AYGAZ A.Ş.
1 January – 30 June 2018
INTERIM REPORT

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REVIEW REPORT ON SEMI-ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the General Assembly of Aygaz Anonim Şirketi

1. We have been assigned to the review whether the financial information in the semi-annual report of Aygaz Anonim Şirketi prepared as at 30 June 2018 is consistent with the reviewed interim condensed consolidated financial information. Management is responsible for the preparation of the semi-annual report. Our responsibility is to express a conclusion on whether the financial information provided in the semi-annual report is consistent with the reviewed interim condensed consolidated financial information on which we have expressed our conclusion dated 9 August 2018.

2. We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410 "Review on Interim Financial Information Performed by the Independent Auditor of the Entity". Our review includes the assessment as to whether the financial information included in the semi-annual report is consistent with the reviewed interim condensed consolidated financial statements and other explanatory notes. A review is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards, the objective of which is to express an opinion on the financial statements. Consequently, a review on the semi-annual financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

3. Based on our review, nothing has come to our attention that causes us to conclude that the accompanying financial information included in the semi-annual report is not consistent, in all material respects, with the interim condensed consolidated financial information and the information presented in the explanatory notes to interim condensed consolidated financial information.

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

Ediz Günsel, SMMM
Partner

Istanbul, 9 August 2018

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BUSINESS AREA

The main activity of the Company is purchasing liquefied petroleum gas (LPG) from domestic refineries and overseas market, stocking, filling and delivery to retailers for distribution to customers as cylinder, autogas and bulk gas. Aygaz has a facility that produces cylinders, valves, small bulk gas tanks, pressure regulators and similar items besides five marine terminals, six filling plants and nine distribution centers operated by the most modern technology which comply with international standards. As of the end of June, Aygaz Group serve to customers with 2,346 cylinder dealers and 1,720 autogas stations.

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

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

CAPITAL AND SHAREHOLDING STRUCTURE

The issued capital of our company is 300.000.000 TL and the recent increase transaction was registered with the Capital Markets Board's decision dated 6 June 2008 and was published in the Turkish Trade Registry Gazette on June 18, 2008.

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

The shareholding structure as of June 30, 2018	**TL**	**%**
Koç Holding A.Ş.	122,053,514.26	40.68
Temel Ticaret ve Yatırım A.Ş.	17,324,090.53	5.77
Koç Family	14,264,964.78	4.76
Liquid Petroleum Gas Dev. Co.	73,545,660.24	24.52
Free Float*	72,811,770.18	24.27
Total	**300,000,000.00**	**100.00**

***** The free floating shares in the amount of TL 2,725,041.31 (ratio to capital 0.91%) belong to Hilal Madeni Eşya Ticaret Sanayi ve Yatırım A.Ş., of which LPGDC is a 100% shareholder.

BOARD OF DIRECTORS

Division of duties among the Board of Directors which are elected in the Ordinary General Assembly dated March 21, 2018 are determined by the Board Resolution dated March 26, 2018 as below;

Board of Directors

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

Executive Committee

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

Audit Committee

Kutsan Çelebican	Chairman
Kemal Ege Cansen	Member

Corporate Governance Committee

Kutsan Çelebican	Chairman
Yağız Eyüboğlu	Member
Ferda Erginoğlu	Member

Risk Management Committee

Dr.Şadan Kaptanoğlu Dikici	Chairman
Dr.Bülent Bulgurlu	Member

EXECUTIVE MANAGEMENT

Gökhan Tezel	General Manager
Ferda Erginoğlu	Assistant General Manager (Finance)
Ali Kızılkaya	Assistant General Manager (Technical Affairs and Investments)
Fikret Coşar	Assistant General Manager (Sales)
Rıdvan Uçar	Assistant General Manager (Marketing and Innovation)
Nurettin Demirtaş	Director (Affiliates and Accounting)
Ahmet Ercüment Polat	Director (Cylinder Gas Sales)
Ayşe Abamor Bilgin	Director (Supply Chain)
Süleyman Oğuz Sezgin	Director (Information Technologies and Digital Transformation)

