(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, 2017 TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors 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 2017 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 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

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.

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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.

Key audit matters	***How the subject was handled during the audit***
Financial investments Aygaz A.Ş. 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 TAS. As of 31 December 2017, KFS financial investment is recognized at fair value of TL315.200 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.	- The expertise of the company, who carried out the valuation study, is assessed in accordance with SIA 500. - Valuation methods and technical data used are evaluated with the support of our specialists by conducting interviews with the representatives of the expert company and the Group management who carried out the related work. - 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 2017, 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.

4. Other Matter

The consolidated financial statements of the Group as of 31 December 2016 and for the year then ended were audited by another audit firm, whose audit report dated 13 February 2017 expressed an unqualified opinion.

5. 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 TAS, 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.

6. 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 2017 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 14 February 2018.

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

Ediz Günsel, SMMM
Partner

İstanbul, 14 February 2018

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Aygaz Anonim Şirketi and its Subsidiaries

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Aygaz Anonim Şirketi and its Subsidiaries

Consolidated statement of financial position as at December 31, 2017

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

Assets	Notes	Current period (Audited) December 31, 2017	Prior period (Audited) December 31, 2016
Current assets		**1.587.534**	1.276.787
Cash and cash equivalents	4	**593.172**	567.728
Trade receivables		**576.679**	474.653
-Trade receivables from related parties	*31*	***39.354***	*37.894*
-Trade receivables from third parties	*8*	***537.325***	*436.759*
Other receivables		**7.353**	5.770
-Other receivables from third parties	*9*	***7.353***	*5.770*
Derivative financial instruments	7	**9.097**	-
Inventories	11	**323.579**	183.243
Prepaid expenses	19	**64.577**	41.166
Assets related to current year tax		**2.701**	680
Other current assets	18	**10.376**	3.547
Non-current assets		**3.378.686**	2.953.986
Financial investments	5	**317.124**	257.928
Trade receivables		**8.441**	5.646
-Trade receivables from third parties	*8*	***8.441***	*5.646*
Other receivables		**81**	75
-Other receivables from third parties	*9*	***81***	*75*
Derivative financial instruments	7	**22.743**	22.742
Investments accounted under equity method	12	**2.273.331**	1.922.344
Property, plant and equipment	13	**677.927**	658.238
Intangible assets		**19.280**	19.119
-Other intangible assets	*14*	***19.280***	*19.119*
Prepaid expenses	19	**59.074**	67.195
Deferred tax asset	29	**685**	699
Total assets		**4.966.220**	4.230.773

The accompanying accounting policies and notes between the pages 8 and 75 form an integral part of these consolidated financial statements.

Aygaz Anonim Şirketi and its Subsidiaries

Consolidated statement of financial position
as at December 31, 2017
(Amounts expressed in thousands of Turkish Lira (“TL”) and in thousands for other currencies unless otherwise indicated.)

Liabilities	Notes	Current period (Audited) December 31, 2017	Prior period (Audited) December 31, 2016
Short term liabilities		**1.278.810**	923.686
Short-term financial borrowings	6	**84.784**	1.102
Current portion of long term financial borrowings	6	**304.820**	229.265
Trade payables		**670.034**	470.731
- Trade payables to related parties	*31*	***165.911***	*136.094*
- Trade payables to third parties	*8*	***504.123***	*334.637*
Liabilities for employee benefits	10	**53.191**	43.252
Other payables		**1.577**	1.323
- Other payables to related parties	*31*	***863***	*677*
- Other payables to third parties	*9*	***714***	*646*
Derivative financial instruments	7	**214**	-
Deferred income	20	**2.483**	2.487
Current income tax liabilities		**2.076**	5.105
Short-term provisions		**45.455**	31.059
-Other provisions	*17*	***45.455***	*31.059*
Other current liabilities	18	**114.176**	139.362
Long term liabilities		**764.347**	565.530
Long-term financial borrowings	6	**583.666**	400.143
Other payables		**97.603**	89.489
- Other payables to third parties	*9*	***97.603***	*89.489*
Long-term provisions		**38.455**	35.697
-Provisions for employee benefits	*16*	***38.455***	*35.697*
Deferred tax liabilities	29	**44.623**	40.201
Equity		**2.923.063**	2.741.557
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		**716**	(793)
Gains (losses) on the revaluation and/or reclassification		**1.187**	124
-Gains (losses) remeasurement from defined benefit plans		***1.187***	*124*
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss		**(471)**	(917)
Other comprehensive income or expenses to be reclassified to profit or loss		**99.893**	44.327
Gains (losses) on the revaluation and/or reclassification		**213.653**	157.508
-Gains (losses) on the revaluation and/or reclassification of available-for-sale financial assets	*21*	***213.653***	*157.508*
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss		**(113.760)**	(113.181)
Restricted reserves	21	**249.509**	203.549
Retained earnings		**1.631.864**	1.713.648
Net profit for the period		**577.019**	415.670
Equity attributable to equity holders of the parent		**2.923.063**	2.740.463
Non-controlling interests	21	**-**	1.094
Total equity and liabilities		**4.966.220**	4.230.773

The accompanying accounting policies and notes between the pages 8 and 75 form an integral part of these consolidated financial statements.

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

Aygaz Anonim Şirketi and its Subsidiaries

Consolidated profit or loss and other comprehensive income statement for the year ended December 31, 2017

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

	Notes	(Audited) January 1- December 31, 2017	(Audited) January 1- December 31, 2016
Revenue	22	**8.469.276**	6.748.761
Cost of sales (-)	22	**(7.728.139)**	(5.962.215)
Gross profit		**741.137**	786.546
General administrative expenses (-)	23	**(204.627)**	(194.586)
Marketing, expenses (-)	23	**(285.377)**	(276.395)
Research and development expenses (-)	23	**(3.652)**	(4.585)
Other operating income	25	**158.314**	93.682
Other operating expenses (-)	25	**(141.071)**	(96.650)
Operating profit		**264.724**	308.012
Income from investment activities	26	**22.235**	1.279
Loss from investment activities (-)	26	**(5.430)**	(30)
Profit/losses from investments accounted under equity method	12	**388.611**	185.165
Operating profit before financial income (expense)		**670.140**	494.426
Financial income	27	**89.728**	91.463
Financial expense (-)	28	**(139.105)**	(117.071)
Profit from continuing operations before tax		**620.763**	468.818
Tax income (expense), continuing operations			
-Current tax expense for the period (-)	29	**(42.517)**	(50.902)
-Deferred tax income (expense)	29	**(1.227)**	(1.824)
Profit for the period		**577.019**	416.092
Distribution of profit for the period			
Non-controlling interest		**-**	422
Equity holders of the parent	21	**577.019**	415.670
Earnings per share (TL)	30	**1,923397**	1,385567
Diluted earnings per share (TL)	30	**1,923397**	1,385567
Other comprehensive income			
Not to be reclassified to profit or loss		**1.509**	(540)
Gains (losses) remeasurement on defined benefit plans		**1.063**	(94)
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss		**446**	(446)
-Gains (losses) from remeasurement on defined benefit plans of investments using equity method		***446***	*(446)*
To be reclassified as profit or loss		***55.566***	*(72.121)*
Gains (losses) on the revaluation and/or reclassification of available-for-sale financial assets		**59.100**	(9.850)
- Gains (losses) on the revaluation of available-for-sale financial assets		***59.100***	*(9.850)*
Share of other comprehensive income of investments accounted for using equity method that will be classified to profit or loss		**(579)**	(62.764)
-Gains (losses) from cash flow hedging of investments using equity method		***(864)***	*(63.339)*
-Gains (losses) from translation of foreign currency of investments using equity method		***285***	*575*
Taxes relating to other comprehensive income to be reclassified to profit / loss		**(2.955)**	493
-Gains (losses) on the revaluation and/or reclassification of available-for-sale financial assets	*29*	***(2.955)***	*493*
Other comprehensive income/(expense) (after taxation)		**57.075**	(72.661)
Total comprehensive income		**634.094**	343.431
Distribution of total comprehensive income			
Non-controlling interest		**-**	422
Equity holders of the parent	21	**634.094**	343.009

The accompanying accounting policies and notes between the pages 8 and 75 form an integral part of these consolidated financial statements.

