



ENERJİSA ENERJİ ANONİM ŞİRKETİ

2021 Financial Results

Earnings Release

Enerjisa Enerji

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February 18, 2022

Strong grid investments sustained in 2021 for uninterrupted electricity supply

2021 marks the first year of 5-year fourth regulatory period. In 2021, Enerjisa Enerji continued to expand its grid infrastructure and invested 2.8 billion TL on its power distribution grids, 56% higher than in 2020.

Enerjisa Enerji CEO Murat Pinar commented: *“In line with our responsible public service approach, we put all our efforts to provide uninterrupted energy to approximately 22 million people in 2021. Together with our employees, we endeavored so that disasters like sudden and heavy snowfalls, large-scale fires, and severe floods do not affect the uninterrupted energy supply. On the other hand, with the support of our suppliers, the regulatory authority and all our stakeholders, we delivered the investments we planned despite all challenges. In 2021, our grid investments reached 2.8 billion TL.”*

Enerjisa Enerji CFO Dr. Michael Moser commented: *“While the Covid-19 vaccinations enabled a controlled normalization and rebound in economic growth, the supply chain disruptions and inflationary pressures across the world creates risks on a sustained recovery. Despite these uncertainties, we successfully executed our strategy in 2021. Thanks to our sound business model, strong risk management and most importantly our highly engaged employees, we delivered strong financial, operational and ESG performance in 2021. Going forward, we target to further increase our investments in customer solutions area, where we focus on green energy certification, e-mobility, energy efficiency and solar power plant solutions”*

FINANCIAL HIGHLIGHTS

Distribution Business

Distribution business unit's operational earnings accounted for 87% of Enerjisa Enerji's operational earnings in FY2021. The main changes in the operational earnings of the Distribution business unit in 2021 compared to 2020 are as follows:

- Financial Income: Financial income increased by TL 881 million reaching TL 2,951 million despite the declining WACC with the impact of higher inflation. The financial income growth accelerated in the second half with the impact of higher mid-term inflation assumptions.
- CAPEX Reimbursements: Capex reimbursements excluding exceptional reimbursements increased from TL 1,342 million in 2020 to TL 2,101 million in 2021 (TL 759 million increase) mainly due to due to inflation impact and higher Capex ceiling.

- Efficiency & Quality Parameters: In 2021, Efficiency & Quality Parameters had TL 104 million higher contribution to Operational Earnings compared to in 2020.
- Other Item: Other item in 2021 was TL 171 million, slightly lower than TL 193 million in 2020. Other item mainly consists of TL 126 million net hedging gains, compared to TL 14 million in 2020.

Retail Business

The contribution of the Retail business unit in operational earnings was 13% in 2021. Retail business showed an operational earnings growth of 13% year-over-year in 2021, despite many uncertainties throughout the year. The growth in 2021 was mainly a result of increase in gross profit of regulated market segment and customer solutions and improvement in the collections related income.

Total retail sales increased by 5.3% from 34.0 TWh in 2020 to 35.8 TWh in 2021 due to recovery in electricity consumption with reduced impact of Covid-19.

In regulated retail segment, a regulatory fixed margin of 2.38% on electricity sourcing costs (weighted average cost of procurement from EÜAŞ, free market and bilateral agreements) is implemented. In 2021, sourcing costs increased due to increase in global spot natural gas and coal prices, FX impact and weak hydrology due to drought. Regulated gross profit in 2021 was TL 974 million with the impact of higher electricity procurement costs and higher retail service revenue due to increase in opex allowance mainly driven by higher inflation.

The liberalised segment gross profit was TL 189 million in 2021. Liberalized gross profit declined year-over-year due to competitive activity early in the year, high base impact and volatility in electricity sourcing costs.

The bad debt related income and expense increased from 42 million TL in 2020 to 152 million TL in 2021 as doubtful provision expenses decreased mainly due to improvement in payment behavior.

Customer Solutions

Customer solutions gross profit increased 5-fold to TL 105 million mainly due to new solar projects. Customer solutions business accounted for 8% of retail gross profit in 2021, compared to 2% in 2020.

