

AYGAZ A.Ş.
1 JANUARY – 30 JUNE 2016
INTERIM REPORT

AYGAZ



Güney Bağımsız Denetim ve
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(Convenience translation of a report originally issued in Turkish)

Review report on the interim report for the period January 1, 2016 – June 30,2016

To the Board of Directors of Aygaz Anonim Şirketi;

We have been assigned for the review of consistency of the financial information in the interim report dated June 30, 2016 with the reviewed interim condensed consolidated financial statements. The management of the Group is responsible for the preparation of the interim report. Our responsibility is express a conclusion on whether the financial information provided in the interim report is presented consistent with the Group's reviewed interim condensed consolidated financial statements there on which review report dated August 11, 2016 has been issued.

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by Public Oversight Accounting and Auditing Standards Authority of Turkey. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Turkish Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim 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.

Based on our review, nothing has come to our attention which may cause us to believe that the accompanying interim report is not presented fairly and consistent with reviewed interim condensed consolidated financial statements and explanatory notes.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



August 11, 2016
İstanbul, Turkey

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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, five filling plants and 12 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 2,131 cylinder dealers and 1,777 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: 0-1190-0510-2700017) 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 19, 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, 2016

	TL	%
Koç Holding A.Ş.	122,053,514.26	40.68
Temel Ticaret ve Yatırım A.Ş.	15,883,935.60	5.29
Koç Family	15,705,119.72	5.24
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 April 4, 2016 are determined by the Board Resolution dated April 6, 2016. Yağız Eyüboğlu, who took over the duty of Energy Group Presidency from Erol Memioğlu, became our Board Member in the Ordinary General Assembly dated April 4, 2016.

Mr. Fikret Coşar, former General Manager of Aygaz's subsidiary Akpa A.Ş, is appointed as the Assistant General Manager (Sales) of Aygaz A.Ş. effective as of January 1, 2016 due to the retirement of Mr. Mehmet Tufan Mut as of December 31, 2015, by the Board Resolution dated December 31, 2015.

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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
Ayşe Canan Ediboğlu	Independent Member
Mansur Özgün	Independent Member
Tunç Uluğ	Independent Member

Executive Committee

Rahmi M.Koç	Chairman
Ömer M. Koç	Member
Ali Y. Koç	Member
Alexandre F.J. Picciotto	Member
Bülent Bulgurlu	Member

Audit Committee

Tunç Uluğ	Chairman
Mansur Özgün	Member

Corporate Governance Committee

Mansur Özgün	Chairman
Yağız Eyüboğlu	Member
Ferda Erginoğlu	Member

Risk Management Committee

Ayşe Canan Ediboğlu	Chairman
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)
Nurettin Demirtaş	Director (Affiliates and Accounting)
Ramazan Pulat Oktay	Director (Production)
Özgür Asena Yıldırım	Director (Cylinder Gas Sales)
Kenan Denizhan Ege	Director (Autogas Sales)
Ercüment Polat	Director (Marketing)
Ayşe Abamor Bilgin	Director (Logistics)

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:

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

In July 2010, the Company has restructured its shipping operations under new legal entities, and established Anadoluhisarı Tankercilik A.Ş. ("Anadolu Hisarı"), Kandilli Tankercilik A.Ş. ("Kandilli"), Kuleli Tankercilik A.Ş. ("Kuleli") and Kuzguncuk Tankercilik A.Ş. ("Kuzguncuk") with an effective ownership interest of 100%. The main activities of these companies are to purchase, build or rent vessels and to operate them in domestic and/or overseas transportation of crude oil, petroleum products, liquid petroleum gas, natural gas and solid, liquid and liquefied products.

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 through dealers, retail and wholesale of LPG, fuel and lubricants through autogas stations and sale of durable goods.

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.

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.

