

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

Aygaz Anonim Őirketi and Subsidiaries

**January 1 – March 31, 2016 interim condensed
consolidated financial statements**

Aygaz Anonim Şirketi and Subsidiaries

Index

	<u>Page</u>
Interim consolidated statement of financial position	3 -4
Interim consolidated profit or loss and other comprehensive income statement	5
Interim consolidated statement of changes in equity	6
Interim consolidated cash flow statement	7
Disclosures related to interim condensed consolidated financial statements	8 - 42

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Consolidated balance sheet

as at March 31, 2016

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

Assets	Notes	Current period	Prior period
		Unaudited	Audited
		March 31,	December 31,
		2016	2015
Current assets		1.112.344	1.025.191
Cash and cash equivalents	4	389.680	288.637
Trade receivables		477.835	483.374
-Trade receivables from related parties	18	25.678	30.274
-Trade receivables from third parties	8	452.157	453.100
Other receivables		2.200	2.376
-Other receivables from third parties		2.200	2.376
Derivative financial instruments	7	17.019	19.654
Inventories	9	168.422	186.024
Prepaid expenses		51.906	40.703
Assets related to current year tax		32	376
Other current assets		5.250	4.047
Non-current assets		2.907.773	2.891.133
Financial investments	5	268.008	268.002
Trade receivables		6.908	6.791
-Trade receivables from third parties	8	6.908	6.791
Other receivables		105	82
-Other receivables from third parties		105	82
Investments accounted under equity method	10	1.893.962	1.867.181
Property, plant and equipment	11	647.620	650.672
Intangible assets		20.308	21.340
-Other intangible assets	12	20.308	21.340
Prepaid expenses		70.425	76.632
Deferred tax asset	17	437	433
Total assets		4.020.117	3.916.324

The accompanying accounting policies and notes presented between pages 8 and 42 form an integral part of these interim condensed consolidated financial statements.

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Consolidated balance sheet

as at March 31, 2016

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

Liabilities	Notes	Current period Unaudited March 31, 2016	Prior period Audited December 31, 2015
Short term liabilities		929.728	846.837
Short-term financial borrowings	6	59.596	66.128
Current portion of long term financial borrowings	6	298.659	182.478
Trade payables		330.661	372.235
- Trade payables to related parties	18	121.193	143.019
- Trade payables to third parties	8	209.468	229.216
Liabilities for employee benefits		6.040	26.852
Other payables		1.245	1.252
- Other payables to related parties		547	547
- Other payables to third parties		698	705
Derivative financial instruments	7	2.057	1.475
Deferred income		2.420	2.703
Provision for taxation on income	17	9.575	8.767
Short-term provisions		103.224	86.970
- Provisions for employee benefits		10.096	-
- Other provisions	14	93.128	86.970
Other current liabilities	14	116.251	97.977
Long term liabilities		404.728	458.667
Long-term borrowings	6	249.118	302.748
Other payables		84.567	83.917
- Other payables to third parties		84.567	83.917
Long-term provisions		33.657	31.414
-Provisions for employee benefits		33.657	31.414
Deferred tax liabilities	17	37.386	38.627
Other non-current liabilities		-	1.961
Equity		2.685.661	2.610.820
Share capital	15	300.000	300.000
Adjustment to share capital	15	71.504	71.504
Adjustment to share capital due to cross-ownership (-)		(7.442)	(7.442)
Other comprehensive income or expenses not to be reclassified to profit or loss		(253)	(253)
-Actuarial gain/loss arising from defined benefit plans		(253)	(253)
Other comprehensive income or expenses to be reclassified to profit or loss		125.812	116.448
-Foreign currency translation differences		1.742	1.791
-Cash flow hedge fund		(42.795)	(52.208)
-Gains/losses from the revaluation and reclassification of marketable securities		166.865	166.865
Restricted reserves		320.430	320.430
Retained earnings		1.809.461	1.391.086
Net profit for the period		65.409	418.375
Equity attributable to equity holders of the parent		2.684.921	2.610.148
Non-controlling interests		740	672
Total equity and liabilities		4.020.117	3.916.324

The accompanying accounting policies and notes presented between pages 8 and 42 form an integral part of these interim condensed consolidated financial statements.

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Consolidated profit or loss and other comprehensive income statement

for the three month interim period ended March 31, 2016

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

		Reclassified (Note 2.3)
	Unaudited	Unaudited
	January 1 - March 31, 2016	January 1 - March 31, 2015
	Notes	
Revenue	1.524.720	1.440.370
Cost of sales (-)	(1.349.644)	(1.294.165)
Gross profit	175.076	146.205
General administrative expenses (-)	(49.903)	(45.751)
Marketing, sales and distribution expenses (-)	(59.874)	(55.142)
Research and development expenses (-)	(624)	(343)
Other operating income	29.159	25.558
Other operating expenses (-)	(27.681)	(31.264)
Operating profit	66.153	39.263
Income from investment activities	562	7.004
Loss from investment activities (-)	-	(297)
Profit /losses from investments accounted under equity method	17.417	17.585
	10	
Operating profit before financial income/(expense)	84.132	63.555
Financial income	66.077	29.571
Financial expense (-)	(75.623)	(33.788)
Profit before taxation	74.586	59.338
Tax income/(expense)		
- Current tax expense for the period (-)	(10.354)	(2.788)
- Deferred tax income	1.245	(3.241)
	17	
	17	
Profit for the period	65.477	53.309
Other comprehensive income/(expense)		
To be reclassified as profit or loss		
Foreign currency translation differences	(49)	198
Hedging gains/losses	9.413	(19.654)
Other comprehensive income/(expense) (after taxation)	9.364	(19.456)
Total comprehensive income	74.841	33.853
Distribution of profit for the period		
Non-controlling interest	68	41
Equity holders of the parent	65.409	53.268
Distribution of total comprehensive income		
Non-controlling interest	68	41
Equity holders of the parent	74.773	33.812
Earnings per share (TL)	0,218030	0,177560
	16	

The accompanying accounting policies and notes presented between pages 8 and 42 form an integral part of these interim condensed consolidated financial statements.

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

**Consolidated statement of changes in equity
for the period ended March 31, 2016**

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

	Share capital	Adjustment to share capital	Adjustment to share capital due to cross-ownership (-)	Actuarial gain/loss arising from defined benefit plans	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	Gains/losses from the revaluation and reclassification of marketable securities	Restricted reserves	Retained earnings	Net profit for the period	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Unaudited													
Balance as of January 1, 2015	300.000	71.504	(7.442)	(2.892)	1.230	(46)	241.725	303.833	1.232.650	217.958	2.358.520	670	2.359.190
Transfers from retained earnings	-	-	-	-	-	-	-	-	217.958	(217.958)	-	-	-
Transfers from restricted reserves	-	-	-	-	-	-	-	8.500	(8.500)	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(100.000)	-	(100.000)	(85)	(100.085)
Comprehensive income/(loss) for the period	-	-	-	-	198	(19.654)	-	-	-	53.268	33.812	41	33.853
Balance as of March 31, 2015	300.000	71.504	(7.442)	(2.892)	1.428	(19.700)	241.725	312.333	1.342.108	53.268	2.292.332	626	2.292.958
Unaudited													
Balance as of January 1, 2016	300.000	71.504	(7.442)	(253)	1.791	(52.208)	166.865	320.430	1.391.086	418.375	2.610.148	672	2.610.820
Transfers from retained earnings	-	-	-	-	-	-	-	-	418.375	(418.375)	-	-	-
Comprehensive income/(loss) for the period	-	-	-	-	(49)	9.413	-	-	-	65.409	74.773	68	74.841
Balance as of March 31, 2016	300.000	71.504	(7.442)	(253)	1.742	(42.795)	166.865	320.430	1.809.461	65.409	2.684.921	740	2.685.661

The accompanying accounting policies and notes presented between pages 8 and 42 form an integral part of these interim condensed consolidated financial statements.

