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

AYGAZ ANONIM SIRKETI AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018 TOGETHER WITH INDEPENDENT AUDITORS' REPORT

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Aygaz Anonim Şirketi

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Aygaz Anonim Şirketi (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the consolidated financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
BJK Plaza, Süleyman Seba Caddesi No:48 B Blok Kat:9 Akaretler Beşiktaş 34357 İstanbul-Turkey
T: +90 212 326 6060, F: +90 212 326 6050, www.pwc.com.tr *Mersis Numaramız: 0-1460-0224-0500015*

pwc

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matters</th><th>How the subject was handled during the audit</th></tr>
<tr><td>Financial investments

The Company has a 1,97% stake in Koç Finansal Hizmetler A.Ş. (KFS) and is accounted for at fair value, as available for sale financial asset, in the accompanying consolidated financial statements in accordance with TFRS. As of 31 December 2018, KFS financial investment is recognized at fair value of TL 285.647 thousand in the accompanying consolidated financial statements and the related fair value study is performed by an independent expert company (Note 2.25 and Note 5).

We focused on this matter in our audit due to the following reasons:

- KFS financial investment carried at fair value is material to the consolidated financial statements and the related fair value study requires specialist involvement.

- The fair value model includes current and future management estimates (ie. cost of equity-discount rate, growth rates and inflation expectations) where realization of such management estimates in the future includes inherent uncertainties.</td><td>- The expertise of the company, who carried out the valuation study, is assessed in accordance with SIA 500.

- Valuation methods and technical data used in the valuation report prepared by the expert company are examined with the support of our experts.

- The mathematical accuracy of the calculations used in the valuation models are tested.

- Data from external sources, such as “market value” and “similar acquisitions”, used in the valuation models are compared to the relevant independent data sources.

- The reasonableness of the key management estimates used in the modeling (ie. cost of equity-discount rate, growth rates and inflation expectations) is evaluated with the support of our specialists.

- Future revenue estimates used in modeling are compared with KFS's budget and long term strategic plans.

- It is checked whether the fair value of KFS financial investment, in the Group’s consolidated financial statements as at 31 December 2018, is within the recommended fair value range in the specialist valuation report or not.

Based on the above procedures performed we had no material finding on the financial investments.</td></tr>
</table>

4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
-
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
-
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
-
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
-
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

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

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 13 February 2019.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Ediz Günsel, SMMM
Partner

İstanbul, 13 February 2019

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

Aygaz Anonim Şirketi and its Subsidiaries

Table of contents

Aygaz Anonim Şirketi and its Subsidiaries

Consolidated statement of financial position as at December 31, 2018

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

Assets	Notes	Current period (Audited) December 31, 2018	Prior period (Audited) December 31, 2017
Current assets		**1.617.539**	1.587.534
Cash and cash equivalents	4	**648.010**	593.172
Trade receivables		**440.048**	576.679
-Trade receivables from related parties	*31*	***30.461***	*39.354*
-Trade receivables from third parties	*8*	***409.587***	*537.325*
Other receivables		**3.047**	7.353
-Other receivables from third parties	*9*	***3.047***	*7.353*
Derivative financial instruments	7	**25.939**	9.097
Inventories	11	**348.309**	323.579
Prepaid expenses	19	**127.562**	64.577
Assets related to current year tax		**8.248**	2.701
Other current assets	18	**16.376**	10.376
Non-current assets		**3.395.684**	3.378.686
Financial investments	5	**287.096**	317.124
Trade receivables		**8.835**	8.441
-Trade receivables from third parties	*8*	***8.835***	*8.441*
Other receivables		**99**	81
-Other receivables from third parties	*9*	***99***	*81*
Derivative financial instruments	7	**37.245**	22.743
Investments accounted under equity method	12	**2.304.799**	2.273.331
Property, plant and equipment	13	**686.530**	677.927
Intangible assets		**21.354**	19.280
-Other intangible assets	*14*	***21.354***	*19.280*
Prepaid expenses	19	**49.124**	59.074
Deferred tax asset	29	**602**	685
Total assets		**5.013.223**	4.966.220

The accompanying accounting policies and notes between the pages 9 and 74 form an integral part of these consolidated financial statements.

Aygaz Anonim Şirketi and its Subsidiaries

Consolidated statement of financial position as at December 31, 2018

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

Liabilities	Notes	Current period (Audited) December 31, 2018	Prior period (Audited) December 31, 2017
Short term liabilities		**1.484.031**	1.278.810
Short-term financial borrowings	6	**78.596**	84.784
Current portion of long term financial borrowings	6	**492.351**	304.820
Trade payables		**559.653**	670.034
- Trade payables to related parties	*31*	***145.271***	*165.911*
- Trade payables to third parties	*8*	***414.382***	*504.123*
Liabilities for employee benefits	10	**48.357**	53.191
Other payables		**1.511**	1.577
- Other payables to related parties	*31*	***1.052***	*863*
- Other payables to third parties	*9*	***459***	*714*
Derivative financial instruments	7	**-**	214
Deferred income	20	**8.676**	2.483
Current income tax liabilities		**837**	2.076
Short-term provisions		**205.754**	45.455
-Other provisions	*17*	***205.754***	*45.455*
Other current liabilities	18	**88.296**	114.176
Long term liabilities		**1.026.782**	764.347
Long-term financial borrowings	6	**830.068**	583.666
Other payables		**106.114**	97.603
- Other payables to third parties	*9*	***106.114***	*97.603*
Long-term provisions		**42.926**	38.455
-Provisions for employee benefits	*16*	***42.926***	*38.455*
Deferred tax liabilities	29	**47.674**	44.623
Equity		**2.502.410**	2.923.063
Share capital	21	**300.000**	300.000
Adjustment to share capital	21	**71.504**	71.504
Adjustment to share capital due to cross-ownership (-)		**(7.442)**	(7.442)
Other comprehensive income or expenses not to be reclassified to profit or loss		**125.268**	716
Gains (losses) on the revaluation and/or reclassification		**125.042**	1.187
-Gains (losses) remeasurement from defined benefit plans		***2.789***	*1.187*
-Gains (losses) on financial assets measured at fair value through other comprehensive income	*21*	***122.253***	-
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss		**226**	(471)
Other comprehensive income or expenses to be reclassified to profit or loss		**(213.318)**	99.893
Gains (losses) on hedge		**7.631**	-
-Gains (losses) on cash flow hedges		***7.631***	-
Gains (losses) on the revaluation and/or reclassification		**-**	213.653
-Gains (losses) on financial assets measured at fair value through other comprehensive income	*21*	***-***	*213.653*
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss		**(220.949)**	(113.760)
Restricted reserves	21	**294.210**	249.509
Retained earnings		**1.703.805**	1.631.864
Net profit for the period		**228.383**	577.019
Equity attributable to equity holders of the parent		**2.502.410**	2.923.063
Total equity and liabilities		**5.013.223**	4.966.220

The accompanying accounting policies and notes between the pages 9 and 74 form an integral part of these consolidated financial statements.

Aygaz Anonim Şirketi and its Subsidiaries

Consolidated profit or loss statement
for the year ended December 31, 2018
(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

	Notes	(Audited) January 1 - December 31, 2018	(Audited) January 1 - December 31, 2017
Revenue	22	**9.554.441**	8.469.276
Cost of sales (-)	22	**(8.920.093)**	(7.728.139)
Gross profit		**634.348**	741.137
General administrative expenses (-)	23	**(201.664)**	(204.627)
Marketing, expenses (-)	23	**(310.756)**	(285.377)
Research and development expenses (-)	23	**(3.431)**	(3.652)
Other operating income	25	**331.668**	158.314
Other operating expenses (-)	25	**(379.582)**	(141.071)
Operating profit		**70.583**	264.724
Income from investment activities	26	**27.397**	22.235
Loss from investment activities (-)	26	**(1.740)**	(5.430)
Profit/losses from investments accounted under equity method	12	**281.440**	388.611
Operating profit before financial income (expense)		**377.680**	670.140
Financial income	27	**165.251**	89.728
Financial expense (-)	28	**(293.170)**	(139.105)
Profit from continuing operations before tax		**249.761**	620.763
Tax income (expense), continuing operations			
-Current tax expense for the period (-)	29	**(15.871)**	(42.517)
-Deferred tax income (expense)	29	**(5.507)**	(1.227)
Profit for the period		**228.383**	577.019
Distribution of profit for the period			
Equity holders of the parent	21	**228.383**	577.019
Earnings per share (TL)	30	**0,761277**	1,923397
Diluted earnings per share (TL)	30	**0,761277**	1,923397

The accompanying accounting policies and notes between the pages 9 and 74 form an integral part of these consolidated financial statements.

Aygaz Anonim Şirketi and its Subsidiaries

Consolidated other comprehensive income statement for the year ended December 31, 2018

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

		(Audited) January 1 - December 31, 2018	(Audited) January 1 -December 31, 2017
Profit for the period		**228.383**	577.019
Other comprehensive income			
Not to be reclassified to profit or loss		**(89.101)**	1.509
- Gains (losses) remeasurement on defined benefit plans		***1.602***	*1.063*
Gains (losses) on financial assets measured at fair value through other comprehensive income			
- Gains (losses) on financial assets measured at fair value through other comprehensive income		***(96.213)***	*-*
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss			
- Gains (losses) from re-measurement on defined benefit plans of investments using equity method		***697***	*446*
Taxes relating to other comprehensive income not to be reclassified to profit (loss)			
- Gains (losses) on financial assets measured at fair value through other comprehensive income, tax effect	*29*	***4.813***	*-*
To be reclassified to profit or loss		***(99.558)***	*55.566*
Gains (losses) on cash flow hedges			
- Gains (losses) on cash flow hedges		***9.784***	*-*
Gains (losses) on financial assets measured at fair value through other comprehensive income			
- Gains (losses) on financial assets measured at fair value through other comprehensive income		***-***	*59.100*
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss			
- Gains (losses) from cash flow hedging of investments using equity method		***(109.009)***	*(864)*
- Gains (losses) from translation of foreign currency of investments using equity method		***1.820***	*285*
Taxes relating to other comprehensive income to be reclassified to profit (loss)			
- Gains (losses) on financial assets measured at fair value through other comprehensive income, tax effect	*29*	***-***	*(2.955)*
- Gains (losses) on cash flow hedges, tax effect	*29*	***(2.153)***	-
Other comprehensive income / (expense) (after taxation)		**(188.659)**	57.075
Total other comprehensive income		**39.724**	634.094
Distribution of total comprehensive income			
Equity holders of the parent		**39.724**	634.094

The accompanying accounting policies and notes between the pages 9 and 74 form an integral part of these 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 year ended December 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 re-measurement of defined benefit plans	Gains (losses) on financial assets measured at fair value through other comprehensive income	Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss	Profit or loss relating to avoidance of risk of cash flow	Gains (losses) on financial assets measured at fair value through other comprehensive income	Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss	Restricted reserves	Retained earnings	Net profit for the period	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Audited															
Balance as of January 1, 2017	300.000	71.504	(7.442)	124	-	(917)	-	157.508	(113.181)	203.549	1.713.648	415.670	2.740.463	1.094	2.741.557
Transfers	-	-	-	-	-	-	-	-	-	45.960	369.710	(415.670)	-	-	-
Total comprehensive income (expense)	-	-	-	1.063	-	446	-	56.145	(579)	-	-	577.019	634.094	-	634.094
Net income	-	-	-	-	-	-	-	-	-	-	-	*577.019*	*577.019*	-	*577.019*
Other comprehensive income (expense)	-	-	-	*1.063*	-	*446*	-	*56.145*	*(579)*	-	-	-	*57.075*	-	*57.075*
Dividend paid	-	-	-	-	-	-	-	-	-	-	(450.000)	-	(450.000)	-	(450.000)
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1.494)	-	(1.494)	(1.094)	(2.588)
Balance as of December 31, 2017	300.000	71.504	(7.442)	1.187	-	(471)	-	213.653	(113.760)	249.509	1.631.864	577.019	2.923.063	-	2.923.063
Audited															
Balance as of January 1, 2018	**300.000**	**71.504**	**(7.442)**	**1.187**	**-**	**(471)**	**-**	**213.653**	**(113.760)**	**249.509**	**1.631.864**	**577.019**	**2.923.063**	**-**	**2.923.063**
Adjustments to changes in accounting policies	**-**	**-**	**-**	**-**	**213.653**	**-**	**-**	**(213.653)**		**-**	**(377)**	**-**	**(377)**	**-**	**(377)**
Adjustments to mandatory changes in accounting policies (Note 2.4)	**-**	**-**	**-**	**-**	***213.653***	**-**	**-**	***(213.653)***		**-**	***(377)***	**-**	***(377)***	**-**	***(377)***
Transfers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**44.701**	**532.318**	**(577.019)**	**-**	**-**	**-**
Total comprehensive income (expense)	**-**	**-**	**-**	**1.602**	**(91.400)**	**697**	**7.631**	**-**	**(107.189)**	**-**	**-**	**228.383**	**39.724**	**-**	**39.724**
Net income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**	**-**	***228.383***	***228.383***	**-**	***228.383***
Other comprehensive income (expense)	**-**	**-**	**-**	***1.602***	***(91.400)***	***697***	***7.631***	**-**	***(107.189)***	**-**	**-**	**-**	***(188.659)***	**-**	***(188.659)***
Dividend paid (Note 21)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**	**(460.000)**	**-**	**(460.000)**	**-**	**(460.000)**
Balance as of December 31, 2018	**300.000**	**71.504**	**(7.442)**	**2.789**	**122.253**	**226**	**7.631**	**-**	**(220.949)**	**294.210**	**1.703.805**	**228.383**	**2.502.410**	**-**	**2.502.410**

The accompanying accounting policies and notes between the pages 9 and 74 form an integral part of these consolidated financial statements.

