

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Aygaz Anonim Őirketi and its Subsidiaries

**January 1 – March 31, 2018 interim condensed
consolidated financial statements**

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and its Subsidiaries

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(Convenience translation of consolidated financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and its Subsidiaries

**Consolidated statement of financial position
as at March 31, 2018**

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

Assets	Notes	Current period (Unaudited) March 31, 2018	Prior period (Audited) December 31, 2017
Current assets		1.386.494	1.587.534
Cash and cash equivalents	4	497.162	593.172
Trade receivables		547.853	576.679
-Trade receivables from related parties	18	34.046	39.354
-Trade receivables from third parties	8	513.807	537.325
Other receivables		5.487	7.353
-Other receivables from third parties		5.487	7.353
Derivative financial instruments	7	10.686	9.097
Inventories	9	213.713	323.579
Prepaid expenses		96.846	64.577
Assets related to current year tax		5.747	2.701
Other current assets		9.000	10.376
Non-current assets		3.267.663	3.378.686
Financial investments	5	317.130	317.124
Trade receivables		8.069	8.441
-Trade receivables from third parties	8	8.069	8.441
Other receivables		81	81
-Other receivables from third parties		81	81
Derivative financial instruments	7	26.578	22.743
Investments accounted under equity method	10	2.156.792	2.273.331
Property, plant and equipment	11	682.306	677.927
Intangible assets		18.016	19.280
-Other intangible assets	12	18.016	19.280
Prepaid expenses		57.878	59.074
Deferred tax asset	17	813	685
Total assets		4.654.157	4.966.220

The accompanying accounting policies and notes between the pages 8 and 43 form an integral part of these interim condensed consolidated financial statements.

(Convenience translation of consolidated financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and its Subsidiaries

**Consolidated statement of financial position
as at March 31, 2018**

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

Liabilities	Notes	Current period	Prior period
		(Unaudited) March 31, 2018	(Audited) December 31, 2017
Short-term liabilities		1.274.191	1.278.810
Short-term financial borrowings	6	15.248	84.784
Current portion of long term financial borrowings	6	292.528	304.820
Trade payables		565.235	670.034
- Trade payables to related parties	18	191.766	165.911
- Trade payables to third parties	8	373.469	504.123
Liabilities for employee benefits		9.792	53.191
Other payables		209.121	1.577
- Other payables to related parties	18	207.326	863
- Other payables to third parties		1.795	714
Derivative financial instruments	7	-	214
Deferred income		3.692	2.483
Provision for taxation on income		1.190	2.076
Short-term provisions		61.466	45.455
-Provisions from employee benefits		10.329	-
-Other provisions	14	51.137	45.455
Other current liabilities	14	115.919	114.176
Long-term liabilities		875.187	764.347
Long-term borrowings	6	691.041	583.666
Other payables		98.698	97.603
- Other payables to third parties		98.698	97.603
Long-term provisions		40.541	38.455
-Provisions for employee benefits		40.541	38.455
Deferred tax liabilities	17	44.907	44.623
Equity		2.504.779	2.923.063
Share capital	15	300.000	300.000
Adjustment to share capital	15	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		716	716
Gains (losses) on the revaluation and/or reclassification		1.187	1.187
-Gains (losses) remeasurement from defined benefit plans		1.187	1.187
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss		(471)	(471)
Other comprehensive income or expenses to be reclassified to profit or loss		86.613	99.893
Gains (losses) on the revaluation and/or reclassification		213.653	213.653
-Gains (losses) on financial assets measured at fair value through other comprehensive income		213.653	213.653
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss		(127.040)	(113.760)
Restricted reserves		294.210	249.509
Retained earnings		1.703.805	1.631.864
Net profit for the period		55.373	577.019
Equity attributable to equity holders of the parent		2.504.779	2.923.063
Total equity and liabilities		4.654.157	4.966.220

The accompanying accounting policies and notes between the pages 8 and 43 form an integral part of these interim condensed consolidated financial statements.

Aygaz Anonim Şirketi and its Subsidiaries

**Consolidated profit or loss and other comprehensive income statement
for the three-month interim period ended March 31, 2018**

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

		(Unaudited) January 1- March 31, 2018	(Unaudited) January 1- March 31, 2017
	Notes		
Revenue		2.063.168	2.065.358
Cost of sales (-)		(1.930.187)	(1.875.963)
Gross profit		132.981	189.395
General administrative expenses (-)		(50.402)	(48.186)
Marketing expenses (-)		(65.819)	(60.982)
Research and development expenses (-)		(660)	(420)
Other operating income		31.647	40.567
Other operating expenses (-)		(25.217)	(34.596)
Operating profit		22.530	85.778
Income from investment activities		16.456	3.743
Loss from investment activities (-)		(38)	(215)
Gain /loss from investments accounted under equity method	10	40.221	90.099
Operating profit before financial income (expense)		79.169	179.405
Financial income		29.222	27.281
Financial expense (-)		(48.843)	(37.083)
Profit from continuing operations before tax		59.548	169.603
Tax income (expense), continuing operations			
Current tax expense for the period (-)	17	(3.925)	(16.201)
Deferred tax income (expense)	17	(250)	4.067
Profit for the period		55.373	157.469
Distribution of profit for the period			
Equity holders of the parent		55.373	157.469
Earnings per share (TL)	16	0,184577	0,524897
Diluted earnings per share (TL)	16	0,184577	0,524897
Other comprehensive income			
Not to be reclassified to profit or loss		-	(26)
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss		-	(26)
-Gains (losses) from remeasurement on defined benefit plans of investments using equity method		-	(26)
To be reclassified as profit or loss		(13.280)	(7.602)
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss		(13.280)	(7.602)
-Gains (losses) from cash flow hedging of investments using equity method		(13.513)	(7.723)
-Gains (losses) from translation of foreign currency of investments using equity method		233	121
Other comprehensive income / (expense) (after taxation)		(13.280)	(7.628)
Total other comprehensive income		42.093	149.841
Distribution of total comprehensive income			
Equity holders of the parent		42.093	149.841

The accompanying accounting policies and notes between the pages 8 and 43 form an integral part of these interim condensed consolidated financial statements.

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and its Subsidiaries

**Consolidated statement of changes in equity
for the period ended March 31, 2018**

(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			Accumulated profit						
	Share capital	Adjustment to share capital	Adjustment to share capital due to cross-ownership (-)	Gains (losses) on remeasurement of defined benefit plans	Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss	Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss	Gains (losses) on financial assets measured at fair value through other comprehensive income	Restricted reserves	Retained earnings	Net profit for the period	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Unaudited													
Balance as of January 1, 2017	300.000	71.504	(7.442)	124	(917)	(113.181)	157.508	203.549	1.713.648	415.670	2.740.463	1.094	2.741.557
Transfers	-	-	-	-	-	-	-	43.500	372.170	(415.670)	-	-	-
Total comprehensive income (loss)	-	-	-	-	(26)	(7.602)	-	-	-	157.469	149.841	-	149.841
<i>Net income</i>	-	-	-	-	-	-	-	-	-	157.469	157.469	-	157.469
<i>Other comprehensive income (loss)</i>	-	-	-	-	(26)	(7.602)	-	-	-	-	(7.628)	-	(7.628)
Dividend paid	-	-	-	-	-	-	-	-	(450.000)	-	(450.000)	-	(450.000)
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	(1.494)	-	(1.494)	(1.094)	(2.588)
Balance as of March 31, 2017	300.000	71.504	(7.442)	124	(943)	(120.783)	157.508	247.049	1.634.324	157.469	2.438.810	-	2.438.810
Unaudited													
Balance as of January 1, 2018	300.000	71.504	(7.442)	1.187	(471)	(113.760)	213.653	249.509	1.631.864	577.019	2.923.063	-	2.923.063
Adjustments to changes in accounting policies	-	-	-	-	-	-	-	-	(377)	-	(377)	-	(377)
<i>Adjustments to mandatory changes in accounting policies</i>	-	-	-	-	-	-	-	-	(377)	-	(377)	-	(377)
Transfers	-	-	-	-	-	-	-	44.701	532.318	(577.019)	-	-	-
Total comprehensive income (loss)	-	-	-	-	-	(13.280)	-	-	-	55.373	42.093	-	42.093
<i>Net income</i>	-	-	-	-	-	-	-	-	-	55.373	55.373	-	55.373
<i>Other comprehensive income (loss)</i>	-	-	-	-	-	(13.280)	-	-	-	-	(13.280)	-	(13.280)
Dividend paid (Note 15)	-	-	-	-	-	-	-	-	(460.000)	-	(460.000)	-	(460.000)
Balance as of March 31, 2018	300.000	71.504	(7.442)	1.187	(471)	(127.040)	213.653	294.210	1.703.805	55.373	2.504.779	-	2.504.779

The accompanying accounting policies and notes between the pages 8 and 43 form an integral part of these interim condensed consolidated financial statements.

