AYGAZ

ANNUAL REPORT **2014**

As a part of **everyday life...**

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AYGAZ

ANNUAL REPORT **2014**

As a part of **everyday life…**

Since our beginning in 1961, our advances have kept up with the pace of modernization efforts in Turkey. In a short span of time, we became the name associated with cylinder gas. Then, we became the sound of the energy revitalizing the country every day. We welcomed each new day with the jingle "Ayy-gaaaz!..." resounding throughout the streets.

Each day we have grown and developed together with our country. As a solid, reliable and reputable brand in the energy industry, we established Turkey's most extensive energy distribution network in our field.

Today,
From the most remote village to metropolitan centers...
From cylinder gas to natural gas and from autogas to electricity...
At home, on the road, in urban industrial centers and in nature...

Wherever you are, there we are, together with you…

Report of the Board of Directors and Message from the Chairman

Resulting from its journey in the energy sector for more than half a century, with a diversified product range that extends from cylinder gas to autogas and from natural gas to electricity, Aygaz accomplished a turnover of TL 7 billion with an annual increase of 18%.

Dear Shareholders,

I want to extend a warm welcome to all participants at the Company's 54th General Meeting of Shareholders. I extend my warmest greetings and regards to all on behalf of myself and the Aygaz Board of Directors. I am sure that we will have a cordial and productive meeting.

The year 2014 saw dramatic political, economic, and industry changes both nationally and globally. Despite the challenges of the past year, Aygaz continued to create value for all of its stakeholders and never compromised either its operating efficiency or profitability objectives. Effectively managing the changing dynamics in its business fields and pioneering the market, Aygaz maintained its growth by increasing its market share. As a result, we can look back on another successful year both financially and operationally.

The axis of global growth shifts toward developed countries

Last year was marked by major events throughout the world especially in the economic and political environments. We witnessed very important developments, such as the conflicts in the Middle East, rapid decline in oil prices and increasing concerns about the Russian economy after the Ukraine crisis. Additional developments included the FED's expected increase of interest rates, signals of economic slowdown in China and shrinking market conditions in the Euro Zone. Overall global risks increased during this period, while simultaneously the American economy attained its highest growth rate of the last 11 years.

Rapid decline in oil prices reshaped global economic forecasts. Increasing decline of the prices further strengthened the concerns about the Russian economy, which was subjected to sanctions over the Ukraine crisis. Despite the economic slowdown, some recovery is expected in the Euro Zone in 2015 as a result of the Central Bank's support. The possible effects of Greek elections will become apparent in the forthcoming period.
In the US, housing and employment markets are showing signs of recovery. The slowdown in the economies of China and India strengthens the possibility that the global growth will shift toward developed countries, particularly the US. Consequently, in the next year the global economy is expected to grow between 3.5%-4.0%, with a higher performance than was observed in 2014.

Decline in oil prices is an opportunity for Turkey

Domestically, a weakened Turkish lira, rising interest rates, and inflation created a decrease in domestic demand during the first three quarters of 2014. At the same time, problems in Iraq, Syria, Russia and Ukraine in addition to a decrease in the European market lessened the contribution of exports to overall growth. In the last quarter, a partial recovery was observed in domestic demand as a result of reinforced consumer confidence after the elections and lower loan interests.

This year, when the general elections will be held, domestic demand will probably contribute more substantially to growth. On the other hand, the prices of raw materials and semi products, especially oil, create an important opportunity for Turkey, an oil-importing country. Therefore, we expect that our country will grow at a level of 3.5% in 2015.

In 2014, the Turkish and world energy sectors have also been very active. The Ukraine crisis intensified debates on the diversity of energy resources and security of supply in the European Union. Meanwhile, international energy markets witnessed sharp declines in oil and LPG prices. LPG price per ton decreased from USD 1.000 to USD 535 within a year. Increasing shale gas production in the US positively affected global supply and demand of LPG. World LPG consumption increased 2.8% in 2013 compared to the previous year and reached 265 million tons. Thus, LPG consumption increased more than global natural gas and general energy consumption, leaving behind all other alternatives except for renewable energy.

In Turkey, promotion of LPG through long term supports is important

Possessing the second largest LPG industry in Europe and the 14th largest in the world, the market size in Turkey reached 3.7 million tons by the end of the year. It is predicted that the performance of Turkey's LPG industry in the forthcoming period will be primarily affected by decline in oil prices. Throughout this period, promotion of LPG, considered to be an environmentally friendly and economical product, will become increasingly important through long term supports in Turkey.

Aygaz further increased its market share

Resulting from its journey in the energy sector for more than half a century, with a diversified product range that extends from cylinder gas to autogas and from natural gas to electricity, Aygaz accomplished a turnover of TL 7 billion with an annual increase of 18%.

Maintaining its clear-cut leadership in all segments of the LPG sector during 2014, Aygaz achieved a 28.64% market share with a sales volume of 1.1 million tons.

Our company also performed successfully in the fields other than LPG. Aygaz Doğal Gaz, which increasingly contributes to consolidated turnover and profitability each year, reached a total business volume of 1 billion m^3, an annual increase of more than 100%. Striving to become one of the leading players in the sector, Aygaz Doğal Gaz is currently evaluating various growth opportunities in this field.

Our subsidiary, Opet-Aygaz, continued to invest in real estate to establish stations in strategic locations to further enhance our brands' competitive edge and increased the number of its stations to 18.

By the-end of 2014, Aygaz had purchased 24.81% of the shares owned by AES Mont Blanc Holdings B.V. in the capital of its subsidiary, AES Entek Elektrik Üretimi A.Ş. Thus, Aygaz increased its stake from 24.81% to 49.62%. Through the concurrent share purchase of Koç Holding A.Ş., 100% of the company's shares were transferred to the Koç Group.

Our company Akpa, one of the biggest sales and marketing companies in its field, increased its sales tonnage in 2014, and also significantly expanded the geographical area of its distribution activity.

Following the sale of the Kandilli, the oldest vessel of our fleet operated by Anadoluhisarı Tankercilik A.Ş., in October, and the purchase of a new vessel, the Beykoz, in the beginning of 2015, the company's fleet is now younger with a substantial increase in its total transportation capacity.

As a result of its outstanding performance, Aygaz received various national and international awards. Moreover, considering corporate governance as an ongoing and dynamic process, the company accomplished to increase its corporate governance rating from 9.27 to 9.29.

Besides the contribution it makes to the national economy, our company continues investing in Turkey's future through social responsibility projects that encompassed areas from environment to health, from education to culture and the arts.

We consider new investment opportunities

To support its objective of progressing as a profitable, value-creating company, Aygaz closely follows market changes and considers new investment opportunities both in Turkey and abroad. Apart from LPG, the company maintains its efforts to grow in the natural gas sector.

Our company will continue to create economic, social and environmental value for both its stakeholders and Turkey. We completely believe that Aygaz will add to its financial and operational successes in 2015 thanks to its competitive strength that increases each day.

I would like to express my gratitude to all of our stakeholders, particularly our employees, dealers, suppliers, customers, trade unions, side-industries and shareholders, all of whom have contributed their share to our success with their continuous trust and dedication to Aygaz.

Yours sincerely,

Rahmi M. Koç
Chairman of the Board of Directors

Message from the General Manager

In 2014, we maintained our leading position in the LPG sector, our core business, achieving 43% and 24% market shares in the cylinder and autogas segments, respectively.

Dear Shareholders,

In 2014, there were many changes in both international and domestic markets directly affecting Aygaz's core business. Despite significant economic and social developments including the rapid decline in oil prices and uncertainties stemming from the election environment, taking effective measures, we successfully managed the changing dynamics of the year. Increasing market share in line with efficiency and profitability targets, our company continued to generate value for its shareholders as well as all stakeholders.

We achieved a consolidated turnover of TL 7 billion, TL 513 million of which was from international sales; our operational profit is TL 110 million.

We maintained our leading position in the LPG sector, our core business achieving 43.0% and 24.3% market shares ever in the cylinder and autogas segments, respectively.

In 2014, we also maintained our growth by expanding our dealership network and exceeding our targets in terms of sales volume and market share acquisition. We ensured increased long-term and permanent efficiency and sustained our leading position by further raising the bar in service quality and customer satisfaction resulting from the restructuring following the merger with Mogaz.

In line with our business targets, total sales of Aygaz Doğal Gaz increased more than two-fold and exceeded 1 billion m^3. We closely monitor the developments, dynamics and opportunities in the world markets considering the prices in the Turkish natural gas market, which has a strong growth potential. Aygaz Doğal Gaz carries out its activities from this perspective, by focusing on the work to be done to be prepared to capitalize on opportunities that may appear in the near-term future.

The number of stations owned by Opet-Aygaz Gayrimenkul, our company that purchases property to establish stations at strategic locations to enhance competitive edge of our brands, now totals 18. We continue with our investment efforts to add new stations to this number.

Shares of AES, the company operating in electricity industry, in AES Entek were purchased by Koç Holding and Aygaz. Believing that this development will

In the period ahead, we will continue our investments to **enhance our energy portfolio through new acquisitions** in Turkey and abroad.

accelerate our associated projects in Entek, we plan to make new investments and purchases, especially in alternative resources.

In October 2014, we sold the Kandilli, the oldest ship of our vessel fleet operated by our Anadoluhisarı Tankercilik company. In early 2015, we purchased the Beykoz; by doing so we decreased the average age of our ships from 16 to 11.5 years and increased our transportation capacity from 26.000 m^3 to 33.800 m^3.

We increased our Pürsu carboy water sales by 22% and raised our market share from 1.7% to 2.1% in 2014. Akpa, our company that is, in its field, one of Turkey's largest sales and marketing organizations distributing LPG, white goods, fuel oil as well as Pürsu, increased its total sales by 6% in 2014 with a total of TL 375 million.

We crowned our achievements in 2014 with the awards that we received both in Turkey and abroad. We were recognized by the Turkish Standards Institute as a "Customer-Friendly Enterprise and a Customer-Friendly Brand." Raising our Corporate Governance rating, we managed to occupy a place among members of the group with the highest ratings in the World Corporate Governance Index, which covers 150 countries. The Turkey Customer Satisfaction Index (TMME), conducted by KalDer, ranked Aygaz as number one for the past three consecutive years; Aygaz has been ranked number one for the fifth time since 2005.

While we work for social development, our priority is to participate in sustainable projects considering environmental balances and developing long lasting benefits. In line with this approach, and in addition to our core business activities, as well as being also a responsible corporate citizen, we pioneer projects ranging from environment to health, from education to culture and art, and protecting the past while investing in the future.

The great efforts on the part of our shareholders, customers, dealers, employees, suppliers and all stakeholders are behind the success of Aygaz, which has lasted without interruption for 54 years.

I would like to take this opportunity to thank most all our customers who have kept us at the top for more than half a century. I also like to thank all of our dealers, who have taken our products and services all over Turkey with dedication. Further, I want to express my appreciation to all our employees who always made a great effort for Aygaz with exhibiting great loyalty and sacrifice. Also, my thanks go to our suppliers and our esteemed shareholders, who have never withheld their support. I am grateful to them all.

With best wishes and kind regards,

Yağız Eyüboğlu
General Manager

Aygaz in Figures

3.7
million tons
Annual consumption in Turkish LPG market

176
thousand m^3
The largest storage capacity in Turkey

1,631
Autogas stations

342
thousand tons
Cylinder gas sales in 2014

41%
Aygaz's share in Turkey's annual LPG import

2,196
Cylinder gas dealers

TL 81 million
Investment expenditures

36.6
Average training hours per person in 2014

1.2
billion m^3
Aygaz Doğal Gaz total sales volume

USD
232
million
Exports and transit sales

688
thousand tons
Autogas sales in 2014

17,253
man*hours
Training for Occupational Health and Safety System

4 million
Number of vehicles running with autogas

1,382
Number of employees

With 44
Patents, leader in R&D

6.6
million units
Annual sales amount of Pürsu carboy water

9.29
Corporate governance rating score in 2014

33,800 m^3
Total LPG transportation capacity of Beykoz, Beylerbeyi, Kuleli and Kuzguncuk vessels

Financial and Operational Outlook

Summary Financial Indicators*

(TL Millions)

	2014	2013	2012	2011	2010	Change over the last year
Sales revenues	**7,061**	6,005	5,586	5,456	4,658	18%
Gross profit	**527**	571	521	478	501	-8%
Operating profit	**110**	170	206	371	231	-35%
Pre-tax profit	**237**	237	345	419	283	0
Net profit	**218**	205	305	380	239	6%
EBITDA	**193**	252	285	456	320	-23%
Gross profit margin	**7%**	10%	9%	9%	11%	-3
Operating profit margin	**2%**	3%	4%	7%	5%	-1
Net profit margin	**3%**	3%	5%	7%	5%	0
EBITDA margin	**3%**	4%	5%	8%	7%	-1
Current assets	**713**	867	692	783	1,088	-18%
Fixed assets	**2,699**	2,321	2,264	1,929	1,716	16%
Total assets	**3,412**	3,188	2,956	2,712	2,804	7%
Short term liabilities	**715**	667	443	439	571	7%
Long term liabilities	**338**	278	133	118	219	22%
Shareholders' equity	**2,359**	2,244	2,381	2,155	2,014	5%
Total equity and liabilities	**3,412**	3,188	2,956	2,712	2,804	7%
Return on equity (ROE)	**9%**	9%	13%	18%	12%	-
Net debt/equity ratio	**9%**	3%	*	*	*	6
Current ratio	**1.00**	1.30	1.56	1.78	1.90	-0.30

* The sharp decline in LPG prices in 2014 negatively affected both sales and profitabilty figures.

Capital Structure

Market Shares

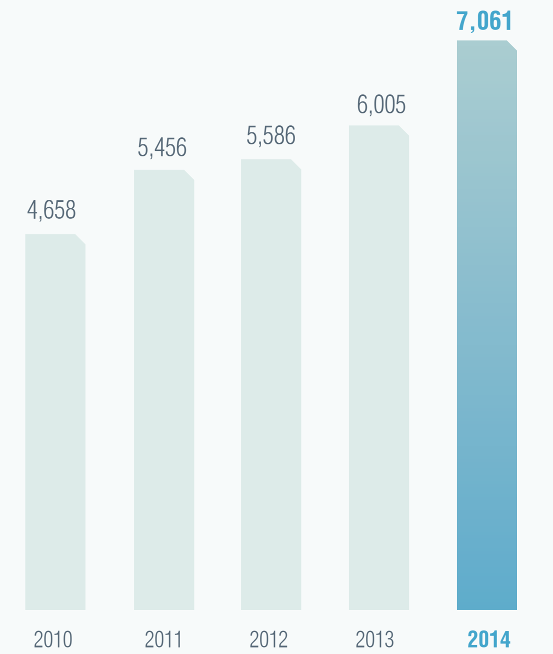
28.6%
Market share

42.7%
Cylinder gas market share

24.2%
Autogas market share

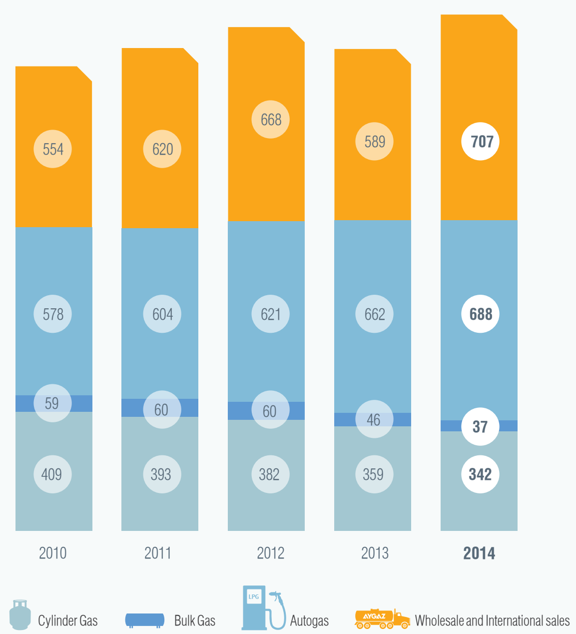
Sales

(M TL)



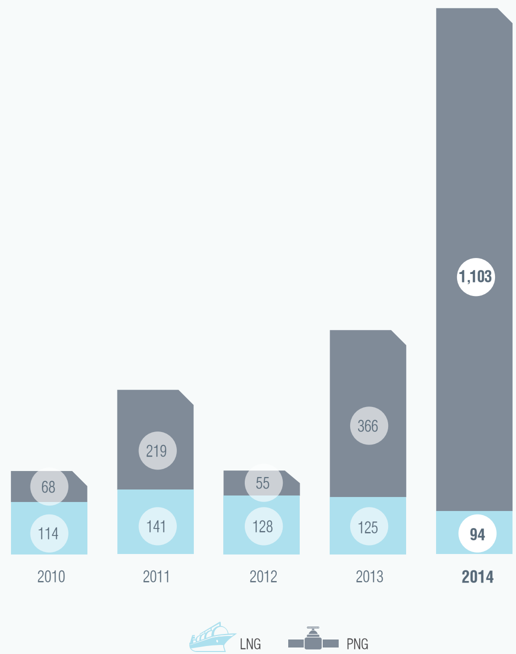
LPG Sales Volume by Segments

(000) Ton



Natural Gas Sales Volume

mcm



Subsidiaries & Affiliates

Akpa

Engaged in the direct sale of cylinder gas and carboy water throughout Turkey, Akpa A.Ş. also carries out fuel trade at its fuel stations in the region of Mid-Anatolia. Akpa A.Ş. also provides room equipment, central air-conditioner systems, electrically-powered and gasoline-powered service vehicles to hotels, holiday camps, golf facilities, and hospitals. Operating in its sector for about half a century, Akpa is one of Turkey's largest sales and marketing organizations in its field.

100%

Anadoluhisarı Tankercilik A.Ş.

As Turkey's largest LPG logistics operation, Aygaz owns four tanker companies in which it maintains a 100% shareholding. Anadoluhisarı Tankercilik A.Ş. carries out LPG marine transportation with four ships belong to the company and the companies named Kandilli, Kuleli and Kuzguncuk. The ships have a total capacity of 33,800 m^3.

100%

Aygaz Doğal Gaz

Aygaz Doğal Gaz, an Aygaz subsidiary that was founded in 2004, operates in the business of the wholesale and delivery of natural gas to eligible consumers via pipelines, and wholesale and delivery of LNG to users who cannot access natural gas via pipelines through specially designed transport vehicles. Basing its operations on the vision of becoming a diversified player in the natural gas market, Aygaz Doğal Gaz is closely attuned to the dynamics and opportunities of the market.

99%

Opet Aygaz Gayrimenkul A.Ş.

Opet Aygaz Gayrimenkul A.Ş. was founded on September 20, 2013 as a 50-50 partnership between Aygaz A.Ş. and Opet Petrolcülük A.Ş. to purchase real estate in various regions of Turkey and manage or lease these properties as fuel or autogas sales stations.

50%

AES Entek

AES Entek operates three natural gas plants, two medium-sized and one small, with a total electricity production capacity of 302 MW, in addition to three hydroelectric power plants with a total capacity of 62 MW. AES Entek continues to closely pursue various investment opportunities with the goal of expanding the electricity generation business.

50%

EYAŞ

Founded in December 2005, Enerji Yatırımları A.Ş. owns 51% of the shares of Tüpraş, Turkey's largest industrial corporation. Aygaz holds a 20% stake in Enerji Yatırımları A.Ş. As Turkey's only producer in the refining sector, Tüpraş engages in refining, distribution, petroleum and product marine transport. With an annual crude oil capacity of 28.1 million tons, Tüpraş is Europe's seventh largest refining company.

20%

VISION

To be the leading company providing energy solutions to Turkey and other potential markets, particularly in LPG and natural gas

MISSION

To offer the best products and services in every field it operates, particularly in LPG, by prioritizing high quality and safety standards with working principles adopted from corporate values of the Koç Conglomerate and by being always responsive to society and the environment

STRATEGIC PRIORITIES

Sustain its market leadership in LPG through;

- Product differentiation and innovation for autogas
- Further penetration by opening new autogas stations
- Growth prospects for cylinder gas in rural Turkey

Utilize and enhance its asset portfolio through;

- New acquisitions, mergers, and investments
- Profit generating opportunities

2014: A Year of Proactive Management

JANUARY

- Mogaz Otogaz released its new advertising film emphasizing its ability to provide drivers with greater gas mileage on longer trips with the slogan of "Git Git Bitmez" (Never Runs Out).

FEBRUARY

- Aygaz received the first prize in the "Mineral Fuels" category of the 2013 Stars of Export Awards sponsored by the Istanbul Minerals and Metals Exporters' Association (İMMİB).
- Yağız Eyüboğlu, General Manager of Aygaz and First Vice President of the World LP Gas Association (WLPGA), spoke about the development and successes of the Turkish autogas market during the South America Regional Summit of the WLPGA held in Cartagena.

MARCH

- Aygaz's 53rd Ordinary General Meeting of Shareholders took place at the Headquarters building at Zincirlikuyu, Istanbul.
- Aygaz further increased customer satisfaction through its implementation of a new Caller Identification System that made life simpler for its customers.

APRIL

- According to the results of the 2013 Turkey Customer Satisfaction Index (TMME), conducted by KalDer, Aygaz, Mogaz and Lipetgaz were selected as the most admired brands, receiving silver award in the category of cylinder gas. With this award, Aygaz was ranked number one by consumers for the fifth time since 2005.
- According to the results of The Turkey Customer Satisfaction Index (TMME) for the first quarter of 2014, conducted by KalDer and KA Research, Aygaz has been ranked number one for the fifth time since 2005.
- Aygaz sponsored the conference of Road Safety in Inner City Transportation, hosted by EMBARQ Turkey.

MAY

- Certified as a "Customer-Friendly Enterprise and a Customer-Friendly Brand" by the Turkish Standards Institute, Aygaz hosted representatives of The European Organization for Quality/EOQ. At this conference, Aygaz described the projects carried out within the framework of the certification system. The EOQ representatives decided to apply the same system for European companies.

JUNE

- Aygaz received the Bronze Effie with Aygaz Otogaz's "Snowball" (Kartopu) and "Toy Car" (Oyuncak Araba) campaigns in the 2014 Effie Turkey Awards organized by the Turkish Association of Advertising Agencies (TAAA) and the Turkish Association of Advertisers in cooperation with Effie Worldwide.
- Continuing its Anatolian tour, the Aygaz Summer Fest reached more than 10 thousand consumers during activities organized in seven cities.
- The "Travel to the Future"(Geleceğe Yol Al) publicity project of Aygaz Otogaz received the Red Award in the category of the Best Subsidiary Industry in Automotive Sector, Accessory and Fuel Oil Advertisement in the Press.
- The advertising film of "Flying Performance" (Uçuran Performans), which underlines the superior quality of Aygaz Otogaz performance, was released.

- At www.gitgitbitmez.com, Mogaz Otogaz started the "Never-ending Site" (Bitmeyen Site) project, a follow-up of the "Never Runs Out" (Git Git Bitmez Mogaz Otogaz) advertisement campaign.

JULY

- Aygaz launched the web site www.otogazla.com to further strengthen relationships between autogas conversion companies and consumers.
- The Diabetic Children's Camp, organized through the sponsorship of Aygaz for 10 years, brought together diabetic children from all over Turkey for the 22nd time.
- Saha Corporate Governance and Credit Rating Services raised the corporate governance rating of Aygaz from 9.27 to 9.29.

AUGUST

- The new awareness project of Aygaz Otogaz, "Travel to the Future"(Geleceğe Yol Al), draws attention to climate change and the positive environmental qualities of LPG, started at www.gelecegeyolal.com. Within the campaign's framework, 300,000 people were reached during the publicity activities organized in 11 cities from August to November.

SEPTEMBER

- Business Results Sharing Meetings were held in Istanbul and Diyarbakır with 520 Aygaz employees participating to provide information about the company's activities during the first seven months of 2014.
- At the Turkey Energy Summit, Aygaz Doğal Gaz was awarded the Golden Valve Award while Aygaz received the Golden Barrel Award.
- Aygaz Otogaz won four awards from the Crystal Apple with its advertisement campaigns. The publicity of "Travel to the Future" (Geleceğe Yol Al) won a Crystal Apple in the category of Automotive Products of Press section and Bronze Apple in the category of Durable Goods of the Open Air section. The publicity of "The Much Longer Road" (Daha Fazla Yol) won the Silver Apple in the category of Automotive Products of Press section and the Aygaz Otogaz advertisement "Flying Performance" (Uçuran Performans) collected a Bronze Apple.

OCTOBER

- M/T Kandilli, part of the Aygaz vessel fleet since 1991, was sold completing its 23 years of service under the Turkish flag.

- Total sales of Aygaz Doğal Gaz increased more than two-fold and exceeded 1 billion cubic meters.

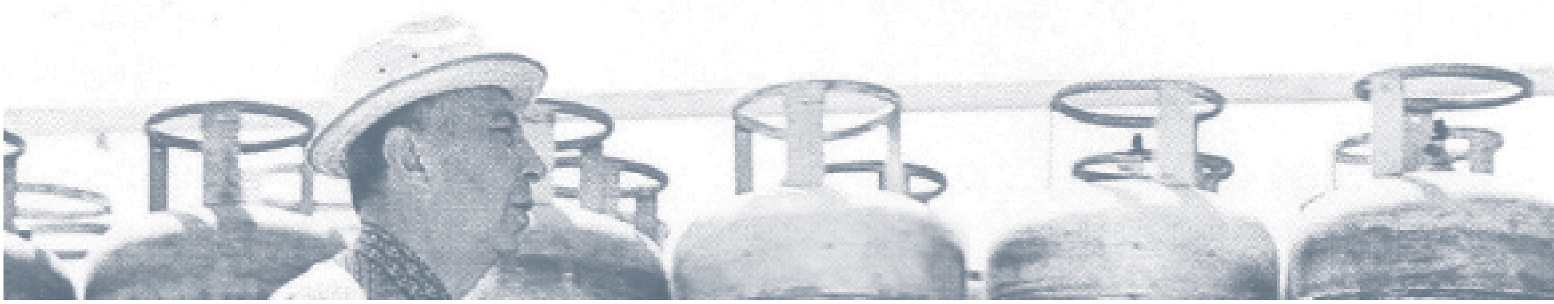
NOVEMBER

- The Industrial Institutions Sectoral Performance Evaluation Organization, held by the Kocaeli Chamber of Industry, awarded Aygaz with the Petroleum and Petroleum Products Industry Prize in the category of Large-scale Industrial Company.

- Aygaz supported the 23rd Quality Congress as pioneer sponsor.

DECEMBER

- The 14th book of the Aygaz Library project, "Kat'ı: Quilling Art and Artists in the Ottoman World" (Kat'ı: Osmanlı Dünyasında Kağıt Oyma Sanatı ve Sanatçıları), was presented to art and history enthusiasts.



Milestones

1961

- Aygaz begins operations under the trade name Gazsan Likit Gaz Tic. ve San. A.Ş.

1962

- The Yarımca Filling Facility is established next to the İzmit İpraş Refinery, and LPG filling and distribution is launched.
- Groundbreaking for dealership network.

1963

- The company's trade name is changed from Gazsan to Aygaz A.Ş.
- The first Aygaz ad campaign is "40 TL in cash, 40 TL in installments".

1965

- First publicity and promotion campaign: French fries are cooked on an Aygaz fryer in a delivery truck and distributed to the public.

1967

- Ambarlı Filling Facility is established.
- M/T Aygaz, Turkey's first LPG vessel, leaves port for the first time.

1970

- A total of five filling facilities, including the Aliağa Filling Facility, are in operation.
- Aygaz begins selling chemicals.

1976

- All Aygaz management units are consolidated in one location at the new headquarters in Zincirlikuyu, İstanbul.

1982

- The "blue seal lid", a symbol of Aygaz's safety for cylinders, is launched.

1984

- First Aygaz mobile heater is produced.

1985

- Transit LPG purchase and sales agreement is signed with Iraqi state oil company SOMO.

1988

- Modernization of Aygaz dealers in order to better serve customers begins.

1989

- Aygaz designs the "Gavdem Machine", the first LPG equipment to change valves without releasing gas.

1993

- Twelve-kilogram tall residential cylinders and 24 kg commercial cylinders are put on the market.
- The "Aygaz jingle" is played on urban delivery trucks' loudspeakers and creates a new media platform for marketing, a first for the market.

1995

- Aygaz Hotline is launched to provide information to consumers on Aygaz products and services.
- Occupational Health and Safety Management System is launched.
- Dealers start using Computerized Customer Code System.

1996

- Guaranteed seal cap is introduced for cylinder gas.

1997

- Aygaz 24 service and the Automatic Tank Ordering System are initiated.

1998

- Aygaz revamps its corporate image and identity. New logo introduced with the first Turkish zeppelin.
- Aygaz enters the autogas market.
- Framework agreement signed with Opet.
- The launch of the new social responsibility campaign, "Aygaz Warns About Accidents at Home"

1999

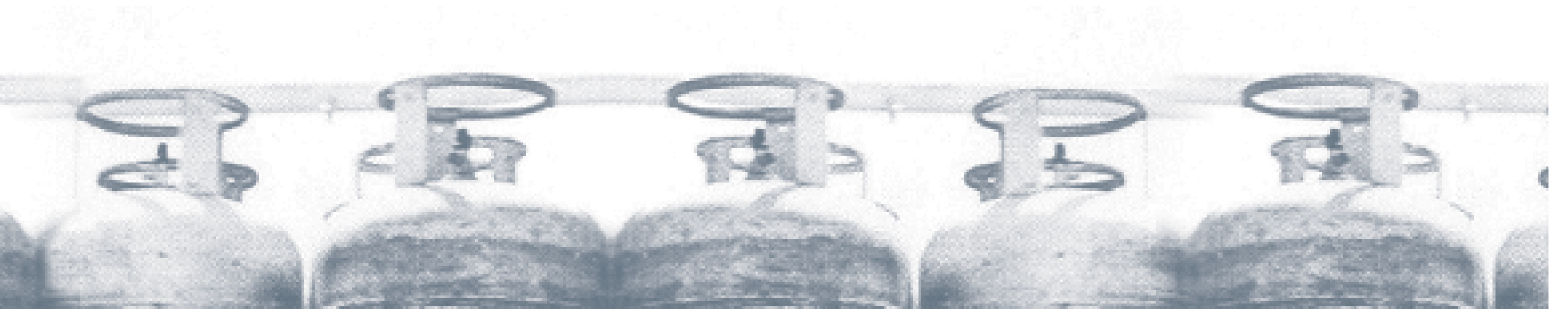
- Aygaz becomes the first LPG company to obtain ISO 9002 Certification.
- Aygaz introduces the Electronic Gas Control Detector in Turkey for the first time.
- Aygaz Patio Heater is introduced to the market.
- The Aygaz propane industrial cylinder starts a revolution in propane.

2000

- Aygaz receives an award for being the Turkey's Most Successful LPG Company in the Petroleum '99 Achievement Awards.

2001

- Aygaz A.Ş. and Gaz Aletleri A.Ş. (Gazal) are merged under the Aygaz brand; all operations from production to sales are united in a single organization.
- Turkish customers are introduced to Turkey's first autogas brand to meet European standards: OTOAYGAZ LPG1, designed just for automobiles.



2002

- The “Cautious Child - Raising Accident Awareness Campaign” is launched.

2004

- Aygaz Euro LPG is put on the market.

2005

- Aygaz differentiates itself in terms of cylinder gas safety by launching the first hologram cap application in the LPG sector.

2006

- The Turkey Customer Satisfaction Index (TMME) conducted by KalDer (Quality Association of Turkey) ranks Aygaz number one for four consecutive quarters.
- For the first time in Turkey, Aygaz offers consumers the option of purchasing cylinders via credit card or with loyalty points at their home.

2007

- A special forklift tank is produced for forklifts used extensively in factories and industrial establishments.
- Renovation is carried out on 81 community health clinics in 81 provinces as part of a project called “Moonlight: Aygaz brings the Light of Health”.

2008

- Aygaz wins third place in the Management category at the EU Environment Awards.
- Aygaz ranks among the top five companies in Turkey in terms of financial transparency according to a report by Sabancı University and Standard & Poor’s.
- Aygaz is rated the one of the four best brands in Turkey and the best brand in the LPG sector according to GfK Turkey’s “Best Brands” study.

2009

- Aygaz increases its stake in the Koç Statoil Gaz Company to 98% and changes the name of the company to Aygaz Doğal Gaz.
- Aygaz Euro LPG+, Turkey’s first autogas with additives, is put on the market.
- www.aygaz.com.tr is awarded the Superb Achievement award at the Interactive Media Awards competition.

