

Turkey's No. 1 Electricity Distribution, Retail and Customer Solutions Company

Well Positioned to Capture Growth
& Attractive Dividend Pay-Out

INVESTMENT THEME





History

1996

Foundation of Enerjisa

2009

Acquisition of Başkent EDAŞ

2013

Acquisition of Ayedaş and Toroslar

2017

Generation and wholesale Spin-off from distribution and retail

2021

Start of 4th Regulatory Period

Increase in stake in Eşarj to 94%

Start of 1st Regulatory Period

2006

Acquisition of 50% shares of Enerjisa by E.ON

Unbundling process of distribution and retail initiated

2013

IPO of Enerjisa Enerji

Acquisition of 80% shares of e-mobility company (Eşarj)

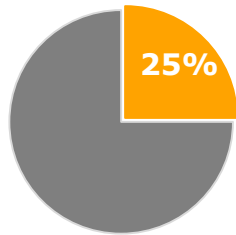
2018

Turkey's #1 Electricity Distribution, Retail & Customer Solutions Company

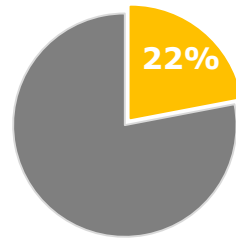


Leader in an Attractive Market

11.8m Distribution Connections¹

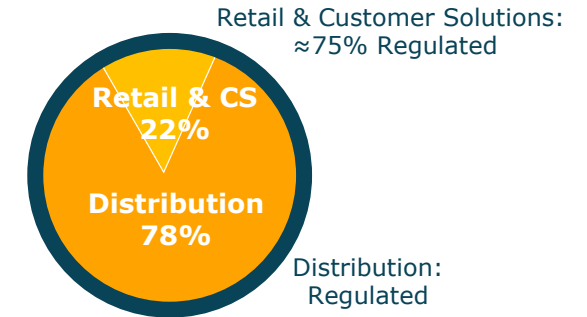


10.4m Retail Customers²



Supportive and Transparent Regulatory Framework

TL 6.7bn Operational Earnings³
(1H2022)



Premium Sponsors and Superior Governance

40% E.ON
(DD Turkey Holdings)



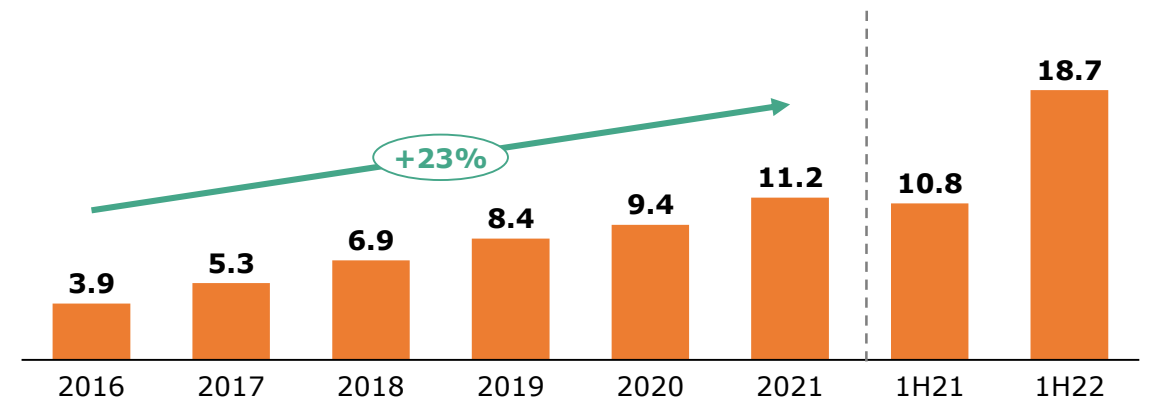
40% Sabancı Holding

20% Free Float



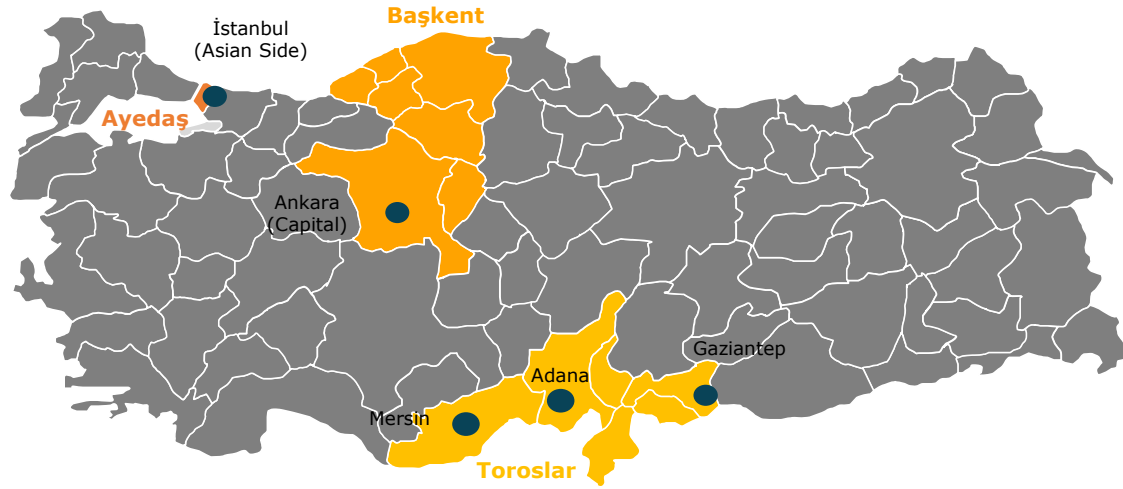
Strong Historical Growth and Untapped Potential

Regulated Asset Base
(TLbn)





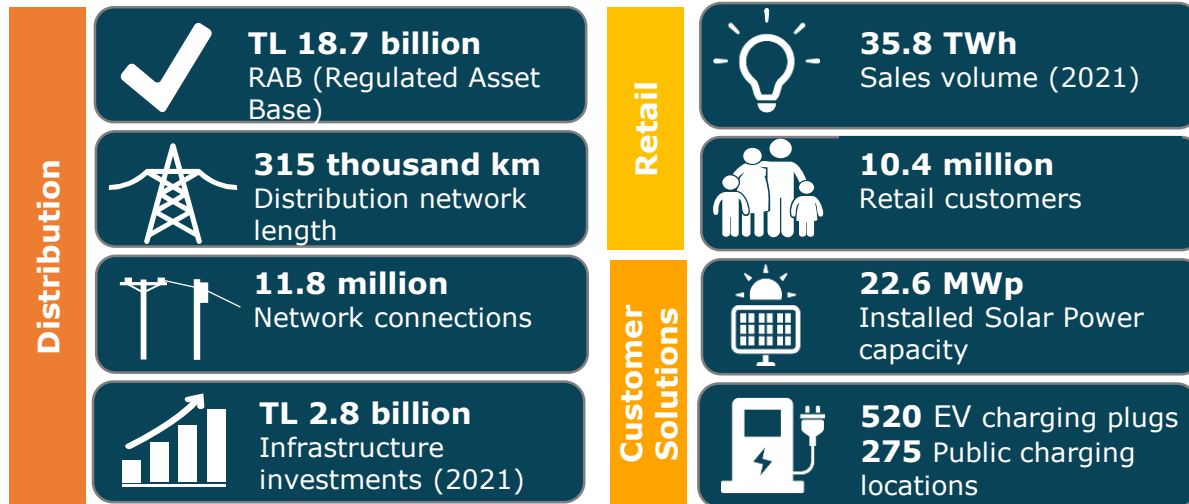
Enerjisa at a Glance (1H 2022)



Overview

- Turkey's **leading electricity distribution, retail and customer solutions** company with **consolidated revenues of c. TL 36 bn** in the first half of 2022
- **Successful partnership** between **E.ON** and **Sabancı**, since 2013²
- **Fundamental growth** from incumbent regions (Başkent, Ayedaş and Toroslar)
- Successfully completed **operational and financial improvement** post privatizations

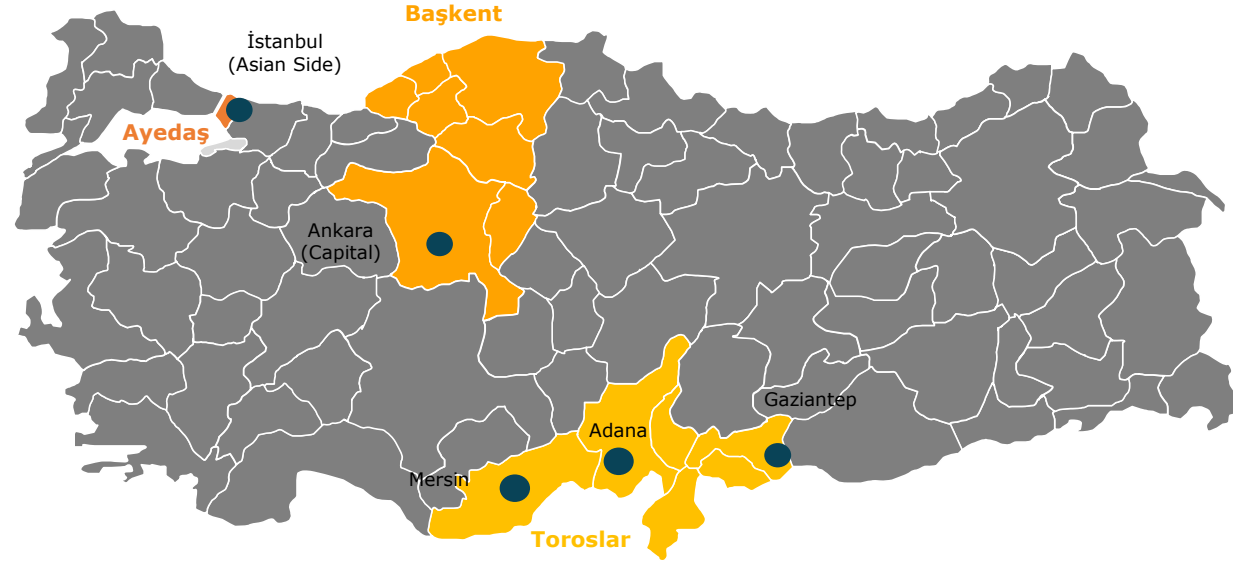
No.1 Electricity Distribution, Retail and Customer Solutions Player in Turkey¹





Attractive Home Regions Enhance Growth Potential

Enerjisa Geographic Footprint



Başkent

- First Enerjisa region acquired in 2009
- Largest electricity distribution region in Turkey by grid size and geographic area
- Key urban centers: Ankara (Capital)
- Network length: 132,981 km
- License Expiry Date: Sep 2036
- Population: 7.6 million

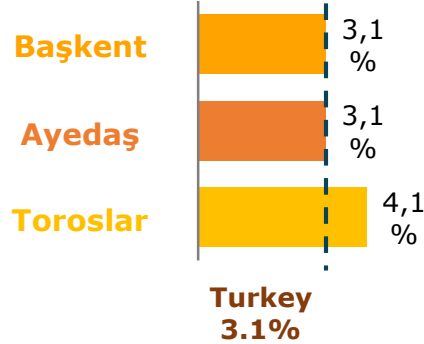
Ayedaş

- Acquired in a privatisation tender in 2013
- Exposure to the Asian side of İstanbul (Turkey's largest city)
- Network length: 33,580 km
- License Expiry Date: Dec 2042
- Population: 5.6 million

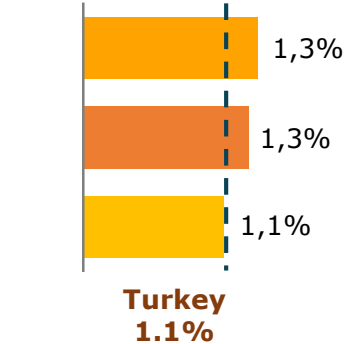
Toroslar

- Acquired in a privatisation tender in 2013
- 3 large metropolitan areas: Mersin, Adana and Gaziantep
- Network length: 143,346 km
- License Expiry Date: Dec 2042
- Population: 8.7 million (most populous of Enerjisa's regions)

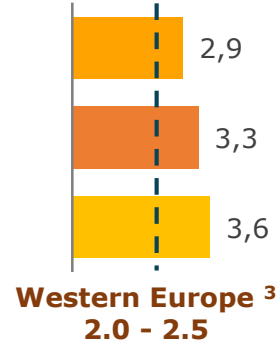
Consumption Growth¹



Population Growth² (2021-2025)



Household Size⁴



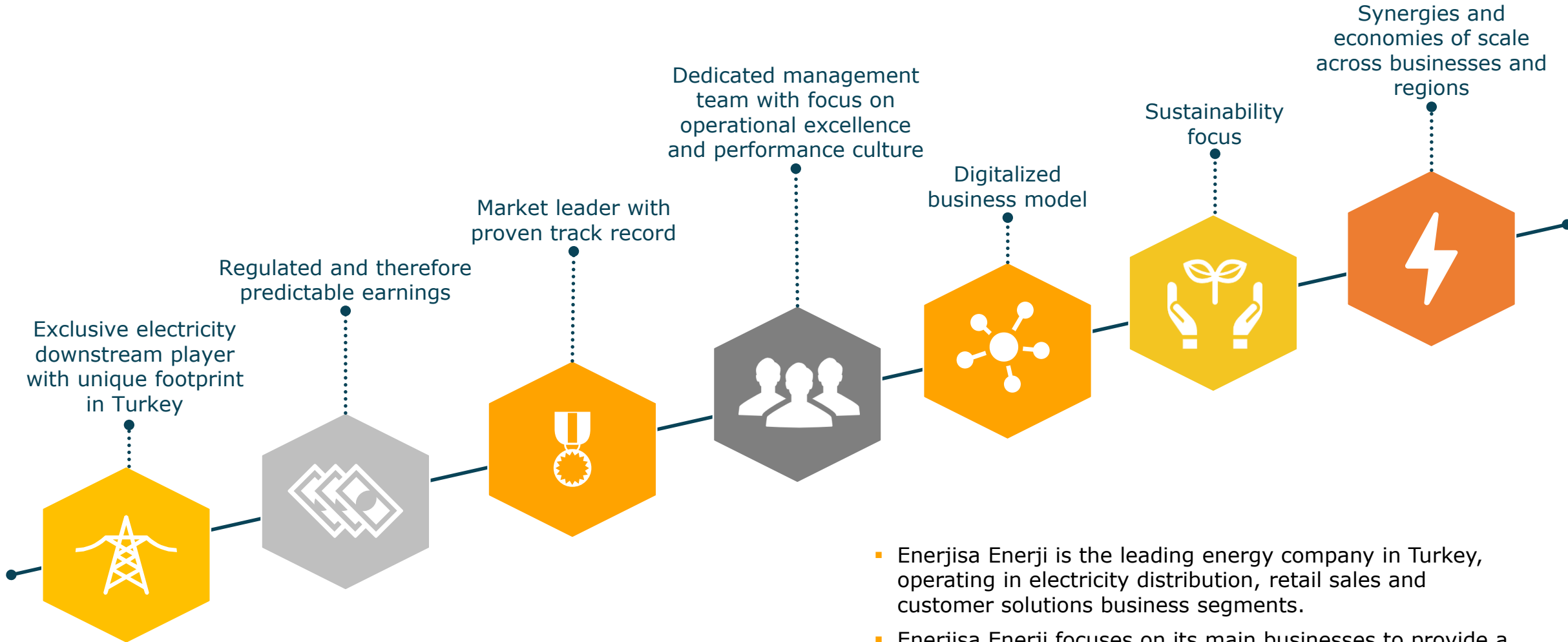
1) EXIST Transparency Platform, Demand Forecast (2020-2027)

2) Turkstat Population of provinces by years, 2018-2025

3) Based on average household sizes in Germany (2.0), UK (2.3), France (2.1) and Spain (2.5). Eurostat Average household size, 2019

4) Ayedaş constitutes İstanbul household size (including European side). Turkstat (Average size of households by provinces, 2020)

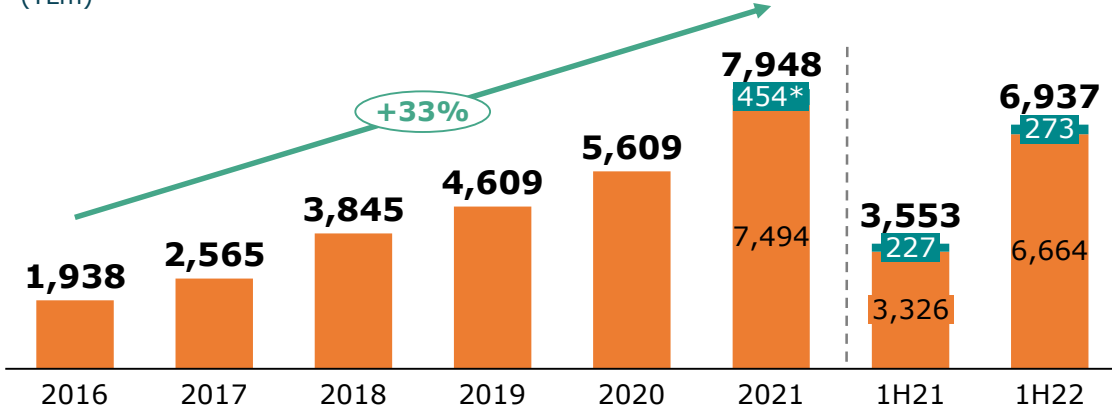
Market Leader in Focused Business Lines



- Enerjisa Enerji is the leading energy company in Turkey, operating in electricity distribution, retail sales and customer solutions business segments.
- Enerjisa Enerji focuses on its main businesses to provide a predictable earnings model for its shareholders within the perimeters of a well defined regulatory system that has proved its reliability and functionality.

