TRANSCRIPT OF ENERJİSA ENERJİ FY 2022 EARNINGS CALL

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SPEAKERS:	Dr. Michael Moser – CFO
	Rawand Faraj – Head of Investor Relations, Tax & Corporate Office
	Pınar Saatcıoğlu – Investor Relations Manager

PRESENTATION SESSION

Rawand Faraj: Dear investors and analysts, this is Rawand speaking.

Welcome to Enerjisa Enerji's FY 2022 Earnings Results call. The call will be presented by our CFO Dr. Michael Moser for 30 min, and thereafter we will open the line for Q&A.

Before starting our presentation, I would like to remind you about our disclaimer on the forward-looking statements and highlight that the figures presented today are according to the Turkish Financial Reporting Standard (TFRS) unless otherwise mentioned. On our homepage you will find the earnings presentation as well as the full financial statements in both TFRS and IFRS, which we have provided as a supplementary information in order to provide our investors with a holistic view of our financials. Now, I would like to give the floor to our CFO, Michael.

Dr. Michael Moser: Hello everyone. This is Michael. Welcome to our Full year 2022 financial results call. I hope everyone is healthy and doing well. Today, I'm together with Rawand Faraj who is the Head of Investor Relations, Tax and Corporate Office and I would like to welcome the newest addition in his team, Pınar Saatcıoğlu who is our new IR Manager.

I would like to start today's call by expressing my deepest condolences to all the people impacted by the terrible earthquakes that struck Turkiye and Syria on the sixth of February. While we cannot yet disclose the detailed impact on our business, as this happened just recently, I can share with you that we are doing everything we can to save, support and restore the conditions of those impacted by these devastating and unthinkable events. With a sad and mourning heart, I also want to mention and honour the 15 of our own employees who lost their life. Our thoughts, support and continuous efforts are with them and their families, as well as the thousand others deceased or injured in these dreadful catastrophes.

Enerjisa has around 4500 employees in this region, but I can let you know that all of our more than 12 000 employees have been directly or indirectly been part of the support activities Enerjisa has done since the very first hour the earthquake hit our Toroslar region. As previously announced our business operations have returned to normal conditions in 4 out of our 5 cities in the affected region. Hatay, is overall the most impacted region and this is also the case for Enerjisa's operations and assets. Here we have managed to re-electrify all critical locations such as hospitals airports, collective accommodations and street lightnings to name a few.

As a regulated company, our actions and requirements need to follow a coordinated approach with our regulator EMRA. Therefore, I cannot yet mention in detail how the terms regarding customer support and investment renewal will be conducted. The official communication from the regulator will thus include details on how we will support our customers with delaying their invoices, and to which magnitude our investments will increase as maintenance and repair activities will be needed to renew the impacted cities. Adding to the list is also the supportive measures which the regulator will take to compensate companies like Enerjisa, as for example potential delayed payment for energy consumptions without bearing the interest costs.

Please note that Enerjisa has made all necessary insurances and therefore has a framework that supports its operations and assets through the regulation and the embedded insurance mechanisms. With the details yet to be defined, I can reiterate our message despite the effects of this disaster, no change is foreseen to the business results for our company's plans of 2023. Yet again, before starting the regular portion of this call, my sincere and deepest condolences to all people of the nation. We are strong here in Türkiye and will stand together.

Executive Summary: Pg. 2

Focusing now on the 2022 financial results, I would like to share with you a summary of our major developments, which are a strong set of results across the board. Bottom-line earnings, meaning underlying net income, grew by 85% year-over-year, which is a record growth rate for Enerjisa. Free cash flow, despite of the negative start, fully reversed in Q4 and ends up positive in the tune of 1.6 billion Turkish Lira.

The strong results also translated into a substantial growth in dividend, with an 85% higher proposed dividend than last year. The proposal consists of a dividend per share of 2 lira and 30 kuruş. This is as always subject to the AGM's approval, and comes with a proposed adaption of the dividend policy as follows: Dividend will still be based on our adjusted earnings base, namely Underlying Net income, and will continue to be distributed within the attractive pay-out range of 60-70%, also in the future. However, with the revision to the policy, it will mean that instead of using IFRS as a base, it will now be reflecting the higher TFRS results. The previous dividend policy was built upon the assumption of a continued mirroring of international accounting standards in TFRS.