Aygaz Anonim Şirketi and its Subsidiaries

**Consolidated cash flow statement
for the period ended March 31, 2018**

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

		Unaudited	Unaudited
	Notes	January 1- March 31, 2018	January 1- March 31, 2017
Cash flows from operating activities		24.907	61.167
Net income from continuing operations		54.996	157.469
Adjustments related with the reconciliation of net profit (loss) for the period		10.830	(31.020)
-Adjustments for depreciation and amortization expenses	11,12	22.199	21.605
-Adjustments for impairment loss (reversal)		529	294
-Adjustments for provisions		19.991	17.011
-Adjustments for dividend (income) expense		(572)	(275)
-Adjustments for interest income		(15.141)	(12.202)
-Adjustments for interest expense		33.186	18.230
-Adjustments for unrealized foreign exchange differences		8.268	6.151
-Adjustments for fair value losses (gains) on derivative financial instruments		(5.638)	(591)
-Adjustments for undistributed profits of investments accounted under equity method	10	(40.221)	(90.099)
-Adjustments for tax (income) expenses	17	4.175	12.134
-Adjustments for losses (gains) on disposal of non-current assets		(15.846)	(3.252)
-Other adjustments for reconciliation of profit (loss)		(100)	(26)
Changes in working capital		(31.168)	(56.817)
-Adjustments for decrease (increase) in trade receivables		28.669	(11.977)
-Adjustments for decrease (increase) in other operating receivables		3.242	1.998
-Adjustments for decrease (increase) in inventories		109.866	22.078
-Decrease (increase) in prepaid expenses		(31.594)	(17.510)
-Adjustments for increase (decrease) in trade payables		(103.080)	(18.500)
-Increase (decrease) in liabilities for employee benefits		(43.399)	(36.224)
-Adjustments for increase (decrease) in other operating payables		3.919	672
-Increase (decrease) in deferred income		1.209	2.646
Cash flows from operating activities		34.658	69.632
-Payments related to provisions for employee benefits		(1.894)	(1.685)
-Tax returns (payments)	17	(7.857)	(6.780)
Cash flows from investing activities		132.865	(25.906)
Cash outflows from the acquisition of additional subsidiary's shares		-	(2.588)
Cash outflows from the acquisition of additional shares or capital increase of investments in associates or joint ventures		(203.974)	-
Cash inflows from the sale of property, plant and equipment and intangible assets		19.310	4.647
Cash outflows from the purchase of property, plant and equipment and intangible assets	11,12	(28.778)	(28.240)
Dividends received		346.307	275
Cash flows from financing activities		(254.100)	13.635
Proceeds from borrowings		231.706	151.895
Repayments of borrowings		(219.514)	(133.422)
Dividend payment		(253.537)	-
Interest paid		(28.417)	(17.040)
Interest received		15.662	12.202
Net increase (decrease) in cash and cash equivalents before currency translation differences		(96.328)	48.896
Effect of currency translation differences		318	-
Net increase (decrease) in cash and cash equivalents		(96.010)	48.896
Cash and cash equivalents at the beginning of the period	4	593.172	567.728
Cash and cash equivalents at the end of the period	4	497.162	616.624

The accompanying accounting policies and notes between the pages 8 and 43 form an integral part of these interim condensed consolidated financial statements.

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the interim condensed consolidated financial statements as of March 31, 2018

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

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. The Company manufactures LPG cylinders, LPG tanks, regulators and other supplementary materials which support the Company’s main business and which are necessary equipment for the end-user. The Company is controlled by Koç Holding A.Ş. the parent company, Koç Family and the companies owned by Koç Family.

The Company is registered at the Capital Markets Board of Turkey (“CMB”) and as of March 31, 2018, 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

The average number of personnel employed by categories in Aygaz and its subsidiaries (together with referred to as the “Group”) for three-month period ended March 31, 2018 is 685 white-collar (January-March 2017: 703) and 667 blue-collar (January-March 2017: 678) totaling to 1.352 (January-March 2017:1.381).

Subsidiaries

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

Subsidiaries	Place of incorporation and Operation	Ownership interest (%)		Voting power right	Principal activity
		March 31, 2018	December 31, 2017		
Anadoluhisari	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	100%	100%	100%	Natural gas
Aygaz Doğal Gaz İletim A.Ş.	Turkey	100%	100%	100%	Natural gas
ADG Enerji	Turkey	100%	100%	100%	Natural gas

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 name of company was Bursa Gaz ve Ticaret A.Ş, later it was changed to “Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.” with the decision of Ordinary General Meeting held on March 17, 2005. Akpa is mainly engaged in sales of cylinders through either its own organisation or dealers, retail and wholesale of LPG, fuel and lubricants through autogas stations and sale of durable goods. As of end of July, 2016 Akpa terminated its durable goods sales activity.

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. On January 25, 2017 the Company has acquired the shares which is equivalent to the 0,85% of total shares of Aygaz Doğal Gaz Toptan Satış A.Ş with the nominal value of TL 280 thousand for TL 2.548 thousand in cash and the shares which is equivalent to the 0,41% of total shares of Aygaz Doğal Gaz İletim A.Ş with the nominal value of TL 37 thousand for TL 40 thousand in cash from non-controlling interest. As a result of this acquisition, the Company has 100% of shares of its subsidiaries.

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the interim condensed consolidated financial statements as of March 31, 2018

(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)

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. On October 13, 2017, the vessel named "Kuleli" which is used for the transportation of LPG, with net book value of TL 589 thousand was sold for USD 3.500 thousand in cash by Kuleli Tankercilik A.Ş - the Company's subsidiary.

Enram Su ve Çevre Yatırımları A.Ş. has decided to change its trade name as ADG Enerji Yatırımları A.Ş. ("ADG Enerji") in its Extraordinary General Meeting held on March 20, 2014. 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. ADG Enerji has decided to decrease its share capital through share cancellation from TL 26.100 thousand to TL 500 thousand in its Extraordinary General Meeting held on December 14, 2017. The TL 25.600 thousand capital reduction has been paid in cash to the Company on March 9, 2018.

Investments in associates

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

Investments in associates	Place of incorporation and operation	Ownership interest (%)		Voting power right	Principal activity
		March 31, 2018	December 31, 2017		
Enerji Yatırımları A.Ş. ("EYAŞ")	Turkey	20,00%	20,00%	20,00%	Energy
Entek Elektrik Üretimi A.Ş. ("Entek")	Turkey	49,62%	49,62%	49,62%	Electricity

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.

Entek Elektrik Üretimi A.Ş. ("Entek"), the electricity generation company of Koç Group, operates one natural gas cycling plant with capacity of 157 MW in Kocaeli and six hydroelectric power plants in Karaman, Samsun and Mersin with capacity of 87 MW in total reaching aggregate capacity of 244 MW. Entek won tender for the privatization of Menzelet and Kılavuzlu hydropower plants with the capacity of 178 MW with the highest bid for the operating rights of them for 49 years in September 2017. The total installed capacity of Entek Group reached 422 MW. The power plants owned by Menzelet Kılavuzlu Elektrik Üretimi A.Ş., a 100% owned subsidiary of Entek, has been started to be operated in the first quarter of 2018. During the Extraordinary General Assembly held on February 9, 2018 of the Company's 49,62% subsidiary, Entek, it was resolved to increase the paid-in capital of the Entek by TL 411.500 thousand from TL 538.500 thousand to TL 950.000 thousand. TL 405 thousand will be paid out of the Entek's internal funds and TL 411.095 thousand will be paid in cash. The corresponding amount which is TL 203.974 thousand has been paid in cash on March 1, 2018.

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the interim condensed consolidated financial statements as of March 31, 2018

(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)

Joint ventures

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

Joint venture	Place of incorporation and operation	Ownership interest (%)			Principal activity
		March 31, 2018	December 31, 2017	Voting power right	
Opet Aygaz Gayrimenkul A.Ş. (“OAGM”) Turkey		50,00%	50,00%	50,00%	Real Estate

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. has decided to increase share capital from TL 150.000 thousand to TL 250.000 thousand in its Extraordinary General Meeting held on June 22, 2017. For the increased share amount of TL 100.000 thousand, the Company has agreed to pay TL 50.000 thousand corresponding to its shares in cash and free from collusion. TL 12.500 thousand, TL 12.500 thousand and TL 25.000 thousand has been paid in cash on June 28, 2017, July 13, 2017 and August 28, 2017 respectively.

