

TRANSCRIPT OF ENERJISA ENERJİ H1 2024 EARNINGS CALL

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

PRESENTATION SESSION

Martin Jaeger: Dear Investors and Analysts, this is Martin, Head of IR, speaking.

Welcome to Enerjisa Enerji's H1 2024 Earnings call. We are here with our CFO Philipp Ulbrich, and with Cem Gökkaya, our Director for Treasury, Risk, IR and Tax.

Philipp and Cem will now run you through the financial and operational performance of the first half of 2024.

Before handing over to Philipp one housekeeping remark. We would like to remind you that we will present and discuss the H1 financials today based on inflation accounting and thus will show the respective 2023 data with 2024 purchasing power, as we did in our last calls. We have highlighted those metrics where inflation accounting does not have any impact such as Investments, Free Cash Flow or Financial Net Debt developments.

With that, over to you Philipp.

Page 2: Highlights

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

- 1) Our investment program in distribution is paying off and delivering promising returns**
- 2) We are significantly growing our retail sales and are outpacing competition**
- 3) Customer Solutions is gaining momentum quickly and**
- 4) We are on track to deliver our full year targets**

So what does that now mean in detail?

First, given the robustness of our business model we continue to invest into the energy transition in Türkiye. Our visible and strong investment program in our distribution grids is progressing as planned. However, we are currently not targeting for a similar Capex overspending this year as we did in 2023, when we faced a unique opportunity. We are now back to normal.

Second, we see a strong pick up in sales volumes of our retail activities in the first half of 2024 clearly above market average. Earnings will be able to benefit from this momentum once regulated tariffs will be

adjusted. As currently the market is heavily subsidized, we do not yet see the full potential of that development in Underlying Net Income. The massive subsidies for electricity and gas prices are not sustainable and are also not setting the right incentives on Türkiye's road to net zero. This is therefore clearly not a question about the if, but about when the subsidies to end.

And Third, our Customer Solutions business, where we are offering mid- and large-scale energy solutions to our customers, is strongly growing. We are seeing operational KPIs multiplying year over year which is directly influencing the gross profit of that business. Mainly additional photovoltaic capacities sold to our B2B customers are the reason for that increase. Also, within the e-mobility business, the demand for our products remains unbroken.

At the same time, we see financial expenses having increased. As we have included the burden of worsening financing conditions in our plans, this does not come as a surprise to us. Also, the impact of inflation accounting on our tax result is crucial here, I will talk about that in a minute. Still, the Underlying Net Income is sitting well within our expectations for the full year. And that's why we also fully confirm our 2024 guidance for Enerjisa.

Let me now run you through the financial performance of the first half year on the following pages.

Page 3: Financial Highlights

Page 3 shows you the financial highlights of the period.

Operational Earnings under IAS 29 grew by 3% to 18.3 billion TL and Underlying Net Income fell by 46% to now 2.0 billion TL. We will explain the opposite development in detail.

As flagged, investments are down by almost 20% in nominal terms and stand now at close to 3.7 billion TL in the first six months. Looking at our full year target of 15-17 billion TL, our H1 investments are matching the well-known seasonal pattern. Last year we decided for an overspending of Capex in the distribution business due to the expected significant revaluation of our regulated asset base. This revaluation took place, and the very high June-over-June inflation of 71.6% was applied. I mentioned in our previous earnings call that we currently envisage investments in 2024 according to our long-term plan and I confirm this outlook today.

Finally, I want to emphasize our strong balance sheet. Despite the tariff burden, we continue with our investments and pay attractive dividends, and we do this with a relatively low leverage though being a highly regulated distribution company. This is a result of our strict capital and cost discipline and effective management of our cash.

For our detailed earnings development let's move to page 4.

Page 4: Operational Earnings Developments

Our Distribution business growth in the first half is driven by a higher Regulated Asset Base which leads to a higher financial income and higher Capex reimbursements. This is a result our profitable investments in the past.

