

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

Aygaz Anonim Őirketi and Subsidiaries

**January 1 – September 30, 2016 interim
condensed consolidated financial statements**

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

Aygaz Anonim Şirketi and Subsidiaries

Index

	<u>Page</u>
Interim consolidated statement of financial position	2 - 3
Interim consolidated profit or loss and other comprehensive income statement	4
Interim consolidated statement of changes in equity	5
Interim consolidated cash flow statement	6
Disclosures related to interim condensed consolidated financial statements	7 - 40

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

Consolidated statement of financial position

as at September 30, 2016

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

Assets	Notes	Current period	Prior period
		(Unaudited)	(Audited)
		September 30,	December 31,
		2016	2015
Current assets		1.152.904	1.025.191
Cash and cash equivalents	4	510.837	288.637
Trade receivables		439.058	483.374
-Trade receivables from related parties	18	41.425	30.274
-Trade receivables from third parties	8	397.633	453.100
Other receivables		1.834	2.376
-Other receivables from third parties		1.834	2.376
Derivative financial instruments	7	562	19.654
Inventories	9	145.077	186.024
Prepaid expenses		49.213	40.703
Assets related to current year tax		-	376
Other current assets		6.323	4.047
Non-current assets		2.920.033	2.891.133
Financial investments	5	281.524	268.002
Trade receivables		5.840	6.791
-Trade receivables from third parties	8	5.840	6.791
Other receivables		69	82
-Other receivables from third parties		69	82
Investments accounted under equity method	10	1.896.718	1.867.181
Property, plant and equipment	11	649.789	650.672
Intangible assets		18.463	21.340
-Other intangible assets	12	18.463	21.340
Prepaid expenses		67.256	76.632
Deferred tax asset	17	374	433
Total assets		4.072.937	3.916.324

The accompanying accounting policies and notes presented between pages 7 and 40 form an integral part of these interim condensed consolidated financial statements.

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

Consolidated statement of financial position

as at September 30, 2016

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

Liabilities	Notes	Current period	Prior period
		(Unaudited) September 30, 2016	(Audited) December 31, 2015
Short term liabilities		846.524	846.837
Short-term financial borrowings	6	3.110	66.128
Current portion of long term financial borrowings	6	207.433	182.478
Trade payables		312.398	372.235
- Trade payables to related parties	18	113.405	143.019
- Trade payables to third parties	8	198.993	229.216
Liabilities for employee benefits		6.892	26.852
Other payables		1.305	1.252
- Other payables to related parties	18	677	547
- Other payables to third parties		628	705
Derivative financial instruments	7	-	1.475
Deferred income		2.067	2.703
Provision for taxation on income	17	6.936	8.767
Short-term provisions		126.250	86.970
-Provision for employee benefit		29.735	-
-Other provisions	14	96.515	86.970
Other current liabilities	14	180.133	97.977
Long term liabilities		552.992	458.667
Long-term borrowings	6	392.993	302.748
Other payables		88.096	83.917
- Other payables to third parties		88.096	83.917
Derivative financial instruments	7	671	-
Long-term provisions		36.174	31.414
-Provisions for employee benefits		36.174	31.414
Deferred tax liabilities	17	35.058	38.627
Other non-current liabilities		-	1.961
Equity		2.673.421	2.610.820
Share capital	15	300.000	300.000
Adjustment to share capital	15	71.504	71.504
Adjustment to share capital due to cross-ownership (-)		(7.442)	(7.442)
Other comprehensive income or expenses not to be reclassified to profit or loss		(253)	(253)
-Actuarial gain/loss arising from defined benefit plans		(253)	(253)
Other comprehensive income or expenses to be reclassified to profit or loss		114.932	116.448
-Foreign currency translation differences		1.867	1.791
-Gains (losses) on cash flow hedges		(66.901)	(52.208)
-Gains (losses) on the revaluation and/or reclassification of available-for-sale financial assets		179.966	166.865
Restricted reserves		350.430	320.430
Retained earnings		1.566.767	1.391.086
Net profit for the period		276.541	418.375
Equity attributable to equity holders of the parent		2.672.479	2.610.148
Non-controlling interests		942	672
Total equity and liabilities		4.072.937	3.916.324

The accompanying accounting policies and notes presented between pages 7 and 40 form an integral part of these interim condensed consolidated financial statements.

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

Consolidated profit or loss and other comprehensive income statement

for the nine month interim period ended September 30, 2016

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

	Notes	Unaudited		Reclassified (Note 2.3)	July 1 - September 30, 2015
		January 1 - September 30, 2016	July 1 - September 30, 2016	Unaudited January 1 - September 30, 2015	
Revenue		4.904.788	1.844.817	4.814.074	1.850.519
Cost of sales (-)		(4.318.993)	(1.627.884)	(4.324.962)	(1.669.689)
Gross profit		585.795	216.933	489.112	180.830
General administrative expenses (-)		(156.118)	(56.192)	(131.018)	(42.899)
Marketing, expenses (-)		(202.703)	(75.824)	(186.657)	(66.727)
Research and development expenses (-)		(2.636)	(907)	(1.552)	(797)
Other operating income		64.073	16.758	71.172	25.242
Other operating expenses (-)		(55.699)	(16.267)	(85.358)	(35.344)
Operating profit		232.712	84.501	155.699	60.305
Income from investment activities		878	53	7.249	7
Loss from investment activities (-)		(563)	(541)	(496)	(171)
Profit /losses from investments accounted under equity method	10	110.946	57.899	153.086	68.559
Operating profit before financial income (expense)		343.973	141.912	315.538	128.700
Financial income		174.104	25.416	157.819	91.868
Financial expense (-)		(207.005)	(35.674)	(179.128)	(98.591)
Profit from continuing operations before tax		311.072	131.654	294.229	121.977
Tax income (expense), continuing operations					
- Current tax expense for the period (-)	17	(38.460)	(12.529)	(17.415)	(8.090)
- Deferred tax income (expense)	17	4.199	(579)	(4.005)	(1.206)
Profit for the period		276.811	118.546	272.809	112.681
Distribution of profit for the period					
Non-controlling interest		270	95	59	7
Equity holders of the parent		276.541	118.451	272.750	112.674
Earnings per share (TL)	16	0,921803	0,394837	0,909167	0,375580
Diluted earnings per share (TL)	16	0,921803	0,394837	0,909167	0,375580
Other comprehensive income					
Not to be reclassified to profit or loss					
Actuarial gain (loss) arising from defined benefit plans		-	-	(102)	-
To be reclassified as profit or loss					
Foreign currency translation differences		76	79	751	407
Gains/losses on cash flow hedging		(14.693)	(9.341)	(76.022)	(52.782)
Gains (losses) on the revaluation and/or reclassification of available-for-sale financial assets		13.790	-	(29.550)	-
Other comprehensive income not to be reclassified to profit or loss, tax effect					
Gains (losses) on the revaluation and/or reclassification of available-for-sale financial assets, tax effect		(689)	-	1.478	-
Other comprehensive income/(expense) (after taxation)		(1.516)	(9.262)	(103.445)	(52.375)
Total comprehensive income		275.295	109.284	169.364	60.306
Distribution of total comprehensive income					
Non-controlling interest		270	95	59	7
Equity holders of the parent		275.025	109.189	169.305	60.299

