N O

B A R R I E R S

aksa DOĞALGAZ

ANNUAL REPORT 2018

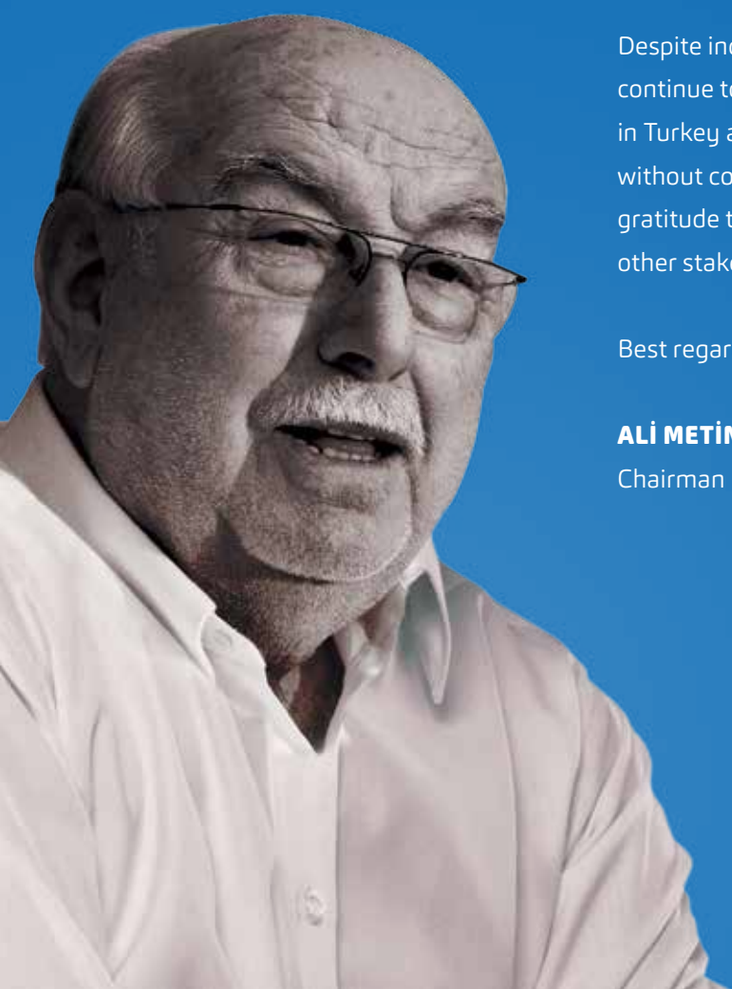
Esteemed Stakeholders,

In 2018, the global economy faced fundamental changes and challenges, while predictability diminished. We will feel these effects in the coming period.

In Turkey, where the year started with a strong performance, the impact of these developments were felt on several levels. However, the implementation of "corrective" and "rebalancing" measures yielded positive results, and the Turkish economy once again demonstrated its resilience under internal and external pressure.

For Kazancı Holding, 2018 will be remembered as a successful year in a successful journey spanning more than half a century. Despite volatile and challenging conditions worldwide and in Turkey, we achieved strong growth and exceeded all our key annual targets, including production, employment and turnover. In addition to our management team's extensive experience and ability to navigate a rapidly changing environment, our core competitive advantages include competent employees who can quickly implement decisions in the field, business models aimed at productivity, and effective risk management strategy, across all our business areas.

In 2018, we maintained our growth through continued investments, in line with our mission to become a global organization. We accelerated efforts to prepare our business for change and for the future, foreseeing possible developments in order to eliminate potential risks. We focused on productivity, cost-savings, innovation and technology in all our operations and made solid progress in our transformation efforts.



Despite indicators that 2019 will be even more challenging than last year, we will continue to implement an active investment strategy across our business areas both in Turkey and abroad, and create greater value for our people and our stakeholders without compromising profitability. I would like to take this opportunity to extend my gratitude to our valuable employees, our customers, our business partners and all our other stakeholders.

Best regards,

ALİ METİN KAZANCI
Chairman

Esteemed Stakeholders,

Since its inception, our group has consistently contributed to our country. We consider our support for the Turkish economy our main duty as we continually boost our production capabilities.

In 2018, we undertook major investments both in Turkey and abroad to create value for our stakeholders, while employing more than 7,800 people.

Thanks to the effective organizational structures and corporate governance practices established by our group companies in line with their targets for sustainable growth, we achieve greater success every year.

In 2002, Aksa Doğalgaz set out to deliver natural gas safely to every household in Turkey. Having built, and now safely operating, Turkey's largest natural gas distribution network, Aksa Doğalgaz currently serves 27 provinces, and 180 towns and districts in Turkey. In 2018, Aksa Doğalgaz invested a total of TL 681 million, raising its cumulative direct investment to TL 4.5 billion, while the total length of its network reached 27,833 km. With its business model, scale and financial success, Aksa Doğalgaz moves closer to its goal of becoming a predictable, safe haven for financial markets while attracting greater interest in the natural gas distribution sector.

In August 2018, the President's Cabinet announced its 100-day action plan consisting of 400 projects. One of these projects was designed to "provide natural gas to 40 districts across Turkey until November 10, 2018." Under the auspices of this project, Aksa Doğalgaz provided natural gas to 18 districts within its license regions, which correspond to about 50% of the project's scope. In the second phase of the project, the Company supplied natural gas to another 18 districts in Turkey, thereby providing natural gas to citizens in 36 districts in total, and contributing to efforts to improve our country's air quality.

Aksa Doğalgaz continues to achieve its economic and social objectives, which were established 17 years earlier. Meanwhile, the Kazancı Group will continue to conduct its activities, focusing on productivity and profitability while fulfilling its social and environmental responsibilities for a better future. I would like to thank our employees and stakeholders for their unwavering support as we continue our journey to growth by deriving strength from our corporate values.

Best regards,

ŞABAN CEMİL KAZANCI
CEO and Vice Chairman

aksa
DOĞALGAZ

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Please scan the QR Code to view our corporate promotional video.

W E L C O M E

T O O U R

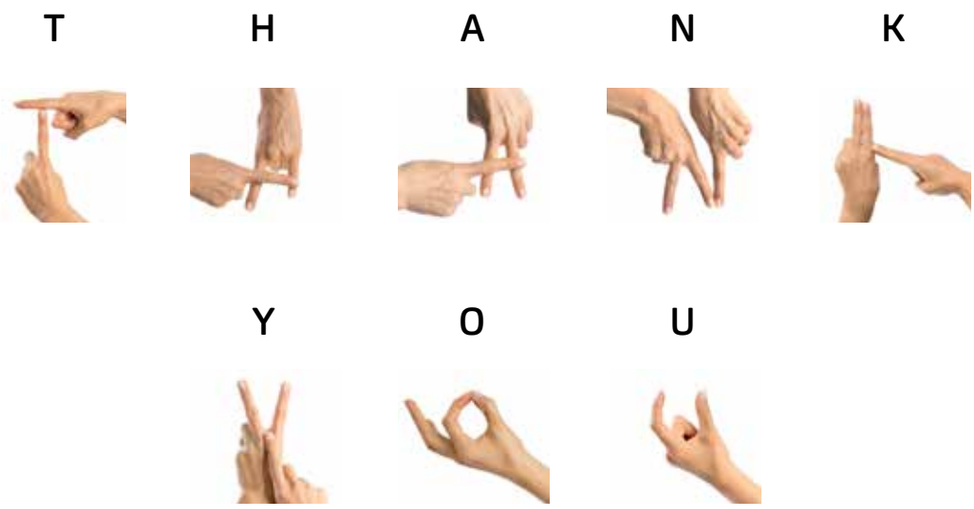
REPORT

WE WENT OVER EVERY HILL AND DALE, OVERCOMING ECONOMIC AND GEOGRAPHIC BARRIERS TO DELIVER THE CONVENIENCE OF NATURAL GAS TO NUMEROUS CITIES ACROSS OUR COUNTRY. WE BECAME THE LARGEST PRIVATE NATURAL GAS DISTRIBUTION COMPANY IN TURKEY.

OUR RESPONSIBILITY IS AS GRAND AS OUR SUCCESS. WE ARE AWARE THAT THERE ARE MANY DISABLED CITIZENS AMONG THE 15 MILLION PEOPLE WHOM WE SERVE. WE LAUNCHED THE “LIFE COMPANION” PROJECT IN 2015 TO MAKE LIFE EASIER FOR SUBSCRIBERS WITH HEARING, SPEECH OR VISION IMPAIRMENTS, TO ENHANCE COMMUNICATION AND TO ELIMINATE THE PROBLEMS THEY MIGHT ENCOUNTER IN OUR BUSINESS AREAS.

THE SYSTEM DEVELOPED UNDER THIS PROJECT RECOGNIZES EMERGENCY CALLS ORIGINATING FROM A DISABLED SUBSCRIBER, THUS ENABLING US TO SEND EMERGENCY TEAMS DIRECTLY TO THE CALLER’S LOCATION. ADDITIONALLY, OUR EMPLOYEES RECEIVE TRAINING IN SIGN LANGUAGE SO THEY CAN COMMUNICATE DIRECTLY WITH HEARING-IMPAIRED CITIZENS.

IN THIS REPORT, WE DESCRIBE OUR ACHIEVEMENTS UTILIZING THE HEARTFELT LANGUAGE OF HEARING-IMPAIRED PEOPLE.



WE ARE A BIG FAMILY
CONSISTING OF NEARLY
3 MILLION SUBSCRIBERS IN 31 CITIES.

Total Number of Subscribers

2.9

Million Subscribers

Being the natural gas distribution company serving the widest geographic area in Turkey, we have millions of responsibilities.

We fulfill each of these responsibilities through hard work and diligence, and we achieve new successes within our ever-expanding service area.

MESSAGE FROM THE CHAIRMAN

AT AKSA DOĞALGAZ, WE STRIVE TO PROVIDE OUR CITIZENS WITH THE BEST QUALITY NATURAL GAS - THE MOST COMFORTABLE AND EFFICIENT ENERGY SOURCE - WHILE DEVELOPING NEW INITIATIVES TO INCREASE ENVIRONMENTAL SUSTAINABILITY AWARENESS AMONG THE PUBLIC AND OUR STAKEHOLDERS.

Esteemed Stakeholders,

UNCERTAINTY IS GROWING IN THE GLOBAL ECONOMY

Trade wars, the Brexit process and the Federal Reserve's (Fed) interest rate decisions, as well as sanctions on Iran, and protests against austerity measures in France, were some of the major events affecting the global economy last year. While vulnerabilities affecting the growth outlooks of developed economies have resurfaced, the Fed's continued interest-rate hikes and the European Central Bank's (ECB) decision to end its asset purchase program resulted in a contraction in global liquidity and increased financial stress on developing countries.

In 2018, the US economy maintained strong growth due to economic incentives. However, President Trump's protectionist trade policy was the driving factor in the increase of global risk perception and uncertainty. European export countries, particularly Germany, were negatively affected by this uncertainty and the region experienced slower growth.

Developing countries, however, bore the brunt of this constricted approach to internationalization and trade. Tightened financial conditions drove an outflow of funds from these countries, and their macroeconomic indicators, particularly inflation, deteriorated significantly due to fluctuating exchange rates.

Global trade wars and geopolitical tensions are likely to cause further market fluctuations in the coming period. Indeed, the International Monetary Fund (IMF) highlighted these risk factors in its October 2018 World Economic Outlook report, and again in its January 2019 report, cutting its global growth outlook for 2019.

Total Assets

TL 4.9 BILLION

THE TURKISH ECONOMY MANAGED TO OVERCOME CHALLENGES IN 2018 WITH RELATIVELY LESS DAMAGE

After a strong start to 2018, the Turkish economy grew by a remarkable 7.4% in the first quarter and by 5.3% in the second quarter. However, in the second half of the year, key indicators such as inflation and interest rates deteriorated significantly, due to adverse developments in the global economy and extreme fluctuations in exchange rates, particularly following a heightening of political tensions between Turkey and the US. The Central Bank of Turkey decided to implement a strong monetary tightening, to slow the sharp depreciation of the Turkish lira and to curb inflation. As a result, economic activity started to slow down toward the end of the year while the growth rate dropped to 1.8% in the third quarter and the economy contracted by 3% in the fourth quarter. Consequently, the Turkish economy recorded an annualized growth rate of 2.6% in 2018.

The economic shocks caused by exchange rate volatility in August had a significant negative impact on macroeconomic indicators. Subsequently, the government announced the New Economic Program (NEP) in September 2018, initiating a new period for the economy. The Program centers on the three pillars of balance, discipline, and transformation; and provides a roadmap for reducing inflation, the current account deficit and the need for foreign capital, as well as foreign dependency in production. As a result of these proactive efforts to restore confidence and stability in the markets, the government began controlling fluctuations in exchange rates and inflation. Meanwhile, with an increase in tourism revenues, Turkey posted a current account surplus for the first time in a long period.

IT WAS A BUSY YEAR FOR THE NATURAL GAS DISTRIBUTION SECTOR

Having started its successful journey in the 1990s, the natural gas distribution sector continued to work for a cleaner and better future and maintained its steady growth in 2018. To date, distribution companies have invested more than US$ 7 billion in Turkey, while 12 thousand kilometers of network was built in 2018, with the total network length exceeding 140 thousand kilometers. As sector representatives, we are proud to supply natural gas to all cities in Turkey. As of end-2018, there were 72 companies operating in the sector, providing jobs to more than 10 thousand people and creating value for our economy.

Thanks to a total of TL 1.7 billion in investments undertaken in 2018, about 1.2 million people, of whom 308,000 are our Company's subscribers, began enjoying the comfort, safety and cost-efficiency of natural gas; the total number of subscribers in 81 cities and 510 residential areas exceeded 15 million. A decade earlier, there were nine subscribers per km^2 today, there are 19.6. We expect the number of subscribers per km^2 to reach 24 by 2023, the 100^{th} anniversary of the Republic of Turkey.

Despite intensive investments and strong subscriber acquisition, Turkey's natural gas demand dropped by 9% from 53.9 billion m^3 to 48.9 billion m^3 in 2018, mainly due to abnormally high temperature levels during the year.

In 2018, a number of notable developments took place in the natural gas distribution sector. The most remarkable was the establishment of a gas trading platform, which allows spot transactions in the natural gas market as well as balancing transactions and imbalance settlement. The Natural Gas Continuous Trading Platform, launched on September 1, aims for liberalization of the natural gas market and volume growth, and is open for trading 365 days per year, 24 hours per day. Additionally, the establishment of a spot natural gas market in Turkey - the Organized Natural Gas Wholesale Market (OTSP) - provides distribution companies with the opportunity for market-based balancing. With the establishment of the spot market, Turkey has become the first country to determine natural gas prices in the free market in its region. This initiative marks an important step towards making Turkey a regional energy hub, especially as our market volume grows and neighboring countries join the OTSP in the coming years.

