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SUSTAINABLE GROWTH

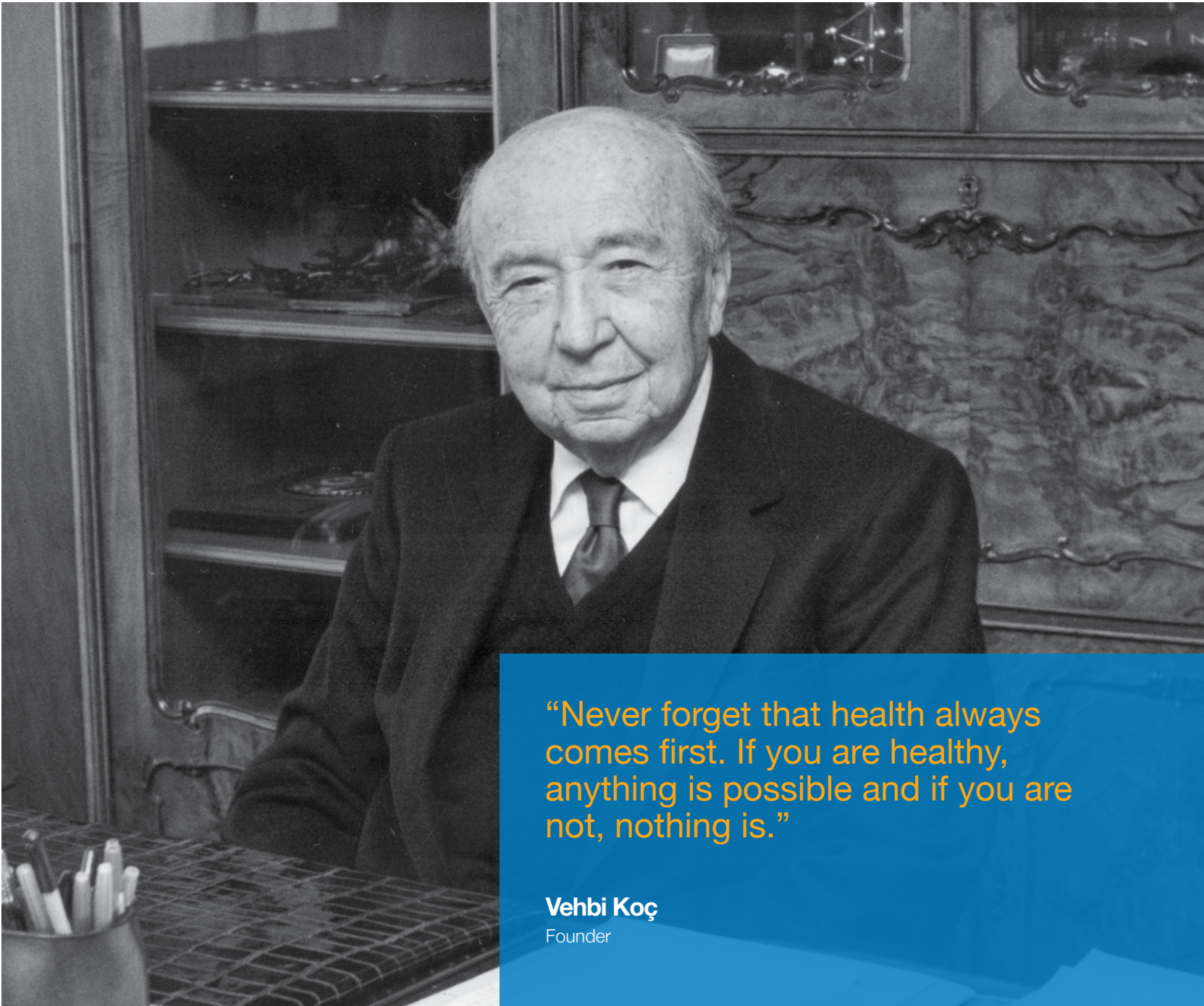
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“Never forget that health always comes first. If you are healthy, anything is possible and if you are not, nothing is.”


Vehbi Koç
Founder

An aerial photograph of a coastal town, likely San Francisco, with a winding road and a large stadium visible. The image is overlaid with a semi-transparent blue filter.

**INNOVATIVE AND BOLD
SINCE DAY ONE.**

**DYNAMIC AND AGILE
FOR A BETTER FUTURE.**

**STRONG AND RESILIENT
IN EVERY SITUATION.**



First, we ignited the step toward innovation and change. We brought newness into homes as a warm light. We always strived to lead. And then, we became a companion on the roads to those that followed us for our trusted name. Powered by our endless energy, we charged ahead, never stopping and always aiming for the better... We spread to every corner of Turkey and then out into the world. As we introduced innovations for all moments and areas of life, we captured the spirit of the times. We succeeded in everything we started. With a strong, trusted, and reputable name, we maintained our leadership. As we innovated and moved forward, we remained resilient. And we relentlessly kept going against all odds.

Agenda for Ordinary General Assembly Meeting of Aygaz A.Ş. to be held on March 31, 2021

1. Opening and election of the Chairman of the Meeting,
2. Reading, discussing and approving the 2020 Annual Report prepared by the Board of Directors,
3. Reading the summary of Independent Audit Report Summary for 2020 accounting period,
4. Reading, discussing and approving of the Financial Statements related to 2020 accounting period,
5. Acquittal of each member of the Board of Directors in relation to the activities of Company in 2020,
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 2020 and the date of the distribution of profits,
7. Acceptance, acceptance after amendment or refusal of the Board of Directors' offer for amending Article 6 entitled "Capital" of the Company Articles of Association,
8. 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,
9. 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,
10. Determining the annual gross salaries of the members of the Board of Directors,
11. 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,
12. Informing and approval of the shareholders about the Donation and Sponsorships Policy and about the donations made by the Company in 2020 and determining an upper limit for donations to be made in 2021,
13. Informing the shareholders about the collaterals, pledges, mortgages and surety granted in favor of third parties and the income and benefits obtained in 2020 by the Company and subsidiaries in accordance with Capital Markets Board regulations,
14. 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 2020 as per the Corporate Governance Communiqué of Capital Markets Board,
15. 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 1 January - 31 December 2020 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 11 February 2021 on the full set consolidated financial statements for the 1 January - 31 December 2020 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, 8 March 2021

Report of the Board of Directors and Chairman's Message



Dear Shareholders,

Welcome to the 60th General Assembly 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.

The COVID-19 outbreak, which started in late 2019 and was later declared a pandemic, remained the key topic of the agenda throughout 2020. The whole world was caught off-guard by the pandemic, which was not considered a risk even in the January 2020 edition of the World Economic Forum's Global Risks Report. In an environment of unprecedented conditions and uncertainties, we witnessed the economies experience turbulent times as well.

At first, there were concerns that the COVID-19 pandemic would cause a

major economic crisis similar to the Great Depression of the 1930s. In response, all the countries, big and small alike, quickly took action to remedy the impact of the pandemic and introduced stimulus packages, which amounted to \$12 trillion, or nearly 14% of the global economy. Central banks also pushed significant cash to the markets to improve liquidity. Even though these measures somewhat reduced the damage, the global economy was still hit the hardest since World War II. According to the latest IMF data, the global economy will shrink by 3.5 percent in 2020.

The COVID-19 pandemic cast its shadow on the political developments around the world as well. In the United States of America (USA), the key actor of the global economy, the presidential election on November 3 was at the top of the agenda. Donald Trump's losing the election was mostly linked to his mismanagement of the pandemic. On the other hand, many Southeastern Asian

countries, and particularly China, which managed the pandemic much better both in terms of tackling the disease and also supporting the economy, differentiated positively from the rest of the world. The bold moves of China, with its central bank developing a digital currency and also taking its place among the 15 Asia-Pacific countries that signed the world's biggest-ever free trade agreement suggest that the country will gain even more strength.

The United Kingdom, which formally left the European Union (EU) on January 31, 2020, signed the free trade agreement with the EU, ending the 4.5-year Brexit process. The fact that Turkey also signed a free trade agreement with the United Kingdom, effective from January 1, 2021, was also noted as a positive development.

Turkey was hit as hard as the rest of the world in 2020. New topics were added to the country's agenda with developments

in bilateral relations. On the other hand, the COVID-19 pandemic caused exports and tourism to suffer massive losses. Weakening Turkish Lira and other structural problems also occupied our agenda. And still, recent improvements had a positive effect on the outlook.

As the world experienced these economic and political developments in the shadow of the pandemic, the LPG market navigated through the process unscathed. The market, in which domestic consumption prevails heavily, particularly in China, the USA, and India, is anticipated to maintain this trend for the next decade. According to the 2020 World LPG Association (WLPGA) data, global LPG consumption reached 323 million tons. Meanwhile, Turkey, as the second-largest LPG market in Europe, remained above world average with its share in this area from the general energy consumption. Even though the pandemic restrictions, natural gas conversions, and the ongoing gentrification projects caused the market to shrink to some extent, Turkey continued to have the world's biggest LPG vehicle park with 4.8 million units.

In a year of operational and financial challenges, Aygaz maintained its industry leadership. With the company continuing the LPG sourcing and distribution as its main field of activity seamlessly, Aygaz customers were able to receive their cylinders and fill their autogas tanks. According to the December report of the Energy Market Regulatory Authority

(EMRA), Aygaz captured 41.3% market share in the cylinder gas segment and 21.7% in the autogas segment in 2020, respectively. In addition to its leading position and exemplary practices despite all the challenging conditions, our company also recorded TL 10 billion in consolidated revenues, creating added value for our stakeholders as well as the Turkish economy and Koç Group.

As the company's London office continues to engage in trading activities, Aygaz entered the rapidly-growing Bangladeshi market in line with its international expansion strategy. Following the agreement signed with United Group, a leading corporation in Bangladesh, for sourcing, filling, and distributing LPG, United Aygaz LPG Ltd. was formally incorporated. On the other hand, Aygaz Aykargo Dağıtım Hizmetleri A.Ş., an Aygaz subsidiary, stepped up its activities in the e-commerce and steadily growing delivery sector, leveraging the brand's strong recognition, dealer network, and home distribution experience. I have the utmost confidence that these two new moves will contribute to the long-term growth targets of Aygaz.

Knowing that the success of a company is not only about economic indicators but also has to do with its social endeavors, Aygaz continued to carry out activities with sensitivity toward the needs of our country in these trying times. As part of the efforts to fight the pandemic, Aygaz took steps to make significant contributions such as meeting the

urgent water needs of the hospitals and healthcare staff working with all their might with its Pürsu brand, and delivering the grocery orders of the customers who are older than 65 and could not leave their homes due to the restrictions with the help of its dealers. Aygaz will continue to support our country in all areas in the times to come.

Aygaz completed the difficult year of 2020 successfully without compromising its targets. All of our stakeholders always standing together in solidarity have made it possible for Aygaz to maintain its leadership since the very beginning. As we mark the 60th anniversary of the company in 2021, I am confident that Aygaz will celebrate many more achievements.

I would like to thank all our stakeholders, and particularly our employees, dealers, suppliers, customers, trade unions, supply industry, and shareholders for their valuable contributions and commitment to and trust in Aygaz. I look forward to convening again next year. Please stay safe and healthy until then.

Rahmi M. Koç
Chairman

General Manager's Message

'We have always led and will continue to lead our industry with our innovative business culture and long years of experience as we move forward with firm, dynamic and bold steps.'



Esteemed Shareholders,

In Turkey, like the rest of world, we felt the impact of the COVID-19 pandemic deeply in 2020. The importance of LPG, the transportable and versatile energy source, as an essential need once again became more apparent as it happens during such crises. According to the 2020 data of the World LPG Association, total LPG production increased 3.7 percent year-on-year, reaching 331 million tons. With the COVID-19 pandemic, we all observed environment-friendly approaches come to the forefront even more. In line with these developments, the environmental policies gaining prominence by the day and the need for executing these policies support wider adoption of LPG as a sustainable and ecofriendly energy. As the usage ratio increases, LPG is anticipated to become more widespread in the next decade, with global consumption expected to exceed 380 million tons.

In addition to having an important share in the global LPG market with 8 percent, Turkey also ranks 10th worldwide in energy-generation use and second in Europe. Regarding autogas, Turkey is positioned as the highest consumer globally. In the period when lockdowns and restrictions were imposed to mitigate the spread of the COVID-19 pandemic, the Turkish autogas market shrank while the cylinder gas market saw some growth due to the higher demand for household use. According to the December 2020 report of EMRA, the total Turkish LPG market shrank by 7 percent compared to 2019.

Aygaz closed the difficult year of 2020 with industry leadership. Despite the tighter market and slower economic activity due to the COVID-19 pandemic that disrupted the whole world, With 26 percent market share at the end of December, the total sales volume of Aygaz exceeded 2 million tons and our consolidate revenues reached

TL 10 billion. Aygaz also ranked 22nd in Istanbul Chamber of Industry's (ISO) 2019 list of Turkey's Top 500 Industrial Enterprises.

As the COVID-19 pandemic took hold of the entire world, we implemented all measures to protect our office, field and facility employees and to prevent the virus from spreading, knowing that our most valuable asset is our human resource. Thanks to our proactive approach, we quickly adapted to the new-generation working models and continued to introduce applications to improve efficiency. Our operations continued in all the facilities. During the year, the Gebze Plant, Aliağa and Ambarlı Terminals, and the Head Office were inspected by TÜV SÜD for COVID-19 and certified. Furthermore, the Gebze Plant, Yarımca Terminal Directorate, and the İnegöl Plant of our subsidiary Bal Kaynak, were granted the COVID-19 Safe Production Certificate by the Turkish Standards Institute (TSE).

In line with our global expansion strategy, we kept our focus on international projects in 2020. As our London branch continued with its trading activities, we stepped up our efforts to enter the Asia market, which presents a significant growth trend in the global household LPG consumption. I believe that the joint venture that we established with United Group to engage in LPG sourcing, filling and distribution activities in Bangladesh is an important investment in terms of our aspirations to become a global player.

In 2020, our Gebze Production Facility sold pressurized containers and equipment to 52 LPG distribution companies, including 22 new customers in Europe, South America, Africa and Asia. In addition to recording more the 20 percent increase year on year, the Gebze Plant also focused on new markets, exporting to Central and South America for the first time.

Our subsidiaries and affiliates no doubt play a big role in the success of Aygaz. Our Pürsu brand added new channels in 2020 and began selling online as well as in hotels, restaurants, cafés, and country-wide supermarket chains. We launched Aykargo as a result of our intrapreneurship activities to meet higher customer experience expectations in line with the rise of e-commerce. We aim to move forward Aykargo, which we position as a technology-focused company for last mile delivery, to the future.

On the other hand, Aygaz Doğal Gaz recorded TL 900 million in revenues, selling over 475 million cubic meters of piped gas and 73 million cubic meters of LNG. Anadoluhisarı Tankercilik, which has operated our LPG tankers since

2010, successfully continued to serve our procurement by sea and marine transportation activities. Akpa, our distribution company with direct cylinder gas and water sales as well as fuel trade, closed 2020 with TL 554 million in revenues. Entek Electricity Generation, which aims to become an integrated player in the electricity market, focused particularly on renewable energy in 2020 to create value for its stakeholders. With our joint venture Opet Aygaz Gayrimenkul, we pursue and seize new opportunities to further improve the company's activities.

Awards that aligned with our targets crowned 2020. We were recognized with Turkey's Best Employer Award based on the results of the 2019 Kincentric Best Employers survey. Our commercial titled "Binip Binmeden Konuşma", which promoted autogas as a high-octane, high-performance fuel, brought Aygaz two Bronze Apples at the Crystal Apple Turkey Advertisement Awards. Furthermore, our supply chain team won second prize at The Fresh Connection global supply chain challenge. Pürsu was recognized with an award in the "Superior Taste" category by the International Flavor & Taste Institute. "Aygaz Dünyası," the corporate magazine of Aygaz, won the Silver Stevie in the "Best Corporate Publication" category at the Stevie International Business Awards.

Our mission of leading our industry in social issues as well continued in 2020. In addition to contributing to the National Solidarity Campaign, launched by the Turkish Presidency, we also met the urgent drinking water needs of the hospitals and healthcare workers during the pandemic. As domestic violence increased during the COVID-19

lockdowns, we supported the efforts of UN Women with our dealers and through our other communication channels. We were also among the cosponsors of the 24th Istanbul Theatre Festival, as in the previous years.

We have successfully left behind 59 years, building upon our innovative corporate culture and gaining experience since the very beginning. Now in our 60th year, we will continue to take strong, dynamic, and bold steps and lead the industry as we always do. We will be there for our stakeholders, no matter what the conditions are. I would like to thank our customers, dealers, suppliers and all stakeholders who add to our strength, courage and dynamism.

With warm regards,



Gökhan Tezel
General Manager

Aygaz in Figures

323

million tons

global LPG consumption*

*according to WLPGA 2020 Report

178

thousand m³

The largest LPG
storage capacity in
Turkey

297

thousand tons

cylinder gas sales in 2020

2,297

cylinder gas dealers

1,736

autogas stations

879

thousand tons

export and wholesale
volume in 2020

28,800

m³

total transportation capacity of the
Beykoz, Beylerbeyi and Kuzguncuk
LPG vessels

4.8

million

autogas-powered
vehicles in Turkey

6%

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

2.2

million ton

Aygaz's total LPG sales
volume

279

thousand tons

Aygaz UK
trading volume

664

thousand tons
autogas sales in 2020

22th

largest industrial enterprise
in Turkey*

*in Istanbul Chamber of
Commerce's Turkey's Top 500
Industrial Enterprises list (2019)

1.18%

Current ratio

21%

share price increase
2020 Fiscal Year

4.4

billion TL
2020 year-end market value

23

average training
hours per person
in 2020

9.42

Corporate Governance Rating
Score in 2020

~7.4

million units
Püsu annual carboy
water sales

1,304

average number of
employees in 2020

(TR) AAA

(National) long-term credit rating score

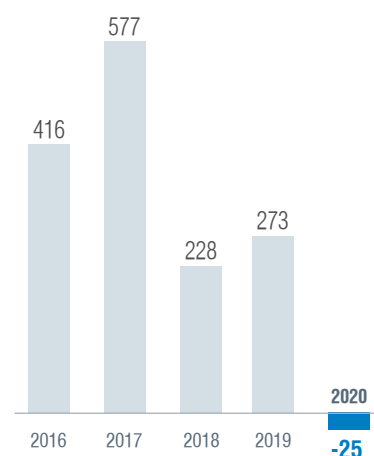
(TR) A1+

(National) short-term credit rating score

Financial and Operational Outlook

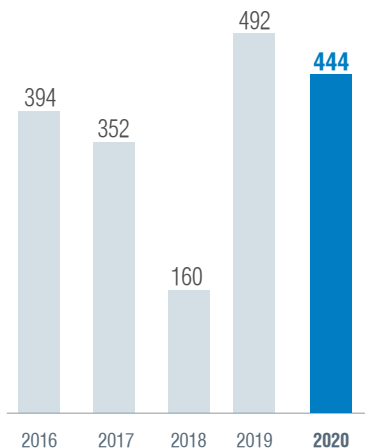
Net Profit

(TL M)



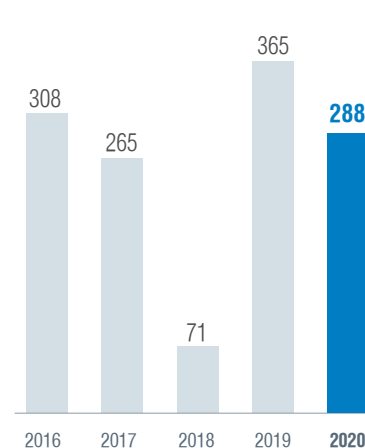
EBITDA

(TL M)



Operating Profit

(TL M)



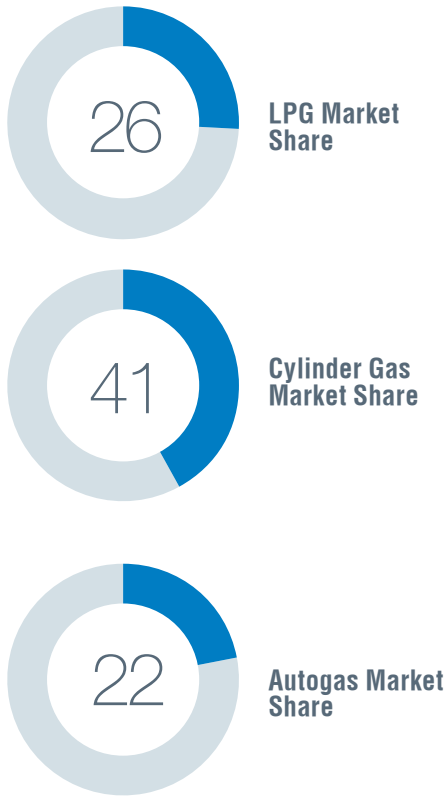
Summary Financial Indicators

(TL M)

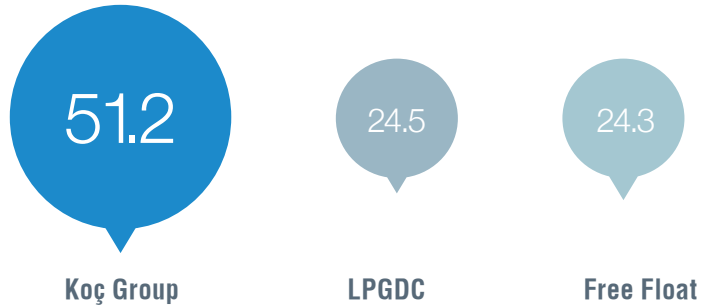
	2020	2019	2018	2017	2016	2020/2019 Change
Sales revenues	10,145	10,211	9,554	8,469	6,749	-1%
Gross profit	912	957	634	741	787	-5%
Operating profit	288	365	71	265	308	-21%
Pre-tax profit	31	306	250	621	469	-90%
Net profit	-25	273	228	577	416	-109%
EBITDA	444	492	160	352	394	-10%
Gross profit margin	9%	9%	7%	9%	12%	-
Operating profit margin	3%	4%	1%	3%	5%	-1
Net profit margin	-0.2%	3%	2%	7%	6%	-3
EBITDA margin	4%	5%	2%	4%	6%	-1
Current assets	2,193	1,589	1,618	1,588	1,277	38%
Fixed assets	3,202	3,366	3,396	3,379	2,954	-5%
Total assets	5,395	4,955	5,013	4,966	4,231	9%
Short term liabilities	1,852	1,495	1,484	1,279	924	24%
Long term liabilities	1,226	982	1,027	764	566	25%
Shareholders' equity	2,317	2,478	2,502	2,923	2,742	-6%
Total equity and liabilities	5,395	4,955	5,013	4,966	4,231	9%
Return on equity (ROE)	-1%	11%	9%	20%	15%	-12
Net debt/equity ratio	26%	24%	30%	13%	2%	2
Current ratio	1.18	1.06	1.09	1.24	1.38	0.12

Market Shares* (%)

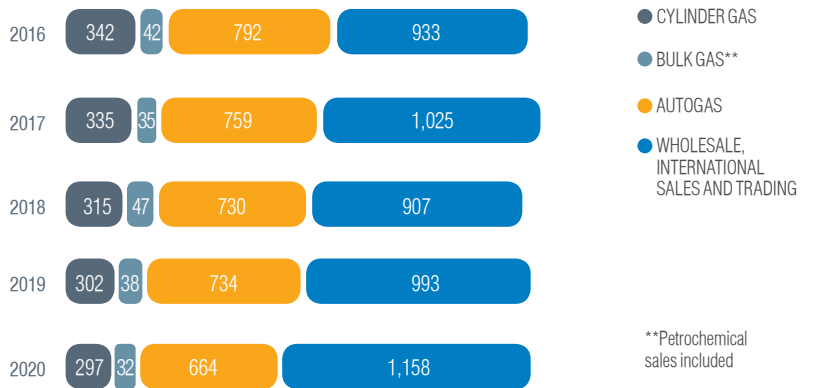
*According to EMRA's December 2020 Report



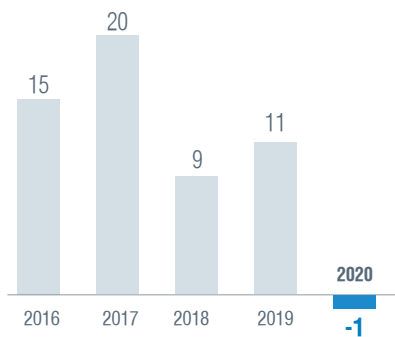
Shareholding Structure (%)



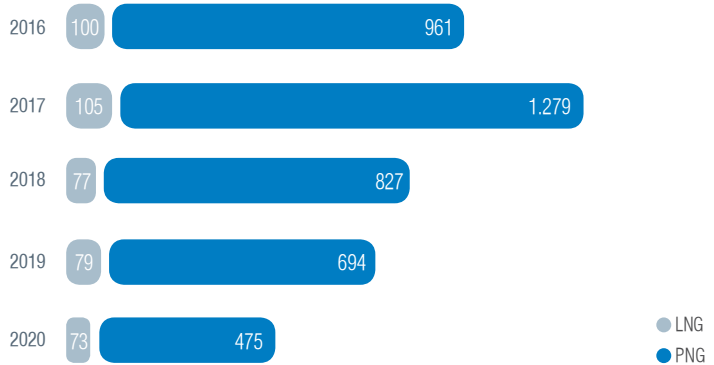
LPG Sales Volume By Segments (000 TONS)



Return on Equity (ROE) (%)



Natural Gas Sales Volume (mcm)



Subsidiaries and Affiliates

PARTICIPATION RATE **100%**

AYGAZ DOĞAL GAZ

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.

AKPA

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.

BAL KAYNAK SU

Aiming to widen the scope of Aygaz's water business, carried out through its dealers and to achieve sustainable production, Kuleli Tankercilik A.Ş. acquired all shares of Bal Kaynak Su İthalat İhracat Sanayi ve Ticaret A.Ş., which held all necessary permits and licenses, along with the filling plant, where the natural spring water operations take place and the real estate where the facility sits, in March 2019. Ranking among the leading bottled water brands, Pürsu brings natural spring water from the two sources of Bal Kaynak Su, one in Uludağ and one in Nazilli.

ANADOLUHIŞARI TANKERCİLİK

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 m³ and the average age is 15. In 2020, Anadoluhisarı Tankercilik accounted for 6% of Aygaz's procurement by sea and marine transportation operations.

AYGAZ AYKARGO

Aware of the opportunities that the emerging delivery sector presents in line with the rapidly growing e-commerce and economy, Aygaz launched the Aykargo initiative in 2018 in search of a business model that would leverage the company's existing dealer network and home delivery experience. Aykargo was initiated as a result of the intrapreneurship activities that aimed to create value for the shareholders and dealers by using the strong brand recognition, dealer network, and facility infrastructure of Aygaz assets as a platform. In 2020, these activities have continued under the company Aygaz Aykargo Dağıtım Hizmetleri A.Ş.

PARTICIPATION RATE **50%****ENTEK**

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 112-MW in Kocaeli, Entek currently operates with total 377 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**

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 2020.

PARTICIPATION RATE **20%****ENERJİ YATIRIMLARI (EYAŞ)**

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 one of the large-scale refinery companies in Europe.

Vision

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

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 2020

JANUARY

- > Aygaz won two Bronze Apples at the Kristal Elma Turkey Advertising Awards with its commercial titled “Binip Binmeden Konuşma,” which communicated that autogas is a high-octane, high-performance fuel.
- > Beylerbeyi M/T was leased to the Caribbean region for one and a half years with a half year option.
- > Aygaz UK started commercial operations.

FEBRUARY

- > Aygaz promoted its monster truck and Aygaz Mini to the youth at the Koç Spor Fest.

MARCH

- > All necessary measures were implemented for both the office and field employees to create a safe work environment against the COVID-19 pandemic.
- > Aygaz launched the long-term zero-based budgeting project to achieve efficiency in accounting of expenses and costs.
- > Brand communications for Pürsu started with images of the new glass bottle series on national TV and digital channels.
- > The General Assembly convened on March 10; dividends (TL 150 million) were paid out on March 17 and 19.
- > Beykoz M/T was leased to the Caribbean region for one year with a one year option.

APRIL

- > Aygaz, assisted its 65+ customers, who were confined to their homes during the pandemic, with their online cylinder gas orders and grocery shopping with the help of its dealers. The company’s commercial with the slogan, “We never left the homes for the past 59 years,” highlighted that Aygaz always stands by the consumer through thick and thin.

MAY

- > Aygaz ranked 22nd in Istanbul Chamber of Industry’s (ISO) 2019 Turkey’s Top 500 Industrial Enterprises list.
- > With the rise of domestic violence against women during the COVID-19 lockdowns, Aygaz used its dealer and station network and other communication channels to support the efforts of UN Women.
- > Aygaz won second prize at The Fresh Connection global challenge where supply chain teams from all around the world competed.
- > Pürsu’s website was relaunched with a facelift to align with the new brand strategies.
- > Aygaz Maksi was added to the Aygaz cylinder gas product range with the round and tall options.