Approval of interim condensed consolidated financial statements:

The interim condensed consolidated financial tables for the period ended on March 31, 2018 are approved on the Board of Directors meeting held on May 9, 2018 to be published.

2. Basis of presentation of consolidated financial statements

Accounting standards used in preparation of the Group’s condensed consolidated financial statements are as follows:

2.1 Basis of presentation of financial statements

The interim condensed consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards, (“IAS/IFRS”) 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. IAS/IFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards (“IFRS”) by the communiqués announced by the POA.

The Group has prepared its condensed consolidated financial statements for the period ended on March 31, 2018 in accordance with TAS 34 “Interim Financial Reporting Standards”.

The interim condensed consolidated financial statements are prepared in accordance with the TAS published by POA with the certain adjustments and reclassifications to reflect for presentation of Group’s financial position.

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the interim condensed consolidated financial statements as of March 31, 2018

(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)

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 listed companies in Turkey. The Group's interim condensed consolidated financial statements have been prepared in accordance with this decision.

The interim condensed consolidated financial statements are prepared on cost basis in thousands of Turkish Lira (TL), except of financial assets and liabilities shown in fair value.

2.2 Changes in accounting policies and estimates

Significant changes in accounting policies or important accounting errors noted are applied retrospectively and the financial statements of the previous year are adjusted. If changes in accounting estimates are for only one period, changes are applied on the current year but if the changes in the accounting estimates are for the following periods, changes are applied both on the current and following years prospectively.

The Group has been applied the change of "IFRS 15 Revenue from contracts with customers" and "IFRS 9 Financial instruments" which are effective as of January 1, 2018 considering the transition principles. The effects of the first-time adoption of the amendments of these accounting policies are as follows:

IFRS 15 "Revenue from contracts with customers";

Revenue recognition

In accordance with IFRS 15 "Revenue from contracts with customers ", which is effective as of 1 January 2018, the Group recognizes revenue in consolidated financial statements based on the following five-step model.

- Identification of the customer contracts
- Identification of performance obligations in the contract
- Determination of transaction price in the contract
- Allocation of transaction price to performance obligations
- Recognition of revenue when the performance obligations are fulfilled

The Group assesses the goods or services promised in a contract with a customer and identify each promise to transfer to the customer as a performance obligation.

For each performance obligation identified, the entity determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. If the Group transfers the control of a good or service over time and therefore satisfies a performance obligation, the revenue is recognized over time.

Group recognizes revenue in the consolidated financial statements when performance obligation is fulfilled. Goods are transferred when the control belongs to the customer.

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the interim condensed consolidated financial statements as of March 31, 2018

(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)

While evaluating the transfer of control of the goods and services to the customer, Group takes the followings into consideration,

- ownership of the collection right of the consideration
- ownership of the legal right on goods and services by the customer
- physical transfer of the good
- ownership of significant risks and rewards related to the good
- conditions of the customer for the acceptance of goods and services

The Group does not adjust the promised amount of consideration for the effects of a significant financing component since the Group expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. If the financing component in revenue is significant, revenues determined through future collections discounted by the interest rate in financing component. The difference is recognized as income from operating activities in current period.

Change in this accounting policy does not have any effect on financial statements of the Group in terms of measurements and reclassification.

IFRS 9 "Financial instruments";

Classification and Measurement

The Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value through profit or loss, financial assets carried at fair value through other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected contractual cash flows. The Group performs the classification of financial assets at the acquisition date.

"Financial assets carried at amortized cost", are the financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which contains the capital and interests due to terms of contracts on predetermined time, not have an active market and non-derivative financial assets. "Cash and cash equivalents", "trade receivables" are classified as financial assets measured at amortized cost. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Gains and losses arising from revaluation of financial assets amortized at cost and non-derivative financial assets are included recognized in the income statement.

"Financial assets carried at fair value through other comprehensive income", are the financial assets held within a business model whose objective is to sale financial assets in order to collect contractual cash flows which contains the capital and interests due to terms of contracts on predetermined time. Gains or losses from related financial assets (except for impairment and foreign currency gains or losses) are accounted under other comprehensive income. In case the financial assets are sold, the revaluation gains or losses recognized in other comprehensive income are reclassified to retained earnings.

If the Group adopts the method which requires the recognition of the fair value adjustments of equity based financial assets in other comprehensive income irreversibly during first time adoption of the policy, the dividends from the related investments are recognized in the consolidated income statement.

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2. Basis of presentation of financial statements (continued)

“Financial assets carried at fair value through profit or loss” consists of financial assets except for carried at amortized cost and fair value through other comprehensive income. Any gain or loss from revaluation of these financial assets is recognized in consolidated profit or loss statement.

The changes in the classification of financial assets and liabilities in accordance with IFRS 9 are explained below. Those reclassification differences do not have any impact on the measurement of financial instruments except for financial investments.

Financial assets	Prior classification in accordance with IAS 39	New classification in accordance with IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Derivative financial instruments	Fair value through profit or loss	Fair value through profit or loss
Financial investments	Available for sale	Fair value through other comprehensive income
Financial liabilities	Prior classification in accordance with IAS 39	New classification in accordance with IFRS 9
Derivative financial instruments	Fair value through profit or loss	Fair value through profit or loss
Borrowings	Amortized cost	Amortized cost
Trade and other payables	Amortized cost	Amortized cost

Impairment

The recognition of credit losses defined in IAS 39 “Financial Instruments: Recognition and Measurement” which was effective before 1 January 2018 is replaced by recognition of expected credit losses defined in IFRS 9 “Financial instruments”. Expected credit losses are a weighted estimate of the likelihood of lifetime credit losses of a financial instrument. In calculating the expected credit losses, credit loss experiences as well as the Group’s future forecasts are taken into account.

Trade receivables

The Group has chosen “practical expedient” explained in IFRS 9 for the calculation of the impairment of trade receivables (with maturities less than one year) that do not contain a significant financing component and accounted at amortized cost. Accordingly, the Group measured the loss allowance for trade receivables at an amount equal to lifetime expected credit losses when trade receivables are not impaired for any reasons.

The Group uses a provision matrix in the calculation of expected credit losses. Provision rate is calculated based on the overdue days of trade receivables and the rates are revised each reporting period if necessary. The change in expected credit losses is recognized in operational expense/income in consolidated income statement.

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2. Basis of presentation of financial statements (continued)

First time adoption of IFRS 9 “Financial assets”

The Group assessed the cumulative effect of initial application of IFRS 9 “Financial Instruments” which replaced “IAS 39 Financial Instruments: Recognition and Measurement” retrospectively as of the date of first time adoption which is 1 January 2018 and accounted this cumulative effect under “Adjustments to changes in accounting policies” as opening balance of Retained earnings. Since the Group applied this method, the restatement is not required on the comparative information of financial statements.

The effect of amendments regarding the application of IFRS 9 on condensed consolidated financial statements dated on January 1, 2018 is as follows:

	Previously reported December 31, 2017	Effect of IFRS 9	After amendments December 31, 2017
Total trade receivables, net	585.120	(471)	584.649
Deferred tax liabilities, net	43.938	(94)	43.844
Retained earnings	1.631.864	(377)	1.631.487

The respective effect is related to the expected credit loss provision for trade receivables.

2.3 Summary of significant accounting policies

The interim condensed consolidated financial statements of the Group for the three-month period ended March 31, 2018 have been prepared in accordance with IAS 34 “Interim Financial Reporting”. Additionally, the accounting policies used in the preparation of the interim condensed consolidated financial statements for the period ended March 31, 2018 are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2017. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017.

2.4 New and revised Turkey Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at March 31, 2018

IFRS 9, “Financial instruments”; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes the requirements on the classification and measurement of financial assets and liabilities; also covers an expected credit risk modelling that will replace the current incurred impairment loss model.

IFRS 15, “Revenue from contracts with customers”; effective from annual periods beginning on or after 1 January 2018. IFRS 15, ‘Revenue from contracts with customers’ is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and comparability of revenue in financial statements globally.

