

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

Aygaz Anonim Őirketi and its Subsidiaries

**Consolidated financial statements as of December 31,
2012 together with independent auditors' report**

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

Aygaz Anonim Şirketi and its Subsidiaries

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(Convenience translation of the independent auditors' report originally issued in Turkish)

Independent auditors' report

**To the Board of Directors of
Aygaz Anonim Şirketi**

We have audited the accompanying consolidated financial statements of Aygaz Anonim Şirketi and its subsidiaries (together will be referred to as "the Group"), which comprise the consolidated balance sheet as at December 31, 2012 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Group management's responsibility for the financial statements

Group management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with financial reporting standards issued by Capital Market Board of Turkey. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards issued by Capital Market Board of Turkey. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Aygaz Anonim Şirketi and its subsidiaries as of December 31, 2012, and of its financial performance and its cash flows for the year then ended in accordance with financial reporting standards issued by Capital Market Board of Turkey.

Additional paragraph for convenience translation to English

As described in Note 2 to the accompanying financial statements, accounting principles and standards applied in the accompanying financial statements (financial accounting standards issued by Capital Market Board of Turkey (CMB) are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board except for the adoption of an earlier date for discontinuation of application of IAS 29 (Financial Reporting in Hyperinflationary Economies). As per CMB financial accounting standards application of inflation accounting was ceased effective as of January 1, 2005 whereas per IFRS it was ceased effective January 1, 2006.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Erdem Tecer, SMMM
Partner

March 7, 2013
İstanbul, Turkey

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

Aygaz Anonim Şirketi and its Subsidiaries

Consolidated balance sheet as at December 31, 2012

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

		Current period (Audited)	Prior period (Audited)
Assets	Notes	December 31, 2012	December 31, 2011
Current assets			
Cash and cash equivalents	5	125.365	254.302
Trade receivables		303.609	299.099
-Due from related parties	27	15.241	23.370
-Other trade receivables	9	288.368	275.729
Other receivables	10	3.929	3.826
Inventories	11	216.803	183.891
Other current assets	17	46.260	42.312
Total current assets		695.966	783.430
Non-current assets			
Trade receivables	9	5.087	2.124
Other receivables	10	32.811	39
Financial investments	6	317.258	243.868
Investments accounted under equity method	12	1.230.191	1.020.096
Property, plant and equipment	13	591.434	572.806
Intangible assets	14	35.145	39.671
Deferred tax asset	25	72	78
Other non-current assets	17	48.291	50.011
Total non-current assets		2.260.289	1.928.693
Total assets		2.956.255	2.712.123

The accompanying accounting policies and notes between the pages 9 and 78 form an integral part of these consolidated financial statements.

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

Aygaz Anonim Şirketi and its Subsidiaries

Consolidated balance sheet as at December 31, 2012

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

		Current period (Audited)	Prior period (Audited)
Liabilities	Notes	December 31, 2012	December 31, 2011
Short term liabilities			
Financial borrowings	7	5.810	1.764
Other financial liabilities	8	135	27
Trade payables		268.580	250.507
- Due to related parties	27	118.120	87.039
- Other trade payables	9	150.460	163.468
Other payables	10	14.116	19.469
Current tax liabilities	25	3.459	5.826
Provision for other liabilities	15	2.377	3.381
Other short term liabilities	17	151.001	158.152
Total short term liabilities		445.478	439.126
Long term liabilities			
Other payables	10	70.696	66.991
Provision for employment termination benefits	16	19.901	16.756
Deferred tax liabilities	25	39.645	34.619
Total non-current liabilities		130.242	118.366
Equity			
Share capital	18	300.000	300.000
Inflation adjustment to share capital	18	71.504	71.504
Adjustment to share capital		(7.442)	(7.442)
Valuation fund on financial assets	18	213.653	144.407
Currency translation adjustment		1.024	1.312
Restricted reserves		307.846	384.230
Risk hedge fund		(3.095)	(6.483)
Retained earnings		1.193.035	886.954
Net profit for the period		303.487	379.697
Equity attributable to equity holders of the parent		2.380.012	2.154.179
Non-controlling interests	18	523	452
Total equity		2.380.535	2.154.631
Total liabilities and equity		2.956.255	2.712.123

The accompanying accounting policies and notes between the pages 9 and 78 form an integral part of these consolidated financial statements.

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

Aygaz Anonim Şirketi and its Subsidiaries

Consolidated income statement

for the year ended December 31, 2012

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

		Current period (Audited)	Prior period (Audited)
		January 1- December 31, 2012	January 1- December 31, 2011
	Notes		
Sales revenue (net)	19	5.586.059	5.455.670
Cost of sales (-)	19	(5.065.726)	(4.978.096)
Gross profit		520.333	477.574
Marketing, sales and distribution expenses (-)	20	(213.836)	(195.468)
General administrative expenses (-)	20	(138.102)	(131.345)
Research and development expenses (-)	20	(2.521)	(1.948)
Other operating income	22	28.435	231.027
Other operating expenses (-)	22	(6.115)	(8.939)
Operating profit		188.194	370.901
Profit from investments accounted under equity pick-up method	12	134.236	50.519
Financial income	23	51.211	114.652
Financial expense (-)	24	(30.484)	(117.397)
Profit before tax for the year		343.157	418.675
Tax income/(expense)			
- Current tax expense for the period	25	(38.247)	(45.054)
- Deferred tax income / (expense)	25	(1.388)	4.535
Net profit for the year		303.522	378.156
Profit attributable to:			
Non controlling interest		35	(1.541)
Parent company		303.487	379.697
Earnings per share (TL)	26	1,011623	1,265657

The accompanying accounting policies and notes between the pages 9 and 78 form an integral part of these consolidated financial statements.

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

Aygaz Anonim Şirketi and its Subsidiaries

Consolidated statement of comprehensive income

for the year ended December 31, 2012

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

	Current period (Audited)	Prior period (Audited)
	January 1- December 31, 2012	January 1- December 31, 2011
Profit for the year	303.522	378.156
Other comprehensive income / (loss):		
Change in financial assets revaluation fund	69.246	(78.603)
Change in financial risk hedge fund	3.388	(793)
Change in currency translation reserve	(288)	836
Other comprehensive income/ (loss) for the year, (after tax)	72.346	(78.560)
Total comprehensive income for the year	375.868	299.596
Attributable to:		
Non controlling interest	35	(1.541)
Parent company	375.833	301.137
	375.868	299.596

The accompanying accounting policies and notes between the pages 9 and 78 form an integral part of these consolidated financial statements.

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

Aygaz Anonim Şirketi and its Subsidiaries

**Consolidated statement of changes in equity
for the year ended December 31, 2012**

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

	Share capital	Inflation adjustment to share capital	Adjustment to share capital	Valuation fund on financial assets	Currency translation reserve	Restricted reserves	Risk hedge fund	Retained earnings	Net profit for the period	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance as of January 1, 2011	300.000	71.504	(7.442)	223.010	476	373.230	(5.690)	783.489	239.465	1.978.042	35.866	2.013.908
Transfers from retained earnings	-	-	-	-	-	11.000	-	228.465	(239.465)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(125.000)	-	(125.000)	-	(125.000)
Change in consolidation scope (note 3)	-	-	-	-	-	-	-	-	-	-	(33.873)	(33.873)
Comprehensive income / (expense) for the period	-	-	-	(78.603)	836	-	(793)	-	379.697	301.137	(1.541)	299.596
Balance as of December 31, 2011	300.000	71.504	(7.442)	144.407	1.312	384.230	(6.483)	886.954	379.697	2.154.179	452	2.154.631
Balance as of January 1, 2012	300.000	71.504	(7.442)	144.407	1.312	384.230	(6.483)	886.954	379.697	2.154.179	452	2.154.631
Transfers from retained earnings	-	-	-	-	-	-	-	379.697	(379.697)	-	-	-
Dividends paid (note 18)	-	-	-	-	-	-	-	(150.000)	-	(150.000)	-	(150.000)
Transfers to reserves	-	-	-	-	-	(76.384)	-	76.384	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	36	36
Comprehensive income / (expense) for the period	-	-	-	69.246	(288)	-	3.388	-	303.487	375.833	35	375.868
Balance as of December 31, 2012	300.000	71.504	(7.442)	213.653	1.024	307.846	(3.095)	1.193.035	303.487	2.380.012	523	2.380.535

The accompanying accounting policies and notes between the pages 9 and 78 form an integral part of these consolidated financial statements.

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

Aygaz Anonim Şirketi and its Subsidiaries

Consolidated statement of cash flows for the year ended December 31, 2012

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

	Notes	Audited January 1- December 31, 2012	Audited January 1- December 31, 2011
Cash flows from operating activities			
Profit before tax for the year		343.157	418.675
Adjustments to reconcile net income before tax to net cash provided by operating activities:			
Profit from equity participations	12	(134.236)	(50.519)
Depreciation of property, plant and equipment	13	73.346	81.607
Amortization of intangible assets	14	5.581	3.226
Other provisions	17	(8.102)	12.214
Income from revaluation of cost of subsidiary	3	-	(32.023)
Provision for impairment of financial assets	6	(500)	(117)
Provision for retirement pay	16	7.403	5.238
Profit on sale of tangible/intangible assets (net)	22	(5.460)	(3.050)
Allowance for doubtful receivables	9	1.921	2.241
Interest income	23	(15.433)	(19.897)
Interest expense	24	-	873
Forward expenses	24	882	1.195
Forward income	23	(181)	(2.650)
Profit on sale of subsidiary		-	(172.538)
Operating cash flow before changes in working capital		268.378	244.475
Changes in working capital:			
Trade receivables		(17.485)	(30.020)
Due from related parties	27	8.129	(7.319)
Inventories	11	(32.912)	(27.427)
Other receivables and current assets		(3.795)	(21.685)
Trade payables	9	(13.008)	(26.352)
Due to related parties	27	31.081	(23.419)
Other payables and liabilities		(5.298)	30.978
Other non current receivables and payables		(27.349)	15.935
		207.741	155.166
Taxes paid		(40.870)	(50.994)
Retirement pay paid	16	(4.258)	(5.226)
Net cash generated from operations		162.613	98.946
Cash flows from investing activities			
Interest income	23	15.433	19.897
Cash generated from sale of subsidiary – netted of with cash given-		-	202.020
Share capital increase of subsidiary	1	(72.759)	-
Purchases of property, plant and equipment	13	(96.871)	(168.918)
Purchases of intangible assets	14	(231)	(33.253)
Proceeds of sale of tangible/intangible assets		9.533	7.001
Net cash generated from / (used in) investing activities		(144.895)	26.747
Cash flows from to financing activities			
Forward income	23	181	2.650
Forward expenses	24	(882)	(1.612)
Changes in financial borrowings	7	4.046	(110.316)
Dividends paid	18	(150.000)	(125.000)
Net cash used in financing activities		(146.655)	(234.278)
Net change in cash and cash equivalents		(128.937)	(108.585)
Cash and cash equivalents at the beginning of the period	5	254.302	362.887
Cash and cash equivalents at the end of the period	5	125.365	254.302

The accompanying accounting policies and notes between the pages 9 and 78 form an integral part of these consolidated financial statements.

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

for the year ended December 31, 2012

(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”) 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. In addition, the Company owns LPG vessels and provides transportation service on behalf of other LPG companies. The ultimate and controlling shareholder is Koç Holding A.Ş.

The Company is registered at the Capital Markets Board of Turkey (“CMB”) since 1961 and as of December 31, 2012 24,27% of its shares have been quoted at the Istanbul Stock Exchange (“ISE”).

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

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

As of December 31, 2012, number of personnel of Aygaz and its subsidiaries (together with referred to as “the Group”) is 1.413 (December 31, 2011: 1.339).

Subsidiaries

Mogaz Petrol Gazları A.Ş. (“Mogaz”), a subsidiary of the Company, is a LPG distribution company. In September 2012, the Company has purchased shares with a nominal amount of TL 4 from natural persons and raised Group’s effective control to 100%.

Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. (“Akpa”) reached to its current structure with the merger of four subsidiaries of Koç Holding Energy Group at the end of 2001. Before the merger, four companies were operating separately from each other in Bursa, Eskişehir, Ankara and Antalya. At the time of merger the company name was Bursa Gaz ve Ticaret A.Ş., later it was changed to “Akpa Dayanıklı Tüketim Lpg ve Akaryakıt Ürünleri Pazarlama Anonim Şirketi” with the decision of Ordinary General Meeting held on March 17, 2005. Akpa is mainly engaged in sales of cylinders through its own organization and dealers, retail and wholesale of LPG, fuel and lubricants through autogas stations and sale of durable goods. In October 2012, the Company has purchased shares with a nominal amount of TL 4 from natural persons and raised Group’s effective control to 100%.

