

AYGAZ A.Ş.
1 January – 30 June 2023
INTERIM REPORT

AYGAZ



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REVIEW REPORT ON SEMI-ANNUAL REPORT
ORIGINALLY ISSUED IN TURKISH**

To the General Assembly of Aygaz Anonim Şirketi

Introduction

1. We have been assigned to the review whether the financial information in the review report of Aygaz Anonim Şirketi (the “Company”) and its subsidiaries (collectively referred as the “Group”) prepared as at 30 June 2023 is consistent with the reviewed interim condensed consolidated financial information. Management is responsible for the preparation of the semi-annual report. Our responsibility is to express a conclusion on whether the financial information provided in the semi-annual report is consistent with the reviewed interim condensed consolidated financial information on which we have expressed our conclusion dated 31 July 2023.

Scope of review

2. We conducted our review in accordance with the Standard on Review Engagements (“SRE”) 2410 “Review on Interim Financial Information Performed by the Independent Auditor of the Entity”. Our review includes the assessment as to whether the financial information included in the semi-annual report is consistent with the reviewed interim condensed consolidated financial statements and other explanatory notes. A review is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards, the objective of which is to express an opinion on the financial statements. Consequently, a review on the semi-annual financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to conclude that the accompanying financial information included in the review report is not consistent, in all material respects, with the interim financial information and the information presented in the explanatory notes to interim condensed consolidated financial statements.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Cihan Harman, SMMM
Partner

Istanbul, 31 July 2023

BUSINESS AREA

The main activity of the Company is purchasing liquefied petroleum gas ('LPG') from domestic refineries and overseas market, stocking, filling and delivery to retailers for distribution to customers as cylinder, autogas and bulk gas. Aygaz A.S ('Company' or 'Aygaz') manufactures LPG cylinders, LPG tanks, regulators and other supplementary materials which are necessary for the end-user in its Gebze Facility. The Company has five marine terminals, five filling plants* and eight distribution centers operated by the most modern technology which comply with international standards. As of the end of June 2023, Aygaz serve to customers with 2,182 cylinder dealers and 1,835 autogas stations.

Production and distribution of LPG appliances are also included in the activities as well as manufacture, purchase, sale and after-sale services of LPG cylinders, LPG tanks, LPG stoves and other supplementary materials which are complementary equipment for the end-user.

The Company is registered to Istanbul Trade Registry with number 80651-0 (Mersis No: 0-1190-0510-2700141) and contact information of its headquarters and branches appear on its website, www.aygaz.com.tr.

(*) *Excluding the filling plants in the Terminals.*

CAPITAL AND SHAREHOLDING STRUCTURE

The issued capital of the Company is TL 219,800,767 and the recent decrease of the Company capital from TL 300,000,000.00 to TL 219,800,767.00 due to the transfer of Entek Elektrik Üretim A.Ş. ("Entek") shares corresponding to 49.62% of the registered Entek capital in our Company's assets, to Türkiye Petrol Rafinerileri A.Ş. ("Tüpraş") through a partial demerger transaction through the model of share transfer to Aygaz shareholders, is approved at Aygaz A.Ş.'s Extraordinary General Assembly Meeting (on August 25, 2022), following the approval of the transaction by the Capital Markets Board ("CMB") on July 7, 2022.

The transaction was registered on August 26, 2022 and was published in the Turkish Trade Registry Gazette ("TTRG") on September 1, 2022.

Company's		
Issued capital	: TL 219,800,767.00	
Upper limit of registered capital	: TL 500,000,000.00	

The shareholding structure as of June 30, 2023	TL	%
Koç Holding A.Ş.	89,424,844.65	40.68
Temel Ticaret ve Yatırım A.Ş.	12,692,827.96	5.77
Koç Family	10,451,500.67	4.76
Liquid Petroleum Gas Dev. Co.	53,884,641.77	24.52
Free float**	53,346,951.96	24.27
Total	219,800,767.00	100.00

(**) The free-floating shares in the amount of TL 1,996,553.90 (ratio to capital 0.91%) belong to Hilal Madeni Eşya Ticaret Sanayi ve Yatırım A.Ş., of which Liquid Petroleum Gas Dev. Co. is a 100% shareholder.

