STEP BY STEP
TO THE FUTURE

AYGAZ

AYGAZ ANNUAL REPORT 2019

INTRODUCTION

OPERATIONS IN 2019

SUSTAINABLE GROWTH

SOCIAL RESPONSIBILITY

CORPORATE GOVERNANCE

CONSOLIDATED FINANCIAL STATEMENTS

We must set a target for ourselves.

And we must push toward that target with each step.

Vehbi Koç
Founder

STEP BY STEP

TO THE FUTURE

We took the first step toward change, bringing warmth and happiness to households.

We began spreading our energy across the country, becoming one big happy family as we continued on our path.

We took one more step toward innovation as we and our trusted brand became the essential companion of drivers on the roads.

And yet, we did not settle. We worked hard to always be present in all areas of life and to make it easier.

Next, we took steps toward growth, always aiming for leadership and trailblazing.

We touched thousands of lives every day, becoming a pillar of trust for our people, stakeholders and the community.

We took new and farther steps, reaching beyond borders.

We never wavered from our aspirations to contribute to a better world, to build the future with innovation and to drive our story forward, and we never will.

Empowered by our never-ending energy, we are charging toward the future with every step we take.

Agenda for Ordinary General Assembly Meeting of Aygaz A.Ş. to be held on March 10, 2020

1. Opening and election of the Chairman of the Meeting,
2. Reading, discussing and approving the 2019 Annual Report prepared by the Board of Directors,
3. Reading the Independent Audit Report Summary for 2019 accounting period,
4. Reading, discussing and approving of the Financial Statements related to 2019 accounting period,
5. Acquittal of each member of the Board of Directors in relation to the activities of Company in 2019,
6. Acceptance, acceptance after amendment or refusal of the proposal of the Board of Directors in accordance with the Company's profit distribution policy regarding the distribution of the profits of 2019 and the date of the distribution of profits,
7. Determining the number and duty term of the Members of the Board of Directors, making elections in accordance with the determined number of members, selecting the Independent Members of the Board of Directors,
8. Informing and approval of the Shareholders about the Remuneration Policy for the Members of the Board of Directors and Executive Management and the payments made within the scope of the policy in accordance with the Corporate Governance Principles,
9. Determining the annual gross salaries of the members of the Board of Directors,
10. Approval of the Independent Auditing Institution selection made by the Board of Directors in accordance with the Turkish Commercial Code and the Capital Markets Board regulations,
11. Informing the shareholders about the donations made by the Company in 2019 and determining an upper limit for donations to be made in 2020,
12. Informing the shareholders about the collaterals, pledges, mortgages and surety granted in favor of third parties and the income and benefits obtained in 2019 by the Company and subsidiaries in accordance with Capital Markets Board regulations,
13. Authorising the shareholders holding management capacity, the Members of the Board of Directors, executive managers and their spouses and relatives by blood and marriage up to the second degree within the framework of the articles 395th and 396th of Turkish Commercial Code and informing shareholders about transactions performed within the scope during 2019 as per the Corporate Governance Communiqué of Capital Markets Board,
14. Wishes and opinions.

Convenience Translation Into English of Independent Auditor's Report on The Board of Directors' Annual Report Originally Issued in Turkish

To the General Assembly of Aygaz A.Ş.

1. Opinion

We have audited the annual report of Aygaz A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the January 1 - December 31, 2019 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Group's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (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. Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated February 12, 2020 on the full set consolidated financial statements for the January 1 - December 31, 2019 period.

4. Board of Director's Responsibility for the Annual Report

Group management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

b) to prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Group may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.

c) to include the matters below in the annual report:

- events of particular importance that occurred in the Company after the operating year,

- the Group's research and development activities,

- financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements of the Group and with the information we obtained in the course of independent audit.

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

Ediz Günsel, SMMM
Partner

İstanbul, February 17, 2020

Report of the Board of Directors and Chairman's Message

Dear Shareholders,

Welcome to the 59th General Assembly Meeting of Aygaz.

On behalf of the Board of Directors, I would like to welcome you all and I look forward to holding a productive meeting.

As global growth slowed down and vulnerabilities came to the forefront in 2019, heightened tensions in international trade became the main reason for many adverse developments. The world kept a close eye on the decline trend in the growth figures of developed countries while a key discussion topic was the fragility of emerging countries as well as those with high indebtedness and import dependency in the face of global economic risks. The periodic policy changes introduced during the year in the United States (USA) and the European Union (EU), Brexit finally entering a resolution stage after a long period of uncertainty, the Federal Reserve's (FED) and the European Central Bank's (ECB) interest rate cuts, trade relations, particularly between the USA and China, tensions between the USA and Iran, and other Middle East-based developments were all on the agenda of global markets.

Despite the longest growth period in the US history and the lowest unemployment rate of the last 50 years, the FED cut interest rates multiple times in 2019 in line with the inflation and growth expectations. These cuts are also seen as a protective measure against the slowing global growth. Presidential election in November 2020 is another topic that the entire world will follow closely. The fact that growth in Europe fell from 1.9 percent in 2018 to 1.2 percent in 2019 and the Brexit process, which lasted 3.5 years, raise questions about the health and stability of the economy. Possible decline in exports in case of continuity in these uncertainties, is quite likely to have an impact on Turkey as well.

Interest rate cuts, increased global liquidity and flow of funds to all emerging countries, even if it remained limited for Turkey, were all positive developments. In addition to improved growth rate with recovery in domestic demand, indicators such as inflation, foreign exchange and interest rates and current account balance also contributed to a relatively positive outlook. The anticipation is that growth-focused policies will bring dynamism to the economy. However, considering the companies that try to restore their balance sheets and employment related issues in this fragile period, remaining cautious in expectations and adopting comprehensive strategies focused on solving the economy's structural problems would be better. Even in times of uncertainty, we will manage our risks while getting prepared for the future and grow by seizing the opportunities that lie within change.

As these economic developments are taking place worldwide and in Turkey, urbanization brings along increased need for energy. Globally, consumption seems to be shifting from the West to the East. Meanwhile, oil and natural gas production continues to increase, along with LPG production. According to the World LPG Association's (WLPGA) 2019 report, global production of LPG, the main field of operations for Aygaz, increased by 3.6 percent year-on-year. The top five countries, the USA, China, Saudi Arabia, Russia and Canada accounted for more than half of this production. Data showing that LPG consumption grew 37 percent in the past decade also point out that this trend will continue in the near future.

The Turkish LPG market is the world's tenth largest and second in Europe whereas its autogas market ranks first in the world. Turkey has the largest LPG vehicle park worldwide with approximately 4.7 million vehicles. The Energy Market Regulatory Authority's November report confirmed Aygaz as the leader of the total market with 26 percent share, taking 42 percent of the cylinder gas and 22 percent of the autogas segments. We recorded more satisfactory results in both our LPG and natural gas business lines compared to the previous year.

Aygaz completed 2019 with successful results driven by important investments, generating TL 10.2 billion in revenues while creating value for our stakeholders as well as the Turkish economy and Koç Group. As we introduced pioneering, industry-leading practices, we also made significant progress in expanding our operations internationally. After opening the London branch to engage in LPG trading with the aim of increasing trade volume with third parties and creating added value through the supply chain, Aygaz signed a share purchase agreement with the Bangladesh-based United Group, one of the largest corporations in the country, for sourcing, filling and distributing LPG. Once the legal procedures are finalized, we expect seeing the positive outcomes of this partnership in 2020. As we considered new business lines to leverage our widespread dealer network, we acquired Bal Kaynak Company and with this new subsidiary we aim to grow in the water industry with our brand Pürsu.

As an industry leader in social issues as well, Aygaz continued to carry out projects that aim to preserve history and invest in the future. Our company that has taken responsibility in social areas such as culture and the arts, healthcare and sports since the very beginning, will continue to contribute to the economy while supporting social and cultural development.

I am confident that the successes we achieved at Aygaz with the synergy of all our employees and stakeholders will continue for many years to come. I would like to conclude by thanking all our stakeholders, and particularly our employees, dealers, suppliers, customers, trade unions, supporting industry and shareholders for their valuable contributions and commitment, and their trust in Aygaz.

Sincerely,

Rahmi M. Koç
Chairman

General Manager's Message

We continued to take firm steps toward the future and completed the year 2019 with successful results and important investments for the future of our company and the industry.

Esteemed Shareholders,

As a fuel with sustainable resources, LPG is preferred by hundreds of millions of consumers across the world for its easy storage, transportation and efficiency as well as ecofriendly qualities. According to the World LPG Association's (WLPGA) 2019 data, LPG consumption grew 85 million tons in the last decade, reaching up to 313 million tons. It is estimated that LPG consumption will exceed 375 million tons in the next decade. The anticipation is that global policies to address climate change and environmental protection will help spread the use of LPG, which could access to approximately 1.5 billion potential users if more investment is made and purchasing power increases worldwide.

As a key player in the regional and global LPG market, Turkey is the second largest market in Europe and tenth in the world in LPG consumption for energy (excluding petrochemicals and refineries). According to the latest (November 2019) industry report published by the Energy Market Regulatory Authority (EMRA), the Turkish LPG market, which has an annual consumption of 4.1 million tons, grew 0.5% annually and has maintained its volume despite the economic stagnation in 2019. On the other hand, in autogas consumption which makes up 80% of the market, Turkey ranked first ahead of Russia and South Korea.

Aygaz, operating primarily in the field of LPG, ranked 18th in Istanbul Chamber of Industry's (ISO) 500 Largest Industrial Enterprises list in 2018. We completed 2019 with successful operational and financial results and reached a sales volume over 2 million tons, with 1.1 million tons coming from retail sales of cylinder gas, bulk gas and autogas. In 2019, we achieved 3% year-on-year growth in sales, bringing our consolidated revenues to TL 10.2 billion as of year-end. According to the November 2019 EMRA report, we maintained our leading position with 26% market share.

In 2019, we made important investments for the future of our company and the industry. In addition to the London branch we opened as part of our international expansion strategy, we also signed a share purchase agreement with Bangladesh-based United Enterprises with the intention of entering the Asian market, which presents a considerably high growth potential for domestic LPG consumption, as a distributor. Our goal with these initiatives is to take Aygaz one step further toward becoming an international player.

With Aygaz Mini Cylinder, Aygaz Mini Cooker and Aygaz Mini Cylinder Accessories that we produce with the aim of delivering the convenience and functionality of cylinder gas, we not only enhanced the practical use of cylinder gas but we also introduced a novelty in the industry with improvements in product design.

The subsidiaries and affiliates of Aygaz also play a large role in our success. Aygaz Doğal Gaz, which follows developments, market dynamics and opportunities in the natural gas markets very closely, recorded TL 1.4 billion in revenues, selling approximately 800 million cubic meters of natural gas in

2019. Also monitoring the industry to seize export opportunities, Aygaz Doğal Gaz obtained the required licenses for exports to Bulgaria and Greece, and delivered the first natural gas export to Bulgaria by road. Anadoluhisarı Tankercilik undertook 14% of Aygaz's maritime transportation and procurement by sea in 2019. Meanwhile, our distribution company Akpa completed 2019 with TL 609 million in sales.

On the other hand, our bottled water sales in carboys and pet bottles with Pürsu, the brand that we launched to leverage our dealer network and home delivery experience of our dealers, have continued as we invested more. We coordinated our operations within our subsidiary Bal Kaynak Su İthalat İhracat Sanayi ve Ticaret A.Ş. to increase production capacity and expand our distribution area. With the Pürsu brand, which reaches customers through 400 dealers in 36 provinces, we sold approximately eight million carboys of water in 2019.

Opet Aygaz Gayrimenkul, focused on strengthening Aygaz's presence in the autogas market, continued its operations with 21 stations across the country. Entek, operating with the vision of becoming a company that is the first to come to mind for next generation electric energy, also worked to add value to all its stakeholders.

In addition to our successful business results, 2019 was also crowned with more awards enriching our roster of accolades. We were recognized with the first prize in the “Mineral Fuels Exports” category at the Stars of Export Awards, and a Silver Effie in the “Automotive Products” category at the Effie Turkey Advertisement Effectiveness Awards. As we maintained our position among the most reputable brands in the fuel industry in the Turkey Reputation Index, our Corporate Governance Rating Score was updated as 9.42. Furthermore, we continued to be listed in the BIST (Borsa Istanbul- Istanbul Stock Exchange) Sustainability Index, once again confirming our brand reputation as well as our contribution to the economy and the environment.

In line with our mission of leading our industry both in the fields we operate and also in social issues, we continue to promote sustainable development in various areas. Our support for the Sagalassos excavations being one such project, the visit we made to the ancient city in 2019 and the developments in the excavation site received wide coverage in the press. Moreover, as part of our recently launched Zero Waste Project, we carried out activities to raise awareness about leaving a better world to future generations. Our efforts at Aygaz will continue constantly with this goal in mind.

I believe that 2020 will also be a year of preparing for the future as we proceed with step-by-step plans and innovations. I would like to express my gratitude to our customers, dealers, employees, suppliers and all our stakeholders for enabling us to lead the industry with our innovative business culture since 1961 and ensuring that we move forward with confident steps.

With warm regards,

Gökhan Tezel
General Manager

Aygaz in Figures

313
million tons
global LPG consumption*
*according to The World LPG Association (WLPGA) 2019 Report

178
thousand m^3
The largest LPG storage capacity in Turkey

302
thousand tons
cylinder gas sales in 2019

2,383
cylinder gas dealers

1,729
autogas stations

993
thousand tons
export and wholesale volume in 2019

28,800
m^3
total transportation capacity of the Beykoz, Beylerbeyi and Kuzguncuk LPG vessels

4.7
million
autogas-powered vehicles in Turkey

14%
share of maritime transportation by own fleet in all sea-related transportation activities

2.1
million ton
Aygaz's total LPG sales volume

734
thousand tons
autogas sales in 2019

18th
largest industrial enterprise in Turkey*
*in ICI's Turkey's Top 500 Industrial Enterprises list

1.06%
Current ratio

29%
share price increase - 2019 FY

3.9
billion TL
2019 year-end market value

40
average training hours per person

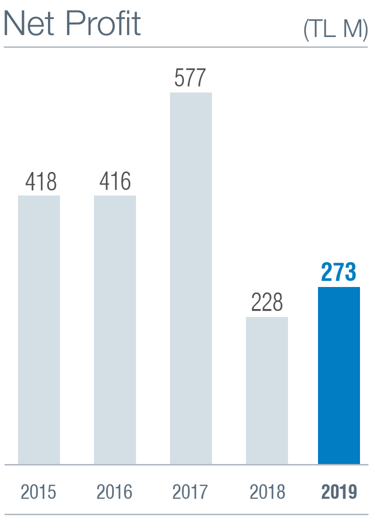
9.42
Corporate Governance Rating Score in 2019

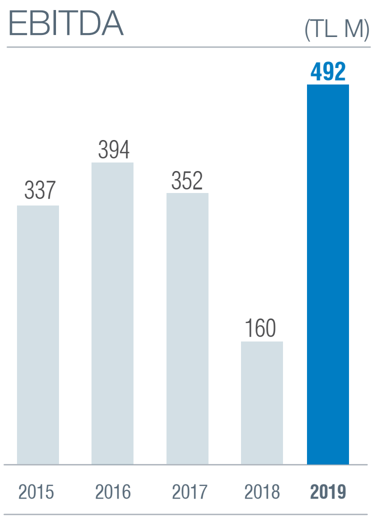
~8
million units
Pürsu annual carboy water sales

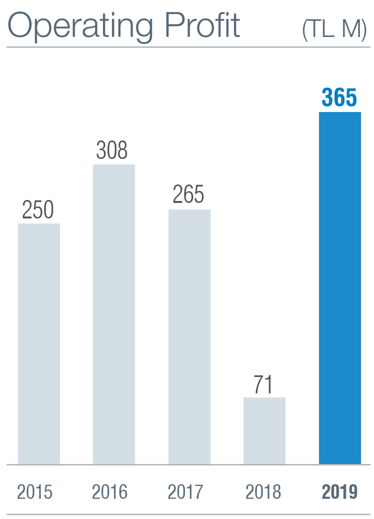
1,316
average number of employees in 2019

262
million USD
LPG export

Financial and Operational Outlook







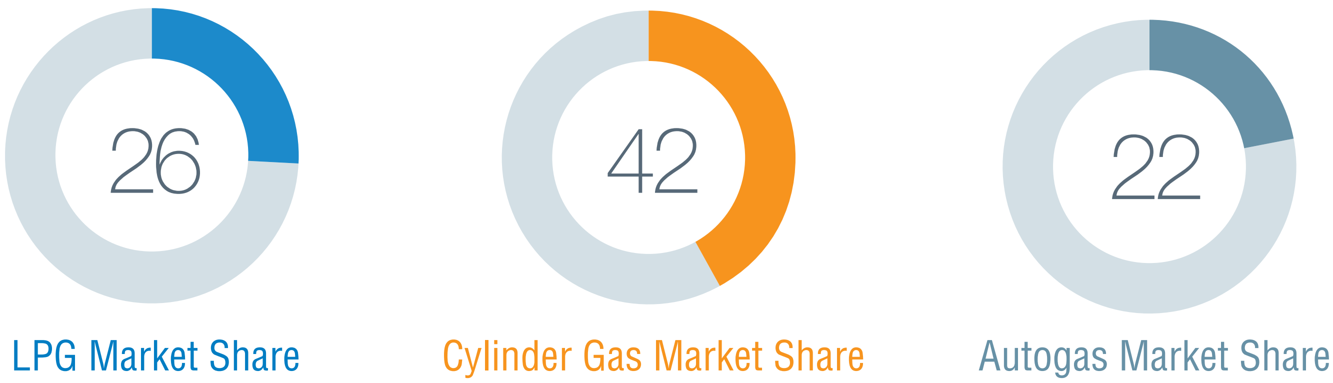
Summary Financial Indicators

(TL M)

	2019	2018	2017	2016	2015	2019 / 2018 Change
Sales revenues	10,211	9,554	8,469	6,749	6,420	7%
Gross profit	957	634	741	787	677	51%
Operating profit	365	71	265	308	250	417%
Pre-tax profit	306	250	621	469	458	22%
Net profit	273	228	577	416	418	20%
EBITDA	492	160	352	394	337	207%
Gross profit margin	9%	7%	9%	12%	11%	2
Operating profit margin	4%	1%	3%	5%	4%	3
Net profit margin	3%	2%	7%	6%	7%	1
EBITDA margin	5%	2%	4%	6%	5%	3
Current assets	1,589	1,618	1,588	1,277	1,025	-%2
Fixed assets	3,366	3,396	3,379	2,954	2,891	-%1
Total assets	4,955	5,013	4,966	4,231	3,916	-%1
Short term liabilities	1,495	1,484	1,279	924	847	%1
Long term liabilities	982	1,027	764	566	459	-%4
Shareholders' equity	2,478	2,502	2,923	2,742	2,611	-%1
Total equity and liabilities	4,955	5,013	4,966	4,231	3,916	-%1
Return on equity (ROE)	11%	9%	20%	15%	16%	2
Net debt/equity ratio	24%	30%	13%	2%	10%	-6
Current ratio	1.06	1.09	1.24	1.38	1.21	-0.03

Market Shares*

(%)



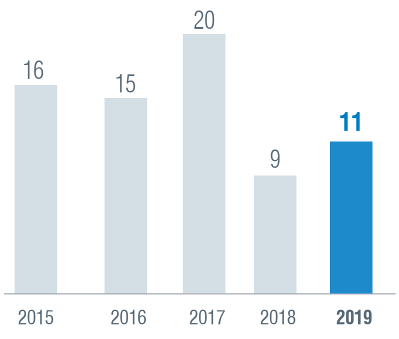
*According to EMRA's November 2019 Report

Shareholding Structure

(%)

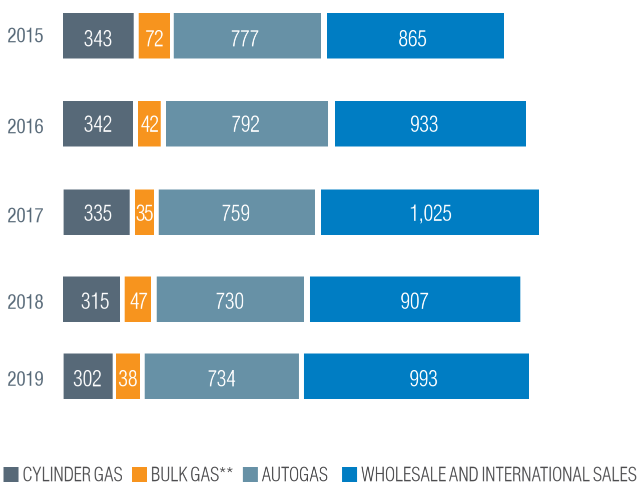
Return on Equity (ROE)

(%)



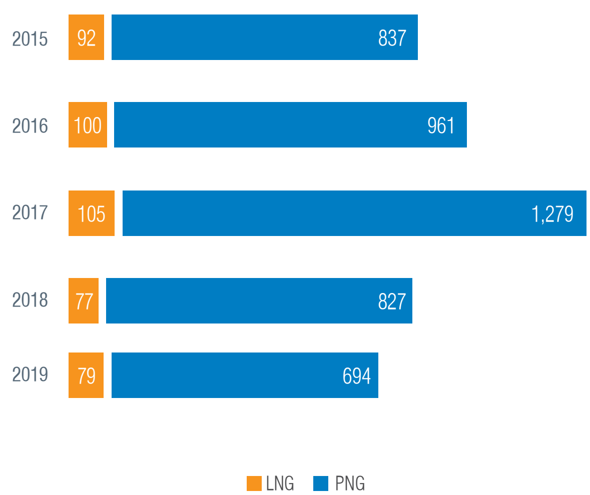
LPG Sales Volume By Segments

(000 TONS)



Natural Gas Sales Volume

(mcm)



**Petrochemical sales included

Subsidiaries and Affiliates

AYGAZ DOĞAL GAZ

PARTICIPATION RATE > **100%**

Aygaz Doğal Gaz was founded in 2004 with the vision of becoming a versatile player in the natural gas market. In addition to selling and delivering the natural gas procured domestically to customers via a pipeline, the company also supplies liquefied natural gas (LNG) to businesses that lack access to a pipeline by purpose-built vehicles.

ANADOLUHİSARI TANKERCİLİK

PARTICIPATION RATE > **100%**

Aygaz, engaged in LPG transportation by sea since 1967, transferred the management and operation of its vessels to its subsidiary, Anadoluhisarı Tankercilik in 2010. The company currently has at its disposal three specifically equipped, full pressure ships. Total transportation capacity of the fleet is currently 28,800 m^3 and the average age is 14. In 2019, Anadoluhisarı Tankercilik accounted for 14% of Aygaz's procurement by sea and marine transportation operations.

AKPA

PARTICIPATION RATE > **100%**

Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş., operating in the marketing sector for nearly half a century, is among Turkey's leading sales and marketing companies in its segment. Akpa carries out direct sales of cylinder gas and bottled water, and also engages in fuel trade. Prioritizing direct sales aimed at households and workplaces in its sales strategy, Akpa has recently expanded the reach of its cylinder gas sales significantly.

ADG ENERJİ YATIRIMLARI

PARTICIPATION RATE > **100%**

ADG Enerji Yatırımları was established to operate in the field of natural gas production and trade in Turkey and abroad. The company's operations include storing natural gas in any form underground, above ground or at sea, transmitting, transporting and distributing as well as changing the state of natural gas. The company also invests in plants, storage yards, pipelines, marine vessels and land vehicles required to carry out its activities.

ENTEK

PARTICIPATION RATE > **50%**

Entek is the electricity generation company of Koç Group. With eight 265-MW hydroelectric power plants (HEPPs) located in Karaman, Samsun, Mersin and Kahramanmaraş, and a natural gas cycle plant of 97-MW in Kocaeli, Entek currently operates with total 362 MW of installed capacity. Aiming to become a leading integrated player in the energy market, Entek prioritizes resource diversity and renewable energy investments, and also follows other market activities such as electricity distribution and retail sales. The company aims to build a balanced production portfolio and to increase its market share in the coming years.

OPET AYGAZ GAYRİMENKUL

PARTICIPATION RATE > **50%**

Opet Aygaz Gayrimenkul A.Ş. was founded in 2013 as an equal partnership between Aygaz A.Ş. and Opet Petrolcülük A.Ş. to invest in properties that can be operated as fuel or autogas stations at various locations across Turkey. The company operates or leases these properties and owns 21 stations as of year-end 2019.

ENERJİ YATIRIMLARI (EYAŞ)

PARTICIPATION RATE > **20%**

Enerji Yatırımları A.Ş. (EYAŞ) was founded in 2005 to acquire 51% of the shares of Tüpraş, Turkey's largest industrial corporation, from the Privatization Administration. Aygaz holds a 20% stake in Enerji Yatırımları A.Ş. As the pioneering producer in the refinery industry in Turkey, Tüpraş operates in the fields of refining, distribution, oil and petroleum products and marine transport. With an annual crude oil processing capacity of 30 million tons, Tüpraş is the 7th largest refinery company in Europe.

Vision

To be the leading company providing energy solutions in Turkey and other potential markets, particularly in LPG and natural gas

Mission

To offer the best products and services in all fields of operation and particularly in LPG by prioritizing high quality and safety standards with work principles that align with corporate values of the Koç Group and always respecting the community and the environment

Strategic Priorities

Sustain its market leadership in LPG by:

- Investing in the future with the responsibility of being the industry's highly reputable, reliable and consumer-oriented brand,
- Prioritizing high safety standards and product quality,
- Developing innovative products and services with solutions that place innovation and digitalization at the core.

Ensure sustainable growth to move its current position forward by:

- Following and seizing opportunities for mergers, acquisitions and investments at home and abroad,
- Improving efficiency in all processes from sourcing to selling LPG,
- Aiming to create value for all stakeholders.

Highlights of 2019

MARCH / Share purchase agreement with United Group, a Bangladesh-based company

APRIL / Aykargo won the "Best In-house Startup Project" award.

JUNE / WLPGA Regional Summit

JANUARY

- Aygaz launched year-long awareness raising activities with the slogan "Earth in Our Hands" as part of its Zero Waste Project.

FEBRUARY

- Aygaz opened its London branch, aiming to increase trade volume with third parties in international markets and to create added value from the supply chain.

MARCH

- Aygaz signed a share purchase agreement to acquire 50% of United LPG Ltd., a Bangladesh-based company with LPG pre-licensing, for sourcing, filling and distributing LPG. United LPG Ltd. is part of United Group, a leading group of companies in Bangladesh.
- Aygaz held its 58th Ordinary General Assembly Meeting.
- Bal Kaynak Su İthalat İhracat Sanayi ve Ticaret A.Ş. and its filling plant in İnegöl was wholly acquired to expand the water business and to increase production capacity.
- Aygaz participated in Petroleum Istanbul 2019 Exhibition.

APRIL

- Aykargo won the "Best In-house Startup Project" award at the "Corporate & Startup Day" event.
- Aygaz won first prize in the "Mineral Fuels Exports" category at the 2018 Stars of Export Awards.
- Aygaz sponsored The God-Kings by the Euphrates ("Fırat Kıyısında Tanrı Krallar"), a book published by Arkeoloji Sanat Yayınları.
- Aygaz attended the VI. International Conference LPG in Warsaw, Poland.

MAY

- Aygaz ranked 18th in Istanbul Chamber of Industry's (ISO) 2018 Turkey's Top 500 Industrial Enterprises list.
- The commercial titled "Binip Binmeden Konuşma", which promoted autogas as an efficient, high-performing fuel, brought Aygaz a Silver Effie, the only and the top award in the "Automotive Products" category, at the Effie Turkey Advertisement Effectiveness Awards.
- Aygaz maintained its position among the most reputable brands in the fuel industry in the Turkey Reputation Index

JUNE

- SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. upgraded the corporate governance rating score of Aygaz as 9.42.
- Aygaz participated in the WLPGA Regional Summit Turkey 2019, organized by the World LPG Association (WLPGA) and Turkish LPG Association.
- Aygaz published its 2018 Sustainability Report, which provides information on the company's economic, environmental and social performance.

AUGUST / Aygaz introduced new cylinder Aygaz Mini Cylinder Gas and Aygaz Mini Cooktop.

OCTOBER / The Info Meeting with the theme "Onward Together"

NOVEMBER / R&D Centers Awards Ceremony

JULY

- Aygaz, a supporter of the excavations at the Sagalassos Ancient City to unearth its cultural and historical heritage since 2005, hosted a press tour to the excavation site.
- The 27th Diabetic Children's Camp, which Aygaz has sponsored for the last 16 years, was organized at DSI Iznik Recreational Facilities.

AUGUST

- Aygaz introduced its new cylinder Aygaz Mini Cylinder Gas and Aygaz Mini Cooktop, created with an innovative approach.

SEPTEMBER

- Aygaz attended the 32nd World LPG Forum & 2019 European Congress in Amsterdam.
- Aygaz, which has supported the Men's Handball Team of Beşiktaş, one of the oldest Turkish sports clubs, since 2013 with its Mogaz brand, decided to continue its sponsorship in the new season with Aygaz brand.
- Aygaz and Pürsu became supporters of the 16th Istanbul Biennial, sponsored by Koç Holding, and focused on the human-generated waste in this edition.

OCTOBER

- Aygaz continued to be listed in the BIST Sustainability Index, which includes publicly traded companies on Borsa Istanbul (BIST) with the highest corporate sustainability performance.
- The Info Meeting, where business results of all functions at Aygaz are shared took place with the theme "Onward Together".
- Aygaz became a sponsor of the Turkey Energy Summit, organized in Antalya where the energy industry came together.

NOVEMBER

- The 23rd Istanbul Theater Festival, with Aygaz as a co-sponsor, opened its curtains.
- Aygaz, the first LPG distribution company in Turkey to establish an R&D center, was presented its R&D Center Certification at the 7th Technology Development Zones and R&D Centers Awards Ceremony.

DECEMBER

- Aygaz Doğal Gaz, a part of Aygaz Group, became the first company to export liquefied natural gas (LNG) by land to Bulgaria.
- Aygaz Investor Relations attended the Woods Emerging Europe Conference in Prague.
- The Radar app of Aygaz won first prize in the "Mobility" category at the International Data Corporation (IDC) Energy Summit 2019.
- Aygaz won the Bronze Apple in multiple categories at the Crystal Apple Awards for its commercial titled "Binip Binmeden Konuşma", which featured a Monster Truck.

Corporate History

1961

- Aygaz starts operating under the registered title Gazsan Likit Gaz Ticaret and Sanayi A.Ş.

1962

- LPG filling and distribution operations launched at the Yarımca Filling Plant.
- Dealership network established.

1963

- Registered title changed from Gazsan to Aygaz A.Ş.
- The first Aygaz ad campaign launched with the slogan, "TL 40 in cash, TL 40 in installments".

1965

- First publicity campaign launched with French fries cooked using Aygaz cylinder gas given out to passersby from a delivery truck.

1967

- Ambarlı Filling Plant built.
- Turkey's first LPG vessel, M/T Aygaz set sail.

1970

- With the addition of Aliağa Filling Plant, five filling plants in operation.
- Aygaz starts selling chemicals.

1976

- All Aygaz management units consolidated at the new head office building in Zincirlikuyu, Istanbul.

1982

- The "blue seal lid", a symbol of safety is introduced in Aygaz cylinders.

1984

- The first Aygaz mobile heater that uses cylinder gas is produced.

1985

- Transit LPG trade agreement signed with Iraqi state oil company SOMO.

1988

- Modernization of Aygaz dealers begins to better serve customers.

1989

- Aygaz designs "Gavdem Machine", the first LPG equipment to change valves without gas transfer.

1993

- 12kg tall cylinders for homes and 25kg commercial cylinders introduced to the market.
- Another first in marketing, with urban delivery trucks playing the Aygaz jingle on the streets.
- Installation of Aygaz Central Energy System in homes starts.
- All Mobil Oil Gaz A.Ş. shares acquired, and business rebranded as Mogaz.

1995

- Aygaz Hotline launched.
- Computerized customer code system implemented at dealerships.

1996

- "Guaranteed seal cap" introduced for cylinder gas.

1997

- The "Aygaz 24" and Automatic Tank Ordering Systems launched.

1998

- Aygaz renews corporate image and identity. New logo introduced with the first zeppelin of Turkey.
- Aygaz enters the autogas market.
- New social responsibility campaign, "Aygaz Warns about Accidents at Home" launched.

1999

- Aygaz becomes the first company in LPG industry to qualify for ISO 9002 Certification.
- Aygaz starts using electronic gas leak detector, another first for Turkey.
- Aygaz Patio Heater introduced to the market.
- Aygaz pioneers the propane era in the industry.

2000

- Aygaz named the "Most Successful LPG Company" at the Petroleum Turkey '99 Achievement Awards.

2001

- With Aygaz A.Ş. and Gaz Aletleri A.Ş. (Gazal) merging under the brand Aygaz, all operations from production to sales consolidated under one umbrella.
- OTOAYGAZ LPG1, Turkey's first autogas brand, offered to the market.

2002

- "The Cautious Child", a corporate responsibility project for raising awareness against accidents is launched.

2004

- Aygaz Euro LPG offered to consumers.

2005

- Aygaz stands apart in cylinder gas safety with the launch of hologram cap application.

2006

- As a first in Turkey, Aygaz offers cylinder gas consumers the option to pay on delivery in installments or win loyalty points by credit card.

2007

- A special forklift tank is produced for forklifts.
- As part of the “Moonlight: Aygaz brings Light of Health” project, vaccination rooms of 81 family health clinics in 81 provinces are renovated.

2008

- Aygaz ranks among the top five financially transparent companies in Turkey according to a report by Sabancı University and Standard & Poor’s.

2009

- Aygaz increases its stake in the Koç Statoil Gas to 98% and renames the company Aygaz Doğal Gaz.
- Aygaz Euro LPG+, Turkey’s first autogas with additives, introduced to the market.

2010

- The social responsibility campaign “What Will the Weather Be Tomorrow?” launched against climate change.

2011

- Aygaz celebrates its 50th anniversary with a series of events participated by employees, dealers and industry representatives.
- Aygaz receives ISO 10002 Certificate, recognized worldwide as the symbol of a company’s excellence in customer satisfaction.

2012

- For the second consecutive year, Aygaz is deemed worthy of the “Company to Adopt Consumer Satisfaction Principle” award at the 15th Annual Consumer Awards by the Turkish Ministry of Customs and Trade.

2013

- The merger of Mogaz with Aygaz completed.
- Aygaz becomes the first company to earn a “Customer-Friendly Brand and Customer-Friendly Enterprise” certification, a brand recognition launched by the Turkish Standards Institute.
- Opet Aygaz Gayrimenkul A.Ş. is established as a 50-50 partnership between Aygaz A.Ş. and Opet Petrolcülük A.Ş.

2014

- At the Turkey Energy Summit, Aygaz Doğal Gaz wins the Golden Valve Award, and Aygaz the Golden Barrel Award.

2015

- Knightsbridge (Beykoz), a vessel with 11,000-m^3 capacity built in Japan in 2009, joins the Aygaz fleet.
- Aygaz becomes the first company to import shale gas-based LPG from the US into Turkey.
- For the first time in its history, Aygaz’s sales volume exceeds two million tons.

2016

- Aygaz becomes a signatory of the Women’s Empowerment Principles (WEPs).
- Aygaz wins the Honor Ribbon at the European Business Awards.
- Aygaz develops the new sulphur-free LPG odorant, Greenodor.
- Aygaz General Manager Gökhan Tezel is elected Chair of Market Development Committee within the new structure of World LPG Association (WLPGA).

2017

- With the Cylinder Gas Tracking Project, Aygaz starts to record the journey of the cylinders from the filling plant up until delivery to consumers.
- M/T Beylerbeyi sails the longest shipping route in Aygaz history.
- Aygaz is certified as an Authorized Economic Operator.

2018

- M/T Beykoz is chartered for two years, becoming the longest contract in the maritime history of Aygaz and putting the company on international maritime transportation map.
- The Aykargo project, carried out by Aygaz in collaboration with Koçtaş, is awarded in the “Collaborators” category at the Most Successful Koç Employees Awards Ceremony.
- Aygaz R&D Center is established, becoming a first among the LPG distribution companies in Turkey.
- Aygaz General Manager is elected to the Board of Directors of the World LPG Association (WLPGA).
- Aygaz is listed in the BIST Sustainability Index, which includes publicly traded companies on Borsa Istanbul (BIST) with the highest corporate sustainability performance.

Each step toward change…

Aygaz, pioneering change with every step from 1961 to present day, from today to the future.


AYGAZ

Turkish and Global LPG Industry

Global consumption of the sustainable energy source LPG reached 313 million tons in 2019.

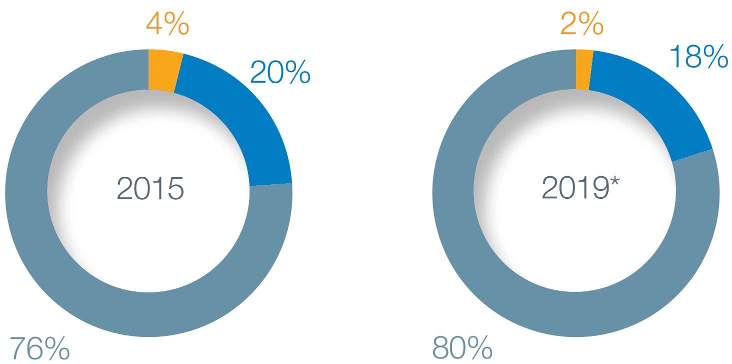
Turkey is the global leader in autogas consumption.

Liquified Petroleum Gas or LPG is an energy source recognized as an efficient fuel with environment friendly properties. LPG, increasingly preferred in the last decade along with renewable energy, is anticipated to maintain its current position of importance in the energy scale in the coming years.

