

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

Aygaz Anonim Őirketi and its Subsidiaries

January 1 – September 30, 2017 interim condensed consolidated financial statements

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

Aygaz Anonim Şirketi and its Subsidiaries

Table of contents

	<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 statement of cash flow statement	7
Disclosures related to interim condensed consolidated financial statements	8 - 39

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

Aygaz Anonim Şirketi and its Subsidiaries

**Consolidated statement of financial position
as at September 30, 2017**

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

Assets	Notes	Current period	Prior period
		(Unaudited) September 30, 2017	(Audited) December 31, 2016
Current assets		1.354.703	1.360.364
Cash and cash equivalents	4	400.706	567.728
Trade receivables		536.754	474.653
-Trade receivables from related parties	18	44.422	37.894
-Trade receivables from third parties	8	492.332	436.759
Other receivables		1.547	5.770
-Other receivables from third parties		1.547	5.770
Derivative financial instruments	7	3.541	-
Inventories	9	296.919	266.820
Prepaid expenses		105.363	41.166
Assets related to current year tax		859	680
Other current assets		9.014	3.547
Non-current assets		3.351.543	2.953.986
Financial investments	5	331.711	257.928
Trade receivables		7.011	5.646
-Trade receivables from third parties	8	7.011	5.646
Other receivables		81	75
-Other receivables from third parties		81	75
Derivative financial instruments	7	17.426	22.742
Investments accounted under equity method	10	2.238.400	1.922.344
Property, plant and equipment	11	673.684	658.238
Intangible assets		15.938	19.119
-Other intangible assets	12	15.938	19.119
Prepaid expenses		66.496	67.195
Deferred tax asset	17	796	699
Total assets		4.706.246	4.314.350

The accompanying accounting policies and notes between the pages 8 and 39 form an integral part of these interim condensed consolidated financial statements.

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

Aygaz Anonim Şirketi and its Subsidiaries

**Consolidated statement of financial position
as at September 30, 2017**

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

Liabilities	Notes	Current period (Unaudited) September 30, 2017	Prior period (Audited) December 31, 2016
Short term liabilities		1.159.427	1.007.263
Short-term financial borrowings	6	65.600	1.102
Current portion of long term financial borrowings	6	288.688	229.265
Trade payables		491.637	470.731
- Trade payables to related parties	18	158.413	136.094
- Trade payables to third parties	8	333.224	334.637
Liabilities for employee benefits		9.363	43.252
Other payables		1.552	1.323
- Other payables to related parties		863	677
- Other payables to third parties		689	646
Deferred income		2.183	2.487
Provision for taxation on income		6.340	5.105
Short-term provisions		175.524	114.636
-Provisions from employee benefits		28.006	-
-Other provisions	14	147.518	114.636
Other current liabilities	14	118.540	139.362
Long term liabilities		682.548	565.530
Long-term borrowings	6	502.497	400.143
Other payables		97.126	89.489
- Other payables to third parties		97.126	89.489
Long-term provisions		40.821	35.697
-Provisions for employee benefits		40.821	35.697
Deferred tax liabilities	17	42.104	40.201
Equity		2.864.271	2.741.557
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		(819)	(793)
Gains (losses) on the revaluation and/or reclassification		124	124
-Gains (losses) remeasurement from defined benefit plans		124	124
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss		(943)	(917)
Other comprehensive income or expenses to be reclassified to profit or loss		127.404	44.327
Gains (losses) on the revaluation and/or reclassification		227.689	157.508
-Gains (losses) on the revaluation and/or reclassification of available-for-sale financial assets		227.689	157.508
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss		(100.285)	(113.181)
Restricted reserves		247.049	203.549
Retained earnings		1.634.324	1.713.648
Net profit for the period		492.251	415.670
Equity attributable to equity holders of the parent		2.864.271	2.740.463
Non-controlling interests		-	1.094
Total equity and liabilities		4.706.246	4.314.350

The accompanying accounting policies and notes between the pages 8 and 39 form an integral part of these interim condensed consolidated financial statements.

Aygaz Anonim Şirketi and its Subsidiaries

Consolidated profit or loss and other comprehensive income statement
for the nine month interim period ended September 30, 2017

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

	Notes	(Unaudited)		(Unaudited)	
		January 1- September 30, 2017	July 1 - September 30, 2017	January 1- September 30, 2016	July 1 - September 30, 2016
Revenue		6.161.871	2.215.593	4.904.788	1.844.817
Cost of sales (-)		(5.605.276)	(1.992.387)	(4.318.993)	(1.627.884)
Gross profit		556.595	223.206	585.795	216.933
General administrative expenses (-)		(145.320)	(47.986)	(156.118)	(56.192)
Marketing expenses (-)		(208.311)	(76.304)	(202.703)	(75.824)
Research and development expenses (-)		(2.349)	(1.087)	(2.636)	(907)
Other operating income		109.105	31.607	64.073	16.758
Other operating expenses (-)		(90.520)	(29.096)	(55.699)	(16.267)
Operating profit		219.200	100.340	232.712	84.501
Income from investment activities		7.330	1.036	878	53
Loss from investment activities (-)		(3.861)	(2.942)	(563)	(541)
Profit / losses from investments accounted under equity method	10	340.677	99.566	110.946	57.899
Operating profit before financial income (expense)		563.346	198.000	343.973	141.912
Financial income		242.142	62.275	174.104	25.416
Financial expense (-)		(282.132)	(76.949)	(207.005)	(35.674)
Profit from continuing operations before tax		523.356	183.326	311.072	131.654
Tax income (expense), continuing operations					
Current tax expense for the period (-)	17	(32.993)	(13.171)	(38.460)	(12.529)
Deferred tax income (expense)	17	1.888	(3.869)	4.199	(579)
Profit for the period		492.251	166.286	276.811	118.546
Distribution of profit for the period					
Non-controlling interest		-	-	270	95
Equity holders of the parent		492.251	166.286	276.541	118.451
Earnings per share (TL)	16	1,640836	0,554287	0,921803	0,394837
Diluted earnings per share (TL)	16	1,640836	0,554287	0,921803	0,394837
Other comprehensive income					
Not to be reclassified to profit or loss		(26)	-	-	-
Gains (losses) remeasurement on defined benefit plans		-	-	-	-
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss		(26)	-	-	-
-Gains (losses) from remeasurement on defined benefit plans of investments using equity method		(26)	-	-	-
To be reclassified as profit or loss		83.077	1.250	(1.516)	(9.262)
Gains (losses) on the revaluation and/or reclassification of available-for-sale financial assets		73.875	-	13.790	-
- Gains (losses) on the revaluation of available-for-sale financial assets		73.875	-	13.790	-
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss		12.896	1.250	(14.617)	(9.262)
-Gains (losses) from cash flow hedging of investments using equity method		12.858	1.199	(14.693)	(9.341)
-Gains (losses) from translation of foreign currency of investments using equity method		38	51	76	79
Taxes relating to other comprehensive income to be reclassified to profit / loss		(3.694)	-	(689)	-
-Gains (losses) on the revaluation of available-for-sale financial assets, tax effect	17	(3.694)	-	(689)	-
Other comprehensive income (expense) (after taxation)		83.051	1.250	(1.516)	(9.262)
Total comprehensive income		575.302	167.536	275.295	109.284
Distribution of total comprehensive income					
Non-controlling interest		-	-	270	95
Equity holders of the parent		575.302	167.536	275.025	109.189

The accompanying accounting policies and notes between the pages 8 and 39 form an integral part of these interim condensed consolidated financial statements.