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

**Consolidated cash flow statement
for the period ended March 31, 2016
(Amounts expressed in thousands of Turkish Lira (“TL”) and in thousands for other currencies unless
otherwise indicated.)**

		Unaudited January 1- March 31, 2016	Unaudited January 1- March 31, 2015
	Notes		
A. Cash flows from operating activities			
Net profit for the period		65.477	53.309
Adjustments related with the reconciliation of net profit/ loss for the period		55.253	36.493
-Adjustments for depreciation and amortization expenses	11, 12	21.562	21.541
-Adjustments for provisions		7.587	32.789
-Adjustments for interest income and expenses		7.641	6.187
-Dividend income from financial investments		(250)	(6.507)
-Adjustments for income from investments accounted under equity method	10	(17.417)	(17.585)
-Unrealized foreign exchange losses related with borrowings, net		24.036	12.226
-Adjustments for derivative financial instruments		3.217	(6.599)
-Adjustments for tax (income)/expenses		9.109	6.029
-Adjustments for profit/ loss on sale of tangible/intangible assets		(226)	(200)
-Other adjustments for reconciliation of profit/ loss		(6)	(11.388)
Changes in working capital		(17.071)	(72.361)
-Adjustments for increase/decrease in inventories		17.602	(79.187)
-Adjustments for increase/decrease in trade receivables		7.994	(4.525)
-Adjustments for other current assets and liabilities		(4.962)	(11.489)
-Adjustments for increase/ decrease in trade payables		(41.574)	37.164
-Adjustments for other non-current assets and long-term liabilities		3.869	(14.324)
Cash flows from operating activities		103.659	17.441
-Tax payments/returns		(9.202)	(1.545)
-Other cash inflow/outflows		(754)	(499)
B. Cash flows from investing activities			
		(17.002)	(75.774)
Cash inflows from the sale of property, plant and equipment and intangible assets		3.372	1.917
Cash outflows from the purchase of property, plant and equipment and intangible assets	11, 12	(20.624)	(84.198)
Dividends income		250	6.507
C. Cash flows from financing activities			
		24.342	89.692
Net change in borrowings		30.450	94.983
Interest received		6.206	2.879
Interest paid		(12.314)	(8.170)
Net increase/decrease in cash and cash equivalents		101.043	29.315
D. Cash and cash equivalents at the beginning of the period			
	4	288.637	160.904
Cash and cash equivalents at the end of the period	4	389.680	190.219

The accompanying accounting policies and notes presented between pages 8 and 42 form an integral part of these interim condensed consolidated financial statements.

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of March 31, 2016

(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. As a result of the merger in 2001 with Gaz Aletleri A.Ş., the Company started to manufacture LPG cylinders, LPG tanks, LPG stoves and other supplementary materials which support the Company’s main business and which are necessary equipment for the end-user. The ultimate and controlling shareholder is Koç Holding A.Ş.

The Company is registered at the Capital Markets Board of Turkey (“CMB”) and as of March, 31 2016 24,27% of its shares have been quoted at Borsa İstanbul.

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

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

As of March, 2016, number of personnel employed by categories in Aygaz and its subsidiaries (together with referred to as the “Group”) is 692 white-collar (December 31, 2015: 696) and 706 blue-collar (December 31, 2015: 698) totaling to 1.398 (December 31, 2015: 1.394).

Subsidiaries

Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş (“Akpa”) reached to its current structure with the merger of four subsidiaries of Koç Holding Energy Group at the end of 2001. Before the merger, four companies were operating separately from each other in Bursa, Eskişehir, Ankara and Antalya. At the time of merger the company name was Bursa Gaz ve Ticaret A.Ş, later it was changed to “Akpa Dayanıklı Tüketim Lpg ve Akaryakıt Ürünleri Pazarlama Anonim Şirketi” with the decision of Ordinary General Meeting held on March 17, 2005. Akpa is mainly engaged in sales of cylinders through dealers, retail and wholesale of LPG, fuel and lubricants through autogas stations and sale of durable goods. In October 2012, the Company has purchased shares with a nominal amount of TL 4 from natural persons and raised Group’s effective control to 100%. On July 24, 2015, Akpa, which already had 8% ownership of Zinerji A.Ş., acquired 100% ownership of Zinerji from other shareholders including the Company, by purchasing the rest of the shares with a nominal value of TL 184 thousand representing 92% of total capital, with a price of TL 3.404 thousand, with the decision taken through Board of Directors held on July 24, 2014. By the decision taken through Boards of Directors held on October 30, 2014, the procedures related with the acquisition of Zinerji A.Ş. by Akpa have been registered on December 10, 2014. The merger of Akpa, with Zinerji A.Ş., through a whole take-over of all assets and liabilities were completed as of registration date.

Main activity of Aygaz Doğal Gaz Toptan Satış A.Ş. and Aygaz Doğal Gaz İletim A.Ş. (together “Aygaz Doğal Gaz”) is to purchase natural gas from domestic and/or overseas suppliers, selling natural gas to domestic and/or overseas customers and make related arrangements for the modulation, storing of natural gas and building necessary facilities. Aygaz Doğal Gaz Toptan Satış A.Ş. has decided to increase its share capital from TL 28.000 thousand to TL 33.000 thousand in its Ordinary General Meeting dated February 6, 2012. The Company has agreed to pay the increased amount of TL 5.000 thousand in cash and the payment was realized on March 2, 2012. The Group’s share in Aygaz Doğal Gaz Toptan Satış A.Ş. has increased to 99,15%. Aygaz Doğal Gaz İletim A.Ş. has decided to increase its share capital from TL 3.700 thousand to TL 9.000 thousand in its Ordinary General Meeting dated February 6, 2012. The Company has agreed to pay the increased amount of TL 5.300 thousand in cash and the payment was realized on March 2, 2012. The Group’s share in Aygaz Doğal Gaz İletim A.Ş. has increased to 99,59%.

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of March 31, 2016 (continued)

(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. Kandilli Tankercilik A.Ş. has decided to increase share capital from TL 8.500 thousand to TL 62.500 thousand in its Extraordinary General Meeting held on September 25, 2014. For the increased share amount of TL 54.000 thousand, the Company has paid TL 13.500 thousand in cash on September 26, 2014 and the remaining part amounting to TL 40.500 thousand was paid in cash on January 30, 2015.

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 on February 11, 2016. In its Ordinary General Meeting held on February 11, 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.

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

Subsidiaries	Place of incorporation and operation	Ownership interest (%)			Voting power right	Principal activity
		March 31, 2016	December 31, 2015			
Anadoluhisarı	Turkey	100%	100%	100%	Shipping	
Kandilli	Turkey	100%	100%	100%	Shipping	
Kuleli	Turkey	100%	100%	100%	Shipping	
Kuzguncuk	Turkey	100%	100%	100%	Shipping	
Akpa	Turkey	100%	100%	100%	Marketing	
Aygaz Doğal Gaz Toptan Satış A.Ş.	Turkey	99,15%	99,15%	99,15%	Natural gas	
Aygaz Doğal Gaz İletim A.Ş.	Turkey	99,59%	99,59%	99,59%	Natural gas	
ADG Enerji	Turkey	100%	100%	100%	Natural gas	

Investments in associates

In December 2005, Enerji Yatırımları A.Ş. (“EYAŞ”) was established to acquire 51% block shares of Türkiye Petrol Rafinerileri A.Ş. (“TÜPRAŞ”), to participate in TÜPRAŞ’s management and its operational decisions as well as to establish and operate in oil refinery related sectors in Turkey.

