TRANSCRIPT OF ENERJİSA ENERJİ Q1 2025 EARNINGS CALL

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

PRESENTATION SESSION

Martin Jaeger:
Dear investors and analysts, welcome to Enerjisa Enerji's Q1 2025 earnings call. We are here in the partly sunny Ankara with our CFO Phillip and with Cem, our Director for Treasury Risk Investor Relations and Tax. Phillip will now start running you through the financial and operational performance of the first quarter. And with that, let's kick it off over to you, Phillip.

Page 2: Highlights

Dr. Philipp Ulbrich: Thank you, Martin, and welcome from my side. In Q1 2025, we had a strong start into the year.

We are fully on track to deliver our guidance despite ongoing macroeconomic challenges in Turkey. This proves the resilience of our business model in an uncertain and volatile market environment. Especially our infrastructure investments over the last years are the basis for the strong earnings contribution from our distribution business. Furthermore, rigid control over operational and interest costs remains our priority when navigating through macro volatility in Türkiye.

Let me provide you with an overview of our financial performance in the first quarter before taking you into the details.

Group Operational Earnings show remarkable stability year over year, fully offsetting the impact of high inflation, despite the absence of a nominal tariff increase since last summer throughout Q1.

Year over year, underlying net income more than doubled to 1.3 billion TL in the first quarter. Recently, we have started to benefit from the first positive effects of easing inflation. As Enerjisa's Enerji strong equity position made it particularly sensitive to inflation accounting, lower inflation is already supporting underlying net income now, with further upside potential if interest rates also decline, as explained in previous investor calls and also during our investor day.

Regulated Asset Base grew by 28% in Q1, reaching 74 billion TL This lift mainly reflects the inflation adjustment from 2024 to 2025, while throughout the year further growth can be expected, which is fueled by our investment program.

Our leverage remains at low level of 1.1x, supported by discipline debt management. This keeps interest costs under control and offers the flexibility to gear investments when the right incentives are provided for the next regulatory period, starting on January 1st, 2026.

We also kept our promise to pay out at least 80% of the underlying net income, with a dividend of gross 2.87 TL per share for the fiscal year 2024, distributed in April. Let us now look into the main KPIs in more detail on the next page.

Page 3: Financial Highlights

For Operational Earnings and Underlying Net Income, I will provide you with the year over year bridges on the following slides.

Investments in the first quarter are seasonally low, as the first months are reserved for tendering the expected projects with suppliers. Being also responsible for supply chain management now, I would like to share with you that we have concluded all planned tenders on time and results look very promising.

In Q1, 2025, Enerjisa's Free Cash Flow was negatively impacted by the absence of tariff increases and financing costs related to past investments. However, effective Working Capital management helped to mitigate these effects, resulting in a comfortably manageable Free Cash Flow. Operational cash inflows showed significant improvement and investments were lower than the same period last year. The interest expenses dominating the Free Cash Flow after Interest and Tax are not of concern for us as coming in at highly competitive rates. Even more important, this is reflected largely in the growth of the Regulated Asset Base by its inflation adjustment.

Overall, free cash flow showed positive year over year improvement. That the negative Free Cash Flow after Interest and Tax is not at an unhealthy level is also reflected by our leverage remaining as low as 1.1x, despite significant long-term investments over the past two years and the absence of any tariff increase on the retail or distribution side since summer 2024. Only as of April 5th, the regulator announced tariff increase with a 34.5% rise of distribution fees as its main component and mirroring the expected cost increases of the industry. The tariff burden in distribution will thus decrease over the year. Please be reminded that we expected such an increase of the tariffs in this high inflation environment when we delivered our guidance. We certainly continue to finance ourselves rather short-term and with floating rates. As you will see later during this presentation, we have been able to raise around 10 billion TL at very competitive pricing in Q1, showing the high credibility of Enerjisa Enerji.

Page 4: Operational Earnings Development

When now looking into the details of Operational Earnings on the next page, it is obvious that sustainable developments are compensating temporary downsides, leading to a strong outlook.

Let me start with the distribution business. In the first quarter, Operational Earnings declined in real terms 7% year over year, mainly due to the decrease in Financial Income and Capex Reimbursements. This is on the one hand caused by the low investments so far in 2025 that are falling also behind the spend in the first quarter of the last year in relative terms. We are however pretty confident to reach our planned Capex in Distribution, which will be clearly above the full year 2024 spend in real terms. Furthermore, our prudent accounting treatment of the expected returns in the financial income plays a role here. Given the uncertainties regarding inflation development, we apply for the time being the same inflation expectations for our Financial Income since Q3 2024. These effects are partly compensated by the increase in Efficiency and Quality Earnings, which grew by approximately 60% year over year due to 3 main factors:

- First, we fully implemented an organizational efficiency project that has sustainable long-term effects on our cost basis.
- Second, the regulator agreed to an upward revision of the Opex ceiling in Q1 2025, reflecting the inflation-driven cost increases more accurately by changing the indices used to measure the change in the different cost categories.
- Lastly, we improved our Theft and Loss management performance in all three of our distribution regions with a better outperformance, especially in Toroslar, and expect the improvement to prevail.