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2. Basis of presentation of financial statements (continued)

Amendments to IFRS 15, “Revenue from contracts with customers”; effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

Amendments to IFRS 4, “Insurance contracts”; regarding the implementation of IFRS 9, effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

- give all companies that issue insurance contracts the option to recognize the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued in other comprehensive income, rather than profit or loss, ,
- give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard IAS 39.

The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

Amendments to IAS 40, “Investment property”; relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties when there is be a change in use. To conclude if a change in use of property has been occurred, there should be an assessment of whether the property meets the definition. This change must be supported by evidence. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

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(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)

Amendments to IFRS 2, “Share based payments”; on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

Annual improvements 2014-2016;

- IFRS 1, “First time adoption of IFRS”; This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 Transition provisions and IFRS 10 Investment entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.
- IAS 28, “Investments in associates and joint venture”; This amendment is about measuring an associate or joint venture at fair value and to be applied for annual periods beginning on or after 1 January 2018.

The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

IFRIC 22, “Foreign currency transactions and advance consideration”; effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

b) Standards, amendments and interpretations effective after 1 January 2018

Amendments to IFRS 9, ‘Financial instruments’; effective from annual periods beginning on or after 1 January 2019. This amendment confirms that when a financial liability measured at amortized cost is modified without resulting in de-recognition, a gain or loss should be recognized immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. The Group concluded that in the preliminary assessments, the relevant standard would not have a significant effect on the consolidated financial position.

Amendments to IAS 28, ‘Investments in associates and joint venture’; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that long-term investments in associate or joint venture which the equity method is not applied will be accounted by the companies in compliance with IFRS 9. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

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2. Basis of presentation of financial statements (continued)

IFRS 16, ‘Leases’; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15, ‘Revenue from Contracts with Customers’, is also applied. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a ‘right of use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control and the use of an identified asset for a period of time in exchange for consideration. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

IFRIC 23, ‘Uncertainty over income tax treatments’; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 ‘Income taxes’ are applied where there is uncertainty over income tax treatments. The IFRS IC had previously clarified only IAS 12. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is an uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law.

IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

IFRS 17, ‘Insurance contracts’; effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

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2. Basis of presentation of financial statements (continued)

Annual improvements 2015-2017; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

- IFRS 3, ‘Business combinations’, – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, ‘Joint arrangements’, – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12, ‘Income taxes’ – a company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23, ‘Borrowing costs’ – a company treats any borrowing made to prepare the qualifying asset for its intended use or sale as part of general borrowings.

The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

Amendments to IAS 19, ‘Employee benefits’ on plan amendment, curtailment or settlement; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

- use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

2.5 Comparative information and reclassifications on prior period financial statements

In order to enable the determination of financial position and performance trends, the Group’s consolidated financial statements for the current period are prepared by comparison with the prior period. As of March 31, 2018, the Group has presented its consolidated balance sheet as of March 31, 2018 compared with as of December 31, 2017 and its consolidated statement of profit or loss, other comprehensive income, cash flow statement and changes in equity table for the period January 1-March 31 2018 compared with the financial statements for the period January 1-March 31 2017.

Foreign exchange gains and losses arising from financial activities amounting to TL 21.421 thousand were offset in “Financial income and expenses” in the consolidated financial statement for the period January 1- March 31, 2017. There is no impact of this reclassification on retained earnings and net income.

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

As of March 31, 2018 and December 31, 2017, assets and liabilities according to industrial segments are as follows:

	March 31, 2018				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Assets					
Current assets	1.280.686	-	123.730	(17.922)	1.386.494
Non-current assets	2.623.957	556.848	272.423	(185.565)	3.267.663
Total assets	3.904.643	556.848	396.153	(203.487)	4.654.157
Liabilities					
Short-term liabilities	1.238.728	-	53.385	(17.922)	1.274.191
Long-term liabilities	864.858	-	14.928	(4.599)	875.187
Equity	1.801.057	556.848	327.840	(180.966)	2.504.779
Total liabilities and equity	3.904.643	556.848	396.153	(203.487)	4.654.157
Investments accounted under equity method	1.465.866	556.851	134.075	-	2.156.792
	December 31, 2017				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Assets					
Current assets	1.451.293	-	145.145	(8.904)	1.587.534
Non-current assets	2.964.202	352.443	272.901	(210.860)	3.378.686
Total assets	4.415.495	352.443	418.046	(219.764)	4.966.220
Liabilities					
Short-term liabilities	1.244.764	-	42.950	(8.904)	1.278.810
Long-term liabilities	754.093	-	14.523	(4.269)	764.347
Equity	2.416.638	352.443	360.573	(206.591)	2.923.063
Total liabilities and equity	4.415.495	352.443	418.046	(219.764)	4.966.220
Investments accounted under equity method	1.787.658	352.443	133.230	-	2.273.331

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3. Segment information (continued)

For the period ended March 31, 2018 and 2017, profit or loss statements according to industrial segments are as follows:

	January 1 - March 31, 2018				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Revenue	1.982.041	-	138.076	(56.949)	2.063.168
Cost of sales (-)	(1.868.533)	-	(118.620)	56.966	(1.930.187)
Gross profit	113.508	-	19.456	17	132.981
General administrative expenses (-)	(46.679)	-	(4.717)	994	(50.402)
Marketing expenses (-)	(60.899)	-	(4.920)	-	(65.819)
Research and development expenses (-)	(660)	-	-	-	(660)
Other operating income	29.571	-	3.220	(1.144)	31.647
Other operating expenses (-)	(23.511)	-	(1.862)	156	(25.217)
Operating profit	11.330	-	11.177	23	22.530
Income from investment activities	418.668	-	142	(402.354)	16.456
Loss from investment activities (-)	(38)	-	-	-	(38)
Profit/losses from investments accounted under equity method	37.157	2.219	845	-	40.221
Operating profit before financial income (expense)	467.117	2.219	12.164	(402.331)	79.169
Financial income	26.948	-	2.274	-	29.222
Financial expense (-)	(48.785)	-	(58)	-	(48.843)
Profit from continuing operations before tax	445.280	2.219	14.380	(402.331)	59.548
Tax income (expense) from continuing operations					
Current tax expense for the period (-)	(2.745)	-	(1.180)	-	(3.925)
Deferred tax income/(expense)	(346)	-	96	-	(250)
Profit for the period	442.189	2.219	13.296	(402.331)	55.373

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3. Segment information (continued)

	January 1 - March 31, 2017				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Revenue	1.992.134	-	123.333	(50.109)	2.065.358
Cost of sales (-)	(1.823.162)	-	(103.149)	50.348	(1.875.963)
Gross profit	168.972	-	20.184	239	189.395
General administrative expenses (-)	(43.282)	-	(5.782)	878	(48.186)
Marketing expenses (-)	(57.780)	-	(3.202)	-	(60.982)
Research and development expenses (-)	(420)	-	-	-	(420)
Other operating income	39.091	-	2.478	(1.002)	40.567
Other operating expenses (-)	(33.694)	-	(1.052)	150	(34.596)
Operating profit	72.887	-	12.626	265	85.778
Income from investment activities	192.206	-	2.307	(190.770)	3.743
Loss from investment activities (-)	(215)	-	-	-	(215)
Profit/losses from investments accounted under equity method	85.471	3.940	688	-	90.099
Operating profit before financial income (expense)	350.349	3.940	15.621	(190.505)	179.405
Financial income	22.434	-	4.847	-	27.281
Financial expense (-)	(34.597)	-	(2.486)	-	(37.083)
Profit from continuing operations before tax	338.186	3.940	17.982	(190.505)	169.603
Tax income (expense), continuing operations					
Current tax expense for the period (-)	(15.007)	-	(1.194)	-	(16.201)
Deferred tax income/(expense)	4.037	-	30	-	4.067
Profit for the period	327.216	3.940	16.818	(190.505)	157.469

The amortization and depreciation expense for the industrial segmental assets for the period ended on March 31, 2018 and 2017 are as follows:

	January 1 - March 31, 2018	January 1 - March 31, 2017
Gas and petroleum products	19.818	19.017
Other	2.381	2.588
	22.199	21.605

The investment expenditures for the industrial segmental assets for the periods ended on March 31, 2018 and 2017 are as follows:

	January 1 - March 31, 2018	January 1 - March 31, 2017
Gas and petroleum products	28.175	27.735
Other	603	505
	28.778	28.240

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4. Cash and cash equivalents

	March 31, 2018	December 31, 2017
Cash on hand	341	462
Cash at banks	449.531	546.687
- Demand deposits	19.807	21.984
- Time deposits	429.724	524.703
Receivables from credit card transactions	47.290	46.023
Total cash and cash equivalents	497.162	593.172

As of March 31, 2018 the Group's TL time deposits amounting to TL 310.414 thousand with maturities of 3 days and interest rate of 14,5%; USD time deposits amounting to USD 30.213 thousand (TL 119.310 thousand) with maturities of 3 days and interest rate of 3% (As of December 31, 2017 the Group's TL time deposits amounting to TL 360.525 thousand with maturities of 4-46 days and interest rate of 14-14,85 %; USD time deposits amounting to USD 43.527 thousand (TL 164.178 thousand) with maturities of 4-5 days and interest rate of 3%).