The accompanying accounting policies and notes presented between pages 7 and 40 form an integral part of these interim condensed consolidated financial statements.

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

Consolidated statement of changes in equity

for the period ended September 30, 2016

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

	Share capital	Adjustment to share capital	Adjustment to share capital due to cross-ownership (-)	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
				Actuarial gain (loss) arising from defined benefit plans	Foreign currency translation differences	Gains (losses) on cash flow hedging	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, 2015	300.000	71.504	(7.442)	(2.892)	1.230	(46)	241.725	303.833	1.232.650	217.958	2.358.520	670	2.359.190
Effect of prior year period adjustments	-	-	-	-	-	-	-	-	57.075	-	57.075	-	57.075
Transfers	-	-	-	-	-	-	-	8.500	209.458	(217.958)	-	-	-
Total comprehensive income (loss)	-	-	-	(102)	751	(76.022)	(28.072)	-	-	272.750	169.305	59	169.364
Net income	-	-	-	-	-	-	-	-	-	272.750	272.750	59	272.809
Other comprehensive income (loss)	-	-	-	(102)	751	(76.022)	(28.072)	-	-	-	(103.445)	-	(103.445)
Dividend paid	-	-	-	-	-	-	-	-	(100.000)	-	(100.000)	(85)	(100.085)
Balance as of September 30, 2015	300.000	71.504	(7.442)	(2.994)	1.981	(76.068)	213.653	312.333	1.399.183	272.750	2.484.900	644	2.485.544
Unaudited													
Balance as of January 1, 2016	300.000	71.504	(7.442)	(253)	1.791	(52.208)	166.865	320.430	1.391.086	418.375	2.610.148	672	2.610.820
Effect of prior year period adjustments	-	-	-	-	-	-	-	-	102.306	-	102.306	-	102.306
Transfers	-	-	-	-	-	-	-	30.000	388.375	(418.375)	-	-	-
Total comprehensive income (loss)	-	-	-	-	76	(14.693)	13.101	-	-	276.541	275.025	270	275.295
Net income	-	-	-	-	-	-	-	-	-	276.541	276.541	270	276.811
Other comprehensive income (loss)	-	-	-	-	76	(14.693)	13.101	-	-	-	(1.516)	-	(1.516)
Dividend paid (Note 15)	-	-	-	-	-	-	-	-	(315.000)	-	(315.000)	-	(315.000)
Balance as of September 30, 2016	300.000	71.504	(7.442)	(253)	1.867	(66.901)	179.966	350.430	1.566.767	276.541	2.672.479	942	2.673.421

The accompanying accounting policies and notes presented between pages 7 and 40 form an integral part of these interim condensed consolidated financial statements.

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

**Consolidated statement of cash flows
for the period ended September 30, 2016
(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless
otherwise indicated.)**

		Unaudited January 1- September 30, 2016	Unaudited January 1- September 30, 2015
	Notes		
Cash flows from operating activities		488.283	129.582
Net income from continuing operations		276.811	272.809
Adjustments related with the reconciliation of net profit (loss) for the period		84.222	40.092
-Adjustments for depreciation and amortization expenses	11, 12	64.595	64.949
-Adjustments for impairment loss (reversal)		761	1.074
-Adjustments for provisions		47.301	73.159
-Adjustments for dividend (income) expense		(264)	(6.507)
-Adjustments for interest income		(21.936)	(9.609)
-Adjustments for interest expense		46.849	33.228
-Adjustments for unrealized foreign exchange differences		5.096	33.861
-Adjustments for fair value losses (gains) on derivative financial instruments		18.288	(18.119)
-Adjustments for undistributed profits of investments accounted under equity method	10	(110.946)	(153.086)
-Adjustments for tax (income) expenses	17	34.261	21.420
-Adjustments for losses (gains) on disposal of non-current assets		(51)	(246)
-Other adjustments for reconciliation of profit (loss)		268	(32)
Changes in working capital:		190.945	(167.893)
-Adjustments for decrease (increase) in trade receivables		44.506	(155.981)
-Adjustments for decrease (increase) in other operating receivables		101.443	(23.950)
-Adjustments for decrease (increase) in inventories		40.947	(79.780)
-Decrease (increase) in prepaid expenses		866	(1.589)
-Adjustments for increase (decrease) in trade payables		(59.837)	(21.443)
-Increase (decrease) in liabilities for employee benefits		(19.960)	(38.267)
-Adjustments for increase (decrease) in other operating payables		83.616	154.330
-Increase (decrease) in deferred income		(636)	(1.213)
Cash flows from operating activities		551.978	145.008
-Payments related to provisions for employee benefits		(3.261)	(2.256)
-Tax returns (payments)		(60.434)	(13.170)
Cash flows from investing activities		26.502	(116.536)
Cash inflows from the sale of property, plant and equipment and intangible assets		5.331	4.348
Cash outflows from the purchase of property, plant and equipment and intangible assets	11, 12	(66.115)	(127.391)
Dividends received		87.286	6.507
Cash flows from financing activities		(292.585)	77.453
Proceeds from borrowings		2.104.446	2.047.578
Repayments of borrowings		(2.060.704)	(1.847.951)
Dividends paid		(315.000)	(100.085)
Interest paid		(43.505)	(31.698)
Interest received		22.178	9.609
Net increase (decrease) in cash and cash equivalents		222.200	90.499
Cash and cash equivalents at the beginning of the period	4	288.637	160.904
Cash and cash equivalents at the end of the period	4	510.837	251.403