The US, China and Saudi Arabia lead 2019 production

According to the World LPG Association's (WLPGA) 2019 report, global LPG production increased by 3.6% year-on-year to reach 318 million tons. The United States (USA), China, Saudi Arabia, Russia and Canada accounted for 55% of the total production as the top five countries, respectively. LPG production is directly related to the production and consumption of fossil fuels, with 60% of the production coming from natural gas, and 40% sourced from refineries. Even though oil, natural gas and LPG are considered alternative fuels to one another, LPG production inevitably accompanies oil and natural gas production. Despite some geographic and industrial changes, LPG production continues to increase in correlation with these two sources.

Areas of LPG use and consumption shares in Turkey



At home · On road · In industry

*According to EMRA's November 2019 Report

Consumption of 313 million tons

WLPGA report informs that LPG consumption grew by 37% over the last decade, corresponding to a volume increase of 85 million tons. The reported data show that global LPG consumption increased by 3.8% year-on-year to 313 million tons as LPG use is anticipated to expand in the next decade and consumption to exceed 375 million tons. In terms of national consumption, China ranks first with 55 million tons, followed by the USA and India. These three countries account for 40% of total global LPG consumption. According to the WLPGA report, household consumption continues to dominate the global LPG market with 48% share. The top three countries in household LPG consumption are China, India and the USA. The LPG used in these countries accounts for 48% of total household consumption.

Turkey, global leader in autogas consumption

The WLPGA report shows that autogas consumption ranks fourth after household, petrochemical and industrial consumption with a global share of 8%. The three countries with the highest autogas use are Turkey, Russia, and South Korea, with their combined total accounting for 36% of global autogas consumption.

LPG trading

As an easily processed and transportable energy source with rich reserves, LPG is preferred by hundreds of millions of consumers across the world. LPG is a sustainable energy source, with approximately 1.5 billion potential consumers. Studies have shown that LPG has lower greenhouse gas emission values compared to other energy sources. Adopting earth smart approaches and policies to prevent climate change presents opportunities to develop and spread LPG use further.

In 2019, global LPG trade amounted to 121 million tons with the USA accounting for 34% of exports with 40 million tons. The USA, which previously imported LPG, introduced shale gas resources in recent years and turned into an exporter.

With more than 50 vessels beginning to carry LPG in the last two years, the number of vessels transporting LPG globally reached 1,481 and total capacity

The United States (USA), China, Saudi Arabia, Russia and Canada accounted for 55% of the total production as the top five countries, respectively. In terms of national consumption, China ranks first with 55 million tons, followed by the USA and India.

Turkish LPG market is the second largest in Europe in terms of use as an energy source, excluding petrochemicals and refineries.

Global LPG trade volume

121

million tons

to 34 million cubic meters, marking an increase in maritime transportation of LPG worldwide.

The Algerian (SP) sourced LPG, which was priced at USD 371/ton in January 2019, closed December at USD 437/ton. Through the year, LPG prices fared at USD 393/ton on average. However, the last quarter of the year saw a sharp drop in prices with the stocks in the USA exceeding the average of the last five years. This rise in stocks was mainly caused by the increased production capacity and the trade war between the USA and China.

Turkey, the second largest market in Europe

Turkish LPG market is the second largest in Europe and tenth in the world in terms of use as an energy source, excluding petrochemicals and refineries. LPG's share in global energy consumption is 2.6% while this ratio is 3.1% in Turkey.

As of November 2019, 26% of total LPG demand in the Turkish market was supplied by domestic production and 74% by imports. LPG is imported primarily from Algeria, USA and Norway among other countries.

Turkish LPG Market

Cylinder gas customers	Autogas vehicles	Balk gas customers
7.5 million	4.7 million	8 thousand

Turkey is home to the world's largest LPG-powered vehicle park
Overall, the Turkish LPG market grew 0.5% in January-November period, according to the Energy Market Regulatory Authority's (EMRA) November 2019 report. Meanwhile, the cylinder gas market shrank 3% due to natural gas conversions that continued in 2019, the impact of urban transformation projects and the decline in business customer consumption.

The autogas market, which has grown uninterruptedly since 2003, recorded cumulative growth of 2% in the same period. Turkish autogas market is home to the world's largest LPG-powered vehicle park with 4.7 million units. Autogas, which is used in 38% of passenger cars in Turkey, has been among the most preferred automotive fuels since 2011.

Aygaz in 2019

After a year of digital transformation activities at full speed and launching international projects, Aygaz completed 2019 as the industry leader once again.

Aygaz, founded in 1961 as Koç Group's first company in the energy sector, operates in the LPG industry with activities including the procurement, storage, filling and sale of LPG, as well as production and sales of pressurized containers and LPG equipment. Aygaz is also engaged in maritime transportation of LPG through its own vessel fleet operating companies. As an integrated LPG company that carries out all of these processes successfully, Aygaz has become the industry leader and a generic brand for LPG users with its superior quality, effective and extensive dealership network, customer focus and service excellence.

Turkey's first and only publicly traded LPG company

As the first and only publicly traded LPG company in the country for many years, Aygaz ranks 18th in Istanbul Chamber of Industry's (ISO) 2018 list of Turkey's Top 500 Industrial Enterprises. Achieving continued growth with a well-established corporate culture and skilled workforce, Aygaz employs state-of-the-art technological infrastructure across all fields of operation. With a focus on increasing sales in domestic and international markets, Aygaz aims to surpass its current position through efficiency and sustainable growth.

Aygaz confirmed as industry leader once again

Aygaz left behind another successful period in both operational and financial terms. According to 2019 EMRA data, Aygaz maintained its industry leadership in the market where approximately 100 companies operate. As of end of November, the overall market share of Aygaz is 26%, with 42% in the cylinder gas and 22% in autogas segments. Aygaz's total domestic sales (cylinder gas, bulk and autogas combined) amounted to 1,075 thousand tons in 2019. This figure, which includes wholesale, export and transit sales, exceeded 2 million tons, with 3% year-on-year increase. As of 2019 year-end, Aygaz recorded TL 10.2 billion in consolidated revenues.

Aygaz in the international arena

In 2019, Aygaz undertook major initiatives in line with its international expansion strategy. After conducting extensive studies, evaluating similar industry practices, taking into account current affairs and closely monitoring the opportunities in international markets, the company opened a branch in London with the aim to engage in trading and other activities that will help increase trade volume with third parties in foreign markets, support import, export and transit operations, and create added value from the supply chain.

The company also took steps to enter the Asian market, which boasts the highest share and growth trend in the global household LPG consumption. Accordingly, Aygaz reached a deal with United Enterprises, a leading corporation in Bangladesh, where the LPG market has grown by an average of 48% in the last five years to reach a volume of 764 thousand tons in 2018, for procuring, filling and distributing LPG. The share purchase agreement for the company, which will be managed as 50/50 partnership, was signed on March 5, 2019.

With this initiative, which will bring the company's over half a century of knowhow and experience in the LPG industry to the international arena, Aygaz aims to ensure sustainable growth and invest in the future. In order to finance the first four years, the partners will invest in proportion to their respective shares depending on market developments and sales. The plan is to eventually raise the equity to USD 75 million and to secure additional USD 80 million through long-term loans.

New steps in digital transformation

The digital transformation journey that Aygaz embarked on in 2017 continued in 2019 as the company used data analytics and deployed projects aimed at ensuring customer satisfaction. The activities to renew and upgrade the technologies and systems that support digital transformation are also ongoing.

With the Sales Assistant Project, the operational processes of the sales divisions in the field gained momentum and performance management processes became more effective. In the support management of autogas stations and dealers, decision-making processes are strengthened with analytical business intelligence solutions, a first in the sector for support management. Production and logistics processes are optimized by analyzing the data collected in end-to-end automation systems in cylinder gas filling and distribution processes. In the services offered to customers, mobile app came to the forefront as an access platform, with more than 100,000 participants joining the Autogas and Aygaz Mini Cylinder Gas campaigns. In the digitalization process, Occupational Health and Safety Information Management System software was procured and deployed for monitoring and reporting systematics of occupational health and safety practices.

Implementing the latest technologies to benefit business processes and shaping corporate culture according to this approach is a priority goal for Aygaz. With modern ERP (enterprise resource planning) and strong infrastructure,

Approximately 60 thousand Aygaz cylinders are delivered to homes every day while nearly 200 thousand autogas-powered vehicles fill up their tanks at stations of Aygaz and its brands.

Aygaz distribution network in 2019

~2,400
Cylinder gas dealers

1,700+
Autogas stations

Aygaz aims to accelerate the digital transformation journey for customers, dealers, suppliers and employees.

Robust infrastructure for LPG sourcing

Working with a broad range of suppliers of different origins contributes greatly to ensuring seamless LPG operations. Aygaz, with its robust infrastructure and high sales volume, is one of the few companies that can discharge the largest LPG vessels alone and at a single port. Aygaz meets 37% of LPG imports into Turkey.

Customer-focused business culture

According to the results* of independent surveys conducted since 2003, Aygaz continues to be named the brand with highest customer satisfaction in the industry both in the cylinder and autogas segments as in previous years.
Aygaz adopts a business culture that places the consumer at the core of its activities, constantly improving product and service quality by anticipating their needs. With an extensive distribution network consisting of nearly 2,400 cylinder gas dealers and over 1,700 autogas stations across Turkey as of 2019 year-end, Aygaz meets the demands of customers quickly and safely. This strong distribution and service network delivers approximately 60 thousand Aygaz cylinders to homes every day while nearly 200 thousand autogas-powered vehicles fill up their tanks at stations of Aygaz and its brands.

LPG supply enhanced with technology

Aygaz operates the largest LPG truck fleet in Turkey with more than 300 tanker trucks and nearly 200 cylinder gas transportation trucks. Aygaz runs Turkey's largest LPG logistics operations and applies economy of scale as part of logistics optimization efforts. The company uses the Station Inventory Management and Routing System to plan LPG supply to the autogas stations. This system makes it possible to manage the distribution network through person-independent optimized routes by creating accurate order requests and contributes to improved efficiency and dealer satisfaction.

International experience in LPG transportation by sea

In addition to road transportation, Aygaz is also actively involved in maritime transportation of LPG, which first started in 1967. In 2010, Aygaz assigned the

* Independent surveys were carried out in 2019 by SIA Insights Company.

management of its LPG carriers to its subsidiary Anadoluhisarı Tankercilik A.Ş. The fleet currently has a total capacity of 28,800 m^3 with three specially equipped, full-pressure carriers with an average age of 14 years. In 2019, Anadoluhisarı Tankercilik accounted for 14% of Aygaz's maritime procurement and transportation activities. In early 2018, M/T Beykoz, an Aygaz vessel, was chartered out on a two-year contract, making it the longest yet in the maritime history of Aygaz history. This experience also enables Aygaz to monitor of global LPG trade.

World-class facilities

Aygaz operates world-class facilities equipped with the latest technologies including six filling plants, seven distribution centers, five sea terminals, and a pressurized container and accessory manufacturing plant at the company's disposal. With total 178.4 thousand cubic meters, Aygaz has the largest LPG storage capacity in Turkey.

R&D Center's contribution to the environment

As an innovative pioneer of the LPG industry, Aygaz continues with its investments to ensure sustainability and to meet the latest technological requirements. The R&D Center, launched and currently operating within the Gebze Plant, is a first among the LPG distribution companies in Turkey. The objectives of Aygaz R&D Center include developing new products powered by LPG, enhancing LPG product quality, achieving digitalization with smart products, improving efficiency through automation systems and contributing more to the consumers, national economy and the environment. In this respect, Aygaz Mini Cooktop and Mini Cylinder Accessories became the first commercial products that the center developed in 2019.

A first in Turkey: Aygaz Mini Cooktop and Mini Cylinder Accessories

Aygaz Mini cylinder gas and its accessory, the Mini Cooktop, developed as a result of the studies that Aygaz conducted to identify and meet consumer expectations, were launched in July 2019. After the R&D work and industrial design, the products underwent the prototyping, pilot production, analysis and test phases prior to final production.

In 2019, Turkey saw the launch of new products in the gas appliances segment, particularly Aygaz Mini, the cylinder that can be used both in the kitchens and also outdoors. Production of an on-off valve with a dust collector as a novelty, a cock valve for Mini Cooktop, and a new high-pressure regulator also began in 2019.

Largest LPG storage capacity in Turkey

178.4

thousand m^3

Aygaz operates the largest LPG truck fleet in Turkey with more than 300 tanker trucks and nearly 200 cylinder gas transportation trucks.

In 2019, Aygaz introduced Aygaz Mini, Turkey's first cylinder that can be used both in the kitchens and also outdoors, to the market.

Cylinder Tracking Project developments

As part of the Cylinder Tracking Project, launched in 2015 to ensure that the cylinders are tracked from the plants to the dealers and all the way to the customers, the QR code scanning system has been installed in all the plants and the QR codes developed for this purpose are now affixed to the cylinders. The activities to build the infrastructure that will enable tracking of cylinder movements between the plant and the dealer are currently underway. As announced, the related legislation will come into force at the end of 2023.

National and international certifications

Aygaz holds several internationally recognized certifications including ISO 9001 Quality, ISO 14001 Environment and ISO 45001 Occupational Health and Safety, ISO 27001 Information Security, ISO 50001 Energy, and ISO 10002 Customer Complaint Management certificates. Production of transportable pressurized containers, compliance with standards and regulations, periodic inspections, as well as checks and monitoring of maintenance processes are all certified according to ADR (European Agreement concerning the International Carriage of Dangerous Goods by Road). As another first in the industry, Aygaz is also the holder of the Customer Friendly Organization and Customer Friendly Brand certifications by the Turkish Standards Institute (TSI).

Digital monitoring and analysis of production

Aygaz manufactures products such as cylinders, valves, regulators as well as bulk gas and autogas station tanks at the Gebze Plant, which stretches across 52 thousand square meters of open area and 25 thousand square meters of indoor space. The production parameters are monitored in real time with the MII system. In 2019, a digital monitoring and warning system was implemented to monitor and analyze the welding lines, one of the key processes at the Gebze Plant. As part of the activities to improve energy efficiency, a monitoring and warning system was installed for electricity, water and natural gas consumption. As another first, a quality assurance system using smart cameras was deployed to the regulator assembly line.

As part of the technological upgrades, modernization of the domestic cylinder deep drawing press was completed. The mini cylinder deep drawing and welding lines were relocated to improve product variety and to create a more efficient work space.

Pressurized container and equipment exports

Since 1962, nearly 600 different types of products, more than 70 million cylinders, approximately 40 thousand tanks and some 130 million valves and regulators manufactured at the Gebze Plant are used in 50 countries. In 2018, the sales were extended to five additional countries and 17 new LPG distribution companies. In 2019, Aygaz exported products to 44 LPG distribution companies, 13 of which were new clients, in 18 countries. Aygaz has shifted its focus to developing new markets and products to mitigate the negative effects of ongoing global uncertainties and markets with political and economic instabilities. In line with this goal, the company was awarded a contract to sell to Central and South America.

Zero waste

As part of the Zero Waste Project, launched in early 2019, Aygaz carried out a range of awareness raising activities through the year with the slogan "Earth in Our Hands". With the project, Aygaz aims to minimize single-use products, raise awareness about product life cycle, and in particular, reduce paper, plastic and glass consumption.

1962-2019

50
countries

600
products

+70
million
cylinders

40
thousand
tanks

+130
million
valves & regulators

Cylinder Gas

Aygaz, the leader of the cylinder gas market, aimed to capture the dynamism of the present day in 2019 with innovations that demonstrate the convenience and functionality of LPG.

Cylinder gas market share

42%

According to EMRA's November 2019 Report

Aygaz is regarded as the generic brand of cylinder gas in Turkey; and the company's cylinder gas products are preferred for their quality as well as trusted, dynamic and energetic brand image. According to EMRA's November 2019 industry report, Aygaz maintained its leadership with 42% market share.

New products

As the most preferred and trusted LPG brand, Aygaz acts on customer insights and the changes in expectations. In 2019, Aygaz launched Aygaz Mini, Turkey's first and only cylinder that can be used both with kitchen stoves and also outdoors, and Aygaz Mini Cooktop, another first and only product, designed specifically for Aygaz Mini cylinder. With a 2-kg gas capacity, Aygaz Mini has a functional design and a special exterior color, and offers the convenience of connecting to the kitchen stove without any additional equipment other than the regulator as well as using anywhere, even outdoors, with its proprietary cooktop. Aygaz Mini, which can be connected to a kitchen stove or used outdoors such as in balconies and while having a picnic or camping, has been received with great interest from various consumer segments with its portability, safety and new compact design. This new product range, with its functionality and aesthetics, contributes significantly to customer satisfaction and comes as a revolution at a time when the industry has not seen an innovative product for a long while. Aygaz Mini supports the innovative image of Aygaz as a strong brand that keeps up with the times and values the importance of transformation.

Online orders

Aware of the needs that arise as digital channels become an integral part of everyday life, Aygaz introduced a new online order channel for its customers, leveraging its knowledge and strong technological infrastructure. Aygaz Online Sales Platform, a first in the industry, enables customers to place orders and make payments via the Aygaz website. In addition to cylinder gas products, the online sales system also offers customers the option to order cylinder connection equipment and devices such as regulators and LPG hoses.

On its other online sales platform, keyiflibahce.com, Aygaz sells LPG heaters and barbecues for outdoor use. The outdoor heater range was diversified with the Pyramid patio heater, added to the product portfolio in 2019, and a collapsible patio heater, which Aygaz debuted in Turkey, both making a difference in the LPG heater market. Aygaz also offers outdoor heaters for rent on a daily basis in Istanbul, Ankara, and Izmir on its e-commerce site, keyiflibahce.com. With an extensive dealer network, Aygaz is able to meet rental requests of customers with same-day delivery, a service that enhances customer satisfaction.

Dealer and order tracking

The work to develop Aygaz Express, the digital customer and order tracking system of Aygaz, further continued in 2019. The upgraded Aygaz Express System aims to provide dealers with information and tools to manage their businesses better by improving the dealership management processes, offer personalized services and deals by creating high quality customer data in compliance with applicable regulations, and contribute to the sales and customer satisfaction goals of the company.

Aygaz Mini Cylinder, with its functionality and aesthetic design, brought a much-awaited innovation to the industry and enhanced customer satisfaction.

An ecosystem supported with training programs

Aygaz operates in the cylinder gas market with over 2,400 Aygaz and Mogaz cylinder gas dealers, serving customers with more than 5,000 dealer employees. Training dealers and their employees to provide better service is one of the corner stones in the way Aygaz conducts business.

As part of the training programs, the Aygaz Training Bus continued to travel all around Turkey, providing service and safety trainings for dealers and dealership employees. The trainings aim to instill the corporate culture, vision and values of Aygaz in dealers and dealership employees, and are intended to standardize quality of service across Turkey.

Aygaz also organizes trainings aimed at raising the awareness of customers about safe cylinder gas usage. Information on brand communication and corporate social responsibility projects are also shared during the trainings that instruct proper use of cylinders and their equipment.

Successful communications

Aygaz follows the changing media consumption habits closely, and supports communication activities that strengthen brand perception in national and local conventional channels with the use of other popular digital platforms, especially social media. Digital channels are integrated into communication campaigns by considering the access and efficiency opportunities individual channels offer. Digital applications are also leveraged to facilitate and expedite customers' access to Aygaz, thus improving effective communication with customers.

Campaigns that created buzz

In keeping with tradition, campaigns conceived together with business partners from different industries continued in 2019. Credit card campaigns with partnering banks by considering both national and local needs and preferences of customers, local supermarket campaigns in various cities, and digital campaigns based on changing consumer behavior were all welcomed and appreciated by customers as well as dealers. The brand image and service quality of Aygaz was enhanced and supported with campaigns throughout the year as a firm step toward reaching company targets.

Each step toward innovation…

Aygaz, where change is the only constant in each step from the first day to the present.


AYGAZ
Mini
2 KG
AYGAZ

Autogas

With communications promoting LPG as an environment friendly, economical and high-performance fuel and collaborations with vehicle manufacturers, Aygaz left behind a successful year.

Autogas market share

22%

**According to EMRA's November 2019 Report*

With successful operations in the autogas segment and over 1,700 autogas stations across the country, Aygaz has the most extensive distribution network in Turkey. With 734 thousand tons of sales volume and 22% market share according to EMRA's November 2019 report, Aygaz continued to be the leader of the autogas segment in Turkey. Station efficiency of Aygaz also fares above industry average. Aygaz contributes to the healthy and sustainable growth of the Turkish autogas market, which is the largest worldwide.

The awareness about autogas as an ecofriendly and economic fuel is growing by the day among consumers in Turkey and around the world while advancements in conversion system technologies are also influencing the consumers' perception of performance and safety positively, leading to wider use of autogas. As more upper segment vehicle owners opt for autogas in the recent years, consumer profiles are changing and diversifying.

Aygaz concentrates its efforts on supporting the sustainable and healthy development of the industry, and further increasing its competitive strength in its segments. For this purpose, the company focuses on developing proactive marketing strategies, offering solutions beyond consumer expectations, and expanding its distribution network.

High performance with Monster Truck

Since the early years of the autogas segment in Turkey, Aygaz has adopted the principle of differentiating itself both in terms of products and also improving the perception of autogas, and introduced numerous innovations. The "Monster Truck" advertising campaign created for this purpose and launched in 2018 to promote autogas as a high-octane fuel, continued at full speed in 2019.

High-Octane Fuel LPG

The parallel communication campaigns that ran in 2019 as a continuation of the original ad campaign with the slogan "High-Octane Fuel LPG" launched in 2018 reinforced the perception of "Autogas as a high-octane, high performance fuel" in the minds of potential autogas consumers and existing autogas users.

Digitalization vision

In line with its digitalization vision, Aygaz reached nearly 80,000 consumers through communication and promotional campaigns that ran on the Aygaz mobile app, and gave out autogas worth TL 200,000 in total as gifts to users.

Effective communication

Monster Truck, which saw great interest from consumers, visited Aygaz stations throughout the year to communicate the message and increase customer satisfaction, meeting potential autogas users, existing consumers and their families. The truck traveled approximately 25,000 km in Turkey and stopped at 126 stations in 18 provinces for the consumers to see.

Aygaz highlighted the slogan "high-octane fuel autogas" in its digital communications throughout the year, investing not only in its own brand but also the industry. The roads that the truck took were instantly posted on social media to keep the consumers informed while the rap jingle of the commercial played on digital channels and major radio stations.

Sportsmarketing

The sports marketing activities of Aygaz also continued in 2019. After title sponsoring Beşiktaş men's handball team, one of the most successful clubs in its field in Turkey since 2013 with its Mogaz brand, Aygaz decided to make a change in 2019. The title of the handball team that was formerly Beşiktaş Mogaz was renamed as Beşiktaş Aygaz. Since 2018, Aygaz is also a sponsor of Fenerbahçe Football A Team.

Awards for the communication campaign

Aygaz with its 2019 communication campaign won a Silver Effie, the only and most prestigious award presented in "Automotive Components" category at the Effie Turkey Advertisement Effectiveness Competition – Effie Turkey Awards – organized by the Turkish Association of Advertising Agencies and the Advertisers Association (RVD) with the aim of recognizing advertisement and marketing communication campaigns that prove to be commercially effective and deliver positive results.

Aygaz also won two Bronze Apples in the "Integrated Campaigns / Durable Goods" and "Film-TV and Cinema/ Services/Automotive and Automotive Products" categories at the Crystal Apple Awards organized by the Advertisers Association to recognize the industry's most creative works.

Regional campaigns and communications

In 2019, Aygaz continued its national and regional communications and campaigns to enhance customer satisfaction and brand loyalty by addressing consumer expectations.

Partnership with vehicle manufacturers

The scope of the partnership with the Fiat brand involving the LPG conversion of Fiat passenger cars in recent years was expanded to include commercial vehicles. In a new campaign, consumers that buy Fiat Fiorino, the first LPG-powered vehicle produced for the commercial segment, were offered a discount on autogas purchases at Aygaz. The campaign was frequently communicated on TV channels and radio stations in partnership with Fiat.

Bulk Gas

Aygaz sold over 38 thousand tons in 2019, capturing 42% market share in the bulk gas segment.

In 2019, Aygaz sold over 38 thousand tons, capturing 42% market share in the bulk gas segment. Bulk gas accounts for 3% of Aygaz's domestic retail sales.

Bulk gas, with approximately 3% share in the Turkish LPG market, is used for heating, hot water and cooking needs in homes and for production as well as heating in commercial and industrial enterprises. Bulk gas is also treated with a filtration process and used as a raw material in the aerosol industry as standardized LPG.

Pürsu

In 2019, Pürsu focused on expanding the scope of bottled water sales and investments to increase production capacity.

Aygaz began selling bottled water in 2011 to generate added value by leveraging its strong distribution network to offer a new line of business for dealers. Pürsu quickly became a leading brand in the bottled water industry with its strong distribution network, high quality service approach, and commitment to health and hygiene. In the bottled water industry with more than 300 brands, Pürsu ranks among the leading brands.

Pürsu sold approximately 8 million carboys in 2019. The water obtained from two spring sources, Uludağ and Nazilli, is delivered to customers under the Pürsu brand by 400 dealers in 36 provinces.

The activities and investments are ongoing to expand this business line and increase production capacity. For this purpose, all shares of Bal Kaynak Su İthalat İhracat Sanayi ve Ticaret A.Ş. and the filling plant in İnegöl were acquired in March 2019. Following the acquisition, the laboratories at the plant were renovated and new equipment were purchased to deliver the best quality water to the consumers. The improvements extended to landscaping, infrastructure works and modernization of the work spaces within the plant while raw material stock volume was increased and the filtration system was upgraded with an investment to enhance water quality. In December 2019, the plant began to fill 0.33lt and 0.75lt glass bottles while the production line for glass carboys is currently in the process of installation. The official permit processes have been completed to begin using new spring resources to increase water supply. Meanwhile, investments in the plant continue. In addition to the activities carried out to deliver the product range to the consumers through new sales channels, the website and the mobile app are currently being developed. Raw material stock volume was increased and the filtration system was upgraded to improve the quality of water. In December 2019, the plant began to fill 0.33lt and 0.75lt glass bottles while the production line for glass carboys is currently in the process of installation. The official permit processes have been completed to begin using new spring resources to increase water supply. Meanwhile, investments in the plant continue. In addition to the activities carried out to deliver the product range to the consumers through new sales channels, the website and the mobile app are currently being developed.

SUBSIDIARIES

Aygaz Doğal Gaz

Aygaz Doğal Gaz, which follows market developments and new business opportunities closely, became the first company in Turkey to export LNG by land.

Aygaz Doğal Gaz, founded in 2004 with the vision of becoming a diversified player in the growing natural gas market in Turkey, is engaged in the sales of piped and liquified natural gas (LNG).

Aygaz Doğal Gaz began selling piped natural gas in 2010 and increased its sales volume over the years through various sourcing agreements, achieving TL 1.2 billion in revenues with over 694 million m^3 of piped natural gas sold in 2019. With this sales volume, the company took 28% share among the nearly 10 private sector companies, except Botaş, that operate in Turkey. In 2019, Aygaz Doğal Gaz sold 79 million m^3 of LNG, which accounted for TL 180 million of revenues. This sales volume brought the share of Aygaz Doğal Gaz to nearly 15% among the eight licensed operators in the industry.

The LNG procured from the Marmara Ereğlisi terminal of BOTAŞ and Aliağa terminal of Egegaz is distributed all around Turkey by special LNG trailers to consumers in locations without access to pipelines. Aygaz Doğal Gaz follows the developments and new business opportunities in the bulk LNG market closely and continues to strengthen its position. In 2019, the company carried out pilot activities for LNG use in heavy vehicles and ships.

Aygaz Doğal Gaz holds a 30-year wholesale license from the Energy Market Regulatory Authority (EMRA) to sell the natural gas sourced from the domestic market to users, as well as a 30-year transmission license to deliver liquified natural gas (LNG) to consumers. Aygaz Doğal Gaz is also licensed for spot LNG imports as the company aims to reinforce its operations further through natural gas imports in line with its targets and strategies. After obtaining 30-year export licenses for Bulgaria and Greece with the aim of leveraging the benefits of exports, Aygaz Doğal Gaz exported natural gas to Bulgaria by land, marking a first for the Turkish natural gas industry.

Natural gas consumption declined around 12% due to the developments in the country

In Turkey, natural gas is used primarily in residences, electricity generation and industry. Consumption in the Turkish natural gas market amounted to 44 billion m^3 in 2019. Residential consumption increased by 15% while the industry maintained the same level; however, natural gas use for power generation shrank by approximately 40%. Even though the economic recession that began in 2018 had some impact on this decline, the main cause was the fact that the country received serious rainfall in 2019, leading to more electricity generation by hydroelectric power plants compared to natural gas power plants.

In Turkey, six companies, with BOTAŞ in the lead, import natural gas. In 2019, the private sector met only about 6% of domestic demand. With a natural gas price tariff applied for a group, which consists of only the power generation companies and a few large industrial enterprises, private sector was able to meet some of the consumption in this group with 10 companies in total selling approximately 2.5 billion m^3 to the end-users. Aygaz Doğal Gaz accounted for 0.7 billion m^3 of this quantity, marking quite a successful year given the current conditions.

The transaction volume in the Organized Natural Gas Market (OTSP) trading platform launched by Enerji Piyasaları İşletme A.Ş. (EPİAŞ) in line with the goal of liberalizing the Turkish natural gas market fared at 3% levels of the daily demand. Aygaz Doğal Gaz holds 0.67% stake in EPİAŞ.

Anadoluhisarı Tankercilik

Anadoluhisarı Tankercilik continues its operations with over half a century of experience in maritime transport.

In addition to land transport, Aygaz is actively engaged in maritime transport with over half a century of experience. Aygaz began to transport LPG by sea in 1967, and transferred the management of its vessels to its subsidiary Anadoluhisarı Tankercilik in 2010. The fleet currently consists of three specifically equipped and fully pressurized tankers with a total capacity of 28,800 m^3 and an average age of 14 years.

Anadoluhisarı Tankercilik accounted for 14% of Aygaz's maritime procurement and transportation activities in 2019, including charters and ad hoc transports by its own fleet. Due to a change in Aygaz's Black Sea supply structure, the purpose of the fleet has also evolved.

In order to utilize the surplus capacity, the fleet has been made available for external customers, allowing it to work efficiently through the year. M/T Beykoz was chartered out for two years starting from the beginning of 2018, marking the longest contract in the maritime history of Aygaz. Since then, the vessel has been operating between Indian Ocean, Middle East and East African ports.

In addition to holding international management system certifications on International Safety Management (ISM Code), Quality (ISO 9001:2015), Environment (ISO 14001:2015) and Occupational Health and Safety (OHSAS 18001:2007), Anadoluhisarı Tankercilik also continues to have its vessels assessed by major oil companies in accordance with the Tanker Management Self-Assessment Model since 2008. The vessels that the company operates are also subjected to other inspections as required by applicable international port and ship safety codes, and duly certified.

The company successfully completes the audits regularly conducted by major oil suppliers as well as other inspections required by applicable regulations (class, flag state, port state, insurance, etc.). In line with the digitalization targets of Aygaz, integrated management systems including document submissions have been moved to electronic medium, with the entire system now managed on the Planned Maintenance Platform.

Pursuant to environmental legislation, put into force by the EU in 2018 and IMO (International Maritime Organization) in 2019, glasshouse emissions are measured and the data is reported. Anadoluhisarı Tankercilik completed its preparations to comply with IMO’s greenhouse gas monitoring rules and sulfur reduction in all oceans, which became effective as of 2020.

Anadolu Tankercilik, operating with 77 employees on average, completed 2019 with 98.7% employee continuity and 60 hours of training per employee.

The Collective Labor Agreement that Anadoluhisarı Tankercilik signed with the Turkish Seamen's Union on March 11, 2019 for its seafaring employees covers the period from 01.01.2019 to 31.12.2020.

Akpa

Akpa, a leading sales and marketing organization in Turkey with a long history, specializes in cylinder gas and bottled water sales, and fuel trade.

Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş., with a history going back more than half a century, is one of Turkey’s leading sales and marketing organizations, specialized in direct sales of cylinder gas and bottled water as well as fuel trade. In addition to wholesale of fuel products to corporations, Akpa also caters to retails customers through its own station.

The company recorded TL 609 million in turn over in 2019. As the cylinder gas sales volume increased by 6% in 2019, Akpa continued to expand its service territory, focusing on direct sales to households and businesses as part of its sales strategy.

Akpa also sells carboy water to companies, cylinder gas dealers and retail customers. In 2019, the company sold 2.5 million Pürsu-branded carboys.

AFFILIATES

Entek

Entek aims to become an integrated player of the electricity market and to build a diverse portfolio in renewable energy.

Entek is the electricity generation company of Koç Group. With eight 265-MW hydroelectric power plants (HEPPs) located in Karaman, Samsun, Mersin and Kahramanmaraş and a natural gas cycle plant of 97-MW in Kocaeli, Entek currently operates with total 362 MW of installed capacity.

Entek considers the buyer market - born when asset prices reached reasonable levels in recent years - as an opportunity to grow in the electricity market. Accordingly, in September 2017, Entek submitted the highest bid to the Privatization Administration and was granted operating rights of the 178-MW Menzelet and Kılavuzlu HEPPs for 49 years. Following the bid process, the necessary approvals were obtained, and Menzelet and Kılavuzlu HEPPs were taken over by Menzelet Kılavuzlu Elektrik Üretimi A.Ş., wholly owned by Entek, and put into operation on March 9, 2018.

Entek's consolidated sales in 2019 amounted to TL 1.2 billion. As new technologies are introduced and high-efficiency power plants begin operating, strong competition in the electricity market keeps rising. This situation causes low-efficiency natural gas power plants to pull out of the market. The Kocaeli plant continues its operations with the advantage of selling directly to its electricity and steam customers.

Entek carries out direct distributions through its wholly-owned affiliate Eltek. With long years of experience and knowhow gained in the electricity market, Eltek operates in the field of wholesale energy trading in the bilateral agreements market, and supplies electricity at affordable prices to Koç Group companies as well as consumers outside the group.

Aiming to become a leading integrated player in the energy market, Entek prioritizes resource diversity and renewable energy investments, and also follows other market activities such as electricity distribution and retail sales. The company plans to build a balanced production portfolio and to increase its market share in the coming years.

Entek aims to serve its customers both within and outside Koç Group by meeting their requirements and ultimately to add value to all its stakeholders by establishing sustainable, long-term business models.

Opet Aygaz Gayrimenkul

Opet Aygaz Gayrimenkul operates in the field of real estate, investing in properties that can be leased out or operated as fuel or autogas stations at various locations across Turkey.

Opet Aygaz Gayrimenkul A.Ş., founded in 2013, operates in the field of real estate, investing in properties that can be leased out or operated as fuel or autogas stations at various locations across Turkey. The company, an equal partnership between Aygaz A.Ş. and Opet Petrolcülük A.Ş., owns 21 stations as of 2019 year-end. With its stake in Opet Aygaz Gayrimenkul A.Ş., Aygaz aims at further strengthening its presence in the market and increasing the competitiveness of its autogas brands.

Enerji Yatırımları (EYAŞ)

EYAŞ was founded in 2005 to acquire 51% of the shares of Tüpraş, Turkey's largest industrial corporation, from the Privatization Administration. Aygaz holds a 20% stake in EYAŞ (Enerji Yatırımları A.Ş.). As the pioneering producer in the refinery industry in Turkey, Tüpraş operates in refining, distribution, oil and petroleum products, and maritime transport. With an annual crude oil processing capacity of 30 million tons, Tüpraş is the 7th largest refinery company in Europe.

Human Resources

Aygaz regards human resource and its management as a company priority with particular focus on employee satisfaction, continuous development and exchanging feedback.

Aygaz adopts the motto of its founder Vehbi Koç, “Our human resource is our most important asset,” and manages the company processes that focus on working for the benefit of all stakeholders with its team of creative, skilled and visionary people. Aygaz defines the human resources policy around the principles of modernity, transparency and equality.

Aygaz employs 1,316 people on average, with the work force consisting of 679 office employees and 637 field employees as of year-end 2019. At Aygaz, 12% of employees are female, and 88% are male. The average age of employees is 38.8 while average tenure at the company is 9.3 years. People with undergraduate and graduate degrees account for 40% of all employees. This ratio reaches 71% among office employees.

Aygaz promotes a work environment that supports women to take more effective roles in the energy industry, with the ratio of female employees in middle and senior management positions rising 5 points in the last five years to reach 18%.

Right candidate for the right position

In hiring skilled employees to serve the company’s vision, Aygaz applies new generation selection and placement processes. Aygaz carries out strong promotional activities in line with the Koç Group employer brand approach to attract the best talent to drive the company forward.

The company also organizes events at universities to inform the bright youth of the future about the constructive and pioneering corporate culture at Aygaz as well as the industry and Koç Group, and strengthens the employer brand with various activities in different channels.

The selection and placement processes carried out to attract qualified human resource to Aygaz include group interviews with participation from all management levels, case studies,

Key Human Resources Policies at Aygaz

- Equal opportunity for all
- Right person for the right job
- Equal pay for equal work
- Merit-based promotion
- Timely recognition and appreciation
- Sustainable and efficient work success
- Effective internal communication
- Sensitivity for the community

presentations, foreign language assessments, numerical/verbal/ personality inventories, and reference checks. Employees who are selected with great care and diligence based on "the right candidate for the right position" and "equality at work" principles start their careers at Aygaz with a comprehensive, interactive and digital orientation program that includes introduction to Aygaz Group and visits to dealers, terminals and plants.

Aygaz Group, in line with Koç Group's commitment for "HeForShe," the global movement to promote gender equality, has doubled the ratio of female employees hired in the last five years, bringing it to 40%.

