AYGAZ A.Ş.
1 January – 30 September 2019
INTERIM REPORT

BUSINESS AREA

The main activity of the Company is purchasing liquefied petroleum gas (LPG) from domestic refineries and overseas market, stocking, filling and delivery to retailers for distribution to customers as cylinder, autogas and bulk gas. Aygaz 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 September, Aygaz Group serve to customers with 2,396 cylinder dealers and 1,726 autogas stations.

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

The company is registered to Istanbul Trade Registry with number 80651 (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 June 6, 2008 and was published in the Turkish Trade Registry Gazette on June 23, 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 September 30, 2019	**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 20, 2019 are determined by the Board Resolution dated March 25, 2019 as below;

Board of Directors

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

Executive Committee

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

Audit Committee

Kutsan Çelebican	Chairman
Dr. Şadan Kaptanoğlu Dikici	Member

Corporate Governance Committee

Kutsan Çelebican	Chairman
Yağız Eyüboğlu	Member
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)
Şenol Zafer Polat	Director (Autogas Sales)

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
Bal Kaynak Su İthalat İhracat Sanayi ve Ticaret A.Ş	Turkey	Water distribution

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

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. Kuleli Tankercilik A.Ş has purchased 100% shares of Bal Kaynak Su İthalat İhracat Sanayi ve Ticaret A.Ş. with all permits and licenses related to its operations, the filling facility where the company currently continues its spring water operations and also the real estate that this facility is built on, for a cost of TL 50,239 thousand on March 14, 2019. While expansion of water distribution business and sustainable production is aimed through this acquisition, necessary works are being carried out to coordinate the water operations under Bal Kaynak towards this aim.

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.

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. (EYAŞ) was established to acquire 51% block shares of Türkiye Petrol Rafinerileri A.Ş. ("TÜPRAŞ"), to participate in Tüpraş's management and its operational decisions as well as to establish and operate in oil refinery related sectors in Turkey. On December 20, 2018, at the extraordinary general assembly meeting of EYAŞ, it is resolved to decrease the company's capital of TRL 3.347.000 thousand by TL 1.000.000 thousand down to TL 2.347.000 thousand. Our Company's portion of TL 200.000 thousand is paid in cash on March 28, 2019.

The electricity producer company Entek Elektrik Üretimi A.Ş. ("Entek"), owned 49.62% by our main shareholder Koç Holding A.Ş. and 49.62% by our Company, operates one natural gas cycling plant with capacity of 97 MW in Kocaeli and eight hydroelectric power plants in Kahramanmaraş, Karaman, Samsun and Mersin with capacity of 265 MW in total reaching aggregate capacity of 362 MW. Entek considered the buyer market situation – created as asset prices reached reasonable levels in recent years – as an opportunity to grow in the electricity market. Accordingly, 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. Following the bid process, the necessary approvals were obtained, and Menzelet and Kılavuzlu HEPPs were taken over by Menzelet Kılavuzlu Elektrik Üretimi A.Ş., wholly owned by Entek, and put into operation on March 9, 2018. 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 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 June 6, 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 June 18, 2018.

LEGAL AND ECONOMIC DEVELOPMENTS IN LPG MARKET

Energy Market Regulatory Authority (EMRA) published the cumulative sector report as of August 2019. According to the report, Turkey's total sales amounted to 2,783,470 tons decreasing by 1.14% compared to the same period last year. (Jan-August 2018: 2,815,561 tons)

MARKET-SALES-PRODUCTION

As of the end of September 2019, Aygaz continued its leading position in the market and total LPG sales reached 1,548 thousand tons, 7,645 million TL consolidated revenue was obtained.
Aygaz's cylinder LPG sales are 232 thousand tons and autogas sales are 555 thousand tons that sums up to domestic retails sales of 818 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 466 thousand tons and 201 million USD revenue was obtained for the first nine months of 2019. (2018 nine months: 414 thousand tons - 224 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 nine months of the 2019 with device exports, 10.2 million USD foreign exchange entry was accomplished. (2018 nine months: 10 million USD)

INVESTMENTS

Under the investment plan for 2019, total amount of investments regarding renovation of cylinders used in the LPG delivery, modernization and renovation of the facilities and autogas stations has reached 73 million TL in nine months period.