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

SUBSIDIARIES and AFFILIATES

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

Subsidiaries	Place of incorporation and Operation	Principal Activity
Anadoluhisarı Tankercilik A.Ş.	Turkey	Shipping
Kandilli Tankercilik A.Ş.	Turkey	Shipping
Kuleli Tankercilik A.Ş.	Turkey	Shipping
Kuzguncuk Tankercilik A.Ş.	Turkey	Shipping
Akpa Day. Tük. Lpg ve Akar. Ürün. Paz. A.Ş.	Turkey	Marketing
Aygaz Doğal Gaz Toptan Satış A.Ş.	Turkey	Natural gas
Aygaz Doğal Gaz İletim A.Ş.	Turkey	Natural gas
ADG Enerji Yatırımları A.Ş.	Turkey	Natural gas

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

Financial Assets	Place of incorporation and Operation	Principal Activity
Koç Finansal Hizmetler A.Ş.	Turkey	Finance
Ram Dış Ticaret A.Ş.	Turkey	Trade
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	Turkey	Marketing
Tat Gıda Sanayi A.Ş.	Turkey	Food

In July 2010, the Company has restructured its shipping operations under new legal entities, and established Anadoluhisarı Tankercilik A.Ş., Kandilli Tankercilik A.Ş., Kuleli Tankercilik A.Ş. and Kuzguncuk Tankercilik A.Ş. with an effective ownership interest of 100%. The main activities of these companies are to purchase, build or rent vessels and to operate them in domestic and/or overseas transportation of crude oil, petroleum products, liquid petroleum gas, natural gas and solid, liquid and liquefied products. The vessel named “Kuleli”, included in Company assets with net book value of TL 589 thousand and used in liquid petroleum gas transportation, is sold in cash for USD 3.500 thousand on October 13, 2017.

Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş (“Akpa”) reached to its current structure with the merger of four subsidiaries of Koç Holding Energy Group at the end of 2001. Before the merger, four companies were operating separately from each other in Bursa, Eskişehir, Ankara and Antalya. At the time of merger the company name was Bursa Gaz ve Ticaret A.Ş, later it was changed to “Akpa Dayanıklı Tüketim Lpg ve Akaryakıt Ürünleri Pazarlama Anonim Şirketi” with the decision of Ordinary General Meeting held on March 17, 2005. Akpa is mainly engaged in sales of cylinders and carboy water through dealers, retail and wholesale of LPG, fuel and lubricants through autogas stations and sale of durable goods. As of the end of July 2016, Akpa terminated its durable goods sales.

Main activity of Aygaz Doğal Gaz Toptan Satış A.Ş. and Aygaz Doğal Gaz İletim A.Ş. (together "Aygaz Doğal Gaz") is to purchase natural gas from domestic and/or overseas suppliers, selling natural gas to domestic and/or overseas customers and make related arrangements for the modulation, storing of natural gas and building necessary facilities. Aygaz finalized the share and takeover transactions of the shares which is equivalent to the 0.85% of total shares of Aygaz Doğal Gaz Toptan Satış A.Ş with the nominal value of TL 280 thousand for TL 2.548 thousand in cash and the shares which is equivalent to the 0.41% of total shares of Aygaz Doğal Gaz İletim A.Ş with the nominal value of TL 37 thousand for TL 40 thousand in cash on January 25, 2017.

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

In December 2005, Enerji Yatırımları A.Ş. was established to acquire 51% block shares of Türkiye Petrol Rafinerileri A.Ş. ("TÜPRAŞ"), to participate in Tüpraş's management and its operational decisions as well as to establish and operate in oil refinery related sectors in Turkey.

The electricity producer company Entek Elektrik Üretimi A.Ş. ("Entek"), owned 49.62% by our main shareholder Koç Holding A.Ş. and 49.62% by our Company, operates one natural gas cycling plant with capacity of 157 MW in Kocaeli and six hydroelectric power plants in Karaman, Samsun and Mersin with capacity of 87 MW in total reaching aggregate capacity of 244 MW. In September 2017, Entek submitted the highest bid to the Privatization Administration and was granted operating rights of the 178 MW Menzelet and Kılavuzlu HEPPs for 49 years. The consolidated installed capacity of Entek reached 422 MW. Menzelet and Kılavuzlu HEPPs have started to be operated in the first quarter of 2018 by Menzelet Kılavuzlu Elektrik Üretimi A.Ş., which is wholly owned by Entek. In the Extraordinary General Assembly of Entek dated February 9, 2018, it was resolved to increase the paid-in capital by from TL 538.500 thousand to TL 950.000 thousand, TL 405 thousand to be paid out of internal funds and TL 411.095 thousand to be paid in cash. Our Company's the corresponding amount of TL 203.974 thousand was paid in cash on March 1, 2018.

