

AYGAZ A.Ş.
1 January – 31 March 2022
INTERIM REPORT



BUSINESS AREA

The main activity of the Company is purchasing liquefied petroleum gas ('LPG') from domestic refineries and overseas market, stocking, filling and delivery to retailers for distribution to customers as cylinder, autogas and bulk gas. Aygaz A.S ('Company' or 'Aygaz') has a facility that produces cylinders, valves, small bulk gas tanks, pressure regulators and similar items besides five marine terminals, six filling plants and seven distribution centers operated by the most modern technology which comply with international standards. As of the end of March 2022, Aygaz serve to customers with 2,267 cylinder dealers and 1,801 autogas stations.

Production and distribution of LPG equipments are also included in the activities as well as manufacture, purchase, sales and after sales of LPG cylinders, LPG tanks, LPG stoves and other supplementary materials which support the Company's main business and which are necessary equipment for the end-user.

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

CAPITAL AND SHAREHOLDING STRUCTURE

The issued capital of our company is TL 300.000.000 and the recent increase transaction was registered with the Capital Markets Board's decision dated June 6, 2008 and was published in the Turkish Trade Registry Gazette on June 23, 2008.

Company's

Issued capital	:	TL 300,000,000.00
Upper limit of registered capital	:	TL 500,000,000.00

The shareholding structure as of March 31, 2022

	TL	%
Koç Holding A.Ş.	122,053,514.26	40.68
Temel Ticaret ve Yatırım A.Ş.	17,324,090.53	5.77
Koç Family	14,264,964.78	4.76
Liquid Petroleum Gas Dev. Co.	73,545,660.24	24.52
Free Float*	72,811,770.18	24.27
Total	300,000,000.00	100.00

* 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., of which Liquid Petroleum Gas Dev. Co. is a 100% shareholder.

BOARD OF DIRECTORS

Division of duties among the Board of Directors which are elected in the Ordinary General Assembly dated March 30, 2022 are determined by the Board Resolution dated March 31, 2022 as below;

Board of Directors

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

Executive Committee

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

Audit Committee

Kutsan Çelebican	Chairman
Dr. Şadan Kaptanoğlu Dikici	Member

Corporate Governance Committee

Kutsan Çelebican	Chairman
Yağız Eyüboğlu	Member
Gökhan Dizemen	Member

Risk Management Committee

Dr. Şadan Kaptanoğlu Dikici	Chairwoman
Dr. Bülent Bulgurlu	Member

EXECUTIVE MANAGEMENT

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

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

SUBSIDIARIES and AFFILIATES

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

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

Investments in associates and Joint ventures	Place of incorporation and Operation	Principal Activity
Enerji Yatırımları A.Ş.	Turkey	Energy
Entek Elektrik Üretimi A.Ş.	Turkey	Electricity
Opet Aygaz Gayrimenkul A.Ş.	Turkey	Real Estate

United LPG Ltd. (*)	Bangladesh	LPG supply, filling and distribution
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Financial Assets	Place of incorporation and Operation	Principal Activity
Koç Finansal Hizmetler A.Ş.	Turkey	Finance
Ram Dış Ticaret A.Ş.	Turkey	Trade
Tat Gıda Sanayi A.Ş.	Turkey	Food

(*) It is resolved to name the Joint Venture Company as United Aygaz LPG Ltd. with the protocol signed on January 20, 2021. The title change will be realized with an application following the completion of the necessary permit procedures by the related Ministry.

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

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. Akpa is mainly engaged in sales of cylinders and carboy water through dealers, retail and wholesale of LPG, fuel and lubricants through autogas stations. It is resolved to reduce its share capital by TL 5.700 thousand from TL 10.700 thousand to TL 5.000 thousand, in its Extraordinary General Meeting held on August 6, 2020 with the aim of using the reduced amount more efficiently by the shareholder Aygaz.

Main activity of Aygaz Doğal Gaz Toptan Satış A.Ş. and Aygaz Doğal Gaz İletim A.Ş. (together “Aygaz Doğal Gaz”) is to purchase natural gas from domestic and/or overseas suppliers, selling natural gas to domestic and/or overseas customers and make related arrangements for the modulation, storing of natural gas and building necessary facilities.