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 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 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%.

Within July 2010, the Company has restructured its shipping operations under new legal entities, and established Anadoluhisarı Tankercilik A.Ş. (“Anadoluhisarı”), 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.

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements (continued)

for the year ended December 31, 2012

(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)

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

Subsidiaries	Place of incorporation and operation	Ownership interest (%)		Voting power right	Principal activity
		December 31, 2012	December 31, 2011		
Mogaz	Turkey	100%	99,99%	100%	LPG
Anadoluhisari	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%	99,99%	100%	Marketing
Aygaz Doğal Gaz Toptan Satış A.Ş.	Turkey	99,15%	99,00%	99,15%	Natural gas
Aygaz Doğal Gaz İletim A.Ş.	Turkey	99,59%	99,00%	99,59%	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 the Tüpraş's management and its operational decisions as well to operate in oil refinery related sectors in Turkey.

Entek, operates as electricity producer with its 3 facilities in Bursa, İzmit and İstanbul. In 2009, 15,51% of shares were purchased by the Group and this purchase raised Group's effective control to 86,01%. In 2010, related with the purchase of Mogaz shares stated in subsidiaries section, the Group's effective control on Entek has been raised to 86,09%. As explained in detail in note 3, Group had decided to sell 49,62% shares of Entek, which was the Group's subsidiary with 86,09% ownership, to AES Mont Blanc Holdings B.V. Accordingly with the sale of shares realized on February 28, 2011, the Group's effective control has decreased to 36,47% and classified as joint venture and accounted with proportionate consolidation method. The business name of the company has been changed to AES Entek Elektrik Üretimi A.Ş. (“AES Entek”). In the Board of Directors meeting held on August 2, 2011, the Group had decided to sell its 166.034.110 shares, amounting to TL 8.302 thousand, representing 8,39% of shares of AES Entek Elektrik Üretimi A.Ş. with nominal value of 5 Kr. to Koç Holding A.Ş. in exchange of USD 25.299 thousand, in cash. The sales transaction has been finalized in October 2011. Additionally, shares of the Group's subsidiary Mogaz with a nominal value of TL 3.238 thousand, representing 3,27% of AES Entek Elektrik Üretimi A.Ş. had been sold to Koç Holding A.Ş. in October 2011 in exchange of USD 9.869 thousand, in cash. After these share transactions, Group's effective control on AES Entek has decreased to 24,81%. Accordingly, AES Entek has been accounted with equity method in accompanying consolidated financial statements beginning from October 7, 2011. Eltek Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş. (“Eltek”), was established at the end of 2003 with 46% participation of Entek Elektrik Üretimi A.Ş. (“Entek”) and mainly engaged in wholesale, purchase, export and import of electricity. In July 2010, Entek has purchased 54% of Eltek's shares by paying TL 1.836 thousand and accordingly the effective control has increased to 100%. After sale of Entek shares mentioned below, Group's effective control on Eltek has decreased to 24,81%. As a result of its search for new investments, AES Entek has established a company named Seymenoba Elektrik Üretimi A.Ş. in January 2012 to produce energy by using natural gas in Kırıkkale. Moreover, in May 2012 AES Entek has purchased 50% shares of Ayas Enerji Üretimi ve Ticaret A.Ş., established in Adana, from OYAK Group and become a shareholder of the coal fired power plant to be built. Finally, AES Entek has purchased three hydroelectric power plants named Kumköy, Kepezkaya and Damlapınar owned by AES Mont Blanc Holdings B.V. in December 20, 2012. After these purchases, energy production capacity of the Company has increased to 364 MW.

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements (continued)

for the year ended December 31, 2012

(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)

In the Ordinary General Meeting, AES Entek Elektirk Üretimi A.Ş. (“AES Entek”) has decided to increase its share capital from TL 98.919 thousand to TL 402.000 thousand. Aygaz, regarding its percentage of ownership in AES Entek, has received TL 750 thousand shares as bonus shares and has netted off TL 72.759 thousand from its preemptive right with the shareholder loan provided to AES Entek which was declared in the public disclosure dated December 19, 2012. The preemptive right of the balance amounting to TL 1.679 thousand will be paid in cash in the 24 month period after the registration of the General Meeting.

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

Investments in associates	Place of incorporation and operation	Ownership interest (%)		Voting power right	Principal activity
		December 31, 2012	December 31, 2011		
EYAŞ	Turkey	20,00%	20,00%	20,00%	Energy
AES Entek Elektrik Üretimi A.Ş (“AES Entek”)	Turkey	24,81%	24,81%	24,81%	Electricity
Zinerji (*)	Turkey	56,00%	56,00%	56,00%	Energy

(*) Since Zinerji is a dormant company, it is accounted with equity method in the accompanying consolidated financial statements even though the ownership of the Group is 56%.

Approval of financial statements

The consolidated financial statements as of and for the year ended December 31, 2012 are approved in the Board of Directors meeting held on March 7, 2013 to be published and are signed by Assistant General Manager (Finance) Gökhan Tezel and Subsidiaries and Accounting Director Nurettin Demirtaş. The General Assembly has the power to amend the consolidated financial statements after issue.

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

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements (continued)

for the year ended December 31, 2012

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

2. Basis of presentation of financial statements

2.1 Financial reporting standards

The Company and its Turkish subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code (“TCC”) and tax legislation.

Capital Market Board of Turkey (“CMB”) published a comprehensive set of accounting principles in accordance with the Decree Serial: XI, No: 29 on “The Decree for Capital Markets Accounting Standards”. This decree is applicable for the first interim financial statements ended subsequent to January 1, 2008 period. The supplementary decree Serial: XI, No: 29 was issued as an amendment to Decree Serial: XI, No: 25 and states that, the financial statements will be prepared in accordance with the International Financial Reporting Standards (“IAS/IFRS”) as conceded by the European Union (EU). IAS/IFRS will be applied till the time the differences between the IAS/IFRS and the Turkish Accounting/Financial Reporting Standards (“TAS/TFRS”) are declared by the Turkish Accounting Standards Committee (TASC)(In November 2011 TASB has been dismissed and its responsibilities are transferred to Public Oversight Accounting and Auditing Standards Authority) declares the differences between the IFRS as adopted by the EU and the IFRS as adopted by the International Accounting Standards Board (IASB). Therefore, the TAS/TFRS which are in complaint with the applied standards will be adopted.

The consolidated financial statements are prepared in thousands of Turkish Lira (“TL”) based on the historical cost conversion, except for the financial assets and liabilities which are expressed with their fair values.

2.2 Change in accounting policies, accounting estimates and errors

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 status and performance trends, the Group’s condensed consolidated financial statements are prepared in comparison with prior period. In order to provide an accurate comparison with current period, comparative figures are reclassified when necessary and significant differences are explained. Below mentioned reclassification has been made in consolidated balance sheet as of December 31, 2011.

- In the consolidated balance sheet as at December 31, 2011, fuel used for shipping operations which are recorded under “Inventories”, have been classified to “Other current assets”. Related with this reclassification, there has been a decrease in “Inventories” amounting to TL 2.093 thousand and an increase in “Other current assets” amounting to TL 2.093 thousand.

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements (continued)

for the year ended December 31, 2012

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

2. Basis of presentation of financial statements (continued)

2.4 Consolidation principles

- (a) Consolidated financial statements incorporate the financial statements of the Company, its subsidiaries and affiliates, which have been prepared in accordance with guidelines defined in the items (b) to (f). In preparation of financial statements, reclassifications and adjustments have been made on the consolidated companies’ financial statements for the purpose of fair presentation with the CMB Financial Reporting Standards and accounting policies and presentation of the Group.
- (b) Subsidiaries include Group Companies in which (a) the Company has a direct and/or indirect voting power more than 50%, through its shares on these Companies or (b) in which the Company does not have a voting power above 50% through its shares, but has a power of controlling the financial and management policies of the Companies, by using its actual authority of control.
- (c) Subsidiaries are fully consolidated from the date of acquisition, being the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. In case it is necessary, accounting policies are changed for subsidiaries in order to align with Group accounting policies.

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

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

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

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

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

- (f) Non-controlling interests represent the portion of income statement and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.

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

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements (continued)

for the year ended December 31, 2012

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

2. Basis of presentation of financial statements (continued)

2.5 Adoption of new and revised International Financial Reporting Standards

New and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2012 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2012. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at January 1, 2012 are as follows:

IAS 12 Income Taxes: Recovery of Underlying Assets (Amended)

IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. These amendments will be applied retrospectively. Adoption of this amendment did not have any impact on the financial position or performance of the Group.

IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets (Amended)

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Comparative disclosures are not required. The amendment affects disclosures only and did not have any impact on the financial position or performance of the Group.

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 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, after the new standards and interpretations become in effect.

IAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income

The amendments are effective for annual periods beginning on or after July 1, 2012, but earlier application is permitted. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or ‘recycled’) to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The amendment affects presentation only and will have no impact on the financial position or performance of the Group.

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements (continued)

for the year ended December 31, 2012

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

2. Basis of presentation of financial statements (continued)

IAS 19 Employee Benefits (Amended)

Amended standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The most important impact of the amended standard on the financial position or performance of the Group will be that the actuarial gains and losses will be accounted under other comprehensive income statement.

IAS 27 Separate Financial Statements (Amended)

As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. This amendment will not have any impact on the financial position or performance of the Group.

IAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to IFRS 11 and IFRS 12, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amended)

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amended)

New disclosures would provide users of financial statements with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity’s financial position and (b) analysing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. The amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The amendment affects disclosures only and will have no impact on the financial position or performance of the Group.

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements (continued)

for the year ended December 31, 2012

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

2. Basis of presentation of financial statements (continued)

IFRS 9 Financial Instruments – Classification and Measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after January 1, 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 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. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

IFRS 10 Consolidated Financial Statements

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. The Group does not expect that this standard will have a significant impact on the financial position or performance of the Group.

IFRS 11 Joint Arrangements

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. The Group does not expect that this standard will have an impact on the financial position or performance of the Group.

IFRS 12 Disclosure of Interests in Other Entities

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early.

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. Under the new standard the Group will provide more comprehensive disclosures for interests in other entities.

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Notes to the consolidated financial statements (continued)

for the year ended December 31, 2012

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

2. Basis of presentation of financial statements (continued)

IFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

The Interpretation is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. Entities will be required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is not applicable for the Group and will not have any impact on the financial position or performance of the Group.

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The guidance is effective for annual periods beginning on or after January 1, 2013. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as ‘the beginning of the annual reporting period in which IFRS 10 is applied for the first time’. The assessment of whether control exists is made at ‘the date of initial application’ rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. This guidance has not yet been endorsed by the EU. The Group does not expect that this standard will have a significant impact on the financial position or performance of the Group.

Improvements to IFRSs

The IASB has issued the “Annual Improvements” to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The effective date for the amendments is for annual periods beginning on or after January 1, 2013. Earlier application is permitted in all cases, provided that fact is disclosed. This project has not yet been endorsed by the EU. The Group does not expect that the project will have a significant impact on the financial position or performance of the Group.

IAS 1 Financial Statement Presentation:

Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

IAS 16 Property, Plant and Equipment:

Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements (continued)

for the year ended December 31, 2012

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

2. Basis of presentation of financial statements (continued)

IAS 32 Financial Instruments: Presentation:

Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

IAS 34 Interim Financial Reporting:

Clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity’s previous annual financial statements for that reportable segment.

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. The amendment applies for annual periods beginning on or after January 1, 2014 with earlier application permitted. The amendment has not yet been endorsed by the EU. The amendment is not applicable for the Group and will not have any impact on the financial position or performance of the Group.

2.6 Offsetting

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

2.7 Revenue recognition

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

Sale of goods:

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

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

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements (continued)

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

2. Basis of presentation of financial statements (continued)

Rendering of services:

Revenue is recognized by when it is probable that the economic benefits associated with the transaction will flow to the entity and the. When an uncertainty occurs about the collectability of revenue recognized, the uncollected revenue is not deducted from the revenue. Instead, it is recognized as expense in the financial statements.

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

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

Dividend and interest revenue

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

2.8 Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is calculated with first in first out method for LPG and with weighted average method for other inventories. Cost elements included in inventories are materials, labour and factory overheads. Overheads include, expenses directly related to production such as direct labor expenses. These expenses also include systematically distributed amounts from fixed and variable costs in factory overheads. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and estimated costs to make the sale.

