

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

AYGAZ ANONİM ŐİRKETİ

**1 JANUARY – 31 DECEMBER 2022 CONSOLIDATED
FINANCIAL STATEMENTS TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Aygaz Anonim Şirketi

A. Audit of the consolidated financial statements

1. Our opinion

We have audited the accompanying consolidated financial statements of Aygaz Anonim Şirketi (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (including Independence Standards) (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key Audit Matters	How the key audit matter was addressed in the audit
<p>Revenue recognition</p> <p>Revenue is one of the most important indicators in the performance evaluation of the Group. Revenue has significant importance in terms of evaluating the results of the strategies implemented during the year and monitoring the performance.</p> <p>Revenue is measured with the amount remaining after discounts and returns are deducted from the amount received or to be received in return for the goods or services offered.</p> <p>The revenue amounting to TRY37,506,944 thousand which is the largest financial statement item in the consolidated statement of profit or loss for the period 1 January - 31 December 2022, has been identified as a key audit matter due to its significance level and significant impact on more than one account.</p> <p>Explanations regarding the Group's accounting policies and amounts regarding revenue are included in Notes 2.5 and 23.</p>	<p>During our audit, the following audit procedures were performed for the recognition of revenue:</p> <ul style="list-style-type: none"> - Evaluating the conformity of the Group's accounting policies for the recognition of the revenue, - Understanding the invoicing, discount calculations, approval of price changes and sales-related tax entries for significant revenue streams, - Performing tests on the accuracy of customer invoices with the sampling method and checking the accounting of the related contracts within the scope of TFRS 15, "Revenue from Customer Contracts", - Evaluating the performance obligations determined by the Group and checking whether the revenue is accounted in accordance with the relevant accounting policies, - Testing the revenue items belong to period ending and the beginning of the following period with the sampling method regarding the cut-off of the revenue, - Performing tests with sampling method and analytical procedures regarding the completeness and accuracy of sales discount, - Evaluating the adequacy of the notes and explanations for revenue recognition which are explained in Note 2.5 and 23 within the scope of TFRS 15, "Revenue from Customer Contracts" standard, <p>As a result of these procedures on the recognition of revenue, we did not have any significant findings.</p>



4. Responsibilities of management and those charged with governance for the consolidated financial statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

5. Auditor's responsibilities for the audit of the consolidated financial statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Company’s bookkeeping activities concerning the period from 1 January to 31 December 2022 period are not in compliance with the TCC and provisions of the Company’s articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor’s report on the early risk identification system and committee was submitted to the Company’s Board of Directors on 8 February 2023.

Additional explanation for convenience translation into English

Turkish Financial Reporting Standards differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of IAS 29 - Financial Reporting in Hyperinflationary Economies by 31 December 2022. Accordingly, the accompanying consolidated financial statements are not intended to present fairly the consolidated financial position and results of operations of the Group in accordance with IFRS.

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

Cihan Harman, SMMM
Partner

Istanbul, 8 February 2023

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AYGAZ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

	Notes	Audited 31 December 2022	Audited 31 December 2021
ASSETS			
Current assets			
Cash and cash equivalents	4	1.826.605	1.693.433
Financial investments		35.939	-
Trade receivables		2.458.642	1.065.040
- Trade receivables from related parties	31	140.257	71.565
- Trade receivables from third parties	8	2.318.385	993.475
Other receivables		149.432	105.610
- Other receivables from related parties	31	84.375	-
- Other receivables from third parties	9	65.057	105.610
Derivative financial instruments	7	85.754	185
Inventories	11	2.335.531	1.433.089
Prepaid expenses	20	67.509	91.326
Assets related to current year tax		9.296	-
Other current assets	19	479.199	248.908
Total current assets		7.447.907	4.637.591
Non-current assets			
Financial investments	5	1.610.681	462.013
Trade receivables		8.135	6.545
- Trade receivables from third parties	8	8.135	6.545
Other receivables		645	156
- Other receivables from third parties		645	156
Investments accounted under equity method	12	6.262.099	2.160.939
Property, plant and equipment	13	983.577	771.735
Right-of-use assets	15	119.286	188.420
Intangible assets		77.388	32.620
- Other intangible assets	14	77.388	32.620
Prepaid expenses	20	25.232	28.908
Deferred tax asset	30	112.664	44.204
Total non-current assets		9.199.707	3.695.540
Total assets		16.647.614	8.333.131

The accompanying notes form an integral part of these consolidated financial statements.

AYGAZ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

	Notes	Audited 31 December 2022	Audited 31 December 2021
LIABILITIES AND EQUITY			
Short-term liabilities			
Short-term financial borrowings	6	1.034.642	111.624
Current portion of long-term financial borrowings	6	1.754.229	954.983
Trade payables		4.009.912	2.122.269
- Trade payables to related parties	31	477.922	308.739
- Trade payables to third parties	8	3.531.990	1.813.530
Liabilities for employee benefits	10	130.049	61.415
Other payables		4.426	3.388
- Other payables to related parties	31	1.394	1.335
- Other payables to third parties	9	3.032	2.053
Derivative financial instruments	7	-	44.598
Deferred income	21	7.591	9.207
Current income tax liabilities		17.052	27.421
Short-term provisions		458.837	496.748
- Other provisions	18	458.837	496.748
Other current liabilities	19	148.957	37.006
Total short-term liabilities		7.565.695	3.868.659
Long-term liabilities			
Long-term financial borrowings	6	809.873	1.485.852
Other payables		126.235	141.749
- Trade payables to third parties	9	126.235	141.749
Long-term provisions		288.833	115.715
- Long-term provisions for employee benefits	17	227.892	91.919
- Other long-term provisions	18	60.941	23.796
Deferred tax liabilities	30	2.446	1.957
Total long-term liabilities		1.227.387	1.745.273
Total liabilities		8.793.082	5.613.932
Equity			
Share capital	22	219.801	300.000
Adjustment to share capital	22	71.504	71.504
Adjustment to share capital due to cross-ownership (-)		(7.442)	(7.442)
Other comprehensive income or expenses			
not to be reclassified to profit or loss			
Gains (losses) on the revaluation and/or reclassification		1.299.161	285.626
- Gains (losses) remeasurement from defined benefit plans		1.328.768	287.376
- Gains (losses) on financial assets measured at fair value through other comprehensive income		(48.691)	(413)
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss	22	1.377.459	287.789
Other comprehensive income or expenses to be reclassified to profit or loss			
Currency translation differences		32.164	(411.216)
Gains (losses) on hedge		(45.494)	3.311
- Gains (losses) on cash flow hedges		3.811	(14.550)
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss		3.811	(14.550)
Restricted reserves	22	73.847	(399.977)
Retained earnings		379.192	365.692
Net profit (loss) for the period		999.940	1.423.454
		4.733.385	670.105
Equity attributable to equity holders of the parent		7.727.705	2.697.723
Non-controlling interest		126.827	21.476
Total equity		7.854.532	2.719.199
Total equity and liabilities		16.647.614	8.333.131

The accompanying notes form an integral part of these consolidated financial statements.

AYGAZ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

	Notes	Audited 1 January - 31 December 2022	Audited 1 January - 31 December 2021
Revenue	23	37.506.944	15.893.254
Cost of sales (-)	23	(35.284.064)	(14.455.117)
Gross profit		2.222.880	1.438.137
General administrative expenses (-)	24	(836.061)	(434.787)
Marketing expenses (-)	24	(1.085.137)	(473.755)
Research and development expenses (-)	24	(9.676)	(7.274)
Other operating income	26	1.325.183	1.124.818
Other operating expenses (-)	26	(1.274.610)	(1.229.115)
Operating profit		342.579	418.024
Income from investment activities	27	54.563	23.544
Loss from investment activities (-)	27	(5.924)	(4.224)
Profit (losses) from investments accounted under equity method	12	4.490.873	423.088
Operating profit before financial income (expense)		4.882.091	860.432
Financial income	28	456.835	282.692
Financial expense (-)	28	(841.019)	(445.808)
Profit from continuing operations before tax		4.497.907	697.316
Tax income (expense), continuing operations			
Current tax expense for the period (-)	30	(53.297)	(153.190)
Deferred tax income (expense)	30	119.626	83.040
Profit (loss) for the period		4.564.236	627.166
Distribution of profit (loss) for the period			
Non-controlling interest		(169.149)	(42.939)
Equity holders of the parent		4.733.385	670.105
Earnings (losses) per share (TL)	29	17,3215	2,2337
Diluted earnings (losses) per share (TL)	29	17,3215	2,2337

The accompanying notes form an integral part of these consolidated financial statements.

AYGAZ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF OTHER COMPERHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

	Audited	Audited
	1 January -	1 January -
Notes	31 December 2022	31 December 2021
Profit (loss) for the period	4.564.236	627.166
Other comprehensive income		
Not to be reclassified to profit or loss	1.013.535	37.610
Gains (losses) re-measurement on defined benefit plans	(59.717)	(803)
- <i>Gains (losses) on financial assets measured at fair value through other comprehensive income</i>	1.147.021	40.818
- <i>Gains (losses) from re-measurement on defined benefit plans of investments using equity method</i>	(27.857)	(517)
Taxes relating to other comprehensive income not to be reclassified to profit (loss)		
- <i>Gains (losses) re-measurement on defined benefit plan, tax effect</i>	30 11.439	153
- <i>Gains (losses) on financial assets measured at fair value through other comprehensive income, tax effect</i>	30 (57.351)	(2.041)
To be reclassified to profit or loss	443.380	(177.555)
Currency translation differences	(48.805)	8.133
Gains (losses) on cash flow hedges		
- <i>Gains (losses) on cash flow hedges</i>	24.104	(24.753)
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss		
- <i>Gains (losses) from cash flow hedges of investments using equity method</i>	348.738	(234.408)
- <i>Gains (losses) from currency translation differences of investments using equity method</i>	125.086	68.675
Taxes relating to other comprehensive income to be reclassified to profit (loss)		
- <i>Gains (losses) on cash flow hedges, tax effect</i>	30 (5.743)	4.798
Other comprehensive income (expense) (after taxation)	1.456.915	(139.945)
Total other comprehensive income (expense)	6.021.151	487.221
Distribution of total comprehensive income (expense)		
- Non-controlling interest	(169.149)	(42.939)
- Equity holders of the parent	6.190.300	530.160

The accompanying notes form an integral part of these consolidated financial statements.

AYGAZ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

	Notes	Share capital	Adjustment to share capital	Adjustment to share capital due to cross-ownership (-)	Other comprehensive income or expenses not to be reclassified to profit or loss		Other comprehensive income or expenses to be reclassified to profit or loss			Accumulated profit						
					Gains (losses) on re-measurement of defined benefit plans	Gains (losses) on financial assets measured at fair value through other comprehensive income	Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss	Currency translation differences	Gains (losses) on cash flow hedges	Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss	Restricted reserves	Retained earnings	Net profit for the period	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Audited																
As of 1 January 2021		300.000	71.504	(7.442)	237	249.012	(1.233)	(4.822)	5.405	(234.244)	352.192	1.611.683	(24.889)	2.317.403	-	2.317.403
Transfers		-	-	-	-	-	-	-	-	-	13.500	(38.389)	24.889	-	-	-
Increase in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	48.600	48.600
Decrease due to share ratio changes that do not result in loss of control in subsidiaries		-	-	-	-	-	-	-	-	-	-	160	-	160	15.815	15.975
Total comprehensive income (expense)		-	-	-	(650)	38.777	(517)	8.133	(19.955)	(165.733)	-	-	670.105	530.160	(42.939)	487.221
<i>Net income</i>		-	-	-	-	-	-	-	-	-	-	-	670.105	670.105	(42.939)	627.166
<i>Other comprehensive income (expense)</i>		-	-	-	(650)	38.777	(517)	8.133	(19.955)	(165.733)	-	-	-	(139.945)	-	(139.945)
Dividend paid		-	-	-	-	-	-	-	-	-	-	(150.000)	-	(150.000)	-	(150.000)
As of 31 December 2021		300.000	71.504	(7.442)	(413)	287.789	(1.750)	3.311	(14.550)	(399.977)	365.692	1.423.454	670.105	2.697.723	21.476	2.719.199
Audited																
As of 1 January 2022		300.000	71.504	(7.442)	(413)	287.789	(1.750)	3.311	(14.550)	(399.977)	365.692	1.423.454	670.105	2.697.723	21.476	2.719.199
Transfers		-	-	-	-	-	-	-	-	-	13.500	656.605	(670.105)	-	-	-
Increase in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	274.500	274.500
Payments made to shareholders except dividend	22	(80.199)	-	-	-	-	-	-	-	-	-	(930.119)	-	(1.010.318)	-	(1.010.318)
Total comprehensive income (expense)		-	-	-	(48.278)	1.089.670	(27.857)	(48.805)	18.361	473.824	-	-	4.733.385	6.190.300	(169.149)	6.021.151
<i>Net income</i>		-	-	-	-	-	-	-	-	-	-	-	4.733.385	4.733.385	(169.149)	4.564.236
<i>Other comprehensive income (expense)</i>		-	-	-	(48.278)	1.089.670	(27.857)	(48.805)	18.361	473.824	-	-	-	1.456.915	-	1.456.915
Dividend paid	22	-	-	-	-	-	-	-	-	-	-	(150.000)	-	(150.000)	-	(150.000)
As of 31 December 2022		219.801	71.504	(7.442)	(48.691)	1.377.459	(29.607)	(45.494)	3.811	73.847	379.192	999.940	4.733.385	7.727.705	126.827	7.854.532

The accompanying notes form an integral part of these consolidated financial statements.

AYGAZ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

	Notes	Audited 1 January - 31 December 2022	Audited 1 January - 31 December 2021
Cash flows from operating activities		(149.120)	235.007
Net income (loss)		4.564.236	627.166
Adjustments related with the reconciliation of net profit (loss) for the period		(4.067.831)	188.030
Adjustments for depreciation and amortization expenses	3, 13, 14, 15	245.445	183.120
Adjustments for impairment reversal (loss)		(243)	196
Adjustments for provisions		(90.850)	65.415
Adjustments for dividend income (expense)	27	(16.895)	(7.525)
Adjustments for interest income	28	(129.812)	(111.945)
Adjustments for interest expense	28	545.055	239.048
Adjustments for unrealized foreign translation differences		76.126	177.406
Adjustments for fair value gains (losses) on derivative financial instruments		(111.806)	12.639
Adjustments for undistributed profits of investments accounted under equity method	12	(4.490.873)	(423.088)
Adjustments for tax income (expenses)	30	(66.329)	70.150
Adjustments for gains (losses) on disposal of non-current assets	27	(31.744)	(11.795)
Other adjustments for reconciliation of profit (loss)		4.095	(5.591)
Changes in working capital		(554.177)	(435.766)
Change in blocked deposits		(55.319)	(19.923)
Adjustments for decrease (increase) in trade receivables		(1.394.949)	(396.065)
Adjustments for decrease (increase) in other operating receivables		(274.602)	(254.667)
Adjustments for decrease (increase) in inventories		(902.442)	(1.032.732)
Decrease (increase) in prepaid expenses		30.548	(45.081)
Adjustments for increase (decrease) in trade payables		1.887.643	1.298.069
Increase (decrease) in liabilities for employee benefits		68.634	(6.564)
Adjustments for increase (decrease) in other operating payables		87.926	19.979
Increase (decrease) in deferred income		(1.616)	1.218
Cash flows from operating activities		(57.772)	379.430
Payments related to provisions for employee benefits	17	(18.386)	(7.206)
Tax returns (payments)		(72.962)	(137.217)
Cash flows from investing activities		(262.410)	(158.410)
Cash inflows from sales that do not result in loss of control of subsidiaries		-	15.975
Cash outflows from the purchase of interests or capital increase of investments in associates or joint ventures	12	(174.638)	(56.657)
Cash inflows from the sale of property, plant and equipment and intangible assets		55.313	27.718
Cash outflows from the purchase of property, plant and equipment and intangible assets	13, 14	(398.541)	(201.571)
Dividends received		16.895	7.525
Other cash inflows (outflows)			
- Decrease (increase) in financial investments		(35.939)	-
- Contributions of non-controlling interests to capital increases		274.500	48.600
Cash flows from financing activities		246.610	651.634
Proceeds from borrowings	6	3.260.717	1.559.573
Repayments of borrowings	6	(2.422.590)	(583.900)
Payments of lease liabilities	6	(162.617)	(109.828)
Dividends paid		(149.941)	(149.938)
Interest paid		(405.716)	(176.185)
Interest received		126.757	111.912
Net increase (decrease) in cash and cash equivalents before currency translation differences		(164.920)	728.231
Effect of currency translation differences		242.773	(15.369)
Net increase (decrease) in cash and cash equivalents		77.853	712.862
Cash and cash equivalents at the beginning of the period	4	1.671.074	958.212
Cash and cash equivalents at the end of the period	4	1.748.927	1.671.074

The accompanying notes form an integral part of these consolidated financial statements.

