AYGAZ A.Ş.
1 January – 30 September 2020
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 seven 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 2,305 cylinder dealers and 1,740 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, 2020	**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 10, 2020 are determined by the Board Resolution dated March 13, 2020 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
Aygaz Aykargo Dağıtım Hizmetleri A.Ş. (*)	Turkey	Cargo Transport/Distribution (*)
Bal Kaynak Su İthalat İhracat Sanayi ve Ticaret A.Ş	Turkey	Water distribution

*The title of ADG Enerji Yatırımları A.Ş. has been updated as Aygaz Aykargo Dağıtım Hizmetleri A.Ş. and its principal activity as Cargo Transport/Distribution by the Extraordinary General Assembly which was registered on August 11,2020.

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 47,806 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. It is resolved to reduce its share capital by TL 5.700 thousand from TL 10.700 thousand to TL 5.000 thousand, in its Extraordinary General Meeting held on August 6, 2020 with the aim of using the reduced amount more efficiently by the shareholder Aygaz.

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.

ADG Enerji Yatırımları A.Ş. ("ADG Enerji") whose main area of activity was natural gas until the Extraordinary General Meeting held on August 6, 2020 by which it is resolved to change the title and the main area of activity of the company. While the new title of ADG Enerji is changed to Aygaz Aykargo Dağıtım Hizmetleri Anonim Şirketi, its main area of activity is also updated with the purpose to take part in cargo distribution sector that grows in line with developments in e-commerce and economy. Within this framework, it was decided to develop the activities within the scope of Aykargo Cargo Distribution Project, which started as an in-house entrepreneurship project, by using Aygaz A.Ş.'s existing dealer network and home delivery experience, through Aygaz Aykargo Dağıtım Hizmetleri Anonim Şirketi that will operate exclusively in this field.

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.

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.

Within the scope of the termination of the business partnership between Koç Group and UniCredit S.P.A on February 5, 2020, 100% of the shares representing Koç Finansal Hizmetler A.Ş (KFS) capital were transferred to Koç Group (Koç Holding, Koç companies, Koç Family, partnerships and related foundations controlled by Koç Family) in proportion to their shares in KFS; In addition, KFS's Yapı ve Kredi Bankası A.Ş. ("YKB") shares of 31.93% were transferred to UniCredit SPA and 9.02% to Koç Holding A.Ş. KFS's share in YKB decreased from 81.9% to 40.95%. Within this framework, the Company's share in KFS increased from 1.97% to 3.93%. Within the scope of termination of the business partnership between Koç Group and UniCredit in line with UniCredit's strategic goals, UniCredit made a termination payment of TL 22.421 thousand to the Company on February 6, 2020.

Abroad Activities:
After evaluating similar practices and developments in the industry, Aygaz opened a branch office (Aygaz UK) in London in 2019 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. Aygaz UK continues its operations within this framework.

LEGAL AND ECONOMIC DEVELOPMENTS IN LPG MARKET

Energy Market Regulatory Authority (EMRA) published the cumulative sector report as of August 2020. According to the report, Turkey's total sales amounted to 2,560,367 tons decreasing by 8% compared to the same period last year. (Jan-Aug 2019: 2,783,166 tons)

MARKET-SALES-PRODUCTION

As of the end of September 2020, Aygaz continued its leading position in the market and total LPG sales reached 1,548 thousand tons, 7,195 million TL consolidated revenue was obtained.
Aygaz's cylinder LPG sales are 226 thousand tons and autogas sales are 501 thousand tons that sums up to domestic retails sales of 749 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 370 thousand tons and 124 million USD revenue was obtained for the first nine months of 2020. (2019 nine months: 466 thousand tons - 201 million USD)
Regarding Aygaz UK, total trading volume including financial trading reached to 218 thousand tons for the first nine months of 2020. When financial trading of 36 thousand tons in the first quarter and 41 thousand tons in the second quarter is excluded, Aygaz UK's transaction volume, which affected the turnover in the first nine months, was 141 thousand tons with a turnover of 47 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 2020 with device exports, 9.8 million USD foreign exchange entry was accomplished. (2019 nine months: 10.2 million USD)

INVESTMENTS

Under the investment plan for 2020, total amount of investments regarding renovation of cylinders used in the LPG delivery, modernization and renovation of the facilities and autogas stations has reached 54.8 million TL in nine months period. (2019 nine months: 73 million TL)

RESEARCH AND DEVELOPMENT ACTIVITIES

In the first nine months of 2020, total 6.4 million TL was spent for research and development activities.

