

Corporate Governance Compliance Report

CORPORATE GOVERNANCE

1-CORPORATE GOVERNANCE COMPLIANCE DECLARATION AND REPORT

Compliance with Corporate Governance Principles

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

Aygaz works hard to comply with the Corporate Governance Principles that were passed by the Capital Market Board with ruling 35/835 dated 4 July 2003.

Since the General Assembly held in 2005, Aygaz has been preparing Corporate Governance Compliance Reports for the past six reporting periods, publishing them on the company's internet site (www.aygaz.com.tr) and as part of its Annual Report.

Aygaz's efforts in this area are accelerated because of the well-established corporate identity that it has as a Koç Group company. Aygaz's management structure and processes have been organized so that they comply with these regulations.

Aygaz A.Ş. ensures that its shareholders are informed through methods that are timely, accurate, understandable and easily accessible, in accordance with the relevant laws and the Capital Market Board Corporate Governance Principles, while at the same time protecting the company's rights and interests and withholding information that is confidential or a commercial secret. The Aygaz Investor Relations Unit makes use of tools such as meetings, teleconferencing, telephone, email, fax and announcements to ensure that relationships with shareholders are managed correctly, to provide regular and dependable access to information about the company and to improve the company's image.

Aygaz is very serious about creating value for shareholders, because it is one of the few companies that evaluate the performance of senior managers by relating their performance to economic profitability and performance of the company's stock.

Corporate Governance Principles Yet To Be Implemented

Work is still in progress on principles that have not yet been implemented, and plans are being made to implement them as soon as the necessary administrative, legal and technical infrastructure is in place. There has not been any conflict of interest due to the corporate governance principles yet to be implemented.

The work that the company is carrying out regarding corporate governance principles has been described under the relevant headings of the report.

Work carried out to comply with principles during the reporting period

During 2009, Aygaz continued to work on compliance with Corporate Governance Principles. In order to comply with Corporate Governance Principles, the following provisions were added to the Articles of Association: to issue General Assembly announcements three weeks before the meeting, to invite

the media and stakeholders to the General Assembly, to ensure that a Member of the Board of Directors, an Auditor and an officer responsible for preparing financial tables be present at the meeting, and to ensure that enough committees have been established for the Board of Directors to effectively carry out their duties and meet their responsibilities.

Our company's internet site and annual report was reviewed and revised with regard to full compliance with the principles. Three weeks before the date of the General Assembly, the agenda, the relevant informational documents and a sample proxy were put on our internet site and at the same time they were made available at our central office for shareholders to obtain.

In the upcoming period, developments and requirements in the law related to compliance with governance principles will be duly noted and the necessary work will be carried out.

Our Corporate Governance Report for the operational period of 2009 has been presented below under the four headings of Shareholders, Disclosure and Transparency, Stakeholders, and Board of Directors.

Corporate Governance Committee

Ömer M. Koç

Erol Memioğlu

SECTION I - SHAREHOLDERS

2) Shareholder Relations Department

In our company, relationships with shareholders are managed by the Investor Relations Unit, which is part of the Finance Department. This unit is administered by Mehmet Özkan and Selin Sanver. This unit can always be contacted by email at yatirimci@aygaz.com.tr or investor@aygaz.com.tr or by phone at (0212) 354 15 15, extensions 1657-1659.

The primary responsibilities of the Investor Relations Unit are:

- Managing relationships with shareholders based on the disclosure policy, and providing regular and dependable access to information about the company
- Answering questions raised by shareholders
- Updating the company internet site, annual report, investor presentations, profit status, and similar communication methods so that shareholders have complete and rapid access to such information
- Meeting requests for information made by analysts and researchers by using communication methods such as meetings, teleconferencing, telephone, email, fax and announcements in order to improve the company's image
- Ensuring two-way flow of information between shareholders and the company's senior management and board of directors
- Ensuring that records regarding shareholders are kept correctly and that they are dependable and current according to the records of MKK (Central Registration Organization)

3) Exercise of Shareholder's Right to Obtain Information

Shareholders generally request information and make queries about our company's profitability, share value, investments, turnover, affiliates, dividend distribution and withholding tax on dividends. Over 100 requests for information were received in 2009. The requested information was provided in

written, verbal and electronic forms. Furthermore, the Finance Department held more than 40 meetings during the reporting period with domestic and foreign corporate investors and brokerage analysts. Presentations prepared for this purpose have been made accessible to all investors on our internet site.

The Investor Relations section of our company internet site has been revised so that shareholders can use it easier and access more information.