Consolidated Financials

Operational Earnings (EBITDA + Capex reimbursements excluding exceptional items) increased by TL 1,885 million (+34%) from TL 5,609 million in 2020 to TL 7,494 million in 2021.

Including exceptional capex reimbursements related to prior tariff periods, which is being reflected to distribution tariffs between 2021 and 2022 (amount in 2021: TL 454 million), the growth in operational earnings was 42%.

Underlying Net Income increased by TL 537 million (+29%) from TL 1,878 million in 2020 to TL 2,415 million in 2021. In addition to the changes in the operational earnings, the main factors driving changes in the Underlying Net Income were as follows:

- Net loan interest expense increased by TL 245 million year-over-year. The average loan financing cost increased from 11.9% in 2020 to 16.0% in 2021. Net loan interest expense includes FX losses on operational items of TL 262 million, which is partly compensated by TL 126 million hedging gains in other item of distribution segment. Excluding the FX impact, average loan financing cost increased by 1pp year-over-year to 12.5%.
- Bond interest expense increased by TL 99 million and deposit valuation expense increased by TL 144 million both due to higher CPI change (CPI change past year: +11.9% vs. this year +19.9%). The average bond financing cost increased from 16.2% in 2020 to 21.3% in 2021.
- Taxes increased by TL 77 million due to higher operational earnings.

Free Cash Flow After Interest and Tax decreased from TL 504 million in 2020 to TL 108 million in 2021. The negative free cash flow in the second half of the year is driven by; 1) sharp increase in electricity procurement costs, while the increase in regulatory tariffs during the same period was limited and 2) working capital impact related to distribution capex in an effort to mitigate supply chain related risks for 2022 Capex. The undercollection in retail segment only has a timing impact on cash flow and will be corrected through price equalization mechanism. Meanwhile, working capital impact in distribution segment will also reverse in due course.

Corporate Tax Rate has increased from 20% to 25% in 2021. In distribution segment, corporate tax increase has been reflected to tax correction component of revenue ceiling. As these changes are both temporary applications, they have been treated as one-off and was not reflected to Operational Earnings and Underlying Net Income.

Financial Net Debt was TL 9.0 billion as of December 2021. **Economic Net Debt** (including non-financial net debt, i.e lease liabilities and customer deposits) stayed unchanged at TL 11.3 billion year-over-year.

Net Financial Debt / Last Twelve Month Operational Earnings was 1.2x in December 2021.

Guidance

2022 guidance is provided for Operational Earnings and Underlying Net Income. Taking the volatile macroeconomic environment and vulnerabilities in the supply chains into consideration, the Company assesses that it is more prudent to provide a detailed and specific guidance at a later stage. The Company will assess to provide guidance on further metrics and a more specific range for current metrics within the course of the year.

Under current circumstances, the 2022 guidance is as follows:

- Above 30% year-over-year growth in **Operational Earnings**
- Above 2.0 billion TL **Underlying Net Income**

STRATEGIC HIGHLIGHTS

Enerjisa Enerji sets its strategy based on the mega trends that shape the energy sector. Digitalization, decarbonization, decentralization, urbanization, customer centricity and deregulation are among the prominent mega trends. Enerjisa Enerji also considers electrification and efficiency as important trends and sets its strategy in line with the opportunities and risks created by these trends.

Enerjisa Enerji continues to develop sustainable products and services as part of its goal to be the leader of the New Energy World shaped by mega trends. In 2022, the Company increased its majority share in Eşarj, the first and fastest electric vehicle charging station network in Turkey to from 80% to 94%. Thus, Enerjisa Enerji took a significant step in sustaining its leadership in e-mobility, a rapidly growing sector globally.

With the support of UNDP and Sabancı University, Enerjisa Enerji designed the Sentrum project in order to enhance the potential in the tourism sector, which is one of the vital sectors in the Turkish economy, and to contribute for the sector to reach a sustainable structure. The Company initiated the Sentrum project, which we set out to create a sustainable tourism center model, in Küçükköy, Ayvalık.

Enerjisa Enerji considers sustainability as an integral part of its strategy and determining its sustainability goals and roadmap. The Company's rankings in sustainability indices is improving reflecting its initiatives in this area. An important development in this regard is the increase of Company's performance in the Climate Change and Water Security programs of the CDP (Carbon Disclosure Project), the world's largest environmental reporting platform to "B" level in 2021.