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and its Subsidiaries

Consolidated cash flow statement
for the year ended December 31, 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) and in thousands for other currencies unless otherwise indicated.)

	Notes	Audited January 1 - December 31, 2018	Audited January 1 - December 31, 2017
Cash flows from operating activities		**233.275**	251.238
Net income from continuing operations		**228.383**	577.019
Adjustments related with the reconciliation of net profit (loss) for the period		**106.665**	(196.561)
-Adjustments for depreciation and amortization expenses	13,14	**89.580**	87.520
-Adjustments for impairment loss (reversal)		**1.841**	1.263
-Adjustments for provisions		**169.355**	22.384
-Adjustments for dividend (income) expense	26	**(604)**	(296)
-Adjustments for interest income	27	**(69.689)**	(46.290)
-Adjustments for interest expense	28	**184.994**	98.488
-Adjustments for unrealized foreign exchange differences		**35.712**	9.408
-Adjustments for fair value losses (gains) on derivative financial instruments		**(23.927)**	(8.884)
-Adjustments for undistributed profits of investments accounted under equity method	12	**(281.440)**	(388.611)
-Adjustments for tax (income) expenses	29	**21.378**	43.744
-Adjustments for losses (gains) on disposal of non-current assets	26	**(25.053)**	(16.509)
-Other adjustments for reconciliation of profit (loss)		**4.518**	1.222
Changes in working capital:		**(74.531)**	(76.423)
-Change in blocked deposits		**(1.943)**	-
-Adjustments for decrease (increase) in trade receivables		**134.019**	(106.908)
-Adjustments for decrease (increase) in other operating receivables		**(1.712)**	(8.418)
-Adjustments for decrease (increase) in inventories		**(24.730)**	(139.512)
-Decrease (increase) in prepaid expenses		**(53.708)**	(14.005)
-Adjustments for increase (decrease) in trade payables		**(110.381)**	199.303
-Increase (decrease) in liabilities for employee benefits		**(4.834)**	9.939
-Adjustments for increase (decrease) in other operating payables		**(17.435)**	(16.818)
-Increase (decrease) in deferred income		**6.193**	(4)
Cash flows from operating activities		**260.517**	304.035
-Payments related to provisions for employee benefits	16	**(4.585)**	(5.230)
-Tax returns (payments)		**(22.657)**	(47.567)
Cash flows from investing activities		**2.220**	(55.663)
Cash outflows from the acquisition of additional subsidiary shares		**-**	(2.588)
Cash outflows from the acquisition of additional shares or participation in share capital increase of investment of associates or joint ventures	1, 12	**(203.974)**	(50.000)
Cash outflows from increase in share capital of financial investments	5	**(66.660)**	-
Cash inflows from the sale of property, plant and equipment and intangible assets		**32.467**	20.822
Cash outflows from the purchase of property, plant and equipment and intangible assets	13,14	**(107.671)**	(111.684)
Dividends received		**348.058**	87.787
Cash flows from financing activities		**(197.202)**	(170.765)
Proceeds from borrowings	6	**655.981**	495.453
Repayments of borrowings	6	**(309.175)**	(176.148)
Dividends paid		**(460.000)**	(450.000)
Interest paid		**(154.369)**	(85.075)
Interest received		**70.361**	45.005
Net increase (decrease) in cash and cash equivalents before currency translation differences		**38.293**	24.810
Effect of currency translation differences		**14.602**	634
Net increase (decrease) in cash and cash equivalents		**52.895**	25.444
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	**646.067**	593.172

The accompanying accounting policies and notes between the pages 9 and 74 form an integral part of these consolidated financial statements.

(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 December 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") in 2018 is 688 white-collar (2017: 706) and 637 blue-collar (2017: 683) totaling to 1.325 (2017:1.389).

Subsidiaries

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

		Ownership interest (%)			
Subsidiaries	Place of incorporation and Operation	**December 31, 2018**	December 31, 2017	**Voting power right**	Principal activity
Anadoluhisarı	Turkey	**%100**	100%	**100%**	Shipping
Kandilli	Turkey	**%100**	100%	**100%**	Shipping
Kuleli	Turkey	**%100**	100%	**100%**	Shipping
Kuzguncuk	Turkey	**%100**	100%	**100%**	Shipping
Akpa	Turkey	**%100**	100%	**100%**	Marketing
Aygaz Doğal Gaz Toptan Satış A.Ş.	Turkey	**%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.

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.

(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:

		Ownership interest (%)			
Investments in associates	Place of incorporation and operation	**December 31, 2018**	December 31, 2017	**Voting power right**	Principal activity
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 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 (Note 12).

(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:

		Ownership interest (%)			
Joint venture	Place of incorporation and operation	**December 31, 2018**	December 31, 2017	**Voting power right**	Principal activity
Opet Aygaz Gayrimenkul A.Ş.	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 (Note 12).

Approval of consolidated financial statements

The consolidated financial statements as of and for the year ended December 31, 2018 are approved in the Board of Directors meeting held on February 13, 2019. These consolidated financial statements will be finalized following their approval in the General Assembly.

2. Basis of presentation of consolidated financial statements

2.1 Financial reporting standards

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

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

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

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

2. Basis of presentation of consolidated financial statements

2.2 Consolidation principles

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

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

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

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

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

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

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

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

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

2. Basis of presentation of consolidated financial statements (continued)

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

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

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

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

2.3 New and revised Turkey Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 31 December 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. The Group accounted the effect of related standart on the consolidated financial statements as a result of its pre-assesment (Note 2.4).

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. The amendments do not have an impact on the Group’s consolidated financial position and performance.

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. The amendments do not have an impact on the Group’s consolidated financial position and performance.

2. Basis of presentation of consolidated financial statements (continued)

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 amendments do not have an impact on the Group’s consolidated financial position and performance.

b) Standards, amendments and interpretations effective after 1 January 2019

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 recognised 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 amendments do not have an impact on the Group’s consolidated financial position and performance.

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 amendments do not have an impact on the Group’s consolidated financial position and performance.

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.

2. Basis of presentation of consolidated financial statements (continued)

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 IFRIC 23 had previously clarified only some uncertainties of 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.

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 re-measures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, 'Joint arrangements', – a company does not re-measure 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 1 and IAS 8 on the definition of material; effective from annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' and consequential amendments to other IFRSs:

- use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to IFRS 3 - definition of a business; effective from annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

The Group will evaluate the effect of the amendments below and apply from effective date.

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

2. Basis of presentation of consolidated financial statements (continued)

2.4 Comparative information and reclassifications on prior period financial statements

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 within the frame of exemption of adoption which is written in the section number 7.2.15 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.

In accordance with the amendments applied within the frame of IFRS 9, any gain or loss from revaluation of financial assets carried at fair value through other comprehensive is accounted under other comprehensive income not to be classified to profit or loss.

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 other comprehensive income
Borrowings	Amortized cost	Amortized cost
Trade payables	Amortized cost	Amortized cost

2.5 Offsetting

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

2. Basis of presentation of consolidated financial statements (continued)

2.6 Revenue recognition

When a performance obligation is satisfied by transferring promised goods or services to a customer, the Group recognises the revenue as the amount of the transaction price that is allocated to that performance obligation. The goods or services are transferred when the control of the goods or services is delivered to the customers. Returns, discounts and provisions are reduced from the related amount.

Group recognises revenue based on the following five principles:

(a) Identification of customer contracts
(b) Identification of performance obligations
(c) Determination of the transaction price in the contracts
(d) Allocation of transaction price to the performance obligations
(e) Recognition of revenue when the performance obligations are satisfied

Group recognises revenue from its customer when all of the the following criteria are met:

(a) The parties have approved the contract (written or orally or in accordance with other customer business practices) and are committed to perform their respective obligations,
(b) Group can identify the right of parties related to goods and services,
(c) Group can identify the payment terms of goods and services to be transferred,
(d) The contract has commercial substance,
(e) It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods and services that will be transferred to the customer. In evaluating whether collectabilitiy of a consideration is probable, the entity shall consider only the customer's abilitity and intention to pay the consideration when it is due.

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

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

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

The accounting policy of Special Consumption Tax (SCT) on imported LPG which is required to be paid after the declaration made to the Republic of Turkey, Ministry of Finance is applied to be included in revenues and cost of goods sold (Gross profit and net income is not impacted by this record). For the year ended December 31, 2018, SCT on imported LPG included in revenues and the cost of goods sold is amounting to TL 1.543.946 thousand (January 1- December 31 2017: TL 2.284.740 thousand).

Dividend and interest revenue:

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

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

2. Basis of presentation of consolidated financial statements (continued)

2.7 Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is calculated with first in first out method for LPG and with weighted average method for other inventories. Cost of inventories include all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Conversion costs of inventories defines as costs directly related to production, such as direct labour costs. These expenses also include systematically distributed amounts from fixed and variable costs in factory overheads. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and estimated costs to make the sale.

2.8 Property, plant and equipment

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

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

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

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

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

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

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

2.9 Intangible assets

Intangible assets acquired separately

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

2. Basis of presentation of consolidated financial statements (continued)

Trade rights and licenses

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

Computer software

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

2.10 Impairment of assets

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

2.11 Borrowing costs

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

2.12 Financial instruments

2.12.1 Financial assets

Reclassification and re-measurement

Financial assets are classified into the following specified categories: financial assets as 'at fair value at amortised cost', 'at fair value through profit or loss' (FVTPL),', 'at fair value through other comprehensive income'. The classification is made considering the purpose of acquisition of financial asset and its expected cash flows, at the time of acquisition.

Financial assets carried at amortised cost

Financial assets measured at amortised cost", are the financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount standing, not have an active market and non-derivatives financial assets. "Cash and cash equivalents", "Trade receivables" are classified as financial assets measured at amortised cost using the effective interest method.

2. Basis of presentation of consolidated financial statements (continued)

Impairment of financial assets

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

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 recognised in operational expense/income in consolidated income statement.

Financial assets measured at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. Group make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

i) Financial assets measured at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of "derivative instruments" in the statement of financial position. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative. Group's financial instruments at fair value through profit or loss consist of forward contracts, currency swaps and cross currency fixed interest rate swap.

ii) Financial assets measured at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise of "financial assets" in the statement of financial position. When the financial assets carried at fair value through other comprehensive income are sold, fair value gain or loss classified in other comprehensive income is classified to retained earnings.

Effective interest method

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

2. Basis of presentation of consolidated financial statements (continued)

Loans and receivables

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

Cash and cash equivalents

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

2.12.2 Derivative financial instruments and hedge accounting

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

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

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

Fair value differences of forward transactions, sourcing from trading contracts in scope of main activities of the Group, are recognised under other real operating income (expense) since they are in scope of main activities of the Group while exchange rate differences, sourcing from forward exchange and exchange of interest rate, are recognised under financing income (expense).