The accompanying accounting policies and notes presented between pages 7 and 40 form an integral part of these interim condensed consolidated financial statements.

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of September 30, 2016

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

1. Organization and operations of the Company

The main activity of Aygaz Anonim Şirketi ("the Company" or "Aygaz") is the purchase of liquid petroleum gas ("LPG") in bulk from domestic refineries and the overseas market and delivery to retailers for distribution to customers. As a result of the merger in 2001 with Gaz Aletleri A.Ş., the Company started to manufacture LPG cylinders, LPG tanks, LPG stoves and other supplementary materials which support the Company's main business and which are necessary equipment for the end-user. The ultimate and controlling shareholder is Koç Holding A.Ş.

The Company is registered at the Capital Markets Board of Turkey ("CMB") and as of September 30, 2016 24,27% of its shares have been quoted at Borsa İstanbul.

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

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

As of September 30, 2016, number of personnel employed by categories in Aygaz and its subsidiaries (together with referred to as the "Group") is 704 white-collar (December 31, 2015: 696) and 743 blue-collar (December 31, 2015: 698) totaling to 1.447 (December 31, 2015: 1.394).

Subsidiaries

Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. ("Akpa") reached to its current structure with the merger of four subsidiaries of Koç Holding Energy Group at the end of 2001. Before the merger, four companies were operating separately from each other in Bursa, Eskişehir, Ankara and Antalya. At the time of merger the 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. In October 2012, the Company has purchased shares with a nominal amount of TL 4 from natural persons and raised Group's effective control to 100%. On July 22, 2014, Akpa, which already had 8% ownership of Zinerji A.Ş., acquired 100% ownership of Zinerji from other shareholders including the Company, by purchasing the rest of the shares with a nominal value of TL 184 thousand representing 92% of total capital, with a price of TL 3.404 thousand, with the decision taken through Board of Directors held on July 24, 2014. By the decision taken through Boards of Directors held on October 30, 2014, the procedures related with the acquisition of Zinerji A.Ş. by Akpa have been registered on December 10, 2014. The merger of Akpa, with Zinerji A.Ş., through a whole take-over of all assets and liabilities were completed as of registration date.

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

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of September 30, 2016 (continued)

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

1. Organization and operations of the Company (continued)

Within July 2010, the Company has restructured its shipping operations under new legal entities, and established Anadoluhisarı Tankercilik A.Ş. ("Anadolu Hisarı"), Kandilli Tankercilik A.Ş. ("Kandilli"), Kuleli Tankercilik A.Ş. ("Kuleli") and Kuzguncuk Tankercilik A.Ş. ("Kuzguncuk") with an effective ownership interest of 100%. The main activities of these companies are to purchase, build or rent vessels and to operate them in domestic and/or overseas transportation of crude oil, petroleum products, liquid petroleum gas, natural gas and solid, liquid and liquefied products. Kandilli Tankercilik A.Ş. has decided to increase share capital from TL 8.500 thousand to TL 62.500 thousand in its Extraordinary General Meeting held on September 25, 2014. For the increased share amount of TL 54.000 thousand, the Company has paid TL 13.500 thousand in cash on September 26, 2014 and the remaining part amounting to TL 40.500 thousand was paid in cash on January 30, 2015.

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

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

Subsidiaries	Place of incorporation and Operation	Ownership interest (%)		Voting power right	Principal activity
		September 30, 2016	December 31, 2015		
Anadoluhisarı	Turkey	100%	100%	100%	Shipping
Kandilli	Turkey	100%	100%	100%	Shipping
Kuleli	Turkey	100%	100%	100%	Shipping
Kuzguncuk	Turkey	100%	100%	100%	Shipping
Akpa	Turkey	100%	100%	100%	Marketing
Aygaz Doğal Gaz Toptan Satış A.Ş.	Turkey	99,15%	99,15%	99,15%	Natural gas
Aygaz Doğal Gaz İletim A.Ş.	Turkey	99,59%	99,59%	99,59%	Natural gas
ADG Enerji	Turkey	100%	100%	100%	Natural gas

Investments in associates

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

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

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of September 30, 2016 (continued)

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

1. Organization and operations of the Company (continued)

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

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

Investments in associates	Place of incorporation and operation	Ownership interest (%)			Principal activity
		September 30, 2016	December 31, 2015	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

Joint ventures

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

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

Joint venture	Place of incorporation and operation	Ownership interest (%)			Principal activity
		September 30, 2016	December 31, 2015	Voting power right	
Opet Aygaz Gayrimenkul A.Ş. ("OAGM")	Turkey	%50,00	50,00%	50,00%	Real Estate

Approval of condensed consolidated financial statements:

The condensed consolidated financial tables for the nine months period ended on September 30, 2016 are approved on the Board of Directors meeting held on October 31, 2016 to be published.

2. Basis of presentation of consolidated financial statements

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

2.1 Basis of presentation

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

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of September 30, 2016 (continued)

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

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

The Group has prepared its condensed consolidated financial statements for the period ended on September 30, 2016 in accordance with TAS 34 “Interim Financial Reporting Standards”.