As of observed decoupling between the two in the year 2022, due to IFRS's recognition of inflation accounting, our board decided yesterday to propose a dividend distribution with a pay-out on the higher TFRS earnings, that does not include inflation accounting this year, and thus results in a higher dividend for our shareholders. Moreover, we have in 2022 further strengthened our balance sheet and successfully continued our deleveraging journey and are now at a leverage ratio well below 1. Looking ahead, we also see continued strong growth, and with our new medium-term guidance for 2025 we expect an average compounded annual growth rate of 25-35% in our Underlying net income.

Financial Highlights: Pg. 3

Let me start describing the financial highlights by looking back at the beginning of 2022, in order to give you a proper context to appreciate the financial results we have published today. Overall, the past year was characterized by many challenges in the aftermath of the Russian invasion into Ukraine, in addition to the continued, and for Turkey specifically, rapidly accelerated inflation rise post COVID. For Turkish utilities like Enerjisa, it also meant additional pressure, as the tariff which invoices and cash generation are based on did not fully reflect the high energy costs, which utilities needed to procure their energy for. This was the reason for the negative free cash flow observed in the first and second quarter. However, it is during extraordinary challenging times of uncertainty that management tactics and a company's resilience are truly put to test, and I am happy to share that Enerjisa has once again demonstrated its strengths leading into a great company performance.

In Q4, we continued our accelerated earnings growth path for Operational Earnings, and closed the year with 15.1 billion TL, resulting in an annual growth rate of above 100%. The last quarter contributed over-proportionally on back of higher Financial income due to both the updated IFRIC methodology introduced in Q3 and higher mid-year inflation rate, which is one of the key elements of our investment returns in the distribution business. Our Underlying net Income, i.e our adjusted net income figure, grew by 85% from 2.4 billion in 2021 to 4.5 billion TL in 2022.

Free Cash flow recovered strongly and overcompensated for the negative profile in the first half of the year, and ended up at 1.6 billion TL, after all investments, interest and tax payments, which is a 1.5 billion increase compared to last year's figure of 108 million. I will elaborate on the extraordinary mitigation measures that drove this result later on. Our strong earnings developments, together with our positive cash generation also translates into a decrease in leverage, further strengthening our balance sheet, as our earnings trajectory outpaced our accumulated debt level. Thus, our leverage ratio, net financial debt over operational earnings, decreased from 1.2 in 2021, to 0.7 in 2022.

Market Environment: Pg. 4

Please take a look at the market environment on page 4, and let me start with elaborating on the inflation development that predominantly impacts our distribution business. Inflation increased heavily in 2022 as the year-over year inflation rates peaked at 86% in October, after which it settled at 64% by the end of the year. Please recall that for the majority of our regulated revenues, investments and cost parameters, the relevant inflation rate is the mid-year figure, which was 79% for 2022 in the end of June.

Our solid business model shields the majority of our earnings from increasing inflation rates, on a long-term average basis, as our revenues are indexed with inflation, which is one of the key drivers for the – let me call it - outstanding operational earnings development seen this year. The inflation rates will continue to be a driver for our operational earnings going forward, as our largest earnings line item, the Financial income in the distribution business, grows with an average inflation rate of 10 years, on a discounted basis, along with other parameters as the regulated average weighted cost of capital and future investments.

With regard to the specific sector developments observed in 2022, the energy spot prices which utilities procure their energy for, continued to be above the national tariff for the majority of last year. This relationship between sourcing costs and invoiced prices, have created a positive earnings growth in our retail business, as the regulated earnings are derived based on a pre-set margin of 2.38% on top of the sourcing costs, regardless of how high they are. However, the same driver has temporarily a negative impact on our working capital, as the retail price correction mechanism compensating for lower tariff levels are paid back with a time delay of six months. Thus, the negative Free Cash Flow generation seen in our earnings results in Q1 and Q2 of this year.