Aygaz Anonim Şirketi and its Subsidiaries

Consolidated statement of changes in equity
for the year ended December 31, 2017
(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

				Other comprehensive income or expenses not to be reclassified to profit or loss		Other comprehensive income or expenses to be reclassified to profit or loss		Accumulated profit					
	Share capital	Adjustment to share capital	Adjustment to share capital due to cross-ownership (-)	Gains (losses) on remeasurement of defined benefit plans	Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss	Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss	Gains (losses) on the revaluation and/or reclassification of available-for-sale financial assets	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, 2016	300.000	71.504	(7.442)	218	(471)	(50.417)	166.865	320.430	1.391.086	418.375	2.610.148	672	2.610.820
Effect of prior year period adjustments	-	-	-	-	-	-	-	-	102.306	-	102.306	-	102.306
Transfers	-	-	-	-	-	-	-	(116.881)	535.256	(418.375)	-	-	-
Total comprehensive income (loss)	-	-	-	(94)	(446)	(62.764)	(9.357)	-	-	415.670	343.009	422	343.431
Net income	-	-	-	-	-	-	-	-	-	*415.670*	*415.670*	*422*	*416.092*
Other comprehensive income (loss)	-	-	-	*(94)*	*(446)*	*(62.764)*	*(9.357)*	-	-	-	*(72.661)*	-	*(72.661)*
Dividend paid	-	-	-	-	-	-	-	-	(315.000)	-	(315.000)	-	(315.000)
Balance as of December 31, 2016	300.000	71.504	(7.442)	124	(917)	(113.181)	157.508	203.549	1.713.648	415.670	2.740.463	1.094	2.741.557
Audited													
Balance as of January 1, 2017	**300.000**	**71.504**	**(7.442)**	**124**	**(917)**	**(113.181)**	**157.508**	**203.549**	**1.713.648**	**415.670**	**2.740.463**	**1.094**	**2.741.557**
Transfers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**45.960**	**369.710**	**(415.670)**	**-**	**-**	**-**
Total comprehensive income (loss)	**-**	**-**	**-**	**1.063**	**446**	**(579)**	**56.145**	**-**	**-**	**577.019**	**634.094**	**-**	**634.094**
Net income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***577.019***	***577.019***	**-**	***577.019***
Other comprehensive income (loss)	**-**	**-**	**-**	***1.063***	***446***	***(579)***	***56.145***	**-**	**-**	**-**	***57.075***		***57.075***
Dividend paid (Note 21)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(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)**	**(113.760)**	**213.653**	**249.509**	**1.631.864**	**577.019**	**2.923.063**	**-**	**2.923.063**

The accompanying accounting policies and notes between the pages 8 and 75 form an integral part of these consolidated financial statements.

Aygaz Anonim Şirketi and its Subsidiaries

Consolidated cash flow statement
for the year ended December 31, 2017
(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

	Notes	Audited January 1- December 31, 2017	Audited January 1- December 31, 2016
Cash flows from operating activities		**251.238**	582.379
Net income from continuing operations		**577.019**	416.092
Adjustments related with the reconciliation of net profit (loss) for the period		**(196.561)**	37.258
-Adjustments for depreciation and amortization expenses	13,14	**87.520**	86.035
-Adjustments for impairment loss (reversal)		**1.263**	3.390
-Adjustments for provisions		**22.384**	21.422
-Adjustments for dividend (income) expense	26	**(296)**	(264)
-Adjustments for interest income	27	**(46.290)**	(33.501)
-Adjustments for interest expense	28	**98.488**	64.062
-Adjustments for unrealized foreign exchange differences		**9.408**	33.877
-Adjustments for fair value losses (gains) on derivative financial instruments		**(8.884)**	(4.563)
-Adjustments for undistributed profits of investments accounted under equity method	12	**(388.611)**	(185.165)
-Adjustments for tax (income) expenses	29	**43.744**	52.726
-Adjustments for losses (gains) on disposal of non-current assets	26	**(16.509)**	(985)
-Other adjustments for reconciliation of profit (loss)		**1.222**	224
Changes in working capital:		**(76.423)**	209.087
-Adjustments for decrease (increase) in trade receivables		**(106.908)**	6.476
-Adjustments for decrease (increase) in other operating receivables		**(8.418)**	101.086
-Adjustments for decrease (increase) in inventories		**(139.512)**	(65.715)
-Decrease (increase) in prepaid expenses		**(14.005)**	8.974
-Adjustments for increase (decrease) in trade payables		**199.303**	98.496
-Increase (decrease) in liabilities for employee benefits		**9.939**	16.400
-Adjustments for increase (decrease) in other operating payables		**(16.818)**	43.586
-Increase (decrease) in deferred income		**(4)**	(216)
Cash flows from operating activities		**304.035**	662.437
-Payments related to provisions for employee benefits	16	**(5.230)**	(4.671)
-Tax returns (payments)		**(47.567)**	(75.387)
Cash flows from investing activities		**(55.663)**	(3.109)
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		**(50.000)**	-
Cash inflows from the sale of property, plant and equipment and intangible assets		**20.822**	8.504
Cash outflows from the purchase of property, plant and equipment and intangible assets	13,14	**(111.684)**	(98.899)
Dividends received		**87.787**	87.286
Cash flows from financing activities		**(170.765)**	(300.179)
Proceeds from borrowings		**495.453**	247.412
Repayments of borrowings		**(176.148)**	(205.677)
Dividends paid		**(450.000)**	(315.000)
Interest paid		**(85.075)**	(60.518)
Interest received		**45.005**	33.604
Effect of exchange rate changes on cash and cash equivalents		**634**	-
Net increase (decrease) in cash and cash equivalents		**25.444**	279.091
Cash and cash equivalents at the beginning of the period	4	**567.728**	288.637
Cash and cash equivalents at the end of the period	4	**593.172**	567.728

The accompanying accounting policies and notes between the pages 8 and 75 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, 2017, 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 2017 is 706 white-collar (2016: 703) and 683 blue-collar (2016: 720) totaling to 1.389 (2016:1.423).

Subsidiaries

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

		Ownership interest (%)			
Subsidiaries	Place of incorporation and Operation	**December 31, 2017**	December 31, 2016	**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%**	99,15%	**100%**	Natural gas
Aygaz Doğal Gaz İletim A.Ş.	Turkey	**100%**	99,59%	**100%**	Natural gas
ADG Enerji	Turkey	**100%**	100%	**100%**	Natural gas

Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş ("Akpa") reached to its current structure with the merger of four subsidiaries of Koç Holding Energy Group at the end of 2001. Before the merger, four companies were operating separately from each other in Bursa, Eskişehir, Ankara and Antalya. At the time of merger the name of company was Bursa Gaz ve Ticaret A.Ş, later it was changed to "Akpa Dayanıklı Tüketim Lpg ve Akaryakıt Ürünleri Pazarlama A.Ş." with the decision of Ordinary General Meeting held on March 17, 2005. Akpa is mainly engaged in sales of cylinders through either its own organisation or dealers, retail and wholesale of LPG, fuel and lubricants through autogas stations and sale of durable goods. As of end of July, 2016 Akpa terminated its durable goods sales acitivity.

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 liquid fuel gas, 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.

The Company has purchased 100% ownership interest of Enram Su ve Çevre Yatırımları A.Ş. as a result of share assignment agreement dated March 14, 2014. Enram Su ve Çevre Yatırımları A.Ş. has decided to change its trade name as ADG Enerji Yatırımları A.Ş. ("ADG Enerji") and to increase share capital from TL 3.600 thousand to TL 25.000 thousand in its Extraordinary General Meeting held on March 20, 2014. For the increased share amount of TL 21.400 thousand, the Company has paid TL 5.350 thousand in cash on March 20, 2014 and the remaining part amounting to TL 16.050 thousand in cash on February 11, 2016. In its Ordinary General Meeting held on February 24, 2016 ADG Enerji has decided to increase its share capital from TL 25.000 thousand to TL 26.100 thousand with the amendment of related paragraph of Articles of Incorporation. On March 2, 2016 the company has paid TL 1.100 thousand in cash. 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.

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, 2017**	December 31, 2016	**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 oil rafineries, make investments 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 power plants will be operated by Menzelet Kılavuzlu Elektrik Üretimi A.Ş., a 100% owned subsidiary of Entek, in the first quarter of 2018.

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

1. Organization and operations of the company (continued)

Joint ventures

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

		Ownership interest (%)			
Joint venture	Place of incorporation and operation	**December 31, 2017**	December 31, 2016	**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.

Approval of consolidated financial statements

The consolidated financial statements as of and for the year ended December 31, 2017 are approved in the Board of Directors meeting held on February 14, 2018. 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.

2.2 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.

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

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.

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

2.3 New and revised Turkey Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 31 December 2017

Amendments to IAS 7, "Statement of cash flows"; on disclosure initiative effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's "Disclosure Initiative", which continues to explore how financial statement disclosure can be improved. The amendments had no significant effect on the financial position or performance of the Group.

Amendments IAS 12, "Income Taxes"; effective from annual periods beginning on or after 1 January 2017. The amendments clarify the requirements on recognition of deferred tax assets for unrealized losses and how to account for deferred tax assets related to debt instruments measured at fair value. The amendments had no significant effect on the financial position or performance of the Group.

Annual improvements 2014-2016;

IFRS 12, "Disclosure of interests in other entities"; regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. The amendments had no significant effect on the financial position or performance of the Group.

b) Standards, amendments and interpretations effective after 1 January 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 requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit risk modelling that replaces the current incurred impairment loss model. The group concluded that in the preliminary assessments, the relevant standard would not have a significant effect on the consolidated financial position.

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 improve comparability of revenue in financial statements globally. The group concluded that in the preliminary assessments, the relevant standard would not have a significant effect on the consolidated financial position.