The Company completed its Green Finance Framework in 2021 and received the relevant Second Party Opinion. Additionally, Enerjisa Enerji signed a new "Inclusive and Green-focused" loan agreement with the EBRD. This loan agreement worth is 110 million USD equivalent in Turkish Lira with a 7 year tenor.

FINANCIAL TABLES

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

	Audited / current period 31 December 2021	Audited / prior period 31 December 2020
ASSETS		
Current Assets	12,795,629	6,852,870
Cash and Cash Equivalents	411,992	588,571
Financial Investments	-	126,108
Financial Assets	3,316,298	2,348,112
Trade Receivables	5,572,805	2,943,668
<i>Due from Related Parties</i>	34,942	17,796
<i>Due from Third Parties</i>	5,537,863	2,925,872
Other Receivables	1,193,566	588,922
<i>Due from Third Parties</i>	1,193,566	588,922
Derivative Financial Instruments	1,548,306	36,066
Inventory	447,450	169,539
Prepaid Expenses	65,010	44,112
Assets Related with Current Taxes	187,648	14
Other Current Assets	52,554	7,758
Non-Current Assets	18,538,012	17,822,635
Other Receivables	685,077	933,739
<i>Due from Third Parties</i>	685,077	933,739
Derivative Financial Instruments	62,210	63
Financial Assets	9,537,341	9,121,848
Right of Use Assets	256,196	140,771
Property, Plant and Equipment	1,444,088	902,255
Intangible Assets	6,225,435	6,357,036
<i>Goodwill</i>	1,977,127	1,977,127
<i>Other Intangible Assets</i>	4,248,308	4,379,909
Prepaid Expenses	3,828	4,507
Deferred Tax Assets	318,901	362,026
Other Non-Current Assets	4,936	390
TOTAL ASSETS	31,333,641	24,675,505

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
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	Audited / current period 31 December 2021	Audited / prior period 31 December 2020
LIABILITIES		
Current Liabilities	14,256,376	8,287,610
Short-Term Financial Liabilities	1,040,267	1,098,798
Short-Term Portion of Long Term Financial Liabilities	5,294,870	1,573,117
Other Financial Liabilities	118,387	68,743
Trade Payables	3,981,140	1,914,357
<i>Due to Related Parties</i>	87,373	129,599
<i>Due to Third Parties</i>	3,893,767	1,784,758
Payables for Employee Benefits	81,812	57,939
Other Payables	2,888,202	2,579,077
<i>Due to Third Parties</i>	2,888,202	2,579,077
Derivative Financial Instruments	43,717	140,060
Deferred Income	450	6,964
Income Tax Liability	93,155	173,075
Short-Term Provisions	369,721	345,547
<i>Provisions for Employment Benefits</i>	76,968	46,423
<i>Other Short-Term Provisions</i>	292,753	299,124
Other Short-Term Liabilities	344,655	329,933
Non-Current Liabilities	7,726,243	9,234,589
Long-Term Financial Liabilities	4,381,083	7,090,385
Other Financial Liabilities	457,604	340,383
Derivative Financial Instruments	2,419	1,619
Deferred Income	1,062,094	211,044
Long-Term Provisions	315,419	224,179
<i>Provisions for Employment Benefits</i>	315,419	224,179
Deferred Tax Liabilities	1,504,908	1,366,979
Other Long-Term Liabilities	2,716	-
TOTAL LIABILITIES	21,982,619	17,522,199

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
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	Audited / current period 31 December 2021	Audited / prior period 31 December 2020
LIABILITIES		
Equity	9,351,022	7,153,306
Registered Share Capital	1,181,069	1,181,069
Adjustments to Share Capital	1,954,164	2,416,412
Total Share Capital	3,135,233	3,597,481
Other Funds	4,340	4,340
Accumulated Other Comprehensive Expenses not to be Reclassified to Profit or Loss in Subsequent Periods	(3,464)	(3,464)
<i>Accumulated Loss on Remeasurement of Defined Benefit Plans</i>	<i>(3,464)</i>	<i>(3,464)</i>
Accumulated Other Comprehensive Income / (Expense) to be Reclassified to Profit or Loss in Subsequent Periods	986,687	(62,487)
<i>Hedge Reserves</i>	<i>986,687</i>	<i>(62,487)</i>
Restricted Profit Reserves	394,232	320,115
Retained Earnings	2,551,626	2,209,638
Profit for the Period	2,282,368	1,087,683
TOTAL LIABILITIES AND EQUITY	31,333,641	24,675,505