Within the increase of Efficiency & Quality, we booked income accruals in the first half of 2024 for the usual Opex ceiling increase expected to happen later in the year. However, in H1 2023 we did not yet book any income accruals for the ceiling increase happening later in September 2023, as the new EMRA methodology on the Opex ceiling had not been officially announced at that time. This created a significant

positive year-over-year effect, and we expect the material growth of operational earnings in distribution to prevail over the full year.

Now to Retail. As I mentioned we are outpacing the market in terms of volumes, however our Retail segment continues to suffer from the lower cost environment, the subsidies in place and the fact that the tariff has not sufficiently increased. As you can see our regulated market gross profit is impacted most, but also the liberalized margins suffer from the lower sourcing costs.

In Customer Solutions we have achieved a gross profit up by more than 2 billion TL driven by doubling our solar PV capacities. However, the increase in gross profit is not directly feeding through to Operational Earnings as those are negatively influenced by two reasons: first, we recorded higher discount expenses of trade receivables as both the receivables and the discount rates are higher. And second, the mark-to-market valuation of FX hedging instruments for Customer Solutions Capex created a similar negative impact on earnings. Both impacts will be economically neutral over time without impacting the profitability of our projects as they are usually inflation or interest indexed.

Let's now move to page 5 and our bottom-line earnings.

Page 5: Underlying Net Income (UNI)

Our Underlying Net Income decreased by more than 40% and reached around 2 billion TL in the first half. This was expected and reflected in our guidance of 3.5 – 4.5 billion TL for the full year that we confirm today.

Both, the lower earnings contribution from our Retail activities and the increase of financial expenses as a consequence of the higher debt volumes and higher interest environment are mainly driving the year-over-year performance. Within this increase we also account for the interest expense of approximately 1.2 billion TL which is related to the distribution tariff burden. Be aware that we will recover this amount in the P&L of 2025.

Lower other financial expenses due to interest income from uncollected tariff receivables only partially compensated this effect.

Let me add, that the short-term interest impact has to be weighed against the long-term financial income of reimbursements that both benefit from the high revaluation of the 2023 investments and the full existing distribution asset base that we have just seen. We are thus convinced that with the expected decline in interest rates the trade-off between operational earnings and financing expenses will revert and create significant value.

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

On the one hand we recorded a higher monetary loss due to a higher equity growth than the non-monetary asset position. We are not allowed to inflate our Regulated Asset Base as it is classified by IFRS and TFRS as a financial asset. This leads to a significant difference of more than 22 billion TL between financial assets and Regulated Asset Base. The latter one is the basis of future earnings applied by the regulator. The difference is even higher when it comes to the statutory value of the distribution assets, which gets also inflated.

On the other hand, you also see a positive deferred tax impact of more than 3 billion TL. Majority of this amount is driven by the positive effect from inflation adjustments of the asset base in the statutory

financial statements just mentioned, and leads to a reduction in corporate tax due to higher future depreciation.

Let me now hand over to Cem for details on the operations and the balance sheet.

Page 6: Operations

Cem Gökmen Gökkaya: Thank you, Philipp, and good evening, from my side. Let's now continue on page 6, starting with Distribution:

Capex came in at almost 3 billion TL in the first half. Compared to last year this is slightly down. 2023 investments during the year had been extraordinarily high with a 180% Capex overspending compared to the level that we have agreed with the regulator.

One of the key factors, behind the high investments in 2023, was the anticipated advantage from the revaluation of our Regulated Asset Base with higher inflation figures in 2024. The relevant June over June inflation came in at very high 71.6% as mentioned by Philipp. As the difference between inflation and the interest rates will further decrease and even turn into a positive real rate environment, we now return to a normalized investment level. For future investments we also will flexibly use our current low gearing to ensure the growth plan of our Capex.

As a consequence, we were growing our Regulated Asset Base beyond inflation. Year over year RAB has doubled reaching 56 billion TL now of which the share of inflation is 25 billion TL. Due to the high investment needs in Türkiye we expect the Regulator to set the right incentives to secure significant investments also in the future and this will guarantee solid returns for Enerjisa Enerji and its shareholders.