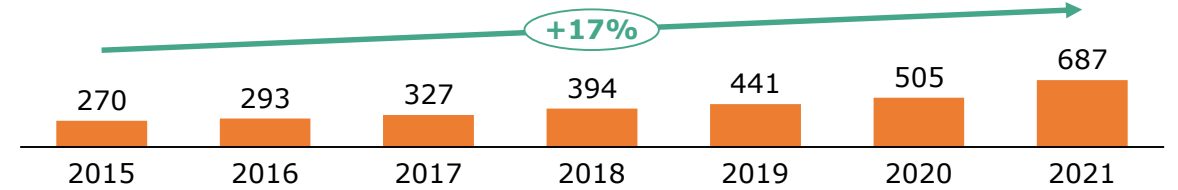
Strong Real Earnings and Dividend Growth

Consolidated Operational Earnings (TLm)

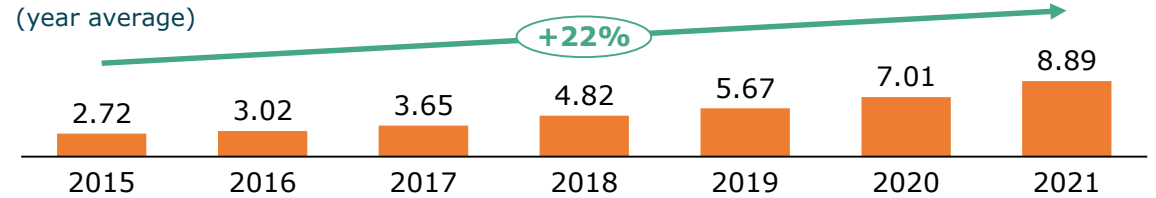


* Exceptional Capex Reimbursements

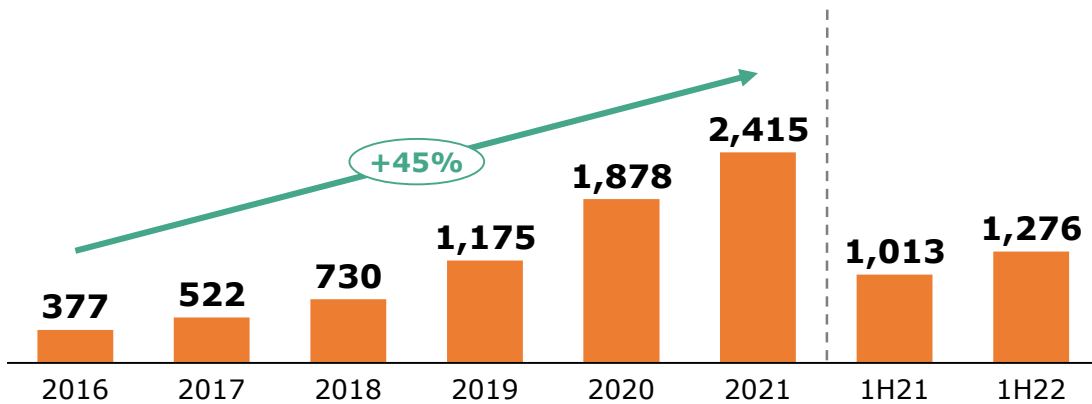
Consumer Price Index (year-end)



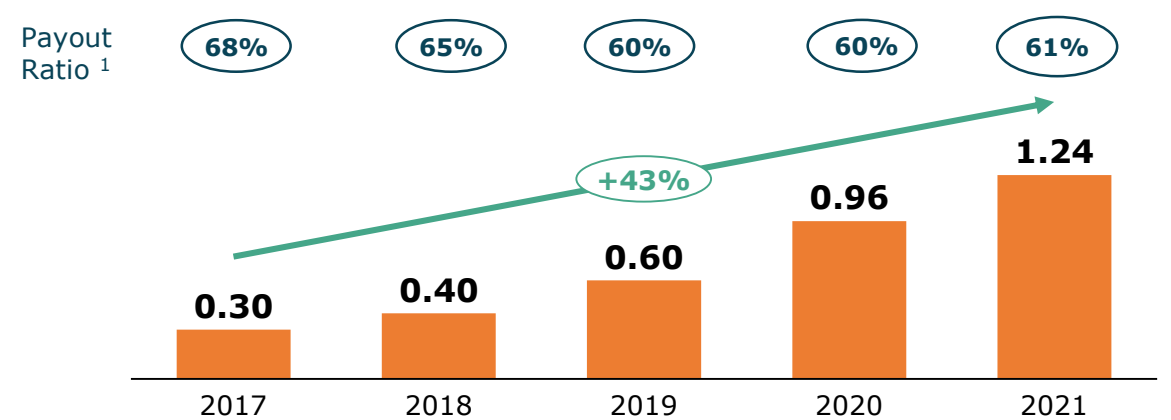
USD / TL (year average)



Consolidated Underlying Net Income (TLm)



Dividend Payment (TL per share)



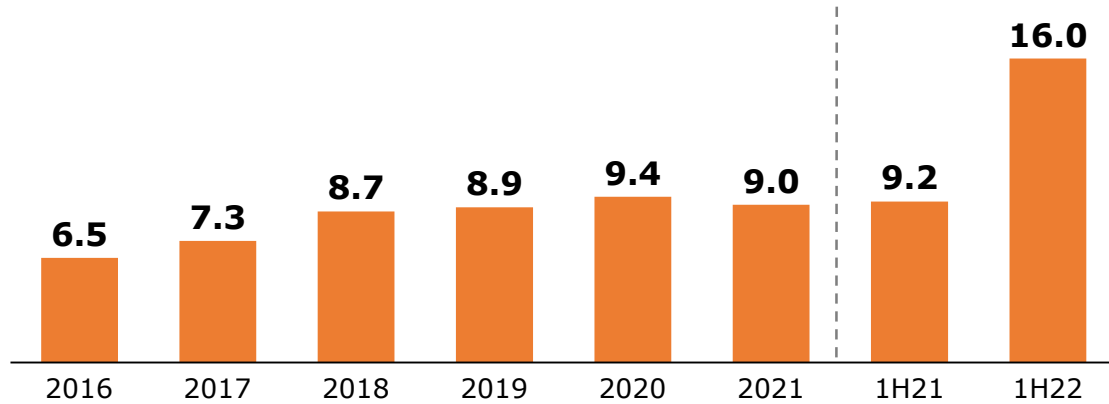
1) On Underlying Net Income



Declining Leverage and Free Cash Flow Turning Positive

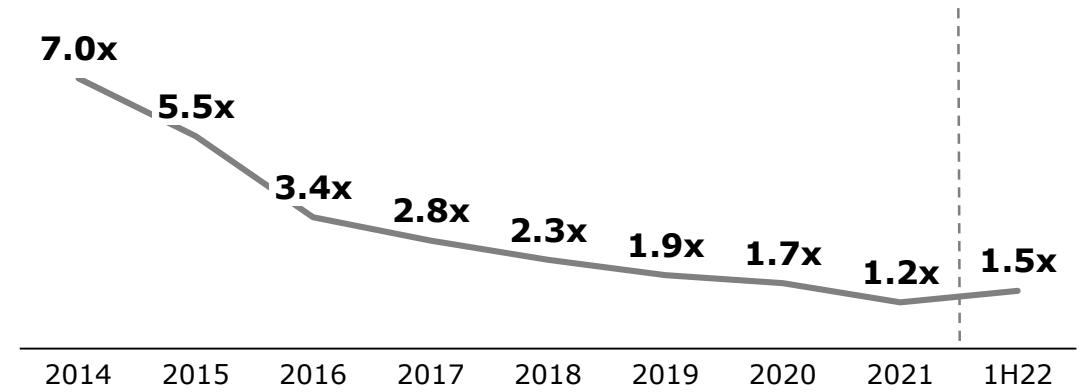
Financial Net Debt

(TLbn)



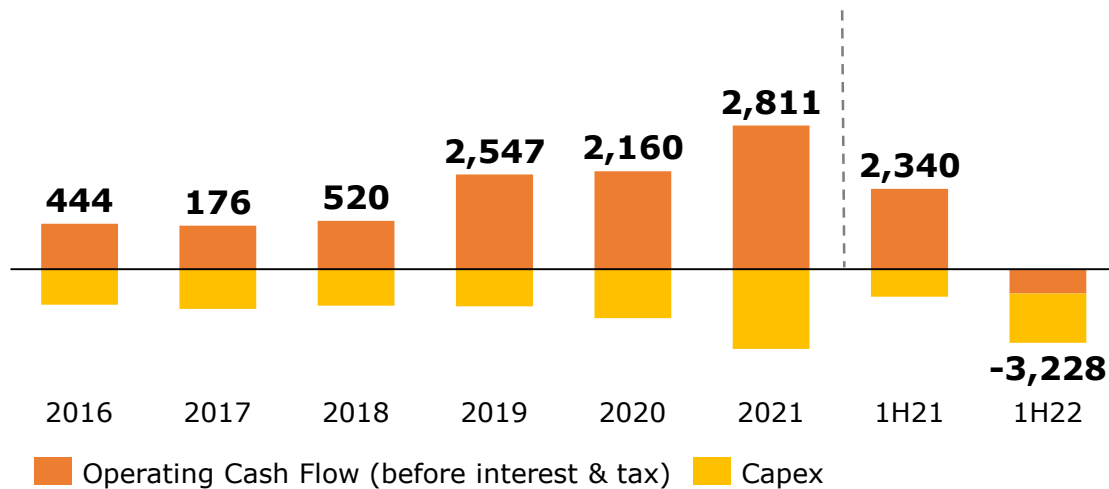
Leverage

(Financial Net Debt / Operational Earnings)



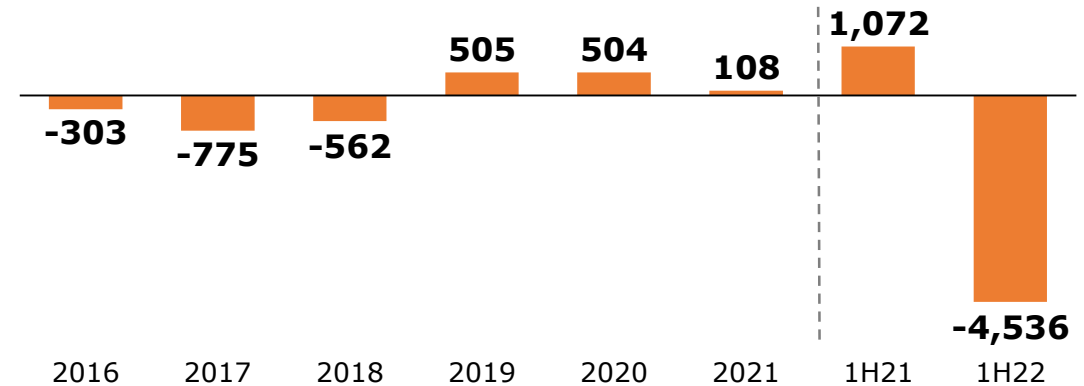
Consolidated Free Cash Flow before Interest and Tax

(TLm)



Consolidated Free Cash Flow after Interest and Tax

(TLm)

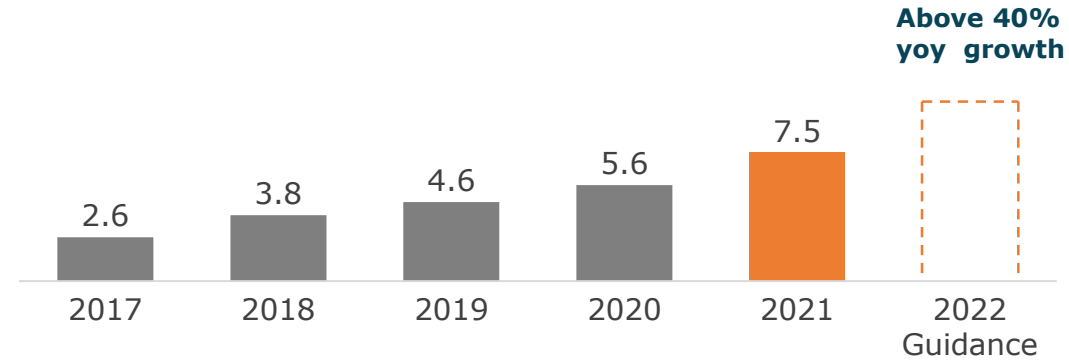




Financial Outlook

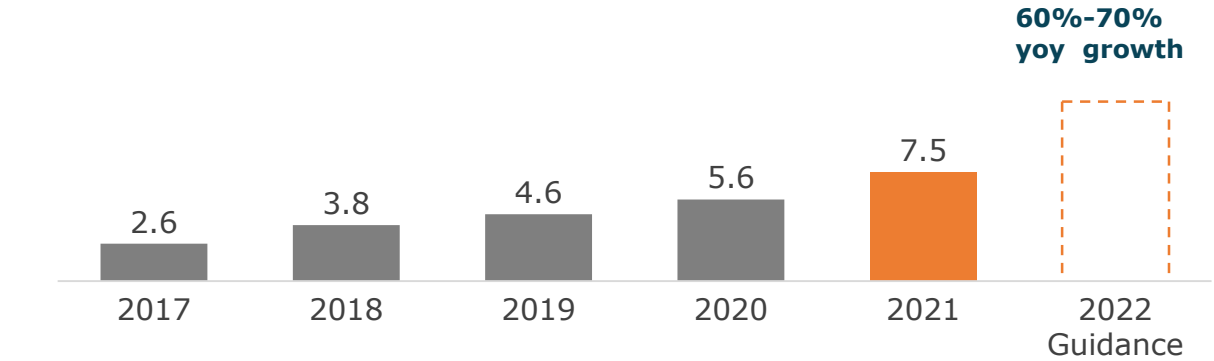
Previous Outlook (as of April 2022)

Consolidated Operational Earnings (TLbn)

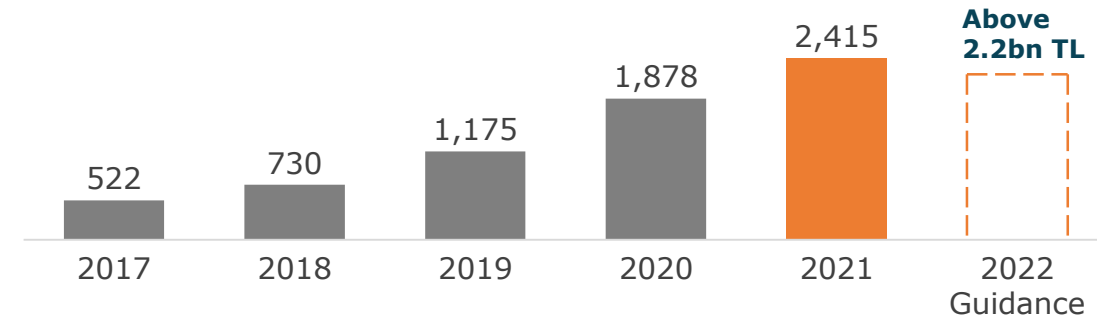


Revised Outlook (as of August 2022)