2010

- Aygaz receives a Corporate Governance Rating score of 8.46.
- The social responsibility campaign “What Will the Weather Be Tomorrow?” is initiated against climate change.
- Aygaz receives the first prize in ‘Performance Management’ in the “2010 Human Management Awards” organized by Turkey Personnel Management Association (PERYÖN).

2011

- Aygaz celebrates its 50th anniversary through a series of events with participation of its employees, dealers and industry representatives.
- Aygaz receives an impressive total of 14 awards given by national and international institutions.
- Aygaz breaks more ground in the LPG sector by obtaining the ISO 10002 certificate, recognizing the company’s excellence in resolving customer demands.

2012

- Aygaz is selected the “Most Admired Company” in the LPG sector in Capital Magazine’s Survey of the Most Admired Companies in Turkey.
- Aygaz wins a prize for being the “Company to Adopt the Principle of Consumer Satisfaction” at the 15th Annual Traditional Consumer Awards organized by the Turkish Customs and Trade Ministry.

2013

- The merger of Mogaz with Aygaz was registered by the Registry of Commerce of Istanbul.
- Aygaz achieved another “first” when it became the first company to receive a “Customer-Friendly Brand and Customer-Friendly Enterprise” certificate, a brand recognition launched by the Turkish Standards Institute.
- Opet Aygaz Gayrimenkul A.Ş. was established as a 50-50 partnership between Aygaz A.Ş. and Opet Petrolcülük A.Ş.

By virtue of the one million vehicles that run with Aygaz Otogaz...

We are the driving force behind economical, safe and higher-performance journeys

ready for new days…

2014 at a Glance

LPG Industry in the World and Turkey

Within the context of the measures to reduce harmful gas emissions, European Union seeks to double LPG's existing share in its energy portfolio by 2030.

Strong growth potential on the global scale

LPG, the energy source of the future, is an efficient, clean and environmentally-friendly product. The LPG industry possesses strong growth potential on the global scale. According to the latest data published by the World LP Gas Association (WLPGA) in 2013, the global LPG market grew by 26% with an increase of 55 million tons during the past decade.

In 2013, global LPG consumption reached 265 million tons with an annual increase of 2.8%, which exceeds the annual growth of general energy consumption (2%) as well as the global natural gas consumption increase (1.4%).

The residential LPG market led by China, the United States and India has the biggest share (45%) in global consumption. Following petrochemical and industry, autogas ranks fourth, with its 10% share in total consumption dominated by South Korea, Russia and Turkey.

LPG, a sustainable source of energy with its sufficient reserves, is utilized by hundreds of millions consumers all over the world. The existence of 1.5 billion potential consumers supports expectations for rapid growth in this market.

The measures set by the European Union to reduce harmful gas emissions also create a great opportunity for development of LPG market. Compared to other energy sources, LPG has lower greenhouse gas emission values. Thus, the European Union seeks to double LPG's existing share in its energy portfolio by 2030.

The US, Saudi Arabia and China are the three countries with the largest share in the volume of the global LPG production. In 2013, general world production of natural gas production increased by 1.1%, and LPG production rose by 2.3%, totaling 280 million tons. Due to the addition of the new shale gas resources, the US has become an LPG exporter country whereas before it was an importer.

In 2014, because of the rapid decline in oil prices, LPG procurement prices also remained at lower levels compared to previous years.

Turkey, one of the most important players of the global market

With an annual consumption of 3.7 million tons, Turkey is the world's 14th and Europe's second largest LPG market after Russia. Turkey is followed by Italy, France and Germany, respectively.

In 2014, 18% of Turkey's total LPG demand was met by domestic production and the remaining 82% was imported from abroad. A major portion of the LPG import volume comprises purchases from Russia, Algeria, Kazakhstan and Norway.

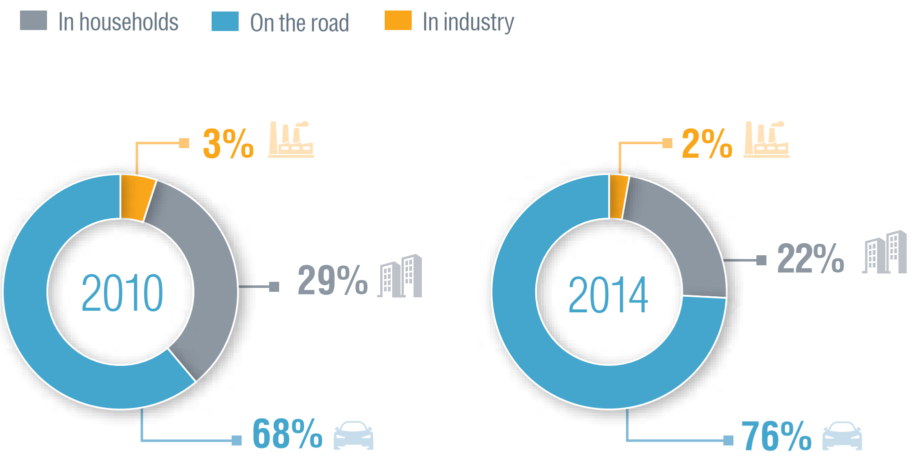
Although the more widespread use of natural gas in Turkey has led to a contraction in the cylinder gas and bulk gas markets, the share of autogas in general consumption has increased steadily. The result has been that the LPG market has maintained its position in the energy sector.

In 2014, the rapid decline of oil prices affected the Turkish LPG market as well. Compared to previous year, LPG prices decreased by 14% and 23% in the cylinder gas and autogas segments, respectively. Lower prices positively influenced growth performance of the market.

Energy Market Regulatory Authority (EMRA) data for December 2014 indicates that the share of autogas in total consumption rose from 68% to 76% in the last five years. At the same time the share of the cylinder gas used in 7.5 million households and workplaces stood at a level of 22% as of December.

Having the second largest LPG industry of Europe, Turkey is one of the **prominent players in the global market.**

Areas of usage of LPG in Turkey and consumption shares



Aygaz in 2014

An integrated LPG distribution company operating in a wide range of environments from cylinder production to marine transport operations, Aygaz has the most reputable brand in its sector.

The first company of the Koç Conglomerates in the energy industry

Koç Conglomerates began its activities in the energy sector with Aygaz in 1961. As the generic brand of the Turkish LPG market, Aygaz uninterruptedly sustained its pioneering position and continued its growth based on solid accomplishments. The first publicly-traded company to be active in the LPG sector, Aygaz is Turkey's 10th largest industrial company according to the 2013 rankings of the Istanbul Chamber of Industry, also ranking 22nd in the Turkey Fortune 500 listings.

In its core business field, Aygaz distributes LPG as autogas, cylinder gas, and bulk gas, manufactures and sells LPG cylinders, tanks, valves and regulators, and also markets LPG-operated devices.

Proactive approach to customer needs

Closely watching its customers' requirements, Aygaz proactively improves the quality of its services and products that successfully embody safety and reliability.

Aygaz uninterruptedly maintains its position as having the highest customer satisfaction score in the sector according to the results of an independent customer satisfaction survey. This survey has been conducted for many years and was repeated in 2014.

The objective of providing diversified energy solutions

An integrated LPG distribution company operating in a wide range of environments from cylinder production to marine transport operations, Aygaz has the most reputable brand in its sector. The company strives to maintain its leadership and improve its profitability while increasing its market share in all segments where it operates. Meanwhile, its strategic objective is to provide diversified energy solutions in both Turkey and potential markets through the alternative projects, primarily in LPG and natural gas.

Strong distribution and service network

The service quality of Aygaz, a pioneer in dealer as well as customer satisfaction, is ensured primarily by its broad distribution network. The company meets its customers' requirements in a fast and reliable manner carrying its quality of services and products to all corners of Turkey by means of 2,196 cylinder gas dealers and 1,631 autogas stations in 81 provinces. Thanks to this strong and broad distribution network, Aygaz cylinders enter into more than 80 thousand houses/workplaces every day. Meanwhile, more than 1 million vehicles are driven daily with Aygaz Otogaz.

Industry leader since its inception

Aygaz has the most preferred brands of Turkey in cylinder and autogas. The only integrated LPG corporation in the

The Turkish **LPG** market

CYLINDER GAS CUSTOMERS
7.5 million

AUTOGAS VEHICLES
4 million

LPG

BULK GAS CUSTOMERS
20 thousand

domestic market, Aygaz manages all of the processes in its core business including procurement, storage, filling and distribution. The company also sells and produces LPG devices and in the maritime shipping of LPG.

Completing another successful year in terms of its operational and financial results, Aygaz maintains its clear-cut leadership in the LPG sector. According to EMRA data, as of the end of 2014, Aygaz dominates 28.6% of the LPG market, comprised of 80 enterprises. This ratio is 42.7% in the cylinder gas market and 24.2% in the autogas market. Last year, Aygaz attained historically the highest market shares with these figures both in cylinder gas and autogas markets.

In 2014, total domestic sales of cylinder gas, bulk gas and autogas of Aygaz were 1,067 thousand tons, reaching the highest level at 1.8 million tons together with export and transit sales. As of the end of 2014, Aygaz's consolidated turnover was TL 7 billion, of which USD 232 million is from exports and transit sales.

Investments of TL 81 million

In 2014, Aygaz and its subsidiaries engaged in new investments amounting to TL 81 million for renovation of cylinder parks, construction of new containers, expansion of autogas distribution network and for enhancement of logistics.

Thanks to its **strong** and **broad distribution network**, **Aygaz cylinders** enter into **80 thousand houses** every day whereas **1 million vehicles** are driven daily with Aygaz Otogaz.

Conducting its marine transport operations with its own ships since 1967, Aygaz owns **a fleet of four specially equipped** and fully pressurized LPG ships.

Turkey's largest LPG logistics network
Nearly 41% of Turkey's LPG import is done by Aygaz, which procures its LPG needs through Tüpraş and imports. Aygaz delivers the LPG to the filling facilities through the pipelines, with its fleet of sea and land tankers. It manages one of the largest LPG logistics operations in Turkey. Aygaz also makes sales outside of Turkey thanks to the strength of its logistics infrastructure and its recognition in international markets.

Its abilities in planning and performing logistics and its efforts to achieve higher operational efficiency are the most important competitive advantages of Aygaz. Within the context of its logistics optimization efforts, Aygaz benefits from economies of scale to organize the number/capacities of its vehicles and its distribution network according to its sales volume.

Young and high-capacity vessel fleet
Conducting its marine transport operations with its own ships since 1967, Aygaz owns a fleet of four specially equipped and fully pressurized LPG ships. In October 2014, the company sold the Kandilli, the oldest and the lowest-capacity vessel of its fleet.

Focusing on the renovation of its fleet, Aygaz purchased a new ship, the Beykoz, in the beginning of 2015. As a result, Aygaz increased its total transportation capacity from 26.000 m^3 to 33.800 m^3 and reduced the average fleet age from 16 to 11.5 years. This young and high-capacity fleet is managed by Anadoluhisarı Tankercilik A.Ş., an affiliate completely owned by Aygaz.

The holder of Quality (ISO 9001), Safety (ISM Code), Security (ISPS Code) and Environment (ISO 14001) Management system certifications, Anadoluhisarı Tankercilik A.Ş. is audited by globally respected petroleum suppliers. In 2014, the company completed the preparations for the Occupational Health and Safety Management Systems (OHSAS 18001:2007) certification and incorporated the criteria in its management systems. Further, it successfully completed the on-board inspections and those performed at the offices by ClassNK and received fleet certification in January 2015.

Ever increasing export volume of Gebze Facility
Aygaz produces cylinders, valves, small bulk gas tanks, pressure regulators and similar items under the same roof, at its facility located at the Gebze Organized Industrial Zone, on property that encompasses 52,000 m2 of open and 25,000 m2 of closed space. The facility operates with the most advanced

Aygaz **has the largest LPG storage capacity in Turkey**, with a total of 176,000 m^3.

technologies and has ISO 9001:2008 Quality Management Systems, ISO 14001 Environment Management Systems, OHSAS 18001 Occupational Health and Safety Managements Systems, and ISO 50001 Energy Management Systems certifications.

In 2014, despite the political unrest in neighboring regions, Aygaz exported to 18 countries in the Middle East, Africa and Europe from the Gebze Facility and achieved total foreign exchange revenues of USD 26 million. Aygaz, which sold its products to 10 new LPG distribution companies abroad in 2014, closely follows national tenders in the sector as well and increases its spot sales volume each year.

The largest LPG storage capacity in Turkey

Aygaz boasts five sea terminals, seven filling facilities and eleven distribution centers, as well as an additional facility where pressurized containers and accessories are produced. All of these facilities operate in conformance with international standards and use state-of-the-art technologies. Aygaz has the largest LPG storage capacity in Turkey, with a total of 176,000 m^3.

Stored at Aygaz facilities, LPG is delivered into cylinders automatically and prepared for distribution after a series of safety tests. Each Aygaz cylinder is checked for "Valve Gasket Integrity", "Overfilling and Gas Leakage", and is then issued a "Cylinder Information Card" and sealed with a "Hologram Lid" to verify that it is fully filled and quality certified.

Besides the ISO 9001 Quality, ISO 14001 Environment and OHSAS 18001 Occupational Health and Safety, ISO 50001 Energy, ISO 10002 Customer Complaints Management Systems, Aygaz products also carry the CE and PI brand certificates that allow free movement of goods in the EU as well as TSE Customer Friendly Organization and Customer Friendly Brand certifications.

Cylinder Gas

42.7%

Cylinder gas market share

In 2014, Aygaz achieved 42.7% market share in cylinder gas segment by virtue of its accurate and efficient management of industry dynamics.

Aygaz maintains its competitive advantage in the cylinder gas market thanks to its broad and efficient dealership structure in Turkey, deep-rooted corporate culture as well as fast and high-quality service.

Aygaz obtained a 42.7% market share in 2014 with an annual growth rate of 0.1%. Based on December 2014 Energy Market Regulatory Authority (EMRA) data, domestic cylinder gas consumption dropped to 801 thousand tons, decreasing by 4.8% whereas cylinder gas sales by Aygaz reached 342 thousand tons.

Practices that make a difference

In the cylinder gas segment, Aygaz operates all over Turkey in approximately 2,200 points of sale under the brands of Aygaz, Mogaz and Lipetgaz.

Aygaz strengthens its competitive advantage in the market through its innovative practices that make a difference. Aygaz Ekspres System, which serves its customers with the ability to make quick orders while providing the company with the opportunity to analyze consumer trends, has been continuously updated with the newest technologies. Aygaz expands its dealer network using this system to include Mogaz and Lipetgaz dealers. Thanks to the infrastructure supported

Aygaz Ekspres System, which serves its customers with the ability to make **quick orders** while providing the company with the opportunity **to analyze** consumer trends, has been continuously updated with the **newest technologies**.

by Aygaz Ekspres System, Aygaz has the privilege of offering consumers all over Turkey advantages such as installment plans through credit card campaigns, additional points, as well as special campaigns to meet customer needs.

Raising awareness through Aygaz Summer Festival

By sending the Aygaz Training Truck to destinations throughout Turkey, Aygaz raised brand awareness for its products, increased dealer satisfaction and strengthened consumer satisfaction and loyalty.

Within the framework of mobile musical, which is a first in the sector, in 2014, Aygaz organized a series of activities. During these events, consumers were received information about safe and correct usage of cylinder gas, periodic changeover and correct usage of hoods and hoses used with cylinders.

The Aygaz Summer Festival reached more than 15,000 consumers at 20 different locations in Turkey. Participants also received information about Koç Group's "No Barriers for My Country" project, which raises awareness about disabled citizens and seeks to improve their lives.

Training programs aiming to standardize the service quality of Aygaz all over the country and to instill Aygaz's corporate culture, values and vision in dealer employees were also provided to Aygaz, Mogaz and Lipetgaz staff in the Training Truck.

Autogas

24.2%

Autogas market share

As the largest market in Europe, the Turkish autogas market comprises 11% of the global autogas market.

One of the three largest autogas market in the world

The Turkish autogas market is the second largest European market and third largest in the world, following South Korea and Russia. Comprising 11% of the global autogas market, Turkey has the largest number of LPG vehicles in the world. Approximately 4 million vehicles, which constitute more than 42% of total number of vehicles in Turkey, use autogas. In other words, the Turkish market contains 16% of a total of 25 million vehicles worldwide running on LPG.

Last year, the decline in oil prices especially during the last quarter was directly reflected in LPG prices as well and positively impacted the growth of the autogas market. Autogas consumption in Turkey reached 2,838 thousand tons, with an increase of 4.1%. Experiencing a sustainable growth model, the Turkish autogas market provides inspiration for the other countries as well.

While the increasing awareness that autogas is an eco-friendly product, consumers' perceptions of performance and safety demonstrate positive changes.

While the awareness that autogas is an **eco-friendly** product increases, consumers' perceptions of **performance** and **safety** demonstrate positive changes.

Recently, as vehicle owners in higher segments gravitate toward autogas, its consumption and the number of consumers who prefer autogas increase gradually.

Sustainable growth

In 2014, Aygaz Aygaz reached 688 thousand tons of sales volume obtaining a market share of 24.2%.

In Turkey, more than 4 million LPG vehicles refuel at more than 10,000 autogas stations. Aygaz focused on meeting consumer demand by initiating proactive marketing policies and investments to expand its distribution network in a fiercely competitive autogas market. Having the most extensive distribution network in Turkey with more than 1,600 licensed autogas stations, Aygaz increased the number of stations by 7% in 2014. The Company continued its cooperation with Opet while also growing in different distribution channels with the Mogaz and Lipetgaz brands.

Award winning campaigns

"Geleceğe Yol Al" (Travel to the Future), "Daha Fazla Yol" (The Much Longer Road), " Paragliding-Uçuran Performans" (Flying Performance) and "Sadakat Uygulamaları" (Loyalty Practices) projects of Aygaz Otogaz won eight prizes at different categories in Felis, Crystal Apple, Effie, Red and Direct Marketing, the most prestigious awards of the marketing and digital world.

The advertising campaign of "Paragliding-Flying Performance" underlines the superior performance of Aygaz Otogaz even under difficult driving conditions.

Within the framework of the special communications strategy set for Mogaz Otogaz, the advertising campaign "Git Git Bitmez" (Never Runs Out) was carried out together with a roadshow and sponsorship for the BJK Men Handball Team. Additionally, new arrangements were made at Mogaz Otogaz stations by using the Aygaz logo in order to benefit from the prestige of the Aygaz brand.

The brand positioning project, including Aygaz Otogaz's "Kartopu" (Snowball) and "Oyuncak Araba" (Toy Car) campaigns, received the bronze award of the Effie Awards, which measure advertising strategies and the effectiveness of advertisements on sales.

In the Crystal Apple awards, the most prestigious award in Turkey, Aygaz Otogaz's publicity campaigns of "**Travel to the Future**" and "**The Much Longer Road**" won Crystal Apple and Silver Apple, respectively, in the category of Automotive Products of Press section.

In the Crystal Apple awards, the most prestigious award in Turkey, the publicity campaign of "Geleceğe Yol Al" (Travel to the Future) won a Crystal Apple in the category of Automotive Products of Press section. Simultaneously, the "Daha Fazla Yol" (The Much Longer Road) campaign won the Silver Apple in the same category. Under the Automotive Products of TV category the film Aygaz Otogaz, "Uçuran Performans" (Flying Performance) won a Bronze Apple. "Geleceğe Yol Al" (Travel to the Future) received a Bronze Apple in the category of Durable Goods of Open Air section.

Activities steering the industry

The autogas awareness raising campaign "Fuels of the Future: LPG", which started in 2012 to reinforce the perception that autogas is a high-performance, safe, widely used, eco-friendly, and cost-efficient fuel for potential consumers continued in 2014. It was further enhanced by the "Travel to the Future" project. Within the framework of this project, which draws attention to climate change and the environmental benefits of LPG, a new web site, www.gelecegeyolal.com, was initiated. The project was launched by means of digital and conventional media and reached large masses; direct communication with consumers was established during 13 roadshows organized in 10 cities.

Aygaz further strengthened its cooperation with autogas conversion companies. It organized year-round attractive campaigns and events for existing and potential consumers via the Aygaz Conversion Club. This Club gathers conversion centers under a single roof in order to raise sector safety standards. The website of www.otogazla.com, opened in 2014, ensured a communications platform for consumers wanting to convert their vehicle to LPG as well as Aygaz Conversion Club members. Within the context of investment in the Conversion Club, 131 member conversion centers were visited and 320 staff received training.

Bulk Gas

Since the beginning, Aygaz has maintained its leadership in the bulk gas segment through its product and service quality. In 2014, Aygaz served nearly 5,000 bulk gas customers and its sales reached 37 thousand tons in this segment. Bulk gas makes up 3.5% of the total domestic LPG sales of Aygaz.

Pürsu

In 2011, Aygaz began distributing carboy water to optimize its distribution network and further increasing dealer satisfaction. Operating in three natural spring water filling facilities in Uludağ, Nazilli and Sapanca, Pürsu carries out water sales in 32 cities through 525 dealers.

The carboy water market consists of more than 300 companies where the market leader has 11% market share following acquisitions in recent years. Pürsu is among the first eight brands of the carboy water sector with 2.1% market share.

In 2014, Pürsu carboy sales increased by 22% and reached 6.6 million units annually.

Subsidiaries

In 2014, Aygaz Doğal Gaz strengthened its market position achieving a turnover increase of 122%.

Aygaz Doğal Gaz

Aygaz Doğal Gaz was founded in 2004, when Turkish natural gas market entered into liberalization process, to benefit from the opportunities that may arise both in Turkey and abroad. With the vision of becoming a diversified player in the natural gas market, Aygaz Doğal Gaz sells and delivers liquefied natural gas (LNG), as well as selling natural gas that it acquires from domestic market to users classified as eligible consumers through natural gas pipelines.

In 2014, sales and turnover of the company increased by 144% and 122%, respectively. Further strengthening its market position, Aygaz Doğal Gaz achieved a turnover of TL 962 million.

Bulk LNG sales

One of the prominent players in the bulk LNG market, Aygaz Doğal Gaz completed necessary investments in this area in line with the developments in the market.

The LNG market in Turkey has a size of approximately 650 million m^3. The LNG received from Botaş Marmara Ereğlisi and Egegaz Aliağa LNG terminals is distributed all around Turkey with special LNG trailers, stored in specially designed LNG tanks on the premises of customers and is delivered to consumers in locations that are not served by pipelines. The asphalt, food and tourism sectors have a significant place in LNG market.

Piped gas sales

Aygaz Doğal Gaz provides consumers with natural gas through pipelines in an uninterrupted and reliable fashion without damage to the environment.

Aygaz Doğal Gaz began piped gas operations in 2010 and successfully enhanced its sales volume by broadening its customer portfolio through various procurement agreements. For 2014,

the company signed natural gas supply agreements of nearly 1.1 billion m³ with importer companies and increased its turnover by 122%.

Aygaz Doğal Gaz strives to increase its domestic sales through imports, closely monitoring developments in global LNG markets, market dynamics and opportunities by also taking into account price levels in Turkey.

2020: 60 billion m³ consumption

Domestic natural gas consumption is expected to reach 48 billion m³ in 2014, an increase of 4%. In the Turkish market, which depends heavily on imports, natural gas production meets approximately 1.2% of the total domestic demand.

In Turkey, nine companies procure natural gas, including the public sector institution, Botaş. As of the end of 2014, private sector meets 21% of the total domestic demand. Because the number of companies with import licenses has increased, the players in the domestic wholesale sector increased as well. In 2014, more than 30 private sector companies carried out wholesale sales of natural gas to eligible consumers.

International LNG prices are higher than domestic market prices due to continued government subsidies and exchange rate increases. This situation prevented the private sector from importing LNG in 2014. As a result, LNG consumed in the Turkish pipeline gas market was imported only by Botaş.

Total consumption in 2014 is expected to be 48 billion m³ as of the end of the year. The private sector's share in the Turkish natural gas market is expected to increase when the Draft Law on Amendment to Natural Gas Market Law, which will expedite liberalization of the market, is effected. In 2020, it is anticipated that the total consumption will reach 60 billion m³, an increase of 25% compared to today's levels. Then the share and importance of private sector will markedly increase while the number of gas inlet points will also increase to meet domestic demand and to deliver gas to Europe. As a result, it will be possible for Turkey to become a new gas trade center providing a fair competition environment and dependably offering high quality natural gas to consumers.

Positioning itself in the market in line with this vision, Aygaz Doğal Gaz focuses on the work to be done in order to be prepared to capitalize on opportunities that may appear in the near-term future.

Akpa

Engaged in the direct sale of cylinder gas and carboy water throughout Turkey, Akpa A.Ş. also carries out fuel trade and provides durable consumer goods, electrically-powered and gasoline-powered service vehicles to hotels, holiday camps, golf facilities and hospitals. Operating in its sector for about half a century, Akpa is one of Turkey's largest sales and marketing organizations in its field. The company reached TL 375 million of sales volume in 2014 with a 6% increase over to the last year.

Operating in the cylinder gas market since the day it was founded, Akpa considerably enhanced its service area in recent years and focused on direct sales to residences and offices. Last year, the company reached a cylinder gas sales volume of 26 thousand tons from its operations in 13 cities.

Sales of fuel products is another field of business of the company. In addition to its wholesale customers, Akpa also provides retail sales to individual customers through its own stations.

Fuel sales in 2014 reached TL 195 million with an increase of 39% over the previous year.

The sales of durable consumer goods to hotels throughout Turkey reached TL 63 million in 2014.

Akpa also sells carboy water to corporates, cylinder gas dealers and retail customers. In 2014, 1.6 million units of carboy water was sold under Pürsu brand with an increase of 10% compared to the previous year.

Affiliates

Opet Aygaz Gayrimenkul A.Ş. will help Aygaz and its partner in autogas, Opet, to solidify their positions in the market.

Opet Aygaz Gayrimenkul

In addition to the existing dealer structure, Aygaz adopted the strategy to invest in strategically located stations in order to increase the competitive power of its autogas brands and to this end, founded Opet Aygaz Gayrimenkul A.Ş. in 50-50% partnership with Opet Petrolcülük A.Ş. in 2013.

Opet Aygaz Gayrimenkul A.Ş. will help Aygaz and its partner in autogas, Opet, to solidify their positions in the market. The company aims to buy real estates in order to either operate them itself or rent as fuel and autogas filling stations in various regions of Turkey.

The number of stations as of the end of 2014 is 18.

AES Entek

AES Entek operates three natural gas plants, two medium-sized and one small, with a total electricity production capacity of 302 MW, in addition to three hydroelectric plants with a total capacity of 62 MW. The company continues to closely pursue various investment opportunities with the goal of expanding its presence in the electricity generation business.

As of December 18, 2014, Aygaz and Koç Holding purchased the shares owned by AES in AES Entek; as a result, the share of Aygaz in the capital of the company increased to 49.62%.

Having an installed capacity of 364 MW in total, AES Entek plans to build a 625 MW power plant in Iskenderun Bay within the framework of 50-50% partnership agreement signed with OYAK in 2012. This plant is expected to generate approximately 4.5 billion kWh electricity per year, and produce cheap, reliable and clean energy by means of its efficient and state-of-the-art technology.

The fact that its natural gas production facilities can operate flexibly despite they are base load plants is the company's major advantage against both market risks and its competitors. Kocaeli plant's direct sales to busbar and steam customers is another advantage for the company. Entek's natural gas plants are among the few production plants providing TEİAŞ (Turkish Electricity Transmission Company) with secondary frequency control service since 2013. By this means, the company generated a significant amount of revenue. Moreover, Eltek Wholesale Company came into play when system prices were at a low level and it had the opportunity to purchase from alternative sources; these factors further strengthened the competitive edge of Entek. Eltek increased its customer sales from 50 MW in 2013 to 85 MW on the average in 2014. Entek has the ability to decrease production and revenue risks by purchasing energy from the system and selling it to the customer, when faced with "buy or pay" risks in natural gas and low system prices that could arise via Eltek.

In December, Entek purchased 0.05% of the shares in EPIAS (Energy Market Management Corporation), which will be established in conformance with the more liberal and transparent market provisions of the New Electricity Market Law, no. 6446.

For the future, AES Entek's target is to increase its market share through new acquisitions and investments, primarily in alternative resources.

Enerji Yatırımları

Enerji Yatırımları A.Ş. (EYAŞ) was established in December 2005 for the purpose of purchasing 51% of the shares of Tüpraş, the largest industrial corporation in Turkey, from the Privatization Administration. Aygaz holds a 20% stake in Enerji Yatırımları A.Ş. As the only producer in Turkey's refining industry, Tüpraş operates in refinery, distribution and marine transportation of gasoline and products. Tüpraş is the seventh largest oil refining company in Europe with an annual crude oil capacity of 28.1 million tons.

Big Aygaz Family

Aygaz owes its leading and pioneering position in its business fields sustained for 54 years primarily to its target oriented and innovative human resources composed of the best employees in the sector.

Aygaz's human resources policies are based on the philosophy expressed in the phrase of its founder, Vehbi Koç, "Our human resources are our most important assets." Aygaz owes its leading and pioneering position in its business fields sustained for 54 years primarily to its target oriented and innovative human resources composed of the best employees in the sector.

Human resources policies in Aygaz aims to establish a shared corporate culture to motivate employees, evaluate them in line with their abilities, ensure their continuous development and provide them an efficient working environment.

Hiring highly qualified employees, offering them continuous personal and professional development opportunities and ensuring employee loyalty by keeping motivation high are primary objectives of human resources policies of Aygaz. Competence and participation of employees is attached great importance together with a corporate approach valuing diversity.

As of the end of 2014, total number of Aygaz employees was 1,382, of which 691 are white collars and 691 are blue collars; 9% of them are women and 91% are men with an average age of 36.3 and average seniority of 8 years. 54% of all employees have undergraduate and post-graduate degrees, while this ratio is 73% among white-collar employees.

Objective performance management

Attaching great importance to objective evaluation of employee performance, Aygaz applies a performance management system based on delegating objectives from upper-management down to all employees. Employees' performances are tracked with objective cards and evaluated based on quantitative criteria. Results of the Performance Management System form the basis for personal development planning as well as promotion and wages. By virtue of the performance system put into practice for blue-collars in 2012, employees enable to see their

With 691 white-collars and 691 blue-collars

1,382

total number of employees

73%

The ratio of white-collar employees with undergraduate and post-graduate degrees.

contributions to the company objectives and proactively define their own development areas. The performance-based immediate reward system makes sure that all employees are rewarded right after they display an achievement.

Ongoing training and development

Ongoing training and employee development is among the corporate priorities of Aygaz. The employees are able to receive feedback from their managers and co-workers through a 360-degree Competency Evaluation System and plan their own personal development in line with their career targets.

By courtesy of the Koç Academy System, the company's training opportunities are not limited to the workplace; employees are given the opportunity to obtain training whenever and wherever they want on digital platform. In 2014, the average number of training hours provided per person realized at 36.6 hours, which was 36.9 hours in 2013.

In 2014, the Company provided sales trainings to sales and field managers, personal development training packages to Aygaz Group employees, and in addition to leadership development programs, Koç University Executive MBA and English language support to executives.

Sustainable employee engagement

The primary precondition for continuous and high level of consumer satisfaction is to guarantee excellent service quality, accordingly, to ensure strong employee engagement at all levels of the corporate structure. Since 1996, Aygaz has regularly conducted surveys to measure employee satisfaction and employee engagement and has taken the steps to ensure that employee needs are met. According to the survey done in 2014, it is once more confirmed that the employees are highly engaged at work and satisfied with their jobs.

Recruitment and selection

Aiming to bring in qualified candidates to the company, Aygaz carries out promotional activities conducted in collaboration with Koç Group. The recruitment process of new employees includes group interviews conducted by managers from every level, case studies, presentations, English language test, personality inventory and reference checks. Identifying "right candidate for the right position", the individuals also conforming with the corporate culture of Aygaz are selected. Afterwards, the selected employees are put through the orientation program that contains Koç Group and Aygaz Group introductions.

Internal communication

The Internal Communication Plan is prepared annually to establish a strong communication among the employees. In line with this plan, activities such as upper management business results information meetings, breakfasts on terrace, area and plant visits, service award ceremonies, monthly meetings, department dinners, cultural trips, sports festival, the year-end communication meeting and celebration, the Turkish Music Choir, and social activity groups are held throughout the year.

For the thousands of homes we enter…

We are a warm place, a happy time around the dinner table,

a cup of hot coffee.

Sustainable Growth

As the first Turkish company to have published a report on sustainable development, Aygaz carries out its projects in this field in line with its integrated management policies.

As the first Turkish company to have published a report on sustainable development, Aygaz carries out its projects in this field in line with its integrated management policies. As per its commitment to the UN Global Compact, Aygaz fulfills its obligations concerning working conditions, human rights and transparent corporate governance. It is devoting all its efforts to reduce the environmental impact of its production processes, products and services.

Aygaz publishes biannual sustainability reports within the context of Global Reporting Initiative (GRI) principles.