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 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)

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

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

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

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

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

Annual improvements 2014-2016;

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

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

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

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

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

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

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 the use of an identified asset for a period of time in exchange for consideration. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

IFRIC 23, 'Uncertainty over income tax treatments'; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had previously clarified only IAS 12. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is 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.

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

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

2.4 Comparative information and reclassifications on prior period financial statements

In order to enable determination of financial position and performance trends, the Group's consolidated financial statements for the current period are prepared by comparison with the prior period. As of December 31, 2017, the Group has presented its consolidated balance sheet as of December 31, 2017 compared with as of December 31, 2016 and its consolidated statement of profit or loss, other comprehensive income and changes in equity for the year ended December 31, 2017 compared with the financial statements for the year ended December 31, 2016.

Provision for Special Consumption Tax (SCT) on imported LPG amounting to TL 83.577 thousand were offset between "Inventories" and "Short term provisions" in the consolidated statement of financial position as at December 31, 2016. There is no impact of this reclassification on retained earnings and net income.

"Adjustments for provisions" presented under "Adjustments related with the reconciliation of net profit (loss) for the period" and "Adjustments for decrease (increase) in inventories" presented under "Changes in working capital" in the consolidated cash flow statement for the year ended December 31, 2016 were offset by TL 15.081 thousand.

Foreign exchange gains and losses arising from financial activities amounting to TL 196.780 thousand were offset in "Financial income and expenses" in the consolidated profit and loss statement for the year ended December 31, 2016. There is no impact of this reclassification on retained earnings and net income.

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.

2.6 Revenue recognition

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

Sale of goods:

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

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

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

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, 2017, SCT on imported LPG included in revenues and the cost of goods sold is amounting to TL 2.284.740 thousand (January 1- December 31 2016: TL 2.239.144 thousand).

Rendering of services:

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

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

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

Dividend and interest revenue:

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

2.7 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.

(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)

2.8 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 recognized impairment loss. Legal fees are included into costs. Depreciation of these assets begins when the assets are ready for their intended use.

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

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

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

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

2.11 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

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

Effective interest method

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

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

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

Financial assets at FVTPL

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

Available-for-sale financial assets

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

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

Cash and cash equivalents

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

2.12.2 Financial liabilities

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

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL and revaluated at fair value at the balance sheet date in each reporting period. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

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

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

2.12.3 Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments 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 recognized 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 recognized under financing income (expense).

2.12.4 Recognition and de-recognition of financial instruments

All purchases and sales of financial assets are recognized 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 derecognized 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 recognized to the extent of the Group's continuing involvement in the consolidated financial statements.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

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

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 TFRS 3 "Business Combinations".

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

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

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

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

Partial share sale and purchase transactions settled with minority shareholders

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. Basis of presentation of consolidated financial statements (continued)

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

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

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

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

2.18 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.

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

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 TFRS 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.

Deferred tax

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

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

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

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

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 recognized in consolidated statements of income. The provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial profits and losses are accounted in the shareholder's equity as other comprehensive income.

Defined contribution plan:

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

2.22 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 recognized in retained earnings in the period in which they are approved and declared.

2.24 Research and development expenses

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

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

Other development expenditures are recognized as expense as incurred.

Development costs previously recognized as expense 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, 2017, the Group has no capitalized research and development expenses (December 31, 2016: 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 available-for-sale financial assets. For other available for sale financial assets, fair values are determined in line with generally accepted valuation principles using current economic data, trends in the market and expectations.

Available-for-sale financial asset 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, 18% cost of equity-discount rate on Turkish Lira based (2016: 17.4%) and 5% of long-term growth rate (2016: 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). In the sensitivity analyzes made, 1% of change in the both growth rates and discount rates, did not have a significant effect in the calculation of the fair value of KFS.

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, 2017 and 2016, assets and liabilities according to industrial segments are as follows:

					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**

					December 31, 2016
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Assets					
Current assets	1.171.410	-	113.421	(8.044)	1.276.787
Non-current assets	2.645.740	345.289	242.238	(279.281)	2.953.986
Total assets	3.817.150	345.289	355.659	(287.325)	4.230.773
Liabilities					
Short term liabilities	901.892	-	29.838	(8.044)	923.686
Long term liabilities	557.835	-	14.429	(6.734)	565.530
Equity	2.357.423	345.289	311.392	(272.547)	2.741.557
Total liabilities and equity	3.817.150	345.289	355.659	(287.325)	4.230.773
Investments accounted under equity method	1.497.211	345.289	79.844	-	1.922.344

(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, 2017 and 2016, profit and loss statement according to industrial segments are as follows:

	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**

(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, 2016				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Revenue	6.487.577	-	427.537	(166.353)	6.748.761
Cost of sales (-)	(5.775.176)	-	(354.073)	167.034	(5.962.215)
Gross profit	712.401	-	73.464	681	786.546
General administrative expenses (-)	(173.841)	-	(24.279)	3.534	(194.586)
Marketing expenses (-)	(263.320)	-	(13.075)	-	(276.395)
Research and development expenses (-)	(4.585)	-	-	-	(4.585)
Other operating income	89.534	-	7.111	(2.963)	93.682
Other operating expenses (-)	(93.457)	-	(3.540)	347	(96.650)
Operating profit	266.732	-	39.681	1.599	308.012
Income from investment activities	130.798	-	645	(130.164)	1.279
Loss from investment activities (-)	(30)	-	-	-	(30)
Profit/losses from investments accounted under equity method	167.802	14.324	3.039	-	185.165
Operating profit before financial income (expense)	565.302	14.324	43.365	(128.565)	494.426
Financial income	79.493	-	11.970	-	91.463
Financial expense (-)	(114.380)	-	(2.691)	-	(117.071)
Profit from continuing operations before tax	530.415	14.324	52.644	(128.565)	468.818
Tax income (expense), continuing operations					
Current tax expense for the period (-)	(46.836)	-	(4.066)	-	(50.902)
Deferred tax income (expense)	(2.074)	-	250	-	(1.824)
Profit for the period	481.505	14.324	48.828	(128.565)	416.092

The depreciation and amortization expense for the industrial segmental assets as of December 31, 2017 and 2016 is as follows:

	January 1 - December 31, 2017	January 1 - December 31, 2016
Gas and petroleum products	**77.374**	75.670
Other	**10.146**	10.365
	87.520	86.035

(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, 2017 and 2016 are as follows:

	January 1 - December 31, 2017	January 1 - December 31, 2016
Gas and petroleum products	**109.961**	95.635
Other	**1.723**	3.264
	111.684	98.899

4. Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash on hand	**462**	358
Cash at banks	**546.687**	529.762
- Demand deposits	***21.984***	*15.675*
- Time deposits	***524.703***	*514.087*
Receivables from credit card transactions	**46.023**	37.608
Total cash and cash equivalents	**593.172**	567.728

As of December 31, 2017 the Group's TL time deposits amounting to TL 360.525 thousand with maturities of 4-46 days and interest rates of 14-14,85 %; USD time deposits amounting to USD 43.527 thousand (TL 164.178 thousand) with maturities of 4-5 days and interest rate of 3% (As of December 31, 2016 the Group's TL time deposits amounting to TL 342.271 thousand have maturities of 3-33 days and interest rates of 9,85-11,45%; USD time deposits amounting to USD 48.820 thousand (TL 171.816 thousand) have a maturity of 3 days and an interest rate of 2%).

(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, 2017 and 2016:

	December 31, 2017		December 31, 2016	
	Participation amount	**Participation rate %**	Participation amount	Participation rate %
Koç Finansal Hizmetler A.Ş. (*)	**315.200**	**1,97**	256.100	1,97
Ram Dış Ticaret A.Ş. (**)	**875**	**2,50**	774	2,50
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. (***)	**540**	**10,00**	540	10,00
Tat Gıda Sanayi A.Ş. (**)	**73**	**0,08**	78	0,08
Other (***)	**436**	**-**	436	-
	317.124		257.928	

(*) Stated at fair value, the difference between the acquisition cost and fair value are accounted as valuation fund under equity net-off its deferred tax effect.
(**) Stated at fair value, increase in value is accounted as "profit from increase in value" under consolidated profit or loss.
(***) Stated at cost, since fair value could not be determined reliably.