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

Aygaz Anonim Şirketi and its Subsidiaries

**Consolidated statement of changes in equity
for the period ended September 30, 2017**

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

	Other comprehensive income or expenses not to be reclassified to profit or loss			Other comprehensive income or expenses to be reclassified to profit or loss			Accumulated profit			Equity attributable to equity holders of the parent	Non-controlling interest	Total equity	
	Share capital	Adjustment to share capital	Adjustment to share capital due to cross-ownership (-)	Gains (losses) on remeasurement of defined benefit plans	Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss	Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss	Gains (losses) on the revaluation and/or reclassification of available-for-sale financial assets	Restricted reserves	Retained earnings				Net profit for the period
Unaudited													
Balance as of January 1, 2016	300.000	71.504	(7.442)	218	(471)	(50.417)	166.865	320.430	1.391.086	418.375	2.610.148	672	2.610.820
Effect of prior year period adjustments	-	-	-	-	-	-	-	-	102.306	-	102.306	-	102.306
Transfers	-	-	-	-	-	-	-	30.000	388.375	(418.375)	-	-	-
Total comprehensive income (loss)	-	-	-	-	-	(14.617)	13.101	-	-	276.541	275.025	270	275.295
Net income	-	-	-	-	-	-	-	-	-	276.541	276.541	270	276.811
Other comprehensive income (loss)	-	-	-	-	-	(14.617)	13.101	-	-	-	(1.516)	-	(1.516)
Dividend paid	-	-	-	-	-	-	-	-	(315.000)	-	(315.000)	-	(315.000)
Balance as of September 30, 2016	300.000	71.504	(7.442)	218	(471)	(65.034)	179.966	350.430	1.566.767	276.541	2.672.479	942	2.673.421
Unaudited													
Balance as of January 1, 2017	300.000	71.504	(7.442)	124	(917)	(113.181)	157.508	203.549	1.713.648	415.670	2.740.463	1.094	2.741.557
Transfers	-	-	-	-	-	-	-	43.500	372.170	(415.670)	-	-	-
Total comprehensive income (loss)	-	-	-	-	(26)	12.896	70.181	-	-	492.251	575.302	-	575.302
Net income	-	-	-	-	-	-	-	-	-	492.251	492.251	-	492.251
Other comprehensive income (loss)	-	-	-	-	(26)	12.896	70.181	-	-	-	83.051	-	83.051
Dividend paid (Note 15)	-	-	-	-	-	-	-	-	(450.000)	-	(450.000)	-	(450.000)
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	(1.494)	-	(1.494)	(1.094)	(2.588)
Balance as of September 30, 2017	300.000	71.504	(7.442)	124	(943)	(100.285)	227.689	247.049	1.634.324	492.251	2.864.271	-	2.864.271

The accompanying accounting policies and notes between the pages 8 and 39 form an integral part of these interim condensed consolidated financial statements.

Aygaz Anonim Şirketi and its Subsidiaries

Consolidated cash flow statement

for the period ended September 30, 2017

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

		(Unaudited) January 1- September 30, 2017	(Unaudited) January 1- September 30, 2016
	Notes		
Cash flows from operating activities		135.306	488.283
Net income from continuing operations		492.251	276.811
Adjustments related with the reconciliation of net profit (loss) for the period		(159.294)	84.222
-Adjustments for depreciation and amortization expenses	11,12	65.531	64.595
-Adjustments for impairment loss (reversal)		(283)	761
-Adjustments for provisions		47.886	47.301
-Adjustments for dividend (income) expense		(296)	(264)
-Adjustments for interest income		(28.802)	(21.936)
-Adjustments for interest expense		65.862	46.849
-Adjustments for unrealized foreign exchange differences		1.685	5.096
-Adjustments for fair value losses (gains) on derivative financial instruments		1.775	18.288
-Adjustments for undistributed profits of investments accounted under equity method	10	(340.677)	(110.946)
-Adjustments for tax (income) expenses	17	31.105	34.261
-Adjustments for losses (gains) on disposal of non-current assets		(3.172)	(51)
-Other adjustments for reconciliation of profit (loss)		92	268
Changes in working capital		(162.702)	190.945
-Adjustments for decrease (increase) in trade receivables		(64.007)	44.506
-Adjustments for decrease (increase) in other operating receivables		(1.250)	101.443
-Adjustments for decrease (increase) in inventories		(8.137)	40.947
-Decrease (increase) in prepaid expenses		(63.065)	866
-Adjustments for increase (decrease) in trade payables		20.906	(59.837)
-Increase (decrease) in liabilities for employee benefits		(33.889)	(19.960)
-Adjustments for increase (decrease) in other operating payables		(12.956)	83.616
-Increase (decrease) in deferred income		(304)	(636)
Cash flows from operating activities		170.255	551.978
Payments related to provisions for employee benefits		(3.012)	(3.261)
Tax returns (payments)	17	(31.937)	(60.434)
Cash flows from investing activities		(39.425)	26.502
Cash outflows from the acquisition of additional subsidiary shares		(2.588)	-
Cash outflows from the acquisition of additional shares or participation in share capital increase of investment of associates or joint ventures		(50.000)	-
Cash inflows from the sale of property, plant and equipment and intangible assets		5.754	5.331
Cash outflows from the purchase of property, plant and equipment and intangible assets	11,12	(80.378)	(66.115)
Dividends received		87.787	87.286
Cash flows from financing activities		(262.903)	(292.585)
Proceeds from borrowings		350.600	217.291
Repayments of borrowings		(133.420)	(173.549)
Dividend payment		(450.000)	(315.000)
Interest paid		(58.452)	(43.505)
Interest received		28.369	22.178
Net increase (decrease) in cash and cash equivalents		(167.022)	222.200
Cash and cash equivalents at the beginning of the period	4	567.728	288.637
Cash and cash equivalents at the end of the period	4	400.706	510.837

The accompanying accounting policies and notes between the pages 8 and 39 form an integral part of these interim condensed consolidated financial statements.

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the interim condensed consolidated financial statements as of September 30, 2017

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

1. Organization and operations of the Company

The main activity of Aygaz Anonim Şirketi (the “Company” or “Aygaz”) is the purchase of liquid petroleum gas (LPG) in bulk from domestic refineries and the overseas market and delivery to retailers for distribution to customers. The Company manufactures LPG cylinders, LPG tanks, LPG stoves and other supplementary materials which support the Company’s main business and which are necessary equipment for the end-user. The Company is controlled by Koç Holding A.Ş. the parent company, Koç Family and the companies owned by Koç Family.

The Company is registered at the Capital Markets Board of Turkey (“CMB”) and as of September 30, 2017, 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

The average number of personnel employed by categories in Aygaz and its subsidiaries (together with referred to as the “Group”) for nine month period ended September 30, 2017 is 706 white-collar (January-September 2016: 701) and 687 blue-collar (January-September 2016: 723) totaling to 1.393 (January-September 2016:1.424).