Quality, Environment and Safety

Aygaz sets an example to all the players in the Turkish LPG market through its ground-breaking HSE-S implementations.

Conducting its business without adversely affecting either the environment or its own stakeholders (primarily its employees and society at large) is an Aygaz core principle. The Company solidifies its commitment in this field through an Integrated Management Systems policy. That policy ensures the effective management of all disciplines in quality, environment, work health and safety under a single roof. All employees are responsible for adhering to the Company's Integrated Management Systems policy, an integral part of its corporate structure.

In 2014, following both internal and external inspections, Aygaz reviewed and improved its Quality, Environment, Health and Safety, Energy, and Customer Satisfaction Management systems. Additionally, the company successfully completed TPED and PED inspections and obtained certificate of conformity as well as renewed its products' CE and PI brand certificates that allow free movement of goods in the EU. Within the framework of ISO 9001 Quality Management System Certificate, Aygaz reviewed the scope of the certification with 25 business units in 2014. Thus, it maintained its position as being the first and only company accomplishing such a large-scale certification.

Within the scope of the Occupational Health and Safety System, 17,253 man*hours of training were provided throughout the company in 2014.

Monthly audits were held by Aygaz Environmental Management Unit in Aygaz facilities and 664 hours of training were provided on environmental management.

Environment-friendly product portfolio

Efficient utilization of natural resources and protecting the environment is a strategic priority for Aygaz, which contributes positively to urban air quality with its environmentally friendly product portfolio.

In 2014, employees in the facilities received 282 man*hours of training to raise awareness of water waste. A series of practices were put into effect to ensure active employee participation.

Aygaz's Customer-Friendly Organization and Customer-Friendly Brand certifications, obtained in 2013, were renewed in 2014. Certification criteria was fulfilled according to a directive provided by the Turkish Standards Institution (TSI). The certification process is a first in both Turkey and in the world.

Intellectual property rights

Since the day it was founded, Aygaz has allocated resources to monitor and protect its trademarks, patents, industrial designs, works and internet domain names. Intellectual property management complies with international standards in line with strategies and objectives of intellectual property rights.

Aygaz's intellectual property portfolio expands each year with trademarks and patents, which are either in application process or registered in Turkey and abroad. The company also began commercialization of patent and technologies in 2014.

Compliance with legislation and industrial relations

Aygaz tracks licences given by the Energy Market Regulatory Authority (EMRA); closely follows all legislative regulations in the sector and ensures timely compliance with their requirements.

Through its membership in almost fifty national and international NGOs, Aygaz also contributes to setting policies and standards in the sector.

Research and Development

Aygaz leads the sector in research and development with its 44 national and international patents.

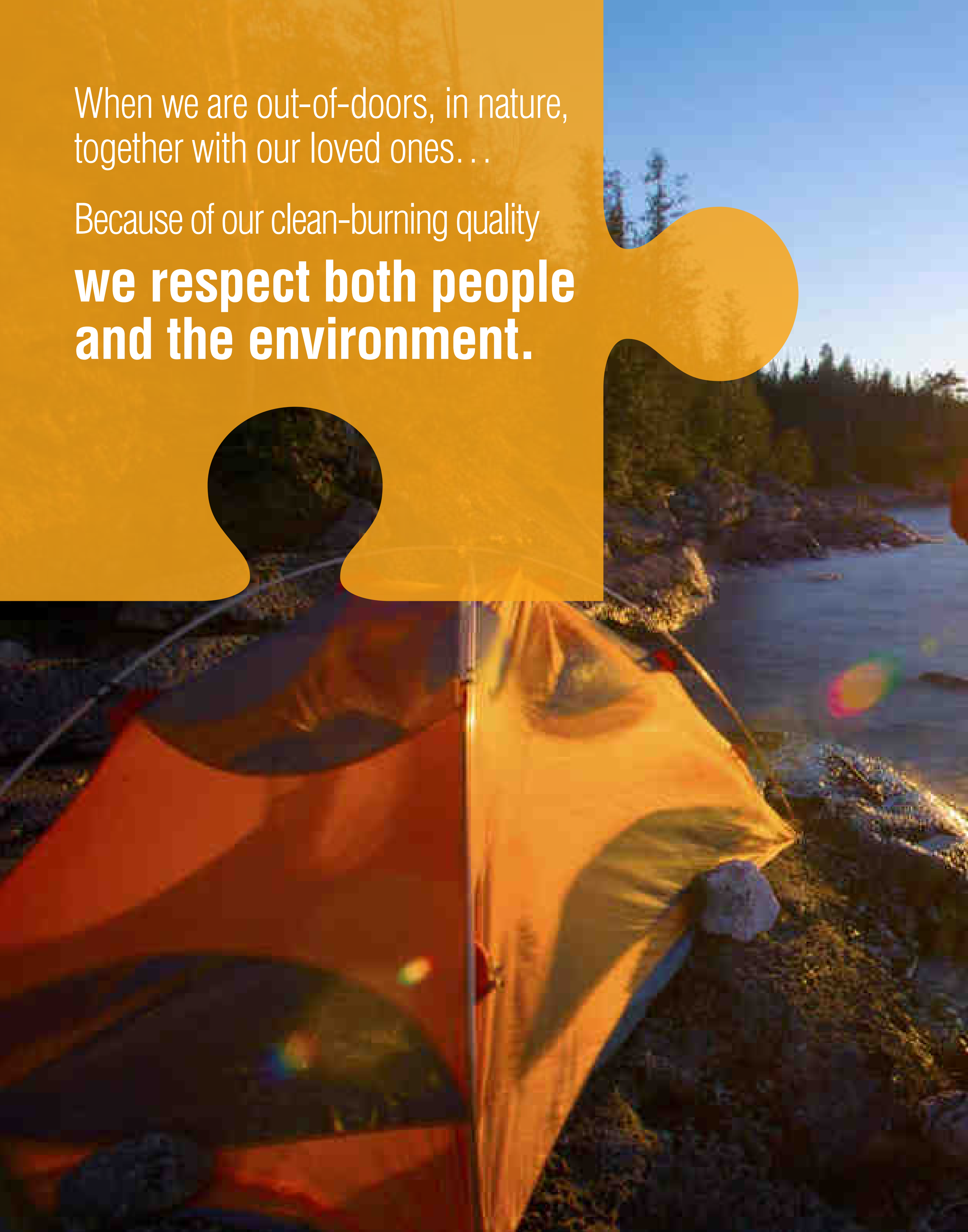
Aygaz carries out its activities in order to offer innovative, safe, and high-quality products to consumers. The Company further strengthens its pioneering position in the sector by virtue of its R&D activities, which is focused on closely monitoring existing technologies as well as developing new technological solutions.

Aygaz carries out its R&D activities in three main categories: new product development, machine and process improvement and alternative fuels. Maintaining its sector leadership position in R&D thanks to its 44 national and international patents and four useful models, Aygaz applied to the Turkish Patent Institute for five patents in 2014.

Benefiting from the TÜBİTAK TEYDEB R&D incentives, Aygaz conducts some of its projects in cooperation with universities and Teknokent companies. In 2014, the Company worked on three projects, for which it received incentives from TÜBİTAK TEYDEB.

R&D works, which are part of the "Removal of Heavy Hydrocarbons" project were completed with an incentive received from TEYDEB. The Company is in the process of industrial scale installation of units. Meanwhile, Aygaz began to work on the "Production of Light and Middle Distillates through the Olefin Oligomerization" project, developed in partnership with Tüpraş, following the incentive obtained from TÜBİTAK TEYDEB.

The "Cylinder Filling Automation Reporting System" project was presented in the World LPG Association Conference held in the United States.


When we are out-of-doors, in nature, together with our loved ones…
Because of our clean-burning quality
we respect both people and the environment.

Social Responsibility

Knowing that it is impossible to separate corporate development from the environment and society, Aygaz invests in the future of Turkey through its social responsibility projects.

As a corporate citizen committed to fulfill its social and environmental responsibilities in harmony with its stakeholders, Aygaz supports projects that protect the past while investing in the future in the fields of environment, education, culture and art, health and sports.

Aygaz knows that it is impossible to separate corporate development from the environment and society. Aygaz's founder, Vehbi Koç's philosophy could be summed up as "I live and prosper with my country", and "Give what you take from the community back to the community." In line with those sentiments, the company invests in Turkey's future through its social responsibility projects. In all operations, and not only those that are part of its core business, Aygaz participates in sustainable projects which balance environmental and social development considerations and create permanent value, and are the foundation for the way Aygaz does its business.

What will the weather be like tomorrow?

In September 2010, Aygaz began the "What will the weather be like tomorrow?" project in cooperation with the Regional Environmental Center (REC) and under the auspices of the Ministry of Environment and Forestry. Throughout 2010 and 2011, as part of this project, the Sky Truck visited 32 cities with a mobile Planetarium and the Magical Globe, a three-dimensional simulation device displaying the earth's movements. Approximately 10 thousand people attended the educational program in the Sky Truck.

Since 2012, these education programs have been provided in the discovery globe at the Rahmi Koç Museum. In 2014, 17,000 students are provided with training in the museum.

The restoration of the Sagalassos Antonine Nymphaeum

The history of the ancient city of Sagalassos in the foothills of the Taurus Mountains dates back to the 4200 BC. Since 2005, Aygaz has supported efforts to bring the past of Sagalassos to light. Following the completion of the Antonine Nymphaeum project in 2010, restoration of the Upper Agora structures surrounding the monumental fountain began in 2011. The ultimate goal of this project is to revive the Upper Agora, the political center of this ancient city and open it to the public as an open-air museum. When restoration is completed in 2016 as planned, the Upper Agora will regain its architectural and spatial integrity and will be one of the most remarkable ancient city centers.

Van Castle excavations

In conjunction with the Ministry of Culture and Tourism and Istanbul University, Aygaz has supported mound excavations at Van Castle since 2010. The work carried out here indicates that this region was one of the most spectacular cities of the first millennium BC. In 2014, more extensive excavations were carried out in

the northern sections of the Van Citadel, also known as the Old Van, and some ancient dwellings, which are believed to have belonged to Urartian merchants and aristocrats, were found.

Maydos Kilisetepe excavations

Since 2012, Aygaz has been supporting the Maydos Kilisetepe Mound excavation, which is being carried out by the Ministry of Culture and Tourism and Çanakkale Onsekiz Mart University. In 2014, excavations focused on different layers of the mound belonging to different historical periods.

Aygaz library

The “Aygaz Library” project aims to remind people of Turkey’s rich historical and cultural heritage and to preserve it for future generations. Since 1996, 14 books have been published as part of the project, which seeks to reach booklovers, art lovers, researchers, and the nation’s youth.

The Aygaz Library includes books on different topics ranging from history to archeology. This past year it published its most recent work, “Kat’ı: Quilling Art and Artists in the Ottoman World” in collaboration with the Sadberk Hanım Museum. Prepared by Dr. Filiz Çağman, this book describes the history of the quilling art on leather and paper, one of the prominent handicrafts of the Ottoman period.

The history of Ottoman diplomacy

As part of the History of Ottoman Diplomacy project, documents and supplementary information collected from the Ottoman archives are gathered and published in book form. Published books also include the diaries and papers of diplomats who served in Istanbul. In 2014, seven books were published within the scope of the project, and the number of books published in collaboration with Sadberk Hanım Museum reached 32.

Aygaz supports diabetic children

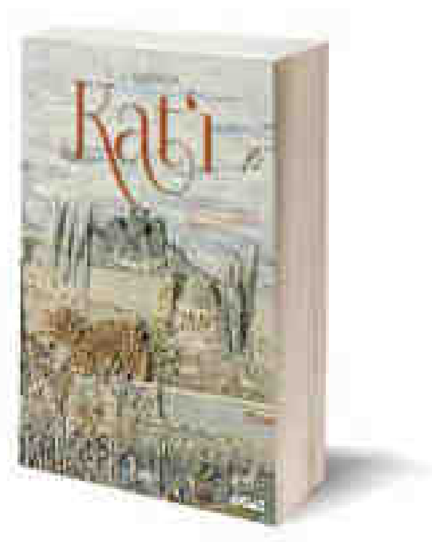
In 2014, 100 diabetic children attended the 22nd Diabetic Children’s Camp in Kocaeli, organized by the Child and Adolescent Diabetic Association. Aygaz has been supporting the camp since 2004, which is among the first health camps in Turkey dedicated to children. The objective of the camp is to teach diabetic children to be self-sufficient, while having fun and making new friends. The exemplary Diabetic Children’s Camp has hosted 1,700 children during the last 21 years.

Women’s health trainings

Aygaz has been working for long years in collaboration with the Turkish Family Health and Planning Foundation (TAPV) to educate pregnant women and mothers on issues related to their babies’ and their own health. It aims to improve mothers’ and babies’ quality of life and contribute to reducing mother and infant deaths. During the past few years, the scope of the “Safe Motherhood” project, which has been carried out with the Turkish Family Health and Planning Foundation, has expanded. The “Women’s Health Training Program” aims to increase health awareness and the quality of life of families with limited economic means and education levels who immigrated or had to immigrate to cities from rural areas. In 2014, within the framework of the project, 85 groups were established during the trainings offered in 19 cities; 1,453 women participated into the program and took their certifications. A total of 5,953 women have been trained since the beginning of the project.

No Barriers for My Country

Since 2012, when the “No Barriers For My Country” project was initiated, Aygaz has sought to raise social awareness by organizing various activities in every aspect of life, especially within its business. The company provided a total of 24,945 people with Right Approach Towards Disability training throughout 2014.



Thanks to our maintenance of low level of greenhouse gas emission standards,

With our clean, efficient and innovative energy…

each day we generate a new life.

Risk Management and Internal Control

Effective identification, measurement and management of risks is essential for sustainable profitability and growth.

Today, the effective identification, measurement and management of risks are essential for corporations to create permanent value for its stakeholders and ensure sustainable growth.

The nature of the energy industry exposes Aygaz to various financial, operational and legal risks. The company manages these risks within the framework of corporate risk management with an integrated, systematic and proactive approach. Risk management is applied in accordance with international standards and practices as well as through policies approved by the Board of Directors.

Financial risks arising from uncertainties and fluctuations in currency, interest rates and commodity prices are identified and evaluated within this framework; requisite instruments are used to mitigate these risks. Currency risks that originate due to transactions in foreign currencies are mitigated by reflecting exchange rate fluctuations to sales prices of products. The ratio of foreign exchange position after natural hedge in equity is targeted to be less than 10%. The risks that may otherwise arise are targeted to be kept within targeted limits by means of forward transactions.

Liquidity risk is managed by closely monitoring existing and expected cash flows, and by ensuring maturity matching between assets and liabilities. The company's policy in this field is to

Aygaz manages the risks within the framework of **corporate risk management** and turns the risks that seem negative into **an opportunity**.

assume long-term liabilities with fixed-interest rates and to manage the potential interest rate risks that may otherwise occur through derivative instruments. Due to its broad range of activities, Aygaz's receivables are spread across different industries and geographical regions through numerous dealers and customers. Thus, the company avoids vulnerability resulting from concentrating on a specific field or a customer.

Continuously and closely monitoring its clients, Aygaz seeks to keep credit risk exposure arising from commercial receivables within approved limits. The company is careful to conduct business only with parties possessing a high level of credibility and also mitigates existing risks with bank guarantees. The use of multiple payment systems is another element that facilitates collections and mitigates risks.

The company's objective in managing capital risk is to conduct its business with the best appropriate capital structure that minimizes the cost of capital while creating value for its stockholders. In this respect, the most significant indicator is the ratio of net financial debt/equity. With a current ratio of 8.65%, Aygaz A.Ş. has the capital structure and debt capacity enabling it to conduct its business in a healthy manner. The company's issued capital of TL 300 million is maintained along with the equity that belongs to the parent company amounting to TL 2,359 million as of December 31, 2014.

Legislative changes are monitored by the Legal Department and other related units. All required information in this area is provided to the staff; training and compliance activities are carried out in order to avoid legal risks.

The Board of Directors is informed via the reports submitted periodically to the Corporate Risk Management Committee. Operational, legal and strategic risks are evaluated by related units. The decisions taken by the executive management in this field are monitored by the Board of Directors through this committee. The Board of Directors receives also 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.

The activities of the Risk Management Committee

The Risk Management Committee was established with the Board of Directors' decision dated on April 7, 2014, in line with the provision of 378 of the Turkish Commercial Code No. 6102 and Corporate Governance Declaration of the Capital Markets Board. The Committee, which targets early identification and effective management of risks that may endanger the company's existence, development and continuity is currently composed of two members with Ayşe Canan Ediboğlu, Independent Member of the Board, and Dr. Bülent Bulgurlu, Board Member, serving as chairwoman of the committee and committee member, respectively.

The committee held six meetings during 2014 to assess Aygaz Risk Management System and risk-reporting guidelines, evaluate periodical reports prepared in line with previously set guidelines, and to provide recommendations on the measures to be taken regarding the issues that do not comply with the requirements of Risk Management System. The results, reports and assessments of the Committee are presented to the Board of Directors.

Internal Control System and Internal Audit

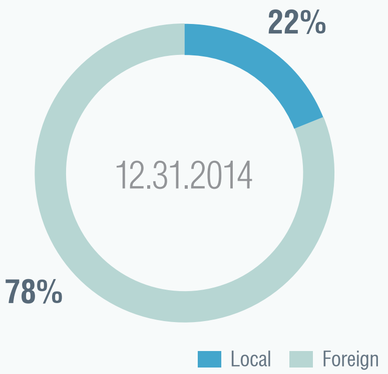
The mission of the Internal Control Unit, which directly reports to the General Manager, is to establish an efficient and steady internal control structure within the company. Accordingly, it provides the company management with information in a systematic, independent and objective approach and reports the risk issues by analyzing the company processes.

Also reporting to the Audit Committee, when required, the Internal Audit Unit conducts efficient internal controls to ensure the integrity, consistency, reliability, timeliness, and security of the information provided by the accounting and financial reporting system.

Investor Relations

Implementing international standards in investor relations to generate higher shareholder value, Aygaz increased its corporate governance rating to 9.29.

Share Information



BİST Code	: AYGAZ
Bloomberg Code	: AYGAZ.TI
Reuters Code	: AYGAZ.IS
IPO date	: 13.01.1988
Free float rate	: 24%

Investor relations practices in international standards

Investor relations is a strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company and the financial community, which ultimately contributes to a company's securities achieving fair valuation. Targeting to generate higher shareholder value, Aygaz is based on international standards in its investor relations and corporate governance practices.

Aygaz provides all information excluding commercial secrets to shareholders, the public and stakeholders in a timely, accurately and easily comprehensible and accessible manner. Targeting to set a bridge between the company and its stakeholders based on clear information and trust, the Investor Relations Unit abides by the principles of fairness, transparency, accountability and responsibility when providing such information.

In 2014, Saha Corporate Governance and Credit Rating Services raised the corporate governance rating of Aygaz from 9.27 to 9.29.

Active participation of the senior management in analysts meetings

In 2014, the Aygaz Investor Relations attended a total of six road shows and conferences at home and abroad and held one-on-one meetings with approximately 150 existing or potential investors through teleconferences or visits to company headquarters. During the analysts meeting held in May the executive managers of the company met with analysts who follow the company. In all reports prepared by their analysts, the expectation regarding the share value of Aygaz is for it to beat or meet the index.

Company investor presentations and other informational documents are updated when required and available at www.aygaz.com.tr in the Investor Relations section.

Share performance

In 2014, economic and political developments in both international and domestic markets directly affected finance and capital markets. The Fed's postponement of an increase in interest rates to 2015 and the rapid decline of oil prices in the last quarter of the year positively influenced markets. Following the local elections, which eliminated uncertainties, foreign investors made significant net purchases at the Borsa Istanbul in March. Accordingly, share markets displayed the highest increase of 11.5%.

While the value of the BIST 100 Index increased by 28% on a TL basis at 85,721 as of the end of the year, Aygaz share value also rose by 28%. The company's market capitalization stood at TL 2,949 million (USD 1,269 million) as of December 31, 2014, and the average transaction volume was TL 818 thousand.

As of December 2014, only 9,895 of a total of 1,075,000, investors (less than 1%) in the Borsa Istanbul were foreign. Foreign shares in BIST's transaction volume and market value were 20% and 64%, respectively. At the end of 2014 foreign investors' share in Aygaz's free float was 78%.

Dividend distribution

Aygaz strives to create high shareholder value for its stockholders and pursues a consistent dividend policy that balances both the company's and the shareholders' interests in accordance with the corporate governance principles. Total dividends for the last five years has reached TL 850 million with an average distribution rate of 63%, including TL 100 million from the profits of 2014, which will be submitted for General Assembly approval for distribution.

Corporate Governance Rating Score

Shareholders
9.53

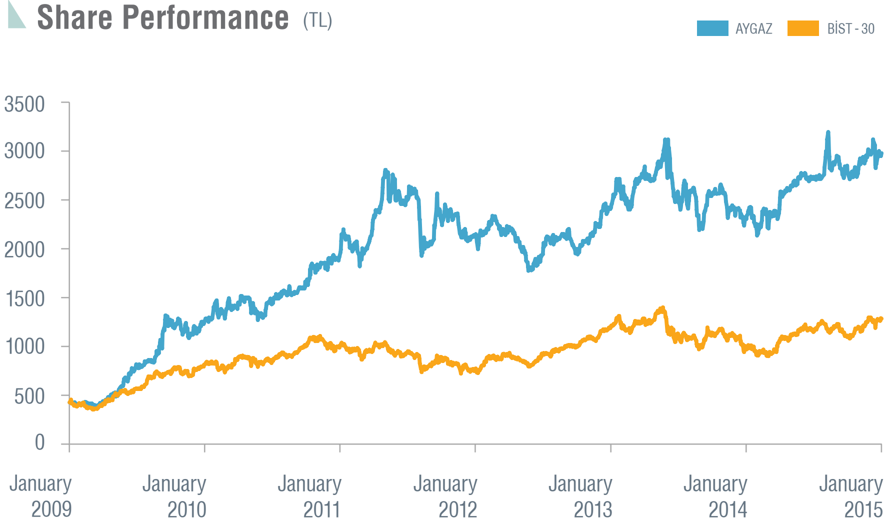
Public Information and Transparency
9.20

Stakeholders
9.86

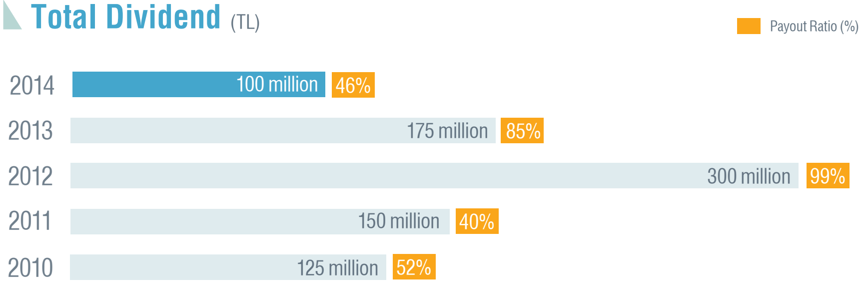
Board of Directors
8.95

Total
9.29

Share Performance (TL)



Total Dividend (TL)



Corporate Governance Principles Compliance Report

Legal Disclosures

Board of Directors

Executive Management

Agenda of the Annual General Assembly

Proposal of the Board of Directors for Profit Distribution

Statements of Independence of the Independent Members of the Board of Directors

Profit Distribution Policy

Remuneration Policy for the Board of Directors and Senior Management

Auditors' Report on Annual Report

Corporate Governance Principles Compliance Report

SECTION I - Corporate Governance Principles Compliance Declaration

Aygaz is aware of the benefit and importance of the Principles of Corporate Governance 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 in the financial and capital markets.

Aygaz fully complies with the principles that are compulsory as per the Corporate Governance Communiqué No: II-17.1 and adopted a majority of the non-compulsory principles. Although we strive to fully comply with the non-compulsory Corporate Governance Principles, due to difficulties associated with the implementation of some principles, the ongoing debate both on domestic and international platforms regarding the adoption of them, and the failure to overlap with the existing structure of the market and the company, full compliance has yet to be achieved. Work is underway on the principles that have not yet been put in practice, and we are planning to adopt them upon the completion of the administrative, legal, and technical infrastructure work that would contribute to our 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 highlight of our work in the field of Corporate Governance in 2014 was the efforts to ensure compliance with the Capital Markets Law and the communiqués prepared based on this law. In order to ensure compliance with the new Turkish Commercial Code and Capital Markets Law, all required amendments were made in our articles of association. Our Board of Directors and Board committees were restructured in accordance with the regulations of Corporate Governance Communiqué. The newly established Board committees effectively sustain their operations. A remuneration policy was determined for the Board of Directors and senior managers and submitted to the information of shareholders at the General Assembly. Through the information document prepared for the General Assembly, related information such as privileged shares, voting rights, organizational changes, background information on the nominees for Board membership, remuneration policy for the Board of Directors and senior managers, and all reports and information that must be drafted and disclosed with regard to related parties, disclosure of which is mandatory as per the principles, were submitted for the information of investors three weeks prior to the General Assembly meeting. The company website and annual report were also revised and the necessary changes were made towards full compliance with the principles.

Developments in legislation and implementations will be taken into consider to make necessary studies for full conformity with the principles in the forthcoming period.

Aygaz is not fully in compliance with the below-mentioned non-compulsory principles due to the above mentioned reasons. The detailed information on this issue is provided below under the relevant sections of the report.
- Regarding the principle no 1.5.2, minority rights are not recognized for shareholders who hold an amount less than one-twentieth of the share capital; general regulations are adopted in this field.
- Regarding the principle no 4.3.9, even though it continues its efforts in this field, the company did not set a target rate and timetable yet for the number of female members in the Board of Directors. Detailed information on this issue is provided in section 5.1.
- Regarding the principle no 4.4.7, the company does not impose any restrictions concerning additional duties that its Board Members may assume outside the Company. Further information on this issue is provided in section 5.1.
- Regarding the principle no 4.5.5, due to the structure of our Board of Directors, some of our Board members have duties in more than one committee. These members help strengthen communication among committees and increase cooperation possibilities.

Aygaz A.Ş. has demonstrated the importance it places on the principles of corporate governance and its eagerness to implement these as a continual and dynamic process by receiving Corporate Governance Rating scores and remaining in the Corporate Governance Index. The new Corporate Governance Communiqué (II-17.1) came into effect on January 3, 2014 after being published on the Official Gazette no 28871 and the Corporate Governance Principles were revised with this new communiqué. In accordance with Capital Markets Board decisions, ratings of the companies listed in the Corporate Governance Index were revised based on the new criteria on March 3, 2014 and downgraded due to the methodology changes. Operating in Turkey under license from the Capital Markets Board (CMB) to conduct corporate governance rating activities for the companies included in the BIST Corporate Governance Index, SAHA Corporate Governance and Credit Rating Services announced Aygaz's corporate governance rating score as 8.98 on March 3, 2014 from 9.27 on July 1 , 2013. This score was updated to 9.29 on July 1, 2014. Among the fields open to improvement, announcement of the company's donation policy, setting written rules for operation principles of the Board of Directors meetings, preparing a policy and setting a timetable to reach the target of at least 25% female board membership rate were stated. As of its date of assignment, this new corporate governance rating has made Aygaz one of the three highest-rated companies in Turkey in terms of corporate governance score.

The corporate governance rating score is determined by four main categories weighted to different degrees within the framework of the CMB resolution regarding the issue. Among the improvements made in the last term by Aygaz, election criteria for the Board of Directors members and systematic efforts undertaken in this process and the efficiency of the Board of Directors committees have contributed to a significant increase in the scores received, particularly in "Stakeholders" and "Board of Directors" categories.

Taking into account the developments in the legislation and practices, necessary efforts will be undertaken also in the upcoming period with a view to increasing compliance. Aygaz's efforts in this area are accelerated thanks to its well-established corporate identity while its management structure and processes have been reorganized in compliance with these regulations.

Since the General Assembly meeting held in 2005, Aygaz has been preparing Corporate Governance Compliance Reports, publishing them on the company's internet site (www.aygaz.com.tr) and as part of its annual reports. We hereby present for your information our Corporate Governance Report, which has been prepared this year in accordance with the format set out by the Capital Markets Board Resolution dated February 1, 2013 and no. 4/88.

Corporate Governance Committee

Mansur Özgün Committee Chairman	Osman Turgay Durak Committee Member	Gökhan Tezel Committee Member

SECTION II – Shareholders

2.1. Investor Relations Unit

At Aygaz, Investor Relations Unit's duties stated by the article 11 of the Corporate Governance Communiqué are carried out by the Finance Department reporting to the Assistant General Manager in charge of Finance, Gökhan Tezel. The department is administered by Finance Manager Mehmet Özkan who holds Capital Market Activities Advance Level and Corporate Governance Rating Specialist Licenses, and Investor Relations Manager Selin Sanver. Requests for information may be made to the unit by e-mail at yatirimciiliskileri@aygaz.com.tr or investorrelations@aygaz. com.tr, or by phone at (0212) 354 15 15 / extensions 1657-1659.

The primary responsibilities of Investor Relations Unit are as follows:

• To maintain relations with shareholders in an orderly manner within the scope of the disclosure policy, and to ensure regular and reliable access to information about the company

• To ensure the exercise of shareholders' rights and to answer shareholders' inquiries

• To update the company website, annual report, investor presentations, earnings releases, and similar communication tools to ensure complete and rapid access to such information for shareholders

• To meet requests for information made by investors by means of various communication methods and tools such as face-to-face meetings, investor conferences, road shows, teleconferencing, telephone, e-mail, fax, and disclosures/announcements with a view to increasing the value of the company

• To facilitate a two-way flow of information between the shareholders and the company's senior management and Board of Directors

• To keep shareholder records accurate, reliable, and up-to-date based on the records of the CRA

• To implement and monitor the Principles of Corporate Governance, and ensure compliance with such principles in the operations of the company, and represent the corporate entity of the company before the relevant ministries, the Capital Markets Board (CMB), the Borsa Istanbul (BIST), the Istanbul Settlement and Custody Bank Inc. (Takasbank), the Central Registry Agency (CRA), and other relevant institutions and organizations, and provide such institutions with reports and information as required

• To make the necessary disclosures to ISE via the Public Disclosure Platform

• To hold the General Assembly of Shareholders meetings, to hold Boards of Directors and Auditors meetings, and keep the records thereof

Shareholders generally request information and make inquiries on the profitability, share value, investments, turnover, subsidiaries, and dividend payments of Aygaz as well as the withholding tax on dividends. In 2014, more than 50 requests for information were received, and the requested information was provided in writing, verbally, and electronically. Furthermore, in 2014, a total of six road shows and investor conferences were attended in Turkey and abroad and approximately 150 meetings were held with domestic and foreign corporate investors and brokerage house analysts. Presentations prepared for this purpose are available to all investors on the company website. The report including all of the activities carried out throughout the year was submitted to Corporate Governance Committee on February 13th, 2015.

2.2. Exercise of Shareholders' Right to Obtain Information

The "Investor Relations" section on the company website is constantly revised with a view to allowing shareholders to use it more easily and to access more information.

There is no discrimination among shareholders regarding the exercise of the right to obtain information and inspect, and all information is shared with shareholders with the exception of information classified as trade secret. With the exception of information classified as confidential information and trade secret, inquiries put to the Investor Relations Unit are answered both on the telephone and in writing upon conferring with the highest-ranking official on the relevant issue. As explained under section 3.1 of this report, the company website features all relevant information and explanation that may affect the exercise of shareholders' rights.

While our Articles of Association does not designate any right to request a special auditor as an individual right, as per Article 438 of the Turkish Commercial Code, each shareholder may request from the General Assembly, even if it is not included in the agenda, the clarification of certain events through a special audit provided that doing so is necessary for the exercise of shareholders' rights and the right to obtain information or inspect what was previously exercised. To date, no such request has been made by shareholders. Furthermore, the company's operations are periodically audited by an independent auditor appointed by the General Assembly.

2.3. General Assembly Meetings

The Ordinary General Assembly meeting, where the activities for 2013 during the reporting period were discharged, was held on March 31, 2014 at the headquarters of the company located in İstanbul Şişli, Büyükdere Caddesi, No: 145/1 Zincirlikuyu with a shareholder attendance of 88%. The general assembly meetings were attended by eight members of the Board of Directors, auditors and executive management. Individual shareholders and members of the press also showed interest in the meeting.

The venue, agenda and a sample power of attorney were announced to the public 21 days prior to the meeting through announcements placed in the Turkish Trade Registry Gazette (TTRG), and material disclosures made via the Public Disclosure Platform (PDP).