Sendeo Dağıtım Hizmetleri A.Ş. (“Sendeo”) has started its operations in cargo transport/distribution sector in 2020 as an in-house entrepreneurship project. With the resolution of the Board of Directors dated July 30, 2021, a long-term and success-based Consulting Agreement was signed with McKinsey Danışmanlık Hizmetleri Ltd. Şti. (“McKinsey”). With the contract, the Company has declared its intentions that the Company and/or other Koç Group companies owning Sendeo shares make a cash capital injection of up to USD 60 million in Sendeo during the service period taking into account the company’s activities and operational needs. On August 3, 2021 45% of the shares of Sendeo each with a nominal value of TL 15.975 thousand were transferred to Koç Holding A.Ş. with a cash price of TL 15.975 thousand. With the decision of the Extraordinary General Assembly held on February 14, 2022, it was resolved to increase Sendeo’s capital from TL 143.500 thousand to TL 423.500 thousand and to pay TL 154.000 thousand corresponding to the Company’s share until December 31, 2022. Portion of TL 77.000 thousand of the total amount has been paid on February 9, 2022 by the Company.

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. On December 20, 2018, at the extraordinary general assembly meeting of EYAŞ, it is resolved to decrease the company’s capital of TRL 3.347.000 thousand by TL 1.000.000 thousand down to TL 2.347.000 thousand. Our Company’s portion of TL 200.000 thousand is paid in cash on March 28, 2019.

The electricity producer company Entek Elektrik Üretimi A.Ş. (“Entek”), owned 49.62% by our main shareholder Koç Holding A.Ş. and 49.62% by our Company, acquired all of the shares of companies Süloğlu Elektrik Üretimi A.Ş. (Former trade name: STEAG Rüzgar Süloğlu Enerji Üretim ve Ticaret A.Ş.) and Enspire Enerji Yatırımları ve Hizmetleri A.Ş. (Former trade name: STEAG Turkey Enerji Yatırımları ve Hizmetleri A.Ş.), which has a wind power plant with 60 MW installed capacity from STEAG GmbH for 58.9 million USD in cash on August 4, 2021. With this purchase, as of March 31, 2022, Entek has a total installed capacity of 436 MW, 324 MW of which is in renewable energy, with eight hydroelectric power plants in Kahramanmaraş, Karaman, Samsun and Mersin with capacity of 264 MW, one natural gas cycling plant with capacity of 112 MW in Kocaeli, and one wind power plant with capacity of 60 MW in Edirne.

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. In the Extraordinary General Assembly that was carried out on June 22, 2017, it was decided to increase the capital from TL 150.000 thousand to TL 250.000 thousand.

Within the scope of the termination of the business partnership between Koç Group and UniCredit S.P.A on February 5, 2020, 100% of the shares representing Koç Finansal Hizmetler A.Ş (KFS) capital were transferred to Koç Group in proportion to their shares in KFS; In addition, KFS's Yapı ve Kredi Bankası A.Ş. ("YKB") shares of 31.93% were transferred to UniCredit SPA and 9.02% to Koç Holding A.Ş. KFS's share in YKB decreased from 81.9% to 40.95%. Within this framework, the Company's share in KFS increased from 1.97% to 3.93%. 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 TL 22.421 thousand to the Company on February 6, 2020.

Abroad Activities:

Aygaz UK London Branch: After evaluating similar practices and developments in the industry, Aygaz opened a branch office ('Aygaz UK') in London in 2019 to engage in LPG trade with the aim of increasing trade volume with third parties in international markets, supporting the company's import, export and transit operations by monitoring the opportunities in global markets more closely, and creating additional value from the supply chain. Aygaz UK continues its operations within this framework.

Bangladesh Investment: In line with Company's growth strategy abroad, on 5 March 2019, it was announced that Share Purchase Agreement ('Contract') was signed between Aygaz and United Enterprises & Co. Ltd. ('Seller' or 'the United Group'), where Aygaz shall buy 50% of the shares of United LPG Ltd of the Seller, in order to establish a partnership and to make the necessary investments with United Group 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 Contract, the transfer of shares are completed, following the payment of 50.000 thousand Bangladesh Taka ("BDT") (TL 4.507 thousand) to the Seller in cash by the Company on January 20, 2021. With the Board of Directors Decision of the Company dated July 1, 2021, it was decided to increase capital of United LPG Ltd. from BDT 100.000 thousand to BDT 1.120.000 thousand, and the BDT 510.000 thousand (approximately TL 52.150 thousand), corresponding to 50% share of the Company has been paid on July 8, 2021. With the Board of Directors Decision of the Company dated February 10, 2022, it was decided to increase capital of United LPG Ltd., from BDT 1.120.000 thousand to BDT 2.140.000 thousand, and the BDT 510.000 thousand (approximately TL 80.960 thousand), corresponding to the Company's share has been paid on February 14, 2022.