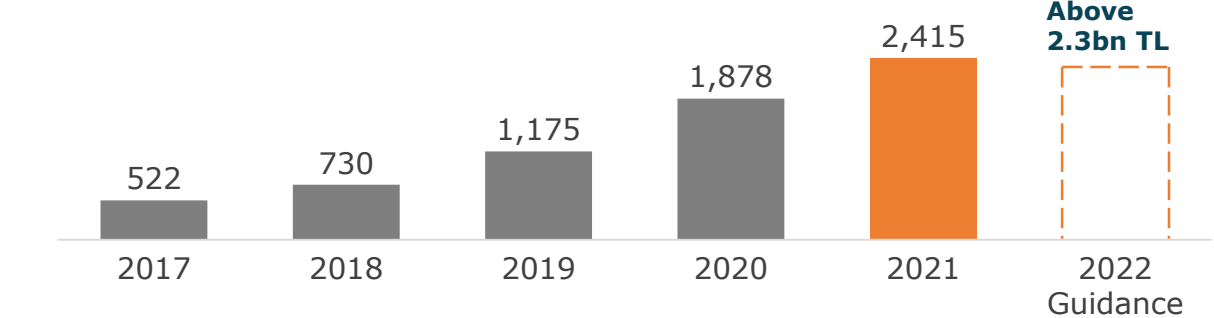
Consolidated Operational Earnings (TLbn)



Consolidated Underlying Net Income (TLm)



Consolidated Underlying Net Income (TLm)

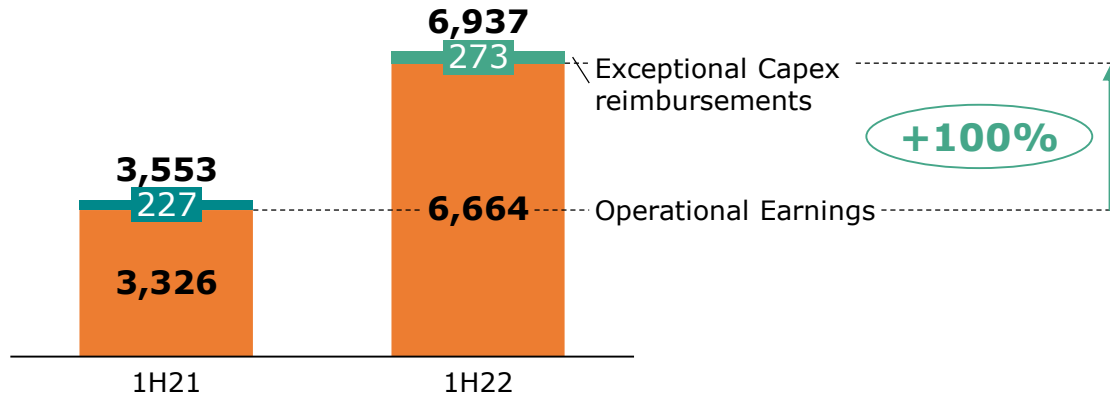




Financial Highlights 1H 2022

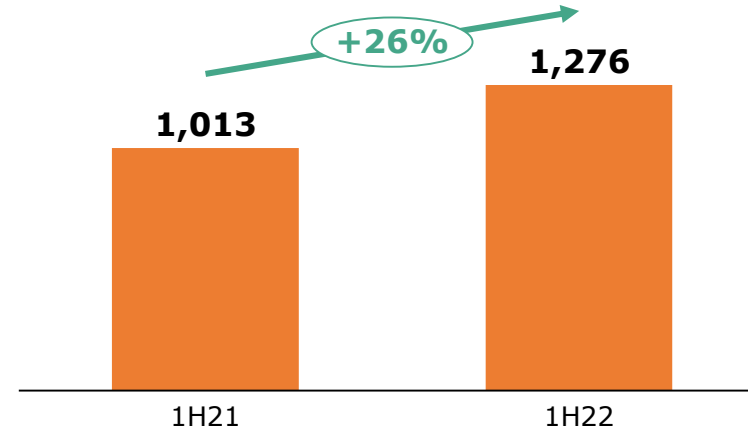
Operational Earnings

(TLm)



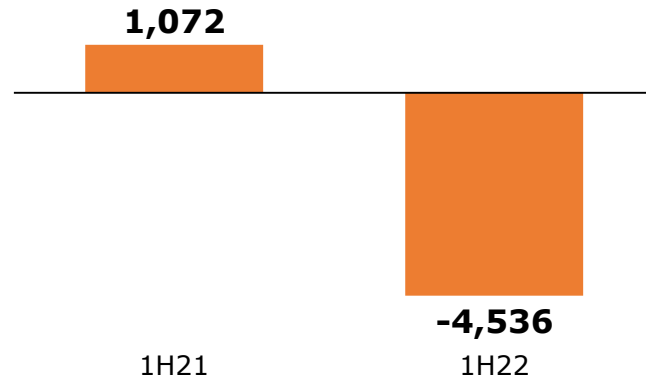
Underlying Net Income

(TLm)

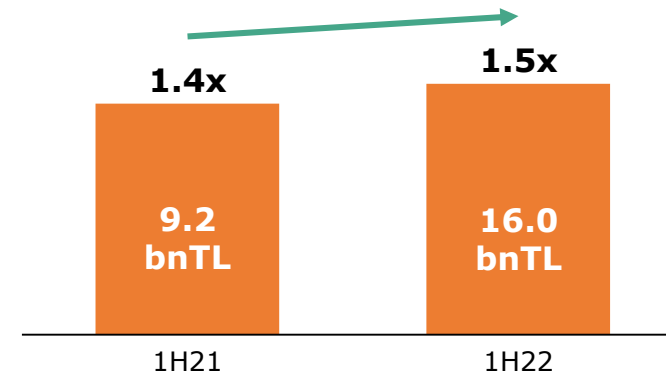


Free Cash Flow After Interest and Tax

(TLm)

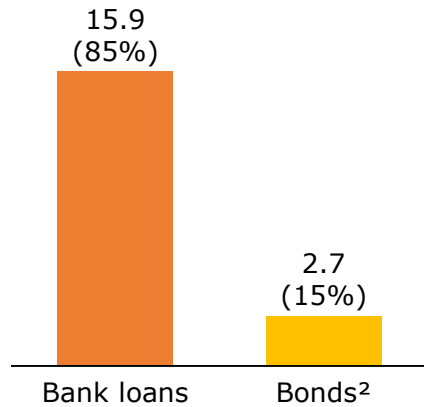


Net Financial Debt/LTM* Operational Earnings

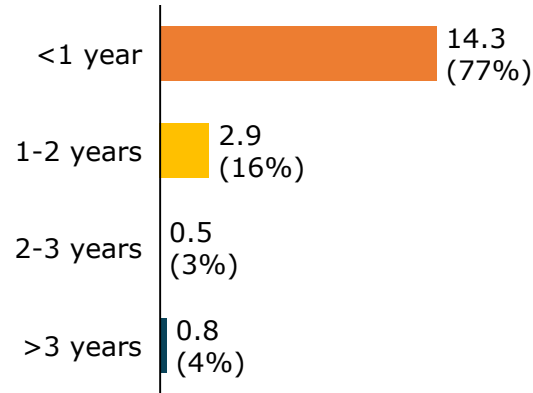


Diversified Financing Mix with Limited Risks

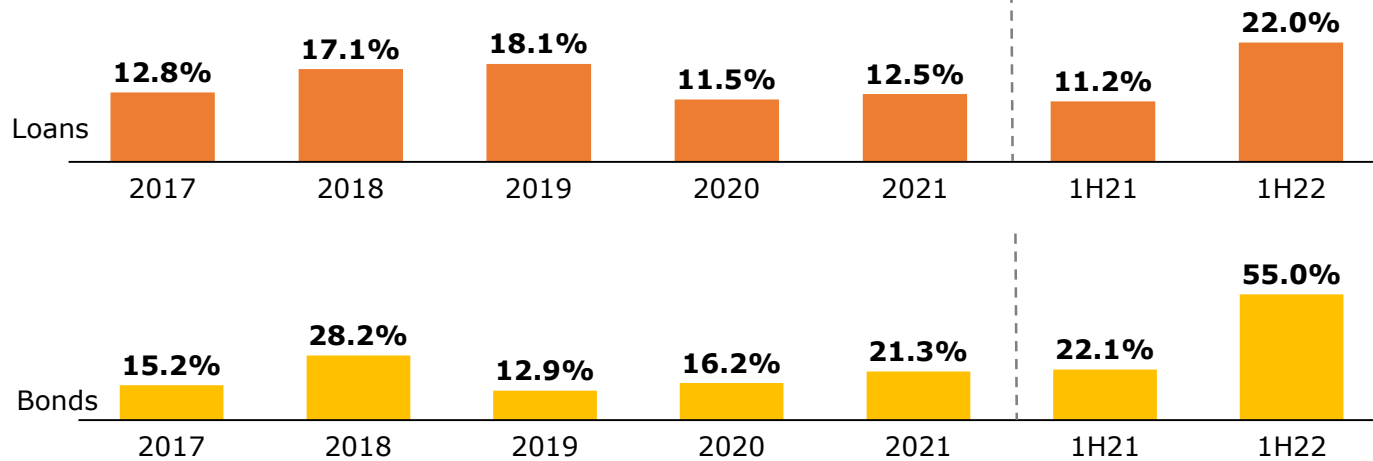
Debt instrument split¹
1H 2022



Tenor split¹
1H 2022



Weighted average effective cost of financing³
(%)



- **99%** of the loans and bonds is in Turkish Lira and the remaining part is hedged using risk instruments.
- **Financing Mix:** **63%** fixed bank loan, **3%** bank loans with overnight rates, **19%** TLREF indexed bank loans, **7%** TLREF indexed bond and **8%** CPI indexed bond as of June 2022.
- **Loans:** Bank loans are based on strong financials with minimal covenants.
- **Bonds:** A mix of CPI linkers and TLREF indexed bonds.
- **EBRD financing:** 110m USD equivalent in Turkish Lira was utilized in 1H2022.
- **Highest rating** among Turkish electricity companies → (AA+ national) by Fitch

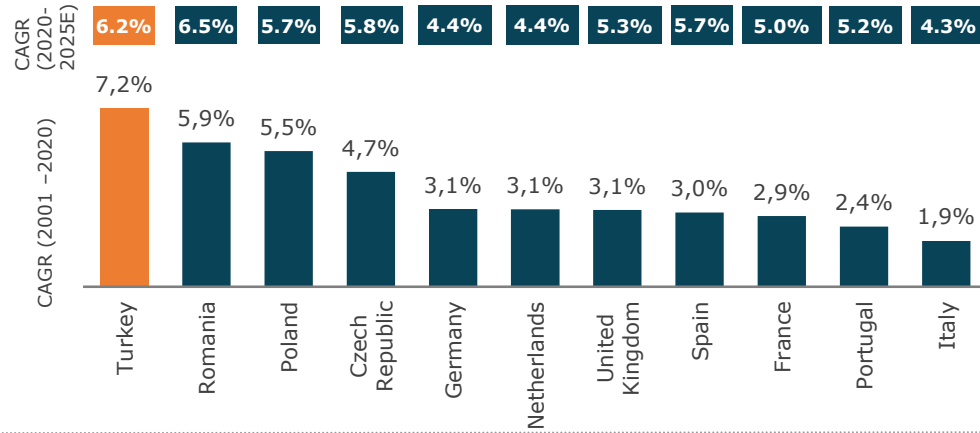
KEY INVESTMENT THESIS



Favorable Demographics Driving Demand Growth

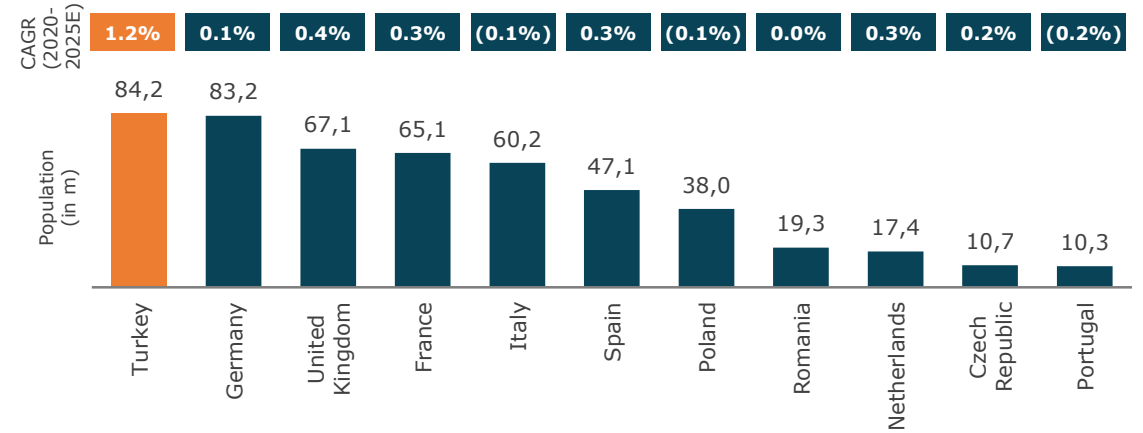
One of the Fastest Growing European Countries¹

(real GDP CAGR in %)



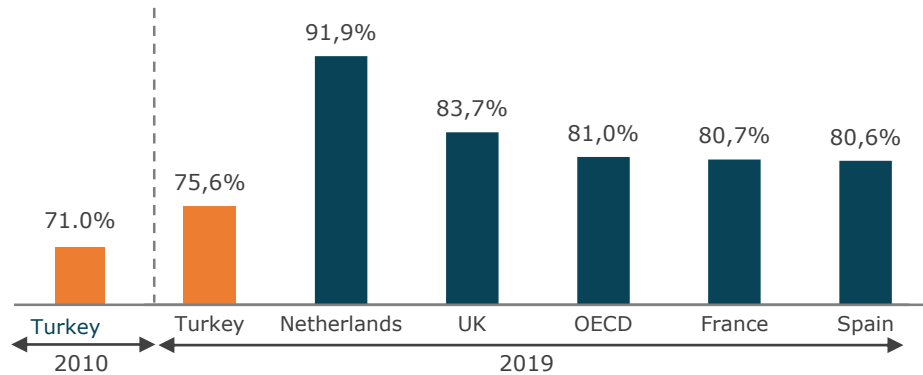
One of the Largest and Still Growing Population in Europe²

(2020 population in millions, CAGR 2020-2025E in %)



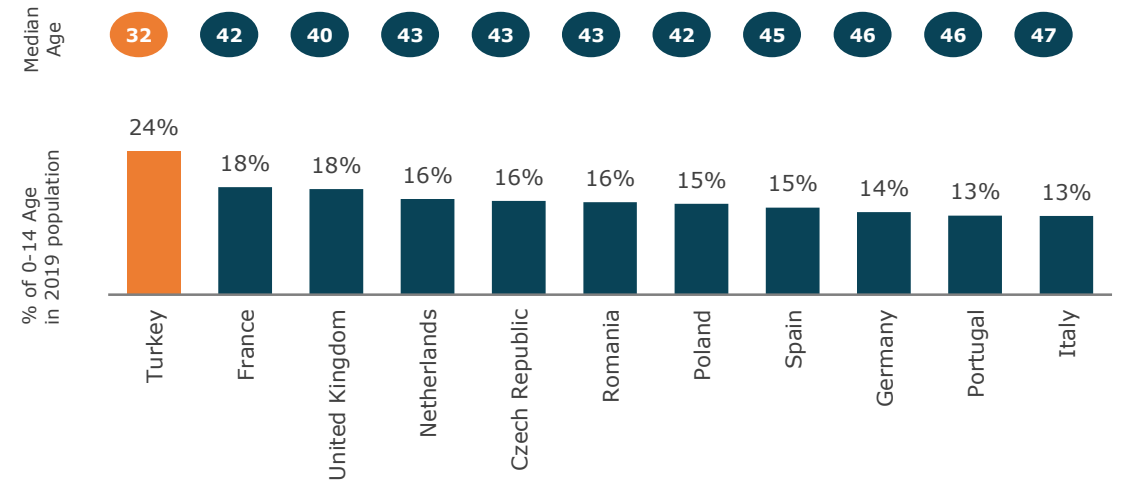
Favorable Demographics with Increasing Urbanisation³

(% of Total Population)



A Young Population

(Percent of 0-14 Age in Total Population⁴, Median Age in 2020⁵)



1) IMF World Economic Outlook Database, April 2021

2) IMF World Economic Outlook Database, April 2021

3) World Bank World Development Indicators 2019

4) World Bank World Development Indicators 2019 Revision

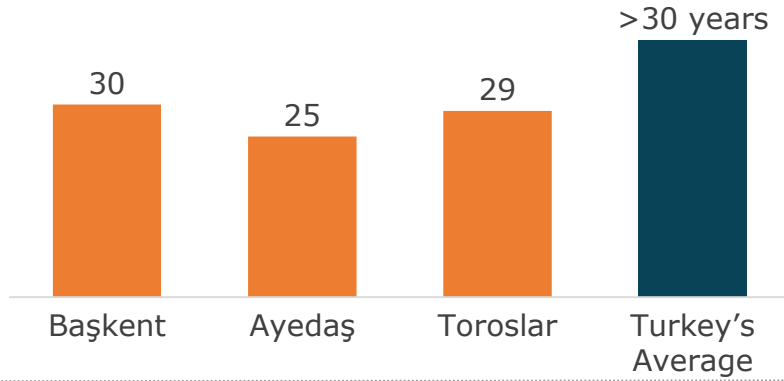
5) UN World Population Prospects 2020



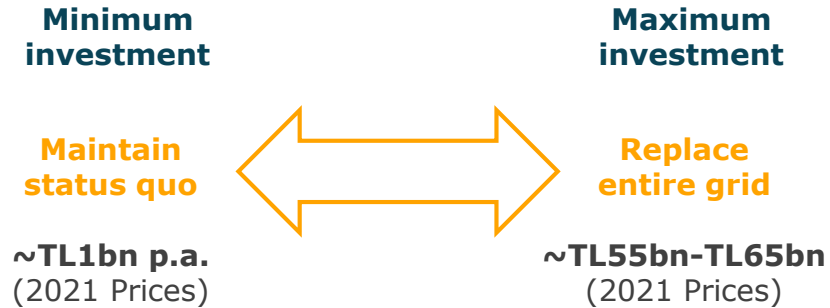
Significant Investments Required for Quality Improvements of Grids and New Connections

Existing grid requires significant replacement investments...