Net Sales

TL 4.2 BILLION

MESSAGE FROM THE CHAIRMAN

IN 2018, WE ADDED 3,409 KM TO OUR NATURAL GAS NETWORK, EXTENDING ITS TOTAL LENGTH TO 27,833 KM.

EBITDA

TL 497 MILLION

Another important development in 2018 was the publishing of procedures and principles concerning the distribution activities to be carried out by distribution companies in organized industrial zones. The procedures and principles were developed and issued by the Energy Market Regulatory Authority (EMRA), in collaboration with the Ministry of Industry and Technology and the Natural Gas Distributors' Association of Turkey (GAZBİR). The regulation allows organized industrial zones located in small and medium-sized towns to use natural gas in order to support industrial growth in these regions.

WE CONTINUE TO LEAD OUR SECTOR

As the natural gas distribution group serving the widest region in Turkey, we had a busy year delivering uninterrupted, top quality, economical service to our subscribers, and contributing to the national economy through our expanding distribution regions and investments, in line with our vision.

In 2018, we added 3,409 kilometers to our natural gas network, increasing its total length to 27,833 kilometers. By 2021, we aim to increase the size of our network to 42 thousand kilometers, long enough to circumnavigate the globe. Our Company operates in 21 of the 72 license regions in Turkey, serving nearly 2.9 million subscribers. As of year-end, we distributed 8.5 billion m^3 of natural gas, which corresponds to 19.3% of the total gas distribution in Turkey.

In 2018, we also exceeded our financial targets. With an investment of TL 681 million undertaken in 2018, our cumulative investment amounted to TL 4.5 billion, while the total size of our Company's network reached 27,833 km.

Our turnover increased 45% year-over-year to reach TL 4.2 billion, while our shareholders' equity totaled TL 366 million, up 148%. Our EBITDA stood at TL 497 million, and our net profit for the year amounted to TL 196 million. Our Company ranked 76^{th} in terms of balance sheet in the Fortune 500 list, and we also ranked third in terms of return on equity, outperforming many of Turkey's giant corporations.

In 2018, we accelerated our investments in peripheral districts of the cities where we operate. In August, the President's Cabinet announced its 100-day action plan consisting of 400 projects. One of these projects was designed to "provide natural gas to 40 districts across Turkey until November 10, 2018." As part of this project, we provided natural gas to 18 districts within our license regions in just three months. These districts correspond to about 50% of the project's scope. Our Company began supplying natural gas to 18 new districts in Balıkesir, Giresun, Manisa, Rize, Tokat and Trabzon, thereby providing natural gas to a total of 36 districts in its license region.

In line with our main objective of implementing technology in all of our business processes, we embarked on a digital journey driven by our core strategies and cultural transformation; we are leading the sector in this respect. Accordingly, we continue to optimize our business processes to achieve speed, simplicity, mobility and customization. In 2018, we began managing our workflows via the digital platform PaperWork, which resulted in improved job completion times and significant cost savings.

At Aksa Doğalgaz, we consider our quality system a key element of our management philosophy, and we strive to deliver consistently high-quality service in all the regions where we operate. During the year, we updated our Integrated Management System in accordance with the revised ISO standards within just six months. As a result of this integration effort, carried out simultaneously in 21 distribution regions, we obtained ISO 9001:2015 and ISO 14001:2015 management system certificates, achieving yet another success in the sector.

SUSTAINABILITY LIES AT THE HEART OF AKSA DOĞALGAZ'S STRATEGIES

Because of the nature of its core business, Aksa Doğalgaz adopts a holistic approach to sustainability that extends beyond a financial approach. In line with our message "Cities Breathe Fresh Air with Natural Gas," we enable our citizens to breathe clean air and strive to draw attention to the importance of using natural gas. At Aksa Doğalgaz, we endeavor to provide our citizens with the best quality natural gas - the most comfortable and efficient energy source - while developing new initiatives to increase awareness among the public and our stakeholders regarding environmental sustainability. Accordingly, in 2019 we will launch a new campaign under the slogan, "Let It Stay Natural." Rather than delivering meters to our subscribers in single-use plastic bags, the meters will be delivered in nonwoven bags that can be re-used one hundred times. Our purpose is to raise public awareness on this subject.

As we execute our investment drive without interruption, in line with our sustainable growth strategy, we continue to contribute significantly to employment in our country. As of end-2018, our Company had 2,200 direct employees across Turkey, including 300 new employees hired during the year. We also provide indirect employment to 20 thousand people. At Aksa Doğalgaz, we believe that women's participation in the labor force and subsequent economic empowerment will help our country move closer towards its qualified development goal. Therefore, we provide equal opportunities to our female colleagues. That the employment rate of women is 10% in the energy sector and 17% at our Company clearly indicates our support for expanding women's participation in the labor force.

WE HAVE BIGGER GOALS FOR THE COMING PERIOD

We will continue our investment program across Turkey in the coming period. In the 2018-2021 period, we aim to add 100 new districts to our distribution network and supply natural gas to the residents in these areas. We will also continue to improve our business models aimed at productivity and operational excellence, the unique qualities that set us apart in the sector.

I would like to take this opportunity to express my gratitude to Kazancı Holding for its unwavering support and to all our stakeholders, especially our employees, who contributed to our successful performance in 2018.

Best regards,

YAŞAR ARSLAN
Chairman

Investments in 2018

TL 681 MILLION

S H A R I N G

WE PROVIDE CLEAN ENERGY
TO A POPULATION OF 15 MILLION
IN OUR DISTRIBUTION REGIONS.

Total Amount of Natural Gas Distributed

8.5

Billion M^3

In 2018, Aksa Doğalgaz's network corresponded to 20% of Turkey's total natural gas network length.

19.3% of all natural gas distributed in Turkey is delivered through Aksa Doğalgaz's network.

ABOUT KAZANCI HOLDING

KAZANCI GROUP CONTRIBUTES TO A SUSTAINABLE FUTURE BY LEVERAGING ITS EXTENSIVE EXPERIENCE AND EXPERTISE IN ALL THE REGIONS WHERE IT OPERATES WHILE CREATING FOREIGN CURRENCY INFLOW INTO TURKEY.

Number of Countries where Kazancı Holding Operates

20

With foundations dating back to the 1950s, Kazancı Holding ranks among the leading companies of the energy sector. The Holding conducts its activities with the mission of strengthening Turkey.

The Group ventured into the energy sector with genset manufacturing in the 1980s and went on to build an integrated structure in the energy industry. Thanks to its vertical and horizontal organization and service integration, Kazancı Group has attained a unique competitive position in the sector after establishing power plants and commencing electricity generation in the 1990s, setting up natural gas distribution operations in the 2000s, and starting electricity distribution in 2010.

Today, Kazancı Holding engages in production on four continents, employs over 7 thousand staff from 74 countries, conducts operations in 20 countries and exports products to over 160 countries around the world.

Kazancı Group differentiates itself from the competition with its business model, which places innovation, productivity and sustainability at the heart of the operations. The Group contributes to a sustainable future by leveraging its extensive experience and expertise in all the regions where it operates while creating foreign currency inflow into Turkey. In addition to energy, Kazancı Holding creates lasting added value for the Turkish economy through its investments in agriculture and tourism.

During its journey to success spanning over half a century, Kazancı Holding has always remained committed to the principles of customer satisfaction and trust. From the start, the Group's companies have figured among the pioneers of their sectors, regularly recording significant achievements in their respective business areas.

Of companies operating under the Aksa brand,

Providing natural gas distribution services in 21 licensed distribution regions, 27 provincial centers and 180 towns and districts, Aksa Doğalgaz works to ensure a comfortable life for its subscribers while contributing to the economy, society and environmental protection.

Building and operating power plants in Turkey and abroad, Aksa Energy is Turkey's largest independent power producer listed on the stock exchange. Having made significant progress in recent years, Aksa Energy has transformed itself from a local energy company into a global energy corporation with facilities in TRNC and on the African continent. The Company reported a total installed capacity of 2,061 MW as of end-2018.

Embracing customer-centricity and innovation, Aksa Electricity is a leading company in the Turkish electricity sector. Aksa Electricity supplies power to consumers across Turkey and in Çoruh and Fırat, its license regions. Serving 2.3 million subscribers and a population of about 4 million in 81 cities, the Company sold 9 TWh of electricity across Turkey in 2018.

Çoruh and Fırat electricity distribution companies constantly improve customer satisfaction by delivering uninterrupted power without compromising quality. These companies distribute 6.07 billion KWh of electricity to a population of 3.7 million in their license regions.

The leader of the Turkish power generator market, Aksa Power Generation ranks among Turkey's largest exporters, shipping products to over 160 countries. With production facilities in Turkey, China and the USA, the Company is also among the world's five biggest manufacturers. Exporting more than 50% of its production, Aksa Power Generation boasts a wide distribution network with 22 overseas sales offices across Asia, Europe, Africa, and USA.

Established in 2004, Aksa Agriculture has introduced a corporate approach to the agricultural industry, a strategically important sector for the sustainable development of our country. Engaging in fruit growing, grain agriculture, corn production for silage, paddy (rice) cultivation, and livestock farming (for meat and milk), Aksa Agriculture operates two farms in Samsun and Tekirdağ at EU standards.

Aksa Tourism conducts summer and congress tourism operations at the five-star Mirada Del Mar Hotel located in Göynük, Antalya, and runs winter tourism operations at the four-star Mirada Del Lago Hotel and three-star Mirada Del Monte Hotel, located on Erciyes Mountain.

AKSA DOĞALGAZ

2.9 million subscribers
8.5 billion m³ of natural gas distribution

Aksa Doğalgaz Distribution Areas

www.aksadogalgaz.com.tr

AKSA ELECTRICITY

About 9 TWh of electricity sold across Turkey

6.07 billion KWh of electricity distributed to a population of 3.7 million through Çoruh and Fırat electricity distribution companies

Çoruh Electricity Distribution Regions/Çoruh Electricity Retail Sales Regions

Fırat Electricity Distribution Regions/Fırat Electricity Retail Sales Regions

Aksa Electricity Sales Regions

www.aksaelektrik.com.tr

AKSA ENERGY

2,061 MW
Energy production in 5 countries on 2 continents with 2,061 MW installed capacity

Turkey's largest independent power producer listed on the stock exchange

Aksa Energy Production Facilities

www.aksaenerji.com.tr

AKSA POWER GENERATION

One of the world's top five genset manufacturers

More than 50% of production exported

Aksa Power Generation Manufacturing Facilities

Aksa Power Generation Sales Offices

Representation Offices

www.aksa.com.tr

AKSA AGRICULTURE

14,400 tons
of milk production

20 thousand
tons corn production for silage

www.aksatarim.com

AKSA TOURISM

687
room capacity

1,433
bed capacity

www.miradahotels.com

ABOUT KAZANCI HOLDING

AKSA DOĞALGAZ

Natural Gas Distribution and Sales

Participation Rate

99.96%

Boasting 21 distribution licenses, 8.5 bcm^3 of gas distributed, a 27,833 km network, and a market share of 19.3%, Aksa Doğalgaz is a private gas distribution company serving the widest geographic area in Turkey. Aksa Doğalgaz provides service to a population of about 15 million and 4.7 million potential customers in 27 provincial centers and 180 towns and districts within its distribution regions.

AKSA ELECTRICITY

Electricity Sales and Distribution

Participation Rate

100%

ELECTRICITY SALES

Aksa Electricity Sales, a subsidiary of Aksa Electricity, sells electricity at a discount to independent consumers across Turkey and provides retail sale and subscription services in the Fırat and Çoruh regions as the authorized power supplier. In 2018, Aksa Electricity sold 9 KWh of electricity across Turkey.

ELECTRICITY DISTRIBUTION

Çoruh and Fırat electricity distribution companies annually distribute 6.07 billion KWh of electricity to a population of 3.7 million in 9 cities and 101 districts located in their license regions.

AKSA ENERGY

Electricity Generation

Participation Rate

78.60%

Aksa Energy is Turkey's largest publicly listed independent power producer. Some 21.4% of its capital is in free float. Aksa Energy has a total installed capacity of 2,061 MW as of end-2018. Aksa Energy's shares are traded on BIST 100 and BIST 50 indices under the ticker "AKSEN," and the Company is also included in the Sustainability Index.

AKSA POWER GENERATION

Power Generator Production and Sale

Participation Rate

99.98%

Exporting 50% of its production, the Company is the industry leader in Turkey and it has 3 production facilities in Turkey, China and USA; 23 APCs in Turkey as well as sales offices in 16 countries and 6 representative sales offices - total of 22 sales organizations overseas.

AKSA AGRICULTURE

Agriculture and Livestock

Participation Rate

100%

Aksa Agriculture has leased İnanlı Agricultural Enterprise (Tekirdağ) and Gelemen Agricultural Enterprise (Samsun) for a period of 30 years. The Company is currently engaged in dairy and meat production on a land area totaling 24 thousand decares.

AKSA TOURISM

Tourism

Participation Rate

100%

Aksa Tourism operates in summer and winter tourism with three hotels located in Antalya and Kayseri.

G R O W T H

WE ARE EXPANDING
OUR SERVICE AREA THROUGH NEW INVESTMENTS AND
WE TOUCH MORE LIVES.

Total Length of Natural Gas Network

27.8

Thousand Km

With the addition of new districts to our license regions, our potential customer base will exceed 4.7 million.

By the end of 2021, we aim to extend our total network length to 42,000 km, expand our subscriber base to 3.8 million, raise our natural gas distribution volume to 11 billion m^3, and increase our EBITDA to TL 1 billion.

After the completion of the investments we will undertake by the end of 2021, our network will be long enough to circumnavigate the globe.

AKSA DOĞALGAZ OPERATIONS MAP

AKSA DOĞALGAZ PROVIDES SERVICE TO THE WIDEST GEOGRAPHIC AREA IN THE SECTOR IN THE 27 PROVINCIAL CENTERS AND 180 DISTRICTS AND TOWNS LOCATED WITHIN THE 31 PROVINCES COVERED BY ITS LICENSE.

Aksa Doğalgaz was established in 2002 as an umbrella company after the government committed to a national policy of spreading the use of natural gas, a safe and clean fuel, as an economically sound alternative for preventing air pollution caused by urbanization. Aksa Doğalgaz serves 2.9 million subscribers in 21 of the 72 license regions in Turkey.

Shaping its operations in line with the core principle of top quality service, Aksa Doğalgaz under-takes swift investments in every region where it is responsible for natural gas distribution. The Company completed most of the compulsory capital investments in its distribution areas prior to the legally prescribed deadlines, and swiftly delivered natural gas to its subscribers.