Opet Aygaz Gayrimenkul A.Ş. was established on September 20, 2013 as a joint venture with 50% equal shares by the Company and Opet Petrolcülük A.Ş., which is the Company's business partner, operating in distribution of fuel products. Its main activity is to establish, purchase, operate and rent fuel and LPG stations. In the Extraordinary General Assembly that was carried out on June 22, 2017, it was decided to increase the capital from TL 150.000 thousand to TL 250.000 thousand. Aygaz A.Ş is to guarantee in cash TL 50.000 thousand of the increased amount of TL 100.000 thousand being free of collusion. The payments of TL 12.500 thousand, TL 12.500 thousand and TL 25.000 thousand were made in cash on June 28, 2017, July 13, 2017 and August 28, 2017 respectively.

During the extraordinary general assembly meeting of our 1.97% financial investment Koç Finansal Hizmetler A.Ş. on 6 June 2018, it was resolved to increase the paid-in capital of by TL 3.389.325 thousand from TL 3.011.275 thousand to TL 6.400.600 thousand. Our

Company participated in this capital increase by exercising its pre-emptive rights corresponding to TL 66.660 thousand that was paid in cash on 18 June 2018.

LEGAL AND ECONOMIC DEVELOPMENTS IN LPG MARKET

Energy Market Regulatory Authority (EMRA) published the cumulative sector report as of May 2018. According to the report, Turkey's total sales amounted to 1,618,760 tons increasing by 3.7% compared to the same period last year. (Jan-May 2017: 1,560,942 tons)

MARKET-SALES-PRODUCTION

As of the end of June 2018, Aygaz continued its leading position in the market and total LPG sales reached 1,003 thousand tons, 4,286 million TL consolidated revenue was obtained.
Aygaz's cylinder LPG sales are 157 thousand tons and autogas sales are 357 thousand tons that sums up to domestic retails sales of 529 thousand tons together with bulk sales.
LPG exports and transit sales constitute a significant portion of our company's overseas sales revenue and have reached to 292 thousand tons and 151 million USD revenue was obtained for the first six months of 2018.
(2017/ 6 months: 246 thousand tons - 110 million USD)
Cylinder, small bulk gas tanks, valves, pressure regulators and similar items used in LPG sales, distribution and consumption are produced within our company. The first six months of the 2018 with device exports, 7 million USD foreign exchange entry was accomplished.
(2017/ 6 months: 6 million USD)

INVESTMENTS

Under the investment plan for 2018, total amount of investments regarding renovation of cylinders used in the LPG delivery, modernization and renovation of the facilities has reached 57.3 million TL in six months period.

RESEARCH AND DEVELOPMENT ACTIVITIES

In the first six months of 2018, total 1.3 million TL was spent for research and development activities.

EMPLOYEES

For the first six months of 2018, average number of employees working under Aygaz Group was 1,353. (For the first six months of 2017: 1,388)

A Collective Group Labor Agreement has been signed between the Turkish Employers Association of Metal Industries (MESS), the employers union in the metal industries of which the company is a member, and the Turkish Metal Union on January 30, 2018 for the period from September 1, 2017 to August 31, 2019 covering the workers at the Gebze plant.

The Collective Labor Agreement between the Seafarers' Union of Turkey and seamen working on vessels is signed on June 15, 2017 for the 01.01.2017 – 31.12.2018 period.

Provisions for seniority pay and leave obligations as of 30 June 2018, totaled 42,248 thousand TL.

LEGAL DISCLOSURES

Lawsuits and Sanctions
There are no lawsuits against the company that may affect its financial position and activities and there are no administrative or legal sanctions imposed on the company or the members of its management in violation of any legal provision.
Public Audits and Special Audits
In addition to the company's internal audits, Ministry of Finance, Ministry of Customs and Trade and other regulatory and supervisory organizations have also requested various documents and information and ordinary and limited audits have been conducted.