6. Financial borrowings

As of December 31, 2017 and 2016 the Group's short-term financial borrowings are as follows:

	December 31, 2017	December 31, 2016
TL-denominated short-term bank borrowings (*)	**84.784**	1.102
Total short-term bank borrowings	**84.784**	1.102
Short-term portion and interest accruals of TL-denominated long-term bank borrowings	**100.414**	103.499
Short-term portion and interest accruals of USD-denominated long-term bank borrowings	**48.381**	13.554
Short-term portion of long-term bond issued (**)	**156.025**	112.212
Total short-term portion of long-term financial borrowings	**304.820**	229.265

(*) As of December 31, 2017, the Group has interest free loan amounting to TL 10.453 thousand which was used for Custom expenses (December 31, 2016: TL 1.102 thousand). The Group has short term bank loans amounting to TL 50.000 thousand with the maturity of March 30, 2018, fixed interest rate of 12,50% (interest of loan has been paid in cash on August 3, 2017) and amounting to TL 24.331 thousand with the maturity of January 2, 2018, fixed interest rate of 14,60%.
(**) On March 30, 2015, January 28, 2016, April 11, 2017 and October 20, 2017 the Group has issued a floating rate bond with a nominal value of TL 60.000 thousand, with a maturity of 1.092 days and quarter-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, 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, respectively. As of December 31, 2017, net present value of the issued bonds are TL 278.077 thousand (TL 122.052 thousand of this amount is shown as long-term bond issued) and their effective interest rates are 13,51%, 13,09%, 13,46% and 14,45% 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, 2017, the details of short-term bank borrowings are as follows:

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

As of December 31, 2016, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	-	1.102	1.102
TL	-	1.102	1.102

As of December 31, 2017 and 2016 the Group's long-term financial borrowings are as follows:

	December 31, 2017	December 31, 2016
TL-denominated long-term bank borrowings	**314.510**	88.990
USD-denominated long-term bank borrowings	**147.104**	181.239
Total long-term bank borrowings	**461.614**	270.229
Long-term bonds issued	**122.052**	129.914
Total long-term bonds	**122.052**	129.914
Total long-term financial borrowings	**583.666**	400.143

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

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

As of December 31, 2016 the details of long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	11,60-14,32	192.489	192.489
USD	3,40- 3,50	55.352	194.793
Short-term portion of long-term loans and interest accruals			(117.053)
			270.229

(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, 2017 and 2016 the Group's movements of financial borrowings are as follows:

	2017	2016
As of January, 1	**630.510**	551.354
Proceeds from new financial borrowings	**495.453**	247.412
Repayments of principals	**(176.148)**	(205.677)
Changes in interest accruals	**13.413**	3.544
Currency translation differences	**10.042**	33.877
As of December, 31	**973.270**	630.510

7. Derivative financial instruments

As of December 31, 2017 and 2016, the Group's derivative financial instruments are as follows:

Short-term derivative financial instruments	**December 31, 2017**		December 31, 2016	
	Contract amount	**Fair value assets (liabilities)**	Contract amount	Fair value assets (liabilities)
Forward transactions (*)	**60.941**	**(214)**	-	-
Foreign currency swap contracts (**)	**26.100**	**9.097**	-	-

Long-term derivative financial instruments	**December 31, 2017**		December 31, 2016	
	Contract amount	**Fair value assets (liabilities)**	Contract amount	Fair value assets (liabilities)
Foreign currency swap contracts (**)	**65.250**	**22.743**	91.350	22.742

(*) 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 (As of December 31, 2016 the Group has no forward transaction).

(**) 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%.

8. Trade receivables and payables from third parties

The Group's trade receivables from third parties as of December 31, 2017 and 2016 are as follows:

Current trade receivables	**December 31, 2017**	December 31, 2016
Trade receivables	**517.416**	420.582
Notes receivables	**45.535**	39.844
Allowance for doubtful receivables (-)	**(25.626)**	(23.667)
Total current trade receivables	**537.325**	436.759

Non-current trade receivables	**December 31, 2017**	December 31, 2016
Notes receivable	**8.441**	5.646
Total non-current trade receivables	**8.441**	5.646

(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)

Movement of allowance for doubtful receivables	January 1 - December 31, 2017	January 1 - December 31, 2016
Opening balance	**23.667**	20.713
Increases during the period	**2.087**	3.459
Collections	**(128)**	(436)
Provisions no longer required	**-**	(69)
Closing balance	**25.626**	23.667

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, 2017 and 2016 are as follows:

Short-term trade payables	December 31, 2017	December 31, 2016
Trade payables	**504.123**	334.637
Total short-term trade payables	**504.123**	334.637

9. Other receivables and payables from third parties

The Group's other receivables from third parties as of December 31, 2017 and 2016 are as follows:

Other current receivables	December 31, 2017	December 31, 2016
Guarantees and deposits given	**6.015**	4.827
Other receivables	**1.338**	943
Total other current receivables	**7.353**	5.770

Other non-current receivables	December 31, 2017	December 31, 2016
Guarantees and deposits given	**81**	75
Total other non-current receivables	**81**	75

(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, 2017 and 2016, other payables to third parties of the Group are as follows:

Other short-term payables	**December 31, 2017**	December 31, 2016
Deposits and guarantees taken	**714**	646
Total other short-term payables	**714**	646

Other long-term payables	**December 31, 2017**	December 31, 2016
Cylinder deposits received	**97.603**	89.489
Total other long-term payables	**97.603**	89.489

10. Liabilities for employee benefits

As of December 31, 2017 and 2016, liabilities for employee benefits of the Group are as follows:

Liabilities for employee benefits	**December 31, 2017**	December 31, 2016
Payables to personnel	**28.658**	22.545
Employee's income tax payable	**17.238**	14.899
Social security liabilities	**7.295**	5.808
Total liabilities for employee benefits	**53.191**	43.252

11. Inventories

	December 31, 2017	December 31, 2016
Raw materials	**198.909**	108.116
Goods in transit	**107.218**	61.146
Trade goods	**4.968**	8.259
Finished goods	**9.931**	4.813
Work in process	**2.782**	1.962
Allowance for impairment on inventory	**(229)**	(1.053)
Total inventories	**323.579**	183.243

As of December 31, 2017, the inventories compromise of 119.858 tons of LPG (December 31, 2016: 102.232 tons).

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

11. Inventories (continued)

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

Movement of allowance for impairment on inventory	**January 1 - December 31, 2017**	January 1- December 31, 2016
Opening balance	**1.053**	1.053
Provision no longer required	**(824)**	-
Closing balance	**229**	1.053

12. Equity investments

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

	December 31, 2017		December 31, 2016	
	Participation amount	**Participation Rate**	Participation amount	Participation Rate
EYAŞ	**1.787.658**	**20,00%**	1.497.211	20,00%
Entek	**352.443**	**49,62%**	345.289	49,62%
OAGM	**133.230**	**50,00%**	79.844	50,00%
	2.273.331		1.922.344	

The movement of equity investments is as follows:

	2017	2016
Opening balance on January 1	**1.922.344**	1.867.181
Shares of profit/(loss)	**388.611**	185.165
Shares of other comprehensive income/(loss)	**(133)**	(63.210)
Dividend income (*)	**(87.491)**	(87.022)
Participation in share capital increase of equity investment (**)	**50.000**	-
Effect of prior period adjustments	**-**	20.230
Closing balance on December 31	**2.273.331**	1.922.344

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

Shares of profit (loss) of equity investments:

	January 1 - December 31, 2017	January 1 - December 31, 2016
EYAŞ	**378.111**	167.802
Entek	**7.114**	14.324
OAGM	**3.386**	3.039
	388.611	185.165

(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, 2017	January 1 - December 31, 2016
EYAŞ (*)	**(173)**	(63.300)
Entek	**40**	90
	(133)	(63.210)

(*) TÜPRAŞ, a subsidiary of EYAŞ, designated its investment loans amounting to USD 1.254.421 thousand (TL 4.731.551 thousand) (December 31, 2016 - USD 1.457.823 thousand (TL 5.130.371 thousand)) and derivative instruments amounting to USD 17.118 thousand (TL 64.567 thousand) (December 31, 2016: None) as hedging instrument against USD / TL spot exchange rate risk which is exposed due to highly probable estimated export revenue in USD and, in this context, applies accounting for cash flow hedge. Foreign exchange gains (losses) on investment loans are accounted under "Gains (losses) on hedging" under shareholders' equity until the cash flows of the related hedged item are realized. In addition, within the scope of investment loans of TÜPRAŞ there are interest rate swaps and cross currency interest rate swap transactions which are classified for hedging purposes.