There is no provision in our company's articles of association regarding the appointment of a special auditor. Our company did not receive any requests regarding the appointment of a special auditor during this period. In accordance with the provisions of the Turkish Commercial Code, the company is audited periodically by internal auditors, and also by a Certified Public Accountant and an Independent External Audit Firm approved by the General Assembly.

4) Information Regarding the General Assembly

The activities for 2008 were discharged at the Ordinary General Assembly meeting of the reporting period, which was held on March 27, 2009 with a shareholder quorum of 77%. Individual shareholders and members of the press also expressed interest in the meeting.

The venue, agenda and a sample proxy were announced to the public 21 days before the meeting through advertisements placed in two national newspapers and in the Trade Registry Gazette, along with material disclosures.

The 2008 annual report, the audit report, the independent audit report, the financial statements and notes, and the recommendation of the Board of Directors regarding dividend distribution were made available to shareholders at the company headquarters 21 days before the General Assembly meeting. The recommendation regarding dividend distribution was reported to the Istanbul Stock Exchange and the Capital Markets Board before the General Assembly meeting. The questions posed by shareholders during the General Assembly meeting were answered by the company senior management.

The articles of association contain no provisions that require that the sale, purchase or leasing of property be decided by the General Assembly.

The minutes of the General Assembly are registered and announced in the Trade Registry Gazette and are also available to shareholders at the company headquarters and on the company web site.

5) Voting Rights and Minority Rights

Our company accords no special privileges for shareholders regarding voting rights. No company has mutual shareholding with Aygaz. Minority rights are represented at the General Assembly directly or by proxy. Our company's articles of association contain no provisions on cumulative voting.

6) Dividend Policy and Time Frame for Dividend Distribution

No privileges exist regarding the distribution of company profits. Dividend distribution is made in compliance with the law and at intervals stipulated by the law.

The company's goal is to define and disclose a dividend distribution policy in conformity with Corporate Governance Principles that will take into consideration the interests of both the shareholders and the company. At the company's Board of Directors meeting on March 15, 2010, the current dividend distribution policy was revised as follows:

“Taking into account long-term strategies, investment and finance plans and current profitability, the company may distribute dividends such that it is not less than the minimum profit distribution percentage specified by the Capital Markets Board, calculated on the basis of the Capital Markets Board communiqués and legislation, as a cash dividend or scrip issue or a combination of the two. This will be our policy for the next three years. Should there be any change in this policy, the public shall be notified accordingly.”

This policy may be revised in time in accordance with changes in legislation or investment needs and such revisions will be reported to the public in accordance with Corporate Governance Principles.

7) Share Transfer

No provisions exist in the company’s articles of association that restrict share transfers.

SECTION II – DISCLOSURE AND TRANSPARENCY

8) Company Disclosure Policy

After the company’s annual ordinary General Assembly meeting, the general management publicly announces annual information and the expectations related to the upcoming period that is not confidential via the press and visual media. Should there be developments occurring during the year that are deemed significant enough to be announced to the public, material disclosures are made in a timely fashion.

The Investor Relations Unit has been exclusively charged with the task of overseeing every aspect of informing the public and answering all queries addressed to the company. Written and oral queries addressed to the company are answered by this unit.

The persons in charge of executing the company’s disclosure policy are Yağız Eyüboğlu, General Manager, and Gökhan Tezel, Assistant General Manager in charge of Finance.

9) Material Disclosures

Our company made 23 material disclosures on various dates in 2009. These disclosures are available in Turkish and English on our company web site.

10) Company Website and Content

Our company’s website is accessible at www.aygaz.com.tr. The following topics are presented in the Investor Relations section of our website:

Trade Registration Information

- Current Shareholding and Management Structure
- Board of Directors
- Information on Preferential Shares
- Trade Registry Gazettes
- Articles of Association
- Material Disclosures
- Annual Reports
- Periodic Financial Statements and Reports
- Offering Circular and Prospectus
- Agendas of General Assembly Meetings
- Attendance Lists and Minutes of General Assembly Meetings
- Proxy Voting Form
- Company Presentations

- Information, graphs and analysis tools for stock performance
- Information and analyst reports that evaluate the company
- Profit distribution policy, history and table of capital increases
- Company disclosure policy
- Contact Information

11) Disclosure of Real Person Stockholder(s) who have Ultimate Control

Company documents clearly state that Koç Holding and Liquid Petroleum Gas Development Company Ltd. hold a total of 65.20% of Aygaz A.Ş. Since it is evident to the public at large that members of the Koç Family are “ultimate controlling shareholders as real persons”, no additional calculation or further disclosure to the public has been made.