Quality experience with a new internship process

Following the launch of Koç Holding's new internship process, "No more interns. From now on, Koç Group will only hire future Koç employees, not interns." in May, Koç Group companies adopted a vision that sees the internship process as the first stage of recruitment. The goal of the renewed internship program is to provide a high quality internship experience that includes responsibilities and social benefits, and ensures that each candidate is evaluated equally, fairly and objectively.

Aygaz designed the "Ignite Your Passion with this Power!" internship program in 2019 to include comprehensive selection and placement processes, and to achieve the renewed internship program's targets. Aiming to provide prospective interns with a high quality experience that aligns with the requirements of this day and age, processes such as interviews, personality inventories and English tests are now conducted in the digital medium. Nearly 20 interns, who are regarded as future Koç employees, experienced an end-to-end internship that involved orientation, project work and performance assessment.

Continuous development and feedback exchange

Aygaz values the continuous development of its human resource and allocates resources for this purpose. Aygaz also sees the continuous development that can only be achieved with mutual feedback as a company priority. The 360-Degree Competency Assessment System implemented for this purpose provides the employees with an opportunity to receive feedback from different levels and functions including superiors and peers, to evaluate themselves and to plan their personal development.

The Mentoring program, implemented in line with Koç Group policies, gives the employees an opportunity to expand their vision with respect to their career and development plans. To date, 122 Aygaz employees have benefited from this program, which is based on mutual communication and development, and in which participants exchange recommendations. With the "Reverse Mentoring" program, first offered in 2018, young and junior employees were mentored by senior executives in management levels of various functions about topics such as the expectations of younger generations, needs in the new age and digitalization. In the last two years, 62 employees in total took part in this program.

The Stars of Aygaz

"Aygaz'ın Yıldızları" (The Stars of Aygaz), the recognition and rewarding process of Aygaz, which was renewed and relaunched in 2018, is a nomination and reward system that focuses on recognizing and rewarding the exemplary and selfless work of employees beyond their job descriptions, as well as employees that make a difference in their current positions. The program is based on open communication and equality principles, and recognizes competence and merit. Employees are nominated in seven different star categories: Stars

A competitive remuneration policy, determined in line with the company's current wage structure, position in the market, competition and financial means, is applied fairly without any bias for gender, language, religion and race.

Focusing on People, Stars Encouraging Development, Transforming Stars, Value Adding Stars, Result Getting Stars, Collaborating Stars and Stars Focusing on Customers. The candidates are evaluated at regular intervals by nine different functions' committees based on these seven categories. Candidates deemed worthy of rewards are determined at the relevant functions' committee meetings. In the last two years, 13% of the employees have been awarded as part of The Stars of Aygaz recognition and reward program.

Objective performance management

The principle of spreading the company targets across all employees starting from senior management forms the basis of the performance management system at Aygaz. In order to assess employee performance objectively, Aygaz focuses on rewarding the creation of sustainable values instead of short-term returns in performance management, and uses objective and numerical criteria for assessment. The SF system developed and implemented in 2018 has provided an environment in which the employees can determine their targets, go through the approval processes and access anywhere anytime via their mobile devices.

Remuneration based on equal pay for equal work

Aygaz applies an international job assessment system that measures the contribution of all jobs toward achieving company goals and ensures that they are ranked according to their scale. A competitive remuneration policy, determined in line with the company's current wage structure, position in the market, competition and financial means, is applied fairly without any bias for gender, language, religion and race. Remuneration for unionized employees is determined according to the collective bargaining agreements with MESS (Turkish Employers Association of Metal Industries) or Turkish Seamen's Union, depending on the job. Employees are paid as 16 salaries, consisting of 12 salaries + 4 bonuses per year, while all employees are offered comprehensive fringe benefits, standard or varied depending on the position.

Sustainable efficiency through employee loyalty

Aygaz combines international norms and macro trends with human resources strategies to become a pioneer and attain an exemplary position in the business world by forming a creative, skilled and highly motivated, best-in industry workforce.

Aygaz evaluates the feedback received from its internal customers every year to maximize employee loyalty and satisfaction on all levels. Accordingly, the company has been conducting surveys to measure satisfaction and loyalty through an independent research firm since 1996. The outputs of these surveys are used to analyze the strengths and development areas, review business processes and human resources policies, create action plans, and ensure sustainable loyalty. The employee loyalty score of Aygaz was 78.7 in 2019.

Integrated career and talent management

With the global investments made since 2018, the mobility of employees has become a priority for career management at Aygaz. The company has moved to a digital platform to instantly and continually monitor the employees' openness to rotation and mobility opportunities, which are supported by Koç Holding's career management vision,. This platform allows Aygaz employees to determine and express their short- or long-term aspirations.

At the annual Strategic Human Resources Planning Meetings, held

with certain methodologies and senior management's inputs, succession plans are made for the company's executive potential pool and all management positions in line with the future goals and strategies of Aygaz. Special training and development opportunities are offered to employees identified as potential executives to ensure that they are well-prepared for the next position.

Continuous training and development

Aygaz places continuous training and development at the core of the human resources system, aiming to expand employees' vision and to support their technical skills, knowledge, competencies and personal development. With the help of the competency assessment system, employees are able to plan their development based on feedback from their superiors and peers, and also identify their development needs through manager-employee interviews conducted as part of the performance process as well as human resources planning meetings, and define a short- and long-term training and development plan.

In addition to technical training, Aygaz also provides employees with training programs for personal development. One of the priority training topics is improving the foreign language skills of employees. Accordingly, all employees who wish to improve themselves are offered online, classroom and one-to-one English language education. As part of these activities, English Ninjas, a platform where employees from all around the world can practice speaking with native English instructors in video and audio calls on mobile or web, was launched in 2019. 44 employees in total benefited from this platform. Thanks to the Koç Academy platform, employees can also take trainings of their choosing anytime, anywhere in electronic medium.

Taking its cue from Koç Group's management and leadership competencies, Aygaz implemented Aygaz LEAD, which contains various modular training programs to improve the leadership skills of managers in 2016. Aygaz LEAD is a comprehensive, modular program –prepared in line with today's needs and strategies – that focuses on a number of current topics, such as leadership skills, feedback, situational leadership, innovation, coaching, and digitalization. The program offers the opportunity to practice with simulations and includes individual activities that participants can follow after training. In 2019, 130 managers participated in the Aygaz LEAD training programs. Furthermore, 6 executives attended Koç Holding's classroom trainings on popular topics including PDP, AMP, MAP, LSI, and LEAD, while 21 employees and managers took the HBX, Udacity, MIT, Code Academy digital transformation programs that develop digital skills online, and four employees attended Koç University Executive MBA, Modular and Technical MBA programs.

With the "Seven Habits of Highly Effective People" training, designed for the personal development of office employees who are not in management positions, seven habits for effectiveness were individually addressed. In total, 280 employees took this training that aims to help the participants learn the methods for becoming more effective in business, personal and social life.

According to the 2019 training report, the average training time per person reached 39.7 person*hours with the investments made toward developing the employees.

Cooperation and solidarity culture

The objective of the annual communication plan at Aygaz is to build an internal communication culture that embraces different regions and generations, employee expectations and new generation needs. In the annual employee loyalty survey, the communication plans are reviewed, renewed and kept up-to-date based on feedback received from the employees. The activities carried out within this scope include business results sharing meetings, region and plant visits, service award ceremonies, sports festival, picnics, “BizBize” talks and health month events. Additionally, company trips are organized for employees to explore different regions/cultures, spend time together outside the workplace and strengthen relationships. The goal of the “Out of Office” events, organized with a focus on non-work related hobbies, is to strengthen communication and encourage cooperation between employees from different functions and levels and senior executives.

Human resources management principles

- Prioritizing employee motivation and company loyalty
- Offering individual approach and solutions in HR practices
- Developing flexible HR systems with solutions that can rapidly adapt to changing business conditions
- Training and development planning to provide employees with personal, professional, leadership and foreign language improvement possibilities
- Preparing and monitoring succession plans systematically as part of organizational improvement, and providing development opportunities
- Planning workforce
- Providing fair compensation and rewards
- Informing individuals with feedback on their job performance through target-based performance system
- Hiring and appointing the right people for the right positions
- Honoring employees committed to success with open recognition, and respecting their personal rights when offering criticism
- Planning and promoting social and cultural activities
- Providing timely information and introducing processes

In addition to union representatives in the workplace designated in accordance with the Collective Labor Agreement, Terminal Directors, Regional Directors, Plant Managers and/or Financial Affairs Managers working in all the regions are also responsible for facilitating communication and coordination between employees and the Human Resources

Aygaz has always been an exemplary company with its integrity, reputation, reliability, ethical conduct and its culture of compliance with laws and regulation throughout its over half a century long history.

Department. No discrimination complaints were filed by the employees.

In the recruitment and placement process at Aygaz, which aims to attract qualified human resources to the company, group interviews are held with participation from all management levels. Case studies, presentations, foreign language tests, numerical/verbal/ personality inventories, reference checks are also part of the process.

Aygaz Group has in place a Performance Management System for all employees. As an objective and balanced system, it forms a part of the competent and established corporate culture and has become a best practice. The performance management system aims to communicate the company targets to all employees, measure the success of employees in realizing their goals, and plan their future development by assessing their competencies. Performance is monitored with target cards and assessed according to objective criteria. The purpose of the performance management system is to reward the creation of sustainable values rather than short-term return.

Aygaz allocates significant amount of resources for the personal development of its employees and encouraged them for this purpose. The 360-degree competence assessment system provides the employees with the opportunity to receive feedback from several people in different levels and functions, including their superiors and peers, perform self-assessments and plan their personal development. As a demonstration of how the company values its employees, Aygaz has been conducting employee satisfaction and loyalty surveys since 1996. With these studies, employees' commitment is evaluated and the study results as well as employees' opinions communicated via various channels are taken into consideration to create action plans.

Code of ethics and social responsibility

Aygaz has always been an exemplary company with its integrity, reputation, reliability, ethical conduct and its culture of compliance with laws and regulation throughout its over half a century long history.

In performing their duties, employees of Aygaz, a Koç Group company, are obligated to comply with the "Koç Group Goals and Principles". Committed to the company's and Koç Group's ethical principles, Aygaz:

- Respects individuals' respectability, privacy and employee rights.
- Respects and does not discriminate people's differences such as race, ethnicity, faith, gender, social class, nationality, age and physical disability.
- Provides all employees with equal opportunity in personal development and career regardless of their origin and faith as part of its employee commitments.
- Enforces mechanisms of work discipline procedures in cases of human rights violations.
- Respects the traditions, culture and history of each and every community in which it operates.
- Respects the union rights of its employees.

Aiming to ensure that ethical values are extended to all employees with the same effectiveness and passed onto the next generations, Aygaz published its "Code of Ethics and Implementation Principles" in written form in 2010. The Board of Directors, upon the proposal of the Corporate Governance Committee, determined Aygaz A.Ş. Code of Ethics and Implementation Principles Policy in 2018, taking into consideration the practices within the organization and Koç Group Code of Ethics and Implementation Principles. This policy has been made available on the corporate website for investors.

An Ethics Committee has been established to better evaluate any violations and ensure alignment of practices. The Ethics Committee is composed of the General Manager, Senior Executives, Human Resources Manager and Legal Counsel.

The "Code of Ethics and Implementation Principles" were published as a booklet and sent to all permanent staff, who were then requested to read it and sign the Document of Declaration and Undertaking on the last page to be included in their respective personnel files. Newly recruited personnel are also informed of these principles, and declare and undertake that they would adhere to the Code.

Aygaz has announced its environmental policy principles in the annual report and corporate website. The social responsibility projects in which the company engages as well as the efforts undertaken in this field are further explained in the relevant sections of the Annual Report.

Quality, Environment, Occupational Health and Safety

At Aygaz, all activities related to the environment, occupational health and safety, customer complaints, energy and information security are managed with a holistic approach.

Aygaz manages all business processes with sustainability awareness, and the efficient use of natural resources and protection of the environment and stakeholders are strategic priorities for the company. Aygaz highly values the importance of product and service quality and customer satisfaction, and carries out its operations with a focus on sustainability and environmental sensitivity. As part of the efforts to ensure this balance, management systems have been integrated as a priority. The extensive work on occupational health and safety, and the value attached to environmentally sensitive business processes, innovation, intellectual property rights, product, service and system quality, and the management systems, all contribute to further strengthening the leading position of Aygaz in the industry.

Integration of management disciplines

Aygaz continues to work on improving and expanding the scope of its Total Quality Management approach, which was adopted in early 1990s. Integrated Management Systems are applied to ensure that all systems involving quality, environment, occupational health and safety, customer complaints, energy and information security are managed in an integrated manner under one roof. The Integrated Management Systems Policy was revised in 2018 to respond to latest needs. All Aygaz employees are required to implement and apply the integrated Management Systems Policy. The handbook, created to provide information and guidance, is kept up to date and made available for all at www.aygaz.com.tr.

In 2018, the trainings of internal auditors were updated according to the revisions in the Integrated Management Systems. Based on the latest version of the standards, internal audits were performed in 78 business units by 51 internal auditors.

Compliance with management systems, related to quality, environment, occupational health and safety, energy, and customer complaints, has been verified through internal and external audits, conducted as part of the Customer Friendly Organization and Customer Friendly Brand approach, and necessary improvements have been made. In addition to the improvement efforts, support has been extended to Koç Group companies by offering benchmarks to improve their

management systems. All locations are audited twice a year in compliance with the Transportable Pressurized Equipment Directive (TPED) and Pressurized Containers Regulation (PED) to ensure the continuity of CE and PI marking on products. System continuity is assured through internal and external ISO 27001 Information Security Management System inspections. During the year, meetings were held to review the effectiveness, alignment with strategic goals and adequacy of the ISO 27001 Information Security Management System, and awareness raising activities were carried out for this purpose. Furthermore, process management system was simplified and the implementation was reviewed as well.

Occupational health and safety activities

Aygaz operates at 12 locations including the Head Office, and the Gebze Plant and other facilities, all holding ISO 45001 Occupational Health and Safety Management System Certification. The company has also taken active part in the activities of Koç Holding Occupational Health and Safety Coordination Board and led projects for continuous development.

The training programs provided to the employees of Aygaz and subcontractors working at the filling and production plants in order to raise awareness on occupational health and safety, fire and emergency, and to build a stronger foundation for this corporate culture amounted to 8,854 person*hours in 2019. Some of these trainings were supported with drills. Furthermore, a painting contest titled "Safety for All" was organized with the participation of company employees' children. The paintings of the participants were evaluated, awarded and displayed in the company's digital mediums.

As part of the digitalization process, Occupational Health and Safety Information Management System software was procured and implemented to monitor and report occupational health and safety practices.

12

locations

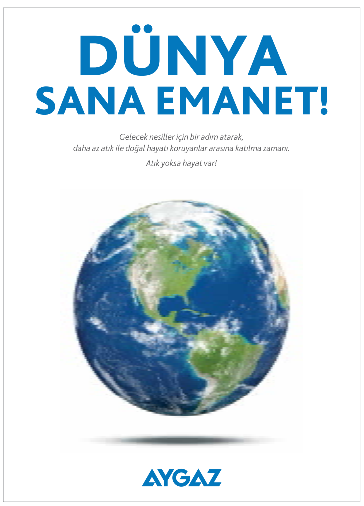
holding ISO 45001 Occupational Health and Safety Management System Certification

In 2019, training programs were provided to the employees of Aygaz and subcontractors working at the filling and production plants in order to raise awareness on occupational health and safety, fire and emergency.

Trainings on environment and waste management

752

person*hours



Environment-sensitive business processes

Aygaz manages all business processes with sustainability awareness, and focuses on the efficient use of natural resources and protecting the environment as a strategic priority. Aygaz aims to contribute positively to urban air quality with its environmentally sensitive product portfolio. Aygaz operates at 12 locations, including Head Office, and Gebze Plant and facilities, and is the holder of ISO 14001: 2015 Environmental Management System Certificate. Last year, 751.5 person*hours of training, focused on environmentally sensitive business processes, was delivered at terminal offices and filling facilities as part of environment and waste management in compliance with applicable legislation.

In 2019, the impact of the energy efficiency projects implemented across Aygaz was 275 K kWh in electricity savings while the total annual impact amounted to 435 K kWh/TL 275,000 in electricity savings. Annually, a total of 37 TEP in energy savings and 215 tons of CO_2 emission reduction were recorded.

At the Gebze Plant, 20% of energy consumed in the administrative building was obtained from solar energy.

The Environment Newsletter, an in-house publication that was launched in 2017 as part of the communication activities to raise awareness and sensitivity about environmental issues, continued to be published in 2019.

Target zero waste

Aygaz Zero Waste Project was launched in early 2019 and continued with a variety of awareness raising activities throughout the year with the slogan “Earth in Our Hands”. The objective of the project is to reduce single-use products and to create awareness about product lifecycle. As part of the project, focus topics were identified and activities to raise awareness and consciousness were designed to reduce paper, plastic and glass consumption.

The project began with the distribution of seeds and magnets to all employees. Employees who came to buy their drinks with their own cups instead of carton cups

Integrated Management Systems Policy

Aygaz carries out all activities in its fields of operation and LPG in particular in accordance with the Objectives and Principles of the Koç Group, and adopts the following as its main policies:

- Being a pioneering and innovative company in the industry;
- Promoting high quality and safety standards, offering the best products and services;
- Upholding ethical values;
- Seizing strategic growth opportunities;
- Working in compliance with regulations and standards;
- Ensuring that work processes are managed efficiently and developed continuously;
- Prioritizing customer perception, sustainable customer satisfaction and loyalty, and offering applicable solutions with Customer Complaint Management Commitment;
- Ensuring and improving optimal stakeholder satisfaction in accordance with corporate governance principles by seeking stakeholders' opinions;
- Maintaining successful level of employee loyalty and satisfaction through regular measurements;
- Carrying out activities to support innovation, digitalization and climate change strategies;
- Working with respect toward the community and the environment, creating a healthy and safe work environment, and developing preventive approaches against possible occupational diseases and injuries;
- Reducing potential negative environmental impact resulting from products and operations by conducting lifecycle analyses;
- Prioritizing energy efficiency in plants, building design and procurement processes;
- Preventing pollution, reducing waste, and ensuring proper disposal of waste by recycling as a priority;
- Considering possible environmental impact and occupational health and safety risks when making investments;
- Informing the community regarding its operations.

All employees at Aygaz A.Ş. are responsible for applying and building on the principles of the Integrated Management Systems Policy and providing the necessary resources.

were presented "Earth in Our Hands" badges and videos were featured in the company's Intranet and televisions to raise awareness. The paper-glass-plastic-metal waste boxes were replaced with waste boxes compliant with the Zero Waste Regulation to support waste management. The use of carton cups, styrofoam plates and plastic cutlery was eliminated, and these products were replaced with more sustainable options. As a result of the efforts to reduce paper waste at the Head Office, the use of carton cups decreased by 75%. "Earth in Our Hands" stickers were affixed to the printers, which are also encrypted now, to discourage unnecessary printouts. Informative messages were circulated periodically to reduce waste. Distribution of glass bottles and cloth bags led to a decrease in single-use plastics and heightened awareness. Compelling images to encourage less water consumption were also displayed in common areas.

Turkey's first sustainability report

In 2002, Aygaz became the first company in Turkey to publish a sustainability report, and continued to regularly share its sustainability performance with stakeholders ever since. Starting in 2008, the report is updated every other year in line with the Global Reporting Initiative (GRI) principles. Aygaz fulfils all of its obligations with respect to the working conditions, human rights and transparent corporate governance within the framework of the Global Compact, signed by Koç Holding, and strives to minimize the environmental impact of its production, services and products. Aygaz carries out the activities in this regard by implementing policies integrated into its management philosophy. This is also included in the Koç Group Sustainability Report. In 2019, the company continued to be listed in the BIST Sustainability Index.

Innovation and Intellectual Rights

Aygaz values and encourages in-house entrepreneurship and seizes innovation opportunities to collaborate with and invest in both internal resources and also stakeholders.

As a company that also comes to the forefront of the industry with its innovativeness, Aygaz supports the creativity and entrepreneurship efforts of its employees in the innovation process. For this purpose, the company promotes and encourages in-house entrepreneurship activities by considering the opinions of employees to transform every idea that will create value for stakeholders into benefits.

In-house entrepreneurship process

Among the project proposals that the employees submit to the Aythink Idea Collecting Platform and the ideas put forward during Design Thinking workshops, those that align with the Innovation Strategy of Aygaz are developed into business ideas with the "Lean Startup" methodology. Since 2016, 925 ideas have been collected with these methods and six tours of In-house Startup have been conducted. Of the 34 innovation projects studied during these tours, 21 have received investment to move on to the pilot stage.

Aykargo: Best In-house Startup Project

Aygaz recognizes the opportunities in the express shipping and delivery sector, which is fast evolving in line with the rapidly growing e-commerce (B2C) and the economy (B2B). In the search for a business model where Aygaz could use its existing dealer network and home delivery experience, Aykargo presented a viable option. Aykargo is a result of the in-house entrepreneurship efforts that the company leverages to create added value for its shareholders and dealers by using its strong brand, dealer network and facility infrastructure assets as a platform. As the activities continued in 2019 in Istanbul, Aykargo delivered close to 100 thousand packages to 11 corporate customers with high customer satisfaction and flexible working models. Investment and planning work is under way to deploy the service model across Turkey.

Aykargo won the "Best In-house Startup Project" award at the Corporate & Startup Day, an event that is organized by Özyeğin University, Girişim Kurumları Platformu (Startup Businesses Platform), Bizz Consulting, TOBB (The Union of Chambers and Commodity Exchanges of Turkey), and Capital Magazine, and also includes a prestigious awards ceremony to recognize the achievements in the Turkish startup ecosystem.

Open innovation activities

Aygaz understands that successful international companies achieve innovation not only with internal resources but also by working in harmony with all stakeholders, and subscribes to angel investor networks to seize cooperation and investment opportunities with startups in their ecosystems. In 2019, the company met with nearly 20 startups to discuss collaboration possibilities with relevant departments.

A broad portfolio of intellectual property

Protecting and monitoring intellectual property rights as part of business processes is particularly important to Aygaz. The company manages an intellectual property portfolio, which expands by the year with trademarks and patents registered in domestic and international markets or are at the application stage. Since its inception, Aygaz has been allocating resources for trademarks, patents, industrial designs, works and Internet domain name protection and monitoring. The objective of the intellectual property management process at Aygaz is to support both the in-house creative talents in light of intellectual property strategies and also to protect all aspects of R&D, marketing and operational activities. The patent portfolio of Aygaz is periodically reviewed and commercial valuation of the patents is carried out.

Research & Development

Aygaz R&D Center, a first among the LPG distribution companies in Turkey, launched its first commercial product on to the market in 2019, marking a significant development in the industry.

Aygaz has always been engaged in activities to develop new technologies that will create value for business processes and stakeholders and introduced another first in the industry by opening its R&D Center in 2018. The center became certified on October 16, 2018 and the official certificate was presented on November 19, 2019, at the Technology Development Zones (TGB) and Centers Award Ceremony by officials from the Ministry of Industry and Technology.

The R&D Center operates with a team of experts and houses an Engine and Fuel Technologies Laboratory, a Chemicals Laboratory, an Automation and Design Laboratory, an Embedded Systems Laboratory, a Manufacturing Workshop, and Prototype and Test Lines.

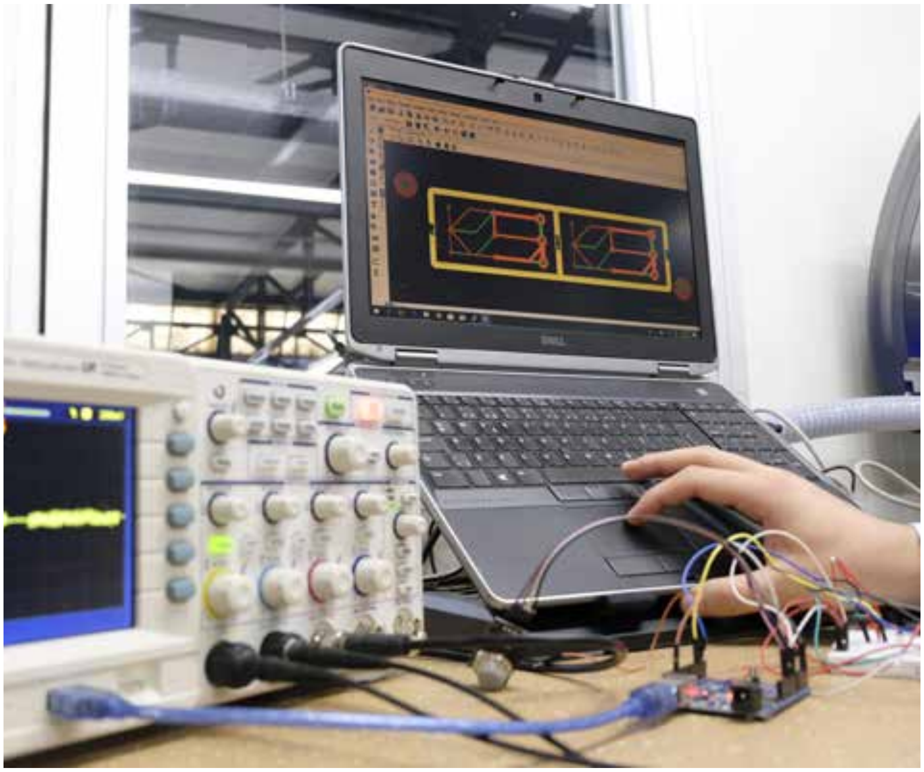
A first in Turkey: Aygaz Mini Cooktop and Mini Cylinder Accessories

Aygaz Mini Cooktop & Mini Cylinder Accessories, born as a result of the activities at the Aygaz R&D Center, was launched on to the market in 2019. The prototyping, pilot production, analysis and testing of the Mini Cooktop, which was designed and developed to be used with the Aygaz Mini Cylinder, were conducted at the center. The finished product was offered to the market in July 2019. Aygaz Mini Cooktop, specifically designed for use with the Mini Cylinder, sits safely and firmly on the cylinder and stands apart among other similar devices with its innovative look, form, color and materials.

The center also developed the accessories to enhance the impact of the Mini Cylinder in the market. Protective base plate, the first accessory for the Mini Cylinder, was designed to prevent scratches, stains and deformation in areas where the cylinder is placed, and was offered to the market after prototyping and testing. The second accessory was the Mini Cylinder Carrier, an ergonomically designed bag that allows users to carry the Mini Cylinder by hand or in vehicle trunks in a firmly fixed position.

LPG purification

Another successful activity that the center carried out and finalized was the Project for Removal of Heavy Hydrocarbons from LPG. This project involved activities to remove heavy hydrocarbon groups, which can be found in LPG depending on its source. Following laboratory work and pilot phase, an industrial LPG filtration system was installed and put into operation at the Samsun Terminal of Aygaz. The goal of using purified LPG as autogas is to reduce emissions and consequently, air pollution.



Each step toward growth…

Aygaz, always aiming for the better and the best in each step from the very beginning.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Social Responsibility

Aygaz leads the industry with pioneering works in its fields of operation and also undertakes value adding projects in issues that concern the community and the environment.

As a company that always aims to fulfill its responsibilities toward to community with a corporate citizenship approach, Aygaz has strived to add value to the lives of all its stakeholders since the very beginning. Aygaz leads and supports projects that take ownership of heritage and invest in the future in a wide range of areas including the environment, social development, culture and arts, health and sports.

CULTURE & ARTS

Aygaz Library

Aygaz Library is a project that Aygaz brought to life with the aim of putting together the cultural and historic heritage of its geography with writing and imparting them onto future generations, and has become a wealth of reference in the culture and arts world for arts enthusiasts, scholars and university students. Since its launch in 1996, Aygaz Library has continued to grow, currently including 16 books on various topics including Nemrut, The Mountain of the Gods (Tanrılar Dağı Nemrut), The Photographers of Constantinople (Dersaadetin Fotoğrafçıları), The Treasures of Troia (Troia Hazineleri), The Beginning of the Second Constitutional Era (II. Meşrutiyetin İlk Yılı), Dynasty and Camera - Portraits from the Ottoman Court (Hanedan ve Kamera), and Kat'ı - Cut Paper Works and Artists in the Ottoman World (Kat'ı: Osmanlı Dünyasında Kağıt Oyma Sanatı ve Sanatçıları) among others. In 2019, The God-Kings by the Euphrates (Fırat Kıyısında Tanrı Krallar), a book featuring 22 articles based on the new excavations and findings that reveal valuable insights into the Anatolian Civilizations and the Kingdom of Commagene that ruled the region to the west of the Euphrates, was added to the Aygaz Library.

The History of Ottoman Diplomacy

The History of Ottoman Diplomacy Project is one of the many cultural activities of Aygaz. With this project, documents and information curated from the Ottoman archives are published in book form. With 12 more books in 2019, the total number of published works now stands at 78.

Excavations in the ancient city of Sagalassos

Aygaz has supported the excavations at the Sagalassos Ancient City, located at the foothills of the Taurus Mountains, with traces of the first settlement dating back to 4200 BC, since 2005. The archaeological work in the Upper Agora, which Aygaz supported since 2017, has been fully completed. This important center, equipped with new information systems, was opened to visitors as a new phase began in the ancient city. As of 2019, three key objectives in line with the main goal have been determined for the works: holistic architectural documentation and conservation, recording and analysis of architectural fragments, and digital data management.

Aygaz organized a press tour to Sagalassos in 2019 with representatives from the arts & culture and archeology publications. Twelve journalists, accompanied by Aygaz Management, observed the excavations going on in the ancient city and visited Burdur Archeology Museum to see the artifacts unearthed in Sagalassos.

Ancient City and Castle of Van and Tumulus excavations

As the excavations that started in 2010 at the Van Castle Tumulus with the permission of the Ministry of Culture and Tourism, Directorate General of Cultural

Assets and Museums, and the support of Aygaz on behalf of Istanbul University continued, important findings came to light in 2019.

During the excavations in the Ancient City and Castle of Van and Tumulus, the work concentrated especially on the Middle Age, Post Urartu, Urartu, Early Iron Age and Bronze Age levels. The early and late Urartian structural levels were documented, revealing a private building, with the front and back purposefully kept covered. Artifacts such as bulla, pot sherds with inscriptions, tablets, seals, jewelry pieces and pottery recovered from the various rooms and surroundings of the building indicate the quality of the structure. This example shows that there were public buildings and units connected to the citadel in the lower settlement of Tushpa.

Theater Festival sponsorship

Aygaz has been supporting the theater for 15 years since 2004. In 2019, Aygaz continued its support as the co-sponsor of the Istanbul Theater Festival, which presents various international plays to the Turkish audience. This year in the 23rd edition of the festival, Aygaz also sponsored a student project within the scope of the festival and introduced young people to the theater, leading young generations to see examples of modern theater.

ENVIRONMENT

What will the weather be like tomorrow?

The project titled "What will the weather be like tomorrow?" launched in 2010 by Aygaz in collaboration with the Regional Environmental Center (REC), is ongoing with support from the Ministry of Environment and Forestry. Meanwhile, educational programs are offered at the Rahmi M. Koç Museum since 2012. The Climate Change Awareness Workshop hosted in the museum's Discovery Globe was attended by 11,624 students from 285 schools in 2019. To date, 96,955 students from 2,233 schools have attended these workshops.

HEALTH

Diabetic Children's Camp

Aygaz has always paid close attention to public health issues and supported the Diabetic Children's Camp, organized by the Child and Adolescent Diabetics Association since 2004. The 27th camp was organized at the DSI İznik Recreational Facilities with the participation of 102 diabetic children. As one of Turkey's first health camps dedicated solely to children, the camp aims to teach diabetic children to become self-sufficient while having fun and making new friends. Having hosted 2,300 children and adolescents in 27 years, the Diabetic Children's Camp sets a great example for other health camps.

Aygaz also sponsored a trip to the camp in August with bloggers that create content about motherhood and children. After spending time with the children, the bloggers shared their experiences and observations with their followers on social media, raising awareness about the lives of children with diabetes.

SPORTS

Sports is another social field that Aygaz supports. Since 2013, Aygaz with its Mogaz brand has sponsored the Beşiktaş Handball Team. With this sponsorship by a private sector company as a first in the handball discipline, the team has come to be known as Beşiktaş Mogaz. Starting in the 2019 season, the title sponsorship continues with the Aygaz brand. Beşiktaş Aygaz Handball Team carries on to successfully represent Turkey in the European Handball Federation (EHF) Champions League. With the support extended to other sports disciplines, Aygaz became a sponsor of the Fenerbahçe Sports Club Professional Football A Team.

FOR MY COUNTRY

Designing the Future meet-ups

Aygaz contributes to the "For My Country" projects, which the Koç Group launched in 2006 to work on topics such as environment, health and gender equality. As part of the "I Design the Future for My Country" project, which focused on digital transformation and technology in 2019, trainings on the subject were provided to all plant, terminal and office employees to help them prepare for the future. The process is also supported by in-house entrepreneurship and innovation projects.

Each step toward the future…

Aygaz, an essential for life in each step driven by never-ending and ever-renewing energy.

Risk Management and Internal Control

Within the framework of effective corporate risk management, necessary strategies and actions are determined with an integrated approach, and potential risks and opportunities are identified to help Aygaz reach its goals.

Aygaz aims to maximize the value created for its shareholders and other stakeholders by managing corporate risks in line with the company's strategies and goals. In order to maintain and increase market value, the company aims to identify and manage risks, and to take advantage of simultaneous opportunities. With effective corporate risk management, developing shared perspectives and strategies across the company continues to be the focus point. Accordingly, strategies are reviewed together with updated processes and action plans, and systematic policies are created.

A risk management that considers balanced growth and return is applied at Aygaz in accordance with international standards and practices, as well as policies approved and strategic targets set by the Board of Directors, which takes into account feedback from relevant departments, the Risk Management Committee and Executive Board, in particular. Given the financial, operational and legal risks encountered due to the nature of the industry, risks are managed -within the framework of corporate risk management- with a systematic and proactive approach integrated with risk assessments spread across the company and constantly updated with the processes. Making this practice a part of corporate culture and implementing it throughout the entire company is essential in terms of business operations. With effective risk monitoring, these risks are prioritized according to their probabilities and possible impacts, and managed accurately.

Managing risks

Financial risks arising from uncertainties and fluctuations particularly in the foreign exchange rates, interest rates, liquidity, and commodity prices are identified, evaluated, and relevant instruments are used to mitigate risks when necessary.

Foreign exchange risks originate from purchases in foreign currencies regarding business activities or foreign currency loans utilized for liquidity purposes. This risk is mitigated by the "natural hedge" that is created by reflecting exchange rate fluctuations on product sales prices while the ratio of foreign exchange position (exposed to currency risk after natural hedge) to equity is constantly monitored. Foreign exchange position is effectively managed by efforts to eliminate it. The risks are restricted and kept within targeted limits by forward or derivative transaction agreements when necessary.

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

Liquidity risk is managed by closely monitoring current and projected cash flows and ensuring maturity match between assets and liabilities. Net working capital is closely monitored to preserve short-term liquidity, and sufficient level of cash and cash-like assets are maintained against potential capital market fluctuations. Consequently, working capital needs and liquidity risks are minimized. The company's policy is to manage long-term liabilities with fixed-interest rates and to hedge the potential interest rate risks through derivative instruments. Available cash and non-cash credit lines are determined with the banks.

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

Given its broad range of activities, Aygaz's receivables are spread across different industries and geographical regions that encompass numerous dealers and customers. Concentrating on a specific field or a customer is avoided. Commercial receivables are monitored closely with regular reporting and assessments, taking care to keep customer credit risk exposure arising from commercial receivables within approved limits. The company acts diligently to conduct business with counterparties with high credibility and to mitigate the existing risks with collaterals.

Collaterals (letters of credit, performance bonds, pledges, credit insurance and other such instruments) are required to mitigate collection risks and the risks are checked on transaction basis. Payments are received via banking systems. Moreover, using various payment systems facilitates collection and reduces the risks.

In terms of capital risk, the company's objective is to carry out business with the most efficient capital structure that minimizes the cost of capital while creating return for its shareholders. The most significant indicators taken into account for this purpose are the ratios of Net Financial Debt/EBITDA, Total Financial Debts/Equity, Current Ratio and Liquidity Ratio, as well as maturity structure of Financial Debt and Net Working Capital. With all these indicators maintained within the required limits, Aygaz achieves the capital structure and debt capacity to conduct its business in a healthy manner. The Board of Directors is informed through internal reports, which are prepared by the management and presented to the Risk Management Committee periodically. Operational, legal and strategic risks are evaluated by related units, and the decisions made by the executive management are monitored by the Board of Directors through this committee. The Board of Directors also receives information about corporate risk management activities carried out within the scope of strategic planning and management processes through the executive management and the Risk Management Committee.

Operational risks are monitored by the relevant departments of the company and reported to senior management at regular intervals. For protection against any losses that may arise due to operational or other risks, various insurances are in place including the coverages for subsidiaries. All transferable risks are delegated to third parties with insurance policies.

As part of updating and integrating the processes, Aygaz UK, the company's branch established in London in 2019 was also assessed for operational risks, and a Risk Policy was created including plans for potential risks in the processes.

Changes in legislation are monitored by all related units, and in particular by the Legal Department, while necessary information is provided, and training and compliance activities are carried out to avoid legal risks.

Activities of the Risk Management Committee

Risk Management Committee has been established with the aim of ensuring compliance with Article 378 of the Turkish Commercial Code No. 6102 and Corporate Governance Communiqué of the Capital Markets Board (CMB) as well as effective functioning of the Board committees, and carries out activities for early detection and effective management of risks that may jeopardize the company's existence, development and continuity, taking necessary measures against these risks and managing risks. The committee is chaired by independent Board Member Dr. Şadan Kaptanoğlu Dikici, appointed by the Board of Directors' resolution dated March 25, 2019, and the other member of the committee is Board Member Dr. Bülent Bulgurlu.