The Operational Earnings of our Retail business increased by 66% year-over-year due to the increase of Gross Profits and growth regulated and the liberalized segment. We realized a 71% year-over-year increase of Gross Profit and returns in the regulated segment. This was driven on the one hand by the sustainable Opex ceiling increase, similar to the distribution business, and on the other hand, by a better energy procurement performance resulting in higher gross profit.
In addition, we saw a year-over-year increase of the regulated gross profit from the higher total energy cost base in Q1 2025 after subsidies have been partly removed from the energy procurement price. As pointed out also during our investor day, we expect retail to remain a largely regulated business in which subsidizing the energy costs will continue to pay a key role. We therefore appreciate that the regulator took care of reflecting real cost increases in the compensation we are entitled to, and would also welcome a stepwise further liberalization of tariffs.
Enerjisa successfully remains the market leader in the liberalized retail segment with a gross margin increase by 37% in returns year-over-year, driven mainly by improved contract profitability and an increase in sales volumes by 4%.

Last but not least, our customer solutions business contributed to operational earnings development with a year-over-year growth of more than 200 million TL, mainly stemming from the finalization of the 4.8-megawatt “Brisa Heat Pump Project”. By the end of the first quarter, our solar PV capacity reached 124-megawattpeak compared to 55-megawattpeak a year ago. While the growth in the fully installed projects with the connection approvals is impressive, I would like to emphasize that we follow an opportunistic capital allocation strategy, approving only those projects that deliver profitability at least on par with our distribution investments. This disciplined approach serves the best interest of all shareholders, especially as the distribution networks continue to offer sufficiently large investment opportunities, even if this poses a challenge for the customer solutions business.

Page 5: Underlying Net Income (UNI)

Underlying Net Income more than doubled in returns year-over-year and reached 1.3 billion TL. The improvement is mainly driven by a significantly lower monetary loss from inflation accounting. As you may recall, Enerjisa Enerji is negatively affected by inflation accounting despite its strong operational performance. This is because of the fact that the its equity is about 10 billion TL higher than its non-monetary assets, while the regulated asset base is classified as a financial asset. When inflation rises, both the non-monetary assets and the equity are inflated, but their value is different, and so an imbalance appears on the equity side, which must be corrected through P&L.

In Q1 2025, inflation was around 10% noticeably lower than the approximately 15% in Q1 2024. As a result, the negative impact from inflation accounting is now also much smaller. Let me also comment on the increase in financing interest expenses by 600 million TL. This increase is mainly due to a higher average net debt, while average interest rates stayed almost stable. Today's higher interest expenses are largely driven by inflation, which positively impacts the annual revaluation of our regulated asset base and strengthens thus our future earnings capacity. A large share of the interest costs shown in our P&L are thus transforming into future earnings. When interest rates normalize, the higher returns from the revalued Regulated Asset Base will be realized and even get leveraged by the lower interest costs in our underlying net income. With that, over to you Cem for the operational updates and the balance sheet.

Page 6: Operations

Cem Gökmen Gökkaya: Good afternoon and a warm welcome from my side as well. Now, we will look at the main operational developments in each of our business lines, starting with distribution.

In the first quarter, Capex of the distribution business is slightly lower compared to last year, following the seasonal pattern of our investments as Philipp explained earlier. We are executing our investments according to our long-term investment plan and in accordance with our guidance for the year 2025.

Our regulated asset base expanded by 28%, reaching 74 billion TL, driven by both our strategic investments across the last years and the revaluation of assets. The huge Regulated Asset Base increase in the first quarter is mainly related to the full-year revaluation applied by the regulator in Q1 of every year, based on an expected June to June inflation. So, this happens only once a year.

Let's turn to our retail business. While the volume sold within the regulated segments remains the same year over year, the gross margin increased to 15.1%, mainly driven by the increase in retail service revenues. Our liberalized segment volumes increased by 4%, mainly due to SMEs and households that switched to liberalized contracts instead of regulated tariffs. This was following the regulator's decision to expand the scope of the last resort tariff application effective February 2025. That means that we won volumes in the competitive market, giving us more opportunities to offer tailored contracts with better terms compared to the regulated tariff. The Gross Profit Margin of the liberalized segment, in turn, increased to 3.8%.

Customer solutions is our business line where we evaluate opportunity-driven investments. Since the end of 2024, we added 21.6 megawatt peak to our solar PV installed capacity and increased the number of our charging plugs to 2,605. Let's now move to the next page

Page 7: Economic Net Debt

Economic net debt grew by 4.6 billion TL since the end of the last year and reached 60.3 billion, mainly due to interest payments of 4.3 billion TL. The interest payments are mainly driven by higher financing volumes. Please be reminded that the build-up of debt is stemming from two different topics. On the one hand, we finance more investments and on the other hand, we finance the tariff burden that I will show you in detail on the next slide. Investments require higher borrowings and therefore create higher interest payments. However, it also means higher inflation and debt compensation for the distribution investments. This delivers an overall profitability gain by the slow increase of our net debt compared to our RAB. Financial net debt now stands at 48.9 billion TL, primarily due to increase in bonds by nearly 6.9 billion TL in the first quarter.