Entek Elektrik Üretimi A.Ş. (“Entek”), the electricity producer company of Koç Group, has been operating with its two natural gas cycling plants with 300 MW power (Kocaeli and Bursa), one cogeneration facility with a total of 2 MW power (İstanbul Koç University) and two hydroelectric power plants in Karaman and one hydroelectric power plant in Samsun with 62 MW power, that has a total amount of 364 MW power. Besides Entek’s power plants, Entek has 50% share on imported coal plant project with a total of 625 MW power. Entek has terminated its operations in natural gas cycle plant (143MW) in Bursa and cogeneration facility (2MW) in Koç University in 2016. On October 13, 2014, a Share Purchase Agreement was signed between Aygaz A.Ş., Koç Holding A.Ş. and AES Mont Blanc Holdings B.V. for the Company’s acquisition of the shares with a nominal value of TL 133.594 thousand and equivalent to 24,81% of the shares of the Group’s associate AES Entek Elektrik Üretimi A.Ş. for USD 62.500 thousand, and the acquisition of the shares with a nominal value of TL 133.594 thousand and equivalent to 24,81% by Koç Holding A.Ş., the Group’s parent, from AES Mont Blanc Holdings B.V for USD 62.500 thousand.

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of March 31, 2016 (continued)

(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)

After the receipt of EMRA approval and required legal permissions, the purchase price has been paid in cash on December 18, 2014. The share transfers have been completed on December 22, 2014 and the Company’s share in Entek has increased to 49,62%. AES Entek changed its trade name to “Entek” with the decision of Ordinary General Meeting held on 2015.

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

Investments in associates	Place of incorporation and operation	Ownership interest (%)		Voting power right	Principal activity
		March 31, 2016	December 31, 2015		
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

Joint ventures

Opet Aygaz Gayrimenkul A.Ş. was established on September 20, 2013 as a joint venture with 50% equal shares by the Company and Opet Petrolcülük A.Ş, which is the Company’s business partner, operating in distribution of fuel products. Its main activity is to establish, purchase, operate and rent fuel and LPG stations. Opet Aygaz Gayrimenkul A.Ş. decided to increase its capital from TL 90.000 thousand to TL 150.000 thousand in its Ordinary General Meeting, held on March 10, 2014. TL All of the related increase has been paid in cash by shareholders.

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

Joint venture	Place of incorporation and operation	Ownership interest (%)		Voting power right	Principal activity
		March 31, 2016	December 31, 2015		
Opet Aygaz Gayrimenkul A.Ş. (“OAGM”)	Turkey	50,00%	50,00%	50,00%	Real Estate

Approval of condensed consolidated financial statements:

The condensed consolidated financial tables for the period ended on March 31, 2016 are approved on the Board of Directors meeting held on May 5, 2016 to be published.

2. Basis of presentation of financial statements

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

2.1 Basis of presentation for consolidated financial statements

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

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of March 31, 2016 (continued)

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

2. Basis of presentation of financial statements (continued)

The Group has prepared its condensed consolidated financial statements for the period ended on March 31, 2016 in accordance with TAS 34 “Interim Financial Reporting Standards”.

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

The interim condensed consolidated financial statements do not include all of the disclosures required in year-end financial statements and should be evaluated with the Group’s consolidated financial statements as of December 31, 2015.

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

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

2.2 Changes in accounting policies

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

2.3 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 are prepared by comparison with the prior period. In order to provide an accurate comparison with current period, comparative figures are reclassified when necessary and significant differences are explained.

The Group has classified the total amount of TL 6.507 thousand of dividend income presented under other operating income to income from investment activities at consolidated statement of profit or loss and other comprehensive income for the three month interim period ended March 31, 2015.

2.4 New and revised Turkey Financial Reporting Standards:

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at 31 March 2016 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2016. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of March 31, 2016 (continued)

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

2. Basis of presentation of financial statements (continued)

i) The new standards, amendments and interpretations which are effective as at 1 January 2016 are as follows:

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

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

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation

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

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

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

TAS 27 Equity Method in Separate Financial Statements (Amendment)

In April 2015, Public Oversight Accounting and Auditing Standards Authority (POA) of Turkey issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity’s separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with TFRS 9 or
- Using the equity method defined in TAS 28

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

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of March 31, 2016 (continued)

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

2. Basis of presentation of financial statements (continued)

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

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

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

In February 2015, amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the following issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements; i) the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value, ii) only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value, iii) the amendments to TAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments are applied retrospectively. However, when the first time the amendments to TFRS 10 are applied, the quantitative information required TAS 8 need only be presented for the annual period immediately preceding the date of initial application. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

TAS 1: Disclosure Initiative (Amendments)

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

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of March 31, 2016 (continued)

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

2. Basis of presentation of financial statements (continued)

Annual Improvements to TFRSs - 2012-2014 Cycle

POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- IFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting –clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report.

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

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

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

TFRS 9 Financial Instruments – Classification and measurement

As amended in is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

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

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

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of March 31, 2016 (continued)

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

2. Basis of presentation of financial statements (continued)

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

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

Annual Improvements – 2011–2013 Cycle

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Clarifications to IFRS 15 'Revenue from Contracts with Customers' (Amendment)

IASB has published final clarifications to IFRS 15 in April 2016. The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The amendments are effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 9 Financial Instruments - Final standard (2014)

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

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of March 31, 2016 (continued)

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

2. Basis of presentation of financial statements (continued)

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

The IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IAS 7 Statement of Cash Flows (Amendments)

The IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Company/Group first applies those amendments, it is not required to provide comparative information for preceding periods. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

3. Segment reporting

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.

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of March 31, 2016 (continued)

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

3. Segment reporting (continued)

As of March 31, 2016 and December 31, 2015, assets and liabilities according to industrial segments are as follows:

	March 31, 2016				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Assets					
Current assets	1.025.570	-	98.140	(11.366)	1.112.344
Non-current assets	2.587.588	345.038	245.938	(270.791)	2.907.773
Total assets	3.613.158	345.038	344.078	(282.157)	4.020.117
Liabilities					
Short term liabilities	887.234	-	53.860	(11.366)	929.728
Long term liabilities	395.897	-	16.146	(7.315)	404.728
Equity	2.330.027	345.038	274.072	(263.476)	2.685.661
Total liabilities and equity	3.613.158	345.038	344.078	(282.157)	4.020.117
Investments accounted under equity method	1.471.082	345.038	77.842	-	1.893.962
	December 31, 2015				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Assets					
Current assets	927.624	-	103.194	(5.627)	1.025.191
Non-current assets	2.566.893	330.875	246.561	(253.196)	2.891.133
Total assets	3.494.517	330.875	349.755	(258.823)	3.916.324
Liabilities					
Short term liabilities	823.016	-	29.453	(5.632)	846.837
Long term liabilities	449.642	-	15.726	(6.701)	458.667
Equity	2.221.859	330.875	304.576	(246.490)	2.610.820
Total liabilities and equity	3.494.517	330.875	349.755	(258.823)	3.916.324
Investments accounted under equity method	1.459.501	330.875	76.805	-	1.867.181

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of March 31, 2016 (continued)

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

3. Segment reporting (continued)

For the period ended March 31, 2016 and 2015, profit or loss statements according to industrial segments are as follows:

	January 1 - March 31, 2016				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Revenue	1.459.739	-	104.144	(39.163)	1.524.720
Cost of sales (-)	(1.304.315)	-	(84.655)	39.326	(1.349.644)
Gross profit	155.424	-	19.489	163	175.076
General administrative expenses (-)	(44.299)	-	(6.240)	636	(49.903)
Marketing, sales and distribution expenses (-)	(56.819)	-	(3.055)	-	(59.874)
Research and development expenses (-)	(624)	-	-	-	(624)
Other operating income	28.562	-	1.378	(781)	29.159
Other operating expenses (-)	(27.217)	-	(615)	151	(27.681)
Operating profit	55.027	-	10.957	169	66.153
Income from investment activities	42.447	-	115	(42.000)	562
Profit/losses from investments accounted under equity method	3.102	13.278	1.037	-	17.417
Operating profit before financial income (expense)	100.576	13.278	12.109	(41.831)	84.132
Financial income	64.851	-	1.226	-	66.077
Financial expense (-)	(74.633)	-	(990)	-	(75.623)
Profit before taxation	90.794	13.278	12.345	(41.831)	74.586
Tax income/(expense)					
Current tax expense for the period (-)	(9.424)	-	(930)	-	(10.354)
Deferred tax income/(expense)	1.169	-	76	-	1.245
Profit for the period	82.539	13.278	11.491	(41.831)	65.477
Distribution of profit for the period:					
Non-controlling interest	68	-	-	-	68
Equity holders of the parent	82.471	13.278	11.491	(41.831)	65.409
Investments accounted under equity method	3.102	13.278	1.037	-	17.417

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of March 31, 2016 (continued)

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

3. Segment reporting (continued)

	January 1 - March 31, 2015				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Revenue	1.373.845	-	101.481	(34.956)	1.440.370
Cost of sales (-)	(1.242.252)	-	(87.029)	35.116	(1.294.165)
Gross profit	131.593	-	14.452	160	146.205
General administrative expenses (-)	(40.913)	-	(5.115)	277	(45.751)
Marketing, sales and distribution expenses (-)	(52.112)	-	(3.030)	-	(55.142)
Research and development expenses (-)	(343)	-	-	-	(343)
Other operating income	22.363	-	3.722	(527)	25.558
Other operating expenses (-)	(28.996)	-	(2.510)	242	(31.264)
Operating profit	31.592	-	7.519	152	39.263
Income from investment activities	56.335	-	584	(49.915)	7.004
Loss from investment activities (-)	(193)	-	(104)	-	(297)
Profit/losses from investments accounted under equity method	11.905	5.228	452	-	17.585
Operating profit before financial income (expense)	99.639	5.228	8.451	(49.763)	63.555
Financial income	25.074	-	4.497	-	29.571
Financial expense (-)	(33.461)	-	(327)	-	(33.788)
Profit before taxation	91.252	5.228	12.621	(49.763)	59.338
Tax income/(expense)					
Current tax expense for the period (-)	(1.366)	-	(1.422)	-	(2.788)
Deferred tax income/(expense)	(3.301)	-	60	-	(3.241)
Profit for the period	86.585	5.228	11.259	(49.763)	53.309
Distribution of profit for the period:					
Non-controlling interest	41	-	-	-	41
Equity holders of the parent	86.544	5.228	11.259	(49.763)	53.268
Investments accounted under equity method	11.905	5.228	452	-	17.585

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of March 31, 2016 (continued)

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

3. Segment reporting (continued)

The amortization and depreciation expense for the industrial segmental assets for the period ended on March 31, 2016 and 2015 are as follows:

	January 1 - March 31, 2016	January 1 - March 31, 2015
Gas and petroleum products	19.012	19.269
Other	2.550	2.272
	21.562	21.541

The investment expenditures for the industrial segmental assets for the periods ended on March 31, 2016 and 2015 are as follows:

	January 1 - March 31, 2016	January 1 - March 31, 2015
Gas and petroleum products	20.298	16.763
Other (*)	326	67.435
	20.624	84.198

(*) On February 25, 2015, the vessel named “Knightsbridge” which is used in the transportation of liquid fuel gas, was bought for USD 27.150 thousand in cash by Kandilli Tankercilik A.Ş - the Company’s subsidiary.

4. Cash and cash equivalents

	March 31, 2016	December 31, 2015
Cash on hand	190	181
Cash at banks	357.472	258.820
- Demand deposits	13.474	19.653
- Time deposits	343.998	239.167
Receivables from credit card transactions	32.018	29.636
Total cash and cash equivalents	389.680	288.637

As of March 31, 2016 the Group’s TL time deposits amounting to TL 226.607 thousand have maturities of 1-41 days and interest rate of 12,3-13,4%; USD time deposits amounting to USD 41.430 thousand (TL 117.391 thousand) have maturities of 1-5 days and interest rate of 1,75% (As of December 31, 2015, the Group’s TL time deposits amounting to TL 134.228 thousand have maturities of 4-37 days and interest rates of 10,16-14,00% ; time deposits amounting to USD 36.090 thousand (TL 104.939 thousand) have maturities of 4-6 days and interest rate of 1,75%).

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of March 31, 2016 (continued)

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

5. Financial assets

The long term financial assets identified as financial assets held for sale by the Group are as follows as of March 31, 2016 and December 31, 2015:

	March 31, 2016		December 31, 2015	
	Participation amount	Participation rate %	Participation amount	Participation rate %
Koç Finansal Hizmetler A.Ş. (*)	265.950	1,97	265.950	1,97
Ram Dış Ticaret A.Ş. (**)	1.000	2,50	1.000	2,50
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. (***)	540	10,00	540	10,00
Tat Gıda Sanayi A.Ş. (**)	82	0,08	76	0,08
Other (***)	436	-	436	-
	268.008		268.002	

(*) Stated at fair value, the difference between the acquisition cost and fair value are accounted as valuation fund under equity also considering the deferred tax effect.

(**) Stated at fair value, impairments are accounted as “Impairment reserve” under financial assets and impairment loss is recognized under consolidated profit or loss.

(***) Stated at cost, because fair value could not be determined reliably.

6. Financial borrowings

As of March 31, 2016 and December 31, 2015 the Group’s short-term financial borrowings are as follows:

	March 31, 2016	December 31, 2015
USD-denominated short-term bank borrowings (*)	57.675	58.722
TL-denominated short-term bank borrowings (*)	1.921	7.406
Total short-term bank borrowings	59.596	66.128
Short-term portion and interest accruals of TL-denominated long-term bank borrowings	110.804	91.337
Short-term portion and interest accruals of USD-denominated long-term bank borrowings	78.557	81.254
Short-term portion of long-term bond issued (**)	109.298	9.887
Total short-term portion of long-term financial borrowings	298.659	182.478

(*) As of March 31, 2016, the Group has interest free loan with a total amount of TL 1.921 thousand which was used for SSI payment. The Group has fixed interest rate loans amounting to USD 20.000 thousand (TL 57.675 thousand) have a maturity date of September 19, 2016. Interest rate of the loan is 3%.

(**) On March 18, 2015, March 30, 2015 and January 28, 2016 the Group has issued a fixed rate bond with a nominal value of TL 100.000 thousand, with a maturity of 728 days and half-yearly coupon payments, 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, respectively. As of March 31, 2016, net present value of these issued bonds is TL 237.068 thousand (TL 127.770 thousand of this amount is shown as long-term bond issued) and their effective interest rates are 10,55-11,86 and 13,09% respectively.