Subsidiaries

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

Subsidiaries	Place of incorporation and Operation	Ownership interest (%)			Principal activity
		September 30, 2017	December 31, 2016	Voting power right	
Anadoluhisarı	Turkey	100%	100%	100%	Shipping
Kandilli	Turkey	100%	100%	100%	Shipping
Kuleli	Turkey	100%	100%	100%	Shipping
Kuzguncuk	Turkey	100%	100%	100%	Shipping
Akpa	Turkey	100%	100%	100%	Marketing
Aygaz Doğal Gaz Toptan Satış A.Ş.	Turkey	100%	99,15%	100%	Natural gas
Aygaz Doğal Gaz İletim A.Ş.	Turkey	100%	99,59%	100%	Natural gas
ADG Enerji	Turkey	100%	100%	100%	Natural gas

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

Main activity of Aygaz Doğal Gaz Toptan Satış A.Ş. and Aygaz Doğal Gaz İletim A.Ş. (together “Aygaz Doğal Gaz”) is to purchase natural gas from domestic and/or overseas suppliers, selling natural gas to domestic and/or overseas customers and make related arrangements for the modulation, storing of natural gas and building necessary facilities. On January 25, 2017 the Company has acquired the shares which is equivalent to the 0,85% of total shares of Aygaz Doğal Gaz Toptan Satış A.Ş with the nominal value of TL 280 thousand and for TL 2.548 thousand in cash and the shares which is equivalent to the 0,41% of total shares of Aygaz Doğal Gaz İletim A.Ş with the nominal value of TL 37 thousand for TL 40 thousand in cash from non-controlling interest. As a result of this acquisition, the Company has 100% of shares of its subsidiaries.

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the interim condensed consolidated financial statements as of September 30, 2017

(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.

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 24, 2016 ADG Enerji has decided to increase its share capital from TL 25.000 thousand to TL 26.100 thousand with the amendment of related paragraph of Articles of Incorporation. On March 2, 2016 the company has paid TL 1.100 thousand in cash. Main activity of ADG Enerji is to produce natural gas in domestic and/or overseas markets, purchase natural gas from domestic and/or overseas suppliers, selling natural gas in domestic and/or overseas customers and make related investments to storing, transportation and distribution of natural gas and building necessary facilities.

Investments in associates

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

Investments in associates	Place of incorporation and operation	Ownership interest (%)			Principal activity
		September 30, 2017	December 31, 2016	Voting power right	
Enerji Yatırımları A.Ş. ("EYAŞ")	Turkey	20,00%	20,00%	20,00%	Energy
Entek Elektrik Üretimi A.Ş. ("Entek")	Turkey	49,62%	49,62%	49,62%	Electricity

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

Entek Elektrik Üretimi A.Ş. ("Entek"), the electricity generation company of Koç Group, operates one natural gas cycling plant with 157 MW power in Kocaeli, three hydroelectric power plants with 62 MW in total (two of them are in Karaman, one of them is in Samsun) with the total capacity of 219 MW power. Entek has also 50% share on imported coal plant project with a total of 625 MW power.

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the interim condensed consolidated financial statements as of September 30, 2017

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

1. Organization and operations of the company (continued)

Joint ventures

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

Joint venture	Place of incorporation and operation	Ownership interest (%)		Voting power right	Principal activity
		September 30, 2017	December 31, 2016		
Opet Aygaz Gayrimenkul A.Ş.	Turkey	50,00%	50,00%	50,00%	Real Estate

Opet Aygaz Gayrimenkul A.Ş. was established on September 20, 2013 as a joint venture with 50% equal shares by the Company and Opet Petrolcülük A.Ş., which is the Company’s business partner, operating in distribution of fuel products. Its main activity is to establish, purchase, operate and rent fuel and LPG stations.

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

Approval of condensed consolidated financial statements:

The condensed consolidated financial tables for the nine month interim period ended on September 30, 2017 are approved on the Board of Directors meeting held on November 8, 2017 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.

The Group has prepared its condensed consolidated financial statements for the period ended on September 30, 2017 in accordance with TAS 34 “Interim Financial Reporting Standards”.

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.

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the interim condensed consolidated financial statements as of September 30, 2017

(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)

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 Summary of significant accounting policies

The condensed interim consolidated financial statements of the Group for the nine month interim period ended September 30, 2017 have been prepared in accordance with TAS 34 “Interim Financial Reporting”. Additionally, the accounting policies used in the preparation of the condensed interim consolidated financial statements for the period ended September 30, 2017 are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2016. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016.

2.4 New and revised Turkey Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 30 September 2017

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

Amendments IAS 12 “Income Taxes”; effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset’s tax base. It also clarify certain other aspects of accounting for deferred tax assets. The amendments had no effect on the financial position or performance of the Group.

Annual improvements 2014–2016;

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

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the interim condensed consolidated financial statements as of September 30, 2017

(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)

b) Standards, amendments and interpretations applicable as at 30 September 2017

IFRS 9 “Financial instruments”; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Group management is in the process of assessing the impact of the IFRS 9 on its financial statements and will reflect them in its financial statements from the effective date.

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

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

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

Annual improvements 2014–2016;

- IFRS 1, ‘First-time adoption of IFRS’, regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.
- IAS 28, ‘Investments in associates and joint ventures’ regarding measuring an associate or joint venture at fair value effective 1 January 2018.

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

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the interim condensed consolidated financial statements as of September 30, 2017

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

2. Basis of presentation of financial statements (continued)

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

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

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

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

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

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

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

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2017**

(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)

IFRIC 23, "Uncertainty over income tax treatments"; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 37 'Provisions, contingent liabilities and contingent assets', not IAS 12, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

2.5 Comparative information and reclassifications on prior period financial statements

In order to enable determination of financial position and performance trends, the Group's consolidated financial statements for the current period are prepared by comparison with the prior period. As of September 30, 2017, the Group has presented its consolidated balance sheet as of September 30, 2017 compared with as of December 31, 2016 and its consolidated statement of profit or loss, other comprehensive income and changes in equity for the nine month period ended September 30, 2017 compared with the financial statements for the nine month period ended September 30, 2016.

In order to provide an accurate comparison with current period, comparative figures are reclassified when necessary and significant differences are disclosed. According to this; "Net cash inflows from borrowings" and "Cash outflows from debt payments" presented under cash flows from financing activities in the consolidated cash flow statement for the period ended September 30, 2016 were offset by TL 1.887.155 thousand.