The committee, which convened seven times in 2019, assesses the risk management process at Aygaz and the principles and data of risk reporting, evaluates the periodical reports prepared within this scope, and offers recommendations regarding the necessary measures to be taken against the issues that do not comply with the limits defined in the risk management process. The reports and committee assessments are presented to the Board of Directors.

Internal Control System and Internal Audit

An Internal Control System is in place to provide sufficient assurance regarding the efficiency of operations and the financial reporting system's compliance with applicable regulations. Internal Control System refers to all controls such as standard definitions included in financial transactions, reports and workflows, job descriptions, procedures, authorization/approval system, policies and written processes.

The Internal Control System is regularly assessed and audited by the Internal Audit Department, which performs its duties under the supervision of the General Manager. The mission of the Internal Audit Department is to present risk-based recommendations, predictions and determinations with objective assurance, thereby protecting and enhancing corporate value.

The Internal Audit Department conducts effective and regular internal controls to ensure the integrity, consistency, reliability and timeliness of the information provided by the accounting and financial reporting system. In 2019, the company's terminals, plants and distribution facilities throughout Turkey underwent routine and/or necessary financial and operational inspections.

The department also analyzes processes, reviews the results of the audit activities conducted for issues that have room for improvement or are considered risky, addresses the complaints and other issues communicated to the company through various channels, and reports its findings to the executive management. The department follows through the action plans related to the reported issues and how they are resolved.

Investor Relations

The Investor Relations Department at Aygaz is responsible for ensuring transparent and regular information flow to stakeholders and performing activities to increase shareholder value.

The Investor Relations Department at Aygaz is responsible for regular communication of healthy information between the company and its existing and potential stakeholders based on mutual trust. In addition to increasing company value for the existing shareholders, the department also aims to attract new and potential investors by promoting the company. Investor relations are carried out with a corporate approach, and accurate, easily comprehensible and unclassified information is communicated to the shareholders, the public and the stakeholders in line with the company's disclosure policy in a timely and accessible manner. Communication of such information is based on the principles of fairness, transparency, accountability and responsibility.

Main responsibilities of Investor Relations Department

- To maintain regular relations with the shareholders in accordance with the disclosure policy and to ensure access to up-to-date, reliable information about the company,
- To ensure that shareholders' rights are exercised, and to answer shareholders' inquiries,
- To keep communication tools such as the corporate website, annual reports, investor presentations, and earnings releases, etc. up-to-date to ensure full and rapid access by shareholders
- To respond to investors' information requests via various communication tools such as face-to-face meetings, investor conferences, road shows, teleconferences, phone calls, email, fax and disclosures/announcements to increase company value,
- To ensure two-way information flow between the shareholders and the company's senior management and Board of Directors,
- To maintain accurate, reliable and up-to-date shareholder records based on the records of the Central Registry Agency (CRA),
- To implement and monitor Corporate Governance Principles, to ensure that the company operations are carried out in compliance with these principles, and to represent the corporate entity of the company before the relevant Ministries, Capital Markets Board (CMB), Borsa Istanbul (BIST), Istanbul Settlement and Custody Bank Inc. (Takasbank), CRA and other relevant institutions and organizations, and to provide these institutions with required reports and information,
- To submit necessary disclosures to Borsa Istanbul (BIST) via the Public Disclosure Platform (PDP),
- To organize the General Assembly meetings, and to keep the minutes of the Board of Directors and Committee meetings

Share Information

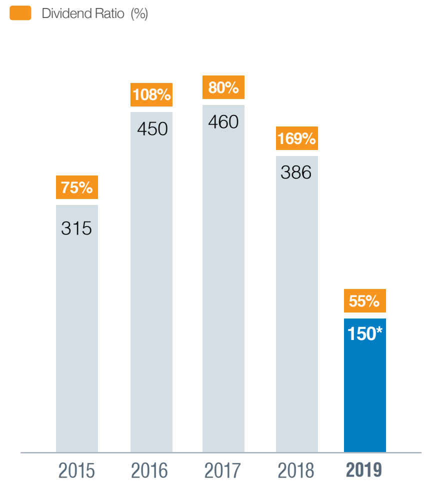
BIST Code	: AYGAZ
Bloomberg Code	: AYGAZ.TI
Reuters Code	: AYGAZ.IS
IPO Date	: 13.01.1988
Free Float Rate	: 24.3%

Corporate Governance Rating Score

Shareholders	: 9.54
Stakeholders	: 9.92
Public Disclosure and Transparency	: 9.39
Board of Directors	: 9.14
Total	**: 9.42**

Share Performance (TL M)

Total Dividend (TL M)



* Proposal submitted to the General Assembly for approval

Investor relations activities in 2019

The Investor Relations Department held one-to-one meetings or teleconference sessions with nearly 70 investors as well as two webcasts at the time of earnings release announcements in 2019. The department also attended the Wood's Emerging Europe Conference in Prague. In order to ensure healthy, two-way communication between shareholders and the company management, the Investor Relations Department reported its activities and summaries of all meetings with investors and shareholders to inform the senior management on a weekly basis.

In 2019, the analysts and corporate investors that follow the company convened with senior management in meetings at the head office to evaluate the important agenda items of the previous year and discuss the company's current vision and targets. The number of analysts and brokers that follow Aygaz and publish regular reports was 12 in 2019. In almost all of their reports, these analysts expressed their expectations about the share value of Aygaz as parallel to or higher than the BIST 100 Index.

In 2019, the Investor Relations Department responded to various inquiries from several investors and analysts by phone and email, and contacted them during financial reporting periods. The questions from the shareholders are typically about the sales volume, market shares, profitability, share value, investments, revenues, subsidiaries, dividend payments and future targets of Aygaz. The number of inquiries received in 2019 was close to 90, and all were replied in written, verbal or electronic form. Throughout the year, 59 material disclosures were announced, and those that particularly concern the investors were published on the corporate website as well as PDP along with their English translations.

The Investor Relations Departments continually keeps company presentation up-to-date, and publishes an earnings release report after the financial results are announced. Other information documents are made available to the public at www.aygaz.com.tr website under the Investor Relations section.

SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri, operating in Turkey under license from the CMB to conduct corporate governance rating activities, assesses the corporate governance performance of Aygaz annually. The corporate governance rating score of Aygaz, which was 9.40 in 2018, was upgraded to 9.42 on June 21, 2019. Aygaz also continues to be included in the BIST Sustainability Index, which consists of companies with the highest corporate sustainability performance that are traded on BIST.

Share performance

The company's market value was TL 3.9 billion as of December 31, 2019 with 29% increase compared to the beginning of the year. Meanwhile, BIST 100 index closed the year with a rise of 29% and BIST 30 with 25% in the same time period. Aygaz shares were traded at lowest TL 8.30 and highest TL 12.84.

With the FED and ECB announcing interest rate cuts, liquidity abundance in global markets increased, leading to cash flow to almost all emerging markets - even though it remained limited for Turkey - and a positive outlook overall.

Dividend distribution

Aygaz aims to create high shareholder value and follows a consistent dividend policy that balances both the company's and the shareholders' interests. With TL 150 million as dividend from 2019 profit to be submitted to the General Assembly for approval, the dividend distribution ratio is 55%, with the total dividend of the last five years reaching TL 1,761 billion.

Corporate Governance Principles Compliance Report

SECTION I - Corporate Governance Principles Compliance Report

Aygaz is aware of the benefits and importance of Corporate Governance Principles in terms of companies and capital markets. Compliance with international standards, creating sustainable shareholder value, securing funding from foreign markets and achieving consistent growth are very important in today's increasingly globalizing world. In this respect, corporate governance also contributes significantly toward improving management quality, mitigating and better managing risks, and enhancing the company's reliability and reputation in financial and capital markets.

Aygaz fully complies with mandatory principles of the Corporate Governance Communiqué No: II-17.1, and has adopted a majority of the non-mandatory principles. Although the company aims to fully comply with the non-mandatory Corporate Governance Principles, full compliance has not yet been achieved due to the difficulties regarding implementation of some principles, the current debate on both domestic and international platforms toward their adoption and some principles failing to align with the existing structure of the market and the company. The principles that have not been implemented yet are being worked on and the plan is to adopt them upon the completion of the administrative, legal and technical infrastructure work that would contribute to the company's effective management. The comprehensive efforts undertaken within the framework of Corporate Governance Principles and the principles that have yet to be adopted under relevant sections and the resulting conflicts of interest, if any, are explained below.

The Corporate Governance practices in 2019 have been carried out in compliance with the Capital Markets Law that includes Capital Markets Board (CMB) regulations on corporate governance principles and the communiqués pursuant to this law. Prior to the general assembly meeting, independent board members were nominated and publicly announced, and general assembly meeting was organized with due process. At the Ordinary General Assembly Meeting in 2019, members of the Board of Directors were elected, and in the ensuing process the Board committees, which currently functions effectively, were formed in accordance with regulations. Remuneration policy was determined for Board members and senior executives, and presented to the shareholders at the general assembly meeting. Through the information document prepared for the General Assembly, information mandated by the principles, such as privileged shares, voting rights, organizational changes, résumés of the nominees for Board membership, remuneration policy for the Board of Directors and senior executives as well as all reports and information that must be drafted and disclosed about related parties were made available for investors three weeks prior to the General Assembly meeting. The corporate website and annual report were also reviewed and necessary changes were made toward full compliance with the principles.

Necessary work will be carried out for full compliance with the principles by considering legislative developments and implementations in the upcoming period.

The non-mandatory Corporate Governance Principles, which have yet to be complied with, are listed below. Aygaz has not been exposed to any conflicts of interest due to lack of full compliance with the said principles.

- Regarding principle 1.5.2, minority rights are not granted for shareholders holding less than one-twentieth of the share capital according to the Articles of Association, and rights are granted pursuant to general legislative provisions.
- Regarding principle 4.2.8, even though the company has in place an "executive liability insurance," the coverage is below the specified amount.
- Regarding principle 4.3.9, a target ratio and time have not yet been determined for the number of female members in the Board of Directors, and relevant assessment on this topic is currently ongoing. Detailed information on this topic is provided in section 5.1.
- Regarding principle 4.4.5, Board meetings take place based on customary practices of many years; however, a written internal procedure has not yet been implemented within the organization.
- Regarding principle 4.4.7, no limitation is imposed on the Board members with respect to other responsibilities outside the company as explained in article 5.1 below.
- Regarding principle 4.5.5, members are assigned to the Board committees in accordance with applicable regulations, considering the expertise and experience of the individuals. Some Board members are assigned to multiple committees, supporting communication among different committees on related matters and increasing collaboration possibilities.
- Regarding principle 4.6.1, a specific performance appraisal on Board level has not been conducted.
- Regarding principle 4.6.5, remunerations of Board members and executives with administrative responsibilities are presented at the Ordinary General Assembly, documented in the notes to the consolidated financial statements and disclosed to the public in line with general practices.

Aygaz A.Ş. demonstrates its emphasis on the importance of complying with corporate governance principles and its commitment to implementing them as a continuous and dynamic process by receiving Corporate Governance Rating scores and remaining in the Corporate Governance Index. Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., operating under license from the Capital Markets Board (CMB) to conduct corporate governance rating activities in Turkey, updated last year's rating of 9.40 to 9.42 on June 21, 2019. Corporate Governance Rating Score is determined under four main categories weighted by different degrees within the framework of the CMB resolution on the matter. Improvements in the main topics "Public Disclosure and Transparency" and "Shareholders" have contributed to the increase in the rating score. Enhancements made in the English content of the corporate website and the fact that the loss, which the Board members may cause to the company for failings during their performance of duties, is covered by insurance was included in the annual report and disclosed to the public on the Public Disclosure Platform (PDP) were evaluated as positive developments. On the other hand, creating and disclosing a donation policy, setting a target ratio, which should be at least 25%, and time for female members on the Board, and defining a policy to attain these targets were pointed out as development areas for the Company's corporate governance practices. Aygaz, with its current corporate governance rating, has been one of the companies to hold the highest corporate governance scores in Turkey as of the rating date.

Necessary work will be carried out for further compliance with the principles in the upcoming period by considering regulatory developments and implementations. The established corporate identity of Aygaz has brought momentum to the steps taken for this purpose, and its management structure and processes have been shaped in compliance with these regulatory guidelines.

Since the General Assembly meeting of 2005, "Corporate Governance Compliance Reports" are prepared and published on the company's corporate web site (www.aygaz.com.tr) and within annual reports. The 2019 Corporate Governance Compliance Report (URF) and Corporate Governance Information Form (KYBF), prepared in accordance with CMB's resolution no. 2/49 dated January 10, 2019 and approved by Aygaz A.Ş. Board of Directors, are presented in the "Corporate Governance" section (pages 75-87) of the annual report, and the related documents can also be found in the corporate governance page of Aygaz A.Ş. on the Public Disclosure Platform (www.kap.org.tr).

Corporate Governance Committee

Kutsan Çelebican Chairman of Committee	Yağız Eyüboğlu Member	Ferda Erginoğlu Member

SECTION II – Shareholders

2.1. Investor Relations Department

At Aygaz, Investor Relations Department's duties set out by article 11 of the Corporate Governance Communiqué are carried out by the Finance Manager under the supervision of Ferda Erginoğlu, Assistant General Manager - Finance. The department consisting of Şebnem Yücel and Selin Sanver, with Capital Market Activities Advance Level and Corporate Governance Rating Specialist Licenses can be reached by email at yatirimciiliskileri@aygaz.com.tr or investorrelations@aygaz.com.tr or by phone at +90 212 354 15 15 / extensions 1510-1659 for information requests.

The report including all of the activities carried out throughout the year was submitted to Corporate Governance Committee and Board of Directors on February 17, 2020.

2.2. Exercise of Shareholders' Right to Obtain Information

The "Investor Relations" section on the corporate website is continuously updated to offer shareholders easier usability and access to more information.

All information except those qualifying as commercial secrets are shared with shareholders and no discrimination is made among shareholders regarding the exercise of the right to obtain and review information. All the inquiries submitted to the Investor Relations Department other than the ones classified as confidential information and trade secrets are replied verbally by phone or in writing after conferring with the highest ranking official on the relevant issue. As explained under section 3.1 of this report, the corporate website provides all relevant information and explanations that may affect the exercise of shareholders' rights.

Even though the Articles of Association do not contain any provision for an individual to have the right to request a special auditor, pursuant to Article 438 of the Turkish Commercial Code every shareholder may request the General Assembly to clarify certain events – even if they are not included in the agenda – by way of a special audit, if doing so is necessary for exercising shareholders' rights, provided that the right to obtain information or review has been previously exercised. To date, shareholders have not put in such a request. Furthermore, the company's operations are periodically audited by an Independent Auditor appointed by the General Assembly.

2.3. General Assembly Meetings

The Ordinary General Assembly meeting, where the activities of the 2018 reporting period were reviewed and released was held open to public on March 20, 2019 at the head office of the company in Büyükdere Caddesi, No: 145/1 Zincirlikuyu, Şişli, Istanbul with a shareholder attendance rate of 86 percent. Six Members of the Board of Directors, as well as auditors and senior executives have attended the General Assembly meeting. Individual shareholders and members of the press were also present in the meeting. The venue of the General Assembly meeting, its agenda and a sample power of attorney were announced to the public 21 days prior to the meeting via Turkish Trade Registry Gazette (TTRG) and material disclosures made via the Public Disclosure Platform (PDP). These details can be accessed by searching for Disclosures on PDP, or selecting the year in the relevant section on the corporate website at: https://www.aygaz.com.tr/yatirimci-iliskileri/ozel-durum-aciklamaları.

The 2018 annual report, auditor's report, independent audit report, financial statements and notes, profit distribution proposal of the Board of Directors, General Assembly Information Document and annexes were made available for the shareholders to review at the company head office and on the corporate website 21 days prior to the General Assembly meeting. The profit distribution proposal was announced via the Public Disclosure Platform (PDP). Shareholders have not submitted any requests with regard to the agenda. The questions that the shareholders directed during the General Assembly were answered by members of the Board of Directors and senior management.

The annual Ordinary General Assemblies authorize Chairman and members of the Board of Directors to conduct businesses in the same field as the company personally or on behalf of others and to become partners of such companies and carry out other transactions pursuant to articles 395 and 396 of the Turkish Commercial Code. Within the framework of this authority, Board Members are allowed to take on other duties outside the company without any limitations.

At the ordinary general assembly meeting in 2019, information was provided regarding the donations and grants paid in 2018 as a separate agenda item and the donation limit for 2019 was set at 0.2% (two thousandth) of the previous year's revenues while no changes were made to the company's existing donation practices.

Some shareholders with management control, members of the Board of Directors, executives with administrative responsibilities, their spouses and blood relatives to the second degree and in laws carry out administrative duties as members of the Board of Directors in some other Koç Group companies including the ones that operate in similar fields. In 2019, there has been no transaction that required disclosure pursuant to Article 1.3.6 of the Corporate Governance Communiqué.

The minutes of the General Assembly meeting are registered and announced in Turkish Trade Registry Gazette (TTRG) and made available for the shareholders to review both at the company Head Office and on the corporate website. General Assembly meetings are held open to public including media and stakeholders without the right to speak and this provision is stipulated in Article 14 of the Articles of Association.

2.4. Voting Rights and Minority Rights

Privileged voting rights are not granted to shareholders of the company. There is no other company with reciprocal shareholding with Aygaz. Minority rights are represented at the General Assembly directly or by proxy. The Company's Articles of Association contain no provision on the cumulative voting method. Minority rights are not granted for shareholders holding less than one-twentieth of the share capital according to the Articles of Association and rights are granted pursuant to general legislative provisions.

2.5. Dividend Rights

There are no privileges regarding the sharing of company profits. Profit distribution is made in accordance with and at the intervals stipulated by applicable legislation. The aim is to set out and announce a profit distribution policy considering the interests of both the shareholders and the company in compliance with Corporate Governance Principles. The profit distribution policy currently in effect was revised at the company's Board of Directors meeting on March 5, 2014 and took its present form.

Pursuant to Corporate Governance Principles, Profit Distribution Policy published on the corporate website and in the annual report was presented to shareholders at the General Assembly meeting on March 20, 2019. The company paid in cash a gross total dividend of TL 386 million in 2019.

2.6. Transfer of Shares

Article 8 of the Articles of Association, titled 'Transfer of Shares' stipulates that only the individuals registered in the share book conforming with the records of the Central Registry Agency will be considered and treated as holders of shares or holders of rights of usufruct on shares. Transfer of the company's publicly traded registered shares are governed by and subject to the applicable regulations of the Capital Markets Board.

SECTION III – Public Disclosure and Transparency

3.1. Corporate Website and Content

The company's corporate website www.aygaz.com.tr is available in Turkish and English. As explained in detail in the company's Disclosure Policy, the Investor Relations section includes main headings such as stock information, financial statements, material disclosures, shareholding structure and subsidiaries, trade registry information, general assembly meeting agendas and minutes, list of attendants and meeting records, proxy vote form, profit distribution policy, information policy, Board of Directors, corporate governance, news and announcements, presentations, frequently asked questions and 'contact us' as well as numerous sets of documents and information under these that must be featured on the website pursuant to Corporate Governance Principles and other legislation. Changes to such information or the legislation are reflected on the website simultaneously.

3.2. Annual Report

The company's Annual Report is prepared in a manner to include all information stipulated by the Corporate Governance Principle 2.2 and its subparagraphs in sufficient detail to ensure that the public can access complete and accurate information regarding the company's activities and in compliance with relevant legislation.

SECTION IV - Stakeholders

4.1. Informing Stakeholders

Company stakeholders are informed regularly on matters that concern them. Company employees are informed at internal communication meetings. Field employees at the Aygaz Gebze Plant and seamen working on vessels are members of trade unions organized in related lines of work. These workers are informed through union representatives. Regional or general dealer meetings are held every year. During the meetings in 2019, dealers were informed about the company's activities, and their requests and suggestions were received. Individual and group meetings are held with the suppliers where a mutual exchange of information takes place.

On the other hand, comprehensive communication activities are also carried out through the company's corporate website, newsletters, technical publications and the company magazine, "Aygaz Dünyası". Designed to strengthen communication with dealers, the Dealer Portal also continues to be used effectively.

Stakeholders can use the links and call the phone line provided on the corporate website and intranet to report any infringements of legislations and ethically inappropriate activities to the Company Management or Internal Audit Department to be duly submitted to the Audit Committee.

4.2. Stakeholder Participation in Management

In the stakeholder meetings, attendees find the opportunity to express their requests and suggestions, which are then taken into consideration by the management. Furthermore, the Individual Suggestion System and email pools established within the company provide an opportunity to submit new ideas, and owners of the implemented ideas are rewarded. Suggestions can be submitted through the company's corporate website and intranet.

4.3. Human Resources Policy

The human resources (HR) policy of Aygaz, carried out in line with the Koç Group employer brand approach, is also based on the "Our most valuable asset is our human resources" philosophy of our founder Vehbi Koç. Aygaz believes that the quality of its products and services begins with its employees, and the company's human resources management includes participation, transparency and all other business processes that consider the benefit of all stakeholders.

The Aygaz vision for human resources is to provide its employees the opportunity to develop, foster an environment of cooperation and solidarity, ensure employee engagement in line with the goals of the Koç Group and effectively manage efficiency.

The human resources mission of Aygaz is to build a workforce of creative, qualified and highly motivated best-in-industry employees that can integrate international norms and macro trends with Human Resources strategies and support the company on its path to becoming an exemplary organization in the business world.

SECTION V – Board of Directors

5.1. Composition and Election of the Board of Directors

The Aygaz Board of Directors is composed of nine members in total with one Chairman, one Vice Chairman and seven members, three of which are independent. As of 2019, the Board has one female member. All Members of the Board of Directors were elected in the General Assembly meeting on March 20, 2019 to serve until the Ordinary General Assembly Meeting to be held to review the financial results for 2019. Résumés of the Board Members and the General Manager are included in the annual report.

The table below provides brief information about the non-executive members of the Board in accordance with CMB's Corporate Governance Principles.

Board Member Name Surname	Independence Status	Duties on the Board and Committees	Duties Outside the Company
Rahmi M. Koç	Non-independent	Chairman of the Board and Executive Committee	Koç Holding A.Ş. Honorary President and Board Member in Koç Group Companies
Ömer M. Koç	Non-independent	Vice Chairman of the Board and Member of Executive Committee	Chairman of the Board of Directors in Koç Holding A.Ş. and Board Member in Koç Group Companies
Alexandre F. J. Picciotto	Non-independent	Board Member and Executive Committee Member	Orfim General Manager and Board Member in various companies
Dr. Bülent Bulgurlu	Non-independent	Board Member and Member of Risk Management Committee	Board Member in Koç Group Companies
Levent Çakıroğlu	Non-independent	Board Member	Koç Holding A.Ş. CEO, Board Member in Koç Holding A.Ş. and Koç Group Companies
Yağız Eyüboğlu	Non-independent	Board Member and Member of Corporate Governance Committee	Koç Holding A.Ş. Energy Group President and Board Member in Koç Group Companies
Dr. Şadan Kaptanoğlu Dikici	Independent	Board Member, Chairwoman of Risk Management Committee and Member of Audit Committee	Kaptanoğlu Denizcilik Tic. A.Ş. Board Member
Kutsan Çelebican	Independent	Board Member, Chairman of Audit Committee and Chairman of Corporate Governance Committee	Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş Independent Board Member
Kemal Ege Cansen	Independent	Board Member	

The duties of the Chairman and the General Manager are performed by different individuals. While Board Members are expected to dedicate the time required for the affairs of the company, there are no limitations imposed on them about assuming other duties outside the company. Limitation in this context is not needed particularly due to independent members' significant contributions to Board of Directors with their respective professional and industrial experiences. The résumés of the members and the duties they assume outside the company are presented to the shareholders prior to General Assembly.

At Aygaz, Corporate Governance Committee carries out the duties of the Nomination Committee. In 2019, three independent candidates were nominated and they all submitted their statements of independence to the Corporate Governance Committee. The Corporate Governance Committee and the Board of Directors evaluated the declarations and résumés of Independent Board Members during their respective meetings on January 16, 2019 and determined that all met the criteria specified in Corporate Governance Principles, and it was decided that all should be nominated as independent member candidates. As of 2019 operating period, no situations that would eliminate independence arose.

Ensuring diversity on the Board of Directors in terms of knowledge, experience and perspective is believed to contribute positively to operations of the company and increases the efficiency of the Board's activities. In this context, having female members is a means of achieving representation on the Board of Directors, and Aygaz continues to work on determining a target ratio for female members on the Board. Currently, there is one female member on the Board composed of nine directors.

5.2. Operating Principles of the Board of Directors

The agenda of the Board of Directors meetings is determined according to the company's needs upon evaluation of activities. The General Manager and the Assistant General Manager, Finance inform and maintain communication with the Board of Directors. Convening as the company's activities require, the Board of Directors held three physical meetings in 2019 to address strategic issues and 29 resolutions in total were passed including those that fall under the scope of paragraph 4 of Article 390 of the Turkish Commercial Code.

Board Members have no weighted voting privileges and/or negative veto power. During the reporting term, all resolutions were passed unanimously. Other than the powers vested in the General Assembly by the Turkish Commercial Code, the Board of Directors is authorized to make decisions related to the affairs of the company. Powers and responsibilities of Board Members and executives are regulated by the circular of signature drafted according to the relevant provisions of the company's Articles of Association.

Board Members do not carry out transactions with the company or take part in any competitor entities. As stated in section 2.3, some shareholders with management control, Members of the Board of Directors, executives with administrative responsibilities, their spouses and blood relatives to the second degree and in laws serve as Members of Board of Directors in some other Koç Group companies including the ones that operate in a similar field. Board Members and Senior Executives of the company are covered by "executive liability insurance".

In overseeing the activities of the company, the Board of Directors assesses the possibility of conflict of interest and if any, considers the consequences of such conflict and makes necessary decisions to act in the company's best interest. The Board diligently follows related party transactions considering compliance with regulations as well as assessing possible misconduct risks.

5.3. Number, Composition and Independence of Committees within the Board

In 2019, all the Board Committees have fulfilled the responsibilities and duties that were expected of them pursuant to Corporate Governance Principles and operating principles of their own and convened in accordance with their work plans. The results of the meetings held throughout the year and information about the works of the committees were presented to the Board of Directors. The opinion of the Board of Directors in this respect is that the benefits expected of Board Committees' efforts have been obtained.

The Audit Committee, which has been formed within the statutory period, performs the duties set out by the Capital Markets Board Communiqué. The committee audits and supervises the company's accounting system, disclosure of financial information to the public, independent audit and the functioning and efficiency of the internal control mechanism of the group. Selection of the independent audit firm, drafting independent audit agreements, starting the independent audit process and works of the independent audit firm at all stages are carried out under the supervision of the Audit Committee. The Audit Committee convenes at least four times a year and more frequently when required as it must report in writing, along with its own assessments, to the Board of Directors on whether the annual and interim financial statements to be disclosed to the public comply with the accounting principles followed by the group and fully reflected the financial position of the company after conferring with the responsible executives of the group and independent auditors. The committee convened nine times in 2019. The responsibilities of the Audit Committee together with the company management are to execute both internal and external audits with due diligence and to ensure the compliance of records, operations and reporting with applicable laws, rules and regulations and with principles set out by CMB and IFRS. In 2019, independent Board Member Kutsan Çelebican was appointed Chairman of Audit Committee and Dr. Şadan Kaptanoğlu Dikici as Committee Member.

Independent board member Kutsan Çelebican heads the Corporate Governance Committee established to monitor compliance of the company with Corporate Governance Principles and inspect the grounds for the principles yet to be implemented. Yağız Eyüboğlu was appointed Committee Member. Pursuant to article 11 of CMB's Corporate Governance Communiqué (II-17.1), which entered into effect on January 3, 2014, Assistant General Manager, Finance was appointed Senior Executive Responsible for Investor Relations Department and Member of the Corporate Governance Committee. Accordingly, Ferda Erginoğlu, Assistant General Manager, Finance, serves as Member of the Corporate Governance Committee. The duties of Remuneration and Nomination Committees are assumed by the Corporate Governance Committee, which convened five times during 2019.

The Risk Management Committee was established to provide the Board of Directors with suggestions and recommendations regarding the identification, assessment and calculation of the impact and likelihood of all strategic, operational, financial and miscellaneous risks that may affect the company. Furthermore, ensuring management of the Company in accordance with the corporate risk-taking profile, reporting and taking into consideration the decision making mechanisms of such risks as well as the creation and integration of effective internal control systems are also among the committee's purposes. In 2019, independent Board Member Dr. Şadan Kaptanoğlu Dikici was appointed as the Chairwoman and Dr. Bülent Bulgurlu as Member of the Risk Management Committee, which convened seven times in 2019.

The Board of Directors resolved on May 4, 2012 that the activities of the Investment and Business Development Committee, established on July 15, 2010 to generate ideas and strategies for the company, ensure coordination among relevant departments and accordingly determine the special areas within the company's field of operation, design and plan new projects and investments, as well as oversee the management of adopted strategies and projects, should be expanded in a way to provide the Board of Directors with support in all matters, and renamed it the Executive Committee. The Executive Committee convenes as frequently as required by the activities of the company. In 2019, the Committee convened once a month, 12 times in total; Mustafa Rahmi Koç was the Chairman of the Committee with Mehmet Ömer Koç, Yıldırım Ali Koç, Alexandre F.J. Picciotto and Caroline Nicole Koç serving as Members.

As a principle, Board Members do not have duties simultaneously in various committees. However, due to the structure of our Board of Directors, some Board Members have duties in more than one committee. These members help facilitate communication among committees and increase cooperation possibilities.

5.4. Risk Management and Internal Control Mechanism

Ensuring healthy functioning of the internal control system and internal audit is the responsibility of the Board of Directors and the efforts are coordinated by the General Manager, overseen by the committees created by the Board of Directors, and necessary information is presented to the Board of Directors, thus making it possible for the efficiency of risk management systems to be reviewed.

Reporting to General Manager and also to Audit Committee when needed, the Internal Audit Department continues to work toward establishing a more effective internal control structure by analyzing company processes and reporting to senior management the issues that are considered risky.

Furthermore, an independent audit firm conducts periodic audits, and results of these audits are reported to the Board of Directors. Corporate Risk Management (CRM) is carried out by a team formed with participation of various departments under the leadership of Assistant General Manager, Finance and monitored by the Risk Management Committee.

5.5. The Company's Strategic Goals

Along with the company's vision and mission, its strategic goals have also been determined and presented to all stakeholders through various channels. The annual targets that are determined and set out for the management of the company by the Board of Directors in accordance with these are communicated across all levels. Both the Board of Directors and relevant committees are periodically briefed regarding the realization of the given targets and developments.

5.6. Financial Benefits

The company's Remuneration Policy for the Members of the Board of Directors and Senior Executives, which includes all rights, benefits and wages provided for Members of the Board of Directors and senior executives, was approved at the Ordinary General Assembly Meeting on March 31, 2014. Disclosed to the public through the company's annual report and corporate web site and most recently approved by the shareholders at the Ordinary General Assembly on March 20, 2019, this policy is also on the agenda of the Ordinary General Assembly Meeting that will be held on March 10, 2020 to review the 2019 activities to be presented to the shareholders of the company. The total payment made to Members of the Board of Directors and Senior Executives within the framework of the Remuneration Policy is assessed by the Corporate Governance Committee and the Board of Directors every year. The total payments made to the Members of the Board of Directors and Senior Executives are disclosed to the public through financial statement notes in accordance with general practices. There are no transactions that may lead to conflicts of interest such as loans, utilization of credit and provision of guarantees for the benefit of our Board Members or Executives.

Corporate Governance Information Form

1. SHAREHOLDERS

1.1. Facilitating the Exercise of Shareholders Rights

The number of investor meetings (conference, seminar/etc.) organised by the company during the year	Near 70 investors and analysts were informed through one to one meetings, teleconferences and 2 webcasts were broadcasted on earnings periods.

1.2. Right to Obtain and Examine Information

The number of special audit request(s)	-
The number of special audit requests that were accepted at the General Shareholders' Meeting	-

1.3. General Assembly

Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/en/Bildirim/741470
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Provided
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There is no such transaction.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	There is no such transaction.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	https://www.kap.org.tr/en/Bildirim/741497
The name of the section on the corporate website that demonstrates the donation policy of the company	The upper limit for donations are set in each year's General Shareholder's Meetings and the general framework for donations are specified in company's Articles of Association Item 3-o. However there is not a seperate donation policy.
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	The PDP link related to the General Shareholder's Meeting where the upper limit for donations are set: https://www.kap.org.tr/en/Bildirim/748914
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	Item 14-a
Identified stakeholder groups that participated in the General Shareholders' Meeting	The General Assembly was made open to the public, including stakeholders and the media without the right to speak.

1.4. Voting Rights

Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	-
The percentage of ownership of the largest shareholder	40.68%

1.5. Minority Rights

Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association.	-

1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	Investor Relations- Corporate Overview and Governance- Policies and Principles- Dividend Policy
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend.	Dividend distributed.
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	-
General Assembly Meetings	
General Meeting Date	20.03.2019
The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	0
Shareholder participation rate to the General Shareholders' Meeting	86%
Percentage of shares directly present at the GSM	0
Percentage of shares represented by proxy	86%
Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Investor Relations- Corporate Overview and Governance- General Assembly
Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	No questions asked.
The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	-
The number of declarations by insiders received by the board of directors	0
The link to the related PDP general shareholder meeting notificationv	https://www.kap.org.tr/en/Bildirim/748914

2. DISCLOSURE AND TRANSPARENCY

2.1. Corporate Website	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	Investor Relations- Stock ID and Investor Tools, Financial Tables, Annual Reports, Presentations, Material Disclosures, Corporate Overview and Governance
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	Investor Relations- Corporate Overview and Governance- Shareholding Structure
List of languages for which the website is available	Turkish and English
2.2. Annual Report	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2. a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	a) Corporate Governance- Board of Directors- Executive Management and Statements of Independence of the Independent Board Members

b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	b) Corporate Governance- Corporate Governance Principles Compliance Report- Number, Composition and Independence of Committees within the Board
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	c) Corporate Governance- Corporate Governance Principles Compliance Report- Operating Principles of the Board of Directors
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	ç) There are no amendments in the legislation that affect the activities of the company significantly.
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	d) Corporate Governance- Legal Disclosures- Lawsuits and Sanctions
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	e) There is no such case.
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	f) There is no such case.
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	g) They are included under the main titles of Human Resources, Sustainable Growth and Social Responsibility.

3. STAKEHOLDERS

3.1. Corporation's Policy on Stakeholders

The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Corporate- Career at Aygaz- Human Resources Practices
The number of definitive convictions the company was subject to in relation to breach of employee rights	21
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Internal Audit Manager
The contact detail of the company alert mechanism	https://aygaz.com.tr/en/corporate/aygaz-call-center, https://aygaz.com.tr/en/corporate/contact-us

3.2. Supporting the Participation of the Stakeholders in the Corporation's Management

Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	Investor Relations- Corporate Overview and Governance- Corporate Governance Reports- Corporate Governance Compliance Reports- Stakeholders- Stakeholder Participation in Management
Corporate bodies where employees are actually represented	In our company, both unionized and non-unionized colleagues participate in the management with different methods and share their views. With the Employee Engagement Survey conducted every year, the opinion of each colleague is taken as an anonymous questionnaire in the form of open-ended responses. With various communication meetings, information about the company is shared with employees, dealers and other stakeholders and questions and comments of these stakeholders are taken.

3.3. Human Resources Policy

The role of the board on developing and ensuring that the company has a succession plan for the key management positions	A succession plan is created for all key management positions. This Succession Plan is finalized by submitting to the information of the Board of Directors following the approval of the General Manager.

The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	Corporate- Career at Aygaz- Human Resources Policies and Ethical Principles. At Aygaz, the compliance with human rights and labour standards contained in the UN Global Compact signed by Koç Group, to which Aygaz is affiliated, is taken as a basis for all HR processes.
Whether the company provides an employee stock ownership programme	There isn't an employee stock ownership programme.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	Corporate- Career at Aygaz- Ethical Principles
The number of definitive convictions the company is subject to in relation to health and safety measures	0
3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	Investor Relations- Corporate Overview and Governance- Policies and Principles- Ethical Principles
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	Corporate- Social Responsibility- Sustainability- Sustainability Reports
Any measures combating any kind of corruption including embezzlement and bribery	Investor Relations- Corporate Overview and Governance- Policies and Principles- Under Ethical Principles; Ethic Policies, Code of Ethics and Business Conduct for Employees and Countering Bribery and Corruption

4. BOARD OF DIRECTORS-I

4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	-
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	No delegation was delegated among the board members.
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	1 (Internal audit unit provides collective information to the audit committee regarding the operations within the year)
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Risk Management and Internal Control
Name of the Chairman	Mustafa Rahmi Koç
Name of the CEO	Gökhan Tezel

If the CEO and Chair functions are combined: provide the link to the relevant PDP annoucement providing the rationale for such combined roles	-
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	-
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	There is no such policy.
The number and ratio of female directors within the Board of Directors	1 (11%)

Composition of Board of Directors

Name, Surname of Board Member	Whether Executive Director or Not	Whether Independent Director or Not	The First Election Date to Board	Link To PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered by The Nomination Committee	Whether She/ He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has at Least 5 Years' Experience on Audit, Accounting And/or Finance or Not
Mustafa Rahmi Koç	(Non executive)	Not independent director	27/03/1996		Not considered	No	Yes
Mehmet Ömer Koç	(Non executive)	Not independent director	27/03/1996		Not considered	No	Yes
Alexandre F.J. Picciotto	(Non executive)	Not independent director	13.07.2012		Not considered	No	Yes
Dr.Bülent Bulgurlu	(Non executive)	Not independent director	24.04.2008		Not considered	No	Yes
Levent Çakıroğlu	(Non executive)	Not independent director	30.03.2015		Not considered	No	Yes
Yağız Eyüboğlu	(Non executive)	Not independent director	04.04.2016		Not considered	No	Yes
Kutsan Çelebican	(Non executive)	Independent director	21.03.2018	https://www.kap.org.tr/tr/Bildirim/741470	Considered	No	Yes
Kemal Ege Cansen	(Non executive)	Independent director	21.03.2018	https://www.kap.org.tr/tr/Bildirim/741470	Considered	No	Yes
Dr.Şadan Kaptanoğlu Dikici	(Non executive)	Independent director	21.03.2018	https://www.kap.org.tr/tr/Bildirim/741470	Considered	No	Yes

4. BOARD OF DIRECTORS-II

4.4. Meeting Procedures of the Board of Directors

Number of physical board meetings in the reporting period (meetings in person)	3
Director average attendance rate at board meetings	93%
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	There are no specifications about the deadline of the process. However the timing for the presentation of information and documents relevant to the agenda is managed considering the subject and the course of the agenda and in a timely manner.
The name of the section on the corporate website that demonstrates information about the board charter	There is no determination in this direction.
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	There is no determination in this direction.