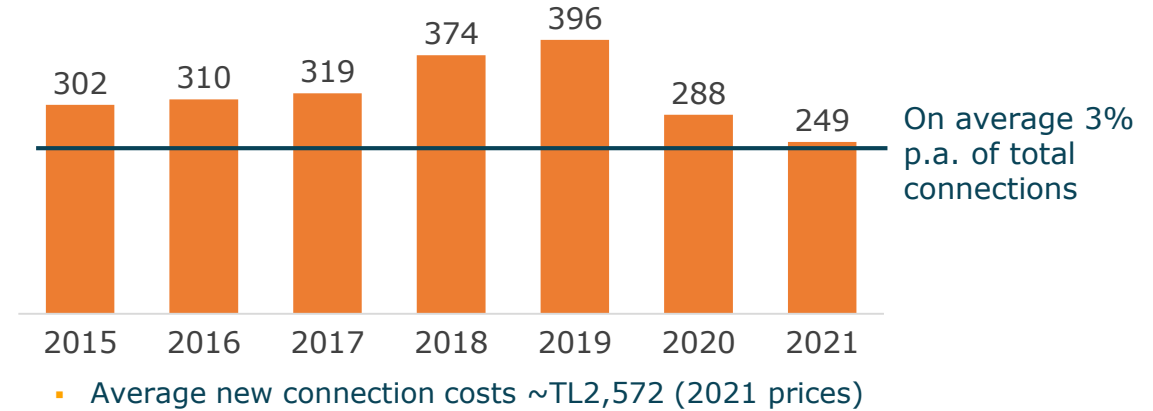
Average age of network (years)



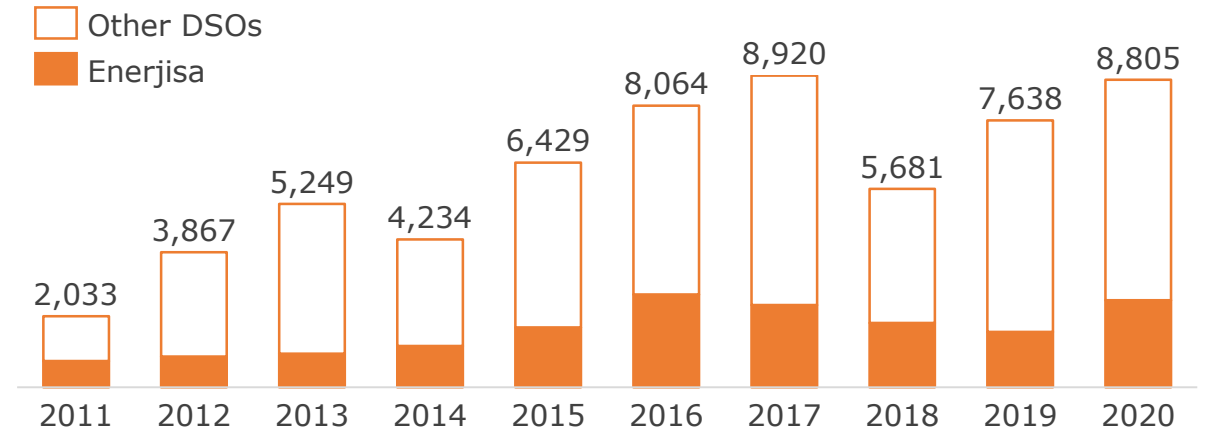
Cost of existing Enerjisa network (at year-end 2021 with ~310,000 km grid length)



New customer connections in Enerjisa regions (000)



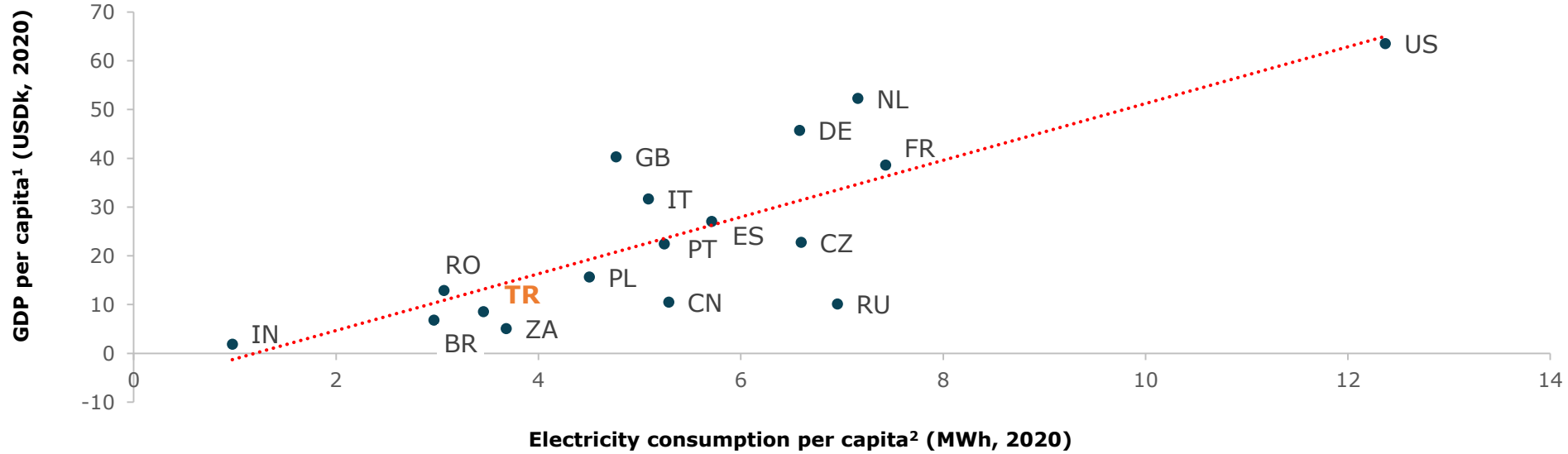
Turkey distribution investments¹ (TLm, 2020 June CPI: 465,84)



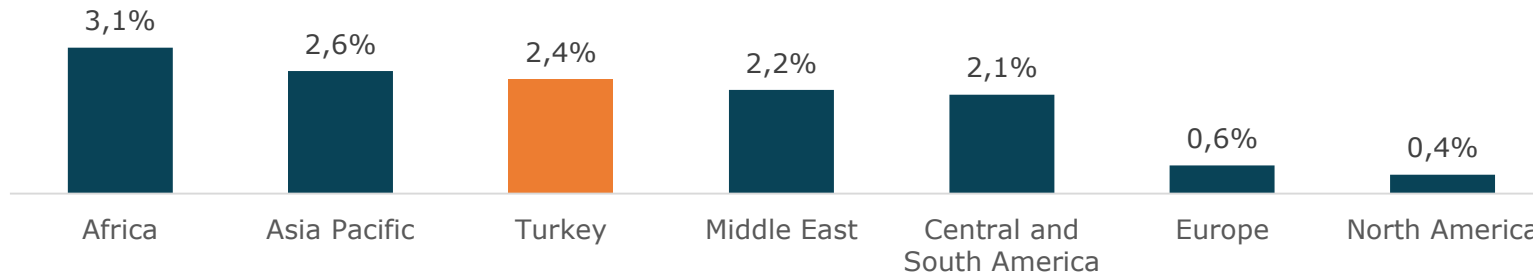


Further Room for Growth in Electricity Consumption

Electricity per Capita Consumption Significantly Below European Countries



Electricity Consumption Growth Expected to Outpace Developed Regions³ (CAGR 2019-2030 in %)



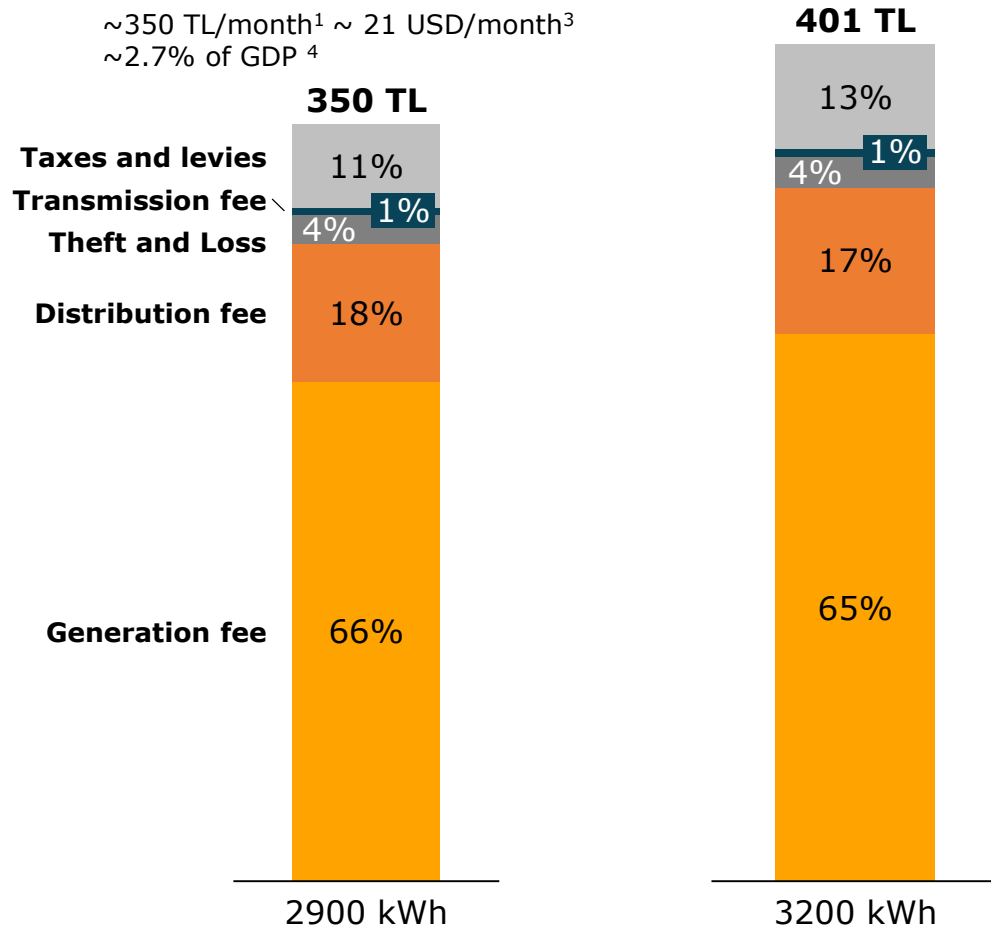


Electricity Bill Accounts for a Low Share of Disposable Income

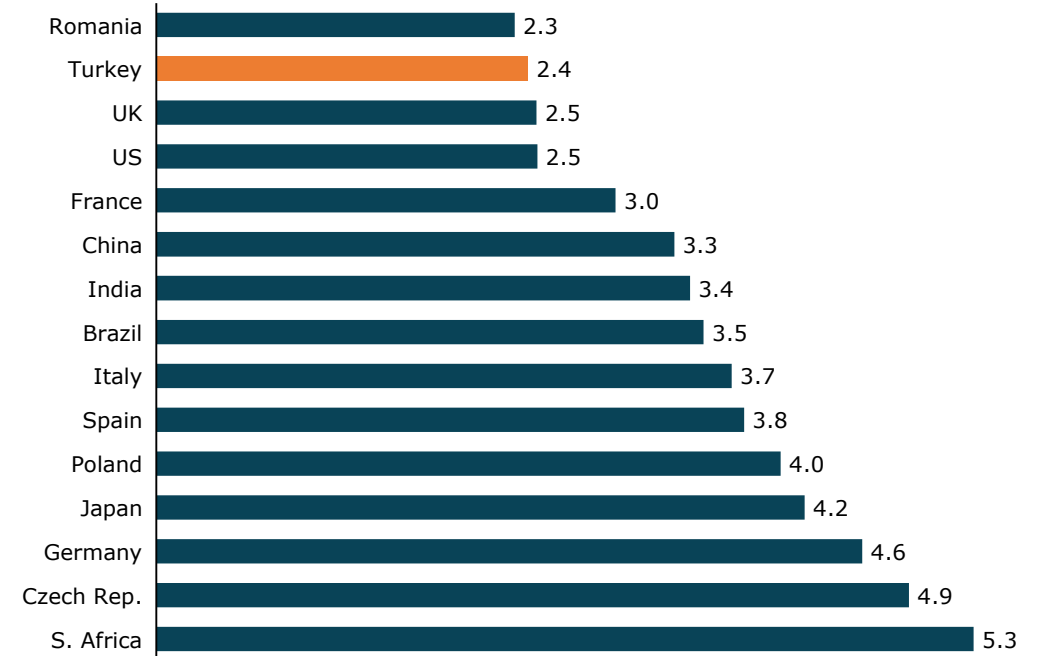
Breakdown of regulated electricity bill

~401 TL/month² ~ 24 USD/month³
~3.0% of GDP⁴

~350 TL/month¹ ~ 21 USD/month³
~2.7% of GDP⁴

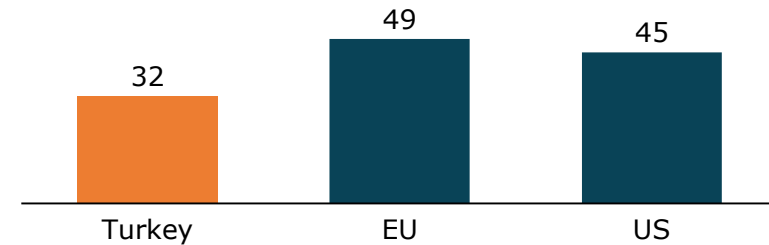


Affordability of electricity by country⁵ (% of GDP)



Share of grid costs in electricity bill by region⁶

(% of transmission & distribution fee in total electricity cost excl. taxes for 2018)

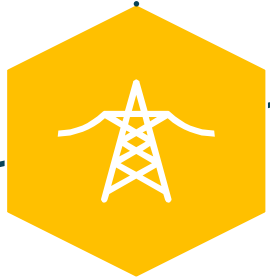


1) Based on average household consumption of ~2,900 kWh/month
 2) Based on average household consumption of ~3,200 kWh/month
 3) Calculated on TCMB (The Central Bank of the Republic of Türkiye) Forex Selling rate, 30th June, 2022
 4) 2021: \$9,539, TÜİK-Turkish Statistical Institute.
 5) Electricity consumption cost as a percentage of GDP in 2018
 6) Eurostat and BloombergNEF



Potential Growth Areas

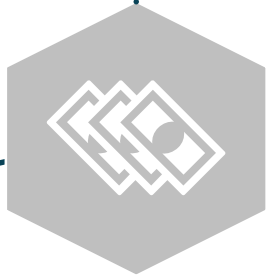
Organic and Inorganic Growth in Distribution



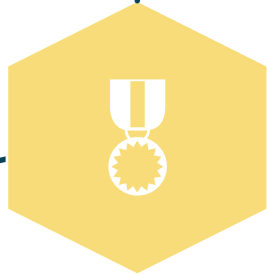
Benefit from Retail liberalisation



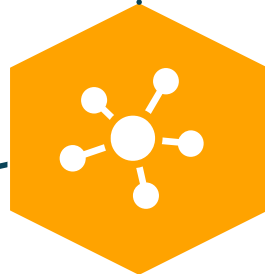
Ensure competitive financing cost and capital structure