JUNE

- > Inspections by the Ministry of Industry and Technology to determine whether production at industrial facilities met the standards as safe, free from the disease and hygienic locations as part of the COVID-19 measures were successfully completed. Accordingly, the Gebze Plant and the Yarımca Terminal Directorate were granted COVID-19 Safe Production Certificates.
- > SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. maintained the (National) long-term credit rating score of our company as (TR) AAA (National), the short-term credit rating score as (TR) A1+, and its outlook as stable.
- > SAHA reconfirmed the corporate governance rating score of Aygaz as 9.42.
- > All Pürsu products, bottled at source from the natural springs of Uludağ and Nazilli, were recognized with an award in the “Superior Taste” category by the International Flavor & Taste Institute.
- > The otogazla.com platform, known as a reliable source of reference for autogas, was renewed.

JULY

- > Pürsu commercials, featuring the new product range, were launched on national TV and digital media channels.

AUGUST

- > Aygaz was named Turkey’s Best Employer in the 2019 Kincentric Best Employers survey by the leading global HR and management consultancy firm.
- > Bal Kaynak Su A.Ş. was granted COVID-19 Safe Production Certificate by Turkish Standards Institute (TSE).
- > Aygaz released its 2019 Sustainability Report, disclosing its economic, environmental, and social performance.

SEPTEMBER

- > Aygaz Group Townhall was hosted online with the slogan “Enerjimiz Yeter” (Our Energy Suffices).
- > Pürsu signed a sponsorship agreement with Fenerbahçe Sports Club to become the official water supplier in the 2020-2021 season.
- > “Aygaz Dünyası,” the corporate magazine of Aygaz, won the Silver Stevie in the “Best Corporate Publication” category at the Stevie International Business Awards.

OCTOBER

- > Aygaz was included in the R&D 250 Survey, conducted by Turkishtime Economy and Business portal.
- > A Motivation App was introduced for authorized service staff to make a difference with the dealers that use the Aygaz Ekspres 2.0 system.

NOVEMBER

- > Aygaz gave a presentation at the e-LPG Week, organized by the World LPG Association, on the importance of LPG for the world and Turkey.
- > Aygaz co-sponsored the 24th Istanbul Theatre Festival, which took place on digital platforms as well as on stage this year.

DECEMBER

- > Two projects of Aygaz and one project of Aygaz Doğal Gaz, carried out in cooperation with SMEs received grants as part of TÜBİTAK’s Call for SME Support for On-demand R&D Projects (On-demand R&D 2020).

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-m³ 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.

2019

- > Aygaz opened its London office, aiming to increase trade volume with third parties in international markets and to create added value from the supply chain.
- > Aygaz signed a Share Purchase Agreement to buy 50% of the shares of United LPG Ltd., a United Group company with a pre-license for LPG filling facility, to engage in LPG sourcing, filling, and distribution activities in Bangladesh.
- > All shares of Bal Kaynak Su İthalat İhracat Sanayi ve Ticaret A.Ş. and the filling plant in İnegöl were acquired to expand the water business line and increase production capacity.
- > Aykargo won the “Best In-house Startup Project” award at the Corporate & Startup Day.



INNOVATIVE



Sparking change, building
a culture of innovation.

2020 OVERVIEW

Turkish and Global LPG Industry

Global production of the economic and sustainable energy source LPG increased by 4% despite the adverse pandemic conditions that shaped 2020.



Liquefied Petroleum Gas or LPG is an energy source recognized as an efficient, portable, readily available, and sustainable fuel with environment-friendly properties. The use of LPG has increasingly spread in the last decade along with renewable energy. LPG is anticipated to maintain its current position in the energy scale in the coming years, and the global consumption of this sustainable energy source reached 323 million tons in 2020, according to the World LPG Association's (WLPGA) 2020 report.

The USA, the leader in production

Global LPG production increased by 4% year-on-year to reach 331 million tons. The United States (USA), China, Saudi Arabia, Russia, and Canada accounted for 56% of the total production as the top five countries, respectively. LPG production is directly related to the production and consumption of fossil fuels, with 63% coming from natural gas, and 37% 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.

China ranks first in consumption

LPG consumption grew by 37% over the last decade, corresponding to a volume increase of 87 million tons, as reported by the WLPGA. The reported data indicates that global LPG consumption increased by 3% year-on-year to 323 million tons. LPG use is anticipated to expand in the next decade and consumption to exceed 380 million tons. China, leading with 60 million tons is followed by the USA and India. These three countries account for 41% of total global LPG consumption. The WLPGA report also points out that household consumption continues to dominate the global LPG market with a 44% share. On the other hand, Turkey is the fifth largest market in Europe in household LPG consumption.

Turkish LPG market is the second largest in Europe, with Turkey ranking first in global autogas consumption.

LPG's share in energy consumption

Global

2.6%

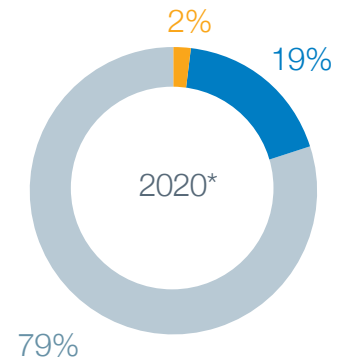
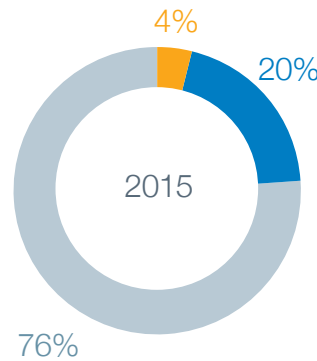
in Turkey

3.1%

Areas of LPG use and consumption shares in Turkey

● At home ● On road ● In industry

*According to EMRA's December 2020 Report



The WLPGA report points out that household consumption continues to dominate the global LPG market with a 44% share.

The world's biggest autogas market: Turkey

According to the WLPGA report, autogas consumption ranks fourth after household, petrochemical and industrial consumption with a global share of 8%. Turkey, Russia, and South Korea are the three countries with the highest autogas use, with their combined total accounting for 35% of global autogas consumption. Furthermore, Turkey has the world's largest LPG-powered vehicle park with 4.8 million units.

1.5 billion potential LPG consumers

As an easily processed and transportable energy source with rich reserves, LPG is preferred by hundreds of millions of consumers around 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 environment-friendly approaches and policies to prevent climate change presents

opportunities to develop and spread LPG use further.

The global LPG trade amounted to 129 million tons in 2020, with the USA accounting for 40% of exports with 40 million tons. The USA, which was previously an LPG importer, introduced shale gas resources in recent years and turned into an exporter.

With more than 50 new vessels beginning to carry LPG in the last two years, the number of tankers transporting LPG globally reached 1,494 and total capacity to 34 million cubic meters, marking an increase in maritime transportation of LPG worldwide.

The Algerian (SP) sourced LPG, which was priced at \$469/ton in early January 2020, closed December at \$407/ton. Throughout the year, LPG prices fared at \$333/ton on average. However, the sharp and sudden drop in oil prices early in the year also affected LPG as the starting price of the year at \$469

Turkish LPG market

Cylinder gas customers

daily

50

thousand
orders

Autogas vehicles

4.8

million

Balk gas customers

2,300



regressed to \$148 by April, the lowest level recorded in the last 20 years. With higher demand in China and India, the rising trend seen in May gradually continued until the end of the year.

Turkey is 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 December 2020, 24% of total LPG demand in the Turkish market was supplied by domestic

production and 76% by imports. LPG is imported primarily from Algeria, USA and Norway among other countries.

Turkey has the world's biggest LPG-powered vehicle park

According to the December 2020 report of the Energy Market Regulatory Authority (EMRA), the total Turkish LPG market shrank by 7.48 in the 12 months. Meanwhile, the cylinder gas market saw a temporary increase with the rising demand for household consumption during the lockdowns imposed as a measure against the pandemic. However, this growth was offset by the ongoing natural gas conversions, the

impact of urban gentrification projects, and the decline in business customer consumption, as the market shrank by 1.4%. The autogas market, which continued to grow uninterrupted since 2003, shrank by 9% due to the lockdowns and travel restrictions imposed to combat the COVID-19 pandemic. In Turkey, home to the world's largest LPG-powered vehicle park, autogas is among the most preferred automotive fuels since 2011, currently used in 37% of passenger cars.

Aygaz in 2020

Aygaz continued its operations without interruption despite the pandemic that impacted the whole world in 2020 and once again closed the year as the industry leader.



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 22nd largest industrial company

Aygaz maintains its leadership in the industry and is the first and only publicly traded LPG company in the country for

many years. Aygaz ranks 22nd in Istanbul Chamber of Industry's (ISO) 2019 list of Turkey's Top 500 Industrial Enterprises. Achieving continued growth with a well-established corporate culture and skilled workforce, Aygaz employs an advance technological infrastructure across all fields of operation. Keeping its focus on increasing sales in domestic and international markets to surpass its current position through efficiency and sustainable growth, Aygaz has succeeded in maintaining its industry leadership in a challenging year, thanks to its broad product range, integrated business processes, and agile structure.

Aygaz is again the industry leader in 2020

Even though the global economic activity slowed down in 2020 as the COVID-19 pandemic made its mark on the whole

world, Aygaz continued its activities in LPG, its main business line without any interruption in the supply, production and distribution processes. The autogas market shrank during the lockdowns while the cylinder gas market saw a temporary growth with higher demand for household needs. According to the December 2020 report of EMRA, Aygaz maintained its industry leadership in the market where nearly 80 companies operate. At the end of December, the overall market share of Aygaz stands at 26%, with 41% in the cylinder gas and 22% in the autogas segments. Aygaz's total domestic sales (cylinder gas, bulk and autogas combined) amounted to 992 thousand tons in 2020. With the addition of wholesale, export and transit sales, this quantity exceeds 2 million tons, with 4% year-on-year increase. As of year-end 2020, Aygaz recorded TL 10.1 billion in consolidated revenues.

New initiatives and achievements

Aygaz left behind a successful operating period despite the pandemic conditions and went forward with its international projects developed and implemented in line with its global expansion strategy.

AYGAZ UK London Branch: The London branch of the company - established in 2019 to engage in trading 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 - currently continues its operations.

Bangladesh Investment: In line with its international growth strategy, Aygaz started a process in 2019 to establish an equal management joint venture with the Bangladesh-based United Group to operate in the field of LPG sourcing, filling and distribution in the Bangladeshi market and to make the necessary investments. Bangladesh has the world's fastest-growing liberal LPG market. The total market volume, which was 148 thousand tons in 2015, has reached 960 thousand tons by 2019. The five-year compound growth rate of the LPG market in Bangladesh, where household use accounts for 85% of total consumption, is 45%.

On January 20, 2021, Aygaz acquired 50% of the shares of United LPG Ltd. - with a pre-license for LPG filling facility but no current operations yet for a total value of Taka 50,000 thousand (approximately \$ 605 thousand). The joint venture, with 50%-50% management rights, was incorporated with the title United Aygaz LPG Ltd.

With this project, which will enable Aygaz to bring its more than half a century of know-how and experience in the LPG industry to the international arena, the company aims to achieve sustainable growth and invest in the future. In order to finance the first four years of the

investments, the plan is to increase the capital by \$75 million and to secure long-term financing for \$80 million with the partners participating in the ratio of their shares in line with market and sales developments. For Aygaz, the critical success factors of this investment are the company's 60 years of know-how and experience, brand strength and the sourcing and operational advantages it aims to create.

Aygaz Aykargo Delivery Services: Aware of the opportunities that the last mile delivery sector offers as it develops in parallel with the rapidly growing e-commerce and economy, the Aykargo was launched in 2018 in search of a business model where the company's existing dealer network and experience in home delivery could be leveraged. Aykargo was initiated as a result of the intrapreneurship activities that aimed to create value for the shareholders and dealers by using the strong brand recognition, dealer network, and facility infrastructure assets of Aygaz as a platform. These activities in 2020 has continued under Aygaz Aykargo Dağıtım Hizmetleri A.Ş. (Aykargo). The last mile delivery sector that keeps growing in parallel with e-commerce is a business line where Aygaz aims to create added values with its existing assets. The brand strength, a widespread dealer network consisting of nearly 4,000 dealers and stations that deliver to approximately 50 thousand homes every day, the facility infrastructure, and home delivery experience of Aygaz are important factors in this sense. A Partnership Framework Agreement was signed on February 15, 2021 between Aygaz, Aykargo, and McKinsey Group to establish a strategic partnership to improve the company's operations and efficiency. According to the agreement, Aygaz and McKinsey envisage to inject a total of \$75 million as capital contribution in Aykargo in the first five years and to establish the partnership structure as 80% Aygaz and 20% McKinsey.

During the pandemic, the IT infrastructure technologies were strengthened to make remote and mobile working possible and the employees were able to work at their normal pace even when they could not come to the office.

Aygaz distribution network in 2020

~2,300
cylinder gas dealers

~1,750
autogas stations



As the pandemic impacted the whole world and our country in 2020, production operations continued seamlessly at Aygaz facilities, thanks to the implementation of strict measures.

Digital transformation and agile working culture

The digital transformation journey that Aygaz embarked on in 2017 continued as the company used data analytics and deployed projects aimed at ensuring customer satisfaction. The activities of 2020 involved responding to the changing customer expectation due to the pandemic with digital transformation applications and high service quality.

The digital transformation journey has picked up speed with the Customer 360 Program, launched in 2020. The system has been integrated into the call center processes of Aygaz, particularly to enhance the service quality. With this project, Aygaz aims to provide faster and higher quality service by placing the customers at the heart of the system. Further campaigns and service applications were developed to provide better service to customers on the e-commerce and mobile platforms, resulting in higher sales revenues in digital channels. The CRM systems were updated with the focus on ensuring excellent customer experience across all channels.

On the employee side, the Employee Mobile App was upgraded and the Sales Assistant Application, used especially by the field teams, was enriched with new capabilities. In line with the digitalization of facility operations, more mobile apps and automation systems have been introduced across a wider area. The “Robotic Process Automation” projects involve software robots carrying out 24 business processes, resulting in high operational efficiency.

During the pandemic, the IT infrastructure technologies were strengthened to make remote and mobile working possible and the employees were able to work at their normal pace even when they could not come to the office. This process born during the pandemic directly impacted the working models around the world and also enabled Aygaz to spread the digital agile working culture rapidly among all stakeholders.

Assessments of Cockpit applications, which are offered as part of the data-based decision-making initiative, as well as the data derived from various company

management processes have increased the part that technology plays in decision support processes. The work on building Big Data and IoT (Internet of Things) platforms in the company is currently ongoing with artificial intelligence applications as the scope of sales, facility, production and customer data expand.

Robust infrastructure for LPG sourcing

Working with a wide range of suppliers of different origins ensures seamless LPG operations. With a robust infrastructure and high sales volume, Aygaz, 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 2,200 cylinder gas dealers and over 1,700 autogas stations across Turkey at the end of 2020, Aygaz meets the demands of customers quickly and safely. This strong distribution and service network delivers approximately 50 thousand cylinders of Aygaz and its other brands to homes every day while nearly 200 thousand autogas-powered vehicles fill up their tanks at stations.

Turkey's largest LPG logistics operation

Aygaz operates the largest LPG truck fleet in Turkey with more than 300 tanker trucks, nearly 200 cylinder gas transportation trucks, and over 600 drivers, traveling

1962-2020



46 million kilometers and making 100 thousand trips. Aygaz also runs Turkey's largest LPG logistics operations and applies economy of scale as part of logistics optimization efforts to deliver its products from source to customer at minimum total cost. The company uses the Station Inventory Management and Tanker 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 maritime transportation of LPG

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 management of its LPG carriers to its subsidiary Anadoluhisari Tankercilik A.Ş. The fleet currently has a total capacity of 28,800 m³ with three specially equipped, full-pressure carriers with an average age of 15 years. In 2020, Anadoluhisari Tankercilik accounted for 6% 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. Later,

M/T Beylerbeyi was similarly chartered out. With two vessels on log-term charter contracts, Aygaz is able to keep track of global LPG.

Facilities in world standards

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.

Contributing to the environment through the R&D Center

Aygaz has been a pioneer in the LPG industry since day one and introduced many firsts as it 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,

In 2020, digital tracking systems were developed and analysis means were increased in production.

national economy and the environment. Aygaz Mini Cooktop and Mini Cylinder Accessories became the first commercial products that the center developed and launched in 2019.

Aygaz product range expanded with new designs

Following the launch of Aygaz Mini cylinder and the Aygaz Mini Cooktop, specifically designed for Aygaz Mini, based on the surveys and developed to meet customer expectations in previous years, Aygaz Mini Cooktop Extra was introduced to the market in 2020. Aygaz Mini Cooktop Extra, intended for upper segment users, features a kitchen stove type burner. Aygaz Mini Cooktop Extra was launched on to the market after R&D and industrial design, development, prototyping, pilot production, analysis, and test phases were completed. Aygaz Maksi products, which were developed by considering how the innovative design of Aygaz Mini was well received by the customers, were also offered to the market in 2020 to appeal especially the upper segment consumers. The Aygaz Maksi family, which is available in two sizes as Round and Tall, is currently offered in pilot provinces. The cylinder range has expanded with the addition camper van and boat versions of the same series. On the other hand, the

regulator range has also grown in this period with compact and screwfix gas regulators.

Developments in the Cylinder Tracking Project

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 under way. As announced, the related legislation will come into force at the end of 2023

National and international certifications Aygaz holds multiple 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





Largest LPG storage capacity in Turkey

178

thousand m³

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 (TSE).

Flexible production under the pandemic measures

Aygaz manufactures the products such as cylinders, valves, regulators, bulk gas and autogas station tanks at the Gebze Plant, which is spread on 52 thousand square meters of land and an enclosed area of 25 thousand square meters. As the pandemic impacted the whole world and our country in 2020, production operations continued seamlessly at Aygaz facilities, thanks to the implementation of strict measures. "COVID-19 Safe Production Certificates" were obtained for the Gebze Plant and Yarımca Terminal Directorate, confirming that production in these facilities is reliable, unaffected by the epidemic and in compliance with hygienic production standards. The Gebze Plant, Aliğa and Ambarlı Terminals, Bal Kaynak water production and filling plant and the Head Office were inspected and certified by TÜV SÜD. The work areas, cafeterias and shuttle buses were arranged according to social distancing rules and all required precautionary measures were implemented.

Technology leader of the industry with digital integration

In 2020, digital tracking systems were developed and analysis means were increased in production. In addition to working to migrate the manufacturing parameter tracking system MII to the new platform, new automated control systems were built. A preliminary work was conducted to deploy the energy system, which controls electricity, natural gas and water consumption, on the machines in all plants, and as result, consumption was reduced once the first phase early warning systems were installed. With the digital system installed on the cylinder plant's domestic cylinder welding line, all welding parameters are now viewed live and real-time monitoring enables savings in the consumable materials used in the processes.

Pressurized container and equipment exports to global LPG markets

Since 1962, more than 600 different types of products, nearly 75 million cylinders, approximately 40 thousand tanks and 135 million valves and regulators manufactured at the Gebze Plant are used in 54 countries. In 2020, these products were sold in 52 LPG distribution companies, including 22 new customers in Europe, South America, Africa, and Asia, achieving 20% increase over the previous year. Aygaz shifted its

focus to developing new partnerships, markets, and products to mitigate the negative effects of ongoing global uncertainties and markets with political and economic instabilities, as well as the added impact of the COVID-19 pandemic in 2020. In line with this goal, the company exported its products to Central and South America for the first time. Meanwhile, work is under way to commercialize the products and services that the R&D Center develops.

Zero waste target

The practices introduced to reduce single-use plastics as part of the Aygaz Zero Waste Project, launched in early 2019, were suspended due to the COVID-19 pandemic measures. In this period, the focus shifted to recycling the plastic waste generated by pet water bottle consumption. The caps of the pet bottles were collected at the Head Office and the Gebze Plant to donate to a campaign of the Spinal Cord Paralytics Association of Turkey (TOFD) In 2020, 88.5 kilograms of pet bottle caps were delivered to TOFD. Once this quantity reaches 250 kilograms, a wheelchair will be donated.

Cylinder gas

Aygaz maintained its leadership in the cylinder gas market in 2020 while also expanding its product range with new designs.

Aygaz is the most trusted LPG brand and regarded as the generic brand of cylinder gas in Turkey. The company's cylinder gas products are preferred for their quality as well as dynamic and energetic brand image. According to EMRA's December 2020 industry report, Aygaz maintained its leadership in cylinder gas with 41% market share.

Expanding product range

Observing the changes in consumer expectations carefully, Aygaz had launched Aygaz Mini as Turkey's first and only cylinder that can be used with kitchen stoves as well as outdoors and the Aygaz Mini Cooktop, specifically designed for Aygaz Mini the previous year. In 2020, Aygaz Mini Cooktop Extra, designed for Aygaz Mini cylinder with a stove type burner to appeal to upper segment customers was introduced to the market.

Aygaz Maksı products, which were developed by considering how the innovative design of Aygaz Mini was well received by the customers, were also offered to the market in 2020 to appeal especially the upper segment consumers. The Aygaz Maksı family, which is available in two sizes as Round and Tall, features an on-off valve with a dust guard and ensures extra safe use. 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.

Another initiative of 2020 was a special cylinder designed specifically for camper vans as a first in Turkey. The camper van type cylinder, developed by Aygaz, features a specially designed valve to prevent gas leakage on the road. To ensure comfortable use even in the coldest weather, these cylinders are filled with higher propane ration in the winter months. The product is available in two different capacities, 2kg and 12kg, which comes in Round and Tall options.

Online orders

As digital channels become an increasingly integral part of everyday life, the importance of online sales also rise, fueled by the pandemic. Aware of this need, Aygaz serves its customers via online channels, using its wide dealer network and strong digital 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

In 2020, the Aygaz cylinder gas product range has expanded with Aygaz Mini Cooktop Extra, Aygaz Maksi and its versions, camper van type cylinder and also boat type cylinder.

regulators and LPG hoses. The online site also features campaigns from time to time in response to customer demand. To make sure that the platform remains focused on customer experience, feedback is received instantly on the website with quick response to requests.

keyiflibahce.com for outdoor needs

On its other online sales platform, keyiflibahce.com, Aygaz sells LPG heaters and barbecues for outdoor use. Currently, the website offers 87 products in the patio and indoor heaters, barbecues, camping stoves, accessories and spare parts categories, all using LPG. Aygaz also offers outdoor heaters for rent on a daily basis in Istanbul, Ankara, and Izmir on its e-commerce site. 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 further develop Aygaz Express, the digital customer and order tracking system of Aygaz, continued in 2020. 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.

Training programs to strengthen the ecosystem

As part of the training programs, the Aygaz Training Bus traveled all around Turkey, providing service and safety trainings for dealers and dealership employees in the previous years. However, due to the pandemic, these programs were moved to the digital platforms in 2020. 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. All dealer employees were regularly informed about hygiene and social distancing rules within the preventative measures taken during the pandemic.

Communications and campaigns

Aygaz follows the changing media consumption habits closely and supports the communication activities in conventional national and local channels with the use of other popular digital platforms, especially social media. Digital channels are integrated into communication campaigns based on the level of access and efficiency opportunities individual channels offer. Furthermore, digital apps are leveraged to facilitate and expedite customers' access to Aygaz, thus improving effective communication with customers.

In keeping with tradition, campaigns conceived together with business partners from different industries continued in 2020. Credit card

Cylinder gas market share

41%

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.





BOLD





A pioneer in its endeavors,
a companion for its followers.

Autogas

With the widest distribution network in Turkey, Aygaz maintained its leadership in the autogas segment with successful communications and campaigns.



Autogas Market Share

22%

The hands-down leader of the autogas segment with 22% market share according to EMRA's December 2020 report, Aygaz has the most extensive distribution network in Turkey with more than 1,700 autogas stations across the country. Station efficiency of Aygaz also fares above industry average.

Growing interest in autogas

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

The project titled 'This Monster Created a Lot of Buzz' was awarded at the DPID Award, organized by the Direct Marketing Communications Association (DPID).

focuses on developing proactive marketing strategies, offering solutions beyond consumer expectations, and expanding its distribution network.

Monster Truck bears gifts

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 in 2020. Monster Truck, highly popular among consumers, was showcased in various festivals early in the year prior to the pandemic to communicate effectively with the customers and to increase customer satisfaction and was well received by the consumers.

The toy versions of the Monster Truck were produced and sold at autogas stations as well as on the website, reaching children and young people, who Aygaz values as the customers of the future, and their families, connecting with them on an emotional level. The campaign titled “Boş Yok” (“Everybody Wins”) was supported by communications, featuring Monster Truck, giving out TL 1 million worth of autogas as gift to consumers. The campaign was promoted heavily and featured on TV, radio and digital channels.

High-Octane Fuel LPG

The parallel communication campaigns that ran in 2020 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 and the pandemic

Since field communications were suspended with the onset of the pandemic, communication focus shifted completely to the digital channels. The topics that the consumers are interested in about autogas were identified via market research. And the videos created in these topics were presented to the consumers on digital platforms. With these video, the Instagram followers of Aygaz Otogaz increased 100%.

Supporting sports

The sports marketing activities of Aygaz continued in 2020. 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 became the sponsor of Tofaş Basketball Team as of 2019. Since 2018, Aygaz is also a sponsor of Fenerbahçe Football A Team. Various communication activities were carried out by targeting the fans of these clubs on social media.

Direct Marketing Award

The project titled “Bu Canavar Çok Ses Getirdi” (This Monster Created a Lot of Buzz), which consisted of a roadshow, sweepstakes campaign and a QR campaign with the code inside the toy as part of the Monster Truck communications, won the award in the “In-store Promotional Activities” and “Integrated Apps” categories at the 12th DPID Award, organized by the Direct Marketing Communications Association (DPID).



Bulk gas

Aygaz sold nearly 32 thousand tons of bulk gas in 2020, capturing over 37% market share in this segment.

Bulk gas 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, with approximately 2% share in the Turkish LPG market, also provides an important alternative as backup for natural gas. “Standardized LPG suitable for aerosol production”, which is obtained from gas in suitable composition by treatment with a filtration process, is also categorized as bulk gas. This product is used as a raw material in the aerosol industry and also food packaging and insulation manufacturers.

Bulk gas accounts for over 3% of Aygaz’s domestic retail sales.



Pürsu

In line with increased production capacity, Pürsu began to work adding more sales channels in 2020.



Aiming to widen the scope of Aygaz’s water business, carried out through its dealers and to achieve sustainable production, Kuleli Tankercilik A.Ş. acquired all shares of Bal Kaynak Su İthalat İhracat Sanayi ve Ticaret A.Ş., which held all necessary permits and licenses, along with the filling plant, where the natural spring water operations take place and the real estate where the facility sits, in March 2019. The water obtained from two spring sources, Uludağ and Nazilli, is delivered to customers under the Pürsu brand. In the bottled water industry’s carboy segment, Pürsu ranks among the leading brands, and aims to achieve the same level of success in the pet and glass bottle groups by leveraging the strong distributions network. Accordingly, new product development and network expansion activities and investments continued in 2020.



Rising sales performance

Pürsu is delivered to the customers by 350 dealers in 41 provinces. The sales of the pet and glass bottle group, which sold 8.3 million liters in 2019, rose to 30 million liters in 2020. Meanwhile, nearly 7.4 million carboys were sold in 2020. Total water sales amounted to approximately 171 million liters last year.

As part of the product range expansion efforts, the glass carboy filling line was completed, with glass carboys currently sold in 19 provinces. Regarding the addition of more sales channels, Pürsu is now sold in large chain supermarkets and e-commerce channels. In 2020, Pürsu water in pet and glass bottles were exported to a number of countries, including Cyprus, Germany, and France. Development of the website and the mobile app has been finalized and these channels have been activated.

The new face of Pürsu

Work on a new brand design and corporate identity was completed last year. The glass bottles were designed with six different labels, each featuring a different flower growing in Uludağ and six different snowflake illustrations. The products were launched with three animated commercials.

Another successful marketing activity was the sponsorship deal signed with Fenerbahçe Sports Club as official water supplier in the 2020-2021 season. As a

social responsibility activity, Pürsu also delivered 760 thousand bottles of water to 28 hospitals across Turkey in support of the efforts against the pandemic.

Investments continue

Activities to add more springs to increase the production capacity were completed in 2020, bringing the number of spring from three to eight. Meanwhile the investments at the İnegöl filling plant continued at full steam last year. In addition to new equipment investments for the laboratory, the UF system was introduced to improve water quality. The inventory volume was increased by expanding the raw material storage.

Quality confirmed with awards and certifications

In 2020, water from both of the natural springs of Pürsu won the "Superior Taste Award" by the world's leading taste experts at the Belgium-based International Flavor & Taste Institute. Following the inspections during the pandemic, İnegöl filling plant was granted the COVID-19 Safe Production Certificate. After completing the supplier audit of Migros successfully in August, İnegöl filling plant was certified as a Migros Approved Supplier. Pürsu was also granted the IFS Global Market Conformity Certificate and GC-Ethical Conformity Certificate, confirming product quality conformity by an independent audit firm.