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2017**

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

3. Segment information

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

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

- Gas and petroleum products
- Electricity
- Other

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

As of September 30, 2017 and December 31, 2016, assets and liabilities according to industrial segments are as follows:

	September 30, 2017				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Assets					
Current assets	1.249.351	-	115.584	(10.232)	1.354.703
Non-current assets	2.918.902	353.944	289.645	(210.948)	3.351.543
Total assets	4.168.253	353.944	405.229	(221.180)	4.706.246
Liabilities					
Short term liabilities	1.129.500	-	40.159	(10.232)	1.159.427
Long term liabilities	670.944	-	14.907	(3.303)	682.548
Equity	2.367.809	353.944	350.163	(207.645)	2.864.271
Total liabilities and equity	4.168.253	353.944	405.229	(221.180)	4.706.246
Investments accounted under equity method	1.751.817	353.944	132.639	-	2.238.400

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2017**

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

3. Segment information (continued)

	December 31, 2016				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Assets					
Current assets	1.254.987	-	113.421	(8.044)	1.360.364
Non-current assets	2.645.740	345.289	242.238	(279.281)	2.953.986
Total assets	3.900.727	345.289	355.659	(287.325)	4.314.350
Liabilities					
Short term liabilities	985.469	-	29.838	(8.044)	1.007.263
Long term liabilities	557.835	-	14.429	(6.734)	565.530
Equity	2.357.423	345.289	311.392	(272.547)	2.741.557
Total liabilities and equity	3.900.727	345.289	355.659	(287.325)	4.314.350
Investments accounted under equity method	1.497.211	345.289	79.844	-	1.922.344

For the period ended September 30, 2017 and 2016, profit or loss statements according to industrial segments are as follows:

	January 1 - September 30, 2017				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Revenue	5.949.919	-	362.882	(150.930)	6.161.871
Cost of sales (-)	(5.448.739)	-	(308.184)	151.647	(5.605.276)
Gross profit	501.180	-	54.698	717	556.595
General administrative expenses (-)	(132.336)	-	(15.902)	2.918	(145.320)
Marketing expenses (-)	(197.106)	-	(11.205)	-	(208.311)
Research and development expenses (-)	(2.349)	-	-	-	(2.349)
Other operating income	103.622	-	8.942	(3.459)	109.105
Other operating expenses (-)	(87.051)	-	(3.919)	450	(90.520)
Operating profit	185.960	-	32.614	626	219.200
Income from investment activities	195.619	-	2.481	(190.770)	7.330
Loss from investment activities (-)	(3.861)	-	-	-	(3.861)
Profit/losses from investments accounted under equity method	329.243	8.639	2.795	-	340.677
Operating profit before financial income (expense)	706.961	8.639	37.890	(190.144)	563.346
Financial income	234.525	-	7.617	-	242.142
Financial expense (-)	(278.010)	-	(4.122)	-	(282.132)
Profit from continuing operations before tax	663.476	8.639	41.385	(190.144)	523.356
Tax income (expense), continuing operations					
Current tax expense for the period (-)	(30.258)	-	(2.735)	-	(32.993)
Deferred tax income/(expense)	1.800	-	88	-	1.888
Profit for the period	635.018	8.639	38.738	(190.144)	492.251

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2017**

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

3. Segment information (continued)

	January 1 - September 30, 2016				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Revenue	4.703.833	-	319.968	(119.013)	4.904.788
Cost of sales (-)	(4.173.328)	-	(265.169)	119.504	(4.318.993)
Gross profit	530.505	-	54.799	491	585.795
General administrative expenses (-)	(139.640)	-	(18.976)	2.498	(156.118)
Marketing expenses (-)	(193.181)	-	(9.522)	-	(202.703)
Research and development expenses (-)	(2.636)	-	-	-	(2.636)
Other operating income	62.220	-	4.801	(2.948)	64.073
Other operating expenses (-)	(53.780)	-	(2.101)	182	(55.699)
Operating profit	203.488	-	29.001	223	232.712
Income from investment activities	129.463	-	437	(129.022)	878
Loss from investment activities (-)	(563)	-	-	-	(563)
Profit/losses from investments accounted under equity method	89.635	18.911	2.400	-	110.946
Operating profit before financial income (expense)	422.023	18.911	31.838	(128.799)	343.973
Financial income	169.514	-	4.590	-	174.104
Financial expense (-)	(205.038)	-	(1.967)	-	(207.005)
Profit from continuing operations before tax	386.499	18.911	34.461	(128.799)	311.072
Tax income (expense), continuing operations					
Current tax expense for the period (-)	(36.094)	-	(2.366)	-	(38.460)
Deferred tax income/(expense)	4.270	-	(71)	-	4.199
Profit for the period	354.675	18.911	32.024	(128.799)	276.811

The amortization and depreciation expense for the industrial segmental assets for the period ended on September 30, 2017 and 2016 are as follows:

	January 1 - September 30, 2017	January 1 - September 30, 2016
Gas and petroleum products	57.745	56.841
Other	7.786	7.754
	65.531	64.595

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2017**

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

3. Segment information (continued)

The investment expenditures for the industrial segmental assets for the periods ended on September 30, 2017 and 2016 are as follows:

	January 1 - September 30, 2017	January 1 - September 30, 2016
Gas and petroleum products	78.931	63.423
Other	1.447	2.692
	80.378	66.115

4. Cash and cash equivalents

	September 30, 2017	December 31, 2016
Cash on hand	365	358
Cash at banks	353.748	529.762
- Demand deposits	19.487	15.675
- Time deposits	334.261	514.087
Receivables from credit card transactions	46.593	37.608
Total cash and cash equivalents	400.706	567.728

As of September 30, 2017 the Group's TL time deposits amounting to TL 216.391 thousand with maturities of 2-79 days and interest rates of 13,15-14,40%; USD time deposits amounting to USD 33.183 thousand (TL 117.870 thousand) with maturities of 2-3 days and interest rate of 3% (As of December 31, 2016 the Group's TL time deposits amounting to TL 342.271 thousand with maturities of 3-33 days and interest rates of 9,85-11,45%; USD time deposits amounting to USD 48.820 thousand (TL 171.816 thousand) with maturities of 3 days and interest rate of 2%).

5. Financial assets

The long term financial assets identified as financial assets held for sale by the Group are as follows as of September 30, 2017 and December 31, 2016:

	September 30, 2017		December 31, 2016	
	Participation amount	Participation rate %	Participation amount	Participation rate %
Koç Finansal Hizmetler A.Ş. (*)	329.975	1,97	256.100	1,97
Ram Dış Ticaret A.Ş. (**)	687	2,50	774	2,50
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. (***)	540	10,00	540	10,00
Tat Gıda Sanayi A.Ş. (**)	73	0,08	78	0,08
Other (***)	436	-	436	-
	331.711		257.928	

(*) 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, increase in value is accounted as "profit from increase in value" under consolidated profit or loss.

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

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the interim condensed consolidated financial statements as of September 30, 2017

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

6. Financial borrowings

As of September 30, 2017 and December 31, 2016 the Group's short-term financial borrowings are as follows:

	September 30, 2017	December 31, 2016
TL-denominated short-term bank borrowings (*)	65.600	1.102
Total short-term bank borrowings	65.600	1.102
Short-term portion and interest accruals of TL-denominated long-term bank borrowings	109.268	103.499
Short-term portion and interest accruals of USD-denominated long-term bank borrowings	31.970	13.554
Short-term portion of long-term bond issued (**)	147.450	112.212
Total short-term portion of long-term financial borrowings	288.688	229.265

(*) As of September 30, 2017, the Group has interest free loan amounting to TL 2.890 thousand which was used for Custom expenses December 31, 2016: TL 1.102 thousand). The Group has short term bank loans amounting to TL 50.000 thousand with the maturity of March 30, 2018, fixed interest rate of 12,50% (interest of loan has been paid in cash on August 3, 2017) and amounting to TL 12.710 thousand with the maturity of October 2, 2017, fixed interest rate of 14,15%.

(**) On March 30, 2015, January 28, 2016, April 11, 2017 the Group has issued a floating rate bond with a nominal value of TL 60.000 thousand, with a maturity of 1.092 days and quarter-yearly coupon payments, a fixed rate bond with a nominal value of TL 75.000 thousand, with a maturity of 728 days and half-yearly coupon payments, a fixed rate bond with a nominal value of TL 85.000 thousand with a maturity of 728 days and half-yearly coupon payments, respectively. As of September 30, 2017, net present value of the issued bonds are TL 226.996 thousand (TL 79.546 thousand of this amount is shown as long-term bond issued) and their effective interest rates are 13,51%, 13,09% and 13,46% respectively.