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Page 8: Free Cash Flow

This page presents our Free Cash Flow after Interest and Tax, highlighting the key drivers of the progression beyond the interest payments we've just covered.

These factors include cash effective investments and the tariff-related cash impacts between our retail and distribution operations.

In Q1 2025, the operating cash flow was negatively impacted by approximately 2.6 billion TL due to the lack of tariff increases, as well as an additional 4.3 billion TL related to financing costs associated with past investments. Those are following the official adjustment scheme, not yet included in the tariff, and are expected to start being recovered in the upcoming period. In addition, Enerjisa paid 3.5 billion TL for its cash effective investments. This resulted in a free cash flow, realizing at around minus 2.9 billion TL in the first quarter. While the two positive developments of growing capex and higher collections were partially settled by the rise in interest expenses, driven by higher financing volumes, the net effect was a year-over-year improvement of approximately 730 million TL in Free Cash Flow.

Our Cash Effective Investments are mainly stemming from our distribution investments. And they decreased in the first quarter by 1.3 billion TL year-over-year. The reason for this is that the cash effective capex of Q1 2024 included a high share of payments from 2023, when we invested 183% of the allowance provided by the regulators.

Tariff burden of both retail and distribution businesses remains flat year-over-year. By end of Q1, we are entitled to receive 10.4 billion TL tariff burden. The last share comes from the distribution business, amounting to 9.6 billion TL.

Let me remind you in this context what Philipp explained before. The regulator announced the tariff increase effective as of April 5th, where we observed a 34% increase of distribution fees and an only very modest increase of active energy costs, with an average effect of 2% for the retail business. This tariff increase will gradually reverse the negative cash impacts accrued so far. That proves, once again, that even against a background of highly subsidized tariffs, the needs of distribution companies are covered. From our point of view, there is no alternative to providing not only the compensation mechanisms, but also to ensure that the remuneration, which the distribution companies are entitled to, can be collected via the tariffs given the high investment needs in power grids across the country. Let me continue with the next page.

Page 9: Financing Developments

Enerjisa continues with a successful and broad financing strategy in a challenging financial market environment in Türkiye. Until today, in 2025, we have issued 9.7 billion TL worth of TLREF index funds at an expected rate of 100 basis points with two-year terms. We thus completed a large portion of our 2025 financing early in the year before the rise of an outcome of the events in March 2025. With the maturity of fixed interest loans and bonds that we entered into when the interest was lower, our average interest rate for the first quarter increased to 45.4%. However, it remains well below today's interest levels, as we can also secure floating rates at better conditions than the average market. In light of recent developments, Lira reference rates may not hold as quickly as we originally expected. However, what matters for us is the balance between inflation and interest rates, as we are allowed to value our asset base with inflation. With that, I hand over back to Philipp for the closing remarks.

Page 10: 2025 Outlook

Dr. Philipp Ulbrich: Thank you very much, Cem. Let me close our presentation by reiterating our ambitious full year 2025 targets. Operational earnings and Underlying Net Income are expected to grow between 30% and 35%. We continue to promise a real growth on top of inflation, despite the deteriorations of markets that we have recently seen. Respectively, we envisage a range of 52 to 57 billion TL for Operational Earnings and 5 to 6 billion Turkish Lira for Underyling Net Income. Investments and Regulated Asset Base shall even grow more. Here we target for 45% growth on both metrics, reflecting the confidence that we have in our business model. We are on track to invest 21 to 24 billion TL overall in 2025. Our aim is to grow our regulated asset base faster than Net Debt, and by this, continuously creating value for our shareholders. We position the regulated asset base target in the area of 80 to 90 billion TL at the end. This now concludes our presentation on Enerjisa Enerji's Q1 2025 performance. With that, let's start the Q&A, and over to Martin.

Q&A Session

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

Closing

Q1: Umut Öztürk – Gedik Yatırım

Thanks for the presentation. Do you think the current level of loan rates poses a downside risk on your 2025 underlying net income guidance?

Dr. Philipp Ulbrich: So, we see a first question referring to the current loan rates, and I will also apply this to bond rates. I mean, following the recent steps of Turkish Central Bank, we have seen now an increase in the interest rates, and this is something where we are well protected on the one side, because we entered, as we said, into substantial financing for the year before these increases happened. We will certainly also continue our financing, because as just said, now we are also fully committed to our guidance on the investment program, but we see ourselves in being able to manage this, and we certainly also assume now there are quite high real interest rates that you might deduct from the numbers not to prevail over a longer term. Just for clarification, so no, we are not revisiting our Underlying Net Income guidance.

Martin Jäger: It seems that we have no further questions for now. I want to raise your attention that you of course at all times can reach out to the investor relations team of Enerjisa. We are happily answering your questions also verbally. With that, let's conclude today's call. Thank you for participating and following Enerjisa's Q1 2025 earnings call, and hope to see you soon. Greetings from sunny Ankara.

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