Pürsu in figures (2020)

350
dealers in
41 provinces

Pet and glass bottle group sales

30
million liters

Carboy water sales

~7.4
million

Total water sales

~171
million



DYNAMIC





A must-have for all with its dynamism in all areas of life.



SUBSIDIARIES

Aygaz Doğal Gaz

Currently covering 10% of Turkey's natural gas supply, Aygaz Doğal Gaz achieved sustainable business results in the unprecedented environment of 2020.



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, currently covering 10% of Turkey's natural gas supply with the vision of taking its place across the entire value chain. The company increased its sales volume over the years through various sourcing agreements, achieving TL 900 million in revenues with over 475 million cubic meters of piped natural gas and

73 million cubic meters of LNG sold in 2020. With this sales volume, the company took nearly 17% share among the eight licensed operators in the Turkish LNG sector.

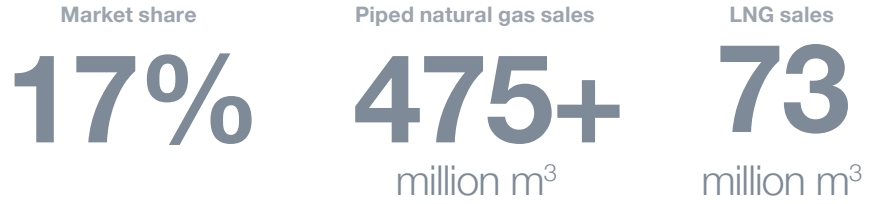
LNG's journey with Aygaz Doğal Gaz

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 investigate potential LNG use in heavy vehicles and ships to strengthen its position.

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

Aygaz Doğal Gaz in figures (2020)



operations further through natural gas imports and exports in line with its targets and strategies. Aygaz Doğal Gaz currently holds 30-year export licenses for Bulgaria and Greece.

Natural gas in Turkey

Despite declining in the second quarter with the impact of the pandemic, natural gas use recovered rapidly and increase in the second half of the year. In Turkey, natural gas consumption rose 8% year on year.

In Turkey, natural gas is used primarily in residences, electricity generation and industry. Consumption in the Turkish natural gas market amounted to 47 billion cubic meters in 2020 with a year-on-year increase of 5%. Residential

consumption increased by 1% and natural gas use for power generation by 19.5% while the industry consumption declined by 1.5%. The main cause of the increase in the natural gas use for power generation in 2019 and then in 2020 is that natural gas cycle plants are taking a larger share in the electrical power generation basket. The fact that the country received serious rainfall in 2019 but not as much in 2020 has led to more electricity generation by natural gas power plants.

In Turkey, nine licensed companies, with BOTAŞ in the lead, import natural gas. In 2020, the private sector met about 13% 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 eight companies in total selling approximately 6.3 billion cubic meters to the end-users.

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



In Turkey, despite declining in the second quarter with the impact of the pandemic, natural gas use recovered rapidly and increased in the second half of the year, rising 8% year on year.

Anadoluhisari Tankercilik

Successfully operating the LPG tankers of Aygaz since 2010, Anadoluhisari Tankercilik enters into various business deals to ensure that the fleet remains efficient.



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 Anadoluhisari Tankercilik in 2010. The fleet currently consists of three specifically equipped and fully pressurized tankers with a total capacity of 28,800 m³ and an average age of 15 years. Anadoluhisari Tankercilik accounted for 6% of Aygaz's maritime

procurement and transportation activities in 2020. With a change in Aygaz's Black Sea supply structure, the purpose of the fleet has also evolved and the vessels were chartered out in accordance with the new sourcing plan.

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. Until February 2020, the vessel has operated between Indian Ocean, Middle East and East African ports. The charter lease, which ended in the Indian Ocean, was renewed in March and M/T Beykoz was taken to the Caribbean by the same leaseholder for one year with a one year option. Once the term was up, the leaseholder accepted the one year option. Therefore,

the vessel will continue to operate in this region until January 2022.

The company successfully completes the audits that major oil suppliers conduct regularly 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 and the entire process is 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. Anadoluhisari 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.

International certifications and inspection

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), Anadoluhisari 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.

Anadoluhisari Tankercilik accounted for 6% of Aygaz's maritime procurement and transportation activities in 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.

In 2020, the company's revenues amounted to TL 554 million. As the

cylinder gas sales volume increased by 3% in 2020, Akpa continued to expand its service territory significantly, focusing on direct sales to households and businesses as part of its sales strategy.

Together with the existing cylinder gas dealers, Akpa sells carboy water to companies and retail customers. In 2020, the company sold 2.1 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 hydroelectric power plants (HEPPs) located in Karaman, Samsun, Mersin, and Kahramanmaraş, with a total capacity of 265 MW, and a natural gas cycle plant of 112 MW in Kocaeli, Entek currently operates with total 377 MW of installed capacity.

The heavy rainfall received in the basins where Entek plants are located and high power generation as a result reflected positively on the total production and profitability of Entek, which derives 70% of its installed capacity from hydroelectric power plants, and the company recorded TL 1.3 billion in consolidate revenues in 2020. As new technologies are introduced and high-efficiency power plants begin operating, strong competition in the electricity market keeps rising. The Kocaeli plant of Entek continues its operations with the advantage of selling directly to its electricity and steam customers. Due

to the production halts at its customers because of the COVID-19 pandemic, the plant has seen some decline in sales volume however profitability could be sustained thanks to revenues from the auxiliary services market.

Entek sells direct retail electricity through its wholly-owned affiliate Eltek. With long years of experience and know-how gained in the electricity market, Entek 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. Accordingly, Entek signed a share purchase agreement with STEAG GmbH to purchase 100% of the shares of STEAG Rüzgar Süloğlu Enerji Üretim ve Ticaret A.Ş. and STEAG Turkey Enerji Yatırımları ve Hizmetleri A.Ş., two companies that STEAG GmbH wholly owns. The closing related to transaction will be finalized after the required approvals and permissions are obtained. Once the shares of STEAG Rüzgar Süloğlu Enerji Üretim ve Ticaret A.Ş., which has a wind power plant with 60 MW electrical installed capacity, are acquired as part of the aforementioned agreement, Entek aims to reach a total installed capacity of 437 MW.

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 building 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 across Turkey.



Opet Aygaz Gayrimenkul A.Ş., founded in 2013, operates in the field of real estate, and invests in properties that can be leased out or operated as fuel or autogas stations in various locations across Turkey. The company, an equal partnership between Aygaz A.Ş. and Opet Petrolcülük A.Ş., owns 21 stations as of 2020 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 one of the large-scale refinery companies in Europe.





AGILE



An energy that captures the spirit
of the times, spreading out from
Turkey to the world.

Sustainability Principles Compliance

Sustainability Principles Compliance Declaration

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

Aygaz's sustainability practices that align with the principles in the CMB's Sustainability Principles Compliance Framework are described in detail in the **Sustainability Principles Compliance** section of the Annual Report and the explanations about the key principles that have not been fully complied with are provided below. The company monitors the impact on environmental and social risk management due to the lack of full compliance with the non-mandatory principles and addresses them as part of sustainability efforts.

- Aygaz has in place an Integrated Management Systems Policy, which includes the environmental, sustainability, stakeholder, and occupational safety aspects in line with Environmental, Social, and Corporate Governance ('ESG') practices and a Code of Ethics. ESG policies and targets are defined and updated regularly within the framework of the Integrated Management Systems Policy. Studies are in progress to disclose these targets to the public in the times to come.
- Aygaz monitors key environmental, social, and governance indicators regularly and discloses them publicly. However, due to lack of comparable and verifiable data, local or international industry benchmarks are not available. On the other hand, work is under way to conduct a material aspect analysis in light of global and industry trends. Activities to determine a partnership strategy will continue in the coming years in line with the identification of material aspects.
- Aygaz has formed a Sustainability Working Group ('Working Group') and a Corporate Risk Management Working Group for the implementation of ESG policies. The Corporate Risk Management procedures are reported to the Risk Management Committee, under the Board of Directors and the activities carried out for this purpose are disclosed in the Risk Management section of the Annual Report. Studies are in progress to disclose the Sustainability Working Group's work and policy publicly.
- Aygaz carries out activities to publicly disclose its implementation and action plans in line with short- and long-term ESG targets.
- Key environmental, social, and governance performance indicators are monitored regularly. Since 2008, Aygaz has regularly published its ESG data in the annual sustainability reports. ESG performance in 2020 will be included in the sustainability section on the corporate website and in the Annual Report. Due to their limited environmental and social impact, these indicators have not been verified yet. As the standards and practices evolve in the times to come, these activities may be carried out in parallel.
- The Working Group is responsible for following and monitoring the sustainability work at Aygaz. The Working Group, which consists of Corporate Communications, Finance, Quality System ESG-S and Sectoral Relations, and the Human Resources departments, reports the issues about sustainability to the General Manager, who in turn may report to the Board of Directors, when the situation calls for it. The sustainability strategy and targets are defined after the sustainability issues are evaluated by the Board of Directors in line with business processes. The topic of Environment and Climate Change is also handled by the Working Group.

- > Aygaz discloses the incentives it offers, including those related to achieving the targets, in the Human Resources section of the Annual Report. Employees who are committed to the Occupational Health and Safety principles and procedures, who act sensitively, and who take actions to promote corporate sensitivity and effectiveness are awarded. Studies are in progress about the incentives offered for the management of environmental issues as part of the sustainability efforts.
- > Aygaz has in place indicators that it has created and follows as part of its internal targets regarding how environmental topics are integrated into business goals and strategies, and disclosing these to the public in the times to come is in progress.
- > Aygaz carries out activities to set short- and long-term targets to reduce its environmental impact and to disclose these targets in line with the relevant activities of Koç Group. Compliance in the long term will be considered by the company separately.
- > The company is currently not part of any carbon pricing system since the legal regulation processes on this topic have not yet been finalized in Turkey. On the other hand, internal assessments and investigations together with relevant NGOs are ongoing regarding carbon pricing and carbon credits.

Sustainability Principles Compliance

Sustainability Principles Compliance Framework

Principle Code	No	Description	Page Number or Link
A1. Strategy, Policy and Targets	1	The Board of Directors determines material ESG issues, risks and opportunities and creates necessary ESG policies. In terms of the effective implementation of these policies, internal directives and business procedures, etc. can be prepared for the company. The Board of Directors makes decisions for these policies and discloses them publicly.	Sustainability Management, page 58
A1. Strategy, Policy and Targets	2	Determines the Company Strategy in line with the ESG policies, risks and opportunities. Determines the short- and long-term goals in line with the Company strategy and ESG policies and discloses them publicly.	Sustainability Management, page 58
A2. Implementation/Monitoring	3	Determines the committees/units responsible for the implementation and execution of ESG policies and discloses them publicly. The responsible committee/unit reports the activities carried out in line with policies to the Board of Directors at least once a year and in any case within the maximum periods determined for the public disclosure of the annual activity reports in the applicable regulations of the Board.	Sustainability Management, page 58
A2. Implementation/Monitoring	4	Creates and publicly discloses implementation and action plans in line with the short- and long-term goals determined	Sustainability Principles Compliance Report, pages 52-53
A2. Implementation/Monitoring	5	Determines Key ESG Performance Indicators (KPIs) and discloses them with yearly comparisons. If verifiable data is available, presents KPIs with local and international sector comparisons.	Quality, Environment, Occupational Health and Safety, pages 68-73; Human Resources, pages 60-67
A2. Implementation/Monitoring	6	Discloses the innovation activities that improve the sustainability performance for business processes or products and services.	Research & Development; pages 77
A3. Reporting	7	Reports its sustainability performance, goals and actions at least once a year and discloses publicly. Discloses the information on sustainability activities in the annual report.	Sustainability Reporting, page 57; Quality, Environment, Occupational Health and Safety, pages 68-73
A3. Reporting	8	It is essential to share information, which is important for stakeholders to understand the position, performance and development of the Company, in a direct and concise manner. Can also disclose detailed information and data on the corporate website and prepare separate reports that directly meet the needs of different stakeholders.	Communication with Stakeholders; pages 58-59
A3. Reporting	9	Takes utmost care to ensure transparency and reliability. Provides objective information on all kinds of developments about material issues in disclosures and reporting with a balanced approach.	Communication with Stakeholders; pages 58-59
A3. Reporting	10	Provides information about which of the United Nations (UN) 2030 Sustainable Development Goals its activities are related to.	Sustainable Growth, pages 56-58
A3. Reporting	11	Provides detailed information regarding the lawsuits filed and/or concluded against environmental, social and corporate governance issues.	Legal Disclosures, pages 106-107
A4. Assurance	12	If verified by independent third parties (independent sustainability assurance providers), discloses its sustainability performance measurements to the public and strives to increase such verification processes.	Sustainability Principles Compliance Report, pages 52-53
B. Environmental Principles	13	Discloses environmental management policies and practices, action plans, environmental management systems (known by the ISO 14001 standard) and programs.	Quality, Environment, Occupational Health and Safety, pages 68-73
B. Environmental Principles	14	Complies with environmental laws and other applicable regulations and discloses them.	Quality, Environment, Occupational Health and Safety, pages 68-73
B. Environmental Principles	15	Discloses the limitations of the environmental report to be included in the report according to Sustainability Principles, reporting period, reporting date, data collection process and reporting conditions.	Sustainability Management, page 58
B. Environmental Principles	16	Discloses the highest responsible individual, relevant committees and responsibilities in the Company for environment and climate change.	Sustainability Management, page 58
B. Environmental Principles	17	Discloses the incentives offered for the management of environmental issues, including the achievement of objectives	Sustainability Principles Compliance Report, pages 52-53
B. Environmental Principles	18	Discloses how environmental problems are integrated into business goals and strategies.	Quality, Environment, Occupational Health and Safety, pages 68-73
B. Environmental Principles	19	Discloses the sustainability performance of business processes or products and services and the activities to improve this performance.	Quality, Environment, Occupational Health and Safety, pages 68-73
B. Environmental Principles	20	Discloses how environmental issues are managed across the Company's value chain both in terms of direct operations and also about how suppliers and customers are integrated into its strategies.	Quality, Environment, Occupational Health and Safety, pages 68-73
B. Environmental Principles	21	Discloses whether it is involved in policy-making processes on environmental issues (sectoral, regional, national and international); discloses cooperation with the associations, related organizations and non-governmental organizations it is a member of on the subject of environment, and the duties taken, if any, and the activities supported.	Quality, Environment, Occupational Health and Safety, pages 68-73
B. Environmental Principles	22	Reports information on its impact with period comparisons based on environmental indicators (Greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect)), air quality, energy management, water and wastewater management, waste management, biodiversity impacts)	Quality, Environment, Occupational Health and Safety, pages 68-73
B. Environmental Principles	23	Discloses details such as the standards, protocols, methodologies and base year used to collect and calculate its data.	Environmentally Sensitive Business Processes, pages 71-72
B. Environmental Principles	24	Discloses the status of environmental indicators for the reporting year (increase or decrease) in comparison with previous years.	Quality, Environment, Occupational Health and Safety, pages 68-73
B. Environmental Principles	25	Sets short and long-term goals to reduce their environmental impact and discloses these goals. It is recommended to determine Science-based goals based as suggested by the United Nations Conference of the Parties on Climate Change. If there is progress in the reporting year according to the previously set targets, provides information on the subject.	Sustainability Principles Compliance Report, pages 52-53
B. Environmental Principles	26	Discloses the strategy and actions to combat the climate crisis.	Quality, Environment, Occupational Health and Safety, pages 68-73 https://www.aygaz.com.tr/en/corporate/climate-change-strategy
B. Environmental Principles	27	Discloses the program or procedures to prevent or minimize the potential negative impact of the products and/or services offered; discloses the actions of third parties to reduce greenhouse gas emissions.	Quality, Environment, Occupational Health and Safety, pages 68-73
B. Environmental Principles	28	Discloses the actions taken to reduce its environmental impacts, the total number of projects and initiatives carried out, and the environmental benefits/revenues and cost savings they provide.	Quality, Environment, Occupational Health and Safety, pages 68-73
B. Environmental Principles	29	Reports the total energy consumption data (excluding raw materials) and discloses the energy consumption as Scope-1 and Scope-2.	Quality, Environment, Occupational Health and Safety, pages 68-73
B. Environmental Principles	30	Provides information on electricity, heat, steam and cooling generated and consumed in the reporting year.	Quality, Environment, Occupational Health and Safety, pages 68-73
B. Environmental Principles	31	Conducts studies on increasing the use of renewable energy, transition to zero or low carbon electricity and discloses these studies.	Quality, Environment, Occupational Health and Safety, pages 68-73
B. Environmental Principles	32	Discloses the renewable energy generation and consumption data.	Quality, Environment, Occupational Health and Safety, pages 68-73

Principle Code	No	Description	Page Number or Link
B. Environmental Principles	33	Carries out energy efficiency projects and discloses the amount of energy consumption and emission reduction achieved through these efforts.	Quality, Environment, Occupational Health and Safety, pages 68-73
B. Environmental Principles	34	Reports the amount of water withdrawn underground or above ground resources, water used, recycled and discharged, its sources and procedures (Total water withdrawal by source, water resources affected by water withdrawal; percentage and total volume of recycled and reused water, etc.).	Quality, Environment, Occupational Health and Safety, pages 68-73
B. Environmental Principles	35	Discloses whether operations or activities are included in any carbon pricing system (Emission Trading System, Cap & Trade or Carbon Tax).	Sustainability Principles Compliance Report, pages 52-53
B. Environmental Principles	36	Discloses information on the carbon credit accumulated or purchased during the reporting period.	Sustainability Principles Compliance Report, pages 52-53
B. Environmental Principles	37	Discloses the details if carbon pricing is applied within the Company.	Sustainability Principles Compliance Report, pages 52-53
B. Environmental Principles	38	Discloses all mandatory and voluntary platforms where it discloses environmental information.	Sustainability Reporting, page 57
C1. Human Rights and Employee Rights	39	Creates Corporate Human Rights and Employee Rights Policy, in which the company commits to comply with the Universal Declaration of Human Rights, the ILO conventions, to which Turkey is a party, and the legal framework and legislation that regulate human rights and labor conditions in Turkey. Discloses this policy and the roles and responsibilities related to its implementation.	Human Resources, pages 60-67 2019 Sustainability Report, page 46 https://www.aygaz.com.tr/uploads/kurumsal/surdurulebilirlik/a7201f1fb_b33d_4881_adc8_501d8b3fa09__aygaz-skr-en-11-agustos.pdf
C1. Human Rights and Employee Rights	40	Provides equal opportunity in recruitment processes. Considering the supply and value chain effects, includes fair labor, improvement of labor standards, women's employment and inclusivity issues (such as women, men, religious belief, language, race, ethnic origin, age, disability, refugee, etc.) in its policies.	Human Resources, pages 60-67
C1. Human Rights and Employee Rights	41	Discloses the measures taken across the value chain for the protection of groups sensitive to certain economic, environmental, social factors (low-income groups, women, etc.) or minority rights/equality of opportunity.	Human Resources, pages 60-67; Social Responsibility, pages 78-79
C1. Human Rights and Employee Rights	42	Reports developments regarding discrimination, inequality, human rights violations, forced labor, and corrective practices. Discloses the regulations against child labor.	Human Resources, pages 60-67 2019 Sustainability Report, page 46 https://www.aygaz.com.tr/uploads/kurumsal/surdurulebilirlik/a7201f1fb_b33d_4881_adc8_501d8b3fa09__aygaz-skr-en-11-agustos.pdf
C1. Human Rights and Employee Rights	43	Discloses policies regarding investment in employees (training, development policies), compensation, fringe benefits, unionization right, work/life balance solutions and talent management. Determines dispute resolution processes by creating mechanisms for employee complaints and dispute resolution. Regularly discloses the activities carried out to ensure employee satisfaction.	Human Resources, pages 60-67
C1. Human Rights and Employee Rights	44	Creates occupational health and safety policies and discloses them publicly. Discloses the precautions to prevent work accidents and health and accident statistics.	Quality, Environment, Occupational Health and Safety, pages 68-73
C1. Human Rights and Employee Rights	45	Creates and publicly discloses personal data protection and data security policies.	Quality, Environment, Occupational Health and Safety, pages 68-73
C1. Human Rights and Employee Rights	46	Creates an ethics policy (including work, business ethics, compliance processes, advertising and marketing ethics, open information, etc.) and discloses it to the public.	Human Resources, pages 60-67 Ethical Principles https://www.aygaz.com.tr/en/corporate/ethical-principles
C1. Human Rights and Employee Rights	47	Discloses activities related to social investment, social responsibility, financial inclusivity and access to financing.	Social Responsibility, pages 78-79
C1. Human Rights and Employee Rights	48	Holds information meetings and training programs for employees on ESG policies and practices.	Quality, Environment, Occupational Health and Safety, pages 68-73
C2. Stakeholders, International Standards and Initiatives	49	Carries out sustainability activities by taking into account the needs and priorities of all stakeholders (employees, customers, suppliers and service providers, public institutions, shareholders, community, and non-governmental organizations, etc.).	Sustainable Growth, pages 56-58
C2. Stakeholders, International Standards and Initiatives	50	Publishes and publicly discloses a customer satisfaction policy regarding the management and resolution of customer complaints.	Quality, Environment, Occupational Health and Safety, pages 68-73 Customer Complaints Management Commitment https://www.aygaz.com.tr/en/corporate/general-manager-customer-complaints-management-commitment
C2. Stakeholders, International Standards and Initiatives	51	Carries out continuous and transparent stakeholder communications; discloses the stakeholders, purpose, topic and frequency of communications and the developments in sustainability activities.	Communication with Stakeholders; pages 58-59
C2. Stakeholders, International Standards and Initiatives	52	Discloses the international reporting standards adopted (Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), Climate-Related Financial Disclosures Task Force (TCFD), etc.).	Sustainability Reporting, page 57
C2. Stakeholders, International Standards and Initiatives	53	Discloses the international organizations or principles (Equator Principles, United Nations Environment Program Finance Initiative (UNEP-FI), United Nations Global Principles (UNGC), United Nations Principles for Responsible Investment (UNPRI) etc.), of which it is a signatory or member, and international principles adopted (International Capital Market Association (ICMA) Green/Sustainable Bond Principles).	Sustainability Reporting, page 57
C2. Stakeholders, International Standards and Initiatives	54	Makes firm efforts to be included in Borsa Istanbul Sustainability Index and international sustainability indices (Dow Jones Sustainability Index, FTSE4Good, MSCI ESG Indices, etc.).	Sustainability Reporting, page 57
Corporate Governance Principles	55	Makes maximum effort to comply with all Corporate Governance principles as well as the mandatory Corporate Governance principles stated in the Capital Markets Board's Corporate Governance Communiqué II-17.1.	Corporate Governance, pages 86-87
Corporate Governance Principles	56	Takes into account sustainability, environmental impact of its activities and the applicable principles when determining its corporate management strategy.	Sustainable Growth, pages 56-58
Corporate Governance Principles	57	As stated in the Corporate Governance Principles, takes the necessary measures to comply with the principles regarding the stakeholders and to strengthen the communication with the stakeholders. Seeks the opinions of stakeholders when determining sustainability-related measures and strategies.	Corporate Governance, pages 82-105
Corporate Governance Principles	58	Works to raise sustainability awareness and promotes its importance through social responsibility projects, awareness activities and trainings.	Social Responsibility, pages 78-79
Corporate Governance Principles	59	Works to become a member of international standards and initiatives on sustainability and to contribute to studies.	Sustainability Reporting, page 57
Corporate Governance Principles	60	Discloses anti-bribery and anti-corruption policies and programs and promotes the principle of tax integrity.	Corporate Governance, pages 96 Ethical Principles https://www.aygaz.com.tr/en/corporate/ethical-principles

Sustainable Growth

In defining its sustainable growth targets and strategies, Aygaz considers the impact on all stakeholders.



Aygaz approaches sustainability, which includes environmental, social, and corporate governance topics, with the aim of managing its financial and non-financial assets effectively. Sustainability is an essential tool in maintaining the trust-based relationship built with stakeholders and preserving the company's reputation.

Sustainability aspects are identified by considering global trends such as information security, big data, climate

change, demographic changes, increasing energy demand, and the rise of sustainable energy resources while a sustainable growth approach that takes into account the impact on all stakeholders is adopted. The sustainability aspects at Aygaz were identified according to the opinions of senior executives, strategic decisions, stakeholders, and external trend analyses. Top priority issues that will create value for both Aygaz and stakeholders were identified through

these analyses. Aygaz contributes to the Sustainable Development Goals in these strategic areas as well.

More information on the material aspects and a Prioritization Matrix can be found on pages 14-16 of the 2019 Sustainability Report.

Sustainability Reporting

In preparing the sustainability reports, leading global standards, policies and principles are taken as basis.



Aygaz discloses its sustainability approach and performance in the sustainability reports, prepared in accordance with GRI Standards. Important international and global standards, policies and principles, in particular those of the International Labor Organization (ILO), United Nations (UN), Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and Taskforce on Climate-Related Financial Disclosures (TCFD) are taken as basis while preparing the sustainability reports. Since 2018, Aygaz has been included in the BIST Sustainability Index, which consists of publicly traded companies with high corporate sustainability performance, for its effective and strong sustainability management.

As a company of Koç Group, which is a signatory of the United Nations Global Compact (UNGC), Aygaz is a signatory of the United Nations Women’s Empowerment Principles (UN WEP) and discloses its compliance with these principles in its sustainability reports.

The company works toward the adoption of sustainability across the organization and further improvements in performance.

The CMB’s Sustainability Principles Compliance Framework specifies the basic principles, which the publicly traded companies are expected to disclose regarding environmental, social and corporate governance topics. Accordingly, the content of the 2020 Annual Report has been expanded in line with the principles announced by the CMB. Corporate governance approach, performance, and sustainability activities, which are specified in the Principles are disclosed in the Sustainable Growth section of the Annual Report.

The data, provided in the report, pertains to the period from January 1 to December 31, 2020. Performance data includes the actualized data of the previous 11 months and the projected data for the 12th month. Social performance indicators are as of November 30, 2020, and the Occupational Health and Safety data covers the period from January 1 to December 31, 2020.

The “comply or explain” provision of CMB’s Sustainability Principles Compliance Framework is addressed in the Sustainable Growth section of this report.

Aygaz is included in the BIST Sustainability Index since 2018.

Sustainability Management

The sustainability management at Aygaz is built upon the Integrated Management Systems Policy, which is created in alignment with the sustainability strategy and goals. The Board committees, which are actively involved in the company's corporate governance, play a key role in sustainability management. The Sustainability Working Group, which consists of the Corporate Communications, Finance, Quality System, ESG-S and Industry Relations, and Human Resources departments, is responsible for following and monitoring the sustainability-related activities. The Working Group reports to the General Manager, who in turn reports to the Board of Directors when needed. The sustainability strategy and targets are defined based on the evaluations of the Board of Directors in line with business processes.

Stakeholder Communications



Effective communication and cooperation with the stakeholders plays a key role in the company's pioneering work in the industry and drives its success in all areas, especially in high priority issues. Drawing from the stakeholder analysis conducted in 2017, Aygaz strives to diversify its communication channels. The opinions and feedback received regularly from relevant stakeholders in accordance with the Sustainability Report and sustainability priorities provide direction for future work and projects. Guided by a consistent and transparent disclosure policy, the company communicates information regarding its performance, future aspirations, and strategies accurately and briefly by considering the needs of different stakeholders.

More information on the memberships and affiliations of can be found on page 67 of the 2019 Sustainability Report.

Stakeholder Group	Communication Method	Communication Frequency	Some Issues Brought up by the Stakeholders
Shareholder, Investors, Analysts	Investor Conferences, face-to-face meetings at the head office, responding to information requests received by phone and in writing, teleconferences, analyst meetings, senior management meetings, Investor Relations page on the corporate website, Annual Report, Sustainability Report, company presentations, earnings releases, briefings, material event disclosures	Immediate response to information requests, minimum each quarter	
Business Partners and Dealers	Dealer Hotline, satisfaction surveys, Aygaz Training Truck and Training Bus, collaborative projects, audits, dealer portals	Daily	<ul style="list-style-type: none"> • Highlighting product quality and safety-related activities more in communications • Sharing case studies regarding customer focus • Emphasizing brand strength further • Placing innovation at the heart of the customer experience • Focusing on competitiveness in market conditions • Diversifying new business channels and seizing opportunities
Employees	Employee satisfaction and loyalty research and surveys, online idea collection platform, intranet plasma screens, internal communication activities, announcements, committee meetings, company publications, suggestion systems	Daily	<ul style="list-style-type: none"> • Contributing even more to the development of social projects • Adopting more next-generation HR approaches (flexible working hours, etc.) • Increasing the ongoing intrapreneurship activities • Talent management and career planning • Gaining more knowledge on R&D and Innovation
Affiliates and Subsidiaries	Meetings, collaborative projects	On demand	
Public Institutions and Regulatory Authorities	One-on-one meetings, official visits, industry events	At least once a month	
Customers	Communication campaigns, advertisements, website, social media, Aygaz, Mogaz, Pürsu Customer Service Line, market and customer loyalty surveys, visits	Daily	
Media	Press releases and press conferences, interviews, reputation surveys, website, trade publications	Weekly	<ul style="list-style-type: none"> • Developing a corporate responsibility project that reflects the strength of the Aygaz brand and that can be owned for years
Non-governmental Organizations and Chambers	Following the industry agenda, social responsibility topic, collaborative projects, sponsorship and donations, reputation surveys, working committees and boards	Weekly	<ul style="list-style-type: none"> • Continuing to work on environmental policy and activities related to the country's most pressing matters, integrating quality with environmental management • Raising energy efficiency awareness among end-users
Trade Unions	Face to face discussions, collective bargaining agreement, collaborative projects, General Assembly, open workplace meetings	At least four times a year	
Suppliers	Supplier portal, audits/inspections	Daily	<ul style="list-style-type: none"> • Working to expand the scope of employment in operations across the country • Constantly improving quality, safety and occupational health practices further
International Organizations and Initiatives	Joint projects, conferences, seminars, and corporate memberships	Minimum monthly	
Universities	Conferences, training programs, festivals	Minimum monthly	

Human Resources

The human resource of Aygaz consists of a creative, skilled and highly motivated, best-in industry workforce.