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

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

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

2.2 Changes in accounting policies

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

2.3 Comparative information and reclassifications on prior period financial statements

In order to enable determination of financial position and performance trends, the Group’s consolidated financial statements are prepared by comparison with the prior period. In order to provide an accurate comparison with current period, comparative figures are reclassified when necessary and significant differences are explained.

The Group has classified the total amount of TL 6.507 thousand of dividend income shown under other operating income to income from investment activities at consolidated statement of profit or loss and other comprehensive income for the interim period ended September 30, 2015.

2.4 Summary of significant accounting policies

The condensed interim consolidated financial statements of the Group for the nine month period ended September 30, 2016 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, 2016 are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2015. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2015.

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of September 30, 2016 (continued)

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

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

2.5 New and revised Turkey Financial Reporting Standards

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at September 30, 2016 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2016. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

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

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

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. The amendments did not have an impact on the financial position or performance of the Group.

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments)

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments did not have an impact on the financial position or performance of the Group.

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

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

TAS 27 Equity Method in Separate Financial Statements (Amendments)

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

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

The entity must apply the same accounting for each category of investments. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of September 30, 2016 (continued)

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

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

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

Amendments issued to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors’ interests in that former subsidiary. The amendment is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

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

Amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the following issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements; i) the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value, ii) only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value, iii) the amendments to TAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

TAS 1: Disclosure Initiative (Amendments)

The amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. These amendments did not have significant impact on the notes to the interim condensed consolidated financial statements of the Group.

Annual Improvements to TFRSs, 2012-2014 Cycle

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

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

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of September 30, 2016 (continued)

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

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

- TAS 34 Interim Financial Reporting –clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

The amendment did not have any impact on the financial position or performance of the Group.

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

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

TFRS 9 Financial Instruments – Classification and measurement

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

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

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

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

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of September 30, 2016 (continued)

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

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

Annual Improvements, 2010–2012 Cycle

IFRS 13 Fair Value Measurement

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

Annual Improvements – 2011–2013 Cycle

IFRS 9 Financial Instruments - Final standard (2014)

On June, 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 16 Leases

On January, 2016, the IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

On January, 2016 the IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Group applies this relief, it shall disclose that fact. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Aygaz Anonim Şirketi and Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2016 (continued)**

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

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

IAS 7 Statement of Cash Flows (Amendments)

On January, 2016 the IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Group first applies those amendments, it is not required to provide comparative information for preceding periods. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

The IASB issued amendments to IFRS 2 Share-based Payment on June 2016, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
- c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IFRS 4 Insurance Contracts (Amendments)

In September 2016, the IASB issued amendments to IFRS 4 Insurance Contracts. The 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 recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 Financial instruments 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 Financial instruments until 2021. The entities that defer the application of IFRS 9 Financial instruments will continue to apply the existing financial instruments Standard-IAS 39.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of September 30, 2016 (continued)

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

3. Segment reporting

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

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

- Gas and petroleum products
- Electricity
- Other

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

As of September 30, 2016 and December 31, 2015, assets and liabilities according to industrial segments are as follows:

	September 30, 2016				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Assets					
Current assets	1.062.807	-	99.689	(9.592)	1.152.904
Non-current assets	2.583.532	349.065	244.967	(257.531)	2.920.033
Total assets	3.646.339	349.065	344.656	(267.123)	4.072.937
Liabilities					
Short-term liabilities	822.853	-	33.264	(9.593)	846.524
Long-term liabilities	543.415	-	16.787	(7.210)	552.992
Equity	2.280.071	349.065	294.605	(250.320)	2.673.421
Total liabilities and equity	3.646.339	349.065	344.656	(267.123)	4.072.937
Investments accounted under equity method	1.468.448	349.065	79.205	-	1.896.718
					December 31, 2015
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Assets					
Current assets	927.624	-	103.194	(5.627)	1.025.191
Non-current assets	2.566.893	330.875	246.561	(253.196)	2.891.133
Total assets	3.494.517	330.875	349.755	(258.823)	3.916.324
Liabilities					
Short term liabilities	823.016	-	29.453	(5.632)	846.837
Long term liabilities	449.642	-	15.726	(6.701)	458.667
Equity	2.221.859	330.875	304.576	(246.490)	2.610.820
Total liabilities and equity	3.494.517	330.875	349.755	(258.823)	3.916.324
Investments accounted under equity method	1.459.501	330.875	76.805	-	1.867.181

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of September 30, 2016 (continued)

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

3. Segment reporting (continued)

For the period ended September 30, 2016 and 2015, profit or loss statements according to industrial segments are as follows:

	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
Investments accounted under equity method					
	89.635	18.911	2.400	-	110.946

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of September 30, 2016 (continued)

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

3. Segment reporting (continued)

	January 1 - September 30, 2015				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Revenue	4.607.914	-	320.443	(114.283)	4.814.074
Cost of sales (-)	(4.166.488)	-	(273.239)	114.765	(4.324.962)
Gross profit	441.426	-	47.204	482	489.112
General administrative expenses (-)	(116.494)	-	(15.362)	838	(131.018)
Marketing, expenses (-)	(177.563)	-	(9.094)	-	(186.657)
Research and development expenses (-)	(1.552)	-	-	-	(1.552)
Other operating income	64.378	-	8.275	(1.481)	71.172
Other operating expenses (-)	(80.313)	-	(5.720)	675	(85.358)
Operating profit	129.882	-	25.303	514	155.699
Income from investment activities	56.487	-	677	(49.915)	7.249
Loss from investment activities (-)	(391)	-	(105)	-	(496)
Profit (losses) from investments accounted under equity method	151.401	769	916	-	153.086
Operating profit before financial income (expense)	337.379	769	26.791	(49.401)	315.538
Financial income	148.991	-	8.828	-	157.819
Financial expense (-)	(178.720)	-	(408)	-	(179.128)
Profit from continuing operations before tax	307.650	769	35.211	(49.401)	294.229
Tax income (expense), continuing operations					
Current tax expense for the period (-)	(13.919)	-	(3.496)	-	(17.415)
Deferred tax income (expense)	(4.016)	-	11	-	(4.005)
Profit for the period	289.715	769	31.726	(49.401)	272.809
Investments accounted under equity method	151.401	769	916	-	153.086