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of March 31, 2016 (continued)

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

6. Financial borrowings (continued)

As of March 31, 2016 the details of short-term loans are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	-	1.921	1.921
USD	3	20.355	57.675
			59.596

As of December 31, 2015 the details of short-term loans are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	-	2.204	2.204
TL	12,9	5.202	5.202
USD	3	20.196	58.722
			66.128

As of March 31, 2016 and December 31, 2015 the Group’s long-term financial borrowings are as follows:

	March 31, 2016	December 31, 2015
TL-denominated long-term bank borrowings	64.680	81.286
USD-denominated long-term bank borrowings	56.668	68.329
Total long-term bank borrowings	121.348	149.615
Long-term bonds issued	127.770	153.133
Total long-term bonds	127.770	153.133
Total long-term financial borrowings	249.118	302.748

As of March 31, 2016 the details of long-term loans are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	11,6-14,43	175.484	175.484
USD	2,17-3,52	47.725	135.225
			310.709
Short-term portion and interest accruals of long-term financial borrowings			(189.361)
			121.348

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of March 31, 2016 (continued)

(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, 2015 the details of long-term loans are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	11,6-14,3	172.623	172.623
USD	2,12-3,23	51.445	149.583
			322.206
Short-term portion and interest accruals of long-term financial borrowings			(172.591)
			149.615

7. Derivative financial instruments

As of March 31, 2016 and December 31, 2015 the Group's derivative financial instruments are as follows:

Short-term derivative financial instruments	March 31, 2016		December 31, 2015	
	Contract amount	Fair value assets/(liabilities)	Contract amount	Fair value assets/(liabilities)
Forward transactions (*)	46.217	(2.057)	68.761	(1.475)
Foreign currency swap contracts (**)	50.635	17.019	50.635	19.654

(*) As of March 31, 2016, the Group made forward transaction with maturity of 19-61 days and nominal value amounting to USD 15.500 thousand.

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

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of March 31, 2016 (continued)

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

8. Trade receivables and payables from third parties

The Group's trade receivables from third parties as of March 31, 2016 and December 31, 2015 are as follows:

Current trade receivables	March 31, 2016	December 31, 2015
Trade receivables	427.717	434.185
Notes receivables	42.553	39.628
Allowance for doubtful receivables (-)	(18.113)	(20.713)
Total current trade receivables	452.157	453.100

Non-current trade receivables	March 31, 2016	December 31, 2015
Notes receivable	6.908	6.791
Total non-current trade receivables	6.908	6.791

The Group's trade payables as of March 31, 2016 and December 31, 2015 are as follows:

Short-term trade payables	March 31, 2016	December 31, 2015
Trade payables	209.468	229.216
Total short-term trade payables	209.468	229.216

9. Inventories

	March 31, 2016	December 31, 2015
Raw materials	136.924	150.698
Trade goods	17.805	17.264
Goods in transit	5.029	5.054
Finished goods	8.161	12.399
Work in process	1.556	1.662
Allowance for impairment on inventory	(1.053)	(1.053)
Total inventories	168.422	186.024

As of March 31, 2016, the inventories include 61.204 tons of LPG (December 31, 2015: 57.795 tons).

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of March 31, 2016 (continued)

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

10. Equity investments

	March 31, 2016		December 31, 2015	
	Participation amount	Participation rate %	Participation amount	Participation rate %
EYAŞ acquisition value	669.400		669.400	
Adjustment to share capital	(7.442)		(7.442)	
Currency translation reserve	1.742		1.791	
Legal reserves	15.494		15.494	
Actuarial gains/losses arising from defined benefit plans	(369)		(369)	
Financial risk hedge fund	(43.581)		(52.109)	
Group’s share in accumulated profit/losses after the acquisition date	835.838		825.886	
Effect of prior year period adjustments	-		6.850	
	1.471.082	%20,00	1.459.501	%20,00
Entek acquisition value	118.930		118.930	
Acquisition of additional shares	147.831		147.831	
Participation in share capital increase of equity investment	108.300		108.300	
Fair value adjustment for share purchase	548		548	
Actuarial gains/losses arising from defined benefit plans	(102)		(102)	
Financial risk hedge fund	786		(99)	
Group’s share in accumulated profit/losses after the acquisition date	(31.255)		(48.064)	
Effect of prior year period adjustments	-		3.531	
	345.038	%49,62	330.875	%49,62
OAGM subsidiary value	45.000		45.000	
Participation in share capital increase of equity investment	30.000		30.000	
Group’s share in accumulated profit/losses realized after the date of establishment	2.842		1.805	
	77.842	%50,00	76.805	50,00%
Total	1.893.962		1.867.181	

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of March 31, 2016 (continued)**

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

11. Property, plant and equipment

	Land	Land improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furnitures 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	-	-	-	2.382	292	35	26	17.889	20.624
Transfers (*)	-	-	-	15.326	-	853	2	(16.229)	(48)
Disposals	-	(1.683)	(48)	(2.601)	(403)	(529)	-	(690)	(5.954)
Ending balance as of March 31, 2016	16.204	133.431	70.824	1.622.406	251.110	58.848	25.773	18.554	2.197.150
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	-	1.253	487	13.477	3.845	1.214	206	-	20.482
Disposals	-	(67)	(42)	(2.475)	(137)	(87)	-	-	(2.808)
Ending balance as of March 31, 2016	-	57.293	49.660	1.262.793	110.586	44.602	24.596	-	1.549.530
Net book value as of March 31, 2016	16.204	76.138	21.164	359.613	140.524	14.246	1.177	18.554	647.620

(*) TL 48 thousand under “Construction in progress” under the account property, plant and equipment has been classified to intangible fixed assets.

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of March 31, 2016 (continued)

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

11. Property, plant and equipment (continued)

	Land	Land improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furnitures and fixtures	Leasehold improvements	Construction in progress	Total
Acquisition cost									
Opening balance as of January 1, 2015	16.204	122.673	70.847	1.577.648	179.650	55.463	25.022	16.135	2.063.642
Additions	-	-	-	327	67.353	77	-	16.441	84.198
Transfers	-	-	-	11.035	-	732	-	(11.767)	-
Disposals	-	-	(170)	(1.969)	(569)	(2.020)	-	-	(4.728)
Ending balance as of March 31, 2015	16.204	122.673	70.677	1.587.041	246.434	54.252	25.022	20.809	2.143.112
Accumulated depreciation									
Opening balance as of January 1, 2015	-	52.523	47.247	1.220.227	94.012	40.953	23.617	-	1.478.579
Charge of the period	-	1.147	496	13.808	3.481	1.109	198	-	20.239
Disposals	-	-	(5)	(1.665)	(201)	(1.140)	-	-	(3.011)
Ending balance as of March 31, 2015	-	53.670	47.738	1.232.370	97.292	40.922	23.815	-	1.495.807
Net book value as of March 31, 2015	16.204	69.003	22.939	354.671	149.142	13.330	1.207	20.809	647.305

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of March 31, 2016 (continued)**

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

12. Intangible assets

	Rights	Total
Acquisition costs		
Opening balance as of January 1, 2016	54.517	54.517
Additions	-	-
Transfers(*)	48	48
Ending balance as of March 31, 2016	54.565	54.565
Accumulated depreciation		
Opening balance as of January 1, 2016	33.177	33.177
Charge for the period	1.080	1.080
Ending balance as of March 31, 2016	34.257	34.257
Carrying value as of March 31, 2016	20.308	20.308

(*) TL 48 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, 2015	53.825	53.825
Additions	-	-
Ending balance as of March 31, 2015	53.825	53.825
Accumulated depreciation		
Opening balance as of January 1, 2015	28.077	28.077
Charge for the period	1.302	1.302
Ending balance as of March 31, 2015	29.379	29.379
Carrying value as of March 31, 2015	24.446	24.446

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of March 31, 2016 (continued)

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

13. Contingent liabilities and contingent assets

Guarantees given	March 31,2016	December 31, 2015
Letter of guarantees for gas purchase	793.003	815.301
Other letter of guarantees given	32.642	27.388
Total guarantees given	825.645	842.689

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 interim consolidated balance sheet date.