Cash flow hedges

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Group.

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognised in equity as "hedge reserves". Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the consolidated income statement in the period in which the hedged firm commitment or forecasted transaction affects the consolidated income statement

2. Basis of presentation of consolidated financial statements (continued)

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains until the forecast transaction or firm commitment affects profit or loss.

2.12.3 Recognition and de-recognition of financial instruments

All purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase or to sell the asset. These purchases or sales are purchases or sales generally require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognised where:

- the rights to receive cash flows from the asset have expired
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the consolidated financial statements.

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

2.13 Business combinations

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

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

2. Basis of presentation of consolidated financial statements (continued)

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

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

Acquisition method requires allocation of the acquisition cost to the assets acquired and liabilities assumed at their fair values on the date of acquisition. Accordingly, acquired assets and liabilities and contingent liabilities assumed are recognised at IFRS 3 fair values on the date of acquisition. Acquired company is consolidated in profit or loss statement starting from the date of acquisition.

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

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

2.14 Foreign currency transactions

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

In preparing the financial statements of the individual entities, transactions in currencies other than TL(foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions.

At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the Central Bank of the Republic of Turkey (CBRT) rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

2. Basis of presentation of consolidated financial statements (continued)

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

2.15 Earnings per share

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

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

2.16 Subsequent events

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

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

2.17 Provisions, contingent liabilities, contingent assets

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

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

2.18 Related parties

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

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

2. Basis of presentation of consolidated financial statements (continued)

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

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

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

2.19 Segmental information

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

2.20 Taxation and deferred tax

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

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

Corporate tax

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

2.Basis of presentation of consolidated financial statements (continued)

Deferred tax

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

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

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

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

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

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

The Company recognizes deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, to the extent that, and only to the extent that, it is probable that:

- the temporary difference will reverse in the foreseeable future and
- taxable profit will be available against which the temporary difference can be utilized.

The Company recognizes deferred tax liability for all taxable temporary differences associated with investments in subsidiaries except to the extent that both of the following conditions are satisfied:

- the parent is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

2. Basis of presentation of consolidated financial statements (continued)

2.21 Employment benefits

Defined benefit plan:

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

Defined contribution plan:

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

2.22 Statement of cash flows

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

2.23 Share capital and dividends

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

2.24 Research and development expenses

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

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

Other development expenditures are recognised as expense as incurred.

Development costs previously recognised as expense cannot be capitalized in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis. As of December 31, 2018, the Group has no capitalized research and development expenses (December 31, 2017: None).

2. Basis of presentation of consolidated financial statements (continued)

2.25 Critical accounting estimates and assumptions

The critical accounting estimates and assumptions which have material impact on the consolidated financial statements are as follows:

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

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

   Financial asset measured at fair value through other comprehensive income of the Group includes shares of Koç Finansal Hizmetler A.Ş. (KFS), an unlisted company and the majority shareholder of Yapı ve Kredi Bankası with 81,8%. Since the shares of Yapı ve Kredi Bankası are traded in Istanbul Stock Exchange, the fair value of shares of KFS are determined by using several valuation methods such as the existing market value of Yapı ve Kredi Bankası, dividend discount model, comparison method considering recent similar local or international acquisitions realized. In this valuation, the market value is weighted as 75%, the dividend discount model is 15% and the market model involving similar acquisitions is 10%. In the dividend discount model, 22,3% cost of equity-discount rate on Turkish Lira based (2017: 18%) and 10,6% of long-term growth rate (2017: 5%) were taken into consideration. The average result of the minimum and maximum values of the calculations made using these methods were recorded as the fair value (Note 5).

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

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

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

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

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

3. Segment information

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

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

- Gas and petroleum products
- Electricity
- Other

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

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

					December 31, 2018
	Gas and petroleum products	**Electricity**	**Other**	**Consolidation adjustments**	**Total**
Assets					
Current assets	**1.457.467**	**-**	**184.598**	**(24.526)**	**1.617.539**
Non-current assets	**2.956.387**	**448.501**	**273.720**	**(282.924)**	**3.395.684**
Total assets	**4.413.854**	**448.501**	**458.318**	**(307.450)**	**5.013.223**
Liabilities					
Short term liabilities	**1.446.764**	**-**	**61.805**	**(24.538)**	**1.484.031**
Long term liabilities	**1.021.426**	**-**	**15.413**	**(10.057)**	**1.026.782**
Equity	**1.945.664**	**448.501**	**381.100**	**(272.855)**	**2.502.410**
Total liabilities and equity	**4.413.854**	**448.501**	**458.318**	**(307.450)**	**5.013.223**
Investments accounted under equity method	**1.718.736**	**448.501**	**137.562**	**-**	**2.304.799**

					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

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

3. Segment information (continued)

As of December 31, 2018 and 2017, profit and loss statement according to industrial segments are as follows:

					January 1 - December 31, 2018
	Gas and petroleum products	**Electricity**	**Other**	**Consolidation adjustments**	**Total**
Revenue	**9.167.870**	**-**	**620.212**	**(233.641)**	**9.554.441**
Cost of sales (-)	**(8.619.449)**	**-**	**(534.285)**	**233.641**	**(8.920.093)**
Gross profit	**548.421**	**-**	**85.927**	**-**	**634.348**
General administrative expenses (-)	**(185.837)**	**-**	**(19.834)**	**4.007**	**(201.664)**
Marketing expenses (-)	**(289.214)**	**-**	**(21.542)**	**-**	**(310.756)**
Research and development expenses (-)	**(3.431)**	**-**	**-**	**-**	**(3.431)**
Other operating income	**319.793**	**-**	**17.453**	**(5.578)**	**331.668**
Other operating expenses (-)	**(368.410)**	**-**	**(11.694)**	**522**	**(379.582)**
Operating profit	**21.322**	**-**	**50.310**	**(1.049)**	**70.583**
Income from investment activities	**429.280**	**-**	**471**	**(402.354)**	**27.397**
Loss from investment activities (-)	**(1.740)**	**-**	**-**	**-**	**(1.740)**
Profit/losses from investments accounted under equity method	**373.157**	**(96.049)**	**4.332**	**-**	**281.440**
Operating profit before financial income (expense)	**822.019**	**(96.049)**	**55.113**	**(403.403)**	**377.680**
Financial income	**139.100**	**-**	**26.151**	**-**	**165.251**
Financial expense (-)	**(284.635)**	**-**	**(8.535)**	**-**	**(293.170)**
Profit from continuing operations before tax	**676.484**	**(96.049)**	**72.729**	**(403.403)**	**249.761**
Tax income (expense), continuing operations					
Current tax expense for the period (-)	**(9.696)**	**-**	**(6.175)**	**-**	**(15.871)**
Deferred tax income (expense)	**(5.399)**	**-**	**(108)**	**-**	**(5.507)**
Profit for the period	**661.389**	**(96.049)**	**66.446**	**(403.403)**	**228.383**

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

3. Segment information (continued)

	January 1 - December 31, 2017				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Revenue	8.182.926	-	497.074	(210.724)	8.469.276
Cost of sales (-)	(7.517.598)	-	(422.009)	211.468	(7.728.139)
Gross profit	665.328	-	75.065	744	741.137
General administrative expenses (-)	(187.415)	-	(21.064)	3.852	(204.627)
Marketing expenses (-)	(268.750)	-	(16.627)	-	(285.377)
Research and development expenses (-)	(3.652)	-	-	-	(3.652)
Other operating income	151.578	-	11.120	(4.384)	158.314
Other operating expenses (-)	(135.454)	-	(6.245)	628	(141.071)
Operating profit	221.635	-	42.249	840	264.724
Income from investment activities	198.110	-	3.084	(178.959)	22.235
Loss from investment activities (-)	(5.430)	-	-	-	(5.430)
Profit/losses from investments accounted under equity method	378.111	7.114	3.386	-	388.611
Operating profit before financial income (expense)	792.426	7.114	48.719	(178.119)	670.140
Financial income	76.244	-	13.484	-	89.728
Financial expense (-)	(133.037)	-	(6.068)	-	(139.105)
Profit from continuing operations before tax	735.633	7.114	56.135	(178.119)	620.763
Tax income (expense), continuing operations					
Current tax expense for the period (-)	(38.511)	-	(4.006)	-	(42.517)
Deferred tax income (expense)	(1.224)	-	(3)	-	(1.227)
Profit for the period	695.898	7.114	52.126	(178.119)	577.019

The depreciation and amortization expense for the industrial segmental assets as of December 31, 2018 and 2017 is as follows:

	January 1 - December 31, 2018	January 1 - December 31, 2017
Gas and petroleum products	**79.897**	77.374
Other	**9.683**	10.146
	89.580	87.520

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

3. Segment information (continued)

The investment expenditures for the industrial segmental assets as of December 31, 2018 and 2017 are as follows:

	January 1 - December 31, 2018	January 1 - December 31, 2017
Gas and petroleum products	**102.884**	109.961
Other	**4.787**	1.723
	107.671	111.684

4. Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	**223**	462
Cash at banks	**589.377**	546.687
- Demand deposits	***39.010***	*21.984*
- Time deposits	***550.367***	*524.703*
Receivables from credit card transactions	**58.410**	46.023
Total cash and cash equivalents	**648.010**	593.172

As of December 31, 2018 the Group's TL time deposits amounting to TL 344.731 thousand with maturities of 2 days and interest rates of 22,50-24,33%. USD time deposits amounting to USD 39.088 thousand (TL 205.636 thousand) with maturities of 2 days and interest rate of 3,40 % (As of December 31, 2017 the Group's TL time deposits amounting to TL 360.525 thousand have maturities of 4-46 days and interest rates of 14-14,85%; USD time deposits amounting to USD 43.527 thousand (TL 164.178 thousand) have a maturity of 4-5 days and an interest rate of 3%).

The amount of cash and cash equivalents shown in the statement of cash flow as of December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Cash and cash equivalents	**648.010**	593.172
Less: Blocked deposits (*)	**(1.943)**	-
	646.067	593.172

(*) The amount consists of the cash collaterals given to Istanbul Clearing, Settlement and Custody Bank Inc.-Takasbank in accordance with the procedure with respect to central transportation services provided by Takasbank in the Organized Natural Gas Market operated by Energy Exchange Istanbul (EXIST).

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

5. Financial investments

The Group's long-term financial assets identified as available-for-sale financial assets are as follows as of December 31, 2018 and 2017:

	December 31, 2018		December 31, 2017	
	Participation amount	**Participation rate %**	Participation amount	Participation rate %
Financial assets measured at fair value through other comprehensive income:				
Koç Finansal Hizmetler A.Ş.(*)	***285.647***	***1,97***	*315.200*	*1,97*
Financial assets measured at fair value through profit or loss:				
Ram Dış Ticaret A.Ş.	***420***	***2,50***	*875*	*2,50*
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	***540***	***10,00***	*540*	*10,00*
Tat Gıda Sanayi A.Ş.	***53***	***0,08***	*73*	*0,08*
Other	***436***	***-***	*436*	*-*
	287.096		317.124	

(*) During the extraordinary general assembly meeting held on June 6, 2018 of Koç Finansal Hizmetler A.Ş. in which having a 1,97% stake, it was resolved to increase the paid-in capital of by TL 3.389.325 thousand from TL 3.011.275 thousand to TL 6.400.600 thousand. The Company participated in this capital increase by exercising its pre-emptive rights corresponding to TL 66.660 thousand that was paid in cash on June 18, 2018.

6. Financial borrowings

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

	December 31, 2018	December 31, 2017
TL-denominated short-term bank borrowings (*)	**78.596**	84.784
Total short-term bank borrowings	**78.596**	84.784
Short-term portion and interest accruals of TL-denominated long-term bank borrowings	**275.038**	100.414
Short-term portion and interest accruals of USD-denominated long-term bank borrowings	**67.592**	48.381
Short-term portion of long-term bond issued (**)	**149.721**	156.025
Total short-term portion of long-term financial borrowings	**492.351**	304.820

(*) As of December 31, 2018, the Group has interest free loan amounting to TL 5.981 thousand (December 31, 2017: TL 10.453 thousand). TL 3,645 thousand of total amount was used for custom expenses payment and amounting to TL 2.336 thousand was used for SSI payments. Group has short term bank loans amounting to TL 40.456 thousand with a maturity of June 12, 2019 and TL 32.159 thousand with a maturity of October 17, 2019 The average fixed interest rate of these loans is 30,13%.