Since then, the regulator has via close collaboration and support from the energy industry, with Enerjisa in the forefront, taken the necessary adjustments to compensate for the tariff levels via a handful of supportive mechanisms. Simultaneously as these have been incorporated, gradually throughout the year, our cash flow generation has also turned positive, which we had seen already in Q3. In Q4 this was continued and further strengthened, as the isolated quarterly cash generation reached 4.2 billion lira, which were enough to compensate the negative free cash flow seen in the first half of the year. Thus, our full year 2022 Free cash flow landed at a positive figure of 1.6 billion lira.

Operations: Pg. 5

Let's now have a look at our operations on page 5, starting with Distribution:

CAPEX increased to 4.5 billion, on a net basis including the negative capex outperformance impact driven by the not yet adequately updated material price list set by the regulator. The isolated capex spend, without this capex outperformance, were 5.3 billion, just 3% shy of the maximum ceiling. Thus 2022 can be concluded as a year where Enerjisa's investments volumes was executed broadly in line with the allowed maximum level.

Our Regulated Asset Base grew by 8.7 billion lira reaching 19.9 billion by the end of the year, leading to a 77% yearly growth rate. Efficiency and Quality earnings increased by 247 mTL compared to last year, reaching 1.3 billion in 2022. The main drivers were an increase in theft & loss related earnings as well as a 163% boost in Quality bonus. This positive Efficiency and Quality result, shows once again that Enerjisa delivers additional value to its shareholders, beyond its investment capabilities, by being an efficient operator of its grids and related customer services.

Now over to our retail operations.

In our regulated retail segment, the gross profit margin increased to 8.1% in 2022. Regulated volumes increased by 18% year over year, mainly due to an inflow from the liberalized customer pool, who are free to choose energy provider outside the incumbent regional player. In our liberalized segments, margins reached 4.2%, which is an 89% nominal increase compare to last year's margin level, mainly due to a low comparison base in 2021.

Now, related to our new fast-growing segment, Customer solutions, all business lines increased its performance and generated together a 52% increase in Gross profit. Our installed solar capacity for customers increased by 6%, but is expected to increase much more next year, mainly due to the postponements in two large projects caused by delays in land and site consents. The revenues from this project are not lost, and will instead be recognized in first half of 2023. Our E-mobility business increased its charging base by 60% reaching, 788 charging plugs in 2022, and therefore remains as the largest fast charging E-mobility network in Turkey.

Operational Earnings Development: Pg. 6

Operational earnings on page 6 increased by 101% to 15.1 billion. Growth came from all three of our segments. Our distribution business generated growth, both from its return on assets and investments activities, as well as on its efficiency and quality performance. In our Retail segments, substantial growth was seen both in the regulated and liberalized market. Our Customer solutions continued its revenue growth, and grew its gross profit generation.

Increasing investment related earnings in Distribution, including higher financial income and CAPEX reimbursement, other expenses increased due to higher interest expenses of postponed payments, conducted as a mitigation measure to deal with the negative cash flow in first half of the year, as previously mentioned. Let me add some more color on the respective business lines on the following page, starting with Distribution.

Distribution: Operational Earnings & Cash Development: Pg. 7

Operational earnings increased by 91%, year over year, and generated 12.5 billion lira in 2022. Financial income grew by 111% and is, together with the CAPEX reimbursements, a consequence of the regulated investment made in our distribution business and thus provides a guaranteed incentive for growing our asset base. The growth in absolute terms is 3.3 billion lira, which of 1.6 billion is related to the updated IFRIC accounting methodology, that now recognizes income each year, based on a 10 year return outlook, instead of the previously longer period which lasted until the end of concessions. This was implemented as of Q3, with detailed explanations to be found in our 9 Months 2022 earnings results presentation.

The related IRR for the 2022 Financial income calculation was 81%. Capex reimbursement, which is a part of our adjusted EBITDA, namely operational earnings, but not a part of Underlying net income, increased 2 billion, mainly due to the increase in inflation and depreciation profile of last years' investments. Efficiency and quality increased by 247 million, a growth of 24%, on the basis of our higher performance levels then the set targets by the regulator. Let me break down the outperformance categories of this line item:

- Theft and loss related performances generated an increase of 510 million lira vs last year, on back of higher tariffs as well increased theft detection and collection performance.