Aksa Doğalgaz commenced natural gas distribution operations in the Balıkesir region, and currently operates via its subsidiaries in 21 regions for which it has acquired the necessary licenses from the Energy Market Regulatory Authority. In 2018, the Company began supplying natural gas to 36 new districts, introducing this eco-friendly, safe and clean fuel to residents.

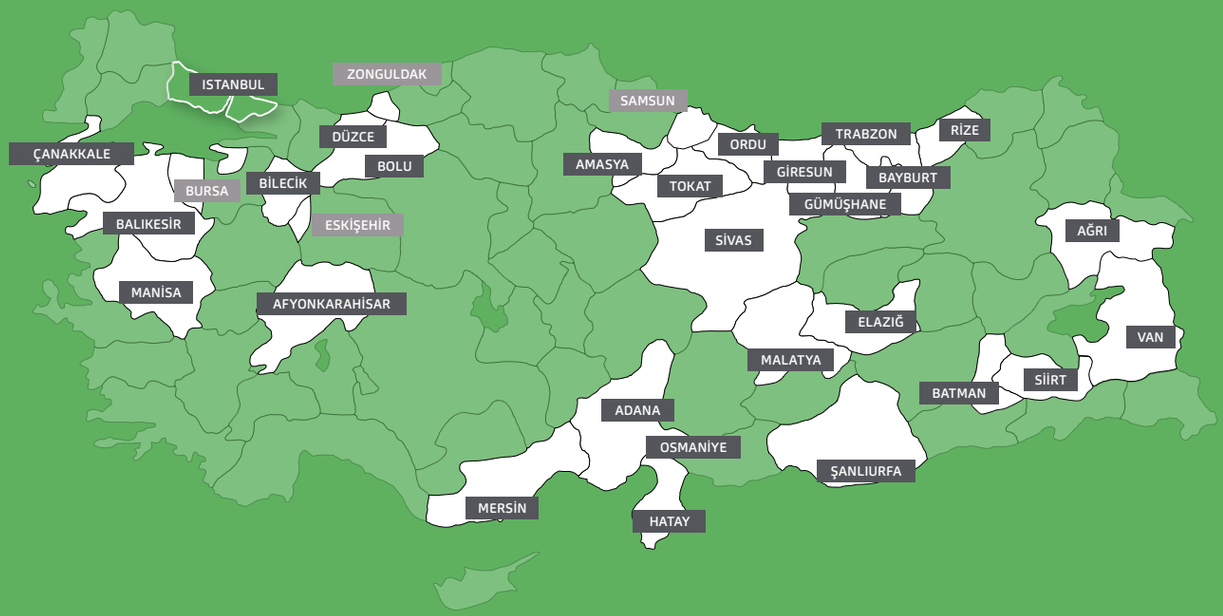
Total Number of Subscribers

2.9 MILLION

Aksa Doğalgaz provides service to the widest geographic area in the sector in the 27 provincial centers and 180 districts and towns located within the 31 provinces covered by its license. With this vast scope of business activities, Aksa Doğalgaz is Turkey's largest private natural gas distribution company. The Company aims to deliver its top-quality service to other Turkish regions that have yet to receive natural gas services.

Total Consumption

8.5 BILLION M^3



PROVINCES AND DISTRICTS SERVED AS OF DECEMBER 31, 2018

AKSA AFYON DOĞALGAZ DAĞITIM A.Ş.

- Afyonkarahisar
- Bolvadin
- Çay
- Dinar
- Emirdağ
- Erkmen
- İscehisar
- Sandıklı
- Şuhut

AKSA AĞRI DOĞALGAZ DAĞITIM A.Ş.

- Ağrı
- Doğubayazıt

AKSA BALIKESİR DOĞALGAZ DAĞITIM A.Ş.

- Balıkesir
- Bigadiç
- Burhaniye
- Edremit
- Havran
- İvrindi
- Kepsut

AKSA BANDIRMA DOĞALGAZ DAĞITIM A.Ş.

- Bandırma
- Erdek

AKSA BİLECİK BOLU DOĞALGAZ DAĞITIM A.Ş.

- Bilecik
- Bolu
- Bayırköy
- Bozüyük
- Çukurhisar
- Dörtdivan
- Gölpazarı
- İnönü
- Karacasu
- Osmaneli
- Pazaryeri
- Söğüt
- Vezirhan
- Yeniçağa

AKSA ÇANAKKALE DOĞALGAZ DAĞITIM A.Ş.

- Çanakkale
- Bayramiç
- Biga
- Çan
- Dardanos
- Ezine
- Gönen
- Gümüşçay
- Güzelyalı
- Kepez
- Lapseki
- Yenice

AKSA ÇUKUROVA DOĞALGAZ DAĞITIM A.Ş.

- Adana
- Mersin
- Osmaniye
- Antakya
- Arsuz
- Azganlık
- Bahçe
- Bekbele
- Belen
- Ceyhan
- Defne
- Denizciler
- Dörtyol
- Düziçi
- Erzin
- İmamoğlu
- İskenderun
- Kadirli
- Karayılan
- Kırıkhan
- Kozan
- Nardüzü
- Payas
- Sarıseki
- Tarsus
- Toprakkale
- Yumurtalık

AKSA DÜZCE EREĞLİ DOĞALGAZ DAĞITIM A.Ş.

- Düzce
- Akçakoca
- Alaplı
- Beyköy
- Boğaziçi
- Çilimli
- Cumayeri
- Gölkaya
- Gülüç
- Gümüşova
- Karadeniz Ereğli
- Kaynaşlı
- Konuralp
- Yığılca

AKSA ELAZIĞ DOĞALGAZ DAĞITIM A.Ş.

- Elazığ
- Akçakiraz
- Hankendi
- Karakoçan
- Kovancılar
- Palu
- Sarıcan
- Yazıkonak
- Yurtbaşı

AKSA GEMLİK DOĞALGAZ DAĞITIM A.Ş.

- Bursa
- Gemlik

AKSA GÜMÜŞHANE BAYBURT DOĞALGAZ DAĞITIM A.Ş.

- Bayburt
- Gümüşhane
- Kelkit
- Şiran

AKSA KARADENİZ DOĞALGAZ DAĞITIM A.Ş.

- Rize
- Trabzon
- Akçaabat
- Araklı
- Ardeşen
- Arsin
- Beşikdüzü
- Çayeli
- Derepazarı
- Fındıklı
- Gündoğdu
- Güneysu
- Hayrat
- İyidere
- Maçka
- Of
- Ortahisar
- Pazar
- Sürmene
- Vakfıkebir
- Yomra

AKSA MALATYA DOĞALGAZ DAĞITIM A.Ş.

- Malatya
- Akçadağ
- Battalgazi
- Bostanbaşı
- Darende
- Dilek
- Doğanşehir
- Gündüzbey
- Hanımçiftliği
- Hasırcılar
- Hatunsuyu
- Konak
- Orduzu
- Şahnahan
- Topsöğüt
- Yakınca
- Yeşilyurt

AKSA MANİSA DOĞALGAZ DAĞITIM A.Ş.

- Manisa
- Akhisar
- Ahmetli
- Alaşehir
- Gölmarmara
- Gördes
- Kula
- Muradiye
- Salihli
- Turgutlu

AKSA MUSTAFAKEMALPAŞA SUSURLUK KARACABEY DOĞALGAZ DAĞITIM A.Ş.

- Karacabey
- Mustafakemalpaşa
- Ovaazatlı
- Susurluk
- Tatkavaklı
- Yalıntaş

AKSA ORDU GİRESUN DOĞALGAZ DAĞITIM A.Ş.

- Giresun
- Ordu
- Bulancak
- Çarşamba
- Espiye
- Fatsa
- Keşap
- Terme
- Ünye

AKSA SİİRT BATMAN DOĞALGAZ DAĞITIM A.Ş.

- Batman
- Siirt
- Kurtalan
- Tillo

AKSA SİVAS DOĞALGAZ DAĞITIM A.Ş.

- Sivas
- Cemel
- Divriği
- Gemerek
- Gürçayır
- Gürün
- Kangal
- Şarkışla
- Suşehri
- Yıldızeli
- Zara

AKSA ŞANLIURFA DOĞALGAZ DAĞITIM A.Ş.

- Şanlıurfa
- Birecik
- Karaköprü
- Onbirsinan
- Siverek
- Suruç
- Viranşehir

AKSA TOKAT AMASYA DOĞALGAZ DAĞITIM A.Ş.

- Amasya
- Tokat
- Almus
- Başçiftlik
- Erbaa
- Gümüşhacıköy
- Merzifon
- Niksar
- Pazar
- Reşadiye
- Suluova
- Taşova
- Turhal
- Zile
- Ziyaret

AKSA VAN DOĞALGAZ DAĞITIM A.Ş.

- Van
- Çaldıran
- Edremit
- Erciş
- Muradiye

AKSA DOĞALGAZ DISTRIBUTION

AKSA DOĞALGAZ IS COMMITTED TO KEEPING CUSTOMER SATISFACTION AT THE HIGHEST LEVEL AND IMPROVING ITS SERVICE QUALITY CONTINOUSLY.

Number of License Regions Served

21

Aksa Doğalgaz was established in 2002 in light of the government's decision to support the distribution of natural gas by the private sector and to mitigate the air pollution caused by urbanization. Aksa Doğalgaz started its first natural gas distribution operation in the Balıkesir region. As of end-2018, the Company holds licenses from the Energy Market Regulatory Authority for 21 regions across Turkey.

Serving 27 provinces and 180 districts and towns through its local subsidiaries, Aksa Doğalgaz is the largest private natural gas distribution company of Turkey that boasts the widest aggregate geographic distribution area in the sector with;

- **2.9 million subscribers,**
- **8.5 bcm (billion cubic meter) of gas distributed,**
- **27,833 km network,**
- **19.3% market share.**

The Company serves 4.7 million potential subscribers and a population of 15 million in its license regions.

In 2018, Aksa Doğalgaz invested a total of TL 681 million, bringing its cumulative investment up to TL 4.5 billion. The total size of the Company's network has reached 27,833 km.

Shaping its operations in line with the core principle of top quality service, Aksa Doğalgaz under-takes swift investments in every region where it is responsible for natural gas distribution. The Company completed the obligatory investments in its distribution regions well before the statutory deadlines and provided the comfort and convenience of natural gas to its subscribers.

Boasting the most specialized staff in the sector, Aksa Doğalgaz is committed to keeping customer satisfaction at the highest level and continuously improving its service quality. In line with this vision, the Company responds to subscribers' demands around the clock via its 187 Natural Gas Emergency Line and 444 4 187 Solution Center. The Aksa Solution Center is seen as a pioneer and model in the sector thanks to its internationally recognized advanced technology and software infrastructure, state-of-the-art physical environment and high quality service.

In 2018, Aksa Doğalgaz distributed a total of 8.5 billion m^3 of gas in its distribution areas and recorded turnover of TL 4.2 billion. Aksa Doğalgaz ranked 76th in terms of balance sheet, 69th in terms of EBITDA and 3rd in terms of return on equity in Fortune 500's "Turkey's Top Companies" list. In 2019, the Company aims to deliver a total of 9.8 billion m^3 of natural gas with the completion of new production facilities and investments in its license areas.

Number of Potential Subscribers

4.7 MILLION

KEY INDICATORS OF DISTRIBUTION COMPANIES

Distribution Company	Number of Subscribers (BBS)	Number of Subscribers (Residential)	Net Sales (TL million)	Consumption (m^3)	Number of Employees*	Network Length (km)
Aksa Afyon Doğalgaz Dağıtım A.Ş.	101,919	85,507	133	105,705,880	113	1,255
Aksa Ağrı Doğalgaz Dağıtım A.Ş.	10.342	6,416	22	15,727,438	34	194
Aksa Balıkesir Doğalgaz Dağıtım A.Ş.	144,400	118,372	174	149,594,588	75	1,137
Aksa Bandırma Doğalgaz Dağıtım A.Ş.	59,674	53,708	105	1,355,659,191	47	379
Aksa Bilecik Bolu Doğalgaz Dağıtım A.Ş.	163,341	133,610	661	806,364,956	166	1,741
Aksa Çanakkale Doğalgaz Dağıtım A.Ş.	151,874	128,838	145	265,199,306	130	1,159
Aksa Çukurova Doğalgaz Dağıtım A.Ş.	446,862	366,940	705	2,320,419,965	345	5,305
Aksa Düzce Ereğli Doğalgaz Dağıtım A.Ş.	152,163	137,771	315	638,817,710	107	2,353
Aksa Elazığ Doğalgaz Dağıtım A.Ş.	162,913	140,974	169	154,169,271	83	1,271
Aksa Gemlik Doğalgaz Dağıtım A.Ş.	39,559	35,824	93	414,245,831	40	294
Aksa Gümüşhane Bayburt Doğalgaz Dağıtım A.Ş.	40,834	29,960	49	36,827,574	52	461
Aksa Karadeniz Doğalgaz Dağıtım A.Ş.	157,284	124,835	155	169,372,074	122	1,016
Aksa Malatya Doğalgaz Dağıtım A.Ş.	204,738	165,376	238	231,540,096	98	1,553
Aksa Manisa Doğalgaz Dağıtım A.Ş.	164,596	143,272	183	485,552,063	112	1,321
Aksa Mustafakemalpaşa Susurluk Karacabey Doğalgaz Dağıtım A.Ş.	53,599	49,728	115	116,440,206	53	584
Aksa Ordu Giresun Doğalgaz Dağıtım A.Ş.	138,377	118,569	152	400,549,540	122	1,266
Aksa Siirt Batman Doğalgaz Dağıtım A.Ş.	95,053	81,168	89	98,619,885	69	814
Aksa Sivas Doğalgaz Dağıtım A.Ş.	169,246	138,323	180	171,251,989	124	1,582
Aksa Şanlıurfa Doğalgaz Dağıtım A.Ş.	129,673	96,511	148	210,325,579	87	1.,004
Aksa Tokat Amasya Doğalgaz Dağıtım A.Ş.	202,880	170,661	222	217,832,096	146	2,100
Aksa Van Doğalgaz Dağıtım A.Ş.	104,837	77,829	127	101,551,049	59	1,044
TOTAL	**2,894,164**	**2,404,192**	**4,180**	**8,465,766,287**	**2,184**	**27,833**

*The workforce numbers do not include outsourced personnel.