(**) 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 December 31, 2018, net present value of the issued bonds are TL 218.794 thousand (TL 69.073 thousand of this amount is shown as long term bond issued) and their effective interest rates are 13,46%, 14,45% and 15,70% respectively.

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

6. Financial borrowings (continued)

As of December 31, 2018, the details of short-term bank borrowings are as follows:

Currency	Average effective interest rate per annum (%)	Original amount	TLamount
TL	**-**	**5.981**	**5.981**
TL	**30,13**	**72.615**	**72.615**
			78.596

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

Currency	Average Effective interest rate per annum (%)	Original amount	TLamount
TL	-	10.453	10.453
TL	13,19	74.331	74.331
			84.784

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

	December 31, 2018	December 31, 2017
TL-denominated long-term bank borrowings	**621.581**	314.510
USD-denominated long-term bank borrowings	**139.414**	147.104
Total long-term bank borrowings	**760.995**	461.614
Long-term bonds issued	**69.073**	122.052
Total long-term bonds	**69.073**	122.052
Total long-term financial borrowings	**830.068**	583.666

As of December 31, 2018 the details of long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TLamount
TL	**20,35**	**896.619**	**896.619**
USD	**6,10**	**39.348**	**207.006**
Short-term portion of long-term loans and interest accruals			**(342.630)**
			760.995

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

Currency	Effective interest rate per annum (%)	Original amount	TLamount
TL	15,67	414.924	414.924
USD	4,30	51.827	195.485
Short-term portion of long-term loans and interest accruals			(148.795)
			461.614

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

6. Financial borrowings (continued)

As of December 31, 2018 and 2017 the Group's movements of financial borrowings are as follows:

	2018	2017
As of January, 1	**973.270**	630.510
Proceeds from new financial borrowings	**655.981**	495.453
Repayments of principals	**(309.175)**	(176.148)
Changes in interest accruals	**30.625**	13.413
Currency translation differences	**50.314**	10.042
As of December, 31	**1.401.015**	973.270

7. Derivative financial instruments

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

	December 31, 2018		December 31, 2017	
	Contract amount	Fair value assets (liabilities)	Contract amount	Fair value assets (liabilities)
Forward transactions (*)	**-**	**-**	60.941	(214)
Foreign currency swap contracts (**)	**26.100**	**24.830**	26.100	9.097
Commodity hedge (***)	**41.245**	**1.109**	-	-
Total short-term derivative financial instruments	**67.345**	**25.939**	87.041	8.883

	December 31, 2018		December 31, 2017	
	Contract amount	Fair value assets (liabilities)	Contract amount	Fair value assets (liabilities)
Foreign currency swap contracts (**)	**39.150**	**37.245**	65.250	22.743
Total long-term derivative financial instruments	**39.150**	**37.245**	65.250	22.743

(*) As of December 31, 2018 the Group has no forward transaction (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%. USD 9.000 thousand of principal payments made in 2018.

(***) As of December 31, 2018 the Group has Commodity swap transaction which is made for the quantity of 20.000 metric tonne of propane (Sonatrach FOB Bethioua). The relevant contract month of the transaction is February 2019 and the weighted average fixed price is USD 392/per metric tonne.

8. Trade receivables and payables from third parties

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

	December 31, 2018	December 31, 2017
Trade receivables	**390.652**	517.416
Notes receivables	**46.873**	45.535
Allowance for doubtful receivables (-) (*)	**(27.938)**	(25.626)
Total current trade receivables	**409.587**	537.325

(*) TL 540 thousand of provision for doubtful receivables consists of expected credit loss provisions.

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

8. Trade receivables and payables from third parties (continued)

	December 31, 2018	December 31, 2017
Notes receivable	**8.835**	8.441
Total non-current trade receivables	**8.835**	8.441

Movement of allowance for doubtful receivables	**2018**	2017
As of January 1st in accordance with IAS 39	**25.626**	23.667
Effect of IFRS 9 (Note:2.4)	**471**	-
As of January 1 st recalculated in accordance with IFRS 9	**26.097**	23.667
Increases during the period	**2.364**	2.087
Collections	**(523)**	(128)
As of December 31st	**27.938**	25.626

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

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

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

	December 31, 2018	December 31, 2017
Trade payables	**414.382**	504.123
Total short-term trade payables	**414.382**	504.123

9. Other receivables and payables from third parties

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

	December 31, 2018	December 31, 2017
Guarantees and deposits given	**191**	6.015
Other receivables	**2.856**	1.338
Total other current receivables	**3.047**	7.353

	December 31, 2018	December 31, 2017
Guarantees and deposits given	**99**	81
Total other non-current receivables	**99**	81

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

9. Other receivables and payables from third parties (continued)

As of December 31, 2018 and 2017, other payables to third parties of the Group are as follows:

	December 31, 2018	December 31, 2017
Deposits and guarantees taken	**459**	714
Total other short-term payables	**459**	714

	December 31, 2018	December 31, 2017
Cylinder deposits received	**106.114**	97.603
Total other long-term payables	**106.114**	97.603

10. Liabilities for employee benefits

As of December 31, 2018 and 2017, liabilities for employee benefits of the Group are as follows:

	December 31, 2018	December 31, 2017
Payables to personnel	**27.021**	28.658
Employee's income tax payable	**16.616**	17.238
Social security liabilities	**4.720**	7.295
Total liabilities for employee benefits	**48.357**	53.191

11. Inventories

	December 31, 2018	December 31, 2017
Raw materials	**170.663**	198.909
Goods in transit	**156.125**	107.218
Trade goods	**5.812**	4.968
Finished goods	**12.861**	9.931
Work in process	**3.077**	2.782
Allowance for impairment on inventory	**(229)**	(229)
Total inventories	**348.309**	323.579

As of December 31, 2018, the inventories compromise of 117.213 tons of LPG (December 31, 2017: 119.858 tons).

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

	2018	2017
As of January 1st	**229**	1.053
Provision no longer required	**-**	(824)
As of December 31st	**229**	229

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

12. Equity investments

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

	December 31, 2018		December 31, 2017	
	Participation amount	**Participation Rate**	Participation amount	Participation Rate
EYAŞ	**1.718.736**	**%20,00**	1.787.658	20,00%
Entek	**448.501**	**%49,62**	352.443	49,62%
OAGM	**137.562**	**%50,00**	133.230	50,00%
	2.304.799		2.273.331	

The movement of equity investments is as follows:

	2018	2017
As of January 1st	**2.273.331**	1.922.344
Shares of profit/(loss)	**281.440**	388.611
Shares of other comprehensive income/(loss) (***)	**(106.492)**	(133)
Dividend income (*)	**(347.454)**	(87.491)
Participation in share capital increase of equity investment (**)	**203.974**	50.000
As of December 31st	**2.304.799**	2.273.331

(*) EYAŞ dividend income.
(**) Capital increase of Entek (2017: Capital increase of OAGM) (Note 1).

Shares of profit (loss) of equity investments:

	January 1 - December 31, 2018	January 1 - December 31, 2017
EYAŞ	**373.157**	378.111
Entek (***)	**(96.049)**	7.114
OAGM	**4.332**	3.386
	281.440	388.611

(***) The related balance also consists of the net loss for the period amounting to TL 18,9 million and impairment loss amounting to TL 74,7 million of Ayas Enerji Üretimi ve Ticaret A.Ş. (Ayas), joint venture of Entek which is the Group’s equity investment.
Ayas was established on April 10, 2002 and the energy generation license for the thermal power plant with the capacity of 625 MW in Adana was obtained on April 30, 2009 for 49 years. The share purchase agreement for the transfer of 50% of Ayas shares to Entek was signed between the Armed Forces Pension Fund (“OYAK”) and Entek on December 15, 2011. The share transfer was completed on May 22, 2012 as a result of obtaining the necessary permissions from the official authorities.
A lawsuit has been filed in 2011 for the cancellation of the generation license granted to Ayas with a demand of the stay of execution by the environmental organizations against Energy Market Regulatory Authority (EMRA) and the case is still ongoing. The trial was realized on December 25, 2018 and the declarations by the parties were made. Court’s decision about the case is awaited and no certain evaluation can be made by the Group regarding the outcome of the case for the time being. While the lawsuit has been expected to be finalized since 2012 for the company to start operations; on the other hand, considering the factors such as the decline in commodity prices and rise in the financing costs, it is obvious that the economic return of the project is below the expectations and it is no longer feasible to continue the investment with the initial planned conditions and hence the entire carrying value of Ayas was impaired.

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

12. Equity investments (continued)

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

	January 1 - December 31, 2018	January 1 - December 31, 2017
EYAŞ (*)	**(94.625)**	(173)
Entek	**(11.867)**	40
	(106.492)	(133)

(*) The Group uses investment loans amounting to USD 982.082 thousand, which is equivalent to TL 5.166.635 thousand (USD 1.271.539 thousand / TL4.796.118 thousand in 31 December 2017) as prevention against USD/TL spot foreign exchange risk of USD denominated export revenue, which is highly probable to be realized. Based on the outcome of effectiveness test performed on related process, the Group has considered that the process is fully effective and therefore applied cash flow hedge accounting. As of 31 December 2018, TL 2.575.965 thousand (31 December 2017: 1.477.564) of foreign exchange loss that arose from investment loans is classified under equity "Cash flow hedge gains (losses)" which has no effect on current year income statement. As of 31 December 2018, the foreign exchange loss amounting to TL 887,216 thousand corresponding to the export income of investment loans denominated in USD has been transferred to the fo.eign exchange loss in the income statement from "Cash flow hedge gains (losses)" account under equity. Moreover, as of 31 December 2018, foreign exchange loss of these loans in 2018 amounting to TL 1.958.617 were added to the "Cash flow hedge gains (losses)" account under equity.

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

Consolidated balance sheet	**December 31, 2018**	December 31, 2017
Total assets	**44.453.140**	43.150.924
Total liabilities	**(30.089.903)**	(28.128.926)
Non-controlling interest	**(5.769.557)**	(6.083.709)
Net assets	**8.593.680**	8.938.289
Group's ownership	**20%**	20%
Group's share in associates' net assets	**1.718.736**	1.787.658

Consolidated profit or loss statement	**January 1 - December 31, 2018**	January 1 - December 31, 2017
Revenue	**88.552.170**	53.948.110
Profit for the period	**1.865.785**	1.890.553
Group's share in associates' profit for the period	**373.157**	378.111

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

12. Equity investments (continued)

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

Consolidated balance sheet	**December 31, 2018**	December 31, 2017
Total assets	**2.474.691**	987.124
Total liabilities	**(1.570.820)**	(276.840)
Net assets	**903.871**	710.284
Group's ownership	**49,62%**	49,62%
Group's share in associates' net assets	**448.501**	352.443
Consolidated profit or loss statement	**January 1 - December 31, 2018**	January 1 - December 31, 2017
Revenue	**498.353**	341.253
Profit (Loss) for the period	**(193.570)**	14.336
Group's share in associates' profit for the period	**(96.049)**	7.114

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

Consolidated balance sheet	**December 31, 2018**	December 31, 2017
Total assets	**511.396**	505.645
Total liabilities	**(236.272)**	(239.185)
Net assets	**275.124**	266.460
Group's ownership	**50%**	50%
Group's share in associates' net assets	**137.562**	133.230
Consolidated profit or loss statement	**January 1 - December 31, 2018**	January 1 - December 31, 2017
Revenue	**25.221**	22.142
Profit for the period	**8.664**	6.772
Group's share in associates' profit for the period	**4.332**	3.386

.