LEGAL AND ECONOMIC DEVELOPMENTS IN LPG MARKET

Energy Market Regulatory Authority ('EMRA') published the cumulative sector report as of February 2022. According to the report, Turkey's total sales amounted to 504,273 tons 2% lower than the same period last year. (Jan-Feb 2021: 514,441 tons)

MARKET-SALES-PRODUCTION

As of the end of March 2022, Aygaz continued its leading position in the market and total LPG sales reached 421 thousand tons, 6,413 million TL consolidated revenue was obtained.

Aygaz's cylinder LPG sales are 58 thousand tons and autogas sales are 133 thousand tons that sums up to domestic retails sales of 200 thousand tons together with bulk sales. Abroad and transit LPG sales constitute a significant portion of our company's overseas sales revenue and have reached to 110 thousand tons and 88.9 million USD revenue was

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obtained for the first three months of 2022. (2021 three months: 116 thousand tons – 63.9 million USD)

Aygaz UK's transaction volume, which affected the turnover in the first three months, was 3 thousand tons with a turnover of 2.2 million USD. (2021 three months: 139 thousand tons – 76.4 million USD)

Cylinder, small bulk gas tanks, valves, pressure regulators and similar items used in LPG sales, distribution and consumption are produced within our company. The first three months of the 2022 with device exports, 7.0 million USD foreign exchange revenue was accomplished. (2021 three months: 2.1 million USD)

INVESTMENTS

Under the investment plan for 2022, total amount of investments regarding renovation of cylinders used in the LPG delivery, modernization of the facilities and autogas stations and investments related to our cargo distribution business has reached 50.9 million TL in three months period. (2021 three months: 30 million TL)

RESEARCH AND DEVELOPMENT ACTIVITIES

In the first three months of 2022, total 4.6 million TL was spent for research and development activities.

EMPLOYEES

For the first three months of 2022, average number of employees working under Aygaz Group was 1,540. (For the first three months of 2021: 1,367)

A Collective Group Labor Agreement has been signed between the Turkish Employers Association of Metal Industries, the employers' union in the metal industries of which the company is a member, and the Turkish Metal Union on January 12, 2022 to be valid for the period from September 1, 2021 to August 31, 2023 covering the workers at the Gebze plant.

The Collective Labor Agreement between the Seafarers' Union of Turkey and seamen working on vessels is signed on February 18, 2021 for the 01.01.2021 – 31.12.2022 period.

Provisions for seniority pay and leave obligations as of 31 March 2022, totaled 98,796 thousand TL.

LEGAL DISCLOSURES

Lawsuits and Sanctions

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

Public Audits and Special Audits

In addition to the company's internal audits, Ministry of Finance, Ministry of Customs and Trade and other regulatory and oversight organizations have also requested various documents and information, and ordinary and limited audits have been conducted. Regarding the administrative process that was initiated by EMRA in association with the product audits conducted at four plants in 2013, administrative decisions including the revoking of licenses, administrative fines and sequestration were made by EMRA; the storage licenses of four plants cancelled within this scope were reinstated in a short period

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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.

KEY FINANCIAL INDICATORS

As of March 31, 2022, some basic indicators as compared to prior periods are as follows.

	<u>1 Jan – 31 Mar 2022</u>	<u>1 Jan – 31 Mar 2021</u>
Gross Profit Margin	7%	9%
Operating Profit Margin	0.3%	3%
Net Profit Margin	3%	-0.4%

	<u>31 March 2022</u>	<u>31 December 2020</u>
Current Ratio	1.10	1.20
Net Fin. Liability/Equity	49%	32%

GENERAL ASSEMBLY

Agenda for the Ordinary General Assembly Meeting which is held on March 30, 2022 and the list of attendants were published at the website, www.aygaz.com.tr. Details of the main items on the agenda were:

Board of Directors

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

Dividend Payment and Profit Distribution

Upon review of these 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 670,105,000 net profit for the reporting year and TL 270,608,631.21 net profit from its fiscal year activities according to TPL records.

- Accordingly, it has been resolved that setting aside 5% general legal reserves for 2021 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 31.12.2021,

It is also ascertained:

- that the donations in the amount of 10,014,031.75 added to the net period profit of TL 670,105,000, per the financial statements in accordance with TFRS, amounted to a distributable profit base of TL 680,119,031.75; and

- that the financial statements according to the TPL records indicate a net distributable profit of TL 270,608,631.21.