- Likewise, quality bonus increased by 243 million, thanks to increased quality customer satisfaction scores and lower outages.

- Please note that the lion's share of our quality bonus, is recognized in last quarter of the year, due to the annual nature of the benchmark targets, which is set and evaluated by the regulator on yearly targets.

- These positive developments were partially offset by two factors, both related to the regulatory indexation which this year experienced pressure due to increasing costs, well beyond inflation.

- Firstly, our OPEX outperformance related earnings, decreased by 211 million lira, due to the same trends observed in our Q3 earnings.

- Explicitly, increases in wages, material and fuel costs that exceeds Consumer price index, which is the cost compensation index for our regulated OPEX. We are carrying discussions with the regulator on applying a more granular indexation to avoid these costs in the future.

- Secondly, I want to inform you about the capex outperformance that increased compared to our 9 months results, but decreased 295 million in relation to last year's strong performance.

- In 2022 our realized CAPEX outperformance is neither positive nor negative, as we have recognized the updated calculation method which the regulator communicated to introduce, in order to adapt the indexation to the achieved purchase prices in line with the actual cost occurred in the sector.

- While this compensatory calculation update will be introduced by the regulator retrospectively, we have taken action already now and corrected for this in our adjusted earnings base this year in order to link it with the related performance period.

- As such, we do not recognize any losses from the current price list index, and conclude that our capex outperformance for this year was recorded as 0%.

- Please note that Enerjisa as a company, due to its synergetic size as well as its well-advanced supply chain methods usually enjoyed a positive capex outperformance of around 5%.

- Nothing in our capabilities have changed in this regard, as the effects mentioned are only due to a lagging calculation method in the regulation, namely to update for price increases which steeply increased due to the material and supply chain crisis, impacting all businesses in the last years.

- We are welcoming the regulator's communicated decision to correct for this, based on the sector's actual performance, and expect to return to normal circumstances in terms of price list indexes, already in this year, 2023.

Lastly on earnings, Tax correction together with other effects, consisting mostly of Mark to Market gains of FX hedges, together contributed around 900 million, just shy of twice the amount of last year, due to the increasing inflation and FX rates.

Let me now also walk you through the cash flow generation in our distribution business. The operational cash flow before interest and tax was recorded as 5.6 billion lira. This is just south of half of the operational earnings, due to the fact that the corrective compensation period by the regulator are longer in the distribution business than in our retail business. Almost all of the 12 and a half billion of operational earnings are over the long-term generating cash, but due to the nature of the regulation roughly half of this amount is to be recognized in the coming years, once the regulator updates its assumptions on inflation and other estimated parameters.

This is the case for the financial income earned but not yet cash effective as well as the net working capital effects, which as mentioned, will predominantly will be received in the upcoming years. Free cash flow before interest and tax in the distribution business therefore came in at 18 million, as the cash effective capex was more or less the same amount as the operational cash flow generation.

Retail and Customer Solutions: Operational Earnings & Cash Development: Pg. 8

As you can see on page 8, our retail business also displayed an exceptional earnings growth of 174% and thus generated 2.6 billion lira in 2022. The regulated gross profit, which constitute the bulk of our retail earnings, increased by 195% mainly due to the mentioned advantages of higher energy prices and increased volumes. Liberalized gross profit increased by 430% year over year, due to the following three factors: 1) increase in procurement prices 2), the base impact of a relatively low result in 2021 and 3) effective pricing and energy procurement management.

OPEX in our regulated and liberalized market increased 125%, due to higher inflation, wages and other expenses. Bad debt related earnings increased by 64% and generated a positive contribution in 2022 of 252 million. In addition, other expenses amount to 531 million, as we account for the interest cost related to instalment payments as an operating item, which occurred to manage the working capital situation that prevailed in the first half of the year. The Free Cash Flow in our retail segment was highly positive, to the tune of 5.2 billion, twice the amount of the operational earnings, due to the introduced support mechanisms to compensate for the tariff levels, as described in the beginning of our call.