Members of the Board of Directors, senior management and shareholders who directly or indirectly hold 5% of the capital disclose to the public the results of transactions they carry out on the company’s capital market instruments and stocks. Notifications regarding such purchase or sale of stocks are sent to the Istanbul Stock Exchange for publication in the Stock Exchange Bulletin.

12) Public Notification of People Who are Privy to Insider Information

Our company’s Board Members, Auditors, General Manager, Assistant General Managers and managers with signing authority are registered with the Trade Registry and the relevant resolutions of the Board of Directors have been announced to the public through material disclosures via the Istanbul Stock Exchange and the Capital Markets Board. The names of these people are provided in the annual report under the headings “Board of Directors” and “Management Team”.

The persons who have administrative responsibility as of the date of the report are:

Board of Directors:

Rahmi M. Koç	Chairman of the Board of Directors
Ömer M. Koç	Member and Vice Chairman of the Board of Directors
Temel K. Atay	Member of the Board of Directors
Dr. Bülent Bulgurlu	Member of the Board of Directors
Shelby R. du Pasquier	Member of the Board of Directors
Erol Memioğlu	Member of the Board of Directors
Ali Tarık Uzun	Member of the Board of Directors

Auditors:

Murat Çağlar
Kemal Uzun

Senior management:

Yağız Eyüboğlu	General Manager
Şahin Kurutepe	Assistant General Manager for Technical Issues and Investment
Mehmet Tufan Mut	Assistant General Manager for Sales
Gökhan Tezel	Assistant General Manager for Financial Affairs
Rıdvan Uçar	Assistant General Manager of Marketing
Nurettin Demirtaş	Director for Affiliates and Accounting
Pulat Oktay	Production Director

SECTION III - STAKEHOLDERS

13) Informing Stakeholders

Our company's stakeholders are informed regularly on matters that are of concern to them.

Company employees are informed at Internal Communication meetings.

Blue-collar employees at the Aygaz Gebze Plant and seamen working on our vessels are members of trade unions organized in their respective industries. These workers are informed through union representatives.

Regional and general dealer meetings are held every year. During these meetings, dealers are informed about company activities and dealer requests and suggestions are considered.

Information is exchanged with suppliers through individual and/or group meetings.

Information is also conveyed through a wide range of methods such as the website, e-bulletins, technical publications and the company magazine, "Aygaz Dünyası". Another effective means is the Dealer Web Portal, which is designed specifically for improving communication with dealers.

14) Stakeholder Participation in Management

In meetings with stakeholders, participants have the opportunity to voice their requests and recommendations, which are then evaluated by managers. Additionally, the Individual Suggestion System and email pools within the company provide an opportunity for new ideas to be presented. Rewards are given for ideas that are implemented.

15) Human Resources Policy

As is true at other Koç Group companies, the basis of Aygaz's human resources policy is that "Our most valuable asset is our human resources". Our vision is to establish systems and programs that maintain the highest possible satisfaction and loyalty in our employees, whom we consider to be very strategic because they manage all of our resources. Furthermore, we want to be the "most preferred company in Turkey to work for."

Our mission for our human resources is to provide support for the entire company management and all employees and to establish human resource systems in coordination with the relevant departments, so that we always have an Aygaz team that is creative, dynamic, knowledgeable, motivated and productive.

Human Resources Management Principles:

- Make employee motivation and company loyalty a priority
- Provide an environment conducive to training and self-improvement
- Systematically plan and develop the careers of individuals in line with the needs of the organization
- Conduct planning for human resources and organize backups
- Provide fair compensation and rewards
- Provide feedback on individual performance
- Hire employees according to qualifications and needs
- Provide public recognition for employees and respect personal rights when offering criticism
- Promote social and cultural activities.

Except for union representatives designated in accordance with Collective Agreements, it is the Human Resources staff working in all the regions that has the duty of facilitating communication and

coordination between employees and the Human Resources Department. No allegations of discrimination have been voiced by employees.

16) Information Regarding Relations with Customers and Suppliers

One of Aygaz's fundamental strategies is to ensure that customers are absolutely satisfied with its products and services. The company monitors customer perceptions of product and service quality through Customer Satisfaction surveys conducted periodically both internally and by independent agencies. The company also sets targets to improve service quality based on those surveys. Our company holds ISO 9001-2000 and ISO-14001 certifications and complies with the procedures that they require.

A specific program was introduced to standardize dealers' stores, vehicles, and the attire of dealers and dealer service staff, who are in constant contact with customers. The targets that have been set have been attained, thus ensuring that customers recognize that Aygaz follows certain standards.

In order to help Aygaz service and order employees to develop more quickly in certain areas and to give them new information, training courses are organized periodically in various areas such as communication, development, organization and basic financial knowledge.