The 2013 annual report, auditor's report, independent audit report, financial statements and notes, and dividend distribution proposal of the Board of Directors, General Assembly information document and annexes were made available to shareholders both at the company Head Office and on the company website 21 days prior to the General Assembly meeting. The dividend distribution proposal was announced via the PDP. Shareholders made no requests with regard to the agenda. The questions posed by shareholders at the General Assembly meeting were answered by the Company's Board of Directors and senior management. Shareholders addressed two questions. The question about the company's affiliate AES Entek was answered through the information provided on the investment plans of this company. About the contraction in the cylinder market, it is informed that while the cylinder market shrinks by 7% every year, total LPG market maintains its growth due to the ongoing growth in the autogas market.

At the Ordinary General Assembly meeting, which is held on an annual basis, the Chairman and members of the Board of Directors are authorized as per articles 395 and 396 of the Turkish Commercial Code to carry out the businesses that fall within the scope of the company personally or on behalf of others and to became partners in such companies and carry out other transactions. Within the framework of this authorization, members of the Board of Directors may assume other duties outside the company without any limitations.

At the Ordinary General Assembly meeting held in 2014, information was provided regarding the donations and aids given in 2013 as a separate general assembly agenda item and the donation limit for 2014 was set at 5% of pre-tax profit, and there have been no changes to our ongoing donation practices.

The Articles of Association contain no provisions that require a General Assembly resolution for the sale, purchase or lease of property. The minutes of the General Assembly are registered and announced in the TTRG and made accessible to shareholders both at the Company Head Office and on the company website.

General Assembly meetings are held as open to public including media and stakeholders without right to speak as it is stated in article 14 of the company's Articles of Association.

2.4. Voting Rights and Minority Rights

No privileges are accorded in the company with regard to the shareholders' voting rights. There is no shareholding company that has a mutual participation with Aygaz. Minority rights are represented at the General Assembly directly or by proxy. The Company's Articles of Association contain no provisions on the cumulative voting method. Minority rights are not recognized for shareholders who hold an amount less than one-twentieth of the share capital; general regulations in the legislation are adopted in this field.

2.5. Dividend Rights

There are no privileges regarding the sharing of company profits. Dividend distribution is made in accordance with and at the intervals stipulated by the relevant legal legislation.

The goal has been to determine and declare a dividend distribution policy in compliance with the Principles of Corporate Governance that will take into consideration the interests of both the shareholders and the Company. At the Company's Board of Directors meeting on March 5, 2014, the dividend distribution policy was revised into its present form as follows:

"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."

As per the Principles of Corporate Governance, the General Assembly on March 31th, 2014 was informed of the Profit Distribution Policy presented on the company website and in the annual report to ensure that the shareholders possessed this information. In 2014, the gross amount of TL 175 million was distributed to our shareholders as cash dividend.

2.6. Transfer of Shares

As stated in Article 8 of the Articles of Association, only the persons registered in the share book as per the records kept in the Central Registry Agency will be considered and treated as holders of shares or holders of rights of usufruct on shares. The transfer of the publicly traded registered shares of the company shall be governed by and subject to the pertinent regulations of the Capital Markets Board.

SECTION III – Public Disclosure and Transparency

3.1. Company Website and Content

The company website is accessible at www.aygaz.com.tr. It is available in two languages including Turkish and English. As explained in detail in the Company Disclosure Policy, the Investor Relations section includes main headings such as stock ID, financial statements, material disclosures, shareholders and participation, registration statement, agendas and minutes of general assembly meetings, list of attendants, proxy vote form, profit distribution policy, distribution policy, board of directors, corporate governance, news and announcements, presentations, frequently asked questions, and contact us as well as a diverse set of documents and information under these that must be featured on the website as per the principles of corporate governance and other legislation. Changes either to this information and to the legislation are reflected on the website simultaneously.

3.2. Annual Report

The company's Annual Report is drafted in a manner that includes all information stipulated by the Corporate Governance Principle No. 2.2 and its subparagraphs, in sufficient detail to ensure that the public can reach complete and accurate information regarding the company's activities and in compliance with the relevant legislation.

SECTION IV - Stakeholders

4.1. Informing Stakeholders

Company stakeholders are informed regularly on matters that concern them. Company employees are informed at internal communication meetings. Blue-collar workers at the Aygaz Gebze Plant and seamen working on vessels are members of trade unions organized in their respective industries. These workers are informed through union representatives. Regional or general dealer meetings are held every year. During the meetings held in 2014, dealers were informed about the Company's activities and their requests and suggestions were received. Individual and group meetings are held with the suppliers where a mutual exchange of information takes place.

In the meantime, information is also conveyed through an extensive range of media such as the Company's corporate website, e-bulletins, technical publications, and the Company magazine, "Aygaz Dünyası" The Dealer Portal, which is designed specifically to improve communication with dealers, also continues to be used effectively.

Stakeholders can use the reporting line on our company's corporate internet and intranet sites to report any infringements to the rules and ethically inappropriate activities to the Internal Audit Department then to be submitted to the Audit Committee.

4.2. Stakeholder Participation in Management

At the stakeholder meetings, participants find the opportunity to express their requests and suggestions, which are then taken into consideration by the management. Furthermore, the Individual Suggestion System and e-mail pools established within the company provide an opportunity to bring new ideas, and those whose ideas are implemented are rewarded. Suggestions can be submitted through the company's corporate internet and intranet sites.

4.3. Human Resources Policy

As is true at all Koç Group companies, Aygaz's human resources policy is also based on the "Our most valuable asset is our human resources" philosophy. The Aygaz vision is to be "The best company to work for in Turkey" by our employees, who we deem to be a strategic advantage that manages all resources, by keeping their satisfaction and loyalty at the highest possible level through our established systems and practices.

Our human resources mission is to support the entire company management and all employees and to put into place human resource systems in coordination with the relevant departments, with a view to ensuring the continuity of a creative, dynamic, well-trained, motivated, and productive Aygaz team.

HR Management Principles:

- Make employee motivation and company loyalty a priority
- Provide an environment conducive to continuing training and self-improvement
- Systematically plan and develop the careers of individuals in line with the needs of the organization
- Conduct human resources planning and organizational redundancy
- Provide fair compensation and rewards
- Provide individuals with feedback on their job performance
- Hire employees based on their qualifications and the Company's needs
- Honor employees with public recognition and respect their personal rights when offering criticism
- Promote social and cultural activities

In addition to union workplace representatives designated in accordance with the Collective Labor Agreement, Human Resources staff working in all the regions are charged with facilitating communication and coordination between employees and the Human Resources Department. No discrimination complaints were filed by the employees.

Aygaz Group has a Performance Management System in place for all employees. The performance of white-collar workers is evaluated through objective business objectives in the system, which was established based on the balanced scorecard methodology. For blue-collar workers, the required functional competences to achieve excellent performance have been defined and the evaluation is made through these competences. With regard to recognition and award practices, in addition to the Individual Recommendation System and TPM applications that aim to boost efficiency, the reward categories were redefined and the Blue Star Reward System was put in place in 2012. The Blue Star Reward System aims to instantly recognize and reward high performance and efforts that make a difference.

Company employees are informed of their job definitions and distribution of work as well as performance and reward criteria. Employee satisfaction and loyalty are measured through an "Employee Loyalty Assessment Questionnaire" as a result of which areas that require improvement are determined and remedial measures are taken.

The Collective Labor Agreement between the Turkish Metal Union and our workers at the Aygaz Gebze Plant was signed on December 15, 2014 for the September 1, 2014 – August 31, 2017 period. Meanwhile, the Collective Labor Agreement process between the Seafarers' Union of Turkey and our seamen working on vessels has been going on as of the date of this report's preparation.

No representatives have been assigned within the company to maintain relations with the employees other than the union workplace representative designated in accordance with the Collective Labor Agreement. Relations with the union are maintained by the Human Resources Department.

4.4. Codes of Conduct and Social Responsibility

Throughout its half a century history, Aygaz has always been an exemplary company with its integrity, reputation, reliability, ethical conduct, and its culture of compliance with laws and regulatory rules.

In the performance of their duties, employees of Aygaz, which is part of the Koç Group, are obligated to comply with the “Koç Group Goals and Principles. Committed to Koç Group’s ethical principles, Aygaz:
• Respects the respectability, privacy, and personal rights of individuals.
• Respects the differences among individuals such as race, origin, religion, gender, social class, nationality, age, and physical disability, and does not discriminate.
• Provides all of its employees with equal opportunity in personal development and career regardless of their origins and creeds as part of its employee commitments.
• Enforces the mechanisms related to the rules of work discipline in the cases of human rights violations.
• Respects the traditions, culture, and history of each and every community in which it operates.
• Respects the union rights of its employees.

In 2010, Aygaz put its “Codes of Ethical Conduct and Practice” with a view to ensuring that ethical values are extended to all employees with the same effectiveness and handed down to the following generations.

A Board of Ethical Conduct has been established so as to better assess any infringements and to harmonize the practice. The Ethics Board is comprised of the General Manager, the relevant Assistant General Manager, the Human Resources Manager, and the Legal Advisor.

The “Codes of Ethical Conduct and Practice” were made into a booklet and sent to all permanent staff, who were then requested to read it and sign the Document of Declaration and Undertaking on the last page to be included in their respective personal files. Newly recruited personnel are also informed of these principles and declare and undertake that they would adhere to them.

The principles of the company’s environmental policy have also been announced in the annual report and our corporate website. The social responsibility projects in which our company takes part as well as the efforts undertaken in this field are further explained in the relevant sections of the Annual Report.

BÖLÜM V - Board of Directors

5.1. The Composition and Election of the Board of Directors
The Aygaz Board of Directors is composed of one Chairperson, one Vice Chairperson and nine members, three of whom are independent. As of 2014, the Board of Directors has one female member. All members of the Board of Directors were elected in the General Assembly on March 31, 2014 to serve until the Ordinary General Assembly Meeting to be held to discuss the financial results for the year 2014. Backgrounds of the Board members and the General Manager are provided in the annual report.

The summary information is provided below about the non-executive members of the Board in accordance with CMB’s Corporate Governance Principles.

Name of Board Member	Independence Status	Duties in the Board and Committees	Duties Outside the Company
Rahmi M. Koç	Non-independent	Board and Executive Committee Chairperson	Koç Holding A.Ş. Honorary President and Board Member in Koç Group Companies
Ömer M. Koç	Non-independent	Board Vice Chairperson and Executive Committee Member	Koç Holding A.Ş. Board Vice Chairperson and Board Member in Koç Group Companies
Alexandre F. J. Picciotto	Non-independent	Board Member and Executive Committee Member	Orfim General Manager and Board Member in Various Companies
Dr. Bülent Bulgurlu	Non-independent	Board Member, Risk Management Committee Member and Executive Committee Member	Board Member in Koç Holding A.Ş. and Koç Group Companies
Osman Turgay Durak	Non-independent	Board Member and Corporate Governance Committee Member	Koç Holding A.Ş. CEO and Board Member in Koç Group Companies
Erol Memioğlu	Non-independent	Board Member, Executive Committee Member	Koç Holding A.Ş. Energy Group President and Board Member in Koç Group Companies
Ayşe Canan Ediboğlu	Independent	Board Member, Risk Management Committee Chairperson	ING Bank Türkiye Board Member
Tunç Uluğ	Independent	Board Member, Audit Committee Chairperson	Arçelik A.Ş. Board Member
Mansur Özgün	Independent	Board Member, Corporate Governance Committee Chairperson	Tat Konserve A.Ş. Board Member

The offices of the Chairman of the Board of Directors and General Manager are held by different persons. While Board members are expected to spare the required time for the affairs of the company, there are no limitations imposed on them as to other duty/duties outside the company. Such a limitation is not deemed necessary particularly for independent members due to their important contributions to the Board of Directors with their respective professional and industrial experiences. Prior to the General Assembly, background of the member as well as the duties he/she performs outside the company are submitted for the information of the shareholders.

In our company, duties of the Nomination Committee have been assumed by the Corporate Governance Committee. In 2013, three nominees were submitted to the Corporate Governance Committee for independent membership, and all independent member nominees submitted their statements of independence to the Corporate Governance Committee. Declarations of nomination and backgrounds of Independent Board Members were evaluated at the Corporate Governance Committee and the Board of Directors meetings on March 2, 2015. Each of the nominees fully met the criterion stipulated in the Corporate Governance Principles, and it was decided that all should be designated as independent member candidates. During the 2014 operating period, no situations that would eliminate independence arose.

We believe that diversity in the Board of Directors in terms of knowledge, experience and point of view will positively contribute to the company's activities and ensure the efficiency of the Board's works. Our company continues its efforts to set a target rate for female members in the Board; which ensures diversity in the Board as well. Currently, there is one female member on the Board of nine directors.

5.2. Operating Principles of the Board of Directors

The agenda of the Board of Directors is set based on the needs of the Company as a result of the assessment of the Company's activities. The General Manager and the Assistant Manager in charge of Finance inform and maintain communication with the Board of Directors. Assembling as required by the company's activities, in 2014 the Board of Directors held three meetings and passed a total of 19 resolutions including those that fall under the scope of paragraph 4 of Article 390 of the Turkish Commercial Code.

Board members have no weighted voting privileges and/or negative veto power. During the reporting term, all resolutions were passed unanimously.
The Board of Directors is authorized to make decisions related to the affairs of the Company with the exception of powers vested in the General Assembly by the Turkish Commercial Code. Powers and responsibilities of Board members and managers are regulated by the specimen of signature drafted in accordance with the relevant provisions of the Company's Articles of Association.

Board members of the Company do not carry out any transactions with the Company or take part in any competitive entities. Board Members and Senior Executives of the company are covered by "executive responsibility insurance".

While reviewing the company's activities, Board of Directors questions the existence of conflict of interests, and if any, evaluates its possible results and takes necessary decisions in line with the company's benefits. The Board meticulously follows related party transactions considering compliance with regulations as well as assessing possible misconduct risks.

5.3. Number, Composition and Independence of Committees within the Board

The Audit Committee was formed within the statutory period and fulfills the duties set out by the CMB communiqué. Within this scope, it audits the Company's accounting system, disclosure of financial information to the public, independent audit, and the functioning and efficiency of the internal control mechanism of the partnership. Selection of the independent auditing firm, drafting of independent auditing agreements, initiation of the independent audit process, and efforts of the independent auditing firm at all stages are carried out under the supervision of the Audit Committee. The Audit Committee convenes at least four times a year and more frequently when required as it must report in writing, along with its own assessments, to the Board of Directors on whether the annual and interim financial reports to be disclosed to the public complied with the accounting principles followed by the partnership and fully reflected the financial condition of the Company after conferring with the responsible managers of the partnership and independent auditors. The Committee was convened five times during 2014.

Together with the Company management, the Audit Committee is responsible for the meticulous execution of internal and external audits and ensuring compliance of records, operation, and reporting with the relevant laws, rules and regulations as well as the principles set out by CMB and IFRS. In 2014, independent Board member Tunç Uluğ was appointed as the Audit Committee Chairperson and Mansur Özgün as committee member.

Independent Board member Mansur Özgün is the Chairperson of the Corporate Governance Committee, which was created to supervise compliance with Corporate Governance Principles and to examine the grounds with regard to the principles that have yet to be implemented. Osman Turgay Durak was appointed as committee member. As per the article 11 of the new Corporate Governance Communiqué (II-17.1), which came into effect on January 3, 2014, Gökhan Tezel, Assistant General Manager in charge of Finance, was appointed executive manager responsible for Investor Relations Unit and member of the Corporate Governance Committee. The Committee was convened four times during 2014.

The Risk Management Committee was established with a view to providing the Board of Directors with suggestions and recommendations regarding the identification, assessment and calculation of the impact and likelihood of all strategic, operational, financial and miscellaneous risks that may affect the company. Further, managing in accordance with the corporate risk-taking profile, reporting, and taking into consideration the decision making mechanisms of such risks, as well as the creation and integration of effective internal control systems to this end. In 2014, independent Board member Ayşe Canan Ediboğlu was appointed as the Chairperson and Dr. Bülent Bulgurlu as member of the committee. During the year, the Risk Management Committee convened six times.

With the Board resolution dated May 4, 2012, it was decided that the activities of the Investment and Business Development Committee, renamed as the Executive Committee, established on July 15, 2010 with a view to generating ideas and strategies for the company, ensuring coordination among relevant departments, and accordingly, determining the special areas within the Company's field of activity and designing and planning of new projects and investments, as well as overseeing the management of adopted strategies and projects, should be expanded in a way to provide the Board of Directors with support in all matters. The Executive Committee convenes as frequently as required by the activities of the company. The Committee was convened monthly during 2014; Mustafa Rahmi Koç was the committee Chairman with Mehmet Ömer Koç, Alexandre F.J. Picciotto, Dr. Bülent Bulgurlu and Erol Memioğlu acting as members.

As a principle, Board members do not have duties simultaneously in various committees. However, due to the structure of our Board of Directors, some of our Board members have duties in more than one committee. These members help strengthen communication among committees and increase cooperation possibilities.

5.4. Risk Management and Internal Control Mechanism

The Board of Directors is responsible for the sound operation of the internal control system and internal audit, and related efforts are coordinated by the General Manager, overseen by the committees created by the Board of Directors and necessary information is submitted to the Board of Directors. Thus, the monitoring the efficiency of the management systems is enabled.

The Internal Audit Department, which is responsible to the General Manager but also reports to the Audit Committee as necessary, continues its efforts to put in place a more effective internal control structure by analyzing company processes and reporting to senior management the issues that it deems to be risky.

Furthermore, periodic audits are conducted by Koç Holding Internal Control Units and an independent auditing firm, and the reports drafted based on these audits are presented to the Board of Directors. Enterprise Risk Management (ERM) efforts are conducted by a team comprised of members from various departments under the supervision of the Risk Management Committee created by the Board of Directors. Detailed information on the activities of the Risk Management Committee is provided in the relevant sections of the Annual Report.

5.5. The Company's Strategic Goals

In addition to the Company's vision and mission, its strategic goals have also been determined and are submitted for the information of all stakeholders through various channels. Annual targets, which are determined and set out for the company management by the Board of Directors in accordance with these, and shared by all levels. Both the Board of Directors and relevant committees are periodically briefed regarding the realization of the given targets and the developments.

The strategic goals of Aygaz are to maintain its leading position in the LPG market by sustaining its product diversity and innovative approach in autogas, increasing its market penetration through new autogas filling stations, realizing the growth potential of cylinder-gas in rural areas, increasing market diversification in neighboring countries, and to develop and strengthen the existing portfolio of subsidiaries by pursuing new acquisition, merger, and investment possibilities and taking advantage of highly profitable opportunities.

5.6. Financial Rights

Our Company's Remuneration Policy for the members of the Board of Directors and Senior Executives, which includes all rights, benefits and wages provided to the members of the Board of Directors and senior executives, was changed considering Corporate Governance Committee's proposal made within the context of Capital Markets Board's Corporate Governance Communiqué No: II-17.1 dated January 3, 2014. The new policy was approved by the Ordinary General Assembly on March 31, 2014, and took effect thereafter. This policy, which was disclosed through annual report and web site of the company, is also on the agenda of the general assembly to be held on March 30, 2015 and will be presented to the shareholders. Every year, the total of the payments made within the framework of the Remuneration Policy for the members of the Board of Directors and Senior Executives is assessed by the Corporate Governance Committee and the Board of Directors. In parallel with general practices, payments made to the board members and senior executives are also disclosed to the public in the notes to in our financial statements. There are strictly no transactions that may lead to conflicts of interest such as loaning, extension of credit, provision of guarantees to the benefit of our board members or executives.

At the Company's Ordinary General Assembly Meeting on April 30, 2014, a resolution was passed to pay a monthly gross honorarium of TL 13,500 to the members of the Board of Directors.

Legal Disclosures

Commercial name, registry number, contact information of its head office and branches The Company is registered at the Istanbul Trade Registry with the number 80651 (Mersis No. 0-1190-0510-2700017), and contact information of its head office and branches appear on its website, www.aygaz.com.tr.

Capital and shareholding structure
Issued capital of the Company is TL 300,000,000, all of which has been pledged and paid in full. Issued capital is divided into 30,000,000,000 (thirty billion) registered shares at 1 Kuruş nominal value per share.

The shareholding structure as of December 31, 2014 is as follows:

Name and Title of the Person or Company	Amount of Shares (TL)	Share Stake (%)	Voting Rights	Voting Rights Ratio (%)
Koç Group	**153,642,569.58**	**51.21**	**15,364,256,958**	**51.21**
Koç Holding A.Ş.	122,053,514.27	40.68	12,205,351,427	40.68
Temel Ticaret ve Yatırım A.Ş.*	15,883,935.59	5.29	1,588,393,559	5.29
Koç Family	15,705,119.72	5.24	1,570,511,972	5.24
Other	**146,357,430.42**	**48.79**	**14,635,743,042**	**48.79**
Liquid Petroleum Gas Development Company (LPGDC)	73,545,660.24	24.52	7,354,566,024	24.52
Free Floating**	72,811,770.18	24.27	7,281,177,018	24.27
Total	**300,000,000.00**	**100.00**	**3,000,000,000**	**100.00**

* The majority of Temel Ticaret ve Yatırım A.Ş. shares belong to the members of the Koç Family.
** 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.

Division of duties of Board members and changes made
There have been no changes made during the period in the members of the Board of Directors who were elected to serve until the next Ordinary General Meeting of Shareholders on March 30, 2014. By decision of the Decision of the Board of Directors dated April 7, 2014, the Committees of the Board of Directors have been delegated as follows:
-Committee Responsible for Auditing: Tunç Uluğ (Chairman), Mansur Özgün (Member)
-Corporate Governance Committee: Mansur Özgün (Chairman), Osman Turgay Durak (Member), Gökhan Tezel (Member)*
- Risk Management Committee: Ayşe Canan Ediboğlu (President) Dr. Bülent Bulgurlu (Member)
-Executive Committee: Mustafa Rahmi Koç (President), Mehmet Ömer Koç (Member), Dr. Bülent Bulgurlu (Member), Erol Memioğlu (Member), Alexandre François Julien Picciotto* (Member)
*Elected by Board of Directors Decision dated June 26, 2014.

The Board of Directors took 19 unanimous decisions during 2014. It was seen that all the committees worked efficiently during the year. Details about the work of the committees can be found in Article 5.3. of the Corporate Governance Principles Compliance Report, the working principles of the committees are to be found on the corporate web pages.

Lawsuits and sanctions
There are no administrative or legal sanctions imposed on the company and the members of its management bodies that may affect the financial situation and activities of the company as a result of any lawsuit against the company or its practices in violation of any legal provision.

Public audits and special audits
In addition to the corporation's internal auditing, various documents and information was requested by the Ministry of Finance, the Ministry of Customs and Trade and other regulatory and supervisory organizations; ordinary and limited audits were executed.

The Tax Auditing Board Presidency began a tax audit at Aygaz A.Ş. as of July 2013. As we announced in our material event disclosure on December 16, 2014, in the tax auditing reports prepared for the fiscal years of 2009, 2010, 2011 and 2012, our company was criticized within the context of stamp tax, corporate income tax and VAT. As a result, Aygaz has been charged a total of 69 million TL for taxes and related fines except interest for delay. As it was announced in our company's material event disclosure dated February 27, 2015, we reached an agreement with Central Reconcilement Commission within the framework of Tax Procedural Law. Thus, the disagreement and related legal actions have been terminated.

As a result of the EMRA audits, the storage licenses of a total of four of our facilities, two in December 2013, two in January 2014, had been canceled. Our company applied to renew the licenses and in 2014, three of them have been reinstated by EMRA as per preliminary decisions taken by courts. Relevant lawsuit processes are currently ongoing. Due to the same audits, our company has been made a party to four sequestration lawsuits filed by the EMRA; however, three of the cases came out in favor of Aygaz and one has not been settled yet.

Conflicts of interest between the company and the organizations from which it obtains services on matters such as investment consultancy and rating and information about the measures taken by the company to avoid such conflicts of interest
There has been no conflict of interest with consultancy and rating companies.

Related company report drafted as per Article 199 of the Turkish Commercial Code
As per Article 199 of the Turkish Commercial Code no. 6102, which entered into force on July 1, 2012, the Aygaz A.Ş. Board of Directors is liable to issue within the first quarter of the current year, a report on the relations of the company with its controlling shareholder, and the subsidiaries of the controlling shareholder in the previous year and include the conclusion of such a report in its annual report. The necessary explanations regarding the transactions are included in Footnote 31 of the financial statement.

The report dated March 5, 2015, which was prepared by the Aygaz A.Ş. Board of Directors, says: "It is concluded that, with respect to all the transactions of Aygaz A.Ş. with the controlling shareholder and the subsidiaries of the controlling shareholder in 2014, in each transaction a proper counter-gain was obtained according to the circumstances and conditions known by us when the transaction was carried out or the measure was taken or avoided and that there is no measure taken or avoided that can cause the company to incur any losses and that there is no transaction or measure that necessitates balancing within this framework."

Other matters
In order to meet the financing needs of the company, on February 16, 2015, our Board of Directors decided to issue debt instruments with a total nominal value up to TL 300.000.000 with maturity not exceeding 3 years by way of selling to qualified investors and/or private placement; its sale will be done one or several times domestically excluding public offering.

The bill at a nominal value of TL 150 million with a maturity of 24 months with payment against a coupon every six months and at the end of maturity was sold on April 18, 2013. Interest payments of this bill on the amount of TL 5,126,399.69 for the 1st and 2nd coupon payment periods were made on April 4 and September 25 in 2014.

SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. announced in its press release of March 3, 2014 that, according to the decisions taken at Meeting No. 4/105 of the Capital Markets Board on February 1, 2013, it had updated all of its customers' corporate governance ratings for 2013. In this context, the company's rating was updated from 92.71 to 89.76 and a detailed explanation was made through PDP on March 3, 2014. As of July 1, 2014, Corporate Governance Rating score of our company was updated as 92.93 (9.29). Material event disclosure on this issue was made on July 2, 2014.

Profit distribution policy and payment of dividends during the year
The Profit Distribution Policy for 2014 and subsequent years, as decided upon and revised by the Board of Directors with the decision dated March 3, 2014, has taken the following form and as such, has been included in the Corporate Governance Principles Compliance Report and the Corporate website and called to the attention of shareholders at the General Meeting of Shareholders on March 31, 2014.

"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."

In line with the decision taken at the General Meeting of Shareholders on March 31, 2014, a payment of dividends in the amount of TL 175 million was made, this to be paid out as of April 7, 2014.

Changes in the Articles of Association during the period
The company's Articles of Association were not amended during the period.

Personnel and worker movements and collective labor agreement practices
The Collective Labor Agreement with the Turkish Metals Union for the period September 1, 2014 - August 31, 2017 to provide coverage for workers at the Aygaz Gaz Aletleri Production Facility was signed on December 15, 2014. The Collective Labor Agreement process between the Seafarers' Union of Turkey and our seamen working on vessels has been going on as of the date of this report's preparation.

Our employees are regularly and periodically provided with social rights in accordance with the law. Provisions for seniority pay at the end of the period and leave obligations totaled TL 28,273,000 (2013: TL 24,485,000).

Donations and assistance paid out
At the ordinary general meeting of shareholders held in 2014, information was provided as a separate item on the agenda about the donations and assistance paid out during 2013; the donation limit for 2014 was determined as 5% of profit before taxes. No change has been made in customary donation practices. The total amount of donations paid out in 2014 is TL 5,065,291.

Board of Directors

RAHMİ M. KOÇ

Chairman of the Board of Directors

Mr. Koç completed his graduate studies in Industrial Management at Johns Hopkins University in the USA. He began his career in 1958 at Otokoç. In 1960, he was appointed to Koç Ticaret A.Ş., which represented the Koç Group in Ankara. In 1964, he was appointed as the General Coordinator of Koç Holding A.Ş. Subsequently, he served as Chairman of the Executive Committee in 1970, Deputy Chairman of the Management Committee in 1975, and Chairman of the Management Committee at Koç Holding A.Ş. in 1980. From 1984 to 2003, he carried out the duties of Chairman of the Board of Directors of Koç Holding A.Ş. Rahmi M. Koç served as the President of the International Chamber of Commerce from 1995-1996. He has been serving as the Honorary Chairman of Koç Holding A.Ş. since 2003 and has been the Chairman of the Board of Directors at Aygaz A.Ş. since 1996.

ÖMER M. KOÇ

Vice Chairman of the Board of Directors

Mr. Koç graduated from Columbia College (USA) with a B.A. in 1985. He started his professional career in 1985 working as a sales representative at Kofisa Trading Company in Switzerland. From 1989 to 1990, he worked as a sales representative at Ramerica Int. Inc. in New York and then became a manager at Gazal A.Ş. in 1991. Ömer M. Koç then served as Financial Coordinator at Koç Holding A.Ş. from 1992 to 1996, Energy Group Vice President from 1996 to 2000, and President of the Energy Group from 2000 to 2004. Ömer M. Koç, the Vice Chairman of the Board of Directors at Koç Holding A.Ş., has been on the Board of Directors at Aygaz A.Ş. since 1996, and has been the Vice Chairman since 2001.

ALEXANDRE F.J. PICCIOTTO

Member of the Board of Directors

Mr. Picciotto is one of the grandsons of Mr. Hillel Picciotto who established Aygaz in 1961 with Mr. Vehbi Koç. Graduated from Ecole Supérieure de Gestion (Paris) in 1990, he started his career in Orfim, the investment company of his family in Paris, France. From 1990 to 2003, he managed different subsidiaries operating in various fields including real estate, movie business and watch industry. In 2003, he was appointed General Manager at Liquid Petroleum Gas Development Company, the Picciotto family owned company, which is historical shareholder of Aygaz. Then he was appointed General Manager at Orfim in 2008. Mr. Picciotto is also member of the board of directors at various companies in both Turkey and France. He has been serving on the Aygaz Board of Directors since July 2012.

DR. BÜLENT BULGURLU

Member of the Board of Directors

After completing his higher education at the Ankara College of Engineering and Architecture, he continued on to a doctoral program at the Norwegian University of Science and Technology. Dr. Bülent Bulgurlu began his career working as a civil engineer at Elliot Strömme in Oslo in 1972. From 1977 to 1979, he worked as a civil engineer at İntes A.Ş. After working at Garanti İnşaat A.Ş. as Engineering, Planning and Construction Manager, Work Site Coordination and Construction Manager, Assistant General Manager and General Manager, he started working at Koç Holding A.Ş. in 1996 as Vice President of the Tourism and Services Group. Dr. Bulgurlu became President of the Tourism and Services Group in 2000 and President of the Tourism and Construction Group in 2001. In 2004, Dr. Bulgurlu was President of the Durable Consumer Goods and Construction Group and served as the CEO of Koç Holding A.Ş. from 2007 to 2010. Dr. Bülent Bulgurlu has been serving on the Aygaz Board of Directors since 2008.

OSMAN TURGAY DURAK

Member of the Board of Directors

Mr. Durak completed his graduate work at Northwestern University (USA) obtaining a Master's degree in Mechanical Engineering. He joined the Koç Group as a product development engineer at Ford Automotive in 1976, and in 1986, he was promoted to Assistant General Manager. In 2000, he became the Chief Assistant General Manager, and in 2002, he became the General Manager at Ford Otosan. From 2007 to 2009, he served as the Koç Holding Automotive Group President, and from May 2009 to 2010, he served as the Deputy CEO for Koç Holding. He was appointed as the CEO in 2010. He has been a member of the Koç Holding and Aygaz A.Ş. Board of Directors since 2010.

EROL MEMİOĞLU

Member of the Board of Directors

Mr. Memioğlu graduated from the Petroleum Engineering School at Middle East Technical University. He began his career in 1979 as an expert engineer at Turkish Petroleum Corporation (TPAO) and went on to become a Production Manager and then President of the International Projects Group at the same company. He joined Koç Holding A.Ş. in 1999 as Vice President of the Energy Group, and then served as Executive Member of the Board of Directors of the Koç Holding A.Ş. Energy Group from 2003 to 2004. Mr. Memioğlu has been President of the Koç Holding A.Ş. Energy Group and a Member of the Aygaz Board of Directors since May 2004.

AYŞE CANAN EDİBOĞLU

Member of the Board of Directors

Ayşe Canan Ediboğlu completed her high school education at Ancaster House School and her graduate studies at Southampton University (UK) obtaining a master's degree in financial control and management. Following her studies at the same university as a Research Assistant, she continued her professional life as Planning Manager at Shell in 1980. Assuming various responsibilities at Shell Turkey, she was appointed as General Manager in 2002 and the Country Officer in 2006. She served as a Board Member at Shell-Turcas Petrol A.Ş. from 2006 to 2009. Ayşe Canan Ediboğlu has been serving on the Aygaz Board of Directors since 2012.