4.5. Board Committees

Page numbers or section names of the annual report where information about the board committees are presented	Corporate Governance- Corporate Governance Principles Compliance Report- Composition and Election of the Board of Directors, Number, Composition and Independence of Committees within the Board
Link(s) to the PDP announcement(s) with the board committee charters	https://www.kap.org.tr/en/Bildirim/749758, https://aygaz.com.tr/en/investor-relations/committees

Composition of Board Committees-I

Names of The Board Committees	Name of Committees Defined As "Other" in The First Column	Name-Surname of Committee Members	Whether Committee Chair or Not	Whether Board Member or Not
Audit Committee	-	Kutsan Çelebican Dr. Şadan Kaptanoğlu Dikici	Yes No	Board member Board member
Corporate Governance Committee	-	Kutsan Çelebican Yağız Eyüboğlu Ferda Erginoğlu	Yes No No	Board member Board member Not board member
Committee of Early Detection of Risk	-	Dr. Şadan Kaptanoğlu Dikici Dr. Bülent Bulgurlu	Yes No	Board member Board member
Other	Executive Committee	Mustafa Rahmi Koç Mehmet Ömer Koç Yıldırım Ali Koç Alexandre F.J. Picciotto Caroline Nicole Koç	Yes No No No No	Board member Board member Not board member Board member Not board member

4. BOARD OF DIRECTORS-III

Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance- Corporate Governance Principles Compliance Report- Composition and Election of the Board of Directors, Number, Composition and Independence of Committees within the Board
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance- Corporate Governance Principles Compliance Report- Composition and Election of the Board of Directors, Number, Composition and Independence of Committees within the Board
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Committee carries out the duties of the Nomination Committee. Corporate Governance- Corporate Governance Principles Compliance Report- Composition and Election of the Board of Directors, Number, Composition and Independence of Committees within the Board
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance- Corporate Governance Principles Compliance Report- Composition and Election of the Board of Directors, Number, Composition and Independence of Committees within the Board

Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Committee carries out the duties of the Remuneration Committee. Corporate Governance- Corporate Governance Principles Compliance Report- Composition and Election of the Board of Directors, Number, Composition and Independence of Committees within the Board

4.6. Financial Rights

Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Report of the Board of Directors and Chairmans Message
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Investor Relations- Corporate Overview and Governance- Policies and Principles- Compensation Policy
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Remuneration Policy for the Board of Directors and Senior Management- Notes to the consolidated financial statements - Note 31

Composition of Board Committees-II

Names Of The Board Committees	Name of committees defined as "Other" in the first column	The Percentage Of Non-executive Directors	The Percentage Of Independent Directors In The Committee	The Number Of Meetings Held In Person	The Number Of Reports On Its Activities Submitted To The Board
Audit Committee	-	100%	100%	9	9
Corporate Governance Committee	-	67%	33%	5	5
Committee of Early Detection of Risk	-	100%	50%	7	7
Other	Executive Committee	100%	0%	12	12

Corporate Governance Compliance Report

	COMPANY COMPLIANCE STATUS					EXPLANATION
	Yes	Partial	No	Exempted	Not Applicable	
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2- Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	x					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	x					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	x					
1.3.7- Insiders with privileged information have informed the Board of Directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					x	There was no such notification.
1.3.8 - Members of the Board of Directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	x					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.		x				The agenda of the General Shareholders' Meeting included a seperate item for the total amount of the donations and contributions.
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.	x					
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	x					
1.4.2 - The company does not have shares that carry privileged voting rights.	x					
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					x	Aygaz A.S does not have a cross-ownership relation that brings along domination.
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	x					

	COMPANY COMPLIANCE STATUS					EXPLANATION
	Yes	Partial	No	Exempted	Not Applicable	
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			x			Even though minority rights are not determined less than one in twenty by the Articles of Association, in parallel with general practice, the minority was granted rights under the general provisions of the regulations. There was no demand from the investors regarding this issue.
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	x					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	x					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.					x	The subject was not specified on agenda since the profit distribution was made.
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	x					
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	x					
2.1. CORPORATE WEBSITE						
2.1.1. - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	x					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	x					
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	x					
2.2. ANNUAL REPORT						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	x					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	x					

	COMPANY COMPLIANCE STATUS					EXPLANATION
	Yes	Partial	No	Exempted	Not Applicable	
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	x					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	x					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	x					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	x					
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.	x					
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	x					
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	x					
3.3.2 - Recruitment criteria are documented.	x					
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	x					
3.3.4 - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	x					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	x					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	x					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	x					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	x					
3.3.9 - A safe working environment for employees is maintained.	x					

	COMPANY COMPLIANCE STATUS					EXPLANATION
	Yes	Partial	No	Exempted	Not Applicable	
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	x					
3.4.2 - Customers are notified of any delays in handling their requests.	x					
3.4.3 - The company complied with the quality standards with respect to its products and services.	x					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	x					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The Board of the corporation has adopted a code of ethics, disclosed on the corporate website.	x					
3.5.2 - The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	x					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The Board of Directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	x					
4.1.2 - The agenda and minutes of board meetings indicate that the Board of Directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	x					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1 - The Board of Directors documented its meetings and reported its activities to the shareholders.	x					
4.2.2 - Duties and authorities of the members of the Board of Directors are disclosed in the annual report.	x					
4.2.3 - The Board has ensured the company has an internal control framework adequate for its activities, size and complexity.	x					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	x					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	x					
4.2.7 - The Board of Directors ensures that the Investor Relations department and the corporate governance committee work effectively. The Board works closely with them when communicating and settling disputes with shareholders.	x					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.		x				The company has a Directors and Officers liability insurance however its amount is less than the said ratio.

	COMPANY COMPLIANCE STATUS					EXPLANATION
	Yes	Partial	No	Exempted	Not Applicable	
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The Board of Directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The Board annually evaluates its composition and nominates directors so as to be compliant with the policy.		x				Providing diversity in knowledge, experience and vision will make a positive contribution to the activities of the Company and the effective working of the Board of Directors. The current Board structure also reflects this perspective. There is no policy for the minimum female member rate in the Board of Directors. There is 1 female board member out of 9 currently and the ratio is 11%.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	x					
4.4. BOARD MEETING PROCEDURES						
4.4.1 - Each board member attended the majority of the board meetings in person.		x				Most of the members of the Board of Directors were physically attended most of the meetings.
4.4.2 - The Board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.		x				There are no specifications about the deadline of the process. However the timing for the presentation of information and documents relevant to the agenda is managed considering the subject and the course of the agenda and in a timely manner.
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.					x	There has been no notification made by the board members who could not attend the meeting although there is a possibility to provide feedback.
4.4.4 - Each member of the Board has one vote.	x					
4.4.5 - The Board has a charter/written internal rules defining the meeting procedures of the Board.			x			There have been sustainable processes in our Company for many years but there are no written internal regulations regarding this issue.
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	x					

	COMPANY COMPLIANCE STATUS					EXPLANATION
	Yes	Partial	No	Exempted	Not Applicable	
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		x				Other duties of the Board members outside the company are not restricted due to their work and sector experiences' significant contribution to the Board of Directors. Resumes of our Board members are included in our annual report.
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			x			Members in more than one committee provide communication between the committees involved in related matters and increase the opportunities for cooperation.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.					x	In accordance with the principles of the committees, it is possible for the committees to ask for the opinions of the independent experts/professionals, if needed. There was no such need during the past year.
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					x	The Committees did not receive any consultancy services.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	x					
4.6. FINANCIAL RIGHTS						
4.6.1 - The Board of Directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			x			No specific study was conducted at board level regarding performance evaluation.
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	x					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.			x			The payments made to the members of the Board of Directors and senior executives are publicly disclosed collectively in the General Assembly and in our financial statements footnotes in line with the general practices.

Legal Disclosures

Commercial Title, Registry Number, Contact Information of the Company's Head Office and Branches
The company is registered at the Istanbul Trade Registry with number 80651 (Mersis No. 0-1190-0510-2700141) and contact information of its head office and branches are available at www.aygaz.com.tr.

Capital and Shareholding Structure
Issued capital of the company is TL 300,000,000, all of which has been pledged and paid in full. Issued capital is divided into 30,000,000,000 (thirty billion) registered shares at 1 Kr nominal value per share.

The shareholding structure as of December 31, 2019 is shown in the following table:

Name and Title of the Person or Company	Amount of Shares (TL)	Share Stake (%)	Voting Rights	Voting Rights Ratio (%)
Koç Group	**153,642,569.58**	**51.21**	**15,364,256,958**	**51.21**
Koç Holding A.Ş.	122,053,514.26	40.68	12,205,351,426	40.68
Temel Ticaret ve Yatırım A.Ş.*	17,324,090.53	5.77	1,732,409,053	5.77
Koç Family	14,264,964.78	4.76	1,426,496,478	4.76
Other	**146,357,430.42**	**48.79**	**14,635,743,042**	**48.79**
Liquid Petroleum Gas Development Company (LPGDC)	73,545,660.24	24.52	7,354,566,024	24.52
Free Floating**	72,811,770.18	24.27	7,281,177,018	24.27
Total	**300,000,000.00**	**100.00**	**30,000,000,000**	**100.00**

* Temel Ticaret ve Yatırım A.Ş. belong to the members of the Koç Family.

**The free-floating shares in the amount of TL 2,725,041.31 (ratio to capital 0.91%) belong to Hilal Madeni Eşya Ticaret Sanayi ve Yatırım A.Ş., which is wholly owned by LPGDC.

Distribution of Duties of Board Members and Changes
There have been no changes during the reporting period in the Members of the Board of Directors who were elected to serve until the next Ordinary General Assembly on March 20, 2019. By the Board of Directors resolution of March 25, 2019, the Committees of the Board of Directors have been designated as follows:

Audit Committee: Kutsan Çelebican (Chairman of Committee), Dr. Şadan Kaptanoğlu Dikici (Member)

Corporate Governance Committee: Kutsan Çelebican (Chairman of Committee), Yağız Eyüboğlu (Member), Ferda Erginoğlu (Member)

Risk Management Committee: Dr. Şadan Kaptanoğlu Dikici (Chairwoman of Committee), Dr. Bülent Bulgurlu (Member)

Executive Committee: Mustafa Rahmi Koç (Chairman of Committee), Mehmet Ömer Koç (Member), Yıldırım Ali Koç (Member), Alexandre François Julien Picciotto (Member), Caroline Nicole Koç (Member)

The Board of Directors has reached 29 unanimous resolutions in 2019. It has been noted that all the committees worked efficiently throughout the year. Details about the work of the committees can be found in Article 5.3 of the Corporate Governance Principles Compliance Report and the working principles of the committees are available on the corporate website.

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

Public Audits and Special Audits
In addition to the company's internal audits, Ministry of Finance, Ministry of Customs and Trade and other regulatory and oversight organizations have also requested various documents and information, and ordinary and limited audits have been conducted.

Regarding the administrative process that was initiated by EMRA in association with the product audits conducted at four plants in 2013, administrative decisions including the revoking of licenses, administrative fines and sequestration were made by EMRA; the storage licenses of four plants cancelled within this scope were reinstated in a short period upon the applications filed. Because of the administrative sanction decisions made by EMRA after these audits, the Company has filed lawsuits for cancellation of administrative actions as well EMRA filing lawsuits for sequestration of which the relevant administrative processes and lawsuits are still ongoing. The four lawsuits filed by EMRA against the Company demanding sequestration have resulted in our favor.

Conflicts of Interest Between the Company and Providers of Services Including Investment Consultancy and Rating, and Information about the Measures Taken by the Company to Avoid Such Conflicts of Interest
There has been no conflict of interest with providers of consultancy and rating services.

Information on Administrative or Judicial Sanctions Imposed on the Company and Members of its Governing Body Due to Noncompliance with Legislative Provisions
No administrative or judicial sanctions have been imposed on the Company or members of the governing body due to practices in violation of legislation within the reporting period.

Information on Legislative Changes That May Materially Affect the Company's Operations
No legislative changes that could materially affect the Company's operations have occurred during the reporting period.

Subsidiaries Report Drafted as per Article 199 of the Turkish Commercial Code
Pursuant to Article 199 of the Turkish Commercial Code 6102, which entered into force on July 1, 2012, Aygaz A.Ş. Board of Directors is obligated to issue within the first quarter of the current year a report on the relations of the company with its controlling shareholder and the subsidiaries of the controlling shareholder in the previous year and include the conclusion of such a report in its annual report. The necessary explanations regarding the transactions are included in note 31 of the financial statement.

The report dated February 17, 2020, prepared by Aygaz A.Ş. Board of Directors, states: "It has been concluded that, with respect to all the transactions of Aygaz A.Ş. with the controlling shareholder, ultimate controlling shareholder and the subsidiaries of the controlling shareholder in 2019, in each transaction a proper counter-gain was obtained according to the circumstances and conditions known by us when the transaction was carried out or the measure was taken or avoided and that there is no measure taken or avoided that can cause the company to incur any losses and that there is no transaction or measure that necessitates balancing within this framework."

Other Issues
The debt instruments, which were issued within the issuance ceiling approved by Capital Markets Board decision no. 13/396 dated March 23, 2017 following the application in line with the Board of Directors' resolution dated February 14, 2017,

(i) Redemption of the long-term bonds (TRSAYGZ41916 ISIN) for nominal TL 85,000,000 with 728-day maturity, fixed interest, coupon payment every six months and principal payment at maturity was completed on April 9, 2019,

(ii) Redemption of the long-term bonds (TRSAYGZE1914 ISIN) for nominal TL 50,000,000 with 728-day maturity, fixed interest, coupon payment every six months and principal payment at maturity was completed on October 18, 2019,

The principal amount of the long-term bonds (TRSAYGZ12024 ISIN) for nominal TL 75,000,000, issued upon the Board of Directors resolution dated November 13, 2017 and following the Capital Markets Board favorable decision no. 43/1440 dated November 27, 2017 was repaid on January 24, 2020.

The Board of Directors resolved on November 16, 2018 to issue debt instruments with a total nominal value up to TL 300,000,000 within the period of the issuance limit by way of selling to qualified investors and/or private placement once or multiple times domestically without public offering, and the relevant application was approved by Capital Markets Board's decision no. 63/1427 dated December 13, 2018. Accordingly, the following transactions took place:

(i) Issuance of long-term bonds (TRSAYGZ62110 ISIN) with 728-day maturity, variable interest, 3-month coupon payment, with a spread of 65 basis points over 3MTRLIBOR reference rate, principal payment on June 18, 2021, was finalized at TL 90,000,000; the sales transaction was completed on 20 June 2019 and the exchange on June 21, 2019. For the bonds in the amount of TL 90,000,000, the Company entered into an "interest rate swap" and fixed the rate. The first coupon dated September 20, 2019 was paid at TL 5,800,229.98, and the second coupon dated December 20, 2019 at TL 3,644,100.00, respectively.

(ii) Issuance of long-term bonds (TRSAYGZ82118 ISIN) with 728-day maturity, variable interest, 3-month coupon payment, with a spread of 55 basis points over 3MTRLIBOR reference rate, principal payment on August 4, 2021, was finalized at TL 80,000,000; the sales transaction was completed on August 6, 2019 and the exchange on August 7, 2019. For the bonds in the amount of TL 80,000,000, the Company entered into an "interest rate swap" and fixed the rate. The first coupon dated November 6, 2019 was paid at TL 3,878,239.99, and the second coupon dated February 5, 2020 at TL 2,884,079.98, respectively.

The Board of Directors resolved on December 16, 2019 to issue debt instruments with a total nominal value up to TL 300,000,000 within the period of the issuance limit by way of selling to qualified investors and/or private placement once or multiple times domestically without public offering, and the relevant application was approved by Capital Markets Board's decision no. 1/4 dated January 2, 2020.

The Corporate Governance Rating score of our company was confirmed as 93.99 (9.40) by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. as of June 22, 2018, and upgraded to 94.16 (9.42) for 2019. The material event disclosure on this matter was made on June 21, 2019. The current corporate governance rating agreement between our company and SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., which is officially licensed to conduct rating services in compliance with Capital Markets Board Corporate Governance Principles, will remain valid until February 23, 2020.

SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. has determined the (National) long-term credit rating score of our company as (TR) AAA (National), and the short-term credit rating score as (TR) A1+ and its outlook as stable on June 21, 2019.

Aygaz A.Ş. has been listed among the companies included in the BIST (Borsa Istanbul) Sustainability Index in the period from November 2019 to October 2020.

With the Board of Directors resolution dated February 5, 2020 in consultation with the Audit Committee and in compliance with the guidelines set out by Turkish Commercial Code 6102 and Capital Markets Law 6362, PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. was selected to audit the financial statements of our company for the 2020 accounting period and to conduct other activities within the scope of applicable regulations under these laws, to be presented to the General Assembly for approval.

At the extraordinary general assembly meeting of Koç Finansal Hizmetler A.Ş. (KFS), in which we hold stakes, on June 6, 2018, it was resolved to raise the company's capital from TL 3,011,275 thousand to TL 6,400,600 thousand by a total increase of TL 3,389,325 thousand to be paid in cash. The company participated in the said capital increase, and the right of preference amounting to TL 66,660 thousand was fully paid in cash on June 18, 2018. Within the scope of the transactions related to the termination of the business partnership between Koç Group and UniCredit S.P.A. finalized on February 5, 2020, 100% of the shares representing KFS capital were transferred to Koç Group (Koç Holding, Koç companies, the Koç family, partnerships controlled by the Koç family and relevant foundations) in the ratio of their respective shares in KFS. In addition, KFS's Yapı Kredi Bankası A.Ş. (YKB) shares of 31.93% were transferred to Unicredit SPA and 9.02% to Koç Holding A. Ş. KFS's share in YKB decreased from 81.90% to 40.95%. Within this framework company's share in KFS increased from 1.97% to 3.93%.

On December 20, 2018, at the extraordinary general assembly meeting of Enerji Yatırımları A.Ş. (EYAŞ), in which Koç Holding holds 77% of shares and Aygaz A.Ş. 20% of shares, the Board of Directors resolved to decrease the company's capital of TL 3,347,000 thousand by TL 1,000,000 thousand down to TL 2,347,000 thousand. TL 200,000 thousand, the capital decrease amount that corresponded to the Company's share, was paid in cash on March 28, 2019.

After evaluating similar practices and developments in the industry, the Board of Directors resolved on January 7, 2019 to open a branch in London to engage in LPG trade with the aim of increasing trade volume with third parties in international markets, supporting the company's import, export and transit operations by monitoring the opportunities in global markets more closely, and creating additional value from the supply chain. The branch was opened in 2019.

Profit Distribution Policy and Dividends Paid During the Year

The profit distribution policy, which is published in the Corporate Governance Compliance Report and on the corporate website, was revised at the company's Board of Directors meeting on March 5, 2014 and took its present form as follows:

"The Company distributes profit in accordance with the provisions of the Turkish Commercial Code, Capital Markets Regulations, Tax Laws and other applicable laws and regulations, and within the scope of the relevant provisions of the company's Articles of Association. In line with Corporate Governance Principles, a balanced and consistent policy is adopted considering the interests of both the shareholders and the company.

In principle, to the extent allowed by applicable regulations and financial resources, taking into consideration long-term company strategies, investment and financing policies, profitability and cash position, and as long as it can be covered by the legally posted profit for the fiscal year, minimum 50% of the distributable profit, calculated in accordance with Capital Markets regulations is distributed in cash and/or bonus shares.

Profit distribution is intended to take place within one month after the General Assembly Meeting at the latest, and the General Assembly decides on such date. The General Assembly itself or if authorized, the Board of Directors may resolve to distribute profit share in installments in line with Capital Markets Regulations. According to the Company's Articles of Association, the Board of Directors may distribute an advance on profit share if authorized by the General Assembly and in compliance with Capital Markets Regulations."

Pursuant to General Assembly resolution on March 20, 2019, the company has paid in cash a gross total dividend of TL 386 million starting from March 28, 2019.

Amendments to the Articles of Association During the Reporting Period

No amendments were made to the Articles of Association during the reporting period.

Employee and Worker Movements and Collective Labor Agreement Practices

A Collective Group Labor Agreement has been signed between the Turkish Employers Association of Metal Industries (MESS), the employers union in the metal industries of which the company is a member, and the Turkish Metal Union on January 29, 2020 to be valid for the period from September 1, 2019 to August 31, 2021 covering the workers at the Gebze plant.

A Collective Labor Agreement was signed on March 11, 2019 with the Turkish Seamen's Union to be valid for the period from January 1, 2019 to December 31, 2020 covering the seafaring employees.

Our employees are regularly and periodically provided with social rights in accordance with the law. Provisions for seniority pay at the end of employment and leave obligations stand at TL 53,702 thousand (2018: TL 42,926 thousand).

Donations and Grants

At the Ordinary General Assembly Meeting held in 2019, information was provided as a separate agenda item about the donations and grants paid in 2018 and the donation upper limit for 2019 was set at 0.2% (two thousandth) of the previous year's revenues. No change has been made in the ongoing donation practices. Of the total TL 3,641,185.31 in donations and grants in 2019, TL 1,800,000.00 was donated to Rahmi Koç Museum and Culture Foundation, TL 1,200,000.00 to Vehbi Koç Foundation, and the balance to various other institutions and organizations. The upper limit for donations in 2020 will be determined by the general assembly.

2020 Guidance

Our 2020 sales volume forecast:

Cylinder gas	: 290 thousand - 305 thousand tons
Autogas	: 740 thousand - 780 thousand tons

Our 2020 market share forecast:

Cylinder gas	: 41.5% - 43.5%
Autogas	: 21.4% - 22.6%

Board of Directors

MUSTAFA RAHMİ KOÇ
Chairman of the Board of Directors

After earning a Master's degree at the Johns Hopkins University (USA), Rahmi M. Koç started his career in the Koç Group in 1958 at Otokoç. He became Chairman of the Management Committee in 1980 and was named Chairman of the Board of Directors of Koç Holding in 1984, a post he held until 2003 when he became the Honorary Chairman. Apart from Koç Holding, he also serves as a Member/Chairman of the Board of Directors of other Koç Group companies. His responsibilities in various capacities at numerous institutions and organizations include: Vice Chairman of the Board of Trustees of the Vehbi Koç Foundation, Honorary Chairman of the Board of Trustees of the Koç University, Founder and Chairman of the Board of the Rahmi M. Koç Museum and Cultural Foundation, Chairman of the Board of the Vehbi Koç Foundation American Hospital, Honorary Chairman and Founding Member of TURMEPA, the Turkish Marine and Environment Protection Association, Honorary Chairman of the Advisory Board of the Turkish Industry and Business Association, Member of the Advisory Board of the Turkish Employers Association, Co-Chairman of the Business Advisory Council for South East Europe, Honorary Trustee of The Metropolitan Museum of Art and Founding Chairman of the Global Relations Forum. Mr. Koç has been awarded Honorary Doctorate degrees by Johns Hopkins University, Eskişehir Anadolu University, Izmir Ege University, Ankara Bilkent University, Ovidius University of Constanta and Aydın Adnan Menderes University. Rahmi M. Koç has been recognized with distinguished awards, medals and honors including "Outstanding Service Award" by the President of Turkish Republic, "Grosses Verdienst Kreutz" by the German Government, Order of High Merit of the Italian Republic, Order of Merit of the Austrian Government, (Honorary) Commander of the Most Excellent Order of the British Empire (CBE), "Officier dans l'Ordre National de la Legion D'Honneur" by the French Government, "Responsible Capitalism Lifetime Achievement Award" by the international affairs organization FIRST and Medal by Foreign Policy Association (FPA). Rahmi M. Koç, together with the Koç Family, has received the Hadrian Award granted by the World Monuments Fund, Carnegie Medal of Philanthropy, BNP Paribas Philanthropy Award and Iris Foundation Award from BARD Graduate Center. He has previously served as President of the International Chamber of Commerce, President of the Turkish Greek Business Council, member of the Allianz Aktiengesellschaft International Advisory Board, member of the JP Morgan International Council and member of the International Advisory Board of the US Council on Foreign Relations. He continues to serve as the Chairman of Aygaz A.Ş. since 1996.

MEHMET ÖMER KOÇ
Vice Chairman of the Board of Directors

He received his B.A. degree from Columbia University in 1985. He worked at Kofisa Trading for one year and completed his MBA at Columbia University in 1989. After working at Ramerica International Inc., he joined the Koç Group in 1990. He held various senior positions at Koç Holding including Finance Coordinator, Vice President and President of the Energy Group. He became Member of the Board of Directors in 2004 and Vice Chairman in May 2008. In February 2016, he was appointed as the Chairman of the Board of Directors of Koç Holding. He serves as the Vice President of TÜSİAD High Advisory Council, Chairman of Tofaş, Tüpraş and Yapı Kredi Kültür Sanat Yayıncılık Board of Directors and Member of the Board of Directors at other Koç Group companies. He is also the Chairman of Turkish Educational Foundation Board of Trustees and Chairman of the Board of Directors of Geyre Foundation. Ömer M. Koç has served on the Aygaz A.Ş. Board of Directors as a member since 1996 and is Vice Chairman since 2001.

ALEXANDRE FRANCOIS JULIEN PICCIOTTO
Member of the Board of Directors

Alexandre Picciotto is one of the grandsons of Mr. Hillel Picciotto who established Aygaz in 1961 with Mr. Vehbi Koç. After graduating from Ecole Supérieure de Gestion (Paris) in 1990, he started his career in Orfim, the investment company of his family in Paris, France. He managed different subsidiaries operating in various fields including real estate and movie industry (1990-2003). In 2003, he was appointed General Manager at Liquid Petroleum Gas Development Company, the Picciotto family owned company, which is a shareholder of Aygaz. He was then appointed General Manager at Orfim in 2008. Mr. Picciotto is also member of the board of directors at various companies in both Turkey and France. He has been serving on the Aygaz Board of Directors since July 2012.

DR. BÜLENT BULGURLU
Member of the Board of Directors

Bülent Bulgurlu graduated from Ankara Engineering and Architectural Faculty and earned his Ph.D. at the Norwegian University of Science and Technology (NTNU). He started his career in 1972 as a Construction Engineer at Elliot Strömme A/S in Oslo. Joining Garanti İnşaat in 1977 as Construction Engineer, Dr. Bulgurlu worked as Planning and Construction Manager, Site Coordination and Construction Manager, Assistant General Manager, General Manager and Executive Director at Garanti Koza. He has worked at Koç Holding since 1996 as President of the Tourism and Services Group, President of the Tourism and Construction Group and President of the Consumer Durables and Construction Group. He served as CEO at Koç Holding from May 2007 to April 2010. He served as a Member of Koç Holding Board of Directors between 2007 and 2019. He also serves as a Member of the Board of Directors of other Koç Group companies. He is also a member of TÜSİAD and TURMEPA. He has been serving on the Aygaz Board of Directors since 2008.

LEVENT ÇAKIROĞLU

Member of the Board of Directors

Levent Çakıroğlu graduated from Ankara University Faculty of Political Sciences, Business Administration Department and received his master's degree from University of Illinois. He started his career as an Assistant Auditor at the Ministry of Finance in 1988, where he worked as a Senior Auditor between 1991 and 1997. He was appointed as Assistant Manager of Financial Crimes Investigation Board between 1997 and 1998, meanwhile he taught as a Part Time Instructor at Bilkent University. Çakıroğlu, joined Koç Group in 1998 as Koç Holding Financial Group Coordinator. He was the General Manager of Koçtaş between 2002 and 2007 and the CEO of Migros between 2007 and 2008. He was assigned as the CEO of Arçelik in 2008 and also became President of the Durable Goods Group of Koç Holding in April 2010. Çakıroğlu has been appointed as the CEO of Koç Holding in April 2015. He currently serves as the CEO and has also been Member of the Board of Directors of Koç Holding since April 2016. Levent Çakıroğlu is also Chairman of the Board of Directors of Arçelik- LG and Türk Traktör as well as the Vice Chairman of Otokar and Member of the Board of Directors at various Koç Holding companies. Çakıroğlu has been serving on the Aygaz Board of Directors since 2015.

YAĞIZ EYÜBOĞLU

Member of the Board of Directors

Yağız Eyüboğlu graduated from Boğaziçi University with a BA degree in Economics in 1991. He went on to earn an MBA from Koç University in 1996. Mr. Eyüboğlu began his professional career as a Management Trainee at Arçelik in 1991. Starting in 1993, he worked at Koç Holding for more than 10 years, as Auditor, Senior Internal Auditor, Assistant Financial Coordinator and Financial Coordinator, respectively. Between 2004 and 2009, he served as CFO of Arçelik; CEO and Board Member of Beko Elektronik; Assistant to the President of the Foreign Trade and Tourism Group at Koç Holding; and Human Resources Director at Koç Holding. From 2009 to October 2015, he was the General Manager of Aygaz. In October 2015, he was appointed Deputy President of the Energy Group at Koç Holding and since April 2016 he has been serving as President of Energy Group. Mr. Eyüboğlu currently serves as a Board Member both in several Koç Holding companies and sectoral non-governmental organizations. He has been serving on the Aygaz Board of Directors since 2016.

KUTSAN ÇELEBİCAN

Member of the Board of Directors

Kutsan Çelebican received his university degree from Ankara University, Faculty of Political Sciences. In 1969, he started his professional career on the Tax Inspectors Board of the Ministry of Finance and worked as the Ministry of Finance's Deputy Director General of Treasury between the years of 1979 and 1982 and then he was appointed to the World Bank (International Bank of Reconstruction and Development) as the Deputy Executive Director. In 1987, he joined Koç Group Companies and he retired from Koç Group Companies in December 2001 after working as a Finance Coordinator, Vice President and President of Financing Group. He ran his own finance advisory company for a while. He served as the independent Board of Directors' Member of Koç Holding, Tüpraş and Arçelik previously. He is the independent Board of Directors' Member of Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş. since 2019 and he has been serving as the independent Board of Directors' Member of Aygaz since March 2018.

KEMAL EGE CANSEN

Member of the Board of Directors

Kemal Ege Cansen received his bachelor's from Middle East Technical University, Department of Business. In 1966, he received his MBA degree from Pennsylvania University, Wharton School. He worked as an Assistant General Manager of Arçelik, Industrial Affairs Coordinate of Koç Holding, Vice Chairman of the Board of Directors of Puro-Fay Company, Executive-Partner of Soyer Hafriyat ve İnşaat Company, Consultant of Anadolu Group (1986-2018) and Executive Director of Anadolu Endüstri Holding, and Vice Chairman of the Board of Directors of Turkish Bank A.Ş. Ege Cansen works as an economics writer and commentator on media organizations. He was the lecturer of "Business Economics" class of Marmara University, Faculties of Engineering and Administrative Sciences between the years of 1987 and 2000. He was a member of Koç University's Board of Trustees until the end of 2017. He has been serving as the independent Board of Directors' Member of Aygaz since March 2018.

DR. ŞADAN KAPTANOĞLU DİKİCİ

Member of the Board of Directors

Şadan Kaptanoğlu graduated from Istanbul University, Faculty of Literature, Department of Philosophy and studied at the London City College, Department of Maritime. She completed her postgraduate studies at City University Cass Business School in the fields of Maritime, Finance and Trade and then received her doctorate degree from Montfort University. Ms. Kaptanoğlu worked as the General Director of her family business H. İ. Kaptanoğlu Maritime Group until January 2014 and she is currently the Board of Directors' Member of Kaptanoğlu Denizcilik Tic. A.Ş. Besides being the Member of Board of Directors of IMEAK Chamber of Shipping, Ms. Şadan Kaptanoğlu is also a Board of Trustees' Member at Piri Reis University. In May 2016, she was appointed as the Board of Directors' Chairman of TURMEPA, the Turkish Marine Environment Protection Association. She is the Vice President of Intermepa. Ms. Şadan Kaptanoğlu was elected as the President by majority of votes on the General Assembly of Baltic and International Maritime Council (BIMCO) on June 6, 2019 and she is the first woman appointed to this office. Ms. Kaptanoğlu is also the President of Rina Denizcilik ve Belgelendirme Ltd. Company. In 2008, Ms. Şadan Kaptanoğlu received the first "Young Person of the Year" award in London SeaTrade Awards. She has been serving as independent Board of Directors' Member of Aygaz since March 2018.

Executive Management

GÖKHAN TEZEL

General Manager

Gökhan Tezel began his career in 1993 as a Finance Specialist at Tofaş, where he was appointed Finance Manager in 1998. He served as General Manager at Koç Fiat Kredi Tüketici Finansmanı A.Ş (2006-2009). Mr. Tezel was appointed General Manager of Aygaz in October 2015 where he had previously served as Assistant General Manager (Finance) since 2009. Mr. Tezel, who is a Member of the Board of World LPG Association (WLPGA), also serves as President of LPG Assembly of the Union of Chambers and Commodity Exchanges of Turkey, and Chairman of the Market Development Committee of World LPG Association.

FERDA ERGİNOĞLU

Assistant General Manager
Finance

Ferda Erginoğlu worked as a Mechanical Engineer at Ata İnşaat from 1985 to 1986 .He started working as an Assistant Financial Coordinator at RAM Dış Ticaret A.Ş. in 1990, where he served as the Finance Group Manager from 1996 to 2001, and as the Assistant General Manager (Finance) from 2001 to 2002. Mr. Erginoğlu worked at Koç Bilgi Grubu A.Ş. as Director of the Financial Expertise Center from 2002 to 2006, and served as Financial Coordinator at Koç Holding from 2006 to 2015. On November 2, 2015, he was appointed Assistant General Manager (Finance) at Aygaz A.Ş.

ALİ KIZILKAYA

Assistant General Manager
Technical Affairs and Investments

Ali Kızılkaya began his career in 1988 as a Training Engineer at Bilar A.Ş. From 1992 to 1994, he worked as a Purchasing Engineer at Istanbul Fruehauf A.Ş. In 1996, he joined Aygaz A.Ş. and from 1996 to 2002 he served as the Bulk Gas Sales Supervisor in the Marmara Region and as the Purchasing Supervisor. In 2002, he served as the Lipet A.Ş. Operations Manager and in 2004 as the Mogaz A.Ş. Operations Manager, after which he became the Aygaz A.Ş. Facility System Manager. Mr. Kızılkaya was appointed Aliağa Terminal Manager in 2008, and since 2010 he has been serving as the Assistant General Manager - Technical Affairs and Investments.

FİKRET COŞAR

Assistant General Manager
Sales

Fikret Coşar began his career as a Sales Specialist at Çukurova Import and Export in 1988. He then joined Aygaz A. Ş. in 1991 and worked as Diyarbakır Cylinder LPG Sales Supervisor . Mr. Coşar was appointed Diyarbakır Sales Manager in 1998. From 1999 to 2010, he served as Cylinder LPG Assistant Sales Manager for the Thrace Region, as Çukurova Regional Sales Manager and Marmara Regional Sales Manager, respectively. In 2010, Mr. Coşar became the General Manager at Akpa A. Ş., and in January 2016, he was appointed Assistant General Manager - Sales at Aygaz A.Ş.

RIDVAN UÇAR

Assistant General Manager
Marketing and Innovation

Rıdvan Uçar began his career in 1991 at TUBİTAK, and became a Project Engineer at Aygaz in 1996. He then served as Bulk LPG Marketing Specialist, Marketing Manager and Marketing Group Manager, respectively. In 2008, Mr. Uçar was appointed Assistant General Manager - Marketing. He served Aygaz Doğal Gaz (an Aygaz subsidiary) as the General Manager from 2010 to 2018. Mr. Uçar he was appointed Assistant General Manager - Marketing and Innovation at Aygaz A.Ş. in March 2018.




AHMET ERCÜMENT POLAT
Director
Cylinder Gas Sales

Ercüment Polat joined Aygaz in 1995, and served as a Sales Engineer, Regional Sales Supervisor, and Autogas & Bulk LPG Regional Sales Manager, respectively. Mr. Polat joined Akpa (an Aygaz subsidiary) in 2004 as Branch Manager, and later served as the General Manager from 2008 to 2010. After working as the Marketing Director at Aygaz from 2010 to 2018, he was appointed Director - Cylinder Gas Sales in January 2018.

ŞENOL ZAFER POLAT
Director
Autogas Sales

Şenol Zafer Polat began his career in 1994 as a Construction Site Control Engineer and joined Aygaz in 1996 as a Project Marketing Engineer. From 1997 to 2010, he served as Cylinder Gas, Autogas and Bulk Gas Sales Manager in the Thrace, İstanbul and Marmara regions, and later as Central Anatolia Regional Sales Manager. From 2010 to 2016 he served as Aegean Region Cylinder Gas Sales Manager, first at Mogaz, then Aygaz. In 2016, Mr. Polat began to serve as Planning and Business Development Manager for Cylinder Gas, and in 2018 June he was appointed Director - Autogas Sales.