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

KEY FINANCIAL INDICATORS

As of June 30,2018, some basic indicators as compared to prior periods are as follows.

	1 Jan – 30 June 2018	1 Jan – 30 June 2017
Gross Profit Margin	8%	8%
Operating Profit Margin	3%	3%
Net Profit Margin	5%	8%

	30 June 2018	31 December 2017
Current Ratio	1.05	1.24
Net Fin. Liability/Equity	31%	13%

GENERAL ASSEMBLY

Agenda for the Ordinary General Assembly Meeting which is held on March 21, 2018 and the list of attendants were published at the website, www.aygaz.com.tr. Details of the main items on the agenda were:

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

Dividend Payment and Profit Distribution

The total assets of the Company in the Consolidated Balance Sheet is TL 4,969,220,000.00 and it earned TL 577,019,000.00 in consolidated net profit after tax and TL 309,023,352.64 net profit according to the TPL records from its activities in 2017.

It has been resolved not to set aside 5% general legal contingency reserves for 2017 as required under article 519 of the Turkish Commercial Code since the amount of general legal contingency reserve in TPL records has already reached 20% of the capital as of 31.12.2017.

It has been established that in compliance with the Capital Market Law and Capital Markets Board regulations distributable profit for the period in the amount of TL 577,019,000.00 TL was earned; and that the amount of TL 584,499,734.87 resulting from the addition of TL 7,480,734.87 in donations made to foundations and associations within the year made up the basis for first dividend; and furthermore that TPL records indicate TL 703,041,790.07 as total distributable profit of which TL 309,023,352.64 is the profit of the reporting period.

By taking the views of the Executive Committee into account and considering the cash flow position in accordance with investment and financing policies set out in the Company's Profit Distribution Policy, the following have been resolved regarding the current year profit indicated in the dividend table calculated in accordance with CMB Communiqués:

- TL 292,249,867.44 to be paid to the shareholders as first dividend,
- TL 167,750,132.56 to be paid in total to the shareholders as the second dividend,
- TL 44,500,000.00 to be set aside as the II General Legal Contingency reserve

and the total amount of TL 460,000,000.00 as the sum of the first and second dividends payable to the shareholders to be fully paid in cash.

It has been resolved that TL 282,293,959.95 of the total TL 460,000,000.00 dividend payable to the shareholders will be paid out from retained earnings of the current year and the balance TL 177,706,043.05 from extraordinary reserves; TL 26,729,395.69 of the TL 44,500,000.00 in secondary legal reserves will be paid out from retained earnings of the current year and the balance 17,770,604.31 TL from extraordinary reserves; and the balance TL 72,519,000 in the financial statements issued on TAS/TFRS basis to be transferred to retained earnings;

- A gross/net cash dividend at the rate of 153.33333% and the amount of TL 1.533333 per share with a nominal value of TL 1 to be paid out to fully obligated corporations and our limited taxpayer shareholders who earn dividends through an office in Turkey or a permanent representative,

- A gross cash dividend at the rate of 153.33333% and the amount of TL 1.533333 per share with a nominal value of TL 1 and net 130.33333% and net amount of TL 1.303333 to be paid out to other shareholders,

and dividend pay out to start on March 29, 2018.

Donations and Supports:

Purpose of the social relief, 7,480,734.87 TL donation to foundations and associations that have been submitted to the shareholders. It was decided by the General Assembly that the maximum amount for donations to be as 0.2% of the revenues of the previous year

Dividend Policy:

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

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

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

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

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

NATURE AND AMOUNT OF ISSUED CAPITAL MARKET INSTRUMENTS

In order to meet the financing needs that company activities require, the Board of Directors resolved on February 16, 2015 to issue debt instruments with a total nominal value up to TL 300,000,000 with maturity not exceeding three years by way of selling to qualified investors and/or private placement once or several times domestically without public offering.

In line with this decision, the application filed was approved by the Capital Markets Board with decision number 7/313 on March 13, 2015. Within the framework of TL 300,000,000 nominal value of issuance ceiling, the following transactions were completed:

- With 728-day maturity, fixed interest, 182-day coupon payment and principal payment at maturity, the selling of bonds with TL 100,000,000 nominal value was completed on March 18, 2015.
- With 1092-day maturity, variable interest, 91-day coupon payment and principal payment at maturity, the selling of bonds with TL 60,000,000 nominal value was completed on March 30, 2015.
- With 728-day maturity, fixed interest, 182-day coupon payment and principal payment at maturity, the selling of bonds with TL 75,000,000 nominal value was completed on January 28, 2016.