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

c. It is also proposed to pay out the total amount of TL 150,000,000.00 as the sum of dividends to the shareholders fully in cash.

d. It has been resolved that TL 150,000,000.00 for dividends payable to the shareholders and TL 13,500,00.00 for general legal reserves be paid out from current earnings;

e. The balance of TL 107,108,631.21 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; and the balance of TL 506,605,000.00 according to TFRS after the dividend payout and general legal reserve deductions to be transferred to retained profits;

To pay;

- 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;
- and 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 45.50000% and net amount of TL 0.45000 to other shareholders;

and that the dividend payout to start on April 6, 2022.

Dividend Policy:

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

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

In principle, as long as related regulations and financial resources allow, taking into consideration our long-term company strategies, investment and financing policies, profitability and cash position, 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.”

Donations and Supports:

Company’s donation of TL 10,014,031.75 to foundations and associations with the purpose of the social relief in 2021, is submitted to the information of the shareholders. It was decided by the General Assembly that the maximum amount for donations in 2022 to be as 0.4% of the revenues of the previous year.

Other:

It was accepted by the General Assembly to elect PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. as the independent auditor for the review of 2022 financial reports and to fulfill all other obligations within the scope of related regulations in the Law.

There were no amendments made in the Company’s Articles of Association within the period.

NATURE AND AMOUNT OF ISSUED CAPITAL MARKET INSTRUMENTS

Regarding the issuance of debt instruments with a total nominal value of up to TL 300,000,000 to finance the company’s activities pursuant to the Capital Markets Board decision no. 63/1427 dated December 13, 2018, the amounts of TL 90,000,000 and TL 80,000,000 were repaid on June 18, 2021 and August 4, 2021, respectively, in the order of their issuance.

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

(i) Long-term bonds with 720-day maturity, variable interest, 3-month coupon payment, with a spread of 140 basis points over BIST TLREF reference rate, principal payment on June 22, 2023, TL 100,000,000 for qualified investors with ISIN code TRSAYGZ62318;

(ii) Long-term bonds with 725-day maturity, variable interest, 3-month coupon payment, with a spread of 215 basis points over BIST TLREF reference rate, principal payment on December 11, 2023, TL 180,000,000 for qualified investors with ISIN code TRSAYGZA2312;

(iii) Long-term bonds with 368-day maturity, fixed annual interest of 24.00%, payable at maturity, principal payment on February 3, 2023, TL 150,000,000 for qualified investors with ISIN code TRSAYGZ22312.

CREDIT RATING

Our company's credit rating process carried out by JCR Eurasia Rating has been completed and following ratings has been assigned; the Long-Term National Rating "AA+ (Trk) / (Stable Outlook)", the Short-Term National Rating "A-1+ (Trk) / (Stable Outlook)", the Long-Term International (foreign and local currency) Rating "BB / (Stable Outlook)" and the Short-Term International (foreign and local currency) Rating "B / (Stable Outlook)".

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE

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

In addition to achieving full compliance with the mandatory principles of the Corporate Governance Communiqué No: II-17.1, in effect in 2021, Aygaz has complied with a majority of the nonmandatory 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 2021 have been carried out in compliance with the Capital Markets Law that includes Capital Markets Board (CMB) regulations on corporate governance principles and the communiqués pursuant to this law. Prior to the general assembly meeting, independent board members were nominated and publicly announced, and general assembly meeting was organized with due process. At the Ordinary General Assembly Meeting in 2021, members of the Board of Directors were elected, and in the ensuing process the Board committees, which currently functions effectively, were formed in accordance with regulations. Remuneration policy was determined for Board members and senior executives and presented to the shareholders at the general assembly meeting. Through the information document prepared for the General Assembly, information mandated by the principles, such as privileged shares, voting rights, organizational changes, résumés of the nominees for Board membership, remuneration policy for the Board of Directors and senior executives as well as all reports and information that must be drafted and disclosed about related parties were made available for investors three weeks prior to the General Assembly meeting. The corporate website and annual report were also reviewed and necessary changes were made toward full compliance with the principles.

Necessary work will be carried out for full compliance with the principles by considering legislative developments and implementations in the upcoming period. Our Company has not been exposed to any conflicts of interest due to lack of full compliance with the non-mandatory principles.

The 2021 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 disclosed to public on the Public Disclosure Platform.