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE COMPANY

The main activity of Aygaz Anonim Şirketi (the “Company” or “Aygaz”) is the purchase of liquid petroleum gas (LPG) in bulk from domestic refineries and the overseas market and delivery to retailers for distribution to customers. The Company manufactures LPG cylinders, LPG tanks, regulators and other supplementary materials which support the Company’s main business and which are necessary equipment for the end-user. In 2019 the Company opened a branch office in London with the aim of increasing trade volume with third parties in international markets and creating additional value for its domestic operations by monitoring the opportunities in global markets. The Company is controlled by Koç Holding A.Ş. the parent company, Koç Family and the companies owned by Koç Family.

The Company is registered at the Capital Markets Board of Turkey (“CMB”) and as of 31 December 2022, 24,27% of its shares have been quoted at Borsa Istanbul.

The address of the registered office of the Company is as follows:

Büyükdere Cad. No: 145/1 Aygaz Han, Zincirlikuyu, 34394 / İstanbul

Total end of period and average number of personnel employed by categories in Aygaz and its subsidiaries (together with referred to as the “Group”) are as follows:

	<u>End of period</u>		<u>Average</u>	
	31 December 2022	31 December 2021	1 January - 31 December 2022	1 January - 31 December 2021
Monthly paid	993	840	925	757
Hourly paid	680	632	689	655
Total number of personnel	1.673	1.472	1.614	1.412

Subsidiaries

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.

Within July 2010, the Company has restructured its shipping operations under new legal entities, and established Anadoluhisarı Tankercilik A.Ş. (“Anadolu Hisarı”), Kandilli Tankercilik A.Ş. (“Kandilli”), Kuleli Tankercilik A.Ş. (“Kuleli”) and Kuzguncuk Tankercilik A.Ş. (“Kuzguncuk”) 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. On 13 October 2017, the vessel named “Kuleli” which is used for the transportation of LPG was sold by Kuleli Tankercilik A.Ş. - the Company’s subsidiary. On 14 March 2019 Kuleli has acquired the 100% of shares of Bal Kaynak Su İthalat İhracat Sanayi ve Ticaret A.Ş. (“Bal Kaynak”).

With the Ordinary General Assembly Meeting of Bal Kaynak, held on 3 March 2022, it was decided to increase its capital to TL 133.000 thousand. Bal Kaynak continues its water trade activities with the aim of providing sustainable production.

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE COMPANY (Continued)

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. With the Ordinary General Assembly Meetings of Sendeo, held on 19 February 2021 and 2 September 2021, it was decided to increase the Sendeo’s capital from TL 500 thousand to TL 35.500 thousand, and from TL 35.500 thousand to TL 143.500 thousand, respectively.

As a result of the negotiations regarding building a strategic collaboration with McKinsey Danışmanlık Hizmetleri Ltd. Şti. (“McKinsey”), in place of the Partnership Framework Agreement dated 15 January 2021, it was decided to continue cooperation by signing a long-term Consulting Agreement with the resolution of the Board of Directors dated 30 July 2021. With the contract, the Company has declared its intentions that the Company and/or other Koç Group companies owning Sendeo’s shares make a cash capital injection of up to USD 60 million in Sendeo during the service period taking into account the company's activities and operational needs. On 3 August 2021 45% of the shares of Sendeo each with a nominal value of TL 15.975 thousand were transferred to Koç Holding A.Ş. with a cash price of TL 15.975 thousand and the full payment was collected by the Company in cash. With the decision of the Extraordinary General Assembly registered on 14 February 2022, the capital of Sendeo has been decided to be increased from TL 143.500 thousand to TL 423.500 thousand and full of the total amount has been paid in cash by the shareholders of Sendeo until 9 February 2022 and 7 July 2022. With the decision of the Extraordinary General Assembly registered on 23 August 2022, it was decided to increase its capital to TL 503.500 thousand and the total amount has been paid in cash by the shareholders of Sendeo on 31 August 2022. With the decision of the Extraordinary General Assembly registered on 7 December 2022, the capital of Sendeo has been decided to be increased from TL 503.500 thousand to TL 753.500 thousand. TL 137.500 thousand as the share of the Company has been paid in cash by the Company on 20 December 2022 and TL 28.125 thousand of TL 112.500 thousand as the share of Koç Holding A.Ş. has been paid in cash by Koç Holding A.Ş. on 22 December 2022.

Subsidiaries	Place of incorporation and operation	Ownership interest (%)		Voting power right	Principal activity
		31 December 2022	31 December 2021		
Anadoluhisarı	Turkey	100	100	100	Shipping
Kandilli	Turkey	100	100	100	Shipping
Kuzguncuk	Turkey	100	100	100	Shipping
Kuleli	Turkey	100	100	100	Shipping
Akpa	Turkey	100	100	100	Marketing
Aygaz Doğal Gaz Toptan Satış	Turkey	100	100	100	Natural gas
Aygaz Doğal Gaz İletim	Turkey	100	100	100	Natural gas
Bal Kaynak	Turkey	100	100	100	Bottled water
Sendeo	Turkey	55	55	55	Cargo transportation/distribution

Investments in associates

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 31 December 2022, EYAŞ's ownership in Tüpraş has been 46,40%.

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE COMPANY (Continued)

Entek Elektrik Üretim A.Ş. (“Entek”) operates as the electricity generation company of Koç Group. On 4 August 2021, Entek acquired all of the shares of companies Süloğlu Elektrik Üretimi A.Ş. (Former trade name: STEAG Rüzgar Süloğlu Enerji Üretim ve Ticaret A.Ş.) and Enspire Enerji Yatırımları ve Hizmetleri A.Ş. (Former trade name: STEAG Turkey Enerji Yatırımları ve Hizmetleri A.Ş.) from STEAG GmbH for 58.9 million USD in cash. With this purchase, as of 31 December 2022, it has a total installed capacity of 436 MW, 324 MW of which is in renewable energy, with eight hydroelectric power plants in Kahramanmaraş, Karaman, Samsun and Mersin with capacity of 264 MW, one natural gas cycling plant with capacity of 112 MW in Kocaeli, and one wind power plant with capacity of 60 MW in Edirne. The electrical installed power of the Süloğlu wind power plant has been increased from 60 MW to 66 MW as of August 2022 and the license was renewed.

With the notifications to the Public Disclosure Platform (“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 with the share transfer model to the shareholders, were announced. The respective application was approved by the CMB of Turkey on 7 July 2022. In addition, as explained publicly in the notification through PDP on 20 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 (Note 12).

Investments in associates	Place of incorporation and operation	Ownership interest (%)		Voting power right	Principal activity
		31 December 2022	31 December 2021		
EYAŞ	Turkey	20,00	20,00	20,00	Energy
Entek	Turkey	-	49,62	-	Electricity

Joint ventures

Opet Aygaz Gayrimenkul A.Ş. was established on 20 September 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.

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 fulfillment of all the conditions precedents set forth in the Contract, the transfer of shares are completed, following the payment of 50.000 thousand Bangladesh Taka (“BDT”) (TL 4.507 thousand) to the Seller in cash by the Company on 20 January 2021. With the Board of Directors Decision of the Company dated on 1 July 2021, it was decided to increase capital of United LPG Ltd., the joint venture of the Company, from BDT 100.000 thousand to BDT 1.120.000 thousand, and the BDT 510.000 thousand (approximately TL 52.150 thousand), corresponding to the 50% share of the Company has been paid on 8 July 2021. With the Board of Directors Decision of the Company dated on 10 February 2022 and 25 May 2022, the capital of United LPG Ltd. was decided to raise to BDT 1.020.000 thousand and to BDT 1.120.000 thousand respectively, and the aforementioned amounts were paid in cash by the shareholders of United LPG Ltd. on 14 February 2022 and 29 June 2022, respectively.

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE COMPANY (Continued)

Joint Ventures	Place of incorporation and operation	Ownership interest (%)		Voting power right	Principal activity
		31 December 2022	31 December 2021		
OAGM	Turkey	50,00	50,00	50,00	Real Estate
United LPG Ltd. (*)	Bangladesh	50,00	50,00	50,00	LPG supply, filling and distribution

(*) With the protocol signed on 20 January 2021, the name of the Joint Venture Company will be United Aygaz LPG Ltd. and the name change will take place with the application to be made following the completion of the necessary permit by the relevant Ministry.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Approval of consolidated financial statements:

The consolidated financial tables for the period ended on 31 December 2022 are approved on the Board of Directors meeting held on 8 February 2023 to be published. The respective consolidated financial tables will be finalized after the approval in the General Assembly.

2.1 Financial reporting standards

The consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards, (“TAS/TFRS”) and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) in line with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board of Turkey (“CMB”) on 13 June 2013 which is published on Official Gazette numbered 28676. TMS is consist of TAS, TFRS annexes and comments on them. TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards (“IFRS”) by the communiqués announced by the POA.

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for listed companies operating in Turkey. The Group has prepared its consolidated financial statements in accordance with this decision.

The Group’s consolidated financial statements are presented in terms of Turkish Lira “TL” which is the functional and presentation currency of the Company and its subsidiaries. The consolidated financial statements are prepared based on the historical cost conversion, except for the financial assets and liabilities which are expressed with their fair values. The functional currency of Aygaz UK, the company's branch in London, is US Dollars “USD”.

The consolidated financial statements are prepared in accordance with the TAS published by POA with the certain adjustments and reclassifications to reflect for presentation of Group’s financial position.

Public Oversight Accounting and Auditing Standards Authority (“POA”) made an announcement on 20 January 2022 about Application of Financial Reporting in Hyperinflationary Economies for Turkish Financial Reporting Standards and Reporting Standards for Large and Medium Sized Entities. In accordance with the announcement, companies that apply TFRS should not adjust financial statements for TAS 29- Financial Reporting in Hyperinflationary Economies for the year 2022. As of the preparation date of this year end consolidated financial information, POA did not make an additional announcement and no adjustment was made to this consolidated financial information in accordance with TAS 29.

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Consolidation principles

- (a) Consolidated financial statements incorporate the financial statements of the Company, its subsidiaries and affiliates and joint ventures, which have been prepared in accordance with guidelines defined in the items (b) to (h). The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records with adjustments and reclassifications for the purpose of presentation in conformity TAS/IFRS promulgated by the POA as set out in the communiqué numbered II-14.1, and Group accounting and disclosure policies
- (b) Subsidiaries are the companies controlled by Aygaz when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
- (c) Subsidiaries are fully consolidated from the date of acquisition, being the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. In case it is necessary, accounting policies are changed for subsidiaries in order to align with Group accounting policies.

Balance sheets and income statements of subsidiaries have been fully included into consolidation and the book values and equities of such subsidiaries which are owned by the Company, have been netted off. All inter-group transactions, balances, income and expenses are eliminated on consolidation. Book values of the shares owned by the Company and related dividends have been netted off from related equity and income statement accounts.

- (d) Investments in associates have been accounted using the equity method. These are institutions in which the Company has a voting power between 20% and 50% or in which the Company has a significant influence even though it does not have a controlling power.

Unrealized gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. The Group ceases to account the associate using the equity method if it loses the significant influence or the net investment in the associate becomes nil, unless it has entered to a liability or a commitment. Subsequent to the date of the caesura of the significant influence, the investment is carried either at fair value when the fair value can be measured reliably, otherwise at cost.

- (e) Financial assets, in which the Group has a total voting power of 20% or even though it has a voting power above 20% but does not have a significant influence, or which are immaterial for the consolidated financial statements, or such assets which are not traded in an organized market or whose fair values cannot be measured reliably, are presented with cost values, after deducting the impairment, if any.

Available for sale financial assets, in which the Group does not have a total voting power of 20% or does not have a significant influence and which have quoted market values in active markets and whose fair values can be reliably measured, are presented at fair values in the consolidated financial statements.

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Consolidation principles (Continued)

- (f) The non-controlling share in the net assets and operating results of subsidiaries for the year are separately classified as non-controlling interest in the consolidated statements of financial position and consolidated statements of profit or loss.
- (g) A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The investments in its associates and joint ventures are accounted for using the equity method.
- (h) Under the equity method, the Group’s investments in its associates and joint venture are initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group’s share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associates or joint ventures is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the results of the operations of the Group’s associates or joint ventures. Any change in other comprehensive income of those investees is presented as a part of the Group’s other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as ‘Share of profit/loss of an associate or a joint venture’ in the statement of profit or loss.

2.3 New and revised Turkey Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 31 December 2022

Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021); As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 New and revised Turkey Financial Reporting Standards (Continued)

a) *Standards, amendments and interpretations applicable as at 31 December 2022 (Continued)*

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16; effective from Annual periods beginning on or after 1 January 2022.

- **Amendments to IFRS 3;** ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **Amendments to IAS 16;** ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **Amendments to IAS 37;** ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

b) *Standards, amendments and interpretations that are issued but not effective as at 31 December 2022*

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8; effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction; from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

Amendment to IFRS 16 – Leases on sale and leaseback; effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 New and revised Turkey Financial Reporting Standards (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2022 (Continued)

Amendment to IAS 1 – Non-current liabilities with covenants; effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

IFRS 17, ‘Insurance Contracts’, as amended in December 2021; effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

2.4 Offsetting

Financial assets and liabilities are offset and reported in the net amount when there is a legally enforceable right or when there is an intention to settle the assets and liabilities on a net basis or realize the assets and settle the liabilities simultaneously.

2.5 Revenue recognition

When a performance obligation is satisfied by transferring promised goods or services to a customer, the Group recognises the revenue as the amount of the transaction price that is allocated to that performance obligation. The goods or services are transferred when the control of the goods or services is delivered to the customers. Returns, discounts and provisions are reduced from the related amount.

AYGAZ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5 Revenue recognition (Continued)

Group recognises revenue based on the following five principles:

- (a) Identification of customer contracts,
- (b) Identification of performance obligations,
- (c) Determination of the transaction price in the contracts,
- (d) Allocation of transaction price to the performance obligations,
- (e) Recognition of revenue when the performance obligations are satisfied.