Yapı Kredi Yatırım Menkul Değerler A.Ş. has acted as broker for the issued bonds. The mentioned bonds with 728-day maturity, fixed interest, 182-day coupon payment and principal payment at maturity, with nominal values TL 100,000,000 and TL 75,000,000 have matured on March 16, 2017 and January 26, 2018, respectively and principal redemption of nominal TL 60,000,000 was completed on March 26, 2018.

The Board of Directors resolved on February 14, 2017 to issue debt instruments with a total nominal value up to TL 200,000,000 with maturity not exceeding three years by way of selling to qualified investors and/or private placement once or several times domestically without public offering.

In line with this decision, the application filed was approved by the Capital Markets Board with decision number 13/396 on March 23, 2017. Within the framework of TL 200,000,000 nominal value of issuance ceiling, the following transactions were completed:

- With 728-day maturity, fixed interest, 6-month coupon payment and principal payment at maturity, the selling of bonds with TL 85,000,000 nominal value was completed on April 7, 2017, and exchange on April 11, 2017.
- With 728-day maturity, fixed interest, 6-month coupon payment and principal payment at maturity, the selling of bonds with TL 50,000,000 nominal value was completed on October 19, 2017, and exchange on October 20, 2017.

Yapı Kredi Yatırım Menkul Değerler A.Ş. has acted as broker for the two issued bonds.

- The first coupon payment of TL 5,525,000 of the private sector bond with a nominal amount of TL 85,000,000 TL with ISIN code TRSAYGZ41916 was completed on 10.10.2017.
- The second coupon payment of TL 5,525,000 of the private sector bond with a nominal amount of TL 85,000,000 with ISIN code TRSAYGZ41916 was completed on 10.04.2018.
- The first coupon payment of TL 3,480,000 of the private sector bond with a nominal amount of TL 50,000,000 with ISIN code TRSAYGZE1914 was completed on 20.04.2018.

The Board of Directors, in accordance with the authority bestowed by Article 7 of the Company's Articles of Association, resolved on November 13, 2017 to issue debt instruments with a total nominal value up to TL 300,000,000 with maturity not exceeding the issuance limit by way of selling to qualified investors and/or private placement once or several times domestically without public offering. In line with this decision, the application filed was approved by the Capital Markets Board with decision number 43/1440 on November 27, 2017.

Within the scope of this issuance limit, as the result of the book building for bonds to be sold to qualified investors domestically without public offering (Code No. TRSAYGZ12024 ISIN) with 728-day maturity, fixed interest, 6-month coupon payment and principal payment on January 24, 2020, the issuance amount was finalized as 75,000,000 TL nominal value and the exchange was completed on January 26, 2018.

- The first coupon payment of TL 5,655,000 of the private sector bond with a nominal amount of TL 75,000,000 with ISIN code TRSAYGZ12024 was completed on 27.07.2018.

Credit Rating

Following the comparative analysis of the sector and examination of financial/operational risks carried by the Company, as well as its domestic market position by SAHA Corporate Governance and Credit Rating Services, AYGAZ received a long term rating of (TR) AAA and a short term rating of (TR) A1+ and outlook as stable on July 1, 2016 and June 22, 2017 previously. The same credit rating agency has confirmed our Company's credit ratings as (TR) AAA long-term and (TR) A1+ short-term and the outlook as stable on June 22, 2018.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE

Aygaz is aware of the benefits and importance of Corporate Governance Principles in terms of capital markets and companies. Compliance with international standards, creating sustainable shareholder value, funding from foreign markets and achievement of consistent growth are very important in today's increasingly global world. In this context, corporate governance is contributing significantly toward improving management quality, reducing and better managing risks and increasing the company's reliability and reputation in financial and capital markets.