TUNÇ ULUĞ

Member of the Board of Directors

Tunç Uluğ completed his graduate degrees at Robert College Engineering School and Columbia University (USA). He joined Koç Group in 1969 at Aygaz A.Ş. as Assistant General Manager. He was appointed as General Manager at Tat A.Ş. in 1976 and at RAM A.Ş. in 1979. At Koç Holding, he served as the Vice President of Energy and Trade Group between 1981-1985 and as the President of Foreign Trade Group between 1991-1997. After serving as a Member of Yaşar Holding Board of Directors between 1997-2000, Tunç Uluğ is now offering consultancy to various firms since 2001. Tunç Uluğ has memberships from DEIK, TESEV and Turkey- Switzerland Trade Office. He has been serving on the Aygaz Board of Directors since 2012.

MANSUR ÖZGÜN

Member of the Board of Directors

Mansur Özgün graduated from Ankara Economic and Commercial Sciences Academy. He started his career in 1958 at the Directorate General of Foundations and betwen 1963-1971 he worked at the Ministry of Finance. He joined Koç Group in 1971 at Koç Holding as Assistant Finance Manager. He was appointed as Assistant General Manager at Ormak A.Ş. between 1973-1974. He served as Finance Coordinator at Koç Holding between 1984-1999. After 1999, he worked as a chartered accountant. He has been serving on the Aygaz Board of Directors since 2012.

Executive Management

YAĞIZ EYÜBOĞLU

General Manager

Yağız Eyüboğlu started his professional life as a Management Trainee at Arçelik A.Ş. in 1991. In 1993, he was promoted to Koç Holding Headquarters, where he worked for more than 10 years, as Auditor, Senior Internal Auditor, Assistant Financial Coordinator and Financial Coordinator respectively. Between 2004 and 2009, Eyüboğlu assumed several different responsibilities within the Koç Group, namely, CFO of Arçelik A.Ş., CEO and Board Member of Beko Elektronik A.Ş., Assistant to the President of the Koç Holding Foreign Trade and Tourism Group, and Human Resources Director of Koç Holding. Since 2009, Yağız Eyüboğlu has been the General Manager of Aygaz.

MEHMET TUFAN MUT

Assistant General Manager (Sales)

Mehmet Tufan Mut began his career as a newspaper reporter at Dünya newspaper in 1975. He then worked as a civil servant in the SSK Şişli Payment Office from 1977 to 1980. He began working at Aygaz in 1984, where he served as an Accountant, Assistant Marketing Chief, Vehicle Sales Supervisor, Marketing Group Supervisor, Assistant Regional Sales Manager, Assistant Sales Manager and Central Anatolia Sales Manager. Mr. Mut was appointed as the Assistant General Manager at Akpa A.Ş. in 2001 and served as the General Manager of Akpa A.Ş. from 2004 to 2008. Mr. Mut has been the Assistant General Manager of Sales at Aygaz since 2008.

GÖKHAN TEZEL

Assistant General Manager (Finance)

Gökhan Tezel began his career in 1993 as a finance expert at Tofaş A.Ş. and became the Finance Manager in 1998. In addition to this position, he also served as the General Manager of Koç Fiat Consumer Credit Financing A.Ş. Mr. Tezel has been the Assistant General Manager of Finance at Aygaz since December 1, 2009.

ALİ KIZILKAYA

Assistant General Manager (Technical Affairs and Investments)

Ali Kızılkaya began his career in 1988 as a Training Engineer at Bilar A.Ş. From 1992 to 1994, he worked as a Purchasing Engineer at Istanbul Fruehauf A.Ş. In 1996, he joined Aygaz A.Ş. and from 1996 to 2002 he served as the Bulk Gas Sales Supervisor in the Marmara Region and as the Purchasing Supervisor. In 2002, he served as the Lipet A.Ş. Operations Manager and in 2004 as the Mogaz A.Ş. Operations Manager, after which he became the Aygaz A.Ş. Facility System Manager and in 2004 as the Mogaz A.Ş. Operations Manager, after which he became the Aygaz A.Ş. Facility System Manager. Since 2008, Mr. Kızılkaya has served as the Aliağa Terminal Manager, and he was appointed as the Assistant General Manager of Technical Affairs and Investments in November 2010.

NURETTİN DEMİRTAŞ

Director (Affiliates and Accounting)

Nurettin Demirtaş began his career in 1986 in the Doğuş Financial Consultancy and Accounting Office. In 1988, he worked in the Accounting Department at Tekor Plastik A.Ş. He joined the Koç Group in 1989 and worked respectively as an Aygaz A.Ş. Accounting Specialist, General Accounting Department Administrator, Accounting Manager and Affiliates and Accounting Group Manager. In 2008, he was appointed as Director of Affiliates and Accounting.

AYŞE ABAMOR BİLGİN

Director
(Logistics)

Ayşe Abamor Bilgin began her career in 1998 as a Management Trainee at Aygaz A.Ş. Appointed as Procurement Manager in 2005, Ayşe Abamor Bilgin served as LPG Procurement and Trade Manager from 2008 to 2011. She serves as the Logistics Director since January 2012.

RAMAZAN PULAT OKTAY

Director
(Production)

Pulat Oktay began his career as an Engineer and Construction Site Foreman at Disa in 1988. He joined the Koç Group in 1991. From 1991 to 2001, he served at Gazal A.Ş. as a Project Engineer, Maintenance Engineer, Cylinder Production Method Process Specialist and Residential-Camp Cylinder Production Manager respectively. In 2001, he continued in his position as Residential-Camp Cylinder Production Manager after the merger of Gazal A.Ş. and Aygaz A.Ş. From 2003-2008, he worked as the Purchasing Manager. He was appointed to the position of Production Director in 2008.

AHMET ERCÜMENT POLAT

Director
(Marketing)

Ahmet Ercüment Polat began his career in 1995 as a Sales Engineer at Aygaz, and since 2004, he has served consecutively as the Trakya Regional Sales Supervisor, the Bulk Gas Sales Department Manager, the Bulk Gas Sales Manager and the Bulk Gas and Autogas Sales Manager. He served as the Akpa A.Ş. Branch Manager from 2004-2008 and as the Company Manager from 2008-2010. Since 2010, Ercüment Polat has served as the Aygaz Marketing Director.

ÖZGÜR ASENA YILDIRIM

Director
(Cylinder Gas Sales)

After beginning his career in 1988 as a Marine Mechanical Engineer at Türkiye Denizcilik İştemeleri, Mr. Yıldırım went on to work as a Marine Mechanical Engineer at Soh Trans Denizcilik, followed by Göksel Denizcilik. In 1993, Mr. Yıldırım began working as an Operations Engineer at Aygaz A.Ş., and then he worked as the Kırıkkale Facility Manager, Central Anatolian Bulk Gas Sales Manager, Çukurova Regional Sales Manager, Trakya Regional Sales Manager, Istanbul Regional Sales Manager and Marmara Regional Sales Manager. He has served as the Cylinder Gas Sales Director at Aygaz since 2010.

KENAN DENİZHAN EGE

Director
(Autogas Sales)

After beginning his career as a Quality Assurance Supervisor at Mutlu Akü in 1993, Mr. Ege worked as a Direct Sales Representative at ELF/Selyak, Product Manager at Toprak Seramik, Regional Manager at ELF/Selyak and Regional Manager at FL/Selenia respectively. In 2003, Mr. Ege began working as the Marmara Sales Manager at Opet Petrolcülük A.Ş., and from 2008 to 2010 he served as the Sales Group Manager at Opet Petrolcülük A.Ş. He serves as the Autogas Sales Director at Aygaz since 2010.

Agenda for the Ordinary General Assembly Meeting of Aygaz Anonim Şirketi for the Year 2014 to be held on March 30, 2015

1. Opening and election of the Presiding Committee,
2. Reading of, deliberations on, and approval of the 2014 Annual Report as prepared by the Board of Directors,
3. Reading of the Independent Audit Report Summary for the accounting year 2014,
4. Reading of, deliberations on, and approval of the Financial Statements for the accounting year 2014,
5. Release of each member of the Board of Directors from liability for the affairs of the Company for the year 2014.
6. Approval, approval with modifications or rejection of the Board of Directors' proposal concerning dividend distribution in line with "Profit Distribution Policy" for 2014 and the dividend distribution date,
7. Determination of the number and terms of office of the members of the Board of Directors, the election based on the determined number of members, election of the Independent members of the Board of Directors,
8. Informing the shareholders about the Remuneration Policy for the members of the Board of Directors and senior executives and about the payments made within the scope of the policy and its approval in accordance with Corporate Governance Principles,
9. Determination of the monthly gross remuneration of the members of the Board of Directors,
10. Approval of the appointment of the Independent Audit Firm as selected by the Board of Directors, in accordance with the provisions of the Turkish Commercial Code and the Capital Markets Board regulations.
11. Informing the shareholders about the donations made by the Company in 2014 and setting of an upper limit for the donations to be made in 2015,
12. In accordance with Capital Markets Board legislation, informing Shareholders about securities, pledges and mortgages granted in favor of third parties by the Company and its subsidiaries in 2014 and of any benefits or income thereof.
13. Authorizing the shareholders holding the management control, the members of the Board of Directors, the senior executives and their spouses and relatives related by blood or affinity up to the second degree as per the provisions of articles 395 and 396 of the Turkish Commercial Code and presentation to the shareholders, of the transactions carried out thereof in the year 2014 pursuant to the Corporate Governance Communique of the Capital Markets Board.
14. Wishes and comments.

Proposal of the Board of Directors for Profit Distrubution

Dear Shareholders,

As a result of the review of Consolidated Financial Statements for the accounting period of January 1 – December 31, 2014, and the Independent Audit Report composed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. company (A Member firm of Ernst&Young Global Limited),

In the Company's Consolidated Financial Statement, the total assets is TL 3,412,218,000 and total shareholders' equity is TL 2,359,190,000 for 2014 activities, and consolidated net income after tax of TL 217,958,000 and net period income of TL 58,799,968.51 have been obtained according to legal records from these activities.

By observing that distributable period income of TL 217,958,000 was obtained in accordance with Capital Markets Board and the regulations of Capital Markets Board, the first dividend base of TL 223,023,291 was available as composed by the addition of the donation of TL 5,065,291, made to foundations and to associations within the year, to this amount, a total of distributable income of TL 615,960,942.93 was available in legal records with the current year income of TL 58,799,968.51, and by taking the opinion of Executive Committee into account, appropriate with investment and financing policies as stated in our Company's Profit Distribution Policy and taking into consideration the cash flow conditions, as demonstrated in the attached dividend table calculated in accordance with CMB Declarations, it has been decided:

Not to allocate 5% Legal Reserve, which is required to be allocated pursuant to Article 519 of Turkish Commercial Code, in the current year since the amount reserved in previous years exceeded the upper limit,

To propose to the General Assembly that TL 100,000,000 out of the Current Period Income of TL 217,958,000 is paid to shareholders as the First Gross Cash Dividend, TL 8,500,000 is set aside as Second Issue Legal Reserves, and the remaining amount of TL 109,458,000 is transferred to the extraordinary reserves account,

Upon acceptance by the General Meeting of Shareholders of the dividend distribution proposal made above, the current year Net Period Income of TL 58,799,968.51 is to be transferred to Extraordinary Reserves account,
Out of TL 615,960,942.93 that is determined as Distributable Income based on our legal records, TL 100,000,000 portion of a total of TL 108,500,000 will be paid out as gross cash dividends and the balance of TL 8,500,000 will be set aside as Second Issue Legal Reserves;

thus, our proposal for your approval, submitted below, is that

• To all full-pledged taxpayer corporate shareholders and those of our limited taxpayer shareholders that obtain dividends through a workplace in Turkey or a permanent representative, shall be paid a 0.3333333 Kr gross=net cash dividend per 1Kr nominal share, at 33.33333%,

• To other shareholders shall be paid gross 0.3333333 Kr, and net 0.2833333 Kr cash dividend,

and payments of dividends shall begin to be made on April 6, 2015.

Yours sincerely,

Rahmi M. Koç
Chairman of the Board

Statements of Independence of the Independent Members of the Board of Directors

DECLARATION OF INDEPENDENCE **February 13th, 2015**

Within the framework of the criteria determined in the Corporate Governance Communiqué No. II-17.1 announced at the Aygaz A.Ş (Company) Board of Directors, the Company Articles of Association, and the Capital Markets Board, I hereby declare that I am a candidate to serve as an "Independent Member," and in this context, I further declare that:

a) I have assumed no major duty or responsibility or been employed in a management position in the last five years or acquired more than 5% of capital or voting rights or privileged shares either by myself or with others and have established no major commercial relations of any significant kind with the Company, the partnerships that have management control of the Company, or the shareholders that have management control in the Company or are of major influence in the Company, neither with legal persons in which these shareholders have management control, and there is no relationship between the above-mentioned and myself, my spouse or my blood relatives or relatives by marriage to the second degree;

b) In the last five years, I have not been a partner (5% or more) or assumed major duties or responsibilities or been employed in a management position or as a member of the board of directors of any Company from or to which the Company purchases or sells or has assigned the purchasing or selling of services or products within the framework of signed agreements, particularly with auditing companies (tax auditing, legal auditing, internal auditing, included), rating or consultancy companies;

c) I have the necessary professional education, knowledge and experience to assume and execute the duties I am responsible for as an independent member of the board of directors;

d) Provided it is within the laws to which I must abide, I will not work full-time in public enterprises and organizations after being appointed member, save for my duties as university faculty member;

e) I am considered a resident of Turkey according to Income Tax Law (GVK) No. 193 dated December 31, 1960 and December 19, 1960;

f) I possess the strong ethical standards, professional reputation and experience that will allow me to freely make decisions and contribute positively to Company operations, maintain my impartiality in conflicts of interest between the Company and its shareholders, and consider the rights of stakeholders in the Company;

g) I will dedicate the time necessary to follow up on the workings of Company operations and fully perform the duties that I have assumed with regard to Company matters;

h) I have not performed the duties of member of the board of directors of the Company for more than six years within the last decade;

i) I have never before assumed the duty of independent member of the board of directors in the Company or in more than three of the companies in which management control belongs to the partners in which the Company has management control or in a total of more than five publicly-traded companies;

j) I have not been registered or announced in the name of the legal person that has been appointed as member of the Board of Directors.

Ayşe Canan EDİBOĞLU

DECLARATION OF INDEPENDENCE **February 13th, 2015**

Within the framework of the criteria determined in the Corporate Governance Communiqué No. II-17.1 announced at the Aygaz A.Ş (Company) Board of Directors, the Company Articles of Association, and the Capital Markets Board, I hereby declare that I am a candidate to serve as an "Independent Member,"" and in this context, I further declare that:

a) I have assumed no major duty or responsibility or been employed in a management position in the last five years or acquired more than 5% of capital or voting rights or privileged shares either by myself or with others and have established no major commercial relations of any significant kind with the Company, the partnerships that have management control of the Company, or the shareholders that have management control in the Company or are of major influence in the Company, neither with legal persons in which these shareholders have management control, and there is no relationship between the above-mentioned and myself, my spouse or my blood relatives or relatives by marriage to the second degree;

b) In the last five years, I have not been a partner (5% or more) or assumed major duties or responsibilities or been employed in a management position or as a member of the board of directors of any Company from or to which the Company purchases or sells or has assigned the purchasing or selling of services or products within the framework of signed agreements, particularly with auditing companies (tax auditing, legal auditing, internal auditing, included), rating or consultancy companies;

c) I have the necessary professional education, knowledge and experience to assume and execute the duties I am responsible for as an independent member of the board of directors;

d) Provided it is within the laws to which I must abide, I will not work full-time in public enterprises and organizations after being appointed member, save for a university faculty member position;

e) I am considered a resident of Turkey according to Income Tax Law (GVK) No. 193 dated December 31, 1960 and December 19, 1960;

f) I possess the strong ethical standards, professional reputation and experience that will allow me to freely make decisions and contribute positively to Company operations, maintain my impartiality in conflicts of interest between the Company and its shareholders, and consider the rights of stakeholders in the Company;

g) I will dedicate the time necessary to follow up on the workings of Company operations and fully perform the duties that I have assumed with regard to Company matters;

h) I have not performed the duties of member of the board of directors of the Company for more than six years within the last decade;

i) I have never before assumed the duty of independent member of the board of directors in the Company or in more than three of the companies in which management control belongs to the partners in which the Company has management control or in a total of more than five publicly-traded companies;

j) I have not been registered or announced in the name of the legal person that has been appointed as member of the Board of Directors.

Tunç ULUĞ

DECLARATION OF INDEPENDENCE **February 13th, 2015**

Within the framework of the criteria determined in the Corporate Governance Communiqué No. II-17.1 announced at the Aygaz A.Ş (Company) Board of Directors, the Company Articles of Association, and the Capital Markets Board, I hereby declare that I am a candidate to serve as an "Independent Member,"" and in this context, I further declare that:

a) I have assumed no major duty or responsibility or been employed in a management position in the last five years or acquired more than 5% of capital or voting rights or privileged shares either by myself or with others and have established no major commercial relations of any significant kind with the Company, the partnerships that have management control of the Company, or the shareholders that have management control in the Company or are of major influence in the Company, neither with legal persons in which these shareholders have management control, and there is no relationship between the above-mentioned and myself, my spouse or my blood relatives or relatives by marriage to the second degree;

b) In the last five years, I have not been a partner (5% or more) or assumed major duties or responsibilities or been employed in a management position or as a member of the board of directors of any Company from or to which the Company purchases or sells or has assigned the purchasing or selling of services or products within the framework of signed agreements, particularly with auditing companies (tax auditing, legal auditing, internal auditing, included), rating or consultancy companies;

c) I have the necessary professional education, knowledge and experience to assume and execute the duties I am responsible for as an independent member of the board of directors;

d) Provided it is within the law to which I must abide, I will not work full-time in public enterprises and organizations after being appointed member, save for a university faculty member position;

e) I am considered a resident of Turkey according to Income Tax Law (GVK) No. 193 dated December 31, 1960 and December 19, 1960;

f) I possess the strong ethical standards, professional reputation and experience that will allow me to freely make decisions and contribute positively to Company operations, maintain my impartiality in conflicts of interest between the Company and its shareholders, and consider the rights of stakeholders in the Company;

g) I will dedicate the time necessary to follow up on the workings of Company operations and fully perform the duties that I have assumed with regard to Company matters;

h) I have not performed the duties of member of the board of directors of the Company for more than six years within the last decade;

i) I have never before assumed the duty of independent member of the board of directors in the Company or in more than three of the companies in which management control belongs to the partners in which the Company has management control or in a total of more than five publicly-traded companies;

j) I have not been registered or announced in the name of the legal person that has been appointed as member of the Board of Directors.

Mansur ÖZGÜN

Profit Distribution Policy

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.

Remuneration Policy for the Board of Directors and Senior Management

This policy document defines the remuneration system and practices adopted with regard to members of the board of directors and senior management who have assumed administrative responsibilities within the scope of CMB regulations.

A fixed remuneration is allocated to each of the members of the board of directors, as determined annually at the ordinary general meeting of shareholders. Executive directors on the board shall receive a payment within a determined policy for senior management, the details of which are specified below.

The president and members of the Executive Committee, which will support the Company's Board of Directors in all matters related to the operations of the Company, may be remunerated at the end of each year for their contributions, their participation in meetings and on the basis of the functions they serve, in an amount determined by the board of directors within the framework of the opinion set forth by the Corporate Governance Committee. If a payment has been made to the members of the Executive Committee during the year, this amount shall be set off at the end of the year from the determined amount.

The performance-based payment plans of the Company may not be used in the remuneration of independent members of the board of directors.
The remuneration of members of the board is allocated on the basis of the dates of their appointment to and withdrawal from the board and according to the length of the term served. Expenses incurred by members of the board of directors in the course of their contributions to the Company (transportation, telephone, insurance costs) may be borne by the Company.

The remuneration of Senior Executives however is based on a fixed and performance-based salary comprised of two components.
The fixed salaries of Senior Executives are determined in line with macroeconomic data related to the market, general salary policies in the market, the size of the company, as well as long term goals, the position of the individual officer, and international standards and legal requirements.

Premiums for Senior Executives are calculated according to the premium baseline, Company performance and individual performance. Information on these criteria is summarized below:

- **Premium Baselines:** Premium Baselines are updated at the start of every year and may vary according to the size of the workload of the executive position. Premium baselines are updated in the light of senior executive premium policies in the market.

- **Company Performance:** Company performance is determined at the end of the period by measurement of the achievement of the financial and operational goals given to the Company (market share, exports, foreign operations, productivity, etc.). Company goals are based on the important principles of sustaining Company achievements and making improvements over previous years.

- **Individual Performance:** In determining individual performance, goals related to employees, customers, processes, technologies and long-term strategies are taken into consideration along with Company goals. In measuring individual performance, parallel with Company performance, long-term sustainable improvements are considered in addition to financial matters.

In the event a senior executive vacates his/her position in the company, severance indemnity may be paid on the basis of the term served in the position of senior executive, the contributions made to the Company, the last goal achievement premium paid out before the date of leaving the Company, and the salary and premiums paid out in the last year.

The total amounts paid out to Senior Management and Members of the Board of Directors according to the principles stated above are presented to the General Assembly for their information and/or approval in accordance with the law.

Independent Auditor's Report On the Annual Report of the Board of Directors

(Convenience translation of a report originally issued in Turkish)

To the Board of Directors of Aygaz Anonim Şirketi;

Report on the Audit of the Annual Report of the Board of Directors in accordance with the Independent Auditing Standards
We have audited the annual report of Aygaz Anonim Şirketi ("the Company") and its subsidiaries (together referred to as "the Company") for the year ended December 31, 2014.

The responsibility of the Board of Directors on the Annual Report
In accordance with Article 514 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Group is responsible for the preparation and fair presentation of the annual report consistent with the consolidated financial statements and for the internal controls considered for the preparation of a report of such quality.

Responsibility of the Independent Auditor
Our responsibility is to express and opinion, based on the independent audit we have performed on the Group's annual report in accordance with article 397 of the TCC and the Communiqué, on whether the financial information provided in this annual report is presented fairly and consistent with the Group's consolidated financial statements there on which auditor's report dated March 2, 2015 has been issued.

Our independent audit has been performed in accordance with the Independence Auditing Standards as endorsed by CMB and Independent Auditing Standards which are a part of Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report is free from material misstatement and consistent with the consolidated financial statements. This independent audit involves the application of auditing procedures in order to obtain audit evidence on the historical financial information. The selection of these procedures is based in the professional judgment of the independent auditor. We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the financial information provided in the annual report of the Board of Directors is presented fairly and consistent with the audited consolidated financial statements in all material respects.

Independent auditor's responsibilities arising from other regulatory requirements
In accordance with paragraph 3 of Article 402 of the Turkish Commercial Code ("TCC") 6102, within the framework of the Independent Auditing Standards 570 "Going Concern", no material uncertainty has come to our attention which causes us to believe that the Group will not be able to continue as a going concern in the foreseeable future.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Erdem Tecer, SMMM
Partner

March 5, 2014
Istanbul, Turkey

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2014

Independent Auditors' Report

To the Board of Directors of Aygaz Anonim Şirketi

We have audited the accompanying consolidated statement of financial position of Aygaz Anonim Şirketi (the "Company") and its Subsidiaries (together will be referred to as the ''Group'') as at December 31, 2014 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Group management's responsibility for the financial statements
Group's management is responsible for the preparation and fair presentation of financial statements in accordance with the Turkish Accounting Standards and for such internal controls as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and standards on auditing issued by Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of "material misstatement" of the financial statements, whether due to error and/or fraud. In making those risk assessments; the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Aygaz Anonim Şirketi and its Subsidiaries as at December 31, 2014 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

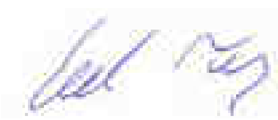
Reports on other responsibilities arising from regulatory requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on March 2, 2015.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 – December 31, 2014 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Erdem Tecer, SMMM
Partner in charge

March 2, 2015
İstanbul, Turkey

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2014

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

Assets	Notes	Current period (Audited) December 31, 2014	Prior period (Audited) December 31, 2013
Current assets		**713.475**	867.167
Cash and cash equivalents	4	**160.904**	173.054
Trade receivables		**389.832**	367.454
-Trade receivables from related parties	*31*	***20.435***	*18.360*
-Trade receivables from third parties	*8*	***369.397***	*349.094*
Other receivables		**5.458**	4.505
-Other receivables from third parties	*9*	***5.458***	*4.505*
Derivative financial instruments	7	**500**	-
Inventories	11	**110.448**	275.630
Prepaid expenses	19	**38.071**	39.762
Assets related to current year tax		**3.555**	40
Other current assets	18	**4.707**	6.722
Non-current assets		**2.698.743**	2.321.139
Financial investments	5	**346.706**	267.885
Trade receivables		**5.236**	6.756
-Trade receivables from third parties	*8*	***5.236***	*6.756*
Other receivables		**74**	77
-Other receivables from third parties	*9*	***74***	*77*
Derivative financial instruments	7	**4.294**	-
Investments accounted under equity method	12	**1.676.961**	1.377.154
Property, plant and equipment	13	**585.063**	589.330
Intangible assets		**25.748**	30.562
-Other intangible assets	*14*	***25.748***	*30.562*
Prepaid expenses	19	**54.270**	49.136
Deferred tax asset	29	**391**	239
Total assets		**3.412.218**	3.188.306

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

Liabilities	Notes	Current period (Audited) December 31, 2014	Prior period (Audited) December 31, 2013
Short term liabilities		**714.612**	**667.192**
Short-term financial borrowings	6	4.625	85.405
Current portion of long term financial borrowings	6	166.607	9.905
Trade payables		318.557	376.346
- Trade payables to related parties	*31*	*109.625*	*164.175*
- Trade payables to third parties	*8*	*208.932*	*212.171*
Liabilities for employee benefits	10	44.093	36.354
Other payables		700	578
- Other payables to related parties	*31*	*506*	*434*
- Other payables to third parties	*9*	*194*	*144*
Deferred income	20	3.325	2.968
Provision for taxation on income	29	1.156	2.649
Short-term provisions		76.340	85.373
-Other provisions	*17*	*76.340*	*85.373*
Other current liabilities	18	99.209	67.614
Long term liabilities		**338.416**	**277.538**
Long-term borrowings	6	194.058	142.497
Other payables		78.809	73.614
- Other payables to third parties	*9*	*78.809*	*73.614*
Long-term provisions		28.273	24.485
-Provisions for employee benefits	*16*	*28.273*	*24.485*
Deferred tax liabilities	29	35.940	36.942
Other non-current liabilities		1.336	-
Equity		**2.359.190**	**2.243.576**
Share capital	21	300.000	300.000
Adjustment to share capital	21	71.504	71.504
Adjustment to share capital due to cross-ownership (-)		(7.442)	(7.442)
Other comprehensive income or expenses not to be reclassified to profit or loss		(2.892)	(106)
-Actuarial gain/loss arising from defined benefit plans		*(2.892)*	*(106)*
Other comprehensive income or expenses to be reclassified to profit or loss		242.909	167.532
-Foreign currency translation differences		*1.230*	*1.875*
-Hedging gains/losses		*(46)*	*(1.208)*
-Gains/losses from the revaluation and reclassification of marketable securities	*21*	*241.725*	*166.865*
Restricted reserves	21	303.833	277.875
Retained earnings		1.232.650	1.228.355
Net profit for the period		217.958	205.253
Equity attributable to equity holders of the parent		**2.358.520**	**2.242.971**
Non-controlling interests	21	**670**	**605**
Total equity and liabilities		**3.412.218**	**3.188.306**

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

	Notes	(Audited) January 1- December 31, 2014	(Audited) January 1- December 31, 2013
Revenue	22	7.061.276	6.004.984
Cost of sales (-)	22	(6.533.934)	(5.433.640)
Gross profit		527.342	571.344
General administrative expenses (-)	23	(171.304)	(167.087)
Marketing, sales and distribution expenses (-)	23	(235.174)	(229.744)
Research and development expenses (-)	23	(2.629)	(2.984)
Other operating income	25	98.981	58.253
Other operating expenses (-)	25	(106.808)	(59.598)
Operating profit		110.408	170.184
Income from investment activities	26	12.146	1.258
Loss from investment activities (-)	26	(515)	(234)
Profit /losses from investments accounted under equity method	12	123.900	63.242
Operating profit before financial income/(expense)		245.939	234.450
Financial income	27	43.514	19.365
Financial expense (-)	28	(52.877)	(16.856)
Profit before taxation		236.576	236.959
Tax income/(expense)			
- Current tax expense for the period (-)	29	(23.167)	(32.361)
- Deferred tax income/(expense)	29	4.614	737
Profit for the period		218.023	205.335
Other comprehensive income/(expense)			
Not to be reclassified as profit or loss			
Actuarial gain/loss arising from defined benefit plans, netted off deferred tax		(2.786)	1.756
To be reclassified as profit or loss			
Foreign currency translation differences		(645)	851
Gains/losses from the revaluation and reclassification of marketable securities		74.860	(46.788)
Hedging gains/losses		1.162	1.887
Other comprehensive income/(expense) (after taxation)		72.591	(42.294)
Total comprehensive income		290.614	163.041
Distribution of profit for the period			
Non-controlling interest		65	82
Equity holders of the parent		217.958	205.253
Distribution of total comprehensive income			
Non-controlling interest		65	82
Equity holders of the parent		290.549	162.959
Earnings per share (TL)	30	0,726527	0,684177

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

				Other comprehensive income or expenses not to be reclassified to profit or loss	Other comprehensive income or expenses to be reclassified to profit or loss								
	Share capital	Adjust-ment to share capital	Adjustment to share capital due to cross-ownership (-)	Actuarial gain/loss arising from defined benefit plans	Foreign currency translation differences	Hedging gains/ losses	Gains/losses from the revaluation and reclassification of marketable securities	Restricted reserves	Retained earnings	Net profit for the period	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Audited													
Balance as of January 1, 2013	300.000	71.504	(7.442)	(1.862)	1.024	(3.095)	213.653	307.846	1.193.454	304.930	2.380.012	523	2.380.535
Transfers from retained earnings	-	-	-	-	-	-	-	-	304.930	(304.930)	-	-	-
Transfers to reserves	-	-	-	-	-	-	-	28.500	(28.500)	-	-	-	-
Transfers from restricted reserves	-	-	-	-	-	-	-	(58.471)	58.471	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(300.000)	-	(300.000)	-	(300.000)
Comprehensive income / (loss) for the period	-	-	-	1.756	851	1.887	(46.788)	-	-	205.253	162.959	82	163.041
Balance as of December 31, 2013	300.000	71.504	(7.442)	(106)	1.875	(1.208)	166.865	277.875	1.228.355	205.253	2.242.971	605	2.243.576
Audited													
Balance as of January 1, 2014	**300.000**	**71.504**	**(7.442)**	**(106)**	**1.875**	**(1.208)**	**166.865**	**277.875**	**1.228.355**	**205.253**	**2.242.971**	**605**	**2.243.576**
Transfers from retained earnings	-	-	-	-	-	-	-	-	205.253	(205.253)	-	-	-
Transfers to reserves	-	-	-	-	-	-	-	25.958	(25.958)	-	-	-	-
Dividends paid (note 21)	-	-	-	-	-	-	-	-	(175.000)	-	(175.000)	-	(175.000)
Comprehensive income / (loss) for the period	-	-	-	(2.786)	(645)	1.162	74.860	-	-	217.958	290.549	65	290.614
Balance as of December 31, 2014	**300.000**	**71.504**	**(7.442)**	**(2.892)**	**1.230**	**(46)**	**241.725**	**303.833**	**1.232.650**	**217.958**	**2.358.520**	**670**	**2.359.190**

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

	Notes	Audited January 1- December 31, 2014	Audited January 1- December 31, 2013
A. Cash flows from operating activities		**284.633**	235.081
Profit/loss before tax for the period		**236.576**	236.959
Adjustments related with the reconciliation of net profit/loss for the period		**(47.689)**	71.618
-Adjustments for depreciation and amortization expenses	13, 14	**83.884**	82.140
-Adjustments for provisions		**(853)**	52.885
-Adjustments for interest income and expenses	27, 28	**9.116**	1.942
-Adjustments for income from equity participations	12	**(123.900)**	(63.242)
-Adjustments for profit/ loss on sale of tangible/intangible assets	26	**(11.631)**	(1.024)
-Other adjustments for reconciliation of profit/ loss		**(4.305)**	(1.083)
Changes in working capital		**128.882**	(37.681)
-Adjustments for increase/decrease in inventories		**165.182**	(62.749)
-Adjustments for increase/decrease in trade receivables		**(22.668)**	(67.650)
-Adjustments for other current assets and liabilities		**33.747**	26.271
-Adjustments for increase/ decrease in trade payables		**(57.793)**	107.766
-Adjustments for other non-current assets and long-term liabilities		**10.414**	(41.319)
Cash flows from operating activities		**317.769**	270.896
Tax payments/returns		**(28.175)**	(32.703)
Other cash inflows/outflows	16	**(4.961)**	(3.112)
B. Cash flows from investing activities		**(239.505)**	(118.298)
Cash inflows from the sale of property, plant and equipment and intangible assets		**18.154**	5.977
Cash outflows from the purchase of property, plant and equipment and intangible assets	13, 14	**(81.326)**	(76.484)
Share capital participation to subsidiaries/joint ventures		**(30.000)**	(47.791)
Cash outflows from the share purchases (net)		**(146.333)**	-
C. Cash flows from financing activities		**(56.633)**	(69.945)
Net change in borrowings		**107.585**	222.875
Dividends paid	21	**(175.000)**	(300.000)
Interest received	27	**10.782**	7.180
Net increase/decrease in cash and cash equivalents before the effect of foreign currency translation differences		**(11.505)**	46.838
D. Impact of foreign currency translation differences on cash and cash equivalents		**(645)**	851
Net increase/decrease in cash and cash equivalents		**(12.150)**	47.689
E. Cash and cash equivalents at the beginning of the period	4	**173.054**	125.365
Cash and cash equivalents at the end of the period	4	**160.904**	173.054

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

The main activity of Aygaz Anonim Şirketi (the "Company" or "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 ("CMB") and as of December 31, 2014, 24,27% of its shares have been quoted at Borsa Istanbul.

