

AYGAZ A.Ş.

REPORT OF RELATED PARTY TRANSACTIONS EXPECTED TO BE REALIZED IN 2019

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 2019 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 2018 was announced to public in 31st footnote of financial statements concerning our activities in 2018. In this report, only and solely the transactions that are expected to exceed 10% range in 2019, 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, 2018, 24.27% of its shares have been quoted at Borsa Istanbul.

Total assets of our Company according to consolidated financial tables as of 2018 year-end is 5 billion TL, total sales revenue is 9.6 billion TL and net operating income is 71 million TL.

The issued capital of our Company is 300,000,000 TL, and is fully paid. The table regarding the shareholding structure as of 31/12/2018 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 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 2016, 2017 and 2018 are below;

(million TL)	31.12.2016	31.12.2017	31.12.2018
Total Assets	4,231	4,966	5,013
Parent Shareholders Capital	2,740	2,923	2,502

(million TL)	01.01.2016-31.12.2016	01.01.2017-31.12.2017	01.01.2018-31.12.2018
Net Sales	6,749	8,469	9,554
COGS	-5,962	-7,728	-8,920
Net Profit	416	577	228

According to such data, a Board of Directors Report should be prepared due to the Declaration; for the purchase transactions and sales transactions whose total amounts for the year 2019 are expected to exceed 892,000,000 TL (2018 COGS*%10) and 955,400,000 TL (2018 Revenue*%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 2018 year-end is 40 billion TL, total sales revenue is 88.5 billion TL and net operating income is 5,736 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 01.01.2018-31.12.2018, have been performed with Türkiye Petrol Rafinerileri A.Ş.

Our company is supplying LPG both from abroad and domestically. Our domestic supplier is Tüpraş A.Ş., pioneering 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 1,023,954 thousand TL (this amount corresponds to 11.5% of total cost of sales) has been performed in 2018 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. The said purchasing transactions are also expected to exceed 10% limit in 2019.

In terms of consolidated sales of our company, the ratio of natural gas sales transactions of our subsidiary Aygaz Doğal Gaz Toptan Satış A.Ş. (ADG) to TUPRAŞ in 2019 to the revenues based on the annual financial statements of 2018 is expected to exceed the 10% limit. In line with BOTAŞ's option of choice to similar companies in the sector, regarding the execution of these said companies to buy 70% from BOTAŞ and 30% from another supplier; TUPRAŞ will purchase from ADG within this regard. The pricing in the said sales transactions is determined over ADG's natural gas purchasing obligation, purchasing cost and market conditions.

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 2018 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 in 2019 above the limit at the same conditions as well, 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.