Aygaz aims to become an agile organization, which employs professionals who provide high added value in a manner that promotes sustainable growth. Aygaz regards managing its human resource as a business priority with a focus on employee satisfaction, continuous improvement and mutual open communication, and is a preferred employer for all its stakeholders and employees.

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.

In 2020, the average number of people in the workforce of Aygaz was 1,304. At Aygaz, 14% of employees are female, and 86% are male. The average age of employees is 39 while average tenure at the company is 9.5 years. People with undergraduate and graduate degrees account for 45% of all employees. This ratio reaches 93% among office employees. Aygaz promotes gender

equality and diversity in its workforce and supports the women to be in decision-making roles.

Key Human Resources Policies at Aygaz

The key principles that guide the human resources policies include: Equal opportunity for all, recruiting and appointing the right person to the right job, equal pay for equal work, merit-based promotion, timely recognition and rewarding, continuity and efficiency in professional success, effective internal communication, and sensitivity to the community.

The right candidate for the right position

In hiring skilled employees who will 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 that will 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 via different communication 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, presentations, foreign language assessments, numerical/verbal/ personality inventories, and reference checks. Candidates are assessed for prospective roles without considering concepts such as fair competition, religion, language, race, ethnicity, and gender while the recruitment strategies are adjusted annually to align with global trends. The 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.

Quality internship experience updated with next-gen work trends

Aygaz quickly adapted to the changing conditions that the pandemic caused while the internship process was redesigned to take place online together with all Koç Group companies. After engaging with the students in the Koç Holding online career fair, the entire process was revised as online. 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. The interns, who are regarded as future Koç employees, went through an end-to-end employee experience that involved orientation, project work and performance assessment. As in previous years, the goal of the updated internship program was to provide a high quality internship experience that included responsibilities and social benefits, and ensured that each candidate was evaluated equally, fairly and objectively.

Structured employer brand activities

In early 2020, the tag "Aygaz'da #bildiğindenfazlası var" (There is #morethanyouknow at Aygaz") was created to communicate the company's fields of operation, work culture, and vision to potential candidates. Aygaz partnered with universities to share its existing and new business lines, innovative work culture, and technology and innovation focus with their students. The employee videos created to communicate the new business lines of Aygaz and the employee experience were also posted to social media to reinforce the employer brand.

Updated performance system: Koç Dialogue

Aygaz aims to reward the creation of sustainable values rather than short-term returns through a performance management system that focuses on an objective assessment of employee performance.

Accordingly, a performance system based on objective and critical results with dialogue placed at the core is applied. The SF system developed in 2018 has created an environment where the employees can set their targets, get the necessary approvals, and access anywhere anytime digitally. The system was applied twice in 2020 as "Interim Performance Appraisal" and "End-of-Year

Key Human Resources Policies at Aygaz

- > Equal opportunity for all
- > Recruiting and appointing the right person to the right job
- > Equal pay for equal work
- > Merit-based promotion
- > Timely recognition and rewarding,
- > Continuity and efficiency in professional success
- > Effective internal communication
- > Sensitivity to the community





Aygaz has been conducting surveys to measure satisfaction and loyalty through an independent research firm since 1996. The employee loyalty score of Aygaz was 75.3 in 2020.

Appraisal". Starting from 2021, the flows and digital infrastructure will be entirely updated and the process will continue as Koç Dialogue Performance System.

The objective of this new performance management system, as Aygaz has chosen to apply, being part of Koç Group, will support new ways of doing business and working models, and accelerate digital transformation and agile work approach. Through this system, it is aimed to evolve the company culture into a more inclusive and development-focused structure where an exchange of ideas is encouraged more, dialogue is promoted, and a transparent and creative work environment is promised.

In addition to changes in the processes, the new performance system also involves a mindset transformation. The trainings, prepared in collaboration with some of the best in the corporate training world, including Emeritus, NeuroLeadership Institute (NLI), and Columbia Business School, were introduced in November and made available to all Aygaz office employees. The trainings are scheduled to be completed by the end of February 2021. On the other hand, the Koç Dialogue Online Awareness Webinars, organized to ensure that the updated performance system is internalized by all the employees

who are within its scope, are ongoing. **Remuneration management 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 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 75.3 in 2020.



Employee experience that promotes loyalty

The “experience” aspect has become an integral part of the employer’s promise and brand as a major transformation, driven by different working models that emerged along with digitalization, big data management, and mobility, occurred. The employee experience, which means the whole of how the employees perceive their companies, has been a key focus area for Aygaz in 2020. Accordingly, the employees continued to learn, change and develop as a rapid transformation was triggered by the pandemic. Strategies were developed to create an employee experience that offers the tools and technologies for improving work environments and increasing productivity and provides development solutions that encourage the employees toward delivering their best performance. The integrated Employee Experience approach was reviewed with this focus as part of the “Agile” working model. The action planning process was redesigned to increase the participation of colleagues from different groups while the focus remained on improving the quality of planned actions. To achieve this goal, an “Employee Experience Agile Team” was formed at Aygaz, making sure that

it would have a representative from each unit to consider specific needs. Aware that one of the keys to improving the experience is listening to the employee, Aygaz encourages its employees to share their expectations and experiences via various channels. In addition to the Annual Employee Loyalty Survey, other practices were introduced during the pandemic; for instance, monthly mood surveys were conducted to understand the needs and feelings of employees while HR Break enables the employees who are in remote areas to share their expectations and experiences. As a result, all actions were implemented by keeping the employee in focus and welcoming their suggestions.

All employees can contact the Human Resources team 24/7 by email at ikyasor@aygaz.com.tr and aygazinsankaynaklariyoneticiligi@aygaz.com.tr. These email addresses have been openly communicated to the employees, who are encouraged to reach out for all their questions and problems and get support.

Furthermore, all customers and employees may choose to convey their grievances, questions, and requests via the Aygaz Customer Call Center Line (444

4 999) and the website (www.aygaz.com.tr) 24 hours a day, 7 days a week.

Integrated career and talent management

At Aygaz, career plans are made for employees in line with their knowledge, skill, and competency level through a process that considers the employee’s expectations.

Accordingly, 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 defined for the company’s executive potential pool and all management positions in line with the future goals and strategies of Aygaz. The objectives of this planning process include:

- To review existing and planned organizational structures in line with the company strategy;

- To identify talents and matching them with organizational needs, ensuring seamless transition in possible management changes;
- To identify talent development needs and to determine strategies;
- To identify potential employees and critical positions;
- To review succession plans;
- To prepare career plans and development plans.

At the end of this process, 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

For Aygaz, people are one of the key factors on the path to globalization, change, and innovation. Therefore, building an inclusive culture that promotes development is a top priority of its Human Resources strategy. In building the future, Aygaz adopts the same approach and aims to develop talent that keeps up with innovations and thinks

strategically, and is visionary and open to development in these areas. 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 can plan their development based on feedback received from their superiors and peers, 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 and continued in 2020. So far, 83 employees have benefited from this platform.

The "Safe Driving" training, which is part of the Aygaz Road Safety Project, targets zero accidents and aims to ensure that the driver anticipates the dangers and risks ahead in traffic in advance and stays away from potential accidents while gaining defensive driving skills. In 2020, 227 employees who actively drive took this training.

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 many 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. All managers can attend the Aygaz LEAD training programs. Furthermore, many managers attend Koç Holding's classroom trainings on popular topics including PDP, AMP, MAP, LSI, and LEAD. Employees and managers are also encouraged to take the HBX, Udacity, MIT, and Code Academy digital transformation programs that develop digital skills online as well as Koç University Executive MBA, Modular and Technical MBA programs.

Training programs under the AYLEARN umbrella

With communications related to AYLEARN, the umbrella structure that offers thousands of video training content from technology and personal development to wellness, family, and hobbies, starting this year, the employees continued to learn and develop at home on the Koç Academy online video training platform. Important information, useful suggestions, and tips that may be necessary for the changing daily routine were added to Koç Academy every week by Koç Holding, and the contents were communicated to all Aygaz employees through the Human Resources department.

Employees also completed the legally required Personal Data Protection and Information Security training on the Koç Academy LMS system. During the Aygaz Webinar Days, many training companies informed the employees about their training programs on leadership, personal development, and technical topics. Webinars on various topics such as the Emotions That Manage Us, Remote Working, Psychology, Health, and Personal Development were organized for all employees. Training contents of nationally and internationally recognized experts and organizations available at the TISK and MESS Academy, a digital learning resource we provide to our employees were also offered. Aygaz employees accessed and took trainings

on these platforms on topics ranging from personal development to hobbies, leadership, and technical subjects as well as required trainings. According to the 2020 training report, the average training time per person was 23.4 person*hours with the investments made toward developing the employees.

Meeting point of learners

The mentoring programs, launched in 2016 in line with Koç Group principles to develop the employee potential at Aygaz, convey the corporate culture, and create a more effective human resource both in theory and practice, were reorganized in 2020 under the "Meeting Point for Learners – MentHall" umbrella structure.

MentHall has evolved to become more agile in terms of adapting to changing conditions, more powerful in terms of communication, more digital in terms of using technology, and more comprehensive with information that employees from all ages and departments will benefit from. MentHall uses tools such as the pairing survey to ensure that the mentor-mentee pairings fully meet the expectations and the career inventory to help the employee recognize his/her needs for mentoring purposes. Once the application and pairing processes were completed, all the paired mentors and mentees in the mentoring and reverse mentoring programs were delivered online trainings by some of Turkey's leading mentoring training firms. The program was provided on a digital platform where interviews could be conducted and monitored online. Common experiences were shared with the participants and Human Resources during supervision meetings. With these new practices in place, the participation rate of the previous years doubled, with 62 employees participating in the mentoring program and 16 employees in the reverse mentoring program. The mentorship period was completed with a satisfaction rate of 4.8 out of 5 according to the survey conducted at the end of the program.

Human Resources in figures (2020)

~1,304 employees

14% female

86% male

Average age

39

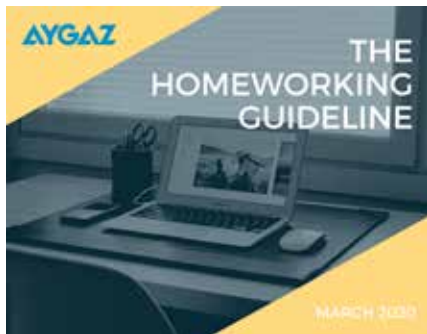
Average tenure

9.5

Average training time

23 person*hours

The mentoring programs at Aygaz, launched to create a more effective human resource both in theory and practice, were reorganized in 2020 under the “Meeting Point for Learners – MentHall” umbrella structure.



Aygaz Group competencies

The Aygaz Competency Model, which defines the skill sets that the employees at all levels within the Aygaz Group should have to ensure the sustainability of the company's success in the industry and actualization of its vision, was redefined in 2020 as a part of the transformation process. This model, which draws from the Aygaz strategy, vision, and values, has been prepared as a guide to move forward into the future with firm steps.

The competencies and behaviors defined with the Aygaz Competency Model will be the cornerstone of all human resource management processes, from recruitment and performance management to Human Resources Planning and career development.

The Aygaz Competency Guide, created to learn and internalize the competencies, will make the employees stronger in achieving goals in a dynamic business setting. The objective of the guide is for each employee to focus on their development by identifying their strengths and development opportunities.

At Aygaz Group, the new competencies are grouped into three categories: Basic Competencies include Trust, Pushing the Boundaries, Collaboration, Agility, and Courage. Functional Competencies include Innovation, Perfectionism, and Commercial Focus while Leadership Competencies include Inspiring and Managing Talent.

Cooperation and solidarity culture

The objective of the annual communication plan at Aygaz is to build an internal communication culture that embraces employee expectations and new generation needs and that creates an effective employee experience. 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 townhalls, region and plant visits, service award ceremonies, sports festivals, picnics, “BizBize” talks, and health month events. 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. All the events are updated and enhanced in line with the future of professional life and online options are created.

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:

The New Competencies at Aygaz Group

- > **Basic Competencies:** Trust, Pushing the Boundaries, Collaboration, Agility, Courage
- > **Functional Competencies:** Innovation, Perfectionism, Commercial Focus
- > **Leadership Competencies:** Inspiring, Managing Talent

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 Department. No discrimination complaints were filed by the employees.

- 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.

Agile approach to next-generation work trends

At Aygaz, human resources practices that enable the employees to build a healthy work-life balance are prioritized. Aiming to adapt the way it does business to the future quickly, Aygaz offers its employees flexible working and remote working opportunities with its ability to capture next-generation work trends.

Quality, Environment, Occupational Health and Safety

At Aygaz, all activities related to the environment, occupational health and safety, customer satisfaction, 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 satisfaction, energy, and information security are managed in an integrated manner under one umbrella. The Integrated Management Systems Policy was revised in 2018 to respond to the latest needs. All Aygaz employees are obligated to implement and apply the integrated Management Systems Policy. The handbook, created to provide information and guidance, is kept up to date and the Integrated Management Systems Policy is accessible to all at www.aygaz.com.tr. In 2019, the trainings of internal auditors were updated according to the revisions in the Integrated Management Systems. In

2020, internal audits were performed online due to the pandemic restrictions while the field inspections in 74 business units were conducted by 41 internal auditors.

Compliance with management systems, related to quality, environment, occupational health and safety, energy, and customer satisfaction has been verified through internal and external audits, conducted as part of the periodic ADR inspections and in line with 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. System continuity has been assured through internal and external ISO 27001 Information Security Management System inspections.

The effectiveness of the Management Systems, applications, alignment with strategic targets and adequacy were evaluated in meetings and awareness raising activities were carried out. For the World Quality Day in 2020, a video was created, asking the employees and

managers the question, “What comes to your mind when we say quality at Aygaz?” to raise awareness. The video was posted to all social media channels of Aygaz. Regarding the Process Management System, process development activities were carried out with all departments to simplify the processes and review the practices.

Aygaz follows customer expectations and needs closely to ensure ultimate customer satisfaction. Accordingly, the customers can communicate their feedback via various channels.

Aygaz Customer Complaints Management Pledge can be found on the corporate website.

Occupational health and safety practices

Aygaz operates at 12 locations, including the Head Office, 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

Trainings on Environment and Waste Management

844
person*hours



Employees ¹	2018	2019	2020
Number of incidents with death	0	0	0
Number of occupational disease	0	0	0
Accident frequency rate (IR)	12.33	19.38	14.51
Lost day rate (LDR)	0.27	0.40	0.14
Total OHS training (hours)	8,842	10,877	8,258
OHS training per employee	7.93	9.59	7.68

¹ Total accident frequency rate (IR): Number of work injuries x 1,000,000 / Total person*hour

Lost day rate (LDR): Lost day due to work-related injuries X 1,000 / Total person*hour

GreenOdor

LPG is a colorless and odorless gas that is typically odorized with sulfur components around the world. This process, which enables detection of leaks, causes the release of sulfur oxides after burning. Aygaz launched a project for a sulfur-free odorant as a first in the world with the support of TÜBİTAK TEYDEB and Istanbul University's Technocity. The R&D, pilot, field, and commercial use phases of the project were completed and the product was patented. The goal is to strengthen Aygaz's reputation and prevent 40 tons of sulfur emissions per year by launching the internationally registered GreenOdor product.

continuous development.

The training programs provided to the employees of Aygaz and subcontractors working at the filling and production plants to raise awareness on occupational health and safety, fire and emergency, and to build a stronger foundation for this corporate culture amounted to 8,258 person*hours in 2020. Some of these trainings were supported with drills. Furthermore, 25 person*hours of online training was provided to raise awareness about emergency response and near-miss situations. On August 17, a list of precautions was published for awareness about What to do Before, During, and After an Earthquake.

In addition to ensuring business continuity, protecting the health of the employees, dealers and transporters remained a priority during the pandemic. Starting from the early days, required documents were prepared, decisions of the ministry and the governor's office were followed, quarantine and isolation measures were implemented,

field inspections were carried out and as a result the number of cases was kept at a minimum. Along with these actions, basic precautions that can be taken not only at the workplace but also in social life were communicated to the employees to raise awareness and to share with their families. Pandemic-related information documents and posters were used to highlight measures such as hygiene, wearing face masks, social distancing, nutrition, safety shopping, and what to do on special days like the holidays.

Turkish Standards Institute inspectors reviewed the COVID-19 practices and measures at the Gebze Plant, Yarımca Terminal Directorate, and the company's affiliate in the water business, Bal Kaynak Su İnegöl Plant, and inspected the facilities on site. As a result, these sites were granted COVID-19 Safe Production Certificates. Furthermore, the Gebze Plant, Aliağa and Ambarlı Terminals, and the Head Office were inspected by TÜV SÜD for compliance with COVID-19 measures, and these locations were found to be effective.

As part of the digitalization process, Occupational Health and Safety Information Management System (OHSIS) software WorkSafe was procured and implemented to monitor and report occupational health and safety practices. Integration of WorkSafe with SAP was completed in 2020 and migration of the Basic OHS training program to the system started.

Waste (tons)	2018	2019	2020
Recycled/Recovered (R-coded methods) hazardous waste (tons)	495	588.00	420.12
Recycled/Recovered (R-coded methods) non-hazardous waste (tons)	9,123.00	7,165.00	5,716.67
Disposed of (D-coded methods) hazardous waste (tons)	48	10	30
Disposed of (R-coded methods) non-hazardous waste (tons)	0	0.02	0
Hazardous waste sent to regular storage/landfill (tons)	0	0	0.12
Non-hazardous waste sent to regular storage/landfill (tons)	0	0	0

Environmentally 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 the Head Office, Gebze Plant, and other facilities and is the holder of ISO 14001: 2015 Environmental Management System Certificate. Environment and energy management is executed with a holistic approach in compliance with applicable legislation and international standards, in line with Koç Group targets and principles, and in accordance with the Integrated Management Systems Policy and Aygaz Climate Change Strategy frameworks.

Aygaz regards climate change as a major risk with serious environmental and socioeconomic impact and therefore focuses on sustainability in product and service development processes. In the projects carried out for this purpose, the company proceeds in coordination with all related parties. The Climate Change Strategy, created to contribute to the global efforts to mitigate the impact of climate change, can be found on the corporate website.

Year on year, the electricity consumption decreased by 2.5% at the Terminal Directorates and Filling plants and 17% at the Gebze Plant, respectively, amounting to 15.6 million kW in total. With sourcing agreements signed for Aygaz facilities, the tariff categories were changed from business to energy, resulting in a cost reduction of TL 1.4 million.

Yarımca Terminal and Gebze Plant underwent 10 inspections in total, including energy documentation audits, and internal, external and field inspections. Furthermore, 170 person*hours of energy awareness training was delivered. In 2020, the impact of the energy efficiency

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.

Energy Consumption (GJ)	2020
Coal consumption	0
Natural gas consumption	51,426.4
Diesel consumption	75,211.7
LPG, CNG, LNG consumption	20,481.6
Butane, propane, ethane consumption	2,231.3

Greenhouse Gas Emissions (tons CO ₂)	2018	2019	2020
Scope 1	4,429	4,064	4,081
Scope 2	8,705	8,263	7,185
Total	13,134	12,327	11,986
Greenhouse gas intensity (kg CO ₂ /ton generated) ²	6.7	6.58	6.88

² The generated quantity is not the LPG tonnage that Aygaz sells directly to the end user, but the tonnage handled, or that affects the electricity consumption.

Air emissions (kg/hour) ³	2018	2019	2020
No _x	1.72	3.67	0.76
So _x	0.07	1.25	0.05
Volatile Organic Compounds (VOC)	8.3	25.8	19.911

³ The total quantity found as a result of the emission measurements in 2020 in accordance with applicable regulations.

Water Withdrawal (m ³)	2018	2019	2020
Groundwater	0	0	0
Surface Water	42,395	40,146	27,736
Municipal Water	35,957	32,304	41,362
Rain Water and Other Sources	24,383	18,781	18,866
Total	102,735	91,231	87,964

Environmental Trainings	2018	2019	2020
Participants (Employees)	477	811	844

Supplier Training Hours	2018	2019	2020
Ethics	138	112	145
Environmental	138	1,037	1,100
Social	1,489	1,210	950

projects implemented across Aygaz was 25 K kW in electricity savings and 321 K kWh in natural gas while the total impact on an annual basis amounted to 64 K kW in electricity savings and 430 K kWh in natural gas. Annually, energy savings of 39 TEP (1.633 GJ) and 108 tons of CO₂ reduction were achieved.

Aygaz aims to reduce its carbon emissions by using renewable energy more. As part of the Arinna Project to generate electricity through rooftop solar panels, the first solar energy system was installed on the roof of the Gebze Plant Administration Building. With this power generation equipment, which has a total capacity of 75 kW and combines three different solar panel technologies (polycrystalline, monocrystalline and thin-film) each with a capacity of 25 kW, Aygaz aims to find the most ideal solution by comparing different panel technologies while generating electricity. In 2020, this project generated 330 GJ of solar energy at the Gebze Plant.

Aygaz monitors its impact across the value chain as part of waste management. The company reduces and recycles its waste at the source or disposes of waste safely when recycling is not possible. The Zero Waste Management System was implemented in accordance with the Zero Waste Regulation, and the Zero Waste Certificate has been obtained for the Dörtüol Facility in 2020.

In water management, Aygaz aims to reuse as much water as possible by

consuming it in the most efficient way. The company has reduced its total water consumption by 14% through the projects implemented over the last three years. Aygaz achieved this level of reduction first at the Gebze Plant in 2019 thanks to the waste heat recovery project, which made it possible to decommission the cooling tower, thus saving 13,000 tons of water. In 2020, the combined total amount of recycled, recovered, and reused water increased by 2% year on year, reaching 18,156 m³.

Aygaz enters into partnerships and also supports various projects to protect biodiversity. Aygaz has supported a number of projects conducted by the Mediterranean Conservation Society since 2015. These include contributing to the protection of species such as the Mediterranean Monkfish (*Monachus monachus*) and Sandbar Shark (*Carcharhinus plumbeus*) as part of the Gökova Bay Marine Protection Areas Monitoring and Protection project. The project has expanded over time, and the areas that were protected by banning fishing were transformed into the Marine Rangers Project, marking a significant achievement.

Regarding environmentally-sensitive business processes, 844 person*hours of environment and waste management training was delivered at the terminal directorates and filling facilities as required by legislation. As part of the communication activities to raise environmental awareness, the in-house

Environment Newsletter, published since 2017, continued to reach the readers in 2020.

Turkey's first sustainability report

In 2002, Aygaz became the first company in Turkey to publish a sustainability report and has continued to share its sustainability performance with stakeholders regularly 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. Aygaz continues with annual reporting in line with the BIST Sustainability Index, in which the company has been included in 2020 as in previous years.

Sustainable operations

Aygaz prioritizes operational excellence and safety in business processes while working to ensure quality, ethical principles, and environmental and social compliance across the value chain. These operations span a broad scope from LPG sourcing to delivering the products to the end-user and re-collecting them.

Supplier selection is based on several criteria, including human rights, working conditions, occupational health and safety, anti-corruption practices, and environment. In this process, quality, ethical principles, and environmental and social compliance are considered across the value chain. Koç Holding is a signatory of United Nations Global Compact (UNGC), and as a Koç Group company, Aygaz does not procure goods or services from suppliers that do not meet the UNGC criteria.

Aygaz continues with annual reporting in line with the BIST Sustainability Index, in which the company has been included in 2020 as in previous years.

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;
- Seizing strategic growth opportunities;
- Prioritizing customer perception, sustainable customer satisfaction and loyalty, and offering applicable solutions with Customer Complaints Management Pledge;
- Ensuring that work processes are managed efficiently and developed continuously;
- Carrying out activities to support innovation, digitalization and climate change strategies
- Maintaining successful level of employee loyalty and satisfaction through regular measurements;
- Promoting high quality and safety standards, offering the best products and services
- Working in compliance with regulations and standards;
- Ensuring and improving optimal stakeholder satisfaction in accordance with corporate governance principles by seeking stakeholders' opinions;
- 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;
- Upholding ethical values;
- 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.

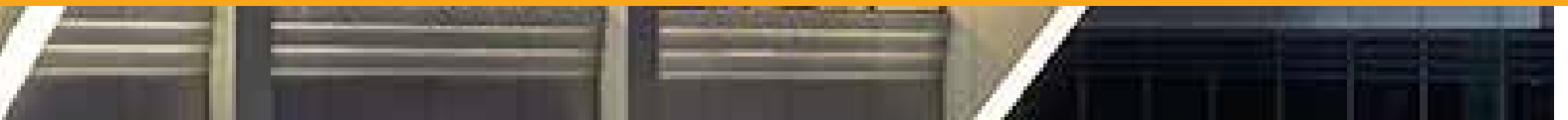
A photograph of a modern, multi-story office building at dusk. The building has a facade of large glass windows and panels. The word "AYGAZ" is prominently displayed in large, illuminated, white letters on the upper part of the building. The interior lights are on, and the sky is a deep blue. To the left, another tall building is visible.

AYGAZ

STRONG



Driven by its strong, trusted,
reputable name, always in the lead;
yesterday, today, and tomorrow.



Innovation and Intellectual Rights

Intrapreneurship activities, collaborations with stakeholders, and investment opportunities are an important part of the innovation efforts at Aygaz.

Aygaz stands apart in its sector as an innovative company that supports the creativity and entrepreneurship efforts of its employees in the innovation process. For this purpose, the company promotes and encourages intrapreneurship activities by considering the opinions of the employees to transform every idea that will create value for stakeholders into benefits.

Birth of new ideas

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, 987 ideas have been collected with these methods and six Intrapreneurship Tours have been organized. Of the 34 innovation projects studied during these tours, 21 have received investment to move on to the pilot stage.

Aykargo: Technology-driven distribution company from intrapreneurship

Aygaz recognizes the opportunities in the parcel 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 intrapreneurship 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. In 2020, the initiative was incorporated as Aygaz Aykargo Dağıtım Hizmetleri A.Ş. To date, Aykargo has delivered close to 300 thousand packages to 11 corporate customers with high customer satisfaction and flexible working models.

Cooperation and investment opportunities

Drawing from the fact that successful international companies achieve innovation not only with internal resources but also by working in harmony with all stakeholders, Aygaz subscribes to angel investor networks to seize cooperation and investment opportunities with startups in their ecosystems. In 2020, Aygaz became one of the first partners of Plug and Play, the largest innovation and entrepreneurship platform of Silicon Valley, and strengthened its connections with this ecosystem thanks to this relationship.

Intellectual property portfolio management

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 R&D, marketing and operational activities in all aspects. The patent portfolio of Aygaz is periodically reviewed and commercial valuation of the patents is carried out.

Research & Development

Aygaz R&D Center, founded in 2018 as the first in the industry, focuses on the development of new products, machinery, and processes, and issues of clean energy and alternative fuel.

The goal of Aygaz R&D Center, the first among the LPG distribution companies in Turkey, is to contribute to the sustainable development of Aygaz and to support the company's vision of playing a pioneering role in new markets. "New Product Development," Alternative Fuels and Clean Energy," and "Machinery and Process Development" are the three focus areas of the Aygaz R&D Center, which launched its first commercial product on to the market in 2019, marking a significant development in the industry.

Aygaz R&D Center, founded in 2018 as the first in the industry, operates with 18 researchers and aims to develop new technologies that will create value for business processes and stakeholders. The R&D Center has 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.

University – industry cooperation is very important to Aygaz R&D Center, which collaborated with seven new universities in 2020. Currently, three projects are run as part of the TÜBİTAK TEYDEB 1501 Industrial R&D Projects Grant Scheme (The Scientific and Technological Research Council of Turkey, TEYDEB -Technology and Innovation Grant Programs Directorate).