National inventory reserve liability:

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

Competition Board Investigation:

Company, received a notification from the Competition Board informing that with a decision dated August 5, 2015 and numbered 15-33/477-M that an investigation opened against the Company concerning whether there has been a violation of Article 4 of the Law No.4054 on the Protection of Competition through the setting of resale prices of Company dealers and demanded defence of Company. On September 13, 2015, the first defense statement is delivered to the Competition Board and Company will use other rights of defenses after the investigation report is prepared by the Competition Authority.

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of March 31, 2016 (continued)

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

13. Provisions, contingent liabilities and assets (continued)

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

	March 31, 2016					December 31, 2015				
	Euro guarantees	USD guarantees	Other guarantees	TL guarantees	TL total	Euro guarantees	USD guarantees	Other guarantees	TL guarantees	TL total
A. GPMs given on behalf of the Company’s legal personality	38.212	65.451	522	584.091	688.276	37.848	61.802	57	584.530	684.237
B.GPMs given in favor of subsidiaries included in full consolidation (*)	-	52.547	-	84.822	137.369	-	93.075	-	65.377	158.452
C. GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	-	-	-	-	-	-	-	-	-	-
D. Other GPM's										
i. GPMs given in favor of parent company	-	-	-	-	-	-	-	-	-	-
ii. GPMs given in favor of companies not in the scope of B and C above	-	-	-	-	-	-	-	-	-	-
iii. GPMs given in favor of third party companies not in the scope of C above	-	-	-	-	-	-	-	-	-	-
Total amount of GPM	38.212	117.998	522	668.913	825.645	37.848	154.877	57	649.907	842.689

(*) As of March 31, 2016 total amount of commission accrued for guarantees given or contingent liabilities except ‘A. GPMs given on behalf of the Company’s legal personality’ is TL 150 thousand (December 31, 2015: TL 693 thousand).

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of March 31, 2016 (continued)

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

14. Other short-term provisions and liabilities

Other short-term provisions	March 31, 2016	December 31, 2015
Special Consumption Tax (SCT) provision on imported LPG	66.326	68.496
Provision for other operating expenses	8.703	3.537
Provision for lawsuit	5.521	5.724
Provision for selling and marketing expenses	7.277	4.540
Provision for EMRA contribution	4.027	3.399
Provision for warranty expenses	1.274	1.274
Total other short term provisions	93.128	86.970

Other current liabilities	March 31, 2016	December 31, 2015
Taxes and funds payable	114.393	95.824
Other liabilities	1.858	2.153
Total other current liabilities	116.251	97.977

15. Share capital

As of March 31, 2016 and December 31, 2015 the share capital held is as follows:

Shareholders	Participation rate	March 31, 2016	Participation rate	December 31, 2015
Koç Holding A.Ş.	%40,68	122.054	40,68%	122.054
Liquid Petroleum Gas Development Company (“LPGDC”) (*)	%24,52	73.546	24,52%	73.546
Temel Ticaret ve Yatırım A.Ş.	%5,29	15.884	5,29%	15.884
Koç Family	%5,24	15.705	5,24%	15.705
Publicly held (*)	%24,27	72.811	24,27%	72.811
Nominal capital	%100,00	300.000	100,00%	300.000
Inflation adjustment (**)		71.504		71.504
Adjusted capital		371.504		371.504

(*) TL 2.725.041,31 under publicly held shares (0,91% participation rate on the share capital) belong to Hilal Madeni Eşya Ticaret Sanayi ve Yatırım A.Ş., a 100% owned subsidiary of LPGDC.

(**) “Adjustment to share capital” represents the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with the TAS/TFRS promulgated by the POA. “Adjustment to share capital” has no use other than being transferred to paid-in share capital.

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of March 31, 2016 (continued)

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

16. Earnings per share

	January 1 – March 31, 2016	January 1 – March 31, 2015
Average number of shares throughout the period (thousand)	300.000	300.000
Net profit for the year attributable to equity holders of the parent	65.409	53.268
Earnings per thousand shares (TL)	0,218030	0,177560

17. Tax assets and liabilities

	March 31, 2016	December 31, 2015
Current tax liability		
Current corporate tax provision	10.354	44.905
Less: Prepaid taxes and funds	(779)	(36.138)
Current tax liability	9.575	8.767

	January 1- March 31, 2016	January 1- December 31, 2015
Tax expense in profit or loss statement		
Current corporate tax provision	(10.354)	(2.788)
Deferred tax expense/(income)	1.245	(3.241)
	(9.109)	(6.029)

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 2016 is 20% (2015: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2016 is 20% (2015: 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.

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of March 31, 2016 (continued)

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

17. Tax assets and liabilities (continued)

Deferred tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for TAS/IFRS purposes issued by POA and financial statements prepared in accordance with the tax legislation. These differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with TAS/IFRS and tax legislation. The rate applied in the calculation of deferred tax assets and liabilities is 20% (December 31, 2015: 20%).

Deferred tax (assets)/liabilities:	March 31, 2016	December 31, 2015
Restatement and depreciation/amortization differences of property, plant and equipment and other intangible assets	35.347	35.771
Revaluation fund on financial assets	8.782	8.782
Provision for employment termination benefits	(5.143)	(4.725)
Valuation of inventories	(1.058)	(1.369)
Other	(979)	(265)
	36.949	38.194

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

	March 31, 2016			December 31, 2015		
	Assets	Liabilities	Deferred tax Net	Assets	Liabilities	Deferred tax Net
Aygaz A.Ş.	(11.621)	48.379	36.758	(8.671)	46.406	37.735
Akpa A.Ş.	(864)	427	(437)	(897)	464	(433)
Aygaz Doğal Gaz	(1.074)	1.702	628	(868)	1.760	892
	(13.559)	50.508	36.949	(10.436)	48.630	38.194

Movement of deferred tax from continuing operations is as follows:

Movement of deferred tax (asset)/liability:	2016	2015
Opening balance as of January 1	38.194	35.549
Deferred tax expense/(income)	(1.245)	3.241
Closing balance as of March 31	36.949	38.790

Aygaz Anonim Şirketi and Subsidiaries**Notes to the interim condensed consolidated financial statements
as of March 31, 2016 (continued)**

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

18. 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.

Balances with related parties	Receivables		Payables	
	Trade	Non-trade	Trade	Non-trade
March 31, 2016				
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	12.906	-	58.251	-
Demir Export A.Ş.	6.670	-	-	-
Arçelik A.Ş.	1.726	-	18.892	-
Ford Otomotiv Sanayi A.Ş.	1.457	-	-	-
Tat Gıda Sanayi A.Ş.	582	-	-	-
Opet Petrolcülük A.Ş.	85	-	23.733	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	-	2.812	-
Ram Dış Ticaret A.Ş.	-	-	7.427	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	-	-	5.470	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	439	-
Yapı Kredi Finansal Kiralama A.O.	1	-	-	-
Other	2.244	-	3.747	-
Shareholders				
Koç Holding A.Ş.	-	-	25	-
Temel Ticaret ve Yatırım A.Ş.	-	-	115	-
Investments accounted under equity method				
Entek Elektrik Üretimi A.Ş.	7	-	282	-
	25.678	-	121.193	-
December 31, 2015				
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	17.224	-	70.614	-
Demir Export A.Ş.	6.661	-	-	-
Ford Otomotiv Sanayi A.Ş.	1.128	-	-	-
Tat Gıda Sanayi A.Ş.	533	-	-	-
Arçelik A.Ş.	357	-	6.603	-
Opet Petrolcülük A.Ş.	78	-	33.076	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	-	2.023	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	1.189	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	-	-	9.927	-
Ram Dış Ticaret A.Ş.	61	-	8.507	-
Yapı Kredi Finansal Kiralama A.O.	1.953	-	-	-
Other	2.278	-	1.666	-
Shareholders				
Koç Holding A.Ş.	-	-	9.059	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	1	-	355	-
	30.274	-	143.019	-

(*) 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 supplier companies in exchange of insurance services and payables to Zer for commissions for intermediary activities.