Aygaz demonstrates its emphasis on the importance of complying with corporate governance principles and its commitment to implementing them as a continuous and dynamic process by receiving Corporate Governance Rating scores and remaining in the Corporate Governance Index. Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., operating under license from the Capital Markets Board (CMB) to conduct corporate governance rating activities in Turkey, upgraded the company's score from 9.42

to 9.50 on June 21, 2021. Corporate Governance Rating Score is determined under four main categories weighted by different degrees within the framework of the CMB resolution regarding the issue. Improvements in all the topics, including “Public Disclosure and Transparency” and “Shareholders” have contributed to the increase in the rating score. Preparation of Aygaz Donations and Sponsorship Policy, its presentation to and approval by the general assembly, and its publication on the corporate website, as well as 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. In the period following the Corporate Governance Rating upgrade, the company’s “Board of Directors’ Diversity Policy” in which Aygaz declares its commitment to increase the female Board membership ratio to 25% within five years, “Human Rights Policy,” “Antibribery and Corruption Policy,” “Gift Acceptance and Honor Policy,” and “Supply Chain Compliance Policy” have been approved by the Board of Directors and published on the Public Disclosure Platform and the corporate website. 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.

The sub-section ratings are confirmed as follows:

<u>Sub-sections</u>	<u>Weight</u>	<u>Rating</u>
Shareholders	0.25	95.83
Public Disclosure and Transparency	0.25	94.86
Stakeholders	0.15	99.51
Board of Directors	0.35	92.44
Total	1.00	94.95

Corporate Governance Rating Report can be accessed at our company website. The 2021 Corporate Governance Compliance Report (URF) and Corporate Governance Information Form (KYBF), approved by Aygaz A.Ş. Board of Directors, can be found in the corporate governance page of Aygaz A.Ş. on the Public Disclosure Platform (www.kap.org.tr).

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

SUSTAINABILITY PRINCIPLES COMPLIANCE

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

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

Aygaz 2020 Sustainability Report that includes information regarding Aygaz's sustainability implementations and performance has been made public via our company's website. (www.aygaz.com.tr)

RISK MANAGEMENT

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

Financial risks arising from uncertainties and fluctuations in foreign exchange, interest rates, liquidity and commodity prices are identified and evaluated and when necessary, relevant instruments are used to mitigate risks. Foreign exchange risks originate from purchases in foreign currencies regarding business activities or loans utilized in foreign currency for liquidity purposes. This risk is mitigated by the "natural hedge" that is created by reflecting exchange rate fluctuations on product sales prices and the foreign exchange position exposed to currency risk after the inventory within the said natural hedge is closely monitored and effectively managed. The risks are restricted and kept within targeted limits by forward or derivative transaction agreements when necessary. The interest rate risk shows its effects on rate-sensitive assets and liabilities. The negative effects of interest rate risk are eliminated balancing financial debts in terms of fixed/variable interest rates and short term/long term maturities.

Liquidity risk is managed by closely monitoring current and projected cash flows and ensuring maturity match between assets and liabilities. Net working capital is closely monitored to preserve short-term liquidity, and sufficient level of cash and cashlike assets are maintained against potential capital market fluctuations. Consequently, working capital needs and liquidity risks are minimized. The company's policy is to manage longterm liabilities with fixed-interest rates with flexible structures and to hedge the potential interest rate risks through derivative instruments. Available cash and non-cash credit lines are determined with the banks. In terms of commodity risks, derivative transactions are performed on operational inventory in order to limit the impact of price fluctuations in international markets.

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

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

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

The Company's issued capital is TL 300 million is protected by main partnership capital that is TL 2,561 million as of March 31, 2022.

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. 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.

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

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

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

OTHER ISSUES

Within the framework of our Company's strategic plans, with the target to create value by using Aygaz's existing equity and borrowing capacity by focusing especially on international LPG investments and other business areas such as cargo distribution, it has been resolved to transfer Entek shares in our Company's assets which corresponds to 49.62% of the registered Entek capital, to Tüpraş through a partial demerger transaction through the model of share transfer to Aygaz shareholders. Simultaneously, the Entek shares registered in the assets of Koç Holding A.Ş. will be transferred to Tüpraş through a partial demerger transaction through the associates model.

Tüpraş's issued capital will be increased by TL 24.837 thousand due to the takeover through demerger, issued shares with a nominal value of TL 12.419 thousand will be given to Koç Holding A.Ş. and the remaining nominal value of TL 12.419 thousand will be given to Aygaz shareholders. Aygaz's issued capital will be decreased by TL 80.199 thousand down to TL 219.801 thousand. As a result of the transaction Koç Holding A.Ş. and Aygaz shareholders will receive Tüpraş shares with a nominal value TL 0.02635 in exchange for Entek shares with a nominal value TL 1.

The permit application for the transaction has been made to the Capital Markets Board on April 29, 2022.

FORWARD LOOKING STATEMENTS

Regarding 2022;

Our sales volume expectations are;
Cylinder gas: 280 - 290 thousand tons
Autogas: 690 - 720 thousand tons

Our market share expectations are;
Cylinder gas: 41.0% - 43.0%
Autogas: 21.5% - 22.5%

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