BOARD OF DIRECTORS

Division of duties among the Board of Directors which are elected in the Ordinary General Assembly dated March 20, 2023 are determined by the Board Resolution dated March 29, 2023 as below;

Board of Directors

Rahmi M. Koç	Chairman of the Board of Directors
Ömer M. Koç	Deputy Chairman of the Board of Directors
Alexandre F.J. Picciotto	Member
Dr. Bülent Bulgurlu	Member
Levent Çakıroğlu	Member
Yağız Eyüboğlu	Member
Kutsan Çelebicancan	Independent Member
Kemal Ege Cansen	Independent Member
Dr. Şadan Kaptanoğlu Dikici	Independent Member

Executive Committee

Rahmi M. Koç	Chairman
Ömer M. Koç	Member
Ali Y. Koç	Member
Alexandre F.J. Picciotto	Member
Caroline N. Koç	Member

Audit Committee

Kutsan Çelebicancan	Chairman
Dr. Şadan Kaptanoğlu Dikici	Member

Corporate Governance Committee

Kutsan Çelebicancan	Chairman
Yağız Eyüboğlu	Member
Gökhan Dizemen	Member

Risk Management Committee

Dr. Şadan Kaptanoğlu Dikici	Chairwoman
Dr. Bülent Bulgurlu	Member

EXECUTIVE MANAGEMENT

Melih Poyraz	General Manager
Gökhan Dizemen	Assistant General Manager (Finance)
Ayşe Abamor Bilgin	Assistant General Manager (Technical Affairs and Investments)
Fikret Coşar	Assistant General Manager (Sales)
Rıdvan Uçar	Assistant General Manager (Marketing and Innovation)
Şenol Zafer Polat	Director (Cylinder Gas Sales)
Hakan Öntürk	Director (Autogas Sales)
Elifcan Yazgan	Director (Supply Chain)
Esra Topkoç	Director (Human Resources)

Detailed profiles of the Board of Directors and Executive Managers and the principles of the Committees which are established by the Board of Directors are available at the website of Aygaz. (www.aygaz.com.tr)

SUBSIDIARIES and AFFILIATES

The details of the subsidiaries and affiliates included in the consolidation are as below:

Subsidiaries	Place of incorporation and Operation	Principal Activity
Anadoluhisarı Tankercilik A.Ş.	Turkey	Shipping
Kandilli Tankercilik A.Ş.	Turkey	Shipping
Kuleli Tankercilik A.Ş.	Turkey	Shipping
Kuzguncuk Tankercilik A.Ş.	Turkey	Shipping
Akpa Day. Tük. Lpg ve Akar. Ürün. Paz. A.Ş.	Turkey	Marketing
Aygaz Doğal Gaz Toptan Satış A.Ş.	Turkey	Natural gas
Aygaz Doğal Gaz İletim A.Ş.	Turkey	Natural gas
Sendeo Dağıtım Hizmetleri A.Ş.	Turkey	Cargo Transport/Distribution
Bal Kaynak Su İthalat İhracat Sanayi ve Ticaret A.Ş	Turkey	Water distribution

Investments in associates and Joint ventures	Place of incorporation and Operation	Principal Activity
Enerji Yatırımları A.Ş.	Turkey	Energy
Opet Aygaz Gayrimenkul A.Ş.	Turkey	Real Estate
United Aygaz LPG Ltd.	Bangladesh	LPG supply, filling and distribution

Financial Assets	Place of incorporation and Operation	Principal Activity
Koç Finansal Hizmetler A.Ş.	Turkey	Finance
Ram Dış Ticaret A.Ş.	Turkey	Trade
Tat Gıda Sanayi A.Ş.	Turkey	Food

In July 2010, the Company has restructured its shipping operations under new legal entities, and established Anadoluhisarı Tankercilik A.Ş., Kandilli Tankercilik A.Ş., Kuleli Tankercilik A.Ş. and Kuzguncuk Tankercilik A.Ş. with an effective ownership interest of 100%. The main activities of these companies are to purchase, build or rent vessels and to operate them in domestic and/or overseas transportation of crude oil, petroleum products, liquid petroleum gas, natural gas and solid, liquid and liquefied products. The vessel named "Kuleli", included in Company assets and used in liquid petroleum gas transportation, is sold in cash on October 13, 2017. Kuleli Tankercilik A.Ş has purchased 100% shares of Bal Kaynak Su İthalat İhracat Sanayi ve Ticaret A.Ş. ('Bal Kaynak') on March 14, 2019. The capital of the Bal Kaynak was increased by TL 50.000 thousand up to TL 133.000 thousand with the decision of the Ordinary General Assembly held on March 3, 2022. Bal Kaynak continues its water trade activities with the aim of providing sustainable production.

Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş ("Akpa") is mainly engaged in sales of cylinders through either its own organisation or dealers, retail and wholesale of LPG, fuel and lubricants through autogas stations.