The address of the registered office of the Company is as follows:

Büyükdere Cad. No: 145/1 Aygaz Han, Zincirlikuyu, 34394 / İstanbul

As of December 31, 2014, number of personnel employed by categories in Aygaz and its subsidiaries (together with referred to as the "Group") is 691 white-collar (2013: 724) and 691 blue-collar (2013:703) totaling to 1.382 (2013: 1.427).

Subsidiaries

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 through its own organization and dealers, retail and wholesale of LPG, fuel and lubricants through autogas stations and sale of durable goods. In October 2012, the Company has purchased shares with a nominal amount of TL 4 from real persons and raised Group's effective control to 100%. On July 24, 2014, Akpa, which already had 8% ownership of Zinerji A.Ş., acquired 100% ownership of Zinerji from other shareholders including the Company, by purchasing the rest of the shares with a nominal value of TL 184 thousand representing 92% of total capital, with a price of TL 3.404 thousand, with the decision taken through Board of Directors held on July 22, 2014. By the decision taken through Boards of Directors held on October 30, 2014, the procedures related with the acquisition of Zinerji A.Ş. by Akpa have been registered on December 10, 2014. The merger of Akpa, with Zinerji A.Ş., through a whole take-over of all assets and liabilities were completed as of registration date.

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 Doğal Gaz Toptan Satış A.Ş. has decided to increase its share capital from TL 28.000 thousand to TL 33.000 thousand in its Ordinary General Meeting dated February 6, 2012. The Company has agreed to pay the increased amount in cash and the payment was realized on March 2, 2012. The Group's share in Aygaz Doğal Gaz Toptan Satış A.Ş. has increased to 99,15%. Aygaz Doğal Gaz İletim A.Ş. has decided to increase its share capital from TL 3.700 thousand to TL 9.000 thousand in its Ordinary General Meeting dated February 6, 2012. The Company has agreed to pay the increased amount in cash and the payment was realized on March 2, 2012. The Group's share in Aygaz Doğal Gaz İletim A.Ş. has increased to 99,59%.

Within July 2010, the Company has restructured its shipping operations under new legal entities, and established Anadoluhisarı Tankercilik A.Ş. ("Anadolu Hisarı"), Kandilli Tankercilik A.Ş. ("Kandilli"), Kuleli Tankercilik A.Ş. ("Kuleli") and Kuzguncuk Tankercilik A.Ş. ("Kuzguncuk") 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. Kandilli Tankercilik A.Ş. has decided to increase share capital from TL 8.500 thousand to TL 62.500 thousand in its Extraordinary General Meeting held on September 25, 2014. For the increased share amount of TL 54.000 thousand, the Company has paid TL 13.500 thousand in cash on September 26, 2014 and the remaining part amounting to TL 40.500 thousand was paid in cash on January 30, 2015.

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

1. ORGANIZATION AND OPERATIONS OF THE COMPANY (CONTINUED)

The Company has purchased 100% ownership interest of Enram Su ve Çevre Yatırımları A.Ş. as a result of share transfer agreement dated March 14, 2014. Enram Su ve Çevre Yatırımları A.Ş. has decided to change its trade name as ADG Enerji Yatırımları A.Ş.("ADG Enerji") and to increase share capital from TL 3.600 thousand to TL 25.000 thousand in its Extraordinary General Meeting held on March 20, 2014. For the increased share amount of TL 21.400 thousand, the Company has paid TL 5.350 thousand in cash on March 20, 2014 and the remaining part amounting to TL 16.050 thousand will be paid within 24 months from the date of decision. 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.

The details of the Group's subsidiaries are as follows:

		Ownership interest (%)			
Subsidiaries	Place of incorporation and operation	December 31, 2014	December 31, 2013	Voting power right	Principal activity
Anadoluhisarı	Turkey	100%	100%	100%	Shipping
Kandilli	Turkey	100%	100%	100%	Shipping
Kuleli	Turkey	100%	100%	100%	Shipping
Kuzguncuk	Turkey	100%	100%	100%	Shipping
Akpa	Turkey	100%	100%	100%	Marketing
Aygaz Doğal Gaz Toptan Satış A.Ş.	Turkey	99,15%	99,15%	99,15%	Natural gas
Aygaz Doğal Gaz İletim A.Ş.	Turkey	99,59%	99,59%	99,59%	Natural gas
ADG Enerji	Turkey	100%	-	100%	Natural gas

Investments in associates

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.

AES Entek Elektrik Üretim A.Ş. (AES Entek), the electricity producer company of Koç Group, has been operating with its two natural gas cycling plants and one cogeneration facility with a total of 302 MW power in Kocaeli, Bursa and Istanbul, and two hydroelectric power plants in Karaman and one hydroelectric power plant in Samsun with a total of 62 MW power.AES Entek increased its share capital from TL 402.000 thousand to TL 538.500 thousand with the decision taken through Ordinary General Meeting held on April 30, 2013. The Company has netted of TL 32.750 thousand of related increase, which corresponds to the preferential right of the Company, from the shareholder loan provided to AES Entek, and the remaining balance amounting to TL 1.113 thousand has been paid in cash in May 2013. On October 13, 2014, a Share Purchase Agreement was signed among Aygaz A.Ş., Koç Holding A.Ş. and AES Mont Blanc Holdings B.V. for the Company's acquisition of the shares with a nominal value of TL 133.594.282 and equivalent to 24,81% of the shares of the Group's associate AES Entek Elektrik Üretimi A.Ş. for USD 62.500.000, and the acquisition of the shares with a nominal value of TL 133.594.282 and equivalent to 24,81% by Koç Holding A.Ş., the Group's parent, from AES Mont Blanc Holdings B.V for USD 62.500.000. After the receipt of EMRA approval and necessary legal permissions, the purchase price has been paid in cash on December 18, 2014. The share transfers have been completed on December 22, 2014 and the Company's share in AES Entek has increased to 49,62%.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

1. ORGANIZATION AND OPERATIONS OF THE COMPANY (CONTINUED)

The details of the Group's associates are as follows:

		Ownership interest (%)			
Investments in associates	Place of incorporation and operation	**December 31, 2014**	December 31, 2013	**Voting power right**	Principal activity
EYAŞ	Turkey	**20,00%**	20,00%	**20,00%**	Energy
AES Entek Elektrik Üretimi A.Ş ("AES Entek")	Turkey	**49,62%**	24,81%	**24,81%**	Electricity
Zinerji (*)	Turkey	**-**	56,00%	**-**	Energy

(*) Since Zinerji is a dormant company, it is consolidated with equity method in the accompanying consolidated financial statements until July 24, 2014, even though the ownership of the Group is 56%. On July 24, 2014, Akpa A.Ş., which already had 8% ownership of Zinerji A.Ş., acquired 100% ownership of Zinerji by purchasing the rest of the shares with a nominal value of TL 184 thousand representing 92% of total capital, with a price of TL 3.404 thousand from other shareholders including Aygaz A.Ş., with the decision taken through Board of Directors held on July 22, 2014. As of July 24, 2014, Zinerji A.Ş. is included in full consolidation scope in the condensed consolidated financial statements of the Group. By the decision taken through Boards of Directors held on October 30, 2014, the procedures related with the acquisition of Zinerji A.Ş. by Akpa have been registered on December 10, 2014. The merger of Akpa, with Zinerji A.Ş., through a whole take-over of all assets and liabilities were completed as of registration date.

Joint ventures

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. Opet Aygaz Gayrimenkul A.Ş. decided to increase its capital from TL 90.000 thousand to TL 150.000 thousand in its Ordinary General Meeting, held on March 10, 2014. All of the related increase has been paid in cash by shareholders.

The details of the Group's joint ventures are as follows:

		Ownership interest (%)			
Joint venture	Place of incorporation and operation	**December 31, 2014**	December 31, 2013	**Voting power right**	Principal activity
Opet Aygaz Gayrimenkul A.Ş	Turkey	**50,00%**	50,00%	**50,00%**	Real Estate

Approval of financial statements

The consolidated financial statements as of and for the year ended December 31, 2014 are approved in the Board of Directors meeting held on March 2, 2015 to be published and are signed by Assistant General Manager (Finance) Gökhan Tezel and Subsidiaries and Accounting Director Nurettin Demirtaş. The General Assembly has the power to amend the consolidated financial statements after issue.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Financial reporting standards

The consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards, ("TAS/TFRS") and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") in line with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board of Turkey ("CMB") on June 13, 2013 which is published on Official Gazette numbered 28676. TAS/TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards ("IFRS") by the communiqués announced by the POA.

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey. The Group has prepared its consolidated financial statements in accordance with this decision.

The Group's consolidated financial statements are presented in terms of Turkish Lira "TL" which is the functional and presentation currency of the Company and its subsidiaries.

The consolidated financial statements are prepared based on the historical cost conversion, except for the financial assets and liabilities which are expressed with their fair values.

2.2 Consolidation principles

(a) Consolidated financial statements incorporate the financial statements of the Company, its subsidiaries and affiliates and joint ventures, which have been prepared in accordance with guidelines defined in the items (b) to (h). The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records with adjustments and reclassifications for the purpose of presentation in conformity TAS/TFRS promulgated by the POA as set out in the communiqué numbered II-14.1, and Group accounting and disclosure policies.

(b) Subsidiaries are the companies controlled by Aygaz when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

(c) Subsidiaries are fully consolidated from the date of acquisition, being the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. In case it is necessary, accounting policies are changed for subsidiaries in order to align with Group accounting policies.

Balance sheets and income statements of subsidiaries have been fully included into consolidation and the book values and equities of such subsidiaries which are owned by the Company, have been netted off. All inter-group transactions, balances, income and expenses are eliminated on consolidation. Book values of the shares owned by the Company and related dividends have been netted off from related equity and income statement accounts.

(d) Investments in associated have been accounted using the equity method. These are institutions in which the Company has a voting power between 20% and 50% or in which the Company has a significant influence even though it does not have a controlling power.

Unrealized gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The Group ceases to account the associate using the equity method if it loses the significant influence or the net investment in the associate becomes nil, unless it has entered to a liability or a commitment. Subsequent to the date of the caesura of the significant influence, the investment is carried either at fair value when the fair value can be measured reliably, otherwise at cost.

(e) Financial assets, in which the Group has a total voting power of 20% or even though it has a voting power above 20% but does not have a significant influence, or which are immaterial for the consolidated financial statements, or such assets which are not traded in an organized market or whose fair values cannot be measured reliably, are presented with cost values, after deducting the impairment, if any.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Available for sale financial assets, in which the Group does not have a total voting power of 20% or does not have a significant influence and which have quoted market values in active markets and whose fair values can be reliably measured, are presented at fair values in the financial statements.

(f) The non-controlling share in the net assets and operating results of Subsidiaries for the year are separately classified as non-controlling interest in the consolidated statements of financial position and consolidated statements of profit or loss.

(g) A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The investments in its associate and joint venture are accounted for using the equity method.

(h) Under the equity method, the Group's investments in its associates and joint venture are initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as a part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate or a joint venture' in the statement of profit or loss.

2.3 New and revised Turkey Financial Reporting Standards

New and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2014. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2014 are as follows:

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendment)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not have a significant impact on the consolidated financial statements of the Group.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

TFRS Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is not applicable for the Group and did not have any impact on the financial position or performance of the Group.

TAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial assets (Amendment)

As a consequential amendment to TFRS 13 'Fair Value Measurement', some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets has been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. These amendments did not have a significant impact on the financial position or performance of the Group.

TAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendment)

Amendments provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. These amendments did not have an impact on the financial position or performance of the Group.

TFRS 10 Consolidated Financial Statements (Amendment)

TFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with TFRS 9 Financial Instruments Standard. This amendment does not have any impact on the financial position or performance of the Group.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements and are not early adopted by the Group are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after 1 July 2014. The amendments will not have any impact on the financial position or performance of the Group.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have any impact on the financial position or performance of the Group.

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to TAS 16 and TAS 38)

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortization for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have any impact on the financial position or performance of the Group.

TAS 16 Property, Plant and Equipment and TAS 41 Agriculture: Bearer Plants (Amendment)

TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Annual Improvements to TAS/TFRSs

In September 2014, POA has issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle. The changes are effective for annual reporting periods beginning on or after 1 July 2014.

Annual Improvements - 2010–2012 Cycle

TFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

TFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of TFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

TFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets

The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows: i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

TAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

Annual Improvements – 2011–2013 Cycle

TFRS 3 Business Combinations

The amendment clarifies that: i) joint arrangements are outside the scope of TFRS 3, not just joint ventures ii) the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

Amendment to the Basis for Conclusions on TFRS 13 Fair Value Measurement

The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts in the scope of TAS 39. The amendment is effective prospectively.

TAS 40 Investment Property

The amendment clarifies the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property and owner-occupied property. The amendment is effective prospectively.

The Group do not expect that these amendments will have significant impact on the financial position or performance of the Group.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these new standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

Annual Improvements – 2010–2012 Cycle

TFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment). IFRS 15 is effective for reporting periods beginning on or after 1 January 2017, with early adoption permitted. Entities will transit to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional comparative disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 9 Financial Instruments - Final standard (2014)

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit risk' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IAS 27 Equity Method in Separate Financial Statements (Amendment to IAS 27)

In August 2014, IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

• At cost
• In accordance with IFRS 9 (or IAS 39),
or
• Using the equity method

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after 1 January 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Annual Improvements to IFRSs - 2012-2014 Cycle

In September 2014, IASB issued their annual cycle of improvements to IFRSs, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures – servicing contracts; applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 Employee Benefits – regional market issue regarding discount rate
- IAS 34 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'

The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In September 2014, IASB issued amendments to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

In December 2014, IASB issued amendments to IFRS 10, IFRS 12 and IAS 28, to address the following issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements; i) the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value, ii) only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value, iii) the amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments are applied retrospectively. However, when the amendments to IFRS 10 are applied for the first time, the quantitative information required in IAS 8 need to be presented for the annual period immediately preceding the date of initial application. The Group do not expect that this amendment will have an impact on the financial position or performance of the Group.

IAS 1: Disclosure Initiative (Amendment to IAS 1)

In December 2014, IASB issued amendments to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. These amendments are not expected to have significant impact on the notes to the consolidated financial statements of the Group.

2.4 Offsetting

Financial assets and liabilities are offset and reported in the net amount when there is a legally enforceable right or when there is an intention to settle the assets and liabilities on a net basis or realize the assets and settle the liabilities simultaneously.

2.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, and other similar allowances.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Sale of goods:

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- The Group has transferred all the significant risks and rewards of ownership of the goods and services to the buyer,
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold and services provided,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity, and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services:

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the entity and when the revenue amount, the completion level of the transaction as of the reporting date and the cost required for the completion of the transaction can be measured reliably.

The assumptions for the reliability of revenue recognition after the agreement of third parties are as follows:

- Contractual rights of each parties under sanction according to the agreement,
- Service fee,
- Payment terms and conditions

Dividend and interest revenue:

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Dividend revenue from investments is recognized when the shareholders' rights to receive payment have been established.

2.6 Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is calculated with first in first out method for LPG and with weighted average method for other inventories. Cost elements included in inventories are materials, labour and factory overheads. Overheads include, expenses directly related to production such as direct labor expenses. These expenses also include systematically distributed amounts from fixed and variable costs in factory overheads. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and estimated costs to make the sale.

2.7 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Legal fees are included into costs. Depreciation of these assets, begins when the assets are ready for their intended use.

With the exception of land and construction in progress, the costs of property, plant and equipment are subject to depreciation using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Economic useful lives of property, plant and equipment are as follows:

	Useful lives
Buildings	25-50 years
Land improvements	10-25 years
LPG Cylinders	10 years
Plant, machinery and equipment	3-25 years
Vessels	10-20 years
Vehicles	3-15 years
Furnitures and fixtures	3-50 years
Leasehold improvements	4-10 years

2.8 Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Trade rights and licenses

Acquired trade rights and licenses are shown at historical cost. Trade rights and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives in 4 – 15 years.

Computer software

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives in 3 – 5 years.

2.9 Impairment of assets

An impairment test is applied when the recovery for the book value of the redeemable assets is impossible. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are recorded directly to profit and loss statement.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.11 Financial instruments

2.11.1 Financial assets

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification is made considering the purpose of acquisition of financial asset and its specifications, at the time of initial recording of the asset. Financial assets are reflected to the Group's balance sheet, in case of that the Group becomes a party to the related financial instruments.

Effective interest method

The effective interest method; is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate; is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income related with the financial assets, other than financial assets at FVTPL and AFS financial assets, is calculated by using the effective interest method.

Financial assets at FVTPL

Financial assets at fair value through profit or loss are; financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Available-for-sale financial assets

Quoted equity investments held by the Group that are traded in an active market are classified as being available- for-sale financial assets and are stated at fair value. The Group also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at fair value. Similarly, investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since the fair value of these investments can not be measured reliably. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the revaluation surplus of financial assets with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the revaluation surplus of financial assets is reclassified to profit or loss.

Dividends related to available for sale equity items are accounted in income statement, in case the Group has earned a right for dividends.

Loans and receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortized cost using the effective interest method less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For loans and receivables, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, credit card receivables from banks and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are not subject to a significant risk of changes in value.

2.11.2 Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below. Financial liabilities are recognized in Group's balance sheet in case the Group is a party related to the liability.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Trade payables are recognized at fair value and subsequently measured at amortized cost using effective interest rate method.

2.11.3 Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

These derivative instruments are recorded at fair value at the beginning of the contract and subsequently measured with its fair value. If the fair value is positive, derivatives are classified as financial asset or otherwise financial liability.

Such derivative instruments are generally accounted as trading derivative instruments in consolidated financial statements, because they do not have related specifications in terms of hedge accounting. The gains and losses related to the changes in fair values of such financial instruments are shown in the profit or loss statement.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.12 Business combinations

Before January 1, 2010 business combinations carried out by the Group has accounted for using the acquisition method according to before revised TFRS 3 "Business Combinations".

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquirer. The consideration transferred is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the entity and the equity interests issued by the Group. When the agreement with the seller includes a clause that the consideration transferred could be adjusted for future events, the acquisition-date fair value of this contingent consideration is included in the cost of the acquisition. All transaction costs incurred by the Group have been recognized in general administrative expenses.

For each business combination, the Group elects whether it measures the non-controlling interest in the acquirer either at fair value or at the proportionate share of the acquirer's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquirer.

Acquisition method requires allocation of the acquisition cost to the assets acquired and liabilities assumed at their fair values on the date of acquisition. Accordingly, acquired assets and liabilities and contingent liabilities assumed are recognized at TFRS 3 fair values on the date of acquisition. Acquired company is consolidated starting from the date of acquisition.

<u>Partial share sale and purchase transactions settled with minority shareholders</u>

The Group evaluates the share transactions realized with non-controlling interests as transactions within the shareholders. Consequently, the difference between the purchase cost and the net asset purchased from other shareholders are accounted under shareholders' equity in "subsidiary share purchase transactions" whereas share sale transactions to parties other than parent company are accounted as "transactions with non-controlling interest".

2.13 Foreign currency transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements. The functional currency of participations and subsidiaries that are included in the scope of consolidation is TL.

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the Central Bank of the Republic of Turkey (CBRT) rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on transactions entered in order to hedge certain foreign currency risk,
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TL using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

2.14 Earnings per share

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares in existence during the year concerned.

In Turkey, companies can raise their share capital by distributing "Free Shares" to shareholders from retained earnings. In computing earnings per share, such "free share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

2.15 Subsequent events

An explanation for any event between the balance sheet date and the publication date of the balance sheet, which has positive or negative effects on the Group (should any evidence come about events that were prior to the balance sheet date or should new events come about) they will be explained in the relevant footnote.

The Group restates its financial statements if subsequent events which require restatement arise.

2.16 Provisions, contingent liabilities, contingent assets

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and are disclosed as contingent assets or liabilities.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

2.17 Related parties

a) A person or a close member of that person's family is related to a reporting entity if that person:

- i) has control or joint control over the reporting entity,
- ii) has significant influence over the reporting entity,
- iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- i) Entity and Company are members of the same Group,
- ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member),
- iii) Both entities are joint ventures of the same third party,
- iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity,
- v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity,
- vi) The entity is controlled or jointly controlled by a person identified in (a),
- vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

In accordance with the purposes of consolidated financial statements, shareholders, important management personnel and members of Board of Directors, their families and companies controlled by them or depend upon them, the affiliates and partnerships and Koç Holding Group companies are accepted and presented as related parties.

2.18 Segmental information

The Group management assumes three operating segments to evaluate performance and source utilization decisions. These segments are gas and petroleum products, electricity and other operations. These operating segments are managed separately as the risk and return of these segments are affected by different economic conditions and geographical locations. The Group Management believes that financial results prepared according to TFRS are the best approach to evaluate performance of these operating segments.

2.19 Taxation and deferred tax

Turkish Tax Legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the corporate tax and deferred tax.

Corporate tax

The corporate tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2.20 Employment benefits

Defined benefit plan:

Employment termination benefits, as required by the Turkish Labour Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Group arising in case of the retirement of the employees, termination of employment without due cause, be retired or death upon the completion of a minimum one year service. Provision which is allocated by using defined benefit pension's current value is calculated by using prescribed liability method. All actuarial profits and losses are recognized in consolidated statements of income. The provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial profits and losses are accounted in the shareholder's equity as other comprehensive income.

Defined contribution plan:

Group, has to compensate the Social Security Contribution of the employees. As long as this is compensated, there is no any other obligation for the Company. Social Security Contributions are classified as personnel expenses as of the accrual date.

2.21 Statement of cash flows

In statement of cash flow, cash flows are classified according to operating, investment and finance activities.

2.22 Share capital and dividends

Common shares are classified as equity. Dividends on common shares are recognized in retained earnings in the period in which they are approved and declared.

2.23 Research and development expenses

Research expenditure is recognized as an expense as incurred. Costs, except for listed below are classified as development expenditures and recognized as expense as incurred.

- If the cost related to the products can be defined and only if the cost can be measured reliably,
- If the technological feasibility can be measured,
- If the good will be sold or will be used within the company,
- If there's a potential market or can be proved that it is used within the company,
- If necessary technological, financial and other resources can be provided to complete the Project.

Other development expenditures are recognized as expense as incurred.

Development costs previously recognized as expense can not be capitalized in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis. As of December 31, 2014, the Group has no capitalized research and development expenses. (December 31, 2013: none).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.24 Important accounting policies and applications

Accounting policies which have material effects on book values of assets and liabilities are as follows:

a) Property, plant and equipment and intangible fixed assets are subject to depreciation according to their useful lives (Note 13, 14). Estimations of such useful lives are based on the expectations of Group management.

b) The Group Management uses market values for quoted equity items traded in active markets, while determining fair values of available for sale financial assets. For other available for sale financial assets, fair values are determined in line with generally accepted valuation principles using current economical data, trends in the market and expectations.

Available-for-sale investment of the Group includes shares of Koç Finansal Hizmetler A.Ş. as an unlisted company, which owns the majority shareholder of Yapı ve Kredi Bankası with 81,8%. Since the shares of Yapı ve Kredi Bankası are traded in Istanbul Stock Exchange, the fair value of shares of Koç Finansal Hizmetler has been determined by using several methods such as the existing market value of Yapı ve Kredi Bankası and discounted cash flow method and considering price/equity ratio of recent similar local or international acquisitions realized. In the aforementioned discounted cash flow method, discount rate of 13,8% (2013: 16,3%) has been taken into consideration. The average of maximum and minimum values that are formed by calculations using these methods are reflected in the recordings as fair value (Note 5).

c) Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. During the periodic impairment test for the receivables, the debtors are assessed with their prior year performances and provision is accounted accordingly (Note 8).

d) In order to record allowances for litigations, the consequences of lost cases are evaluated with the Company lawyers and Company Management makes most accurate evaluations with the available data (Note 17).

e) Actuarial assumptions used on turnover ratio, discount rate and salary increase to calculate the employee benefit provision. Calculation details have been provided in related disclosure (Note 16).

f) There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Group recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due and recognizes tax assets for the carry forward tax losses and unused investment tax credits to the extent that the realization of the related tax benefit through the future taxable profits is probable (Note 29). Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. SEGMENT INFORMATION

The segmental operations are specified according to the internal reports reviewed regularly by the authority entitled to making decision for the Group's operations.

The Group's decision making authority evaluates operations and results according to industrial segments for the purpose of making decisions for assigning resources to the segments and evaluating the segmental performances. The distribution of segmental operations with respect to industrial segments is as follows:

- Gas and petroleum products
- Electricity
- Other

The Group Management evaluates financial results and performance based of TFRS financial statements. Therefore, TFRS financial statements are the basis of segmental reporting. The Group evaluates the performance of its segments based on gross profit and operating profit.

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

3. SEGMENT INFORMATION (CONTINUED)

As of December 31, 2014 and 2013, assets and liabilities according to industrial segments are as follows:

					December 31, 2014
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Assets					
Current assets	594.264	-	124.293	(5.082)	713.475
Non-current assets	2.319.945	327.879	184.631	(133.712)	2.698.743
Total assets	2.914.209	327.879	308.924	(138.794)	3.412.218
Liabilities					
Short term liabilities	691.263	-	33.307	(9.958)	714.612
Long term liabilities	322.114	-	13.255	3.047	338.416
Equity	1.900.832	327.879	262.362	(131.883)	2.359.190
Total liabilities and equity	2.914.209	327.879	308.924	(138.794)	3.412.218
Investments accounted under equity method	1.273.776	327.879	75.306	-	1.676.961

					December 31, 2013
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Assets					
Current assets	755.763	-	124.742	(13.338)	867.167
Non-current assets	2.164.624	184.393	166.237	(194.115)	2.321.139
Total assets	2.920.387	184.393	290.979	(207.453)	3.188.306
Liabilities					
Short term liabilities	623.359	-	61.405	(17.572)	667.192
Long term liabilities	266.238	-	9.613	1.687	277.538
Equity	2.030.790	184.393	219.961	(191.568)	2.243.576
Total liabilities and equity	2.920.387	184.393	290.979	(207.453)	3.188.306
Investments accounted under equity method	1.145.592	184.393	47.169	-	1.377.154

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

3. SEGMENT INFORMATION (CONTINUED)

As of December 31, 2014 and 2013, income and loss according to industrial segments are as follows:

	January 1 - December 31, 2014				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Revenue	6.772.865	-	434.845	(146.434)	7.061.276
Cost of sales (-)	(6.298.643)	-	(382.664)	147.373	(6.533.934)
Gross profit	474.222	-	52.181	939	527.342
General administrative expenses (-)	(153.175)	-	(19.120)	991	(171.304)
Marketing, sales and distribution expenses (-)	(222.448)	-	(12.726)	-	(235.174)
Research and development expenses (-)	(2.629)	-	-	-	(2.629)
Other operating income	117.321	-	8.066	(26.406)	98.981
Other operating expenses (-)	(101.627)	-	(5.317)	136	(106.808)
Operating profit	111.664	-	23.084	(24.340)	110.408
Income from investment activities	5.255	-	233	6.658	12.146
Loss from investment activities (-)	(509)	-	(144)	138	(515)
Profit/losses from investments accounted under equity method	128.535	(4.893)	258	-	123.900
Operating profit before financial income/(expense)	244.945	(4.893)	23.431	(17.544)	245.939
Financial income	36.882	-	6.632	-	43.514
Financial expense (-)	(50.571)	-	(2.306)	-	(52.877)
Profit before taxation	231.256	(4.893)	27.757	(17.544)	236.576
Tax income / (expense)					
Current tax expense for the period (-)	(20.530)	-	(2.637)	-	(23.167)
Deferred tax income / (expense)	4.483	-	131	-	4.614
Profit for the period	215.209	(4.893)	25.251	(17.544)	218.023
Distribution of profit for the period:					
Non-controlling interest	65	-	-	-	65
Equity holders of the parent	215.144	(4.893)	25.251	(17.544)	217.958
Investments accounted under equity method	128.535	(4.893)	258	-	123.900

(Amounts expressed in thousands of Turkish Lira ("TL")
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3. SEGMENT INFORMATION (CONTINUED)

					January 1 - December 31, 2013
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Revenue	5.735.122	-	407.870	(138.008)	6.004.984
Cost of sales (-)	(5.215.803)	-	(358.770)	140.933	(5.433.640)
Gross profit	519.319	-	49.100	2.925	571.344
General administrative expenses (-)	(150.640)	-	(17.369)	922	(167.087)
Marketing, sales and distribution expenses (-)	(215.516)	-	(14.228)	-	(229.744)
Research and development expenses (-)	(2.984)	-	-	-	(2.984)
Other operating income	79.061	-	6.319	(27.127)	58.253
Other operating expenses (-)	(55.496)	-	(3.979)	(123)	(59.598)
Operating profit	173.744	-	19.843	(23.403)	170.184
Income from investment activities	1.459	-	24	(225)	1.258
Loss from investment activities (-)	(234)	-	-	-	(234)
Profit/losses from investments accounted under equity method	86.090	(24.654)	1.806	-	63.242
Operating profit before financial income/(expense)	261.059	(24.654)	21.673	(23.628)	234.450
Financial income	15.681	-	3.684	-	19.365
Financial expense (-)	(15.732)	-	(1.124)	-	(16.856)
Profit before taxation	261.008	(24.654)	24.233	(23.628)	236.959
Tax income / (expense)					
Current tax expense for the period (-)	(30.831)	-	(1.530)	-	(32.361)
Deferred tax income / (expense)	441	-	179	117	737
Profit for the period	230.618	(24.654)	22.882	(23.511)	205.335
Distribution of profit for the period:					
Non-controlling interest	82	-	-	-	82
Equity holders of the parent	230.536	(24.654)	22.882	(23.511)	205.253
Investments accounted under equity method	86.090	(24.654)	1.806	-	63.242

The depreciation and amortization expense for the industrial segmental assets as of December 31, 2014 and 2013 is as follows:

	January 1 - December 31, 2014	January 1 - December 31, 2013
Gas and petroleum products	76.814	74.973
Other	7.070	7.167
	83.884	82.140

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

3. SEGMENT INFORMATION (CONTINUED)

The investment expenditures for the industrial segmental assets as of December 31, 2014 and 2013 are as follows:

	January 1 - December 31, 2014	January 1 - December 31, 2013
Gas and petroleum products	**80.202**	73.968
Other	**1.124**	2.516
	81.326	76.484

4. CASH AND CASH EQUIVALENTS

	December 31, 2014	December 31, 2013
Cash on hand	**518**	356
Cash at banks	**134.869**	140.136
- Demand deposits	***14.177***	*16.187*
- Time deposits	***120.692***	*123.949*
Receivables from credit card transactions	**25.517**	32.562
Total cash and cash equivalents	**160.904**	173.054

As of December 31, 2014 the Group's TL time deposits amounting to TL 83.890 thousand have maturities of 2 – 54 days and interest rates of 8,75-10,00%; USD time deposits amounting to USD 15.870 thousand (TL 36.801 thousand) have a maturity of 2 days and an interest rate of 1,55% (As of December 31, 2013 the Group's TL time deposits amounting to TL 76.670 thousand have maturities of 2 – 32 days and interest rates of 6,5 – 9,4%; USD time deposits amounting to USD 22.150 thousand (TL 47.275 thousand) have a maturity of 2 days and an interest rate of 1,9%).