Now over to our Retail and Customer Solutions segments.

Liberalized retail volumes increased year-over-year significantly by 35% and well above the market, enabled by Türkiye's increasing electricity consumption and especially Enerjisa's strong competitive advantage. Still the liberalized gross margin decreased as power prices have not increased as much as inflation. Even our offerings are well above market levels.

Also, our regulated volumes increased significantly, here the margin is directly related to subsidized sourcing cost and with that artificially low by a factor of more than 2 compared to wholesale prices.

Our Customer Solutions gross profit increased to 2.3 billion TL in the first half of the year. Growing sales of solar PV capacities to B2B customers is the main effect for this outstanding performance. As of end July, we in total secured now around 70 MWp solar capacity which is approved by the transmission operator. Furthermore, the project pipeline is well filled for the second half of the year. Thus, we expect significant positive impact from the contracts on our financials. Also, E-SARJ, our e-mobility hardware and solutions provider, is making good progress with growing its charging business across Türkiye.

Page 7: Free Cash Flow

On page 7 you can see the breakdown of our Free Cash Flow after interest and tax development, investments and tariff impacts stemming from retail and distribution.

Free cash flow decreased to minus 5.9 billion TL in H1 2024. This decline is in line with what we expected. The main reasons for this decrease are the delay of tariff changes of the distribution revenue ceiling and our significant investment program. With the expected tariff increases, the negative cash impact will

disappear over time including a compensation for current interest costs. Please be reminded that we do not yet show the interest cost regarding the distribution tariff impact in our P&L, amounting to 1.2 billion TL due to accounting policies. Together with the tariff burden this sums up to 4.0 billion TL which is sitting on our Free Cash Flow. Furthermore, 3.4 billion TL belong to the mentioned overspending in Distribution in 2023 but became only cash-effective in first half of 2024.

Page 8: Economic Net Debt

Let's quickly look at Economic Net Debt on page 8.

Our Economic Net Debt increased by more than 12 billion TL compared to end of 2023. This is mainly driven by higher interest and the dividend payment in the second quarter, as well as the above-mentioned continuation of financing our investments and the tariff deficit. As you can easily reconcile, our Economic Net Debt built-up excluding the tariff related impact happens much slower than the rise in inflation.

Also, Financial Net Debt increased by only 10 billion TL and stands now at almost 39 billion TL, while our balance sheet increased from 132 to 156 billion TL and our Regulated Asset base from 34 to 56 billion TL.

On the next page I will explain how we continue to actively manage our debt.

Page 9: Financing Developments

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

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

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

Page 10: 2024 Outlook

Dr. Philipp Ulbrich: Thank you, Cem.

As you can see Enerjisa Enerji is showing a strong development of its Operational Earnings despite some timing effects in Customer Solutions and still depressed Retail earnings by very high and not-sustainable subsidies. The remarkable growth in Retail volumes gives you an idea about the competitiveness of Enerjisa and the potential of the company.

In distribution, we will further continue with our investments into the energy infrastructure of Türkiye as they are the key lever for a successful energy transition of the country. And at the same time, we expect the regulator to set the right environment for this. Our long-term Capex program will ensure profitable growth of our businesses, especially on the distribution side, even we are not yet seeing the positive impact fully due to the high interest rates. Based on our strong balance sheet and credibility we will be able to finance those investments long-term.

Center element of our guidance remains the targeted payout ratio of Underlying Net Income, which is the key performance indicator on Group level and also the main metric how we steer the businesses.

Based on the financial performance during the first half year, I am fully confident that we will reach our 2024 guidance across all metrics.

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

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Q&A Session

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

Closing

Martin Jäger: It seems that Philipp and Cem have conveyed our messages on H1 results pretty well and everything is understood.

With that, I would like to conclude today's call. Thank you very much Philipp and Cem, and all participants for attending this evening. Good bye everyone and have a nice evening.

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