BOARD OF DIRECTORS

YAŞAR ARSLAN
Chairman

Yaşar Arslan graduated from Istanbul Technical University, Faculty of Metallurgy. From 1985, he served for three years as Operations Manager at EMAŞ A.Ş., and for five years held various management positions at Saudi Arabia-based Al-Fahd. He assumed various management roles at İGDAŞ's Istanbul Natural Gas Project for five years and, in 1996, he joined Vinsan as Project Manager. After serving as Coordinator at Yapısal in 2003, Mr. Arslan joined Aksa Doğalgaz in 2004 as General Coordinator and Vice Chairman. In 2010, he became President of the Aksa Doğalgaz Distribution and Trade Group. Mr. Arslan currently serves as Chairman of 21 natural gas distributors, two natural gas wholesalers, and CNG and LNG companies operating under the roof of Kazancı Holding. In addition, he is Vice Chairman of two electricity distribution companies. Mr. Arslan is a founder of the Natural Gas Distributors' Association of Turkey (GAZBİR), where he also served as Secretary General and as Chairman, each for three terms. As well, Mr. Arslan serves as Vice Chairman at the Turkish Union of Chambers and Stock Exchanges (TOBB) and the Natural Gas Assembly and Electricity Distribution Services Association (ELDER).

NECATİ BAYKAL
Vice Chairman

Necati Baykal graduated from Istanbul Technical University, Department of Mechanical Engineering. He started his professional career in 1982 at WAT Electric Engine Factory as Production Planning Manager. In 1984, he joined Aksa Machine Industries as Imports Manager. After serving in various executive positions at Kazancı Holding companies, he became the Chairman of Aksa Power Generation. Currently, Mr. Baykal serves as Chairman at Aksa Power Generation, as Chairman at various Kazancı Holding electricity distribution companies, and as a Board Member at Aksa Doğalgaz.

ÖMER MUZAFFER BAKTIR
Board Member

Ömer Muzaffer Baktır graduated from Istanbul Technical University, Department of Mining Engineering in 1986, and started his professional career at Pamukbank. He went on to serve in management roles in the banking sector, including as Assistant General Manager in charge of Marketing at Halkbank; as CFO at Cengiz Holding and as an Executive Board Member of Electricity Distribution Companies at Cengiz Holding; and as Assistant General Manager in charge of Marketing and Transformation at Ziraat Bank. He also served on the Supervisory and Management Committees of the various overseas subsidiaries of Ziraat Bank and has served as Chairman of the Ereğli Group. Mr. Baktır was appointed Vice Chairman of Kazancı Holding on February 5, 2018.

OUR VISION, MISSION AND VALUES

OUR VISION

- To maintain our leading position in the Turkish natural gas sector,
- To play an active role in formulating and executing national sector-specific strategies, and to support the development and advancement of the sector,
- To extend our sector know-how and experience to international projects.

OUR MISSION

- Aksa Doğalgaz provides a safe, economical and uninterrupted supply of natural gas, which is an environmentally friendly, clean and convenient fuel, to its subscribers in the distribution areas where it holds a license.
- The Company builds confidence among customers by closely monitoring and adopting advanced technology developments in line with its high-quality service approach.
- Aksa Doğalgaz – Kazancı Holding's driving force –grows in parallel with the increasing pace of urbanization thanks to its experience as a pioneering, deeply-rooted company, while its profitability continues to rise through an efficient management approach.
- Shaping the sector with its know-how and experience, Aksa Doğalgaz invests in the development of its young, dynamic and creative employees who embrace the team spirit, and make them feel that they are a valuable part of the Company.
- The Company protects the environment and natural resources with its core business activities and social responsibility efforts, upholds ethical values, and contributes to social and economic development.

OUR VALUES

Passion for Quality
Under current market and competitive conditions, offering high quality services to boost customer satisfaction is the main motivation underlying our constant self-renewal, and ever-growing passion for quality.

Scientific and People-Centered Expertise
Our expertise is based on closely monitoring every relevant technical and technological innovation, implementing improvements in response to our hardware and training requirements, and expanding these rapidly to all our departments. Our basic corporate policy is to embrace every advancement that is centered on science and people.

Solutions Focused
Our approach is to serve the common good and formulate swift solutions for our customers, country and environment.

Creativity
Even under unchangeable conditions, our corporate philosophy is to always aim for the best in line with our pioneering and creative approach, believe in the power of innovation, and translate change into development.

Respect for People, Nature and Society
In all our business operations, we strive to strike an inclusive balance beginning from the moment the investment decision is made in order to create value that benefits the environment, people and all facets of society. We aim to contribute to production, employment, energy supply security, and the national economy through our investments. We always prioritize people and the environment while implementing our projects.

SENIOR MANAGEMENT

ALPER KONYALI
Vice President

1st Group
Alper Konyalı graduated from Istanbul Technical University, Faculty of Electrical and Electronic Engineering, Department of Energy. He started his professional career in 1986 at VM Engineering as Worksite Manager. In 1989, he joined İGDAŞ Istanbul Gas Distribution Company as Construction Control Manager, later serving as Head of Construction Control, and Advisor to the General Manager at the same company. At İGDAŞ, Mr. Konyalı's work focused mainly on improving and reorganizing investment processes, preparing corporate strategic plans, and establishing the materials management system. In 2007, Mr. Konyalı joined Aksa Doğalgaz as General Manager. He chaired the GAZBİR Occupational Standard Designation Commissions under the Occupational Proficiency Agency. Mr. Konyalı currently serves as Vice President at Aksa Doğalgaz, as well as Group General Manager and Board Member in charge of the 10 natural gas distribution companies that report to him.

MUSTAFA DOĞAN
Vice President

2nd Group
Mustafa Doğan graduated from Hacettepe University, Zonguldak Engineering Faculty, Department of Mining Engineering. He started his professional career in 1993 as Field Engineer at Tekfen A.Ş. He worked at Yüksel İnşaat on the İGDAŞ Project in 1996 and on the Izmit Natural Gas Distribution Project between 1997-1998. Subsequently, he served as Site Manager and Project Manager at various companies' İGDAŞ investments between 1999-2004. In 2004, he joined Aksa Sivas Natural Gas as Plant Manager and later worked at Aksa Düzce Ereğli Natural Gas as Company Manager. As of February 2018, Mr. Doğan serves as Vice President at Aksa Doğalgaz, and as Group General Manager and Board Member in charge of the 10 natural gas distribution companies that report to him.

YÜCEL YAZICI
Vice President

Centralized Services
Yücel Yazıcı graduated from Istanbul Technical University, Faculty of Mechanical Engineering and received his Master's degree in Energy from the same university. He started his professional career in 1990 at İGDAŞ as Worksite Manager. Later, he worked as Worksite Director at the İzmit Natural Gas Distribution project from 1996 to 2000, as Budget and Planning Officer at Alsimalarko from 2000 to 2002, and as Investments Manager at İZGAZ from 2002 to 2004. In 2004, Mr. Yazıcı joined Aksa Doğalgaz as General Manager. He currently serves as Vice President in charge of Centralized Service Units at Aksa Doğalgaz.

ŞİNASİ GÖLBAŞI
Gas Shipment and Trade Director

Şinasi Gölbaşı graduated from Kocaeli University, Department of Chemical Engineering and obtained his Master's degree at Istanbul Technical University, Department of Chemical Engineering. Mr. Gölbaşı started his professional career in 2004 as Measurement Engineer at Aksa Doğalgaz, before becoming Gas Control Manager, Gas Control Director and, subsequently, Operations Director. In January 2016, he was appointed Gas Shipment and Trade Director. In addition to his role at Aksa Doğalgaz, Mr. Gölbaşı has been serving as President of Shipment Control and the EBT Commission at the Natural Gas Distributors' Association of Turkey (GAZBİR) since 2013.

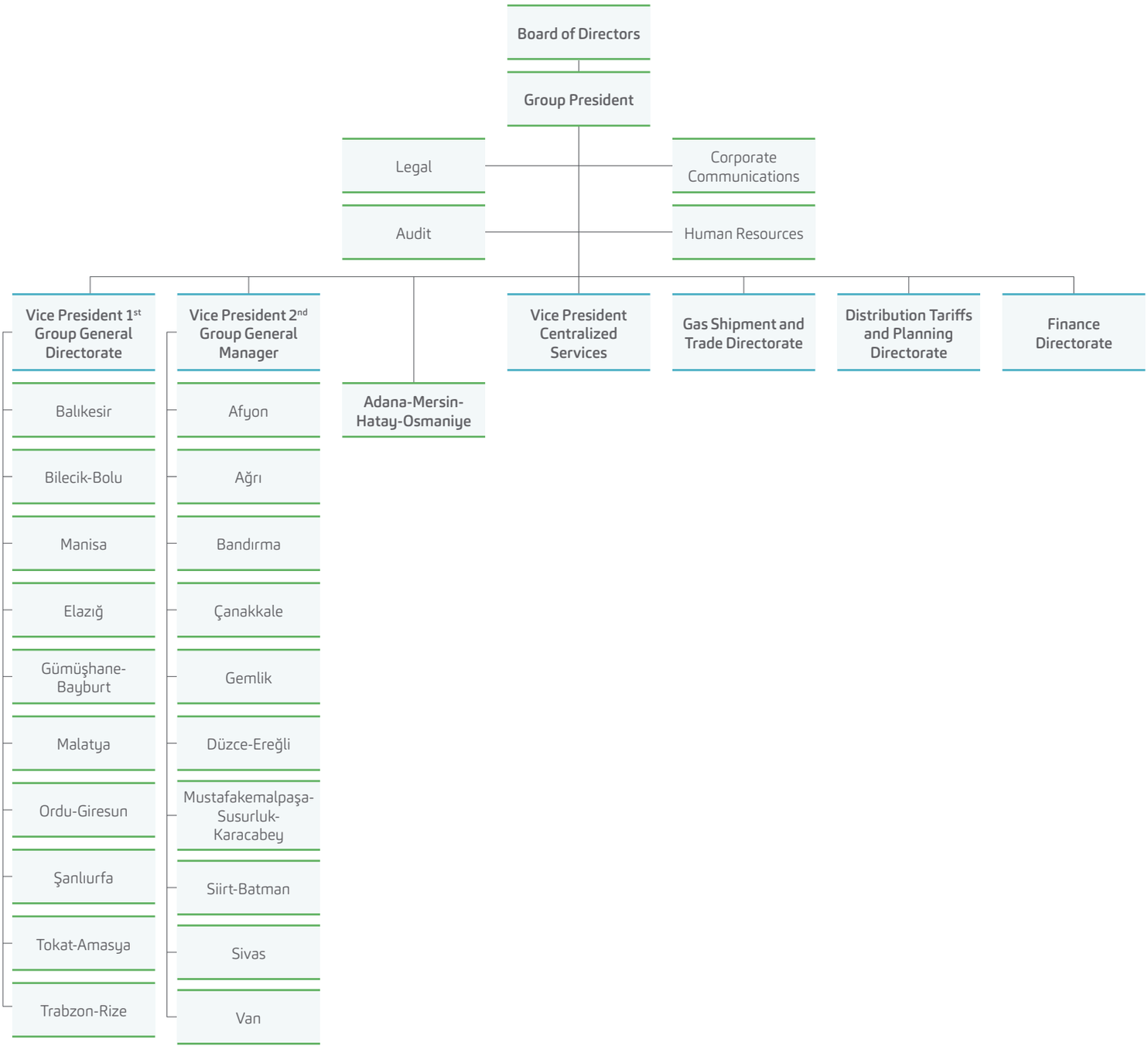
SEÇKİN ODABAŞI
Distribution Tariffs and Planning Director

Seçkin Odabaşı graduated from Selçuk University, Department of Geodesy and Photogrammetry Engineering. He obtained his MBA from FMV Işık University. Mr. Odabaşı started his professional career at STFA Holding Energy Group's subsidiary, Enerya Gas Distribution, where he served as Project Specialist, Project Manager and Project Director, respectively. In 2010, he joined Aksa Doğalgaz Distribution as Distribution Tariffs and Planning Manager, and was later appointed Distribution Tariffs and Planning Director in 2016. Mr. Odabaşı has also been serving as President of Tariffs Commission at GAZBİR since 2014.

BANU GÜREL
Financial Director

Banu Gürel graduated from Marmara University, Faculty of Economics and started her professional career in 1989 in the banking sector, working as Assistant Manager at Akbank Foreign Exchange Fund Management and, subsequently, at Tekfenbank Fund Management and Securities. In 1996, she transitioned from finance to the real economy, serving as Finance Director at Merko Food Industry and Trade. In 2004, she joined Aksa Doğalgaz as Financial Director.

ORGANIZATIONAL CHART



COMPANY MANAGERS

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D E T E R M I N A T I O N

THANKS TO OUR GROWTH-FOCUSED STRATEGY,
WE CONTINUE OUR PROGRESS AND INVESTMENTS IN
THE SECTOR.

Total Investments

TL

4.5*

Billion

We continue to execute our investment drive without interruption and achieve further accomplishments with each passing year. Our company single-handedly accounted for 40% of total industry-wide investments, which stood at more than US$ 7 billion as of end-2018.

Our network size and service quality have improved significantly as a result of our huge investments and we continue to contribute to the economy through job creation.

* Total investments reported on the balance sheet amounts to TL 2.9 billion. This amount has been updated based on the CPI.

DEVELOPMENTS IN 2018

AKSA DOĞALGAZ RANKED 3RD IN TERMS OF RETURN ON EQUITY IN FORTUNE 500'S "TURKEY'S TOP COMPANIES" LIST.