Aygaz A.Ş. has purchased 100% ownership interest of Enram Su ve Çevre Yatırımları A.Ş. as a result of share assignment agreement dated March 14, 2014. Enram Su ve Çevre Yatırımları A.Ş. has decided to change its trade name as ADG Enerji Yatırımları A.Ş. ("ADG Enerji") and to increase share capital from TL 3.600 thousand to TL 25.000 thousand in its Extraordinary General Meeting held on March 20, 2014. For the increased

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share amount of TL 21.400 thousand, the Company has paid TL 5.350 thousand in cash on March 20, 2014 and the remaining part amounting to TL 16.050 thousand is paid on February 11, 2016. The company raised capital from TL 25.000 thousand to TL 26.100 thousand at the Ordinary General Assembly held on February 24, 2016, changing the article number 6 titled Capital. The increased amount of TL 1.100 thousand was paid by Aygaz on March 2, 2016.

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

Entek Elektrik Üretimi A.Ş. ("Entek"), the electricity producer company of Koç Group, has been operating with its two natural gas cycling plants with 300 MW power (Kocaeli and Bursa), one cogeneration facility with a total of 2 MW power (Istanbul Koç University) and two hydroelectric power plants in Karaman and one hydroelectric power plant in Samsun with 62 MW power, that has a total amount of 364 MW power. Besides Entek's power plants, Entek has 50% share on imported coal plant project with a total of 625 MW power. Entek decided to terminate the licences of natural gas cycle plant in Bursa and cogeneration facility in Koç University and its operations in 2016. On October 13, 2014, a Share Purchase Agreement was signed between Aygaz A.Ş., Koç Holding A.Ş. and AES Mont Blanc Holdings B.V. for the Company's acquisition of the shares with a nominal value of TL 133.594 thousand and equivalent to 24,81% of the shares of the Group's associate AES Entek Elektrik Üretimi A.Ş. for USD 62.500 thousand, and the acquisition of the shares with a nominal value of TL 133.594 thousand and equivalent to 24,81% by Koç Holding A.Ş., the Group's parent, from AES Mont Blanc Holdings B.V for USD 62.500 thousand.

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. Opet Aygaz Gayrimenkul A.Ş. decided to increase its capital from TL 90.000 thousand to TL 150.000 thousand in its Ordinary General Meeting, held on March 10, 2014. All of the related increase has been paid in cash by shareholders.

LEGAL AND ECONOMIC DEVELOPMENTS IN LPG MARKET

Energy Market Regulatory Authority (EMRA) published the monthly sector report as of May 2016. According to the report, Turkey's total sales amounted to 1,590,775 tons increased by 3.3% compared to the same period last year. (May 2015: 1,540,281 tons)

MARKET-SALES-PRODUCTION

As of the end of June 2016, Aygaz continued its leading position in the market and total LPG sales reached 968.8 thousand tons, 3,060 million TL consolidated revenue was obtained.

LPG exports and transit sales constitute a significant portion of our company's overseas sales revenue and have reached to 149 thousand tons and 49.6 million USD revenue was obtained as of first six month of the 2016. (2015 6 months: 200 thousand tons - 84.2 million USD)

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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 2016 with device exports, 10.7 million USD foreign exchange entry was gained.

INVESTMENTS

Under the investment plan for 2016, total amount of investments regarding renovation of cylinders used in the LPG delivery, modernization and renovation of the facilities has reached 49.6 million TL in six months period.

RESEARCH AND DEVELOPMENT ACTIVITIES

In the first six months of 2016, total 1.7 million TL was spent for research and development activities.

EMPLOYEES

As of the end of June 30, 2016 period, total number of employees working under Aygaz Group was 1,451. (June 30, 2015: 1,406)

The Collective Labor Agreement between the Turkish Metal Union and our workers at the Aygaz Gebze Plant was signed on December 15, 2014 for the 01.09.2014 – 31.08.2017 period.

The Collective Labor Agreement between the Seafarers' Union of Turkey and seamen working on vessels was signed on August 3, 2015 for the 01.01.2015 – 31.12.2016 period.