2.9 Property, plant and equipment

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

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

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

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements (continued)

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

2. Basis of presentation of financial statements (continued)

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

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

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

	Useful lives
Buildings	50 years
Land improvements	6-25 years
LPG Cylinders	10 years
Plant, machinery and equipment	4-25 years
Vessels	10-20 years
Vehicles	3-15 years
Furnitures and fixtures	2-50 years
Leasehold improvements	3-10 years

2.10 Intangible assets

Intangible assets acquired separately

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

Trade rights and licenses

Acquired trade rights and licenses are shown at historical cost. Trade rights and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives (3-30 years).

Computer software

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3 – 8 years).

2.11 Impairment of assets

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

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements (continued)

for the year ended December 31, 2012

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

2. Basis of presentation of financial statements (continued)

2.12 Borrowing costs

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

2.13 Financial instruments

2.13.1 Financial assets

Financial assets are classified into the following specified categories: financial assets as ‘at fair value through profit or loss’ (FVTPL), ‘held-to-maturity investments’, ‘available-for-sale’ (AFS) financial assets and ‘loans and receivables’. The classification is made considering the purpose of acquisition of financial asset and its specifications, at the time of initial recording of the asset.

Effective interest method

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

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at FVTPL

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

Available-for-sale financial assets

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

Dividends related to available for sale equity items are accounted in income statement, in case the group has earned a right for dividends.

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements (continued)

for the year ended December 31, 2012

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

2. Basis of presentation of financial statements (continued)

Loans and receivables

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

Impairment of financial assets

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, credit card receivables from banks and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.13.2 Financial liabilities

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

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

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Notes to the consolidated financial statements (continued)

for the year ended December 31, 2012

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

2. Basis of presentation of financial statements (continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

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

2.13.3 Derivative financial instruments and hedge accounting

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

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

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

2.14 Business combinations

From January 1, 2010 the Group has applied revised IFRS 3 “Business Combinations” in accounting for business combinations. The change in accounting policy has been applied prospectively and had no effect on business combinations completed during prior periods.

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

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

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

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Notes to the consolidated financial statements (continued)

for the year ended December 31, 2012

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2. Basis of presentation of financial statements (continued)

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

Partial share sale and purchase transactions settled with minority shareholders

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

2.15 Foreign currency transactions

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

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

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Notes to the consolidated financial statements (continued)

for the year ended December 31, 2012

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

2. Basis of presentation of financial statements (continued)

2.16 Earnings per share

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

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

2.17 Subsequent events

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

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

2.18 Provisions, contingent liabilities, contingent assets

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

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

2.19 Related parties

Parties are considered related to the Company if;

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

- (b) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (i) Entity and Company are members of the same Group;
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements (continued)

for the year ended December 31, 2012

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

2. Basis of presentation of financial statements (continued)

- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

2.20 Segmental information

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

2.21 Taxation and deferred tax

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

Income tax expense represents the sum of the tax currently payable and deferred tax.

Corporate tax

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

Deferred tax

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

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements (continued)

for the year ended December 31, 2012

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

2. Basis of presentation of financial statements (continued)

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

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

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

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

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

2.22 Employment benefits

Defined benefit plan:

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

Defined contribution plan:

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

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Notes to the consolidated financial statements (continued)

for the year ended December 31, 2012

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

2. Basis of presentation of financial statements (continued)

2.23 Statement of cash flows

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

2.24 Share capital and dividends

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

2.25 Research and development expenses

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

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

Other development expenditures are recognized as expense as incurred.

Development costs previously recognized as expense are not recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis. As of December 31, 2012, the Group has capitalized research and development expenses amounting to TL 2.622 thousand (December 31, 2011: TL 3.666 thousand).

2.26 Important accounting policies and applications

Accounting policies which have material effects on book values of assets and liabilities are as follows:

- a) Property plant and equipment and intangible fixed assets are subject to depreciation according to their useful lives (Note 13,14). Estimations of such useful lives are based on the expectations of Group management.
- b) The Group Management uses market values for equity items traded in active markets, while determining fair values of available for sale financial assets for sale. For other available for sale financial assets for sale, fair values are determined in line with generally accepted valuation principles using current economical data, trends in the market and expectations.

Available-for-sale investment of the Group includes shares of Koç Finansal Hizmetler A.Ş. as an unlisted company, which owns the majority shareholder of Yapı ve Kredi Bankası with 81,8%. Since the shares of Yapı ve Kredi Bankası are traded in Istanbul Stock Exchange, the fair value of shares of Koç Finansal Hizmetler has been determined by using several methods such as the existing market value of Yapı ve Kredi Bankası and discounted cash flow method and considering price/equity ratio of recent similar local or international acquisitions realized. In the aforementioned discounted cash flow method, discount rate of 12,9% has been taken into consideration (Note 6).

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Notes to the consolidated financial statements (continued)

for the year ended December 31, 2012

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

2. Basis of presentation of financial statements (continued)

- c) Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. During the periodic impairment test for the receivables, the debtors are assessed with their prior year performances and provision is accounted accordingly (Note 9).
- d) In order to record allowances for litigations, the consequences of lost cases are evaluated with the Company lawyers and Company Management makes most accurate evaluations with the available data (Note 15).
- e) Actuarial assumptions used on turnover ratio, discount rate and salary increase to calculate the employee benefit provision. Calculation details have been provided in related disclosure (Note 16).
- f) There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Group recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due and recognizes tax assets for the carry forward tax losses and unused investment tax credits to the extent that the realization of the related tax benefit through the future taxable profits is probable (Note 25). Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. Business combinations

The Group, as declared to public disclosure platform of Turkey on December 1, 2010, in accordance with the board of directors meeting decision held on November 30, 2010, had decided to sell 49,62% shares of its subsidiary Entek with a nominal value of TL 49.079 thousand to be paid in cash, when share transfer procedures are completed, to AES-Mont Blanc Holdings B.V. in exchange of USD 136.455 thousand. At February 28, 2011 the Group, following the permits granted from EMRA (Energy Market Regulation Authority) and the Turkish Competition Authority, had completed the transfer of shares of Entek. Share transfer price of USD 136.455 thousand was paid in cash to the Company. The sales price, as declared in public disclosure dated December 1, 2010, had been revised based on the financial statements of Entek as of February 28, 2011 as USD 149.581 thousand after finalization of the process. In the Board of Directors meeting held on August 2, 2011, the Group had decided to sell its 166.034.110 shares, amounting to TL 8.302 thousand, representing 8,39% of shares of AES Entek Elektrik Üretimi A.Ş. with nominal value of 5 Kr. to Koç Holding A.Ş. in exchange of USD 25.299 thousand, in cash. Additionally shares of the Group’s subsidiary Mogaz with a nominal value of TL 3.238 thousand, representing 3,27% of AES Entek Elektrik Üretimi A.Ş. have been sold to Koç Holding A.Ş. in exchange of USD 9.869 thousand, in cash. The sales transaction had been finalized by completing the requirements of energy market and other related regulations and announced at October 7, 2011. After these share transactions, Group’s effective control on AES Entek has decreased to 24,81%. Accordingly, AES Entek has been accounted with equity method in accompanying consolidated financial statements beginning from October 7, 2011.

Sale of Entek’s shares realized in February 28, 2011 had been accounted in accordance with IFRS 3 “Business Combinations” by considering as sale of subsidiary and acquisition of 36,47% shares back. Group had calculated revaluated cost of 36,47% of Entek based on the sales price and had accounted the difference between revalued amount and net asset value of Entek that belongs to the Group as at sales date, as goodwill in interim consolidated financial statements in accordance with transition statements of IFRS 3.

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements (continued)

for the year ended December 31, 2012

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3. Business combinations (continued)

The Company has completed the “Purchase price allocation” work required by IFRS 3 – Business Combinations and has calculated goodwill amounting to TL 32.023 thousand for the remaining 24,81% shares and reflected the amount under its financial investments as addition to revalued cost as of December 31, 2011.

Acquisition amount (*)	118.930
Acquired net assets (**)	86.907
Goodwill	32.023

(*) States the revalued cost of 24,81% of the investment.

(**) Represents net assets, after purchase price allocation in accordance with IFRS 3, as of February 28, 2011.

The fair value of the identifiable assets and liabilities (24,81%) of AES Entek according to purchase price allocation in accordance with IFRS 3:

	February 28, 2011
	Fair value
Cash and cash equivalents	12.621
Trade receivables	7.426
Due from related parties	1.045
Property, plant and equipment	84.837
Intangible assets	963
Other assets	2.941
Financial borrowings	(5.228)
Trade payables	(7.845)
Due to related parties	(56)
Deferred tax liabilities	(8.553)
Other liabilities	(1.244)
Net assets acquired (24,81%)	86.907

As of December 31, 2011, Group has accounted the income amounting to TL 204.561 thousand under “Other operating income” related with the sales of shares of AES Entek and revalued cost calculations.

After the above mentioned sales transactions, the Group’s ownership on AES Entek has decreased to 24,81% and after the completion of sale of such shares, AES Entek has been accounted with equity method in the consolidated financial statements prepared as of December 31, 2011. After the first sale of shares realized in February 2011, AES Entek had been proportionally consolidated as a joint venture of the Group and after the second sale of shares in October, AES Entek has become an investment in associate. Accordingly, in 2011, AES Entek’s income/loss amount has been fully consolidated for January and February whereas proportionally for the period March – September.

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Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements (continued)

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4. Segment information

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

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

- Gas and petroleum products
- Electricity
- Other

The Group Management evaluates financial results and performance based of IFRS financial statements. Therefore, IFRS financial statements are the basis of segmental reporting. The Group evaluates the performance of its segments based on gross profit, operating profit and earnings before interest, tax, depreciation and amortization.

As of December 31, 2012 and 2011, assets and liabilities according to industrial segments are as follows:

	December 31, 2012				
	Gas and petroleum products	Electricity (*)	Other	Consolidation adjustments	Total
Assets					
Current assets	650.134	-	103.803	(57.971)	695.966
Non-current assets	2.014.916	-	118.783	126.590	2.260.289
Total assets	2.665.050	-	222.586	68.619	2.956.255
Liabilities					
Short term liabilities	464.050	-	39.399	(57.971)	445.478
Long term liabilities	120.615	-	6.306	3.321	130.242
Equity	2.080.385	-	176.881	123.269	2.380.535
Total liabilities and equity	2.665.050	-	222.586	68.619	2.956.255
Investments accounted under equity method	1.056.685	173.506	-	-	1.230.191

(*) As of December 31, 2011, “AES Entek” is accounted with equity method (note 3).

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4. Segment information (continued)

	December 31, 2011				
	Gas and petroleum products	Electricity (*)	Other	Consolidation adjustments	Total
Assets					
Current assets	723.597	-	95.445	(35.612)	783.430
Non-current assets	1.880.757	-	123.276	(75.340)	1.928.693
Total assets	2.604.354	-	218.721	(110.952)	2.712.123
Liabilities					
Short term liabilities	432.802	-	41.937	(35.613)	439.126
Long term liabilities	112.559	-	4.932	875	118.366
Equity	2.058.993	-	171.852	(76.214)	2.154.631
Total liabilities and equity	2.604.354	-	218.721	(110.952)	2.712.123
Investments accounted under equity method	905.463	114.633	-	-	1.020.096

(*) As of December 31, 2011, “AES Entek” is accounted with equity method (note 3).

As of December 31, 2012 and 2011, income and loss according to industrial segments are as follows:

	January 1 - December 31, 2012				
	Gas and petroleum products	Electricity (*)	Other	Consolidation adjustments	Total
Sales revenue (net)	5.398.666	-	326.691	(139.298)	5.586.059
Cost of sales (-)	(4.920.158)	-	(286.815)	141.247	(5.065.726)
Gross profit	478.508	-	39.876	1.949	520.333
Marketing, sales and distribution expenses (-)	(204.075)	-	(9.761)	-	(213.836)
General administrative expenses (-)	(124.898)	-	(14.129)	925	(138.102)
Research and development expenses (-)	(2.521)	-	-	-	(2.521)
Other operating income	38.061	-	2.331	(11.957)	28.435
Other operating expenses (-)	(5.319)	-	(2.459)	1.663	(6.115)
Operating profit / (loss)	179.756	-	15.858	(7.420)	188.194
Profit from investments accounted under equity pick-up method	-	-	-	134.236	134.236
Finance income	44.627	-	6.688	(104)	51.211
Finance expense (-)	(26.091)	-	(4.497)	104	(30.484)
Profit before tax for the year	198.292	-	18.049	126.816	343.157
Income tax expense for the period (-)	(36.800)	-	(1.447)	-	(38.247)
Deferred tax expense (-)	(1.151)	-	(89)	(148)	(1.388)
Profit for the year	160.341	-	16.513	126.668	303.522
Attributable to					
Non-controlling interest	35	-	-	-	35
Equity holders of the parent	160.306	-	16.513	126.668	303.487
Investments accounted under equity method	148.122	(13.886)	-	-	134.236

(*) Beginning from October 7, 2011, “AES Entek” is accounted with equity method (note 3).