As of September 30, 2017 the details of short-term financial borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	-	2.890	2.890
TL	12,50-14,15	62.710	62.710
			65.600

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

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

As of September 30, 2017 and December 31, 2016 the Group's long-term financial borrowings are as follows:

	September 30, 2017	December 31, 2016
TL-denominated long-term bank borrowings	268.435	88.990
USD-denominated long-term bank borrowings	154.516	181.239
Total long-term bank borrowings	422.951	270.229
Long-term bonds issued	79.546	129.914
Total long-term bonds	79.546	129.914
Total long-term financial borrowings	502.497	400.143

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2017**

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

6. Financial borrowings (continued)

As of September 30, 2017 the details of long-term financial borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	12,00-16,84	377.703	377.703
USD	3,54-4,26	52.500	186.486
Short-term portion of long-term bank borrowings and interest accruals			(141.238)
			422.951

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

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

7. Derivative financial instruments

As of September 30, 2017 and December 31, 2016 the Group's derivative financial instruments are as follows:

Short-term derivative financial instruments	September 30, 2017		December 31, 2016	
	Contract amount	Fair value assets (liabilities)	Contract amount	Fair value assets (liabilities)
Forward transactions (*)	211.044	637	-	-
Foreign currency swap contracts (**)	13.050	2.904	-	-
Long-term derivative financial instruments	September 30, 2017		December 31, 2016	
	Contract amount	Fair value assets (liabilities)	Contract amount	Fair value assets (liabilities)
Foreign currency swap contracts (**)	78.300	17.426	91.350	22.742

(*) As of September 30, 2017 the Group has entered into forward transaction with a maturity of 19 - 111 days and nominal value amounting to USD 58.600 thousand (December 31, 2016: None).

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

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2017**

(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 September 30, 2017 and December 31, 2016 are as follows:

Current trade receivables	September 30, 2017	December 31, 2016
Trade receivables	469.322	420.582
Notes receivables	47.172	39.844
Allowance for doubtful receivables (-)	(24.162)	(23.667)
Total current trade receivables	492.332	436.759

Non-current trade receivables	September 30, 2017	December 31, 2016
Notes receivable	7.011	5.646
Total non-current trade receivables	7.011	5.646

The Group's trade payables as of September 30, 2017 and December 31, 2016 are as follows:

Short-term trade payables	September 30, 2017	December 31, 2016
Trade payables	333.224	334.637
Total short-term trade payables	333.224	334.637

9. Inventories

	September 30, 2017	December 31, 2016
Raw materials	256.975	189.969
Trade goods	6.861	8.259
Goods in transit	21.582	61.146
Finished goods	8.820	6.537
Work in process	2.910	1.962
Allowance for impairment on inventory	(229)	(1.053)
Total inventories	296.919	266.820

As of September 30, 2017, the inventories comprise of 76.015 tons of LPG (December 31, 2016: 102.232 tons).

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2017**

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

10. Equity investments

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

	September 30, 2017		December 31, 2016	
	Participation amount	Participation Rate	Participation amount	Participation Rate
EYAŞ	1.751.817	20,00%	1.497.211	20,00%
Entek	353.944	49,62%	345.289	49,62%
OAGM	132.639	50,00%	79.844	50,00%
	2.238.400		1.922.344	

The movement of equity investments is as follows:

	2017	2016
Opening balance on January 1	1.922.344	1.867.181
Shares of profit/(loss)	340.677	110.946
Shares of other comprehensive income/(loss)	12.870	(14.617)
Dividend income from Joint Ventures (*)	(87.491)	(87.022)
Participation in share capital increase of equity investment (**)	50.000	-
Effect of prior period adjustments	-	20.230
Closing balance on September 30	2.238.400	1.896.718

(*) EYAŞ dividend income.

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

Shares of profit/(loss) of equity investments:

	January 1 - September 30, 2017	July 1 - September 30, 2017	January 1 - September 30, 2016	July 1 - September 30, 2016
EYAŞ	329.243	99.773	89.635	55.967
Entek	8.639	(1.106)	18.911	1.082
OAGM	2.795	899	2.400	850
	340.677	99.566	110.946	57.899

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

	January 1 - September 30, 2017	July 1 - September 30, 2017	January 1 - September 30, 2016	July 1 - September 30, 2016
EYAŞ (*)	12.854	1.241	(13.896)	(8.650)
Entek	16	9	(721)	(612)
	12.870	1.250	(14.617)	(9.262)

(*) TÜPRAŞ, a subsidiary of Enerji Yatırımları A.Ş., designated its investment loans amounting to USD 1.296.477 thousand (TL 4.605.216 thousand) as hedging instrument against USD / TL spot exchange rate risk which is exposed due to highly probable estimated export revenue in USD and, in this context, applies accounting for cash flow hedge (December 31, 2016 - USD 1.457.823 thousand (TL 5.130.371 thousand)). Foreign exchange gains (losses) on investment loans are accounted under "Gains (losses) on hedging" under shareholders' equity until the cash flows of the related hedged item are realized. In addition, within the scope of investment loans of TÜPRAŞ there are interest rate swaps and cross currency interest rate swap transactions which are classified for hedging purposes.

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

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2017**

(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	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Acquisition cost									
Opening balance as of January 1, 2017	16.204	144.540	72.569	1.644.688	260.059	64.085	26.907	16.793	2.245.845
Additions	-	-	113	1.877	886	305	355	76.842	80.378
Transfers (*)	-	7.308	329	45.705	210	7.238	(7)	(60.844)	(61)
Disposals	(198)	(749)	(56)	(19.422)	(2.071)	(2.630)	(758)	-	(25.884)
Ending balance as of September 30, 2017	16.006	151.099	72.955	1.672.848	259.084	68.998	26.497	32.791	2.300.278
Accumulated depreciation									
Opening balance as of January 1, 2017	-	60.258	51.115	1.285.082	120.725	45.246	25.181	-	1.587.607
Charge of the period	-	4.047	1.481	39.758	11.198	5.117	688	-	62.289
Disposals	-	(574)	(56)	(17.807)	(1.851)	(2.523)	(491)	-	(23.302)
Ending balance as of September 30, 2017	-	63.731	52.540	1.307.033	130.072	47.840	25.378	-	1.626.594
Net book value as of September 30, 2017	16.006	87.368	20.415	365.815	129.012	21.158	1.119	32.791	673.684

(*) TL 61 thousand under “Construction in progress” under the account property, plant and equipment has been classified to intangible fixed assets.

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

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2017**

(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	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Acquisition cost									
Opening balance as of January 1, 2016	16.204	135.114	70.872	1.607.299	251.221	58.489	25.745	17.584	2.182.528
Additions	-	-	-	1.926	2.480	241	142	61.326	66.115
Transfers (*)	-	124	-	40.430	1.629	2.355	3	(44.910)	(369)
Disposals	-	(2.146)	(48)	(9.847)	(1.943)	(3.783)	(60)	(690)	(18.517)
Ending balance as of September 30, 2016	16.204	133.092	70.824	1.639.808	253.387	57.302	25.830	33.310	2.229.757
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	-	3.761	1.461	40.382	11.468	3.657	620	-	61.349
Disposals	-	(441)	(42)	(8.226)	(1.433)	(3.070)	(25)	-	(13.237)
Ending balance as of September 30, 2016	-	59.427	50.634	1.283.947	116.913	44.062	24.985	-	1.579.968
Net book value as of September 30, 2016	16.204	73.665	20.190	355.861	136.474	13.240	845	33.310	649.789

(*) TL 369 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets.