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, 2017**	December 31, 2016
Total assets	**43.150.924**	35.881.268
Total liabilities	**(28.128.926)**	(23.398.299)
Non-controlling interest	**(6.083.709)**	(4.996.915)
Net assets	**8.938.289**	7.486.054
Group's ownership	**20%**	20%
Group's share in associates' net assets	**1.787.658**	1.497.211

Consolidated profit or loss statement	**January 1 - December 31, 2017**	January 1 - December 31, 2016
Revenue	**53.948.110**	34.854.851
Profit for the period	**1.890.553**	839.008
Group's share in associates' profit for the period	**378.111**	167.802

(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, 2017**	December 31, 2016
Total assets	**987.124**	885.681
Total liabilities	**(276.840)**	(189.815)
Net assets	**710.284**	695.866
Group's ownership	**49,62%**	49,62%
Group's share in associates' net assets	**352.443**	345.289
Consolidated profit or loss statement	**January 1 - December 31, 2017**	January 1 - December 31, 2016
Revenue	**341.253**	301.637
Loss for the period	**14.336**	28.867
Group's share in associates' profit for the period	**7.114**	14.324

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, 2017**	December 31, 2016
Total assets	**505.645**	397.675
Total liabilities	**(239.185)**	(237.987)
Net assets	**266.460**	159.688
Group's ownership	**50%**	50%
Group's share in associates' net assets	**133.230**	79.844
Consolidated profit or loss statement	**January 1 - December 31, 2017**	January 1 - December 31, 2016
Revenue	**22.142**	18.930
Profit for the period	**6.772**	6.077
Group's share in associates' profit for the period	**3.386**	3.039

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(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, 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)

	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, 2016	16.204	135.114	70.872	1.607.299	251.221	58.489	25.745	17.584	2.182.528
Additions	-	-	-	947	2.494	850	287	94.213	98.791
Transfers (*)	-	12.040	1.754	60.606	8.305	8.620	978	(94.301)	(1.998)
Disposals	-	(2.614)	(57)	(24.164)	(1.961)	(3.874)	(103)	(703)	(33.476)
Ending balance as of December 31, 2016	16.204	144.540	72.569	1.644.688	260.059	64.085	26.907	16.793	2.245.845
Accumulated depreciation									
Opening balance as of January 1, 2016	-	56.107	49.215	1.251.791	106.878	43.475	24.390	-	1.531.856
Charge of the period	-	5.054	1.951	53.646	15.292	4.940	825	-	81.708
Disposals	-	(903)	(51)	(20.355)	(1.445)	(3.169)	(34)	-	(25.957)
Ending balance as of December 31, 2016	-	60.258	51.115	1.285.082	120.725	45.246	25.181	-	1.587.607
Net book value as of December 31, 2016	16.204	84.282	21.454	359.606	139.334	18.839	1.726	16.793	658.238

(*) TL 1.998 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, 2017 and 2016, the details of depreciation expenses are as follows:

	January 1 - December 31, 2017	January 1 - December 31, 2016
Cost of sales and services rendered	**69.246**	69.071
General and administrative expenses	**8.039**	5.979
Selling, marketing and distribution expenses	**3.219**	4.558
Capitalized on cylinders	**2.613**	2.100
	83.117	81.708

14. Intangible 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.

	Rights	Total
Acquisition costs		
Opening balance as of January 1, 2016	54.517	54.517
Additions	108	108
Transfers (*)	1.998	1.998
Ending balance as of December 31, 2016	56.623	56.623
Accumulated amortization		
Opening balance as of January 1, 2016	33.177	33.177
Charge for the period	4.327	4.327
Ending balance as of December 31, 2016	37.504	37.504
Carrying value as of December 31, 2016	19.119	19.119

(*) TL 1.998 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, 2017 and 2016, the details of amortization expenses of intangible assets are as follows:

	January 1 - December 31, 2017	January 1 - December 31, 2016
General and administrative expenses	**4.403**	4.327
	4.403	4.327

15. Contingent assets and contingent liabilities

Guarantees given as of December 31, 2017 and 2016 are as follows:

Guarantees given	**December 31, 2017**	December 31, 2016
Letter of guarantees given for gas purchase	**818.621**	796.138
Other letter of guarantees given	**36.854**	37.602
Total guarantees given	**855.475**	833.740

The liability for environmental pollution:

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

National inventory liability:

The national petroleum stock is obtained through the liability of the refinery, liquid fuel and LPG distribution licensees to keep minimum 20 times of the average supplied daily product amount at their own storage or licensed storage facilities whether as a whole or separately according to their status.

(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, 2017					December 31, 2016				
	TL Equivalent of Euro	**TL Equivalent of USD**	**TL Equivalent of Other**	**TL**	**Total TL**	TL Equivalent of Euro	TL Equivalent of USD	TL Equivalent of Other	TL	Total TL
A. CPMBs given on behalf of the Company's legal personality	**51.680**	**7.295**	**-**	**647.544**	**706.519**	45.459	6.489	-	647.263	699.211
B. CPMBs given in favor of subsidiaries included in full consolidation (*)	**-**	**95.576**	**-**	**53.380**	**148.956**	-	51.006	-	83.523	134.529
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	**51.680**	**102.871**	**-**	**700.924**	**855.475**	45.459	57.495	-	730.786	833.740

(*) As of December 31, 2017 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 633 thousand (December 31, 2016: TL 571 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, 2017 and 2016 are as follows:

Long term provision for employee benefits	December 31, 2017	December 31, 2016
Retirement pay provision	**30.351**	28.282
Vacation pay liabilities	**8.104**	7.415
Total long-term provision for employee benefits	**38.455**	35.697

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 4.732,48 (December 31, 2016: TL 4.297,21) for each year of service at December 31, 2017.

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.

	2017	2016
Net discount rate (%)	**4,95**	4,50
Turnover rate related to the probability of retirement (%)	**94,02-97,39**	94,21-97,88

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, 2017 and 2016 is as follows:

	2017	2016
Opening balance at January 1	**28.282**	24.469
Increases during the period	**8.616**	8.367
Actuarial (gain) loss	**(1.317)**	117
Payments during the period	**(5.230)**	(4.671)
Closing balance at December 31	**30.351**	28.282

17. Other short-term provisions

Other short-term provisions	**December 31, 2017**	December 31, 2016
Provision for other operating expenses	**23.057**	9.963
Provision for lawsuit	**7.714**	5.102
Provision for selling and marketing expenses	**5.451**	4.926
Provision for EMRA contribution	**5.100**	3.422
Provision for warranty expenses	**4.133**	7.646
Total other short-term provisions	**45.455**	31.059

Movement of provision for other operating expenses	**January 1-December 31, 2017**	January 1-December 31, 2016
Opening balance	**9.963**	3.537
Payments during the period	**(2.121)**	(151)
Provision no longer required	**-**	(3.184)
Increases during the period	**15.215**	9.761
Closing balance	**23.057**	9.963

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

18. Other current assets and liabilities

Other current assets	**December 31, 2017**	December 31, 2016
Deferred VAT	**5.668**	146
Fuel used in shipping operations	**2.625**	2.071
Income accrual	**646**	416
Other current assets	**1.437**	914
Total other current assets	**10.376**	3.547

Other current liabilities	**December 31, 2017**	December 31, 2016
Taxes and funds payable	**111.840**	137.356
Other liabilities	**2.336**	2.006
Total other current liabilities	**114.176**	139.362

19. Prepaid expenses

As of December 31, 2017 and 2016, the details of Group's prepaid expenses in current assets are as follows:

Prepaid expenses	**December 31, 2017**	December 31, 2016
Prepaid expenses	**40.600**	38.035
Advances given(*)	**23.977**	3.131
Total prepaid expenses	**64.577**	41.166

(*) 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, 2017 25 mcm of this stored gas is accounted as "Advances Given" in balance sheet.

As of December 31, 2017 and 2016, the details of Group's prepaid expenses in non-current assets are as follows:

Prepaid expenses	**December 31, 2017**	December 31, 2016
Prepaid expenses	**59.072**	67.193
Advances given	**2**	2
Total prepaid expenses	**59.074**	67.195

As of December 31, 2017 total amount of TL 36.546 thousand (2016: TL 36.202 thousand) presented as prepaid expenses under current assets and total amount of TL 58.647 thousand (2016: TL 66.453 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, 2017	December 31, 2016
Advances taken	**604**	1.502
Prepaid income	**1.879**	985
Total deferred income	**2.483**	2.487

21. Share capital

As of December 31, 2017 and 2016 the share capital held is as follows:

Shareholders	Participation rate	December 31, 2017	Participation rate	December 31, 2016
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, 2017	December 31, 2016
Legal reserves	**237.241**	193.741
Gain on sale of subsidiary share that will be added to capital	**12.268**	9.808
	249.509	203.549

(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, 2017 amounts to TL 915.341 thousand. (December 31, 2016: TL 1.053.701 thousand). TL 209.043 thousand of such sources from inflation adjustment differences and TL 3.256 thousand from other capital reserves are subject to tax when they are distributed.

Dividends paid

In the Ordinary General Meeting held on March 29, 2017, the Company decided to reserve TL 43.500 thousand as legal reserves and distribute TL 450.000 thousand gross dividends from the net distributable income of 2016. According to this decision, the Company has begun dividend payments on April 5, 2017.

Gains and losses from the revaluation and reclassification of marketable securities:

Gains and losses from the revaluation and reclassification of marketable securities are related with financial assets and details are as follows:

	December 31, 2017	December 31, 2016
Koç Finansal Hizmetler A.Ş.	**213.653**	157.508
	213.653	157.508

Currency translation adjustment

Currency translation adjustment as of December 31, 2017 represents the Company's share of currency translation adjustment of equity investment.

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

21. Share capital (continued)

Financial risk hedging reserve:

Fair value gains/losses of interest rates swap transactions and cross currency swap transactions carried out with respect to cash flow hedge accounting by TÜPRAŞ., a subsidiary of EYAŞ, are recognized under "Gains (losses) on cash flow hedges". The foreign exchange gains (losses) of loans of TÜPRAŞ defined as hedging instruments against the spot foreign exchange rate risk (USD/TL) associated with highly probable export revenues in USD are recognized under equity in the same account until the cash flows of the related item, which is subject of financial risk hedging reserve, are realized.