RESEARCH AND DEVELOPMENT ACTIVITIES

In the first nine months of 2019, total 5.5 million TL was spent for research and development activities.

EMPLOYEES

For the first nine months of 2019, average number of employees working under Aygaz Group was 1,320. (For the first nine months of 2018: 1,338)

Discussions are still going on regarding the Collective Group Labor Agreement 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 for the period from September 1, 2019 to August 31, 2021 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 March 11, 2019 for the 01.01.2019 – 31.12.2020 period.

Provisions for seniority pay and leave obligations as of 30 September 2019, totaled 49,837 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 managing body 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 4 plants in 2013, administrative decisions including the revoking of licenses, administrative fines and sequestration were made by EMRA; the storage licenses of four plants cancelled within this scope were reinstated in a short period upon the applications filed. Because of the administrative sanction decisions made by EMRA after these audits, the Company has filed lawsuits for cancellation of administrative actions as well EMRA filing lawsuits for sequestration of which the relevant administrative processes and lawsuits are still ongoing. The 4 lawsuits filed by EMRA against the Company demanding sequestration have resulted in our favor.

OTHER ISSUES

After evaluating similar practices and developments in the industry, the Board of Directors resolved on January 7, 2019 to open a branch office in London to engage in LPG trade with the aim of increasing trade volume with third parties in international markets, supporting the company's import, export and transit operations by monitoring the opportunities in global markets more closely, and creating additional value from the supply chain. Branch opening was materialized in 2019.

In line with our growth strategy abroad, the Board of Directors resolved on March 5, 2019 to sign a Share Purchase Agreement ('Contract'), where Aygaz A.Ş. shall buy 50% of the shares of United LPG Ltd- with a pre-license for LPG filling facility but no current operations yet - of United Enterprises & Co. Ltd., which is part of the United Group in Bangladesh, with a total value of 50,000,000 Taka (Fifty million Taka)(approximately 625,000 USD) to be paid in cash at the date of completion of Share Transfer Transactions ('Closing') and establish a partnership ('Joint Venture Company') in order to operate in LPG supply, filling and distribution in the Bangladesh market and for the necessary investments based on the principles of equal management. Closing shall be subject to the realization of certain conditions precedents set forth in the Contract, including the acquisition of necessary permits. In the event that conditions precedents set forth in the Contract cannot be completed by March 31, 2020, the Contract will be terminated automatically. Work regarding the process is ongoing.

Aygaz continued to take its place in BIST Sustainability Index during the period of November 2019- October 2020.

KEY FINANCIAL INDICATORS

As of September30, 2019, some basic indicators as compared to prior periods are as follows.

	1 Jan – 30 September 2019	1 Jan – 30 September 2018
Gross Profit Margin	9%	9%
Operating Profit Margin	3%	3%
Net Profit Margin	3%	4%

	30 September 2019	31 December 2018
Current Ratio	1.04	1.09
Net Fin. Liability/Equity	27%	30%

GENERAL ASSEMBLY

Agenda for the Ordinary General Assembly Meeting which is held on March 20, 2019 and the list of attendants were published at the website, www.aygaz.com.tr. Details of the main items on the agenda were:

Board of Directors

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

Dividend Payment and Profit Distribution

It has been ascertained in accordance with TFRS/TAS, that total assets of the Company in the Consolidated Balance Sheet amounted to TL 5,013,223,000.00 and that the parent company earned TL 228,383,000.00 in consolidated net profit after tax and TL 430,989,654.17 net profit according to the TPL records from its activities in 2018.