Group recognises revenue from its customer when all of the the following criteria are met:

- (a) The parties have approved the contract (written or orally or in accordance with other customer business practices) and are committed to perform their respective obligations,
- (b) Group can identify the right of parties related to goods and services,
- (c) Group can identify the payment terms of goods and services to be transferred,
- (d) The contract has commercial substance,
- (e) It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods and services that will be transferred to the customer. In evaluating whether collectability of a consideration is probable, the entity shall consider only the customer’s ability and intention to pay the consideration when it is due.

Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the entity and when the revenue amount, the completion level of the transaction as of the reporting date and the cost required for the completion of the transaction can be measured reliably.

The assumptions for the reliability of revenue recognition after the agreement of third parties are as follows:

- Contractual rights of each parties under sanction according to the agreement,
- Service fee,
- Payment terms and conditions.

The accounting policy of Special Consumption Tax (SCT) on imported LPG which is required to be paid after the declaration made to the Republic of Turkey, Ministry of Finance is applied to be included in revenues and cost of goods sold (Gross profit and net income is not impacted by this record). For the period 1 January - 31 December 2022, SCT on imported LPG included in revenues and the cost of goods sold is amounting to TL 2.332.883 thousand (1 January-31 December 2021: TL 189.197 thousand).

Dividend and interest revenue:

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount. Dividend revenue from investments is recognised when the shareholders’ rights to receive payment have been established.

AYGAZ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6 Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is calculated with first in first out method for LPG and with weighted average method for other inventories. Cost of inventories include all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Conversion costs of inventories defines as costs directly related to production, such as direct labour costs. These expenses also include systematically distributed amounts from fixed and variable costs in factory overheads. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and estimated costs to make the sale.

2.7 Leases

The Group – as a lessee

Initially the Group assesses whether the contract is or contains lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, The Group considers whether:

- a) The contract involved the use of an identified asset – this may be specified explicitly or implicitly.
- b) The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
- c) The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- d) The Group has the right to direct use of the asset. The Group concludes to have the right of use, when;
 - It is predetermined how and for what purpose the Group will use the asset.
 - The Group has the right to direct use of asset if either:
 - i. The Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
 - ii. The Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

The Group reflects the right of use asset and leasing liabilities to their financials at the date leasing contract is commenced.

Right of use asset

Initially the right of use asset is recognized at cost and comprise of:

- a) Amount of the initial measurement of the lease liability,
- b) Any lease payments made at or before the commencement date, less any lease incentives received,
- c) Any initial direct costs incurred by the Group and
- d) An estimate of costs to be incurred by the lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories)

AYGAZ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.7 Leases (Continued)

The Group re-measures the right of use asset:

- a) After netting-off depreciation and reducing impairment losses from right of use asset,
- b) Adjusted for certain re-measurements of the lease liability recognized at the present value.

The Group applies IAS 16, “Property, Plant and Equipment” to amortize the right of use asset and to assess for any impairment.

IAS 36, “Impairment of Assets” is applied to determine whether the right of use assets has been impaired and recognize any impairment losses identified.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- a) Fixed payments, including in-substance fixed payments,
- b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date,
- c) The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewable period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain to terminate early.

After initial recognition, the lease liability is measured by:

- a) Increasing the carrying amount to reflect interest on lease liability,
- b) Reducing the carrying amount to reflect the lease payments made and
- c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Extension and termination options

In determining the lease liability, the Group considers the extension and termination options. The majority of extension and termination options held are exercisable both by the group and by the respective lessor. Extension options are included in the lease term if the lease is reasonably certain to be extended. The group re-measures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment.

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.7 Leases (Continued)

Variable lease payments

Group’s lease contracts also include variable lease payments which are not in the scope of IFRS 16. Variable lease payments are recognised in profit or loss in the related period. Variable lease payments as of 31 December 2022 is amount of TL 4.555 thousand (31 December 2021: TL 2.213 thousand).

Exemptions and simplifications

Short-term lease payments and payments for leases of low-value assets like IT equipments (mainly printers, laptops and mobile phones etc.) are not included in the measurement of the lease liabilities in the scope of IFRS 16. Lease payments of these contracts are continued to be recognised in profit or loss in the related period.

The Group - as a lessor

The Group’s leases as a lessor is operating leases. In operating leases, leased assets are reclassified to investment property, fixed assets or other current assets in consolidated financial statements and rental income recognised straight line basis over the lease period.

2.8 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Legal fees are included into costs. Depreciation of these assets begins when the assets are ready for their intended use.

With the exception of land and construction in progress, the costs of property, plant and equipment are subject to depreciation using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

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NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Economic useful lives of property, plant and equipment are as follows:

	Useful lives
Buildings	25-50 years
Land improvements	10-25 years
LPG Cylinders	10 years
Plant, machinery and equipment	3-25 years
Vessels	10-20 years
Vehicles	3-15 years
Furnitures and fixtures	3-50 years
Leasehold improvements	4-10 years

2.9 Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Trade rights and licenses

Acquired trade rights and licenses are shown at historical cost. Trade rights and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives in 4 - 15 years.

Computer software

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives in 3 - 5 years.

2.10 Impairment of assets

An impairment test is applied when the recovery for the book value of the redeemable assets is impossible. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

AYGAZ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are recorded directly to profit and loss statement when incurred.

2.12 Financial instruments

2.12.1 Financial assets

Reclassification and re-measurement

Financial assets are classified into the following specified categories: financial assets as “at fair value at amortised cost”, “at fair value through profit or loss (FVTPL)”, “at fair value through other comprehensive income”. The classification is made considering the purpose of acquisition of financial asset and its expected cash flows, at the time of acquisition.

Financial assets carried at amortised cost

Financial assets measured at amortised cost”, are the financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount standing, not have an active market and non-derivatives financial assets. “Cash and cash equivalents”, “Trade receivables” are classified as financial assets measured at amortised cost using the effective interest method.

Impairment of financial assets

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

Trade receivables

The Group has chosen “practical expedient” explained in IFRS 9 for the calculation of the impairment of trade receivables (with maturities less than one year) that do not contain a significant financing component and accounted at amortized cost. Accordingly, the Group measured the loss allowance for trade receivables at an amount equal to lifetime expected credit losses when trade receivables are not impaired for any reasons. The Group uses a provision matrix in the calculation of expected credit losses. Provision rate is calculated based on the overdue days of trade receivables and the rates are revised each reporting period if necessary. The change in expected credit losses is recognised in operational expense/income in consolidated income statement. For each reporting period, the recalculation is made and revaluated.

AYGAZ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.12 Financial instruments (Continued)

Financial assets measured at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. Group makes a unchangeable choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss.

i) Financial assets measured at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of “derivative instruments” in the statement of financial position. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative. Group’s financial instruments at fair value through profit or loss consist of forward contracts, currency swaps and cross currency fixed interest rate swap.

ii) Financial assets measured at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise of “financial assets” in the statement of financial position. When the financial assets carried at fair value through other comprehensive income are sold, fair value gain or loss classified in other comprehensive income is classified to retained earnings.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, credit card receivables from banks and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are not subject to a significant risk of changes in value. In case where cash and cash equivalents do not go through an impairment for specific reason, the Group makes impairment calculation using the expected credit loss model. In the calculation of the expected credit loss, the past credit loss experience together with the Group's forecasts for the future are also taken into consideration.

2.12.2 Derivative financial instruments and hedge accounting

The Group’s activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

These derivative instruments are recorded at fair value at the beginning of the contract and subsequently measured with its fair value. If the fair value is positive, derivatives are classified as financial asset or otherwise financial liability.

Such derivative instruments are generally accounted as trading derivative instruments in consolidated financial statements because they do not have related specifications in terms of hedge accounting. The gains and losses related to the changes in fair values of such financial instruments are shown in the profit or loss statement.

Fair value differences of forward transactions, sourcing from trading contracts in scope of main activities of the Group, are recognised under other real operating income (expense) since they are in scope of main activities of the Group while exchange rate differences, sourcing from forward exchange and exchange of interest rate, are recognised under financing income/(expense).

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NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.12 Financial instruments (Continued)

Cash flow hedges

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Group.

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognised in equity as "*Gains/(losses) on cash flow hedges*". Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the consolidated income statement in the period in which the hedged firm commitment or forecasted transaction affects the consolidated income statement.

The fair value of forward interest rate swap contracts measured at fair value and associated with equity is calculated with reference to the original forward interest rate of the market interest rates applicable for the remainder of the contract for the relevant currency, and determined by comparing it with the current forward interest rate at the end of the period. Derivate financial instruments are recorded in the balance sheet as assets and liabilities, respectively, depending on whether their fair value is positive or negative.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains until the forecast transaction or firm commitment affects profit or loss.

2.12.3 Recognition and de-recognition of financial instruments

All purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase or to sell the asset. These purchases or sales are purchases or sales generally require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognised where:

- The rights to receive cash flows from the asset have expired,
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the assets.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the consolidated financial statements.

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

AYGAZ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.13 Business combinations

Before 1 January 2010 business combinations carried out by the Group has accounted for using the acquisition method according to before revised IFRS 3, “Business Combinations”.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquirer. The consideration transferred is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the entity and the equity interests issued by the Group. When the agreement with the seller includes a clause that the consideration transferred could be adjusted for future events, the acquisition-date fair value of this contingent consideration is included in the cost of the acquisition. All transaction costs incurred by the Group have been recognised in general administrative expenses.

For each business combination, the Group elects whether it measures the non-controlling interest in the acquirer either at fair value or at the proportionate share of the acquirer’s identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquirer.

Acquisition method requires allocation of the acquisition cost to the assets acquired and liabilities assumed at their fair values on the date of acquisition. Accordingly, acquired assets and liabilities and contingent liabilities assumed are recognised at IFRS 3 fair values on the date of acquisition. Acquired company is consolidated in profit or loss statement starting from the date of acquisition.

Partial share sale and purchase transactions settled with minority shareholders

The Group evaluates the share transactions realized with non-controlling interests as transactions within the shareholders. Consequently, the difference between the purchase cost and the net asset purchased from other shareholders are accounted under shareholders equity in “subsidiary share purchase transactions” whereas share sale transactions to parties other than parent company are accounted as “transactions with non-controlling interest”.

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(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.14 Foreign currency transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements. The functional currency of participations and subsidiaries that are included in the scope of consolidation is TL.

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions.

At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the Central Bank of the Republic of Turkey (CBRT) rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on transactions entered in order to hedge certain foreign currency risk,
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group’s foreign operations are expressed in TL using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group’s “foreign currency translation difference”. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

2.15 Earnings per share

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares in existence during the year concerned.

In Turkey, companies can raise their share capital by distributing “Free Shares” to shareholders from retained earnings. In computing earnings per share, such “free share” distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

AYGAZ ANONİM ŞİRKETİ

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NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.16 Subsequent events

An explanation for any event between the balance sheet date and the publication date of the balance sheet, which has positive or negative effects on the Group (should any evidence come about events that were prior to the balance sheet date or should new events come about) they will be explained in the relevant footnote.

The Group restates its financial statements if subsequent events which require restatement arise.

2.17 Provisions, contingent liabilities, contingent assets

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and are disclosed as contingent assets or liabilities.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

2.18 Related parties

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) Has control or joint control over the reporting entity,
 - (ii) Has significant influence over the reporting entity,
 - (iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (i) Entity and Company are members of the same Group,
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member),
 - (iii) Both entities are joint ventures of the same third party,
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity,
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity,
 - (vi) The entity is controlled or jointly controlled by a person identified in (a),
 - (vii) A person identified in (a) (ii) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

In accordance with the purposes of consolidated financial statements, shareholders, important management personnel and members of Board of Directors, their families and companies controlled by them or depend upon them, the affiliates and partnerships and Koç Holding Group companies are accepted and presented as related parties.

AYGAZ ANONİM ŞİRKETİ

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(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.19 Segmental information

The Group management assumes three operating segments to evaluate performance and source utilization decisions. These segments are lpg and gas, cargo transportation and distribution, petroleum products and electricity. These operating segments are managed separately as the risk and return of these segments are affected by different economic conditions and geographical locations. The Group Management believes that financial results prepared according to IFRS are the best approach to evaluate performance of these operating segments.

2.20 Taxation and deferred tax

Turkish Tax Legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the corporate tax and deferred tax.

Corporate tax

The corporate tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the fore-seeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the fore-seeable future.

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(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.20 Taxation and deferred tax (Continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over cost.

The Company recognizes deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, to the extent that, and only to the extent that, it is probable that:

- The temporary difference will reverse in the foreseeable future and
- Taxable profit will be available against which the temporary difference can be utilized.

The Company recognizes deferred tax liability for all taxable temporary differences associated with investments in subsidiaries except to the extent that both of the following conditions are satisfied:

- The parent is able to control the timing of the reversal of the temporary difference and
- It is probable that the temporary difference will not reverse in the foreseeable future.

AYGAZ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.21 Employment benefits

Defined benefit plan:

Employment termination benefits, as required by the Turkish Labour Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Group arising in case of the retirement of the employees, termination of employment without due cause, be retired or death upon the completion of a minimum one year service. Provision which is allocated by using defined benefit pension’s current value is calculated by using prescribed liability method. All actuarial profits and losses are recognised in consolidated statements of income. The provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial profits and losses are accounted in the shareholder’s equity as other comprehensive income.

Defined contribution plan:

Group, has to compensate the Social Security Contribution of the employees. As long as this is compensated, there is no any other obligation for the Company. Social Security Contributions are classified as personnel expenses as of the accrual date.

2.22 Statement of cash flows

In statement of cash flow, cash flows are classified according to operating, investment and finance activities.

2.23 Share capital and dividends

Common shares are classified as equity. Dividends on common shares are recognised in retained earnings in the period in which they are approved and declared.

2.24 Going concern

Group Management do not forecast an important risk for the the business’ sustainability, and consolidated financial tables have been prepared upon the assumption that the business will continue to operate in the foreseeable future.

AYGAZ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.25 Research and development expenses

Research expenditure is recognised as an expense as incurred. Costs, except for listed below are classified as development expenditures and recognised as expense as incurred.

- If the cost related to the products can be defined and only if the cost can be measured reliably,
- If the technological feasibility can be measured,
- If the good will be sold or will be used within the company,
- If there’s a potential market or can be proved that it is used within the company,
- If necessary technological, financial and other resources can be provided to complete the Project.

Other development expenditures are recognised as expense as incurred.

Development costs previously recognised as expense cannot be capitalized in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis. As of 31 December 2022, the Group has no capitalized research and development expenses (31 December 2021: TL 451 thousand).

2.26 Critical accounting estimates and assumptions (Continued)

The critical accounting estimates and assumptions which have material impact on the consolidated financial statements are as follows:

- a) Property, plant and equipment and intangible fixed assets are subject to depreciation according to their useful lives (Note 13, 14). Estimations of such useful lives are based on the expectations of Group management.
- b) The Group Management uses market values for quoted equity items traded in active markets, while determining fair values of financial asset measured at fair value through other comprehensive income. For other available for sale financial assets, fair values are determined in line with generally accepted valuation principles using current economic data, trends in the market and expectations.
- c) There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Group recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due and recognizes tax assets for the carry forward tax losses and unused investment tax credits to the extent that the realization of the related tax benefit through the future taxable profits is probable (Note 30). Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 3 – SEGMENT INFORMATION

The segmental operations are specified according to the internal reports reviewed regularly by the authority entitled to making decision for the Group’s operations.

The Group's decision-making authority has started to monitor its activities in the cargo transportation and distribution separately by taking into consideration its significant share in the consolidated financial results, in order to accurately evaluate the resources to be allocated to the departments and the performance of the departments. In addition, the Group has decided to present the activities of EYAŞ and Entek companies, which are accounted for using the equity method, separately from LPG and Natural gas activities, which are the main business lines of the Group.