5. Financial assets

The long term financial assets of the Group are as follows as of March 31, 2018 and December 31, 2017:

	March 31, 2018		December 31, 2017	
	Participation amount	Participation rate %	Participation amount	Participation rate %
Financial assets measured at fair value through other comprehensive income:				
<i>Koç Finansal Hizmetler A.Ş.</i>	315.200	1,97	315.200	1,97
Financial assets measured at fair value through profit or loss:				
<i>Ram Dış Ticaret A.Ş.</i>	875	2,50	875	2,50
<i>Tanı Pazarlama ve İletişim Hizmetleri A.Ş.</i>	540	10,00	540	10,00
<i>Tat Gıda Sanayi A.Ş.</i>	79	0,08	73	0,08
<i>Other</i>	436	-	436	-
	317.130		317.124	

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6. Financial borrowings

As of March 31, 2018 and December 31, 2017 the Group's short-term financial borrowings are as follows:

	March 31, 2018	December 31, 2017
TL-denominated short-term bank borrowings (*)	15.248	84.784
Total short-term bank borrowings	15.248	84.784
Short-term portion and interest accruals of TL-denominated long-term bank borrowings	211.825	100.414
Short-term portion and interest accruals of USD-denominated long-term bank borrowings	52.932	48.381
Short-term portion of long-term bond issued (**)	27.771	156.025
Total short-term portion of long-term financial borrowings	292.528	304.820

(*) As of March 31, 2018, the Group has interest free loan which was used for custom expenses payment amounting to TL 1.706 thousand (December 31, 2017: TL 10.453 thousand). Group has short term bank loans amounting to TL 13.542 thousand with a maturity of April 2, 2018 average fixed interest rate 14,75%.

(**) On April 11, 2017, October 20, 2017 and January 26, 2018 the Group has issued a fixed rate bond with a nominal value of TL 85.000 thousand, with a maturity of 728 days and half-yearly coupon payments, a fixed rate bond with a nominal value of TL 50.000 thousand, with a maturity of 728 days and half-yearly coupon payments, a fixed rate bond with a nominal value of TL 75.000 thousand, with a maturity of 728 days and half-yearly coupon payments, respectively. As of March 31, 2018, net present value of the issued bonds are TL 220.308 thousand (TL 192.537 thousand of this amount is shown as long term bond issued) and their effective interest rates are 13,46%, 14,45% and 15,7% respectively.

As of March 31, 2018 the details of short-term financial borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	-	1.706	1.706
TL	14,75	13.542	13.542
			15.248

As of December 31, 2017, the details of short-term financial borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	-	10.453	10.453
TL	12,50-14,60	74.331	74.331
			84.784

As of March 31, 2018 and December 31, 2017 the Group's long-term financial borrowings are as follows:

	March 31, 2018	December 31, 2017
TL-denominated long-term bank borrowings	358.318	314.510
USD-denominated long-term bank borrowings	140.186	147.104
Total long-term bank borrowings	498.504	461.614
Long-term bonds issued	192.537	122.052
Total long-term bonds	192.537	122.052
Total long-term financial borrowings	691.041	583.666

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6. Financial borrowings (continued)

As of March 31, 2018 the details of long-term financial borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	13,75-17,76	570.143	570.143
USD	4,33-4,89	48.904	193.118
Short-term portion of long-term bank borrowings and interest accruals			(264.757)
			498.504

As of December 31, 2017 the details of long-term financial borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	13,74-17,30	414.924	414.924
USD	4,26-4,33	51.827	195.485
Short-term portion of long-term bank borrowings and interest accruals			(148.795)
			461.614

7. Derivative financial instruments

As of March 31, 2018 and December 31, 2017 the Group's derivative financial instruments are as follows:

Short-term derivative financial instruments	March 31, 2018		December 31, 2017	
	Contract amount	Fair value assets (liabilities)	Contract amount	Fair value assets (liabilities)
Forward transactions (*)	5.453	55	60.941	(214)
Foreign currency swap contracts (**)	26.100	10.631	26.100	9.097
Long-term derivative financial instruments	March 31, 2018		December 31, 2017	
	Contract amount	Fair value assets (liabilities)	Contract amount	Fair value assets (liabilities)
Foreign currency swap contracts (**)	65.250	26.578	65.250	22.743

(*) As of March 31, 2018 the Group has entered into forward transaction with a maturity of 16 - 44 days and nominal value amounting to USD 1.380 thousand (As of December 31, 2017 the Group has entered into forward transaction with a maturity of 19 days and nominal value amounting to USD 16.000 thousand)

(**) In June, 2016, the Group has realized swap transaction with a contract amounting to TL 91.350 thousand with 5 years maturity, half yearly interest payment and fixed interest rate of 13,415%, in return for USD 31.500 thousand with a floating interest rate of six-month USDLIBOR + 2,4%.

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8. Trade receivables and payables from third parties

The Group's trade receivables from third parties as of March 31, 2018 and December 31, 2017 are as follows:

Current trade receivables	March 31, 2018	December 31, 2017
Trade receivables	492.865	517.416
Notes receivables	47.506	45.535
Allowance for doubtful receivables (-) (*)	(26.564)	(25.626)
Total current trade receivables	513.807	537.325

(*) TL 603 thousand of provision for doubtful receivables consists of expected credit loss provisions.

Non-current trade receivables	March 31, 2018	December 31, 2017
Notes receivable	8.069	8.441
Total non-current trade receivables	8.069	8.441

The Group's trade payables as of March 31, 2018 and December 31, 2017 are as follows:

Short-term trade payables	March 31, 2018	December 31, 2017
Trade payables	373.469	504.123
Total short-term trade payables	373.469	504.123

9. Inventories

	March 31, 2018	December 31, 2017
Raw materials	167.610	198.909
Goods in transit	30.205	107.218
Trade goods	4.115	4.968
Finished goods	9.497	9.931
Work in process	2.515	2.782
Allowance for impairment on inventory	(229)	(229)
Total inventories	213.713	323.579

As of March 31, 2018, the inventories comprise of 81.421 tons of LPG (December 31, 2017: 119.858 tons).

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10. Equity investments

The details of carrying values and consolidation rates subject to equity investments are as follows:

	March 31, 2018		December 31, 2017	
	Participation amount	Participation Rate	Participation amount	Participation Rate
EYAŞ	1.465.866	%20,00	1.787.658	%20,00
Entek	556.851	%49,62	352.443	%49,62
OAGM	134.075	%50,00	133.230	%50,00
	2.156.792		2.273.331	

The movement of equity investments is as follows:

	2018	2017
Opening balance on January 1	2.273.331	1.922.344
Shares of profit/(loss)	40.221	90.099
Shares of other comprehensive income/(loss)	(13.280)	(7.628)
Dividend income (*)	(347.454)	(87.491)
Participation in share capital increase of equity investment (**)	203.974	-
Closing balance on March 31	2.156.792	1.917.324

(*) EYAŞ dividend income.

(**) Capital increase of Entek (Note 1).

Shares of profit (loss) of equity investments:

	January 1 - March 31, 2018	January 1 - March 31, 2017
EYAŞ	37.157	85.471
Entek	2.219	3.940
OAGM	845	688
	40.221	90.099

Shares of other comprehensive gains (losses) of equity investments:

	January 1 - March 31, 2018	January 1 - March 31, 2017
EYAŞ (*)	(11.495)	(7.630)
Entek	(1.785)	2
	(13.280)	(7.628)

(*) TÜPRAŞ, a subsidiary of EYAŞ, designated its investment loans amounting to USD 1.178.049 thousand (TL 4.651.998 thousand) (December 31, 2017 - USD 1.254.421 thousand (TL 4.731.551 thousand)) and derivative instruments amounting to USD 15.951 thousand (TL 62.989 thousand) (December 31, 2017: USD 17.118 thousand, (TL 64.567 thousand)) as hedging instrument against USD / TL spot exchange rate risk which is exposed due to highly probable estimated export revenue in USD and, in this context, applies accounting for cash flow hedge. Foreign exchange gains (losses) on investment loans are accounted under "Gains (losses) on hedging" under shareholders' equity until the cash flows of the related hedged item are realized. In addition, within the scope of investment loans of TÜPRAŞ there are interest rate swaps and cross currency interest rate swap transactions which are classified for hedging purposes.