Accordingly, it has been resolved not to set aside 5% general legal reserves for 2018 as required under article 519 of the Turkish Commercial Code since the amount of general legal reserve in TPL records has already reached 20% of the capital as of December 31, 2018.

It has been established that in compliance with the Capital Market Law and Capital Markets Board regulations, distributable profit earned for the period was TL 228,383,000.00; and that the amount of TL 231,850,991.52, resulting from the addition of

TL 3,467,991.52 in donations made to foundations and associations within the year, made up the basis for first dividend; and furthermore, that TPL records indicate TL 674,031,444.24 as total distributable profit, including that 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 115,925,495.76 to be paid to shareholders as first dividend,
• TL 93,059,049.69 to be paid to shareholders as secondary dividend,
• TL 177,015,454.55 to be paid to shareholders as profit share from retained earnings, and
• TL 37,100,000.00 to be set aside as the General Legal reserve

and the total amount of TL 386,000,000.00 as the sum of the dividend payable to the shareholders to be fully paid in cash.

Upon the General Assembly's acceptance of the profit distribution proposal detailed above, it has been resolved that TL 386,000,000.00 for dividends payable to the shareholders based on our TPL records and TL 37,100,00.00 for General Legal Reserve be paid out from the current year and the balance TL 7,886,654.17 be set aside as extraordinary reserves;

• A gross/net cash dividend at the rate of 128.66667% and the amount of TL 1.286667 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 128.66667% and the amount of TL 1.286667 per share with a nominal value of TL 1 and net 109.36667% and net amount of TL 1.093667 to be paid out to other shareholders,

and dividend pay out to start on March 28, 2019.

Donations and Supports:
Purpose of the social relief, 3,467,991.52 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 in 2019 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 debt instruments, which were issued within the issuance ceiling following the favorable decision no. 7/313 of the Capital Markets Board on March 13, 2015 in response to the application in line with the Board of Directors' resolution dated February 16, 2015, in the amounts of TL 100,000,000, TL 75,000,000 and TL 60,000,000 matured on March 16, 2017, January 26, 2018 and March 26, 2018 respectively.

Within the issuance ceiling approved by Capital Markets Board decision no. 13/396 dated March 23, 2017 following the application in line with the Board of Directors' resolution dated February 14, 2017,

(i) The long-term bonds (TRSAYGZ41916 ISIN) for nominal TL 85,000,000 with 728-day maturity, fixed interest, coupon payment every six months and principal payment at maturity with value date April 11, 2017, the following transactions were completed:

- First coupon payment of TL 5,525,000 on October 10, 2017,
- Second coupon payment of TL 5,525,000 on April 10, 2018,
- Third coupon payment of TL 5,525,000 on October 9, 2018 and
- Fourth coupon payment of TL 5,525,000 and principal redemption of TL 85,000,000 on April 9, 2019.

(ii) The long-term bonds (TRSAYGZE1914 ISIN) for nominal TL 50,000,000 with 728-day maturity, fixed interest, coupon payment every six months and principal payment at maturity with value date October 20, 2017, following transactions were completed:

- First coupon payment of TL 3,480,000 on April 20, 2018, and
- Second coupon payment of TL 3,480,000 on October 19, 2018,
- Third coupon payment of TL 3,480,000 on April 19, 2019.
- Fourth coupon payment of TL 3,480,000 and principal redemption of TL 50,000,000 on October 10, 2019.

(iii) The long-term bonds (TRSAYGZ12024 ISIN) for nominal TL 75,000,000, issued upon the Board of Directors resolution dated November 13, 2017 and following the Capital Markets Board favorable decision no. 43/1440 dated November 27, 2017, with redemption date January 24, 2020, bonds, following transactions were completed:

- First coupon payment of TL 5,655,000 on July 27, 2018,
- Second coupon payment of TL 5,655,000 on January 25, 2019, and
- Third coupon payment of TL 5,655,000 on July 26, 2019.