In our Customer solutions top line financials increased both in terms of revenues and gross profit, however realized in lower operational earnings due to the postponement in revenue recognition from the specific project delays mentioned earlier. But yet again, these are not loss in profits, but only in revenue recognition to 2023. With that said, I am confident about our outlooks in this segment, and therefore let me now share some future projections related to our Customer solutions business:

In our FY 2020 earnings call we announced a long-term growth ambition for our customer solutions revenues, which was 1 billion Turkish lira in 2025, and thus an rapid accelerated growth mainly in the years 2024 and 2025. In the last two years we have achieved a solid base for growth in all areas within this segment, and in the new market environment increase our ambition level for our customer solutions segment, and thus project revenues of 4-6 billion in 2025. In addition, we also provide you with an expected earnings margin of around 10%. We will continually provide you updates regarding key projects and milestones in all three of our customer solutions business lines; Energy efficiency solutions, our E-mobility charging network and the Solar PV business.

Underlying Net Income Development: Pg. 9

Now, let me elaborate on the bottom-line development on page 9.

Our Underlying Net Income increased by 85%, accumulating just over 2 billion in bottom line profits and thus reached 4 billion and 461 million Turkish Lira in 2022. Below the line item Operational Earnings, the main effects were as follows:

- Net loan interest expenses increased by 1 billion and 762 million due to an increase in both financial debt and interest rates. The average loan interest rate increased by 13.6 percentage points and reached 29.5% in 2022.
- In a similar matter, our bond interest expenses increased by 658 million due to increasing interest rates, mainly related due to higher inflation impacting CPI link bonds as well as new bond issuances in October. Thus, the average bond interest rate for 2022 increased by 14.6 percentage points to 35.9%.
- The revaluation expenses of customer deposits were significantly higher than in the last year, due to both a higher deposit base and a higher revaluation rate.
- Please remember that the calculation metric for indexing our customer deposits is the two-month lagging inflation rate, meaning that our Full year 2022 results are incorporating the October 2022 inflation rate, which was 86%, four times the rate in the same period of 2021.

- Other financial expenses contributed positively by 831 million which are mainly related to the interest income accrued related tariff correction amounts in our retail business.

Please note that excluded in the underlying net income, meaning our adjusted bottom line, is the effects from the accounting treatments asset evaluation and inflation accounting. Asset revaluation, which we declared to have applied for in our last call, has a positive impact on the company's overall tax expenses in our statutory books, but have no impact on the underlying business. Therefore, the effect has been adjusted for in our underlying net income, but can be seen as a positive contribution of 11 billion in our reported Net Income. However, I want to remind you that the non-adjusted net income is not the basis for dividend and thus have limited impact.

Inflation accounting adjustments have not been incorporated in TFRS, as per Turkish capital market laws which we fully comply with, and is thus only present in our restated IFRS figures, which can be found in full on our homepage. Further explanations about both of the accounting effects can be found in our annex section.

Please note that the negative impact of inflation accounting is thus not included in the proposed dividend base, which is subject to our Annual General Meeting in March, and therefore translates to a higher than previously anticipated dividend payment. I also want to highlight that the IFRS Underlying Net income, adjusted for inflation accounting, ended up at 2.6 billion lira, within the upper half of our IFRS guidance range. Dividend is proposed as 2 lira and 30 kuruş per share, translating to a pay-out ratio of 61% of the TFRS underlying Net income base which is 4461 million Turkish lira. This generates a growth rate of 85% compared to last year's dividend, in line with our bottom line development. Please note that the new dividend proposal, with a 61% payout ratio on the TFRS bottom line, now generates a much higher dividend, even compared to a 70% maximum payout on the IFRS earnings base.

Economic Net Debt: Pg. 10

Turning to page 10. Our Economic Net Debt increased 34% on an annual basis, from 11.3 billion in December of 2021, to 15.2 billion at the Full Year point of this year. This is a decline from the 18.1 billion level in September on the back of the strong cash flow generation in the last quarter. Free cash flow before interest and tax was strongly positive in 2022 and reduced the debt level with 4.8 billion.