Main activity of Aygaz Doğal Gaz Toptan Satış A.Ş. and Aygaz Doğal Gaz İletim A.Ş. (together "Aygaz Doğal Gaz") is to purchase natural gas from domestic and/or overseas

suppliers, selling natural gas to domestic and/or overseas customers and make related arrangements for the modulation, storing of natural gas and building necessary facilities.

Sendeo Dağıtım Hizmetleri A.Ş. ("Sendeo") (Former trade name: Aygaz Aykargo Dağıtım Hizmetleri A.Ş. ("Aykargo") which started as an in-house entrepreneurship project, has started its cargo delivery and distribution activities in 2020. On 3 August 2021, 45% of the shares were transferred to Koç Holding A.Ş. and subsequently the name of the company was changed to Sendeo. To create additional value from existing assets by utilizing Aygaz's know-how such as brand power, extensive dealer network and home delivery experience in strategic business areas, Sendeo has started its Istanbul operations in May 2021 and has become active in 81 cities in less than a year as of February 2022. On the Ordinary General Meeting held in March 2023, capital of Sendeo is decided to increase from TL 753,500 thousand to TL 1,183,500 thousand. TL 300,000 thousand of the total amount of TL 430,000 thousand was paid in cash by the shareholders on 21 March 2023. The payment of the remaining TL 130,000 thousand was completed at the beginning of July 2023, and Aygaz participated in the capital increase amounting to TL 71,500 thousand corresponding to its share ratio. The company has 405 distribution points, 10 transfer centers, 13 distribution centers and 1,629 active delivery points as of end of June.

In December 2005, Enerji Yatırımları A.Ş. ("EYAŞ") was established to acquire 51% block shares of Türkiye Petrol Rafinerileri A.Ş. ("Tüpraş"), to participate in Tüpraş's management and its operational decisions as well as to establish and operate in oil refinery related sectors in Turkey. As of 30 June 2023, EYAŞ's ownership in Tüpraş has been 46,40%.

Opet Aygaz Gayrimenkul A.Ş. was established on September 20, 2013, as a joint venture with 50% equal shares by the Company and Opet Petrolcülük A.Ş., which is the Company's business partner, operating in distribution of fuel products. Its main activity is to establish, purchase, operate and rent fuel and LPG stations.

Within the scope of the termination of the business partnership between Koç Group and UniCredit S.P.A on February 5, 2020, 100% of the shares representing Koç Finansal Hizmetler A.Ş ("KFS") capital were transferred to Koç Group in proportion to their shares in KFS; In addition, KFS's Yapı ve Kredi Bankası A.Ş. ("YKB") shares of 31.93% were transferred to UniCredit SPA and 9.02% to Koç Holding A.Ş. KFS's share in YKB decreased from 81.9% to 40.95%. Within this framework, the Company's share in KFS increased from 1.97% to 3.93%. According to the notifications made to the Public Disclosure Platform ("PDP") on May 30 and 31, 2023 by Aygaz and Koç Holding A.Ş. ("Koç Holding"); resolutions were disclosed regarding to transfer KFS shares in Aygaz's assets which corresponds to 3.93% of the registered KFS capital, to Koç Holding through a partial demerger transaction through the model of share transfer together with all its rights and debts, in accordance with the principle of universal succession to Aygaz shareholders. The transaction was approved by Capital Markets Board ("CMB") on July 13, 2023. The transaction will be submitted to the approval of Aygaz and Koç Holding shareholders at the extraordinary general assembly meetings to be held on August 24, 2023, as disclosed to the public via the notifications made to PDP on July 18, 2023.

Entek Elektrik Üretim A.Ş. ("Entek") operates as the electricity generation company of Koç Group. With the notifications to the PDP made by the Company, Koç Holding, and Tüpraş on 25 April 2022; decisions regarding the transfer of shares corresponding to 99.24% of the total capital of Entek, in which the Company and Koç Holding held 49.62% share separately, to Tüpraş via partial demerger were announced. The respective application was approved by the CMB of Turkey on 7 July 2022. With the extraordinary general assembly held on 25 August 2022, the transaction was approved by the Company, Koç Holding, and Tüpraş shareholders, and the registration was completed on 26 August 2022.