The Board of Directors resolved on November 16, 2018 to issue debt instruments with a total nominal value up to TL 300,000,000 within the period of the issuance limit by way of selling to qualified investors and/or private placement once or multiple times domestically without public offering, and the relevant application was approved by Capital Markets Board's decision no. 63/1427 dated December 13, 2018. Within the scope of this approval;

- The sale transaction of bonds with ISIN code TRSAYGZ62110, 728 days term, 90-days coupon payments, floating interest with 65 bps over the benchmark (3MTRLIBOR) and principal payment at maturity date of 18.06.2021, was completed on 20.06.2019. The final issuance amount is realized as 90 million TL. Value date of the issuance was 21.06.2019. The interest rate of the 50 million TL portion of the 90 million TL bonds is 21.95% whereas the interest rate for the portion of 40 million TL is fixed at 20.75% with an "interest rate swap transaction". The following transaction was completed;
    - First coupon payment of TL 5,800,229.98 on September 20, 2019.

- The sale transaction of bonds with ISIN code TRSAYGZ82118, 728 days term, 90-days coupon payments, floating interest with 55 bps over the benchmark (3MTRLIBOR) and principal payment at maturity date of 04.08.2021, was completed on 06.08.2019. The final issuance amount is realized as 80 million TL. Value date of the issuance was 07.08.2019. The interest rate of the 50 million TL portion of the 80 million TL bonds is 16.85% whereas the interest rate for the portion of 30 million TL is fixed at 16.47% with an "interest rate swap transaction". The following transaction was completed;
    - First coupon payment of TL 3,878,239,99 on November 6, 2019.

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, June 22, 2017 and June 22, 2018 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 21, 2019.

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 company is currently working on the principles that have yet to be fully complied with and plans to adopt them upon 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 2018 have been carried out in compliance with the Capital Markets Law that includes Capital Markets Board (CMB) regulations on corporate governance principles and the communiqués pursuant to this law. Prior to the general assembly meeting, independent board members were nominated and publicly announced, and general assembly meeting was organized with due process. At the Ordinary General Assembly Meeting in 2018, the Board of Directors were elected, and in the ensuing process the Board committees, which currently operate effectively, were formed in accordance with regulations. Remuneration policy was determined for Board members and senior executives and presented to the shareholders at the general assembly meeting. Through the information document prepared for the General Assembly, 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. In this regard, Corporate Governance Compliance Report (URF) and Corporate Governance Information Form (KYBF) prepared according to the new reporting format pursuant to CMB’s resolution no. 2/49 dated January 10, 2019 is disclosed to the public on the Public Disclosure Platform separately within the period stipulated by CMB.

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. updated last year's rating of 9.40 to 9.42 on June 21, 2019. Corporate Governance Rating Score is determined under four main categories weighted by different degrees within the framework of the CMB resolution regarding the issue. The increase in the score were noted in the main topics “Public Disclosure and Transparency” and “Stakeholders”. Improvements made in the English content on the corporate website and the fact that the loss, which the Board members may cause to the company for the failings during their performance of duties, is covered by insurance was included in the annual report and disclosed to the public on the Public Disclosure Platform (PDP) were evaluated as positive developments. 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	95.36
Public Disclosure and Transparency	0.25	93.87
Stakeholders	0.15	99.16
Board of Directors	0.35	91.38
Total	1.00	94.16

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

Given its broad range of activities, Aygaz's receivables are spread across different industries and geographical regions 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 2,363 million as of September30, 2019.

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. Operational risks are monitored by the relevant departments of the company and reported to senior management at regular intervals.

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

FORWARD LOOKING STATEMENTS

Regarding 2019;
Our sales volume expectations are;
Cylinder gas: 295 - 310 thousand tons
Autogas: 695 - 735 thousand tons

Our market share expectations are;
Cylinder gas: 41.5% - 43.5%
Autogas: 21.4% - 22.6%

AYGAZ A.Ş.
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