The Aygaz Training Bus gave Excellent Service and Safety Training to 1,629 subscription, service and order entry employees in 121 training sessions held in 2009.

The Aygaz training bus also educated nearly 400 consumers in 2009 at 12 different locations about the safe and problem-free use of cylinder gas.

Koç Holding carries out a Cylinder Gas Customer Satisfaction Study every year, which indicates that the loyalty rating of Aygaz cylinder gas customers increased 2 points over 2008 to a rating of 81. The 9-point lead that Aygaz had over the sector average in 2008 increased to 10 points in 2009.

17) Social Responsibility

Aygaz keeps in mind the expectations of its stakeholders not only when identifying its core business activities but also when choosing its social responsibility projects. Aygaz classifies its corporate social responsibility projects under three headings. Not only does Aygaz embrace the past through culture and art projects, it also invests in the future through education and health care projects. The company also supports many projects that target social development in order to achieve sustainable development and make a contribution to society.

Because its vision and mission are aligned with its own values, targets and strategies as well as those of the Koç Group, Aygaz attributes great importance to protecting the environment and it constantly revises and improves its business processes. The company has not been sued or received any warning for damage caused to the environment, either during this period or in previous years. The environmental impact of Aygaz activities is assessed at the planning stage, not only with respect to legislative requirements but also with respect to practices beyond the scope of the legislation.

In addition to projects that focus on the environment, Aygaz also carries out projects in the area of training. Aygaz trainers obtained an LPG Authorized Personnel Course Trainer Engineer Certification document that authorized them to teach LPG Authorized Personnel courses. As a result, 1,750 people received training in 2009, including dealers, subscription service staff, tanker drivers, bottle gas delivery truck drivers, blue collar subcontractors, facility personnel and technical personnel (white collar workers, technical service staff, subscription call center staff, etc.).

Due to increased public sensitivity toward the environment, energy savings and preventative health care, Aygaz decided in 2008 to revamp the content of its “Raising Cautious Children Campaign”, which was launched in 2002. The new content gives training to primary school students on subjects such as accidents in the home, earthquakes, fires, traffic rules, preventative health care, first aid, the environment and savings. At the end of the training session, children were given a comic book made just for this campaign, a CD with cartoons and Aycan songs on it, and a “Cautious Child Certificate”. In addition, a theatre show specially prepared for the campaign was staged for the students and their families. As of the end of 2008, the Cautious Child Campaign had reached 347,000 primary school students.

In 2005, Aygaz started supporting the renovation of the Antonine Nymphaeum, a prestigious symbol of the ancient city of Sagalassos. The company will continue its support in 2010 until the restoration is completed. Aygaz is the only private sector company in Turkey to support the restoration work in Sagalassos.

Aygaz has been shedding new light on the past through the “Aygaz Library” project that it has been administering since 1996. “The First Year of the Second Constitutional Monarchy” is the 10th book in the Aygaz Library series.

Aygaz focuses on the health of families and children in social responsibility projects that it carries out in the health sector. For this reason, the company undertakes initiatives to develop health care infrastructure and to raise up a new generation of healthy people. To this end, Aygaz has sponsored the Safe Motherhood Project conducted by the Turkish Family Health and Planning Foundation (TAP). As part of this public health initiative, a total of 50 health care workers were given four on-the-job training sessions on Safe Mothering Service User Training/Consulting Program. In addition, 73 people attended three seminars. Three visits were made to each of 105 homes for training, observation and evaluation, and 200 packets of cleaning materials were handed out. Training and counseling services were given to 81 women of child-bearing age, 29 women in menopause and 75 adolescent women. 172 women participated in the training sessions that visited these households. Thirteen women were taken to KETEM (Cancer Early Diagnosis Scanning and Training Center).

Another health care project Aygaz supports is the Association for Diabetic Children and Adolescents. Since 2004, Aygaz has provided support for a summer camp in Enez organized by the Association for Diabetic Children and Adolescents. In 2009, 120 children came to Camp Enez.

Another project that everyone at Aygaz works together to administer is called “Moonlight: The Light of Health from Aygaz”. Through this project, 81 inoculation rooms in 81 provinces were renovated and Moonlight Inspectors were appointed to check the inoculation rooms at regular intervals. Detailed information about these topics is available on the Internet at www.aygaz.com.tr.

SECTION IV - BOARD OF DIRECTORS

18) The Composition and Election of the Board of Directors and Independent Members

The Board of Directors is composed of one chairperson, one vice chairperson and five members. The names of the Board members are provided in this report.

There are no independent members on the Board of Directors. Board members who are major shareholders may also serve on the Board of Directors of other companies within Koç Holding.