Provisions for seniority pay and leave obligations as of 30 June 2016, totaled 35,739 thousand TL.

LEGAL DISCLOSURES

Lawsuits and Sanctions

There are no administrative or legal sanctions imposed on the company and the members of its management bodies that may affect the financial situation and activities of the company as a result of any lawsuit against the company or its practices in violation of any legal provision.

Public Audits and Special Audits

In addition to the corporation's internal auditing, various documents and information was requested by the Ministry of Finance, the Ministry of Customs and Trade and other regulatory and supervisory organizations; ordinary and limited audits were executed.

The Tax Auditing Board Presidency of the Ministry of Finance began a tax audit at Aygaz A.Ş. in 2013. As a result, we reached an agreement to pay TL 25 million for total tax levy regarding taxes and related fines including interest. Thus, the disagreement and related legal actions have been terminated.

As a result of the EMRA audits, in 2013 administrative decision taken including license revocation for four plants and accordingly, the storage licenses of a total of four of our facilities had been canceled. Following our company's application to renew the licenses all of them have been reinstated in a short period. Relevant lawsuit processes are currently

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ongoing to cancel the administrative fines decisions taken by EMRA following the audits. Due to the same audits, our company has been made a party to four sequestration lawsuits filed by the EMRA; however, all of the cases came out in favor of Aygaz.

Through the notification informing us that the Competition Board made a decision dated 05.08.2015, numbered 15-33/477-M to open an investigation toward our company concerning whether there has been a violation of Article 4 of the Law No. 4054 on the Protection of Competition through the setting of resale prices of Aygaz dealers, and our company was asked to defend. The first written defense was transmitted on September 13, 2015 and Company will use other rights of defense

The fact that the Competition Board has opened an investigation or that the subject of the investigation is whether a company or companies have violated the Law No. 4054 on the Protection of Competition does not mean that they faced or will face a penalty. Our company conducts its business in accordance with the Competition Law and with all other laws and regulations. On the same date we received the notification about the investigation, our company made a material event disclosure on the Public Disclosure Platform. Any further developments in the matter will be announced as required by CMB regulations.

KEY FINANCIAL INDICATORS

As of 30 June 2016, some basic indicators as compared to prior periods are as follows.

	<u>1 January – 30 June 2016</u>	<u>1 January – 30 June 2015</u>
Gross Profit Margin	12%	10%
Operating Profit Margin	5%	3%
Net Profit Margin	5%	5%

	<u>30 June 2016</u>	<u>31 December 2015</u>
Current Ratio	1,25	1,21
Net Fin. Liability/Equity	7%	10%

GENERAL ASSEMBLY

Agenda for the Ordinary General Assembly Meeting which is held on April 4, 2016 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 Ayşe Canan Ediboğlu, Mansur Özgün and Tunç Uluğ.

Dividend Payment and Profit Distribution

In our 2015 consolidated financial tables; out of the Current Period Income of TL 418,375,000, 5% Legal Reserve, which is required to be allocated pursuant to Article 519 of Turkish Commercial Code, was not allocated in the current year since the amount

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reserved in previous years exceeded the upper limit. According to Capital Markets Board legislation, out of the Current Period Income it was decided that;

- TL 212,204,356.64 is paid to shareholders as the First Gross Cash Dividend,
- TL 102,795,643.36 is paid to shareholders as the Second Gross Cash Dividend,
- TL 30,000,000.00 is set aside as Second Issue Legal Reserves,
- The remaining amount of TL 73,375,000.00 is transferred to the extraordinary reserves account,

TL 315,000,000, total of first and second gross cash dividend, is paid to shareholders as cash.

- To all full-pledged taxpayer corporate shareholders and those of our limited taxpayer shareholders that obtain dividends through a workplace in Turkey or a permanent representative, shall be paid a 105,00000 Kr gross=net cash dividend per 1Kr nominal share, at 1,0500000,
- To other shareholders shall be paid gross 1,0500000 Kr, and net 0.8925000 Kr cash dividend, and payments of dividends to begin on April 11, 2016.

