

AYGAZ A.Ş.

REPORT OF RELATED PARTY TRANSACTIONS EXPECTED TO BE REALIZED IN 2018

This report has been prepared within the context of the 10th article of Capital Markets Board (CMB) II.17.1 numbered Corporate Governance communiqué. In accordance with the mentioned article, the Board of Directors of the Company should prepare a report which includes the total amount of continuous transactions between the company quoted in Borsa Istanbul and its associates and the affiliated parties in a certain accounting period,

- a) in purchasing transactions; the ratio of purchases to the costs of goods sold based on the annual financial statements,
- b) in sales transactions; the ratio of sales to the revenues based on the annual financial statements

which are estimated to be minimum 10% of the revenues based on the final annual financial statements in sales transactions and market comparisons for such transactions and such report or its results section should be disclosed via Public Disclosure Platform (KAP).

The purpose of this report is to disclose the terms of estimated transactions between Aygaz A.Ş. (Company) and its affiliates and the associated parties as defined by Turkish Accounting Standards (TMS 24) within the scope of CMB regulations in 2018 and exceeding the amount set forth by the Communiqué to the extent that they are not commercial secrets and show that any such transaction does not have a negative effect on the Company as compared to the market conditions.

The detailed information about related party transactions of our Company carried out in 2017 was announced to public in 31st footnote of financial statements concerning our activities in 2017. In this report, only and solely the transactions that are expected to exceed 10% range in 2018, was evaluated.

Information on AYGAZ A.Ş.

Aygaz is established in 1961 to be the first company of Koç Group entering the energy industry. The main activity of Aygaz is the purchase of liquid petroleum gas (LPG) in bulk from domestic refineries and the overseas market and delivery to retailers for distribution to customers. As a result of the merger in 2001 with Gaz Aletleri A.Ş., the Company started to manufacture 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 ultimate and controlling shareholder is Koç Holding A.Ş. The Company is registered at the Capital Markets Board of Turkey and as of December 31, 2017, 24.27% of its shares have been quoted at Borsa Istanbul.

Total assets of our Company according to consolidated financial tables as of 2017 year-end is 4.9 billion TL, total sales revenue is 8.5 billion TL and net operating income is 265 million TL.

The issued capital of our Company is 300,000,000 TL, and is fully paid. The issued capital, valued at the nominal value of 1 Kr. per share, is fully divided to 30,000,000,000 registered shares. The table regarding the shareholding structure as of 31/12/2017 is as follows:

Name and Title of the Person or Company	Share Amount (TL)	Share Stake(%)
KOÇ Group	153.642.569,58	51.21
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
Other	146.357.430,42	48.79
Liquid Petroleum Gas Development Company (LPGDC)	73.545.660,24	24.52
Free Floating**	72.811.770,18	24.27
Total	300,000,000.00	100.00

*The majority of Koç Holding A.Ş. and Temel Ticaret ve Yatırım A.Ş. shares are owned by the members of Koç Family.

**The share at the amount of 2,725,041.31 TL (capital ratio 0.91%) included in the publicly traded section is owned by Hilal Madeni Eşya Ticaret Sanayi ve Yatırım A.Ş., 100% owned by LPGDC.

Summary financial tables of our Company for 2015, 2016 and 2017 are below;

(million TL)	31.12.2015	31.12.2016	31.12.2017
Total Assets	3,916	4,231	4,966
Parent Shareholders Capital	2,610	2,740	2,923

(million TL)	01.01.2015-31.12.2015	01.01.2016-31.12.2016	01.01.2017-31.12.2017
Net Sales	6,420	6,749	8,469
COGS	-5,743	-5,962	-7,728
Net Profit	418	416	577

According to such data, a Board of Directors Report should be prepared subject to the Declaration; for the purchase transactions and sales transactions whose total amounts for the year 2018 are expected to exceed 772,800,000 TL (2017 COGS*%10) and 846,900,000 TL (2017 Net Sales*%10) respectively.

Information on Related Company Türkiye Petrol Rafinerileri A.Ş. that is subject to the Report

Türkiye Petrol Rafinerileri A.Ş. (Tüpraş) was established in 16 November 1983. Tüpraş, which served Turkey as a State Economic Enterprise for many years, was transferred to T.R. Prime Ministry Head Office of Privatization Administration (ÖİB). The tender, performed on 12 September 2005 by ÖİB for the block sales of 51% of publicly owned shares, was won by Koç-Shell Joint Initiative Group. Koç Holding has performed the share transfer by signing the Share Sales Agreement on 26 January 2006. Aygaz owns 20% of shares in the shareholding structure of Enerji Yatırımları A.Ş. (EYAŞ), established to take over Tüpraş shares. Because 51% of Tüpraş belongs to EYAŞ, Aygaz indirectly owns 10.2% of Tüpraş. The remaining 49% shares of Tüpraş are publicly traded.

The Company performs the production and refining activities of petroleum products with four refineries in İzmit, İzmir, Kırıkkale, and Batman, and also the supply, exportation, importation, storage, and distribution of every kind of raw petroleum and petroleum products. The issued capital of Tüpraş is 250,419 thousand TL. Total assets of the Company according to consolidated financial tables as of 2017 year-end is 38.2 billion TL, total sales revenue is 53.9 billion TL and net operating income is 4.857 Million TL.

Information about the conditions of transactions to be done with related party and conformity of these operations with market requirements

Our company's purchases, exceeding the 10% limit, in the period of 01.01.2017-31.12.2017, have been performed with Türkiye Petrol Rafinerileri A.Ş. The said purchasing transactions are also expected to exceed 10% limit in 2018.

Our company is supplying LPG both from abroad and domestically. Our domestic supplier is Tüpraş A.Ş, sole refinery in Turkey.

Tüpraş has to fix the prices of its products according to the “closest attainable free market conditions” in line with the 10th Article of Petroleum Market Law and also in accordance with the Methodology of Fuel Ceiling Price which is reported to EMRA within the frame of Fuel Market Pricing Regulation. Within this framework, our Company’s purchases are performed within the terms and the pricing mechanism, which all other LPG companies who purchase from Tüpraş are subject to.

A purchase at the amount of 970,425 thousand TL (this amount corresponds to 12.6% of total sales costs) has been performed in 2017 between our Company and the related Türkiye Petrol Rafinerileri A.Ş. The pricing in the said purchase transactions are also compared with other LPG suppliers of our Company and is determined over the comparison of equality method.

Conclusion

With respect to Article 10 of Capital Markets Board's (CMB) Declaration, numbered Serial II.17.1, (Declaration), since the ratio of the amount of the common and continuous product purchase and sales transactions of our Company with Türkiye Petrol Rafinerileri A.Ş. in 2017 accounting year to the cost of the sales and to the revenue amount, included in the annual financial statements to be publicly disclosed, reaches more than 10%, and since the related party transaction is expected to be realized also in 2018 above the limit at the same conditions, the conditions of the transactions made with Türkiye Petrol Rafinerileri A.Ş., the price determination method, and the rationale for the selection of this method are explained in this Report, and information is presented on the compliance of the transactions with market conditions.