A first in the cylinder gas market: Cylinder Loading Robot

The R&D activities that started in 2019

with the development of a 1/4 scale prototype of the Cylinder Loading Robot continued in 2020 for a large-scale Cylinder Loading Robot. This project aims to automate the cylinder loading process, which is typically performed manually by workers to load the cylinders on to the transportation vehicles. A Cylinder Loading Robot, which was launched at the Ambarlı Terminal, marked a very important first for both Aygaz and the sector, especially in terms of occupational health and safety.

Following the Mini Cooktop, custom designed for the Aygaz Mini cylinder

in 2019, an alternative bigger model, the Mini Cooktop Extra product was launched in 2020, continuing the concept of "Portable Cooktop". The R&D work on this product enabled the kitchen stove system to be used in camping cooktops to meet customer expectations. The Mini cylinder carrier and the Maksi cylinder base were two other products, finalized through R&D activities and launched on to the market in 2020. Introduction of new models, camping gear and cylinder accessories increased diversity in the cylinder gas market.



Social Responsibility

Supporting sustainable projects that create lasting value and considering the environmental balance while serving the community are two key factors that lie at the heart of Aygaz's corporate citizenship approach.

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. Supporting several projects in areas such as gender equality, history, culture and the arts, environment, health, sports, and education, many among the UN Sustainable Development Goals, Aygaz invests in the future. Aygaz cares about the development of the regions where it operates and the local communities and contributes to environmental, social and cultural development through social responsibility projects.

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 with books on various topics. There was no addition to the library in 2020.

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 eight more books added in 2020, the total number of published works now stands at 86.

ŞİDDETE SESSİZ KALMA!

ŞİDDET GÖRDÜĞÜNDE;

ARAYABİLECEĞİN NUMARALAR			KULLANABİLECEĞİN UYGULAMALAR
155	156	112	 <p style="font-size: 0.8em; color: #0056b3;">Türkiye Vodafone Vakfı Mobil Uygulaması</p> 
Polis	Jandarma	Acil Çağrı Merkezi	
ALO 183	157		
Sosyal Destek Hattı	Yabancılar İletişim Merkezi		
0212 656 96 96 0549 656 96 96			
Aile İçi Şiddet Acil Yardım Hattı			

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Established by UN Women and the UN Global Compact Office

AYGAZ

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. New info board and maps were designed

and placed to prepare the center of the ancient city for a better visit experience. On the hills behind the Antonine Nymphaeum, to the north of the Upper Agora, a trimming and surface cleaning was carried out in the area covered by thick bush where monumental building remains are believed to be and an orthographic plan was formed using aerial images.



IKSV Theatre Festival Sponsorship: Aygaz has supported the theater since 2004. In 2020, Aygaz continued its support as the co-sponsor of the Istanbul Theater Festival. This year, the 24th edition of the festival featured 14 plays on stage and 11 plays online, attracting an audience of 30,500 people in total.

ENVIRONMENT

“What will the weather be like tomorrow?” Project: This project launched in 2010 by Aygaz in cooperation 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 2,629 students from 67 schools in the January – March 2020 period. To date, 99,584 students from 2,399 schools have attended these workshops.

HEALTH

Diabetic Children’s Camp: Aygaz has always been closely involved with public health issues and supported the Diabetic Children’s Camp, organized by the Child and Adolescent Diabetics Association since 2004. 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. The camp could

not be organized in 2020 due to the pandemic. Aygaz will continue to support the Diabetic Children’s Camp.

SPORTS

Sports Club Sponsorships: 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 has continued with the Aygaz brand in 2020. Beşiktaş Aygaz Handball Team successfully represents 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. In addition to handball and football, Aygaz began to sponsor Tofaş Basketball Team in the 2019-2020 season.

COMMUNITY DEVELOPMENT

“Don’t Stay Silent Against Violence!” Project: Aygaz, a signatory of the United Nations (UN) Global Compact and Women’s Empowerment Principles since 2016, launched the “Don’t Stay Silent Against Violence!” project in partnership with UN Women to draw attention to domestic violence, which saw a rise during the COVID-19 pandemic, and its social and economic

impact on women. Topics such as how the COVID-19 period reflected on the women’s work and social life, the challenges that women face and the channels where they could seek help were highlighted in content created together with the UN Women Turkey Office. This content was shared with women through the dealer and station network and other communication channels. As part of these efforts, nearly 150,000 flyers and 1,500 stickers were distributed and 18,000 female customers with opt-in for digital communications were informed by email. Ten female customers who contacted the Aygaz Call Center were asked to listen to the voice message about this issue. The Safety Plan was sent to 260 female employees within the company. The communication campaign reached 111,426 views, 965 engagements, and 853 likes on social media.

EDUCATION

Aygaz Firefly Education Unit: Aygaz has supported the education of children and young people in partnership with the Education Volunteers Foundation of Turkey (TEGV) since 2001. In the 2019-2020 period, Firefly Education Unit reached 6,159 students with an education program, which included courses such as Algo Digital Information, Enjoy Learning Math, Enjoy Learning Science, Read and Play, Drama Workshop, and Enjoy Learning Hygiene.



RESILIENT



Paving the way to the future
with resilience, empowered by its
stakeholders.

Risk Management and Internal Control

Aygaz aims to attain its targets by adopting an effective corporate risk management structure, where potential risks and opportunities are identified accurately and on time and the necessary strategies are evaluated regularly.

Aygaz carries out its corporate risk management in integration with the company strategies and targets by spreading risk awareness across the organization to identify various risk scenarios that may arise within the company, the probability of their occurrence, and the extent of effect in the event that they occur. Aygaz aims to maximize the value created for its shareholders and other stakeholders by managing corporate risks with a holistic, systematic and proactive approach. To maintain and increase market value, the company aims to identify and manage risks, and to take advantage of opportunities at the same time. With effective corporate risk management in place, developing shared perspectives and strategies across the company remains the focus point. Accordingly, strategies are reviewed together with updated processes and action plans, and systematic policies are created. The potential risks and scenarios determined during the corporate risk management activities are addressed while solutions are sought for updating and prioritizing the company's risk inventory and mitigating or eliminating the risks. The updated risks and action plans are consolidated and the internal stakeholders, thereby raising awareness about corporate risk management.

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. 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. The company's policy is to manage long-term liabilities with fixed interest rates but also to preserve a flexible structure and to hedge the potential interest rate risks through derivative instruments. The market developments are followed closely and average credit maturities are maintained at specific levels by utilizing different financing options. 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, pledges and other such instruments) are required to mitigate collection risks. These are monitored systematically while the risks are checked on transaction basis. Payments are received via banking systems. Moreover, using various payment systems facilitates collection and mitigates 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 senior 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 senior 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. Likewise, various other instruments have

been introduced including a cyber risk insurance policy to mitigate the effect and probability of cyberattacks.

As part of updating and integrating the processes, Aygaz UK, the company's branch office in London was also assessed for operational risks, and a Risk Policy was updated including plans for potential risks in the processes. The risk framework was defined and risks were reviewed.

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 31, 2020, and the other member of the committee is Board Member Dr. Bülent Bulgurlu.

The committee, which convened eight times in 2020, 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 procedures.

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 2020, the company's terminals, plants and distribution facilities throughout Turkey underwent routine and/or necessary financial and operational inspections.

The Internal Audit Department also analyzes processes in line with the audit plan, 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 senior 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 ensures that information is communicated transparently and regularly to the existing and potential stakeholders and engages in activities to benefit share value.

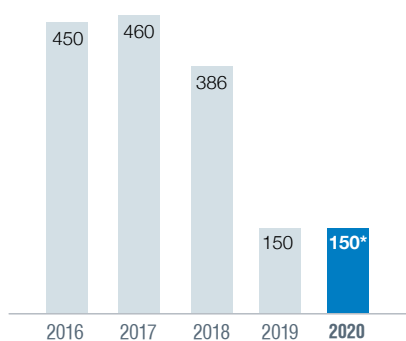
Share Information

BIST Code	: AYGAZ
Bloomberg Code	: AYGAZ.TI
Reuters Code	: AYGAZ.IS
IPO Date	: 13.01.1988
Free Float Rate	: 24.27%

Corporate Governance Rating Score

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

Total Dividend (TL M)



* Proposal submitted to the General Assembly for approval.

Investor relations at Aygaz are carried out with a corporate approach in global standards. In addition to working to increase company value for the existing shareholders, the Investor Relations department also aims to attract new and potential investors by promoting the company. The Investor Relations department is first and foremost responsible for ensuring that accurate, complete, 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 the Investor Relations department

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. Key responsibilities of the Investor Relations Department include:

- > 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 answer the 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 one-to-one meetings, investor conferences, roadshows, teleconferences, phone calls, email, fax and disclosures/announcements,
- > To ensure two-way information flow between the shareholders and the company's senior management,
- > To maintain accurate, reliable and up-to-date shareholder records,

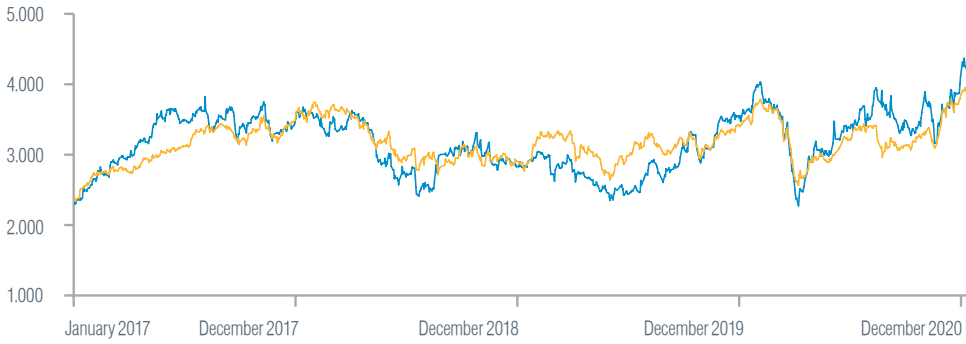
Investor relations activities in 2020

Investor relations had their share from the uncertainties seen in 2020 due to the impact of the COVID-19 pandemic. In this period, the Investor Relations department used the digital communication channels actively to maintain contact with the investors and shareholders.

Throughout the year, four webcasts were held in the earnings release periods and meetings were hosted with nearly 80 investors. The analysts and corporate investors that follow the company were able to participate in various meetings organized in 2020 and found the opportunity to meet with members of the senior management to discuss key agenda items with respect to the company's current vision and targets. In 2020, 12 analysts and

Share Performance (TL M)

■ AYGAZ ■ BIST-30



brokers that follow Aygaz and publish regular reports shared their investment recommendations. In almost all of their reports, these analysts expressed their expectations about the share value of Aygaz to fare in parallel to or higher than the BIST 100 Index.

In 2020, the Investor Relations Department responded to various inquiries from several investors and analysts by phone and email and also contacted them during financial reporting periods. The questions from the shareholders are typically about the international expansion strategies, new business line pursuits and goals, market and profitability guidance regarding the LPG business line, share value, subsidiaries, dividend payments and market shares, profitability, share value, investments, revenues, subsidiaries, dividend payments and future targets of Aygaz. The number of inquiries received in 2020 was close to 100, and all were replied in written, verbal or electronic form. Throughout the year, 61 material disclosures were announced, and those that particularly concern the investors were published on the corporate website as well as the Public Disclosure Platform (PDP) along with their English translations.

The Investor Relations Departments keeps the company presentations 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.

The corporate governance performance of Aygaz is assessed annually by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri, operating in Turkey under license from the CMB to conduct corporate governance rating activities. The corporate governance rating score of Aygaz, which was 9.42 in 2019, was reconfirmed as 9.42 on June 22, 2020. 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 Borsa Istanbul (BIST).

Share performance

The pandemic that shaped 2020 caused uncertainties and historic levels of tightening in global economic activity. The stimulus packages introduced by many governments during the pandemic reached \$12 trillion globally.

With the assistance policies followed by governments and central banks, liquidity increased in the markets.

In 2020, there was a notable rise in the interest of individual investors in capital market instruments. The company's market value rose to TL 4.4 billion as of December 31, 2020 with a 21% increase compared to the beginning of the year. Meanwhile, BIST 100 index closed the year with a rise of 29% and BIST 30 with 18% in the same time period. Aygaz shares were traded at lowest TL 7.60 and highest TL 14.91.

Dividend distribution

Aiming to create high shareholder value, Aygaz follows a consistent dividend policy that balances both the company's and the shareholders' interests. With TL 150 million as dividend from the 2020 profits to be submitted to the General Assembly for approval, the total dividend paid out in the last five years will reach TL 1,596 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 globalized 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 has adopted the "Corporate Governance Principles" that the Capital Markets Board (CMB) first introduced to the public in July 2003 and complied with these principles to a great extent. In addition to achieving full compliance with the mandatory principles of the Corporate Governance Communiqué No: II-17.1, in effect in 2020, Aygaz has complied with a majority of the non-mandatory principles. Even though the company aims to fully comply with the non-mandatory Corporate Governance Principles, full compliance has yet to be 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. With the work ongoing regarding the principles that have yet to be implemented, adoption of these principles will be duly considered upon completion of the administrative, legal and technical infrastructure work that would contribute to the company's effective management.

The Corporate Governance practices in 2020 have been carried out in compliance with the Capital Markets Law that includes Capital Markets Board 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 for the election. At the Ordinary General Assembly Meeting in 2020, members of the Board of Directors were elected, and in the ensuing process the Board committees, which currently function 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. Detailed information is provided in the relevant sections of the annual report. Aygaz has not been exposed to any conflicts of interest due to lack of full compliance with the non-mandatory principles.

- Regarding principle 1.3.10, donations made by the company are described in a separate item on the general assembly agenda and the details of the donations with the highest amounts are included in the General Assembly information document. The remaining amount, not detailed in the information document, consists of various donations, each lower than TL 100,000, made to a number of institutions and organizations and that are not of material significance for investors. Donations lower than this amount are not followed by the investors while the company has plans to continue disclosing within this materiality limit in the coming years.

- 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 to minority shareholders within the framework of general regulatory provisions in line with general practices. The investors have not expressed any interest in this matter and the company does not foresee any changes regarding this matter in the near future.

- Regarding principle 4.3.9., the company agrees that achieving diversity in the Board of Directors in terms of knowledge, experience and perspectives contributes positively to its operations and enhances the effective functioning of the Board of Directors and believes that the current structure of the Board reflects this perspective. While a specific policy regarding the minimum ratio of female members in the Board is not available, the female member ratio in the Board of Directors is currently 11%. Work is ongoing to introduce a dedicated policy in the following years.

- Regarding principle 4.4.1, the Board of Directors did not convene in a physical setting due to the COVID-19 pandemic; however, the members were regularly informed about the company's performance and developments while resolutions were all reached by passing them around.

- Regarding principle 4.4.2, a minimum period has not been defined to communicate the information and documentation about the agenda topics to the Board members while the timing of when to provide information to the Board members is determined based on the topics and processes on the Board agenda and the members are informed reasonably in advance. Even though an urgent need to define such a period is not present, given the effective functioning of the Board, this topic will be assessed in the times to come.

- 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. Considering the effective functioning of the Board, an urgent need to address this issue is not present while the company has plans to address this topic in the times to come.

- Regarding principle 4.4.7, considering that the Board members contribute significantly to the Board with their business experience and industry knowledge, they are not restricted in terms of assuming other duties outside the company. The résumé of each Board member and their other duties outside the company are provided in the annual report. Given the effective functioning of the Board, no changes to the current practice are anticipated in the near future since no negative consequence has been observed in terms of corporate governance.

- Regarding principle 4.5.5., committee appointments are decided by taking into consideration the relevant Board members' expertise and experience in accordance with applicable regulations while some Board members serve on more than one committee. However, the said members facilitate communication and increase the opportunities for cooperation between committees handling related subjects and given the effective functioning of the current committee structure, an imminent change is not anticipated.

- Regarding principle 4.6.5., remunerations provided to the Board members and executives with administrative responsibilities are provided in the notes to the financial statements and in the General Assembly and disclosed to the public as a total figure. Given that this matter is important due to the privacy of personal data, common practices are followed with plans to act in line with widely adopted 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, reconfirmed the company's as 9.42 on June 22, 2020. 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, 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 2020 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 93-105) 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).

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 the Assistant General Manager - Finance. As announced on the Public Disclosure Platform on December 25, 2020 with a Material Event Disclosure, given that Ferda Erginođlu, Assistant General Manager, Finance, would retire on December 31, 2020, the Board of Directors resolved on December 25, 2020 to appoint Gökhan Dizemen to the vacated position, effective January 1, 2021 and for Gökhan Dizemen to replace Ferda Erginođlu as a member of the Corporate Governance Committee, effective January 1, 2021 in accordance with the applicable provisions of the CMB's Corporate Governance Communiqué (II-17.1). 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 yatirimciliskileri@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 March 8, 2021.

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 2019 reporting period were reviewed and released was held open to public on March 10, 2020 at the head office of the company at Büyükdere Caddesi, No: 145/1 Zincirlikuyu, Şişli, İstanbul with a shareholder attendance rate of 84%. Four 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-aciklamalari>

The 2019 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 2020, information was provided regarding the donations and grants paid in 2019 as a separate agenda item and the donation limit for 2020 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 2020, 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 to 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 the 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 10, 2020. The company paid in cash a gross total dividend of TL 150 million in 2020.

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 2020, 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 with 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 toward 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 2020, the Board has one female member. All Members of the Board of Directors were elected in the General Assembly meeting on March 10, 2020 to serve until the Ordinary General Assembly Meeting to be held to review the financial results for 2020. 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 Çelebicin	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, the Corporate Governance Committee carries out the duties of the Nomination Committee. In 2020, 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 8, 2020 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 2020 operating period, no situations that would eliminate independence arose.

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. The Board of Directors, which convenes to address strategic issues, did not meet in a physical setting in 2020 due to the Covid-19 pandemic measures. The Board of Directors passed 19 resolutions in total 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 veto power. During the reporting period, 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 an "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 2020, 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 2020. 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 2020, independent Board Member Kutsan Çelebican was appointed Chairman of the 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. Due to the fact that Ferda Erginoğlu, Assistant General Manager, Finance, would retire on December 31, 2020, the Board of Directors resolved on December 25, 2020 to appoint Gökhan Dizemen to the vacated position, effective January 1,

2021 and for Gökhan Dizemen to replace Ferda Erginoğlu as a member of the Corporate Governance Committee, effective January 1, 2021 in accordance with the applicable provisions of the CMB's Corporate Governance Communiqué (II-17.1). The duties of Remuneration and Nomination Committees are assumed by the Corporate Governance Committee, which convened five times during 2020.

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 2020, the 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 eight times during the year.

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 2020, the Committee convened once a month, 12 times in total. Following the General Assembly Meeting of 2019, 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 are 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 10, 2020, this policy is also on the agenda of the Ordinary General Assembly Meeting that will be held on March 31, 2021 to review the 2020 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 80 investors and analysts were informed through one to one meetings, teleconferences and 4 webcasts were broadcasted on earnings periods.
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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 Shareholder's 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/818951
Whether the company provides materials for the General Shareholder's 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/819759
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 Shareholder's 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/826474
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholder's Meeting	Item 14-a
Identified stakeholder groups that participated in the General Shareholder's 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	10.03.2020
The number of information requests received by the company regarding the clarification of the agenda of the General Shareholder's Meeting	0
Shareholder participation rate to the General Shareholder's Meeting	84%
Percentage of shares directly present at the GSM	0
Percentage of shares represented by proxy	84%
Specify the name of the page of the corporate website that contains the General Shareholder's 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 Shareholder's 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 notification	https://www.kap.org.tr/en/Bildirim/826474

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

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	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	Corporate Governance - Corporate Governance Principles Compliance Report - Operating Principles of the Board of Directors
c) 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	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	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	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%	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	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	2
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.
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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	31.12.2020
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 announcement 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/818951	Considered	No	Yes
Kemal Ege Cansen	(Non executive)	Independent director	21.03.2018	https://www.kap.org.tr/tr/Bildirim/818951	Considered	No	Yes
Dr.Şadan Kaptanoğlu Dikici	(Non executive)	Independent director	21.03.2018	https://www.kap.org.tr/tr/Bildirim/818951	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)	Due to Covid-19 precautions no physical board meetings were realized.
Director average attendance rate at board meetings	100%
Whether the board uses an electronic portal to support its work or not	Yes
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://www.kap.org.tr/en/Bildirim/833666 , 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	Chair Member	Board member Board member
Corporate Governance Committee	-	Kutsan Çelebican Yağız Eyüboğlu Ferda Erginoğlu	Chair Member Member	Board member Board member Not board member
Committee of Early Detection of Risk	-	Dr. Şadan Kaptanoğlu Dikici Dr. Bülent Bulgurlu	Chair Member	Board member Board member
Other	Executive Committee	Mustafa Rahmi Koç Mehmet Ömer Koç Yıldırım Ali Koç Alexandre F.J. Picciotto Caroline Nicole Koç	Chair Member Member Member Member	Board member Board member Not board member Board member Not board member

4. BOARD OF DIRECTORS-III

4.5. Board Committees-II

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
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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 32

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%	8	8
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 separate item for the total amount of the donations and contributions and the details of the highest amount of donations are disclosed in the general assembly information document. Donations made to various institutions and organizations below 100.000 TL and which do not constitute important information are not disclosed.
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. No request has been received from the investors on this matter and no changes are foreseen in this regard in the near future.

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	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					
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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					Since there is no legislative change that could significantly affect the company's operations and there is no conflict of interest with the institutions from which services are obtained, such as rating, no explanation has been made in the annual report.

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					

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%. Work is in progress regarding developing a policy on the subject in the following years.
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			Due to the Covid-19 outbreak in 2020, physical meetings were not held, the members of the board of directors were regularly informed about the company's performance and developments, but all decisions were taken by handing around.
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. Although there is no urgent need to make a definition in this regard, taking into account the effective work of the board of directors, it is aimed to make an evaluation regarding the issue in the upcoming periods.
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. Although there is no urgent need to make a definition in this regard, taking into account the effective work of the board of directors, it is aimed to make an evaluation regarding the issue in the upcoming periods.
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.Considering the effective work of the board of directors, no change is foreseen in the current practice in short term, since it is considered not to create any adverse situation in terms of corporate governance.
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. Taking into account the efficient work of the board members with the contribution of their knowledge and experience,the existing committee structure is evaluated as effective and no need for a change in the near future is considered.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
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					
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			Payments made to the members of the Board of Directors and executives with administrative responsibilities are disclosed to the public collectively in line with general practices at the Ordinary General Assembly and in our financial statement footnotes . Market practices are closely monitored on this issue ,which is considered important in terms of confidentiality of personal information, and it is envisaged to act in parallel with common practice.

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, 2020 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 10, 2020. By the Board of Directors resolution of March 31, 2020, 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 19 unanimous resolutions in 2020. 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 filed against the company that may materially affect its financial position and activities and there are no administrative or legal sanctions imposed on the company or the members of its managing body for violation of any legal provision.

Public Audits and Special Audits

In addition to the company's internal audits, Ministry of Finance, Ministry of Customs and Trade and other regulatory and oversight organizations have also requested various documents and information, and ordinary and limited audits have been conducted. Regarding the administrative process that was initiated by EMRA in association with the product audits conducted at four plants in 2013, administrative decisions

* Due to the fact that Ferda Erginoğlu, Assistant General Manager, Finance, retired on December 31, 2020, the Board of Directors resolved on December 25, 2020 to appoint Gökhan Dizemen to the vacated position, effective January 1, 2021 and for Gökhan Dizemen to replace Ferda Erginoğlu as a member of the Corporate Governance Committee, effective January 1, 2021 in accordance with the applicable provisions of the CMB's Corporate Governance Communiqué (II-17.1).

including the revoking of licenses, administrative fines and sequestration were made by EMRA; the storage licenses of four plants cancelled within this scope were reinstated in a short period upon the applications filed. Because of the administrative sanction decisions made by EMRA after these audits, the Company has filed lawsuits for cancellation of administrative actions as well EMRA filing lawsuits for sequestration of which the relevant administrative processes and lawsuits are still ongoing. The four lawsuits filed by EMRA against the Company demanding sequestration have resulted in our favor. As a result of the investigation launched by EMRA upon this decision, a total fine of TL 750,000 has been imposed in association with the same matter for two of our facilities based on the minimum rate on July 22, 2020, August 4, 2020, and January 7, 2021.

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.

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.

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 32 of the financial statement.

The report dated March 8, 2021, 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 2020, 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 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 of 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 June 20, 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, the second coupon dated December 20, 2019 at TL 3,644,100.00, the third coupon dated March 20, 2020 at TL 2,637,179.98, the fourth coupon dated June 19, 2020 at TL 2,267,729.98, the fifth coupon dated September 18, 2020 at TL 1,912,139.97, and the sixth coupon dated December 18, 2020 at 2,973,059.98, 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, the third coupon dated May 6, 2020 at TL 2,150,319.98, the fourth coupon dated August 5, 2020 at TL 1,785,119.99, the fifth coupon dated November 4, 2020 at TL 1,888,959.99, and the sixth coupon dated February 3, 2021 at 3,312,479.99, 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 issuance deadline has expired on January 2, 2021.

The Corporate Governance Rating score of our company was confirmed as 94.16 (9.42) by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. as of June 21, 2019 and upgraded to 94.17 (9.42) for 2020. The material event disclosure on this matter was published on June 22, 2020. 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 21, 2022.

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), the short-term credit rating score as (TR) A1+, and its outlook as stable on June 22, 2020.

Aygaz A.Ş. has been listed among the companies included in the BIST (Borsa İstanbul) Sustainability Index in the period from December 2020 to October 2021.

With the Board of Directors resolution dated February 3, 2021 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 2021 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.

Entek Elektrik Üretimi A.Ş. ("Entek"), the electricity generation company of Koç Group, operates one natural gas cycling plant with capacity of 112 MW in Kocaeli and eight hydroelectric power plants (HPP) in Kahramanmaraş, Karaman, Samsun and Mersin with capacity of 265 MW in total, reaching an aggregate installed capacity of 377 MW. Entek signed a share acquisition agreement with STEAG GmbH to purchase 100% of the shares of STEAG Rüzgar Süloğlu Enerji Üretim ve Ticaret A.Ş. and STEAG Turkey Enerji Yatırımları ve Hizmetleri A.Ş., two companies that STEAG GmbH wholly owns. This share acquisition transaction will be finalized after the required approvals and permissions are obtained. Once the shares of STEAG Rüzgar Süloğlu Enerji Üretim ve Ticaret A.Ş., which has a wind power plant with 60 MW electrical installed capacity, are acquired as part of the aforementioned agreement, Entek aims to reach a total installed capacity of 437 MW.

The company's London branch office, opened in 2019, engages in LPG trading and other activities to help increase trade volume with third parties in foreign markets, support import, export and transit operations, and create added value from the supply chain by monitoring the opportunities in international markets.

ADG Enerji Yatırımları A.Ş., a subsidiary of Aygaz, was renamed Aygaz Aykargo Dağıtım Hizmetleri A.Ş. ("Aykargo") and its main business line was updated as Cargo Transport/Distribution pursuant to the Extraordinary General Assembly resolution on August 11, 2020. A Partnership Framework Agreement ("Agreement") was signed on January 15, 2021 between Aygaz, Aykargo, and McKinsey Group ("McKinsey") to establish a strategic partnership with the aim of improving the activities of Aykargo, which is wholly owned by Aygaz, by

leveraging the company's existing dealer network and experience in home delivery to operate in the e-commerce and increasingly growing delivery sectors. According to the agreement, which sets out the framework of the partnership, the parties intend to invest a total of \$75,000 thousand as equity in Aykargo in the first five years and to establish the partnership structure as 80% Aygaz and 20% McKinsey. In this period, McKinsey would provide technical assistance and consultancy service to Aykargo corresponding to the amount it would invest. The parties have also agreed that McKinsey would be able to exit the agreement starting from the end of the fifth year by offering its shares to the public and/or selling them to Aygaz with specific terms and conditions and that it would grant Aygaz the preemptive rights and purchasing options. The parties plan to sign the supplemental agreements that cover the formalities of the partnership by April 15, 2021.

In line with the Group's international expansion strategy, the Board of Directors announced on 5 March 2019, that Share Purchase Agreement ('Agreement') was signed between Aygaz A.Ş. ('Buyer') and United Enterprises & Co. Ltd. ('Seller'), where Aygaz A.Ş. shall buy 50% of the shares of United LPG Ltd. of United Enterprises & Co. Ltd. (with a pre-license for LPG filling facility but no current operations yet), in order to establish a partnership ('Joint Venture Company') and to make the necessary investments with United Group in Bangladesh based on the principles of equal management and to operate in LPG supply, filling and distribution in the Bangladesh market. On January 20, 2021, with the fulfillment of all the conditions precedents set forth in the Share Purchase Agreement, the transfer of shares and payment are completed, following the payment of 50.000.000 Taka (approximately 605.000 USD) to the Seller in cash and in advance. The Shareholders Agreement which regulate the rights of

the Buyer and the Seller, Land Lease Agreement for one of the regions where Joint Venture Company will operate and Throughput Agreement included in the Share Purchase Agreement are signed and came in to force. It was decided that the Joint Venture Company shall be named United Aygaz LPG Ltd. and the board of directors to be composed of 6 members in total, 3 members to represent Aygaz A.Ş. and 3 members to represent United Enterprises & Co. Ltd. The schedule for the capital increases will be realized within the scope of financing the investments of the Joint Venture Company, following the fulfillment of the necessary conditions in the Shareholders Agreement.