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2017**

(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, 2017	56.623	56.623
Additions	-	-
Transfers (*)	61	61
Ending balance as of September 30, 2017	56.684	56.684
Accumulated amortization		
Opening balance as of January 1, 2017	37.504	37.504
Charge for the period	3.242	3.242
Ending balance as of September 30, 2017	40.746	40.746
Carrying value as of September 30, 2017	15.938	15.938

(*) TL 61 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets.

	Rights	Total
Acquisition costs		
Opening balance as of January 1, 2016	54.517	54.517
Additions	-	-
Transfers (*)	369	369
Ending balance as of September 30, 2016	54.886	54.886
Accumulated amortization		
Opening balance as of January 1, 2016	33.177	33.177
Charge for the period	3.246	3.246
Ending balance as of September 30, 2016	36.423	36.423
Carrying value as of September 30, 2016	18.463	18.463

(*) TL 369 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets.

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

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the interim condensed consolidated financial statements as of September 30, 2017

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

13. Contingent assets and contingent liabilities

Guarantees given as of September 30, 2017 and December 31, 2016 are as follows:

Guarantees given	September 30, 2017	December 31, 2016
Letter of guarantees given for gas purchase	811.092	796.138
Other letter of guarantees given	46.732	37.602
Total guarantees given	857.824	833.740

The liability for environmental pollution:

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

National inventory reserve liability:

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

Competition Board Investigation:

Through the notification on August 13, 2015 informing us that the Competition Board made a decision dated 05.08.2015, numbered 15-33/477-M to open an investigation toward our 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 Aygaz dealers and our company was asked to defend. At the end of the ongoing investigation process, through Competition Board's notification we received on November 21, 2016, we have been informed that the Board made a decision on November 16, 2016, which is open to judicial review, stating the fact that Aygaz did not violate the Article 4 of the Law No. 4054, and thus, it was decided that there would be no necessity to implement an administrative fine as per the 16th Article of the same Law. On May 2, 2017 the reasoned decision has been notified to our Company, also on May 16, 2017 the decision has been published on the website of Competition Board.

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

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the interim condensed consolidated financial statements as of September 30, 2017

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

13. Contingent assets and contingent liabilities (continued)

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

	September 30, 2017					December 31, 2016				
	Euro	USD	Other	TL	Total TL	Euro	USD	Other	TL	Total TL
A. CPMBs given on behalf of the Company’s legal personality	51.371	13.374	-	648.421	713.166	45.459	6.489	-	647.263	699.211
B. CPMBs given in favor of subsidiaries included in full consolidation (*)	-	91.682	-	52.976	144.658	-	51.006	-	83.523	134.529
C. CPMBs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	-	-	-	-	-	-	-	-	-	-
D. Other GPM's										
i. CPMBs given in favor of parent company	-	-	-	-	-	-	-	-	-	-
ii. CPMBs given in favor of companies not in the scope of B and C above	-	-	-	-	-	-	-	-	-	-
iii. CPMBs given in favor of third party companies not in the scope of C above	-	-	-	-	-	-	-	-	-	-
Total amount of CPMBs	51.371	105.056	-	701.397	857.824	45.459	57.495	-	730.786	833.740

(*) As of September 30, 2017 total amount of commission accrued for guarantees given or contingent liabilities except 'A. CPMBs given on behalf of the Company’s legal personality' is TL 450 thousand (December 31, 2016: TL 571 thousand).

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2017**

(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	September 30, 2017	December 31, 2016
Special Consumption Tax (SCT) provision on imported LPG	104.715	83.577
Provision for other operating expenses	19.854	9.963
Provision for lawsuit	5.132	5.102
Provision for selling and marketing expenses	8.069	4.926
Provision for EMRA contribution	3.355	3.422
Provision for warranty expenses	6.393	7.646
Total other short term provisions	147.518	114.636

Other current liabilities	September 30, 2017	December 31, 2016
Taxes and funds payable	117.391	137.356
Other liabilities	1.149	2.006
Total other current liabilities	118.540	139.362

15. Share capital

As of September 30, 2017 and December 31, 2016 the share capital held is as follows:

Shareholders	Participation rate	September 30, 2017	Participation rate	December 31, 2016
Temel Ticaret ve Yatırım A.Ş.	5,77%	17.324	5,77%	17.324
Koç Family Members	4,76%	14.265	4,76%	14.265
Total Koç Family Members and companies owned by Koç Family Members	10,53%	31.589	10,53%	31.589
Koç Holding A.Ş.	40,68%	122.054	40,68%	122.054
Liquid Petroleum Gas Development Company ("LPGDC") (*)	24,52%	73.546	24,52%	73.546
Publicly held (*)	24,27%	72.811	24,27%	72.811
Nominal capital	100,00%	300.000	100,00%	300.000
Inflation adjustment (**)		71.504		71.504
Adjusted capital		371.504		371.504

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

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

Dividends paid

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

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2017**

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

16. Earnings per share

	January 1 - September 30, 2017	1 July - September 30, 2017	January 1 - September 30, 2016	1 July - September 30, 2016
Average number of ordinary shares outstanding during the period (one thousand)	300.000	300.000	300.000	300.000
Net profit for the year attributable equity holders of the parent company	492.251	166.286	276.541	118.451
Earnings per thousand shares (TL)	1,640836	0,554287	0,921803	0,394837

17. Tax assets and liabilities

	September 30, 2017	December 31, 2016
Current tax liability		
Current corporate tax provision	32.993	71.421
Less: Prepaid taxes and funds	(27.512)	(66.996)
Current tax liability	5.481	4.425

	January 1- September 30, 2017	January 1- September 30, 2016
Tax expenses		
- Current corporate tax provision	(32.993)	(38.460)
- Deferred tax	1.888	4.199
	(31.105)	(34.261)

Corporate tax

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

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

The effective rate of tax in 2017 is 20% (2016: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2017 is 20% (2016: 20%). Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. Tax carry back is not allowed.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2017**

(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, 2016: 20%).

Deferred tax (assets) / liabilities:	September 30, 2017	December 31, 2016
Restatement and depreciation/amortization differences of property, plant and equipment and other intangible assets	37.355	36.843
Revaluation of available-for-sale financial assets	11.984	8.290
Retirement pay provisions	(6.182)	(5.437)
Valuation of inventories	1.008	548
Other	(2.857)	(742)
	41.308	39.502

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.