Our leverage ratio, net debt/operational earnings, is currently 0.7, the lowest level in our history thanks to our strong earnings growth. Net interest payments increased our debt with 2.6 billion TL. Change in deposits was 2 billion flat, mainly due to revaluation of our customer deposits. We also have an additional 2 billion lira of other items, where the majority of the effect is related to derivatives of financial instruments.

Let me underline, that we target to have a diverse funding base, and has since many years not financed our business in any other currency than Turkish Lira. This is a measure to eliminate risks and have pure translation between our earnings capacity and financing expenses. In the first month of 2023 we issued a new bond of 2.5 billion Turkish lira, which is the second multi-billion bond issued in the last 5 months. In addition, we just closed a roughly 2 billion lira sustainable financing deal with EBRD, which have a maturity of 5 years. This further propels our green financings strategy, to continue invest and finance our business with ESG and sustainability as guiding pillars.

Mid-term Outlook: Pg. 11

Lastly, let me elaborate on our new guidance on page 11, before we close the presentation part of the call and open up for a Q&A. Today, I would like to widen the horizon and provide you with a mid-term guidance, which includes our expectations until 2025. At the current situation, due to many external unknowns we believe it would not be helpful to provide you with a 2023 guidance at this point in time.

Besides the specific ongoing energy market related developments, many external uncertainties are expected to materialized during this year. As we have stated, we see no fundamental change to our business plan going forward, including our operational activities in 2023. Naturally, this does not disregard the facts that the earthquake have various real and unexpected effects to our financials. However, were we stand today we do see a regulatory compensation mechanism that will fully compensate for majority of these effects either in the short or medium-term outlook. Therefore, we are today announcing a mid-term guidance as follows:

- Operational Earnings to grow with a Compounded Annual Growth Rate of 30-40% in-between 2022 and 2025.
- Underlying net Income is expected to grow with a CAGR of 25%-35%, also between 2022 and 2025.

Please note that growth rate mentioned is in TFRS and is based on an annual compounded growth rate and it does not exclude yearly variations within the period. We will in the coming quarters provide you with a more elaborated picture for the year 2023, along with the speed that regulatory and legislative measures are being introduced.

Lastly, I would like to mention the already disclosed news that I will be leaving Enerjisa Enerji latest by the end of July after being a part of the company for 4 years. Enerjisa, along with its investors, analyst and all other stakeholders, will forever have a special part in my heart and I am certain that the company will achieve new heights of excellence also after my leave.

I will have the chance to say my goodbyes to the investor community gain during our Q1 2023 call, and therefore now only leave you with the word, see you soon again. Let me now hand-over to Rawand to start the Q&A.

Rawand Faraj: Thank you, Michael. We can now start the Q&A session.

To all participants,

For your verbal questions please press the 'Raise Hand' button at the bottom of your screen.

You can also convey your written questions through Q&A section which is located next to the "Raise Hand" button.

Q&A SESSION

Can Alagöz – QNB Finansinvest

Q1: Assuming much stable inflation environment for 2023, is there going to be such a large gap between your IFRS and TFRS Underlying Net Income? Or, should we assume this difference amount for 2022 due to inflation accounting as a one-off for this transition year?

Rawand Faraj: There is a gap right now between IFRS and TFRS of around 1.9 billion TL solely due to effect of inflation accounting. This does not have an impact on dividend, as Enerjisa Enerji has recognized and proposed dividend based on TFRS, the higher figure. In IFRS, it is mandatory to implement inflation accounting as long as the conditions are there. Therefore, the difference between IFRS and TFRS is expected to continue in the future, until either TFRS incorporates inflation accounting or the inflation accounting environment has resolved. So, it will be based on prevailing inflation rates and other conditions dictated by IFRS, which in the current market outlook seems to last for a couple of years. So, to answer your question in short, yes, there will continue to be a gap, but yet again dividend and leading metric for Enerjisa is proposed to be the TFRS Underlying Net Income.

Q2: Can you give some insight on the damage that earthquake caused on your distribution infrastructure? Do you think you may need to increase your CAPEX in the region due to this damage specifically?