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4. Segment information (continued)

	January 1 - December 31, 2011				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Sales revenue (net)	5.076.803	161.471	328.880	(111.484)	5.455.670
Cost of sales (-)	(4.621.662)	(158.555)	(302.684)	104.805	(4.978.096)
Gross profit	455.141	2.916	26.196	(6.679)	477.574
Marketing, sales and distribution expenses (-)	(193.004)	-	(6.197)	3.733	(195.468)
General administrative expenses (-)	(115.782)	(6.665)	(9.520)	622	(131.345)
Research and development expenses (-)	(1.948)	-	-	-	(1.948)
Other operating income (*)	227.170	316	2.036	1.505	231.027
Other operating expenses (-)	(7.312)	(1.326)	(301)	-	(8.939)
Operating profit / (loss)	364.265	(4.759)	12.214	(819)	370.901
Profit from investments accounted under equity pick-up method	-	-	-	50.519	50.519
Finance income	99.684	5.801	9.167	-	114.652
Finance expense (-)	(107.055)	(4.867)	(5.475)	-	(117.397)
Profit / (loss) before tax for the year	356.894	(3.825)	15.906	49.700	418.675
Income tax expense for the period (-)	(42.166)	(966)	(1.922)	-	(45.054)
Deferred tax income	1.105	2.283	(31)	1.178	4.535
Profit / (loss) for the year	315.833	(2.508)	13.953	50.878	378.156
Attributable to					
Non-controlling interest	-	(480)	-	(1.061)	(1.541)
Equity holders of the parent	315.833	(2.028)	13.953	51.939	379.697
Investments accounted under equity method	52.244	(1.725)	-	-	50.519

(*) As stated in note 3, as of December 31, 2011, Group has accounted the income related with the sales of shares of AES Entek and revalued cost calculations under “Other operating income”.

The amortization and depreciation expense for the industrial segmental assets as of December 31, 2012 and 2011 is as follows:

	January 1 - December 31, 2012	January 1 - December 31, 2011
Gas and petroleum products	72.190	64.844
Electricity (*)	-	16.065
Other	6.737	3.924
	78.927	84.833

(*) Beginning from October 7, 2011, “AES Entek” is accounted with equity method (note 3).

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4. Segment information (continued)

The investment expenditures for the industrial segmental assets as of December 31, 2012 and 2011 are as follows:

	January 1 - December 31, 2012	January 1 - December 31, 2011
Gas and petroleum products	95.218	139.413
Other	1.884	62.758
	97.102	202.171

5. Cash and cash equivalents

	December 31, 2012	December 31, 2011
Cash on hand	232	458
Cash at banks	99.545	234.922
- Demand deposits	33.146	31.168
- Time deposits	66.399	203.754
Receivables from credit card transactions	25.588	18.922
Total cash and cash equivalents	125.365	254.302

As of December 31, 2012 the Group's TL time deposits amounting to TL 46.016 thousand have maturities of 2 – 35 days and interest rates of 6 – 8%; USD time deposits amounting to USD 11.400 thousand (TL 20.231 thousand) have a maturity of 2 days and an interest rate of 2%. (As of December 31, 2011 the Group's TL time deposits amounting to TL 201.517 thousand have maturities of 2 – 88 days and interest rates of 8,25% – 12,50%; USD time deposits amounting to USD 856 thousand (TL 1.617 thousand) have maturities of 5 - 30 days and interest rates of 0,40% – 3,05%; Euro time deposits amounting to Euro 39 thousand (TL 95 thousand) have maturities of 2 – 5 days and interest rates of 0,25% – 0,40%).

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6. Financial assets

The Group’s long term financial assets identified as available-for-sale financial assets are as follows as of December 31, 2012 and 2011:

	December 31, 2012		December 31, 2011	
	Participation amount	Participation rate %	Participation amount	Participation rate %
Koç Finansal Hizmetler A.Ş. (*)	315.200	1,97	242.310	1,97
Ram Dış Ticaret A.Ş. (**)	1.783	2,50	1.783	2,50
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.(***)	540	10,00	540	10,00
Tat Konserve Sanayi A.Ş. (**)	236	0,08	236	0,08
Other (***)	23	-	23	-
Impairment reserve (-)	(524)	-	(1.024)	-
	317.258		243.868	

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

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

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

7. Financial borrowings

Short term bank borrowings

	December 31, 2012	Interest rate (%)	December 31, 2011	Interest rate (%)
Short term borrowings (TL)	5.810	-	1.764	-
Total short term bank borrowings	5.810		1.764	

8. Other financial liabilities

As of December 31, 2012, the Company has forward contracts with an average maturity of three months and nominal amount of USD 14.430 thousand. The Company reflected the fair value of such forward transactions, which amount to TL 135 thousand as of December 31, 2012, under other financial liabilities. (As of December 31, 2011, the Company has forward contracts with an average maturity of four months and nominal amounts of USD 2.000 thousand. The Company reflected the fair value of such forward transactions, which amount to TL 27 thousand as of December 31, 2011, under other financial liabilities).

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Notes to the consolidated financial statements (continued)

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9. Trade receivables and payables

The Group’s trade receivables as December 31, 2012 and 2011 are as follows:

Current trade receivables	December 31, 2012	December 31, 2011
Trade receivables	251.989	239.766
Notes receivables	51.937	51.183
Allowance for doubtful receivables (-)	(15.558)	(15.220)
Total current trade receivables	288.368	275.729

Non-current trade receivables	December 31, 2012	December 31, 2011
Notes receivable	5.087	2.124
Total non-current trade receivables	5.087	2.124

Movement of allowance for doubtful receivables	January 1 - December 31, 2012	January 1 - December 31, 2011
Balance at beginning of year	15.220	13.957
Additional provision	1.921	2.241
Written off (*)	(946)	-
Collections	(637)	(978)
Closing balance	15.558	15.220

(*) Uncollectible doubtful receivables and related allowances are written off.

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

Level and composition of risks of trade receivables are explained in note 28.

The Group’s trade payables as of December 31, 2012 and 2011 are as follows:

Short term trade payables	December 31, 2012	December 31, 2011
Trade payables	150.460	163.468
Total short term trade payables	150.460	163.468

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Notes to the consolidated financial statements (continued)

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10. Other trade receivables and payables

The Group's other trade receivables and payables as of December 31, 2012 and 2011 are as follows:

Other current receivables	December 31, 2012	December 31, 2011
Guarantees and deposits given	3.031	2.444
Other receivables	898	1.382
Total other current receivables	3.929	3.826

Non-current receivables	December 31, 2012	December 31, 2011
Loans provided to participations (*)	32.750	-
Guarantees and deposits given	61	39
Total non-current receivables	32.811	39

(*) Company, which owns 24,81% of AES Entek has decided to provide AES Entek a shareholder loan to be used mainly for investments in electricity production by percentage of ownership. Accordingly, the Company has provided shareholder loan to AES Entek with its portion amounting to TL 32.750 thousand. The interest rate is TRLIBOR + 3,75% and the interest rate of first interest payment is 14,3244% and is due semi-annually. The following interest payments will be due in three or six months and capital payment will be made at the fifth year.

As of December 31, 2012 and 2011, other payables of the Group are as follows:

Other short term payables	December 31, 2012	December 31, 2011
Due to personnel	13.724	19.109
Other payables	392	360
Total other short term payables	14.116	19.469

Other long term payables	December 31, 2012	December 31, 2011
Cylinder deposits received	70.696	66.991
Total other long term payables	70.696	66.991

11. Inventories

	December 31, 2012	December 31, 2011
Raw materials	159.661	144.731
Goods in transit	30.746	23.089
Trade goods	20.545	9.819
Finished goods	5.451	5.937
Work in process	629	544
Allowance for impairment on inventory	(229)	(229)
Total inventories	216.803	183.891

As of December 31, 2012, the inventories comprise of 61.647 tons of LPG (December 31, 2011: 58.652 tons).

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements (continued)

for the year ended December 31, 2012

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

11. Inventories (continued)

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

	January 1 - December 31, 2012	January 1- December 31, 2011
Movement of allowance for impairment on inventory		
Opening balance	229	229
Additional provision	-	-
Closing balance	229	229

12. Equity investments

	December 31, 2012		December 31, 2011	
	Participation amount	Participation rate %	Participation amount	Participation rate %
Enerji Yatırımları A.Ş. acquisition value	669.400		669.400	
Adjustment to share capital	(7.442)		(7.442)	
Currency translation reserve	1.024		1.312	
Legal reserves	5.509		5.108	
Financial risk hedge fund	(3.095)		(6.483)	
The share of the Group in the retained earnings after the acquisition date	390.926		243.201	
	1.056.322	20,00%	905.096	20,00%
AES Entek acquisition value	118.930		118.930	
Participation in share capital increase of equity investment	72.759		-	
The share of the Group in the retained earnings after the acquisition date (*)	(18.183)		(4.297)	
	173.506	24,81%	114.633	24,81%
Zinerji Enerji Sanayi ve Tic. A.Ş.	738		738	
Impairment reserve (-)	(375)		(371)	
	363	56,00%	367	56,00%
Total	1.230.191		1.020.096	

(*) As explained in detail in note 3, as the share of the Group in the income and losses of its subsidiary AES Entek has been consolidated with different consolidation methods, the months January and February 2011 have been fully consolidated and the period March – September 2011 have been proportionally consolidated into the income statement. Related with the change in the Group’s share on AES Entek, income/loss for the period October – December 2011 has been consolidated with equity method (loss of TL 1.725 thousand) have been accounted with equity method based on the share of the Group.

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

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements (continued)

for the year ended December 31, 2012

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

12. Equity investments (continued)

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

Consolidated balance sheet	December 31, 2012	December 31, 2011
Total assets	22.252.155	20.095.464
Total liabilities	(13.451.171)	(12.259.964)
Non-controlling interest	(3.519.374)	(3.310.022)
Net assets	5.281.610	4.525.478
Group's ownership	20%	20%
Group's share in associates' net assets	1.056.322	905.096
Consolidated income statement	January 1 - December 31, 2012	January 1 - December 31, 2011
Revenue	47.099.085	41.415.867
Income for the year	740.623	261.198
Group's share in associates' profit for the year	148.125	52.240

Financial information on AES Entek which is consolidated in the Group’s financial tables according to equity pick-up method is set out below:

Consolidated balance sheet	December 31, 2012	December 31, 2011
Total assets	982.348	427.172
Total liabilities	(412.080)	(94.212)
Net assets	570.268	332.960
Group's ownership	24,81%	24,81%
Group's share in associates' net assets	141.483	82.610
Goodwill	32.023	32.023
Group's total share	173.506	114.633
Consolidated income statement	January 1 - December 31, 2012	January 1 - December 31, 2011
Revenue	308.375	353.115
Loss for the year	(55.969)	(7.170)
Group's share in associates' loss for the period (*)	(13.886)	(1.725)

(*) As explained in detail in note 3, as the share of the Group in the income and losses of its subsidiary AES Entek has been consolidated with different consolidation methods, the months January and February 2011 have been fully consolidated and the period March – September 2011 have been proportionally consolidated into the income statement. Related with the change in the Group’s share on AES Entek, income/loss for the period October – December 2011 has been consolidated with equity method (loss of TL 1.725 thousand) have been accounted with equity method based on the share of the Group.