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11. 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, 2018	16.006	160.107	75.457	1.691.823	225.707	74.485	26.713	10.103	2.280.401
Additions	-	-	54	2.835	517	21	3	25.348	28.778
Transfers	-	-	8	19.924	-	1.557	-	(21.489)	-
Disposals	-	(1.343)	(6.480)	(2.679)	(407)	(1.138)	-	-	(12.047)
Ending balance as of March 31, 2018	16.006	158.764	69.039	1.711.903	225.817	74.925	26.716	13.962	2.297.132
Accumulated depreciation									
Opening balance as of January 1, 2018	-	64.997	53.020	1.313.275	97.092	48.513	25.577	-	1.602.474
Charge of the period	-	1.458	425	13.435	3.576	1.837	204	-	20.935
Disposals	-	(876)	(4.862)	(2.193)	(406)	(246)	-	-	(8.583)
Ending balance as of March 31, 2018	-	65.579	48.583	1.324.517	100.262	50.104	25.781	-	1.614.826
Net book value as of March 31, 2018	16.006	93.185	20.456	387.386	125.555	24.821	935	13.962	682.306

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11. 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, 2017	16.204	144.540	72.569	1.644.688	260.059	64.085	26.907	16.793	2.245.845
Additions	-	-	113	3.340	297	31	59	24.400	28.240
Transfers (*)	-	-	-	18.010	-	1.278	(7)	(19.291)	(10)
Disposals	-	(513)	-	(3.878)	(27)	(617)	(487)	-	(5.522)
Ending balance as of March 31, 2017	16.204	144.027	72.682	1.662.160	260.329	64.777	26.472	21.902	2.268.553
Accumulated depreciation									
Opening balance as of January 1, 2017	-	60.258	51.115	1.285.082	120.725	45.246	25.181	-	1.587.607
Charge of the period	-	1.334	494	13.183	3.892	1.390	231	-	20.524
Disposals	-	(149)	-	(3.480)	(25)	(208)	(265)	-	(4.127)
Ending balance as of March 31, 2017	-	61.443	51.609	1.294.785	124.592	46.428	25.147	-	1.604.004
Net book value as of March 31, 2017	16.204	82.584	21.073	367.375	135.737	18.349	1.325	21.902	664.549

(*) TL 10 thousand under “Construction in progress” under the account property, plant and equipment has been classified to intangible fixed assets.

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12. Intangible assets

	Rights	Total
Acquisition costs		
Opening balance as of January 1, 2018	61.187	61.187
Additions	-	-
Transfers	-	-
Ending balance as of March 31, 2018	61.187	61.187
Accumulated amortization		
Opening balance as of January 1, 2018	41.907	41.907
Charge for the period	1.264	1.264
Ending balance as of March 31, 2018	43.171	43.171
Carrying value as of March 31, 2018	18.016	18.016

	Rights	Total
Acquisition costs		
Opening balance as of January 1, 2017	56.623	56.623
Additions	-	-
Transfers (*)	10	10
Ending balance as of March 31, 2017	56.633	56.633
Accumulated amortization		
Opening balance as of January 1, 2017	37.504	37.504
Charge for the period	1.081	1.081
Ending balance as of March 31, 2017	38.585	38.585
Carrying value as of March 31, 2017	18.048	18.048

(*) TL 10 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets.

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13. Contingent assets and liabilities

Guarantees given as of March 31, 2018 and December 31, 2017 are as follows:

Guarantees given	March 31, 2018	December 31, 2017
Letter of guarantees given for gas purchase	820.790	818.621
Other letter of guarantees given	29.448	36.854
Total guarantees given	850.238	855.475

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 an 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 a liability related with the environmental pollution cases as of the consolidated balance sheet date.

National inventory reserve liability:

Oil refineries, licensed oil and LPG distributors 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.

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13. Contingent assets and liabilities (continued)

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:

	March 31, 2018				December 31, 2017			
	TL equivalent of Euro	TL equivalent of USD	TL	Total TL	TL equivalent of Euro	TL equivalent of USD	TL	Total TL
A. CPMBs given on behalf of the Company’s legal personality	55.706	7.632	639.293	702.631	51.680	7.295	647.544	706.519
B. CPMBs given in favor of subsidiaries included in full consolidation (*)	-	147.607	-	147.607	-	95.576	53.380	148.956
C. CPMBs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business								
D. Other GPM's	-	-	-	-	-	-	-	-
i. CPMBs given in favor of parent company	-	-	-	-	-	-	-	-
ii. CPMBs given in favor of companies not in the scope of B and C above	-	-	-	-	-	-	-	-
iii. CPMBs given in favor of third party companies not in the scope of C above	-	-	-	-	-	-	-	-
Total amount of CPMBs	55.706	155.239	639.293	850.238	51.680	102.871	700.924	855.475

(*) As of March 31, 2018, total amount of commission accrued for guarantees given or contingent liabilities except ‘A. CPMBs given on behalf of the Company’s legal personality’ is TL 150 thousand (December 31, 2017: TL 633 thousand).

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14. Other short-term provisions and liabilities

Other short-term provisions	March 31, 2018	December 31, 2017
Provision for other operating expenses	28.230	23.057
Provision for lawsuit	7.714	7.714
Provision for selling and marketing expenses	4.665	5.451
Provision for EMRA contribution	6.395	5.100
Provision for warranty expenses	4.133	4.133
Total other short-term provisions	51.137	45.455

Other current liabilities	March 31, 2018	December 31, 2017
Taxes and funds payable	114.250	111.840
Other liabilities	1.669	2.336
Total other current liabilities	115.919	114.176

15. Share capital

As of March 31, 2018 and December 31, 2017 the share capital held is as follows:

Shareholders	Participation rate	March 31, 2018	Participation rate	December 31, 2017
Temel Ticaret ve Yatırım A.Ş.	%5,77	17.324	%5,77	17.324
Koç Family Members	%4,76	14.265	%4,76	14.265
Total Koç Family Members and companies owned by Koç Family Members	%10,53	31.589	%10,53	31.589
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
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 IAS/IFRS promulgated by the POA. "Adjustment to share capital" has no use other than being transferred to paid-in share capital.

Dividends paid

In the Ordinary General Meeting held on March 21, 2018, the Company decided to reserve TL 44.500 thousand as legal reserves and distribute TL 460.000 thousand gross dividends from the net distributable income of 2017. According to this decision, the Company has begun dividend payments on March 29, 2018.

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16. Earnings per share

	January 1 - March 31, 2018	January 1 - March 31, 2017
Average number of ordinary shares outstanding during the period (one thousand)	300.000	300.000
Net profit for the year attributable to equity holders of the parent company	55.373	157.469
Earnings per thousand shares (TL)	0,184577	0,524897

17. Tax assets and liabilities

	March 31, 2018	December 31, 2017
Current tax liability		
Current corporate tax provision	3.925	42.517
Less: Prepaid taxes and funds	(8.482)	(43.142)
Current tax liability	(4.557)	(625)

	January 1- March 31, 2018	January 1- March 31, 2017
Tax expenses		
- Current corporate tax provision	(3.925)	(16.201)
- Deferred tax	(250)	4.067
	(4.175)	(12.134)

Corporate tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated tax 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 2018 is 22% (2017: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2018 is 22% (2017: 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 examine such returns and the underlying accounting records and may revise assessments within five years.

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17. Tax assets and liabilities (continued)

Deferred tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for IAS/IFRS 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 IAS/IFRS and tax legislation.

In accordance with the regulation numbered 7061, published in Official Gazette on December 5, 2017, "Law Amending Certain Tax Laws and Certain Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of December 31, 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

Deferred tax (assets) / liabilities:	March 31, 2018	December 31, 2017
Depreciation/amortization differences of property, plant and equipment and other intangible assets	40.622	40.646
Revaluation of financial assets measured at fair value through other comprehensive income	11.245	11.245
Provision for employment termination benefits	(6.264)	(5.846)
Valuation of inventories	(1.227)	238
Other	(282)	(2.345)
	44.094	43.938

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.