Non-controlling interest:

	January 1 - December 31, 2017	January 1 - December 31, 2016
Opening balance	**1.094**	672
Non-controlling interest on current year profit	**-**	422
Acquisition of shares from non-controlling interest	**(1.094)**	-
Closing balance	**-**	1.094

22. Revenue and cost of sales

Revenue	**January 1 - December 31, 2017**	January 1 - December 31, 2016
Domestic sales	**7.852.893**	6.659.230
Export sales	**1.002.048**	452.004
Sales returns (-)	**(16.549)**	(14.925)
Sales discounts (-)	**(369.116)**	(347.548)
Total revenue, net	**8.469.276**	6.748.761
Sales of goods and services	**7.161.990**	5.601.231
Sales of merchandises	**1.307.286**	1.147.530
Revenue	**8.469.276**	6.748.761

	January 1 - December 31, 2017	January 1 - December 31, 2016
Cost of goods sold and services rendered:		
Raw materials used	**6.223.501**	4.714.450
Production overheads	**127.184**	108.357
Depreciation expenses	**69.246**	69.071
Personnel expenses	**71.285**	66.483
Change in work in process inventories	**(819)**	(300)
Change in finished goods inventories	**(3.394)**	5.862
	6.487.003	4.963.923
Cost of merchandises sold	**1.241.136**	998.292
Total cost of sales	**7.728.139**	5.962.215

(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, 2017	January 1 - December 31, 2016
General administrative expenses	**204.627**	194.586
Marketing expenses	**285.377**	276.395
Research and development expenses	**3.652**	4.585
Total	**493.656**	475.566

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

a) Detail of general administrative expenses

	January 1 - December 31, 2017	January 1 - December 31, 2016
Personnel expenses	**99.913**	84.868
Consultancy expenses	**15.445**	15.391
Depreciation and amortization expenses	**12.442**	10.306
Information technology expenses	**10.464**	9.387
Insurance expenses	**8.320**	7.419
Donation and aids	**7.328**	7.761
Transportation expenses	**6.709**	5.855
Tax expenses	**5.233**	11.452
Maintenance expenses	**4.551**	4.281
Attendance fees	**3.501**	3.179
Lawsuit, consultancy and auditing expenses	**3.453**	6.963
Communication expenses	**3.439**	3.930
Rent expenses	**2.556**	2.541
Post office expenses	**1.613**	1.676
Public relations activities expenses	**1.796**	1.476
Other administrative expenses	**17.864**	18.101
Total general administrative expenses	**204.627**	194.586

b) Detail of marketing expenses

	January 1 - December 31, 2017	January 1 - December 31, 2016
Transportation, distribution and warehousing expenses	**135.439**	121.694
Sales expenses	**68.584**	59.471
Personnel expenses	**42.933**	41.981
Advertising and promotion expenses	**21.215**	37.478
Transportation expenses	**8.856**	7.744
License expenses	**5.100**	3.422
Depreciation and amortization expenses	**3.219**	4.558
Other marketing expenses	**31**	47
Total marketing expenses	**285.377**	276.395

(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, 2017	January 1 - December 31, 2016
Outsourced research and development expenses	**3.652**	4.585
Total research and development expenses	**3.652**	4.585

24. Expenses related to their nature

	January 1 - December 31, 2017	January 1 - December 31, 2016
Personnel expenses	**142.846**	126.849
Transportation, distribution and warehousing expenses	**135.439**	121.694
Sales expenses	**68.584**	59.471
Advertising and promotion expenses	**21.215**	37.478
Depreciation and amortization expenses	**15.661**	14.864
Transportation expenses	**15.565**	13.599
Consultancy expenses	**15.445**	15.391
Information technology expenses	**10.464**	9.387
Donation and aids	**7.328**	7.761
Insurance expenses	**8.320**	7.419
Tax expenses	**5.233**	11.452
License expenses	**5.100**	3.422
Maintenance expenses	**4.551**	4.281
Outsourced research and development expenses	**3.652**	4.585
Attendance fees	**3.501**	3.179
Lawsuit, consultancy and auditing expenses	**3.453**	6.963
Communication expenses	**3.439**	3.930
Rent expenses	**2.556**	2.541
Public relations activities expenses	**1.796**	1.476
Other	**19.508**	19.824
Total	**493.656**	475.566

(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, 2017 and 2016 are as follows:

Other operating income	January 1 - December 31, 2017	January 1 - December 31, 2016
Income generated from maturity differences of sales	**59.014**	18.455
Foreign exchange gains arising from trading activities	**57.255**	36.719
Demurrage income	**5.767**	1.443
Provisions no longer required	**5.472**	4.975
Gain on sale of scrap	**4.395**	1.537
Rent income	**3.888**	2.372
Income from port services	**3.721**	2.420
LPG pipeline usage income	**1.565**	1.201
Fair value differences on forward transactions	**-**	7.800
Other income and profits	**17.237**	16.760
Total	**158.314**	93.682

Other operating expenses for the years ended as of December 31, 2017 and 2016 are as follows:

Other operating expenses	January 1 - December 31, 2017	January 1 - December 31, 2016
Foreign exchange losses arising from trading activities	**71.054**	57.918
Expenses from maturity differences of purchases on credit	**43.873**	11.026
Provision expenses	**17.005**	12.370
Goodwill expenses	**1.003**	520
Fair value differences on forward transactions	**214**	3.001
Warranty expenses	**-**	6.372
Other expenses and losses	**7.922**	5.443
Total	**141.071**	96.650

26. Income and expenses from investment activities

Income from investment activities	January 1 - December 31, 2017	January 1 - December 31, 2016
Income from sales of property, plant and equipment	**21.939**	1.015
Dividend income from financial investments	**296**	264
Total	**22.235**	1.279

Expenses from investment activities	January 1 - December 31, 2017	January 1 - December 31, 2016
Expenses from sales of property, plant and equipment	**5.430**	30
Total	**5.430**	30

(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, 2017 and 2016 are as follows:

Financial income	**January 1 - December 31, 2017**	January 1 - December 31, 2016
Interest income	**46.290**	33.501
Foreign exchange gains	**34.340**	35.220
Fair value differences on swap transactions	**9.098**	22.742
Total	**89.728**	91.463

28. Financial expense

Financial expense for the years ended as of December 31, 2017 and 2016 are as follows:

Financial expense	**January 1 - December 31, 2017**	January 1 - December 31, 2016
Interest expenses	**98.488**	64.062
Foreign exchange losses	**40.617**	53.009
Total	**139.105**	117.071

29. Tax assets and liabilities

	December 31, 2017	December 31, 2016
Current tax liability		
Current corporate tax provision	**42.517**	71.421
Less: Prepaid taxes and funds	**(43.142)**	(66.996)
Current tax liability	**(625)**	4.425

Tax expenses	**January 1- December 31, 2017**	January 1- December 31, 2016
- Current corporate tax provision	**(42.517)**	(50.902)
- Deferred tax	**(1.227)**	(1.824)
Total	**(43.744)**	(52.726)

(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 2017 is 20% (2016: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2017 is 20% (2016: 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, 2016 – 20%).

Deferred tax (assets)/liabilities:	**December 31, 2017**	December 31, 2016
Restatement and depreciation/amortization differences of property, plant and equipment and other intangible assets	**40.646**	36.843
Revaluation of available-for-sale financial assets	**11.245**	8.290
Provision for employment termination benefits	**(5.846)**	(5.437)
Valuation of inventories	**238**	548
Other	**(2.345)**	(742)
	43.938	39.502

(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, 2017			December 31, 2016		
	Deferred tax			Deferred tax		
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
Aygaz A.Ş.	**(15.744)**	**59.373**	**43.629**	(11.425)	50.486	39.061
Akpa A.Ş.	**(890)**	**205**	**(685)**	(896)	197	(699)
Aygaz Doğal Gaz	**(555)**	**1.549**	**994**	(480)	1.620	1.140
	(17.189)	**61.127**	**43.938**	(12.801)	52.303	39.502

Movement of deferred tax assets and liabilities are as follows:

Movement of deferred tax (assets)/liabilities :	**2017**	2016
Opening balance on January 1	**39.502**	38.194
Deferred tax expense/(income)	**1.227**	1.824
Deferred tax income/(expense) reflected in the comprehensive income statement:	**3.209**	(516)
Gains (losses) remeasurement on defined benefit plans	***254***	*(23)*
Gains (losses) on the revaluation and/or reclassification of available-for-sale financial assets	***2.955***	*(493)*
Closing balance on December 31	**43.938**	39.502

Tax reconciliation :