EMPLOYEES

For the first nine months of 2020, average number of employees working under Aygaz Group was 1,300. (For the first nine months of 2019: 1,320)

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 29, 2020 to be valid 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 2020, totaled 60.814 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 on the ground that that no investigation was opened and penalty is not applied by inspection. As a result of the investigation initiated by EMRA based on this decision, there are administrative fines from the minimum amount adding up to 500.000 TL in total against 2 of our facilities related to the same process on July 22, 2020 and August 4, 2020.

OTHER ISSUES

In line with our growth strategy abroad, the Board of Directors resolved on March 5, 2019 to sign a Share Purchase Agreement ('Contract'), between Aygaz A.S and United Enterprises & Co. Ltd. ,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., in order to establish a partnership ('Joint Venture Company') and to make the necessary investments with United Group in Bangladesh based on the principles of equal management and to operate in LPG supply, filling and distribution in the Bangladesh market. Some of the conditions precedents determined in the Contract, including obtaining the necessary permits for the activities of the Joint Venture Company, which are envisaged to be realized by 31 March 2020 at the latest, have not been completed yet and an amendment to the Contract has been signed between the parties on 31 March 2020 that allows closing to take place on 31 December 2020 at the latest.

The idle land and the immovables on it in Bursa Organized Industrial Site belonging to our Company is sold with a value of 50,050,000 TL and the value is collected in cash.

KEY FINANCIAL INDICATORS

As of September 30, 2020, some basic indicators as compared to prior periods are as follows.

	1 Jan – 30 Sep 2020	1 Jan – 30 Sep 2019
Gross Profit Margin	9%	9%
Operating Profit Margin	3%	3%
Net Profit Margin	-1%	3%

	30 September 2020	31 December 2019
Current Ratio	1.12	1.06
Net Fin. Liability/Equity	29%	24%

GENERAL ASSEMBLY

Agenda for the Ordinary General Assembly Meeting which is held on March 10, 2020 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

Upon review of the financial statements and Aygaz A.Ş.'s accounting records kept in accordance with the provisions of Tax Procedure Law (TPL), it is ascertained that the financial statements prepared in accordance with TFRS indicate TL 273,477,000.00 net profit for the reporting year and TL 336,751,029.98 net profit from its fiscal year activities according to TPL records.

Accordingly, it has been resolved that:
setting aside 5% general legal reserves for 2019 as required under article 519 of the Turkish Commercial Code would not be required since the amount of general legal reserve in TPL records has already reached 20% of the capital as of 31.12.2019.

the profit share basis amounted to TL 277,118,185.31 with the addition of TL 3,641,185.31 of donations to the net profit of TL 273,477,000.00 for the reporting year according to the financial statements prepared in line with TFRS; and the net distributable profit is TL 336,751,029.98 according to financial tables in line with TPL records.

In compliance with the Capital Markets legislation, the Company's Profit Distribution Policy approved by the shareholders at the General Assembly meeting on March 31, 2014 and Article 17 of the Company's Articles of Association, and taking into consideration of market expectations, the Company's long-term strategies, investment and financing policies, profitability and cash position, profit distribution is proposed as follows:

- TL 138,559,092.66 to be paid to shareholders as first dividend,
- TL 11,440,907.35 to be paid to shareholders as secondary dividend,
- TL 13,500,000.00 to be set aside as the General Legal reserve

and the total amount of TL 150,000,000.00 as the sum of the first and second dividends to be paid to the shareholders fully in cash.

Upon the General Assembly's acceptance of the profit distribution proposal detailed above, it has been resolved that TL 150,000,000.00 for dividends payable to the shareholders based on our TPL records and TL 13,500,00.00 for general legal reserves be paid out from the current year earnings;

Based on our TPL records, the balance of TL 173,251,029.98 to be retained as extraordinary reserves after the dividend paid to shareholders from the current year earnings and retained general legal reserves;

- A gross=net cash dividend at the rate of 50.0000% and in the amount of TL 0.5000 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 or a permanent representative in Turkey;

- A gross cash dividend at the rate of 50.0000% and the amount of TL 0.50000 per share with a nominal value of TL 1, and net 42.50000% and net amount of TL 0.42500 to be paid out to other shareholders;

and dividend payout to start on March 17, 2020.

Donations and Supports:
Purpose of the social relief, 3.641.185,31 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 2020 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 principal amount of 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 was repaid on January 24, 2020.