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
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	Audited / current period 1 January - 31 December 2021	Audited / prior period 1 January - 31 December 2020
Revenue	30,547,681	21,757,203
Cost of Sales (-)	(22,265,854)	(16,117,831)
GROSS PROFIT	8,281,827	5,639,372
General Administrative Expenses (-)	(3,382,729)	(2,543,194)
Other Income from Operating Activities	831,971	646,102
Other Expenses from Operating Activities (-)	(1,216,478)	(1,004,435)
OPERATING PROFIT BEFORE FINANCE INCOME / (EXPENSE)	4,514,591	2,737,845
Finance Income	108,090	64,091
Finance Expense (-)	(1,479,567)	(1,389,230)
PROFIT BEFORE TAX	3,143,114	1,412,706
Tax Expense	(860,746)	(325,023)
Current Tax Expense (-)	(989,969)	(537,986)
Deferred Tax Income / (Expense)	129,223	212,963
PROFIT FOR THE PERIOD	2,282,368	1,087,683
OTHER COMPREHENSIVE INCOME AND EXPENSE		
Other Comprehensive Income / (Expense) to be Reclassified to Profit or Loss in Subsequent Periods	1,049,174	(60,239)
<i>Gains / (Losses) on Hedges</i>	<i>1,359,451</i>	<i>(76,151)</i>
<i>Income Tax Relating to Other Comprehensive Income</i>	<i>(310,277)</i>	<i>15,912</i>
TOTAL COMPREHENSIVE INCOME	3,331,542	1,027,444
Earnings per share		
Earnings per share (kr)	1.93	0.92

OPERATIONAL EARNINGS AND UNDERLYING NET INCOME CALCULATION

(TLm)	1 January 31 December 2020	1 January 31 December 2021
Operating profit before finance income/(expense)	2,738	4,514
Adjustment of depreciation and amortization	444	473
Adjustments related to operational fx gains and losses	28	262
Adjustments related to valuation difference arising from deposits	162	306
Interest income related to revenue cap regulation	-30	-56
EBITDA	3,342	5,499
CAPEX Reimbursements	1,342	2,101
EBITDA+CAPEX Reimbursements	4,684	7,600
Fair value changes of financial assets	395	0
Non-recurring (income) / expense related to previous years	469	-12
Non-recurring (income)/expense	61	-94
Operational earnings	5,609	7,494
 Net Income	 1,088	 2,282
Fair value changes of financial assets	308	0
Non-recurring income related to previous years	366	-10
Non-recurring (income) / expense	50	-75
Tax rate change	0	218
Non-recurring refinancing transactions fees	66	0
Underlying Net Income	1,878	2,415

Operational Earnings refers to EBITDA plus Capex reimbursements excluding exceptional items. Enerjisa Enerji distribution companies are subject to the application of IFRIC12 (an IFRS standard that governs accounting for service concession arrangements). Accordingly, the Company accounts its licence to operate and invest in the networks as a financial asset. This asset is not depreciated. Accordingly, P&L does not include depreciation expenses of networks. Similarly, P&L also excludes the reimbursement of Capex (i.e. the depreciation allowance) as a revenue item. This means that the Company's EBITDA figure is not comparable to international peers that do not apply IFRIC12 accounting and the management uses Operational Earnings as a KPI for comparability.

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

DISCLAIMER

The information and opinions contained in this document have been compiled by Enerjisa Enerji A.Ş. ("The Company") from sources believed to be reliable and in good faith, but no representation or warranty, expressed or implied, is made as to their accuracy, completeness or correctness.

This document is an accompanying part of consolidated financial statements available in Enerjisa Enerji A.Ş. Investor Relations website and public disclosure platform.