	March 31, 2018			December 31, 2017		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Aygaz A.Ş.	(16.361)	60.245	43.884	(15.744)	59.373	43.629
Akpa A.Ş.	(1.023)	210	(813)	(890)	205	(685)
Aygaz Doğal Gaz	(659)	1.682	1.023	(555)	1.549	994
	(18.043)	62.137	44.094	(17.189)	61.127	43.938

Movement of deferred tax assets and liabilities are as follows:

Movement of deferred tax (assets) / liabilities :	2018	2017
Opening balance on January 1	43.938	39.502
Change to the profit or loss:	250	(4.067)
Change to the equity:		
-Changes in accounting policies	(94)	-
Closing balance on March 31	44.094	35.435

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18. Balances and transactions with related parties

A company is defined as a related party of the Company, if one of the companies has a 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. As of March 31, 2018; TL 207.326 thousand (December 31, 2017-TL 863 thousand) of total amount of other payables to related parties consists of dividend payables to the shareholders except for Koç Group.

Balances with related parties	March 31, 2018			
	Receivables		Payables	
	Trade	Non-trade	Trade	Non-trade
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	10.268	-	114.154	-
Demir Export A.Ş.	12.920	-	-	-
Ford Otomotiv Sanayi A.Ş.	1.984	-	-	-
Arçelik A.Ş.	431	-	-	-
Demir Export A.Ş. - Fernas İnşaat A.Ş. Adi Ortaklığı	1.053	-	-	-
Tofaş Türk Otomobil Fabrikası A.Ş.	998	-	-	-
Körfez Hava Ulaştırma A.Ş.	1.206	-	-	-
Tat Gıda Sanayi A.Ş.	2	-	-	-
Opet Petrolcülük A.Ş.	296	-	53.029	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	-	2.553	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	1.279	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	-	-	4.606	-
Ram Dış Ticaret A.Ş.	-	-	12.596	-
Other	3.977	-	3.086	-
Shareholders				
Koç Holding A.Ş.	-	-	30	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	911	-	433	-
	34.046	-	191.766	-

Balances with related parties	December 31, 2017			
	Receivables		Payables	
	Trade	Non-trade	Trade	Non-trade
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	12.920	-	88.413	-
Demir Export A.Ş.	12.402	-	8	-
Ford Otomotiv Sanayi A.Ş.	1.968	-	-	-
Arçelik A.Ş.	1.205	-	-	-
Demir Export A.Ş. - Fernas İnşaat A.Ş. Adi Ortaklığı	966	-	-	-
Tofaş Türk Otomobil Fabrikası A.Ş.	879	-	-	-
Körfez Hava Ulaştırma A.Ş.	781	-	-	-
Tat Gıda Sanayi A.Ş.	539	-	-	-
Opet Petrolcülük A.Ş.	295	-	40.375	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	-	2.654	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	4.439	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	-	-	6.758	-
Ram Dış Ticaret A.Ş.	-	-	13.651	-
Other	1.382	-	3.971	-
Shareholders				
Koç Holding A.Ş.	-	-	5.642	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	6.017	-	-	-
	39.354	-	165.911	-

(*) 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.

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18. Balances and transactions with related parties (continued)

Transactions with related parties	January 1 - March 31, 2018			
	Purchases (Goods)	Sales (Goods)	Purchases (Service)	Sales (Service)
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	233.613	49.888	2.021	1.161
Opet Petrolcülük A.Ş.(**) (***)	65.559	1.168	23.973	-
Ram Dış Ticaret A.Ş.	11.448	-	114	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	3.635	4	4.170	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	13	28	2.138	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	96	195	-
Arçelik A.Ş.	1	959	-	-
Demir Export A.Ş.	-	14.440	-	-
Ford Otomotiv Sanayi A.Ş.	-	5.761	-	-
Tat Gıda Sanayi A.Ş.	-	3	-	-
Setur Servis Turistik A.Ş.	-	20	756	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	3	656	-
Other	1.226	11.575	908	-
Shareholders				
Koç Holding A.Ş. (****)	-	16	3.031	-
Temel Ticaret ve Yatırım A.Ş.	-	1	3	-
Koç Family members	-	47	-	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	-	1.097	1.146	-
	315.495	85.106	39.111	1.161

Transactions with related parties	January 1 - March 31, 2017			
	Purchases (Goods)	Sales (Goods)	Purchases (Service)	Sales (Service)
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	263.666	131.649	767	-
Opet Petrolcülük A.Ş.(**) (***)	55.351	1.168	21.006	-
Ram Dış Ticaret A.Ş.	6.879	-	-	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	4.234	3	4.048	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	179	1	2.019	-
Arçelik A.Ş.	-	3.904	-	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	2	661	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	109	167	-
Ford Otomotiv Sanayi A.Ş.	-	4.886	-	-
Demir Export A.Ş.	-	13.114	-	-
Tat Gıda Sanayi A.Ş.	-	1.258	-	-
Setur Servis Turistik A.Ş.	-	15	894	-
Other	1.704	7.497	714	-
Shareholders				
Koç Holding A.Ş.(****)	-	12	3.825	-
Temel Ticaret ve Yatırım A.Ş.	-	1	-	-
Koç Family members	-	19	-	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	-	13.537	1.061	-
	332.013	177.175	35.162	-

(*) Group companies include Koç Group companies.

(**) Commission expenses regarding LPG sold at Opet stations for three-month period ended March,2018 is TL 23.780 thousand (January 1-March 31 2017: TL 20.966 thousand). The commission expense mentioned above is evaluated as part of sales and accounted under income statement as sales discounts.

(***) Though not presented at transactions with related parties, so as to fulfil fuel and auto gas sales exclusively and on the basis of station, prepayments and/or infrastructural investments are made directed for sales under "Agreement of Auto Gas Sales at Gas Stations" between Aygaz and Opet. Prepayments are presented under prepaid expenses in consolidated statement of financial position and are periodically amortized based on duration of dealer agreements. Prepayments and investment contribution margin amounting to TL 8.547 thousand has been made to Opet for three-month period ended March,2018 in consideration of 5 years sale agreement on average to be paid to Aygaz Dealers making auto-gas sales at Opet stations (January 1-March 31 2017: TL 15.681 thousand).

(****) Billed remuneration for services such as finance, law, planning, tax and senior management provided by Koç Holding, the main shareholder, to Group companies, service expenses including personnel and senior management as a result of arrangement of 1st Serial Number of General Communique About Transfer Pricing Through Hidden Income Distribution's "11- In Group Services".

Aygaz Anonim Şirketi and its Subsidiaries

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18. Balances and transactions with related parties (continued)

January 1 - March 31, 2018				
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.	143	4	-	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	1.860	210	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	2.298	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	4	-
Türkiye Petrol Rafinerileri A.Ş.	-	-	-	17.800
Arçelik A.Ş.	-	-	9	-
Shareholders				
Koç Family Members	-	189	-	-
Temel Ticaret ve Yatırım A.Ş.	-	200	-	-
	143	2.253	2.521	17.800

January 1 - March 31, 2017				
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.	153	6	-	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	1.614	322	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	518	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	42	-
Türkiye Petrol Rafinerileri A.Ş.	-	4	-	-
Arçelik A.Ş.	-	-	27	-
Shareholders				
Koç Family Members	-	168	-	-
Temel Ticaret ve Yatırım A.Ş.	-	178	-	-
	153	1.970	909	-

(*) Group companies include Koç Group companies.

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

18. Balances and transactions with related parties (continued)

Financial and other transactions with related parties	Financial income	Financial expense	January 1 - March 31, 2018	
			Other income	Other expense
Group companies (*)				
Yapı Kredi Bankası A.Ş.	14.255	2.556	-	-
Opet Petrolcülük A.Ş.	-	-	94	-
Ram Dış Ticaret A.Ş.	-	-	550	116
Tat Gıda Sanayi A.Ş.	-	-	22	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	1	-
Other	-	-	-	6
	14.255	2.556	667	122

Financial and other transactions with related parties	Financial income	Financial expense	January 1 - March 31, 2017	
			Other income	Other expense
Group companies (*)				
Yapı Kredi Bankası A.Ş.	14.884	7.712	-	-
Opet Petrolcülük A.Ş.	-	-	-	424
Ram Dış Ticaret A.Ş.	-	-	275	70
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	-	130
Other	-	-	-	9
	14.884	7.712	275	633

Cash at banks	March 31, 2018	December 31, 2017
Group companies (*)		
Yapı Kredi Bankası A.Ş.	436.852	389.735
Credit card receivables	March 31, 2018	December 31, 2017
Group companies (*)		
Yapı Kredi Bankası A.Ş.	45.785	44.220
Bank loans	March 31, 2018	December 31, 2017
Grup şirketleri (*)		
Yapı Kredi Bankası A.Ş.	31.144	24.331

(*) Group companies include Koç Group companies.