	September 30, 2017			December 31, 2016		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Aygaz A.Ş.	(12.663)	54.767	42.104	(11.425)	50.486	39.061
Akpa A.Ş.	(974)	187	(787)	(896)	197	(699)
Aygaz Doğal Gaz	(1.668)	1.659	(9)	(480)	1.620	1.140
	(15.305)	56.613	41.308	(12.801)	52.303	39.502

Movement of deferred tax assets and liabilities are as follows:

Movement of deferred tax (assets) / liabilities :	2017	2016
Opening balance on January 1	39.502	38.194
Deferred tax expense/(income)	(1.888)	(4.199)
Deferred tax correlated with gains (losses) from the revaluation of available-for-sale financial assets	3.694	689
Closing balance on September 30	41.308	34.684

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2017**

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

18. Balances and transactions with related parties

A company is defined as a related party of the Company, if one of the companies has control power on the other company or has a significant impact on financial and administrative decisions of the other company. The Company is controlled by Koç Holding, Koç Family or entities owned by Koç Family. In financial statements, shareholder companies, shareholders and financial investments and other Group companies' assets are shown as related parties. As of September 30, 2017, dividends payable amounting to TL 863 thousand (December 31, 2016 – TL 677 thousand) is reflected within other payables to related parties which are excluded from Koç Group at the consolidated balance sheet.

Balances with related parties	September 30, 2017			
	Receivables		Payables	
	Trade	Non-trade	Trade	Non-trade
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	16.473	-	92.672	-
Demir Export A.Ş.	10.325	-	-	-
Ford Otomotiv Sanayi A.Ş.	1.715	-	-	-
Arçelik A.Ş.	1.285	-	2	-
Tat Gıda Sanayi A.Ş.	3.564	-	-	-
Opet Petrolcülük A.Ş.	191	-	44.342	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	-	2.496	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	1.709	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	-	-	6.482	-
Ram Dış Ticaret A.Ş.	-	-	9.323	-
Other	3.107	-	755	-
Shareholders				
Koç Holding A.Ş.	-	-	149	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	7.762	-	483	-
	44.422	-	158.413	-

Balances with related parties	December 31, 2016			
	Receivables		Payables	
	Trade	Non-trade	Trade	Non-trade
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	21.766	-	65.531	-
Demir Export A.Ş.	8.588	-	-	-
Arçelik A.Ş.	1.810	-	143	-
Ford Otomotiv Sanayi A.Ş.	1.376	-	-	-
Tat Gıda Sanayi A.Ş.	588	-	-	-
Opet Petrolcülük A.Ş.	256	-	35.240	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	-	3.192	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	1.905	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	-	-	9.745	-
Ram Dış Ticaret A.Ş.	-	-	11.239	-
Other	3.503	-	3.681	-
Shareholders				
Koç Holding A.Ş.	-	-	4.996	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	7	-	422	-
	37.894	-	136.094	-

(*) Group companies include Koç Group companies.

(**) Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer") provides purchasing services for various item to the Group. As of balance sheet date, trade payables consist of Group's payables to third party intermediary service companies and payables to Zer for commissions for intermediary activities.

Aygaz Anonim Şirketi and its Subsidiaries**Notes to the interim condensed consolidated financial statements
as of September 30, 2017**

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

18. Balances and transactions with related parties (continued)

Transactions with related parties	January 1 - September 30, 2017			
	Purchases (Goods)	Sales (Goods)	Purchases (Service)	Sales (Service)
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	726.257	352.761	2.670	-
Opet Petrolcülük A.Ş.(**) (***)	164.695	2.719	82.326	-
Ram Dış Ticaret A.Ş.	21.873	-	11	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	16.413	67	13.620	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	195	38	6.001	-
Arçelik A.Ş.	417	9.553	-	-
Otokoç Otomotiv Tic. ve San. A.Ş.	3	491	502	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	7	2.045	-
Ford Otomotiv Sanayi A.Ş.	-	13.591	-	-
Demir Export A.Ş.	-	38.276	-	-
Tat Gıda Sanayi A.Ş.	-	10.955	-	-
Setur Servis Turistik A.Ş.	-	43	3.989	-
Other	3.614	21.408	2.055	-
Shareholders				
Koç Holding A.Ş. (****)	-	37	11.752	-
Temel Ticaret ve Yatırım A.Ş.	-	2	-	-
Koç Family Members	-	33	-	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	-	48.119	3.246	-
	933.467	498.100	128.217	-

Transactions with related parties	January 1 - September 30, 2016			
	Purchases (Goods)	Sales (Goods)	Purchases (Service)	Sales (Service)
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	532.227	307.259	2.087	-
Opet Petrolcülük A.Ş. (**)(***)	121.764	1.323	90.142	-
Arçelik A.Ş.	20.561	9.684	19	-
Ram Dış Ticaret A.Ş.	16.410	1.232	125	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	15.685	21	21.104	-
Otokoç Otomotiv Tic. ve San. A.Ş.	7	243	502	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	68	5.300	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	5	2.021	-
Ford Otomotiv Sanayi A.Ş.	-	11.191	-	-
Demir Export A.Ş.	-	26.418	49	-
Tat Gıda Sanayi A.Ş.	-	12.149	-	-
Setur Servis Turistik A.Ş.	-	48	3.647	-
Other	3.063	16.605	1.925	-
Shareholder				
Koç Holding A.Ş. (****)	-	32	15.169	-
Temel Ticaret ve Yatırım A.Ş.	-	2	-	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	-	19	3.019	-
	709.717	386.299	145.109	-

(*) Group companies include Koç Group companies.

(**) Commission expense regarding LPG sold at Opet stations for nine month period ended September 30, 2017 is TL 81.939 thousand (January 1-September 30 2016: TL 89.999 thousand). The commission expense mentioned above is evaluated as part of sales and accounted under income statement as sales discounts.

(***) Though not presented at transactions with related parties, so as to fulfil fuel and auto gas sales exclusively and on the basis of station, prepayments and/or infrastructural investments are made directed for sales under "Agreement of Auto Gas Sales at Gas Stations" between Aygaz and Opet. Prepayments are presented under prepaid expenses in consolidated statement of financial position and are periodically amortized based on duration of dealer agreements. Prepayments and investment contribution margin amounting to TL 30.856 thousand has been made to Opet for nine month period ended September 30, 2017 in consideration of 5 years sale agreement on average to be paid to Aygaz Dealers making auto gas sales at Opet stations (January 1-September 30 2016: TL 16.216 thousand).

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

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2017**

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

18. Balances and transactions with related parties (continued)

Tangible asset and rent transactions with related parties	Rent income	Rent expense	January 1 - September 30, 2017	
			Tangible and intangible asset purchases	Tangible and intangible asset sales
Group companies (*)				
Opet Petrolcülük A.Ş.	440	18	-	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	4.988	755	211
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	3.263	1
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	143	-
Türkiye Petrol Rafinerileri A.Ş.	-	12	-	-
Arçelik A.Ş.	-	-	44	-
Shareholders				
Koç Family Members	-	503	-	-
Temel Ticaret ve Yatırım A.Ş.	-	527	-	-
	440	6.048	4.205	212
Tangible asset and rent transactions with related parties	Rent income	Rent expense	January 1 - September 30, 2016	
			Tangible and intangible asset purchases	Tangible and intangible asset sales
Group companies (*)				
Opet Petrolcülük A.Ş.	426	17	-	-
Yapı Kredi Bankası A.Ş.	-	112	-	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	4.379	1.627	465
Türkiye Petrol Rafinerileri A.Ş.	-	13	-	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	706	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	57	-
Ford Otomotiv Sanayi A.Ş.	-	-	673	-
Arçelik A.Ş.	-	-	11	-
Other	-	-	2	1
Shareholders				
Koç Family Members	-	466	-	-
Temel Ticaret ve Yatırım A.Ş.	-	337	-	-
	426	5.324	3.076	466

(*) Group companies include Koç Group companies.