NURETTİN DEMİRTAŞ
Director
Affiliates and Accounting

Nurettin Demirtaş began his career in 1986 at Doğuş Financial Consultancy and Accounting Office. He joined the Koç Group in 1989 and worked respectively as an Accounting Specialist, General Accounting Department Administrator, Accounting Manager, and Affiliates and Accounting Group Manager at Aygaz A.Ş. In 2008, he was appointed Director - Affiliates and Accounting.

AYŞE ABAMOR BİLGİN
Director
Supply Chain

Ayşe Abamor Bilgin began her career in 1998 as a Management Trainee at Aygaz A.Ş. Appointed Supply Manager in 2005, Ayşe Abamor Bilgin served as LPG Supply and Trade Manager from 2008 to 2011. She serves as Director - Supply Chain since January 2012.

Proposal of the Board of Directors for Profit Distribution

Dear Shareholders,

We have reviewed and accepted the Consolidated Financial Statements prepared by Aygaz A.Ş. management in accordance with the Turkish Financial Reporting Standards (TFRS) for the accounting period from January 1 to December 31, 2019 and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., and resolved to present them to the General Assembly.

Upon review of these financial statements and Aygaz A.Ş.'s accounting records kept in accordance with the provisions of Tax Procedure Law (TPL), we have ascertained that the financial statements prepared in accordance with TFRS indicate TL 273,477,000.00 net profit for the reporting year and TL 336,751,029.98 net profit from its fiscal year activities according to TPL records.

Accordingly, it has been resolved that:
setting aside 5% general legal reserves for 2019 as required under article 519 of the Turkish Commercial Code would not be required since the amount of general legal reserve in TPL records has already reached 20% of the capital as of 31.12.2019.

the profit share basis amounted to TL 277,118,185.31 with the addition of TL 3,641,185.31 of donations to the net profit of TL 273,477,000.00 for the reporting year according to the financial statements prepared in line with TFRS; and the net distributable profit is TL 336,751,029.98 according to financial tables in line with TPL records.

In compliance with the Capital Markets legislation, the Company's Profit Distribution Policy approved by the shareholders at the General Assembly meeting on March 31, 2014 and Article 17 of the Company's Articles of Association, and taking into consideration of market expectations, the Company's long-term strategies, investment and financing policies, profitability and cash position, profit distribution is proposed as follows:

- TL 138,559,092.66 to be paid to shareholders as first dividend,
- TL 11,440,907.35 to be paid to shareholders as secondary dividend,
- TL 13,500,000.00 to be set aside as the General Legal reserve

and the total amount of TL 150,000,000.00 as the sum of the first and second dividends to be paid to the shareholders fully in cash.

Upon the General Assembly's acceptance of the profit distribution proposal detailed above, it has been resolved that TL 150,000,000.00 for dividends payable to the shareholders based on our TPL records and TL 13,500,00.00 for general legal reserves be paid out from the current year earnings;

Based on our TPL records, the balance of TL 173,251,029.98 to be retained as extraordinary reserves after the dividend paid to shareholders from the current year earnings and retained general legal reserves;

- A gross=net cash dividend at the rate of 50.0000% and in the amount of TL 0.5000 per share with a nominal value of TL 1 to be paid out to fully obligated corporations and our limited taxpayer shareholders who earn dividends through an office or a permanent representative in Turkey;

- A gross cash dividend at the rate of 50.0000% and the amount of TL 0.50000 per share with a nominal value of TL 1, and net 42.50000% and net amount of TL 0.42500 to be paid out to other shareholders;

and dividend payout to start on March 17, 2020. The proposal detailed above is presented for your approval.

Sincerely,

Rahmi M. Koç

Chairman of the Board

Statements of Independence of the Independent Board Members

DECLARATION OF INDEPENDENCE JANUARY 8, 2020

Within the framework of the criteria determined in the Corporate Governance Communiqué No. II-17.1 announced at the Aygaz A.Ş (Company) Board of Directors, the Company Articles of Association, and the Capital Markets Board, I hereby declare that I am a candidate to serve as an "Independent Member," and in this context, I further declare that:

a) I have assumed no major duty or responsibility or been employed in a management position in the last five years or acquired more than 5% of capital or voting rights or privileged shares either by myself or with others and have established no major commercial relations of any significant kind with the Company, the partnerships that have management control of the Company, or the shareholders that have management control in the Company or are of major influence in the Company, neither with legal persons in which these shareholders have management control, and there is no relationship between the above-mentioned and myself, my spouse or my blood relatives or relatives by marriage to the second degree;

b) In the last five years, I have not been a partner (5% or more) or assumed major duties or responsibilities or been employed in a management position or as a member of the board of directors of any Company from or to which the Company purchases or sells or has assigned the purchasing or selling of services or products within the framework of signed agreements, particularly with auditing companies (tax auditing, legal auditing, internal auditing, included), rating or consultancy companies;

c) I have the necessary professional education, knowledge and experience to assume and execute the duties I am responsible for as an independent member of the board of directors;

d) Provided it is within the laws to which I must abide, I will not work full-time in public enterprises and organizations after being appointed member, save for my duties as university faculty member;

e) I am considered a resident of Turkey according to Income Tax Law (GVK) No. 193 dated December 31, 1960 and December 19, 1960;

f) I possess the strong ethical standards, professional reputation and experience that will allow me to freely make decisions and contribute positively to Company operations, maintain my impartiality in conflicts of interest between the Company and its shareholders, and consider the rights of stakeholders in the Company;

g) I will dedicate the time necessary to follow up on the workings of Company operations and fully perform the duties that I have assumed with regard to Company matters;

h) I have not performed the duties of member of the board of directors of the Company for more than six years within the last decade;

i) I have never before assumed the duty of independent member of the board of directors in the Company or in more than three of the companies in which management control belongs to the partners in which the Company has management control or in a total of more than five publicly-traded companies;

j) I have not been registered or announced in the name of the legal person that has been appointed as member of the Board of Directors.

Kutsan ÇELEBİCAN

DECLARATION OF INDEPENDENCE JANUARY 8, 2020

Within the framework of the criteria determined in the Corporate Governance Communiqué No. II-17.1 announced at the Aygaz A.Ş (Company) Board of Directors, the Company Articles of Association, and the Capital Markets Board, I hereby declare that I am a candidate to serve as an "Independent Member," and in this context, I further declare that:

a) I have assumed no major duty or responsibility or been employed in a management position in the last five years or acquired more than 5% of capital or voting rights or privileged shares either by myself or with others and have established no major commercial relations of any significant kind with the Company, the partnerships that have management control of the Company, or the shareholders that have management control in the Company or are of major influence in the Company, neither with legal persons in which these shareholders have management control, and there is no relationship between the above-mentioned and myself, my spouse or my blood relatives or relatives by marriage to the second degree;

b) In the last five years, I have not been a partner (5% or more) or assumed major duties or responsibilities or been employed in a management position or as a member of the board of directors of any Company from or to which the Company purchases or sells or has assigned the purchasing or selling of services or products within the framework of signed agreements, particularly with auditing companies (tax auditing, legal auditing, internal auditing, included), rating or consultancy companies;

c) I have the necessary professional education, knowledge and experience to assume and execute the duties I am responsible for as an independent member of the board of directors;

d) Provided it is within the laws to which I must abide, I will not work full-time in public enterprises and organizations after being appointed member, save for my duties as university faculty member;

e) I am considered a resident of Turkey according to Income Tax Law (GVK) No. 193 dated December 31, 1960 and December 19, 1960;

f) I possess the strong ethical standards, professional reputation and experience that will allow me to freely make decisions and contribute positively to Company operations, maintain my impartiality in conflicts of interest between the Company and its shareholders, and consider the rights of stakeholders in the Company;

g) I will dedicate the time necessary to follow up on the workings of Company operations and fully perform the duties that I have assumed with regard to Company matters;

h) I have not performed the duties of member of the board of directors of the Company for more than six years within the last decade;

i) I have never before assumed the duty of independent member of the board of directors in the Company or in more than three of the companies in which management control belongs to the partners in which the Company has management control or in a total of more than five publicly-traded companies;

j) I have not been registered or announced in the name of the legal person that has been appointed as member of the Board of Directors.

Kemal Ege CANSEN

DECLARATION OF INDEPENDENCE JANUARY 8, 2020

Within the framework of the criteria determined in the Corporate Governance Communiqué No. II-17.1 announced at the Aygaz A.Ş (Company) Board of Directors, the Company Articles of Association, and the Capital Markets Board, I hereby declare that I am a candidate to serve as an "Independent Member," and in this context, I further declare that:

a) I have assumed no major duty or responsibility or been employed in a management position in the last five years or acquired more than 5% of capital or voting rights or privileged shares either by myself or with others and have established no major commercial relations of any significant kind with the Company, the partnerships that have management control of the Company, or the shareholders that have management control in the Company or are of major influence in the Company, neither with legal persons in which these shareholders have management control, and there is no relationship between the above-mentioned and myself, my spouse or my blood relatives or relatives by marriage to the second degree;

b) In the last five years, I have not been a partner (5% or more) or assumed major duties or responsibilities or been employed in a management position or as a member of the board of directors of any Company from or to which the Company purchases or sells or has assigned the purchasing or selling of services or products within the framework of signed agreements, particularly with auditing companies (tax auditing, legal auditing, internal auditing, included), rating or consultancy companies;

c) I have the necessary professional education, knowledge and experience to assume and execute the duties I am responsible for as an independent member of the board of directors;

d) Provided it is within the laws to which I must abide, I will not work full-time in public enterprises and organizations after being appointed member, save for my duties as university faculty member;

e) I am considered a resident of Turkey according to Income Tax Law (GVK) No. 193 dated December 31, 1960 and December 19, 1960;

f) I possess the strong ethical standards, professional reputation and experience that will allow me to freely make decisions and contribute positively to Company operations, maintain my impartiality in conflicts of interest between the Company and its shareholders, and consider the rights of stakeholders in the Company;

g) I will dedicate the time necessary to follow up on the workings of Company operations and fully perform the duties that I have assumed with regard to Company matters;

h) I have not performed the duties of member of the board of directors of the Company for more than six years within the last decade;

i) I have never before assumed the duty of independent member of the board of directors in the Company or in more than three of the companies in which management control belongs to the partners in which the Company has management control or in a total of more than five publicly-traded companies;

j) I have not been registered or announced in the name of the legal person that has been appointed as member of the Board of Directors.

Şadan KAPTANOĞLU DİKİCİ

Profit Distribution Policy

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

In principle, as long as related regulations and financial resources allow, taking into consideration our long-term company strategies, investment and financing policies, profitability and cash position, and provided it can be covered from the legally registered profit for the fiscal year, a minimum 50% of the distributable profit calculated in accordance with Capital Markets Regulations is distributed as cash and/or bonus shares.

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

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

Remuneration Policy for the Board of Directors and Senior Management

This policy document defines the remuneration system and practices adopted with regard to members of the board of directors and senior management who have assumed administrative responsibilities within the scope of CMB regulations.

A fixed remuneration is allocated to each of the members of the board of directors, as determined annually at the ordinary general meeting of shareholders. Executive directors on the board shall receive a payment within a determined policy for senior management, the details of which are specified below.

The president and members of the Executive Committee, which will support the company's Board of Directors in all matters related to the operations of the company, may be remunerated at the end of each year for their contributions, their participation in meetings and on the basis of the functions they serve, in an amount determined by the board of directors within the framework of the opinion set forth by the Corporate Governance Committee. If a payment has been made to the members of the Executive Committee during the year, this amount shall be set off at the end of the year from the determined amount.

The performance-based payment plans of the company may not be used in the remuneration of independent members of the board of directors. The remuneration of members of the board is allocated on the basis of the dates of their appointment to and withdrawal from the board and according to the length of the term served. Expenses incurred by members of the board of directors in the course of their contributions to the company (transportation, telephone, insurance costs) may be borne by the company.

The remuneration of Senior Executives however is based on a fixed and performance-based salary comprised of two components.
The fixed salaries of Senior Executives are determined in line with macroeconomic data related to the market, general salary policies in the market, the size of the company, as well as long term goals, the position of the individual officer, and international standards and legal requirements.

Premiums for Senior Executives are calculated according to the premium baseline, company performance and individual performance. Information on these criteria is summarized below:

- **Premium Baselines:** Premium Baselines are updated at the start of every year and may vary according to the size of the workload of the executive position. Premium baselines are updated in the light of senior executive premium policies in the market.

- **Company Performance:** Company performance is determined at the end of the period by measurement of the achievement of the financial and operational goals given to the company (market share, exports, foreign operations, productivity, etc.). Company goals are based on the important principles of sustaining company achievements and making improvements over previous years.

- **Individual Performance:** In determining individual performance, goals related to employees, customers, processes, technologies and long-term strategies are taken into consideration along with company goals. In measuring individual performance, parallel with company performance, long-term sustainable improvements are considered in addition to financial matters.

In the event a senior executive vacates his/her position in the company, severance indemnity may be paid on the basis of the term served in the position of senior executive, the contributions made to the company, the last goal achievement premium paid out before the date of leaving the company, and the salary and premiums paid out in the last year.

The total amounts paid out to Senior Management and Members of the Board of Directors according to the principles stated above are presented to the General Assembly for their information and/or approval in accordance with the law.

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019

(Convenience translation into Englısh of Independent Audıtor's Report originally Issued in Turkish)

Independent Auditor's Report

To the General Assembly of Aygaz Anonim Şirketi

A) Audit of 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 December 31, 2019, the consolidated statement of profit or loss and 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 consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated 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 (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*
Financial Investments The Company has a 1,97% stake in Koç Finansal Hizmetler A.Ş. (KFS) and is accounted for at fair value, as available for sale financial asset, in the accompanying consolidated financial statements in accordance with TFRS. As of December 31, 2019, KFS financial investment is recognized at fair value of TL 393,997 thousand in the accompanying consolidated financial statements and the related fair value study is performed by an independent expert company (Note 2.24 and Note 5). We focused on this matter in our audit due to the following reasons: – KFS financial investment carried at fair value is material to the consolidated financial statements and the related fair value study requires specialist involvement. – The fair value model includes current and future management estimates (ie. cost of equity-discount rate, growth rates and inflation expectations) where realization of such management estimates in the future includes inherent uncertainties.	– The expertise of the company, who carried out the valuation study, is assessed in accordance with SIA 500. – Valuation methods and technical data used in the valuation report prepared by the expert company are examined with the support of our experts. – The mathematical accuracy of the calculations used in the valuation models are tested. – Data from external sources, such as "market value" and "similar acquisitions", used in the valuation models are compared to the relevant independent data sources. – The reasonableness of the key management estimates used in the modeling (ie. cost of equity-discount rate, growth rates and inflation expectations) is evaluated with the support of our specialists. – Future revenue estimates used in modeling are compared with KFS's budget and long term strategic plans. – It is checked whether the fair value of KFS financial investment, in the Group's consolidated financial statements as at December 31, 2019, is within the recommended fair value range in the specialist valuation report or not. Based on the above procedures performed we had no material finding on the financial investments.

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.

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 January 1, to December 31, 2019 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 February 12, 2020.

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

Ediz Günsel, SMMM
Partner

Istanbul, February 12, 2020

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AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

(Convenience translation of consolidated financial statements originally issued in Turkish)

		Current period	Prior period
		(Audited)	(Audited)
Assets	**Notes**	**December 31, 2019**	December 31, 2018
Current assets		**1.589.116**	1.617.539
Cash and cash equivalents	4	**665.391**	648.010
Trade receivables		**566.282**	440.048
-Trade receivables from related parties	*31*	***131.194***	*30.461*
-Trade receivables from third parties	*8*	***435.088***	*409.587*
Other receivables		**3.242**	3.047
-Other receivables from third parties	*9*	***3.242***	*3.047*
Derivative financial instruments	7	**28.269**	25.939
Inventories	11	**263.309**	348.309
Prepaid expenses	19	**43.761**	127.562
Assets related to current year tax		**2.029**	8.248
Other current assets	18	**16.833**	16.376
Non-current assets		**3.365.743**	3.395.684
Financial investments	5	**395.444**	287.096
Trade receivables		**8.092**	8.835
-Trade receivables from third parties	*8*	***8.092***	*8.835*
Other receivables		**154**	99
-Other receivables from third parties	*9*	***154***	*99*
Derivative financial instruments	7	**14.097**	37.245
Investments accounted under equity method	12	**2.059.470**	2.304.799
Property, plant and equipment	13	**712.554**	686.530
Right-of-use assets	2	**110.066**	-
Intangible assets		**23.817**	21.354
-Other intangible assets	*14*	***23.817***	*21.354*
Prepaid expenses	19	**41.656**	49.124
Deferred tax asset	29	**393**	602
Total assets		**4.954.859**	5.013.223

The accompanying accounting policies and notes between the pages 108 and 177 form an integral part of these consolidated financial statements. form an integral part of these consolidated financial statements.

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

(Convenience translation of consolidated financial statements originally issued in Turkish)

Liabilities	Notes	Current period (Audited) December 31, 2019	Prior period (Audited) December 31, 2018
Short-term liabilities		**1.495.037**	1.484.031
Short-term financial borrowings	6	64.883	78.596
Current portion of long term financial borrowings	6	418.454	492.351
Trade payables		578.783	559.653
- Trade payables to related parties	*31*	*156.902*	*145.271*
- Trade payables to third parties	*8*	*421.881*	*414.382*
Liabilities for employee benefits	10	54.042	48.357
Other payables		1.555	1.511
- Other payables to related parties	*31*	*1.211*	*1.052*
- Other payables to third parties	*9*	*344*	*459*
Derivative financial instruments	7	12.709	-
Deferred income	20	7.235	8.676
Current income tax liabilities		12.274	837
Short-term provisions		246.935	205.754
-Other provisions	*17*	*246.935*	*205.754*
Other current liabilities	18	98.167	88.296
Long-term liabilities		**981.739**	1.026.782
Long-term financial borrowings	6	764.426	830.068
Other payables		107.213	106.114
- Other payables to third parties	*9*	*107.213*	*106.114*
Derivative financial instruments	7	14.100	-
Long-term provisions		53.702	42.926
-Provisions for employee benefits	*16*	*53.702*	*42.926*
Deferred tax liabilities	29	42.298	47.674
		2.476.776	2.510.813
Equity		**2.478.083**	2.502.410
Share capital	21	300.000	300.000
Adjustment to share capital	21	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		224.425	125.268
Gains (losses) on the revaluation and/or reclassification		225.521	125.042
- Gains (losses) remeasurement from defined benefit plans		*336*	*2.789*
- Gains (losses) on financial assets measured at fair value through other comprehensive income	*21*	*225.185*	*122.253*
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss		(1.096)	226
Other comprehensive income or expenses to be reclassified to profit or loss		(224.279)	(213.318)
Gains (losses) on hedge		(8.835)	7.631
-Gains (losses) on cash flow hedges		*(8.835)*	*7.631*
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss		(215.444)	(220.949)
Restricted reserves	21	338.692	294.210
Retained earnings		1.501.706	1.703.805
Net profit for the period		273.477	228.383
Equity attributable to equity holders of the parent		**2.478.083**	2.502.410
Total equity and liabilities		**4.954.859**	5.013.223

The accompanying accounting policies and notes between the pages 108 and 177 form an integral part of these consolidated financial statements. form an integral part of these consolidated financial statements.

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED PROFIT OR LOSS STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

(Convenience translation of consolidated financial statements originally issued in Turkish)

	Notes	(Audited) January 1 - December 31, 2019	(Audited) January 1 - December 31, 2018
Revenue	22	10.211.013	9.554.441
Cost of sales (-)	22	(9.254.125)	(8.920.093)
Gross profit		956.888	634.348
General administrative expenses (-)	23	(252.929)	(201.664)
Marketing expenses (-)	23	(352.304)	(310.756)
Research and development expenses (-)	23	(2.894)	(3.431)
Other operating income	25	201.265	331.668
Other operating expenses (-)	25	(185.179)	(379.582)
Operating profit		364.847	70.583
Income from investment activities	26	7.417	27.397
Loss from investment activities (-)	26	(2.509)	(1.740)
Profit/(Losses) from investments accounted under equity method	12	137.200	281.440
Operating profit before financial income (expense)		506.955	377.680
Financial income	27	150.811	165.251
Financial expense (-)	28	(352.210)	(293.170)
Profit from continuing operations before tax		305.556	249.761
Tax income (expense), continuing operations			
-Current tax expense for the period (-)	29	(37.437)	(15.871)
-Deferred tax income/(expense)	29	5.358	(5.507)
Profit for the period		273.477	228.383
Distribution of profit for the period			
Equity holders of the parent		273.477	228.383
Earnings per share (TL)	30	0,911590	0,761277
Diluted earnings per share (TL)	30	0,911590	0,761277

The accompanying accounting policies and notes between the pages 108 and 177 form an integral part of these consolidated financial statements. form an integral part of these consolidated financial statements.

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED OTHER COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

(Convenience translation of consolidated financial statements originally issued in Turkish)

	Notes	(Audited) January 1 - December 31, 2019	(Audited) January 1 -December 31, 2018
Profit for the period		**273.477**	228.383
Other comprehensive income			
Not to be reclassified to profit or loss		**99.157**	(89.101)
Gains/(losses) re-measurement on defined benefit plans		**(3.035)**	1.983
Gains (losses) on financial assets measured at fair value through other comprehensive income			
- *Gains/(losses) on financial assets measured at fair value through other comprehensive income*		***108.350***	*(96.213)*
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss			
- *Gains/(losses) from re-measurement on defined benefit plans of investments using equity method*		***(1.322)***	*697*
Taxes relating to other comprehensive income not to be reclassified to profit (loss)			
- *Gains/(losses) re-measurement on defined benefit plan, tax effect*	*29*	***582***	*(381)*
- *Gains/(losses) on financial assets measured at fair value through other comprehensive income, tax effect*	*29*	***(5.418)***	*4.813*
To be reclassified to profit or loss		**(10.961)**	(99.558)
Gains/(losses) on cash flow hedges			
- *Gains/(losses) on cash flow hedges*		***(21.111)***	*9.784*
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss			
- *Gains/(losses) from cash flow hedging of investments using equity method*		***4.167***	*(109.009)*
- *Gains/(losses) from translation of foreign currency of investments using equity method*		***1.338***	*1.820*
Taxes relating to other comprehensive income to be reclassified to profit (loss)			
- *Gains/(losses) on cash flow hedges, tax effect*	*29*	***4.645***	*(2.153)*
Other comprehensive income/(expense) (after taxation)		**88.196**	(188.659)
Total other comprehensive income		**361.673**	39.724
Distribution of total comprehensive income			
Equity holders of the parent		**361.673**	39.724

The accompanying accounting policies and notes between the pages 108 and 177 form an integral part of these consolidated financial statements. form an integral part of these consolidated financial statements.

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

(Convenience translation of consolidated financial statements originally issued in Turkish)

				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				
	Share capital	Adjustment to share capital	Adjustment to share capital due to cross-ownership (-)	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	Profit or loss relating to avoidance of risk of cash flow	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	Total equity
Audited													
Balance as of January 1, 2018	300.000	71.504	(7.442)	1.187	213.653	(471)	-	(113.760)	249.509	1.631.864	577.019	2.923.063	2.923.063
Adjustments to changes in accounting policies	-	-	-	-	-	-	-	-	-	(377)	-	(377)	(377)
Adjustments to mandatory changes in accounting policies	-	-	-	-	-	-	-	-	-	*(377)*	-	*(377)*	*(377)*
Transfers	-	-	-	-	-	-	-		44.701	532.318	(577.019)	-	-
Total comprehensive income (expense)	-	-	-	1.602	(91.400)	697	7.631	(107.189)	-	-	228.383	39.724	39.724
Net income	-	-	-	-	-	-	-	-	-	-	*228.383*	*228.383*	*228.383*
Other comprehensive income (expense)	-	-	-	*1.602*	*(91.400)*	*697*	*7.631*	*(107.189)*	-	-	-	*(188.659)*	*(188.659)*
Dividend paid	-	-	-	-	-	-	-	-	-	(460.000)	-	(460.000)	(460.000)
Balance as of December 31, 2018	300.000	71.504	(7.442)	2.789	122.253	226	7.631	(220.949)	294.210	1.703.805	228.383	2.502.410	2.502.410
Audited													
Balance as of January 1, 2019	**300.000**	**71.504**	**(7.442)**	**2.789**	**122.253**	**226**	**7.631**	**(220.949)**	**294.210**	**1.703.805**	**228.383**	**2.502.410**	**2.502.410**
Transfers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**44.482**	**183.901**	**(228.383)**	**-**	**-**
Total comprehensive income (expense)	**-**	**-**	**-**	**(2.453)**	**102.932**	**(1.322)**	**(16.466)**	**5.505**	**-**	**-**	**273.477**	**361.673**	**361.673**
Net income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***273.477***	***273.477***	***273.477***
Other comprehensive income (expense)	**-**	**-**	**-**	***(2.453)***	***102.932***	***(1.322)***	***(16.466)***	***5.505***	**-**	**-**	**-**	***88.196***	***88.196***
Dividend paid (Note 21)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(386.000)**	**-**	**(386.000)**	**(386.000)**
Balance as of December 31, 2019	**300.000**	**71.504**	***(7.442)***	**336**	***225.185***	***(1.096)***	***(8.835)***	***(215.444)***	***338.692***	***1.501.706***	***273.477***	***2.478.083***	***2.478.083***

The accompanying accounting policies and notes between the pages 108 and 177 form an integral part of these consolidated financial statements. form an integral part of these consolidated financial statements.

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

(Convenience translation of consolidated financial statements originally issued in Turkish)

	Notes	Audited January 1 - December 31, 2019	Audited January 1 - December 31,2018
Cash flows from operating activities		**577.709**	233.275
Net income from continuing operations		**273.477**	228.383
Adjustments related with the reconciliation of net profit/(loss) for the period		**254.587**	106.665
-Adjustments for depreciation and amortization expenses	13, 14	**127.068**	89.580
-Adjustments for impairment reversal/(loss)		**2.257**	1.841
-Adjustments for provisions		**36.635**	169.355
-Adjustments for dividend income/(expense)	26	**(70)**	(604)
-Adjustments for interest income	27	**(71.841)**	(69.689)
-Adjustments for interest expense	28	**251.985**	184.994
-Adjustments for unrealized foreign exchange differences		**(3.408)**	35.712
-Adjustments for fair value gains/(losses) on derivative financial instruments		**31.161**	(23.927)
-Adjustments for undistributed profits of investments accounted under equity method	12	**(137.200)**	(281.440)
-Adjustments for tax income/(expenses)	29	**32.079**	21.378
-Adjustments for gains/(losses) on disposal of non-current assets	26	**(4.838)**	(25.053)
-Other adjustments for reconciliation of profit/(loss)		**(9.241)**	4.518
Changes in working capital:		**77.166**	(74.531)
-Change in blocked deposits		**(2.978)**	(1.943)
-Adjustments for increase/(decrease) in trade receivables		**(127.613)**	134.019
-Adjustments for increase/(decrease) in other operating receivables		**102**	(1.712)
-Adjustments for increase/(decrease) in inventories		**85.651**	(24.730)
-Increase/(decrease) in prepaid expenses		**91.083**	(53.708)
-Adjustments for increase/(decrease) in trade payables		**18.663**	(110.381)
-Increase/(decrease) in liabilities for employee benefits		**5.685**	(4.834)
-Adjustments for increase/(decrease) in other operating payables		**8.014**	(17.435)
-Increase/(decrease) in deferred income		**(1.441)**	6.193
Cash flows from operating activities		**605.230**	260.517
-Payments related to provisions for employee benefits	16	**(7.740)**	(4.585)
-Tax returns/(payments)		**(19.781)**	(22.657)
Cash flows from investing activities		**268.123**	2.220
Cash inflows from the sale of interests or capital decrease of investments in associates or joint ventures	12	**200.000**	-
Cash outflows from the acquisition of additional shares or capital increase of investments in associates or joint ventures	1, 12	**-**	(203.974)
Cash inflows from the sale of property, plant and equipment and intangible assets		**57.217**	32.467
Cash outflows from the purchase of property, plant and equipment and intangible assets	*13,14*	**(128.074)**	(107.671)
Dividends received		**186.782**	348.058
Other cash inflows/(outflows)		**(47.802)**	(66.660)
-Cash outflows due to business combinations, net	*33*	***(47.802)***	-
-Cash outflows due to capital increase of investments in associates	5	**-**	*(66.660)*
Cash flows from financing activities		**(854.844)**	(197.202)
Proceeds from borrowings		**990.550**	655.981
Repayments of borrowings	6	**(1.217.421)**	(309.175)
Payments of lease liabilities	6	**(51.087)**	-
Dividends paid		**(384.789)**	(460.000)
Interest paid		**(264.124)**	(154.369)
Interest received		**72.027**	70.361
Net increase/(decrease) in cash and cash equivalents before currency translation differences		**(9.012)**	38.293
Effect of currency translation differences		**24.265**	14.602
Net increase/(decrease) in cash and cash equivalents		**15.253**	52.895
Cash and cash equivalents at the beginning of the period	4	**646.067**	593.172
Cash and cash equivalents at the end of the period	4	**661.320**	646.067

The accompanying accounting policies and notes between the pages 108 and 177 form an integral part of these consolidated financial statements. form an integral part of these consolidated financial statements.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

(Convenience translation of consolidated financial statements originally issued in Turkish)

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 December 31, 2019, 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:

	End of period		Average	
	December 31 2019	December 31 2018	**January 1-December 31, 2019**	January 1-December 31, 2018
Monthly paid	**685**	688	**679**	688
Hourly paid	**624**	603	**637**	637
Total number of personnel	**1.309**	1.291	**1.316**	1.325

Subsidiaries

The details of the Group's subsidiaries are as follows:

		Sermayedeki pay oranı (%)			
	Place of incorporation and operation	**December 31, 2019**	December 31, 2018	**Voting power right**	Principal activity
Subsidiaries					
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
ADG Enerji	Turkey	**100**	100	**100**	Natural gas
Bal Kaynak(1)	Turkey	**100**	-	**100**	Bottled water

(1) Acquired in 2019 (Note 33).

Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş ("Akpa") reached to its current structure with the merger of four subsidiaries of Koç Holding Energy Group at the end of 2001. Before the merger, four companies were operating separately from each other in Bursa, Eskişehir, Ankara and Antalya. At the time of merger the name of company was Bursa Gaz ve Ticaret A.Ş, later it was changed to "Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş." with the decision of Ordinary General Meeting held on March 17, 2005. 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.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

(Convenience translation of consolidated financial statements originally issued in Turkish)

1. ORGANIZATION AND OPERATIONS OF THE COMPANY (CONTINUED)

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 October 13, 2017, the vessel named "Kuleli" which is used for the transportation of LPG, with net book value of TL 589 thousand was sold for USD 3.500 thousand in cash by Kuleli Tankercilik A.Ş. - the Company's subsidiary. On March 14, 2019 Kuleli has acquired the 100% of shares of Bal Kaynak Su İthalat İhracat Sanayi ve Ticaret A.Ş. ("Bal Kaynak") (Note 33).

Enram Su ve Çevre Yatırımları A.Ş. has decided to change its trade name as ADG Enerji Yatırımları A.Ş. ("ADG Enerji") in its Extraordinary General Meeting held on March 20, 2014. Main activity of ADG Enerji is to produce natural gas in domestic and/or overseas markets, purchase natural gas from domestic and/or overseas suppliers, selling natural gas in domestic and/or overseas customers and make related investments to storing, transportation and distribution of natural gas and building necessary facilities. ADG Enerji has decided to decrease its share capital through share cancellation from TL 26.100 thousand to TL 500 thousand in its Extraordinary General Meeting held on December 14, 2017. The TL 25.600 thousand capital reduction has been paid in cash to the Company on March 9, 2018.

Investments in associates

The details of the Group's associates are as follows:

		Ownership interest (%)			
	Place of incorporation and operation	**December 31, 2019**	December 31, 2018	**Voting power right**	Principal activity
Investments in associates					
Enerji Yatırımları A.Ş. ("EYAŞ")	Turkey	**20,00**	20,00	**20,00**	Energy
Entek Elektrik Üretimi A.Ş. ("Entek")	Turkey	**49,62**	49,62	**49,62**	Electricity

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. At the Extraordinary General Meeting of EYAŞ held on December 20, 2018, it was resolved to decrease EYAŞ's share capital from TL 3.347.000 thousand to TL 2.347.000 thousand. The portion of the Company which is TL 200.000 thousand has been paid in cash on March 28, 2019.

Entek Elektrik Üretimi A.Ş. ("Entek"), the electricity generation company of Koç Group, operates one natural gas cycling plant with capacity of 97 MW in Kocaeli and eight hydroelectric power plants in Kahramanmaraş, Karaman, Samsun and Mersin with capacity of 265 MW in total reaching aggregate capacity of 362 MW. In September 2017, Entek submitted the highest bid to the Privatization Administration and was granted operating rights of the 178 MW Menzelet and Kılavuzlu HEPPs for 49 years. Following the bid process, the necessary approvals were obtained, and Menzelet and Kılavuzlu HEPPs were taken over by Menzelet Kılavuzlu Elektrik Üretimi A.Ş., wholly owned by Entek, and put into operation on March 9, 2018. In the Extraordinary General Assembly of Entek dated February 9, 2018, it was resolved to increase the paid-in capital by from TL 538.500 thousand to TL 950.000 thousand, TL 405 thousand to be paid out of internal funds and TL 411.095 thousand to be paid in cash. Our Company's corresponding amount of TL 203.974 thousand was paid in cash on March 1, 2018 (Note 12).

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

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1. ORGANIZATION AND OPERATIONS OF THE COMPANY (CONTINUED)

Joint ventures

The details of the Group's joint ventures are as follows:

		Ownership interest (%)			
Joint venture	Place of incorporation and operation	**December 31, 2019**	December 31, 2018	**Voting power right**	Principal activity
Opet Aygaz Gayrimenkul A.Ş. ("OAGM")	Turkey	**50,00**	50,00	**50,00**	Gayrimenkul

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

Approval of consolidated financial statements

The consolidated financial statements as of and for the year ended December 31, 2019 are approved in the Board of Directors meeting held on February 12, 2020. These consolidated financial statements will be finalized following their approval in the General Assembly.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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 June 13, 2013 which is published on Official Gazette numbered 28676. TMS is consist of Turkish Accounting Standards, Turkish Financial Reporting Standards, annexes and comments on them.TAS/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 March 17, 2005, the CMB announced that, effective from January 1, 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.

(Convenience translation of consolidated financial statements originally issued in Turkish)

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/TFRS 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.

(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.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(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 December 31, 2019

Amendment to IFRS 9, 'Financial instruments'; effective from annual periods beginning on or after January 1, 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. The amendments do not have an impact on the Group's consolidated financial position and performance.

Amendments to IAS 28, 'Investments in associates and joint venture'; effective from annual periods beginning on or after January 1, 2019. These amendments clarify that long-term investments in associate or joint venture which the equity method is not applied will be accounted by the companies in compliance with IFRS 9. The amendments do not have an impact on the Group's consolidated financial position and performance.

(Convenience translation of consolidated financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

IFRS 16, 'Leases'; effective from annual periods beginning on or after January 1, 2019. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The impacts of the first time adoption of the standard and changes in accounting policies was disclosed in Note 2.4.

IFRIC 23, 'Uncertainty over income tax treatments'; effective from annual periods beginning on or after January 1, 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes' are applied where there is uncertainty over income tax treatments. The IFRS IC had previously clarified only IAS 12. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is an uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

Annual improvements 2015-2017; effective from annual periods beginning on or after January 1, 2019. These amendments include minor changes to:

- IFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23, 'Borrowing costs' – a company treats any borrowing made to prepare the qualifying asset for its intended use or sale as part of general borrowings.

The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'; effective from annual periods beginning on or after January 1, 2019. These amendments require an entity to:

- use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
- recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

The amendments do not have an impact on the Group's consolidated financial position and performance.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

b. Standards, amendments and interpretations effective after January 1, 2020

Amendments to IAS 1 and IAS 8 on the definition of material; effective from annual periods beginning on or after January 1, 2020. These amendments to IAS 1 'Presentation of financial statements', and IAS 8 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immaterial information.

The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

Amendments to IFRS 3 - definition of a business; effective from annual periods beginning on or after January 1, 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. The Group will evaluate the effect of the amendments below and apply from effective date.

Amendments to IFRS 9, IAS 39 and IFRS 7; Interest rate benchmark reform; effective from Annual periods beginning on or after January 1, 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

2.4 Comparative information and reclassifications on prior period financial statements

The Group has been applied the change of "IFRS 16 Leases" which are effective as of January 1, 2019 considering the transition principles.

The effects of the first-time adoption of the amendments of these accounting policies are as follows:

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

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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)

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 recognise 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.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

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. As of December 31, 2019 the total expenses of variable lease payment contracts are TL 1.089 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 are 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.

First time adoption of IFRS 16 Leases

The Group has applied IFRS 16 "Leases", which replaces IAS 17, for the effective period beginning on January 1, 2019. The cumulative impact of applying IFRS 16 is accounted in the condensed interim consolidated financial statements retrospectively ("cumulative impact approach") at the start of the current accounting period. The simplified transition approach of the related standard does not require a restatement in the comparative periods or in the retained earnings.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

With the transition to IFRS 16 "Leases", a "lease liability" is recognized in the condensed interim consolidated financial statements for the lease contracts which were previously measured under IAS 17 as operational leases. At transition, lease liabilities are measured at the net present value of the remaining lease payments, discounted at the Group's incremental borrowing rate on the effective transition date. The Group measured the right-of-use assets at an amount equal to the lease liability (adjusted by the amount of any prepaid or accrued lease payments) under IFRS 16 simplified transition approach.