19) Qualifications of Board Members

The minimum qualifications sought in the selection of members of the Board of Directors are identical with those cited in the Corporate Governance Principles of the Capital Markets Board. The

company's articles of association states that members of the Board of Directors shall meet the requirements for member selection stipulated in the Turkish Commercial Code.

20) The Company's Mission, Vision and Strategic Goals

The company's vision is to continue to provide the highest quality and the safest service in the LPG sector.

Our mission is to maintain our leadership in the procurement, storage, filling, distribution, sale and after-sale service of LPG and the manufacture of pressurized containers and equipment, while at the same time making it a priority to satisfy our customers, employees and partners, working in a manner that respects the community and the environment, and utilizing all our resources in the most productive fashion.

The activities and results related to accomplishing this mission are regularly monitored by the Board of Directors on the basis of predetermined performance indicators, and the results are cited in annual reports.

21) Risk Management and Internal Control Mechanism

The Audit Committee, which consists of members of the company's Board of Directors, is responsible for risk management. This committee works hard to define the processes for risk management and distribute the necessary tasks.

On the basis of a review that Aygaz carried out on its business processes in 2009, Corporate Risk Management (KRY) has been included in the company's processes as a subheading under the main process of Strategic Planning and Management. Work has been started to establish the primary framework of KRY in the company and to begin implementation in the near future. The Internal Control Department is continuing its efforts to build a more effective internal control system by reporting risky matters to the company's senior management, based on its mission of providing systematic, independent and objective analysis, advice and information services as needed by the company's senior management to achieve the company's goals. This unit reports to the General Manager and also to the Audit Committee.

Furthermore, periodic audits are carried out by Koç Holding Internal Control Units and an Independent Audit Agency, which prepare audit reports that are presented to the Board of Directors.

22) Powers and Duties of Board Members and Managers

The Board of Directors has the power to make decisions regarding company activities, except in those areas where the Turkish Commercial Code has given power to the General Assembly. The powers and duties of the Board Members and Managers are stipulated in the list of authorized signatures issued under the Articles of Association (Article 10).

23) Modus Operandi of the Board of Directors

The Board of Directors held 20 meetings in 2009. The agenda is determined according to the needs arising from an assessment of company activities. The General Manager and the Assistant General Manager for Finance inform the Board members and facilitate communication. Board members do not have weighted voting rights and/or veto rights. All decisions made during this period were made unanimously.

24) Non-Competition and Transacting Business with the Company

The company's Board members do not conduct transactions with the company and are not involved in any form of competition.

25) Code of Conduct

For half a century, Aygaz has been an exemplary company with regard to honesty, respect, dependability, ethical behavior and compliance with laws and regulations.

As a company that wants both its employees and its customers to be completely satisfied, that has a goal of offering products and services at high quality and standards, and that is a symbol of respect and trust in the eyes of all its stakeholders, Aygaz is guided by its Code of Conduct and the Koç Group Values. The relevant rules and values have been published on the company website.

26) The Number, Structure and Independence of Board Committees

The company's Audit Committee has been formed within the required legal period and conducts the duties defined in the Capital Markets Board communiqué. In this regard, the committee oversees the company's accounting system, disclosure of financial information and the process and effectiveness of the company's internal control system. The audit committee oversees the selection of independent audit agencies, prepares independent audit agreements, initiates the independent audit process, and monitors the work carried out by independent audit agencies.

The Audit Committee receives reports from company managers and independent auditors to confirm that the annual and periodical financial statements disclosed to the public conform to the accounting principles that the company follows and that they accurately reflect the company's financial status. The Audit Committee meets at least four times a year or more often if necessary, because it is obligated to present these reports to the board of directors in writing together with its own evaluations.

Together with the company management, the Audit Committee is responsible for ensuring that internal and external audits are carefully carried out and making sure that records, procedures and reports comply with the relevant laws, rules and regulations and also comply with the principles of the Capital Market Board and the International Financial Reporting Standards.

In 2009, Board members Erol Memioğlu and Ali Tarık Uzun were appointed to the Audit Committee.

A Corporate Governance Committee was set up on March 15, 2010 for the purpose of ensuring that the company complies with corporate governance principles and to review the requirements for principles that have not yet been implemented.

Board members Ömer Koç and Erol Memioğlu have been appointed to this committee.

27) Remuneration of the Board of Directors

At the Ordinary General Assembly Meeting on March 27, 2009, the decision was made to pay the members of the Board of Directors a monthly gross honorarium of 990 TL.

Loans were not given to any member of the company's Board of Directors and no collateral was given on their behalf as surety.