Drive operational excellence



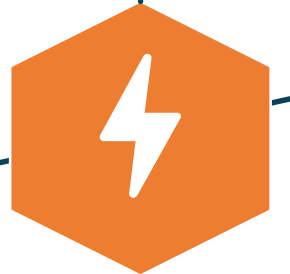
Digitize business model



Enhance sustainability related opportunities



Expand sustainable products and services portfolio





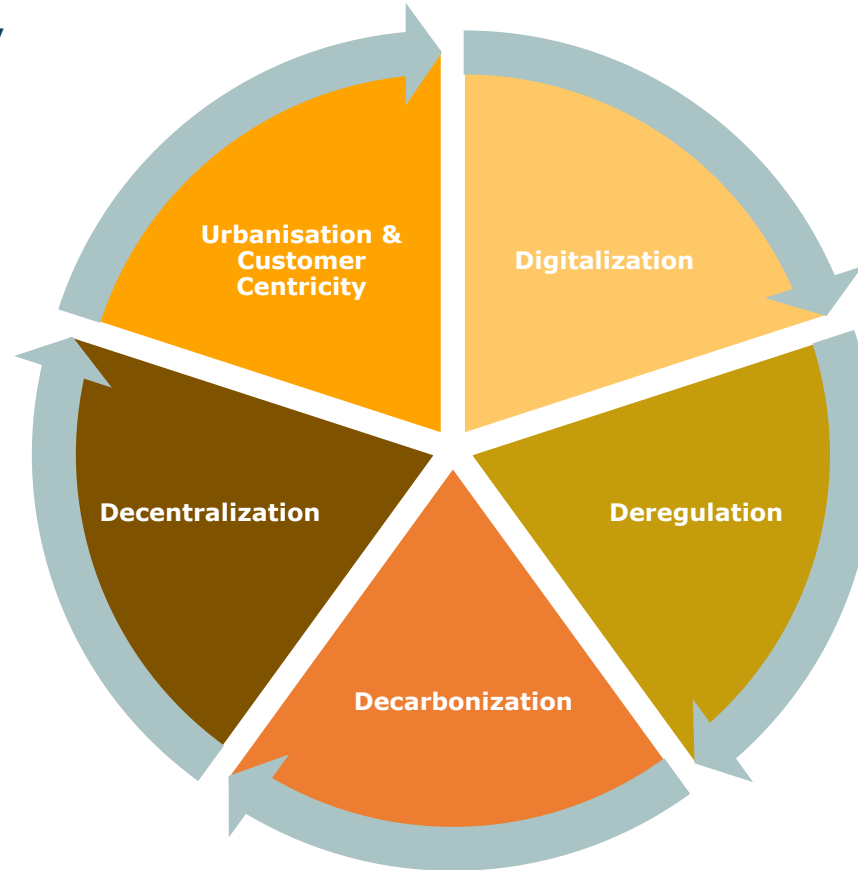
In the New Energy World, DSO is the Key Enabler of Energy Megatrends

Urbanisation & Customer Centricity

- Customer Satisfaction
- Uninterrupted Energy
- Smart City Solutions
- Smart Homes
- Rooftop PV Solutions
- Residential Demand Response
- Treatment of Vulnerable Customers

Decentralization

- Distributed Generation
- Energy Storage
- Microgrids
- Cogeneration
- Reserve Capacity
- Demand Side Response



Digitalization

- Big Data Analytics
- IoT Grid Solutions
- Cybersecurity
- Smart Grids
- Smart Homes
- Advanced Sensors
- Artificial Intelligence
- Smart City Solutions
- Blockchain Energy Trading

Deregulation

- Demand Management
- Customer Satisfaction
- New Product Offerings
- Energy Storage
- Distributed Generation

Decarbonization

- Renewable Energy Integration
- Electrification Trends
- Energy Efficiency Solutions
- E-mobility Solutions (Eşarj)
- Green Energy Products
- Energy Storage



Key Investment Highlights



Significant growth realized & expected



Regulated and guaranteed income



Reliable regulatory framework



Solid balance sheet and declining leverage



Attractive dividend pay-out
(ratio of 60-70% of Underlying Net Income)



A responsible public service provider and a role model in the sector; shaping the transition to the New Energy World

DISTRIBUTION DETAILS



Well-established Incentive-based Regulatory Framework

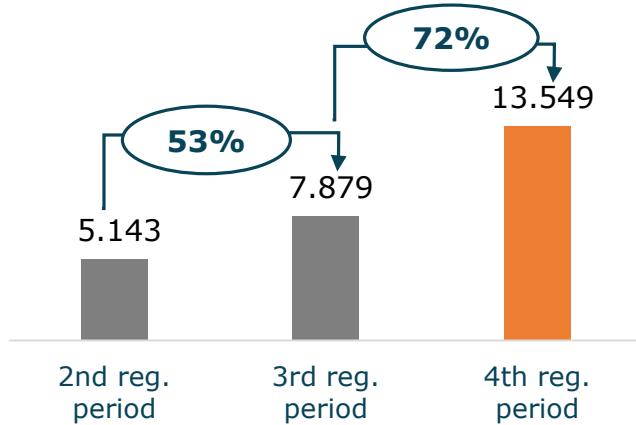
	First Regulatory Period (2006–2010)	Second Regulatory Period (2011–2015)	Third Regulatory Period (2016–2020)	Fourth Regulatory Period (2021–2025)		
Mid-year WACC (real, pre-tax)	9.35%	9.97%	11.91% - 13.61%	12.30%		
Evolution	<ul style="list-style-type: none"> “Transition period” designed to provide smooth shift to a cost-based tariff structure post-2010. RAB-based tariff calculation methodology introduced with RAB set to zero in 2006. Private Operator Model (Transfer of Operating Rights - TOR) established for privatisations. 	<ul style="list-style-type: none"> WACC revised up to 9.97%. Unbundling of distribution and retail operations. 	<ul style="list-style-type: none"> WACC revised up to 11.91%, for 2016-2017 and 13.61% for 2018-2020. T&L methodology revised. Significant increases in Opex and Capex allowances. Introduction of Quality Incentives. Increase in retention rate for theft usage detection accrual. 	<ul style="list-style-type: none"> WACC revised to 12.30%. Enhanced quality incentives (bonus/malus mechanism with higher % bonus ceiling). Further increases in Opex and Capex allowance. For scheduled maintenance a new scope is defined and a new opex allowance is introduced to incentivize improvement in continuity of supply and customer satisfaction. New Quality Indicators introduced for in-house sourcing and listed companies. 		
Capex Reimbursement	5 years	10 years				
Revenue components and incentives	<p align="center">RAB-based framework with incentives given to outperformance</p> <table border="0"> <tr> <td> <p><u>Regulated Revenue cap</u></p> <ul style="list-style-type: none"> Real WACC return: Average RAB x Average WACC Capex reimbursement Opex allowance Tax correction mechanism on Capex No volume and inflation risk </td> <td> <p><u>Incentives</u></p> <ul style="list-style-type: none"> Capex outperformance Opex outperformance Theft & Loss margin Theft accrual & collection Quality related incentives Other revenue (Advertisement, rent, lighting margin) </td> </tr> </table>				<p><u>Regulated Revenue cap</u></p> <ul style="list-style-type: none"> Real WACC return: Average RAB x Average WACC Capex reimbursement Opex allowance Tax correction mechanism on Capex No volume and inflation risk 	<p><u>Incentives</u></p> <ul style="list-style-type: none"> Capex outperformance Opex outperformance Theft & Loss margin Theft accrual & collection Quality related incentives Other revenue (Advertisement, rent, lighting margin)
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Regulation Incentivises Investments

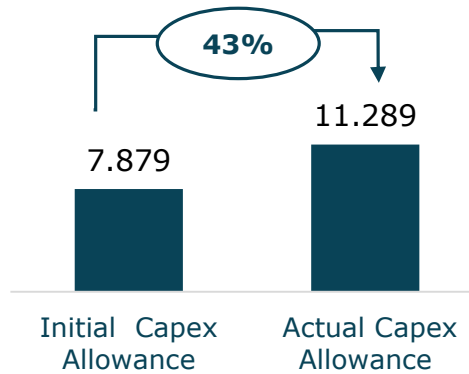
Initial Capex Allowance

(TLm, real Oct 2020, Index: 487.38)



3rd Tariff Period Capex Allowance

(TLm, real Oct 2020, Index: 487.38)



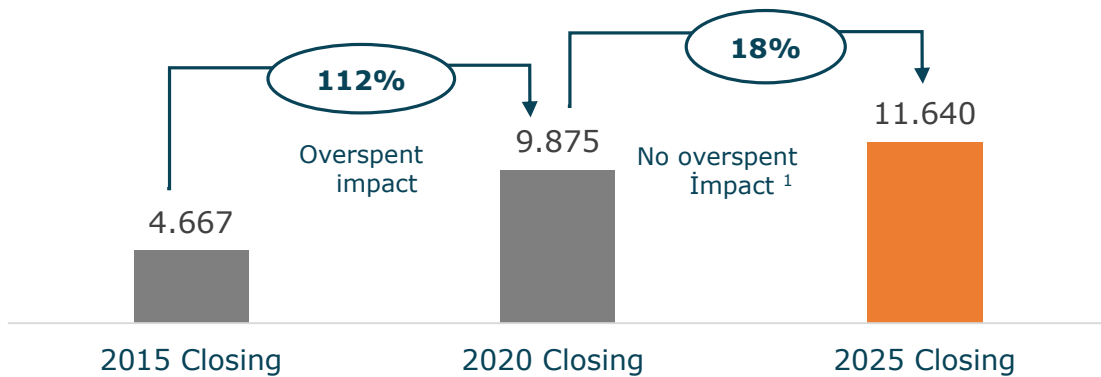
Distribution Operational Earnings Breakdown ²

(1H 2022)



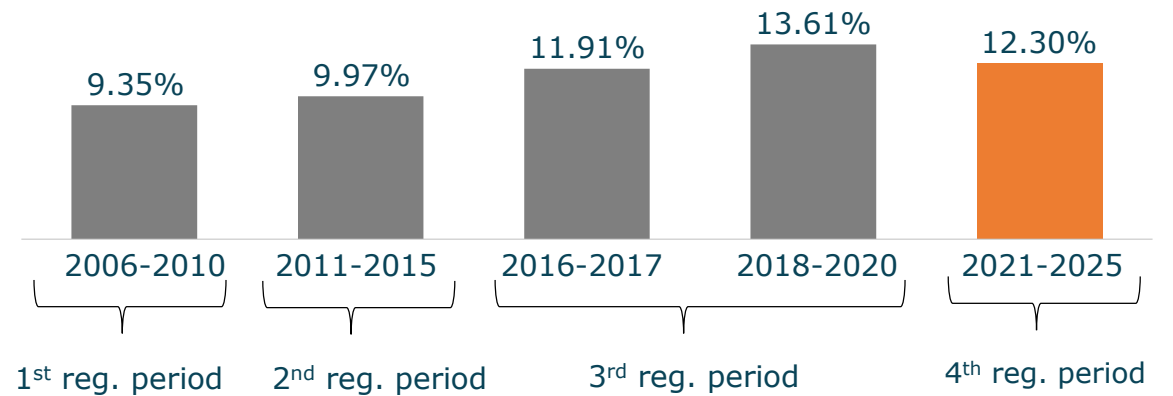
Statutory RAB Development

(TLm, real Oct 2020, Index: 487.38)



Regulated WACC

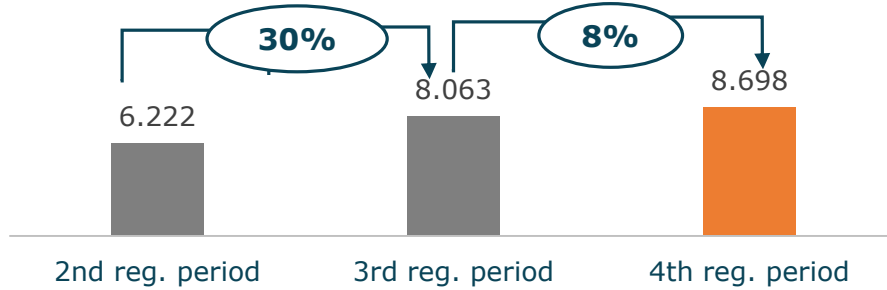
(Real, pre-tax, mid-year adjusted)



Regulation Incentivises Efficiency and Quality

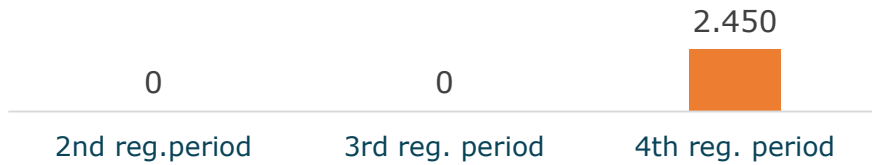
Initial Controllable Opex Allowance

Excluding scheduled maintenance
(TLm, real Oct 2020, Index: 487.38, 5 year total)



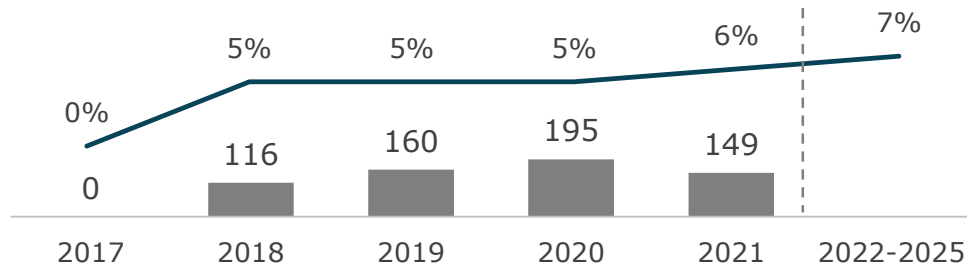
Initial Scheduled Maintenance Opex Allowance

(TLm, real Oct 2020, Index : 487.38, 5 year total)

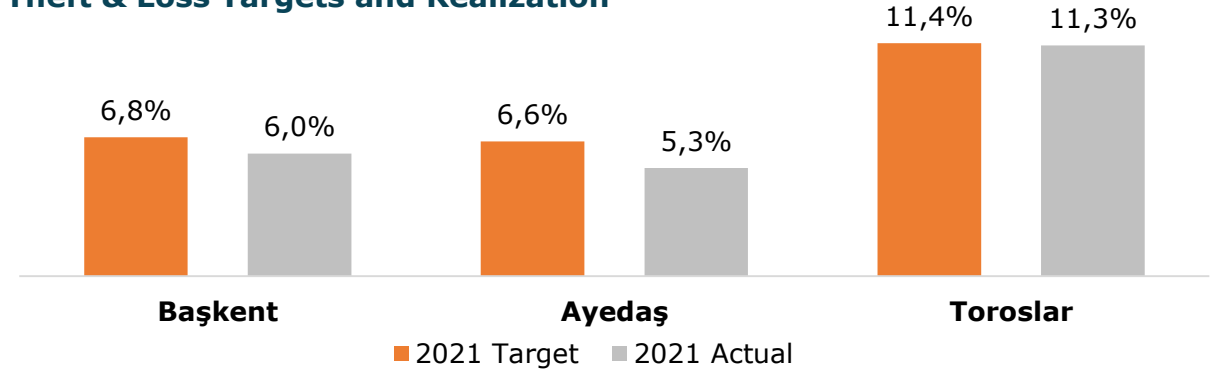


Quality Parameter Realized and Quality Parameter Ceiling

(TLm, Nominal & % of Regulated Revenue Requirement)

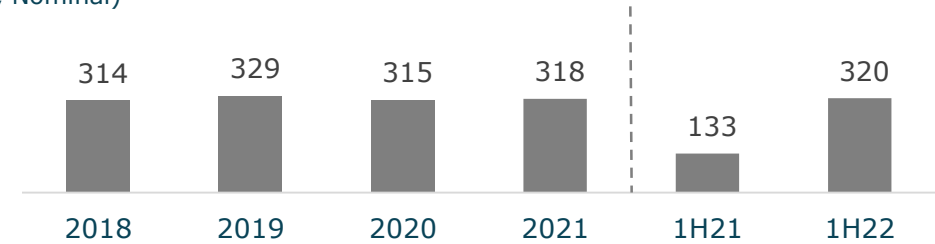


Theft & Loss Targets and Realization



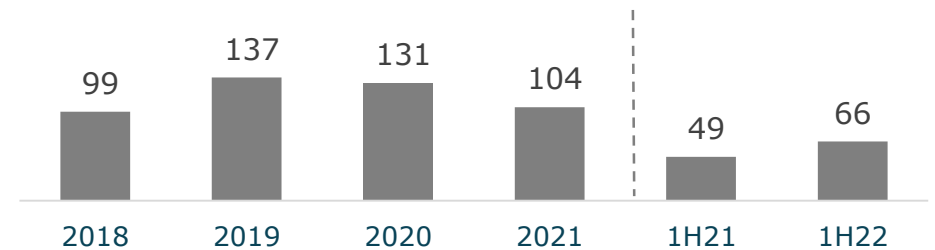
Theft Usage Detection Accrual

(TLm, Nominal)