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. Accordingly, the following transactions took place:

(i) Issuance of long-term bonds (TRSAYGZ62110 ISIN) with 728-day maturity, variable interest, 3-month coupon payment, with a spread of 65 basis points over 3MTRLIBOR reference rate, principal payment on June 18, 2021, was finalized at TL 90,000,000; the sales transaction was completed on 20 June 2019 and the exchange on June 21, 2019. For the bonds in the amount of TL 90,000,000, the Company entered into an "interest rate swap" and fixed the rate. The first coupon dated September 20, 2019 was paid at TL 5,800,229.98, the second coupon dated December 20, 2019 at TL 3,644,100.00, the third coupon dated March 20, 2020 at TL 2,637,179.98, the fourth coupon dated June 19, 2020 at TL 2,267,729.98 and the fifth coupon dated September 18, 2020 at TL 1,912,139.97 respectively.

(ii) Issuance of long-term bonds (TRSAYGZ82118 ISIN) with 728-day maturity, variable interest, 3-month coupon payment, with a spread of 55 basis points over 3MTRLIBOR reference rate, principal payment on August 4, 2021, was finalized at TL 80,000,000; the sales transaction was completed on August 6, 2019 and the exchange on August 7, 2019.

For the bonds in the amount of TL 80,000,000, the Company entered into an “interest rate swap” and fixed the rate. The first coupon dated November 6, 2019 was paid at TL 3,878,239.99, the second coupon dated February 5, 2020 at TL 2,884,079.98, the third coupon dated May 6, 2020 at TL 2,150,319.98 and the fourth coupon dated August 5, 2020 at TL 1,785,119.99 respectively.

The Board of Directors resolved on December 16, 2019 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. 1/4 dated January 2, 2020.

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, June 22, 2018 and June 21, 2019 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, 2020.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE

Aygaz is aware of the benefits and importance of Corporate Governance Principles in terms of companies and capital markets. Compliance with international standards, creating sustainable shareholder value, securing funding from foreign markets and achieving consistent growth are very important in today’s increasingly globalizing world. In this respect, corporate governance also contributes significantly toward improving management quality, mitigating and better managing risks, and enhancing 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 the difficulties regarding implementation of some principles, the current debate on both 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 2019 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 2019, members of the Board of Directors were elected, and in the ensuing process the Board committees, which currently functions 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, information mandated by the principles, 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 as well as all reports and information that must be drafted and disclosed about related parties 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.

The 2019 Corporate Governance Compliance Report (URF) and Corporate Governance Information Form (KYBF), prepared in accordance with CMB's resolution no. 2/49 dated January 10, 2019 and approved by Aygaz A.Ş. Board of Directors, are disclosed to public on the Public Disclosure Platform.

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. reconfirmed last year's rating of 9.42 on June 22, 2020. 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	91.39
Total	1.00	94.17

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 21, 2020.

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 with flexible structures 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 2,059 million as of September 30, 2020.

As part of updating and integrating the processes, Aygaz UK, the company's branch established in London in 2019 was also assessed for operational risks, and a Risk Policy was created including plans for potential risks in the processes.

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.

OTHER ISSUES

Necessary actions were undertaken by the management to minimize possible effects of Covid-19 on Aygaz's operations and financial status. Despite the developments and slowdown in LPG sector and general economic activity due to Covid-19 pandemic, there were no disruption in LPG supply processes but there were some periodical fluctuations in the sales activities due to contracting demand.

Especially during the lockdown periods, autogas market contracted while cylinder gas market showed a partial growth due to increasing domestic demand. In the meantime, actions were undertaken by Company to minimize the investment expenditures, operational costs and the increase in the inventory. Cash management strategy was reviewed to strengthen the liquidity position. As the measures taken to prevent the spread of the pandemic are reduced, production and sales operations are continuing without any interruption while the recovery in demand is affecting Company's operations positively.

No estimates can be made regarding the duration and the range of spread of the Covid-19 neither globally nor for Turkey. It will be possible to make a more specific and healthy evaluation for the medium and long term as the strength and the duration of the impacts get clearer. However, Aygaz evaluated the possible effects of Covid-19 pandemic on its financial tables and assessed the estimates and assumptions used during the preparation of consolidated financial tables. In this framework, no impairment was detected in the interim consolidated financial tables dated September 30, 2020.

FORWARD LOOKING STATEMENTS

Regarding 2020;

Our sales volume expectations are;
Cylinder gas: 285 - 300 thousand tons
Autogas: 660 - 700 thousand tons

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

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