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

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**Notes to the consolidated financial statements
for the year ended December 31, 2012 (continued)**

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

13. Property, plant and equipment

	Land	Land improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Acquisition cost									
Opening balance as of January 1, 2012	15.531	101.381	64.535	1.487.558	229.503	49.784	22.698	17.849	1.988.839
Additions	-	308	1.244	14.402	6.690	637	1.356	72.234	96.871
Transfers (*)	673	7.777	3.416	53.037	3.154	4.992	655	(74.571)	(867)
Disposals	-	(136)	(30)	(23.425)	(37.801)	(3.812)	(600)	-	(65.804)
Ending balance as of December 31, 2012	16.204	109.330	69.165	1.531.572	201.546	51.601	24.109	15.512	2.019.039
Accumulated depreciation									
Opening balance as of January 1, 2012	-	42.492	41.503	1.136.816	135.444	38.048	21.730	-	1.416.033
Charge of the period	-	3.732	1.848	54.524	8.970	3.548	724	-	73.346
Disposals	-	(106)	(5)	(20.514)	(37.301)	(3.713)	(135)	-	(61.774)
Ending balance as of December 31, 2012	-	46.118	43.346	1.170.826	107.113	37.883	22.319	-	1.427.605
Net book value as of December 31, 2012	16.204	63.212	25.819	360.746	94.433	13.718	1.790	15.512	591.434

(*) TL 867 thousand under construction in progress under the account property, plant and equipment has been classified to intangible fixed assets.

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

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**Notes to the consolidated financial statements
for the year ended December 31, 2012 (continued)**

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

13. Property, plant and equipment (continued)

	Land	Land improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Acquisition cost									
Opening balance as of January 1, 2011	15.531	96.551	62.788	1.442.704	168.166	46.421	22.188	7.976	1.862.325
Additions	-	60	18	29.509	65.720	770	42	72.799	168.918
Transfers (*)	-	5.131	1.758	47.227	1.574	4.912	468	(62.926)	(1.856)
Disposals	-	(361)	(29)	(31.882)	(5.957)	(2.319)	-	-	(40.548)
Ending balance as of December 31, 2011	15.531	101.381	64.535	1.487.558	229.503	49.784	22.698	17.849	1.988.839
Accumulated depreciation									
Opening balance as of January 1, 2011	-	39.287	39.758	1.114.113	136.314	36.311	21.236	-	1.387.019
Charge of the period (**)	-	3.523	1.749	51.792	4.680	3.373	494	-	65.611
Disposals	-	(318)	(4)	(29.089)	(5.550)	(1.636)	-	-	(36.597)
Ending balance as of December 31, 2011	-	42.492	41.503	1.136.816	135.444	38.048	21.730	-	1.416.033
Net book value as of December 31, 2011	15.531	58.889	23.032	350.742	94.059	11.736	968	17.849	572.806

(*) TL 1.856 thousand under construction in progress under the account property, plant and equipment has been classified to intangible fixed asset

(**) As explained in detail in note 3, AES Entek has been consolidated with equity method and income / loss amounts of AES Entek for the months January – February 2011 have been fully and for the period March – September 2011 have been proportionally consolidated. Accordingly depreciation of property, plant and equipment and intangible assets are different than related movement tables.

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**Notes to the consolidated financial statements
for the year ended December 31, 2012 (continued)**

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

13. Property, plant and equipment (continued)

The Group has capitalizes foreign currency differences and interest expenses on the loans, till the related equipment are ready for use. In year 2012, the Group has not capitalized any borrowing cost (2011: none).

The carrying amounts of fully depreciated property, plant and equipment still in use are as follows:

	December 31, 2012	December 31, 2011
Land improvements	9.476	12.767
Buildings	15.812	16.110
Plant, machinery, equipment and LPG cylinders	780.063	756.765
Vehicles and vessels	89.117	87.788
Furniture and fixtures	29.291	28.117
Leasehold improvements	21.723	19.805
	945.482	921.352

As of December 31, 2012 and 2011, the details of depreciation expenses are as follows:

	January 1 - December 31 2012	January 1 - December 31, 2011
Cost of sales	57.603	68.311
Cost of services rendered	5.831	3.360
Selling, marketing and distribution expenses	5.213	3.682
General and administrative expenses	3.899	5.883
Capitalized on cylinders	800	371
	73.346	81.607

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**Notes to the consolidated financial statements
for the year ended December 31, 2012 (continued)**

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

14. Intangible assets

	Rights	Total
Acquisition costs		
Opening balance as of January 1, 2012	51.323	51.323
Additions	231	231
Transfers (*)	867	867
Disposals	(294)	(294)
Ending balance as of December 31, 2012	52.127	52.127
Accumulated depreciation		
Opening balance as of January 1, 2012	11.652	11.652
Charge for the period	5.581	5.581
Disposals	(251)	(251)
Ending balance as of December 31, 2012	16.982	16.982
Carrying value as of December 31, 2012	35.145	35.145

(*) TL 867 thousand under “Construction in progress” under the account property, plant and equipment has been classified to intangible fixed assets.

	Rights	Total
Acquisition costs		
Opening balance as of January 1, 2011	16.214	16.214
Additions (*)	33.253	33.253
Transfers (**)	1.856	1.856
Disposals	-	-
Ending balance as of December 31, 2011	51.323	51.323
Accumulated depreciation		
Opening balance as of January 1, 2011	8.495	8.495
Charge for the period (***)	3.157	3.157
Disposals	-	-
Ending balance as of December 31, 2011	11.652	11.652
Carrying value as of December 31, 2011	39.671	39.671

(*) The Company has purchased the usage rights of licenses of Totalgaz brand in exchange of TL 32.800 thousand and reflected the related amount under intangible assets.

(**) TL 1.856 thousand under “Construction in progress” under the account property, plant and equipment has been classified to intangible fixed assets.

(***) As explained in note 3, AES Entek has been consolidated with equity method and income / Loss amounts of AES Entek for the months January – February 2011 have been fully and for the period March – September 2011 have been proportionally consolidated. Accordingly depreciation of property, plant and equipment and intangible assets are different than related movement tables.

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

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Notes to the consolidated financial statements for the year ended December 31, 2012 (continued)

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

14. Intangible assets (continued)

As of December 31, 2012 and 2011, the details of amortization expenses of intangible assets are as follows:

	January 1 - December 31, 2012	January 1 - December 31, 2011
General and administrative expenses	5.581	3.226
	5.581	3.226

15. Provisions, contingent liabilities, contingent assets

Details of provisions as of December 31, 2012 and 2011 are as follows:

	December 31, 2012	December 31, 2011
Provisions for lawsuits	2.377	3.381
	2.377	3.381

Details of contingent liabilities as of December 31, 2012 and 2011 are as follows:

	December 31, 2012	December 31, 2011
Guarantees given		
Letter of guarantees given to customs for gas import	31.916	44.821
Other letter of guarantees given	13.410	10.657
Total guarantees given	45.326	55.478

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 defaulting. The Group may be fined with indemnity if the group causes an environmental pollution. There is no case opened against the Group accordingly as of the consolidated balance sheet date, the Group does not have a liability for environmental pollution.

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 tankers or the rented tankers of licensed third parties.

Commitments of EYAŞ resulting from acquisition of TÜPRAŞ:

The agreements of EYAŞ related with the loans taken for TÜPRAŞ acquisition have certain covenants regarding dividend distribution of EYAŞ and usage of dividend payments of TÜPRAŞ. Moreover, EYAŞ has various financial and non-financial commitments related to these loans and acquisition of TÜPRAŞ. If these commitments are not met by EYAŞ, the financial institutions have rights to recall these loans.

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

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**Notes to the consolidated financial statements
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(Amounts expressed in thousands of Turkish Lira (“TL”) and in thousands for other currencies unless otherwise indicated.)

15. Provisions, contingent liabilities, contingent assets (continued)

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

	December 31, 2012				December 31, 2011			
	Euro guarantees	USD guarantees	TL guarantees	TL total	Euro guarantees	USD guarantees	TL guarantees	TL total
A. GPMs given on behalf of the Company’s legal personality	26.303	3.341	15.682	45.326	27.140	239	28.099	55.478
B. GPMs given in favor of subsidiaries included in full consolidation	-	-	-	-	-	-	-	-
C. GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	-	-	-	-	-	-	-	-
D. Other GPM's	-	-	-	-	-	-	-	-
i. - GPMs given in favor of parent company	-	-	-	-	-	-	-	-
ii. - GPMs given in favor of companies not in the scope of B and C above	-	-	-	-	-	-	-	-
iii. - GPMs given in favor of third party companies not in the scope of C above	-	-	-	-	-	-	-	-
Total amount of GPM	26.303	3.341	15.682	45.326	27.140	239	28.099	55.478

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**Notes to the consolidated financial statements
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16. Employee benefits

	December 31, 2012	December 31, 2011
Retirement pay provision	19.901	16.756

Retirement pay provision:

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

The amount payable consists of one month’s salary limited to a maximum of full TL 3.033,98 (December 31, 2011: full TL 2.731,85) for each year of service at December 31, 2012.

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

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

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

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

	2012	2011
Net discount rate (%)	3,86	4,63 - 4,68
Turnover rate related the probability of retirement (%)	93,49 – 97,86	91,35 - 97,86

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

The movement of retirement pay provision for the period ended December 31, 2012 and 2011 is as follows:

	January 1 - December 31, 2012	January 1 - December 31, 2011
Opening balance at January 1	16.756	16.744
Charge for the period	6.045	5.183
Actuarial loss	1.358	55
Retirement pay paid	(4.258)	(5.226)
Closing balance at December 31	19.901	16.756

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

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17. Other assets and liabilities

	December 31, 2012	December 31, 2011
Other current assets		
Prepaid expenses	34.602	25.930
VAT carried forward	3.514	5.170
Advances given	3.414	3.438
Fuel used in shipping operations	1.867	2.093
Income accrual	1.175	912
Prepaid tax	256	561
Deductible taxes and funds	251	126
Other current assets	1.181	4.082
Total other current assets	46.260	42.312
Other non-current assets	December 31, 2012	December 31, 2011
Prepaid expenses	48.289	49.440
Advances given for property, plant and equipment purchases	2	571
Total other non-current assets	48.291	50.011
Other short term liabilities	December 31, 2012	December 31, 2011
Taxes and funds payable	105.260	103.930
Expense accruals	37.356	45.458
Social security premiums payable	2.209	3.590
Other liabilities	6.176	5.174
Total other short term liabilities	151.001	158.152

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

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Notes to the consolidated financial statements for the year ended December 31, 2012 (continued)

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18. Share capital

As of December 31, 2012 and 2011 the share capital held is as follows:

Shareholders	Participation rate	December 31, 2012	Participation rate	December 31, 2011
Koç Holding A.Ş.	40,68%	122.054	40,68%	122.054
Liquid Petroleum Gas Development Company	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

Restricted reserves assorted from the profit

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

The details of the restricted reserves are stated below:

	December 31, 2012	December 31, 2011
Legal reserves	97.659	84.159
Gain on sale of subsidiary share that will be added to capital	210.187	300.071
	307.846	384.230

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**Notes to the consolidated financial statements
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18. Share capital (continued)

Profit distribution:

Public companies pay dividend according to Capital Market Board Standards as explained below:

In accordance with the CMB Decision dated 27 January 2010, concerning allocation basis of profit, starting in 2010, and minimum profit distribution obligation will not be applied for listed companies. According to the Board's decision and Communiqué Serial: IV No:27 issued by CMB regarding allocation basis of profit of listed companies, to items in the main agreements of the Group and to publicly disclosed profit distribution policies, based on the decision the general assembly of the companies, the distribution of the relevant amount may be realised as cash, as bonus shares, partly as cash and bonus shares or the relevant amount can be retained within the company.

In addition, according to aforementioned Board Decision, it is stipulated that companies which have the obligation to prepare consolidated financial statements, calculate the net distributable profit amount by taking into account the net profits for the period in the consolidated financial statements that will be prepared and announced to the public in accordance with the Communiqué XI No: 29, “Principles of Financial Reporting in Capital Markets” issued by CMB providing the profits can be met by the sources in their statutory records.

Sources subject to profit distribution:

Inflation adjustments to issued capital and historical amount of extraordinary reserves can be used for in kind capital increase, dividend distribution in cash or the net loss deduction. In case inflation adjustment to issued capital is used as dividend distribution in cash, it is subject to corporation tax.

No privileges exist regarding the distribution of company profits. Dividend distribution is made in compliance with the law and at intervals stipulated by the law. Taking into account long-term strategies, investment and financing plans and current profitability, the company may distribute dividends such that it is not less than the minimum profit distribution percentage specified by the Capital Markets Board, calculated on the basis of the Capital Markets Board communiqués and legislation, as a cash dividend or scrip issue or a combination of the two.

Total net statutory profit for the year, after deducting the prior year losses and other sources that are subject the profit distribution as of December 31, 2012 amounts to TL 1.227.398 thousand. TL 194.083 thousand of such sources from adjustment differences and TL 210.187 thousand from other capital reserves are subject to corporation tax when distributed.