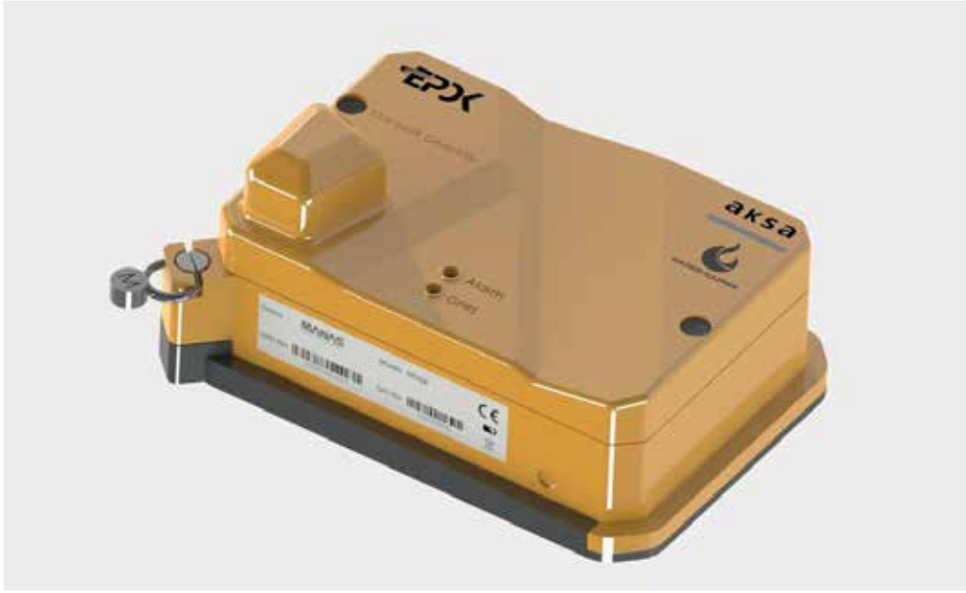
Total Savings for the National Economy and Subscribers

TL 30 BILLION

- Aksa Doğalgaz ranked 76th in terms of balance sheet in Fortune 500's "Turkey's Top Companies" list. The Company ranked 69th in terms of EBITDA and 3rd in terms of return on equity.
- Aksa Doğalgaz's distribution network completed and commissioned totaled 24,423 km, and climbed to 27,833 km with new investments in 2018. In 2018, the Company distributed 8.5 billion m^3 of gas.
- With its investments to date, Aksa Doğalgaz has created a natural gas conversion market worth TL 21.2 billion, around TL 15.3 billion of which has already come to fruition.
- Since its founding, Aksa Doğalgaz has helped the domestic economy and its subscribers save TL 30 billion as of end-2018.
- In line with the 100-day action plan announced by the President's Cabinet, Aksa Doğalgaz provided natural gas to 18 districts within its license regions, as part of the project to "provide natural gas to 40 districts across Turkey until November 10, 2018." In the second phase of the project, the Company supplied natural gas to 18 more districts within its license regions, thereby providing eco-friendly, safe and clean energy to 36 districts in total.
- Under the Life Companion project, which was initiated by Aksa Doğalgaz in 2015 to eliminate barriers in service delivery, the Company responded to a total of 275 calls in 2018 within an average response time of 5 seconds, and sent its emergency teams to 29 disabled subscribers to resolve their problems.
- Aksa Doğalgaz initiated a digital transformation project in order to manage all business processes via end-to-end digital platforms. Accordingly, the Company began using PaperWork, an efficient platform for process and document management.
- Aksa Doğalgaz updated its Integrated Management System in accordance with ISO standards revisions. After the completion of preparations and external audits, which lasted only two months, the Company received ISO 9001:2015 Quality Management System and ISO 14001:2015 Environmental Management System certificates for all of its distribution companies operating in 27 provinces.

Number of Districts Supplied with Natural Gas in 2018

36



- In 2018, all companies of Aksa Doğalgaz transitioned to the "Collective Payment System." In this system, all payments made via banks are transferred to the SAP system. Hence, all units are now able to monitor payments easily and in real time. Moreover, the fees paid to banks dropped significantly.
- In 2018, Aksa Doğalgaz launched the Online Procedures module on its website aksadogalgaz.com.tr, which was revamped in 2017, in order to provide subscribers with quick and easy access to the Company's services. The Online Procedures module allows subscribers to check their subscription status, initiate the contract procedure, calculate payments instantly, check/create bills, terminate their contracts, request security deposit return, and update/complete their documents.
- Aksa Doğalgaz communicates the value it creates for the environment with the slogan "Cities Breathe Fresh Air with Natural Gas." The Company reduced carbon emissions by 6 million tons in its service area.

R&D ACTIVITIES

Aksa Doğalgaz completed two R&D projects in 2018. One R&D project is still ongoing. One the completed projects was aimed at preventing people from influencing meter readings by using neodymium magnets, which are easy to get and use, and difficult to detect without a warning. Under this project, the Company designed a system complete with software and hardware, which detects when external magnetic field is applied to natural gas meters using a neodymium magnet and sends a warning to the dispatch control center. The Company developed the prototype of the system.

In the second project, the Company conducted a feasibility study on the facility designs that will perform high-pressure calibration in order to optimize the accuracy of mechanical meters, which are mandatory according to MID rules and measure natural gas for billing purposes when pressure exceeds four bars.

The ongoing R&D project is intended to utilize solar energy in order to reduce the amount of fuel gas used for heating gas in the exchangers at the container type RM-A stations; to cut operating costs; to increase efficiency; and to reduce maintenance costs of gas burning equipment in the heating systems and circulation pumps. Once the project is completed, fuel costs at the RMA stations will drop by 30% within the first year. The Company expects the project's payback period to be about three years.

Total Length of Distribution Network

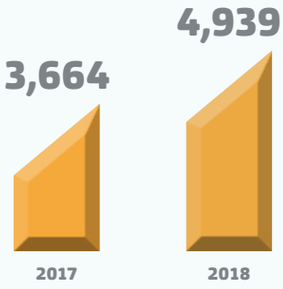
27,833 KM

FINANCIAL AND OPERATIONAL INDICATORS

FINANCIAL INDICATORS

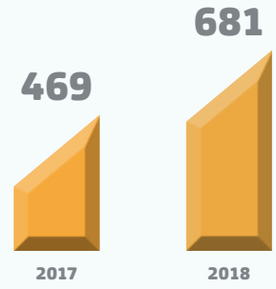
TOTAL ASSETS
(TL MILLION)

+35%
GROWTH



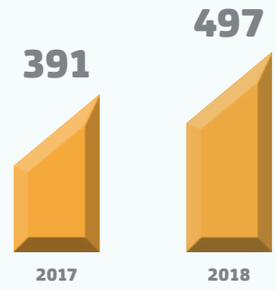
INVESTMENTS
(TL MILLION)

+45%
GROWTH



EBITDA
(TL MILLION)

+27%
GROWTH



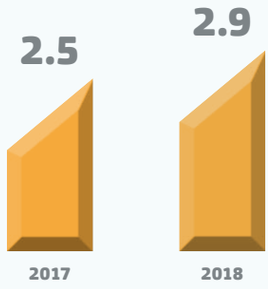
EXCEEDING ITS FINANCIAL TARGETS IN 2018, AKSA DOĞALGAZ INCREASED ITS SHAREHOLDERS' EQUITY BY 148% TO TL 366 MILLION.

Financial Indicators (TL Million)	2017	2018	Change (%)
Net Sales	2,890	4,180	45
Total Assets	3,664	4,939	35
Shareholders' Equity	147	366	148
Total Investments	469	681	45
Gross Profit for the Period	334	413	24
Operating Costs	264	373	41
EBITDA	391	497	27
Net Profit for the Period	169	196	16

OPERATIONAL INDICATORS

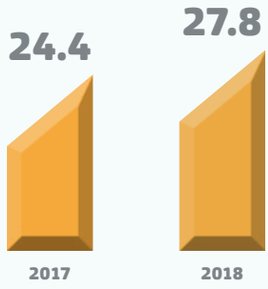
TOTAL NUMBER OF SUBSCRIBERS
(MILLION)

+14%
GROWTH



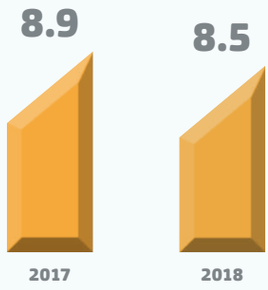
DISTRIBUTION NETWORK
(THOUSAND KM)

+14%
GROWTH



TOTAL CONSUMPTION
(BILLION SM^3)

-5%
DECLINE



IN 2018, AKSA DOĞALGAZ DISTRIBUTED 8.5 BILLION M^3 OF NATURAL GAS, SINGLE-HANDEDLY ACCOUNTING FOR 19.3% OF TOTAL GAS DISTRIBUTED IN TURKEY.

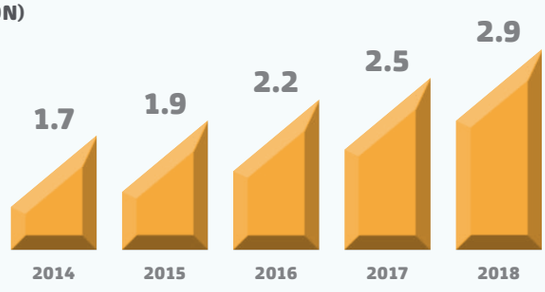
OPERATIONAL INDICATORS	2017	2018	Change (%)
Number of Natural Gas Distribution Licenses (Companies)	21	21	0
Total Number of Subscribers	2,535,782	2,894,164	14
Total Number of Residential Subscribers	2,095,874	2,404,192	15
Potential Number of Residential Subscribers	4,400,995	4,734,010	8
Network Length (km)	24,423	27,833	14
Total Consumption Volume (Sm^3)	8,922,991,554	8,465,766,287	-5

FINANCIAL AND OPERATIONAL INDICATORS

THE NUMBER OF AKSA DOĞALGAZ SUBSCRIBERS INCREASED BY 74% OVER THE PAST FIVE YEARS AND REACHED 2.9 MILLION AT YEAR-END 2018.

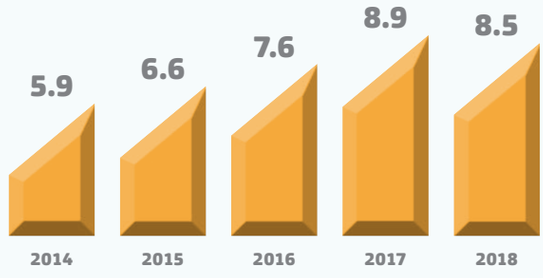
NUMBER OF SUBSCRIBERS (MILLION)
CHANGE (2014->2018)

+74%
GROWTH



CONSUMPTION (BILLION M³)
CHANGE (2014->2018)

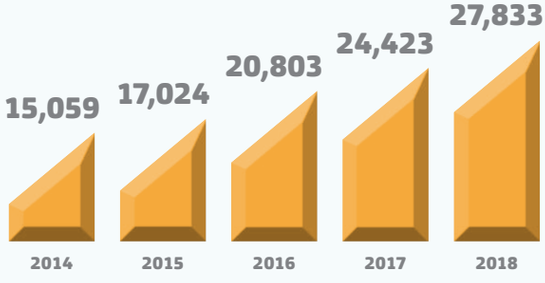
+42%
GROWTH



FURTHER EXPANDING ITS NETWORK EVERY YEAR, AKSA DOĞALGAZ'S NETWORK LENGTH REACHED 27,833 KM IN 2018.

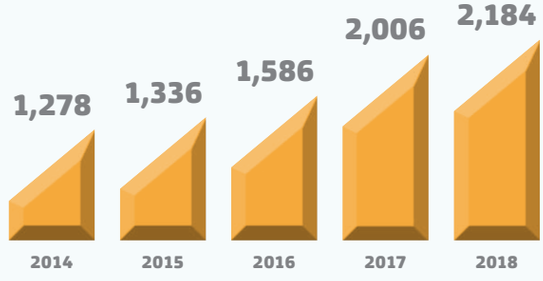
NETWORK LENGTH (KM)
CHANGE (2014->2018)

+85%
GROWTH



HEADCOUNT (PEOPLE)
CHANGE (2014->2018)

+71%
GROWTH



CAPITAL AND SHAREHOLDING STRUCTURE

NO.	TRADE NAME	CAPITAL	KAZANCI HOLDİNG A.Ş.	AKSA DOĞALGAZ DAĞITIM A.Ş.	MUNICIPALITIES	KAZANCI FAMILY AND OTHERS
1	AKSA DOĞALGAZ DAĞITIM A.Ş.	186,524,750	99.96%			0.04%
2	AKSA AFYON DOĞALGAZ DAĞITIM A.Ş.	1,000,000		86.97%	10.00%	3.03%
3	AKSA AĞRI DOĞALGAZ DAĞITIM A.Ş.	1,000,000		100.00%		0.00%
4	AKSA BALIKESİR DOĞALGAZ DAĞITIM A.Ş.	21,000,000		89.20%	10.00%	0.80%
5	AKSA BANDIRMA DOĞALGAZ DAĞITIM A.Ş.	1,000,000		86.97%	10.00%	3.03%
6	AKSA BİLECİK BOLU DOĞALGAZ DAĞITIM A.Ş.	18,000,000		89.20%	10.00%	0.80%
7	AKSA ÇANAKKALE DOĞALGAZ DAĞITIM A.Ş.	21,000,000		89.20%	10.00%	0.80%
8	AKSA ÇUKUROVA DOĞALGAZ DAĞITIM A.Ş.(*)	40,000,000		89.29%	9.91%	0.80%
9	AKSA DÜZCE EREĞLİ DOĞALGAZ DAĞITIM A.Ş.	26,000,000		89.20%	10.00%	0.80%
10	AKSA ELAZIĞ DOĞALGAZ DAĞITIM A.Ş.	5,000,000		94.70%	2.00%	3.30%
11	AKSA GEMLİK DOĞALGAZ DAĞITIM A.Ş.	1,000,000		86.97%	10.00%	3.03%
12	AKSA GÜMÜŞHANE BAYBURT DOĞALGAZ DAĞITIM A.Ş.	1,000,000		96.97%		3.03%
13	AKSA KARADENİZ DOĞALGAZ DAĞITIM A.Ş.	1,000,000		91.55%	7.65%	0.80%
14	AKSA M.KEMALPAŞA SUS. KAR. DOĞALGAZ DAĞITIM A.Ş.	2,000,000		86.97%	10.00%	3.03%
15	AKSA MALATYA DOĞALGAZ DAĞITIM A.Ş.	1,000,000		89.78%	10.00%	0.22%
16	AKSA MANİSA DOĞALGAZ DAĞITIM A.Ş.	15,000,000		89.20%	10.00%	0.80%
17	AKSA ORDU GİRESUN DOĞALGAZ DAĞITIM A.Ş.	1,000,000		89.20%	10.00%	0.80%
18	AKSA SİİRT BATMAN DOĞALGAZ DAĞITIM A.Ş.	1,000,000		97.00%		3.00%
19	AKSA SİVAS DOĞALGAZ DAĞITIM A.Ş.	1,000,000		86.97%	10.00%	3.03%
20	AKSA ŞANLIURFA DOĞALGAZ DAĞITIM A.Ş	5,000,000		75.00%	10.00%	15.00%
21	AKSA TOKAT AMASYA DOĞALGAZ DAĞITIM A.Ş.	1,000,000		86.97%	10.00%	3.03%
22	AKSA VAN DOĞALGAZ DAĞITIM A.Ş.	1,000,000		89.20%	10.00%	0.80%
23	AKSA DOĞALGAZ TOPTAN SATIŞ A.Ş.	7,000,000	99.20%			0.80%
24	AKSA CNG SIKILAŞTIRILMIŞ DOĞALGAZ DAĞITIM A.Ş.	650,000	98.77%			1.23%
25	ANADOLU DOĞALGAZ TOPTAN SATIŞ A.Ş.	2,700,000	98.88%			1.12%

(*) On November 14, 2018, the trade name of Aksa Gaz Dağıtım A.Ş. was changed to Aksa Çukurova Doğalgaz Dağıtım A.Ş.