Rawand Faraj: Let me start by also communicate my deepest condolences to people affected by this terrible event. As mentioned in the call, it is yet still too early to discuss the specifics. Both due to the ongoing analyses we are doing, but also due to the fact that we need to follow the official communication by the EMRA. However, as we mentioned in our previous disclosure, in 4 out of 5 regions (Adana, Gaziantep, Kilis and Osmaniye) our operations have returned to normal conditions. In Hatay, which is generally most affected by the earthquake and the most affected location for Enerjisa, we have reinstated energy in all critical locations. However, it is important to note that, Enerjisa has made all necessary insurances and therefore has a framework that supports its operations and assets through the regulation and embedded insurance mechanisms therein. How this specifically be outlined, we can not yet declare. As soon as we have an official communication from the regulator, and we have conducted our analyses, we will continuously inform investors and will come back in Q1 2023 call with further details.

Cemal Demirtaş – ATA Invest

Q1: Regarding your guidance, what are the inflation assumptions during 2022 and 2025?

Rawand Faraj: The inflation metric that you should look at is the mid-year inflation. So, it is the future mid-year inflation rates for these three years which predominantly drives the earnings. However, we have not provided guidance on the detailed inflation assumptions, but I can mention that we are broadly in-line with the estimations out on the market. I think you analysts and economist probably have a clear view on that. Of course, this is a dynamic topic and after the recent devastating events, probably inflation expectations are also changing.

Muharrem Gülsever – KONA Capital

Q1: What CPI assumption do you have with this underlying earnings CAGR for 2022-2025?

Rawand Faraj: Just as the previous written question, we don't disclose the inflation assumptions. But as stated, we are broadly in-line with overall market expectations. Even though it is a dynamic topic, you get a good sense of the inflation impact in our business by looking at a broader inflation consensus view on the market.

Emre Sezan – İŞ Invest

Q1: What is the underlying inflation assumption behind your medium-term operating income growth forecast of 35-40%?

Rawand Faraj: I think this is in-line with the previous two questions we had regarding inflation. So, I think we can go ahead with the next question.

Cenk Orçan – HSBC

Q1: What was the main driver for the higher performance in Q4 2022?

Rawand Faraj: The main driver for the higher performance in Q4 specifically are, as in Q3, higher financial income which grew 800 million TL in the last quarter by the IFRIC accounting methodology change. In addition, higher investments executed in the second half of the year which further increases financial income. Beyond that, also in the distribution business, we have higher efficiency and quality earnings contributing positively. This is related to CAPEX outperformance but also quality bonus. Please remember that for quality bonus, the lion's share of the performance is generated in Q4. This is because that these activities are based on yearly target set by the regulator and thus only can be recognized in Q4 once the performance can be measured against the regulation. These four effects together drive a higher performance in Q4 compared to the previous quarters.

Q2: What real/net benefit are you getting from Asset Revaluation? You say it helps generate higher cash in 2022 and beyond but you pay dividends excluding this effect?

Rawand Faraj: Asset revaluation is explicitly elaborated on in the Annex where we state the real benefits it has to our cash flow. Please remember that it is a revaluation of our assets in the statutory books for 2% tax free for future long-term cash generation in the future. This doesn't impact Underlying Net Income, therefore it also doesn't impact the dividend. It has a cash flow benefit but as our dividend is not based on cash flow, this does not translate into higher dividends. Please note that this is purely due to accounting and does not have a true effect on the operational business.

Q3: On the FCF, looks like the substantial deterioration in distribution FCF in Q4 was much more than offset by the significant improvement in retail FCF. Can you run us through the underlying mechanisms for these changes and what might happen in 2023?

Rawand Faraj: As Michael mentioned, FCF in our distribution business was around half of the operational earnings, 5.5 billion TL of the 12 billion TL. But as stated, the remaining half is not cash not generated, is just not recognized in the first year. It will come in the future and this is roughly 5-6 billion TL. And the biggest item, you can see in the line item 'financial income not yet cash effective' which is 3.7 billion TL of that.

I think we have no further questions. We can wrap up and thank our investors and analysts for their participation. Hope to see you again in our Q1 2023 earnings call. Thank you everybody and good evening.