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Notes to the consolidated financial statements for the year ended December 31, 2012 (continued)

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

18. Share capital (continued)

Dividends paid

At the Ordinary General Assembly held at April 5, 2012, the Company has decided to distribute dividend over year 2012 distributable profit amounting to TL 150.000 thousand after deducting the general reserve amounting to TL 13.500 thousand;

- a cash dividend payment at the rate of 50%, which corresponds to Kr 0,5 in gross and net cash dividend for the shares with a nominal value of Kr 1 to institutional shareholders who are full taxpayers or limited liable taxpayers and obtain dividends through a business or permanent representative in Turkey.
- Kr 0,5 in gross and 0,425 net cash dividend to other shareholders.

According to this decision, the Company has started dividend payments on April 12, 2012.

Revaluation fund

The detail of the financial revaluation fund is as follows:

	December 31, 2012	December 31, 2011
Koç Finansal Hizmetler A.Ş.	213.653	144.407
Total revaluation fund	213.653	144.407

Currency translation adjustment

Currency translation adjustment as of December 31, 2012 represent, the Company's share of currency translation adjustment of equity investment.

Financial risk hedging reserve:

Fair value of losses resulting from the interest rate swap agreements made for hedging against interest rate risks relating to the loan used by Enerji Yatırımları A.Ş. as of December 2010 for the purchase of 51% of TÜPRAŞ shares is shown as “Financial Risk Hedging Fund” in consolidated financial statements.

Non-controlling interest:

	January 1 - December 31, 2012	January 1 - December 31, 2011
Opening balance	452	35.866
Non-controlling interest on current year profit	35	(1.541)
Transactions with non-controlling interests	36	-
Change in consolidation scope (note 3)	-	(33.873)
Closing balance	523	452

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**Notes to the consolidated financial statements
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19. Sales and cost of goods sold

Sales	January 1 - December 31, 2012	January 1 - December 31, 2011
Domestic sales	5.159.264	5.161.530
Export sales	700.264	513.922
Sales returns (-)	(9.919)	(6.303)
Sales discounts (-)	(263.550)	(213.479)
Total sales, net	5.586.059	5.455.670
Sale of goods	5.048.816	4.825.674
Sale of merchandises	484.830	593.874
Sale of services	52.413	36.122
Sales income	5.586.059	5.455.670
	January 1 - December 31, 2012	January 1 - December 31, 2011
Cost of sales:		
Raw materials used	4.445.593	4.218.987
Production overheads	80.275	78.893
Depreciation expenses	57.603	71.671
Personnel expenses	30.582	32.390
Change in finished goods inventories	486	(1.454)
Change in work in progress inventories	(85)	38
	4.614.454	4.400.525
Cost of services rendered		
Production overheads	23.365	17.376
Personnel expenses	8.916	7.797
Depreciation expenses	5.831	3.360
	38.112	28.533
Cost of merchandises sold	413.160	549.038
Total cost of sales	5.065.726	4.978.096

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

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the consolidated financial statements
for the year ended December 31, 2012 (continued)**

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

**20. Research and development expenses, marketing, sales and distribution expenses,
general administrative expenses**

	January 1 - December 31, 2012	January 1 - December 31, 2011
Marketing, sales and distribution expenses	213.836	195.468
General administrative expenses	138.102	131.345
Research and development expenses	2.521	1.948
Total	354.459	328.761

a) Detail of marketing, sales and distribution expenses

	January 1 - December 31, 2012	January 1 - December 31, 2011
Transportation, distribution and warehousing expenses	96.276	82.674
Sales expenses	37.938	40.059
Personnel expenses	30.824	24.952
Advertising and promotion expenses	28.488	31.355
Transportation expenses	6.197	5.573
Depreciation and amortization expenses	5.213	3.682
License expenses	4.169	3.791
Maintenance expenses	870	722
Insurance expenses	693	651
Rent expenses	458	383
Post office expenses	437	385
Tax expenses	410	221
Lawsuit, consultancy and auditing expenses	398	289
Other marketing, sales and distribution expenses	1.465	731
Total marketing, sales and distribution expenses	213.836	195.468

b) Detail on General administrative expenses

	January 1 - December 31, 2012	January 1 - December 31, 2011
Personnel expenses	60.149	68.575
Tax expenses	14.199	4.116
Depreciation and amortization expenses	9.480	9.109
Information technology expenses	7.378	7.334
Transportation expenses	6.253	5.989
Donation and aids	4.767	5.686
Consultancy expenses	4.543	3.834
Maintenance expenses	4.807	3.376
Lawsuit, consultancy and auditing expenses	3.321	3.445
Insurance expenses	3.116	2.135
Communication expenses	2.484	2.849
Post office expenses	1.746	1.658
Public relations activities expenses	1.274	2.152
Rent expenses	1.184	1.367
Other administrative expenses	13.401	9.720
Total general administrative expenses	138.102	131.345

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

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the consolidated financial statements
for the year ended December 31, 2012 (continued)**

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

20. Research and development expenses, marketing, sales and distribution expenses, general administrative expenses (continued)

c) Detail of research and development expenses

	January 1 - December 31, 2012	January 1 - December 31, 2011
Outsourced research and development expenses	2.521	1.948
Total research and development expenses	2.521	1.948

21. Expenses related to their nature

	January 1 - December 31, 2012	January 1 - December 31, 2011
Personnel expenses	90.973	93.527
Transportation, distribution and warehousing expenses	96.276	82.674
Sales expenses	37.938	40.059
Advertising and promotion expenses	28.488	31.355
Depreciation and amortization expenses	14.693	12.791
Tax expenses	14.609	4.337
Transportation expenses	12.450	11.562
Information technology expenses	7.378	7.334
Maintenance expenses	5.677	4.098
Donation and aids	4.767	5.686
Consultancy expenses	4.543	3.834
License expenses	4.169	3.791
Insurance expenses	3.809	2.786
Lawsuit, consultancy and auditing expenses	3.719	3.734
Outsourced research and development expenses	2.521	1.948
Communication expenses	2.484	2.849
Rent expenses	1.642	1.750
Public relations activities expenses	1.274	2.152
Other	17.049	12.494
Total	354.459	328.761

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

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements for the year ended December 31, 2012 (continued)

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

22. Other operating income / expenses

Other operating income and profit for the years ended December 31, 2012 and 2011 are as follows:

	January 1 - December 31, 2012	January 1 - December 31, 2011
Gain on sale of property, plant and equipment	5.994	3.126
Demurrage income	4.048	3.670
Income from port services	2.509	2.716
Rent income	2.261	1.861
Reversal of provisions	2.088	1.072
Vessel service income	1.316	3.325
Commission income	1.163	1.146
LPG pipeline usage income	1.102	1.142
Dividend income	106	64
Income from sale of financial asset (note 3)	-	204.561
Other income and profits	7.848	8.344
Total other operating income	28.435	231.027

Other operating expense and loss for the period ended December 31, 2012 and 2011 are as follows:

	January 1 - December 31, 2012	January 1 - December 31, 2011
Provision expense	3.295	2.434
Commission expense	697	254
Loss on sale of property, plant and equipment	534	76
Expense to port services	480	617
Upfront fee paid to gas stations	336	361
Vessel service expenses	-	3.397
Demurrage expenses	-	228
Other expenses and losses	773	1.572
Total other operating expense	6.115	8.939

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

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements for the year ended December 31, 2012 (continued)

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

23. Financial income

Financial income for the period ended December 31, 2012 and 2011 are as follows:

	January 1 - December 31, 2012	January 1 - December 31, 2011
Income generated from maturity differences of sales made on credit	18.622	23.572
Interest income	15.433	19.897
Foreign exchange translation gain	14.181	68.533
Fair value differences on forward transactions	181	2.650
Other	2.794	-
Total financial income	51.211	114.652

24. Financial expense

Financial expense for the period ended December 31, 2012 and 2011 are as follows:

	January 1 - December 31, 2012	January 1 - December 31, 2011
Foreign exchange translation loss	15.509	97.364
Expenses from maturity differences of purchases on credit	13.671	16.923
Fair value differences on forward transactions	882	1.612
Interest expense	-	873
Other financial expense	422	625
Total financial expense	30.484	117.397

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

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements for the year ended December 31, 2012 (continued)

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

25. Tax assets and liabilities

	December 31, 2012	December 31, 2011
Current tax liability:		
Current corporate tax provision	38.247	44.088
Less: Prepaid taxes and funds	(34.788)	(38.262)
	3.459	5.826

Tax expense in income statement:

	January 1 - December 31, 2012	January 1 - December 31, 2011
From continuing operations		
<u>Current tax liability</u>		
Current corporate tax expense	(38.247)	(44.088)
Deferred tax income	(1.388)	1.253
Change in consolidation scope (note 3)	-	2.316
- Current corporate tax provision	-	(966)
- Deferred tax income	-	3.282
	(39.635)	(40.519)

Corporate tax

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

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

The effective rate of tax in 2012 is 20% (2011: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2012 is 20% (2011: 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.

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of income and expenses in different reporting periods for IFRS and tax purposes which are provided in the deferred tax section.

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the consolidated financial statements
for the year ended December 31, 2012 (continued)**

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

25. Tax assets and liabilities (continued)

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 15%. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Deferred tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for IFRS purposes 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 IFRS and tax legislation. The rate applied in the calculation of deferred tax assets and liabilities is 20% for 2012 (2011: 20%).

	December 31, 2012	December 31, 2011
Deferred tax (assets)/liabilities:		
Restatement and depreciation / amortization differences of property, plant and equipment and other intangible assets	33.678	31.945
Revaluation fund on financial assets	11.243	7.600
Valuation of inventories	141	369
Effective interest method adjustment	-	(90)
Provision for employment termination benefits	(3.921)	(3.322)
Carry forward tax losses used	(495)	-
Carry forward tax losses	-	(384)
Other	(1.073)	(1.577)
	39.573	34.541

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements for the year ended December 31, 2012 (continued)

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

25. Tax assets and liabilities (continued)

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

	December 31, 2012			December 31, 2011		
	Deferred tax			Deferred tax		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Aygaz A.Ş.	(4.371)	37.846	33.475	(4.357)	33.819	29.462
Mogaz Petrol Gazları A.Ş.	(2.464)	7.112	4.648	(2.690)	6.455	3.765
Akpa A.Ş.	(282)	210	(72)	(298)	220	(78)
Aygaz Doğal Gaz	(714)	2.236	1.522	(498)	1.890	1.392
	(7.831)	47.404	39.573	(7.843)	42.384	34.541

Movement of deferred tax assets and liabilities are as follows:

	January 1 - December 31, 2012	January 1 - December 31, 2011
Movement of deferred tax (assets) / liabilities :		
Opening balance on January 1	34.541	39.931
Deferred tax expense / (income)	1.388	(1.253)
Deferred tax associated with financial asset revaluation fund	3.644	(4.137)
Deferred tax associated with financial risk hedge fund	-	-
Deferred tax associated with currency translation reserve	-	-
Closing balance on December 31	39.573	34.541

Tax reconciliation :

	January 1 - December 31, 2012	January 1 - December 31, 2011
Profit before tax	343.157	418.675
Income tax rate	20%	20%
Expected tax expense	68.631	83.735
Tax effects of:		
-revenue that is exempt from taxation	(5.611)	(43.477)
-expenses that are not deductible in determining taxable profit	2.007	1.307
-consolidation eliminations without tax effect	(25.839)	(3.869)
-carry forward tax losses used	279	-
Other	168	2.823
Tax expense in the income statement	39.635	40.519

26. Earnings per share

	January 1 - December 31, 2012	January 1 - December 31, 2011
Average number of ordinary shares outstanding during the period (one thousand)	300.000	300.000
Net profit for the year attributable equity holders of the parent company	303.487	379.697
Basic earnings per thousand shares (TL)	1,011623	1,265657

Aygaz Anonim Şirketi and its Subsidiaries**Notes to the consolidated financial statements
for the year ended December 31, 2012 (continued)**

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

27. Transactions with related parties

A company is defined as a related party of the Company, if one of the companies has control power on the other company or has a significant impact on financial and administrative decisions of the other company. The Company is controlled by Koç Holding, Koç family or entities owned by Koç family. In financial statements, shareholder companies, shareholders and financial investments and other Group companies' assets are shown as related parties.