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

13. Property, plant and equipment

	Land	Land improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Acquisition cost									
Opening balance as of January 1, 2018	**16.006**	**160.107**	**75.457**	**1.691.823**	**225.707**	**74.485**	**26.713**	**10.103**	**2.280.401**
Additions	**-**	**-**	**53**	**1.193**	**3.631**	**1.154**	**403**	**101.197**	**107.631**
Transfers (*)	**500**	**8.181**	**5.271**	**67.020**	**2.225**	**8.717**	**352**	**(99.463)**	**(7.197)**
Disposals	**-**	**(1.363)**	**(6.487)**	**(19.595)**	**(1.214)**	**(4.465)**	**(2.530)**	**-**	**(35.654)**
Ending balance as of December 31, 2018	**16.506**	**166.925**	**74.294**	**1.740.441**	**230.349**	**79.891**	**24.938**	**11.837**	**2.345.181**
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	**-**	**5.870**	**1.899**	**54.825**	**14.100**	**6.900**	**823**	**-**	**84.417**
Disposals	**-**	**(891)**	**(4.869)**	**(17.528)**	**(802)**	**(1.700)**	**(2.450)**	**-**	**(28.240)**
Ending balance as of December 31, 2018	**-**	**69.976**	**50.050**	**1.350.572**	**110.390**	**53.713**	**23.950**	**-**	**1.658.651**
Net book value as of December 31, 2018	**16.506**	**96.949**	**24.244**	**389.869**	**119.959**	**26.178**	**988**	**11.837**	**686.530**

(*) TL 7.197 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets.

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

13. Property, plant and equipment (continued)

	Land	Land improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Acquisition cost									
Opening balance as of January 1, 2017	16.204	144.540	72.569	1.644.688	260.059	64.085	26.907	16.793	2.245.845
Additions	-	-	-	320	1.153	623	567	109.021	111.684
Transfers (*)	-	16.396	2.944	74.960	3.640	13.157	50	(115.711)	(4.564)
Disposals	(198)	(829)	(56)	(28.145)	(39.145)	(3.380)	(811)	-	(72.564)
Ending balance as of December 31, 2017	16.006	160.107	75.457	1.691.823	225.707	74.485	26.713	10.103	2.280.401
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	-	5.492	1.961	53.021	14.879	6.852	912	-	83.117
Disposals	-	(753)	(56)	(24.828)	(38.512)	(3.585)	(516)	-	(68.250)
Ending balance as of December 31, 2017	-	64.997	53.020	1.313.275	97.092	48.513	25.577	-	1.602.474
Net book value as of December 31, 2017	16.006	95.110	22.437	378.548	128.615	25.972	1.136	10.103	677.927

(*) TL 4.564 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets.

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

13. Property, plant and equipment (continued)

As of December 31, 2018 and 2017, the details of depreciation expenses are as follows:

	January 1 - December 31, 2018	January 1 - December 31, 2017
Cost of sales and services rendered	**70.371**	69.246
General and administrative expenses	**8.145**	8.039
Capitalized on cylinders	**3.145**	2.613
Selling, marketing and distribution expenses	**2.756**	3.219
	84.417	83.117

14. Intangible assets

	Rights	**Total**
Acquisition costs		
Opening balance as of January 1, 2018	**61.187**	**61.187**
Additions	**40**	**40**
Transfers (*)	**7.197**	**7.197**
Ending balance as of December 31, 2018	**68.424**	**68.424**
Accumulated amortization		
Opening balance as of January 1, 2018	**41.907**	**41.907**
Charge for the period	**5.163**	**5.163**
Ending balance as of December 31, 2018	**47.070**	**47.070**
Carrying value as of December 31, 2018	**21.354**	**21.354**

(*) TL 7.197 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets.

	Rights	Total
Acquisition costs		
Opening balance as of January 1, 2017	56.623	56.623
Additions	-	-
Transfers (*)	4.564	4.564
Ending balance as of December 31, 2017	61.187	61.187
Accumulated amortization		
Opening balance as of January 1, 2017	37.504	37.504
Charge for the period	4.403	4.403
Ending balance as of December 31, 2017	41.907	41.907
Carrying value as of December 31, 2017	19.280	19.280

(*) TL 4.564 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets.

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

14. Intangible assets (continued)

As of December 31, 2018 and 2017, the details of amortization expenses of intangible assets are as follows:

	January 1 - December 31, 2018	January 1 - December 31, 2017
General and administrative expenses	**5.163**	4.403
	5.163	4.403

15. Contingent assets and contingent liabilities

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

	December 31, 2018	December 31, 2017
Letter of guarantees given for gas purchase	**866.327**	818.621
Other letter of guarantees given	**24.009**	36.854
Total guarantees given	**890.336**	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:

Due to to the liability of the storage of national petroleum stocks, petroleum products and LPG distributor license owners should hold a minimum of twenty days' average reserves at their own or other licensed storages, either together or separately. On the other hand, within the decision of National Petroleum Reserves Commission numbered 2018/2 on June 18, 2018, petroleum products and LPG distributor license owners should be able to use ten days' average reserves on condition of return it until December 31, 2018.

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

15. Contingent assets and contingent 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:

	December 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	**66.776**	**256**	**611.767**	**678.799**	51.680	7.295	647.544	706.519
B. CPMBs given in favor of subsidiaries included in full consolidation (*)	**-**	**211.537**	**-**	**211.537**	-	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 CPMBs								
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	**66.776**	**211.793**	**611.767**	**890.336**	51.680	102.871	700.924	855.475

(*) As of December 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 998 thousand (December 31, 2017: TL 633 thousand).

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

16. Long-term provision for employee benefits

Details of long-term provisions for employee benefits as of December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Retirement pay provision	**34.554**	30.351
Vacation pay liabilities	**8.372**	8.104
Total long-term provision for employee benefits	**42.926**	38.455

Retirement pay provision:

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

The amount payable consists of one month's salary limited to a maximum of full TL 5.434,42 (December 31, 2017: TL 4.732,48) for each year of service at December 31, 2018.

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

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

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

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

	2018	2017
Net discount rate (%)	**5,65**	4,95
Turnover rate related to the probability of retirement (%)	**94,27-98,47**	94,02-97,39

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

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

16. Long-term provision for employee benefits (continued)

The movement of retirement pay provision for the period ended December 31, 2018 and 2017 is as follows:

	2018	2017
As of January 1st	**30.351**	28.282
Increases during the period	**10.771**	8.616
Actuarial (gain) loss	**(1.983)**	(1.317)
Payments during the period	**(4.585)**	(5.230)
As of December 31st	**34.554**	30.351

17. Other short-term provisions

	December 31, 2018	December 31, 2017
Provision for price revision (*)	**178.610**	-
Provision for lawsuit	**8.874**	7.714
Provision for EMRA contribution	**6.029**	5.100
Provision for selling and marketing expenses	**4.762**	5.451
Provision for warranty expenses	**4.260**	4.133
Provision for other operating expenses	**3.219**	23.057
Total other short-term provisions	**205.754**	45.455

(*) As communicated to Aygaz Doğal Gaz Toptan Satış A.Ş., a Subsidiary of the Company, by Akfel Gaz Sanayi ve Ticaret A.Ş. ("Akfel"), from which natural gas is supplied; the price revision arbitration process initiated by Gazprom Export LLC ("Gazprom"), which Akfel has imported natural gas, was concluded against Akfel and effective from 1 January 2017, the import price would be adjusted in favor of Gazprom and in this context, it was decided to abolish the discount applied to Akfel and to reflect the change in import price to natural gas price applied to Aygaz Doğal Gaz Toptan Satış A.Ş. in accordance with the contract signed between Akfel and Aygaz Doğal Gaz Toptan Satış A.Ş. It was also notified that, the price determination mechanism in the contract will be revised according to the arbitration decision and the related amount of the debt and related invoices will be sent separately to Aygaz Doğal Gaz Toptan Satış A.Ş. as the contract price is updated retrospectively as of 1 January 2017. The amount of total debt was conveyed to Aygaz Doğal Gaz Toptan Satış A.Ş. by Akfel, however related invoices were not delivered yet as of the date of this report. As of 31 December 2018, total provision of USD 33.949 thousand (TL 178.610 thousand), USD 15.368 thousand for 2017 and USD 18.582 thousand for 2018, has been recognised in the consolidated financial statements. TL 97.760 thousand of the related amount has been accounted for under "cost of sales" and the remaining TL 80.850 thousand of the total amount has been accounted for under "other operating expenses" accounts (Note 25).

Movement of provision for other operating expenses	**2018**	2017
As of January 1st,	**23.057**	9.963
Payments during the period	**(15.170)**	(2.121)
Provision no longer required	**(7.091)**	-
Increases during the period	**2.423**	15.215
As of December 31,	**3.219**	23.057

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

18. Other current assets and liabilities

	December 31, 2018	December 31, 2017
Deferred VAT	**10.115**	5.668
Fuel used in shipping operations	**2.957**	2.625
Income accrual	**189**	646
Other current assets	**3.115**	1.437
Total other current assets	**16.376**	10.376

	December 31, 2018	December 31, 2017
Taxes and funds payable	**85.791**	111.840
Other liabilities	**2.505**	2.336
Total other current liabilities	**88.296**	114.176

19. Prepaid expenses

As of December 31, 2018 and 2017, the details of Group's prepaid expenses in current assets are as follows:

	December 31, 2018	December 31, 2017
Prepaid expenses	**41.668**	40.600
Advances given(*)	**85.894**	23.977
Total prepaid expenses	**127.562**	64.577

(*) According to the decision of EMRA Board, as of 2017, a storage obligation (%6 of imports) is imposed on the natural gas importing companies. This liability is reflected to the company in accordance with the contract signed with Akfel Gaz. The gas has been invoiced to Akfel and stored by Akfel Gaz in the Botaş Silivri Warehouse. As of December 31, 2018 25 mcm of this stored gas is accounted as "Advances Given" in balance sheet.

As of December 31, 2018 and 2017, the details of Group's prepaid expenses in non-current assets are as follows:

	December 31, 2018	December 31, 2017
Prepaid expenses	**49.124**	59.074
Total prepaid expenses	**49.124**	59.074

As of December 31, 2018 total amount of TL 34.421 thousand (2017: TL 36.546 thousand) presented as prepaid expenses under current assets and total amount of TL 48.509 thousand (2017: TL 58.647 thousand) presented as prepaid expenses under non-current assets are prepayments and investment contribution margin for dealer agreements.

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

20. Deferred income

Deferred income	December 31, 2018	December 31, 2017
Advances taken	**5.001**	604
Prepaid income	**3.675**	1.879
Total deferred income	**8.676**	2.483

21. Share capital

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

Shareholders	Participation rate	December 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 TAS/TFRS promulgated by the POA. "Adjustment to share capital" has no use other than being transferred to paid-in share capital.

Restricted reserves assorted from the profit

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is 10% of dividend distributed exceeding %5 of paid-in share capital. According to Turkish Commercial Code, legal reserves may only be used as long as it does not exceed 50% of the paid capital. It may not be used under any circumstances.

The details of the restricted reserves are stated below:

	December 31, 2018	December 31, 2017
Legal reserves	**281.741**	237.241
Gain on sale of subsidiary share that will be added to capital	**12.469**	12.268
	294.210	249.509

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

21. Share capital (continued)

Dividend distribution:

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

The Company's statutory profit for the period and other sources that are subject the profit distribution as of December 31, 2018 amounts to TL 893.713 thousand. (December 31, 2017: TL 915.341 thousand). TL 209.043 thousand of such sources from inflation adjustment differences and TL 10.639 thousand from other capital reserves are subject to tax when they are distributed.

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.

Non-controlling interest:

	2018	2017
As of January 1st	**-**	1.094
Non-controlling interest on current year profit	**-**	-
Acquisition of shares from non-controlling interest	**-**	(1.094)
As of December 31st	**-**	-

Gains and losses on financial assets measured at fair value through other comprehensive income:

Gains and losses from the revaluation and reclassification are related to financial assets and their details are as follows:

	December 31, 2018	December 31, 2017
Koç Finansal Hizmetler A.Ş.	**122.253**	213.653
	122.253	213.653

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

21. Share capital (continued)

Currency translation adjustment

Currency translation adjustment as of December 31, 2018 represents the Company's share of currency translation adjustment of equity investment.

Financial risk hedging reserve:

The Group implements a cash flow hedge strategy against the cash flow risk arising from changes in market interest rates and foreign exchange rate for the transactions of its bank loans in USD with the floating interest rates. As a result of the effectiveness test performed in this context, the Group has determined that the entire transaction is effective. Until the cash flows of the related loan are realised, the gains or losses are accounted under cash flow hedge gains (losses) in equity and there is no effect on income statement. Exchange differences arising during principal payments are transferred from the cash flow hedge gains (losses) account in equity to the foreign exchange gains (losses) in the income statement.
The hedging gains (losses) of EYAŞ, which is an investment accounted by the equity method of the Group, are disclosed in Note 12.