Bangladesh Investment: In line with Group's growth strategy abroad, in order to operate in LPG supply, filling and distribution in the Bangladesh market, on 5 March 2019 the Share Purchase Agreement ('Contract') and Partnership Agreement was signed between the Company and United Enterprises & Co. Ltd. With Contract it was decided that 50% of the shares of United LPG Ltd, the subsidiary of United Enterprises & Co. Ltd, which has a pre-license for LPG filling facility but no current operations yet, will be acquired. With the fulfilment of all the conditions precedents set forth in the Contract, the transfer of shares was completed on 20 January 2021 and the title of the Joint Venture Company was changed to United Aygaz LPG Ltd ("United Aygaz") on 14 February 2023. With the capital increases in 2021 and 2022, United Aygaz's capital reached a total of BDT 3,260,000 thousand (USD 37 million) at the end of 2022. In the decision of the Board of Directors dated February 6, 2023; it was decided to increase the capital of United Aygaz by BDT 1.240.000 thousand (USD 12 million) to BDT 4,500,000 thousand (USD 49,000 million), and the payment of BDT 620,000 thousand (~USD 6 million) corresponding to Aygaz's share was made in cash on February 27 and March 27, 2023. United Aygaz received its LPG operations license issued by Bangladesh Energy Regulatory Commission ("BERC") as of August 2022 and the company has started LPG sales in the Bangladesh market. As of the end of June, operations are carried out through 106 dealers and 3.500 sales points.

LEGAL AND ECONOMIC DEVELOPMENTS IN LPG MARKET

Energy Market Regulatory Authority ("EMRA") published the cumulative sector report as of May 2023. According to January-May period data of 2023, total LPG sales in Turkey increased by 28% compared to the same period of the previous year and amounted to 1,777,389 tons (2022 January-May: 1,386,845 tons).

MARKET-SALES-PRODUCTION

As of the end of June 2023, Aygaz continued its leading position in the market and total LPG sales reached 1,440.8 thousand tons, TL 22,150 million consolidated revenue was obtained in January-June 2023 period.

Aygaz's cylinder LPG sales are 123 thousand tons and autogas sales are 371 thousand tons that sums up to domestic retail sales of 566 thousand tons together with bulk gas sales.

International LPG sales constitute a significant portion of our Company's overseas sales revenue and have reached to 513 thousand tons and USD 309 million revenue was obtained during the first six months of 2023 (2022 6 months: 301 thousand tons – USD 249 million).

Cylinder, small bulk gas tanks, valves, pressure regulators and similar items used in LPG sales, distribution and consumption are produced by our Company. A foreign currency denominated revenue of USD 20.2 million was achieved with LPG cylinder and tank exports in the first six months of the 2022. (2022 6 months: USD 17.8 million)

INVESTMENTS

Under the investment plan for 2023, total amount of investments regarding renovation of cylinders used in the LPG delivery, modernization of the facilities and autogas stations

and investments related to our cargo distribution business has reached TL 196 million in six months period. (2022 6 months: TL 120.6 million)

RESEARCH AND DEVELOPMENT ACTIVITIES

In the first six months of 2023, total TL 14.5 million was spent for research and development activities. (2022 6 months: TL 8.9 million)

EMPLOYEES

For the first six months of 2023, average number of employees working under Aygaz Group was 1,660. (2022 6 months: 1,570)

A Collective Group Labor Agreement that is signed between the Turkish Employers Association of Metal Industries, the employers' union in the metal industries of which the Company is a member, and the Turkish Metal Union on January 12, 2022, to be valid for 01.09.2021 – 31.08.2023 period covering the workers at the Gebze plant, is still in effect and as of September 1, 2023 the parties will start negotiations for a new period.

The Collective Labor Agreement between the Seafarers' Union of Turkey and seamen working on vessels was signed on May 12, 2023, for the 01.01.2023 – 31.12.2024 period.

Provisions for seniority pay and leave obligations as of 30 June 2023, totalled TL 205,713 thousand.

LEGAL DISCLOSURES

Lawsuits and Sanctions

There are no lawsuits filed against the Company that may materially affect its financial position and activities and there are no administrative or legal sanctions imposed on the Company or the members of its managing body for violation of any legal provision.

Public Audits and Special Audits

In addition to the Company's internal audits, Ministry of Finance, Ministry of Customs and Trade and other regulatory and oversight organizations have also requested various documents and information, and ordinary and limited audits have been conducted. Regarding the administrative process that was initiated by EMRA in association with the product audits conducted at four plants in 2013, administrative decisions including the revoking of licenses, administrative fines and sequestration were made by EMRA; the storage licenses of four plants cancelled within this scope were reinstated in a short period upon the applications filed. Because of the administrative sanction decisions made by EMRA after these audits, the Company has filed lawsuits for cancellation of administrative actions as well EMRA filing lawsuits for sequestration of which the relevant administrative processes and lawsuits are still ongoing. The four lawsuits filed by EMRA against the Company demanding sequestration have resulted in our favor. As a result of the investigation launched by EMRA upon this decision, a total fine of TL 750,000 has been imposed in association with the same matter for two of our facilities based on the minimum rate on July 22, 2020, August 4, 2020, and January 7, 2021. According to a notice served on January 5, 2023, EMRA has opened an investigation alleging that the Company has failed to fulfill its obligation to report its inventory for the period from January 1, 2020 to December 31, 2020. It was decided to terminate it without any administrative sanction in accordance with the EMRA Decision dated May 11, 2023 and numbered 11845-15.

