



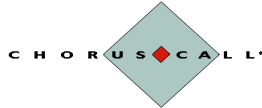
AYGAZ Q3 2024 Financial Results Conference Call

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Conductors:

Mr. Gökhan Dizemen, Chief Financial Officer

Conference Call Conducted by Chorus Call Hellas



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OPERATOR: Ladies and Gentlemen, thank you for standing by. I am Vasileios your Chorus Call operator. Welcome and thank you for joining the AYGAZ Conference Call and Live Webcast to present and discuss the Third Quarter 2024 Financial Results.

At this time, I would like to turn the conference over to Mr. Gokhan Dizemen, CFO.

Mr. Gokhan Dizemen, you may now proceed.

DIZEMEN G: Thank you. Good afternoon, everyone. Thank you for joining our Earnings Webcast for the Third Quarter of 2024. With me today are Kozan Nabi Ciftci, Corporate Finance and Investor Relations Manager; İlsu Neşeliler, Financial Reporting and Control Manager of Aygaz; and Dalya Hasanca, Investor Relations Lead of Aygaz.

Before we begin, let me remind you that our presentation and comments in the Q&A session might contain forward-looking statements and assumptions based on our business environment as we see it today and they might be subject to change.

As always, I will start with a summary of the LPG market and operational highlights together with an update on our Bangladesh investment, then continue with the financial overview. And at the end, as usual, we will have time for a Q&A session. Please remember, you can access the audio recording and the transcript on our website after the call.

Let us start with the Key Operational Highlights for the Third Quarter of 2024 on Slide 3. The latest LPG report published by Energy Market Regulatory Authority (briefly EMRA'') is as of August 2024 and according to January-August volumes disclosed

in the report, total Turkish LPG consumption contracted by 7% year-on-year due mainly to the high base resulting from additional bulk gas sales occurred in 2023 as well as the decline in cylinder gas sales volumes in 2024.

Turkish cylinder gas market declined by 9% and autogas market declined by 1% during the first eight months of the year. Historical average market contraction in the Turkish cylinder gas market resulting from the extension of the natural gas grid has been around 3% to 4% over the last 15 years. This 9% contraction in the cylinder gas market in 2024 reflects the overall deterioration in the economy and the purchasing power of consumers.

Aygaz's total market share was 25.2% in January-August period, and during this period, we continue to lead the LPG market in Turkey. In the first nine months of the year, Aygaz's autogas and cylinder gas sales volumes in total declined by 3% compared to the same period of the last year.

Autogas sales was down by 1% and cylinder gas sales was down by 8% year-on-year. Bulk gas sales declined by 65% as opportunistic LPG industrial customers of the First Quarter of the last year shifted back to natural gas due to the loss of price advantage of LPG over natural gas. With the loss in cylinder gas and bulk gas sales volumes, total domestic retail sales in the First Half of the year were realized as 795,000 tons, 9% below last year's level.

Aygaz's wholesale and international LPG sales volumes in total were down by 8% and realized as 967,000 tons in the first nine months of the year. United Aygaz LPG, our joint venture in Bangladesh, continues its cylinder gas sales activities, which

started in Chittagong in August 2022 by expanding to different regions of the country. In the first nine months of the year, a total of 85,000 tons of LPG sales were reached through 168 dealers.

In terms of the financial highlights, EBITDA of our core LPG and natural gas business line amounted to TRY 1.684 million, which is 36% lower than the same period of the last year. Although the negative impact of the decline in sales volumes and the increase in operating expenses on profitability was offset by the improvements in distribution margins, the positive inventory exchange rate effect resulting from the increasing U.S. dollar Turkish lira exchange rate, bulk gas sales substituting natural gas, and additional gross profits arising from advantageous spot LPG procurement had a positive impact on 2023 Financial Results and caused the 2024 EBITDA to lag behind the last year.