The Group Management evaluates financial results and performance based of IFRS financial statements. Therefore, IFRS financial statements are the basis of segmental reporting. The Group evaluates the performance of its segments based on gross profit, operating profit and profit from continuing operations before tax.

Operational segments which have been prepared in accordance with the reportable segments for the year ended 31 December 2022 are as follows:

	31 December 2022				
	LPG and Gas	Cargo transportation and Distribution	Petroleum products and Electricity	Consolidation adjustments	Consolidated
Total assets	10.655.196	633.465	5.777.483	(418.530)	16.647.614
Total liabilities	8.444.720	352.397	-	(4.035)	8.793.082
Investments accounted under equity method	484.616	-	5.777.483	-	6.262.099

	1 January - 31 December 2022				
	LPG and Gas	Cargo transportation and Distribution	Petroleum products and Electricity	Consolidation adjustments	Consolidated
Sales revenue (net)	37.344.878	163.145	-	(1.079)	37.506.944
Gross profit	2.502.500	(279.620)	-	-	2.222.880
Operating profit (*)	775.108	(483.868)	-	766	292.006
Operating profit	815.107	(471.494)	-	(1.034)	342.579
Profit from continuing operations before tax	478.024	(463.985)	4.484.947	(1.079)	4.497.907
Profit (loss) for the period	456.254	(375.886)	4.484.947	(1.079)	4.564.236
Non-controlling interest	-	(169.149)	-	-	(169.149)
Equity holders of the parent	456.254	(206.737)	4.484.947	(1.079)	4.733.385
Profit (losses) from investments accounted under equity method	5.926	-	4.484.947	-	4.490.873
Amortization and Depreciation (**)	219.385	26.060	-	-	245.445
Investment expenditures	287.228	111.313	-	-	398.541

(*) Excluded other operating income/expense, net.

(**) TL 127.083 thousand of total amount consist of amortization and depreciation expenses allocated under TFRS 16, ‘Leases’ (2021: TL 80.094 thousand).

AYGAZ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 3 – SEGMENT INFORMATION (Continued)

Operational segments which have been prepared in accordance with the reportable segments for the year ended 31 December 2021 are as follows:

	31 December 2021				
	LPG and Gas	Cargo transportation and Distribution	Petroleum products and Electricity	Consolidation adjustments	Consolidated
Total assets	6.324.234	155.180	1.934.521	(80.804)	8.333.131
Total liabilities	5.508.281	107.460	-	(1.809)	5.613.932
Investments accounted under equity method	226.418	-	1.934.521	-	2.160.939

	1 January - 31 December 2021				
	LPG and Gas	Cargo transportation and Distribution	Petroleum products and Electricity	Consolidation adjustments	Consolidated
Sales revenue (net)	15.888.170	5.417	-	(333)	15.893.254
Gross profit	1.463.887	(25.750)	-	-	1.438.137
Operating profit (*)	619.059	(98.094)	-	1.356	522.321
Operating profit	515.291	(97.104)	-	(163)	418.024
Profit from continuing operations before tax	372.209	(96.095)	421.535	(333)	697.316
Profit (loss) for the period	301.383	(95.419)	421.535	(333)	627.166
Non-controlling interest	-	(42.939)	-	-	(42.939)
Equity holders of the parent	301.383	(52.480)	421.535	(333)	670.105
Profit (losses) from investments accounted under equity method	1.553	-	421.535	-	423.088
Amortization and Depreciation (**)	176.990	6.130	-	-	183.120
Investment expenditures	164.219	37.352	-	-	201.571

(*) Excluded other operating income/expense, net.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 4 – CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash on hand	1.055	520
Cash at banks	1.814.506	1.679.773
- Time deposits	1.664.589	1.632.379
- Demand deposits	149.917	47.394
Receivables from credit card transactions	11.044	13.140
Total	1.826.605	1.693.433

As of 31 December 2022 the Group’s TL time deposits amounting to TL 1.231.911 thousand with average maturities of 4 days and interest rates of 20,74%; USD time deposits amounting to USD 23.140 thousand (TL 432.678 thousand) with average maturities of 3 day and interest rate of 1,99% (31 December 2021: The Group’s TL time deposits amounting to TL 671.928 thousand with average maturities of 3 days and interest rates of 22,78%. USD time deposits amounting to USD 74.009 thousand (TL 960.451 thousand) with average maturities of 3 days and interest rate of 0,50%).

The amount of cash and cash equivalents shown in the statement of cash flow as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Cash and cash equivalents	1.826.605	1.693.433
Less: Blocked deposits (*)	(77.678)	(22.359)
	1.748.927	1.671.074

(*) The amount consists of the cash collaterals given to Istanbul Clearing, Settlement and Custody Bank Inc.-Takasbank in accordance with the procedure with respect to central transportation services provided by Takasbank in the Organized Natural Gas Market operated by Energy Exchange Istanbul (EXIST).

NOTE 5 – FINANCIAL ASSETS

The long-term financial assets of the Group are as follows as of 31 December 2022 and 2021:

	31 December 2022		31 December 2021	
	Participation amount	Participation rate (%)	Participation amount	Participation rate (%)
Financial assets measured at fair value through other comprehensive income				
- Koç Finansal Hizmetler A.Ş.	1.606.918	3,93	459.896	3,93
Financial assets measured at fair value through profit or loss				
- Ram Dış Ticaret A.Ş.	2.834	2,50	1.516	2,50
- Tat Gıda Sanayi A.Ş.	496	0,08	165	0,08
- Other	433	-	436	-
	1.610.681		462.013	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 6 – FINANCIAL BORROWINGS

As of 31 December 2022 and 2021 the Group’s short-term financial borrowings are as follows:

	31 December 2022	31 December 2021
Short-term bond issued (*)	630.673	-
TL-denominated short-term bank borrowings	368.511	30.375
Short-term lease liabilities	35.458	81.249
Total short-term financial borrowings	1.034.642	111.624
Short-term portion and interest accruals of TL-denominated long-term bank borrowings	1.467.078	952.819
Short-term portion and interest accruals of USD-denominated long-term bank borrowings	2.630	694
Short-term portion of long-term bond issued (**)	284.521	1.470
Total short-term portion of long-term financial borrowings	1.754.229	954.983

(*) On 1 August 2022, 3 October 2022 and 9 December 2022, the Group has issued, 33%, 25% and 26% rate bond with a nominal value TL 100.000, TL 200.000 and TL 300.000 with a maturity of 281 days, 179 days and 175 days and coupon payment on maturity date, respectively.

(**) On 2 July 2021 and 31 January 2022, the Group has issued, TLREF+% 1,40 floating rate and 24% rate bond with a nominal value TL 100.000 and TL 150.000 with a maturity of 730 and 368 days and quarterly and period-end coupon payments respectively.

As of 31 December 2022 the details of short-term financial borrowings are as follows:

Currency	Annual average effective interest rate (%)	Original amount	TL amount
TL	19,41	368.511	368.511
			368.511

As of 31 December 2021, the details of short-term financial borrowings are as follows:

Currency	Annual average effective interest rate (%)	Original amount	TL amount
TL	19,58	30.375	30.375
			30.375

As of 31 December 2022 and 2021 the Group’s long-term financial borrowings are as follows:

	31 December 2022	31 December 2021
TL-denominated long-term bank borrowings	-	714.803
USD-denominated long-term bank borrowings	560.949	389.294
Long-term bond issued (***)	180.000	280.000
Long-term lease liabilities	68.924	101.755
Total long-term financial borrowings	809.873	1.485.852

(***) On 16 December 2021, the Group has issued, TLREF+%2,15 floating rate bond with a nominal value TL 180.000 with a maturity of 725 days and quarterly coupon payments respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 6 – FINANCIAL BORROWINGS (Continued)

As of 31 December 2022 the details of long-term financial borrowings are as follows:

Currency	Annual average effective interest rate (%)	Original amount	TL amount
TL	17,80	1.467.078	1.467.078
USD	7,67	30.141	563.579
Short-term portion of long-term loans and interest accruals			(1.469.708)
			560.949

As of 31 December 2021 the details of long-term financial borrowings are as follows:

Currency	Annual average effective interest rate (%)	Original amount	TL amount
TL	14,21	1.667.622	1.667.622
USD	2,78	30.051	389.988
Short-term portion of long-term loans and interest accruals			(953.513)
			1.104.097

The Group’s movements of financial borrowings are as follows:

	2022	2021
As of January 1	2.552.459	1.564.190
Proceeds from new financial borrowings	3.260.717	1.559.573
Increase in lease liabilities	57.943	97.028
Repayments of principals	(2.585.207)	(693.728)
Changes in interest accruals	139.339	62.863
Currency translation differences	173.493	(37.467)
As of December 31	3.598.744	2.552.459

Covenants

The Group signed a foreign currency loan agreement on 6 December 2021. The loan includes financial covenants on Net Financial Debt/EBITDA ratio and EBITDA/Net interest expense ratio, which will be calculated every 6 months. The Group has fulfilled the terms of the contract as of 31 December 2022.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 7 – DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2022 and 2021 the Group’s derivative financial instruments are as follows:

	31 December 2022		31 December 2021	
	Contract amount	Fair value assets/ (liabilities)	Contract amount	Fair value assets/ (liabilities)
Short-term derivative instruments				
Forward transactions (1)	206.478	1.027	12.971	185
Futures transactions (2)	3.457.150	84.727	-	-
Total short-term derivative financial assets	3.663.628	85.754	12.971	185
Futures transactions (2)	-	-	1.792.944	(44.598)
Total short-term derivative financial liabilities	-	-	1.792.944	(44.598)

(1) As of 31 December 2022, the Group has entered into forward transaction with a maturity of 19 and 28-42 days and nominal value amounting to USD 12.653 thousand and 1.610 thousand (31 December 2021: USD 985 thousand with a maturity of 19 days). (Note 32).

(2) As of 31 December 2022, the Group's future transactions consist of propane, butane, naphtha products and freight swaps.

NOTE 8 - TRADE RECEIVABLES AND PAYABLES FROM THIRD PARTIES

The Group’s trade receivables from third parties as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Trade receivables	2.277.120	974.902
Notes receivables	68.258	45.809
Allowance for doubtful receivables (-) (*)	(26.993)	(27.236)
Total current trade receivables	2.318.385	993.475

(*) TL 635 thousand of provision for doubtful receivables consists of expected credit loss provisions (31 December 2021: TL 635 thousand).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

NOTE 8 - TRADE RECEIVABLES AND PAYABLES FROM THIRD PARTIES (Continued)

	31 December 2022	31 December 2021
Notes receivable	8.135	6.545
Total non-current trade receivables	8.135	6.545

The Group's movements of doubtful receivables are as follows:

	2022	2021
As of January 1	27.236	27.040
Increases during the period	299	1.315
Collections	(542)	(746)
Write offs	-	(373)
As of 31 December 2022	26.993	27.236

Allowance for doubtful receivables has been raised per customer, based on the past experiences of the Company management. Level and composition of risks of trade receivables are explained in Note 32.

The Group's trade payables to third parties as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Trade payables	3.531.990	1.813.530
Total short-term trade payables	3.531.990	1.813.530

NOTE 9 – OTHER RECEIVABLES AND PAYABLES FROM THIRD PARTIES

The Group's other receivables from third parties as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Guarantees and deposits given (*)	61.606	103.655
Other receivables	3.451	1.955
Total other current receivables	65.057	105.610

(*) The Group's branch office in London, Aygaz UK performs derivative transactions and receives clearing services with third parties through ADM Investor Services, Inc. ('ADM'). Within this framework, collateral of USD 3.253 thousand equivalent of TL 60.824 thousand (31 December 2021: USD 7.844 thousand equivalent to TL 101.796 thousand) kept under the provision of "fair value" and "margin call" in ADM is classified as deposits and guarantees given under other receivables from third parties.

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NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

NOTE 9 – OTHER RECEIVABLES AND PAYABLES FROM THIRD PARTIES (Continued)

	31 December 2022	31 December 2021
Guarantees and deposits given	645	156
Total other non-current receivables	645	156

As of 31 December 2022 and 2021, other payables to third parties of the Group are as follows:

	31 December 2022	31 December 2021
Deposits and guarantees taken	3.032	2.053
Total other short-term payables	3.032	2.053

	31 December 2022	31 December 2021
Cylinder deposits received	126.235	141.749
Total other long-term payables	126.235	141.749

NOTE 10 – LIABILITIES FOR EMPLOYEE BENEFITS

As of 31 December 2022 and 2021, liabilities for employee benefits of the Group are as follows:

	31 December 2022	31 December 2021
Employee's income tax payable	75.523	38.225
Payables to personnel	26.509	14.862
Social security liabilities	28.017	8.328
Total liabilities for employee benefits	130.049	61.415

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NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

NOTE 11 – INVENTORIES

	31 December 2022	31 December 2021
Raw materials	2.183.440	1.371.937
Work in process	6.995	5.054
Finished goods	60.265	30.600
Trade goods	85.060	25.727
Allowance for impairment on inventory (-)	(229)	(229)
	2.335.531	1.433.089

As of 31 December 2022, the inventories comprise of 180.476 tons of LPG (31 December 2021: 117.568 tons).

NOTE 12 – EQUITY INVESTMENTS

The details of carrying values and consolidation rates subject to equity investments are as follows:

	31 December 2022		31 December 2021	
	Participation amount	Participation rate (%)	Participation amount	Participation rate (%)
EYAŞ (*)	5.777.483	20,00	1.339.203	20,00
Entek (*)	-	-	595.318	49,62
OAGM	160.297	50,00	144.592	50,00
United LPG Ltd (**)	324.319	50,00	81.826	50,00
	6.262.099		2.160.939	

(*) The registration transactions 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 respectively, to Tüpraş via partial demerger with the share transfer model to the shareholders was completed on 26 August 2022, and the disposal process of the joint venture was completed. With this transaction, EYAŞ, which owns 46,40% of Tüpraş, has gained a share purchase of TL 1.141.915 thousand, and this gain is indicated by deducting the disposal effect of the joint venture at the rate of the Company's ownership in EYAŞ in accordance with the share transfer model to the shareholders.

(**) With the protocol signed on 20 January 2021, the name of the Joint Venture Company will be United Aygaz LPG Ltd. and the name change will take place with the application to be made following the completion of the necessary permit by the relevant Ministry.

The movement of equity investments is as follows:

	2022	2021
As of January 1	2.160.939	1.847.444
Shares of profit/(loss)	4.490.873	423.088
Shares of other comprehensive income/(loss)	445.967	(166.250)
Disposal effect of the joint venture (*)	(1.010.318)	-
Purchase of interest in joint venture and increase in capital (**)	174.638	56.657
As of 31 December 2022	6.262.099	2.160.939

(*) It is related to the transfer transactions of Entek's shares to Tüpraş through a partial demerger with the share transfer model to the shareholders (Note 1).