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2017**

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

18. Balances and transactions with related parties (continued)

Financial and other transactions with related parties	January 1 - September 30, 2017			
	Financial income	Financial expense	Other income	Other expense
Group companies (*)				
Yapı Kredi Bankası A.Ş.	37.619	14.047	-	-
Tat Gıda Sanayi A.Ş.	-	-	21	-
Opet Petrolcülük A.Ş.	-	-	-	1.006
Ram Dış Ticaret A.Ş.	-	-	275	220
Vehbi Koç Vakfı	-	-	-	3
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	4	204
Rahmi Koç Müzesi	-	-	-	182
Türk Eğitim Vakfı	-	-	-	12
	37.619	14.047	300	1.627

Financial and other transactions with related parties	January 1 - September 30, 2016			
	Financial income	Financial expense	Other income	Other expense
Group companies (*)				
Yapı Kredi Bankası A.Ş.	23.382	8.580	-	-
Tat Gıda Sanayi A.Ş.	-	-	14	-
Ram Dış Ticaret A.Ş.	-	-	250	163
Vehbi Koç Vakfı	-	-	-	625
Türk Eğitim Vakfı	-	-	-	88
Rahmi Koç Müzesi	-	-	-	700
	23.382	8.580	264	1.576

Cash at banks	September 30, 2017	December 31, 2016
Group companies (*)		
Yapı Kredi Bankası A.Ş.	290.891	391.514
Credit card receivables	September 30, 2017	December 31, 2016
Group companies (*)		
Yapı Kredi Bankası A.Ş.	44.698	35.276
Bank loans	September 30, 2017	December 31, 2016
Grup şirketleri (*)		
Yapı Kredi Bankası A.Ş.	12.710	-

(*) Group companies include Koç Group companies.

Benefits to Top Management:

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

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

As of September 30, 2017, total benefit provided to senior management of the Company is TL 6.767 thousand (September 30, 2016: TL 6.017 thousand).

Aygaz Anonim Şirketi and its Subsidiaries**Notes to the interim condensed consolidated financial statements
as of September 30, 2017**

(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 instrumentsForeign currency risk management

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

The Group manages its foreign currency risk by regularly considering and reflecting the foreign exchange rate changes in the determination of product prices. As of September 30, 2017, the Group has LPG amounting to TL 136.589 thousand (December 31, 2016: TL 145.368 thousand).

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

September 30, 2017		Total TL equivalent	TL equivalent of USD	TL equivalent of Euro	TL equivalent of other
1.	Trade receivables	40.445	40.124	321	-
2.a	Monetary financial assets	119.092	118.687	238	167
2.b	Non-monetary financial assets	-	-	-	-
3.	Other	39.053	38.984	69	-
4.	Current assets	198.590	197.795	628	167
5.	Trade receivables	-	-	-	-
6.a	Monetary financial assets	-	-	-	-
6.b	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non-current assets	-	-	-	-
9.	Total assets	198.590	197.795	628	167
10.	Trade payables	(246.327)	(244.459)	(1.753)	(115)
11.	Financial liabilities	(31.969)	(31.969)	-	-
12.a	Other monetary financial liabilities	-	-	-	-
12.b	Other non-monetary financial liabilities	(2.200)	(99)	(2.101)	-
13.	Current liabilities	(280.496)	(276.527)	(3.854)	(115)
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(154.516)	(154.516)	-	-
16.a	Other monetary financial liabilities	-	-	-	-
16.b	Other non-monetary financial liabilities	-	-	-	-
17.	Non-current liabilities	(154.516)	(154.516)	-	-
18.	Total liabilities	(435.012)	(431.043)	(3.854)	(115)
19.	Net asset/liability position of off balance sheet foreign currency asset and liabilities (19a-19b)	320.044	320.044	-	-
19.a	Total hedged assets	320.044	320.044	-	-
19.b	Total hedged liabilities	-	-	-	-
20.	Net foreign currency asset/liability position (9+18+19)	83.622	86.796	(3.226)	52
21.	Net foreign currency asset/liability position of monetary items (1+2a+5+6a+10+11+12a+14+15+16a)	(273.275)	(272.133)	(1.194)	52
22.	Fair value of foreign currency hedged financial assets	-	-	-	-
23.	Hedged foreign currency assets	-	-	-	-
24.	Hedged foreign currency liabilities	-	-	-	-
25.	Export	660.100	649.747	10.353	-
26.	Import	2.107.493	2.095.594	11.106	793

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2017**

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

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2017**

(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)

Foreign currency sensitivity:

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

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

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

	September 30, 2017			
	Income/Expense		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
10% fluctuation of USD rate				
USD net asset/liability	(27.213)	27.213	(27.213)	27.213
Secured portion from USD risk	32.004	(32.004)	32.004	(32.004)
USD net effect	4.791	(4.791)	4.791	(4.791)
10% fluctuation of Euro rate				
Euro net asset/liability	(119)	119	(119)	119
Secured portion from Euro risk	-	-	-	-
Euro net effect	(119)	119	(119)	119
Total	4.672	(4.672)	4.672	(4.672)

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

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2017**

(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 September 30, 2017 are summarized at the table below (December 31, 2016: None).

Maturity	Parity	Type of contract	Transactions	Total amount	September 30, 2017	
					Currency	
1 to 4 months	3,5346-3,6437	Forward	Sells TL, buys USD	58.600	USD	

Swap agreements

As of September 30, 2017 the Group has swap agreement amounting to TL 91.350 thousand with fixed interest rate of 13,415% in return for USD 31.500 thousand with a floating interest rate of six-month USDLIBOR + 2,4%. Swap transaction has half yearly interest payments and principal repayments will start on June 25, 2018. The maturity date of principal repayments is June 24, 2021.

Fair value hierarchy table

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

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

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

Financial assets/liabilities	Level of fair value as of reporting date			
	September 30, 2017	1st Level	2nd Level	3rd Level
Available-for-sale financial assets (*)	330.735	73	330.662	-
Derivative financial instruments	20.967	-	20.967	-

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

- (*) The Group has available for sale financial assets, which are not quoted in stock markets, and total amount of these financial assets is TL 976 thousand as of September 30, 2017 (December 31, 2016 - TL 976 thousand). The fair value of these financial assets cannot be measured reliably and stated at cost in the accompanying financial statements.

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

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the interim condensed consolidated financial statements as of September 30, 2017

(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 realize in a current market exchange.

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

Financial assets

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values.

The carrying values of cash and cash equivalents are estimated to be their fair values since they are short-term.

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

Financial Liabilities

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

20. Subsequent events

On October 9, 2017, the Company has used two fixed rate loans with the total amount of TL 100.000 thousand (TL 50.000 thousand each) with the maturity of 3 and 4 years. Interest rate of loans are 15,20% and 15,60% respectively.

Within the scope of approval of Capital Market Board at Meeting numbered 13/396, and dated March 23, 2017, the Company has issued bond to be sold qualified investors only with a nominal value of TL 50.000 thousand, maturity of 728 days, and half yearly fixed interest rate coupon payments on October 20, 2017 (compound interest 14,45%, simple interest 13,96%) .

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

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

None.