Donations and Supports:

Purpose of the social relief, 6,033,713.28 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 10,000,000 TL in 2016.

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 of the company, on February 16, 2015, our Board of Directors decided to issue debt instruments with a total nominal value up to TL 300.000.000 with maturity not exceeding 3 years by way of selling to qualified investors and/or private placement; its sale will be done one or several times domestically excluding public offering.

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In line with this decision, our application was approved by the Capital Markets Board, with decision numbered 7/313 and dated 13.03.2015. Within the framework of TL 300,000,000 nominal value of issuance ceiling, the following transactions were completed:

* Sale of TL 100,000,000 nominal value of bonds 728-day maturity, fixed interest, 182-days coupon payment and principal payment at maturity was completed on 18.03.2015.

* Sale of TL 60,000,000 nominal value of bonds 1092-day maturity, floating interest, 91-days coupon payment and principal payment at maturity was completed on 30.03.2015.

* Sale of TL 75,000,000 nominal value of bonds 728-day maturity, fixed interest, 182-days coupon payment and principal payment at maturity was completed on 28.01.2016.

The issuances were managed by Yapı Kredi Yatırım Menkul Değerler A.Ş.

Developments on issuances:

- The second coupon payment of 5,130,000 TL of the private sector fixed-rate bond with a nominal amount of 100,000,000 TL with ISIN code TRSAYGZ31719 was completed on 17.03.2016.

- The fourth coupon payment of 1,817,999.99 TL of the private sector bond with a nominal amount of 60,000,000 TL with ISIN code TRSAYGZ31818 was completed and coupon rate for the fifth coupon payment to be made on 27.06.2016 was determined as 2.83%.

- The fifth coupon payment of 1,697,999.99 TL of the private sector bond with a nominal amount of 60,000,000 TL ISIN code TRSAYGZ31818 was completed on 27.06.2016 and the coupon rate for the sixth coupon payment's interest on 26.09.2016 was determined as 2.59%.

- The first coupon payment of 4,747,500 TL of the private sector fixed-rate bond with a nominal amount of 75,000,000 TL with ISIN code TRSAYGZ11810 was completed on 29.07.2016.

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.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE

Aygaz is aware of the benefit and importance of the Principles of Corporate Governance with regard to the capital markets and companies. In a world that is becoming more globalized, it is very important to comply with international standards, to create sustainable value for shareholders, to procure funds from foreign markets and to achieve consistent growth. In this regard, corporate governance makes a significant contribution to increasing the quality of management, reducing risks and managing them better, and increasing the reliability and image of the company in the financial and capital markets.

Aygaz fully complies with the principles that are compulsory as per the Corporate Governance Communiqué No: II-17.1 and adopted a majority of the non-compulsory principles. Although we strive to fully comply with the non-compulsory Corporate Governance Principles, due to difficulties associated with the implementation of some principles, the ongoing debate both on domestic and international platforms regarding the adoption of them, and the failure to overlap with the existing structure of the market and the company, full compliance has yet to be achieved. Work is underway on the principles

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that have not yet been put in practice, and we are planning to adopt them upon the completion of the administrative, legal, and technical infrastructure work that would contribute to our 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 highlight of our work in the field of Corporate Governance in 2015 was the efforts to ensure compliance with the Capital Markets Law and the communiqués prepared based on this law. The Material Disclosures Guide, became effective by the Capital Markets Board, resolutions of CMB and codes of practice of Material Disclosures Communiqué were elaborated, various amendments and improvements were made. Within the framework of new adjustments, with the decision of our Board of Directors on 15 July 2015, certain amendments were made in information policy, primarily on information about the future. At the same time when the related material disclosure announcement was done on the Public Disclosure Platform, the policy amendment was announced to all of the stakeholders through the company's internet site.