KEY FINANCIAL INDICATORS

As of June 30, 2023, some basic indicators as compared to prior periods are as follows.

	<u>1 Jan – 30 Jun 2023</u>	<u>1 Jan – 30 Jun 2022</u>
Gross Profit Margin	8%	6%
Operating Profit Margin	0.2%	-0.3%
Net Profit Margin*	6%	8%
	<u>30 Jun 2023</u>	<u>31 December 2022</u>
Current Ratio	1.13	0.98
Net Fin. Liability/Equity	12%	23%

(*) Parent company share

GENERAL ASSEMBLY

Agenda for the Ordinary General Assembly Meeting, which is held on March 20, 2023 and the list of attendants were published at the website, www.aygaz.com.tr. Details of the main items on the agenda were:

Board of Directors

Board of Directors has been elected as Mustafa Rahmi Koç, Mehmet Ömer Koç, Alexandre François Julien Picciotto, Dr. Bülent Bulgurlu, Levent Çakiroğlu, Yağız Eyüboğlu and independent members has been elected as Kutsan Çelebican, Kemal Ege Cansen and Dr. Şadan Kaptanoğlu Dikici.

Dividend Payment and Profit Distribution

Upon review of these consolidated financial statements and Aygaz A.Ş.'s accounting records kept in accordance with the provisions of Tax Procedure Law (TPL), it was ascertained that:

- the financial statements prepared in accordance with TFRS indicate TL 4,733,385,000 in net profit for the reporting year and TL 12,662,380.80 in net profit from its fiscal year activities according to TPL records;
- the donations in the amount of 1,033,701.50 added to the net period profit of TL 4,733,385,000 per the financial statements in accordance with TFRS amounted to a distributable profit base of TL 4,734,418,701.50; and
- the financial statements prepared according to the TPL records indicate a net distributable profit of TL 12,662,380.80.

a. Accordingly, it has been resolved that setting aside a 5% as general legal reserve for 2022 as required under article 519 of the Turkish Commercial Code would not be required since the amount of general legal reserve in TPL records has already reached 20% of the capital as of 31.12.2022,

b. In compliance with the Capital Markets legislation, Article 17 of the Company's Articles of Association, and the Company's Profit Distribution Policy approved by the shareholders at the General Assembly meeting on March 31, 2014, and taking into consideration the

market expectations, the Company's long-term strategies, investment and financing policies, profitability and cash position, profit distribution to be made as follows:

- TL 219,800,767.00 to be paid out to shareholders as dividend, and
- TL 20,881,072.87 to be set aside as general legal reserve

c. It is also proposed to pay out the total amount of TL 219,800,767.00 as the sum of dividends to the shareholders fully in cash.

d. Upon the General Assembly's acceptance of the profit distribution proposal detailed above, it has been resolved that TL 12,510,349.67 of the total dividend amount of TL 219,800,767.00 be paid out from other current earnings and the remainder TL 207,290,417.33 be paid out from the extraordinary reserves; and that 152,031.13 of the total amount of TL 20,881,072.87 as legal reserves to be set aside be retained from the net period profit and the balance of TL 20,729,041.73 to be covered by extraordinary reserves.

e. The balance of TL 4,492,703,160.14 according to TFRS after the dividend payout and general legal reserve deductions to be transferred to retained profits;

f. A gross=net cash dividend at the rate of 100.00000% and in the amount of TL 1.00000 per share with a nominal value of TL 1.00 to be paid out to fully obligated corporations and our limited taxpayer shareholders who earn dividends through an office or a permanent representative in Turkey; and a gross cash dividend at the rate of 100.00000% and the amount of TL 1.000000 per share with a nominal value of TL 1.00, and net 90.000000% and net amount of TL 0.900000 to be paid out to other shareholders;

and dividend payout to start on March 27, 2023.

Dividend Policy:

Our Company's dividend policy is disclosed as below in Corporate Governance Principles Compliance Report and Company website.

"The Company distributes profit in accordance with the provisions of the Turkish Commercial Code, the Regulations on Capital Markets, Tax Laws and other related laws and regulations, and within the framework of the pertinent article of the Company's Articles of Association. In line with Corporate Governance Principles, a balanced and consistent policy is adopted as regards the interests of both shareholders and the Company.