The impacts of first-time adoption of IFRS 16 is summarized as follows:

	January 1, 2019
Operating lease commitments within the scope of IAS 17	**117.654**
- Short term leases	(885)
- Adjustments related to extension and termination options	17.053
Total lease liabilities within the scope of IFRS 16 (undiscounted)	**133.822**
Total lease liabilities within the scope of IFRS 16 (discounted and after consolidation eliminations)	**86.999**
- Short term lease liabilities:	20.650
- Long term lease liabilities:	66.349

As at January 1, 2019 the weighted average of the Group's incremental borrowing rates for lease agreements in TL is 25% and in EUR is 6%.

As of January 1, 2019 and December 31, 2019 , the details of the right of use assets that are accounted in the condensed consolidated financial statements are as follows:

	December 31, 2019	January 1, 2019
Land	3.989	2.836
Land improvements	3.794	1.382
Buildings	14.352	7.488
Machinery and equipment	32.356	-
Vehicles	55.527	75.293
Furniture and fixtures	48	-
Total right-of-use assets	**110.066**	**86.999**

Net book value of the right-of-use assets is TL 110.066 thousand as of December 31, 2019. For the period ended December 31, 2019, additions to and disposals from the right-of-use assets (net) amounted to TL 5.693 thousand and depreciation expenses amounted to TL 30.048 thousand. Additionally, TL 47.422 thousand of tangible assets have been sold and leased back from Yapı Kredi Finansal Kiralama A.O. on May 31, 2019. Within the scope of IFRS 16 "Leases", the balance has been transferred to right-of-use assets (Note 13).

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 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.

2.6 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.

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 collectabilitiy of a consideration is probable, the entity shall consider only the customer's abilitity 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 year ended December 31, 2019, SCT on imported LPG included in revenues and the cost of goods sold is amounting to TL 1.955.259 thousand (January 1 - December 31, 2018: TL 1.543.946 thousand).

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

(Convenience translation of consolidated financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

2.7 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.

2.8 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.

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. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

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.

(Convenience translation of consolidated financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

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.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

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).

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

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.

(Convenience translation of consolidated financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 market place.

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.

2.13 Business combinations

Before January 1, 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.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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".

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.

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.

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 gas and petroleum products, electricity and other operations. 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.

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.

(Convenience translation of consolidated financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

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.

(Convenience translation of consolidated financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 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 December 31, 2019, the Group has no capitalized research and development expenses (December 31, 2018: None).

2.25 Critical accounting estimates and assumptions

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.

(Convenience translation of consolidated financial statements originally issued in Turkish)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

Financial asset measured at fair value through other comprehensive income of the Group includes shares of Koç Finansal Hizmetler A.Ş. (KFS), an unlisted company and the majority shareholder of Yapı ve Kredi Bankası with 81,9%. Since the shares of Yapı ve Kredi Bankası are traded in Istanbul Stock Exchange, the fair value of shares of KFS are determined by using several valuation methods such as the existing market value of Yapı ve Kredi Bankası, dividend discount model, comparison method considering recent similar local or international acquisitions realized. In this valuation, the market value is weighted as 75%, the dividend discount model is 15% and the market model involving similar acquisitions is 10%. In the dividend discount model, 19,7% cost of equity-discount rate on Turkish Lira based (2018: 22,3%) and 7,9% of long-term growth rate (2018: 10,6%) were taken into consideration. The average result of the minimum and maximum values of the calculations made using these methods were recorded as the fair value (Note 5).

c) In order to record allowances for litigations, the consequences of lost cases are evaluated with the Company lawyers and Company Management makes most accurate evaluations with the available data (Note 17).

d) 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 29). 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.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

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 evaluates operations and results according to industrial segments for the purpose of making decisions for assigning resources to the segments and evaluating the segmental performances. The distribution of segmental operations with respect to industrial segments is as follows:

- Gas and petroleum products
- Electricity
- Other

The Group Management evaluates financial results and performance based of TFRS financial statements. Therefore, TFRS financial statements are the basis of segmental reporting. The Group evaluates the performance of its segments based on gross profit and operating profit.

As of December 31, 2019 and 2018, assets and liabilities according to industrial segments are as follows:

					December 31, 2019
	Gas and petroleum products	**Electricity**	**Other**	**Consolidation adjustments**	**Total**
Assets					
Current assets	1.428.921	-	194.691	(34.496)	1.589.116
Non-current assets	2.657.872	541.649	342.612	(176.390)	3.365.743
Total assets	4.086.793	541.649	537.303	(210.886)	4.954.859
Liabilities					
Short term liabilities	1.414.871	-	114.671	(34.505)	1.495.037
Long term liabilities	938.218	-	50.245	(6.724)	981.739
Equity	1.733.704	541.649	372.387	(169.657)	2.478.083
Total liabilities and equity	4.086.793	541.649	537.303	(210.886)	4.954.859
Investments accounted under equity method	1.379.117	541.649	138.704	-	2.059.470

					December 31, 2018
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Assets					
Current assets	1.457.467	-	184.598	(24.526)	1.617.539
Non-current assets	2.956.387	448.501	273.720	(282.924)	3.395.684
Total assets	4.413.854	448.501	458.318	(307.450)	5.013.223
Liabilities					
Short term liabilities	1.446.764	-	61.805	(24.538)	1.484.031
Long term liabilities	1.021.426	-	15.413	(10.057)	1.026.782
Equity	1.945.664	448.501	381.100	(272.855)	2.502.410
Total liabilities and equity	4.413.854	448.501	458.318	(307.450)	5.013.223
Investments accounted under equity method	1.718.736	448.501	137.562	-	2.304.799

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

(Convenience translation of consolidated financial statements originally issued in Turkish)

3. SEGMENT INFORMATION (CONTINUED)

As of December 31, 2019 and 2018, profit and loss statement according to industrial segments are as follows:

				January 1 - December 31, 2019	
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Revenue	9.746.940	-	763.572	(299.499)	10.211.013
Cost of sales (-)	(8.905.079)	-	(648.545)	299.499	(9.254.125)
Gross profit	841.861	-	115.027	-	956.888
General administrative expenses (-)	(232.493)	-	(25.307)	4.871	(252.929)
Marketing expenses (-)	(318.694)	-	(33.610)	-	(352.304)
Research and development expenses (-)	(2.863)	-	(31)	-	(2.894)
Other operating income	529.382	-	23.756	(351.873)	201.265
Other operating expenses (-)	(168.128)	-	(19.743)	2.692	(185.179)
Operating profit	649.065	-	60.092	(344.310)	364.847
Income from investment activities	113.256	-	596	(106.435)	7.417
Loss from investment activities (-)	(2.484)	-	(25)	-	(2.509)
Profit/losses from investments accounted under equity method	47.678	88.380	1.142	-	137.200
Operating profit before financial income/(expense)	807.515	88.380	61.805	(450.745)	506.955
Financial income	140.134	-	10.677	-	150.811
Financial expense (-)	(341.533)	-	(10.677)	-	(352.210)
Profit from continuing operations before tax	606.116	88.380	61.805	(450.745)	305.556
Tax income/(expense), continuing operations					
Current tax expense for the period (-)	(29.587)	-	(7.850)	-	(37.437)
Deferred tax income/(expense)	6.501	-	(1.143)	-	5.358
Profit for the period	583.030	88.380	52.812	(450.745)	273.477

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

(Convenience translation of consolidated financial statements originally issued in Turkish)

3. SEGMENT INFORMATION (CONTINUED)

	January 1 - December 31, 2018				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Revenue	9.167.870	-	620.212	(233.641)	9.554.441
Cost of sales (-)	(8.619.449)	-	(534.285)	233.641	(8.920.093)
Gross profit	548.421	-	85.927	-	634.348
General administrative expenses (-)	(185.837)	-	(19.834)	4.007	(201.664)
Marketing expenses (-)	(289.214)	-	(21.542)	-	(310.756)
Research and development expenses (-)	(3.431)	-	-	-	(3.431)
Other operating income	319.793	-	17.453	(5.578)	331.668
Other operating expenses (-)	(368.410)	-	(11.694)	522	(379.582)
Operating profit	21.322	-	50.310	(1.049)	70.583
Income from investment activities	429.280	-	471	(402.354)	27.397
Loss from investment activities (-)	(1.740)	-	-	-	(1.740)
Profit/losses from investments accounted under equity method	373.157	(96.049)	4.332	-	281.440
Operating profit before financial income/(expense)	822.019	(96.049)	55.113	(403.403)	377.680
Financial income	139.100	-	26.151	-	165.251
Financial expense (-)	(284.635)	-	(8.535)	-	(293.170)
Profit from continuing operations before tax	676.484	(96.049)	72.729	(403.403)	249.761
Tax income/(expense), continuing operations					
Current tax expense for the period (-)	(9.696)	-	(6.175)	-	(15.871)
Deferred tax income/(expense)	(5.399)	-	(108)	-	(5.507)
Profit for the period	661.389	(96.049)	66.446	(403.403)	228.383

The depreciation and amortization expense for the industrial segmental assets as of December 31, 2019 and 2018 are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Gas and petroleum products	**112.288**	79.897
Other	**14.780**	9.683
	127.068	89.580

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

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3. SEGMENT INFORMATION (CONTINUED)

The investment expenditures for the industrial segmental assets as of December 31, 2019 and 2018 are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Gas and petroleum products	107.835	102.884
Other	20.239	4.787
	128.074	107.671

4. CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31, 2018
Cash on hand	374	223
Cash at banks	617.106	589.377
- Demand deposits	*30.038*	*39.010*
- Time deposits	*587.068*	*550.367*
Receivables from credit card transactions	47.911	58.410
Total cash and cash equivalents	665.391	648.010

As of December 31, 2019 the Group's TL time deposits amounting to TL 269.255 thousand with maturities of 2 days and interest rates of 11,15-11,65%. USD time deposits amounting to USD 53.502 thousand (TL 317.813 thousand) with maturities of 2 days and interest rate of 1,75% (As of December 31, 2018 the Group's TL time deposits amounting to TL 344.731 thousand have maturities of 2 days and interest rates of 22,50-24,33%; USD time deposits amounting to USD 39.088 thousand (TL 205.636 thousand) have a maturity of 2 days and an interest rate of 3,40%).

The amount of cash and cash equivalents shown in the statement of cash flow as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Cash and cash equivalents	665.391	648.010
Less: Blocked deposits (*)	(4.071)	(1.943)
	661.320	646.067

(*) 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).

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

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5. FINANCIAL INVESTMENTS

The Group's long-term financial assets identified as available-for-sale financial assets are as follows as of December 31, 2019 and 2018:

	December 31, 2019		December 31, 2018	
	Participation amount	Participation rate %	Participation amount	Participation rate %
Financial assets measured at fair value through other comprehensive income:				
Koç Finansal Hizmetler A.Ş.(*)	***393.997***	***1,97***	*285.647*	*1,97*
Financial assets measured at fair value through profit or loss:				
Ram Dış Ticaret A.Ş.	***87***	***2,50***	*420*	*2,50*
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.(**)	***270***	***10,00***	*540*	*10,00*
Tat Gıda Sanayi A.Ş.	***654***	***0,08***	*53*	*0,08*
Other	***436***	***-***	*436*	*-*
	395.444		287.096	

(*) During the extraordinary general assembly meeting held on June 6, 2018 of Koç Finansal Hizmetler A.Ş. in which having a 1,97% stake, it was resolved to increase the paid-in capital of by TL 3.389.325 thousand from TL 3.011.275 thousand to TL 6.400.600 thousand. The Company participated in this capital increase by exercising its pre-emptive rights corresponding to TL 66.660 thousand that was paid in cash on June 18, 2018.

(**) In 2019 it was decided to decrease the paid-in capital of Tanı Pazarlama ve İletişim Hizmetleri A.Ş in which having a share of %10 in its share capital, by half.

6. FINANCIAL BORROWINGS

As of December 31, 2019 and 2018 the Group's short-term financial borrowings are as follows:

	December 31, 2019	December 31, 2018
TL-denominated short-term bank borrowings (*)	**34.162**	78.596
Short-term lease liabilities	**30.721**	-
Total short-term bank borrowings	**64.883**	78.596
Short-term portion and interest accruals of TL-denominated long-term bank borrowings	**185.917**	275.038
Short-term portion and interest accruals of USD-denominated long-term bank borrowings	**132.156**	67.592
Short-term portion of long-term bond issued (**)	**100.381**	149.721
Total short-term portion of long-term financial borrowings	**418.454**	492.351

(*) As of December 31, 2019, the Group has interest free loan which was used for SSI payment amounting to TL 2.854 thousand (December 31, 2018: TL 5.981 thousand). Group has short-term bank loans with amounting to TL 31.308 thousand in total with maturities of January 7, 2020 and February 7, 2020 with 12,54% average interest rate.

(**) On October 20, 2017, January 26, 2018, June 21, 2019 and August 7, 2019, the Group has issued a fixed rate bond with a nominal value of TL 50.000 thousand, with a maturity of 728 days and half-yearly coupon payments, a fixed rate bond with a nominal value of TL 75.000 thousand, with a maturity of 728 days and half-yearly coupon payments, a floating rate bond with a nominal value TL 90.000 thousand with a maturity of 728 days and quarterly coupon payments and a floating rate bond with a nominal value TL 80.000 thousand with a maturity of 728 days and quarterly coupon payments respectively. In order to hedge cash flow risk, the interest rates of the issued bonds dated on June 21, 2019 and August 7, 2019 have been fixed by interest rate swap transaction (Note 7).

As of December 31, 2019, the details of short-term bank borrowings are as follows:

Currency	Average effective interest rate per annum (%)	Original amount	TL amount
TL	**-**	**2.750**	**2.750**
TL	**12,54**	**31.412**	**31.412**
			34.162

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

6. FINANCIAL BORROWINGS (CONTINUED)

As of December 31, 2018, the details of short-term bank borrowings are as follows:

Currency	Average effective interest rate per annum (%)	Original amount	TL amount
TL	-	5.981	5.981
TL	30,13	72.615	72.615
			78.596

As of December 31, 2019 and 2018 the Group's long-term financial borrowings are as follows:

	December 31, 2019	December 31, 2018
TL-denominated long-term bank borrowings	512.368	621.581
USD-denominated long-term bank borrowings	26.731	139.414
Total long-term bank borrowings	539.099	760.995
Long-term bonds issued	151.590	69.073
Total long-term bonds	151.590	69.073
Long-term lease liabilities	73.737	-
Total long-term lease liabilities	73.737	-
Total long-term financial borrowings	764.426	830.068

As of December 31, 2019 the details of long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	16,26	698.285	698.285
USD	4,90	26.748	158.887
Short-term portion of long-term loans and interest accruals			(318.073)
			539.099

As of December 31, 2018 the details of long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	20,35	896.619	896.619
USD	6,10	39.348	207.006
Short-term portion of long-term loans and interest accruals			(342.630)
			760.995

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6. FINANCIAL BORROWINGS (CONTINUED)

As of December 31, 2019 and 2018 the Group's short-term financial borrowings are as follows:

	2019	2018
As of January 1st	1.401.015	973.270
Effect of IFRS 16 (Note 2.4)	86.999	-
As of January 1st - recalculated in accordance with IFRS 16	1.488.014	973.270
Proceeds from new financial borrowings(*)	1.036.833	655.981
Repayments of principals(*)	(1.268.508)	(309.175)
Changes in interest accruals	(6.371)	30.625
Currency translation differences	(2.205)	50.314
As of December 31st	1.247.763	1.401.015

(*) In 2019, various loans amounting to TL 800,000 thousand were closed before their maturity dates in order to gain interest advantage. New loans with a lower rate of TL 600,000 thousand were used in lieu of closed loans. The early closure fee amounting to TL 25.051 thousand, which occurred as a result of early closure, is shown in the financing expenses (Note: 28).

7. DERIVATIVE FINANCIAL INSTRUMENTS

As of December 31, 2019 and 2018, the Group's derivative financial instruments are as follows:

	December 31, 2019		December 31, 2018	
	Contract amount	Fair value assets (liabilities)	Contract amount	Fair value assets (liabilities)
Foreign currency swap contracts (**)	26.100	28.194	26.100	24.830
Commodity hedge (***)	-	-	41.245	1.109
Forward transactions (*)	(29.850)	75	-	-
Total short-term derivative financial assets	(3.750)	28.269	67.345	25.939
Commodity hedge (***)	42.772	(12.709)	-	-
Total short-term derivative financial liabilities	42.772	(12.709)	-	-

	December 31, 2019		December 31, 2018	
	Contract amount	Fair value assets (liabilities	Contract amount	Fair value assets (liabilities)
Foreign currency swap contracts (**)	13.050	14.097	39.150	37.245
Total long-term derivative financial assets	13.050	14.097	39.150	37.245
Interest rate swap (****)	170.000	(14.100)	-	-
Total long-term derivative financial liabilities	170.000	(14.100)	-	-

(*) As of December 31, 2019 the Group has entered into forward transaction with a maturity of 17 days and nominal value amounting to USD 5.000 thousand (As of December 31, 2018 the Group has no forward transaction).

(**) In June, 2016, the Group has realized swap transaction with a contract amounting to TL 91.350 thousand with 5 years maturity, half yearly interest payment and fixed interest rate of 13,415%, in return for USD 31.500 thousand with a floating interest rate of six-month USDLIBOR + 2,4%. As of December 31, 2019, principal payment of USD 18.000 thousand was made in total, the remaining amount is USD 13.500 thousand.

(***) As of December 31,2019 the Group has commodity swap transaction which is made for the quantity of 20.000 metric tonne of propane (Sonatrach FOB Bethioua). The relevant contract month of the transaction is January 2020 and the weighted average fixed price is USD 360,03/per metric tonne (As of December 31, 2018 the Group has Commodity swap transaction which is made for the quantity of 20.000 metric tonne of propane (Sonatrach FOB Bethioua). The relevant contract month of the transaction is February 2019 and the weighted average fixed price is USD 392/per metric tonne).

(****) The Group has entered interest rate swap transactions for the bond on June 21, 2019 amounting to TL 90.000 thousand in total, fixing interest rate of TL 50.000 thousand of total bond with 21,95% and the TL 40.000 thousand of total bond with 20,75% and for the bond on August 7, 2019 amounting to TL TL 80.000 thousand in total, fixing interest rate of TL 50.000 thousand of total bond with 16,85% and the TL 30.000 thousand of total bond with 16,47%.

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8. TRADE RECEIVABLES AND PAYABLES FROM THIRD PARTIES

The Group's trade receivables from third parties as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Trade receivables	**424.912**	390.652
Notes receivables	**38.467**	46.873
Allowance for doubtful receivables (-) (*)	**(28.291)**	(27.938)
Total current trade receivables	**435.088**	409.587

(*) TL 635 thousand of provision for doubtful receivables consists of expected credit loss provisions (As of December 31, 2018: TL 540 thousand.)

	December 31, 2019	December 31, 2018
Notes receivable	**8.092**	8.835
Total non-current trade receivables	**8.092**	8.835

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

	2019	2018
As of January 1st in accordance with IAS 39	**27.938**	25.626
Effect of IFRS 9	**-**	471
As of January 1st recalculated	**27.938**	26.097
in accordance with IFRS 9	**2.595**	2.364
Increases during the period	**(338)**	(523)
Collections write offs	**(1.904)**	-
As of December 31st	**28.291**	27.938

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 as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Trade payables	**421.881**	414.382
Total short-term trade payables	**421.881**	414.382

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9. OTHER RECEIVABLES AND PAYABLES FROM THIRD PARTIES

The Group's other receivables from third parties as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Guarantees and deposits given	**89**	191
Other receivables	**3.153**	2.856
Total other current receivables	**3.242**	3.047

	December 31, 2019	December 31, 2018
Guarantees and deposits given	**154**	99
Total other non-current receivables	**154**	99

As of December 31, 2019 and 2018, other payables to third parties of the Group are as follows:

	December 31, 2019	December 31, 2018
Deposits and guarantees taken	**344**	459
Total other short-term payables	**344**	459

	December 31, 2019	December 31, 2018
Cylinder deposits received	**107.213**	106.114
Total other long-term payables	**107.213**	106.114

10. LIABILITIES FOR EMPLOYEE BENEFITS

As of December 31, 2019 and 2018, liabilities for employee benefits of the Group are as follows:

	December 31, 2019	December 31, 2018
Payables to personnel	**29.310**	27.021
Employee's income tax payable	**19.586**	16.616
Social security liabilities	**5.146**	4.720
Total liabilities for employee benefits	**54.042**	48.357

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11. INVENTORIES

	December 31, 2019	December 31, 2018
Raw materials	133.577	170.663
Goods in transit	109.939	156.125
Trade goods	6.572	5.812
Finished goods	10.627	12.861
Work in process	2.823	3.077
Allowance for impairment on inventory	(229)	(229)
Total inventories	263.309	348.309

As of December 31, 2019, the inventories compromise of 74.593 tons of LPG (December 31, 2018: 117.213 tons).

Movement of allowance for impairment on inventory of the Group is as follows:

	2019	2018
As of January 1st	229	229
Provision no longer required	-	-
As of December 31st	229	229

12. EQUITY INVESTMENTS

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

	December 31, 2019		December 31, 2018	
	Participation amount	Participation Rate	Participation amount	Participation Rate
EYAŞ	1.379.117	%20,00	1.718.736	%20,00
Entek	541.649	%49,62	448.501	%49,62
OAGM	138.704	%50,00	137.562	%50,00
	2.059.470		2.304.799	

The movement of equity investments is as follows:

	2019	2018
As of January 1st	2.304.799	2.273.331
Shares of profit/(loss)	137.200	281.440
Shares of other comprehensive income/(loss)	4.183	(106.492)
Dividend income (*)	(186.712)	(347.454)
Participation in share capital decrease (increase) of equity investment (**)	(200.000)	203.974
As of December 31st	2.059.470	2.304.799

(*) EYAŞ dividend income.
(**) Capital decrease of EYAŞ. Related amount has been paid in cash to the Company on March 28, 2019 (2018: Capital increase of Entek) (Note 1).

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12. EQUITY INVESTMENTS (CONTINUED)

Shares of profit (loss) of equity investments:

	January 1 - December 31, 2019	January 1 - December 31, 2018
EYAŞ	**47.678**	373.157
Entek (***)	**88.380**	(96.049)
OAGM	**1.142**	4.332
	137.200	281.440

(***) (2018:The related balance also consists of the net loss for the period amounting to TL 18,9 million and impairment loss amounting to TL 74,7 million of Ayas Enerji Üretimi ve Ticaret A.Ş. (Ayas), joint venture of Entek which is the Group's equity investment.
Ayas was established on April 10, 2002 and the energy generation license for the thermal power plant with the capacity of 625 MW in Adana was obtained on April 30, 2009 for 49 years. The share purchase agreement for the transfer of 50% of Ayas shares to Entek was signed between the Armed Forces Pension Fund ("OYAK") and Entek on December 15, 2011. The share transfer was completed on May 22, 2012 as a result of obtaining the necessary permissions from the official authorities.
A lawsuit has been filed in 2011 for the cancellation of the generation license granted to Ayas with a demand of the stay of execution by the environmental organizations against Energy Market Regulatory Authority (EMRA) and the case is still ongoing. The trial was realized on December 25, 2018 and the declarations by the parties were made. Court's decision about the case is awaited and no certain evaluation can be made by the Group regarding the outcome of the case for the time being. While the lawsuit has been expected to be finalized since 2012 for the company to start operations; on the other hand, considering the factors such as the decline in commodity prices and rise in the financing costs, it is obvious that the economic return of the project is below the expectations and it is no longer feasible to continue the investment with the initial planned conditions and hence the entire carrying value of Ayas was impaired).

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

	January 1 - December 31, 2019	January 1 - December 31, 2018
EYAŞ (*)	**(585)**	(94.625)
Entek	**4.768**	(11.867)
	4.183	(106.492)

(*) The Group uses investment loans amounting to USD 812.776 thousand, which is equivalent to TL 4.828.054 thousand (December 31, 2018: USD 982.082 thousand (TL 5.166.635 thousand)) as prevention against USD/TL spot foreign exchange risk of USD denominated export revenue, which is highly probable to be realized. Based on the outcome of effectiveness test performed on related process, the Group has considered that the process is fully effective and therefore applied cash flow hedge accounting. As of December 31, 2019, TL 2.490.168 thousand (December 31, 2018: TL 2.575.965) of foreign exchange loss that arose from investment loans is classified under equity "Cash flow hedge gains (losses)" which has no effect on current year income statement.

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12. EQUITY INVESTMENTS (CONTINUED)

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:

Consolidated balance sheet	**December 31, 2019**	December 31, 2018
Total assets	**53.461.696**	44.453.140
Total liabilities	**(42.375.036)**	(30.089.903)
Non-controlling interest	**(4.191.079)**	(5.769.557)
Net assets	**6.895.581**	8.593.680
Group's ownership	**%20**	%20
Group's share in associates' net assets	**1.379.117**	1.718.736

Consolidated profit or loss statement	**January 1 - December 31, 2019**	January 1 - December 31, 2018
Revenue	**89.600.776**	88.552.170
Profit for the period	**238.392**	1.865.785
Group's share in associates' profit for the period	**47.678**	373.157

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

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:

Consolidated balance sheet	**December 31, 2019**	December 31, 2018
Total assets	**2.529.872**	2.474.691
Total liabilities	**(1.438.257)**	(1.570.820)
Net assets	**1.091.615**	903.871
Group's ownership	**%49,62**	%49,62
Group's share in associates' net assets	**541.659**	448.501

Consolidated profit or loss statement	**January 1 - December 31, 2019**	January 1 - December 31, 2018
Revenue	**1.195.838**	498.353
Profit/(Loss) for the period	**178.113**	(193.570)
Group's share in associates' profit for the period	**88.380**	(96.049)

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:

Consolidated balance sheet	**December 31, 2019**	December 31, 2018
Total assets	**496.509**	511.396
Total liabilities	**(219.102)**	(236.272)
Net assets	**277.407**	275.124
Group's ownership	**%50**	%50
Group's share in associates' net assets	**138.704**	137.562

Consolidated profit or loss statement	**January 1 - December 31, 2019**	January 1 - December 31, 2018
Revenue	**24.798**	25.221
Profit for the period	**2.284**	8.664
Group's share in associates' profit for the period	**1.142**	4.332

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13. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Acquisition cost									
Opening balance as of January 1, 2019	16.506	166.925	74.294	1.740.441	230.349	79.891	24.938	11.837	2.345.181
Additions	439	2.228	-	6.422	3.145	5.715	260	108.320	126.529
Transfers (*)	(1.940)	7.842	(2.410)	34.468	88	4.930	8	(96.305)	(53.319)
Acquisitions	2.888	2.600	8.062	34.268	-	55	-	-	47.873
Disposals	-	(34)	(163)	(16.915)	(1.878)	(9.399)	(193)	-	(28.582)
Ending balance as of December 31, 2019	17.893	179.561	79.783	1.798.684	231.704	81.192	25.013	23.852	2.437.682
Accumulated depreciation									
Opening balance as of January 1, 2019	-	69.976	50.050	1.350.572	110.390	53.713	23.950	-	1.658.651
Charge of the period	-	6.084	5.080	56.788	14.168	7.114	868	-	90.102
Disposals	-	(13)	(151)	(14.982)	(1.805)	(6.593)	(81)	-	(23.625)
Ending balance as of December 31, 2019	-	76.047	54.979	1.392.378	122.753	54.234	24.737	-	1.725.128
Net book value as of December 31, 2019	17.893	103.514	24.804	406.306	108.951	26.958	276	23.852	712.554

(*) TL 5.897 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets. Additionally, TL 47.422 thousand of tangible assets have been sold and leased back from Yapı Kredi Finansal Kiralama A.O. on May 31,2019. Within the scope of IFRS 16 "Leases", the balance has been transferred to Right-of-Use Assets.

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13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land	Land improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Acquisition cost									
Opening balance as of January 1, 2018	16.006	160.107	75.457	1.691.823	225.707	74.485	26.713	10.103	2.280.401
Additions	-	-	53	1.193	3.631	1.154	403	101.197	107.631
Transfers (*)	500	8.181	5.271	67.020	2.225	8.717	352	(99.463)	(7.197)
Disposals	-	(1.363)	(6.487)	(19.595)	(1.214)	(4.465)	(2.530)	-	(35.654)
Ending balance as of December 31, 2018	16.506	166.925	74.294	1.740.441	230.349	79.891	24.938	11.837	2.345.181
Accumulated depreciation									
Opening balance as of January 1, 2018	-	64.997	53.020	1.313.275	97.092	48.513	25.577	-	1.602.474
Charge of the period	-	5.870	1.899	54.825	14.100	6.900	823	-	84.417
Disposals	-	(891)	(4.869)	(17.528)	(802)	(1.700)	(2.450)	-	(28.240)
Ending balance as of December 31, 2018	-	69.976	50.050	1.350.572	110.390	53.713	23.950	-	1.658.651
Net book value as of December 31, 2018	16.506	96.949	24.244	389.869	119.959	26.178	988	11.837	686.530

(*) TL 7.197 thousand under “Construction in progress” under the account property, plant and equipment has been classified to intangible fixed assets.

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13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As of December 31, 2019 and 2018, the details of depreciation expenses are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Cost of sales	**74.156**	70.371
Marketing expenses	**15.943**	8.145
Capitalized on cylinders	**3.577**	3.145
General administrative expenses	**26.474**	2.756
	120.150	84.417

In 2019 in accordance with IFRS 16, depreciation expenses occured amounting to TL 2.259 thousand in cost of sales, TL 3.951 thousand in general administrative expenses and TL 23.838 thousand in marketing expenses.

14. INTANGIBLE ASSETS

	Rights	**Total**
Acquisition costs		
Opening balance as of January 1, 2019	**68.424**	**68.424**
Additions	**1.545**	**1.545**
Acquisitions	**1.939**	**1.939**
Transfers (*)	**5.897**	**5.897**
Ending balance as of December 31, 2019	**77.805**	**77.805**
Accumulated amortization		
Opening balance as of January 1, 2019	**47.070**	**47.070**
Charge for the period	**6.918**	**6.918**
Ending balance as of December 31, 2019	**53.988**	**53.988**
Carrying value as of December 31, 2019	**23.817**	**23.817**

(*) TL 5.897 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets.

	Rights	Total
Acquisition costs		
Opening balance as of January 1, 2018	61.187	61.187
Additions	40	40
Transfers (*)	7.197	7.197
Ending balance as of December 31, 2018	68.424	68.424
Accumulated amortization		
Opening balance as of January 1, 2018	41.907	41.907
Charge for the period	5.163	5.163
Ending balance as of December 31, 2018	47.070	47.070
Carrying value as of December 31, 2018	21.354	21.354

(*) TL 7.197 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

14. INTANGIBLE ASSETS (CONTINUED)

As of December 31, 2019 and 2018, the details of amortization expenses of intangible assets are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
General and administrative expenses	**6.918**	5.163
	6.918	5.163

15. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Guarantees given as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Letter of guarantees given for gas purchase	**879.723**	866.327
Other letter of guarantees given	**24.430**	24.009
Total guarantees given	**904.153**	890.336

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 inventory reserve 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 December 28, 2018, it was decided to keep the national petroleum stocks as minimum 15 days between 01.02.2019 - 30.04.2019, minimum 17 days between 01.05.2019 - 30.06.2019, minimum 20 days as of 01.07.2019 by the petroleum products and LPG distributor license owners. The Group fulfills its obligations regarding national inventory reserve liability.

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15. CONTINGENT ASSETS AND CONTINGENT 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:

	December 31, 2019				December 31, 2018			
	TL Equivalent of Euro	TL Equivalent of USD	TL	Total TL	TL Equivalent of Euro	TL Equivalent of USD	TL	Total TL
A. CPMBs given on behalf of the Company's legal personality	73.672	-	476.437	550.109	66.776	256	611.767	678.799
B. CPMBs given in favor of subsidiaries included in full consolidation (*)	-	304.830	49.214	354.044	-	211.537	-	211.537
C. CPMBs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	-	-	-	-	-	-	-	-
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	73.672	304.830	525.651	904.153	66.776	211.793	611.767	890.336

(*) As of December 31, 2019 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 2.425 thousand (December 31, 2018: TL 998 thousand).

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

16. LONG-TERM PROVISION FOR EMPLOYEE BENEFITS

Details of long-term provisions for employee benefits as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Retirement pay provision	43.999	34.554
Vacation pay liabilities	9.703	8.372
Total long-term provision for employee benefits	53.702	42.926

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 6.379,86 (December 31, 2018: TL 5.434,42) for each year of service at December 31, 2019.

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.

	2019	2018
Net discount rate (%)	4,67	5,65
Turnover rate related to the probability of retirement (%)	95,23-98,71	94,27-98,47

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.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

16. LONG-TERM PROVISION FOR EMPLOYEE BENEFITS (CONTINUED)

The movements of retirement pay provision for the period ended December 31, 2019 and 2018 are as follows:

	2019	2018
As of January 1st	**34.554**	30.351
Increases during the period	**14.150**	10.771
Actuarial (gain) loss	**3.035**	(1.983)
Payments during the period	**(7.740)**	(4.585)
As of December 31st	**43.999**	34.554

17. OTHER SHORT-TERM PROVISIONS

	December 31, 2019	December 31, 2018
Provision for price revision (*)	**201.666**	178.610
Provision for warranty expenses	**11.390**	4.260
Provision for lawsuit	**10.327**	8.874
Provision for EMRA contribution	**5.873**	6.029
Provision for selling and marketing expenses	**5.825**	4.762
Provision for other operating expenses	**11.854**	3.219
Total other short-term provisions	**246.935**	205.754

(*) As communicated to Aygaz Doğal Gaz Toptan Satış A.Ş., a Subsidiary of the Company, by Akfel Gaz Sanayi ve Ticaret A.Ş. ("Akfel"), from which natural gas is supplied; the price revision arbitration process initiated by Gazprom Export LLC ("Gazprom"), which Akfel has imported natural gas, was concluded against Akfel and effective from January 1, 2017, the import price would be adjusted in favor of Gazprom and in this context, it was decided to abolish the discount applied to Akfel and to reflect the change in import price to natural gas price applied to Aygaz Doğal Gaz Toptan Satış A.Ş. in accordance with the contract signed between Akfel and Aygaz Doğal Gaz Toptan Satış A.Ş. It was also notified that, the price determination mechanism in the contract will be revised according to the arbitration decision and the related amount of the debt and related invoices will be sent separately to Aygaz Doğal Gaz Toptan Satış A.Ş. as the contract price is updated retrospectively as of January 1, 2017.The amount of total debt was conveyed to Aygaz Doğal Gaz Toptan Satış A.Ş. by Akfel, however related invoices were not delivered yet as of the date of this report. As of December 31, 2019, total provision of USD 33.949 thousand (TL 201.666 thousand), USD 15.368 thousand for 2017 and USD 18.582 thousand for 2018, has been recognized in the consolidated financial statements (December 31, 2018: USD 33.949 thousand in total (TL equivalent 178.610 thousand.

Movement of the other operating expenses of the Group is as follows:

	2019	2018
As of January 1st	**3.219**	23.057
Payments during the period	**(253)**	(15.170)
Provision no longer required	**(655)**	(7.091)
Increases during the period	**9.543**	2.423
As of December 31st	**11.854**	3.219

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

18. OTHER CURRENT ASSETS AND LIABILITIES

	December 31, 2019	December 31, 2018
Deferred VAT	**11.046**	10.115
Fuel used in shipping operations	**3.992**	2.957
Income accrual	**70**	189
Other current assets	**1.725**	3.115
Total other current assets	**16.833**	16.376

	December 31, 2019	December 31, 2018
Taxes and funds payable	**97.384**	85.791
Other liabilities	**783**	2.505
Total other current liabilities	**98.167**	88.296

19. PREPAID EXPENSES

As of December 31, 2019 and 2018, the details of Group's prepaid expenses in current assets are as follows:

	December 31, 2019	December 31, 2018
Prepaid expenses	**37.601**	41.668
Advances given(*)	**6.160**	85.894
Total prepaid expenses	**43.761**	127.562

(*) According to the decision of EMRA Board, as of 2017, a storage obligation (%6 of imports) is imposed on the natural gas importing companies. This liability is reflected to the company in accordance with the contract signed with Akfel Gaz. The gas has been invoiced to Akfel and stored by Akfel Gaz in the Botaş Silivri Warehouse. As of December 31, 2018 25 mcm of this stored gas is accounted as "Advances Given" in balance sheet. With the decision of EMRA published on May 30, 2019 storage obligation has reduced to 1% to be implemented in 2019. As of December 31, 2019 there is no gas stored by Akfel Gaz on behalf of the Group.

As of December 31, 2019 and 2018, the details of Group's prepaid expenses in non-current assets are as follows:

	December 31, 2019	December 31, 2018
Prepaid expenses	**41.656**	49.124
Total prepaid expenses	**41.656**	49.124

As of December 31, 2019 total amount of TL 28.572 thousand (2018: TL 34.421 thousand) presented as prepaid expenses under current assets and total amount of TL 36.038 thousand (2018: TL 48.509 thousand) presented as prepaid expenses under non-current assets are prepayments and investment contribution margin for dealer agreements.