Theft Usage Accrual Collection

(TLm, Nominal)

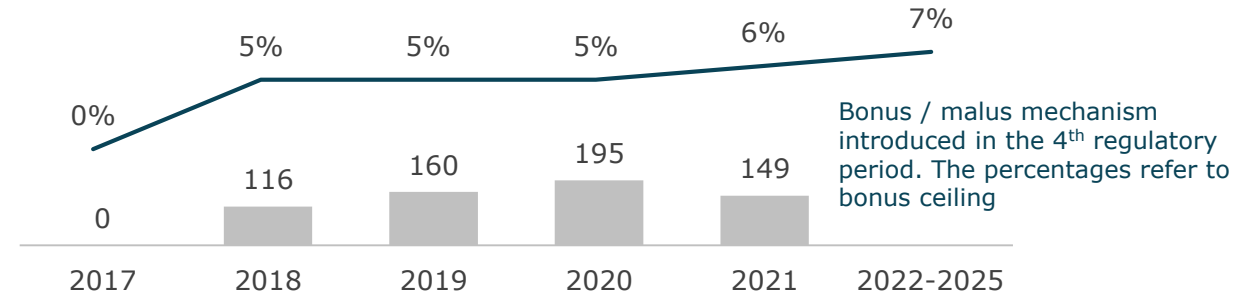


Efficiency and Quality- Quality Bonus Mechanism



- EMRA implements quality parameters to incentivize continuity of supply, technical quality, customer satisfaction, transparency, corporate governance and HS&E
- Start date:** 2018, new parameters in the fourth regulatory period
- In the fourth regulatory period, a bonus/malus mechanism for quality parameters is introduced. Under the quality factor and general quality indicator headings, total quality parameter bonus ceiling is set as 6% of regulated revenue requirement for 2021 and 7% of regulated revenue requirement for 2022-2025 and penalty ceiling is set at minus 2.05% for 2021 and minus 2.8% for 2022-2025

Quality Parameter Realized and Quality Parameter Ceiling
(TLm, Nominal & % of Regulated Revenue Requirement)



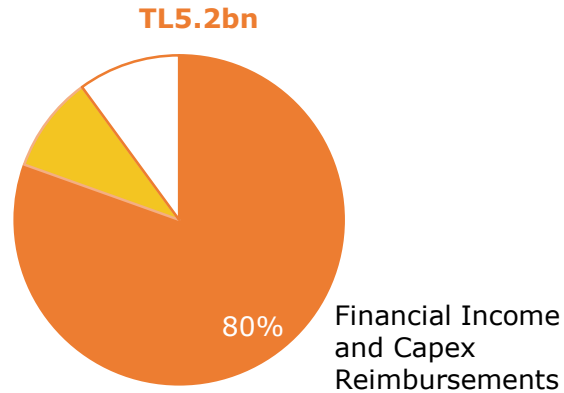
- The quality parameters are applied on revenue requirement (excluding non-controllable Opex, including scheduled maintenance Opex)¹
- New (within the ceiling):** In-house sourcing incentive. If the share of in-house sourcing is above 50%, there will be a general quality indicator equal to in-house sourcing share. Maximum incentive is set at 1% of revenue requirement for each year. All Enerjisa distribution companies has above 50% in-house sourcing share
- New (within the ceiling):** Incentive for public companies. Distribution companies with parents (direct shareholders) listed on Borsa İstanbul will be eligible for 0.3% of the revenue requirement
- Continuity of Supply
- Technical Quality
- Customer Satisfaction
- HSE



Distribution Operational Earnings Driver: Investments

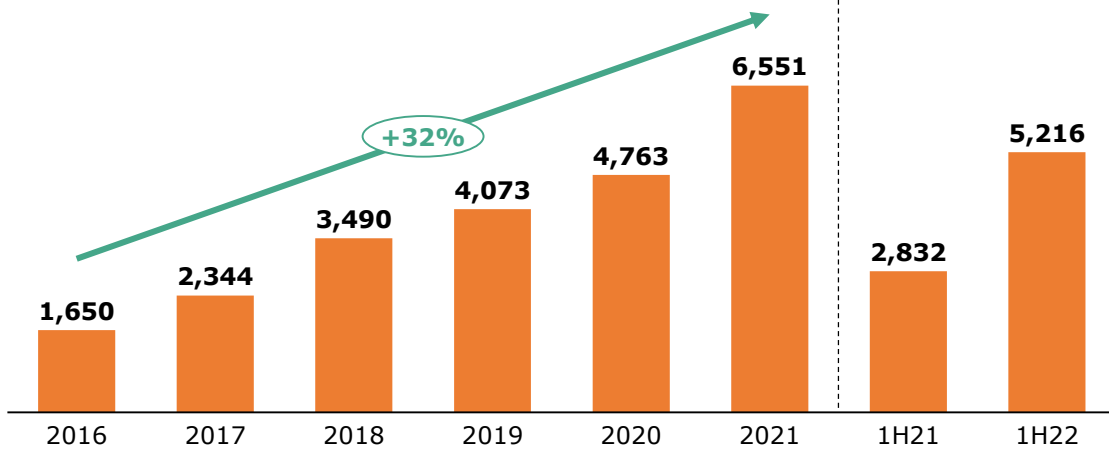
Distribution Operational Earnings Breakdown

(1H 2022)



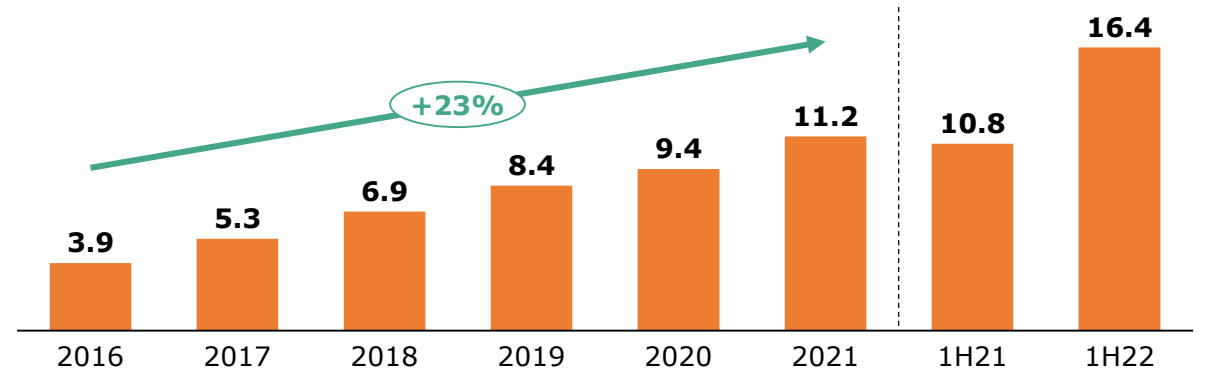
Distribution Operational Earnings

(TLm)

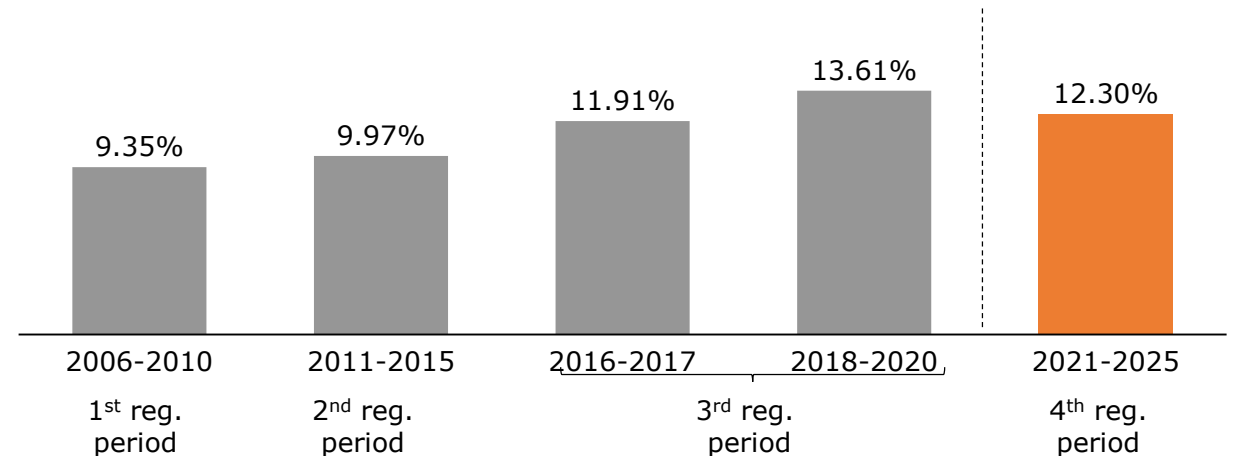


Regulated Asset Base, IFRS

(TLbn)



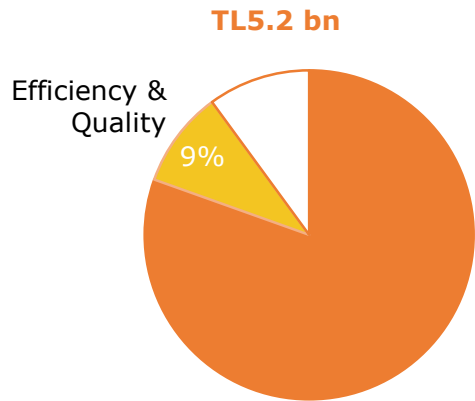
Regulated WACC (real)





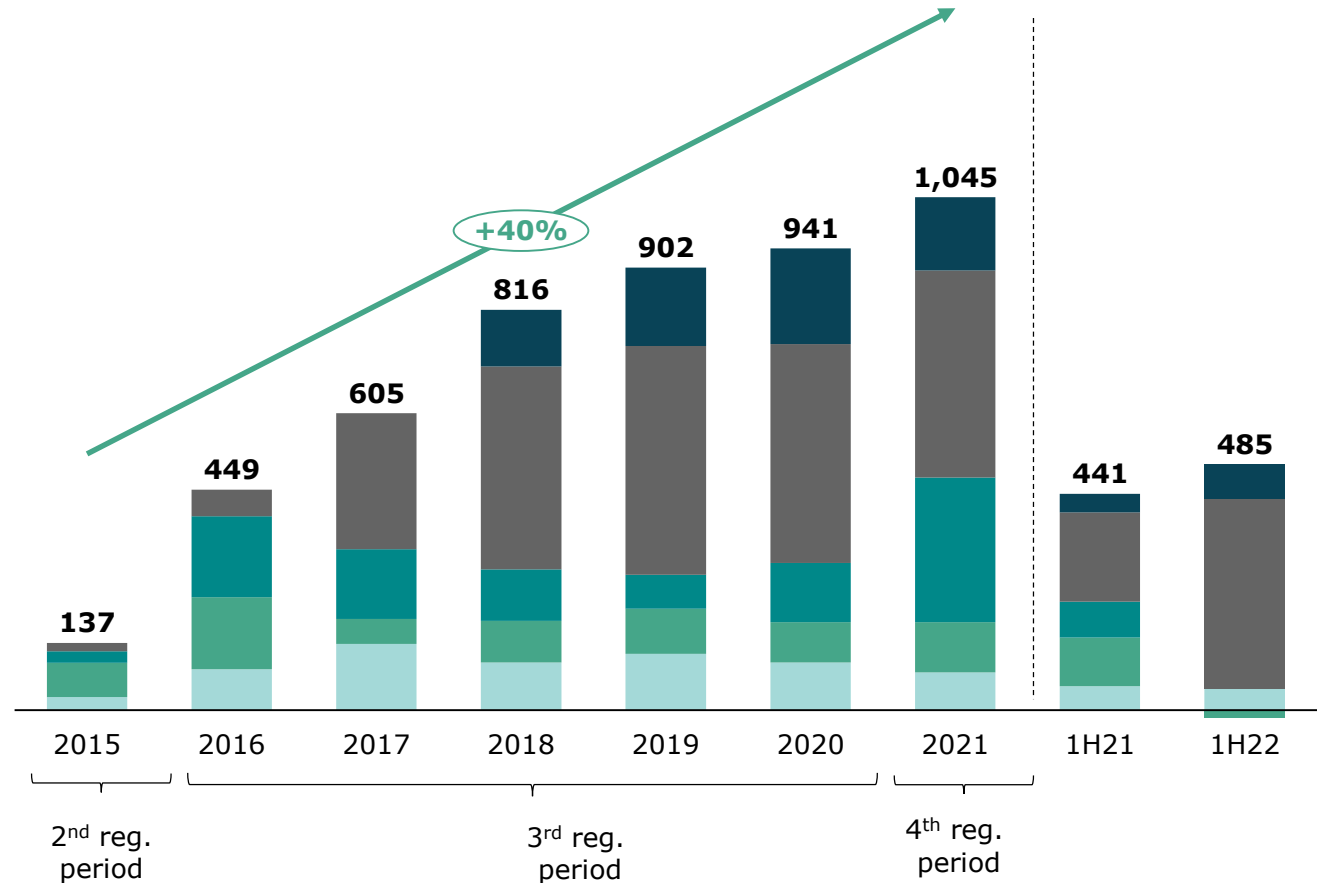
Distribution Operational Earnings Driver: Efficiency & Quality

Distribution Operational Earnings Breakdown (1H 2022)



Efficiency & Quality split 2015-1H 2022 (TLm)

- Quality bonus
- Capex outperformance
- T&L outperformance
- Theft accrual collection
- Opex outperformance



RETAIL DETAILS



Sales Market

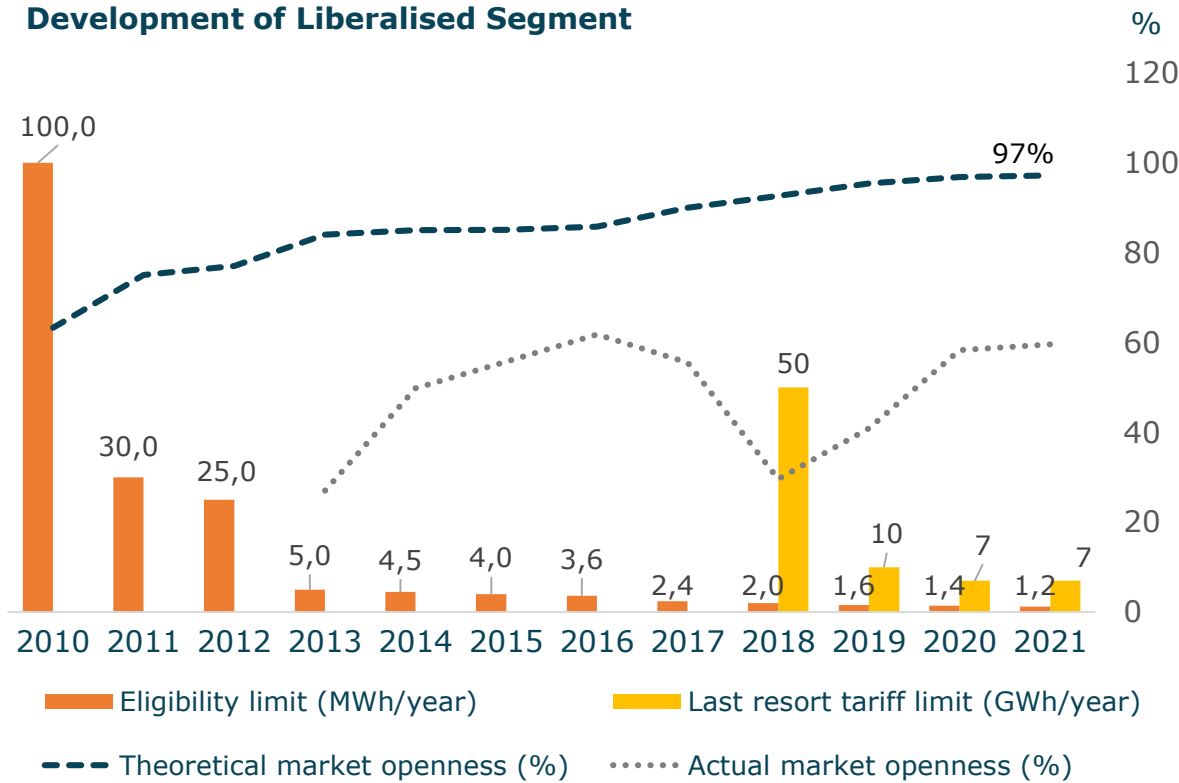
Market Type	Customer Type (By Eligibility)	Consumption Volume (kWh/ year)	Purchase Conditions	Supplier
Regulated Market	Non-eligible Customer Can not Choose Retail Company	0-1,100 kWh	National Tariff (Compulsory)	Incumbent Energy Retail Companies
Liberalised Market	Eligible Customer Can Choose Retail Company	<ul style="list-style-type: none"> Residential, Agricultural Irrigation $\geq 1,100$ kWh and < 100 million kWh¹ Other (Commercial, Industrial, Lighting) $\geq 1,100$ kWh and < 1 million kWh² 	National Tariff (Optional)	Incumbent Energy Retail Companies
			In the Liberalised Market Retail Energy Sales Price	Incumbent Energy Retail Companies Other Energy Retail Companies
	Last Resource Tariff Customer Can Choose Retail Company	<ul style="list-style-type: none"> Residential, Agricultural Irrigation ≥ 100 million kWh¹ Other (Commercial, Industrial, Lighting) ≥ 1 million kWh² 	Energy Costs (Including Feed-in Tariff) x 1.0938% (If liberalised market procurement company is not chosen)	Incumbent Energy Retail Companies
			In the Liberalised Market Retail Energy Sales Price	Incumbent Energy Retail Companies Other Energy Retail Companies

1) The limit effective as of August 1, 2022. 2) The limit effective as of July 1, 2022.