Balances with related parties	December 31, 2012			
	Receivables		Payables	
	Trade	Non-trade	Trade	Non-trade
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	10.138	-	61.650	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	1.648	-	6.372	-
Ford Otomotiv Sanayi A.Ş.	882	-	358	-
Arçelik A.Ş.	714	-	19.454	-
Otokar Otobüs Karoseri Sanayi A.Ş.	496	-	-	-
RMK Marine Gemi Yapım San. ve Deniz Taş. İşl. A.Ş.	248	-	-	-
Tofaş Türk Otomobil Fabrikası A.Ş.	241	-	47	-
Opet Petrolcülük A.Ş.	167	-	19.430	-
Demir Export A.Ş.	165	-	-	-
Türk Traktör ve Ziraat Makinaları A.Ş.	161	-	-	-
Harranova Besi ve Tarım Ürünleri A.Ş.	72	-	-	-
Koçtaş Yapı Marketleri Ticaret A.Ş.	70	-	27	-
Koç Topluluğu Spor Klubü Derneği	61	-	3	-
Altinyunus Çeşme Turistik Tesisler. A.Ş.	37	-	-	-
AES Entek Elektrik Üretimi A.Ş.	31	-	81	-
Otokoç Otomotiv Tic. ve San. A.Ş.	29	-	858	-
Tat Konserve Sanayi A.Ş.	18	-	-	-
Yapı Kredi Kültür Sanat Yayıncılık Tic. ve San. A.Ş.	18	-	-	-
Yapı Kredi Bankası A.Ş.	12	-	21	-
Vehbi Koç Vakfı Koç Üniversitesi	9	-	6	-
Düzye Tüketim Malları Pazarlama A.Ş.	5	-	67	-
Yapı Kredi Sigorta A.Ş.	4	-	1	-
Opet-Fuchs Madeni Yağlar	4	-	76	-
Beldesan Otomotiv Yan Sanayii ve Tic. A.Ş.	2	-	165	-
Yapı Kredi Emeklilik A.Ş.	2	-	-	-
Callus Bilgi ve İletişim Hizmetleri A.Ş.	2	-	170	-
Rahmi M.Koç Müzecilik ve Kültür Vakfı	1	-	-	-
Marmaris Altinyunus Turistik Tesisleri A.Ş.	1	-	-	-
Ark İnşaat A.Ş.	1	-	-	-
Akdeniz Akaryakıt Depolama	1	-	-	-
Yapı Kredi Spor Klubü Derneği	1	-	-	-
Ram Sigorta Aracılık Hizmetleri A.Ş.(***)	-	-	1.092	-
Setur Servis Turistik A.Ş.	-	-	266	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	2.510	-
Vehbi Koç Vakfı Amerikan Hastanesi	-	-	10	-
Tanı Pazarlama A.Ş.	-	-	1.525	-
Bilkom Bilişim Hizmetleri A.Ş.	-	-	9	-
Promena Elektronik Ticaret A.Ş.	-	-	15	-
Ram Dış Ticaret A.Ş.	-	-	3.620	-
Setair Hava Taşımacılığı ve Hizm. A.Ş.	-	-	43	-
East Marine	-	-	4	-
Oriente Klassik Giyim San.ve Tic. A.Ş.	-	-	5	-
Divan Turizm İşletmeleri	-	-	62	-
Shareholders				
Koç Holding A.Ş.	-	-	173	-
	15.241	-	118.120	-

(*) Group companies include Koç Group companies.

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

(***) Ram Sigorta Aracılık Hizmetleri A.Ş. (“Ram Sigorta”) provides insurance services to the Group. As of balance sheet date, trade payables consist of Group's payables to third party insurance companies in exchange of insurance services and payables to Ram Sigorta for commissions for intermediary activities.

As of December 31, 2012, the Company has dividend payables amounting to TL 310 thousand (December 31, 2011 – TL 336 thousand), which is reflected within other payables at the consolidated balance sheet.

Aygaz Anonim Şirketi and its Subsidiaries**Notes to the consolidated financial statements
for the year ended December 31, 2012 (continued)**

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

27. Transactions with related parties (continued)

Balances with related parties	December 31, 2011			
	Receivables		Payables	
	Trade	Non-trade	Trade	Non-trade
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	8.484	-	34.451	-
Ford Otomotiv Sanayi A.Ş.	3.775	-	-	-
Arçelik A.Ş.	3.023	-	18.560	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	2.284	-	5.578	-
Demir Export A.Ş.	2.195	-	-	-
Otokar Otobüs Karoseri Sanayi A.Ş.	674	-	6	-
Türk Traktör ve Ziraat Makinaları A.Ş.	587	-	-	-
Tofaş Türk Otomobil Fabrikası A.Ş.	582	-	40	-
R.M.K ve Mahdumları Mad. İnş. Tur. Yat. ve Tic. A.Ş.	256	-	-	-
Opet Petrolcülük A.Ş.	134	-	21.819	-
Vehbi Koç Vakfı Koç Üniversitesi	127	-	-	-
Koçtaş Yapı Marketleri Ticaret A.Ş.	90	-	44	-
Harranova Besi ve Tarım Ürünleri A.Ş.	86	-	-	-
Altinyunus Çeşme Turistik Tesisler. A.Ş.	85	-	-	-
Otokoç Otomotiv Tic. ve San. A.Ş.	76	-	692	-
Setur Servis Turistik A.Ş.	63	-	196	-
Palmira Turizm Ticaret A.Ş.	45	-	138	-
Arçelik LG Klima San. ve Tic. A.Ş.	42	-	-	-
Yapı Kredi Bankası A.Ş.	38	-	15	-
Yapı Kredi Kültür Sanat Yayıncılık Tic. ve San. A.Ş.	21	-	-	-
Tat Konserve Sanayi A.Ş.	19	-	6	-
RMK Marine Gemi Yapım San. ve Deniz Taş. İşl. A.Ş.	18	-	170	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	8	-	1.938	-
Beidesan Otomotiv Yan Sanayii ve Tic. A.Ş.	6	-	-	-
Küsel Ltd.Şti.	6	-	-	-
Düzye Tüketim Malları Pazarlama A.Ş.	3	-	92	-
THY Opet Havacılık Yakıtları A.Ş.	3	-	-	-
Yapı Kredi Sigorta A.Ş.	2	-	1	-
Vehbi Koç Vakfı Amerikan Hastanesi	2	-	-	-
Ram Sigorta Aracılık Hizmetleri A.Ş.(****)	2	-	209	-
Callus Bilgi ve İletişim Hizmetleri A.Ş.	1	-	105	-
Marmaris Altinyunus Turistik Tesisleri A.Ş.	1	-	-	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	1	-	738	-
Kanel Kangal Elektrik A.Ş.	1	-	-	-
Koç Tüketici Finansmanı A.Ş.	1	-	-	-
Promena Elektronik Ticaret A.Ş.	-	-	31	-
Ark İnşaat A.Ş.	-	-	267	-
Bilkom Bilişim Hizmetleri A.Ş.	-	-	4	-
Koçnet Haberleşme Teknoloji ve İlet. Hizm. A.Ş. (****)	-	-	4	-
Opet-Fuchs Madeni Yağlar	-	-	40	-
Oriente Klassik Giyim San. ve Tic. A.Ş.	-	-	14	-
Ram Dış Ticaret A.Ş.	-	-	1.098	-
Setair Hava Taşımacılığı ve Hizm. A.Ş.	-	-	58	-
Shareholders				
Koç Holding A.Ş.	-	-	652	-
Investments accounted under equity method				
Zinerji Enerji Sanayi ve Ticaret A.Ş.	628	-	-	-
AES Entek Elektrik Üretimi A.Ş.	1	-	73	-
	23.370	-	87.039	-

(*) Group companies include Koç Group companies.

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

(***) Ram Sigorta Aracılık Hizmetleri A.Ş. (“Ram Sigorta”) provides insurance services to the Group. As of balance sheet date, trade payables consist of Group’s payables to third party insurance companies in exchange of insurance services and payables to Ram Sigorta for commissions for intermediary activities.

(****) Koçnet Haberleşme Teknoloji ve İlet. Hizm. A.Ş. has been sold to a non-group company as of November 30, 2011.

Aygaz Anonim Şirketi and its Subsidiaries**Notes to the consolidated financial statements
for the year ended December 31, 2012 (continued)**

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

27. Transactions with related parties (continued)

Transactions with related parties	January 1 - December 31, 2012			
	Purchases (Goods)	Sales (Goods)	Purchases (Service)	Sales (Service)
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	644.886	259.129	1.626	864
Opet Petrolcülük A.Ş.(**)	105.592	835	2.972	-
Arçelik A.Ş.	82.539	4.853	57	-
Ram Dış Ticaret A.Ş.	22.260	-	221	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	16.491	357	23.611	17
Opet-Fuchs Madeni Yağlar	656	17	24	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	308	38	7.685	-
Koçtaş Yapı Marketleri Ticaret A.Ş.	274	301	16	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	101	4	2.246	-
Otokoç Otomotiv Tic. ve San. A.Ş.	31	2.409	4.278	-
East Marine	11	-	-	-
Bilkom Bilişim Hizmetleri A.Ş.	9	11	-	-
Oriente Klassik Giyim San.ve Tic.A.Ş.	8	-	-	-
Ford Otomotiv Sanayi A.Ş.	-	15.026	315	-
Otokar Otobüs Karoseri Sanayi A.Ş.	-	3.375	71	-
Düzey Tüketim Malları Pazarlama A.Ş.	-	36	565	-
Demir Export A.Ş.	-	7.016	-	-
Tofaş Türk Otomobil Fabrikası A.Ş.	-	5.909	3	-
Türk Traktör ve Ziraat Makinaları A.Ş.	-	2.723	-	-
Yapı Kredi Bankası A.Ş.	-	366	-	-
RMK Marine Gemi Yapım San. ve Deniz Taş. İşl. A.Ş.	-	854	7	-
Vehbi Koç Vakfı Koç Üniversitesi	-	141	402	-
Tat Konserve Sanayi A.Ş.	-	222	-	-
Koç Tüketici Finansmanı A.Ş.	-	7	-	-
Vehbi Koç Vakfı Amerikan Hastanesi	-	9	16	-
Harranova Besi ve Tarım Ürünleri A.Ş.	-	2.172	-	-
Marmaris Altinyunus Turistik Tesisleri A.Ş.	-	335	9	-
Altinyunus Çeşme Turistik Tesisler. A.Ş.	-	590	-	-
Tek-Art Kalamış ve Fenerbahçe Mar. Tur. Tes. A.Ş.	-	-	57	-
Setur Servis Turistik A.Ş.	-	34	3.036	-
Vehbi Koç Vakfı	-	4	-	-
Setair Hava Taşımacılığı ve Hizm. A.Ş.	-	-	3.446	-
Callus Bilgi ve İletişim Hizmetleri A.Ş.	-	19	1.185	-
Ark İnşaat A.Ş.	-	18	-	-
Yapı Kredi Sigorta A.Ş.	-	38	57	-
Promena Elektronik Ticaret A.Ş.	-	1	153	-
Temel Ticaret ve Yatırım A.Ş.	-	3	-	-
Yapı Kredi Yatırım Menkul Değerler A.Ş.	-	8	10	-
Yapı Kredi Faktoring A.Ş.	-	2	5	-
AES Entek Elektrik Üretimi A.Ş.	-	18	774	-
Yapı Kredi Spor Kulübü Derneği	-	-	44	-
Haremlik Gıda Dekorasyon ve Ekipman	-	-	2	-
Yapı Kredi Emeklilik A.Ş.	-	22	-	-
Digital Panorama	-	3	-	-
Katron	-	3	-	-
Tasfiye Halinde Otoyol Sanayi A.Ş.	-	2	-	-
Rahmi Koç Müzecilik ve Kültür Vakfı	-	10	140	-
Ditaş	-	2	-	-
THY Opet Havacılık Yakıtları A.Ş.	-	10	-	-
Tek-Art Kalamış ve Fenerbahçe Mar. Tur. Tes. A.Ş.	-	5	-	-
Akdeniz Akaryakıt Depolama	-	10	-	-
Beykoz Tankercilik	-	3	-	-
Kadıköy Tankercilik	-	2	-	-
Divan Turizm İşletmeleri	-	304	231	-
Yapı Kredi Portföy Yönetimi A.Ş.	-	2	-	-
Yapı Kredi Kültür Sanat Yayıncılık Tic. ve San. A.Ş.	-	-	20	-
Yapı Kredi Finansal Kiralama A.O.	-	5	-	-
Netsel Turizm Yatırımları A.Ş.	-	3	-	-
Koç Topl.Spor Kulübü Derneği	-	-	12	-
Shareholders				
Koç Holding A.Ş.	-	22	4.554	-
	873.166	307.288	57.850	881

(*) Group companies include Koç Group companies.