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 10, 2020, the company has paid in cash a gross total dividend of TL 150 million starting from March 17, 2020.

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 February 18, 2021 with the Turkish Seamen's Union to be valid for the period from January 1, 2021 to December 31, 2022 covering the seafaring employees.

Our employees are regularly and periodically provided with social rights in accordance with the law. Total provisions for seniority pay at the end of employment and leave obligations stand

at TL 67,238 thousand (2019: TL 53,702 thousand).

Donations and Grants

At the Ordinary General Assembly Meeting held in 2020, information was provided as a separate agenda item about the donations and grants paid in 2019 and the donation upper limit for 2020 was set at 0.2% (two thousandth) of the previous year's revenues. No change has been made in the ongoing donation practices. Donations made in 2020 amounted to TL 3,039,229.36. The upper limit for donations in 2021 will be determined by the general assembly.

Guidance

Our 2021 sales volume forecast:
Cylinder gas: 285 thousand - 295 thousand tons
Autogas: 700 thousand - 730 thousand tons

Our 2021 Market Share Forecast

Cylinder gas: 41.0% - 43.0%
Autogas: 21.5% - 22.5%

Board of Directors



Mustafa Rahmi 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 Kreuz" 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. 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 the Chairman of the Board of Directors of Koç Holding. He serves as the Vice President of TÜSİAD High Advisory Council, the Chairman of the Board of Trustees of Turkish Educational Foundation, Chairman of the Board of Directors of Geyre Foundation, Chairman of Tofaş, Tüpraş, and Yapı Kredi Kültür Sanat Yayıncılık Board of Directors, and Board Member at other Koç Group companies. Ömer M. Koç has served on the Aygaz A.Ş. Board of Directors as a member since 1996 and is the Vice Chairman since 2001.



Alexandre François Julien Picciotto
Member
of the Board of Directors

Alexandre Picciotto is one of the grandsons of Mr. Hillel Picciotto, who co-founded Aygaz with Mr. Vehbi Koç in 1961. 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 Strømme A/S in Oslo. Joining Garanti İnşaat in 1977 as a 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, respectively. He served as CEO at Koç Holding from May 2007 to April 2010. He served as a Member of the 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 a member of TÜSİAD and TURMEPA. He has served on the Aygaz Board of Directors since 2008.



Levent Çakıroğlu
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 served on the Aygaz Board of Directors since 2015.



Yağız Eyüboğlu
Member
of the Board of Directors

Yağız Eyüboğlu graduated from Boğaziçi University with a BA 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 in several Koç Holding companies and sectoral non-governmental organizations. He has served on the Aygaz Board of Directors since 2016.



Kutsan Çelebicin
Member
of the Board of Directors

Kutsan Çelebicin 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 an independent Board member at Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş. since 2019 and an independent Board Member at Aygaz since March 2018.



Kemal Ege Cansen
Member
of the Board of Directors

Kemal Ege Cansen received his bachelor's degree in Business from Middle East Technical University. In 1966, he received his MBA degree from Pennsylvania University, Wharton School. He worked as an Assistant General Manager at Arçelik, Industrial Affairs Coordinator at Koç Holding, Vice Chairman of the Board of Directors of Puro-Fay Company, Executive-Partner at Soyer Hafriyat ve İnşaat Company, Consultant at Anadolu Group (1986-2018), Executive Director at 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. He taught "Business Economics" at Marmara University, Faculties of Engineering and Administrative Sciences from 1987 to 2000. He was a member of Koç University's Board of Trustees until the end of 2017. He has served as an independent Board of Directors' Member of Aygaz since March 2018.



Dr. Şadan Kaptanoğlu Dikici
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. She is currently a Board member at Kaptanoğlu Denizcilik Tic. A.Ş. Besides being a Member of Board of Directors of İMEAK Chamber of Shipping, Ms. Şadan Kaptanoğlu is also a Board of Trustees Member at Piri Reis University. In May 2016, she was appointed Chairwoman of the Board of Directors 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, becoming the first woman appointed to this office. In 2008, Ms. Şadan Kaptanoğlu received the first "Young Person of the Year" award in London SeaTrade Awards. She has served as an independent Board Member 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 later 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.



Gökhan Dizemen
Assistant General Manager
Finance

Gökhan Dizemen's professional career started in 2002 as an Associate and later Senior Associate at Pricewaterhouse Coopers and continued as Assistant Manager in 2006. After serving as Finance Manager at Societe Generale Consumer Finance in 2007, he joined Koç Holding A.Ş. where he worked as Finance Manager (2008-2010) and Finance Coordinator (2011-2018). He later served as Chief Financial Officer at Tüpraş Trading Ltd. (2018-2020) Gökhan Dizemen was appointed Assistant General Manager - Finance at Aygaz A.Ş. as of January 2021.



Ayşe Abamor Bilgin
Assistant General Manager
Technical Affairs and
Investments

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 (2008-2011). After serving as Director - Supply Chain (2012-2020), she was appointed Assistant General Manager - Technical Affairs and Investments effective January 2021.



Fikret 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. He served as Cylinder LPG Assistant Sales Manager for the Thrace Region, as Çukurova Regional Sales Manager and Marmara Regional Sales Manager, respectively (1999-2010). In 2010, Mr. Coşar became the General Manager at Akpa A.Ş., an Aygaz affiliate, and in January 2016, he was appointed Assistant General Manager - Sales at Aygaz A.Ş.



Rıdvan Uçar
Assistant General Manager
Marketing and Innovation

Rıdvan Uçar began his career in 1991 at TÜBİTAK and joined Aygaz as a Project Engineer 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 at Aygaz Doğal Gaz (an Aygaz subsidiary) as the General Manager from 2010 to 2018. Mr. Uçar was appointed Assistant General Manager - Marketing and Innovation at Aygaz A.Ş. in March 2018.



Şenol Zafer Polat

Director
Cylinder Gas Sales

Şenol Zafer Polat began his career in 1994 as a Construction Site Control Engineer at Termaş A.Ş. 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 June 2018 June as Director - Autogas Sales. He was appointed Director – Cylinder Gas Sales in February 2021.



Hakan Öntürk

Director
Autogas Sales

Hakan Öntürk began his career in 1994 as an Industrial Engineer at Z Management Consultancy and joined Aygaz A.Ş. as Çukurova Region Cylinder Gas Sales Supervisor in 2000. His next appointments included Çukurova Region Bulk Gas and Autogas Sales Supervisor (2002-2006), Marmara Region Bulk Gas and Autogas Sales (2006-2013), Northern Marmara Autogas Sales Manager and then Aegean Region Autogas Sales Manager (2013-2018). After serving as Marmara Region (North) Autogas Sales Manager starting from 2018, Hakan Öntürk was appointed Director – Autogas Sales in February 2021.



Nurettin Demirtaş

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.



Elifcan Yazgan

Director
Supply Chain

Elifcan Yazgan started her professional career in 2007 as LPG Supply Planning Specialist at Aygaz A.Ş. and went on to serve as LPG Supply and Trade Specialist (2013-2015), Operation and Process Development Manager (2015-2017) and most recently as Business Development Manager (2017-2020). Elifcan Yazgan was appointed Director - Supply Chain as of January 2021.

* Ali Kızılkaya, Assistant General Manager – Technical Affairs and Investments retired on December 31, 2020.

** Ferda Erginoğlu, Assistant General Manager – Finance retired on December 31, 2020.

*** Hakan Öntürk was appointed Director – Autogas Sales, replacing Şenol Zafer Polat, who was appointed Director – Cylinder Gas Sales in place of Ercüment Polat as of February 1, 2021.

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, 2020 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 24,889,000.00 net loss for the reporting year and TL 288,855,078.84 net profit from its fiscal year activities according to TPL records;

Accordingly, it has been resolved that setting aside 5% general legal reserves for 2020 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 31.12.2020,

We have also ascertained that the donations in the amount of 3,039,229.36 added to the net loss of TL 24,889,000.00 amounted to a net period loss of TL 21,849,770,64 with added donations, and resolved that the net period loss of TL 24,889,000.00 to be offset from retained earnings.

The financial statements according to the TPL records indicate a net distributable profit of TL 288,855,078.84.

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

- TL 150,000,000.00 to be paid to shareholders as dividend,
- TL 13,500,000.00 to be set aside as general legal reserve

and the total amount of TL 150,000,000.00 as the sum of 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 and TL 13,500,000.00 for general legal reserves be paid out from retained earnings of TL 1,586,794,000.00 according to TFRS after the abovementioned deduction, and from other current year based on our TPL records;

The balance of TL 125,355,078.84 to be retained as extraordinary reserves after TL 150,000,000.00 is paid to shareholders as dividends and TL 13,500,000.00 is retained for general legal reserves from the current year earnings based on our TPL records;

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 April 7, 2021.

The proposal detailed above is presented for your approval.

Statements of Independence of the Independent Board Members

DECLARATION OF INDEPENDENCE JANUARY 13, 2021

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:

- 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;
- 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;
- 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;
- 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;
- I am considered a resident of Turkey according to Income Tax Law (GVK) No. 193 dated December 31, 1960 and December 19, 1960;
- 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;
- 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;
- 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 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;
- 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 13, 2021

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:

- 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;
- 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;
- 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;
- 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;
- I am considered a resident of Turkey according to Income Tax Law (GVK) No. 193 dated December 31, 1960 and December 19, 1960;
- 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;
- 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;
- 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 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;
- 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 13, 2021

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:

- 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;
- 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;
- 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;
- 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;
- I am considered a resident of Turkey according to Income Tax Law (GVK) No. 193 dated December 31, 1960 and December 19, 1960;
- 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;
- 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;
- 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 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;
- 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 member of the board of directors, as determined annually at the ordinary general assembly meeting.

Executive directors on the board receive a payment within a determined policy for senior management, the details of which are specified below. Board members, who are tasked with certain functions to contribute to the company's operations may be remunerated for the function they undertake in addition to the fixed salaries determined at the general assembly meeting by considering the opinion of the Corporate Governance Committee on the matter.

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 by considering the opinion of the Corporate Governance Committee.

The performance-based payment plans of the company may not be used in the remuneration of independent members of the board of directors. Payments to the board members are made on a pro rata basis by considering the length of term they served from their appointment to the board until they leave their position. Expenses incurred by members of the board of directors in the course of their contributions to the company (transportation, telephone, and insurance costs, etc.) may be reimbursed 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.

Bonuses for Senior Executives are calculated according to the bonus base, company performance, and individual performance. Information on these criteria is summarized below:

Bonus Base

Bonus Bases are updated at the start of every year and may vary according to the size of the workload of the executive position. In updating the bonus bases, senior executive bonus policies in the market are considered.

Company Performance

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

Individual Performance

In determining individual performance, targets related to employees, customers, processes, technologies, and long-term strategies are taken into consideration along with company targets. 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 may be paid on the basis of the term served in the position of senior executive, the contributions made to the company, the last target achievement bonus paid out before the date of leaving the company, and the salary and bonuses paid out in the last year.

The total amounts paid 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.

Responsibility Statement Pursuant to Capital Markets Board Communiqué II-14.1 Article 9 On Principles Of Financial Reporting in Capital Markets

Board of Directors' Resolution on Approval of Annual Report

Resolution Date: 08.03.2021

Resolution Number: 943

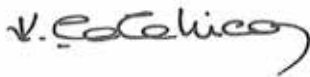
The 2020 Annual Report, which was prepared by the company and independently audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. in compliance with Turkish Commercial Code and Capital Markets Board's "Communiqué on Principles of Financial Reporting in Capital Markets" ("Communiqué") II.14.1 is hereby presented.

In line with the CMB regulations, we hereby declare our responsibility for the following:

- We have examined the Annual Report, which is prepared by the company and which includes the Corporate Governance Compliance Report and Corporate Governance Information Form and the disclosures according to CMB's Sustainability Principles Compliance Framework;
- Within the frame of information we hold in our fields of duty and responsibility in the company, the Annual Report does not contain any untrue statement on material events or any deficiency, which may make it misleading as of the date of statement; and
- Within the frame of information we hold in our fields of duty and responsibility in the company, the Annual Report prepared pursuant to the Communiqué fairly reflects the progress and performance of business, and along with those covered by consolidation, the financial standing of the entity, together with material risks and uncertainties faced by the company.

Sincerely,

AYGAZ ANONİM ŞİRKETİ
08 March 2021



Kutsan Çelebician
Chairman
Audit Committee



Şadan Kaptanoğlu Dikici
Member
Audit Committee



Gökhan Dizemen
Assistant General Manager
(Finance)

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS OF
31 DECEMBER 2020 TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

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

Independent Auditor's Report

To the General Assembly of Aygaz Anonim Şirketi

A) Audit of the consolidated financial statements

1. Our opinion

We have audited the accompanying consolidated financial statements of Aygaz Anonim Şirketi (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2020, 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 31 December 2020, 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
<p>Revenue recognition</p> <p>Revenue is one of the most important indicators in the performance evaluation of the Group. Revenue has significant importance in terms of evaluating the results of the strategies implemented during the year and monitoring the performance.</p> <p>Revenue is measured with the amount remaining after discounts and returns are deducted from the amount received or to be received in return for the goods or services offered.</p> <p>The revenue amounting to TRY10,144,743 thousand which is the largest financial statement item in the consolidated statement of profit or loss for the period 1 January - 31 December 2020, has been identified as a key audit matter due to its significance level and significant impact on more than one account.</p> <p>Explanations regarding the Group's accounting policies and amounts regarding revenue are included in Notes 2.6 and 23.</p>	<p>During our audit, the following audit procedures were performed for the recognition of revenue:</p> <ul style="list-style-type: none"> - Evaluating the conformity of the Group's accounting policies for the recognition of the revenue, - Understanding the invoicing, discount calculations, approval of price changes and sales-related tax entries for significant revenue streams, - By discussing with the Group Management, understanding; the performance of the Group in the sector in which it operates and its future plans, through evaluating the explanations received in the context of macroeconomic data and the effects of the Covid-19 outbreak, - Performing tests on the accuracy of customer invoices with the sampling method and checking the accounting of the related contracts within the scope of TFRS 15, "Revenue from Customer Contracts", - Evaluating the performance obligations determined by the Group and checking whether the revenue is accounted in accordance with the relevant accounting policies, - Testing the revenue items belong to period ending and the beginning of the following period with the sampling method regarding the cut-off of the revenue, - Performing tests with sampling method and analytical procedures regarding the completeness and accuracy of sales discount, - Evaluating the adequacy of the notes and explanations for revenue recognition which are explained in Note 2.6 and 23 within the scope of TFRS 15, "Revenue from Customer Contracts" standard, <p>As a result of these procedures on the recognition of revenue, we did not have any significant findings.</p>

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

B) Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2020 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 11 February 2021.

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

Ediz Günsel, SMMM
Partner

Istanbul, 11 February 2021

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AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL
POSITION AS AT DECEMBER 31, 2020(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)

Assets	Notes	Current period	Prior period
		(Audited) December 31, 2020	(Audited) December 31, 2019
Current assets		2.193.496	1.589.116
Cash and cash equivalents	4	960.648	665.391
Trade receivables		670.847	566.282
-Trade receivables from related parties	32	95.393	131.194
-Trade receivables from third parties	8	575.454	435.088
Other receivables		60.616	3.242
-Other receivables from third parties	9	60.616	3.242
Derivative financial instruments	7	20.623	28.269
Inventories	11	400.357	263.309
Prepaid expenses	20	41.110	43.761
Assets related to current year tax		51	2.029
Other current assets	19	39.244	16.833
Non-current assets		3.201.744	3.365.743
Financial investments	5	421.205	395.444
Trade receivables		4.869	8.092
-Trade receivables from third parties	8	4.869	8.092
Other receivables		147	154
-Other receivables from third parties	9	147	154
Derivative financial instruments	7	-	14.097
Investments accounted under equity method	12	1.847.444	2.059.470
Property, plant and equipment	13	696.418	712.554
Right-of-use assets	15	171.486	110.066
Intangible assets		25.315	23.817
-Other intangible assets	14	25.315	23.817
Prepaid expenses	20	34.010	41.656
Deferred tax asset	30	850	393
Total assets		5.395.240	4.954.859

The accompanying accounting policies and notes between the pages 130 and 198 form an integral part of these consolidated financial statements.

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
**CONSOLIDATED STATEMENT OF FINANCIAL
POSITION AS AT DECEMBER 31, 2020**

(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 (Audited) December 31, 2020	Prior period (Audited) December 31, 2019
Liabilities	Notes		
Short-term liabilities		1.851.876	1.495.037
Short-term financial borrowings	6	220.824	64.883
Current portion of long-term financial borrowings	6	346.349	418.454
Trade payables		824.200	578.783
- Trade payables to related parties	32	137.504	156.902
- Trade payables to third parties	8	686.696	421.881
Liabilities for employee benefits	10	67.979	54.042
Other payables		2.291	1.555
- Other payables to related parties	32	1.273	1.211
- Other payables to third parties	9	1.018	344
Derivative financial instruments	7	32.442	12.709
Deferred income	21	7.989	7.235
Current income tax liabilities		11.499	12.274
Short-term provisions		295.645	246.935
- Other provisions	18	295.645	246.935
Other current liabilities	19	42.658	98.167
Long-term liabilities		1.225.961	981.739
Long-term financial borrowings	6	997.017	764.426
Other payables		117.153	107.213
- Other payables to third parties	9	117.153	107.213
Derivative financial instruments	7	-	14.100
Long-term provisions		67.238	53.702
- Provisions for employee benefits	17	67.238	53.702
Deferred tax liabilities	30	44.553	42.298
Total liabilities		3.077.837	2.476.776
Equity		2.317.403	2.478.083
Share capital	22	300.000	300.000
Adjustment to share capital	22	71.504	71.504
Adjustment to share capital due to cross-ownership (-)		(7.442)	(7.442)
Other comprehensive income or expenses not to be reclassified to profit or loss		248.016	224.425
Gains (losses) on the revaluation and/or reclassification		249.249	225.521
- Gains (losses) remeasurement from defined benefit plans		237	336
- Gains (losses) on financial assets measured at fair value through other comprehensive income	22	249.012	225.185
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss		(1.233)	(1.096)
Other comprehensive income or expenses to be reclassified to profit or loss		(233.661)	(224.279)
Currency translation differences		(4.822)	-
Gains (losses) on hedge		5.405	(8.835)
- Gains (losses) on cash flow hedges		5.405	(8.835)
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss		(234.244)	(215.444)
Restricted reserves	22	352.192	338.692
Retained earnings		1.611.683	1.501.706
Net profit (loss) for the period		(24.889)	273.477
Equity attributable to equity holders of the parent		2.317.403	2.478.083
Total equity and liabilities		5.395.240	4.954.859

The accompanying accounting policies and notes between the pages 130 and 198 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, 2020**(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, 2020	(Audited) January 1 -December 31, 2019
Revenue	23	10.144.743	10.211.013
Cost of sales (-)	23	(9.233.035)	(9.254.125)
Gross profit		911.708	956.888
General administrative expenses (-)	24	(285.963)	(252.929)
Marketing expenses (-)	24	(361.705)	(352.304)
Research and development expenses (-)	24	(3.342)	(2.894)
Other operating income	26	251.786	198.994
Other operating expenses (-)	26	(224.164)	(182.908)
Operating profit		288.320	364.847
Income from investment activities	27	84.165	7.417
Loss from investment activities (-)	27	(1.305)	(2.509)
Profit/(Losses) from investments accounted under equity method	12	(193.089)	137.200
Operating profit before financial income (expense)		178.091	506.955
Financial income	28	195.771	150.811
Financial expense (-)	29	(342.826)	(352.210)
Profit from continuing operations before tax		31.036	305.556
Tax income (expense), continuing operations			
-Current tax expense for the period (-)	30	(58.916)	(37.437)
-Deferred tax income/(expense)	30	2.991	5.358
Profit (loss) for the period		(24.889)	273.477
Distribution of profit (loss) for the period			
Equity holders of the parent		(24.889)	273.477
Earnings (losses) per share (TL)	31	(0,082963)	0,911590
Diluted earnings (losses) per share (TL)	31	(0,082963)	0,911590

The accompanying accounting policies and notes between the pages 130 and 198 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, 2020**

(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)

		(Audited)	(Audited)
	Notes	January 1 - December 31, 2020	January 1 - December 31, 2019
Profit (loss) for the period		(24.889)	273.477
Other comprehensive income			
Not to be reclassified to profit or loss		23.591	99.157
Gains/(losses) re-measurement on defined benefit plans		(124)	(3.035)
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		25.081	108.350
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		(137)	(1.322)
Taxes relating to other comprehensive income not to be reclassified to profit (loss)			
- Gains/(losses) re-measurement on defined benefit plan, tax effect	30	25	582
- Gains/(losses) on financial assets measured at fair value through other comprehensive income, tax effect	30	(1.254)	(5.418)
To be reclassified to profit or loss		(9.382)	(10.961)
Foreign currency translation differences		(4.822)	-
Gains/(losses) on cash flow hedges			
- Gains/(losses) on cash flow hedges		17.800	(21.111)
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		(21.578)	4.167
- Gains/(losses) from translation of foreign currency of investments using equity method		2.778	1.338
Taxes relating to other comprehensive income to be reclassified to profit (loss)			
- Gains/(losses) on cash flow hedges, tax effect	30	(3.560)	4.645
Other comprehensive income (expense) (after taxation)		14.209	88.196
Total other comprehensive income (expense)		(10.680)	361.673
Distribution of total comprehensive income (expense)			
Equity holders of the parent		(10.680)	361.673

The accompanying accounting policies and notes between the pages 130 and 198 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, 2020(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	Currency translation differences	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 not 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, 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	-	-	-	-	-	-	-	-	-	-	(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
Audited														
Balance as of January 1, 2020	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
Transfers	-	-	-	-	-	-	-	-	-	13.500	259.977	(273.477)	-	-
Total comprehensive income (expense)	-	-	-	(99)	23.827	(137)	(4.822)	14.240	(18.800)	-	-	(24.889)	(10.680)	(10.680)
Net income	-	-	-	-	-	-	-	-	-	-	-	(24.889)	(24.889)	(24.889)
Other comprehensive income (expense)	-	-	-	(99)	23.827	(137)	(4.822)	14.240	(18.800)	-	-	-	14.209	14.209
Dividend paid (Note 22)	-	-	-	-	-	-	-	-	-	-	(150.000)	-	(150.000)	(150.000)
Balance as of December 31, 2020	300.000	71.504	(7.442)	237	249.012	(1.233)	(4.822)	5.405	(234.244)	352.192	1.611.683	(24.889)	2.317.403	2.317.403

The accompanying accounting policies and notes between the pages 130 and 198 form an integral part of these consolidated financial statements.

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2020**

(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, 2020	Audited January 1 - December 31, 2019
Cash flows from operating activities		277.596	577.709
Net income (loss) from continuing operations		(24.889)	273.477
Adjustments related with the reconciliation of net profit/(loss) for the period		455.073	254.587
-Adjustments for depreciation and amortization expenses	13, 14,15	155.763	127.068
-Adjustments for impairment reversal/(loss)		(1.251)	2.257
-Adjustments for provisions		20.098	36.635
-Adjustments for dividend income/(expense)	27	(100)	(70)
-Adjustments for interest income	28	(57.869)	(71.841)
-Adjustments for interest expense	29	198.461	251.985
-Adjustments for unrealized foreign exchange differences		(70.655)	(3.408)
-Adjustments for fair value gains/(losses) on derivative financial instruments		41.616	31.161
-Adjustments for undistributed profits of investments accounted under equity method	12	193.089	(137.200)
-Adjustments for tax income/(expenses)	30	55.925	32.079
-Adjustments for gains/(losses) on disposal of non-current assets	27	(60.339)	(4.838)
-Adjustments for other items causing cash flows from investment or financial activities		(22.421)	-
-Termination compensation income	27	(22.421)	-
-Other adjustments for reconciliation of profit/(loss)		2.756	(9.241)
Changes in working capital:		(89.484)	77.166
-Change in blocked deposits		1.635	(2.978)
-Adjustments for decrease/(increase) in trade receivables		(100.091)	(127.613)
-Adjustments for decrease/(increase) in other operating receivables		(79.778)	102
-Adjustments for decrease/(increase) in inventories		(137.048)	85.651
-Decrease/(increase) in prepaid expenses		10.585	91.083
-Adjustments for increase/(decrease) in trade payables		245.417	18.663
-Increase/(decrease) in liabilities for employee benefits		13.937	5.685
-Adjustments for increase/(decrease) in other operating payables		(44.895)	8.014
-Increase/(decrease) in deferred income		754	(1.441)
Cash flows from operating activities		340.700	605.230
-Payments related to provisions for employee benefits	17	(5.391)	(7.740)
-Tax returns/(payments)		(57.713)	(19.781)
Cash flows from investing activities		(132)	268.123
Cash inflows from the sale of interests or capital decrease of investments in associates or joint ventures	12	-	200.000
Cash inflows from the sale of property, plant and equipment and intangible assets		67.024	57.217
Cash outflows from the purchase of property, plant and equipment and intangible assets	13,14	(89.677)	(128.074)
Dividends received		100	186.782
Other cash inflows/(outflows)		22.421	(47.802)
-Cash inflows due to termination payment	27	22.421	-
-Cash outflows due to business combinations, net	34	-	(47.802)
Cash flows from financing activities		(78.514)	(854.844)
Proceeds from borrowings	6	1.297.600	990.550
Repayments of borrowings	6	(1.022.356)	(1.217.421)
Payments of lease liabilities	6	(79.198)	(51.087)
Dividends paid		(149.938)	(384.789)
Interest paid		(182.203)	(264.124)
Interest received		57.581	72.027
Net increase/(decrease) in cash and cash equivalents before currency translation differences		198.950	(9.012)
Effect of currency translation differences		97.942	24.265
Net increase/(decrease) in cash and cash equivalents		296.892	15.253
Cash and cash equivalents at the beginning of the period	4	661.320	646.067
Cash and cash equivalents at the end of the period	4	958.212	661.320

The accompanying accounting policies and notes between the pages 130 and 198 form an integral part of these consolidated financial statements.

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED DECEMBER 31, 2020(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. The Company operates in LPG trade by opening a branch office in London in 2019 with the aim of increasing trade volume with third parties in international markets, supporting its domestic operations and creating additional value for its supply chain 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, 2020, 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 2020	December 31 2019	January 1 -December 31, 2020	January 1 -December 31, 2019
Monthly paid	692	685	680	679
Hourly paid	634	624	624	637
Total number of personnel	1.326	1.309	1.304	1.316

Subsidiaries

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

Subsidiaries	Place of incorporation and Operation	Ownership interest (%)		Voting power right	Principal activity
		December 31, 2020	December 31, 2019		
Anadoluhisarı	Turkey	100	100	100	Shipping
Kandilli	Turkey	100	100	100	Shipping
Kuleli	Turkey	100	100	100	Shipping
Kuzguncuk	Turkey	100	100	100	Shipping
Akpa	Turkey	100	100	100	Marketing
Aygaz Doğal Gaz Toptan Satış A.Ş.	Turkey	100	100	100	Natural gas
Aygaz Doğal Gaz İletim A.Ş.	Turkey	100	100	100	Natural gas
Aykargo ⁽²⁾	Turkey	100	100	100	Cargo Transport /Distribution
Bal Kaynak ⁽¹⁾	Turkey	100	100	100	Bottled water

⁽¹⁾ Acquired in 2019 (Note 34).

⁽²⁾ The title of ADG Enerji Yatırımları A.Ş. has been updated as Aygaz Aykargo Dağıtım Hizmetleri A.Ş. and its principal activity as Cargo Transport/Distribution by the Extraordinary General Assembly which was registered on August 11, 2020.

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.

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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 Anadoluhisar 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 was sold 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 34).

ADG Enerji Yatırımları A.Ş. ("ADG Enerji") whose main area of activity was natural gas until the Extraordinary General Meeting held on August 11, 2020 by which it is resolved to change the title and the main area of activity of the company. While the new title of ADG Enerji is changed to Aygaz Aykargo Dağıtım Hizmetleri Anonim Şirketi, its main area of activity is also updated with the purpose to take part in cargo distribution sector that grows in line with developments in e-commerce and economy. Within this framework, it was decided to develop the activities within the scope of Aykargo Cargo Distribution Project, which started as an in-house entrepreneurship project, by using Company's existing dealer network and home delivery experience, through Aygaz Aykargo Dağıtım Hizmetleri Anonim Şirketi that will operate exclusively in this field.

Investments in associates

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

Investments in associates	Place of incorporation and operation	Ownership interest (%)			Principal activity
		December 31, 2020	December 31, 2019	Voting power right	
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.