5. FINANCIAL ASSETS

The Group's long term financial assets identified as available-for-sale financial assets are as follows as of December 31, 2014 and 2013:

	December 31, 2014		December 31, 2013	
	Participation amount	**Participation rate %**	Participation amount	Participation rate %
Koç Finansal Hizmetler A.Ş. (*)	**344.750**	**1,97**	265.950	1,97
Ram Dış Ticaret A.Ş. (**)	**925**	**2,50**	1.338	2,50
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. (***)	**540**	**10,00**	540	10,00
Tat Gıda Sanayi A.Ş. (**)	**55**	**0,08**	34	0,08
Other (***)	**436**	**-**	23	-
	346.706		267.885	

(*) Stated at fair value, the difference between the acquisition cost and fair value are accounted as valuation fund under equity by considering the deferred tax effect.
(**) Stated at fair value, impairments are accounted as "Impairment reserve" under financial assets and impairment loss is recognized in the statement of profit and loss.
(***) Stated at cost, because fair value could not be determined reliably.

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

6. FINANCIAL BORROWINGS

As of December 31,2014 and 2013 the Group's short-term financial borrowings are as follows:

	December 31, 2014	December 31, 2013
USD-denominated short-term borrowings	-	85.372
TL-denominated short-term borrowings (*)	4.625	33
Total short-term financial borrowings	4.625	85.405
Short-term portion and interest accruals of TL-denominated long-term borrowings	13.616	-
Interest accruals of USD-denominated long-term borrowings	120	-
Short-term portion of long-term bond issued (**)	152.871	9.905
Total short-term portion of long-term financial borrowings	166.607	9.905

(*) As of December 31, 2014, the Group has interest free loan with a total amount of TL 4.625 thousand which was used for SSI payment amounting to TL 1.606 thousand and custom expenses payment amounting to TL 3.019 thousand.

(**) On April 18, 2013, the Group has issued a fixed rate bond with a nominal value of TL 150.000 thousand, with a maturity of 700 days and half-yearly coupon payments. As of December 31, 2014, net present value of the issued bond is TL 152.871 thousand and its effective interest rate is 7,26%.

As of December 31, 2014, the details of short-term loans are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	-	4.625	4.625
			4.625

As of December 31, 2013, the details of short-term loans are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	-	33	33
USD	1,86	40.000	85.372
			85.405

As of December 31, 2014 and 2013 the Group's long-term financial borrowings are as follows:

	December 31, 2014	December 31, 2013
TL-denominated long-term borrowings	138.242	-
USD-denominated long-term borrowings	55.816	-
Long-term bonds issued (*)	-	142.497
Total long-term borrowings	194.058	142.497

(*) On April 18, 2013, the Group has issued a fixed rate bond with a nominal value of TL 150.000 thousand, with a maturity of 700 days and half-yearly coupon payments. As of December 31, 2013, net present value of the issued bond is TL 152.402 thousand (TL 9.905 thousand of this amount is shown as short-term portion of long-term financial borrowings) and its effective interest rate is 7,26%.

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

6. FINANCIAL BORROWINGS (CONTINUED)

As of December 31, 2014 the details of long-term loans are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	11,66 – 14,08	151.858	151.858
USD	2,08	24.122	55.936
			207.794
Short-term portion and interest accruals of long-term loans			(13.736)
			194.058

7. DERIVATIVE FINANCIAL INSTRUMENTS

As of December 31, 2014 and 2013, the Group's derivative financial instruments are as follows:

Short-term derivative financial instruments	December 31, 2014		December 31, 2013	
	Contract amount	Fair value assets/(liabilities)	Contract amount	Fair value assets/(liabilities)
Forward transactions (*)	26.787	500	-	-

Long-term derivative financial instruments	December 31, 2014		December 31, 2013	
	Contract amount	Fair value assets/(liabilities)	Contract amount	Fair value assets/(liabilities)
Foreign currency swap contracts (**)	50.635	4.294	-	-

(*) As of December 31, 2014 the Group made forward transaction with a maturity of 16 - 50 days and nominal value amounting to USD 11.650 thousand.

(**) In May, 2014, the Group has realized swap transaction with a contract amounting to TL 50.635 thousand with 2 years maturity, quarterly interest payment and fixed interest rate of 11,2%, in return for USD 24.070 thousand with a floating interest rate of three-months USDLIBOR +1,8%.

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

8. TRADE RECEIVABLES AND PAYABLES FROM THIRD PARTIES

The Group's trade receivables from third parties as of December 31, 2014 and 2013 are as follows:

Current trade receivables	**December 31, 2014**	December 31, 2013
Trade receivables	**346.700**	300.896
Notes receivables	**40.640**	64.892
Allowance for doubtful receivables (-)	**(17.943)**	(16.694)
Total current trade receivables	**369.397**	349.094

Non-current trade receivables	**December 31, 2014**	December 31, 2013
Notes receivable	**5.236**	6.756
Total non-current trade receivables	**5.236**	6.756

Movement of allowance for doubtful receivables	**January 1 - December 31, 2014**	January 1 - December 31, 2013
Balance at the beginning of year	**16.694**	15.558
Additional provision	**1.810**	2.136
Collections	**(561)**	(1.000)
Closing balance	**17.943**	16.694

Allowance for doubtful receivables has been raised per customer, based on the past experiences of the Company management.

Level and composition of risks of trade receivables are explained in note 32.

The Group's trade payables as of December 31, 2014 and 2013 are as follows:

Short-term trade payables	**December 31, 2014**	December 31, 2013
Trade payables	**208.932**	212.171
Total short-term trade payables	**208.932**	212.171

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

9. OTHER RECEIVABLES AND PAYABLES FROM THIRD PARTIES

The Group's other receivables from third parties as of December 31, 2014 and 2013 are as follows:

Other current receivables	**December 31, 2014**	December 31, 2013
Guarantees and deposits given	**3.235**	2.414
Other receivables	**2.223**	2.091
Total other current receivables	**5.458**	4.505

Other non-current receivables	**December 31, 2014**	December 31, 2013
Guarantees and deposits given	**74**	77
Total other non-current receivables	**74**	77

As of December 31, 2014 and 2013, other payables to third parties of the Group are as follows:

Other short-term payables	**December 31, 2014**	December 31, 2013
Deposits and guarantees taken	**194**	144
Total other short-term payables	**194**	144

Other long-term payables	**December 31, 2014**	December 31, 2013
Cylinder deposits received	**78.809**	73.614
Total other long-term payables	**78.809**	73.614

10. LIABILITIES FOR EMPLOYEE BENEFITS

As of December 31, 2014 and 2013, liabilities for employee benefits of the Group are as follows:

Liabilities for employee benefits	**December 31, 2014**	December 31, 2013
Payables to personnel	**33.334**	20.949
Employee's income tax payable	**8.040**	12.872
Social security liabilities	**2.719**	2.533
Total liabilities for employee benefits	**44.093**	36.354

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

11. INVENTORIES

	December 31, 2014	December 31, 2013
Raw materials	74.438	223.889
Trade goods	15.182	21.080
Goods in transit	11.276	19.333
Finished goods	8.418	10.596
Work in process	1.363	961
Allowance for impairment on inventory	(229)	(229)
Total inventories	110.448	275.630

As of December 31, 2014, the inventories compromise of 39.031 tons of LPG (December 31, 2013: 71.441 tons).

Movement of allowance for impairment on inventory of the Group is as follows:

Movement of allowance for impairment on inventory	January 1 - December 31, 2014	January 1- December 31, 2013
Opening balance	229	229
Additional provision	-	-
Closing balance	229	229

(Amounts expressed in thousands of Turkish Lira ("TL")
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12. EQUITY INVESTMENTS

	December 31, 2014		December 31, 2013	
	Participation amount	**Participation rate %**	Participation amount	Participation rate %
Enerji Yatırımları A.Ş. acquisition value	**669.400**		669.400	
Adjustment to share capital	**(7.442)**		(7.442)	
Currency translation reserve	**1.230**		1.875	
Legal reserves	**14.239**		5.509	
Financial risk hedge fund	**(46)**		(1.208)	
Actuarial gain/loss arising from defined benefit plans	**(1.141)**		(273)	
The share of the Group in the retained earnings after the acquisition date	**597.536**		477.731	
	1.273.776	**20,00%**	1.145.592	20,00%
AES Entek acquisition value	**118.930**		118.930	
Acquisition of additional shares (*)	**147.831**		-	
Participation in share capital increase of equity investment	**108.300**		108.300	
The share of the Group in the retained earnings after the acquisition date	**(47.730)**		(42.837)	
Fair value adjustment for share purchase	**548**		-	
	327.879	**49,62%**	184.393	24,81%
Zinerji Enerji Sanayi ve Tic. A.Ş. (establishment cost) (**)	**-**		738	
Group's share in accumulated profit occurred after the date of establishment	**-**		1.313	
	-	**-**	2.051	56,00%
Opet Aygaz Gayrimenkul A.Ş.	**45.000**		45.000	
Participation in share capital increase of equity investment	**30.000**		-	
Group's share in accumulated profit occurred after the date of establishment	**306**		118	
	75.306	**50,00%**	45.118	50,00%
Total	**1.676.961**		1.377.154	

(*) On October 13, 2014, a Share Purchase Agreement was signed among Aygaz A.Ş., Koç Holding A.Ş. and AES Mont Blanc Holdings B.V. for the Company's acquisition of the shares with a nominal value of TL 133.594.282 and equivalent to 24,81% of the shares of the Company's associate AES Entek for USD 62.500.000, and the acquisition of the shares with a nominal value of TL 133.594.282 and equivalent to 24,81% by Koç Holding A.Ş., the Group's parent, from AES Mont Blanc Holdings B.V for USD 62.500.000. After the receipt of EMRA approval and necessary legal permissions, the purchase price has been paid in cash on December 18, 2014. The share transfers have been completed on December 22, 2014 and the Company's share in AES Entek has increased to 49,62%.

(**) The Group acquired 100% ownership of Zinerji A.Ş. as of July 24, 2014. Zinerji A.Ş. has been consolidated with equity method in the condensed consolidated financial statements of the Group until July 24, 2014. The revenue amounting to TL 70 thousand which belongs to Zinerji A.Ş. between January 1 and July 24,2014 was reflected under "Profit from investments accounted under equity method" in the accompanying consolidated statement of profit or loss. As of July 24, 2014, Zinerji A.Ş. is included in full consolidation scope in the condensed consolidated financial statements of the Group. By the decision taken through Boards of Directors held on October 30, 2014, the procedures related with the acquisition of Zinerji A.Ş. by Akpa have been registered on December 10, 2014. The merger of Akpa, with Zinerji A.Ş., through a whole take-over of all assets and liabilities were completed as of registration date.

(Amounts expressed in thousands of Turkish Lira ("TL")
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12. EQUITY INVESTMENTS (CONTINUED)

Financial information on Enerji Yatırımları A.Ş., which is consolidated in the Group's financial statements according to equity pick-up method is set out below:

Consolidated balance sheet	December 31, 2014	December 31, 2013
Total assets	26.783.979	26.052.920
Total liabilities	(16.295.348)	(16.712.928)
Non-controlling interest	(4.119.751)	(3.612.030)
Net assets	6.368.880	5.727.962
Group's ownership	20%	20%
Group's share in associates' net assets	1.273.776	1.145.592

Consolidated profit or loss statement	January 1 - December 31, 2014	January 1 - December 31, 2013
Revenue	39.722.712	41.078.427
Profit for the period	642.675	430.452
Group's share in associates' profit for the period	128.535	86.090

Financial information on AES Entek which is consolidated in the Group's financial statements according to equity pick-up method is set out below:

Consolidated balance sheet	December 31, 2014	December 31, 2013
Total assets	862.383	882.726
Total liabilities	(267.970)	(268.578)
Net assets	594.413	614.148
Group's ownership	49,62%	24,81%
Group's share in associates' net assets	294.948	152.370
The effect of adjustments related to acquisition	32.931	32.023
Group's total share	327.879	184.393

Consolidated profit or loss statement	January 1 - December 31, 2014	January 1 - December 31, 2013
Revenue	395.271	341.534
Loss for the period	(19.723)	(99.370)
Group's share in associates' loss for the period (*)	(4.893)	(24.654)

(*) After the receipt of EMRA approval and necessary legal permissions related with the acquisition of the shares with a nominal value of TL 133.594.282 and equivalent to 24,81% of the shares of AES Entek Elektrik Üretimi A.Ş. by the Company, the purchase price has been paid in cash on December 18, 2014 and the share transfers have been completed on December 22, 2014. The Group's share in associates' loss for the period is 24,81%.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

12. EQUITY INVESTMENTS (CONTINUED)

Financial information on Opet Aygaz Gayrimenkul A.Ş., which is consolidated in the Group's financial statements according to equity pick-up method is set out below:

Consolidated balance sheet	December 31, 2014	December 31, 2013
Total assets	373.910	101.896
Total liabilities	(223.298)	(11.660)
Net assets	150.612	90.236
Group's ownership	50%	50%
Group's share in associates' net assets	75.306	45.118

Consolidated profit or loss statement	January 1 - December 31, 2014	January 1 - December 31, 2013
Revenue	10.890	-
Profit for the period	376	236
Group's share in associates' profit for the period	188	118

Financial information on Zinerji A.Ş., which is consolidated in the Group's financial statements according to equity pick-up method is set out below:

Consolidated balance sheet	December 31, 2014	December 31, 2013
Total assets	-	3.732
Total liabilities	-	(69)
Net assets	-	3.663
Group's ownership	-	56%
Group's share in associates' net assets	-	2.051

Consolidated profit or loss statement	January 1 - December 31, 2014	January 1 - December 31, 2013
Revenue	-	-
Profit for the period	125	3.013
Group's share in associates' profit for the period (*)	70	1.688

(*) The revenue amounting to TL 70 thousand which belongs to Zinerji A.Ş. between January 1 and July 24,2014 was reflected under "Profit from investments accounted under equity method" in the accompanying consolidated statement of profit or loss.

(Amounts expressed in thousands of Turkish Lira ("TL")
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13. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Acquisition cost									
Opening balance as of January 1, 2014	16.204	115.176	70.607	1.555.764	205.600	53.042	24.719	11.901	2.053.013
Additions	-	-	-	3.383	759	1.778	-	75.406	81.326
Transfers (*)	-	8.228	248	50.831	6.055	4.441	658	(71.172)	(711)
Disposals	-	(731)	(8)	(32.330)	(32.764)	(3.798)	(355)	-	(69.986)
Ending balance as of December 31, 2014	16.204	122.673	70.847	1.577.648	179.650	55.463	25.022	16.135	2.063.642
Accumulated depreciation									
Opening balance as of January 1, 2014	-	48.769	45.216	1.192.476	115.316	38.954	22.952	-	1.463.683
Charge of the period	-	4.292	2.033	55.386	11.037	4.853	787	-	78.388
Disposals	-	(538)	(2)	(27.635)	(32.341)	(2.854)	(122)	-	(63.492)
Ending balance as of December 31, 2014	-	52.523	47.247	1.220.227	94.012	40.953	23.617	-	1.478.579
Net book value as of December 31, 2014	16.204	70.150	23.600	357.421	85.638	14.510	1.405	16.135	585.063

(*) TL 711 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets.

(Amounts expressed in thousands of Turkish Lira ("TL")
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13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land	Land improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Acquisition cost									
Opening balance as of January 1, 2013	16.204	109.330	69.165	1.535.065	201.546	51.601	24.109	15.512	2.022.532
Additions	-	-	-	1.496	1.685	784	-	72.519	76.484
Transfers (*)	-	7.761	1.560	57.602	4.338	3.468	805	(76.130)	(596)
Disposals	-	(1.915)	(118)	(38.399)	(1.969)	(2.811)	(195)	-	(45.407)
Ending balance as of December 31, 2013	16.204	115.176	70.607	1.555.764	205.600	53.042	24.719	11.901	2.053.013
Accumulated depreciation									
Opening balance as of January 1, 2013	-	46.118	43.346	1.170.826	107.113	37.883	22.319	-	1.427.605
Charge of the period	-	4.044	1.965	56.070	9.936	3.793	724	-	76.532
Disposals	-	(1.393)	(95)	(34.420)	(1.733)	(2.722)	(91)	-	(40.454)
Ending balance as of December 31, 2013	-	48.769	45.216	1.192.476	115.316	38.954	22.952	-	1.463.683
Net book value as of December 31, 2013	16.204	66.407	25.391	363.288	90.284	14.088	1.767	11.901	589.330

(*) TL 1.025 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets. Remaining balance amounting to TL 429 thousand, consists of the spare parts and maintenance equipments which were earlier accounted under "inventories" and have been reclassified to plant, machinery, equipment and LPG cylinders under the account "property, plant and equipment" in 2013.

(Amounts expressed in thousands of Turkish Lira ("TL")
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13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In year 2014, the Group has not capitalized any borrowing cost (2013: None).

The carrying amounts of fully depreciated property, plant and equipment still in use are as follows:

	December 31, 2014	December 31, 2013
Land improvements	12.455	12.732
Buildings	18.480	16.396
Plant, machinery, equipment and LPG cylinders	864.720	827.750
Vehicles and vessels	18.551	45.929
Furniture and fixtures	30.802	28.517
Leasehold improvements	21.689	21.664
	966.697	952.988

As of December 31, 2014 and 2013, the details of depreciation expenses are as follows:

	January 1 - December 31, 2014	January 1 - December 31, 2013
Cost of sales and services rendered	65.567	64.147
General and administrative expenses	5.926	5.842
Selling, marketing and distribution expenses	5.164	5.390
Capitalized on cylinders	1.731	1.153
	78.388	76.532

14. INTANGIBLE ASSETS

	Rights	Total
Acquisition costs		
Opening balance as of January 1, 2014	53.152	53.152
Transfers (*)	711	711
Disposals	(38)	(38)
Ending balance as of December 31, 2014	53.825	53.825
Accumulated amortization		
Opening balance as of January 1, 2014	22.590	22.590
Charge for the period	5.496	5.496
Disposals	(9)	(9)
Ending balance as of December 31, 2014	28.077	28.077
Carrying value as of December 31, 2014	25.748	25.748

(*) TL 711 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

14. INTANGIBLE ASSETS (CONTINUED)

	Rights	Total
Acquisition costs		
Opening balance as of January 1, 2013	52.127	52.127
Transfers (*)	1.025	1.025
Ending balance as of December 31, 2013	53.152	53.152
Accumulated amortization		
Opening balance as of January 1, 2013	16.982	16.982
Charge for the period	5.608	5.608
Ending balance as of December 31, 2013	22.590	22.590
Carrying value as of December 31, 2013	30.562	30.562

(*) TL 1.025 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets.

The carrying amounts of fully amortized intangible assets still in use are as follows:

	December 31, 2014	December 31, 2013
Rights	**15.776**	13.668
	15.776	13.668

As of December 31, 2014 and 2013, the details of amortization expenses of intangible assets are as follows:

	January 1 - December 31, 2014	January 1 - December 31, 2013
General and administrative expenses	**5.496**	5.608
	5.496	5.608

15. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Guarantees given as of December 31, 2014 and 2013 are as follows:

Guarantees given	**December 31, 2014**	December 31, 2013
Letter of guarantees given to customs for gas purchase	**813.698**	234.171
Other letter of guarantees given	**21.190**	18.180
Total guarantees given	**834.888**	252.351

(Amounts expressed in thousands of Turkish Lira ("TL")
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15. CONTINGENT ASSETS AND CONTINGENT LIABILITIES (CONTINUED)

The liability for environmental pollution:

According to the effective environmental laws, the Group is responsible for the environmental pollution it causes as a result of its operational activities without seeking a reason of fault. The Group may be fined with indemnity if the Group causes an environmental pollution. There is no case opened for environmental pollution against the Group, accordingly the Group does not have liability related with the environmental pollution cases as of the consolidated balance sheet date.

National inventory reserve liability:

Oil refineries, licensed oil and LPG distributers should carry at least equivalent of 20 times their average daily sales of inventory in their storage tanks or the rented storage tanks of licensed third parties.

Commitments of EYAŞ resulting from acquisition of TÜPRAŞ:

The agreements of the Company's associate EYAŞ related with the loans taken for TÜPRAŞ acquisition have certain covenants regarding dividend distribution of EYAŞ and usage of dividend payments of TÜPRAŞ. Moreover, EYAŞ has various financial and non-financial commitments related to these loans and acquisition of TÜPRAŞ. If these commitments are not met by EYAŞ, the financial institutions have rights to recall these loans.

The details of the Company's and its subsidiaries' guarantees given or contingent liabilities on the behalf of each other, related parties, parent company or third parties within the context of business operations or other purposes are as follows:

	December 31, 2014				December 31, 2013			
	Euro guarantees	USD guarantees	TL guarantees	TL total	Euro guarantees	USD guarantees	TL guarantees	TL total
A. GPMs given on behalf of the Company's legal personality	31.332	3.803	591.772	626.907	32.625	4.172	215.554	252.351
B. GPMs given in favor of subsidiaries included in full consolidation	-	63.948	144.033	207.981	-	-	-	-
C. GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	-	-	-	-	-	-	-	-
D. Other GPM's	-	-	-	-	-	-	-	-
i. - GPMs given in favor of parent company	-	-	-	-	-	-	-	-
ii. - GPMs given in favor of companies not in the scope of B and C above	-	-	-	-	-	-	-	-
iii. - GPMs given in favor of third party companies not in the scope of C above	-	-	-	-	-	-	-	-
Total amount of GPM	31.332	67.751	735.805	834.888	32.625	4.172	215.554	252.351

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

16. LONG-TERM PROVISION FOR EMPLOYEE BENEFITS

Details of long-term provisions for employee benefits as of December 31, 2014 and 2013 are as follows:

Long term provision for employee benefits	**December 31, 2014**	December 31, 2013
Retirement pay provision	**23.401**	20.255
Vacation pay provision	**4.872**	4.230
Total long-term provision for employee benefits	**28.273**	24.485

Retirement pay provision:

Under the Turkish Legislations, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of full TL 3.438,22 (December 31, 2013: full TL 3.254,44) for each year of service at December 31, 2014.

The liability is not funded, as there is no funding requirement.

In accordance with Turkish Labour Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future. The provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial profits and losses are accounted in the other comprehensive income statement.

TFRS require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The Group makes a calculation for the employment termination benefit by applying the prescribed liability method, by the experiences and by considering the personnel who become eligible for pension. This provision is calculated by expecting the present value of the future liability which will be paid for the retired personnel.

Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

	2014	2013
Net discount rate (%)	**3,50**	4,78
Turnover rate related to the probability of retirement (%)	**95,70 – 97,62**	95,10 - 97,82

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

The movement of retirement pay provision for the period ended December 31, 2014 and 2013 is as follows:

	2014	2013
Opening balance at January 1	**20.255**	19.901
Charge for the period	**5.728**	5.109
Actuarial (gain)/loss	**2.379**	(1.643)
Retirement pay paid	**(4.961)**	(3.112)
Closing balance at December 31	**23.401**	20.255

(Amounts expressed in thousands of Turkish Lira ("TL")
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17. OTHER SHORT-TERM PROVISIONS

Other short-term provisions	December 31, 2014	December 31, 2013
Special Consumption Tax (SCT) provision on imported LPG	33.542	64.554
Provision for other operating expenses (*)	28.211	11.592
Provision for lawsuit	6.221	3.360
Provision for selling and marketing expenses	4.269	2.214
Provision for EMRA contribution	4.097	3.653
Total other short term provisions	76.340	85.373

(*) On February 26, 2015, the Company reached to the agreement for the tax and tax penalty notifications issued to the Company as a result of the tax inspection which was started by the Supervisory Board of the Ministry of Finance in 2013; in accordance with the negotiation, original tax amounting to TL 12.587 thousand and its default interests have been accounted as "provision for other operating expenses" under other short-term provisions as of the balance sheet date.

Movement of SCT provision on imported LPG	January 1-December 31, 2014	January 1-December 31, 2013
Opening balance	64.554	32.820
Paid in current period	(64.554)	(32.820)
Provision for the period	33.542	64.554
Closing balance	33.542	64.554

Movement of provision for other operating expenses	January 1-December 31, 2014	January 1-December 31, 2013
Opening balance	11.592	252
Paid in current period	(1.441)	(252)
Provision for the period	18.060	11.592
Closing balance	28.211	11.592

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

18. OTHER CURRENT ASSETS AND LIABILITIES

Other current assets	December 31, 2014	December 31, 2013
Deferred VAT	1.319	3.189
Fuel used in shipping operations	1.672	2.676
Income accrual	738	166
Other current assets	978	691
Total other current assets	**4.707**	6.722

Other current liabilities	December 31, 2014	December 31, 2013
Taxes and funds payable	97.276	63.359
Other liabilities	1.933	4.255
Total other current liabilities	**99.209**	67.614

19. PREPAID EXPENSES

As of December 31, 2014 and 2013, the details of prepaid expenses in current assets are as follows:

Prepaid expenses	December 31, 2014	December 31, 2013
Prepaid expenses	36.479	37.385
Advances given	1.592	2.377
Total prepaid expenses	**38.071**	39.762

As of December 31, 2014 and 2013, the details of prepaid expenses in non-current assets are as follows:

Prepaid expenses	December 31, 2014	December 31, 2013
Prepaid expenses	54.268	49.134
Advances given	2	2
Total prepaid expenses	**54.270**	49.136

20. DEFERRED INCOME

Deferred income	December 31, 2014	December 31, 2013
Advances taken	2.498	1.663
Prepaid income	827	1.305
Total deferred income	**3.325**	2.968

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

21. SHARE CAPITAL

As of December 31, 2014 and 2013 the share capital held is as follows:

Shareholders	Participation rate	December 31, 2014	Participation rate	December 31, 2013
Koç Holding A.Ş.	40,68%	122.054	40,68%	122.054
Liquid Petroleum Gas Development Company ("LPGDC") (*)	24,52%	73.546	24,52%	73.546
Temel Ticaret ve Yatırım A.Ş.	5,29%	15.884	5,29%	15.884
Koç Family	5,24%	15.705	5,24%	15.705
Publicly held (*)	24,27%	72.811	24,27%	72.811
Nominal capital	100,00%	300.000	100,00%	300.000
Inflation adjustment (**)		71.504		71.504
Adjusted capital		371.504		371.504

(*) TL 2.725.041,31 under publicly held shares (0,91% participation rate on the share capital) belong to Hilal Madeni Eşya Ticaret Sanayi ve Yatırım A.Ş., a 100% owned subsidiary of LPGDC.

(**) "Adjustment to share capital" represents the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with the TAS/TFRS promulgated by the POA. "Adjustment to share capital" has no use other than being transferred to paid-in share capital.

Restricted reserves assorted from the profit

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. According to Turkish Commercial Code, legal reserves may only be used as long as it does not exceed 50% of the paid capital. It may not be used under any circumstances.

The details of the restricted reserves are stated below:

	December 31, 2014	December 31, 2013
Legal reserves	155.241	139.241
Gain on sale of subsidiary share that will be added to capital	148.592	138.634
	303.833	277.875

Dividend distribution:

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

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21. SHARE CAPITAL (CONTINUED)

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

The Company's statutory profit for the period and other sources that are subject the profit distribution as of December 31, 2014 amounts to TL 976.449 thousand. (December 31, 2013: TL 1.156.262 thousand). TL 209.043 thousand of such sources from inflation adjustment differences and TL 151.445 thousand from other capital reserves are subject to tax when they are distributed.

Dividends paid

In the Ordinary General Meeting held on March 31, 2014, the Company decided to reserve TL 16.000 thousand as legal reserves and distribute TL 175.000 thousand gross dividends from the net distributable income of 2013. According to this decision, the Company has begun dividend payments on April 7, 2014.

Gains and losses from the revaluation and reclassification of marketable securities:

Gains and losses from the revaluation and reclassification of marketable securities are related with financial assets and details are as follows:

	December 31, 2014	December 31, 2013
Koç Finansal Hizmetler A.Ş.	241.725	166.865
	241.725	166.865

Currency translation adjustment

Currency translation adjustment as of December 31, 2014 represents the Company's share of currency translation adjustment of equity investment.

Financial risk hedging reserve:

Fair value of losses resulting from the interest rate swap agreements made for hedging against interest rate risks relating to the loan used by Enerji Yatırımları A.Ş. as of December 31, 2010 for the purchase of 51% of TÜPRAŞ shares is shown as "Financial Risk Hedging Fund" in consolidated financial statements.

Non-controlling interest:

	January 1 - December 31, 2014	January 1 - December 31, 2013
Opening balance	605	523
Non-controlling interest on current year profit	65	82
Closing balance	670	605

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

22. REVENUE AND COST OF SALES

Revenue	January 1 - December 31, 2014	January 1 - December 31, 2013
Domestic sales	6.840.885	5.666.647
Export sales	513.262	611.454
Sales returns (-)	(6.234)	(8.604)
Sales discounts (-)	(286.637)	(264.513)
Total revenue, net	7.061.276	6.004.984
Sales of goods and services	5.787.810	5.194.454
Sales of merchandises	1.273.466	810.530
Revenue	7.061.276	6.004.984

	January 1 - December 31, 2014	January 1 - December 31, 2013
Cost of goods sold and services rendered:		
Raw materials used	5.144.374	4.513.952
Production overheads	90.783	86.469
Depreciation expenses	65.567	64.147
Personnel expenses	48.553	48.451
Change in finished goods inventories	2.178	(5.496)
Change in work in process inventories	(402)	(332)
	5.351.053	4.707.191
Cost of merchandises sold	1.182.881	726.449
Total cost of sales	6.533.934	5.433.640

23. GENERAL ADMINISTRATIVE EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES

	January 1 - December 31, 2014	January 1 - December 31, 2013
General administrative expenses	171.304	167.087
Marketing, sales and distribution expenses	235.174	229.744
Research and development expenses	2.629	2.984
Total	409.107	399.815

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

23. GENERAL ADMINISTRATIVE EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES (CONTINUED)

a) Detail of general administrative expenses

	January 1 - December 31, 2014	January 1 - December 31, 2013
Personnel expenses	81.240	71.284
Depreciation and amortization expenses	11.422	11.450
Consultancy expenses	7.852	5.370
Tax expenses	7.450	20.747
Information technology expenses	7.721	7.384
Transportation expenses	6.669	6.467
Lawsuit, consultancy and auditing expenses	5.583	2.491
Insurance expenses	5.445	4.694
Donation and aids	4.978	5.120
Maintenance expenses	3.225	3.399
Communication expenses	2.662	2.022
Rent expenses	2.172	1.895
Post office expenses	1.703	1.957
Public relations activities expenses	1.328	1.733
Other administrative expenses	21.854	21.074
Total general administrative expenses	**171.304**	167.087

b) Detail of marketing, sales and distribution expenses

	January 1 - December 31, 2014	January 1 - December 31, 2013
Transportation, distribution and warehousing expenses	105.324	103.367
Sales expenses	48.970	48.568
Personnel expenses	34.875	33.324
Advertising and promotion expenses	29.345	28.906
Transportation expenses	7.168	6.372
Depreciation and amortization expenses	5.164	5.390
License expenses	4.225	3.675
Other marketing, sales and distribution expenses	103	142
Total marketing, sales and distribution expenses	**235.174**	229.744

c) Detail of research and development expenses

	January 1 - December 31, 2014	January 1 - December 31, 2013
Outsourced research and development expenses	2.629	2.984
Total research and development expenses	**2.629**	2.984

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

24. EXPENSES RELATED TO THEIR NATURE

	January 1 - December 31, 2014	January 1 - December 31, 2013
Personnel expenses	116.115	104.608
Transportation, distribution and warehousing expenses	105.324	103.367
Sales expenses	48.970	48.568
Advertising and promotion expenses	29.345	28.906
Depreciation and amortization expenses	16.586	16.840
Transportation expenses	13.837	12.840
Consultancy expenses	7.852	5.370
Information technology expenses	7.721	7.384
Tax expenses	7.450	20.747
Lawsuit, consultancy and auditing expenses	5.583	2.491
Insurance expenses	5.445	4.694
Donation and aids	4.978	5.120
License expenses	4.225	3.675
Maintenance expenses	3.225	3.449
Communication expenses	2.662	2.022
Outsourced research and development expenses	2.629	2.984
Rent expenses	2.172	1.895
Public relations activities expenses	1.328	1.733
Other	23.660	23.122
Total	409.107	399.815

25. OTHER OPERATING INCOME/EXPENSES

Other operating income for the years ended as of December 31, 2014 and 2013 are as follows:

Other operating income	January 1 - December 31, 2014	January 1 - December 31, 2013
Income generated from maturity differences of sales	38.350	15.310
Foreign exchange gains arising from trading activities	33.421	17.155
Dividend income	6.392	5.346
Fair value differences on forward transactions	2.838	3.179
Rent income	2.221	2.294
Income from port services	1.740	2.119
Gain on sale of scrap	1.691	1.297
Demurrage income	965	1.004
LPG pipeline usage income	935	846
Vessel service income	-	529
Provisions no longer required	561	296
Other income and profits	9.867	8.878
Total	98.981	58.253

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

25. OTHER OPERATING INCOME/EXPENSES (CONTINUED)

Other operating expenses for the years ended as of December 31, 2014 and 2013 are as follows:

Other operating expenses	January 1 - December 31, 2014	January 1 - December 31, 2013
Foreign exchange losses arising from trading activities	45.356	42.090
Expenses from maturity differences of purchases on credit	33.952	12.464
Provision expenses	19.870	2.897
Fair value differences on forward transactions	3.812	300
Other expenses and losses	3.818	1.847
Total	**106.808**	59.598

26. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Income from investment activities	January 1 - December 31, 2014	January 1 - December 31, 2013
Income from sales of property, plant and equipment (*)	12.146	1.258
Total	**12.146**	1.258

(*) On October 10, 2014, the vessel named "Kandilli" in the assets of Kandilli Tankercilik A.Ş. with a book value of TL 152 thousand, which is used in the transportation of liquid fuel gas, was sold for USD 3.000 thousand in cash. Gain on sale of the vessel amounting to TL 6.658 thousand has been accounted in the income from investment activities in the consolidated financial statements as of December 31, 2014.