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20. DEFERRED INCOME

	December 31, 2019	December 31, 2018
Advances taken	4.912	5.001
Prepaid income	2.323	3.675
Total deferred income	7.235	8.676

21. SHARE CAPITAL

As of December 31, 2019 and 2018 the share capital held is as follows:

Shareholders	Participation rate	December 31, 2019	Participation rate	December 31, 2018
Temel Ticaret ve Yatırım A.Ş.	%5,77	17.324	%5,77	17.324
Koç Family Members	%4,76	14.265	%4,76	14.265
Total Koç Family Members and companies owned by Koç Family Members	%10,53	31.589	%10,53	31.589
Koç Holding A.Ş.	%40,68	122.054	%40,68	122.054
Liquid Petroleum Gas Development Company ("LPGDC") (*)	%24,52	73.546	%24,52	73.546
Publicly held (*)	%24,27	72.811	%24,27	72.811
Nominal capital	%100,00	300.000	%100,00	300.000
Inflation adjustment (**)		71.504		71.504
Adjusted capital		371.504		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.

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

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:

	December 31, 2019	December 31, 2018
Legal reserves	318.841	281.741
Gain on sale of subsidiary share that will be added to capital	19.851	12.469
Total restricted reserves assorted from the profit	338.692	294.210

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21. SHARE CAPITAL (CONTINUED)

Dividend distribution:

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 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 interim 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 December 31, 2019 amounts to TL 844.464 thousand. (December 31, 2018: TL 893.713 thousand). TL 209.043 thousand of such sources from inflation adjustment differences and TL 9.842 thousand from other capital reserves are subject to tax when they are distributed.

Dividends paid

In the Ordinary General Meeting held on March 20, 2019, the Company decided to reserve TL 37.100 thousand as legal reserves and distribute TL 386.000 thousand gross dividends from the net distributable income of 2018. According to this decision, the Company has begun dividend payments on March 28, 2019.

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:

	December 31, 2019	December 31, 2018
Koç Finansal Hizmetler A.Ş.	**225.185**	122.253
	225.185	122.253

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21. SHARE CAPITAL (CONTINUED)

Currency translation adjustment

Currency translation adjustment as of December 31, 2019 represents the Company's share of currency translation adjustment of equity investment.

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.

22. REVENUE AND COST OF SALES

	January 1 - December 31, 2019	January 1 - December 31, 2018
Domestic sales	9.030.753	8.475.901
Export sales	1.591.330	1.477.562
Sales returns (-)	(9.627)	(10.811)
Sales discounts (-)	(401.443)	(388.211)
Total revenue, net	10.211.013	9.554.441
Sales of goods and services	8.369.298	8.044.723
Sales of merchandises	1.841.715	1.509.718
Revenue	10.211.013	9.554.441

	January 1 - December 31, 2019	January 1 - December 31, 2018
Raw materials used	7.207.427	7.159.923
Production overheads	178.313	123.244
Personnel expenses	95.559	75.648
Depreciation expenses	74.156	70.371
Change in work in process inventories	254	(295)
Change in finished goods inventories	2.234	(2.930)
Cost of goods sold and services rendered	7.557.943	7.425.961
Cost of merchandises sold	1.696.182	1.494.132
Total cost of sales	9.254.125	8.920.093

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

23. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES

	January 1 - December 31, 2019	January 1 - December 31, 2018
General administrative expenses	252.929	201.664
Marketing expenses	352.304	310.756
Research and development expenses	2.894	3.431
Total	608.127	515.851

a) Detail of general administrative expenses

	January 1 - December 31, 2019	January 1 - December 31, 2018
Personnel expenses	124.846	99.501
Depreciation and amortization expenses	22.861	13.308
Consultancy expenses	19.030	13.225
Information technology expenses	16.728	12.910
Insurance expenses	8.720	7.801
Tax expenses	6.568	6.844
Lawsuit, consultancy and auditing expenses	6.436	3.834
Transportation expenses	6.410	7.301
Maintenance expenses	5.779	5.401
Attendance fees	4.168	3.875
Communication expenses	4.132	3.761
Donation and aids	3.441	3.189
Public relations activities expenses	1.882	1.909
Post office expenses	1.529	1.261
Rent expenses	792	2.540
Other administrative expenses	19.607	15.004
Total general administrative expenses	252.929	201.664

b) Detail of marketing expenses

	January 1 - December 31, 2019	January 1 - December 31, 2018
Transportation, distribution and warehousing expenses	164.674	159.487
Personnel expenses	52.452	45.370
Advertising and promotion expenses	30.443	22.987
Sales expenses	30.348	35.176
Depreciation and amortization expenses	26.474	2.756
After sales services and maintenances expenses	11.169	10.581
Transportation expenses	5.976	9.832
License expenses	5.873	5.690
Other marketing expenses	24.895	18.877
Total marketing expenses	352.304	310.756

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23. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES (CONTINUED)

c) Detail of research and development expenses

	January 1 - December 31, 2019	January 1 - December 31, 2018
Outsourced research and development expenses	2.894	3.431
Total research and development expenses	2.894	3.431

24. EXPENSES RELATED TO THEIR NATURE

	January 1 - December 31, 2019	January 1 - December 31, 2018
Personnel expenses	177.298	144.871
Transportation, distribution and warehousing expenses	164.674	159.487
Depreciation and amortization expenses	49.335	16.064
Advertising and promotion expenses	30.443	22.987
Sales expenses	30.348	35.176
Consultancy expenses	19.030	13.225
Information technology expenses	16.728	12.910
Transportation expenses	12.386	17.133
After sales services and maintenances expenses	11.169	10.581
Insurance expenses	8.720	7.801
Tax expenses	6.568	6.844
Lawsuit, consultancy and auditing expenses	6.436	3.834
Maintenance expenses	5.779	5.401
License expenses	5.873	5.690
Attendance fees	4.168	3.875
Communication expenses	4.132	3.761
Donation and aids	3.441	3.189
Outsourced research and development expenses	2.894	3.431
Rent expenses	792	2.540
Public relations activities expenses	1.882	1.909
Other	46.031	35.142
Total	608.127	515.851

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25. OTHER OPERATING INCOME/EXPENSES

Other operating income for the years ended as of December 31, 2019 and 2018 are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Income generated from maturity differences of sales	**85.562**	111.175
Foreign exchange gains arising from trading activities	**72.463**	172.153
Goodwill expenses from prior years	**6.676**	-
Income from port services	**6.431**	6.002
Rent income	**6.127**	5.133
Gain on sale of scrap	**3.583**	3.839
LPG pipeline usage income	**2.455**	3.299
Provisions no longer required	**1.549**	21.556
Other income and profits	**16.419**	8.811
Total other operating income	**201.265**	331.668

Other operating expenses for the years ended as of December 31, 2019 and 2018 are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Foreign exchange losses arising from trading activities	**96.703**	196.953
Expenses from maturity differences of purchases	**58.116**	69.215
Provision expenses	**10.330**	3.512
Demurrage expenses	**5.052**	5.727
Goodwill expenses	**449**	982
Provision for price revision	**-**	80.850
Fair value differences on forward transactions	**-**	16.015
Other expenses and losses	**14.529**	6.328
Total other operating expenses	**185.179**	379.582

26. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	January 1 - December 31, 2019	January 1 - December 31, 2018
Income from sales of property, plant and equipment	**7.347**	26.793
Dividend income from financial investments	**70**	604
Total income from investment activities	**7.417**	27.397

	January 1 - December 31, 2019	January 1 - December 31, 2018
Expenses from sales of property, plant and equipment	**2.509**	1.740
Total expenses from investment activities	**2.509**	1.740

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

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27. FINANCIAL INCOME

Financial income for the years ended as of December 31, 2019 and 2018 are as follows:

Financial income	**January 1 - December 31, 2019**	January 1 - December 31, 2018
Foreign exchange gains	**78.895**	74.848
Interest income	**71.841**	69.689
Fair value differences on swap transactions	**75**	20.714
Total	**150.811**	165.251

28. FINANCIAL EXPENSE

Financial expense for the years ended as of December 31, 2019 and 2018 are as follows:

Financial expense	**January 1 - December 31, 2019**	January 1 - December 31, 2018
Interest expenses	**230.733**	184.994
Foreign exchange losses	**75.174**	108.176
Early closure fee (*)	**25.051**	-
Interest expenses on lease liabilities	**21.252**	-
Total	**352.210**	293.170

(*) In 2019, various loans amounting to TL 800,000 thousand were closed before their maturity dates in order to gain interest advantage. New loans with a lower rate of TL 600,000 thousand were used in lieu of closed loans. The early closure fee occurred amounting to TL 25.051 thousand (Note: 6).

29. TAX ASSETS AND LIABILITIES

	December 31, 2019	December 31, 2018
Current tax liability		
Current corporate tax provision	**37.437**	15.871
Less: Prepaid taxes and funds	**(27.192)**	(23.282)
Current tax liability	**10.245**	(7.411)

Tax expenses	**January 1 - December 31, 2019**	January 1 - December 31, 2018
- Current corporate tax provision	**(37.437)**	(15.871)
- Deferred tax	**5.358**	(5.507)
Total	**(32.079)**	(21.378)

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

29. 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 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.

The effective rate of tax in 2019 is 22% (2018: 22%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2019 is 22% (2018: 22%). 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 Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between April 1-25 following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Deferred tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for TAS/TFRS 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 TAS/TFRS and tax legislation.

In accordance with the regulation numbered 7061, published in Official Gazette on December 5, 2017, "Law Amending Certain Tax Laws and Certain Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of December 31, 2019 are calculated with 22% tax rate for the temporary differences which will be realized in 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards (December 31, 2018: 22%).

Deferred tax liabilities/(assets):	**December 31, 2019**	December 31, 2018
Depreciation/amortization differences of property, plant and equipment and other intangible assets	**48.955**	44.033
Revaluation of financial assets measured at fair value through other comprehensive income	**11.852**	6.434
Provision for employment termination benefits	**(8.421)**	(6.676)
Valuation of inventories	**(1.324)**	(4.585)
Derivative instruments	**4.321**	14.551
Other	**(13.478)**	(6.685)
	41.905	47.072

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29. TAX ASSETS AND LIABILITIES (CONTINUED)

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.

	December 31, 2019			December 31, 2018		
	Deferred tax			Deferred tax		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Aygaz	(23.158)	63.459	40.301	(18.249)	64.981	46.732
Akpa	(1.147)	754	(393)	(1.114)	512	(602)
Aygaz Doğal Gaz	(530)	1.618	1.088	(659)	1.601	942
Kuleli	(500)	1.409	909	-	-	-
	(25.335)	67.240	41.905	(20.022)	67.094	47.072

Movement of deferred tax assets and liabilities are as follows:

	2019	2018
As of January 1st	47.072	43.938
Change to the profit or loss:	(5.358)	5.507
Change to the equity:	191	(2.373)
- Effect of changes in accounting policies	-	(94)
- Effect of gains/(losses) re-measurement on defined benefit plans	(582)	381
- Effect of gains/(losses) on financial assets measured at fair value through other comprehensive income	5.418	(4.813)
- Effect of gains/(losses) on cash flow hedges	(4.645)	2.153
As of December 31st	41.905	47.072

Tax reconciliation :

	January 1 - December 31, 2019	January 1 - December 31, 2018
Profit before tax	305.556	249.761
Income tax rate	22%	%22
Expected tax expense	(67.222)	(54.947)
Tax effects of:		
- revenue that is exempt from taxation (investments accounted under equity method)	30.184	61.917
- income not subject to tax	8.701	13.167
- tax rate differences	4.203	3.277
- expenses that are not deductible in determining taxable profit	(9.409)	(5.564)
- tax losses	(5.074)	(39.294)
- prior year losses used	5.678	-
- other	860	66
Tax expense in the statement of profit or loss	(32.079)	(21.378)

30. EARNINGS PER SHARE

	January 1 - December 31, 2019	January 1 - December 31, 2018
Average number of ordinary shares outstanding during the period (one thousand)	300.000	300.000
Net profit for the year attributable equity holders of the parent company	273.477	228.383
Earnings per thousand shares (TL)	0,911590	0,761277

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31. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

A company is defined as a related party of the Company, if one of the companies has 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 December 31, 2019; dividends payable amounting to TL 1.211 thousand (December 31, 2018: TL 1.052 thousand) is reflected within other payables to related parties which are excluded from Koç Group under short-term liabilities at the consolidated balance sheet.

				December 31, 2019
		Receivables		Payables
Balances with related parties	Non-trade	Trade	Non-trade	Ticari olmayan
Group companies (*)				
Demir Export A.Ş.	5.385	-	-	-
Türkiye Petrol Rafinerileri A.Ş.	118.267	-	84.940	-
Ford Otomotiv Sanayi A.Ş.	370	-	-	-
Demir Export A.Ş. - Fernas İnşaat A.Ş. Adi Ortaklığı	1.005	-	-	-
Ram Dış Ticaret A.Ş.	-	-	266	-
Arçelik A.Ş.	438	-	2	-
Körfez Hava Ulaştırma A.Ş.	-	-	-	-
Opet Petrolcülük A.Ş.	333	-	43.331	-
Tofaş Türk Otomobil Fabrikası A.Ş.	290	-		-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	-	-	8.199	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	4.926	-
Otokoç Otomotiv Tic. ve San. A.Ş.	21	-	2.304	-
Other	1.670	-	3.884	-
Shareholders				
Koç Holding A.Ş.	-	-	9.050	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	3.415	-	-	-
	131.194	-	156.902	-

				December 31, 2018
		Receivables		Payables
Balances with related parties	Trade	Non-trade	Trade	Non-trade
Group companies (*)				
Demir Export A.Ş.	15.901	-	-	-
Türkiye Petrol Rafinerileri A.Ş.	6.922	-	64.272	-
Ford Otomotiv Sanayi A.Ş.	1.681	-	91	-
Demir Export A.Ş. - Fernas İnşaat A.Ş. Adi Ortaklığı	1.431	-	-	-
Ram Dış Ticaret A.Ş.	1.104	-	449	-
Arçelik A.Ş.	402	-	-	-
Körfez Hava Ulaştırma A.Ş.	363	-	-	-
Opet Petrolcülük A.Ş.	354	-	52.925	-
Tofaş Türk Otomobil Fabrikası A.Ş.	337	-	-	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	-	-	9.011	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	5.621	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	-	3.349	-
Other	1.965	-	2.936	-
Shareholders				
Koç Holding A.Ş.	-	-	6.617	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	1	-	-	-
	30.461	-	145.271	-

(*) 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.

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31. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

			January 1 – December 31, 2019	
Transactions with related parties	Purchases (Goods)	Sales (Goods)	Purchases (Service)	Sales (Service)
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	1.145.544	1.315.158	6.404	
Opet Petrolcülük A.Ş.(**) (***)	352.415	4.665	133.271	-
Ram Dış Ticaret A.Ş.	1.488	-	30	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	17.699	88	16.209	-
Otokoç Otomotiv Tic. ve San. A.Ş.	192	429	1.194	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	481	125	13.198	-
Arçelik A.Ş.	2	4.116	19	-
Körfez Hava Ulaştırma A.Ş.	-	1.214	-	-
Demir Export A.Ş.	-	90.885	-	-
Ford Otomotiv Sanayi A.Ş.	-	18.310	-	-
Tat Gıda Sanayi A.Ş.	-	53	-	-
Setur Servis Turistik A.Ş.	-	152	6.420	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	15	2.457	-
Other	8.767	29.248	5.534	-
Shareholders				
Koç Holding A.Ş. (****)	-	69	19.264	-
Temel Ticaret ve Yatırım A.Ş.	-	4	4	-
Koç Family Members	-	132	-	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	-	35.259	-	-
	1.526.588	1.499.922	204.004	-

			January 1 - December 31, 2018	
Transactions with related parties	Purchases (Goods)	Sales (Goods)	Purchases (Service)	Sales (Service)
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	1.023.954	254.846	6.310	2.067
Opet Petrolcülük A.Ş.(**) (***)	313.193	5.145	122.328	-
Ram Dış Ticaret A.Ş.	36.452	-	117	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	15.867	41	19.051	-
Otokoç Otomotiv Tic. ve San. A.Ş.	144	379	969	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	18	100	10.730	-
Arçelik A.Ş.	1	3.914	-	-
Körfez Hava Ulaştırma A.Ş.	-	13.742	-	-
Demir Export A.Ş.	-	71.444	-	-
Ford Otomotiv Sanayi A.Ş.	-	24.564	-	-
Tat Gıda Sanayi A.Ş.	-	44	-	-
Setur Servis Turistik A.Ş.	-	80	4.214	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	13	2.740	-
Other	6.943	32.918	3.956	-
Shareholders				
Koç Holding A.Ş. (****)	-	62	13.608	-
Temel Ticaret ve Yatırım A.Ş.	-	4	3	-
Koç Family Members	-	103	-	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	-	25.004	2.321	-
	1.396.572	432.403	186.347	2.067

(*) Group companies include Koç Group companies.

(**) Commission expense regarding LPG sold at Opet stations as of December 31, 2019 is TL 131.203 thousand (December 31, 2018: TL 120.847 thousand). The commission expense mentioned above is evaluated as part of sales and accounted under profit or loss 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 10.297 thousand has been made to Opet in 2019 in consideration of 5 years sales agreement on average to be paid to Aygaz Dealers making auto gas sales at Opet stations (2018: TL 22.235 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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31. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

			January 1 - December 31, 2019	
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.	727	-	10	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	-	1.693	57
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	6.916	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	87	-
Arçelik A.Ş.	-	-	10	-
Arçelik Pazarlama A.Ş.	-	-	88	13
Koçtaş Yapı Marketleri Ticaret A.Ş.	-	-	6	3
Tofaş Türk Otomobil Fabrikası A.Ş.	-	-	2	-
Other	-	-	131	-
Shareholders				
Koç Holding A.Ş.	-	547	-	-
	727	547	8.943	73

			January 1 - December 31, 2018	
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.	573	20	33	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	8.436	4.093	396
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	9.153	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	65	-
Türkiye Petrol Rafinerileri A.Ş.	-	-	-	17.800
Arçelik A.Ş.	-	-	78	-
Other	-	-	149	-
Shareholders				
Koç Family Members	-	754	-	-
Temel Ticaret ve Yatırım A.Ş.	-	800	-	-
	573	10.010	13.571	18.196

(*) Group companies include Koç Group companies.

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31. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

				January 1 – December 31, 2019
Financial and other transactions with related parties	Financial income	Financial expense	Other income	Other expense
Group companies (*)				
Yapı Kredi Bankası A.Ş.	132.484	47.620	-	-
Vehbi Koç Vakfı	-	-	-	1.206
Türkiye Petrol Rafinerileri A.Ş.	-	-	34	-
Ram Dış Ticaret A.Ş.	-	-	-	-
Tat Gıda Sanayi A.Ş.	-	-	-	-
Rahmi Koç Müzesi	-	-	-	1.800
Koç Üniversitesi	-	-	-	164
Türkiye Eğitim Gönüllüleri Vakfı				175
Other	-	-	19	95
	132.484	47.620	53	3.440

				January 1 - December 31, 2018
Financial and other transactions with related parties	Financial income	Financial expense	Other income	Other expense
Group companies (*)				
Yapı Kredi Bankası A.Ş.	117.393	49.160	-	-
Vehbi Koç Vakfı	-	-	-	711
Opet Petrolcülük A.Ş.	-	-	72	-
Türkiye Petrol Rafinerileri A.Ş.	-	-	533	-
Ram Dış Ticaret A.Ş.	-	-	550	364
Tat Gıda Sanayi A.Ş.	-	-	22	-
Rahmi Koç Müzesi	-	-	-	1.800
Koç Üniversitesi	-	-	-	415
Other	-	-	360	75
	117.393	49.160	1.537	3.365

Cash at banks	December 31, 2019	December 31, 2018
Group companies (*)		
Yapı Kredi Bankası A.Ş.	489.741	545.618

Credit card receivables	December 31, 2019	December 31, 2018
Group companies (*)		
Yapı Kredi Bankası A.Ş.	46.284	58.286

Bank loans	December 31, 2019	December 31, 2018
Grup şirketleri (*)		
Yapı Kredi Bankası A.Ş.	46.058	90.613

(*) Group companies include Koç Group companies.

Benefits to Top Management:

The Company has determined senior manager squad 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 December 31, 2019, total benefit provided to senior management of the Company is TL 43.847 thousand (December 31, 2018: TL 41.496 thousand). The total amount is consist of short-term benefits. No payment is made to senior management due to their leave in 2019 (December 31, 2018: TL 1.581).

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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.

	December 31, 2019	December 31, 2018
Total short-term and long-term borrowings	**1.247.763**	1.401.015
Less: Cash and cash equivalents	**(665.391)**	(648.010)
Net financial debt	**582.372**	753.005
Total shareholder's equity	**2.478.083**	2.502.410
Net financial debt/equity ratio	**%23,5**	%30,1

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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32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk of financial instruments

	Receivables					
	Trade receivables		Other receivables			
December 31, 2019	Related party	Third party	Related party	Third Party	Deposits in banks	Credit card receivables
Maximum exposed credit risk as of reporting date (*)	131.194	443.180	-	3.396	617.106	47.911
- The part of maximum risk under guarantee with collateral etc.	-	277.614	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	131.194	357.790	-	3.396	617.106	47.911
B. 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	-	86.025	-	-	-	-
- The part under guarantee with collateral etc.	-	34.896	-	-	-	-
D. Net book value of impaired assets						
- Past due (gross carrying amount)	-	27.656	-	-	-	-
- Impairment (-)	-	(27.656)	-	-	-	-
- 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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32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk of financial instruments

	Receivables					
	Other receivables		Diğer alacaklar			
December 31, 2018	Related party	Third party	Related party	Third Party	Deposits in banks	Credit card receivables
Maximum exposed credit risk as of reporting date (*)	30.461	418.422	-	3.146	589.377	58.410
- The part of maximum risk under guarantee with collateral etc.	-	223.988	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	30.461	356.959	-	3.146	589.377	58.410
B. 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	-	62.003	-	-	-	-
- The part under guarantee with collateral etc.	-	3.313	-	-	-	-
D. Net book value of impaired assets						
- Past due (gross carrying amount)	-	27.398	-	-	-	-
- Impairment (-)	-	(27.398)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Expected credit loss (-)	-	(540)	-	-	-	-

(*) 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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32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

December 31, 2019	Trade receivables	Other receivables	Deposits in banks	Derivative instruments	Other	Total
Past due 1-30 days	73.497	-	-	-	-	73.497
Past due 1-3 months	9.111	-	-	-	-	9.111
Past due 3-12 months	3.127	-	-	-	-	3.127
Past due 1-5 years	290	-	-	-	-	290
Total past due	86.025	-	-	-	-	86.025
The part under guarantee with collateral	34.896	-	-	-	-	34.896

December 31, 2018	Trade receivables	Other receivables	Deposits in banks	Derivative instruments	Other	Total
Past due 1-30 days	51.477	-	-	-	-	51.477
Past due 1-3 months	7.700	-	-	-	-	7.700
Past due 3-12 months	2.544	-	-	-	-	2.544
Past due 1-5 years	282	-	-	-	-	282
Total past due	62.003	-	-	-	-	62.003
The part under guarantee with collateral	3.313	-	-	-	-	3.313

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32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

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.

December 31, 2019						
Contractual maturity analysis	**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)**
Non-derivative financial liabilities						
Short term and long term borrowings(*)	1.247.763	1.547.277	342.705	181.706	1.019.221	3.645
Trade payables	578.783	578.783	578.783	-	-	-
Liabilities for employee benefits	54.042	54.042	54.042	-	-	-
Other payables	108.768	108.768	1.555	-	-	107.213
Other liabilities	98.167	98.167	98.167	-	-	-
	2.087.523	2.387.037	1.075.252	181.706	1.019.221	110.858

December 31, 2019						
Derivative instruments (*)	**Carrying value**	**Total cash flow according to contract (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Derivative cash inflows		97.926	37.051	56.281	4.594	-
Derivative cash outflows		(83.526)	(39.041)	(30.550)	(13.935)	-
Derivative instruments, net	15.557	14.400	(1.990)	25.731	(9.341)	-

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

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32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

December 31, 2018						
Contractual maturity analysis	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)
Non-derivative financial liabilities						
Short term and long term borrowings(*)	1.401.015	1.764.830	182.896	434.995	1.146.939	-
Trade payables	559.653	559.653	559.653	-	-	-
Liabilities for employee benefits	48.357	48.357	48.357	-	-	-
Other payables	107.625	107.625	1.511	-	-	106.114
Other liabilities	88.296	88.296	88.296	-	-	-
	2.204.946	2.568.761	880.713	434.995	1.146.939	106.114

December 31, 2018						
Derivative instruments (*)	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 cash inflows		168.890	41.244	52.909	74.737	-
Derivative cash outflows		(118.705)	(40.135)	(34.085)	(44.485)	-
Derivative instruments, net	63.184	50.185	1.109	18.824	30.252	-

(*) 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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32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

b.3.1) Foreign currency risk management

Transactions in terms of foreign currency cause the Group expose to foreign exchange risk. The Group controls foreign currency risk coming from its operations and cash flows of finance contracts by using "foreign exchange forward contracts".

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

	December 31, 2019	**Total TL equivalent**	**TL equivalent of USD**	**TL equivalent of Euro**	**TL equivalent of other**
1.	Trade receivables	158.992	158.921	71	-
2.a	Monetary financial assets	321.786	320.995	448	343
2.b	Non-monetary financial assets	-	-	-	-
3.	Other	10.822	7.120	122	3.580
4.	**Current assets**	491.600	487.036	641	3.923
5.	Trade receivables	-	-	-	-
6.a	Monetary financial assets	-	-	-	-
6.b	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	**Non-current assets**	-	-	-	-
9.	**Total assets**	491.600	487.036	641	3.923
10.	Trade payables	(320.189)	(318.872)	(1.317)	-
11.	Financial liabilities	(138.378)	(132.155)	(6.223)	-
12.a	Other monetary financial liabilities	(201.672)	(201.672)	-	-
12.b	Other non-monetary financial liabilities	(1.075)	(1.074)	(1)	-
13.	**Current liabilities**	(661.314)	(653.773)	(7.541)	-
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(32.319)	(26.731)	(5.588)	-
16.a	Other monetary financial liabilities	-	-	-	-
16.b	Other non-monetary financial liabilities	-	-	-	-
17.	**Non-current liabilities**	(32.319)	(26.731)	(5.588)	-
18.	**Total liabilities**	(693.633)	(680.504)	(13.129)	0
19.	Net asset/liability position of off balance sheet asset and liabilities (19a-19b)	50.492	50.492	-	-
19.a	Total derivative assets	80.193	80.193	-	-
19.b	Total derivative liabilities	(29.701)	(29.701)	-	-
20.	**Net foreign currency asset/liability position**	(151.541)	(142.976)	(12.488)	3.923
21.	**of monetary items (1+2a+5+6a+10+11+12a+14+15+16a)**	(211.780)	(199.514)	(12.609)	343
22.	Fair value of derivative instruments held for hedging	-	-	-	-
23.	Hedged foreign currency assets	-	-	-	-
24.	Hedged foreign currency liabilities				
25.	Export (*)	1.591.274	1.573.796	17.478	-
26.	Import (*)	4.079.191	4.071.910	6.064	1.217

(*) Transit sales and purchases are included.

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32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

December 31, 2018		Total TL equivalent	TL equivalent of USD	TL equivalent of Euro	TL equivalent of other
1.	Trade receivables	75.344	72.588	2.756	-
2.a	Monetary financial assets	207.243	206.415	659	169
2.b	Non-monetary financial assets	-	-	-	-
3.	Other	2.540	2.441	99	-
4.	Current assets	285.127	281.444	3.514	169
5.	Trade receivables	-	-	-	-
6.a	Monetary financial assets	-	-	-	-
6.b	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non-current assets	-	-	-	-
9.	Total assets	285.127	281.444	3.514	169
10.	Trade payables	(355.212)	(353.592)	(1.540)	(80)
11.	Financial liabilities	(67.592)	(67.592)	-	-
12.a	Other monetary financial liabilities	(178.610)	(178.610)	-	-
12.b	Other non-monetary financial liabilities	(1.291)	(1.291)	-	-
13.	Current liabilities	(602.705)	(601.085)	(1.540)	(80)
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(139.414)	(139.414)	-	-
16.a	Other monetary financial liabilities	-	-	-	-
16.b	Other non-monetary financial liabilities	-	-	-	-
17.	Non-current liabilities	(139.414)	(139.414)	-	-
18.	Total liabilities	(742.119)	(740.499)	(1.540)	(80)
19.	Net asset/liability position of off balance sheet asset and liabilities (19a-19b)	118.370	118.370	-	-
19.a	Total derivative assets	118.370	118.370	-	-
19.b	Total derivative liabilities	-	-	-	-
20.	Net foreign currency asset/liability position (9+18+19)	(338.622)	(340.685)	1.974	89
21.	Net foreign currency asset/liability position of monetary items (1+2a+5+6a+10+11+12a+14+15+16a)	(458.241)	(460.205)	1.875	89
22.	Fair value of derivative instruments held for hedging	-	-	-	-
23.	Hedged foreign currency assets	-	-	-	-
24.	Hedged foreign currency liabilities	-	-	-	-
25.	Export (*)	1.506.236	1.488.788	17.448	-
26.	Import (*)	4.700.470	4.691.371	8.450	649

(*) Transit sales and purchases are included.

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

	December 31, 2019	December 31, 2018
Assets	491.600	285.127
Liabilities	(693.633)	(742.119)
Net asset/liability position	**(202.033)**	(456.992)
Derivative instruments net position	50.492	118.370
Net foreign currency asset/liability position	**(151.541)**	(338.622)
Inventories under the natural hedge (*)	196.810	320.769
Net foreign currency position after the natural hedge	**45.269**	(17.853)

(*) 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 December 31, 2019, the Group has LPG amounting to TL 196.810 thousand (December 31, 2018: TL 320.769 thousand).

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32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

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.

				December 31, 2019
		Income/(Expense)		**Equity**
	Foreign exchange appreciation	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
10% fluctuation of USD rate				
USD net asset/(liability)	**(19.951)**	**19.951**	**(19.951)**	**19.951**
Secured portion from USD risk	**5.049**	**(5.049)**	**5.049**	**(5.049)**
USD net effect	**(14.902)**	**14.902**	**(14.902)**	**14.902**
10% fluctuation of Euro rate				
Euro net asset/(liability)	**(1.261)**	**1.261**	**(1.261)**	**1.261**
Secured portion from Euro risk	**-**	**-**	**-**	**-**
Euro net effect	**(1.261)**	**1.261**	**(1.261)**	**1.261**
Total	**(16.163)**	**16.163**	**(16.163)**	**16.163**

				December 31, 2019
		Income/(Expense)		Equity
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
10% fluctuation of USD rate				
USD net asset/liability	(46.021)	46.021	(46.021)	46.021
Secured portion from USD risk	11.837	(11.837)	11.837	(11.837)
USD net effect	(34.184)	34.184	(34.184)	34.184
10% fluctuation of Euro rate				
Euro net asset/liability	188	(188)	188	(188)
Secured portion from Euro risk	-	-	-	-
Euro net effect	188	(188)	188	(188)
Total	(33.996)	33.996	(33.996)	33.996

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32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Currency forward agreements

Currency forward agreements as of December 31, 2019 are summarized at the table below:
The Group had no currency forward agreement as of December 31, 2018.

					December 31, 2019
Maturity	**Parity**	**Type of contract**	**Transactions**	**Total amount**	**Currency**
17 days	**5,97**	**Forward**	**Sells USD, Buys TL**	**5.000**	**USD**

Swap agreements

As of December 31, 2019 the Group has swap agreement amounting to TL 39.150 thousand with fixed interest rate of 13,415% in return for USD 13.500 thousand with a floating interest rate of six-month USDLIBOR+2,4% (2018: USD 22.500 thousand). Swap transaction has half-yearly interest payments and principal payments amounting to USD 18.000 thousand have been made in 2019 (2018: USD 9.000). The maturity date of last principal repayments is June 24, 2021.

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 table

	December 31, 2019	December 31, 2018
Instruments with fixed interest rate		
Time deposits	**587.068**	550.367
Borrowings and bonds issued	**1.166.282**	1.188.028
Instruments with variable interest rate		
Borrowings and bond issued	**78.627**	207.006

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 886 thousand as of December 31, 2019 (2018: TL 1.414 thousand).

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32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Financial instrument categories and fair values

December 31, 2019	**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**
Financial assets							
Cash and cash equivalents	**665.391**	**-**	**-**	**-**	**-**	**665.391**	**4**
Trade receivables	**-**	**574.374**	**-**	**-**	**-**	**574.374**	**8,31**
Other financial assets	**-**	**-**	**393.997**	**1.447**	**-**	**395.444**	**5**
Other receivables	**-**	**3.396**	**-**	**-**	**-**	**3.396**	**9**
Financial liabilities							
Short-term and long-term borrowings	**-**	**-**	**-**	**-**	**1.247.763**	**1.247.763**	**6**
Trade payables	**-**	**-**	**-**	**-**	**578.783**	**578.783**	**8,31**
Liabilities for employee benefits	**-**	**-**	**-**	**-**	**29.310**	**29.310**	**10**
Other payables	**-**	**-**	**-**	**-**	**108.768**	**108.768**	**9,31**
Other liabilities	**-**	**-**	**-**	**-**	**783**	**783**	**18**

December 31, 2018	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
Financial assets							
Cash and cash equivalents	648.010	-	-	-	-	648.010	4
Trade receivables	-	448.883	-	-	-	448.883	8,31
Other financial assets	-	-	285.647	1.449	-	287.096	5
Other receivables	-	3.146	-	-	-	3.146	9
Financial liabilities							
Short-term and long-term borrowings	-	-	-	-	1.401.015	1.401.015	6
Trade payables	-	-	-	-	559.653	559.653	8,31
Liabilities for employee benefits	-	-	-	-	27.021	27.021	10
Other payables	-	-	-	-	107.625	107.625	9,31
Other liabilities	-	-	-	-	2.505	2.505	18

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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**	
	December 31, 2019	**1st Level**	**2nd Level**	**3rd Level**
Financial assets measured at fair value	**395.444**	**654**	**394.084**	**706**
Derivative financial instruments	**15.557**	**-**	**15.557**	**-**

Financial assets/(liabilities)			Level of fair value as of reporting date	
	December 31, 2018	1st Level	2nd Level	3rd Level
Financial assets measured at fair value	287.096	53	286.067	976
Derivative financial instruments	63.184	-	63.184	-

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, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise 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.

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

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32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

The carrying values of trade receivables along with the related allowances for uncollectibility 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.

33. BUSINESS COMBINATIONS

On March 14, 2019, Kuleli, a subsidiary of the Group, has acquired total shares of Bal Kaynak Su İthalat İhracat Sanayi ve Ticaret A.Ş.,which has all business permits and licenses of the operations, the water filling plant that this company currently maintains its natural spring water operation and properties which this facility located on, amounting to TL 47.806 thousand. With this acquisition the Group has aimed to expand its water operations and ensure sustainable production in water business. In line with this objective, the Group conducts the necessary works for the coordination of the water activities with Bal Kaynak. The provisional fair value of the identifiable assets and liabilities arising from the acquisition in accordance with IFRS 3 is as follows:

	March 14, 2019
Cash and cash equivalents	4
Trade receivables	135
Inventories	651
Other current assets	809
Tangible assets	47.873
Intangible assets (*)	1.939
Total assets	**51.411**
Trade payables	467
Other current liabilities	1.789
Deferred tax liabilities	722
Total liabilities	**2.978**
Net assets acquired	**48.433**
Consideration amount - cash	47.806
Cash and cash equivalents – acquired	(4)
Net cash outflow due to acquisition	**47.802**
Negative goodwill	**(627)**

(*) Consists of the license value derived from the valuation model made within the scope of the distribution of the purchase price.

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34. OTHER SIGNIFICANT ISSUES AFFECTING THE FINANCIAL STATEMENTS OR THE OTHER ISSUES REQUIRED FOR CLARIFICATION OF FINANCIAL STATEMENTS

In line with the Group's growth strategy abroad, the Board of Directors of the Company resolved on March 5, 2019 to sign a Share Purchase Agreement (Contract),where the Company shall buy 50% of the shares of United LPG Ltd. - with a pre-license for LPG filling facility but no current operations yet - with United Enterprises & Co. Ltd., which is part of the United Group in Bangladesh, with a total value of 50.000 thousand Taka (approximately USD 625 thousand) to be paid in cash at the date of completion of Share Transfer Transactions (Closing) and establish a partnership ('Joint Venture Company') in order to operate in LPG supply, filling and distribution in the Bangladesh market and for the necessary investments. Closing shall be subject to the realization of certain conditions precedents set forth in the contract, including the acquisition of necessary permits. In the event that conditions precedents set forth in the contract cannot be completed by March 31, 2020, the contract will be terminated automatically. Work regarding the process is ongoing.

35. SUBSEQUENT EVENTS

After the end of the business partnership between Koç Group and UniCredit S.P.A on February 5, 2020, 100% of the shares representing the capital of Koç Finansal Hizmetler A.Ş. ("KFS") passed to Koç Group (Koç Holding, Koç companies, Koç Family, partnerships and related foundations controlled by Koç Family) in proportion to their shares in KFS; In addition, KFS's Yapı ve Kredi Bankası A.Ş. ("YKB") shares of 31.93% were transferred to UniCredit SPA and 9.02% to Koç Holding A.Ş. KFS's share in YKB decreased from 81.9% to 40.95%. Within this framework, the Company's share in KFS increased from 1.97% to 3.93%.

Demirbağ Publishing

Aygaz Headquarters
Büyükdere Caddesi No: 145-1
Zincirlikuyu 34394 Istanbul-Turkey
P: +90 212 354 15 15 **F:** +90 212 288 39 63
www.aygaz.com.tr

Aygaz Investor Relations
Şebnem Yücel, Manager
P: +90 212 354 15 10 **F:** +90 212 288 31 51
sebnem.yucel@aygaz.com.tr

Selin Sanver, Manager
P: +90 212 354 16 59 **F:** +90 212 288 31 51
selin.sanver@aygaz.com.tr

www.aygaz.com.tr

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