DEVELOPMENTS BETWEEN THE END OF THE REPORTING PERIOD AND PUBLICATION OF THE REPORT

AKSA DOĞALGAZ INTRODUCED SEVERAL SERVICES ON THE E-GOVERNMENT WEBSITE, INCLUDING SUBSCRIPTION AND BILL QUERIES, CUSTOMER CONTRACT APPLICATION, AND CONTRACT TERMINATION.

In early 2019, Aksa Doğalgaz introduced several services on the e-government website, including subscription and bill queries, customer contract application, and contract termination. Aksa Doğalgaz subscribers can easily perform their transactions after logging into the system by using their ID numbers and e-government passwords. The Company plans to introduce new services on the e-government website to offer more convenience to its subscribers.

In keeping with these planned expansion efforts, Aksa Doğalgaz aims to deliver natural gas to 27 provinces and 191 districts and neighborhoods within the boundaries of 31 provinces, with its 21 natural gas distribution licenses. With the addition of these new districts, the Company's potential customer base will climb to 5.3 million. The new regions to which natural gas will be supplied during the period 2017-2021 are shown in bold in the table on the opposite page.

In 2019, Aksa Doğalgaz launched a new campaign under the slogan "Let It Stay Natural." Under this campaign, the Company is delivering the gas meters to its subscribers inside recyclable bags that can be reused more than 100 times, instead of single-use plastic bags. As a result, the Company helped reduce the production of plastic bags by more than one thousand tons.

Number of Potential Subscribers by end-2021

5.3 MILLION

AKSA AFYON DOĞALGAZ DAĞITIM A.Ş.
Afyonkarahisar, Bolvadin, Çay, Dinar, Emirdağ, Şuhut, Sandıklı, Erkmen, İscehisar

AKSA AĞRI DOĞALGAZ DAĞITIM A.Ş.
Ağrı, Doğubayazıt, **Patnos, Eleşkirt, Tatlıçay**

AKSA BALIKESİR DOĞALGAZ DAĞITIM A.Ş.
Balıkesir, Edremit, İvrindi, Havran, Burhaniye, Kepsut, Bigadiç

AKSA BANDIRMA DOĞALGAZ DAĞITIM A.Ş.
Bandırma, Erdek

AKSA BİLECİK BOLU DOĞALGAZ DAĞITIM A.Ş.
Bilecik, Bolu, Bozüyük, Söğüt, Pazaryeri, İnönü, Çukurhisar, Osmaneli, Vezirhan, Bayırköy, Yeniçağa, Dörtdivan, Karacasu, Gölpazarı

AKSA ÇANAKKALE DOĞALGAZ DAĞITIM A.Ş.
Çanakkale, Biga, Çan, Kepez, Gönen, Ezine, Bayramiç, Lapseki, Dardanos, Güzelyalı, Gümüşçay, Yenice

AKSA ÇUKUROVA DOĞALGAZ DAĞITIM A.Ş.
Adana, Mersin, Osmaniye, Hatay, Antakya, İskenderun, Tarsus, Ceyhan, Dörtyol, Toprakkale, Payas, Karayılan, Sarıseki, Denizciler, Bekbele, Nardüzü, Azganlık, Belen, Kadirli, Yumurtalık, Defne, Kırıkhan, Bahçe, Erzin, İmamoğlu, Kozan, Arsuz, Düziçi, **Reyhanlı, Hassa**

AKSA DÜZCE EREĞLİ DOĞALGAZ DAĞITIM A.Ş.
Düzce, Karadeniz Ereğli, Gülüç, Kaynaşlı, Konuralp, Alaplı, Cumayeri, Gümüşova, Beyköy, Çilimli, Akçakoca, Gölyaka, Boğaziçi, Yığılca

AKSA ELAZIĞ DOĞALGAZ DAĞITIM A.Ş.
Elazığ, Yazıkonak, Yurtbaşı, Hankendi, Karakoçan, Sarıcan, Akçakiraz, Kovancılar, Palu

AKSA GEMLİK DOĞALGAZ DAĞITIM A.Ş.
Gemlik, Umurbey

AKSA GÜMÜŞHANE BAYBURT DOĞALGAZ DAĞITIM A.Ş.
Gümüşhane, Bayburt, Kelkit, Şiran

AKSA KARADENİZ DOĞALGAZ DAĞITIM A.Ş.
Trabzon, Rize, Akçaabat, Of, Gündoğdu, Ortahisar, Güneysu, Ardeşen, Çayeli, Fındıklı, Pazar, Araklı, Arsin, Hayrat, Maçka, Sürmene, Vakfıkebir, Yomra, Beşikdüzü, Derepazarı, İyidere

AKSA MALATYA DOĞALGAZ DAĞITIM A.Ş.
Malatya, Konak, Gündüzbey, Yeşilyurt, Bostanbaşı, Yakınca, Topsöğüt, Şahnahan, Dilek, Hatunsuyu, Hanımçiftliği, Orduzu, Battalgazi, Hasırcılar, Doğanşehir, Akçadağ, Darende

AKSA MANİSA DOĞALGAZ DAĞITIM A.Ş.
Manisa, Turgutlu, Akhisar, Muradiye, Gölmarmara, Gördes, Alaşehir, Kula, Salihli, Ahmetli, Kırkağaç, Saruhanlı**, Soma**

AKSA MUSTAFAKEMALPAŞA SUSURLUK KARACABEY DOĞALGAZ DAĞITIM A.Ş.
Karacabey, Mustafakemalpaşa, Susurluk, Ovaazatlı, Yalıntaş, Tatkavaklı

AKSA ORDU GİRESUN DOĞALGAZ DAĞITIM A.Ş.
Ordu, Giresun, Çarşamba, Ünye, Fatsa, Terme, Espiye, Bulancak, Keşap

AKSA SİİRT BATMAN DOĞALGAZ DAĞITIM A.Ş.
Siirt, Batman, Tillo, Kurtalan, **Kozluk**

AKSA SİVAS DOĞALGAZ DAĞITIM A.Ş.
Sivas, Şarkışla, Suşehri, Cemel, Divriği, Kangal, Zara, Gemerek, Gürçayır, Gürün, Yıldızeli

AKSA ŞANLIURFA DOĞALGAZ DAĞITIM A.Ş.
Şanlıurfa, Siverek, Suruç, Karaköprü, Onbirnisan, Birecik, Viranşehir

AKSA TOKAT AMASYA DOĞALGAZ DAĞITIM A.Ş.
Amasya, Tokat, Merzifon, Suluova, Turhal, Niksar, Erbaa, Zile, Ziyaret, Taşova, Gümüşhacıköy, Reşadiye, Başçiftlik, Pazar, Almus

AKSA VAN DOĞALGAZ DAĞITIM A.Ş.
Van, Edremit, Erciş, Çaldıran, Muradiye

In addition to these districts, the Company plans to deliver natural gas to 7 more districts demanding natural gas, when the prescribed technical and legal conditions are met.

NATURAL GAS WHOLESALE

AKSA DOĞALGAZ TOPTAN SATIŞ A.Ş. ENGAGED IN SUPPLY AND RESOURCE PLANNING EFFORTS, AND SIGNED AGREEMENTS FOR MEDIUM-TERM NATURAL GAS PROCUREMENT FROM VARIOUS SOURCES AT FLEXIBLE TERMS.

Natural Gas Trade Volume in 2018

232 MILLION M³

Aksa Doğalgaz Toptan Satış A.Ş. was established on October 19, 2006 following the enactment of Law No. 4646 on the Natural Gas Market. The Law was passed to grant an unfettered and transparent structure to the natural gas market, in order to deliver high quality, continuous and economical natural gas to consumers in line with the principles of free competition and environmental protection. The Company engages in wholesale operations in the natural gas sector.

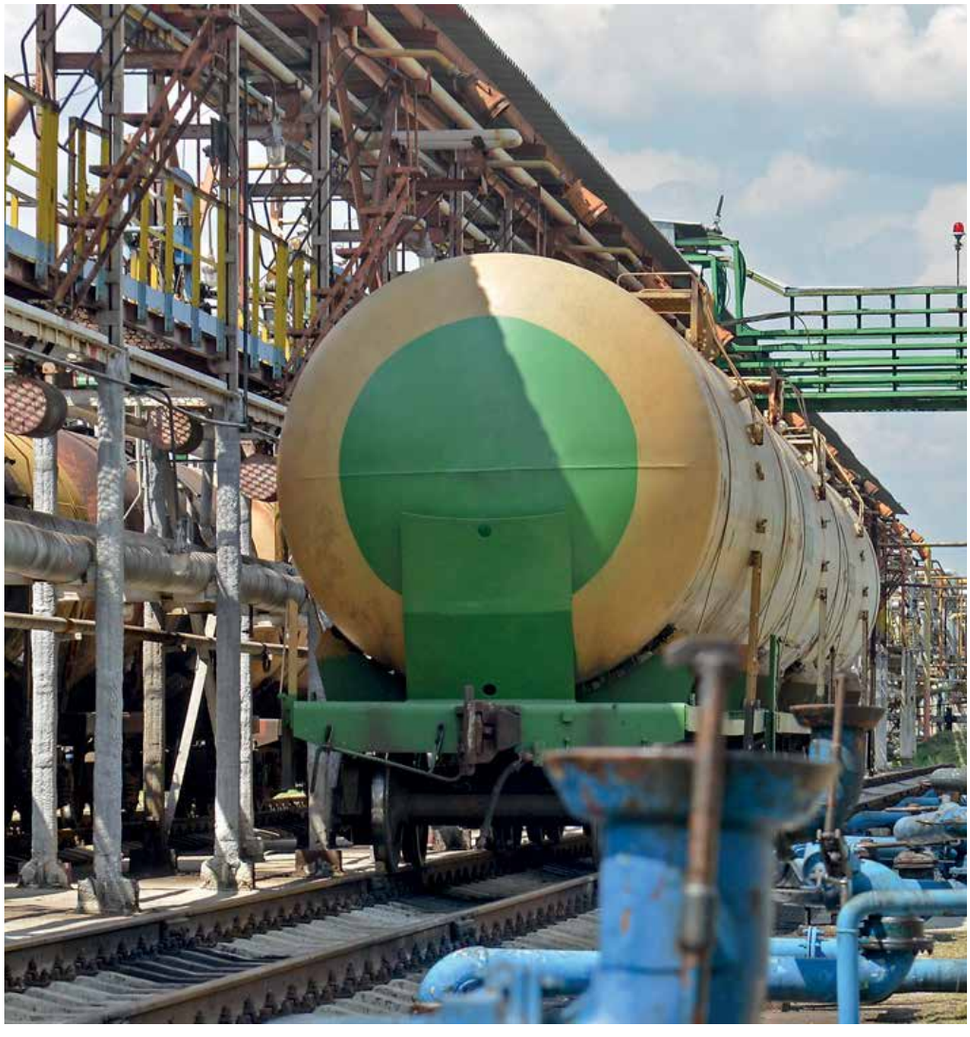
By winning the tender held on January 12, 2007 by Turkish Petroleum (Türkiye Petrolleri Anonim Ortaklığı – TPAO), the Company obtained the right to sell the natural gas produced at the Akçakoca-Çayağzı Natural Gas production facilities from Turkey's own resources for a three-year period. On May 23, 2007, with the commissioning of the TPAO Akçakoca Çayağzı production facility, Aksa Doğalgaz Toptan Satış A.Ş. became the first Turkish company to engage in wholesale natural gas activities in Turkey. Aksa Doğalgaz Toptan Satış A.Ş. has diversified its supply sources over time as a result of its proactive and market-oriented strategies.

Aksa Doğalgaz Toptan Satış A.Ş. engaged in supply and resource planning efforts and signed agreements for medium-term natural gas procurement from various sources and at flexible terms. The Company performed close-of-day transactions whenever needed, as well as day-ahead and intra-day transactions under the right conditions via the Continuous Trading Platform, which became operational on September 1 under Enerji Piyasaları İşletme A.Ş. (EPİAŞ). In consideration of market risks, transaction volumes were kept under control. In 2018, natural gas trade volume amounted to 232 million m^3 while transaction volume totaled TL 258 million. Contract and market requirements were fulfilled completely.

Aksa Doğalgaz Toptan Satış A.Ş. plays an active role in all market-related activities in order to help create and develop a free market in natural gas. The Company has obtained a stake in the Energy Exchange Istanbul (EPİAŞ), which was established to this end. The Company will continue its efforts as an active player of the continuous trade platform which will also host free market transactions. The company aims to source inexpensive natural gas from overseas and supply it to domestic customers, in the event a competitive market is created and natural gas imports are liberalized.

CNG/LNG TRADE

AS FOR DISTRICTS REQUIRING LONG-TERM SUPPLIES, AKSA DOĞALGAZ TOPTAN SATIŞ A.Ş. CONTINUES TO WORK ON POSSIBILITIES TO SUPPLY GAS AS LNG.



Upon an EMRA decision dated October 1, 2009 and numbered 2257-7, Aksa Doğalgaz Toptan Satış A.Ş. was granted a Spot LNG Import License, allowing the company to achieve resource diversity and capitalize on any opportunities that may arise.

Due to developments in oil prices and fluctuations in exchange rates and the effect on the demand in Far East market, prices on the LNG market were not competitive during the year. Although terminals are used for equilibration purposes, current market conditions prevent them from being used for commercial purposes. As a result, Aksa Doğalgaz Toptan Satış A.Ş., like other market players, has not been able to engage in LNG trade. Furthermore, the Company keeps a close watch on the markets in order to seize potential opportunities arising in this area.

Due to the expansion of its distribution areas, the company conducted necessary arrangements and studies related to the swift delivery of natural gas to customers in CNG format, especially in those regions where pipeline investments are not technically or economically feasible. During the last year, the Company participated in statutory tenders for supplying CNG and natural gas to eight districts in the long and the medium-term. As for districts requiring long-term and permanent supplies, the Company continues to work on possibilities to supply gas as LNG.

TECHNOLOGY MANAGEMENT AND INVESTMENTS

AKSA DOĞALGAZ SUBSCRIBERS CAN PERFORM MANY BASIC TRANSACTIONS VIA THE ONLINE PROCEDURES MODULE, WHICH WAS DESIGNED IN LIGHT OF THE LATEST DEVELOPMENTS AND INNOVATIONS IN THE DIGITAL ARENA.

Placing a special focus on identifying technological needs and formulating accurate solutions, Aksa Doğalgaz is committed to operating all systems in an integrated manner at the product selection and design stage and maintaining information security. In order to improve processes and diversify services provided to subscribers, the Company determines its needs by using advanced technology products based on cost-benefit optimization results.