Expenses from investment activities	January 1 - December 31, 2014	January 1 - December 31, 2013
Expenses from sales of property, plant and equipment	515	234
Total	**515**	234

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

27. FINANCIAL INCOME

Financial income for the years ended as of December 31, 2014 and 2013 are as follows:

Financial income	**January 1 - December 31, 2014**	January 1 - December 31, 2013
Foreign exchange gains	**32.732**	10.908
Interest income	**10.782**	7.180
Other	**-**	1.277
Total	**43.514**	19.365

28. FINANCIAL EXPENSE

Financial expense for the years ended as of December 31, 2014 and 2013 are as follows:

Financial expense	**January 1 - December 31, 2014**	January 1 - December 31, 2013
Foreign exchange losses	**32.979**	7.734
Interest expenses	**19.898**	9.122
Total	**52.877**	16.856

29. TAX ASSETS AND LIABILITIES

	December 31, 2014	December 31, 2013
Current tax liability		
Current corporate tax provision	**23.167**	32.361
Less: Prepaid taxes and funds	**(22.011)**	(29.712)
Current tax liability	**1.156**	2.649

Tax expenses	**January 1- December 31, 2014**	January 1- December 31, 2013
- Current corporate tax provision	**(23.167)**	(32.361)
- Deferred tax	**4.614**	737
	(18.553)	(31.624)

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

29. TAX ASSETS AND LIABILITIES (CONTINUED)

Corporate tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rate of tax in 2014 is 20% (2013: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2014 is 20% (2013: 20%). Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. Tax carry back is not allowed.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Deferred tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for TAS/TFRS purposes issued by POA and financial statements prepared in accordance with the tax legislation. These differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with TAS/TFRS and tax legislation. The rate applied in the calculation of deferred tax assets and liabilities is 20% (December 31, 2013: 20%).

Deferred tax (assets) / liabilities:	**December 31, 2014**	December 31, 2013
Restatement and depreciation / amortization differences of property, plant and equipment and other intangible assets	**34.899**	34.721
Revaluation fund on financial assets	**12.722**	8.782
Provision for employment termination benefits	**(4.521)**	(3.963)
Valuation of inventories	**(2.863)**	249
Carry forward tax losses	**-**	(365)
Other	**(4.688)**	(2.721)
	35.549	36.703

In Turkey, since the companies cannot declare consolidated tax refund, subsidiaries with deferred tax assets and subsidiaries with deferred tax liabilities cannot be netted off and are shown separately.

	December 31, 2014			December 31, 2013		
	Deferred tax			Deferred tax		
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
Aygaz A.Ş.	**(13.441)**	**47.789**	**34.348**	(8.006)	43.217	35.211
Akpa A.Ş.	**(677)**	**286**	**(391)**	(517)	278	(239)
Aygaz Doğal Gaz	**(526)**	**2.118**	**1.592**	(603)	2.334	1.731
	(14.644)	**50.193**	**35.549**	(9.126)	45.829	36.703

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

29. TAX ASSETS AND LIABILITIES (CONTINUED)

Movement of deferred tax assets and liabilities are as follows:

Movement of deferred tax (assets) / liabilities :	**January 1 - December 31, 2014**	January 1 - December 31, 2013
Opening balance on January 1	**36.703**	39.573
Deferred tax expense / (income)	**(4.614)**	(737)
Deferred tax income / (expense) reflected in the comprehensive income statement:	**3.460**	(2.133)
Actuarial gain/loss arising from defined benefit plans	***(480)***	*329*
Hedging gains/losses	***3.940***	*(2.462)*
Closing balance on December 31	**35.549**	36.703

Tax reconciliation :

	January 1 - December 31, 2014	January 1 - December 31, 2013
Profit before tax	**236.576**	236.959
Income tax rate	**20%**	20%
Expected tax expense	**47.315**	47.392
Tax effects of:		
-revenue that is exempt from taxation	**(9.423)**	(10.708)
-expenses that are not deductible in determining taxable profit	**1.666**	1.897
-consolidation eliminations without tax effect	**(21.244)**	(7.775)
Other	**239**	818
Tax expense in the statement of profit or loss	**18.553**	31.624

30. EARNINGS PER SHARE

	January 1 - December 31, 2014	January 1 - December 31, 2013
Average number of ordinary shares outstanding during the period (one thousand)	**300.000**	300.000
Net profit for the year attributable equity holders of the parent company	**217.958**	205.253
Earnings per thousand shares (TL)	**0,726527**	0,684177

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

31. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

A company is defined as a related party of the Company, if one of the companies has control power on the other company or has a significant impact on financial and administrative decisions of the other company. The Company is controlled by Koç Holding, Koç family or entities owned by Koç family. In financial statements, shareholder companies, shareholders and financial investments and other Group companies' assets are shown as related parties.

				December 31, 2014
		Receivables		**Payables**
Balances with related parties	**Trade**	**Non-trade**	**Trade**	**Non-trade**
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	11.244	-	52.931	-
Demir Export A.Ş.	5.305	-	-	-
Ford Otomotiv Sanayi A.Ş.	1.149	-	-	-
Tat Gıda Sanayi A.Ş.	444	-	-	-
Arçelik A.Ş.	319	-	9.738	-
Opet Petrolcülük A.Ş.	47	-	24.087	-
Otokoç Otomotiv Tic. ve San. A.Ş.	51	-	1.598	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	1.700	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	-	-	4.087	-
Ram Dış Ticaret A.Ş.	-	-	10.790	-
Other	1.875	-	2.038	-
Shareholders				
Koç Holding A.Ş.	-	-	2.196	-
Investments accounted under the equity method				
AES Entek Elektrik Üretimi A.Ş.	1	-	460	-
	20.435	-	109.625	-

				December 31, 2013
		Receivables		Payables
Balances with related parties	Trade	Non-trade	Trade	Non-trade
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	8.347	-	75.991	-
Demir Export A.Ş.	4.762	-	-	-
Ford Otomotiv Sanayi A.Ş.	975	-	6	-
Tat Gıda Sanayi A.Ş.	448	-	-	-
Arçelik A.Ş.	447	-	22.223	-
Opet Petrolcülük A.Ş.	161	-	45.553	-
Otokoç Otomotiv Tic. ve San. A.Ş.	86	-	1.708	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	49	-	2.306	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	-	-	7.453	-
Ram Dış Ticaret A.Ş.	-	-	5.827	-
Other	1.443	-	2.405	-
Shareholders				
Koç Holding A.Ş.	-	-	244	-
Investments accounted under the equity method				
AES Entek Elektrik Üretimi A.Ş.	1.642	-	459	-
	18.360		164.175	

(*) Group companies include Koç Group companies.

(**) Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer") provides purchasing services for various item to the Group. As of balance sheet date, trade payables consist of Group's payables to third party intermediary service companies and payables to Zer for commissions for intermediary activities.

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

31. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

As of December 31, 2014; dividends payable amounting to TL 506 thousand (December 31, 2013 – TL 434 thousand) is reflected within other payables to related parties under short-term liabilities at the consolidated balance sheet.

				January 1 - December 31, 2014
Transactions with related parties	**Purchases (Goods)**	**Sales (Goods)**	**Purchases (Service)**	**Sales (Service)**
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	768.981	383.357	1.798	-
Opet Petrolcülük A.Ş.(**)	191.366	1.155	384	-
Arçelik A.Ş.	36.941	4.703	147	-
Ram Dış Ticaret A.Ş.	35.818	-	21	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	20.431	6	20.474	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	51	194	6.576	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	7	2.997	-
Otokoç Otomotiv Tic. ve San. A.Ş.	9	2.949	1.071	-
Ford Otomotiv Sanayi A.Ş.	-	17.451	-	-
Demir Export A.Ş.	-	53.190	-	-
Tat Gıda Sanayi A.Ş.	-	12.113	-	-
Setur Servis Turistik A.Ş.	-	41	3.424	-
Vehbi Koç Vakfı	-	4	3.830	-
Setair Hava Taşımacılığı ve Hizm. A.Ş.	-	-	4.321	-
Other	3.973	16.824	2.500	-
Shareholders				
Koç Holding A.Ş.	-	35	7.861	-
Investments accounted under the equity method				
AES Entek Elektrik Üretimi A.Ş.	-	14	3.772	-
	1.057.570	492.043	59.176	-

				January 1 - December 31, 2013
Transactions with related parties	Purchases (Goods)	Sales (Goods)	Purchases (Service)	Sales (Service)
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	756.878	272.006	1.987	1.851
Opet Petrolcülük A.Ş.(**)	138.859	1.445	1.497	-
Arçelik A.Ş.	83.098	4.908	156	-
Ram Dış Ticaret A.Ş.	24.470	-	265	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	16.606	9	19.745	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	432	87	3.968	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	11	6	2.241	-
Otokoç Otomotiv Tic. ve San. A.Ş.	9	2.393	3.846	-
Ford Otomotiv Sanayi A.Ş.	-	15.333	-	-
Demir Export A.Ş.	-	18.808	-	-
Tat Gıda Sanayi A.Ş.	-	12.183	-	-
Setur Servis Turistik A.Ş.	-	66	3.231	-
Vehbi Koç Vakfı	-	2	4.047	-
Setair Hava Taşımacılığı ve Hizm. A.Ş.	-	-	3.632	-
Other	1.830	19.235	2.682	-
Shareholders				
Koç Holding A.Ş.	-	29	5.370	-
Investments accounted under the equity method				
AES Entek Elektrik Üretimi A.Ş.	-	16.106	2.414	-
	1.022.193	362.616	55.081	1.851

(*) Group companies include Koç Group companies.

(**) Commission expense regarding LPG sold at Opet stations as of December 31, 2014 is TL 94.243 thousand (December 31, 2013 - TL 88.432 thousand). The commission expense mentioned above is evaluated as part of sales and accounted under profit or loss statement as sales discounts.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

31. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	January 1 - December 31, 2014			
Tangible asset and rent transactions with related parties	**Rent income**	**Rent expense**	**Tangible and intangible asset purchases**	**Sale of fixed assets**
Group companies (*)				
Opet Petrolcülük A.Ş.	494	20	49	-
Yapı Kredi Bankası A.Ş.	-	236	-	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	4.349	166	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	913	-
Otokar Otobüs Karoseri Sanayi A.Ş.	-	-	76	-
Türkiye Petrol Rafinerileri A.Ş.	-	12	-	-
Other	-	788	267	-
	494	5.405	1.471	-

	January 1 - December 31, 2013			
Tangible asset and rent transactions with related parties	Rent income	Rent expense	Tangible and intangible asset purchases	Sale of fixed assets
Group companies (*)				
Opet Petrolcülük A.Ş.	470	16	-	-
Küsel Ltd.Şti.	2	-	-	-
Yapı Kredi Bankası A.Ş.	-	152	-	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	974	394	110
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	1.698	-
Otokar Otobüs Karoseri Sanayi A.Ş.	-	-	415	-
Türkiye Petrol Rafinerileri A.Ş.	-	-	562	-
Other	-	-	276	-
Shareholders				
Temel Ticaret ve Yatırım A.Ş.	-	-	2	-
Investments accounted under equity method				
Zinerji Enerji Sanayi ve Ticaret A.Ş.	3	-	-	-
	475	1.142	3.347	110

(*) Group companies include Koç Group companies.

(Amounts expressed in thousands of Turkish Lira ("TL")
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31. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

				January 1 - December 31, 2014
Financial and other transactions with related parties	**Financial income**	**Financial expense**	**Other income**	**Other expense**
Group companies (*)				
Yapı Kredi Bankası A.Ş.	21.037	14.007	-	-
Koç Finansal Hizmetler A.Ş.	-	-	6.392	-
Opet Petrolcülük A.Ş.	-	-	-	696
Other	-	-	3	-
	21.037	14.007	6.395	696

				January 1 - December 31, 2013
Financial and other transactions with related parties	Financial income	Financial expense	Other income	Other expense
Group companies (*)				
Yapı Kredi Bankası A.Ş.	12.200	2.359	-	-
Koç Finansal Hizmetler A.Ş.	-	-	4.721	-
Opet Petrolcülük A.Ş.	-	-	1.309	-
Ram Dış Ticaret A.Ş.	-	-	625	-
Other	-	-	110	-
Investments accounted under equity method				
AES Entek Elektrik Üretimi A.Ş	1.277	-	-	-
	13.477	2.359	6.765	-

Cash at banks	**December 31, 2014**	December 31, 2013
Group companies (*)		
Yapı Kredi Bankası A.Ş.	124.805	129.151

Credit card receivables	**December 31, 2014**	December 31, 2013
Group companies (*)		
Yapı Kredi Bankası A.Ş.	22.324	24.274

(*) Group companies include Koç Group companies.

Benefits to Top Management:

The Group has determined senior manager squad as board of directors' members, general manager and vice general managers.

Benefits to top management personnel includes salaries, premiums, Social Security Institution employer's contribution, employer's contribution of unemployment insurance and the attendance fees of board of directors.

Total of the benefit provided to senior management of the Group as of December 31, 2014 is TL 39.441 thousand (2013: TL 31.940 thousand).

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS

a) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or rearrange capital structure, the Company can return back capital to shareholders, issue new shares and sale assets in order to decrease debt requirement.

The Group controls its capital using the net financial debt/total equity ratio parallel to other companies in the sector. This ratio is the calculated as net debt divided by the equity amount. Net debt is calculated as total financial debt amount less cash and cash equivalents.

Risk management is managed by treasury department based on the policies approved by the board of directors. Group's treasury department defines and reviews the financial risk and uses tools to minimize the risk by collaborating with Group's operational units based on such risk policies. Board of directors prepares written procedures or general policies related with the risk management including currency risk, interest risk, using of derivative and non-derivative instruments and to evaluate cash surplus.

	December 31, 2014	December 31, 2013
Total short-term and long-term borrowings	**365.290**	237.807
Less: Cash and cash equivalents	**(160.904)**	(173.054)
Net financial debt	**204.386**	64.753
Total shareholder's equity	**2.359.190**	2.243.576
Net financial debt / equity ratio	**9%**	3%

b) Financial risk factors

The risks of the Group resulted from operations, include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's risk management program generally seeks to minimize the effects of uncertainty in financial market on financial performance of the Group. The Group uses derivative financial instruments in order to safeguard itself from different financial risks.

b.1) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group manages this risk by the credit limits up to the guarantees received from customers. The usage of credit limits are monitored by the Group according to the customer's credibility is evaluated continuously.

Trade receivables consist of many customers that operate in various industries and locations. Credit risk of the receivables from counterparties are evaluated perpetually.

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk of financial instruments

	Receivables					
	Trade receivables		Other receivables			
December 31, 2014	Related party	Third party	Related party	Third party	Deposits in banks	Credit card receivables
Maximum exposed credit risk as of reporting date (*)	20.435	374.633	-	5.532	134.869	25.517
- The part of maximum risk under guarantee with collateral etc.	-	250.715	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	20.435	318.990	-	5.532	134.869	25.517
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	55.643	-	-	-	-
- The part under guarantee with collateral etc-	-	30.670	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	17.943	-	-	-	-
- Impairment (-)	-	(17.943)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

(*) Amounts show the maximum credit risk as of balance sheet date, without considering the guarantees or other items increasing credit security.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk of financial instruments

	Receivables					
	Trade receivables		Other receivables			
December 31, 2013	Related party	Third party	Related party	Third party	Deposits in banks	Credit card receivables
Maximum exposed credit risk as of reporting date (*)	18.360	355.850	-	4.582	140.136	32.562
- The part of maximum risk under guarantee with collateral etc.	-	245.269	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	18.360	311.623	-	4.582	140.136	32.562
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	44.227	-	-	-	-
- The part under guarantee with collateral etc-	-	23.696	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	16.694	-	-	-	-
- Impairment (-)	-	(16.694)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

(*) Amounts show the maximum credit risk as of balance sheet date, without considering the guarantees or other items increasing credit security.

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

December 31, 2014	**Trade receivables**	**Other receivables**	**Deposits in banks**	**Derivative instruments**	**Other**	**Total**
Past due 1-30 days	**40.301**	**-**	**-**	**-**	**-**	**40.301**
Past due 1-3 months	**9.695**	**-**	**-**	**-**	**-**	**9.695**
Past due 3-12 months	**1.926**	**-**	**-**	**-**	**-**	**1.926**
Past due 1-5 years	**3.599**	**-**	**-**	**-**	**-**	**3.599**
Past due more than 5 years	**122**	**-**	**-**	**-**	**-**	**122**
Total past due	**55.643**	**-**	**-**	**-**	**-**	**55.643**
The part under guarantee with collateral	**30.670**	**-**	**-**	**-**	**-**	**30.670**

December 31, 2013	Trade receivables	Other receivables	Deposits in banks	Derivative instruments	Other	Total
Past due 1-30 days	32.643	-	-	-	-	32.643
Past due 1-3 months	8.043	-	-	-	-	8.043
Past due 3-12 months	1.631	-	-	-	-	1.631
Past due 1-5 years	1.908	-	-	-	-	1.908
Past due more than 5 years	2	-	-	-	-	2
Total past due	44.227	-	-	-	-	44.227
The part under guarantee with collateral	23.696	-	-	-	-	23.696

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

b.2) Liquidity risk management

Liquidity risk management responsibility mainly belongs to the Board of Directors. The Board of Directors has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk forecasts and actual cash flows, by monitoring continuously and by maintaining adequate funds and reserve borrowings as matching the maturity profile of financial assets and liabilities.

The following table presents the maturity of Group's financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Derivative financial liabilities are presented according to undiscounted net cash inflow and cash outflow. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amounts of the payables or receivables are not fixed, the disclosed amount has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

December 31, 2014						
Contractual maturity analysis	**Book value**	**Total cash outflow according to the contract (I+II+III+IV)**	**Less than 3 months (I)**	**3 – 12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Non-derivative financial liabilities						
Short term and long term borrowings	365.290	403.795	161.101	13.684	229.010	-
Trade payables	318.557	318.557	318.557	-	-	-
Other payables	79.509	79.509	700	-	-	78.809
Other liabilities	100.545	100.545	99.110	99	531	805
	863.901	902.406	579.468	13.783	229.541	79.614

Derivative Instruments (*)	**Carrying value**	**Cash flow according to contract**	**Less than 3 months**	**3 – 12 months**	**1 – 5 years**	**More than 5 years**
Derivative cash inflows	-	82.832	27.016	-	55.816	-
Derivative cash outflows	-	(77.422)	(26.787)	-	(50.635)	-
Derivative instruments, net	4.794	5.410	229	-	5.181	-

(*) The amounts are cash flows based on contract, which have not been discounted.

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

December 31, 2013

Contractual maturity analysis	Book value	Total cash outflow according to the contract (I+II+III+IV)	Less than 3 months (I)	3 – 12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Short term and long term borrowings	237.807	251.337	42.873	53.338	155.126	-
Trade payables	376.346	376.346	376.346	-	-	-
Other payables	74.192	74.192	578	-	-	73.614
Other liabilities	67.614	67.614	67.614	-	-	-
	755.959	769.489	487.411	53.338	155.126	73.614

b.3) Market risk management

The Group's activities are exposed to a variety of financial risks including foreign currency risk and interest rate risk as explained below. The Group uses derivative financial instruments to hedge certain risk exposures in order to manage foreign currency and interest rate risks. These instruments are:

1. Foreign exchange forward purchase agreements to manage exposure to liabilities denominated in foreign currencies.
2. Foreign exchange purchase options to manage exposure to liabilities denominated in foreign currencies.
3. Principal and interest swap agreements to manage exposure to liabilities denominated in foreign currencies.

At the Group level market risk exposures are measured by sensitivity analysis and stress scenarios.

There has been no change in the Group's exposure to market risks or the manner which it manages and measures the risk compared to the previous year.

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

b.3.1) Foreign currency risk management

Transactions in terms of foreign currency cause the Group expose to foreign exchange risk. The Group controls foreign currency risk coming from its operations and cash flows of finance contracts by using "foreign exchange forward contracts".

The Group's monetary and non-monetary assets and liabilities in terms of foreign currencies are as follows:

December 31, 2014		Total TL equivalent	TL equivalent of USD	TL equivalent of Euro	TL equivalent of other
1.	Trade receivables	24.779	22.449	90	2.240
2.a	Monetary financial assets	38.048	37.123	184	741
2.b	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	**Current assets**	**62.827**	**59.572**	**274**	**2.981**
5.	Trade receivables	-	-	-	-
6.a	Monetary financial assets	-	-	-	-
6.b	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	**Non-current assets**	-	-	-	-
9.	**Total assets**	**62.827**	**59.572**	**274**	**2.981**
10.	Trade payables	(100.269)	(99.666)	(603)	-
11.	Financial liabilities	(120)	(120)	-	-
12.a	Other monetary financial liabilities	-	-	-	-
12.b	Other non-monetary financial liabilities	-	-	-	-
13.	**Current liabilities**	**(100.389)**	**(99.786)**	**(603)**	**-**
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(55.816)	(55.816)	-	-
16.a	Other monetary financial liabilities	-	-	-	-
16.b	Other non-monetary financial liabilities	-	-	-	-
17.	**Non-current liabilities**	**(55.816)**	**(55.816)**	**-**	**-**
18.	**Total liabilities**	**(156.205)**	**(155.602)**	**(603)**	**-**
19.	Net asset / liability position of off balance sheet asset and liabilities (19a-19b)	82.832	82.832	-	-
19.a	Total foreign currency amount of off-balance sheet derivative financial assets	82.832	82.832	-	-
19.b	Total foreign currency amount of off-balance sheet derivative financial liabilities	-	-	-	-
20.	**Net foreign currency asset / liability position**	**(10.546)**	**(13.198)**	**(329)**	**2.981**
21.	**Net foreign currency asset / liability position of monetary items (1+2a+5+6a+10+11+12a+14+15+16a)**	**(93.378)**	**(96.030)**	**(329)**	**2.981**
22.	Fair value of foreign currency hedged financial assets				
23.	Hedged foreign currency assets	-	-	-	-
24.	Hedged foreign currency liabilities	-	-	-	-
25.	Export	513.262	507.057	6.205	-
26.	Import	2.380.071	2.375.342	3.974	755

The Group manages its foreign currency risk by regularly considering and reflecting the foreign exchange rate changes in the determination of product prices. As of December 31, 2014, the Group has LPG amounting to TL 37.824 thousand (December 31, 2013, TL 151.698 thousand).

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

December 31, 2013		Total TL equivalent	TL equivalent of USD	TL equivalent of Euro	TL equivalent of other
1.	Trade receivables	26.346	22.706	3.640	-
2.a	Monetary financial assets	48.163	47.713	203	247
2.b	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current assets	74.509	70.419	3.843	247
5.	Trade receivables	-	-	-	-
6.a	Monetary financial assets	-	-	-	-
6.b	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non-current assets	-	-	-	-
9.	Total assets	74.509	70.419	3.843	247
10.	Trade payables	(136.707)	(136.605)	(56)	(46)
11.	Financial liabilities	(85.372)	(85.372)	-	-
12.a	Other monetary financial liabilities	-	-	-	-
12.b	Other non-monetary financial liabilities	-	-	-	-
13.	Current liabilities	(222.079)	(221.977)	(56)	(46)
14.	Trade payables	-	-	-	-
15.	Financial liabilities	-	-	-	-
16.a	Other monetary financial liabilities	-	-	-	-
16.b	Other non-monetary financial liabilities	-	-	-	-
17.	Non-current liabilities	-	-	-	-
18.	Total liabilities	(222.079)	(221.977)	(56)	(46)
19.	Net asset / liability position of off balance sheet asset and liabilities (19a-19b)	-	-	-	-
19.a	Total foreign currency amount of off-balance sheet derivative financial assets	-	-	-	-
19.b	Total foreign currency amount of off-balance sheet derivative financial liabilities	-	-	-	-
20.	Net foreign currency asset / liability position	(147.570)	(151.558)	3.787	201
21.	Net foreign currency asset / liability position of monetary items (1+2a+5+6a+10+11+12a+14+15+16a)	(147.570)	(151.558)	3.787	201
22.	Fair value of foreign currency hedged financial assets	-	-	-	-
23.	Hedged foreign currency assets	-	-	-	-
24.	Hedged foreign currency liabilities	-	-	-	-
25.	Export	611.454	593.180	18.274	-
26.	Import	2.197.655	2.188.288	8.569	798

Currency forward agreements

Currency forward agreements which are valid as of December 31, 2014 are summarized at the table below. As of December 31, 2013 there is not any currency forward agreement.

					December 31, 2014
Maturity	**Parity**	**Type of contract**	**Transactions**	**Total amount**	**Currency**
1 to 3 months	**2,3352 – 2,3518**	**Forward**	**Sells TL, buys USD**	**11.650**	**USD**

Swap aggreements

As of December 31, 2014, the Group has swap agreements amounting to TL 50.635 thousand with fixed interest rate of 11,2% in return for USD 24.070 thousand with a floating interest rate of three-month USDLIBOR +1,8%. Swap transaction has quarterly interest payments and the maturity date of principal payment is on May 23, 2016. On December 31, 2013 the Group does not have swap transaction.

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency sensitivity :

The Group is mainly exposed to foreign currency risk in USD and EURO.

The following table details the Group's sensitivity to a 10% increase and decrease in the USD and Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

A positive number indicates an increase in profit / loss and other equity accounts.

				December 31, 2014
		Income/Expense		Equity
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
10% fluctuation of USD rate				
USD net asset/liability	(9.603)	9.603	(9.603)	9.603
Secured portion from USD risk	-	-	-	-
USD net effect	(9.603)	9.603	(9.603)	9.603
10% fluctuation of Euro rate				
Euro net asset/liability	(33)	33	(33)	33
Secured portion from Euro risk	-	-	-	-
Euro net effect	(33)	33	(33)	33
Total	(9.636)	9.636	(9.636)	9.636

				December 31, 2013
		Income/Expense		Equity
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
10% fluctuation of USD rate				
USD net asset/liability	(15.156)	15.156	(15.156)	15.156
Secured portion from USD risk	-	-	-	-
USD net effect	(15.156)	15.156	(15.156)	15.156
10% fluctuation of Euro rate				
Euro net asset/liability	379	(379)	379	(379)
Secured portion from Euro risk	-	-	-	-
Euro net effect	379	(379)	379	(379)
Total	(14.777)	14.777	(14.777)	14.777

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

b.3.2) Interest rate risk management

The Group is exposed to interest rate risk due to the effect of changes in interest rates on the Group's assets and liabilities having interest returns. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and interest rate forward contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

Details of the Group's financial instruments that are sensitive to interest rates are as follows:

Interest rate position table

	December 31, 2014	December 31, 2013
Instruments with fixed interest rate		
Time deposits	120.692	123.949
Borrowings and bonds issued	273.805	237.774
Instruments with variable interest rate		
Borrowings	86.860	-

At December 31, 2014, for the financial instruments with variable interest rate, had the interest rates in terms of all the currency units increased/ decreased by 100 basis points, with all other variables held constant, profit before taxation would have been higher/ lower by TL 132 thousand (2013: TL 0) as a result of the low/high interest income/expense related with the borrowings and time deposits.

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Financial instrument categories and fair values

December 31, 2014	Financial assets at amortized cost	Loans and receivables	Financial assets available for sale	Trading financial assets	Financial liabilities at amortized cost	Book value	Note
Financial assets							
Cash and cash equivalents	160.904	-	-	-	-	160.904	4
Trade receivables	-	395.068	-	-	-	395.068	8,31
Other financial assets	-	-	346.706	-	-	346.706	5
Other receivables	-	5.532	-	-	-	5.532	9
Financial liabilities							
Short-term and long-term borrowings	-	-	-	-	367.963	365.290	6
Trade payables	-	-	-	-	318.557	318.557	8,31
Liabilities for employee benefits	-	-	-	-	33.334	33.334	10
Other payables	-	-	-	-	79.509	79.509	9,31
Other liabilities	-	-	-	-	1.933	1.933	18

December 31, 2013	Financial assets at amortized cost	Loans and receivables	Financial assets available for sale	Trading financial assets	Financial liabilities at amortized cost	Book value	Note
Financial assets							
Cash and cash equivalents	173.054	-	-	-	-	173.054	4
Trade receivables	-	374.210	-	-	-	374.210	8,31
Other financial assets	-	-	267.885	-	-	267.885	5
Other receivables	-	4.582	-	-	-	4.582	9
Financial liabilities							
Short-term and long-term borrowings	-	-	-	-	239.253	237.807	6
Trade payables	-	-	-	-	376.346	376.346	8,31
Liabilities for employee benefits	-	-	-	-	20.949	20.949	10
Other payables	-	-	-	-	74.192	74.192	9,31
Other liabilities	-	-	-	-	4.255	4.255	18

(*) The Group believes that the carrying value of its financial instruments are at fair value.

(Amounts expressed in thousands of Turkish Lira ("TL")
and in thousands for other currencies unless otherwise indicated.)

32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy table

The fair values of financial assets and financial liabilities are determined as follows:

- First level: The fair value of financial assets and financial liabilities are determined with reference to actively traded market prices;
- Second level: Other than market prices specified at first level, the fair value of financial assets and financial liabilities are evaluated with reference to inputs that used to determine directly or indirectly observable price in market;
- Third level: The fair value of financial assets and financial liabilities are evaluated with reference to inputs that used to determine fair value but not relying on observable data in the market.

Level classifications of financial assets and liabilities at fair value are as follows:

Financial assets / liabilities		**Level of fair value as of reporting date**		
	December 31, 2014	**1st Level**	**2nd Level**	**3rd Level**
Available-for-sale financial assets (*)	**345.730**	**55**	**345.675**	**-**
Derivative financial instruments	**4.794**	**-**	**4.794**	**-**

Financial assets / liabilities		Level of fair value as of reporting date		
	December 31, 2013	1st Level	2nd Level	3rd Level
Available-for-sale financial assets (*)	267.322	34	267.288	-

(*) The Group has available for sale financial assets, which are not quoted in stock markets, and total amount of these financial assets is TL 976 thousand as of December 31, 2014 (December 31, 2013 – TL 564 thousand). The fair value of these financial assets cannot be measured reliably and stated at cost in the accompanying financial statements.

Information for reflecting financial assets and liabilities at fair value:

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values.

The carrying values of cash and cash equivalents are estimated to be their fair values since they are short-term.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.

Financial Liabilities

The carrying values of short-term financial liabilities and other financial liabilities are estimated to be their fair values since they are short-term.

As of December 31, 2014 the carrying value and the fair value of the long-term borrowings, including the short term portions, are equal to TL 360.665 thousand (Note 6), and TL 363.338 thousand respectively. Fair value is calculated by discounting the cash out flows regarding market interest rates.

33. SUBSEQUENT EVENTS

As per Board of Directors' meeting dated February 16, 2015, the Company decided to issue debt instruments with a total nominal value up to TL 300.000 thousand with a maturity not exceeding 3 years and that the sale of which will be done once or several times domestically by the way of selling to qualified investors and/or private placement excluding public offering.

On February 25, 2015, the vessel named "Knightsbridge" which is used in the transportation of liquid fuel gas, was bought for USD 27.150 thousand in cash by Kandilli Tankercilik A.Ş - the Company's subsidiary.

On February 26, 2015, the Company reached to the agreement for the tax and tax penalty notifications issued to the Company as a result of the tax inspection which was started by the Supervisory Board of the Ministry of Finance in 2013 and the related legal process has been ended (Note 17).

34. OTHER SIGNIFICANT ISSUES AFFECTING THE FINANCIAL STATEMENTS OR THE OTHER ISSUES REQUIRED FOR CLARIFICATION OF FINANCIAL STATEMENTS

None.

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