	January 1 - December 31, 2017	January 1 - December 31, 2016
Profit before tax	**620.763**	468.818
Income tax rate	**20%**	20%
Expected tax expense	**124.153**	93.764
Tax effects of:		
-revenue that is exempt from taxation (investments accounted under equity method)	**(77.722)**	(37.033)
-expenses that are not deductible in determining taxable profit	**1.621**	2.927
-tax losses	**(5.254)**	-
-other	**946**	(6.932)
Tax expense in the statement of profit or loss	**43.744**	52.726

30. Earnings per share

	January 1 - December 31, 2017	January 1 - December 31, 2016
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	**577.019**	415.670
Earnings per thousand shares (TL)	**1,923397**	1,385567

(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, 2017; dividends payable amounting to TL 863 thousand (December 31, 2016-TL 667 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, 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**	-	**-**	-
Tat Gıda Sanayi A.Ş.	**539**	-	**-**	-
Opet Petrolcülük A.Ş.	**295**	-	**40.375**	-
Otokoç Otomotiv Tic. ve San. A.Ş.	**-**	-	**2.654**	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	**-**	-	**4.439**	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	**-**	-	**6.758**	-
Ram Dış Ticaret A.Ş.	**-**	-	**13.651**	-
Other	**1.382**	-	**3.971**	-
Shareholders				
Koç Holding A.Ş.	**-**	-	**5.642**	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	**6.017**	-	**-**	-
	39.354	**-**	**165.911**	**-**

				December 31, 2016
		Receivables		Payables
Balances with related parties	Trade	Non-trade	Trade	Non-trade
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	21.766	-	65.531	-
Demir Export A.Ş.	8.588	-	-	-
Arçelik A.Ş.	1.810	-	143	-
Tofaş Türk Otomobil Fabrikası A.Ş.	1.579	-	-	-
Ford Otomotiv Sanayi A.Ş.	1.376	-	-	-
Tat Gıda Sanayi A.Ş.	588	-	-	-
Demir Export A.Ş. - Fernas İnşaat A.Ş. Adi Ortaklığı	438	-	-	-
Opet Petrolcülük A.Ş.	256	-	35.240	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	-	3.192	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	1.905	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	-	-	9.745	-
Ram Dış Ticaret A.Ş.	-	-	11.239	-
Other	1.486	-	3.681	-
Shareholders				
Koç Holding A.Ş.	-	-	4.996	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	7	-	422	-
	37.894	-	136.094	-

(*) 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)

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

Transactions with related parties	January 1 - December 31, 2016 Purchases (Goods)	Sales (Goods)	Purchases (Service)	Sales (Service)
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	720.882	435.222	3.253	-
Opet Petrolcülük A.Ş.(**) (***)	169.329	1.869	117.491	-
Arçelik A.Ş.	20.449	13.475	76	-
Ram Dış Ticaret A.Ş.	26.327	1.232	131	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	22.404	26	29.849	-
Otokoç Otomotiv Tic. ve San. A.Ş.	192	335	759	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	68	6.952	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	7	2.743	-
Ford Otomotiv Sanayi A.Ş.	-	15.887	-	-
Demir Export A.Ş.	-	37.071	49	-
Tat Gıda Sanayi A.Ş.	-	13.828	-	-
Setur Servis Turistik A.Ş.	-	62	7.317	-
Other	3.997	24.398	2.632	-
Shareholders				
Koç Holding A.Ş. (****)	-	44	15.866	-
Temel Ticaret ve Yatırım A.Ş.	-	3	-	-
Koç Family Members	-	58	-	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	-	27	4.110	-
	963.580	543.612	191.228	-

(*) Group companies include Koç Group companies.

(**) Commission expense regarding LPG sold at Opet stations as of December 31, 2017 is TL 107.826 thousand (December 31, 2016 - TL 116.580 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 30.856 thousand has been made to Opet in 2017 in consideration of 5 years sale agreement on average to be paid to Aygaz Dealers making auto gas sales at Opet stations (2016: TL 24.488 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, 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**	**-**	**-**
Yapı Kredi Bankası A.Ş.	**-**	**-**	**-**	**-**
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**

			January 1 - December 31, 2016	
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.	568	23	1.044	-
Yapı Kredi Bankası A.Ş.	-	112	-	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	5.837	1.627	465
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	2.058	-
Ford Otomotiv Sanayi A.Ş.	-	-	673	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	139	-
Türkiye Petrol Rafinerileri A.Ş.	-	18	-	-
Arçelik A.Ş.	-	-	28	-
Other	-	-	37	1
Shareholders				
Koç Family Members	-	503	-	-
Temel Ticaret ve Yatırım A.Ş.	-	486	-	-
	568	6.979	5.606	466

(*) 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, 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**

	January 1 - December 31, 2016			
Financial and other transactions with related parties	Financial income	Financial expense	Other income	Other expense
Group Companies (*)				
Yapı Kredi Bankası A.Ş.	41.123	9.237	-	-
Vehbi Koç Vakfı	-	-	-	5.625
Opet Petrolcülük A.Ş.	-	-	-	189
Ram Dış Ticaret A.Ş.	-	-	250	264
Tat Gıda Sanayi A.Ş	-	-	14	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	549	-
Rahmi Koç Müzesi	-	-	-	950
Koç Üniversitesi	-	-	-	547
Other	-	-	-	172
	41.123	9.237	813	7.747

Cash at banks	**December 31, 2017**	December 31, 2016
Group companies (*)		
Yapı Kredi Bankası A.Ş.	**389.735**	391.514

Credit card receivables	**December 31, 2017**	December 31, 2016
Group companies (*)		
Yapı Kredi Bankası A.Ş.	**44.220**	35.276

Bank loans	**December 31, 2017**	December 31, 2016
Grup şirketleri (*)		
Yapı Kredi Bankası A.Ş.	**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, 2017, total benefit provided to senior management of the Company is TL 36.723 thousand (December 31, 2016: TL 31.662 thousand). In this amount there is no payment to senior management due to their leave, the total amount is consist of short term benefits (December 31, 2016: 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 debt amount less cash and cash equivalents.

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

	December 31, 2017	December 31, 2016
Total short-term and long-term borrowings	**973.270**	630.510
Less: Cash and cash equivalents	**(593.172)**	(567.728)
Net financial debt	**380.098**	62.782
Total shareholder's equity	**2.923.063**	2.741.557
Net financial debt/equity ratio	**13,0%**	2,3%

b) Financial risk factors

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

b.1) Credit risk management

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

Trade receivables consist of many customers that operate in various industries and locations. Credit risk of the receivables from counterparties 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, 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. Off-balance sheet items with credit risk	-	-	-	-	-	-

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

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

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

Credit risk of financial instruments

	Receivables					
	Trade receivables		Other receivables			
December 31, 2016	Related party	Third party	Related party	Third Party	Deposits in banks	Credit card receivables
Maximum exposed credit risk as of reporting date (*)	37.894	442.405	-	5.845	529.762	37.608
- The part of maximum risk under guarantee with collateral etc.	-	297.200	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	37.894	390.841	-	5.845	529.762	37.608
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	-	51.564	-	-	-	-
- The part under guarantee with collateral etc.	-	5.072	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	23.667	-	-	-	-
- Impairment (-)	-	(23.667)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

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

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

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

December 31, 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**
Past due more than 5 years	**-**	**-**	**-**	**-**	**-**	**-**
Total past due	**44.694**	**-**	**-**	**-**	**-**	**44.694**
The part under guarantee with collateral	**6.256**	**-**	**-**	**-**	**-**	**6.256**

December 31, 2016	Trade receivables	Other receivables	Deposits in banks	Derivative instruments	Other	Total
Past due 1-30 days	44.858	-	-	-	-	44.858
Past due 1-3 months	5.699	-	-	-	-	5.699
Past due 3-12 months	662	-	-	-	-	662
Past due 1-5 years	345	-	-	-	-	345
Past due more than 5 years	-	-	-	-	-	-
Total past due	51.564	-	-	-	-	51.564
The part under guarantee with collateral	5.072	-	-	-	-	5.072

(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, 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	Cash flow according to contract	Less than 3 months	3-12 months	1-5 years	More than 5 years
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.