Entek Elektrik Üretimi A.Ş. ("Entek"), the electricity generation company of Koç Group, operates one natural gas cycling plant with capacity of 112 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 377 MW. Entek and STEAG GmbH has signed a share purchase and sale agreement for the acquisition of 100% shares of STEAG Rüzgar Süloğlu Enerji Üretim ve Ticaret A.Ş. and STEAG Turkey Enerji Yatırımları ve Hizmetleri A.Ş. The closing of the share trading transaction will take place after the final approval and acquisition of permissions required.. Within the scope of the agreement mentioned above, it is aimed that Entek will have a total installed capacity of 437 MW through the acquisition of share of STEAG Rüzgar Süloğlu Enerji Üretim ve Ticaret A.Ş. which has a wind power plant with 60 MW installed capacity.

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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:

Joint venture	Place of incorporation and operation	Ownership interest (%)		Voting power right	Principal activity
		December 31, 2020	December 31, 2019		
Opet Aygaz Gayrimenkul A.Ş.	Turkey	50,00	50,00	50,00	Real Estate

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, 2020 are approved in the Board of Directors meeting held on February 11, 2021. 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. The functional currency of Aygaz UK, the company's branch in London, is US Dollars "USD".

While preparing the consolidated financial statements, in the conversion of the balance sheet items of the branch operating abroad and whose functional currency is USD, into TL, which is the functional and reporting currency of the Company, the exchange rate valid at the balance sheet date (1 TL = 7.3405 USD), In the conversion to TL, the average exchange rate of the period (1 TL = 7.0034 USD) was taken as basis. Translation differences arising from the use of closing and average exchange rates are followed under the foreign currency conversion differences item within the equity.

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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.

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

2.2 Consolidation principles (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 31 December 2020

Amendments to IAS 1 and IAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 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.

These amendments do not have any significant impact on Group's financial condition and performance.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform; effective from Annual periods beginning on or after 1 January 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 amendments on its financial position or performance.

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

2.3 New and revised Turkey Financial Reporting Standards (Continued)

a) Standards, amendments and interpretations applicable as at 31 December 2020 (Continued)

Amendments to IFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 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. These amendments do not have any significant impact on Group's financial condition and performance.

Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions; effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. These amendments do not have any significant impact on Group's financial condition and performance

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2020

IFRS 17, 'Insurance contracts'; effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities; effective from 1 January 2022. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

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

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

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

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

2.3 New and revised Turkey Financial Reporting Standards (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2020 (Continued)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2; effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9; effective from annual periods beginning on or after 1 January 2021. These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial Instrument until 1 January 2023.

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

2.4 Significant changes in the current period

Necessary actions were undertaken by the management to minimize possible effects of Covid-19 on the Group's operations and financial status. Despite the developments and slowdown in LPG sector and general economic activity due to Covid-19 pandemic, there were no disruption in LPG supply processes but there were some periodical fluctuations in the sales activities due to contracting demand. Especially during the lockdown period, autogas market contracted while cylinder gas market showed a partial growth due to increasing domestic demand. In the meantime, actions were undertaken by the Company to minimize the investment expenditures, operational cost and the increase in the inventory. Cash management strategy was reviewed to strengthen the liquidity position. As the measures taken to prevent the spread of the pandemic are reduced, production and sales operations are continuing without any interruption while the recovery in demand is affecting the Company's operations positively.

No estimates can be made regarding the duration and the range of spread of the Covid-19 neither globally nor for Turkey. It will be possible to make a more specific and healthy evaluation for the medium and long term as the strength and the duration of the impacts get clearer. However, the Group evaluated the possible effects of Covid-19 pandemic on its financial tables and assessed the estimates and assumptions used during the preparation of consolidated financial tables. In this framework, no impairment was detected in the consolidated financial statements dated December 31, 2020.

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.

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

2.6 Revenue recognition (Continued)

Group recognises revenue based on the following five principles:

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

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

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

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

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

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

The accounting policy of Special Consumption Tax (SCT) on imported LPG which is required to be paid after the declaration made to the Republic of Turkey, Ministry of Finance is applied to be included in revenues and cost of goods sold (Gross profit and net income is not impacted by this record). For the year ended December 31, 2020, SCT on imported LPG included in revenues and the cost of goods sold is amounting to TL1.769.554 thousand (January 1 - December 31, 2019: TL1.955.259 thousand).

Dividend and interest revenue:

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

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**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 Leases***The Group – as a lessee***

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

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

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

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

Right of use asset

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

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

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

2.8 Leases (Continued)

The Group re-measures the right of use asset:

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

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

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

Lease liability

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

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

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

After initial recognition, the lease liability is measured by:

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

Extension and termination options

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

Variable lease payments

Group's lease contracts also include variable lease payments which are not in the scope of IFRS 16. Variable lease payments are recognised in profit or loss in the related period. Variable lease payments as of December 31, 2019 is amount of 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.

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

2.9 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

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

2.10 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.

2.11 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.

2.12 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.

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

2.13 Financial instruments

2.13.1 Financial assets

Reclassification and re-measurement

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

Financial assets carried at amortised cost

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

Impairment of financial assets

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

Trade receivables

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

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.

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

2.13 Financial instruments (Continued)

2.13.1 Financial assets (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.

2.13.2 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.

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

2.13.3 Recognition and de-recognition of financial instruments

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

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

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

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

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

2.14 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.

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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".

2.15 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.

2.16 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.

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

2.17 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.

2.18 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.

2.19 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.

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

2.20 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.

2.21 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.

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

Deferred tax (Continued)

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

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

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

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

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

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

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

2.22 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.

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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.

2.23 Statement of cash flows

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

2.24 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.

2.25 Research and development expenses

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

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

Other development expenditures are recognised as expense as incurred.

Development costs previously recognised as expense cannot be capitalized in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis. As of December 31, 2020, the Group has capitalized amounting to TL 1.752 thousand research and development expenses (December 31, 2019: TL 1.702 thousand).

2.26 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.

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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 shareholder of Yapı ve Kredi Bankası A.Ş. ("YKB") with 40,95%. 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 the existing market value of YKB shares corresponding to KFS (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 18).
- 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 30). Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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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, 2020 and 2019, assets and liabilities according to industrial segments are as follows:

	December 31, 2020				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Assets					
Current assets	1.985.947	-	234.636	(27.087)	2.193.496
Non-current assets	2.485.463	606.000	338.177	(227.896)	3.201.744
Total assets	4.471.410	606.000	572.813	(254.983)	5.395.240
Liabilities					
Short term liabilities	1.786.608	-	92.819	(27.551)	1.851.876
Long term liabilities	1.187.838	-	44.639	(6.516)	1.225.961
Equity	1.496.964	606.000	435.355	(220.916)	2.317.403
Total liabilities and equity	4.471.410	606.000	572.813	(254.983)	5.395.240
Investments accounted under equity method	1.101.054	606.000	140.390	-	1.847.444
					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

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3. SEGMENT INFORMATION (CONTINUED)

As of December 31, 2020 and 2019, profit and loss statement according to industrial segments are as follows:

	January 1 - December 31, 2020				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Revenue	9.665.909	-	780.023	(301.189)	10.144.743
Cost of sales (-)	(8.908.302)	-	(625.922)	301.189	(9.233.035)
Gross profit	757.607		154.101	-	911.708
General administrative expenses (-)	(260.066)	-	(31.900)	6.003	(285.963)
Marketing expenses (-)	(306.411)	-	(55.294)	-	(361.705)
Research and development expenses (-)	(3.292)	-	(50)	-	(3.342)
Other operating income	246.935	-	11.110	(6.259)	251.786
Other operating expenses (-)	(213.243)	-	(11.857)	936	(224.164)
Operating profit	221.530		66.110	680	288.320
Income from investment activities	149.743	-	2.743	(68.321)	84.165
Loss from investment activities (-)	(417)	-	(888)	-	(1.305)
Profit/losses from investments accounted under equity method	(266.939)	72.164	1.686	-	(193.089)
Operating profit before financial income/(expense)	103.917	72.164	69.651	(67.641)	178.091
Financial income	184.192	-	11.579	-	195.771
Financial expense (-)	(325.651)	-	(17.175)	-	(342.826)
Profit from continuing operations before tax	(37.542)	72.164	64.055	(67.641)	31.036
Tax income/(expense), continuing operations					
Current tax expense for the period (-)	(49.782)	-	(9.134)	-	(58.916)
Deferred tax income/(expense)	3.043	-	(52)	-	2.991
Profit for the period	(84.281)	72.164	54.869	(67.641)	(24.889)

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3. SEGMENT INFORMATION (CONTINUED)

	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	184.805	-	21.485	(7.296)	198.994
Other operating expenses (-)	(168.128)	-	(17.472)	2.692	(182.908)
Operating profit	304.448	-	60.092	267	364.847
Income from investment activities	457.833	-	596	(451.012)	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

The depreciation and amortization expense for the industrial segmental assets as of December 31, 2020 and 2019 are as follows:

	January 1 - December 31, 2020	January 1 - December 31, 2019
Gas and petroleum products	137.075	112.288
Other	18.688	14.780
	155.763	127.068

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3. SEGMENT INFORMATION (CONTINUED)

The investment expenditures for the industrial segmental assets as of December 31, 2020 and 2019 are as follows:

	January 1 - December 31, 2020	January 1 - December 31, 2019
Gas and petroleum products	72.419	107.835
Other	17.258	20.239
	89.677	128.074

4. CASH AND CASH EQUIVALENTS

	December 31, 2020	December 31, 2019
Cash on hand	320	374
Cash at banks	904.731	617.106
- Demand deposits	23.795	30.038
- Time deposits	880.936	587.068
Receivables from credit card transactions	55.597	47.911
Total cash and cash equivalents	960.648	665.391

As of December 31, 2020 the Group's TL time deposits amounting to TL676.716 thousand with maturities of 4 days and interest rates of 16,75-19,15%. USD time deposits amounting to USD27.821 thousand (TL204.220 thousand) with maturities of 4 days and interest rate of 1,25% (As of December 31, 2019 the Group's TL time deposits amounting to TL 269.255 thousand have maturities of 2 days and interest rates of 11,15-11,65%. USD time deposits amounting to USD53.502 thousand (TL317.813 thousand) have a maturity of 2 days and an interest rate of 1,75%).

The amount of cash and cash equivalents shown in the statement of cash flow as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Cash and cash equivalents	960.648	665.391
Less: Blocked deposits (*)	(2.436)	(4.071)
	958.212	661.320

(*) 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).

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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, 2020 and 2019:

	December 31, 2020		December 31, 2019	
	Participation amount	Participation rate %	Participation amount	Participation rate %
Financial assets measured at fair value through other comprehensive income:				
<i>Koç Finansal Hizmetler A.Ş. (*)</i>	419,078	3,93	393.997	1,97
Financial assets measured at fair value through profit or loss:				
<i>Ram Dış Ticaret A.Ş.</i>	1.258	2,5	87	2,50
<i>Tanı Pazarlama ve İletişim Hizmetleri A.Ş.</i>	270	10	270	10,00
<i>Tat Gıda Sanayi A.Ş.</i>	163	0,08	654	0,08
<i>Other</i>	436	-	436	-
	421.205		395.444	

(*) After the end of the business partnership between Koç Group and UniCredit S.P.A ("UniCredit") 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 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%. Within the scope of termination of the business partnership between Koç Group and UniCredit in line with UniCredit's strategic goals, UniCredit made a termination payment of TL22.421 thousand to the Company on February 6, 2020. It was measured on the basis of Level 1 (actively traded market price) as of December 31, 2020 (Note 33).

6. FINANCIAL BORROWINGS

As of December 31, 2020 and 2019 the Group's short-term financial borrowings are as follows:

	December 31, 2020	December 31, 2019
TL-denominated short-term bank borrowings	152.676	34.162
Short-term lease liabilities	68.148	30.721
Total short-term bank borrowings	220.824	64.883
Short-term portion and interest accruals of TL-denominated long-term bank borrowings	140.683	185.917
Short-term portion and interest accruals of USD-denominated long-term bank borrowings	33.049	132.156
Short-term portion of long-term bond issued (*)	172.617	100.381
Total short-term portion of long-term financial borrowings	346.349	418.454

(*) On June 21, 2019 and August 7, 2019, the Group has issued floating rate bonds with nominal value TL90.000 and TL80.000 thousand with a maturity of 728 days and quarterly coupon payments. In order to hedge cash flow risk, the interest rates of the issued bonds have been fixed by interest rate swap transaction (Note 7).

As of December 31, 2020, the details of short-term bank borrowings are as follows:

Currency	Average effective interest rate per annum (%)	Original amount	TL amount
TL	9,89	152.676	152.676
			152.676

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6. FINANCIAL BORROWINGS (CONTINUED)

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

As of December 31, 2020 and 2019 the Group's long-term financial borrowings are as follows:

	December 31, 2020	December 31, 2019
TL-denominated long-term bank borrowings	894.390	512.368
USD-denominated long-term bank borrowings	-	26.731
Total long-term bank borrowings	894.390	539.099
Long-term bonds issued	-	151.590
Total long-term bonds	-	151.590
Long-term lease liabilities	102.627	73.737
Total long-term lease liabilities	102.627	73.737
Total long-term financial borrowings	997.017	764.426

As of December 31, 2020, the details of long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	10,14	1.035.073	1.035.073
USD	3,19	4.502	33.049
			(173.732)
			894.390

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
			(318.073)
			539.099

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6. FINANCIAL BORROWINGS (CONTINUED)

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

	2020	2019
As of January 1st	1.247.763	1.401.015
Effect of IFRS 16	-	86.999
As of January 1st - recalculated in accordance with IFRS 16	1.247.763	1.488.014
Proceeds from new financial borrowings (*)	1.297.600	990.550
Increase in lease liabilities	119.553	52.051
Repayments of principals (*)	(1.101.554)	(1.268.508)
Changes in interest accruals	16.258	(12.139)
Currency translation differences	(15.430)	(2.205)
As of December 31st	1.564.190	1.247.763

(*) In 2020, various loans amounting to TL1.175.000 thousand (2019: TL800.000 thousand) were closed before their maturity dates in order to gain interest advantage. Various loans amounting to TL50.000 thousand were restructured. The early closure fee amounting to TL16.243 thousand (2019: TL25.051 thousand), which occurred as a result of early closure, is shown in the financing expenses (Note: 29).

7. DERIVATIVE FINANCIAL INSTRUMENTS

As of December 31, 2020 and 2019, the Group's derivative financial instruments are as follows:

	December 31, 2020		December 31, 2019	
	Contract amount	Fair value assets (liabilities)	Contract amount	Fair value assets (liabilities)
Forward transactions ⁽¹⁾	6.751	33	29.850	75
Foreign currency swap contracts ⁽²⁾	13.050	20.590	26.100	28.194
Total short-term derivative financial assets	19.801	20.623	55.950	28.269
Interest rate swap ⁽³⁾	170.000	(3.226)	-	-
Commodity hedge ⁽⁴⁾	731.456	(29.216)	42.772	(12.709)
Total short-term derivative financial liabilities	901.456	(32.442)	42.772	(12.709)

	December 31, 2020		December 31, 2019	
	Contract amount	Fair value assets (liabilities)	Contract amount	Fair value assets (liabilities)
Foreign currency swap contracts ⁽²⁾	-	-	13.050	14.097
Total long-term derivative financial assets			13.050	14.097
Interest rate swap ⁽³⁾	-	-	170.000	(14.100)
Total long-term derivative financial liabilities			170.000	(14.100)

⁽¹⁾ As of December 31, 2020 the Group has entered into forward transaction with a maturity of 18 days and nominal value amounting to USD900 thousand (As of December 31, 2019: USD5.000 thousand with a maturity of 17 days).

⁽²⁾ In June, 2016, the Group has realized swap transaction with a contract amounting to TL91.350 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, 2020, principal payment of USD27.000 thousand was made in total, the remaining amount is USD4.500 thousand.

⁽³⁾ The Group has entered interest rate swap transactions for the bond on June 21, 2019 amounting to TL90.000 thousand in total, fixing interest rate of TL50.000 thousand of total bond with 21,95% and the TL40.000 thousand of total bond with 20,75% and for the bond on August 7, 2019 amounting to TL80.000 thousand in total, fixing interest rate of TL50.000 thousand of total bond with 16,85% and the TL30.000 thousand of total bond with 16,47%.

⁽⁴⁾ As of December 31, 2020, the Group's commodity hedge transactions consist of propane and butane products swaps (As of December 31, 2019, the Group's commodity hedge transactions consist of propane products swap).

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8. TRADE RECEIVABLES AND PAYABLES FROM THIRD PARTIES

The Group's trade receivables from third parties as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Trade receivables	566.454	424.912
Notes receivables	36.040	38.467
Allowance for doubtful receivables (-) (*)	(27.040)	(28.291)
Total current trade receivables	575.454	435.088

(*) TL635 thousand of provision for doubtful receivables consists of expected credit loss provisions (As of December 31, 2019: TL635 thousand).

	December 31, 2020	December 31, 2019
Notes receivable	4.869	8.092
Total non-current trade receivables	4.869	8.092

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

	2020	2019
As of January 1st	28.291	27.938
Increases during the period	906	2.595
Collections	(2.157)	(338)
Write offs	-	(1.904)
As of December 31st	27.040	28.291

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 33.

The Group's trade payables as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Trade payables	686.696	421.881
Total short-term trade payables	686.696	421.881

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9. OTHER RECEIVABLES AND PAYABLES FROM THIRD PARTIES

The Group's other receivables from third parties as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Guarantees and deposits given (*)	57.781	89
Other receivables	2.835	3.153
Total other current receivables	60.616	3.242

(*) The Group's branch office in London, Aygaz UK performs derivative transactions and receives clearing services with third parties through ADM Investor Services, Inc. ('ADM'). Within this framework, the amount of guarantee amounting to USD7.841 thousand equivalent of TL57.557 thousand kept within the scope of "fair value" and "margin call" in ADM is classified as deposits and guarantees given under other receivables from unrelated parties.

	December 31, 2020	December 31, 2019
Guarantees and deposits given	147	154
Total other non-current receivables	147	154

As of December 31, 2020 and 2019, other payables to third parties of the Group are as follows:

	December 31, 2020	December 31, 2019
Deposits and guarantees taken	1.018	344
Total other short-term payables	1.018	344
	December 31, 2020	December 31, 2019
Cylinder deposits received	117.153	107.213
Total other long-term payables	117.153	107.213

10. LIABILITIES FOR EMPLOYEE BENEFITS

As of December 31, 2020 and 2019, liabilities for employee benefits of the Group are as follows:

	December 31, 2020	December 31, 2019
Payables to personnel	32.695	29.310
Employee's income tax payable	29.326	19.586
Social security liabilities	5.958	5.146
Total liabilities for employee benefits	67.979	54.042

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11. INVENTORIES

	December 31, 2020	December 31, 2019
Raw materials	230.618	133.577
Goods in transit	143.616	109.939
Finished goods	14.318	10.627
Trade goods	9.066	6.572
Work in process	2.968	2.823
Allowance for impairment on inventory	(229)	(229)
Total inventories	400.357	263.309

As of December 31, 2020, the inventories compromise of 97.891 tons of LPG (December 31, 2019: 74.593 tons).

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

	2020	2019
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, 2020		December 31, 2019	
	Participation amount	Participation Rate	Participation amount	Participation Rate
EYAŞ	1.101.054	%20,00	1.379.117	%20,00
Entek	606.000	%49,62	541.649	%49,62
OAGM	140.390	%50,00	138.704	%50,00
	1.847.444		2.059.470	

The movement of equity investments is as follows:

	2020	2019
As of January 1st	2.059.470	2.304.799
Shares of profit/(loss)	(193.089)	137.200
Shares of other comprehensive income/(loss)	(18.937)	4.183
Dividend income (*)	-	(186.712)
Participation in share capital decrease (increase) of equity investment (**)	-	(200.000)
As of December 31st	1.847.444	2.059.470

(*) EYAŞ dividend income.

(**) Capital decrease of EYAŞ. Related amount has been paid in cash to the Company on March 28, 2019.

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12. EQUITY INVESTMENTS (CONTINUED)

Shares of profit (loss) of equity investments:

	January 1 - December 31, 2020	January 1 - December 31, 2019
EYAŞ	(266.939)	47.678
Entek	72.164	88.380
OAGM	1.686	1.142
	(193.089)	137.200

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

	January 1 - December 31, 2020	January 1 - December 31, 2019
EYAŞ (*)	(11.124)	(585)
Entek	(7.813)	4.768
	(18.937)	4.183

(*) The Group uses investment loans amounting to USD593.982 thousand, which is equivalent to TL4.360.123 thousand (December 31, 2019: USD812.776 thousand (TL4.828.054 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 31 December 2020, TL2.736. 854 thousand (31 December 2019: TL2.567.257) 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.

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, 2020	December 31, 2019
Total assets	57.967.264	53.461.696
Total liabilities	(49.499.218)	(42.375.036)
Non-controlling interest	(2.962.780)	(4.191.079)
Net assets	5.505.266	6.895.581
Group's ownership	20%	20%
Group's share in associates' net assets	1.101.054	1.379.117
Consolidated profit or loss statement	January 1 - December 31, 2020	January 1 - December 31, 2019
Revenue	63.243.815	89.600.776
Profit for the period	(1.334.693)	238.392
Group's share in associates' profit for the period	(266.939)	47.678

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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, 2020	December 31, 2019
Total assets	2.410.567	2.529.872
Total liabilities	(1.189.286)	(1.438.257)
Net assets	1.221.281	1.091.615
Group's ownership	49,62%	49,62%
Group's share in associates' net assets	606.000	541.659
	January 1 - December 31, 2020	January 1 - December 31, 2019
Consolidated profit or loss statement		
Revenue	1.256.845	1.195.838
Profit/(Loss) for the period	145.433	178.113
Group's share in associates' profit for the period	72.164	88.380

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, 2020	December 31, 2019
Total assets	495.205	496.509
Total liabilities	(214.426)	(219.102)
Net assets	280.779	277.407
Group's ownership	50%	50%
Group's share in associates' net assets	140.390	138.704
	January 1 - December 31, 2020	January 1 - December 31, 2019
Consolidated profit or loss statement		
Revenue	23.251	24.798
Profit for the period	3.372	2.284
Group's share in associates' profit for the period	1.686	1.142

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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, 2020	17.893	179.561	79.783	1.798.684	231.704	81.192	25.013	23.852	2.437.682
Additions	458	375	47	2.000	2.076	8.440	200	75.198	88.794
Transfers (*)	-	4.712	1.246	49.410	2.669	3.937	469	(71.367)	(8.924)
Disposals	-	(778)	(1.562)	(16.156)	(3.379)	(5.362)	-	-	(27.237)
Ending balance as of December 31, 2020	18.351	183.870	79.514	1.833.938	233.070	88.207	25.682	27.683	2.490.315
Accumulated depreciation									
Opening balance as of January 1, 2020	-	76.047	54.979	1.392.378	122.753	54.234	24.737	-	1.725.128
Charge of the period	-	6.236	1.690	59.112	13.421	7.965	897	-	89.321
Transfers	-	-	-	-	-	(1)	1	-	-
Disposals	-	(668)	(1.295)	(13.517)	(3.024)	(2.048)	-	-	(20.552)
Ending balance as of December 31, 2020	-	81.615	55.374	1.437.973	133.150	60.150	25.635	-	1.793.897
Net book value as of December 31, 2020	18.351	102.255	24.140	395.965	99.920	28.057	47	27.683	696.418

(*) TL8.924 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)

	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, TL47.422 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)

As of December 31, 2020 and 2019, the details of depreciation expenses are as follows:

	January 1 - December 31, 2020	January 1 - December 31, 2019
Cost of sales	75.588	71.897
General administrative expenses	8.939	11.992
Marketing expenses	2.781	2.636
Capitalized on cylinders	2.013	3.577
	89.321	90.102

14. INTANGIBLE ASSETS

	Rights	Total
Acquisition costs		
Opening balance as of January 1, 2020	77.805	77.805
Additions	883	883
Transfers (*)	8.924	8.924
Ending balance as of December 31, 2020	87.612	87.612
Accumulated amortization		
Opening balance as of January 1, 2020	53.988	53.988
Charge for the period	8.309	8.309
Ending balance as of December 31, 2020	62.297	62.297
Carrying value as of December 31, 2020	25.315	25.315

(*) TL8.924 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, 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

(*) TL5.897 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets.

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14. INTANGIBLE ASSETS (CONTINUED)

As of December 31, 2020 and 2019, the details of amortization expenses of intangible assets are as follows:

	January 1 - December 31, 2020	January 1 - December 31, 2019
General and administrative expenses	8.309	6.918
	8.309	6.918

15. RIGHT OF USE ASSETS

	Land	Land improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furniture and fixtures	Total
Opening balance as of January 1, 2020	3.989	3.794	14.352	32.356	55.527	48	110.066
Additions	294	1.045	1.907	-	118.975	-	122.221
Disposals	-	(1.704)	(1.440)	-	-	-	(3.144)
Charge for the period	(755)	(152)	(2.849)	(2.303)	(52.065)	(9)	(58.133)
Disposals from accumulated amortization	-	73	403	-	-	-	476
Ending balance as of December 31, 2020	3.528	3.056	12.373	30.053	122.437	39	171.486
	Land	Land improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furniture and fixtures	Total
Opening balance as of January 1, 2019	2.836	1.382	7.488	-	75.293	-	86.999
Additions	122	1	635	-	5.025	-	5.783
Disposals	-	-	-	-	(90)	-	(90)
Transfers (*)	1.726	2.600	8.775	34.266	-	55	47.422
Charge for the period	(695)	(189)	(2.546)	(1.910)	(24.701)	(7)	(30.048)
Ending balance as of December 31, 2019	3.989	3.794	14.352	32.356	55.527	48	110.066

(*) Additionally, TL36.238 thousand of tangible assets and TL10.000 thousand of intangible 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.

As of December 31, 2020 and 2019, the details of depreciation expenses related to the right of use assets are as follows:

	January 1 - December 31, 2020	January 1 - December 31, 2019
Cost of sales	2.922	2.259
General administrative expenses	4.585	3.951
Marketing expenses	50.626	23.838
	58.133	30.048

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16. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Guarantees given as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Letter of guarantees given for gas purchase	627.254	879.723
Other letter of guarantees given	42.813	24.430
Total guarantees given	670.067	904.153

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 20 days as of June 1, 2019 by the petroleum products and LPG distributor license owners. The Group fulfills its obligations regarding national inventory reserve liability.

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16. 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, 2020				December 31, 2019			
	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	99.785	9.263	426.597	535.645	73.672	-	476.437	550.109
B. CPMBs given in favor of subsidiaries included in full consolidation (*)	-	-	134.422	134.422	-	304.830	49.214	354.044
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	99.785	9.263	561.019	670.067	73.672	304.830	525.651	904.153

(*) As of December 31, 2020, total amount of commission accrued for guarantees given or contingent liabilities except 'A. CPMBs given on behalf of the Company's legal personality' is TL1.471 thousand (December 31, 2019: TL2.425 thousand).

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17. LONG-TERM PROVISION FOR EMPLOYEE BENEFITS

Details of long-term provisions for employee benefits as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Retirement pay provision	58.111	43.999
Vacation pay liabilities	9.127	9.703
Total long-term provision for employee benefits	67.238	53.702

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 TL7.117,17 (December 31, 2019: TL6.379,86) for each year of service at December 31, 2020.

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.

	2020	2019
Net discount rate (%)	4,63	4,67
Turnover rate related to the probability of retirement (%)	95,94-98,57	95,23-98,71

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

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

The movements of retirement pay provision for the period ended December 31, 2020 and 2019 are as follows:

	2020	2019
As of January 1st	43.999	34.554
Increases during the period	19.379	14.150
Actuarial (gain) loss	124	3.035
Payments during the period	(5.391)	(7.740)
As of December 31st	58.111	43.999

18. OTHER SHORT-TERM PROVISIONS

	December 31, 2020	December 31, 2019
Provision for price revision (*)	249.205	201.666
Provision for lawsuit	12.408	10.327
Provision for warranty expenses	11.490	11.390
Provision for selling and marketing expenses	7.135	5.825
Provision for EMRA contribution	5.234	5.873
Provision for other operating expenses	10.173	11.854
Total other short-term provisions	295.645	246.935

(*) 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, 2020, total provision of USD33.949 thousand (TL249.205 thousand), USD15.368 thousand for 2017 and USD18.582 thousand for 2018, has been recognized in the consolidated financial statements (December 31, 2019: USD33.949 thousand in total (TL equivalent 201.666 thousand)).