Aygaz Anonim Şirketi and Subsidiaries**Notes to the interim condensed consolidated financial statements
as of March 31, 2016 (continued)**

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

18. Transactions with related parties (continued)

As of March 31, 2016; dividends payable amounting to TL 547 thousand (December 31, 2015 – TL 547 thousand) is reflected within other payables to related parties at the consolidated balance sheet.

Transactions with related parties	January 1 - March 31, 2016			
	Purchases (Goods)	Sales (Goods)	Purchases (Services)	Sales (Services)
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	170.223	85.298	559	-
Opet Petrolcülük A.Ş.(**)(***)	35.698	345	25.672	-
Arçelik A.Ş.	15.260	3.765	5	-
Ram Dış Ticaret A.Ş.	6.899	796	117	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	4.728	3	5.294	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	16	2.257	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	2	689	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	110	126	-
Ford Otomotiv Sanayi A.Ş.	-	3.879	-	-
Demir Export A.Ş.	-	8.201	49	-
Tat Gıda Sanayi A.Ş.	-	1.285	-	-
Setur Servis Turistik A.Ş.	-	13	842	-
Other	1.378	5.030	841	-
Shareholders				
Koç Holding A.Ş.(****)	-	11	3.801	-
Temel Ticaret ve Yatırım A.Ş.	-	1	-	-
Investments accounted under equity method				
Entek Elektrik Üretimi A.Ş.	-	8	952	-
	234.186	108.763	41.204	-

Transactions with related parties	January 1 - March 31, 2015			
	Purchases (Goods)	Sales (Goods)	Purchases (Services)	Sales (Services)
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	149.508	85.460	675	-
Opet Petrolcülük A.Ş.(**)(***)	39.900	254	21.295	-
Arçelik A.Ş.	17.980	862	14	-
Ram Dış Ticaret A.Ş.	13.612	-	939	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	3.845	2	2.326	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	19	110	1.551	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	2	651	-
Otokoç Otomotiv Tic. ve San. A.Ş.	2	503	509	-
Ford Otomotiv Sanayi A.Ş.	-	4.297	-	-
Demir Export A.Ş.	-	8.659	-	-
Tat Gıda Sanayi A.Ş.	-	1.153	-	-
Setur Servis Turistik A.Ş.	-	11	540	-
Other	941	3.860	777	-
Shareholders				
Koç Holding A.Ş.(****)	-	9	2.002	-
Temel Ticaret ve Yatırım A.Ş.	-	1	-	-
Investments accounted under equity method				
Entek Elektrik Üretimi A.Ş.	-	3	826	-
	225.807	105.186	32.105	-

(*) Group companies include Koç Group companies.

(**) Commission expense regarding LPG sold at Opet stations as of March 31, 2016 is TL 25.619 thousand (March 31, 2015 - TL: 21.246 thousand). The commission expense mentioned above is evaluated as part of sales and accounted under income statement as sales discounts.

(***) Though not presented at transactions with related parties, so as to fulfil fuel and auto gas sales exclusively and on the basis of station, prepayments and/or infrastructural investments are made directed for sales under “Agreement of Auto Gas Sales at Gas Stations” between Aygaz and Opet. Prepayments are presented under prepaid expenses in consolidated statement of financial position and are periodically amortized based on duration of dealer agreements. In consideration of 5 years sale agreement on average, no prepayments or investment contribution margin has been made to Aygaz Dealers making auto gas sales at Opet stations during three month period ended March, 2016.

(****) 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”.

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of March 31, 2016 (continued)**

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

18. Transactions with related parties (continued)

January 1 - March 31, 2016				
Tangible asset and rent transactions with related parties	Rent income	Rent expense	Fixed asset purchases	Fixed asset sales
Group companies (*)				
Opet Petrolcülük A.Ş.	142	6	-	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	1.576	1.000	36
Yapı ve Kredi Bankası A.Ş.	-	57	-	-
Türkiye Petrol Rafinerileri A.Ş.	-	4	-	-
Otokar Otomotiv ve Savunma Sanayi A.Ş.	-	-	330	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	73	1
Arçelik A.Ş.	-	-	13	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	29	-
Other	-	-	3	-
Shareholders				
Koç Family	-	150	-	-
Temel Ticaret ve Yatırım A.Ş.	-	50	-	-
	142	1.843	1.448	37

January 1 - March 31, 2015				
Tangible asset and rent transactions with related parties	Rent income	Rent expense	Fixed asset purchases	Fixed asset sales
Group companies (*)				
Opet Petrolcülük A.Ş.	131	-	-	-
Arçelik A.Ş.	-	-	5	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	992	-	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	299	-
Yapı ve Kredi Bankası A.Ş.	-	66	-	-
Türkiye Petrol Rafinerileri A.Ş.	-	4	-	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	14	39	-
Other	-	-	1	-
Shareholders				
Koç Family	-	216	-	-
	131	1.292	344	-

(*) Group companies include Koç Group companies.

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of March 31, 2016 (continued)

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

18. Transactions with related parties (continued)

Financial and other transactions with related parties	January 1 - March 31, 2016			
	Financial income	Financial expense	Other income	Other expense
Group companies (*)				
Yapı Kredi Bankası A.Ş.	5.697	4.042	-	-
Ram Dış Ticaret A.Ş.	-	-	250	68
Vehbi Koç Vakfı	-	-	-	25
	5.697	4.042	250	93

Financial and other transactions with related parties	January 1 - March 31, 2015			
	Financial income	Financial expense	Other income	Other expense
Group companies (*)				
Yapı Kredi Bankası A.Ş.	5.357	586	-	-
Koç Finansal Hizmetler A.Ş.	-	-	6.353	-
Arçelik A.Ş.	7	-	-	-
Ram Dış Ticaret A.Ş.	-	-	150	-
Ditaş Deniz İşletmeciliği ve Tic. A.Ş.	-	-	4	-
Vehbi Koç Vakfı	-	-	-	26
	5.364	586	6.507	26

Cash at banks

	March 31, 2016	December 31, 2015
Group companies (*)		
Yapı Kredi Bankası A.Ş.	311.622	220.777

Credit card receivables

	March 31, 2016	December 31, 2015
Group companies (*)		
Yapı Kredi Bankası A.Ş.	27.757	27.059

Bank loans

	March 31, 2016	December 31, 2015
Group companies (*)		
Yapı Kredi Bankası A.Ş.	1.921	6.953

(*) Group companies include Koç Group companies.

Benefits to Top Management

The Group has determined senior manager squad as board of directors' members, general manager and vice general managers.

Benefits provided to senior management include salaries, premiums, social security premiums, unemployment employer premium and honorarium paid to board of directors.

Total of the benefit provided to senior management of the Group as of March 31, 2016 is TL 1.956 thousand (March 31, 2015: TL 1.620 thousand).

Aygaz Anonim Şirketi and Subsidiaries**Notes to the interim condensed consolidated financial statements****as of March 31, 2016 (continued)**

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

19. Nature and level of risk derived from financial instruments**Financial risk factors**

The risks of the Group, resulted from operations, include market risk (including currency risk, fair value interest rate risk, cash flow interest risk and price risk), credit risk and liquidity risk. The Group’s risk management program generally focuses on minimizing 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.

Foreign currency risk management

Foreign currency transactions results in foreign currency risk. The Group controls foreign currency risk coming from its operations and cash flows of finance contracts by using “forward foreign exchange contracts”.

The Group manages its foreign currency risk by regularly considering and reflecting the foreign exchange rate changes in the determination of product prices. As of March 31, 2016, the Group has LPG amounting to TL 50.618 thousand (December 31, 2015 TL 64.808 thousand).