As mentioned in our last earnings webcast, the merger process of Sendeo with Kolay Gelsin was completed as of the end of June 2024. Accordingly, Sendeo started to be consolidated in Aygaz's financial statements using the equity method of consolidation July onwards. In this context, Sendeo had no EBITDA impact in the Third Quarter of 2024. Partial delivery business line, EBITDA contribution for the First Half of the year was negative TRY 542 million. As of September end, Aygaz managed to sustain its net cash position which is at TRY 1.6 billion.

Now let's take a look at the Key Highlights for Aygaz's market shares and Turkish LPG market on Slide 5. As per August 2024 EMRA report, Aygaz achieved 42% and 22.1% market shares in cylinder gas and autogas markets, respectively, in the January-August period. Together with our market share of 36.7% in bulk gas segment, Aygaz's total retail market share is realized as

25.2% and Aygaz continues to be the uninterrupted leader of the Turkish LPG market.

On Slide 6, let us have a look at the Sales Performance of our company as of the September end. Our domestic retail sales volume in the first nine months is 795,000 tons, down by 9% compared to the same period of the last year. The negative year-on-year deviation in the retail sales was mainly from the decline in bulk gas and cylinder gas sales.

The price advantage of LPG against natural gas during the first quarter of 2023 resulted in higher opportunistic bulk gas sales in that period. In the case of cylinder gas, our nine-month sales volumes declined by 8% year-on-year due to the overall contraction in Turkish cylinder gas market, especially during the Third Quarter of this year, which resulted from worsening economic conditions.

Total wholesale and international LPG sales were down by 8% year-on-year in the first nine months of 2024. As a result, Aygaz's total LPG sales during the first nine months of the year were realized as 1.8 million tons, down by 8% year-on-year. Total LPG sales in Q3 of 2024 also displayed 7% year-on-year contraction compared to the same quarter of last year.

On Slide 7, let us go over the Sonatrach price, which is the benchmark price in the Turkish LPG market. The Sonatrach price, in short SP, was at \$534 per ton as of the end of 2023 and declined to \$446 per ton as of the end of June 2024. Hence, due to this decline in SP during the First Half of the year, Aygaz recognised an inventory loss of around TRY 118 million.

However, SP increased by \$127 per ton through the Third Quarter due to the positive impact coming from the seasonal summer demand and closed September end at \$573 per ton. This resulted in an inventory gain of TRY 220 million in the Third Quarter and enabled us to recover the loss incurred in the First Half of the year.

Moving on to Slide Number 8, we will be covering the updates regarding our joint venture, United Aygaz LPG in Bangladesh. Cumulative capital contribution of \$75 million is made into the joint venture in line with the initial investment plan. Aygaz's share within this cumulative contribution corresponds to an amount of \$37.5 million.

The total number of sphere tanks in our base terminal in Chittagong has reached six, increasing the storage capacity to 16,000 tons and the second cylinder filling line has been commissioned in this facility. With this ongoing capacity increase, United Aygaz will be able to import larger LPG vessels to the country and benefit from higher supply advantage.

Regarding our second facility in Dhaka, the capital of Bangladesh, the necessary legal permits have been obtained and construction works for establishing an LPG storage facility and cylinder filling plants have commenced. We target to make this second facility in Dhaka to be operational in the First Half of 2025.

As for the sales performance, United Aygaz reached a total volume of 85,000 tons in the first nine months of the year with 168 dealers and approximately 12,000 sales points. The joint venture company generated a revenue of \$72 million and an EBITDA of \$3.4 million. And as part of the equity method of consolidation, United Aygaz's net profit contribution to Aygaz's

consolidated financial results amounted to TRY 13 million in the first nine months of the year.

Moving on to Slide 10, I will now walk you through the Key Drivers of our core LPG business segment, financial performance, when compared to the prior year. As we have discussed on Slide 7, while going over the evolution of Sonatrach prices, Aygaz recognized an inventory gain of TRY 220 million in the Third Quarter of 2024. Inventory gain booked in the same quarter of last year, which is indexed within the scope of inflation accounting, was TRY 450 million.