In principle, as long as related regulations and financial resources allow, taking into consideration our long-term Company strategies, investment and financing policies, profitability and cash position, a minimum 50% of the distributable profit calculated in accordance with Capital Markets Regulations is distributed as cash and/or bonus shares.

Distribution of profit is aimed at being paid out at the latest within one month subsequent to the General Meeting of Shareholders; the date of distribution is resolved at the General Meeting. In the event the General Meeting of Shareholders passes a resolution or authorization is granted, the Board of Directors may take a decision for the distribution of profits on an instalments basis in line with Capital Markets Regulations.

According to the Articles of Association of the Company, the Board of Directors may distribute an advance on dividends, provided it has been authorized to do so by the General Assembly and there is compliance with Capital Markets Regulations."

Donations and Supports:

Company's donation of TL 1,033,701.50 to foundations and associations with the purpose of the social relief in 2022, is submitted to the information of the shareholders. It was decided by the General Assembly that the maximum amount for donations in 2023 to be as 0.4% of the revenues of the previous year.

Other:

It was accepted by the General Assembly to authorize PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. as the independent auditor for the review of 2023 financial reports and to fulfill all other obligations within the scope of related regulations in the Law.

It was decided to nominate Güney Bağımsız Denetim ve SMMM A.Ş. to audit our Company's financial reports for the year 2024 accounting period and to present the selection to the approval of the upcoming ordinary General Assembly meeting.

NATURE AND AMOUNT OF ISSUED CAPITAL MARKET INSTRUMENTS

In order to meet the financing needed for the Company's operations, the following borrowing instruments have been issued;

Within the scope of TL 500,000,000 issuance limit, approved by the Capital Markets Board decision no 26/763 dated May 20, 2021, the following bonds were issued:

- (i) Long-term bonds (TRSAYGZ62318 ISIN) with 720-day maturity, variable interest, 3-month coupon payment, with a spread of 140 basis points over BIST TLREF reference rate, principal payment on June 22, 2023, TL 100,000,000 for qualified investors;
- (ii) Long-term bonds (TRSAYGZA2312 ISIN) with 725-day maturity, variable interest, 3-month coupon payment, with a spread of 215 basis points over BIST TLREF reference rate, principal payment on December 11, 2023, TL 180,000,000 for qualified investors;
- (iii) Long-term bonds (TRSAYGZ22312 ISIN) with 368-day maturity, fixed annual interest of 24.00%, payable at maturity, principal payment on February 3, 2023, TL 150,000,000 for qualified investors.

Within the scope of TL 1,000,000,000 issuance limit, approved by the Capital Markets Board decision no 37/1053 dated July 6, 2022, the following bonds were issued:

- (i) Short-term bonds (TRFAYGZ52316 ISIN) with 281-day maturity, fixed interest of 33.30% per annum, payable on May 9, 2023, TL 100,000,000 for qualified investors;
- (ii) Short-term bonds (TRFAYGZ32318 ISIN) with 179-day maturity, fixed interest of 25.00% per annum, payable on March 31, 2023, TL 200,000,000 for qualified investors;
- (iii) Short-term bonds (TRFAYGZ62315 ISIN) with 175-day maturity, fixed interest of 25.50% per annum, payable on June 2, 2023, TL 300,000,000 for qualified investors;
- (iv) Short-term bonds (TRFAYGZ92312 ISIN) with 99-day maturity, fixed interest of 39.50% per annum, payable on September 28, 2023, TL 250,000,000 for qualified investors;
- (v) Short-term bonds (TRFAYGZ12419 ISIN) with 184-day maturity, fixed interest of 38.50% per annum, payable on January 5, 2024, TL 150,000,000 for qualified investors.

It was resolved to issue debt instruments (bonds and/or bills) with a total nominal value up to TL 3.000.000.000 (Three billion Turkish Lira) after the Capital Markets Board's approval of the issuance, within the period that issuance limit is valid and to do the sale one or several times domestically by way of selling to qualified investors and/or private placement excluding public offering with the resolution of BoD on January 10, 2023. The necessary application to obtain approval was filed with the Capital Markets Board on

January 12, 2023. The necessary application to obtain approval was filed with the Capital Markets Board on January 12, 2023.

CREDIT RATING

In June 14, 2023, our Company's credit rating process carried out by JCR Eurasia Rating has been completed and following ratings has been assigned; Long Term National Rating "AA (Tr) / (Stable Outlook)", Short Term National Rating "J1+(Tr) / (Stable Outlook)" and Long Term International Rating (in local and foreign currency) "BB / (Negative Outlook)".