Benefits to Top Management:

The Company has determined senior managers as Board of Directors' members, General Manager, Vice General Managers and Directors directly reporting to General Manager.

Benefits to top management personnel includes salaries, premiums, SSI employer's contribution, employer's contribution of unemployment insurance and the attendance fees of board of directors.

As of March 31, 2018, total benefit provided to the senior management of the Company is TL 3.742 thousand (March 31, 2017: TL 2.176 thousand). TL 1.581 thousand of total amount is consist of payments to senior management due to their leave, the remaining amount is consist of short term benefits. (March 31, 2017: None)

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19. Nature and level of risk derived from financial instruments

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:

		TL equivalent of USD	TL equivalent of Euro	TL equivalent of Other
March 31, 2018	Total TL equivalent			
1. Trade receivables	138.849	138.204	645	-
2.a Monetary financial assets	120.307	119.882	285	140
2.b Non-monetary financial assets	-	-	-	-
3. Other	907	827	80	-
4. Current assets	260.063	258.913	1.010	140
5. Trade receivables	-	-	-	-
6.a Monetary financial assets	-	-	-	-
6.b Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets	-	-	-	-
9. Total assets	260.063	258.913	1.010	140
10. Trade payables	(334.085)	(333.320)	(743)	(22)
11. Financial liabilities	(49.732)	(49.732)	-	-
12.a Other monetary financial liabilities	-	-	-	-
12.b Other non-monetary financial liabilities	(98)	(98)	-	-
13. Current liabilities	(383.915)	(383.150)	(743)	(22)
14. Trade payables	-	-	-	-
15. Financial liabilities	(140.186)	(140.186)	-	-
16.a Other monetary financial liabilities	-	-	-	-
16.b Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities	(140.186)	(140.186)	-	-
18. Total liabilities	(524.101)	(523.336)	(743)	(22)
19. Net asset/liability position of off balance sheet asset and liabilities (19a-19b)	129.839	129.839	-	-
19.a Total hedged assets	129.839	129.839	-	-
19.b Total hedged liabilities	-	-	-	-
20. Net foreign currency asset/liability position (9+18+19)	(134.199)	(134.584)	267	118
21. Net foreign currency asset/liability position of monetary items (1+2a+5+6a+10+11+12a+14+15+16a)	(264.847)	(265.152)	187	118
22. Fair value of foreign currency hedged financial assets	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Export	334.753	331.016	3.737	-
26. Import	818.594	815.061	3.476	57

Aygaz Anonim Şirketi and its Subsidiaries**Notes to the interim condensed consolidated financial statements
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19. Nature and level of risk derived from financial instruments (continued)

December 31, 2017		Total TL equivalent	TL equivalent of USD	TL equivalent of Euro	TL equivalent of other
1.	Trade receivables	80.040	75.617	4.423	-
2.a	Monetary financial assets	165.189	164.662	396	131
2.b	Non-monetary financial assets	-	-	-	-
3.	Other	386	312	74	-
4.	Current assets	245.615	240.591	4.893	131
5.	Trade receivables	-	-	-	-
6.a	Monetary financial assets	-	-	-	-
6.b	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non-current assets	-	-	-	-
9.	Total assets	245.615	240.591	4.893	131
10.	Trade payables	(425.698)	(423.268)	(2.326)	(104)
11.	Financial liabilities	(48.381)	(48.381)	-	-
12.a	Other monetary financial liabilities	-	-	-	-
12.b	Other non-monetary financial liabilities	(105)	(105)	-	-
13.	Current liabilities	(474.184)	(471.754)	(2.326)	(104)
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(147.104)	(147.104)	-	-
16.a	Other monetary financial liabilities	-	-	-	-
16.b	Other non-monetary financial liabilities	-	-	-	-
17.	Non-current liabilities	(147.104)	(147.104)	-	-
18.	Total liabilities	(621.288)	(618.858)	(2.326)	(104)
19.	Net asset/liability position of off balance sheet asset and liabilities (19a-19b)	179.165	179.165	-	-
19.a	Total hedged assets	179.165	179.165	-	-
19.b	Total hedged liabilities	-	-	-	-
20.	Net foreign currency asset/liability position (9+18+19)	(196.508)	(199.102)	2.567	27
21.	Net foreign currency asset/liability position of monetary items (1+2a+5+6a+10+11+12a+14+15+16a)	(375.954)	(378.474)	2.493	27
22.	Fair value of foreign currency hedged financial assets	-	-	-	-
23.	Hedged foreign currency assets	-	-	-	-
24.	Hedged foreign currency liabilities	-	-	-	-
25.	Export	1.022.953	1.007.742	15.211	-
26.	Import	3.145.959	3.131.351	13.697	911

Group's consolidated assets and liabilities denominated in foreign currency are as follows:

	March 31, 2018	December 31, 2017
Assets	260.063	245.615
Liabilities	(524.101)	(621.288)
Net asset/liability position	(264.038)	(375.673)
Derivative instruments net position	129.839	179.165
Net foreign currency asset/liability position	(134.199)	(196.508)
Inventories under the natural hedge ^(*)	154.371	262.730
Net foreign currency position after the natural hedge	20.172	66.222

(*)The Group manages its foreign currency risk by regularly considering and reflecting the foreign exchange rate changes in the determination of product prices (natural hedge). As of March 31, 2018, the Group has LPG amounting to TL 154.371 thousand (December 31, 2017: TL 262.730 thousand).

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19. 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.

	Income/Expense		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
March 31, 2018				
10% fluctuation of USD rate				
USD net asset/liability	(26.515)	26.515	(26.515)	26.515
Secured portion from USD risk	12.984	(12.984)	12.984	(12.984)
USD net effect	(13.531)	13.531	(13.531)	13.531
10% fluctuation of Euro rate				
Euro net asset/liability	19	(19)	19	(19)
Secured portion from Euro risk	-	-	-	-
Euro net effect	19	(19)	19	(19)
Total	(13.512)	13.512	(13.512)	13.512

	Income/Expense		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
December 31, 2017				
10% fluctuation of USD rate				
USD net asset/liability	(37.847)	37.847	(37.847)	37.847
Secured portion from USD risk	17.917	(17.917)	17.917	(17.917)
USD net effect	(19.930)	19.930	(19.930)	19.930
10% fluctuation of Euro rate				
Euro net asset/liability	249	(249)	249	(249)
Secured portion from Euro risk	-	-	-	-
Euro net effect	249	(249)	249	(249)
Total	(19.681)	19.681	(19.681)	19.681

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19. Nature and level of risk derived from financial instruments (continued)

Currency forward agreements

Currency forward agreements which are valid as of March 31, 2018 and December 31, 2017 are summarized at the table below:

Maturity	Parity	Type of contract	Transactions	Total amount	March 31, 2018	
					Currency	
16-44 days	3,8360-3,9818	Forward	Sells TL, buys USD	1.380	USD	

Maturity	Parity	Type of contract	Transactions	Total amount	December 31, 2017	
					Currency	
19 days	3,6347-3,9290	Forward	Sells TL, buys USD	16.000	USD	

Swap agreements

As of March 31, 2018 the Group has a swap agreement amounting to TL 91.350 thousand with fixed interest rate of 13,415% in return for USD 31.500 thousand with a floating interest rate of six-month USDLIBOR +2,4%. Swap transaction has half yearly interest payments and principal repayments will start on June 25, 2018. The maturity date of principal repayments is June 24, 2021.

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			
	March 31, 2018	1st Level	2nd Level	3rd Level
Financial assets measured at fair value	317.130	79	316.075	976
Derivative financial instruments	37.264	-	37.264	-

Financial assets /liabilities	Level of fair value as of reporting date			
	December 31, 2017	1st Level	2nd Level	3rd Level
Financial assets measured at fair value	317.124	73	316.075	976
Derivative financial instruments	31.626	-	31.626	-

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19. Nature and level of risk derived from financial instruments (continued)

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, judgements are necessarily required to interpret the market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Group could realize 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:

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 uncollectability 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.

20. Subsequent events

None.

21. Other significant issues affecting the financial statements or the other issues required for clarification of financial statements

None.