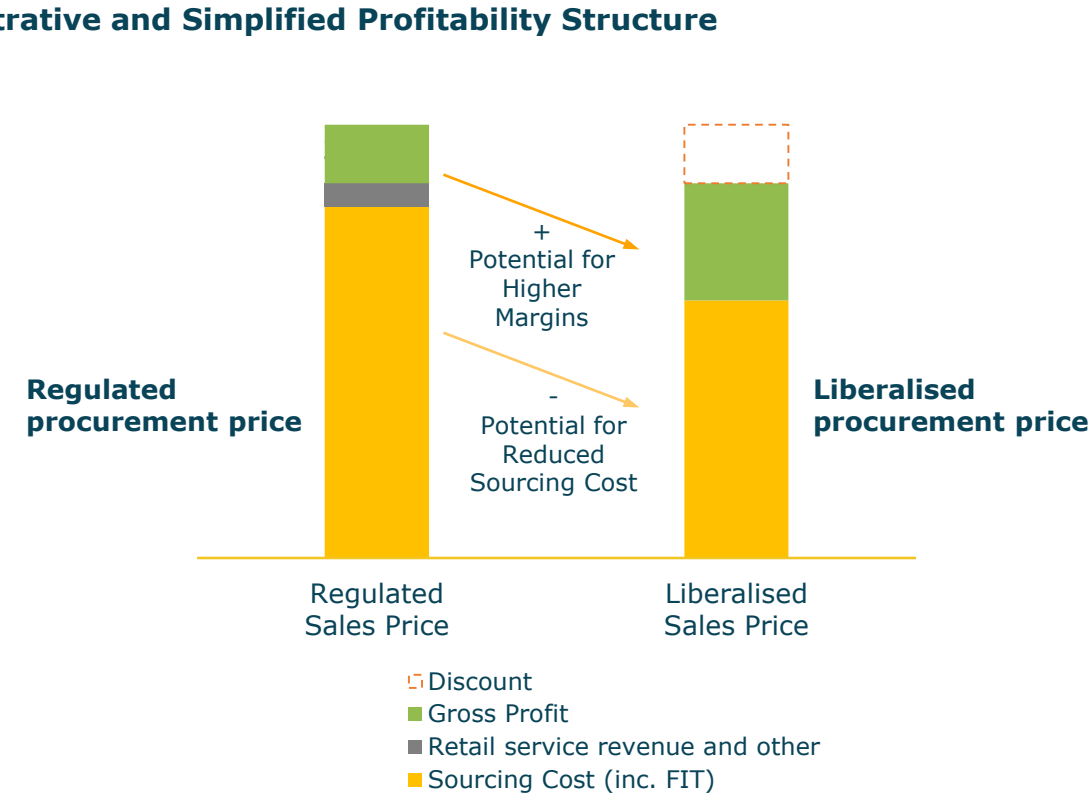


Liberalisation as Potential Upside

Development of Liberalised Segment



Illustrative and Simplified Profitability Structure



Effective Total Regulated Gross Profit

$$\left[\text{Volume (TWh)} \times \text{Regulated procurement price}^1 \text{ (TL/MWh)} + \text{Borrowing cost compensation (TLm)} \right] \times \text{Regulated Margin (2.38\%)} + \text{Retail Service Revenue (TLm)} + \text{Other}^2 \text{ (TLm)} = \text{Regulated Gross Profit (TLm)}$$

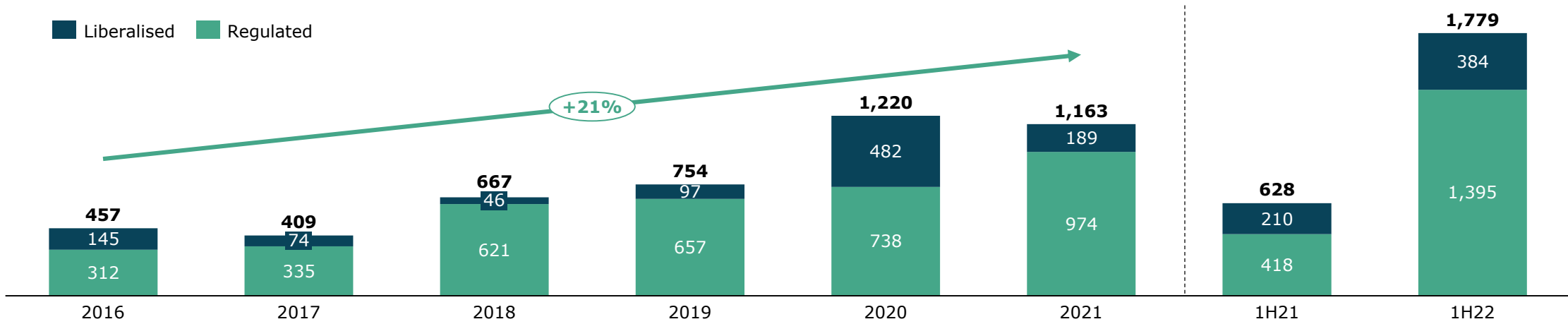


Retail Financial Overview

Retail Gross Profit

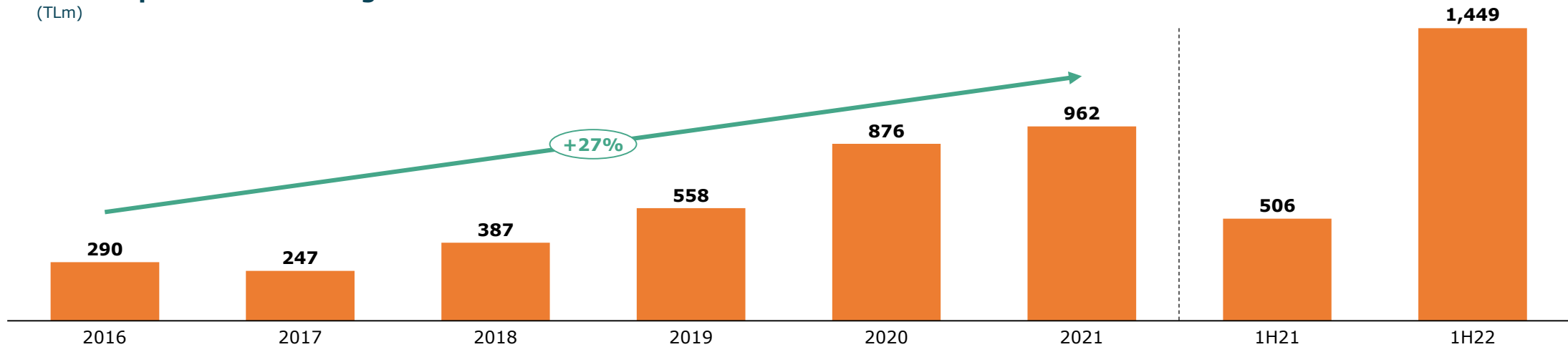
(TLm)

■ Liberalised ■ Regulated



Retail Operational Earnings

(TLm)



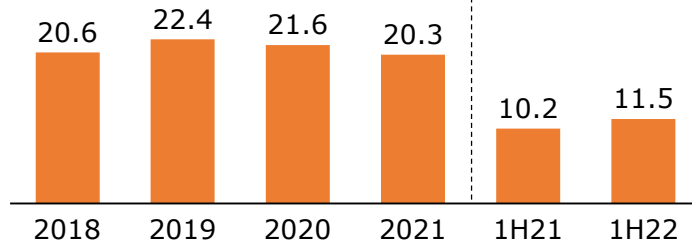


Mass Segment

Regulated Mass

Sales Volume

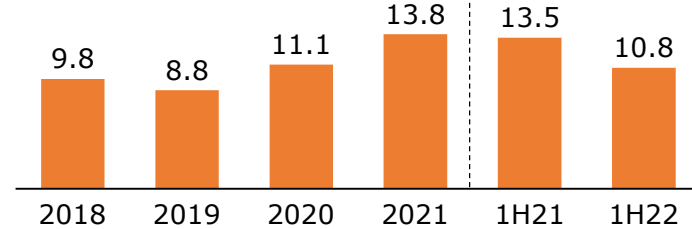
(TWh)



- Growth in customers numbers
- Growth in consumption per capita
- Eligible customers are switched to liberalised segment in times of higher profitability

Gross Margin

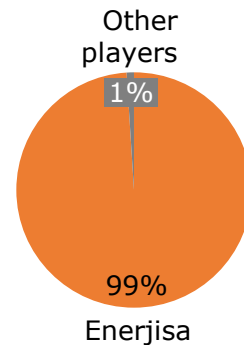
(%)



- Driver: Increase in electricity price level

Market Share (Home regions) by volume 1H 2022

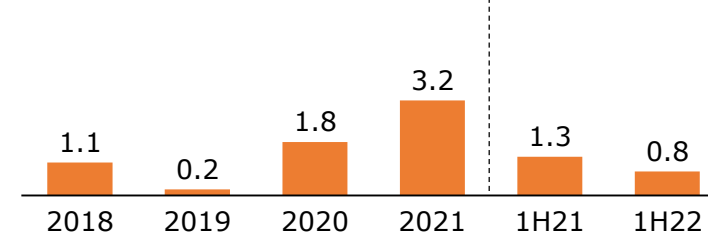
(%)



Liberalized Mass

Sales Volume

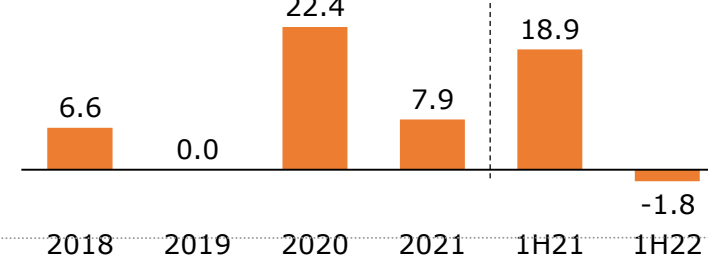
(TWh)



- Includes sales to SMEs mostly with fixed contracts
- Strategic focus in times of high profitability

Gross Margin

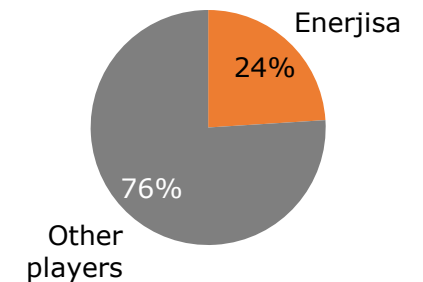
(%)



- Driver: National tariff levels (the extent they are cost reflective)

Market Share (Turkey) by volume 1H 2022

(%)





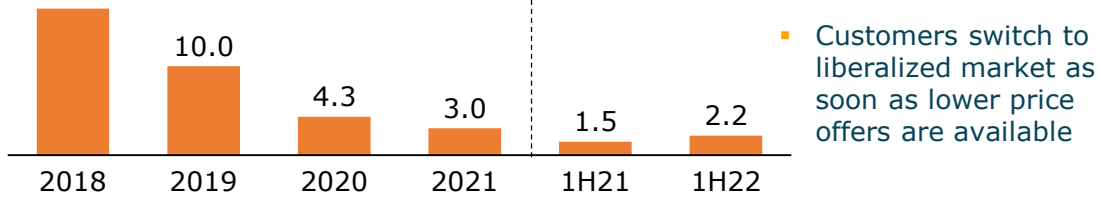
Corporate Segment

Regulated Corporate

Liberalized Corporate

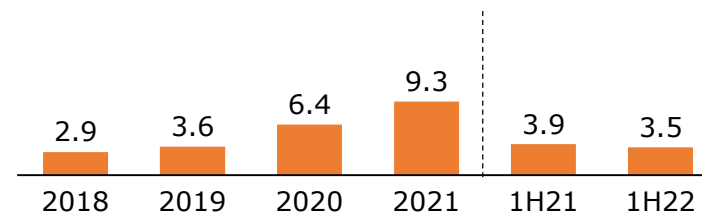
Sales Volume

(TWh)



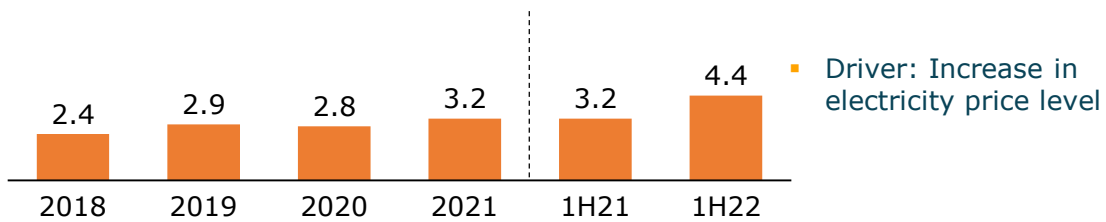
Sales Volume

(TWh)



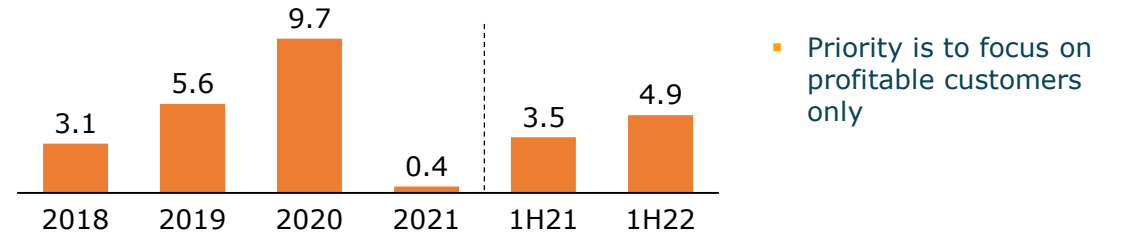
Gross Margin

(%)



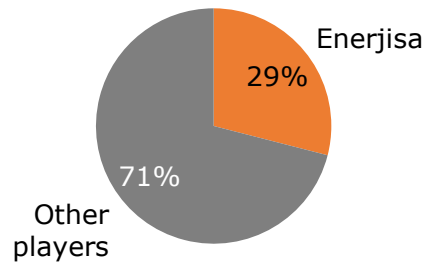
Gross Margin

(%)



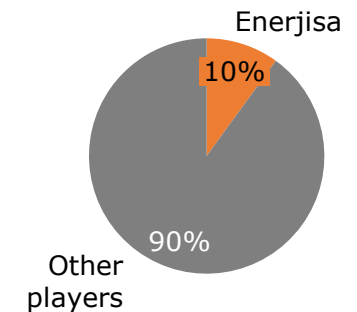
Market Share (Home regions) by volume 1H 2022

(%)



Market Share (Turkey) by volume 1H 2022

(%)



CUSTOMER SOLUTIONS



Customer Solutions

- Enerjisa aims to improve the energy efficiency of customers and reduce carbon emissions through innovative and sustainable products under the umbrella of **'The Energy of My Business'**.
- Customized solutions designed with a focus of meeting customer needs by expert teams.
- Value chain expanded for customers with products offered.

Green Energy and Energy Efficiency Solutions

- Green Energy Solutions
 - Renewable Energy Certificates
 - Carbon Reduction Certificates
 - Green Energy Tariffs
- Energy Efficiency Solutions
 - Energy Efficiency Solutions in Industrial Facilities and Buildings
 - Lightning Transformation Projects

Distributed Generation Solutions

- Renewable Energy Solutions

E-mobility

- Eşarj

Green Energy and Energy Efficiency Solutions

Green Energy Solutions

- Enerjisa Enerji's customers may reduce or neutralize their greenhouse gas emissions resulting from electricity consumption with two types of certificates:
 - Renewable Energy Certificate (REC): 284,000 MWh of Renewable Energy Certificates sold in 2021.
 - Carbon Reduction Certificate: Carbon Reduction Certificates equivalent to 27,000 metric tons of CO₂ sold in 2021.