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE

Aygaz demonstrates its emphasis on the importance of complying with corporate governance principles and its commitment to implementing them as a continuous and dynamic process by receiving Corporate Governance Rating scores and remaining in the Corporate Governance Index. Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., operating under license from the Capital Markets Board ("CMB") to conduct corporate governance rating activities in Turkey, upgraded the Company's score from 9.56 to 9.66 on June 21, 2023. Corporate Governance Rating Score is determined under four main categories weighted by different degrees within the framework of the CMB resolution regarding the issue. The increase in the rating was realized in the "Shareholders", "Public Disclosure and Transparency" and "Board of Directors" sections. With the aim to further improve the Company's compliance risk management and to comply with corporate governance and sustainability; Code of Ethics, Community Investment Policy Compliance Policy, Sanctions and Exports Control Policy and Whistleblowing Policy were also accepted by the Company's Board of Directors on May 18, 2022 and were disclosed both on PDP and the Company website. With its current corporate governance rating, Aygaz has become one of the companies with the highest corporate governance rating in Turkey as of the date of the rating.

The sub-section ratings are confirmed as follows:

<u>Sub-sections</u>	<u>Weight</u>	<u>Rating</u>
Shareholders	0.25	95.90
Public Disclosure and Transparency	0.25	97.25
Stakeholders	0.15	99.51
Board of Directors	0.35	95.31
Total	1.00	96.57

Corporate Governance Rating Report can be accessed at our Company website. The 2022 Corporate Governance Compliance Report ("URF") and Corporate Governance Information Form ("KYBF"), approved by Aygaz A.Ş. Board of Directors, can be found in the corporate governance page of Aygaz A.Ş. on the Public Disclosure Platform (www.kap.org.tr).

In order to renew the existing corporate governance rating agreement between our Company and SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., a new agreement valid for two years was signed on February 21, 2022, and it is valid until February 21, 2024.

SUSTAINABILITY PRINCIPLES COMPLIANCE

Aygaz follows the best sustainability practices closely, including the ones laid out in the CMB's Sustainability Principles Compliance Framework and conducts activities to adopt the generally accepted best practices in this field to the extent possible. Many of the topics that Aygaz manages as part of its sustainability efforts correspond to the principles stated in the "Sustainability Principles Compliance Framework" introduced by the Capital Markets Board (CMB) in 2020. Accordingly, Aygaz A.Ş. has achieved compliance with the majority of the principles stated in the non-mandatory "Sustainability Principles Compliance Framework" introduced by the CMB on a "comply or explain" basis. However, full compliance with all the principles has not been achieved yet due to the challenges in the implementation of some of these principles, uncertainties in the national and international arena, certain principles not fully aligning with the current structure of the Company, and the fact that some compliance principles will be determined according to the findings of ongoing studies. Once the ongoing studies on the global practices that may contribute to the Company's goal of creating sustainable value, the technical infrastructure development and data collection activities are finalized, the Company aims to work toward implementing the principles that have yet to be fully complied with.

Aygaz has been listed in the BIST Sustainability Index since 2018.

Aygaz 2022 Sustainability Report that includes information regarding Aygaz's sustainability implementations and performance has been made public via our Company's website. (www.aygaz.com.tr)

RISK MANAGEMENT

Risk management is applied in accordance with international standards and practices as well as policies approved and strategic targets set by the Board of Directors, taking into consideration feedback from departments and Executive Committee in particular. Given the financial, operational and legal risks encountered due to the nature of the industry, risks are managed -within the framework of corporate risk management- with an integrated, holistic, systematic and proactive approach along with risk assessments spread across the Company and updated with the processes. To maintain and increase market value, the Company aims to identify and manage risks, and to take advantage of opportunities at the same time. With effective corporate risk management in place, developing shared perspectives and strategies across the Company remains the focus point.

Financial risks arising from uncertainties and fluctuations in foreign exchange, interest rates, liquidity and commodity prices are identified and evaluated and when necessary, relevant instruments are used to mitigate risks. Foreign exchange risks originate from purchases in foreign currencies regarding business activities or loans utilized in foreign currency for liquidity purposes. This risk is mitigated by the "natural hedge" that is created by reflecting exchange rate fluctuations on product sales prices and the foreign exchange position exposed to currency risk after the inventory within the said natural hedge is closely monitored and effectively managed. The risks are restricted and kept within targeted limits by forward or derivative transaction agreements when necessary.

The interest rate risk shows its effects on rate-sensitive assets and liabilities. The negative effects of interest rate risk are eliminated balancing financial debts in terms of fixed/variable interest rates and short term/long term maturities.