The amortization and depreciation expense for the industrial segmental assets for the period ended as of September 30, 2016 and 2015 are as follows:

	January 1- September 30, 2016	January 1 - September 30, 2015
Gas and petroleum products	56.841	57.598
Other	7.754	7.351
	64.595	64.949

Aygaz Anonim Şirketi and Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2016 (continued)**

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

3. Segment reporting (continued)

The investment expenditures for the industrial segmental assets for the periods ended as of September 30, 2016 and 2015 are as follows:

	January 1- September 30, 2016	January 1 - September 30, 2015
Gas and petroleum products	63.423	58.403
Other (*)	2.692	68.988
	66.115	127.391

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

4. Cash and cash equivalents

	September 30, 2016	December 31, 2015
Cash on hand	233	181
Cash at banks	473.917	258.820
- Demand deposits	18.285	19.653
- Time deposits	455.632	239.167
Receivables from credit card transactions	36.687	29.636
Total cash and cash equivalents	510.837	288.637

As of September 30, 2016 the Group's TL time deposits amounting to TL 328.872 thousand have maturities of 3-34 days and interest rate of 10,20-11,40%; USD time deposits amounting to USD 42.310 thousand (TL 126.760 thousand) have maturities of 3-4 days and interest rate of 1,75% (As of December 31, 2015 the Group's TL time deposits amounting to TL 134.228 thousand have maturities of 4-37 days and interest rates of 10,6-14,00%; USD time deposits amounting to USD 36.090 thousand (TL104.939 thousand) have a maturity of 4-6 days and an interest rate of 1,75%).

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, 2016 and December 31, 2015:

	September 30, 2016		December 31, 2015	
	Participation amount	Participation rate %	Participation amount	Participation rate %
Koç Finansal Hizmetler A.Ş. (*)	279.740	1,97	265.950	1,97
Ram Dış Ticaret A.Ş. (**)	728	2,50	1.000	2,50
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. (***)	540	10,00	540	10,00
Tat Gıda Sanayi A.Ş. (**)	80	0,08	76	0,08
Other (***)	436	-	436	-
	281.524		268.002	

(*) Stated at fair value, the difference between the acquisition cost and fair value are accounted as gains (losses) on the revaluation of available-for-sale financial assets under equity also considering the deferred tax effect.

(**) Stated at fair value, increase/decrease in value is accounted as "profit from increase/decrease in value" under consolidated profit or loss.

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

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of September 30, 2016 (continued)

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

6. Financial borrowings

As of September 30, 2016 and December 31, 2015 the Group's short-term financial borrowings are as follows:

	September 30, 2016	December 31, 2015
USD-denominated short-term bank borrowings	-	58.722
TL-denominated short-term bank borrowings (*)	3.110	7.406
Total short-term bank borrowings	3.110	66.128
Short-term portion and interest accruals of TL-denominated long-term bank borrowings	86.460	91.337
Short-term portion and interest accruals of USD-denominated long-term bank borrowings	11.662	81.254
Short-term portion of long-term bond issued (**)	109.311	9.887
Total short-term portion of long-term financial borrowings	207.433	182.478

(*) As of September 30, 2016, the Group has interest free loan with a total amount of TL 3.110 thousand which was used for SSI payment amounting to TL 1.963 thousand and custom expenses payment amounting to TL 1.147 thousand (December 31, 2015: TL 2.204 thousand).

(**) On March 18, 2015, March 30, 2015 and January 28, 2016 the Group has issued a fixed rate bond with a nominal value of TL 100.000 thousand, with a maturity of 728 days and half-yearly coupon payments, a floating rate bond with a nominal value of TL 60.000 thousand, with a maturity of 1.092 days and quarter-yearly coupon payments, a fixed rate bond with a nominal value of TL 75.000 thousand, with a maturity of 728 days and half-yearly coupon payments, respectively. As of September 30, 2016, net present value of these issued bonds is TL 237.104 thousand (TL 127.793 thousand of this amount is shown as long-term bond issued) and their effective interest rates are 10,55% - 11,67% and 13,09% respectively.

As of September 30, 2016, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	-	3.110	3.110
			3.110

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

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

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2016 (continued)**

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

6. Financial borrowings (continued)

As of September 30, 2016 and December 31, 2015 the Group's long-term financial borrowings are as follows:

	September 30, 2016	December 31, 2015
TL-denominated long-term bank borrowings	110.911	81.286
USD-denominated long-term bank borrowings	154.289	68.329
Total long-term bank borrowings	265.200	149.615
Long-term bonds issued	127.793	153.133
Total long-term bonds	127.793	153.133
Total long-term financial borrowings	392.993	302.748

As of September 30, 2016 the details of long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	11,60-14,32	197.371	197.371
USD	2,69-4,03	55.393	165.951
			363.322
Short-term portion and interest accruals of long-term borrowings			(98.122)
			265.200

As of December 31, 2015 the details of long-term bank borrowings are as follows:

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

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of September 30, 2016 (continued)

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

7. Derivative financial instruments

As of September 30, 2016 and December 31, 2015, the Group's derivative financial instruments are as follows:

Short-term derivative financial instruments	September 30, 2016		December 31, 2015	
	Contract amount	Fair value assets/(liabilities)	Contract amount	Fair value assets/(liabilities)
Forward transactions (*)	37.441	562	68.761	(1.475)
Foreign currency swap contracts	-	-	50.635	19.654

Long-term derivative financial instruments	September 30, 2016		December 31, 2015	
	Contract amount	Fair value assets/(liabilities)	Contract amount	Fair value assets/(liabilities)
Foreign currency swap contracts (**)	91.350	(671)	-	-

(*) As of September 30, 2016 the Group made forward transaction with a maturity of 49-91 days and nominal value amounting to USD 12.500 thousand.