22. Revenue and cost of sales

Revenue	January 1 - December 31, 2018	January 1 - December 31, 2017
Domestic sales	**8.475.901**	7.852.893
Export sales	**1.477.562**	1.002.048
Sales returns (-)	**(10.811)**	(16.549)
Sales discounts (-)	**(388.211)**	(369.116)
Total revenue, net	**9.554.441**	8.469.276
Sales of goods and services	**8.044.723**	7.161.990
Sales of merchandises	**1.509.718**	1.307.286
Revenue	**9.554.441**	8.469.276

	January 1 - December 31, 2018	January 1 - December 31, 2017
Cost of goods sold and services rendered:		
Raw materials used	**7.159.923**	6.223.501
Production overheads	**123.244**	127.184
Personnel expenses	**75.648**	71.285
Depreciation expenses	**70.371**	69.246
Change in work in process inventories	**(295)**	(819)
Change in finished goods inventories	**(2.930)**	(3.394)
	7.425.961	6.487.003
Cost of merchandises sold	**1.494.132**	1.241.136
Total cost of sales	**8.920.093**	7.728.139

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

23. General administrative expenses, marketing expenses and research and development expenses

	January 1 - December 31, 2018	January 1 - December 31, 2017
General administrative expenses	**201.664**	204.627
Marketing expenses	**310.756**	285.377
Research and development expenses	**3.431**	3.652
Total	**515.851**	493.656

a) Detail of general administrative expenses

	January 1 - December 31, 2018	January 1 - December 31, 2017
Personnel expenses	**99.501**	99.913
Depreciation and amortization expenses	**13.308**	12.442
Consultancy expenses	**13.225**	15.445
Information technology expenses	**12.910**	10.464
Insurance expenses	**7.801**	8.320
Transportation expenses	**7.301**	6.709
Tax expenses	**6.844**	5.233
Maintenance expenses	**5.401**	4.551
Attendance fees	**3.875**	3.501
Lawsuit, consultancy and auditing expenses	**3.834**	3.453
Communication expenses	**3.761**	3.439
Donation and aids	**3.189**	7.328
Rent expenses	**2.540**	2.556
Public relations activities expenses	**1.909**	1.796
Post office expenses	**1.261**	1.613
Other administrative expenses	**15.004**	17.864
Total general administrative expenses	**201.664**	204.627

b) Detail of marketing expenses

	January 1 - December 31, 2018	January 1 - December 31, 2017
Transportation, distribution and warehousing expenses	**159.487**	135.439
Sales expenses	**64.609**	68.584
Personnel expenses	**45.370**	42.933
Advertising and promotion expenses	**22.987**	21.215
Transportation expenses	**9.832**	8.856
License expenses	**5.690**	5.100
Depreciation and amortization expenses	**2.756**	3.219
Other marketing expenses	**25**	31
Total marketing expenses	**310.756**	285.377

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

23. General administrative expenses, marketing expenses and research and development expenses (continued)

c) Detail of research and development expenses

	January 1 - December 31, 2018	January 1 - December 31, 2017
Outsourced research and development expenses	**3.431**	3.652
Total research and development expenses	**3.431**	3.652

24. Expenses related to their nature

	January 1 - December 31, 2018	January 1 - December 31, 2017
Transportation, distribution and warehousing expenses	**159.487**	142.846
Personnel expenses	**144.871**	135.439
Sales expenses	**64.609**	68.584
Advertising and promotion expenses	**22.987**	21.215
Transportation expenses	**17.133**	15.565
Depreciation and amortization expenses	**16.064**	15.661
Consultancy expenses	**13.225**	15.445
Information technology expenses	**12.910**	10.464
Insurance expenses	**7.801**	8.320
Tax expenses	**6.844**	5.233
License expenses	**5.690**	5.100
Maintenance expenses	**5.401**	4.551
Attendance fees	**3.875**	3.501
Lawsuit, consultancy and auditing expenses	**3.834**	3.453
Communication expenses	**3.761**	3.439
Outsourced research and development expenses	**3.431**	3.652
Donation and aids	**3.189**	7.328
Rent expenses	**2.540**	2.556
Public relations activities expenses	**1.909**	1.796
Other	**16.290**	19.508
Total	**515.851**	493.656

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

25. Other operating income/expenses

Other operating income for the years ended as of December 31, 2018 and 2017 are as follows:

	January 1 - December 31, 2018	January 1 - December 31, 2017
Foreign exchange gains arising from trading activities	**172.153**	57.255
Income generated from maturity differences of sales	**111.175**	59.014
Provisions no longer required	**21.556**	5.472
Income from port services	**6.002**	3.721
Rent income	**5.133**	3.888
Gain on sale of scrap	**3.839**	4.395
LPG pipeline usage income	**3.299**	1.565
Demurrage income	**732**	5.767
Other income and profits	**7.779**	17.237
Total other operating income	**331.668**	158.314

Other operating expenses for the years ended as of December 31, 2018 and 2017 are as follows:

	January 1 - December 31, 2018	January 1 - December 31, 2017
Foreign exchange losses arising from trading activities	**196.953**	71.054
Provision for price revision (Note 17)	**80.850**	-
Expenses from maturity differences of purchases	**69.215**	43.873
Fair value differences on forward transactions	**16.015**	214
Demurrage expenses	**5.727**	170
Provision expenses	**3.512**	17.005
Goodwill expenses	**982**	1.003
Other expenses and losses	**6.328**	7.752
Total other operating expenses	**379.582**	141.071

26. Income and expenses from investment activities

	January 1 - December 31, 2018	January 1 - December 31, 2017
Income from sales of property, plant and equipment	**26.793**	21.939
Dividend income from financial investments	**604**	296
Total income from investment activities	**27.397**	22.235

	January 1 - December 31, 2018	January 1 - December 31, 2017
Expenses from sales of property, plant and equipment	**1.740**	5.430
Total expenses from investment activities	**1.740**	5.430

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

27. Financial income

Financial income for the years ended as of December 31, 2018 and 2017 are as follows:

Financial income	January 1 - December 31, 2018	January 1 - December 31, 2017
Foreign exchange gains	**74.848**	34.340
Interest income	**69.689**	46.290
Fair value differences on swap transactions	**20.714**	9.098
Total	**165.251**	89.728

28. Financial expense

Financial expense for the years ended as of December 31, 2018 and 2017 are as follows:

Financial expense	January 1 - December 31, 2018	January 1 - December 31, 2017
Interest expenses	**184.994**	98.488
Foreign exchange losses	**108.176**	40.617
Total	**293.170**	139.105

29. Tax assets and liabilities

	December 31, 2018	December 31, 2017
Current tax liability		
Current corporate tax provision	**15.871**	42.517
Less: Prepaid taxes and funds	**(23.282)**	(43.142)
Current tax liability	**(7.411)**	(625)

Tax expenses	January 1 - December 31, 2018	January 1 - December 31, 2017
- Current corporate tax provision	**(15.871)**	(42.517)
- Deferred tax	**(5.507)**	(1.227)
Total	**(21.378)**	(43.744)

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

29. Tax assets and liabilities (continued)

Corporate tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rate of tax in 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, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Deferred tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for TAS/TFRS purposes issued by POA and financial statements prepared in accordance with the tax legislation. These differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with TAS/TFRS and tax legislation.

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 (December 31, 2017: 20%).

Deferred tax (assets)/liabilities:	**December 31, 2018**	December 31, 2017
Depreciation/amortization differences of property, plant and equipment and other intangible assets	**44.033**	40.646
Revaluation of financial assets measured at fair value through other comprehensive income	**6.434**	11.245
Provision for employment termination benefits	**(6.676)**	(5.846)
Valuation of inventories	**(4.585)**	238
Other	**7.866**	(2.345)
	47.072	43.938

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

29. Tax assets and liabilities (continued)

In Turkey, since the companies cannot declare consolidated tax refund, subsidiaries with deferred tax assets and subsidiaries with deferred tax liabilities cannot be netted off and are shown separately.

			December 31, 2018			December 31, 2017
			Deferred tax			Deferred tax
	Assets	**Assets**	**Assets**	Assets	Liabilities	Net
Aygaz A.Ş.	**(18.249)**	**64.981**	**46.732**	(15.744)	59.373	43.629
Akpa A.Ş.	**(1.114)**	**512**	**(602)**	(890)	205	(685)
Aygaz Doğal Gaz	**(659)**	**1.601**	**942**	(555)	1.549	994
	(20.022)	**67.094**	**47.072**	(17.189)	61.127	43.938

Movement of deferred tax assets and liabilities are as follows:

Movement of deferred tax (assets)/liabilities :	**2018**	2017
As of January 1st	**43.938**	39.502
Change to the profit or loss:	**5.507**	1.227
Change to the equity:	**(2.373)**	3.209
- Effect of changes in accounting policies	***(94)***	-
- Effect of gains (losses) re-measurement on defined benefit plans	***381***	*254*
- Effect of gains (losses) on financial assets measured at fair value through other comprehensive income	***(4.813)***	*2.955*
- Effect of gains (losses) on cash flow hedges	***2.153***	-
As of December 31st	**47.072**	43.938

Tax reconciliation :

	January 1 - December 31, 2018	January 1 - December 31, 2017
Profit before tax	**249.761**	620.763
Income tax rate	**%22**	%20
Expected tax expense	**(54.947)**	(124.153)
Tax effects of:		
- revenue that is exempt from taxation (investments accounted under equity method)	**61.917**	77.722
- income not subject to tax	**13.167**	8.719
- tax rate differences	**3.277**	95
- expenses that are not deductible in determining taxable profit	**(5.564)**	(1.621)
- tax losses	**(39.294)**	(5.254)
- other	**66**	748
Tax expense in the statement of profit or loss	**(21.378)**	(43.744)

30. Earnings per share

	January 1 - December 31, 2018	January 1 - December 31, 2017
Average number of ordinary shares outstanding during the period (one thousand)	**300.000**	300.000
Net profit for the year attributable equity holders of the parent company	**228.383**	577.019
Earnings per thousand shares (TL)	**0,761277**	1,923397

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

31. Balances and transactions with related parties

A company is defined as a related party of the Company, if one of the companies has control power on the other company or has a significant impact on financial and administrative decisions of the other company. The Company is controlled by Koç Holding, Koç Family or entities owned by Koç Family. In financial statements, shareholder companies, shareholders and financial investments and other Group companies' assets are shown as related parties. As of December 31, 2018; dividends payable amounting to TL 1.052 thousand (December 31, 2017: TL 863 thousand) is reflected within other payables to related parties which are excluded from Koç Group under short-term liabilities at the consolidated balance sheet.

				December 31, 2018
		Receivables		**Payables**
Balances with related parties	**Trade**	**Non-trade**	**Trade**	**Non-trade**
Group companies (*)				
Demir Export A.Ş.	**15.901**	-	**-**	-
Türkiye Petrol Rafinerileri A.Ş.	**6.922**	-	**64.272**	-
Ford Otomotiv Sanayi A.Ş.	**1.681**	-	**91**	-
Demir Export A.Ş. - Fernas İnşaat A.Ş. Adi Ortaklığı	**1.431**	-	**-**	-
Ram Dış Ticaret A.Ş.	**1.104**	-	**449**	-
Arçelik A.Ş.	**402**	-	**-**	-
Körfez Hava Ulaştırma A.Ş.	**363**	-	**-**	-
Opet Petrolcülük A.Ş.	**354**	-	**52.925**	-
Tofaş Türk Otomobil Fabrikası A.Ş.	**337**	-	**-**	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	**-**	-	**9.011**	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	**-**	-	**5.621**	-
Otokoç Otomotiv Tic. ve San. A.Ş.	**-**	-	**3.349**	-
Other	**1.965**	-	**2.936**	-
Shareholders				
Koç Holding A.Ş.	**-**	-	**6.617**	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	**1**	-	**-**	-
	30.461	**-**	**145.271**	**-**

				December 31, 2017
		Receivables		Payables
Balances with related parties	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	-	-	-
Opet Petrolcülük A.Ş.	295	-	40.375	-
Ram Dış Ticaret A.Ş.	-	-	13.651	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	-	-	6.758	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	4.439	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	-	2.654	-
Other	1.921	-	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.