Liquidity risk is managed by closely monitoring current and projected cash flows and ensuring maturity match between assets and liabilities. Net working capital is closely monitored to preserve short-term liquidity, and sufficient level of cash and cashlike assets

are maintained against potential capital market fluctuations. Consequently, working capital needs and liquidity risks are minimized. The Company's policy is to manage longterm liabilities with fixed-interest rates with flexible structures and to hedge the potential interest rate risks through derivative instruments. Available cash and non-cash credit lines are determined with the banks.

In terms of commodity risks, derivative transactions are performed on operational inventory in order to limit the impact of price fluctuations in international markets.

Given its broad range of activities, Aygaz's receivables are spread across different industries and geographical regions through numerous dealers and customers. Concentrating on a specific field or a customer is avoided. Commercial receivables are monitored closely with regular reporting and assessments, taking care to keep customer credit risk exposure arising from commercial receivables within approved limits.

Collaterals (letters of credit and guarantee performance bonds, pledges, etc.) are held to mitigate collection risks and risks are checked on transaction basis and the said collaterals are followed systemically. Payments are received via banking systems. The use of various payment systems also helps facilitating the collections and reducing the risks.

In terms of capital risk, the Company's objective is to carry out business with the most efficient capital structure that minimizes the cost of capital while creating value for its shareholders. The most significant indicators considered for this purpose are the ratios of Net Financial Debt/EBITDA, Total Financial Debts/ Equity, Current Ratio and Liquidity Ratio, as well as maturity structure of Financial Debt and Net Working Capital. With all these indicators within the required limits, Aygaz A.Ş. has the capital structure and debt capacity to conduct its business in a healthy manner. The Board of Directors is informed through the reports prepared by the management and presented to the Risk Management Committee periodically.

The Company's issued capital is TL 219,800,767 is protected by main partnership capital that is TL 7,901 million as of June 30, 2023.

Operational, legal and strategic risks are evaluated by related units and the decisions made by the executive management are monitored by the Board of Directors through this committee. The Board of Directors also receives information about corporate risk management activities carried out within the scope of strategic planning and management processes through the executive management and the Risk Management Committee.

For protection against any losses that may arise due to operational or other risks, various insurances are in place including the coverages for subsidiaries. All transferable risks are delegated to third parties with insurance policies. Likewise, various other instruments have been introduced including a cyber risk insurance policy to mitigate the effect and probability of cyberattacks. Operational risks are monitored by the relevant departments of the Company and reported to senior management at regular intervals.

Regulatory changes are monitored by all related units primarily and in particular by the Legal Department. Necessary information is provided and training and compliance activities are carried out to avoid legal risks.

OTHER ISSUES

As disclosed on May 30, 2023; as a consequence of the review of structuring alternatives regarding Koç Group companies to enable them operate efficiently, it has been resolved to transfer KFS shares, which are not traded on the stock exchange, in Aygaz's assets to Koç Holding through a partial demerger transaction through the model of share transfer

together with all its rights and debts, in accordance with the principle of universal succession to Aygaz shareholders. Thus, Aygaz shareholders will receive Koç Holding shares in exchange for the illiquid KFS shares in Aygaz. It is aimed to make the fair value of the main LPG business more visible and measurable by transferring KFS shares, which are not related to Company's core business line, to Koç Holding.

It has been decided to carry out the demerger based on the financial statements dated 31.12.2022, prepared within the framework of the relevant regulations of the CMB, of the companies that are party to the transaction. As determined in the expert report, KFS shares with a nominal value of TL 15.001.230,08 in Aygaz's assets will be transferred to Koç Holding through a partial demerger transaction through the model of share transfer. The issued capital of Aygaz will be decreased by TL 13,895,148 due to the partial demerger transaction of KFS shares. The reduction in the issued capital will be allocated the shares of all Aygaz's shareholders in proportion of the shareholding in Aygaz. Koç Holding's issued capital will be increased by TL 6,504,705 from TL 2,535,898,050 to TL 2,542,402,755 due to the takeover through demerger.

The transaction was approved by CMB on July 13, 2023. The transaction will be submitted to the approval of Aygaz and Koç Holding shareholders at the extraordinary general assembly meetings to be held on August 24, 2023, as disclosed to the public via the notifications made to PDP on July 18, 2023.

FORWARD LOOKING STATEMENTS

Regarding 2023;

245-255 thousand tons for cylinder gas,
750-780* thousand tons for autogas.

Our market share expectations are;
Cylinder gas: 41.0% - 43.0%
Autogas: 22.0% - 23.0%

(*) It is revised due to the general demand growth in the autogas market. Previous: 730-760 k ton

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