Aksa Doğalgaz employs SAP in its basic enterprise resource planning (ERP) systems, which include accounting, finance, maintenance, stock management and procurement. The FİORİ project, which was launched a year ago, enables the Company to conduct maintenance management and reporting in a more efficient manner, allowing senior management to analyze and manage the field with a continuous data flow. After the launch of the software, Aksa Doğalgaz established a uniform procedure for the maintenance and repair activities of all distribution companies. Real-time follow-up of planned maintenance activities, breakdown records and material consumption helps keep maintenance and warehouse stocks up-to-date. In addition, this approach creates a productive, reportable and transparent work follow-up scheme which optimizes service quality and security. Moreover, it contributes to the Company's Paper-free Office efforts with a view to reducing paper consumption.

Number of Distribution Companies

21

In 2017, the Company revamped the aksadogalgaz.com.tr web site and launched the Online Procedures module in early 2018. The Online Procedures module, designed in light of the latest developments and innovations in the digital arena, allows Aksa Doğalgaz subscribers to check their subscription status, access their billing data in real time, view past and current bills, terminate their contracts and request security deposit return. Additionally, subscribers can easily create their bills via the Online Procedures module when the meter at the subscriber's location cannot be accessed and read. Subscribers can complete any missing or out-of-date documentation under the document completion section of the system, thereby keeping their information up to date at all times. Those seeking to become subscribers can initiate the contract procedures by using the Online Procedures module.

The e-Government Integration of the Subscriber Information System was completed in 2018, following the finalization of the processes to be integrated and establishment of the legal framework. The purpose of this project is to ensure that subscribers can conduct their transactions securely over the Internet as an alternative channel without having to come to Company offices, and thus reduce subscriber traffic in the branches. The new services include subscription query, bill query, customer contract application, and contract termination.

In 2018, all companies of Aksa Doğalgaz transitioned to the "Collective Payment System." In this system, all payments made via banks are transferred to the SAP system. Hence, all units are now able to monitor payments easily and in real time. Therefore, the fees paid to banks dropped significantly.

During the year, Aksa Doğalgaz bank accounts were transferred to the system using MT940 electronic bank statement format. The Company is undertaking efforts to make account activities online in order to monitor all accounts in real time in 2019. Additionally, efforts were initiated to complete SAP HANA transition in 2019.

The Company acquired and began using the IBM Cognos TM1 software to analyze budget and planning processes according to new scenarios, and enhance predictability and reliability for consolidation of the Group, which has a large number of distribution companies. Thus, Aksa Doğalgaz distribution companies are now able to enter their budget forecasts into the system, calculate financial data automatically and plan their budgets easily. The distribution companies can report budget and actualized figures in any format and detail through the same system and publish the reports instantly on the internal web portal.

The Company's subscriber management system is ATOS ABYS. Additionally, the Company reached an agreement on SAP-ISU and S4 HANA at the end of 2018. The licensing process was completed in 2018 and project implementation is set to start in 2019. Featuring the latest technology and applications, Aksa Doğalgaz–SAP ISU/S4 HANA is a remarkable project in terms of geographic coverage, number of subscribers, transaction volume and number of users. The project has significance not only for the Company, but also for the Country. Currently, the Company is using SAP products in its ERP systems, but once the project is launched, the overall infrastructure will be synchronized end-to-end. The project, which will be built on S4 HANA, will be the first SAP ISU project in the sector.

The Customer Relations Management (CRM) system in place is Microsoft Dynamics.

Aksa Doğalgaz is consolidating and managing all operational processes in digital data collection and evaluation platforms. The Company also started to create and manage process-based documentation design and applications related to the Integrated Management Systems on the same platform.

All system revisions carried out by the Integrated Management Systems and Business Process Department are aimed at managing the business processes digitally by the year 2020. Taking solid steps towards achieving this goal, Aksa Doğalgaz began using PaperWork, an efficient platform for process and document management. All measurable processes are designed, implemented and managed simultaneously by the head office and 21 distribution companies. Output obtained from the processes is monitored in real time via the business intelligence tool Microsoft Power BI, which enables the Company to take action rapidly.

In 2018, Aksa Doğalgaz updated its Integrated Management System in accordance with ISO standards revisions. After the completion of preparations and external audits, which lasted only two months, the Company received ISO 9001:2015 Quality Management System and ISO 14001:2015 Environmental Management System certificates for all of its distribution companies operating in 27 provinces.

The Shipment Control Center completed its transition to new software, and the new system Iconics Genesis 64 has been employed. The SCADA project is also a crucial component of the Company's digital transformation process. The 3D-supported drawing platform – the first of its kind in the sector – coupled with IoT support, data analysis, advanced report structure, effective alarm status management, trend support for practical data visualization, and other such developable additional modules have allowed for the creation of a robust systems infrastructure. These advanced technology efforts also drew significant interest in the international arena in previous years, and were highly appreciated at the Microsoft Technology Summit and at an automation workshop in Boston where they were showcased. They were once again presented as success stories and will be evaluated via voting.

Mobile platforms top the agenda of the Shipment Control Center upgrade project. With the launch of the new software, the Company started using customizable applications which run on all types of mobile devices and that can be easily configured according to one's needs.

Aksa Doğalgaz has reached an agreement with Turkcell related to the disaster recovery center which will ensure the system's continuity in case of a disaster. The Company also completed work on satellite communication solutions to ensure communication back-up in regions that lack terrestrial lines.

The Company has installed special illegal gas usage detection devices on four monitoring vehicles that run along the steel and PE natural gas distribution lines and at all A, B, and C-type pressure reduction and measurement stations of Aksa Doğalgaz's 21 natural gas distribution companies. The Company also uses handheld detection devices employing optic sensor technology to check for unauthorized gas use. These efforts cover a total distance of 100 thousand km, twice a year, to check for any illegal gas usage. All findings are reported in detail.

D Y N A M I S M

DISTRIBUTING NATURAL GAS TO MILLIONS OF PEOPLE REQUIRES ENERGY: WE OVERCOME CHALLENGES AND ACHIEVE FIRSTS WITH OUR YOUNG, DYNAMIC AND EXPERT TEAM.

Median Age

32

We are highly aware that only satisfied employees can increase customer satisfaction. We collaborate with nearly 2,000 employees to ensure that “cities breathe fresh air,” while focusing on the happiness and satisfaction of our employees.

We are building a beautiful future at our Company, where our work environment is based on kindness, respect, diversity and equal opportunity.

HUMAN RESOURCES

AKSA DOĞALGAZ STRIVES TO CREATE A WORK ENVIRONMENT BASED ON AMIABILITY, RESPECT, DIVERSITY AND EQUAL OPPORTUNITY.

HUMAN RESOURCES POLICY OF AKSA DOĞALGAZ

Aksa Doğalgaz sees its workforce as its greatest asset, and bases its Human Resources Policy on the values of Kazancı Group.

In order to deliver high quality services to its customers, the Company continuously provides its employees with opportunities to improve their professional, intellectual and behavioral skills, thus boosting their productivity. The Company strives to add to the Aksa family those team members in harmony with its corporate culture, who possess the competence, knowledge and development potential to carry the Company forward into the future.

Keen to evaluate employee performance in the most accurate manner and maintain staff happiness at the highest level, Aksa Doğalgaz strives to reach its corporate objectives driven by a strong sense of team spirit based on the power of solidarity, thanks to dedicated staff, and the importance it places on employees' families.

The main axis of the Company's Human Resources Policy is to build the organizational structure of all the companies under Aksa Doğalgaz Group with teamwork-oriented, open-minded, productive individuals. The Company focuses on those persons who uphold its corporate values, helping them to constantly develop themselves in line with the culture of excellence. The objective is to become a company that inspires pride in all employees.

Total Number of Employees

2,184

Aksa Doğalgaz strives to create a work environment based on amiability, respect, diversity and equal opportunity. The Company believes that success will be achieved once these principles are implemented in a transparent and equitable manner.

SELECTION AND PLACEMENT

Aksa Doğalgaz aims to attract those candidates needed to achieve the Company's strategic planning objectives and long-term targets. The Company conducts the selection process in line with the principles of equal opportunity and non-discrimination. Aksa Doğalgaz recruits those individuals who possess the experience and competence demanded by the position. In addition, the Company develops and manages the staff in a systematic fashion.

Employment applications received are assessed by the Human Resources Department based on candidate competence. First, the Department makes a preliminary assessment of the candidates. In the second stage, the relevant unit managers evaluate their technical proficiency. Selection is made from among those candidates who are customer focused; open to learning and change, adaptable to multicultural environments, in step with technology and innovations, and who embrace teamwork. After these assessments, outstanding candidates are asked whether they remain interested in the relevant position, provided preliminary information about the job, made an offer, and recruited if they accept.

TRAINING AND DEVELOPMENT

As required by its corporate vision, Aksa Doğalgaz competently equips its personnel with the knowledge and experience required by the times, aims them to acquire an infrastructure already prepared for the future by creating values that go beyond the current age; and accordingly, supports its employees with training programs designed to help them adapt proactively to change and developments so as to contribute both to their own personal development as well as to their companies. Aksa Doğalgaz aims to continuously improve its organization, and ensure that everyone embraces the culture of learning. To these ends, the Company provides the staff with various training and development opportunities in keeping with their professional and personal development needs.

Aksa Doğalgaz supports each employee with planned and continuous work from the first day. The training process starts with an Orientation program, so that employees can adapt to the Company and their job, and receive all the information they need.

Under this program, employees receive basic information on:

- The Company's various policies, visions, missions and values,
- Human resources practices,
- The relevant function, position and department.

Throughout their tenure at the Company, employees are offered training programs to help them develop the individual competence demanded by their post in line with their overall career plans. As part of employee career planning, priority is given to those personnel who have been promoted to a higher position or who have assumed new tasks after shifting to a new position at the Company, so that they can work in a more productive manner.

Aksa Doğalgaz's training programs include:

- On-the-job Training,
- In-house Career Training,
- Training Outside the Company,
- Online Training.

These programs help employees translate the potential they possess into maximum occupational performance.

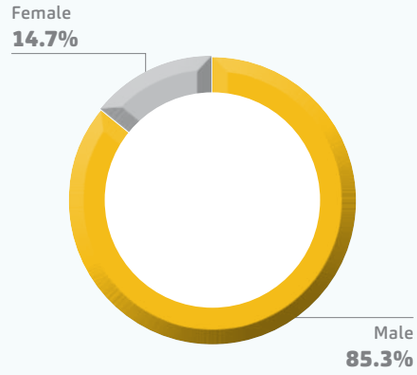
PERFORMANCE MANAGEMENT

To ensure that all Aksa Doğalgaz companies achieve the corporate strategies and high quality standards, both corporate and individual efforts and success are monitored and measured with the "Performance Management" system. Performance assessments are conducted on an annual basis. Each year, high scoring staff members are rewarded.

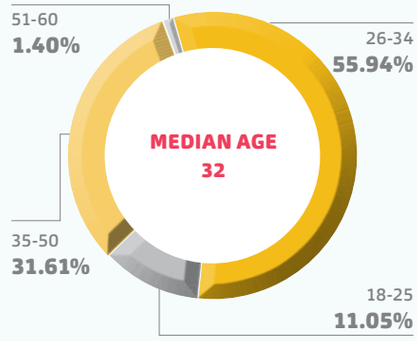
REMUNERATION POLICY

In shaping its remuneration policy, Aksa Doğalgaz Group takes into account the national economic conditions, striving to be fair within the Group and competitive within the sector. The Human Resources Department's market surveys, performance assessment results and business analysis methodology are used to determine the salary scale and pay rises. Employees are rewarded according to their performance to keep their motivation at a high level.

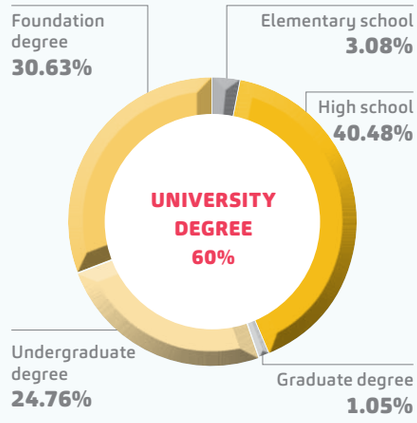
GENDER DISTRIBUTION OF EMPLOYEES



AGE DISTRIBUTION OF EMPLOYEES



EDUCATION LEVELS



OCCUPATIONAL HEALTH AND SAFETY

THE CENTRAL OCCUPATIONAL HEALTH AND SAFETY PROJECT FEATURING THE BEST DOCTORS AND SPECIALISTS CONTINUES TO EXPAND ACROSS THE COUNTRY.

In every province and district where it holds a license, Aksa Doğalgaz aims to deliver uninterrupted natural gas distribution. In accordance with Law No. 6331 on Occupational Health and Safety, the Company fully meets all occupational health and safety requirements related to its employees and stakeholders.

To ensure that employees return home safe and sound every night, Aksa Doğalgaz is committed to fostering an OHS culture and ensuring that occupational safety awareness is shared by every staff member. To this end, the Company attaches great importance on the "OHSAS 18001:2007 Occupational Health and Safety Management System." With a view to establishing the continuity of the Occupational Health and Safety Management System, the Company launched a central Occupational Health and Safety project in March 2015 across Turkey, featuring the country's top doctors and specialists.

Occupational health and safety efforts, which figure among the Company's most important core activities, are based on the "AKSAohs Software" specially designed for Aksa Doğalgaz in response to specific corporate requirements. Programmed in accordance with the Law No. 6331 on Occupational Health and Safety and the OHSAS 18001:2007 management system, AKSAohs dynamically monitors and checks all activities carried out by 2,184 employees at the 21 distribution companies. AKSAohs centrally controls and reports all occupational health and safety activities related to an employee from the moment of recruitment onwards. The software also measures the occupational health and safety performance of the 21 distribution companies. As part of 2019 plans, Aksa Doğalgaz is preparing for an upgrade to the new version of ISO 45001:2018 Occupational Health and Safety Management System, which constitutes a key element of organizational change management and continuous improvement.

OHS Training in 2018

34,944 HOURS

Furthermore, in order to measure the control and efficiency of the distribution companies' practices onsite, the Aksa Doğalgaz central staff has initiated unannounced OHS field audits. Data collected during these audits and the appropriate methods are integrated into the risk analysis. As such, the Company proactively determines possible hazards in the work areas and uses efficient risk elimination methods to ensure occupational health and safety across the organization.

To identify and prevent any external hazard, annual risk assessments are conducted in all distribution companies; the findings of these studies are eradicated in the most expeditious manner with the participation of employees. Disabled, pregnant or breastfeeding staff is given priority in risk assessments.

In 2018, Aksa Doğalgaz collaborated with 21 distribution companies to develop an Emergency Plan against natural disasters such as earthquake, flood, landslide, explosion and fire as well as risk factors such as electricity, line faults, sabotage. The Emergency Plan has been launched. The Plan covers all emergency response instructions to ensure the safety of our subscribers, the public, and Aksa Doğalgaz employees.