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

The Corporate Governance practices in 2017 have been carried out in compliance with the Capital Markets Law that includes the regulations of Capital Markets Board (CMB) regarding corporate governance principles and the communiqués pursuant to this law. At the 2017 Ordinary General Assembly, the Board of Directors and Board committees were formed in accordance with the provisions of the Corporate Governance Communiqué. The Board committees effectively perform their activities. A remuneration policy has been determined for the Board of Directors and senior executives and presented to the shareholders at the General Assembly. Through the information document prepared for the General Assembly, related information such as privileged shares, voting rights, organizational changes, résumés of the nominees for Board membership, remuneration policy for the Board of Directors and senior executives and all reports and information that must be drafted and disclosed about related parties as mandated by the principles were made available for investors three weeks prior to the General Assembly meeting. The corporate website and annual report were also reviewed and necessary changes were made toward full compliance with the principles. Necessary work will be carried out by considering legislative developments and implementations for full compliance with the principles in the upcoming period.

Aygaz A.Ş. demonstrates the importance of complying with corporate governance principles and its commitment to implementing them as a continuous and dynamic process by receiving Corporate Governance Rating scores and remaining in the Corporate Governance Index. Operating in Turkey under license from the Capital Markets Board (CMB) to conduct corporate governance rating activities, SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. has updated the corporate governance rating score of Aygaz on June 22, 2018 as 9.40 that was previously stated as 9.36 on June 22, 2017. Among the areas open to improvement, forming and disclosing the company's donation policy, setting a target ratio and time for achieving a rate of at least 25% for female board membership and preparing a policy for this purpose have been listed among areas for improvement. With its current corporate governance rating, Aygaz has been one of the companies to hold the highest corporate governance scores in Turkey as of the rating date.

The sub-section ratings are confirmed as follows:

Sub-sections	Weight	Rating
Shareholders	0.25	95.34
Public Disclosure and Transparency	0.25	92.96
Stakeholders	0.15	99.16
Board of Directors	0.35	91.57
Total	1.00	93.99

Corporate Governance Rating Report can be accessed at our company website.

In order to renew the existing corporate governance rating agreement between our company and SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., a new agreement valid for two years was signed on February 23, 2018.

RISK MANAGEMENT

Risk management is applied in accordance with international standards and practices as well as policies approved and strategic targets set by the Board of Directors, taking into consideration feedback from departments and Executive Committee in particular. Given the financial, operational and legal risks encountered due to the nature of the industry, risks are managed -within the framework of corporate risk management- with an integrated, systematic and proactive approach along with risk assessments spread across the company and updated with the processes. With effective risk monitoring, these risks are prioritized according to their probabilities and possible impact.

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

Liquidity risk is managed by closely monitoring existing and projected cash flows and ensuring maturity match between assets and liabilities. Net working capital is closely monitored to preserve short-term liquidity and sufficient level of cash and cash-like assets are kept against potential capital market fluctuations. Average due dates of receivables and inventory days are kept as short as possible, minimizing the need for working capital and mitigating liquidity risks. The company's policy is to manage long-term liabilities with fixed-interest rates and to hedge the potential interest rate risks through derivative instruments.

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

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

In terms of capital risk, the company's objective is to carry out business with the most efficient capital structure that minimizes the cost of capital while creating value for its shareholders. The most significant indicators considered for this purpose are the ratios of Net Financial Debt/EBITDA, Total Financial Debts/ Equity, Current Ratio and Liquidity Ratio, as well as maturity structure of Financial Debt and Net Working Capital. With all these indicators within the required limits, Aygaz A.Ş. has the capital structure and debt capacity to conduct its business in a healthy manner. The Board of Directors is informed through the reports prepared by the management and presented to the Risk Management Committee periodically.
The Company's issued capital is TL 300 million is protected by main partnership capital that is TL 2,590 million as of June 30, 2018.

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

For protection against any losses that may arise due to operational or other risks, various insurances are in place including the coverages for subsidiaries. All transferable risks are delegated to third parties with insurance policies.

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

FORWARD LOOKING STATEMENTS

Regarding 2018;
Our sales volume expectations are;
Cylinder gas: 320-335 thousand tons
Autogas: 750-785 thousand tons

Our market share expectations are;
Cylinder gas: 41.5%- 43.5%
Autogas: 22.5%-23.7% *(previous 23.2%-24.5%)*

According to EMRA's monthly reports, since the market growth is above expectations for the first five months of 2018, without any change in sales volume, our autogas market share is reevaluated as 22.5%-23.7%.

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