The foreign currency denominated assets and liabilities of monetary and non-monetary items as of the balance sheet date are as follows:

	Total TL equivalent	TL equivalent of USD	TL equivalent of Euro	TL equivalent of other
March 31, 2016				
1. Trade receivables	111.289	105.419	4.799	1.071
2.a Monetary financial assets	118.688	118.137	432	119
2.b Non monetary financial assets	-	-	-	-
3. Other	96	60	36	-
4. Current assets	230.073	223.616	5.267	1.190
5. Trade receivables	-	-	-	-
6.a Monetary financial assets	-	-	-	-
6.b Non monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non current assets	-	-	-	-
9. Total assets	230.073	223.616	5.267	1.190
10. Trade payables	(110.825)	(110.340)	(473)	(12)
11. Financial liabilities	(136.232)	(136.232)	-	-
12.a Other monetary financial liabilities	-	-	-	-
12.b Other non monetary financial liabilities	(576)	(576)	-	-
13. Current liabilities	(247.633)	(247.148)	(473)	(12)
14. Trade payables	-	-	-	-
15. Financial liabilities	(56.668)	(56.668)	-	-
16.a Other monetary financial liabilities	-	-	-	-
16.b Other non monetary financial liabilities	-	-	-	-
17. Non current liabilities	(56.668)	(56.668)	-	-
18. Total liabilities	(304.301)	(303.816)	(473)	(12)
19. Net asset/liability position of off balance sheet liabilities (19a-19b)	112.065	112.065	-	-
19.a Total hedged assets	112.065	112.065	-	-
19.b Total hedged liabilities	-	-	-	-
20. Net foreign currency asset/liability position	37.837	31.865	4.794	1.178
21. Net foreign currency asset/liability position of monetary items (1+2a+5+6a+10+11+12a+14+15+16a)	(73.748)	(79.684)	4.758	1.178
22. Fair value of foreign currency hedged financial assets	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Export	114.601	101.031	12.499	1.071
26. Import	341.583	338.523	2.837	223

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of March 31, 2016 (continued)

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

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

December 31, 2015		Total TL equivalent	TL equivalent of USD	TL equivalent of Euro	TL equivalent of other
1.	Trade receivables	114.504	114.502	2	-
2.a	Monetary financial assets	106.283	105.673	322	288
2.b	Non-monetary financial assets	-	-	-	-
3.	Other	80	44	36	-
4.	Current assets	220.867	220.219	360	288
5.	Trade receivables	-	-	-	-
6.a	Monetary financial assets	-	-	-	-
6.b	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non-current assets	-	-	-	-
9.	Total assets	220.867	220.219	360	288
10.	Trade payables	(154.831)	(153.518)	(1.301)	(12)
11.	Financial liabilities	(139.978)	(139.978)	-	-
12.a	Other monetary financial liabilities	-	-	-	-
12.b	Other non-monetary financial liabilities	(1.013)	(1.013)	-	-
13.	Current liabilities	(295.822)	(294.509)	(1.301)	(12)
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(68.330)	(68.330)	-	-
16.a	Other monetary financial liabilities	-	-	-	-
16.b	Other non-monetary financial liabilities	-	-	-	-
17.	Non-current liabilities	(68.330)	(68.330)	-	-
18.	Total liabilities	(364.152)	(362.839)	(1.301)	(12)
19.	Net asset/liability position of off balance sheet asset and liabilities (19a-19b)	136.279	136.279	-	-
19.a	Total hedged assets	136.279	136.279	-	-
19.b	Total hedged liabilities	-	-	-	-
20.	Net foreign currency asset/liability position (9+18+19)	(7.006)	(6.341)	(941)	276
21.	Net foreign currency asset/liability position of monetary items (1+2a+5+6a+10+11+12a+14+15+16a)	(142.352)	(141.651)	(977)	276
22.	Fair value of foreign currency hedged financial assets	-	-	-	-
23.	Hedged foreign currency assets	-	-	-	-
24.	Hedged foreign currency liabilities	-	-	-	-
25.	Export	458.036	446.111	10.418	1.507
26.	Import	1.736.001	1.725.892	8.840	1.269

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of March 31, 2016 (continued)

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

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

As of March 31, 2016 and December 31, 2015, the sensitivity analysis of the Group’s pre-tax income related to 10% change in USD and Euro (when other variables are held constant) are as follows:

	March 31, 2016			
	Gain/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
+/-10% fluctuation of USD rate				
USD net asset/liability	(7.968)	7.968	(7.968)	7.968
Secured portion from USD risk	11.207	(11.207)	11.207	(11.207)
USD net effect	3.239	(3.239)	3.239	(3.239)
+/-10% fluctuation of Euro rate				
Euro net asset/liability	(476)	476	(476)	476
Secured portion from Euro risk	-	-	-	-
Euro net effect	(476)	476	(476)	476
Total	2.763	(2.763)	2.763	(2.763)

	December 31, 2015			
	Income/Expense		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
10% fluctuation of USD rate				
USD net asset/liability	(14.165)	14.165	(14.165)	14.165
Secured portion from USD risk	13.628	(13.628)	13.628	(13.628)
USD net effect	(537)	537	(537)	537
10% fluctuation of Euro rate				
Euro net asset/liability	(98)	98	(98)	98
Secured portion from Euro risk	-	-	-	-
Euro net effect	(98)	98	(98)	98
Total	(635)	635	(635)	635

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of March 31, 2016 (continued)

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

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

Currency forward agreements

Currency forward agreements which are valid as of March 31, 2016 and December 31, 2015 are summarized at the tables below:

						March 31, 2016
Maturity	Parity	Type of contract	Transaction	Total amount	Currency	
1 to 2 months	2,9617-3,0462	Forward	Sells TL, buys USD	15.500	USD	

						December 31, 2015
Maturity	Parity	Type of contract	Transaction	Total amount	Currency	
1 to 4 months	2,9750 -3,0462	Forward	Sells TL, buys USD	22.800	USD	

Swap agreements

As of March 31, 2016 and December 31, 2015, the Group has swap agreements amounting to TL 50.635 thousand with fixed interest rate of 11,2% in return for USD 24.070 thousand with a floating interest rate of three-month USDLIBOR +1,8%. Swap transaction has quarterly interest payments and the maturity date of principal payment is on May 23, 2016.

Fair value of financial instruments

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 at fair value are as follows:

Financial assets/liabilities	Level of fair value as of reporting date			
	March 31, 2016	1st Level	2nd Level	3rd Level
Available-for-sale financial assets (*)	267.032	82	266.950	-
Derivative financial instruments	14.962	-	14.962	-

Financial assets/liabilities	Level of fair value as of reporting date			
	December 31, 2015	1st Level	2nd Level	3rd Level
Available-for-sale financial assets (*)	267.026	76	266.950	-
Derivative financial instruments	18.179	-	18.179	-

(*) 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 March 31, 2016 (December 31, 2015 – TL 976 thousand). The fair value of these financial assets cannot be measured reliably and stated at cost in the accompanying financial statements.

(Convenience translation of financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of March 31, 2016 (continued)

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

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

Information for reflecting financial assets and liabilities at fair value:

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

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, 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.

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

Financial Liabilities

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

20. Events after balance sheet date

At the Ordinary General Meeting held on April 4, 2016 it was decided to distribute dividend amounting to TL 315.000 thousand to shareholders. Related cash dividend payments were commenced as of April 11, 2016.

The Company has received dividend in cash from Enerji Yatırımları A.Ş. (“EYAŞ”) amounting to TL 87.022 thousand on April 11, 2016.

On May 5, 2016, the Company has used fixed rate loan amounting to TL 50.000 thousand, with a maturity of 3 years.

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

None.