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

8. Trade receivables and payables from third parties

The Group's trade receivables from third parties as of September 30, 2016 and December 31, 2015 are as follows:

	September 30, 2016	December 31, 2015
Current trade receivables from third parties		
Trade receivables	376.707	434.185
Notes receivables	42.133	39.628
Allowance for doubtful receivables (-)	(21.207)	(20.713)
Total current trade receivables from third parties	397.633	453.100

	September 30, 2016	December 31, 2015
Non-current trade receivables from third parties		
Notes receivable	5.840	6.791
Total non-current trade receivables from third parties	5.840	6.791

The Group's trade payables to third parties as of September 30, 2016 and December 31, 2015 are as follows:

	September 30, 2016	December 31, 2015
Short-term trade payables to third parties		
Trade payables	198.993	229.216
Total short-term trade payables to third parties	198.993	229.216

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of September 30, 2016 (continued)

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

9. Inventories

	September 30, 2016	December 31, 2015
Raw materials	120.480	150.698
Trade goods	15.218	17.264
Goods in transit	512	5.054
Finished goods	8.014	12.399
Work in process	1.906	1.662
Allowance for impairment on inventory	(1.053)	(1.053)
Total inventories	145.077	186.024

As of September 30, 2016, inventories includes 39.801 tons of LPG (December 31, 2015 - 57.795 tons).

10. Equity investments

	September 30, 2016		December 31, 2015	
	Participation amount	Participation rate %	Participation amount	Participation rate %
EYAŞ acquisition value	669.400		669.400	
Adjustment to share capital	(7.442)		(7.442)	
Currency translation differences	1.867		1.791	
Legal reserves	24.196		15.494	
Actuarial gains (losses) arising from defined benefit plans	(369)		(369)	
Gains (losses) from cash flow hedging	(66.081)		(52.109)	
Group's share in accumulated profit (losses) after the acquisition date	913.669		825.886	
Dividend distributed	(87.022)		-	
Effect of prior year period adjustments	20.230		6.850	
	1.468.448	%20,00	1.459.501	%20,00
Entek acquisition value	118.930		118.930	
Acquisition of additional shares	147.831		147.831	
Participation in share capital increase of equity investment	108.300		108.300	
Fair value adjustment for share purchase	548		548	
Actuarial gains (losses) arising from defined benefit plans	(102)		(102)	
Gains (losses) from cash flow hedging	(820)		(99)	
Group's share in accumulated profit (losses) after the acquisition date	(25.622)		(48.064)	
Effect of prior year period adjustments	-		3.531	
	349.065	%49,62	330.875	%49,62
OAGM subsidiary value	45.000		45.000	
Participation in share capital increase of equity investment	30.000		30.000	
Group's share in accumulated profit (losses) realized after the date of establishment	4.205		1.805	
	79.205	%50,00	76.805	%50,00
Total	1.896.718		1.867.181	

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2016 (continued)**

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

11. Property, plant and equipment

	Land	Land improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furnitures and fixtures	Leasehold improvements	Construction in progress	Total
Acquisition cost									
Opening balance as of January 1, 2016	16.204	135.114	70.872	1.607.299	251.221	58.489	25.745	17.584	2.182.528
Additions	-	-	-	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 for 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.

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2016 (continued)**

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

11. Property, plant and equipment (continued)

	Land	Land improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furnitures and fixtures	Leasehold improvements	Construction in progress	Total
Acquisition cost									
Opening balance as of January 1, 2015	16.204	122.673	70.847	1.577.648	179.650	55.463	25.022	16.135	2.063.642
Additions	-	-	-	2.374	68.744	242	451	55.576	127.387
Transfers (*)	-	65	60	30.346	423	2.203	17	(33.146)	(32)
Disposals	-	(175)	(170)	(14.603)	(2.141)	(2.454)	(56)	-	(19.599)
Ending balance as of September 30, 2015	16.204	122.563	70.737	1.595.765	246.676	55.454	25.434	38.565	2.171.398
Accumulated depreciation									
Opening balance as of January 1, 2015	-	52.523	47.247	1.220.227	94.012	40.953	23.617	-	1.478.579
Charge of the period	-	3.441	1.489	41.332	10.878	3.332	593	-	61.065
Disposals	-	(107)	(6)	(12.345)	(1.518)	(1.509)	(12)	-	(15.497)
Ending balance as of September 30, 2015	-	55.857	48.730	1.249.214	103.372	42.776	24.198	-	1.524.147
Net book value as of September 30, 2015	16.204	66.706	22.007	346.551	143.304	12.678	1.236	38.565	647.251

(*) TL 32 thousand under “Construction in progress” under the account property, plant and equipment has been classified to intangible fixed assets.

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of September 30, 2016 (continued)

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

12. Intangible assets

	Rights	Total
<u>Acquisition costs</u>		
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
<u>Accumulated depreciation</u>		
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 assets.

	Rights	Total
<u>Acquisition costs</u>		
Opening balance as of January 1, 2015	53.825	53.825
Additions	4	4
Transfers (*)	32	32
Ending balance as of September 30, 2015	53.861	53.861
<u>Accumulated depreciation</u>		
Opening balance as of January 1, 2015	28.077	28.077
Charge for the period	3.884	3.884
Ending balance as of September 30, 2015	31.961	31.961
Carrying value as of September 30, 2015	21.900	21.900

(*) TL 32 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible assets.

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2016 (continued)**

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

13. Commitments, contingent assets and liabilities

Guarantees given	September 30, 2016	December 31, 2015
Letter of guarantees given for gas purchase	745.040	815.301
Other letter of guarantees given	30.722	27.388
Total guarantees given	775.762	842.689

The liability for environmental pollution:

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

National inventory reserve liability:

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

Competition Board Investigation:

Company, received an investigation notification letter dated on August 13, 2015 from the Competition Board informing that with a decision dated on August 5, 2015 and numbered 15-33/477-M that an investigation opened against the Company concerning whether there has been a violation of Article 4 of the Law No.4054 on the Protection of Competition through the setting of resale prices of Company dealers and demanded defence of Company. The investigation process of the Competition Board continues.