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

	2020	2019
As of January 1st,	11.854	3.219
Payments during the period	(7.364)	(253)
Provision no longer required	(3.167)	(655)
Increases during the period	8.850	9.543
As of December 31,	10.173	11.854

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19. OTHER CURRENT ASSETS AND LIABILITIES

	December 31, 2020	December 31, 2019
Deferred VAT	30.326	11.046
Fuel used in shipping operations	6.000	3.992
Income accrual	593	70
Other current assets	2.325	1.725
Total other current assets	39.244	16.833

	December 31, 2020	December 31, 2019
Taxes and funds payable	42.107	97.384
Other liabilities	551	783
Total other current liabilities	42.658	98.167

20. PREPAID EXPENSES

As of December 31, 2020 and 2019, the details of Group's prepaid expenses in current assets are as follows:

	December 31, 2020	December 31, 2019
Prepaid expenses	34.265	37.601
Advances given	6.845	6.160
Total prepaid expenses	41.110	43.761

As of December 31, 2020 and 2019, the details of Group's prepaid expenses in non-current assets are as follows:

	December 31, 2020	December 31, 2019
Prepaid expenses	34.010	41.656
Total prepaid expenses	34.010	41.656

As of December 31, 2020 total amount of TL21.790 thousand (2019: TL28.572 thousand) presented as prepaid expenses under current assets and total amount of TL30.894 thousand (2019: TL36.038 thousand) presented as prepaid expenses under non-current assets are prepayments and investment contribution margin for dealer agreements.

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21. DEFERRED INCOME

	December 31, 2020	December 31, 2019
Advances taken	5.261	4.912
Prepaid income	2.728	2.323
Total deferred income	7.989	7.235

22. SHARE CAPITAL

As of December 31, 2020 and 2019 the share capital held is as follows:

Shareholders	Participation rate	December 31, 2020	Participation rate	December 31, 2019
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
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

(*) TL2.725.041,31 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, 2020	December 31, 2019
Legal reserves	308.032	318.841
Gain on sale of subsidiary share that will be added to capital	44.160	19.851
Total restricted reserves assorted from the profit	352.192	338.692

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22. 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, 2020, amounts to TL1.010.207 thousand. (December 31, 2019: TL844.464 thousand). TL209.043 thousand of such sources from inflation adjustment differences and TL33.697 thousand from other capital reserves are subject to tax when they are distributed.

Dividends paid

In the Ordinary General Meeting held on March 10, 2020, the Company decided to reserve TL 13.500 thousand as legal reserves and distribute TL 150.000 thousand gross dividends from the net distributable income of 2019. According to this decision, the Company has begun dividend payments on March 17, 2020.

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, 2020	December 31, 2019
Koç Finansal Hizmetler A.Ş.	249.012	225.185
	249.012	225.185

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Currency translation adjustment as of December 31, 2020 represents the Company's share of currency translation adjustment of equity investment and currency translation adjustments of the Group's branch in London, Aygaz UK, whose functional currency is USD.

Financial risk hedging reserve:

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

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

23. REVENUE AND COST OF SALES

Revenue	January 1 - December 31, 2020	January 1 - December 31, 2019
Domestic sales	8.376.879	9.030.753
Export sales	2.206.041	1.591.330
Sales returns (-)	(11.493)	(9.627)
Sales discounts (-)	(426.684)	(401.443)
Total revenue, net	10.144.743	10.211.013
Sales of goods and services	8.857.561	8.369.298
Sales of merchandises	1.287.182	1.841.715
Revenue	10.144.743	10.211.013
	January 1 - December 31, 2020	January 1 - December 31, 2019
Raw materials used	7.668.045	7.207.427
Production overheads	200.984	178.313
Personnel expenses	117.643	95.559
Depreciation expenses	78.510	74.156
Change in work in process inventories	(131)	254
Change in finished goods inventories	(3.235)	2.234
Cost of goods sold and services rendered	8.061.816	7.557.943
Cost of merchandises sold	1.171.219	1.696.182
Total cost of sales	9.233.035	9.254.125

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24. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES

	January 1 - December 31, 2020	January 1 - December 31, 2019
General administrative expenses	285.963	252.929
Marketing expenses	361.705	352.304
Research and development expenses	3.342	2.894
Total	651.010	608.127

a) Detail of general administrative expenses

	January 1 - December 31, 2020	January 1 - December 31, 2019
Personnel expenses	150.039	124.846
Depreciation and amortization expenses	21.833	22.861
Information technology expenses	18.728	16.728
Consultancy expenses	16.253	19.030
Tax expenses	11.594	6.568
Insurance expenses	10.832	8.720
Lawsuit, consultancy and auditing expenses	8.593	6.436
Maintenance expenses	6.145	5.779
Transportation expenses	5.112	6.410
Attendance fees	4.675	4.168
Donation and aids	3.045	3.441
Communication expenses	2.415	4.132
Post office expenses	1.684	1.529
Rent expenses	1.415	792
Other administrative expenses	23.600	21.489
Total general administrative expenses	285.963	252.929

b) Detail of marketing expenses

	January 1 - December 31, 2020	January 1 - December 31, 2019
Transportation, distribution and warehousing expenses	137.776	164.674
Personnel expenses	57.998	52.452
Depreciation and amortization expenses	53.407	26.474
Sales expenses	35.631	30.348
Advertising and promotion expenses	29.235	30.443
After sales services and maintenances expenses	12.613	11.169
License expenses	5.234	5.873
Transportation expenses	3.444	5.976
Other marketing expenses	26.367	24.895
Total marketing expenses	361.705	352.304

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DEVELOPMENT EXPENSES (CONTINUED)****c) Detail of research and development expenses**

	January 1 - December 31, 2020	January 1 - December 31, 2019
Outsourced research and development expenses	3.342	2.894
Total research and development expenses	3.342	2.894

25. EXPENSES RELATED TO THEIR NATURE

	January 1 - December 31, 2020	January 1 - December 31, 2019
Personnel expenses	208.037	177.298
Transportation, distribution and warehousing expenses	137.776	164.674
Depreciation and amortization expenses	75.240	49.335
Sales development expenses	35.631	30.348
Advertising and promotion expenses	29.235	30.443
Information technology expenses	18.728	16.728
Consultancy expenses	16.253	19.030
After sales services and maintenances expenses	12.613	11.169
Tax expenses	11.594	6.568
Insurance expenses	10.832	8.720
Lawsuit, consultancy and auditing expenses	8.593	6.436
Transportation expenses	8.556	12.386
Maintenance expenses	6.145	5.779
License expenses	5.234	5.873
Attendance fees	4.675	4.168
Outsourced research and development expenses	3.342	2.894
Donation and aids	3.045	3.441
Communication expenses	2.415	4.132
Rent expenses	1.415	792
Other	51.651	47.913
Total	651.010	608.127

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26. OTHER OPERATING INCOME/EXPENSES

Other operating income for the years ended as of December 31, 2020 and 2019 are as follows:

	January 1 - December 31, 2020	January 1 - December 31, 2019
Foreign exchange gains arising from trading activities	147.282	72.463
Income generated from maturity differences of sales	48.676	85.562
Provisions no longer required	11.386	1.549
Income from port services	4.992	6.431
Gain on sale of scrap	4.219	3.583
Rent income	3.209	3.856
LPG pipeline usage income	3.144	2.455
Goodwill expenses from prior years	2.194	6.676
Other income and profits	26.684	16.419
Total other operating income	251.786	198.994

Other operating expenses for the years ended as of December 31, 2020 and 2019 are as follows:

	January 1 - December 31, 2020	January 1 - December 31, 2019
Foreign exchange losses arising from trading activities	173.261	96.703
Expenses from maturity differences of purchases	26.675	58.116
Provision expenses	11.103	10.330
Demurrage expenses	4.398	5.052
Other expenses and losses	8.727	12.707
Total other operating expenses	224.164	182.908

27. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	January 1 - December 31, 2020	January 1 - December 31, 2019
Income from sales of property, plant and equipment (*)	61.644	7.347
Income from termination compensation (**)	22.421	-
Dividend income from financial investments	100	70
Total income from investment activities	84.165	7.417

(*) Income from sales of the idle land and the immovables on it in Bursa Organized Industrial Site belonging to the Company on March 24, 2020 is TL49.639 thousand.

(**) After the end of the business partnership between Koç Group and UniCredit on February 5, 2020, 100% of the shares representing the capital of 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 YKB shares of 31.93% were transferred to UniCredit 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%. Within the scope of termination of the business partnership between Koç Group and UniCredit in line with UniCredit's strategic goals, UniCredit made a termination payment of TL22.421 thousand to the Company on February 6, 2020. (Note 5).

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27. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES (CONTINUED)

	January 1 - December 31, 2020	January 1 - December 31, 2019
Expenses from sales of property, plant and equipment	1.305	2.509
Total expenses from investment activities	1.305	2.509

28. FINANCIAL INCOME

Financial income for the years ended as of December 31, 2020 and 2019 are as follows:

	January 1 - December 31, 2020	January 1 - December 31, 2019
Financial income		
Foreign exchange gains	137.869	78.895
Interest income	57.869	71.841
Fair value differences on swap transactions	33	75
Total	195.771	150.811

29. FINANCIAL EXPENSE

Financial expense for the years ended as of December 31, 2020 and 2019 are as follows:

	January 1 - December 31, 2020	January 1 - December 31, 2019
Financial expense		
Interest expenses	169.399	230.733
Foreign exchange losses	128.122	75.174
Interest expenses on lease liabilities	29.062	21.252
Early closure fee (*)	16.243	25.051
Total	342.826	352.210

(*) In 2020, various loans amounting to TL1.175.000 thousand (2019: TL800.000 thousand) were closed before their maturity dates in order to gain interest advantage. Various loans amounting to TL50.000 thousand were restructured. The early closure fee occurred amounting to TL16.243 thousand (2019: TL25.051 thousand) (Note: 6).

30. TAX ASSETS AND LIABILITIES

	December 31, 2020	December 31, 2019
Current tax liability		
Current corporate tax provision	58.916	37.437
Less: Prepaid taxes and funds	(47.468)	(27.192)
Current tax liability	11.448	10.245
Tax expenses		
- Current corporate tax provision	(58.916)	(37.437)
- Deferred tax	2.991	5.358
Total	(55.925)	(32.079)

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30. TAX ASSETS AND LIABILITIES (CONTINUED)

Corporate tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated 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 2020 is 22% (2019: 22%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2020 is 22% (2019: 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 1 - 25 April 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/IFRS purposes issued by POA and financial statements prepared in accordance with the tax legislation. These differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with TAS/IFRS 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, 2020 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, 2019: 22%).

Deferred tax liabilities/(assets):	December 31, 2020	December 31, 2019
Depreciation/amortization differences of property, plant and equipment and other intangible assets	53.111	48.955
Revaluation of financial assets measured at fair value through other comprehensive income	13.106	11.852
Provision for employment termination benefits	(10.918)	(8.421)
Valuation of inventories	(1.662)	(1.324)
Derivative instruments	5.788	4.321
Other	(15.722)	(13.478)
	43.703	41.905

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30. 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, 2020			December 31, 2019		
	Assets	Liabilities	Deferred tax Net	Assets	Liabilities	Deferred tax Net
Aygaz	(29.316)	71.647	42.331	(23.158)	63.459	40.301
Akpa	(1.496)	646	(850)	(1.147)	754	(393)
Aygaz Doğal Gaz	(760)	1.480	720	(530)	1.618	1.088
Kuleli	(466)	1.968	1.502	(500)	1.409	909
	(32.038)	75.741	43.703	(25.335)	67.240	41.905

Movement of deferred tax assets and liabilities are as follows:

Movement of deferred tax liabilities/(assets):	2020	2019
As of January 1 st .	41.905	47.072
Change to the profit or loss:	(2.991)	(5.358)
Change to the equity:	4.789	191
- Effect of gains/(losses) re-measurement on defined benefit plans	(25)	(582)
- Effect of gains/(losses) on financial assets measured at fair value through other comprehensive income	1.254	5.418
- Effect of gains/(losses) on cash flow hedges	3.560	(4.645)
As of December 31 st .	43.703	41.905

Tax reconciliation:

	January 1 - December 31, 2020	January 1 - December 31, 2019
Profit before tax	31.036	305.556
Income tax rate	22%	22%
Expected tax expense	(6.828)	(67.222)
Tax effects of:		
- Revenue that is exempt from taxation (investments accounted under equity method)	(38.618)	30.184
- Income not subject to tax	24.099	8.701
- Tax rate differences	(3.862)	4.203
- Expenses that are not deductible in determining taxable profit	(4.047)	(9.409)
- Tax losses	(31.024)	(5.074)
- Prior year losses used	450	5.678
- Other	3.905	860
Tax expense in the statement of profit or loss	(55.925)	(32.079)

31. EARNINGS PER SHARE

	January 1 - December 31, 2020	January 1 - December 31, 2019
Average number of ordinary shares outstanding during the period (one thousand)	30.000.000	30.000.000
Net profit for the year attributable equity holders of the parent company	(24.889)	273.477
Earnings (losses) per hundred shares (TL)	(0,082963)	0,911590

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32. 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, 2020; dividends payable amounting to TL1.273 thousand (December 31, 2019: TL1.211 thousand) is reflected within other payables to related parties which are excluded from Koç Group under short-term liabilities at the consolidated balance sheet.

Balances with related parties	December 31, 2020			
	Receivables		Payables	
	Trade	Non-trade	Trade	Non-trade
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	83.982	-	64.439	-
Demir Export A.Ş.	3.063	-	-	-
Ford Otomotiv Sanayi A.Ş.	1.031	-	-	-
Demir Export A.Ş. - Fernas İnşaat A.Ş. Adi Ortaklığı	486	-	-	-
Opet Petrolcülük A.Ş.	407	-	42.873	-
Otokoç Otomotiv Tic. ve San. A.Ş.	13	-	2.835	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	-	-	7.928	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	3.694	-
Other	4.058	-	6.998	-
Shareholders				
Koç Holding A.Ş.	-	-	8.737	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	2.353	-	-	-
	95.393	-	137.504	-
Balances with related parties	December 31, 2019			
	Receivables		Payables	
	Trade	Non-trade	Trade	Non-trade
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	118.267	-	84.940	-
Demir Export A.Ş.	5.385	-	-	-
Demir Export A.Ş. - Fernas İnşaat A.Ş. Adi Ortaklığı	1.005	-	-	-
Opet Petrolcülük A.Ş.	333	-	43.331	-
Otokoç Otomotiv Tic. ve San. A.Ş.	21	-	2.304	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	-	-	8.199	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	4.926	-
Other	2.768	-	4.152	-
Shareholders				
Koç Holding A.Ş.	-	-	9.050	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	3.415	-	-	-
	131.194	-	156.902	-

(*) 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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32. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Transactions with related parties	January 1 – December 31, 2020			
	Purchases (Goods)	Sales (Goods)	Purchases (Service)	Sales (Service)
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	859.990	809.097	8.138	-
Opet Petrolcülük A.Ş. (**) (***)	271.045	8.433	137.080	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	25.745	31	23.318	-
Ram Dış Ticaret A.Ş.	14.068	-	35	-
Otokoç Otomotiv Tic. ve San. A.Ş.	3.700	802	3.042	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	305	109	14.889	-
Demir Export A.Ş.	-	21.174	-	-
Ford Otomotiv Sanayi A.Ş.	-	6.936	-	-
Setur Servis Turistik A.Ş.	-	174	2.944	-
Other	5.403	29.271	11.327	-
Shareholders				
Koç Holding A.Ş. (****)	712	86	16.253	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	-	21.166	5.959	-
	1.180.968	897.279	222.985	-

Transactions with related parties	January 1 – December 31, 2019			
	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	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	17.699	88	16.209	-
Ram Dış Ticaret A.Ş.	1.488	-	30	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	481	125	13.198	-
Otokoç Otomotiv Tic. ve San. A.Ş.	192	429	1.194	-
Arçelik A.Ş.	2	4.116	19	-
Demir Export A.Ş.	-	90.885	-	-
Ford Otomotiv Sanayi A.Ş.	-	18.310	-	-
Setur Servis Turistik A.Ş.	-	152	6.420	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	15	2.457	-
Other	8.767	30.515	5.534	-
Shareholders				
Koç Family Members	-	132	-	-
Koç Holding A.Ş. (****)	-	69	19.264	-
Temel Ticaret ve Yatırım A.Ş.	-	4	4	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	-	35.259	-	-
	1.526.588	1.499.922	204.004	-

(*) Group companies include Koç Group companies.

(**) Commission expense regarding LPG sold at Opet stations as of December 31, 2020 is TL134.708 thousand (December 31, 2019: TL131.203 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 TL11.016 thousand has been made to Opet in 2020 in consideration of 5 years sales agreement on average to be paid to Aygaz Dealers making auto gas sales at Opet stations (2019: TL10.297 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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32. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Tangible asset and rent transactions with related parties	January 1 - December 31, 2020			
	Rent income	Rent expense	Tangible and intangible asset purchases	Tangible asset sales
Group companies (*)				
Opet Petrolcülük A.Ş.	797	-	-	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	5.921	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	1.041	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	-	654	383
Other	-	-	882	-
Shareholders				
Koç Holding A.Ş.	-	1.020	-	-
	797	1.020	8.498	383

Tangible asset and rent transactions with related parties	January 1 - December 31, 2019			
	Rent income	Rent expense	Tangible and intangible asset purchases	Tangible asset sales
Group companies (*)				
Opet Petrolcülük A.Ş.	727	-	10	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	6.916	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	-	1.693	57
Other	-	-	324	16
Shareholders				
Koç Holding A.Ş.	-	547	-	-
	727	547	8.943	73

(*) Group companies include Koç Group companies.

Financial and other transactions with related parties	January 1 - December 31, 2020			
	Financial income	Financial expense	Other income	Other expense
Group companies (*)				
Yapı Kredi Bankası A.Ş.	132.158	42.048	-	-
Koç Üniversitesi	-	-	-	348
Other	-	-	38	39
	132.158	42.048	38	387

Financial and other transactions with related parties	January 1 - December 31, 2019			
	Financial income	Financial expense	Other income	Other expense
Group companies (*)				
Yapı Kredi Bankası A.Ş.	132.484	47.620	-	-
Rahmi Koç Müzesi	-	-	-	1.800
Vehbi Koç Vakfı	-	-	-	1.206
Other	-	-	53	434
	132.484	47.620	53	3.440

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Cash at banks	December 31, 2020	December 31, 2019
Group companies (*)		
Yapı Kredi Bankası A.Ş.	675.912	489.741
Credit card receivables	December 31, 2020	December 31, 2019
Group companies (*)		
Yapı Kredi Bankası A.Ş.	53.722	46.284
Bank loans	December 31, 2020	December 31, 2019
Group companies (*)		
Yapı Kredi Bankası A.Ş.	-	46.058

(*) 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, 2020, total benefit provided to senior management of the Company is TL63.947 thousand (December 31, 2019: TL43.847 thousand). The total amount is consisting of short-term benefits. TL10.375 thousand of this amount is made to senior management due to their leave in 2020 (December 31, 2019: None).

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33. 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, 2020	December 31, 2019
Total short-term and long-term borrowings	1.564.190	1.247.763
Less: Cash and cash equivalents	(960.648)	(665.391)
Net financial debt	603.542	582.372
Total shareholder's equity	2.317.403	2.478.083
Net financial debt/equity ratio	26,0%	23,5%

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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33. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk of financial instruments

	Receivables					
	Trade receivables		Other receivables		Deposits in banks	Credit card receivables
	Related party	Third party	Related party	Third Party		
December 31, 2020						
Maximum exposed credit risk as of reporting date (*)	95.393	580.323	-	60.763	904.731	55.597
- The part of maximum risk under guarantee with collateral etc.	-	397.169	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	95.393	538.412	-	60.763	904.731	55.597
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	-	42.546	-	-	-	-
- The part under guarantee with collateral etc.	-	25.377	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	26.405	-	-	-	-
- Impairment (-)	-	(26.405)	-	-	-	-
- 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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33. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk of financial instruments

	Receivables				Deposits in banks	Credit card receivables
	Trade receivables		Other receivables			
	Related party	Third party	Related party	Third Party		
December 31, 2019						
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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33. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

December 31, 2020	Trade receivables	Other receivables	Deposits in banks	Derivative instruments	Other	Total
Past due 1-30 days	33.299	-	-	-	-	33.299
Past due 1-3 months	6.048	-	-	-	-	6.048
Past due 3-12 months	2.451	-	-	-	-	2.451
Past due 1-5 years	748	-	-	-	-	748
Total past due	42.546	-	-	-	-	42.546
The part under guarantee with collateral	25.377	-	-	-	-	25.377
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

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33. 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, 2020						
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 (*)	1.393.415	1.565.011	20.608	506.654	1.037.749	-
Trade payables	824.200	824.200	824.200	-	-	-
Liabilities for employee benefits	67.979	67.979	67.979	-	-	-
Lease liabilities	170.775	235.220	24.714	73.853	136.653	-
Other payables	119.444	119.444	2.291	-	-	117.153
Other liabilities	42.658	42.658	42.658	-	-	-
	2.618.471	2.854.512	982.450	580.507	1.174.402	117.153
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		363.808	330.049	33.759	-	-
Derivative cash outflows		(376.458)	(359.297)	(17.161)	-	-
Derivative instruments, net	(11.819)	(12.650)	(29.248)	16.598	-	-

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

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33. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

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

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.

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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33. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

b.3) Market risk management (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, 2020		Total TL equivalent	TL equivalent of USD	TL equivalent of Euro	TL equivalent of other
1.	Trade receivables	152.317	141.510	10.807	-
2.a	Monetary financial assets	210.675	208.942	1.458	275
2.b	Non-monetary financial assets	-	-	-	-
3.	Other	58.176	58.028	148	-
4.	Current assets	421.168	408.480	12.413	275
5.	Trade receivables	-	-	-	-
6.a	Monetary financial assets	-	-	-	-
6.b	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non-current assets	-	-	-	-
9.	Total assets	421.168	408.480	12.413	275
10.	Trade payables	(447.355)	(443.614)	(2.726)	(1.015)
11.	Financial liabilities	(40.625)	(33.049)	(7.576)	-
12.a	Other monetary financial liabilities	(278.427)	(278.427)	-	-
12.b	Other non-monetary financial liabilities	(2.724)	(2.368)	(356)	-
13.	Current liabilities	(769.131)	(757.458)	(10.658)	(1.015)
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(802)	-	(802)	-
16.a	Other monetary financial liabilities	-	-	-	-
16.b	Other non-monetary financial liabilities	-	-	-	-
17.	Non-current liabilities	(802)	-	(802)	-
18.	Total liabilities	(769.933)	(757.458)	(11.460)	(1.015)
19.	Net asset/liability position of off balance sheet asset and liabilities (19a-19b)	26.281	26.281	-	-
19.a	Total derivative assets	33.032	33.032	-	-
19.b	Total derivative liabilities	6.751	6.751	-	-
20.	Net foreign currency asset/liability position (9+18+19)	(322.484)	(322.697)	953	(740)
21.	Net foreign currency asset/liability position of monetary items (1+2a+5+6a+10+11+12a+14+15+16a)	(404.217)	(404.638)	1.161	(740)
22.	Fair value of derivative instruments held for hedging	-	-	-	-
23.	Hedged foreign currency assets	-	-	-	-
24.	Hedged foreign currency liabilities	-	-	-	-
25.	Export (*)	2.206.041	2.157.867	48.174	-
26.	Import (*)	5.062.460	5.042.428	17.282	2.750

(*) Transit sales and purchases are included.

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33. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

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)	-
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.		(151.541)	(142.976)	(12.488)	3.923
	Net foreign currency asset/liability position (9+18+19)				
21.	Net foreign currency asset/liability position 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.

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

	December 31, 2020	December 31, 2019
Assets	421.168	491.600
Liabilities	(769.933)	(693.633)
Net asset/liability position	(348.765)	(202.033)
Derivative instruments net position	26.281	50.492
Net foreign currency asset/liability position	(322.484)	(151.541)
Inventories under the natural hedge ^(*)	311.883	196.810
Net foreign currency position after the natural hedge	(10.601)	45.269

(*) 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, 2020, the Group has LPG amounting to TL311.883 thousand (December 31, 2019: TL196.810 thousand).

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33. 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, 2020			
	Income/(Expense)		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
10% fluctuation of USD rate				
USD net asset/(liability)	(40.464)	40.464	(40.464)	40.464
Secured portion from USD risk	2.628	(2.628)	2.628	(2.628)
USD net effect	(37.836)	37.836	(37.836)	37.836
10% fluctuation of Euro rate				
Euro net asset/(liability)	116	(116)	116	(116)
Secured portion from Euro risk	-	-	-	-
Euro net effect	116	(116)	116	(116)
Total	(37.720)	37.720	(37.720)	37.720

	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

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33. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Currency forward agreements

Currency forward agreements as of December 31, 2020 are summarized at the table below:
The Group had no currency forward agreement as of December 31, 2019.

					December 31, 2020	
Maturity	Parity	Type of contract	Transactions	Total amount	Currency	
18 days	7,50	Forward	Sells USD, buys TL	900	USD	

					December 31, 2020	
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, 2020, the Group has swap agreement amounting to TL13.050 thousand (2019: TL39.150 thousand) with fixed interest rate of 13,415% in return for USD4.500 thousand (2019: USD13.500 thousand) with a floating interest rate of six-month USDLIBOR+2,4%. Swap transaction has half-yearly interest payments and principal payments amounting to USD9.000 thousand have been made in 2020 (2019: USD9.000). 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, 2020	December 31, 2019
Instruments with fixed interest rate		
Time deposits	880.936	587.068
Borrowings and bonds issued	1.564.190	1.166.282
Instruments with floating interest rate		
Borrowings and bond issued	-	78.627

As of December 31, 2020, there is no floating rate financial instrument. (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 TL886 thousand as of December 31, 2019.)

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33. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Financial instrument categories and fair values

December 31, 2020	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	960.648	-	-	-	-	960.648	4
Trade receivables	-	675.716	-	-	-	675.716	8,32
Other financial assets	-	-	419.078	2.127	-	421.205	5
Other receivables	-	60.763	-	-	-	60.763	9
Financial liabilities							
Short-term and long-term borrowings							
Short-term and long-term borrowings	-	-	-	-	1.564.190	1.564.190	6
Trade payables	-	-	-	-	824.200	824.200	8,32
Liabilities for employee benefits	-	-	-	-	32.695	32.695	10
Other payables	-	-	-	-	119.444	119.444	9,32
Other liabilities	-	-	-	-	551	551	19

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	8,32
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							
Short-term and long-term borrowings	-	-	-	-	1.247.763	1.247.763	6
Trade payables	-	-	-	-	578.783	578.783	8,32
Liabilities for employee benefits	-	-	-	-	29.310	29.310	10
Other payables	-	-	-	-	108.768	108.768	9,32
Other liabilities	-	-	-	-	783	783	19

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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, 2020	1st Level	2nd Level	3rd Level
Financial assets measured at fair value	421.205	419.241	1.258	706
Derivative financial instruments	(3.915)	-	(3.915)	-

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	87	394.651	706
Derivative financial instruments	15.557	-	15.557	-

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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33. 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.

34. 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 TL47.806 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.

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED DECEMBER 31, 2020**

(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)

35. SUBSEQUENT EVENTS

The Company, its fully-owned subsidiary Aykargo and McKinsey Group ("McKinsey") entered into a Partnership Framework Agreement (Agreement) on January 15, 2021 for the purposes of building a strategic collaboration in order to enhance and carry out more effectively the operations of Aykargo in the e-commerce and the fast-growing cargo distribution sector, by utilizing the Company's existing dealer network and home delivery experience. The Agreement sets forth the key elements of the collaboration. In the first 5 years, the Company and McKinsey envisage to invest in Aykargo by injecting a total of USD75.000 thousand as capital contribution, and to have a partnership ratio of 80:20, respectively. During this period, it is also envisaged that McKinsey will provide Aykargo with technical support and consultancy services in the amounts corresponding to McKinsey's part of the total investment. In addition, starting from the end of year 5, McKinsey will be granted exit rights for certain periods and conditions through initial public offering and/or put option of its shares to the Company, and the Company will be granted a right of first offer and a call option. It is envisaged that the complementary agreements governing the details of the collaboration will be signed by April 15, 2021.

In line with Group's growth strategy abroad, the Board of Directors resolved on March 5, 2019 to sign a Share Purchase Agreement ('Contract'), between the Company and United Enterprises & Co. Ltd., 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 - of United Enterprises & Co. Ltd., in order to establish a partnership ('Joint Venture Company') and to make the necessary investments with United Group in Bangladesh based on the principles of equal management and to operate in LPG supply, filling and distribution in the Bangladesh market. With the fulfillment of all the conditions precedents set forth in the Share Purchase Agreement, the transfer of shares and payment are completed, following the payment of 50.000 thousand Taka (approximately USD605 thousand) to the Seller in cash and in advance by the Company on January 20, 2021. In addition the Shareholders Agreement which regulate the rights of the Buyer and the Seller, Land Lease Agreement for one of the regions where Joint Venture Company will operate and Throughput Agreement included in the Share Purchase Agreement are signed and came in to force. It was decided that the Joint Venture Company shall be named United Aygaz LPG Ltd. and the board of directors to be composed of 6 members in total, 3 members to represent the Company and 3 members to represent United Enterprises & Co. Ltd. The schedule for the capital increases will be realized within the scope of financing the investments of the Joint Venture Company, following the fulfillment of the necessary conditions in the Shareholders Agreement.

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