(**) The company made a total capital contribution of BDT 1.070.000 thousand (TL 174.638 thousand) to United LPG Ltd. in 2022. (Note 1).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

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NOTE 12 – EQUITY INVESTMENTS (Continued)

Shares of profit (loss) of equity investments:

	1 January - 31 December 2022	1 January - 31 December 2021
EYAŞ	3.855.147	333.683
Entek	629.800	87.852
OAGM	15.705	4.202
United LPG Ltd	(9.779)	(2.649)
	4.490.873	423.088

Shares of other comprehensive gains (losses) of equity investments:

	1 January - 31 December 2022	1 January - 31 December 2021
EYAŞ (*)	354.750	(95.534)
Entek	13.583	(98.534)
United LPG Ltd	77.634	27.818
	445.967	(166.250)

(*) TÜPRAŞ, a subsidiary of EYAŞ, designated its investment loans amounting to USD 205.010 thousand (TL 3.833.336 thousand) (31 December 2021: USD 435.820 thousand, TL 5.809.043 thousand, 1 January 2021: USD 593.982 thousand, TL 4.360.123 thousand) as hedging instrument against USD/TL spot exchange rate risk which is exposed due to highly probable estimated export revenue in USD and, in this context, applies accounting for cash flow hedge. As of 31 December 2022, foreign exchange gains (losses) on investment loans amounting to TL 3.153.308 thousand (31 December 2021: TL 4.331.350 thousand, 1 January 2021: TL 2.736.854 thousand) are accounted under “Gains (losses) on hedging” under shareholders’ equity until the cash flows of the related hedged item are realized and it does not any effect on current income statement.

Financial information on Enerji Yatırımları A.Ş., which is accounted in the Group’s financial statements according to equity pick-up method is set out below:

	31 December 2022	31 December 2021
Total assets	158.503.388	95.593.572
Total liabilities	(101.726.547)	(84.715.513)
Non-controlling interest	(27.889.427)	(4.182.044)
Net assets	28.887.414	6.696.015
Group's ownership	20%	20%
Group's share in associates' net assets	5.777.483	1.339.203

	1 January - 31 December 2022	1 January - 31 December 2021
Revenue	479.466.575	150.971.584
Profit for the period	19.860.168	1.668.413
Group's share in associates' profit for the period	3.972.034	333.683

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NOTE 12 – EQUITY INVESTMENTS (Continued)

Financial information on Entek which is accounted in the Group’s financial statements according to equity pick-up method is set out below:

	26 August 2022	31 December 2021
Total assets	5.873.489	3.665.981
Total liabilities	(3.376.347)	(2.466.227)
Net assets	2.497.143	1.199.754
Group's ownership (*)	-	49,62%
Group's share in associates' net assets	-	595.318

	1 January - 26 August 2022	1 January - 31 December 2021
Revenue	4.259.292	1.760.051
Profit for the period	1.269.248	177.050
Group's share in associates' profit for the period	629.800	87.852

(*) The registration transactions 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 respectively, to Tüpraş via partial demerger with the share transfer model to the shareholders was completed on 26 August 2022, and the disposal process of the joint venture was completed.

Financial information on Opet Aygaz Gayrimenkul A.Ş., which is accounted in the Group’s financial statements according to equity pick-up method is set out below:

	31 December 2022	31 December 2021
Total assets	530.901	477.703
Total liabilities	(210.307)	(188.519)
Net assets	320.594	289.184
Group's ownership	50%	50%
Group's share in associates' net assets	160.297	144.592

	1 January - 31 December 2022	1 January - 31 December 2021
Revenue	32.483	26.141
Profit for the period	31.410	8.404
Group's share in associates' profit for the period	15.705	4.202

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NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

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NOTE 12 – EQUITY INVESTMENTS (Continued)

Financial information on United LPG Ltd., which is accounted in the Group’s financial statements according to equity pick-up method is set out below:

	31 December 2022	31 December 2021
Total assets	1.018.183	170.790
Total liabilities	(369.546)	(7.138)
Net assets	648.637	163.652
Group's ownership	50%	50%
Group's share in associates' net assets	324.319	81.826
	1 January -	1 January -
	31 December 2022	31 December 2021
Revenue	125.984	11
Profit for the period	(19.558)	(5.297)
Group's share in associates' profit for the period	(9.779)	(2.649)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

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NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

	Land	Land	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furniture and fixtures	Leasehold improvements	Construction in progress	Total	
	improvements	Buildings							
Acquisition cost									
As of 1 January 2022	18.306	195.876	91.115	1.890.211	237.997	119.196	35.294	52.434	2.640.429
Additions	-	244	-	414	41.375	51.228	2.071	266.738	362.070
Transfers (*)	-	17.347	2.986	123.834	3.050	18.624	100	(185.143)	(19.202)
Disposals	-	(533)	(63)	(14.675)	(1.204)	(23.614)	(469)	(1.797)	(42.355)
As of 31 December 2022	18.306	212.934	94.038	1.999.784	281.218	165.434	36.996	132.232	2.940.942
Accumulated depreciation									
As of 1 January 2022	-	87.900	57.133	1.486.759	144.978	68.366	23.558	-	1.868.694
Charge of the period	-	6.798	2.084	62.903	16.085	17.253	2.560	-	107.683
Transfers (*)	-	-	-	-	(226)	-	-	-	(226)
Disposals	-	(133)	(10)	(12.517)	(1.145)	(4.618)	(363)	-	(18.786)
As of 31 December 2022	-	94.565	59.207	1.537.145	159.692	81.001	25.755	-	1.957.365
Net book value	18.306	118.369	34.831	462.639	121.526	84.433	11.241	132.232	983.577

(*) TL 18.976 thousand under “Construction in progress” under the account property, plant and equipment has been classified to intangible fixed assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

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NOTE 13 – PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land	Land	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furniture and fixtures	Leasehold improvements	Construction in progress	Total	
	improvements	Buildings							
Acquisition cost									
As of 1 January 2021	18.351	183.870	79.514	1.833.938	233.070	88.207	25.682	27.683	2.490.315
Additions	-	-	194	2.259	5.473	32.206	9.709	144.691	194.532
Transfers (*)	-	12.047	11.502	72.272	1.390	9.112	43	(116.386)	(10.020)
Disposals	(45)	(41)	(95)	(18.258)	(1.936)	(10.329)	(140)	(3.554)	(34.398)
As of 31 December 2021	18.306	195.876	91.115	1.890.211	237.997	119.196	35.294	52.434	2.640.429
Accumulated depreciation									
As of 1 January 2021	-	81.615	55.374	1.437.973	133.150	60.150	25.635	-	1.793.897
Charge of the period	-	6.299	1.776	60.982	12.779	10.341	1.116	-	93.293
Transfers (*)	-	-	-	3.144	-	(19)	(3.144)	-	(19)
Disposals	-	(14)	(17)	(15.340)	(951)	(2.106)	(49)	-	(18.477)
As of 31 December 2021	-	87.900	57.133	1.486.759	144.978	68.366	23.558	-	1.868.694
Net book value	18.306	107.976	33.982	403.452	93.019	50.830	11.736	52.434	771.735

(*) TL 10.001 thousand under “Construction in progress” under the account property, plant and equipment has been classified to intangible fixed assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

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NOTE 13 – PROPERTY, PLANT AND EQUIPMENT (Continued)

As of 31 December 2022 and 2021, the details of depreciation expenses are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Cost of sales	82.164	76.729
General administrative expenses	18.969	11.270
Capitalized on cylinders	3.967	2.673
Marketing expenses	2.583	2.621
	107.683	93.293

NOTE 14 – INTANGIBLE ASSETS

	Rights	Total
Acquisition costs		
As of 1 January 2022	103.793	103.793
Additions	36.471	36.471
Transfers (*)	18.975	18.975
As of 31 December 2022	159.239	159.239
Accumulated amortisation		
As of 1 January 2022	71.173	71.173
Charge for the period	10.679	10.679
Transfers (*)	(1)	(1)
As of 31 December 2022	81.851	81.851
Net book value	77.388	77.388

(*) TL 18.976 thousand under “Construction in progress” under the account property, plant and equipment has been classified to intangible fixed assets.

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NOTE 14 – INTANGIBLE ASSETS (Continued)

	Rights	Total
Acquisition costs		
As of 1 January 2021	87.612	87.612
Additions	7.039	7.039
Disposals	(2)	(2)
Transfers (*)	9.144	9.144
As of 31 December 2021	103.793	103.793
Accumulated amortisation		
As of 1 January 2021	62.297	62.297
Charge for the period	9.733	9.733
Transferler (*)	(857)	(857)
As of 31 December 2021	71.173	71.173
Net book value	32.620	32.620

(*) TL 10.001 thousand under “Construction in progress” under the account property, plant and equipment has been classified to intangible fixed assets.

As of 31 December 2022 and 2021, the details of amortization expenses of intangible assets are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
General administrative expenses	10.679	9.733
	10.679	9.733

NOTE 15 – RIGHT OF USE ASSETS

	Land	Land improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furniture and fixtures	Total
As of 1 January 2022	3.072	3.880	40.381	27.750	113.307	30	188.420
Additions	3.555	-	33.223	-	90.028	-	126.806
Disposals	(2.201)	-	-	-	(292.261)	-	(294.462)
Charge for the period	(681)	(168)	(13.526)	(2.303)	(110.396)	(9)	(127.083)
Disposals from accumulated depreciation	2.201	-	-	-	223.404	-	225.605
As of 31 December 2022	5.946	3.712	60.078	25.447	24.082	21	119.286
As of 1 January 2021	3.528	3.056	12.373	30.053	122.437	39	171.486
Additions	367	973	37.151	-	63.570	-	102.061
Disposals	(321)	(42)	(3.716)	-	(5.105)	-	(9.184)
Charge for the period	(823)	(149)	(6.096)	(2.303)	(70.714)	(9)	(80.094)
Disposals from accumulated depreciation	321	42	669	-	3.119	-	4.151
As of 31 December 2021	3.072	3.880	40.381	27.750	113.307	30	188.420

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NOTE 15 – RIGHT OF USE ASSETS (Continued)

As of 31 December 2022 and 2021, the details of depreciation expenses related to the right of use assets are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Cost of sales	16.845	7.042
General administrative expenses	9.858	7.675
Marketing expenses	100.380	65.377
	127.083	80.094

NOTE 16 – CONTINGENT ASSETS AND LIABILITIES

Guarantees given as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Letter of guarantees given for gas purchase	1.010.741	518.737
Other letter of guarantees given	616.739	306.025
	1.627.480	824.762

The liability for environmental pollution:

According to the effective environmental laws, the Group is responsible for the environmental pollution it causes as a result of its operational activities without seeking a reason of fault. The Group may be fined with an indemnity if the Group causes an environmental pollution. There is no case opened for environmental pollution against the Group, accordingly the Group does not have a liability related with the environmental pollution cases as of the consolidated balance sheet date.

National inventory reserve liability:

Due to the liability of the storage of national petroleum stocks, petroleum products and LPG distributor license owners should hold a minimum of twenty days’ average reserves at their own or other licensed storages, either together or separately. Within the decision of National Petroleum Reserves Commission numbered 2018/3 on 28 December 2018, it was decided to keep the national petroleum stocks minimum 20 days as of 1 July 2019 by the petroleum products and LPG distributor license owners.

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NOTE 16 – CONTINGENT ASSETS AND LIABILITIES (Continued)

The details of the Company’s and its subsidiaries’ guarantees given or contingent liabilities on the behalf of each other, related parties, parent company or third parties within the context of business operations or other purposes are as follows:

	31 December 2022					31 December 2021				
	TL Equivalent of Euro	TL Equivalent of USD	TL Equivalent of other	TL	Total TL	TL Equivalent of Euro	TL Equivalent of USD	TL Equivalent of other	TL	Total TL
A. CPMBs given on behalf of the Company’s legal personality	220.829	7.433	-	1.129.535	1.357.797	162.643	2.595	640	471.546	637.424
B. CPMBs given in favor of subsidiaries included in full consolidation (*)	-	214.392	-	53.102	267.494	-	129.914	-	51.989	181.903
C. CPMBs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business (*)	-	-	-	2.189	2.189	-	-	-	5.435	5.435
D. Other CPMBs	-	-	-	-	-	-	-	-	-	-
i. CPMBs given in favor of parent company	-	-	-	-	-	-	-	-	-	-
ii. CPMBs given in favor of companies not in the scope of B and C above	-	-	-	-	-	-	-	-	-	-
iii. CPMBs given in favor of third party companies not in the scope of C above	-	-	-	-	-	-	-	-	-	-
Total amount of CPMBs	220.829	221.825	-	1.184.826	1.627.480	162.643	132.509	640	528.970	824.762

(*) As of 31 December 2022, total amount of commission accrued for guarantees given or contingent liabilities except ‘A. CPMBs given on behalf of the Company’s legal personality’ is TL 1.603 thousand (31 December 2021: TL 1.350 thousand).

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NOTE 17 – LONG-TERM PROVISION FOR EMPLOYEE BENEFITS

Details of long-term provisions for employee benefits as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Retirement pay provision	208.290	81.250
Vacation pay liabilities	19.602	10.669
Total long-term provision for employee benefits	227.892	91.919

Retirement pay provision:

Under the Turkish Legislations, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of full TL 19.982,83 (31 December 2021: TL 10.848,59) for each year of service at 31 December 2022.

The liability is not funded, as there is no funding requirement.

In accordance with Turkish Labour Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future. The provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial profits and losses are accounted in the other comprehensive income statement.

TFRS require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The Group makes a calculation for the employment termination benefit by applying the prescribed liability method, by the experiences and by considering the personnel who become eligible for pension. This provision is calculated by expecting the present value of the future liability which will be paid for the retired personnel.

Accordingly, the following actuarial assumptions were used in the calculation of the total provision:

	2022	2021
Net discount rate (%)	0,55	4,45
Average turnover rate related to the probability of retirement (%)	96,13	96,15

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

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NOTE 17 – LONG-TERM PROVISION FOR EMPLOYEE BENEFITS (Continued)

The movements of retirement pay provision for the period ended 31 December 2022 and 2021 are as follows:

	2022	2021
As of January 1	81.250	58.111
Service cost	78.443	21.051
Interest cost	7.266	8.491
Actuarial loss (gain)	59.717	803
Payments during the period	(18.386)	(7.206)
As of December 31	208.290	81.250

NOTE 18 –PROVISIONS

	31 December 2022	31 December 2021
Provision for price revision (*)	362.726	440.575
Provision for EMRA contribution	24.996	10.590
Provision for selling and marketing expenses	16.863	12.281
Provision for lawsuit	14.909	12.461
Provision for warranty expenses	4.146	2.489
Provision for other operating expenses	35.197	18.352
Other short-term provisions	458.837	496.748

(*) As per the contract with Akfel Gaz Sanayi ve Ticaret A.Ş. (“Akfel”) which is the natural gas supplier of the Company's subsidiary Aygaz Doğal Gaz Toptan Satış A.Ş.(“ADG”), the amount of provision allocated was re-evaluated as of 31 December 2022 with the best estimates of the Company Management as the price revision arbitration process between Akfel and Gazprom Export LLC (“Gazprom”) resulted against Akfel. Accordingly, the provision amount was re-evaluated as USD 19.399 thousand (the equivalent of TRY 362.726 thousand) (31 December 2021: USD 33.949 thousand provision – the equivalent of TRY 440.575 thousand). Provisions no longer required amounting to TRY 272.065 thousand derived from the re-evaluation of the provision amount was accounted under the account of other real operating income in the consolidated financial statements (Note 26).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

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NOTE 18 –PROVISIONS (Continued)

The movements of the provision for the other operating expenses for the period ended 31 December 2022 and 2021 are as follows:

	2022	2021
As of January 1	18.352	10.173
Payments during the period	(9.490)	-
Increases during the period	26.335	8.179
As of December 31	35.197	18.352

	31 December 2022	31 December 2021
Provision for success fees (*)	60.941	23.796
Other long-term provisions	60.941	23.796

(*) The entire amount includes the long-term success fee provision that the Company's subsidiary, Sendeo, is obliged as of 31 December 2022 within the scope of the long-term Consulting Agreement with McKinsey (Note 1). TL 9.123 thousand of the success fee provision is accounted under other short-term provisions as provision of other operating expenses.