Aygaz A.Ş. has demonstrated the importance it places on the principles of corporate governance and its eagerness to implement these as a continual 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 for the companies included in the BIST Corporate Governance Index, SAHA Corporate Governance and Credit Rating Services announced Aygaz's corporate governance rating score as 9.36 on July 1, 2015 from 9.29 on July 1, 2014. Among the improvements made in the last term by Aygaz, the announcement made on the Public Disclosure Platform about the insurance protecting the company against the possible damages, which may stem from the faults of the Board members, as well as the in-house written document prepared for setting written rules for operation principles of the Board of Directors meetings have contributed to a significant increase in the scores received, particularly in "Stakeholders" and "Board of Directors" categories. The last evaluation was made on July 1, 2016. Aygaz's corporate governance rate was confirmed as 9.36

The sub-section ratings are confirmed as follows:

<u>Sub-sections</u>	<u>Weight</u>	<u>Rating</u>
Shareholders	0.25	95.26
Public Disclosure and Transparency	0.25	91.99
Stakeholders	0.15	98.79
Board of Directors	0.35	91.38
Total	1.00	93.61

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

RISK MANAGEMENT

Conducting and appropriately managing operations in line with corporate risk management principles is essential for corporations to be able to create the highest level of value for its stakeholders and ensure sustainable profitability and growth.

The nature of the energy industry exposes Aygaz to various financial, operational and legal risks. The company manages these risks within the framework of corporate risk management with an integrated, systematic and proactive approach. Risk management is applied in accordance with international standards and practices as well as through policies approved by the Board of Directors.

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Financial risks arising from uncertainties and fluctuations in currency, interest rates and commodity prices are identified and evaluated within this framework; requisite instruments are used to mitigate these risks. Currency risks originating from purchases in foreign currencies are mitigated by reflecting exchange rate fluctuations to sales prices of products. The ratio of foreign exchange position exposed to currency risk after natural hedge is closely monitored and effectively managed. The risks that may otherwise arise are restricted to be kept within targeted limits by means of forward transactions.

Liquidity risk is managed by closely monitoring existing and expected cash flows, and by ensuring maturity matching between assets and liabilities. The company's policy in this field is to assume long-term liabilities with fixed-interest rates and to manage the potential interest rate risks that may otherwise occur through derivative instruments.

Due to its broad range of activities, Aygaz's receivables are spread across different industries and geographical regions through numerous dealers and customers. Thus, the company avoids vulnerability resulting from concentrating on a specific field or a customer. Continuously and closely monitoring its clients, Aygaz seeks to keep credit risk exposure arising from commercial receivables within approved limits. The company is careful to conduct business only with parties possessing a high level of credibility and also mitigates existing risks with collaterals. The use of multiple payment systems is another element that facilitates collections and mitigates risks.

The company's objective in managing capital risk is to conduct its business with the best appropriate capital structure that minimizes the cost of capital while creating value for its stockholders. In this respect, the most significant indicator is the ratio of Net Financial Debt/EBITDA, Total Financial Debts/Equity, Current Ratio and Liquidity Ratio, maturity structure of Financial Debt and Net Working Capital. Ensuring all these indicators within the required limits, Aygaz A.Ş. has the capital structure and debt capacity enabling it to conduct its business in a healthy manner. It is seen that company has enough capital structure and liability capacity for continuing company activities. The Company's issued capital is 300 million TL is protected by main partnership capital that is 2,563 million TL as of 30.06.2016.

Legislative changes are monitored by the Legal Department and other related units. All required information in this area is provided to the staff; training and compliance activities are carried out in order to avoid legal risks.

The Board of Directors is informed via the reports submitted periodically to the Risk Management Committee. Operational, legal and strategic risks are evaluated by related units. The decisions taken by the executive management in this field are monitored by the Board of Directors through this committee. The Board of Directors receives also 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.

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