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

31. Balances and transactions with related parties (continued)

				January 1 - December 31, 2018
Transactions with related parties	**Purchases (Goods)**	**Sales (Goods)**	**Purchases (Service)**	**Sales (Service)**
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	**1.023.954**	**254.846**	**6.310**	**2.067**
Opet Petrolcülük A.Ş.(**) (***)	**313.193**	**5.145**	**122.328**	**-**
Ram Dış Ticaret A.Ş.	**36.452**	**-**	**117**	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	**15.867**	**41**	**19.051**	-
Otokoç Otomotiv Tic. ve San. A.Ş.	**144**	**379**	**969**	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	**18**	**100**	**10.730**	-
Arçelik A.Ş.	**1**	**3.914**	**-**	-
Körfez Hava Ulaştırma A.Ş.	**-**	**13.742**	**-**	-
Demir Export A.Ş.	**-**	**71.444**	**-**	-
Ford Otomotiv Sanayi A.Ş.	**-**	**24.564**	**-**	-
Tat Gıda Sanayi A.Ş.	**-**	**44**	**-**	-
Setur Servis Turistik A.Ş.	**-**	**80**	**4.214**	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	**-**	**13**	**2.740**	-
Other	**6.943**	**32.918**	**3.956**	-
Shareholders				
Koç Holding A.Ş. (****)	**-**	**62**	**13.608**	-
Temel Ticaret ve Yatırım A.Ş.	**-**	**4**	**3**	-
Koç Family Members	**-**	**103**	**-**	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	**-**	**25.004**	**2.321**	-
	1.396.572	**432.403**	**186.347**	**2.067**

				January 1 - December 31, 2017
Transactions with related parties	Purchases (Goods)	Sales (Goods)	Purchases (Service)	Sales (Service)
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	970.425	439.566	3.814	-
Opet Petrolcülük A.Ş.(**) (***)	225.417	3.634	108.402	-
Arçelik A.Ş.	2	13.033	-	-
Ram Dış Ticaret A.Ş.	34.739	-	55	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	20.725	97	20.418	-
Otokoç Otomotiv Tic. ve San. A.Ş.	5	604	708	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	202	59	8.254	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	10	2.773	-
Ford Otomotiv Sanayi A.Ş.	-	20.021	-	-
Demir Export A.Ş.	-	51.958	7	-
Tat Gıda Sanayi A.Ş.	-	12.320	-	-
Setur Servis Turistik A.Ş.	-	59	8.520	-
Other	4.995	30.655	3.233	-
Shareholders	-	52	15.602	-
Koç Holding A.Ş. (****)	-	3	-	-
Temel Ticaret ve Yatırım A.Ş.	-	62	-	-
Koç Family Members				
Investments accounted under the equity method	8	67.307	4.289	-
Entek Elektrik Üretimi A.Ş.				
	1.256.518	639.440	176.075	-

(*) Group companies include Koç Group companies.

(**) Commission expense regarding LPG sold at Opet stations as of December 31, 2018 is TL 120.847 thousand (December 31, 2017 – TL 107.826 thousand). The commission expense mentioned above is evaluated as part of sales and accounted under profit or loss 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 22.235 thousand has been made to Opet in 2018 in consideration of 5 years sale agreement on average to be paid to Aygaz Dealers making auto gas sales at Opet stations (2017: TL 30.856 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”.

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

31. Balances and transactions with related parties (continued)

			January 1 - December 31, 2018	
Tangible asset and rent transactions with related parties	**Rent income**	**Rent expense**	**Tangible and intangible asset purchases**	**Tangible asset sales**
Group companies (*)				
Opet Petrolcülük A.Ş.	**573**	**20**	**33**	**-**
Otokoç Otomotiv Tic. ve San. A.Ş.	**-**	**8.436**	**4.093**	**396**
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	**-**	**-**	**9.153**	**-**
Zer Merkezi Hizmetler ve Ticaret A.Ş.	**-**	**-**	**65**	**-**
Türkiye Petrol Rafinerileri A.Ş.	**-**	**-**	**-**	**17.800**
Arçelik A.Ş.	**-**	**-**	**78**	**-**
Other	**-**	**-**	**149**	**-**
Shareholders				
Koç Family Members	**-**	**754**	**-**	**-**
Temel Ticaret ve Yatırım A.Ş.	**-**	**800**	**-**	**-**
	573	**10.010**	**13.571**	**18.196**

			January 1 - December 31, 2017	
Tangible asset and rent transactions with related parties	Rent income	Rent expense	Tangible and intangible asset purchases	Tangible asset sales
Group companies (*)				
Opet Petrolcülük A.Ş.	566	25	-	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	6.963	883	211
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	7.424	1
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	384	-
Türkiye Petrol Rafinerileri A.Ş.	-	16	-	-
Arçelik A.Ş.	-	-	65	-
Other	-	1	-	6
Shareholders				
Koç Family Members	-	670	-	-
Temel Ticaret ve Yatırım A.Ş.	-	703	-	-
	566	8.378	8.756	218

(*) Group companies include Koç Group companies.

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

31. Balances and transactions with related parties (continued)

			January 1 - December 31, 2018	
Financial and other transactions with related parties	**Financial income**	**Financial expense**	**Other income**	**Other expense**
Group companies (*)				
Yapı Kredi Bankası A.Ş.	**117.393**	**49.160**	**-**	**-**
Vehbi Koç Vakfı	**-**	**-**	**-**	**711**
Opet Petrolcülük A.Ş.	**-**	**-**	**72**	**-**
Türkiye Petrol Rafinerileri A.Ş.	**-**	**-**	**533**	**-**
Ram Dış Ticaret A.Ş.	**-**	**-**	**550**	**364**
Tat Gıda Sanayi A.Ş.	**-**	**-**	**22**	**-**
Rahmi Koç Müzesi	**-**	**-**	**-**	**1.800**
Koç Üniversitesi	**-**	**-**	**-**	**415**
Other	**-**	**-**	**360**	**75**
	117.393	**49.160**	**1.537**	**3.365**

			January 1 - December 31, 2017	
Financial and other transactions with related parties	Financial income	Financial expense	Other income	Other expense
Group Companies (*)				
Yapı Kredi Bankası A.Ş.	55.191	17.113	-	-
Vehbi Koç Vakfı	-	-	-	6.503
Opet Petrolcülük A.Ş.	-	-	-	1.020
Ram Dış Ticaret A.Ş.	-	-	275	351
Tat Gıda Sanayi A.Ş	-	-	21	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	14	272
Rahmi Koç Müzesi	-	-	-	10
Koç Üniversitesi	-	-	-	360
Other	-	-	3	413
	55.191	17.113	313	8.929

Cash at banks	**December 31, 2018**	December 31, 2017
Group companies (*)		
Yapı Kredi Bankası A.Ş.	**545.618**	389.735

Credit card receivables	**December 31, 2018**	December 31, 2017
Group companies (*)		
Yapı Kredi Bankası A.Ş.	**58.286**	44.220

Bank loans	**December 31, 2018**	December 31, 2017
Grup şirketleri (*)		
Yapı Kredi Bankası A.Ş.	**90.613**	24.331

(*) Group companies include Koç Group companies.

Benefits to Top Management:

The Company has determined senior manager squad 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 December 31, 2018, total benefit provided to senior management of the Company is TL 41.496 thousand (December 31, 2017: TL 36.723 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. (December 31, 2017: None).

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

32. Nature and level of risk derived from financial instruments

a) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or rearrange capital structure, the Company can return back capital to shareholders, issue new shares and sale assets in order to decrease debt requirement.

The Group controls its capital using the net financial debt/total equity ratio parallel to other companies in the sector. This ratio is the calculated as net debt divided by the equity amount. Net debt is calculated as total financial borrowings amount less cash and cash equivalents.

Risk management is applied based on the policies approved by the Board of Directors by treasury department. Group's treasury department defines and reviews the financial risk and uses tools to minimize the risk by collaborating with Group's operational units based on such risk policies. Board of Directors prepares written procedures or general policies related with the risk management including currency risk, interest risk, using of derivative and non-derivative instruments and to evaluate cash surplus.

	December 31, 2018	December 31, 2017
Total short-term and long-term borrowings	**1.401.015**	973.270
Less: Cash and cash equivalents	**(648.010)**	(593.172)
Net financial debt	**753.005**	380.098
Total shareholder's equity	**2.502.410**	2.923.063
Net financial debt/equity ratio	**%30,1**	%13,0

b) Financial risk factors

The risks of the Group resulted from the operations, include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's risk management program generally seeks to minimize the effects of uncertainty in financial market on financial performance of the Group. The Group uses derivative financial instruments in order to safeguard itself from different financial risks.

b.1) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group manages this risk by the credit limits up to the guarantees received from customers. The usage of credit limits is monitored by the Group according to the customer's credibility is evaluated continuously.

Trade receivables consist of many customers that operate in various industries and locations. Credit risk of the receivables from counterparties is evaluated perpetually.

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

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

Credit risk of financial instruments

	Receivables					
	Trade receivables		Other receivables			
December 31, 2018	Related party	Third party	Related party	Third Party	Deposits in banks	Credit card receivables
Maximum exposed credit risk as of reporting date (*)	**30.461**	**418.422**	**-**	**3.146**	**589.377**	**58.410**
- The part of maximum risk under guarantee with collateral etc.	-	**223.988**	**-**	**-**	-	-
A. Net book value of financial assets that are neither past due nor impaired	**30.461**	**356.959**	**-**	**3.146**	**589.377**	**58.410**
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	**-**	**-**	-	-
C. Carrying value of financial assets that are past due but not impaired	-	**62.003**	**-**	**-**	-	-
- The part under guarantee with collateral etc.	-	**3.313**	**-**	**-**	-	-
D. Net book value of impaired assets	-	-	**-**	**-**	-	-
- Past due (gross carrying amount)	-	**27.398**	**-**	**-**	-	-
- Impairment (-)	-	**(27.398)**	**-**	**-**	-	-
- The part of net value under guarantee with collateral etc.	-	**-**	**-**	**-**	-	-
E. Expected credit loss (-)	-	**(540)**	**-**	**-**	-	-

(*) Amounts show the maximum credit risk as of balance sheet date, without considering the guarantees or other items increasing credit security.

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

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

Credit risk of financial instruments

	Receivables					
	Trade receivables		Other receivables			
December 31, 2017	Related party	Third party	Related party	Third Party	Deposits in banks	Credit card receivables
Maximum exposed credit risk as of reporting date (*)	39.354	545.766	-	7.434	546.687	46.023
- The part of maximum risk under guarantee with collateral etc.	-	366.075	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	39.354	501.072	-	7.434	546.687	46.023
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	44.694	-	-	-	-
- The part under guarantee with collateral etc.	-	6.256	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	25.626	-	-	-	-
- Impairment (-)	-	(25.626)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Expected credit loss (-)	-	-	-	-	-	-

(*) Amounts show the maximum credit risk as of balance sheet date, without considering the guarantees or other items increasing credit security.

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

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

December 31, 2018	**Trade receivables**	**Other receivables**	**Deposits in banks**	**Derivative instruments**	**Other**	**Total**
Past due 1-30 days	**51.477**	-	-	-	-	**51.477**
Past due 1-3 months	**7.700**	-	-	-	-	**7.700**
Past due 3-12 months	**2.544**	-	-	-	-	**2.544**
Past due 1-5 years	**282**	-	-	-	-	**282**
Total past due	**62.003**	-	-	-	-	**62.003**
The part under guarantee with collateral	**3.313**	-	-	-	-	**3.313**

December 31, 2017	Trade receivables	Other receivables	Deposits in banks	Derivative instruments	Other	Total
Past due 1-30 days	37.530	-	-	-	-	37.530
Past due 1-3 months	6.648	-	-	-	-	6.648
Past due 3-12 months	232	-	-	-	-	232
Past due 1-5 years	284	-	-	-	-	284
Total past due	44.694	-	-	-	-	44.694
The part under guarantee with collateral	6.256	-	-	-	-	6.256

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

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

b.2) Liquidity risk management

Liquidity risk management responsibility mainly belongs to the Board of Directors. The Board of Directors has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk forecasts and actual cash flows, by monitoring continuously and by maintaining adequate funds and reserve borrowings as matching the maturity profile of financial assets and liabilities.