NOTE 19 – OTHER SHORT-TERM PROVISIONS AND LIABILITIES

	31 December 2022	31 December 2021
Deferred VAT	399.871	218.649
Income accrual	27.435	13.742
Fuel used in shipping operations	25.273	9.970
Other current assets	26.620	6.547
	479.199	248.908

	31 December 2022	31 December 2021
Taxes and funds payable	137.632	32.659
Other liabilities	11.325	4.347
	148.957	37.006

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(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise stated.)

NOTE 20 – PREPAID EXPENSES

As of 31 December 2022 and 2021, the details of Group's prepaid expenses in current assets are as follows:

Short-term prepaid expenses	31 December 2022	31 December 2021
Prepaid expenses	37.417	35.170
Advances given	30.092	56.156
	67.509	91.326

Long-term prepaid expenses	31 December 2022	31 December 2021
Prepaid expenses	25.232	28.908
	25.232	28.908

NOTE 21 – DEFERRED INCOME

Short-term deferred income	31 December 2022	31 December 2021
Advances taken	4.427	5.082
Prepaid income	3.164	4.125
	7.591	9.207

NOTE 22 – SHARE CAPITAL

Shareholders	Participation rate (%)	31 December 2022	Participation rate (%)	31 December 2021
Temel Ticaret ve Yatırım A.Ş.	5,77	12.693	5,77	17.324
Koç Ailesi üyeleri	4,76	10.452	4,76	14.265
Koç Holding A.Ş.	40,68	89.425	40,68	122.054
Liquid Petroleum Gas Development Company ("LPGDC") (*)	24,52	53.885	24,52	73.546
Publicly held (*)	24,27	53.346	24,27	72.811
Nominal capital (**)	100,00	219.801	100,00	300.000
Inflation adjustment (***)		71.504		71.504
Adjusted capital		291.305		371.504

(*) TL 2.725.041,31 under publicly held shares (0,91% participation rate on the share capital) belong to Hilal Madeni Eşya Ticaret Sanayi ve Yatırım A.Ş., a 100% owned subsidiary of LPGDC.

(**) Since the transfer transactions of Entek's shares to Tüpraş through a partial demerger with the share transfer model to the shareholders, the capital of the Company decreased from TL 300.000.000 to TL 219.800.767.

(***) Adjustment to share capital" represents the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with the IAS/IFRS promulgated by the POA. "Adjustment to share capital" has no use other than being transferred to paid-in share capital.

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NOTE 22 – SHARE CAPITAL (Continued)

Restricted reserves assorted from the profit

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is 10% of dividend distributed exceeding 5% of paid-in share capital. According to Turkish Commercial Code, legal reserves may only be used as long as it does not exceed 50% of the paid capital. It may not be used under any circumstances.

The details of the restricted reserves are stated below:

	31 December 2022	31 December 2021
Legal reserves	359.341	345.841
Gain on sale of subsidiary share that will be added to capital	19.851	19.851
	379.192	365.692

Dividend distribution:

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from 1 February 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

The Company’s statutory profit for the period and other sources that are subject the profit distribution as of 31 December 2022, amounts to TL 1.545.854 thousand (31 December 2021: TL 1.473.302 thousand). TL 209.043 thousand of such sources from inflation adjustment differences and TL 547.767 thousand from other capital reserves are subject to tax when they are distributed.

Dividends paid

In the Ordinary General Meeting held on 30 March 2022, the Company decided to reserve TL 13.500 thousand as legal reserves and distribute TL 150.000 thousand gross dividends from the net distributable income of 2021 and dividends have been started to be paid as of 6 April 2022.

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NOTE 22 – SHARE CAPITAL (Continued)

Gains and losses on financial assets measured at fair value through other comprehensive income:

Gains and losses from the revaluation and reclassification are related to financial assets and their details are as follows:

	31 December 2022	31 December 2021
Koç Finansal Hizmetler A.Ş.	1.377.459	287.789
	1.377.459	287.789

Currency translation adjustment

Currency translation adjustment as of 31 December 2022 represents the Company’s share of currency translation adjustment of equity investment and currency translation adjustments of the Group’s branch in London, Aygaz UK, whose functional currency is USD.

Financial risk hedging reserve:

The Group implements a cash flow hedge strategy against the cash flow risk arising from changes in market interest rates and foreign exchange rate for the transactions of its bank loans in USD with the floating interest rates. As a result of the effectiveness test performed in this context, the Group has determined that the entire transaction is effective. Until the cash flows of the related loan are realised, the gains or losses are accounted under cash flow hedge gains/(losses) in equity and there is no effect on income statement. Exchange differences arising during principal payments are transferred from the cash flow hedge gains/(losses) account in equity to the foreign exchange gains/(losses) in the income statement.

The hedging gains/(losses) of EYAŞ, which is an investment accounted by the equity method of the Group, are disclosed in Note 12.

NOTE 23 - REVENUE AND COST OF SALES

	1 January - 31 December 2022	1 January - 31 December 2021
Domestic sales	28.606.641	11.242.321
Export sales	9.577.172	5.135.183
Sales returns (-)	(67.498)	(23.668)
Sales discounts (-)	(609.371)	(460.582)
Total revenue, net	37.506.944	15.893.254
Sales of goods and services	34.441.909	14.762.688
Sales of merchandises	3.065.035	1.130.566
Revenue	37.506.944	15.893.254

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NOTE 23 - REVENUE AND COST OF SALES (Continued)

The accounting policy of Special Consumption Tax (SCT) on imported LPG which is required to be paid after the declaration made to the Republic of Turkey, Ministry of Finance is applied to be included in revenues and cost of goods sold (Gross profit and net income is not impacted by this record). For the period 1 January-31 December 2022, SCT on imported LPG included in revenues and the cost of goods sold is amounting to TL 2.332.883 thousand (1 January-31 December 2021: TL 189.197 thousand).

	1 January - 31 December 2022	1 January - 31 December 2021
Raw materials used	31.223.239	12.968.730
Production overheads	383.369	149.892
Personnel expenses	234.054	121.945
Depreciation expenses	72.069	71.055
Change in work in process inventories	32.275	21.285
Change in finished goods inventories	(26.374)	(15.904)
Total cost of goods sold	31.918.632	13.317.003
Cost of services rendered	631.417	119.081
Personnel expenses	89.402	33.377
Depreciation expenses	26.939	12.716
Total cost of services rendered	747.758	165.174
Cost of merchandises cost	2.617.674	972.940
Total cost of sales	35.284.064	14.455.117

NOTE 24 – GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES AND RESEARCHED AND DEVELOPMENT EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
General administrative expenses	836.061	434.787
Marketing expenses	1.085.137	473.755
Research and development expenses	9.676	7.274
	1.930.874	915.816

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NOTE 24 – GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES AND RESEARCHED AND DEVELOPMENT EXPENSES (Continued)

	1 January - 31 December 2022	1 January - 31 December 2021
General administrative expenses		
Personnel expenses	458.341	219.427
Lawsuit, consultancy and auditing expenses	107.081	61.417
Information technology expenses	55.051	23.771
Depreciation and amortization expenses	39.634	28.678
Transportation expenses	28.123	8.870
Tax expenses	25.564	17.166
Insurance expenses	23.712	12.686
Maintenance expenses	18.975	8.135
Communication expenses	10.409	5.845
Attendance fees	6.760	5.342
Post office expenses	3.500	2.303
Rent expenses	3.047	2.213
Donation and aids	925	9.940
Other administrative expenses	54.939	28.994
Total	836.061	434.787
	1 January - 31 December 2022	1 January - 31 December 2021
Marketing expenses		
Transportation, distribution and warehousing expenses	583.180	189.410
Personnel expenses	136.120	71.316
Depreciation and amortization expenses	102.757	67.998
Advertising and promotion expenses	65.038	41.691
Sales expenses	59.586	41.724
License expenses	25.039	10.633
After sales services and maintenances expenses	24.021	14.654
Transportation expenses	11.824	4.826
Other marketing expenses	77.572	31.503
Total	1.085.137	473.755
	1 January - 31 December 2022	1 January - 31 December 2021
Research and development expenses		
Research and development expenses	9.676	7.274
Total	9.676	7.274

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NOTE 25 – EXPENSES RELATED TO NATURE

Expenses related to their nature	1 January - 31 December 2022	1 January - 31 December 2021
Personnel expenses	594.461	290.743
Transportation, distribution and warehousing expenses	583.180	189.410
Depreciation and amortization expenses	142.391	96.676
Lawsuit, consultancy and auditing expenses	107.081	61.417
Sales expenses	65.038	41.691
Advertising and promotion expenses	59.586	41.724
Information technology expenses	55.051	23.771
Transportation expenses	39.947	13.696
Tax expenses	25.564	17.166
License expenses	25.039	10.633
After sales services and maintenances expenses	24.021	14.654
Insurance expenses	23.712	12.686
Maintenance expenses	18.975	8.135
Communication expenses	10.409	5.845
Outsourced research and development expenses	9.676	7.274
Attendance fees	6.760	5.342
Rent expenses	3.047	2.213
Donation and aids	925	9.940
Other	136.011	62.800
Total	1.930.874	915.816

Fees for Services Received from Independent Auditor/Independent Audit Firms

The Group’s explanation regarding the fees for the services received from independent audit firms, which is based on the latter of POA dated 19 August 2021, the preparation principles of which are based on the Board Decision published in the Official Gazette on 30 March 2021 are as follows:

	2022	2021
Audit and assurance fee	1.199	293
Other assurance services fee	287	-
Total	1.486	293

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NOTE 26 – OTHER OPERATING INCOME/EXPENSES

Other operating income for the years ended as of 31 December 2022 and 2021 are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Other operating income		
Foreign exchange gains arising from trading activities	706.984	911.599
Provisions no longer required (*)	272.706	14.696
Income generated from maturity differences of sales	238.670	129.229
Income from port services	26.014	11.123
Rent income	9.542	7.329
LPG pipeline usage income	7.201	3.877
Gain on sale of scrap	2.020	11.252
Goodwill expenses from prior years	732	288
Other income and profits	61.314	35.425
Total	1.325.183	1.124.818

(*) This amount includes the provisions no longer required amounting to TL 272.065 thousand as a result of the re-evaluation within the Price Revision Cost Provision of Aygaz Doğal Gaz Toptan Satış, the subsidiary of the Company, within the framework of the Company's best estimates.

Other operating expenses for the years ended as of 31 December 2022 and 2021 are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Other operating expense		
Foreign exchange losses arising from trading activities	962.887	946.628
Foreign exchange losses related to price revision provision (*)	194.216	191.371
Expenses from maturity differences of purchases	96.391	40.310
Provision expenses	4.464	7.640
Demurrage expenses	-	10.877
Other expenses and losses	16.652	32.289
Total	1.274.610	1.229.115

(*) This amount includes the price revision provision currency valuation effect of the Company's subsidiary Aygaz Doğal Gaz Toptan Satış (Note: 18). The currency risk of subjected provision is managed within the framework of the Group's currency risk management practices (Note: 32).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

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NOTE 27 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	1 January - 31 December 2022	1 January - 31 December 2021
Income from investment activities		
Income from sales of property, plant and equipment	37.668	16.019
Dividend income from financial activities	16.895	7.525
Total	54.563	23.544

	1 January - 31 December 2022	1 January - 31 December 2021
Expense from investment activities		
Expense from sales of property, plant and equipment	5.924	4.224
Total	5.924	4.224

NOTE 28 – FINANCIAL INCOME AND EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
Financial income		
Foreign exchange gains	325.996	170.595
Interest income	129.812	111.945
Fair value differences on swap transactions	1.027	152
Total	456.835	282.692

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NOTE 28 – FINANCIAL INCOME AND EXPENSES (Continued)

	1 January - 31 December 2022	1 January - 31 December 2021
Financial expense		
Interest expenses	518.266	212.288
Foreign exchange losses	235.144	184.860
Interest expenses on lease liabilities	26.789	26.760
Commission expense of letter of credit	15.710	7.750
Other financial expenses	45.110	14.150
Total	841.019	445.808

NOTE 29 – EARNINGS PER SHARE

	1 January - 31 December 2022	1 January - 31 December 2021
Average number of ordinary shares outstanding during the period (one thousand)	27.326.700	30.000.000
Net profit for the year attributable equity holders of the parent company	4.733.385	670.105
Earnings (losses) per hundred shares (TL)	17,3215	2,2337

NOTE 30 – TAX ASSETS AND LIABILITIES

	31 December 2022	31 December 2021
Current corporate tax provision	53.297	153.190
Less: Prepaid taxes and funds	(45.541)	(125.769)
Current tax liability	7.756	27.421

	1 January - 31 December 2022	1 January - 31 December 2021
Current corporate tax provision	(53.297)	(153.190)
Deferred tax	119.626	83.040
Total tax expense	66.329	(70.150)

AYGAZ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 30 – TAX ASSETS AND LIABILITIES (Continued)

Corporate tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated tax charge based on the Group’s results for the years and periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

As of 31 December 2022 the rate of tax is 23% (2021: 25%).

In Turkey, advance tax returns are filed on a quarterly basis. Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. Tax carry back is not allowed.

In accordance with the regulation published in Official Gazette numbered 31462 on 22 April 2021, corporate tax rate in Turkey for the year 2021 has been determined as 25%, for the year 2022 as 23%, for the year 2023 and beyond as 20%. In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may examine such returns and the underlying accounting records and may revise assessments within five years.

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on 20 January 2022. It has been enacted with number 7352 and it has been decided that the financial statements will not be subject to inflation adjustment in the 2022 and 2023 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustments within the scope of the repeated Article 298 are met. POA made a declaration on the Implementation of Financial Reporting in High Inflation Economies under TFRS on 20 January 2022, and it was stated that there was no need to make any adjustments within the scope of TAS 29 Financial Reporting in Hyperinflationary Economies in the consolidated financial statements for 2022.

Deferred tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for IAS/IFRS purposes issued by POA and financial statements prepared in accordance with the tax legislation. These differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with IAS/IFRS and tax legislation.

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NOTE 30 – TAX ASSETS AND LIABILITIES (Continued)

The Company revalued its tangible and intangible assets and their depreciation as of 30 September 2021 and 31 December 2022, within the scope of the Tax Procedure Law General Communiqué (Sequence No: 530) published by the Ministry of Treasury and Finance. Due to IFRS, related assets are continued to be accounted under cost method. It has calculated the deferred tax asset/liability, which is currently calculated over the temporary difference between IFRS and TPL, over the current TPL values that will occur with the effect of revaluation, and the deferred tax income that will arise due to this application, to the extent that the recovery of the said tax advantage is deemed possible, is calculated as a single income tax accounted for in the table, the effect of deferred tax assets is TL 66.479 thousand (31 December 2021: TL 62.100 thousand).

As of 31 December 2022 and 2021, the distribution of deferred tax liability calculated using effective tax rates as of the balance sheet date is as follows:

	31 December 2022	31 December 2021
Depreciation/amortization differences of property, plant and equipment and other intangible assets	(56.478)	(2.550)
Revaluation of financial assets measured at fair value through other comprehensive income	72.498	15.147
Allowable financial losses	(93.792)	-
Provision for employment termination benefits	(38.800)	(15.829)
Valuation of inventories	(264)	(10.664)
Derivative instruments	16.150	(4.804)
Other	(9.532)	(23.547)
Deferred tax assets/liabilities	(110.218)	(42.247)

In Turkey, since the companies cannot declare consolidated tax refund, subsidiaries with deferred tax assets and subsidiaries with deferred tax liabilities cannot be netted off and are shown separately.