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2016 (continued)**

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

13. Commitments, contingent assets and liabilities (continued)

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

	September 30, 2016						December 31, 2015			
	Euro	USD	Other	TL Total	TL	Euro	USD	Other	TL	TL Total
A. CPMBs given on behalf of the Company’s legal personality	41.266	5.532	-	593.042	639.840	37.848	61.802	57	584.530	684.237
B. CPMBs given in favor of subsidiaries included in full consolidation (*)	-	51.377	-	84.545	135.922	-	93.075	-	65.377	158.452
C. CPMBs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	-	-	-	-	-	-	-	-	-	-
D. Other CPMB’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 CPMB	41.266	56.909	-	677.587	775.762	37.848	154.877	57	649.907	842.689

(*) As of September 30, 2016 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, 2015: TL 693 thousand).

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of September 30, 2016 (continued)

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

14. Other short-term provisions and other current liabilities

Other short-term provisions	September 30, 2016	December 31, 2015
Special Consumption Tax (SCT) provision on imported LPG	55.713	68.496
Provision for other operating expenses	22.640	3.537
Provision for lawsuit	4.199	5.724
Provision for selling and marketing expenses	6.203	4.540
Provision for EMRA contribution	2.486	3.399
Provision for warranty expenses	5.274	1.274
Total other short term provisions	96.515	86.970

Other current liabilities	September 30, 2016	December 31, 2015
Taxes and funds payable	175.145	95.824
Other liabilities	4.988	2.153
Total other current liabilities	180.133	97.977

15. Share capital

As of September 30, 2016 and December 31, 2015 the share capital held is as follows:

Shareholders	Participation rate	September 30, 2016	Participation rate	December 31, 2015
Koç Holding A.Ş.	40,68%	122.054	40,68%	122.054
Liquid Petroleum Gas Development Company ("LPGDC") (*)	24,52%	73.546	24,52%	73.546
Temel Ticaret ve Yatırım A.Ş.	5,29%	15.884	5,29%	15.884
Koç Family	5,24%	15.705	5,24%	15.705
Publicly held (*)	24,27%	72.811	24,27%	72.811
Nominal capital	100,00%	300.000	100,00%	300.000
Inflation adjustment (**)		71.504		71.504
Adjusted capital		371.504		371.504

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

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

Dividend paid

In the Ordinary General Meeting held on April 4, 2016, the Company decided to reserve TL 30.000 thousand as legal reserves and distribute TL 315.000 thousand gross dividends from the net distributable income of 2015. According to this decision, the Company has begun dividend payments on April 11, 2016.

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of September 30, 2016 (continued)

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

16. Earnings per share

	January 1 – September 30, 2016	July 1 – September 30, 2016	January 1 – September 30, 2015	July 1 – September 30, 2015
Average number of shares throughout the period (thousand)	300.000	300.000	300.000	300.000
Net profit for the year attributable to equity holders of the parent	276.541	118.451	272.750	112.674
Earnings per share (TL)	0,921803	0,394837	0,909167	0,375580
Diluted earnings per share (TL)	0,921803	0,394837	0,909167	0,375580

17. Tax assets and liabilities

	September 30, 2016	December 31, 2015
Current tax liability		
Current corporate tax provision	58.979	44.905
Less: Prepaid taxes and funds	(52.043)	(36.138)
Current tax liability	6.936	8.767
Tax expense:	January 1- September 30, 2016	January 1- September 30, 2015
Current corporate tax provision	(38.460)	(17.415)
Deferred tax income (expense)	4.199	(4.005)
	(34.261)	(21.420)

Corporate tax

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

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

The effective rate of tax in 2016 is 20% (2015: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2016 is 20% (2015: 20%). Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. Tax carry back is not allowed.

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

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of September 30, 2016 (continued)

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

17. Tax assets and liabilities (continued)

Deferred tax

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

	September 30, 2016	December 31, 2015
Deferred tax (assets) / liabilities:		
Restatement and depreciation/amortization differences of property, plant and equipment and other intangible assets	36.318	35.771
Differences from the revaluation of available-for-sale financial assets	9.471	8.782
Provision for employment termination benefits	(5.335)	(4.725)
Valuation of inventories	(586)	(1.369)
Other	(5.184)	(265)
	34.684	38.194

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

	September 30, 2016			December 31, 2015		
	Deferred tax			Deferred tax		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Aygaz A.Ş.	(11.951)	45.767	33.816	(8.671)	46.406	37.735
Akpa A.Ş.	(845)	471	(374)	(897)	464	(433)
Aygaz Doğal Gaz	(493)	1.735	1.242	(868)	1.760	892
	(13.289)	47.973	34.684	(10.436)	48.630	38.194

Movement of deferred tax from continuing operations is as follows:

Movement of deferred tax (asset) / liability:	2016	2015
Opening balance as of January 1	38.194	35.549
Deferred tax expense (income)	(4.199)	4.005
Deferred tax correlated with gains (losses) on revaluation of available-for-sale financial assets	689	(1.478)
Closing balance as of September 30	34.684	38.076

Aygaz Anonim Şirketi and Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2016 (continued)**

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

18. Transactions with related parties (continued)

January 1 - September 30, 2016				
Tangible-intangible asset and rent transactions with related parties	Rent income	Rent expense	Tangible-intangible asset purchases	Tangible-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

January 1 - September 30, 2015				
Tangible-intangible asset and rent transactions with related parties	Rent income	Rent expense	Tangible-intangible asset purchases	Tangible-intangible asset sales
Group companies (*)				
Opet Petrolcülük A.Ş.	392	16	-	-
Yapı Kredi Bankası A.Ş.	-	186	-	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	2.187	1.083	94
Türkiye Petrol Rafinerileri A.Ş.	-	13	-	-
Otokar Otomotiv ve Savunma Sanayi A.Ş.	-	-	592	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	795	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	95	-
Arçelik A.Ş.	-	-	10	-
Other	-	-	2	7
Shareholders				
Koç Family Members	-	649	-	-
	392	3.051	2.577	101

(*) Group companies include Koç Group companies.