At Aksa Doğalgaz, all required activities falling under Law No. 6331 on Occupational Health and Safety were conscientiously carried out during the year. Some 34,944 hours of occupational safety training

were delivered (2,184 person*hours). Furthermore, the following efforts were undertaken in 2017:

- Annual study and annual evaluation reports,
- Employee representative meetings,
- MYK training programs,
- Planned OHS training programs,
- OHS training for new employees,
- Planned health screenings,
- Health examinations for new employees,
- Field OHS audits,
- Maintenance and checking of equipment that requires periodic controls,
- Grounding measurements, electrical installation checks,
- Work hygiene measurements at newly opened locations,
- Lightning rod measurements and checks,
- Emergency team training,
- Emergency evacuation drills,
- First aid training.

To proactively reduce any possible damage from work accidents and occupational diseases, special occupational health and safety funds have been allocated within the budgets of distribution companies.

Via continuous education and awareness raising efforts, Aksa Doğalgaz is committed to the Company's ultimate goal of "zero work accident" and its slogan "People First." Under the leadership and guidance of its management and the participation of its employees, Aksa Doğalgaz continuously moves toward becoming the "most reliable corporation" in the industry in terms of occupational health and safety.

F U T U R E

IN LINE WITH THE SLOGAN “CITIES BREATHE FRESH AIR WITH NATURAL GAS,” WE REDUCE CARBON EMISSIONS AND WORK TO CREATE A LIVABLE FUTURE.

Total Reduction in Carbon Emissions

6

Million Tons

We help reduce air pollution in all the cities, towns and districts where we operate. Thanks to the use of natural gas instead of carbon-intensive fuels, carbon emissions have been reduced by 6 million tons in our distribution regions in just one year.

This volume is equivalent to the amount that as many as 260 million mature trees would be needed to absorb, a clear evidence of the huge benefits of using natural gas.

ENVIRONMENT

AKSA DOĞALGAZ CONTINUES ITS ENVIRONMENTALLY RESPONSIBLE OPERATIONS BY ELIMINATING THE USE OF PLASTIC BAGS WITH THE SLOGAN "LET IT STAY NATURAL."

ENVIRONMENTAL POLICY OF AKSA DOĞALGAZ

Aksa Doğalgaz sees protection of nature as critical to achieving sustainable growth. The Company shapes its business operations around minimizing its environmental footprint and contributes to preserving the natural environment. With this vision, Aksa Doğalgaz has formulated an Environmental Policy based on the following principles:

- Safely minimizing the environmental footprint of the Company's operations in harmony with all its stakeholders and leaving a healthy environment for future generations,
- Adding value to the environment and living standards by ensuring continuous improvement in compliance with applicable environmental legislation, under the scope of ISO 14001:2015 Environment and OHSAS 18001:2007 Occupational Health and Safety Management Systems,
- Using natural resources in an efficient manner to minimize waste and prevent pollution at the source,
- Keeping under control the possible environmental impact of subcontracted companies,
- Supporting all stakeholders deemed relevant in terms of environmental training and practices, and ensuring sustainability.

ENVIRONMENTAL PRACTICES OF AKSA DOĞALGAZ

All operations executed by Aksa Doğalgaz are designed to fulfill strict environmental regulatory requirements. To ensure the sustainability of the Company's operations, environmental impact and components are identified in a conscientious manner, with input and output flows of every work process kept up-to-date.

At every natural gas distribution company under the umbrella of Aksa Doğalgaz, the environmental risks defined by the Environmental Committee are revised each year and taken under control through a proactive approach.

Methods used to keep the identified risks under control include the following, from high to low priority:

- Eliminating risks at the source,
- Replacing high hazards with lesser hazards,
- Implementing engineering measures,
- Making use of ergonomic approaches.

The 2015 revision made to Aksa Doğalgaz's long-running ISO 14001 Environmental Management System has helped align the Company's strategic approach with its environmental management system, while improving the organization's environmental performance. The continuity of the system is confirmed with annual audits performed by accredited firms.

Understanding that uncontrolled consumption is the main factor threatening the world's natural resources today, all Aksa Doğalgaz distribution companies expend diligent efforts to use natural resources efficiently. In line with the "Zero Waste" project, an effort initiated by the President and carried out under the supervision of the Ministry of Environment and Urbanization, Aksa Doğalgaz kicked off efforts at 21 Regional Offices, taking on an important role in sustainable resource management and protection of natural resources. Natural resource consumption levels are checked monthly and duly minimized. As part of the paper-free office project, people-dependent applications were transferred onto digital platforms; the business processes were rendered swift and measurable; paper, energy and cartridge consumption was reduced.

Waste management and environmental permits are key components of the environmental management approach at Aksa Doğalgaz. To reduce the amount of waste produced by distribution companies, methods such as reuse, recycling and elimination are used, with all legal and regulatory requirements fully met.

Different types of waste are classified accurately and kept in storage areas under appropriate conditions. Waste is prevented from contaminating the soil and water during storage. All waste is then delivered to disposal firms that are licensed by the Ministry of Environment and Urbanization.

Waste management training for Company personnel, especially waste management teams, are completed on an annual basis. The division of labor is determined for everyone and employee awareness is raised as regards collection of waste by category.

Aksa Doğalgaz continues its environmentally responsible operations by eliminating the use of plastic bags. Under the new project "Let It Stay Natural" launched in January 2019, the Company began delivering the meters to its subscribers inside nonwoven bags. Aksa Doğalgaz aims to end plastic bag production, which amounts to more than 1 million kilograms each year. Accordingly, the Company replaced plastic bags, which aren't usually recycled and can take 500 to 1,000 years to decompose, with nonwoven bags.

Aksa Doğalgaz will continue working toward the goal of leaving a healthy environment for future generations while abiding by all legal and regulatory requirements.

Cities Breathe Fresh Air with Natural Gas

Using clean energy resources with the smallest environmental footprint has become not simply a choice but an obligation for the future of our country and the world. Natural gas stands out as a highly important and widely available source of energy that is high quality, safe and clean, since it provides advantages in sustainable energy policies and carbon economy management in Europe and rest of the world. As of 2018, natural gas is available in all of the 81 provinces in Turkey, and it's widely used within the boundaries of these provinces thanks to expansion projects. In 2018, more than 14 million residential subscribers in Turkey consumed 12.5 billion m^3 of natural gas. In 2017, carbon emissions from residential buildings in Turkey were estimated at 60 million tons, based on the assumption that households which do not have access to natural gas prefer to use coal and other fuels.

In 2018, carbon emissions from a household using natural gas was calculated as 2 tons on average. If coal and other fuels were used instead of natural gas, carbon emissions from each household would be around 4-4.5 tons. Hence, using natural gas has helped reduce carbon emissions by 50% for each household.

Aksa Doğalgaz Helps 15 Million People and 260 Million Trees Breathe Cleaner Air

During its 16 years of activity in the natural gas distribution sector, Aksa Doğalgaz introduced a growing number of people to the comfort and convenience of natural gas by extending its license regions and expanding its subscriber base. Moreover, the Company monitors its environmental footprint in order to leave a more habitable planet for future generations. Continuously expending efforts to expand the use of natural gas in Turkey and to raise citizens' awareness about the environmental impact of carbon-intensive fuels such as coal, Aksa Doğalgaz plays an effective role in reducing air pollution in the cities where it operates. Active in 27 provinces and 180 districts and towns, Aksa Doğalgaz brought about a 6 million ton reduction in carbon emissions in just one year by replacing coal use with natural gas in its license regions. This volume is equivalent to the amount that as many as 260 million mature trees in a forest of 4 thousand km^2 would be needed to process. Given that in Turkey alone 42 thousand persons die prematurely each year due to environmental pollution and 30 thousand persons meet an early death from the effects of air pollution, the Company considers that it creates a considerable social benefit by slashing air pollution.

The amount of plastic bag waste that will be reduced with the "Let It Stay Natural Project"

1 MILLION KG

CORPORATE COMMUNICATION ACTIVITIES

AKSA DOĞALGAZ STRIVES TO ENSURE THAT ITS SOCIAL RESPONSIBILITY ACTIVITIES MAKE A CONCRETE, ONGOING CONTRIBUTION TO SOCIETY AT LARGE.

Number of Subscribers Registered to the Life Companion Service

2,990

2018 was marked by important developments in terms of Aksa Doğalgaz's corporate communication efforts.

In 2017, Aksa Doğalgaz revamped and improved its website and social media channels in line with its new digital marketing-focused corporate communication plan. In 2018, the Company launched the Online Procedures service to foster communication with its subscribers. The Online Procedures module, designed in light of the latest developments and innovations in the digital arena, includes the following services in its menu:

- Checking subscription status,
- Accessing billing data in real time,
- Viewing past and current bills,
- Creating bills when the meter cannot be accessed and read,
- Completing any missing or out-of-date documentation,
- Initiating subscription contracts,
- Terminating contracts and requesting security deposit return.

Thanks to these menu options, subscribers can quickly and conveniently perform their transactions.

CORPORATE SOCIAL RESPONSIBILITY

Aksa Doğalgaz has shaped its business operations with the awareness of the Company's immense responsibility to society, which is the true source of its power, and strives to ensure that its social responsibility activities make a concrete, ongoing contribution to society at large.

Since its inception, The Company monitors the social and environmental impacts of its activities in the regions where it operates, while guided by the social and environmental values of Kazancı Group. In addition, Aksa Doğalgaz works to resolve local problems and raise the living standards of local residents. To become an integral part of the local community, the Company engages in open dialogue with the local population. Similarly, the Company invites all its stakeholders to share the core values that make up its corporate culture.

Aksa Doğalgaz strives to ensure that its social responsibility activities make a concrete, ongoing contribution to society at large. Instead of investing in short-term projects, the Company works to execute long-term projects designed to become self-sustaining over time.

LIFE COMPANION

Providing uninterrupted and safe natural gas to nearly 3 million subscribers in 27 provinces and 180 towns and districts in Turkey, Aksa Doğalgaz believes that it is very important for equal opportunity to exist in every aspect of society to ensure the economic and social development of our country. In this spirit, the Company closely monitors the problems that more than 8 million disabled citizens in Turkey experience in their everyday lives. In keeping with this vision, Aksa Doğalgaz developed the "Life Companion" project in 2015 to make life safer for its disabled subscribers by delivering extremely fast services under emergency situations.

As part of the project, when disabled individuals registered in Aksa Doğalgaz's subscription system call the "Natural Gas Emergency Line 187" or the 444 4 187 Solution Center, they get connected to an agent within 5 seconds on average and emergency teams are immediately dispatched to the location of the disabled subscriber without even waiting for them to explain the situation in detail. Aksa Doğalgaz aims to make their lives easier by delivering emergency services to disabled subscribers alone in a hazardous situation. The Company also gives priority to disabled subscribers when they connect to an agent and responds to their queries immediately. The number of disabled subscribers registered to the Life Companion service has reached 2,990. To date, the Company has responded to a total of 471 calls and sent its emergency teams to help out 59 disabled subscribers.

Disabled citizens can register to the "Life Companion" service by filling out the Disability Form and providing their documents at either the Company's offices or via the Online Procedures menu on aksadogalgaz.com.tr.

LET IT STAY NATURAL

Each year, Aksa Doğalgaz introduces more than 350 thousand families across Turkey to the comfort and convenience of natural gas. In early 2019, the Company began delivering the gas meters to its subscribers inside recyclable multi-use nonwoven bags, instead of single-use plastic bags. Aksa Doğalgaz stopped using plastic bags in all of its distribution regions, and thereby helped reduce the production of plastic bags by more than one thousand tons.

Aksa Doğalgaz aims to help end plastic bag production, which amounts to more than one tons each year. Therefore, the Company provides new subscribers with reusable nonwoven bags, instead of single-use plastic bags, which aren't usually recycled and can take 500 to 1,000 years to decompose. These bags, an eco-friendly alternative to plastic bags, can be used more than 100 times and subscribers can use them in their everyday lives, and not just for carrying their gas meters. The message "Let It Stay Natural" printed on the bags also draws attention.

OTHER SOCIAL RESPONSIBILITY ACTIVITIES

Aksa Doğalgaz Supports Children's Choirs: Aksa Doğalgaz was the main sponsor of Çanakkale Children's Choirs Festival, which was organized to celebrate April 23 National Sovereignty and Children's Day. 21 children's choirs and 800 chorists from across Turkey and TRNC participated in the event. The participating choirs received awards in various categories. As a result of the jury evaluation, the children's choir from TED North Cyprus Private School won Aksa Doğalgaz Encouragement Award.

Organized for the first time last year, the festival is intended to enable children to share through an artistic, social and academic platform; and it will be organized as an international event in 2019, and will be held annually from then on.

Sponsoring Turkey's National Wheelchair Tennis Team: Aksa Doğalgaz is committed to supporting sports in its operating regions, and combines its corporate vision with the thinking behind the Life Companion project. Accordingly, Aksa Doğalgaz has become the main sponsor of Turkey's National Wheelchair Tennis Team in order to support athletes with disabilities.

Sponsorship of the Cycling Tour to commemorate the Martyrs of Sarıkamış: The fourth edition of the Cycling Tour was held between December 20, 2018 and January 4, 2019 under the sponsorship of Aksa Doğalgaz to commemorate the Martyrs of Sarıkamış. 12 cyclists participated in the tour, which covered 6 cities and a total distance of 650 kilometers.

Book, Stationery and Clothing Donations to Students: Aksa Doğalgaz employees regularly visit schools in their areas of operation, and provide students in financial need with school supplies, stationery and clothing.

Visits to Retirement Homes and Child Protection Centers on Special Days: Aksa Doğalgaz employees visit retirement homes and child protection centers on special days, to support the individuals living in these facilities.

Blood Donation to Kızılay: At events held periodically under the coordination of Aksa Doğalgaz, employees donate blood to Kızılay (Turkish Red Crescent).

INTERNAL COMMUNICATION ACTIVITIES

Aksa Doğalgaz ranks among the youngest companies of the industry with an average employee age of 32. The Company firmly believes in the importance of establishing solid relations with the younger generation as they enter the workforce. Aksa Doğalgaz works to provide a peaceful and pleasant working environment for its staff and develops its in-house communication efforts accordingly. The Company organizes various events during the year and holds celebrations to mark special occasions. Its internal communication efforts position the Company as the "employer of choice" in the sector for both current and also potential employees.

TURKISH SIGN LANGUAGE ALPHABET*

A B C Ç D E

F G Ğ H I İ

J K L M N O

Ö P R S Ş T

U Ü V Y Z

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*Local Sign Language is used, sign languages may vary from country to country.

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