	31 December 2022	31 December 2021
Deferred tax assets	(112.664)	(62.716)
Deferred tax liabilities	2.446	20.469
Deferred tax (assets) / liabilities, net	(110.218)	(42.247)

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NOTE 30 – TAX ASSETS AND LIABILITIES (Continued)

Movement of deferred tax assets and liabilities are as follows:

	2022	2021
As of January 1	(42.247)	43.703
Change to the profit or loss	(119.626)	(83.040)
Change to the equity		
- Effect of gains/(losses) re-measurement on defined benefit plans	(11.439)	(153)
- Effect of gains/(losses) on financial assets measured at fair value through other comprehensive income	57.351	2.041
- Effect of gains/(losses) on cash flow hedges	5.743	(4.798)
As of 31 December	(110.218)	(42.247)

Tax reconciliation:

	31 December 2022	31 December 2021
Profit before tax	4.497.907	697.316
Tax expense calculated using current tax rate (23%, 25%)	(1.034.519)	(174.329)
Tax effects of:		
Revenue that is exempt from taxation - (investments accounted under equity method)	1.032.901	105.772
Income not subject to tax	33.415	11.619
Tax rate differences	(16.720)	5.840
Expenses that are not deductible in determining taxable profit	(15.916)	(7.425)
Tax losses	11.383	(77.454)
Prior year losses used	-	7.650
Valuation related tax asset adjustment	68.092	62.100
Other	(12.307)	(3.923)
Tax expense in the statement of profit or loss	66.329	(70.150)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

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NOTE 31 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES

A company is defined as a related party of the Company, if one of the companies has a control power on the other company or has a significant impact on financial and administrative decisions of the other company. The Company is controlled by Koç Holding, Koç Family or entities owned by Koç Family. In financial statements, shareholder companies, shareholders and financial investments and other Group companies’ assets are shown as related parties. As of 31 December 2022 TL 1.394 thousand (31 December 2021: TL 1.335 thousand) of total amount of other payables to related parties consists of dividend payables to the shareholders except for Koç Group.

Balances with related parties	31 December 2022			
	Receivables		Payables	
	Trade	Non-trade	Trade	Non-trade
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	15.842	-	108.399	-
Demir Export A.Ş. - Fernas İnşaat A.Ş. Adi Ortaklığı	5.653	-	-	-
Koçtaş Yapı Marketleri Ticaret A.Ş.	3.812	-	315	-
Tofaş Türk Otomobil Fabrikası A.Ş.	3.373	-	1.214	-
Opet Petrolcülük A.Ş.	3.051	-	188.254	-
Arçelik A.Ş.	2.369	-	731	-
Divan Turizm İşletmeleri A.Ş.	1.185	-	216	-
Otokoç Otomotiv Tic. ve San. A.Ş.	322	-	47.141	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	318	-	23.996	-
Opet-Fuchs Madeni Yağlar	16	-	1.877	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	1	-	67.519	-
Other	12.700	-	11.818	-
Shareholders				
Koç Holding A.Ş.	21	84.375	26.442	-
Investments accounted under the equity method				
United Lpg Ltd.	91.594	-	-	-
	140.257	84.375	477.922	-
Balances with related parties	31 December 2021			
	Receivables		Payables	
	Trade	Non-trade	Trade	Non-trade
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	16.946	-	186.781	-
Demir Export A.Ş.	5.301	-	-	-
Opet Petrolcülük A.Ş.	1.870	-	63.836	-
Koçtaş Yapı Marketleri Ticaret A.Ş.	1.334	-	135	-
Otokoç Otomotiv Tic. ve San. A.Ş.	191	-	8.589	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	49	-	16.358	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	25	-	12.872	-
Other	6.176	-	7.402	-
Shareholders				
Koç Holding A.Ş.	30	-	12.766	-
Investments accounted under the equity method				
United Lpg Ltd.	39.642	-	-	-
Entek Elektrik Üretimi A.Ş.	1	-	-	-
	71.565	-	308.739	-

(*) Group companies include Koç Group companies.

(**) Zer Merkezi Hizmetler ve Ticaret A.Ş. (“Zer”) provides purchasing services for various item to the Group. As of balance sheet date, trade payables consist of Group’s payables to third party intermediary service companies and payables to Zer for commissions for intermediary activities.

AYGAZ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

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NOTE 31 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

	1 January - 31 December 2022			
Transactions with related parties	Purchases (Goods)	Sales (Goods)	Purchases (Service)	Sales (Service)
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	3.050.754	413.587	16.893	73
Opet Petrolcülük A.Ş.(**) (***)	1.367.774	22.869	170.872	1.647
Zer Merkezi Hizmetler ve Ticaret A.Ş.	78.098	177	175.845	162
Opet Fuchs Madeni Yağ San. Tic A.Ş.	22.590	105	10	30
Ram Dış Ticaret A.Ş.	6.207	-	342	-
Arçelik A.Ş.	253	13.154	694	2.037
Koçtaş Yapı Marketleri Ticaret A.Ş.	225	8.494	823	5.092
Divan Turizm İşletmeleri A.Ş.	190	6.319	584	23
Eltek Elektrik A.Ş.	187	-	4.601	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	25	324	42.742	851
Türk Traktör ve Ziraat Makinaları A.Ş.	-	24.515	-	48
Tofaş Türk Otomobil Fabrikası A.Ş.	-	21.974	1.179	113
Demir Export A.Ş.	-	20.059	-	3
Ford Otomotiv Sanayi A.Ş.	-	20.596	-	186
Otokar Otomotiv ve Savunma Sanayi A.Ş.	-	15.407	-	196
Demir Export A.Ş. - Fernas İnşaat A.Ş. Adi Ortaklığı	-	10.314	-	-
Setur Servis Turistik A.Ş.	-	132	15.764	114
Tamı Pazarlama ve İletişim Hizmetleri A.Ş.	-	28	6.124	-
Opet Market ve Akaryakıt İstasyon İşl. A.Ş.	-	82.720	-	1
Entek Elektrik Üretimi A.Ş.	-	192	22.151	13
Other	3.651	21.627	23.125	1.921
Shareholders				
Koç Holding A.Ş. (****)	85	224	48.898	-
Investments accounted under the equity method				
United Lpg Ltd.	-	148.733	-	-
	4.530.039	831.550	530.647	12.510

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NOTE 31 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

Transactions with related parties	1 January - 31 December 2021			
	Purchases (Goods)	Sales (Goods)	Purchases (Service)	Sales (Service)
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	1.387.572	355.074	9.678	-
Opet Petrolcülük A.Ş.(**) (***)	303.285	26.067	136.274	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	33.098	49	40.241	-
Opet Fuchs Madeni Yağ San. Tic A.Ş.	11.765	142	-	-
Arçelik Pazarlama A.Ş.	2.318	18	212	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	881	165	18.813	-
Arçelik A.Ş.	27	5.346	-	-
Setur Servis Turistik A.Ş.	9	44	7.165	-
Tüpraş Trading Ltd.	-	-	-	-
Demir Export A.Ş.	-	10.236	-	-
Türk Traktör ve Ziraat Makinaları A.Ş.	-	8.614	-	-
Ford Otomotiv Sanayi A.Ş.	-	6.169	-	-
Demir Export A.Ş. - Fernas İnşaat A.Ş. Adi Ortaklığı	-	3.908	-	-
Otokar Otomotiv ve Savunma Sanayi A.Ş.	-	3.819	-	-
Ingage Dijital Pazarlama A.Ş.	-	36	5.120	-
Other	2.449	130.284	12.736	-
Shareholders				
Koç Holding A.Ş. (****)	-	87	25.602	-
Investments accounted under the equity method				
United Lpg Ltd.	-	62.011	-	-
Entek Elektrik Üretimi A.Ş.	-	38	9.684	-
	1.741.404	612.107	265.525	-

(*) Group companies include Koç Group companies.

(**) Commission expenses regarding LPG sold at Opet stations for year ended 31 December 2022 is TL 160.088 thousand (31 December 2021: TL 134.390 thousand). The commission expense mentioned above is evaluated as part of sales and accounted under income statement as sales discounts.

(***) Though not presented at transactions with related parties, so as to fulfil fuel and auto gas sales exclusively and on the basis of station, prepayments and/or infrastructural investments are made directed for sales under “Agreement of Auto Gas Sales at Gas Stations” between Aygaz and Opet. Prepayments are presented under prepaid expenses in consolidated statement of financial position and are periodically amortized based on duration of dealer agreements. Prepayments and investment contribution margin amounting to TL 2.170 thousand has been made to Opet for year ended 31 December 2022 in consideration of 5 years sale agreement on average to be paid to Aygaz Dealers making auto-gas sales at Opet stations (1 January – 31 December 2021: TL 9.580 thousand).

(****) Billed remuneration for services such as finance, law, planning, tax and senior management provided by Koç Holding, the main shareholder, to Group companies, service expenses including personnel and senior management as a result of arrangement of 1st Serial Number of General Communique About Transfer Pricing Through Hidden Income Distribution’s “11- In Group Services”.

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NOTE 31 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

1 January - 31 December 2022				
Tangible asset and rent transactions with related parties	Rent income	Rent expense	Tangible and intangible asset purchases	Tangible asset sales
Group companies (*)				
Opet Petrolcülük A.Ş.	1.509	-	-	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	19.494	-
Opet Aygaz Gayrimenkul A.Ş.	-	-	-	240
Otokoç Otomotiv Tic. ve San. A.Ş.	-	-	11.998	823
KoçDigital Çözümler AŞ.	-	-	584	-
Other	-	-	3.917	74
Shareholders				
Koç Holding A.Ş.	-	2.339	-	-
	1.509	2.339	35.993	1.137

1 January - 31 December 2021				
Tangible asset and rent transactions with related parties	Rent income	Rent expense	Tangible and intangible asset purchases	Tangible asset sales
Group companies (*)				
Opet Petrolcülük A.Ş.	1.015	-	-	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	12.948	25
Otokoç Otomotiv Tic. ve San. A.Ş.	-	-	2.845	903
KoçDigital Çözümler AŞ.	-	-	1.498	-
Other	-	-	685	19
Shareholders				
Koç Holding A.Ş.	-	1.386	-	2
	1.015	1.386	17.976	949

1 January - 31 December 2022				
Financial and other transactions with related parties	Financial income	Financial expense	Other income	Other expense
Group companies (*)				
Yapı ve Kredi Bankası A.Ş.	226.584	46.144	-	-
Other	-	-	59	292
	226.584	46.144	59	292

1 January - 31 December 2021				
Financial and other transactions with related parties	Financial income	Financial expense	Other income	Other expense
Group companies (*)				
Yapı Kredi Bankası A.Ş.	184.795	157.214	-	-
Other	-	-	39	9.460
	184.795	157.214	39	9.460

(*) Group companies include Koç Group companies.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

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NOTE 31 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

	31 December 2022	31 December 2021
Cash at banks		
Group companies (*)		
Yapı ve Kredi Bankası A.Ş.	355.350	1.266.207
Credit card receivables		
Group companies (*)		
Yapı ve Kredi Bankası A.Ş.	6.582	10.447
Bank loans		
Group companies (*)		
Yapı ve Kredi Bankası A.Ş.	81.486	81.486

(*) Group companies include Koç Group companies.

Benefits to Top Management:

The Company has determined senior managers as Board of Directors’ members, General Manager, Vice General Managers and Directors directly reporting to General Manager.

Benefits to top management personnel includes salaries, premiums, SSI employer’s contribution, employer’s contribution of unemployment insurance and the attendance fees of board of directors.

As of 31 December 2022, total benefit provided to the senior management of the Company is TL 138.212 thousand (31 December 2021: TL 70.606 thousand). There are no payments made to senior management of the Company in this amount due to their leaving the job (31 December 2021: None), total amount is consist of the short-term benefits.

NOTE 32 – NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS

a) Capital risk management

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or rearrange capital structure, the Company can return back capital to shareholders, issue new shares and sale assets in order to decrease debt requirement.

The Group controls its capital using the net financial debt/total equity ratio parallel to other companies in the sector. This ratio is the calculated as net debt divided by the equity amount. Net debt is calculated as total financial borrowings amount less cash and cash equivalents.

Risk management is applied based on the policies approved by the Board of Directors by treasury department. Group’s treasury department defines and reviews the financial risk and uses tools to minimize the risk by collaborating with Group’s operational units based on such risk policies. Board of Directors prepares written procedures or general policies related with the risk management including currency risk, interest risk, using of derivative and non-derivative instruments and to evaluate cash surplus.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

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NOTE 32 – NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2022	31 December 2021
Total short-term and long-term borrowings	3.598.744	2.552.459
Less: Cash and cash equivalents	(1.826.605)	(1.693.433)
Net financial debt	1.772.139	859.026
Total shareholder's equity	7.854.532	2.719.199
Net financial debt/equity ratio	22,6%	31,6%

b) Financial risk factors

The risks of the Group resulted from the operations, include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's risk management program generally seeks to minimize the effects of uncertainty in financial market on financial performance of the Group. The Group uses derivative financial instruments in order to safeguard itself from different financial risks.

b.1. Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group manages this risk by the credit limits up to the guarantees received from customers. The usage of credit limits is monitored by the Group according to the customer's credibility is evaluated continuously.

Trade receivables consist of many customers that operate in various industries and locations. Credit risk of the receivables from counterparties is evaluated perpetually.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

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NOTE 32 – NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Credit risk of financial instruments	Receivables				Deposits in banks	Credit card receivables
	Trade receivables		Other receivables			
	Related party	Third party	Related party	Third party		
Maximum exposure to credit risk as of 31 December 2022 (A+B+C+D) (*)	140.257	2.326.520	-	65.702	1.814.506	11.044
- The part of maximum risk under guarantee with collateral etc.	-	1.340.931	-	-	-	-
A. Net book value of financial assets that are neither past due or impaired	140.257	2.220.977	-	65.702	1.814.506	11.044
B. The net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	106.178	-	-	-	-
- The part under guarantee with collateral etc.	-	41.167	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	26.358	-	-	-	-
- Impairment (-)	-	(26.358)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Expected credit loss (-)	-	(635)	-	-	-	-

(*) Amounts show the maximum credit risk as of balance sheet date, without considering the guarantees or other items increasing credit security.

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NOTE 32 – NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Credit risk of financial instruments	Receivables				Deposits in banks	Credit card receivables
	Trade receivables		Other receivables			
	Related party	Third party	Related party	Third party		
Maximum exposure to credit risk as of 31 December 2021 (A+B+C+D) (*)	71.565	1.000.020	-	105.766	1.679.773	13.140
- The part of maximum risk under guarantee with collateral etc.	-	434.693	-	-	-	-
A. Net book value of financial assets that are neither past due or impaired	71.565	958.817	-	105.766	1.679.773	13.140
B. The net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	41.838	-	-	-	-
- The part under guarantee with collateral etc.	-	27.241	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	26.601	-	-	-	-
- Impairment (-)	-	(26.601)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Expected credit loss (-)	-	(635)	-	-	-	-

(*) Amounts show the maximum credit risk as of balance sheet date, without considering the guarantees or other items increasing credit security.

