.

We do not receive any money from the state, nor do we have receivables from the regulator or ministry (the only minor exception being income received from ministry on behalf of municipalities for providing general lighting as a regulated activity of distribution companies).

On the contrary, Retail companies rather have **accounts payable** to the state and/or municipalities, as the collected end-customer invoice also includes taxes and levies.

The cash flow relationship of retail and distribution companies with state-owned entities are as follows. First relation is with EÜAŞ (the state-owned electricity wholesale company) due to both the price equalization mechanism, as well as the procurement of energy for regulated activities (regulated sales, theft and loss as well as lighting). On balance, the latter is much more significant than the former, which is why this is mostly a **payable** relationship. The second state-owned entity is TEİAŞ (transmission company) to which our distribution companies have payables related to the transmission-related component of the end-customer electricity bills, i.e. exclusively a payable relationship.

There is no direct cash flow relationship with neither EMRA nor ministry, however significant information exchange exists so that EMRA can set the electricity tariffs on a quarterly basis to ensure that via the different mechanisms all sector players receive the money they are owed from the overall system based on their actual performance.