Energy Efficiency Solutions

Energy Efficiency Solutions in Industrial Facilities and Buildings

- With the ESCO model, turn-key energy efficiency solutions are offered for major domains such as waste heat recovery, HVAC, compressed air, lighting and electric motors.
- Cogeneration and Trigenation solutions provided with a total installed capacity of 3.8 MWe at Sabancı University, Hilton Adana and Hilton Ankara locations. The efficiency achieved with these plants will prevent more than 30,000 tons of CO₂ emissions over the course of 10 years.

Lightening Transformation Projects

- Implemented the LED conversion of 19,700 fixtures with 15 projects as of the end of 2021. The projects carried out delivered a total of c. 3,650 MWh in energy savings, reducing CO₂ emissions by c. 1,730 tons.
- Converted 11,000 fixtures to LED in 8 projects with EPC model. These projects delivered c. 1,230 MWh in energy savings, reducing CO₂ emissions by c. 580 tons.



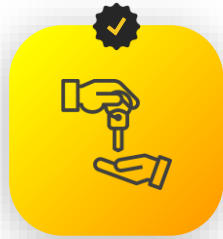
Renewable Energy Solutions

Enerjisa Business Model

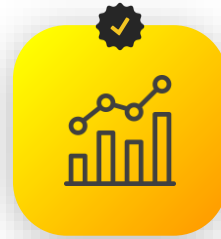
- End-to-end solar energy solutions by providing project design, turn-key installation and maintenance services. As part of these services, Enerjisa Enerji provides:
 - Professional engineering support services along with administrative processes regarding permit and connection procedures, turn-key installation, maintenance services during the contract term, and performance and product warranty during the contract term
- End-to-end solutions that include energy storage and electric vehicle charging infrastructures as required



Provide high-quality engineering and professional support for administrative and legal processes



Carry out turnkey installations



Offer financial solutions, including long-term payment models, with respect to generation performance of the power plant



Provide operation and maintenance services during the contract term



Provide a performance and product guarantee during the contract term

2021 Highlights

- The total installed capacity of the solar power plants reached 22.6 MWp, with 13.4 MWp of this capacity under the self-consumption model.
- Enerjisa Enerji enabled prevention of c. 12,200 tons of CO₂ emissions through the solar power projects. The Company aims to increase the total solar capacity to around 200 MWp by the end of 2025.



Technology of the New Energy World: Eşarj

Eşarj Business Model

- **Eşarj** is the first and fastest electric vehicle charging station network in Turkey. Eşarj offers end-to-end solutions in the charging business with its vast station network.
- Enerjisa Müşteri Çözümleri A.Ş. acquired majority shares (80%) of Eşarj in 2018, becoming its controlling shareholder. In 2021, Enerjisa Müşteri Çözümleri A.Ş. acquired additional 14% stake and its share increased from 80% to 94%.
- Eşarj aims to create a national network of stations and an operating system of charging stations in Turkey.
- The goal is to accelerate the transition to ultrafast charging in the coming period.
- Since July 2020, Eşarj's public stations fully operate with renewable energy, breaking new ground among charging operators.
- Eşarj participated in the "Fast Charging Stations Support Program" tender initiated by the Ministry of Industry and Technology. Eşarj has been entitled to establish 495 fast charging stations in 53 cities within 11 investment regions. Approximately TL 300 million investment is planned by Eşarj within the scope of the tender.

Highlights

- Eşarj operates a strong electric vehicle station network with 520 charging plugs 184 of which are fast charging plugs, at 275 public points as the end of June 2022.
- **OEM Collaborations:** Eşarj was chosen as an e-mobility business/solution partner by passenger car brands such as Hyundai and MG, which started to put electric and hybrid vehicles on the market in 2021. In addition, cooperation with Mini, Stellantis, Volvo, Mercedes, Jaguar, Renault, Land Rover and BMW continues.





Customer Solutions

Green Energy and Energy Efficiency Solutions

284 GWh Renewable Energy Certificates sold (2021)

3,650 MWh of energy conserved via Lighting Conversion Solutions

3.8 Mwe CHP and CCHP facility

Distributed Generation Solutions



22.6 MWp Installed Solar Power capacity

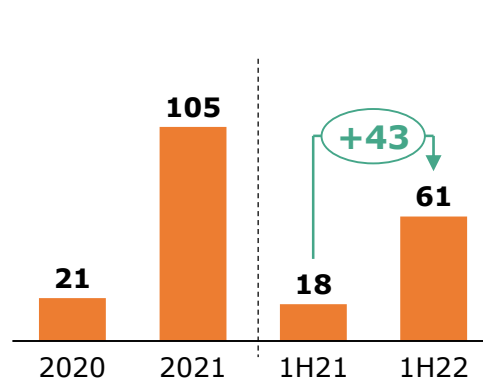
E-mobility



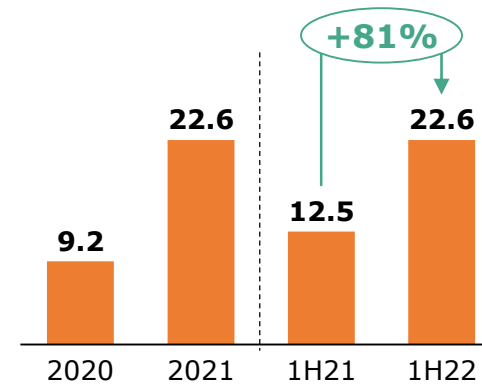
520 EV charging plugs
275 Public charging locations

Key Performance Indicators

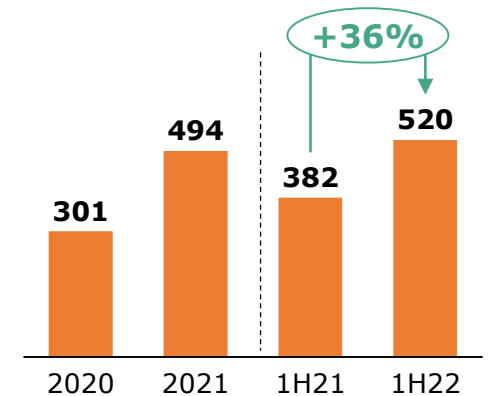
Gross Profit
(TLm)



SPP Capacity
(MWp)



Charging Plugs



APPENDIX



Key Financial Concepts

- In Turkey, Distribution companies operate under a transfer of operating rights (TOR) agreement, which means no legal ownership of assets; legal and asset ownership remains with TEDAŞ (i.e. the state)
- As a consequence, accounting for all Turkish distribution companies falls under IFRIC 12 “service concession arrangements: government or other body grants contracts for supply of public services”
- Therefore, networks are accounted as financial asset instead of fixed assets in IFRS which need to be recognized at amortized cost under IFRIC 12
- IFRS P&L does not show any asset depreciation and accordingly no income from amortization allowance (reimbursement of capital)
- Enerjisa uses EBITDA + Capex reimbursement as its main operational financial KPI to capture the full regulatory, cash-effective RAB return and to increase comparability with international peers who generally do not have to apply IFRIC12
- As a result, Enerjisa defines the top financial, P&L-related KPIs as follows:

EBITDA	
+ Capex reimbursements	Reported Net Income
- Exceptional items	- Exceptional items
<hr/>	<hr/>
= Operational Earnings	= Underlying Net Income

Impact of Inflation on Distribution Business

Our distribution companies are subject to the application of IFRIC12 (an IFRS standard that governs accounting for service concession arrangements). Accordingly, we account our license to operate and invest in the networks as a **financial asset**.

The simplified calculation of IFRS financial income **on RAB** can lead to major deviations in times of high volatility in inflation.

- The **financial asset** model is based on **nominal IRR** calculation across the concession period.
- A 10pp increase in inflation assumptions for the current year increases nominal IRR by above 1pp.
- A change in nominal IRR due to change in inflation expectations will lead to a higher financial income across the concession period. On the other hand, there will not be a full pass-through of a spike in short-term inflation on the current year reported financial income.
- As a result, extreme volatility in inflation leads to a maturity mismatch in reported revenues (financial income) and costs.

Simplified & illustrative calculation methodology of IFRS Financial Income over RAB

$$\text{IFRS Financial Income} \approx \text{Average IFRS RAB (nominal)}^1 \times \left(\text{Regulated mid-year WACC (real)} + \text{Inflation rate} \right)$$

Simplified & illustrative calculation methodology of IFRS Financial Income over Financial Asset

$$\text{IFRS Financial Income} \approx \left(\text{Opening Financial Asset} + \left(\text{Investments} - \text{CAPEX reimbursements} - \text{WACC Reimbursements} \right) \times 0.5^* \right) \times \text{Nominal IRR}$$



4th Regulatory Period Overview

Overall stable regulatory framework supporting investments, governance and quality

Key confirmations

Distribution

- WACC calculation methodology unchanged.
- Capex reimbursement period unchanged (10 years).
- Theft usage accrual retention rate at detection unchanged (55%).
- Efficiency incentives continue.

Retail

- No change in retail margin (2.38%).
- Inclusion of Feed-in-tariff costs in retail margin continue.

Key changes

Distribution

- Pretax real WACC changed from 13.61% to 12.30%.
- Increase in Initial Capex allowance (72% increase for Enerjisa in real terms vs. 3rd regulatory period).
- Increase in Opex allowance excluding scheduled maintenance (8% increase for Enerjisa in real terms vs. 3rd regulatory period).
- Theft usage accrual retention rate at collection reduced to 50% from 75%.
- Theft and Loss target threshold rate reduced from 8.0% to 7.5% for Cluster 1 (best performers).

Quality & Transparency Focus

Incentives to support **quality, in-house sourcing, transparency governance, and sustainability:**

- Bonus/malus mechanism introduced for quality parameters and increase in % quality parameter ceiling.
- General Quality Indicators introduced for:
 - Public companies. Companies with direct shareholders listed on Borsa İstanbul, incentive equal to 0.3% of the revenue requirement (Distribution and Retail).
 - In-house sourcing. If in-house sourcing is above 50%, incentive up to 1% of the revenue requirement (Distribution).
- For scheduled maintenance a new scope is defined and a new opex allowance is introduced to incentivize improvement in continuity of supply and customer satisfaction (Distribution).



Comparison of 3rd and 4th Regulatory Period: Distribution

		3 rd Regulatory Period	4 th Regulatory Period
Quality Parameters	Calculation base	<ul style="list-style-type: none"> Uncontrollable OPEX is included in revenue requirement for calculating base of quality parameters 	<ul style="list-style-type: none"> Uncontrollable OPEX is excluded, while scheduled maintenance Opex is included to revenue requirement for calculating base of quality parameters
	Quality parameter (Quality factor and general quality indicator) ceiling	<ul style="list-style-type: none"> Bonus mechanism based on performance (bonus ceiling:5%, penalty ceiling:0%) 	<ul style="list-style-type: none"> A bonus/malus mechanism is introduced. Under the quality factor and general quality indicator headings, total quality parameter bonus ceiling is set as 6% of regulated revenue requirement for 2021 and 7% of regulated revenue requirement for 2022-2025. Penalty ceiling is set at minus 2.05% for 2021 and minus 2.8% for 2022-2025
	General quality indicator: In-house sourcing incentive		<ul style="list-style-type: none"> New (within the ceiling): Companies will be incentivized in case the share of in-house sourcing is above 50%. The maximum incentive is set at 1% of revenue requirement for each year, while bonus amount will depend on in-house sourcing share. All Enerjisa distribution companies have above 50% in-house sourcing share
	General quality indicator: Incentive for public companies		<ul style="list-style-type: none"> New(within the ceiling): Electricity distribution and incumbent retail companies directly listed on Borsa İstanbul will be eligible for 1.0% of their revenue requirement as an incentive. If their parent companies (direct shareholders) are listed on Borsa İstanbul, there will be 0.3% incentive on the revenue requirement for the year
Opex Allowance	Scheduled maintenance		<ul style="list-style-type: none"> For scheduled maintenance a new scope is defined and a new opex allowance is introduced to incentivize improvement in continuity of supply and customer satisfaction
	X-Factor (Opex efficiency)	<ul style="list-style-type: none"> Regulated efficiency parameter implementation, reducing opex allowances. Annual efficiency parameter was 1.28% for Başkent Region, 0.61% for Toroslars region and 0% for Ayedaş region 	<ul style="list-style-type: none"> No efficiency parameter in the fourth regulatory period



Comparison of 3rd and 4th Regulatory Period: Distribution

		3 rd Regulatory Period	4 th Regulatory Period
Theft and Loss	Theft and Loss (T&L) targets	<ul style="list-style-type: none"> Target theft and Loss threshold rate 8% for the first cluster in target setting 	<ul style="list-style-type: none"> Theft and Loss target threshold rate 7.5% for the first cluster (Başkent and Ayedaş is in the first cluster) as a part of dynamic T&L targeting. T&L target is based on previous 3 years performance. For the first cluster, the T&L target formula is $((7.5\% + w.\text{avg}(Y-2, Y-3, Y-4)) / 2$
	Theft accrual: Retention rate at detection	<ul style="list-style-type: none"> 55% 	<ul style="list-style-type: none"> 55%
	Theft accrual: Retention rate at collection	<ul style="list-style-type: none"> 75% 	<ul style="list-style-type: none"> 50% in regions where T&L rate \leq Turkey average (effecting all Enerjisa regions)
Other Income	Retention rate for income items such as renting distribution network items	<ul style="list-style-type: none"> 75% 	<ul style="list-style-type: none"> 50%
	Retention rate for case, court, advocacy, enforcement and conciliation income	<ul style="list-style-type: none"> 100% 	<ul style="list-style-type: none"> 50%
	(t) correction mechanism of other income/ theft accrual from revenue requirement	<ul style="list-style-type: none"> Actual amount deducted at year (t+2) 	<ul style="list-style-type: none"> Forecasted amount deducted at year (t). This will have cash flow impact at IFRS financials



Comparison of 3rd and 4th Regulatory Periods: Retail

	3 rd Regulatory Period	4 th Regulatory Period
Retail Margin Regulated gross profit margin	<ul style="list-style-type: none"> 2.38% 	<ul style="list-style-type: none"> 2.38% (no change)
Retail Margin FIT cost treatment	<ul style="list-style-type: none"> Retail margin calculation base includes feed-in-tariff (FIT) costs (since 2018) 	<ul style="list-style-type: none"> Retail margin calculation base includes FIT costs (no change)
Retail Margin base Letter of Guarantee commission expenses Market Clearing Price- PTF (1+X) Mechanism	<ul style="list-style-type: none"> No profit margin on PTF (1+X) mechanism used to cover the financing costs related to energy procurements Letter of Guarantee Commission Expenses through 2.38% profit margin 	<ul style="list-style-type: none"> For PTF (1+X) mechanism used to cover the financing costs related to energy procurements, 2.38% profit margin is applied Letter of Guarantee Commission Expenses will be covered from the tariff as pass through
Retail Service Revenue Doubtful risk compensation mechanism	<ul style="list-style-type: none"> Bad debt provision costs are compensated via tariff to incentivize high collection rates. Higher collection will receive the maximum incentive 	<ul style="list-style-type: none"> The collection risk mechanism related to doubtful receivables will remain unchanged
OPEX Requirement Management and support service procurement expenses from same holding/group COs	<ul style="list-style-type: none"> Management and support service procurement expenses not included in regulated OPEX requirement 	<ul style="list-style-type: none"> Management and support service procurement expenses will be included in regulated OPEX requirement
Other Income Retention rate for case, court, advocacy, enforcement and conciliation income	<ul style="list-style-type: none"> 100% 	<ul style="list-style-type: none"> 50%
Quality Parameters (Quality Factor and General Quality Indicator)	<ul style="list-style-type: none"> Uncontrollable OPEX included in revenue requirement for calculating base of quality parameters Bonus mechanism based on call center performance (ceiling:1%) 	<ul style="list-style-type: none"> Uncontrollable OPEX excluded from revenue requirement for calculating quality parameter base Bonus/malus mechanism is introduced. Quality Factor bonus ceiling is set at 1.23% and penalty ceiling is set at minus 1.23% New (General Quality Indicator): Electricity distribution and incumbent retail companies directly listed on Borsa İstanbul will be eligible for 1.0% of their revenue requirement as an incentive. If their parent companies (direct shareholders) are listed on Borsa İstanbul, there will be 0.3% incentive on the revenue requirement for the year



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