Aygaz Anonim Şirketi and Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2016 (continued)**

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

18. Transactions with related parties (continued)

January 1 - September 30, 2016				
Financial and other transactions with related parties	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

January 1 - September 30, 2015				
Financial and other transactions with related parties	Financial income	Financial expense	Other income	Other expense
Group companies (*)				
Yapı Kredi Bankası A.Ş.	17.643	3.922	-	-
Opet Petrolcülük A.Ş.	-	-	-	476
Koç Finansal Hizmetler A.Ş.	-	-	6.353	-
Ram Dış Ticaret A.Ş.	-	-	150	-
Vehbi Koç Vakfı	-	-	-	26
Ditaş Deniz İşletmeciliği ve Tic. A.Ş.	-	-	4	-
	17.643	3.922	6.507	502

	September 30, 2016	December 31, 2015
Cash at banks		
Group companies (*)		
Yapı Kredi Bankası A.Ş.	351.460	220.777
Credit card receivables		
Group companies (*)		
Yapı Kredi Bankası A.Ş.	34.482	27.059
Bank Loans		
Group companies (*)		
Yapı Kredi Bankası A.Ş.	1.963	6.953

(*) Group companies include Koç Group companies.

Benefits to Top Management

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

Benefits to top management personnel includes salaries, premiums, Social Security Institution employer's contribution, employer's contribution of unemployment insurance and the attendance fees of board of directors. Total of the benefit provided to senior management of the Group as of September 30, 2016 is TL 6.017 thousand (September 30, 2015: TL 5.478 thousand).

Aygaz Anonim Şirketi and Subsidiaries**Notes to the interim condensed consolidated financial statements****as of September 30, 2016 (continued)**

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

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

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

Foreign currency risk management

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

The Group manages its foreign currency risk by regularly considering and reflecting the foreign exchange rate changes in the determination of product prices. As of September 30, 2016, the Group has LPG amounting to TL 43.562 thousand (December 31, 2015 TL 64.808 thousand).

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

	Total TL equivalent	TL equivalent of USD	TL equivalent of Euro	TL equivalent of other
September 30, 2016				
1. Trade receivables	25.319	24.714	605	-
2.a Monetary financial assets	128.714	127.881	536	297
2.b Non-monetary financial assets	-	-	-	-
3. Other	180	49	131	-
4. Current assets	154.213	152.644	1.272	297
5. Trade receivables	-	-	-	-
6.a Monetary financial assets	-	-	-	-
6.b Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets	-	-	-	-
9. Total assets	154.213	152.644	1.272	297
10. Trade payables	(105.067)	(104.544)	(509)	(14)
11. Financial liabilities	(11.662)	(11.662)	-	-
12.a Other monetary financial liabilities	-	-	-	-
12.b Other non-monetary financial liabilities	(868)	(868)	-	-
13. Current liabilities	(117.597)	(117.074)	(509)	(14)
14. Trade payables	-	-	-	-
15. Financial liabilities	(154.289)	(154.289)	-	-
16.a Other monetary financial liabilities	-	-	-	-
16.b Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities	(154.289)	(154.289)	-	-
18. Total liabilities	(271.886)	(271.363)	(509)	(14)
19. Net foreign currency asset/liability position of off balance sheet derivatives (19a-19b)	131.821	131.821	-	-
19.a Total hedged assets	131.821	131.821	-	-
19.b Total hedged liabilities	-	-	-	-
20. Net foreign currency asset/liability position(9+18+19)	14.148	13.102	763	283
21. Net foreign currency asset/liability position of monetary items (1+2a+5+6a+10+11+12a+14+15+16a)	(116.985)	(117.900)	632	283
22. Fair value of foreign currency hedged financial assets	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Export	315.427	296.044	18.312	1.071
26. Import	1.195.347	1.184.769	8.511	2.067

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of September 30, 2016 (continued)

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

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

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

Aygaz Anonim Şirketi and Subsidiaries**Notes to the interim condensed consolidated financial statements****as of September 30, 2016 (continued)**

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

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

As of September 30, 2016 and December 31, 2015, the sensitivity analysis of the Group's pre-tax income against 10% change in USD and Euro (when other variables are held constant) are as follows:

	September 30, 2016			
	Gain/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
10% fluctuation of USD rate				
USD net asset/liability	(11.790)	11.790	(11.790)	11.790
Secured portion from USD risk	13.182	(13.182)	13.182	(13.182)
USD net effect	1.392	(1.392)	1.392	(1.392)
10% fluctuation of Euro rate				
Euro net asset/liability	63	(63)	63	(63)
Secured portion from Euro risk	-	-	-	-
Euro net effect	63	(63)	63	(63)
Total	1.455	(1.455)	1.455	(1.455)

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

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of September 30, 2016 (continued)

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

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

Currency forward agreements

Currency forward agreements which are valid as of September 30, 2016 and December 31, 2015 are summarized at the table below.

						September 30, 2016
Maturity	Parity	Type of contract	Transactions	Total amount	Currency	
2 to 3 months	2,9850-3,0100	Forward	Sells TL, buys USD	12.500	USD	

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

Swap agreements

As of September 30, 2016 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 of financial instruments

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

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

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

Financial assets / liabilities	Level of fair value as of reporting date			
	September 30, 2016	1st Level	2nd Level	3rd Level
Available-for-sale financial assets (*)	280.548	80	280.468	-
Derivative financial instruments	(109)	-	(109)	-

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

(*) The Group has available for sale financial assets, which are not quoted in stock markets, and total amount of these financial assets is TL 976 thousand as of September 30, 2016 (December 31, 2015 – TL 976 thousand). The fair value of these financial assets cannot be measured reliably and stated at cost in the accompanying interim consolidated financial statements.

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of September 30, 2016 (continued)**

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

20. Events after balance sheet date

None.

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

None.