The decrease in SP inventory gain, as well as the contribution of advantageous spot LPG procurements occurred in 2023 to the gross profit level, were the main factors causing Third Quarter profitability results of 2024 to lag behind the last year.

In addition, Third Quarter cylinder gas and auto gas sales are down by 10% and 4% respectively, compared to last year. The gross profit loss due to the decreased retail sales volumes has been substantially offset by the increase in retail distribution margins.

On Slide 11, you can see the Quarterly Evolution of our gross profit and EBITDA in 2023 and 2024. We have already discussed the Q3'24 versus Q3'23 profitability performance on the previous Slide. On this Slide, I just want to emphasize the fact that the main reasons for the Third Quarter gross profit and EBITDA in 2024 exceeding those of the Second Quarter are the increase in SP inventory gain and the increase in LPG sales volumes due to the seasonality. As a result, we generated and EBITDA of TRY 830 million in the Third Quarter, compared to TRY 307 million in the Second Quarter of this year.

Now, turning to the next Slide on Page 12, we'll go over our Consolidated Financial Performance, including Sendeo and EYAŞ investments. As we informed during our last webcast, we completed the merger of Sendeo with Kolay Gelsin as of the end of June and Aygaz's ownership percentage in the merged entity has decreased to 27.5%.

Accordingly, the merged entity turned out to be a financial investment, i.e., investment in accordance with international financial reporting standards for Aygaz and has been included in the consolidated financial statements by using the equity method, July onwards. In this context, Sendeo had no financial impact on the consolidated gross profit, EBITDA and operating profit levels for the Third Quarter of 2024.

Rather, the merged entity's financial impact was solely on the net profit level in this quarter due to the equity method of consolidation. As a result of this change in the consolidation methodology, as well as the improved operational performance of the merged entity, Sendeo's contribution to the consolidated net profit in the Third Quarter is TRY 236 million higher than the same period of 2023. The Third Quarter net profit contribution coming from our investment in EYAŞ, which is also accounted under equity method of consolidation, is TRY 720 million versus TRY 659 million in the same period of last year.

Moving on to Slide 13, you can see our Balance Sheet Items as of the end of September. As of the end of September, our net working capital requirement is at around TRY 2 billion and net cash position is at TRY 1.6 billion. The increase in the net working capital requirement compared to the year end of 2023 stems mainly from the increase in inventory and decrease in trade payables.

We carry around 130,000 tons of LPG inventory as of the end of September 2024 versus around 100,000 tons as of the end of December. Despite the impact of increased net working capital, the net cash position, which was around TRY 1.2 billion at the end of June, reached TRY1.6 billion by the end of September, thanks mainly to the dividend income received from EYAŞ in the Third Quarter.

As of the end of September, gross cash was TRY 3.3 billion and total financial debt was TRY 1.7 billion. All financial debt consists of foreign currency loans from banks.

On Slide 14, you can see our forward-looking statements for 2024. Our sales volume and market share guidance are as follows.

With the contraction in the LPG market especially during the Third Quarter of the year, we have revised our cylinder gas and auto gas sales volumes for 2024 downward by 10,000 tons and 20,000 tons respectively. Cylinder gas sales volume ranges at 230,000 to 240,000 tons, and auto gas sales ranges at 750,000 to 780,000 tons.

Our cylinder market share is expected to be in between 41 to 43, and our auto gas market share is expected to be in between 21.5 to 22.5. This concludes our presentation today. Thank you for your patience and now we can take the questions if any.

OPERATOR:

Ladies and Gentlemen, there are no further questions at this time. I will now turn the conference over to management for any closing comments. Thank you.

DIZEMEN G: Thank you for joining our call. I think that there are not any questions on the website as well, so I look forward to seeing you in the next earnings webcast. Thank you.