(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, 2016

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(*)	630.510	701.978	147.777	100.473	453.728	-
Trade payables	470.731	470.731	470.731	-	-	-
Liabilities for employee benefits	43.252	43.252	43.252	-	-	-
Other payables	90.812	90.812	1.323	-	-	89.489
Other liabilities	139.362	139.362	139.362	-	-	-
	1.331.415	1.402.883	759.193	100.473	453.728	89.489

Derivative Instruments (*)	Carrying value	Cash flow according to contract	Less than 3 months	3-12 months	1-5 years	More than 5 years
Derivative cash inflows		123.274	-	4.269	119.005	-
Derivative cash outflows		(123.183)	-	(12.391)	(110.792)	-
Derivative instruments, net	22.742	91	-	(8.122)	8.213	-

(*) 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, 2017		**Total TL equivalent**	**TL equivalent of USD**	**TL equivalent of Euro**	**TL equivalent of other**
1.	Trade receivables	80.040	75.617	4.423	-
2.a	Monetary financial assets	165.189	164.662	396	131
2.b	Non-monetary financial assets	-	-	-	-
3.	Other	386	312	74	-
4.	**Current assets**	**245.615**	**240.591**	**4.893**	**131**
5.	Trade receivables	-	-	-	-
6.a	Monetary financial assets	-	-	-	-
6.b	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	**Non-current assets**	-	-	-	-
9.	**Total assets**	**245.615**	**240.591**	**4.893**	**131**
10.	Trade payables	(425.698)	(423.268)	(2.326)	(104)
11.	Financial liabilities	(48.381)	(48.381)	-	-
12.a	Other monetary financial liabilities	-	-	-	-
12.b	Other non-monetary financial liabilities	(105)	(105)	-	-
13.	**Current liabilities**	**(474.184)**	**(471.754)**	**(2.326)**	**(104)**
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(147.104)	(147.104)	-	-
16.a	Other monetary financial liabilities	-	-	-	-
16.b	Other non-monetary financial liabilities	-	-	-	--
17.	**Non-current liabilities**	**(147.104)**	**(147.104)**	**-**	**-**
18.	**Total liabilities**	**(621.288)**	**(618.858)**	**(2.326)**	**(104)**
19.	Net asset/liability position of off balance sheet asset and liabilities (19a-19b)	179.165	179.165	-	-
19.a	Total 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

(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, 2016	Total TL equivalent	TL equivalent of USD	TL equivalent of Euro	TL equivalent of other
1.	Trade receivables	48.900	38.405	10.495	-
2.a	Monetary financial assets	171.528	171.027	231	270
2.b	Non-monetary financial assets	-	-	-	-
3.	Other	273	212	61	-
4.	Current assets	220.701	209.644	10.787	270
5.	Trade receivables	-	-	-	-
6.a	Monetary financial assets	-	-	-	-
6.b	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non-current assets	-	-	-	-
9.	Total assets	220.701	209.644	10.787	270
10.	Trade payables	(232.463)	(228.048)	(3.693)	(722)
11.	Financial liabilities	(13.554)	(13.554)	-	-
12.a	Other monetary financial liabilities	-	-	-	-
12.b	Other non-monetary financial liabilities	(87)	(56)	(31)	-
13.	Current liabilities	(246.104)	(241.658)	(3.724)	(722)
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(181.239)	(181.239)	-	-
16.a	Other monetary financial liabilities	-	-	-	-
16.b	Other non-monetary financial liabilities	-	-	-	-
17.	Non-current liabilities	(181.239)	(181.239)	-	-
18.	Total liabilities	(427.343)	(422.897)	(3.724)	(722)
19.	Net asset/liability position of off balance sheet asset and liabilities (19a-19b)	110.855	110.855	-	-
19.a	Total derivative assets	110.855	110.855	-	-
19.b	Total derivative liabilities	-	-	-	-
20.	Net foreign currency asset/liability position (9+18+19)	(95.787)	(102.398)	7.063	(452)
21.	Net foreign currency asset/liability position of monetary items (1+2a+5+6a+10+11+12a+14+15+16a)	(206.828)	(213.409)	7.033	(452)
22.	Fair value of derivative instruments held for hedging	-	-	-	-
23.	Hedged foreign currency assets	-	-	-	-
24.	Hedged foreign currency liabilities	-	-	-	-
25.	Export	466.656	436.982	28.603	1.071
26.	Import	1.767.217	1.751.967	13.076	2.174

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

	December 31, 2017	**December 31, 2016**
Assets	245.615	220.701
Liabilities	(621.288)	(427.343)
Net asset/liability position	**(375.673)**	(206.642)
Derivative instruments net position	179.165	110.855
Net foreign currency asset/liability position	**(196.508)**	(95.787)
Inventories under the natural hedge (*)	262.730	145.368
Net foreign currency position after the natural hedge	**66.222**	49.581

(*)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, 2017, the Group has LPG amounting to TL 262.730 thousand (December 31, 2016: TL 145.368 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, 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**

				December 31, 2016
		Income/Expense		Equity
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
10% fluctuation of USD rate				
USD net asset/liability	(21.341)	21.341	(21.341)	21.341
Secured portion from USD risk	11.086	(11.086)	11.086	(11.086)
USD net effect	(10.255)	10.255	(10.255)	10.255
10% fluctuation of Euro rate				
Euro net asset/liability	703	(703)	703	(703)
Secured portion from Euro risk	-	-	-	-
Euro net effect	703	(703)	703	(703)
Total	(9.552)	9.552	(9.552)	9.552

(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

Currency forward agreements which are valid as of December 31, 2017 are summarized at the table below. The Group has no currency forward agreement as of December 31, 2016.

					December 31, 2017
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, 2017 the Group has swap agreement amounting to TL 91.350 thousand with fixed interest rate of 13,415% in return for USD 31.500 thousand with a floating interest rate of six-month USDLIBOR +2,4%. Swap transaction has half yearly interest payments and principal repayments will start on June 25, 2018. The maturity date of principal repayments is June 24, 2021.

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, 2017	December 31, 2016
Instruments with fixed interest rate		
Time deposits	**524.703**	514.087
Borrowings and bonds issued	**707.190**	374.518
Instruments with variable interest rate		
Borrowings and bond issued	**255.627**	254.890

At December 31, 2017, for the financial instruments with variable interest rate, had the interest rates in terms of all the currency units increased/decreased by 100 basis points, with all other variables held constant, profit before taxation would have been higher/lower by TL 463 thousand (2016: TL 655 thousand) as a result of the low/high interest income/expense related with the borrowings and time deposits.

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

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

Financial instrument categories and fair values

December 31, 2017	**Financial assets at amortized cost**	**Loans and receivables**	**Financial assets available for sale**	**Trading financial assets**	**Financial liabilities at amortized cost**	**Book value**	**Note**
Financial assets							
Cash and cash equivalents	**593.172**	**-**	**-**	**-**	**-**	**593.172**	**4**
Trade receivables	**-**	**585.120**	**-**	**-**	**-**	**585.120**	**8,31**
Other financial assets	-	**-**	**317.124**	**-**	**-**	**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**

December 31, 2016	Financial assets at amortized cost	Loans and receivables	Financial assets available for sale	Trading financial assets	Financial liabilities at amortized cost	Book value	Note
Financial assets							
Cash and cash equivalents	567.728	-	-	-	-	567.728	4
Trade receivables	-	480.299	-	-	-	480.299	8,31
Other financial assets	-	-	257.928	-	-	257.928	5
Other receivables	-	5.845	-	-	-	5.845	9
Financial liabilities							
Short-term and long-term borrowings	-	-	-	-	634.751	630.510	6
Trade payables	-	-	-	-	470.731	470.731	8,31
Liabilities for employee benefits	-	-	-	-	22.545	22.545	10
Other payables	-	-	-	-	90.812	90.812	9,31
Other liabilities	-	-	-	-	2.006	2.006	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, 2017	**1st Level**	**2nd Level**	**3rd Level**
Available-for-sale financial assets (*)	**316.148**	**73**	**316.075**	**-**
Derivative financial instruments	**31.626**	**-**	**31.626**	**-**

Financial assets /liabilities		Level of fair value as of reporting date		
	December 31, 2016	1st Level	2nd Level	3rd Level
Available-for-sale financial assets (*)	256.952	78	256.874	-
Derivative financial instruments	22.742	-	22.742	-

(*) The Group has available for sale financial assets, which are not quoted in stock markets, and total amount of these financial assets is TL 976 thousand as of December 31, 2017 (December 31, 2016 – TL 976 thousand). The fair value of these financial assets cannot be measured reliably and stated at cost in the accompanying financial statements.

Information for reflecting financial assets and liabilities at fair value:

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

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

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

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.

As of December 31, 2017 the carrying value and the fair value of the long-term borrowings, including the short term portions, are equal to TL 888.486 thousand (Note 6), and TL 629.408 thousand respectively. Fair value is calculated by discounting the cash outflows regarding market interest rates.

33. Subsequent events

Within the scope of approval of Capital Market Board at Meeting numbered 43/1440, and dated November 27, 2017, the Company has issued bond to be sold qualified investors only with a nominal value of TL 75.000 thousand, maturity of 728 days, and half yearly fixed interest rate coupon payments on January 26, 2018 (compound interest 15.70%, simple interest 15,12%).

Entek has decided to increase its share capital from TL 538.500 thousand to TL 950.000 thousand in its Extraordinary General Meeting. For the increased share amount of TL 411.500 thousand, the Company has agreed to pay TL 411.095 thousand in cash and the remaining part amounting to TL 405 thousand will be paid out of the Company's internal funds.
Board of Directors of the Company resolved to participate in this capital increase by exercising pre-emptive rights corresponding to TL 203.974 thousand and to pay it in cash by 1 March 2018. It was also resolved to exercise the pre-emptive rights of other shareholders that have not exercised their rights in time, together with Koç Holding A.Ş., other major shareholder of Entek, in accordance with our respective shareholdings.

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

None.