The following table presents the maturity of Group's financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. Derivative financial liabilities are presented according to undiscounted net cash inflow and cash outflow. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amounts of the payables or receivables are not fixed, the disclosed amount has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

December 31, 2018

Contractual maturity analysis	Book value	Total cash flow according to the contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Short term and long term borrowings(*)	1.401.015	1.764.830	182.896	434.995	1.146.939	-
Trade payables	559.653	559.653	559.653	-	-	-
Liabilities for employee benefits	48.357	48.357	48.357	-	-	-
Other payables	107.625	107.625	1.511	-	-	106.114
Other liabilities	88.296	88.296	88.296	-	-	-
	2.204.946	2.568.761	880.713	434.995	1.146.939	106.114

Derivative instruments (*)	Carrying value	Total cash flow according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Derivative cash inflows		168.890	41.244	52.909	74.737	-
Derivative cash outflows		(118.705)	(40.135)	(34.085)	(44.485)	-
Derivative instruments, net	63.184	50.185	1.109	18.824	30.252	-

(*) The amounts are cash flows based on contract, which have not been discounted.

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

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

December 31, 2017

Contractual maturity analysis	Book value	Total cash outflow according to the contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Short term and long term borrowings(*)	973.270	1.142.488	257.876	151.516	733.096	-
Trade payables	670.034	670.034	670.034	-	-	-
Liabilities for employee benefits	53.191	53.191	53.191	-	-	-
Other payables	99.180	99.180	1.577	-	-	97.603
Other liabilities	114.176	114.176	114.176	-	-	-
	1.909.851	2.079.069	1.096.854	151.516	733.096	97.603

Derivative instruments (*)	Carrying value	Total cash flow according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Derivative cash inflows		188.407	60.350	38.217	89.840	-
Derivative cash outflows		(177.049)	(60.941)	(37.538)	(78.570)	-
Derivative instruments, net	31.626	11.358	(591)	679	11.270	-

(*) The amounts are cash flows based on contract, which have not been discounted.

b.3) Market risk management

The Group's activities are exposed to a variety of financial risks including foreign currency risk and interest rate risk as explained below. The Group uses derivative financial instruments to hedge certain risk exposures in order to manage foreign currency and interest rate risks. These instruments are:

1. Foreign exchange forward purchase agreements to manage exposure to liabilities denominated in foreign currencies.
2. Foreign exchange purchase options to manage exposure to liabilities denominated in foreign currencies.
3. Principal and interest swap agreements to manage exposure to liabilities denominated in foreign currencies.

At the Group level market risk exposures are measured by sensitivity analysis and stress scenarios.

There has been no change in the Group's exposure to market risks or the manner which it manages and measures the risk compared to the previous year.

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

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

b.3.1) Foreign currency risk management

Transactions in terms of foreign currency cause the Group expose to foreign exchange risk. The Group controls foreign currency risk coming from its operations and cash flows of finance contracts by using "foreign exchange forward contracts".

The Group's monetary and non-monetary assets and liabilities in terms of foreign currencies are as follows:

December 31, 2018		Total TL equivalent	TL equivalent of USD	TL equivalent of Euro	TL equivalent of other
1.	Trade receivables	**75.344**	**72.588**	**2.756**	**-**
2.a	Monetary financial assets	**207.243**	**206.415**	**659**	**169**
2.b	Non-monetary financial assets	**-**	**-**	**-**	**-**
3.	Other	**2.540**	**2.441**	**99**	**-**
4.	**Current assets**	**285.127**	**281.444**	**3.514**	**169**
5.	Trade receivables	**-**	**-**	**-**	**-**
6.a	Monetary financial assets	**-**	**-**	**-**	**-**
6.b	Non-monetary financial assets	**-**	**-**	**-**	**-**
7.	Other	**-**	**-**	**-**	**-**
8.	**Non-current assets**	**-**	**-**	**-**	**-**
9.	**Total assets**	**285.127**	**281.444**	**3.514**	**169**
10.	Trade payables	**(355.212)**	**(353.592)**	**(1.540)**	**(80)**
11.	Financial liabilities	**(67.592)**	**(67.592)**	**-**	**-**
12.a	Other monetary financial liabilities	**(178.610)**	**(178.610)**	**-**	**-**
12.b	Other non-monetary financial liabilities	**(1.291)**	**(1.291)**	**-**	**-**
13.	**Current liabilities**	**(602.705)**	**(601.085)**	**(1.540)**	**(80)**
14.	Trade payables	**-**	**-**	**-**	**-**
15.	Financial liabilities	**(139.414)**	**(139.414)**	**-**	**-**
16.a	Other monetary financial liabilities	**-**	**-**	**-**	**-**
16.b	Other non-monetary financial liabilities	**-**	**-**	**-**	**-**
17.	**Non-current liabilities**	**(139.414)**	**(139.414)**	**-**	**-**
18.	**Total liabilities**	**(742.119)**	**(740.499)**	**(1.540)**	**(80)**
19.	Net asset/liability position of off balance sheet asset and liabilities (19a-19b)	**118.370**	**118.370**	**-**	**-**
19.a	Total derivative assets	**118.370**	**118.370**	**-**	**-**
19.b	Total derivative liabilities	**-**	**-**	**-**	**-**
20.	**Net foreign currency asset/liability position (9+18+19)**	**(338.622)**	**(340.685)**	**1.974**	**89**
21.	**Net foreign currency asset/liability position of monetary items (1+2a+5+6a+10+11+12a+14+15+16a)**	**(458.241)**	**(460.205)**	**1.875**	**89**
22.	Fair value of derivative instruments held for hedging	**-**	**-**	**-**	**-**
23.	Hedged foreign currency assets	**-**	**-**	**-**	**-**
24.	Hedged foreign currency liabilities	**-**	**-**	**-**	**-**
25.	Export	**1.506.236**	**1.488.788**	**17.448**	**-**
26.	Import	**4.700.470**	**4.691.371**	**8.450**	**649**

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

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

December 31, 2017		Total TL equivalent	TL equivalent of USD	TLequivalent of Euro	TLequivalent 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 derivative assets	179.165	179.165	-	-
19.b	Total derivative 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 derivative instruments held for hedging	-	-	-	-
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:

	December 31, 2018	December 31, 2017
Assets	285.127	245.615
Liabilities	(742.119)	(621.288)
Net asset/liability position	**(456.992)**	(375.673)
Derivative instruments net position	118.370	179.165
Net foreign currency asset/liability position	**(338.622)**	(196.508)
Inventories under the natural hedge (*)	320.769	262.730
Net foreign currency position after the natural hedge	**(17.853)**	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 December 31, 2018, the Group has LPG amounting to TL 320.769 thousand (December 31, 2017: TL 262.730 thousand).

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

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

Foreign currency sensitivity:

The Group is mainly exposed to foreign currency risk in USD and EURO.

The following table details the Group’s sensitivity to a 10% increase and decrease in the USD and Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the possible change in foreign exchange rates. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

A positive number indicates an increase in profit/loss and other equity accounts.

				December 31, 2018
		Income/Expense		**Equity**
	Foreign exchange appreciation	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
10% fluctuation of USD rate				
USD net asset/liability	**(46.021)**	**46.021**	**(46.021)**	**46.021**
Secured portion from USD risk	**11.837**	**(11.837)**	**11.837**	**(11.837)**
USD net effect	**(34.184)**	**34.184**	**(34.184)**	**34.184**
10% fluctuation of Euro rate				
Euro net asset/liability	**188**	**(188)**	**188**	**(188)**
Secured portion from Euro risk	**-**	**-**	**-**	**-**
Euro net effect	**188**	**(188)**	**188**	**(188)**
Total	**(33.996)**	**33.996**	**(33.996)**	**33.996**

				December 31, 2017
		Income/Expense		Equity
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
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

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

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

Currency forward agreements

The Group has no currency forward agreement as of December 31, 2018.
Currency forward agreements as of December 31, 2017 are summarized at the table below:

					December 31, 2018
Maturity	Parity	Type of contract	Transactions	Total amount	Currency
19 days	3,6347-3,9290	Forward	Sells TL, Buys USD	16.000	USD

Swap agreements

As of December 31, 2018 the Group has swap agreement amounting to TL 65.250 thousand with fixed interest rate of 13,415% in return for USD 22.500 thousand with a floating interest rate of six-month USDLIBOR +2,4% (2017: USD 31.500 thousand). Swap transaction has half-yearly interest payments and principal payments amounting to USD 9.000 thousand have been made in 2018 (2017: None). The maturity date of last principal repayments is June 24, 2021.

Commodity swap

As of December 31, 2018 the Group has Commodity swap transaction which is made for the quantity of 20.000 metric tonne of propane (Sonatrach FOB Bethioua). The relevant contract month of the transaction is February 2019 and the weighted average fixed price is USD 392/per metric tonne.

b.3.2) Interest rate risk management

The Group is exposed to interest rate risk due to the effect of changes in interest rates on the Group's assets and liabilities having interest returns. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and interest rate forward contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

Details of the Group's financial instruments that are sensitive to interest rates are as follows:

Interest rate position table

	December 31, 2018	December 31, 2017
Instruments with fixed interest rate		
Time deposits	**550.367**	524.703
Borrowings and bonds issued	**1.188.028**	707.190
Instruments with variable interest rate		
Borrowings and bond issued	**207.006**	255.627

If the interest rates in terms of all the currency units higher/lower by 100 basis points and all other variables held constant, profit before taxation would have been higher/lower by TL 319 thousand as of December 31, 2018 (2017: TL 463 thousand).

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

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

Financial instrument categories and fair values

December 31, 2018	Financial assets at amortized cost	Loans and receivables	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit loss	Financial liabilities at amortized cost	Book value	Note
Financial assets							
Cash and cash equivalents	***648.010***	-	-	-	-	***648.010***	***4***
Trade receivables	-	***448.883***	-	-	-	***448.883***	***8,31***
Other financial assets	-	-	***285.647***	***1.449***	-	***287.096***	***5***
Other receivables	-	***3.146***	-	-	-	***3.146***	***9***
Financial liabilities							
Short-term and long-term borrowings	-	-	-	-	***1.401.015***	***1.401.015***	***6***
Trade payables	-	-	-	-	***559.653***	***559.653***	***8,31***
Liabilities for employee benefits	-	-	-	-	***27.021***	***27.021***	***10***
Other payables	-	-	-	-	***107.625***	***107.625***	***9,31***
Other liabilities	-	-	-	-	***2.505***	***2.505***	***18***

December 31, 2017	Financial assets at amortized cost	Loans and receivables	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit loss	Financial liabilities at amortized cost	Book value	Note
Financial assets							
Cash and cash equivalents	*593.172*	-	-	-	-	*593.172*	*4*
Trade receivables	-	*585.120*	-	-	-	*585.120*	*8,31*
Other financial assets	-	-	*315.200*	*1.924*	-	*317.124*	*5*
Other receivables	-	*7.434*	-	-	-	*7.434*	*9*
Financial liabilities							
Short-term and long-term borrowings	-	-	-	-	*985.435*	*973.270*	*6*
Trade payables	-	-	-	-	*670.034*	*670.034*	*8,31*
Liabilities for employee benefits	-	-	-	-	*28.658*	*28.658*	*10*
Other payables	-	-	-	-	*99.180*	*99.180*	*9,31*
Other liabilities	-	-	-	-	*2.336*	*2.336*	*18*

(*) The Group believes that the carrying value of its financial instruments is at fair value.

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

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

Fair value hierarchy table

The fair values of financial assets and financial liabilities are determined as follows:

- First level: The fair value of financial assets and financial liabilities are determined with reference to actively traded market prices;
- Second level: Other than market prices specified at first level, the fair value of financial assets and financial liabilities are evaluated with reference to inputs that used to determine directly or indirectly observable price in market;
- Third level: The fair value of financial assets and financial liabilities are evaluated with reference to inputs that used to determine fair value but not relying on observable data in the market.

Level classifications of financial assets and liabilities at fair value are as follows:

Financial assets/liabilities		**Level of fair value as of reporting date**		
	December 31, 2018	**1st Level**	**2nd Level**	**3rd Level**
Financial assets measured at fair value	**287.096**	**53**	**286.067**	**976**
Derivative financial instruments	**63.184**	**-**	**63.184**	**-**

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	-

Information for reflecting financial assets and liabilities at fair value:

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

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.

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

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.

Financial Liabilities

The carrying values of short-term financial liabilities and other financial liabilities are estimated to be their fair values since they are short-term.

33. Subsequent events

None.

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

None.