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NOTE 32 – NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2022	Trade receivables	Other receivables	Deposits in banks	Derivative instruments	Other	Total
Past due 1-30 days	81.180	-	-	-	-	81.180
Past due 1-3 months	11.499	-	-	-	-	11.499
Past due 3-12 months	13.361	-	-	-	-	13.361
Past due 1-5 years	138	-	-	-	-	138
Total past due	106.178	-	-	-	-	106.178
The part under guarantee with collateral	41.167	-	-	-	-	41.167

31 December 2021	Trade receivables	Other receivables	Deposits in banks	Derivative instruments	Other	Total
Past due 1-30 days	35.890	-	-	-	-	35.890
Past due 1-3 months	3.793	-	-	-	-	3.793
Past due 3-12 months	1.916	-	-	-	-	1.916
Past due 1-5 years	239	-	-	-	-	239
Total past due	41.838	-	-	-	-	41.838
The part under guarantee with collateral	27.241	-	-	-	-	27.241

b.2. Liquidity risk management

Liquidity risk management responsibility mainly belongs to the Board of Directors. The Board of Directors has built an appropriate liquidity risk management framework for the management of the Group’s short, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk forecasts and actual cash flows, by monitoring continuously and by maintaining adequate funds and reserve borrowings as matching the maturity profile of financial assets and liabilities.

The following table presents the maturity of Group’s financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. Derivative financial liabilities are presented according to undiscounted net cash inflow and cash outflow. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows/(outflows) on those derivatives that require gross settlement. When the amounts of the payables or receivables are not fixed, the disclosed amount has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

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NOTE 32 – NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2022					
	Book value	Total cash flow according to the contract (I +II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Contractual maturity analysis						
Short-term and long-term borrowings (*)	3.494.362	3.733.059	1.029.372	2.142.738	560.949	-
Trade payables	4.009.912	4.009.912	4.009.912	-	-	-
Lease liabilities	104.382	259.016	18.004	91.739	142.978	6.295
Liabilities for employee benefits	130.049	130.049	130.049	-	-	-
Other payables	130.661	130.661	4.426	-	-	126.235
Other liabilities	148.957	148.957	148.957	-	-	-
Non derivative financial liabilities	8.018.323	8.411.654	5.340.720	2.234.477	703.927	132.530

	31 December 2022					
	Book value	Total cash flow according to the contract (I +II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Derivative instruments (*)						
Derivative cash inflows		529.516	529.516	-	-	-
Derivative cash outflows		(446.339)	(446.339)	-	-	-
Derivative instruments, net	85.754	83.177	83.177	-	-	-

(*) The amounts are cash flows based on contract, which have not been discounted.

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NOTE 32 – NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2021					
	Book value	Total cash flow according to the contract (I +II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Contractual maturity analysis						
Short-term and long-term borrowings (*)	2.369.455	2.686.717	174.389	901.156	1.611.172	-
Trade payables	2.122.269	2.122.269	2.122.269	-	-	-
Lease liabilities	183.004	227.435	31.233	70.409	121.508	4.285
Liabilities for employee benefits	61.415	61.415	61.415	-	-	-
Other payables	145.137	145.137	3.388	-	-	141.749
Other liabilities	37.006	37.006	37.006	-	-	-
Non derivative financial liabilities	4.918.286	5.279.979	2.429.700	971.565	1.732.680	146.034

	31 December 2021					
	Book value	Total cash flow according to the contract (I +II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Derivative instruments (*)						
Derivative cash inflows		976.459	976.459	-	-	-
Derivative cash outflows		(842.280)	(842.280)	-	-	-
Derivative instruments, net	(44.413)	134.179	134.179	-	-	-

(*) The amounts are cash flows based on contract, which have not been discounted.

b.3. Market risk management

The Group’s activities are exposed to a variety of financial risks including foreign currency risk and interest rate risk as explained below. The Group uses derivative financial instruments to hedge certain risk exposures in order to manage foreign currency and interest rate risks. These instruments are:

1. Foreign exchange forward purchase agreements to manage exposure to liabilities denominated in foreign currencies.
2. Foreign exchange purchase options to manage exposure to liabilities denominated in foreign currencies.
3. Principal and interest swap agreements to manage exposure to liabilities denominated in foreign currencies.

At the Group level market risk exposures are measured by sensitivity analysis and stress scenarios. There has been no change in the Group’s exposure to market risks or the manner which it manages and measures the risk compared to the previous year.

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NOTE 32 – NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

b.3.1. Foreign currency risk management

The Group’s monetary and non-monetary assets and liabilities in terms of foreign currencies are as follows:

	31 December 2022			
	Total TL equivalent	TL equivalent of USD	TL equivalent of Euro	Other
1. Trade receivables	842.386	814.831	27.555	-
2.a Monetary financial assets	459.148	453.011	5.552	585
2.b Non-monetary financial assets	-	-	-	-
3. Other	150.917	150.911	6	-
4. Current assets	1.452.451	1.418.753	33.113	585
5. Trade receivables	-	-	-	-
6.a Monetary financial assets	-	-	-	-
6.b Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets	-	-	-	-
9. Total assets	1.452.451	1.418.753	33.113	585
10. Trade payables	(2.806.319)	(2.558.172)	(247.648)	(499)
11. Financial liabilities	(154.856)	(154.856)	-	-
12.a Other monetary financial liabilities	(362.735)	(362.735)	-	-
12.b Other non-monetary financial liabilities	(4.203)	(3.380)	(823)	-
13. Current liabilities	(3.328.113)	(3.079.143)	(248.471)	(499)
14. Trade payables	-	-	-	-
15. Financial liabilities	(408.723)	(408.723)	-	-
16.a Other monetary financial liabilities	-	-	-	-
16.b Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities	(408.723)	(408.723)	-	-
18. Total liabilities	(3.736.836)	(3.487.866)	(248.471)	(499)
19. Net asset/liability position of off balance sheet asset and liabilities (19a-19b)	206.478	206.478	-	-
19.a Total derivative assets	206.478	206.478	-	-
19.b Total derivative liabilities	-	-	-	-
Net foreign currency asset/ (liability) position (9+18+19)	(2.077.907)	(1.862.635)	(215.358)	86
Net foreign currency asset/(liability) position of monetary items (1+2a+5+6a+10+11+12a+14+15+16a)	(2.431.099)	(2.216.644)	(214.541)	86
22. Fair value of derivative instruments held for hedging	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Export (*)	9.567.065	9.226.978	299.738	40.349
26. Import (*)	24.952.117	24.908.258	39.082	4.777

(*) Transit sales and purchases are included.

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(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 32 – NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2021			
	Total TL equivalent	TL equivalent of USD	TL equivalent of Euro	Other
1. Trade receivables	185.948	173.903	12.045	-
2.a Monetary financial assets	993.466	988.686	300	4.480
2.b Non-monetary financial assets	-	-	-	-
3. Other	103.405	103.025	380	-
4. Current assets	1.282.819	1.265.614	12.725	4.480
5. Trade receivables	-	-	-	-
6.a Monetary financial assets	-	-	-	-
6.b Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets	-	-	-	-
9. Total assets	1.282.819	1.265.614	12.725	4.480
10. Trade payables	(1.615.709)	(1.611.545)	(3.714)	(450)
11. Financial liabilities	(4.097)	(662)	(3.435)	-
12.a Other monetary financial liabilities	(440.583)	(440.583)	-	-
12.b Other non-monetary financial liabilities	(2.117)	(1.384)	(733)	-
13. Current liabilities	(2.062.506)	(2.054.174)	(7.882)	(450)
14. Trade payables	-	-	-	-
15. Financial liabilities	(389.325)	(389.325)	-	-
16.a Other monetary financial liabilities	-	-	-	-
16.b Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities	(389.325)	(389.325)	-	-
18. Total liabilities	(2.451.831)	(2.443.499)	(7.882)	(450)
19. Net asset/liability position of off balance sheet asset and liabilities (19a-19b)	12.971	12.971	-	-
19.a Total derivative assets	12.971	12.971	-	-
19.b Total derivative liabilities	-	-	-	-
Net foreign currency asset/(liability) position (9+18+19)	(1.156.041)	(1.164.914)	4.843	4.030
Net foreign currency asset/(liability) position of monetary items				
21. (1+2a+5+6a+10+11+12a+14+15+16a)	(1.270.300)	(1.279.526)	5.196	4.030
22. Fair value of derivative instruments held for hedging	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Export (*)	5.135.183	5.068.950	65.215	1.018
26. Import (*)	11.475.925	11.454.485	19.213	2.227

(*) Transit sales and purchases are included.

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(Amounts expressed in thousands Turkish Lira (“TRY”) unless otherwise stated.)

NOTE 32 – NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Group’s consolidated assets and liabilities denominated in foreign currency are as follows:

	31 December 2022	31 December 2021
Assets	1.452.451	1.282.819
Liabilities	(3.736.836)	(2.451.831)
Net asset/liability position	(2.284.385)	(1.169.012)
Derivative instruments net position	206.478	12.971
Net foreign currency asset/liability position	(2.077.907)	(1.156.041)
Inventories under the natural hedge (*)	2.155.409	1.145.064
Net foreign currency position after the natural hedge	77.502	(10.977)

(*) The Group manages its foreign currency risk by regularly considering and reflecting the foreign exchange rate changes in the determination of product prices (natural hedge). As of 31 December 2022, the Group has LPG amounting to TL 2.155.409 thousand (31 December 2021: TL 1.145.064 thousand).

The Group is exposed to currency risk due to its operations in foreign currency. The currency risk managed with a comprehensive risk monitoring system by analysis of the monetary assets and liabilities in foreign currency in the consolidated financial statements, by treasury transactions, natural hedging, derivative transaction contracts within the targeted limits.

Foreign currency sensitivity:

The Group is mainly exposed to foreign currency risk in USD and EURO.

The following table details the Group’s sensitivity to a 10% increase and decrease in the USD and Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the possible change in foreign exchange rates. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

A positive number indicates an increase in profit/loss and other equity accounts.

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NOTE 32 – NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2022			
	Income/(Expense)		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
10% fluctuation of USD rate				
USD net asset/(liability)	(221.664)	221.664	(221.664)	221.664
Secured portion from USD risk	20.648	(20.648)	20.648	(20.648)
USD net effect	(201.016)	201.016	(201.016)	201.016
10% fluctuation of Euro rate				
Euro net asset/(liability)	(21.454)	21.454	(21.454)	21.454
Secured portion from Euro risk	-	-	-	-
Euro net effect	(21.454)	21.454	(21.454)	21.454
Total net effect	(222.470)	222.470	(222.470)	222.470

	31 December 2021			
	Income/(Expense)		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
10% fluctuation of USD rate				
USD net asset/(liability)	(127.953)	127.953	(127.953)	127.953
Secured portion from USD risk	1.297	(1.297)	1.297	(1.297)
USD net effect	(126.656)	126.656	(126.656)	126.656
10% fluctuation of Euro rate				
Euro net asset/(liability)	520	(520)	520	(520)
Secured portion from Euro risk	-	-	-	-
Euro net effect	520	(520)	520	(520)
Total net effect	(126.136)	126.136	(126.136)	126.136

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NOTE 32 – NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Currency forward agreements

Currency forward agreements which are valid as of 31 December 2022 and 2021 are summarized at the table below.

						31 December 2022	
Maturity	Parity	Type of contract	Transactions	Total amount	Currency		
11 days	1,06	Forward	Buys Euro, sells USD	12.653	USD		
28-42 days	1,0566 - 1,058	Forward	Buys USD, sells Euro	1.610	USD		

						31 December 2021	
Maturity	Parity	Type of contract	Transactions	Total amount	Currency		
19 days	13,17	Forward	Buys USD, sells TL	985	USD		

b.3.2. Interest rate risk management

The Group is exposed to interest rate risk due to the effect of changes in interest rates on the Group’s assets and liabilities having interest returns. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and interest rate forward contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

Details of the Group’s financial instruments that are sensitive to interest rates are as follows:

Interest rate position

	31 December 2022	31 December 2021
Instruments with fixed interest rate		
Time deposits	1.664.589	1.632.379
Borrowings and bonds issued	2.320.081	1.881.001
Instruments with floating interest rate		
Borrowings and bond issued	1.278.663	671.458

If the interest rates in terms of all the currency units higher/lower by 100 basis points and all other variables held constant, profit before taxation would have been higher/(lower) by TL 1.187 thousand as of 31 December 2022 (As of 31 December 2021: TL 807 thousand).

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NOTE 32 – NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2022	Financial assets at amortized cost	Loans and receivables	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit (loss)	Financial liabilities at amortized cost	Book value	Note
<u>Financial assets</u>							
Cash and cash equivalents	1.826.605	-	-	-	-	1.826.605	4
Trade receivables	-	2.466.777	-	-	-	2.466.777	8,31
Other financial assets	-	-	1.606.918	3.763	-	1.610.681	5
Other receivables	-	150.077	-	-	-	150.077	9
<u>Financial liabilities</u>							
Short-term and long-term borrowings	-	-	-	-	3.598.744	3.598.744	6
Trade payables	-	-	-	-	4.009.912	4.009.912	8,31
Liabilities for employee benefits	-	-	-	-	26.509	26.509	10
Other payables	-	-	-	-	130.661	130.661	9,31
Other liabilities	-	-	-	-	11.325	11.325	19

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NOTE 32 – NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2021	Financial assets at amortized cost	Loans and receivables	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit (loss)	Financial liabilities at amortized cost	Book value	Note
<u>Financial assets</u>							
Cash and cash equivalents	1.693.433	-	-	-	-	1.693.433	4
Trade receivables	-	1.071.585	-	-	-	1.071.585	8,31
Other financial assets	-	-	459.896	2.117	-	462.013	5
Other receivables	-	105.766	-	-	-	105.766	9
<u>Financial liabilities</u>							
Short-term and long-term borrowings	-	-	-	-	2.552.459	2.552.459	6
Trade payables	-	-	-	-	2.122.269	2.122.269	8,31
Liabilities for employee benefits	-	-	-	-	14.862	14.862	10
Other payables	-	-	-	-	145.137	145.137	9,31
Other liabilities	-	-	-	-	4.347	4.347	19

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NOTE 32 – NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy table

The fair values of financial assets and financial liabilities are determined as follows:

- First level: The fair value of financial assets and financial liabilities are determined with reference to actively traded market prices;
- Second level: Other than market prices specified at first level, the fair value of financial assets and financial liabilities are evaluated with reference to inputs that used to determine directly or indirectly observable price in market;
- Third level: The fair value of financial assets and financial liabilities are evaluated with reference to inputs that used to determine fair value but not relying on observable data in the market.

Level classifications of financial assets and liabilities at fair value are as follows:

Financial assets/(liabilities)	Level of fair value as of reporting date			
	31 December 2022	1st level	2nd level	3rd level
Financial assets measured at fair value	1.610.681	1.607.414	2.834	433
Derivative financial instruments	85.754	-	85.754	-

Financial assets/(liabilities)	Level of fair value as of reporting date			
	31 December 2021	1st level	2nd level	3rd level
Financial assets measured at fair value	462.013	460.061	1.516	436
Derivative financial instruments	(44.413)	-	(44.413)	-

Information for reflecting financial assets and liabilities at fair value:

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgements are necessarily required to interpret the market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Group could realize in a current market exchange.

Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

Financial assets

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values.

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NOTE 32 – NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

The carrying values of cash and cash equivalents are estimated to be their fair values since they are short-term.

The carrying values of trade receivables along with the related allowances for uncollectability are estimated to be their fair values.

Financial Liabilities

The carrying values of short-term financial liabilities and other financial liabilities are estimated to be their fair values since they are short-term.

NOTE 33 – SUBSEQUENT EVENTS

With the decision of the Extraordinary General Assembly registered on 7 December 2022, the capital of Sendeo has been decided to be increased from TL 503.500 thousand to TL 753.500 thousand and TL 165.625 thousand of the total amount has been paid in cash by the shareholders of Sendeo as of 31 December 2022. TL 84.375 thousand of TL 112.500 thousand as the share of Koç Holding has been paid in cash by Koç Holding A.Ş. on 4 January 2023 (Note 31).

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