(**) Commission expense regarding LPG sold at Opet stations as of December 31, 2012 is TL 81.873 thousand (December 31, 2011 - TL 70.098 thousand). The commission expense mentioned above is evaluated as part of sales and accounted under income statement as sales discounts.

Aygaz Anonim Şirketi and its Subsidiaries**Notes to the consolidated financial statements
for the year ended December 31, 2012 (continued)**

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

27. Transactions with related parties (continued)

Transactions with related parties	January 1 - December 31, 2011			
	Purchases (Goods)	Sales (Goods)	Purchases (Service)	Sales (Service)
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	541.118	276.476	1.316	535
Opet Petrolcülük A.Ş.	153.248	1.724	708	137
Arçelik A.Ş.	76.177	14.928	106	-
Ram Dış Ticaret A.Ş.	18.042	-	320	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	14.037	572	24.179	-
Opet-Fuchs Madeni Yağlar	371	-	-	-
Koçtaş Yapı Marketleri Ticaret A.Ş.	361	225	52	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	308	14	6.108	-
Palmira Turizm Ticaret A.Ş.	16	167	287	-
Ford Otomotiv Sanayi A.Ş.	13	30.016	-	-
Otokar Otobüs Karoseri Sanayi A.Ş.	10	4.143	87	-
Otokoç Otomotiv Tic. ve San. A.Ş.	6	2.542	3.974	-
Koçnet Haberleşme Teknoloji ve İlet. Hizm. A.Ş. (**)	5	-	907	-
Arçelik LG Klima San. ve Tic. A.Ş.	5	-	-	-
East Marine Denizcilik ve Turizm A.Ş.	4	-	-	-
Oriente Klassik Giyim San. ve Tic. A.Ş.	3	-	-	-
Düzey Tüketim Malları Pazarlama A.Ş.	1	4	504	-
Vehbi Koç Vakfı Koç Üniversitesi	1	200	-	-
Altinyunus Çeşme Turistik Tesisler. A.Ş.	-	488	-	7
Bilkom Bilişim Hizmetleri A.Ş.	-	1	-	-
Callus Bilgi ve İletişim Hizmetleri A.Ş.	-	4	-	-
Demir Export A.Ş.	-	15.527	-	-
Harranova Besi ve Tarım Ürünleri A.Ş.	-	1.607	-	-
Koç Tüketici Hizmetleri A.Ş.	-	2	-	-
Marmaris Altinyunus Turistik Tesisleri A.Ş.	-	333	5	-
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	-	27	-
RMK Marine Gemi Yapım San. ve Deniz Taş. İşl. A.Ş.	-	1.090	350	-
Setair Hava Taşımacılığı ve Hizm. A.Ş.	-	-	-	-
Setur Servis Turistik A.Ş.	-	32	8.027	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	1	1.866	-
Tat Konserve Sanayi A.Ş.	-	1.123	6	-
Tofaş Türk Otomobil Fabrikası A.Ş.	-	6.396	34	-
Türk Traktör ve Ziraat Makinaları A.Ş.	-	4.721	-	-
Vehbi Koç Vakfı	-	6	-	-
Vehbi Koç Vakfı Amerikan Hastanesi	-	2	-	-
Yapı Kredi Bankası A.Ş.	-	224	12	-
Yapı Kredi Faktoring A.Ş.	-	-	3	-
Yapı Kredi Yatırım Menkul Değerler A.Ş.	-	-	19	-
Tek-Art Kalamış ve Fenerbahçe Mar. Tur. Tes. A.Ş.	-	1	-	-
THY Opet Havacılık Yakıtları A.Ş.	-	30	-	-
Shareholders				
Koç Holding A.Ş.	-	5	3.551	-
	803.726	362.604	52.448	679

(*) Group companies include Koç Group companies.

(**) Koçnet Haberleşme Teknoloji ve İlet. Hizm. A.Ş. has been sold to a non-group company as of November 30, 2011. Transactions until November 30, 2011 are defined as related party transactions.

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

27. Transactions with related parties (continued)

January 1 - December 31, 2012				
Tangible asset and rent transactions with related parties	Rent income	Rent expense	Tangible and intangible asset purchases	Sale of fixed assets
Group companies (*)				
Opet Petrolcülük A.Ş.	421	18	-	36
Küsel Ltd. Şti.	2	-	-	-
Yapı Kredi Bankası A.Ş.	-	342	-	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	108	1.283	277
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	1.695	-
Otokar Otobüs Karoseri Sanayi A.Ş.	-	-	230	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	30	2.138
Koçtaş Yapı Marketleri Ticaret A.Ş.	-	-	3	-
Türkiye Petrol Rafinerileri A.Ş.	-	-	73	-
THY Opet Havacılık Yakıtları A.Ş.	-	-	-	14
Shareholders				
Temel Ticaret ve Yatırım A.Ş.	-	46	-	-
Investments accounted under equity method				
Zinerji Enerji Sanayi ve Ticaret A.Ş.	3	-	-	-
	426	514	3.314	2.465
January 1 - December 31, 2011				
Tangible asset and rent transactions with related parties	Rent income	Rent expense	Tangible and intangible asset purchases	Sale of fixed assets
Group companies (*)				
Opet Petrolcülük A.Ş.	432	16	-	-
Yapı Kredi Bankası A.Ş.	-	175	-	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	105	777	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	2.294	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	334	2.787
Ark İnşaat A.Ş.	-	-	267	-
Koçnet Haberleşme Teknoloji ve İlet. Hizm. A.Ş. (**)	-	-	23	-
Bilkom Bilişim Hizmetleri A.Ş.	-	-	12	-
Koçtaş Yapı Marketleri Ticaret A.Ş.	-	-	2	-
Shareholders				
Temel Ticaret ve Yatırım A.Ş.	-	55	-	-
	432	351	3.709	2.787

(*) Group companies include Koç Group companies.

(**) Koçnet Haberleşme Teknoloji ve İlet. Hizm. A.Ş. has been sold to a non-group company as of November 30, 2011. Transactions until November 30, 2011 are defined as related party transactions.

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**Notes to the consolidated financial statements
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27. Transactions with related parties (continued)

Financial and other transactions with related parties	January 1 - December 31, 2012			
	Financial income	Financial expense	Other income	Other expense
Group companies (*)				
Yapı Kredi Bankası A.Ş.	11.889	9.095	-	-
AES Entek Elektrik Üretimi A.Ş.	2.794	-	-	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	1.143	-
Opet Petrolcülük A.Ş.	-	-	23	-
THY-Opet Havacılık Yakıtları A.Ş.	-	-	8	-
	14.683	9.095	1.174	-

Financial and other transactions with related parties	January 1 - December 31, 2011			
	Financial income	Financial expense	Other income	Other expense
Group companies (*)				
Yapı Kredi Bankası A.Ş.	19.135	10.643	-	-
Türkiye Petrol Rafinerileri A.Ş.	847	-	-	-
Arçelik A.Ş.	9	-	-	-
Otokoç Otomotiv Tic. ve San. A.Ş.	5	-	-	-
Koçnet Haberleşme Teknoloji ve İlet. Hizm. A.Ş. (**)	-	-	8	-
Shareholders				
Koç Holding A.Ş.	-	-	9.933	-
	19.996	10.643	9.941	-

(*) Group companies include Koç Group companies.

(**) Koçnet Haberleşme Teknoloji ve İlet. Hizm. A.Ş. has been sold to a non-group company as of November 30, 2011. Transactions until November 30, 2011 are defined as related party transactions.

Cash at banks	December 31, 2012	December 31, 2011
Group companies (*)		
Yapı Kredi Bankası A.Ş.	76.894	184.396

Credit card receivables	December 31, 2012	December 31, 2011
Group companies (*)		
Yapı Kredi Bankası A.Ş.	20.442	14.144

(*) Group companies include Koç Group companies.

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Notes to the consolidated financial statements for the year ended December 31, 2012 (continued)

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

27. Transactions with related parties (continued)

Benefits to Top Management:

The Group has determined senior manager squad as board 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 December 31, 2012 is TL 21.879 thousand (2011: TL 23.659 thousand).

28. Nature and the level of risk derived from financial instruments

a) Capital risk management

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

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

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

	December 31, 2012	December 31, 2011
Total financial liabilities	5.810	1.764
Less: Cash and cash equivalents	(125.365)	(254.302)
Net debt	-	-
Shareholder's equity	2.379.760	2.154.631
Net financial debt / equity ratio	-	-

b) Financial risk factors

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

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

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the consolidated financial statements
for the year ended December 31, 2012 (continued)**

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

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

b.1) Credit risk management

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

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

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

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the consolidated financial statements
for the year ended December 31, 2012 (continued)**

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

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

Credit risk of financial instruments

December 31, 2012	Receivables							
	Trade receivables		Other receivables		Deposits in banks	Credit card receivables	Derivative instruments	Other
	Related party	Third party	Related party	Third party				
Receivables maximum net credit risk as of balance sheet date (*)	15.241	293.455	32.750	3.990	99.545	25.588	-	-
- The part of maximum risk under guarantee with collateral etc.	-	195.283	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	15.241	256.213	32.750	3.990	99.545	25.588	-	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	37.242	-	-	-	-	-	-
- The part under guarantee with collateral etc-	-	24.625	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	15.558	-	-	-	-	-	-
- Impairment (-)	-	(15.558)	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-	-

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

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Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the consolidated financial statements
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(Amounts expressed in thousands of Turkish Lira (“TL”) and in thousands for other currencies unless otherwise indicated.)

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

Credit risk of financial instruments

	Receivables							
	Trade receivables		Other receivables		Deposits in banks	Credit card receivables	Derivative instruments	Other
	Related Party	Third party	Related party	Third party				
December 31, 2011								
Receivables maximum net credit risk as of balance sheet date (*)	23.370	277.853	-	3.865	234.922	18.922	-	-
- The part of maximum risk under guarantee with collateral etc.	-	270.489	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	23.370	246.529	-	3.865	234.922	18.922	-	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	31.324	-	-	-	-	-	-
- The part under guarantee with collateral etc-	-	18.804	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	15.220	-	-	-	-	-	-
- Impairment (-)	-	(15.220)	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-	-

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

Aygaz Anonim Şirketi and its Subsidiaries**Notes to the consolidated financial statements
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28. Nature and the level of risk derived from financial instruments (continued)

December 31, 2012	Trade receivables	Other receivables	Deposits in banks	Derivative instruments	Other	Total
Past due 1-30 days	25.836	-	-	-	-	25.836
Past due 1-3 months	7.545	-	-	-	-	7.545
Past due 3-12 months	3.208	-	-	-	-	3.208
Past due 1-5 years	653	-	-	-	-	653
Past due more than 5 years	-	-	-	-	-	-
Total past due	37.242	-	-	-	-	37.242
The part under guarantee with collateral	24.625	-	-	-	-	24.625

December 31, 2011	Trade receivables	Other receivables	Deposits in banks	Derivative instruments	Other	Total
Past due 1-30 days	16.468	-	-	-	-	16.468
Past due 1-3 months	7.189	-	-	-	-	7.189
Past due 3-12 months	7.507	-	-	-	-	7.507
Past due 1-5 years	160	-	-	-	-	160
Past due more than 5 years	-	-	-	-	-	-
Total past due	31.324	-	-	-	-	31.324
The part under guarantee with collateral	18.804	-	-	-	-	18.804

b.2) Liquidity risk management

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

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

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

December 31, 2012						
Contractual maturity analysis	Carrying value	Total cash outflow according to the contract (I+II+III+IV)	Less than 3 months (I)	3 – 12 months (II)	1-5 years (III)	More than five years (IV)
Non-derivative financial liabilities						
Bank borrowings	5.810	5.810	5.810	-	-	-
Trade payables	150.460	150.460	150.460	-	-	-
Payables to related parties	118.120	118.120	118.120	-	-	-
Other payables	84.812	84.812	14.116	-	-	70.696
Other liabilities	1.545	1.545	1.545	-	-	-
Total liabilities	360.747	360.747	290.051	-	-	70.696

Derivative Instruments (*)	Book value	Cash flow according to contract	Less than 3 months	3 – 12 months	1 – 5 years	Above 5 years
Derivative cash inflows	-	25.723	23.120	2.603	-	-
Derivative cash outflows	-	(25.985)	(23.339)	(2.646)	-	-
Derivative instruments, net	(135)	(262)	(219)	(43)	-	-

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

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**Notes to the consolidated financial statements
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(Amounts expressed in thousands of Turkish Lira (“TL”) and in thousands for other currencies unless otherwise indicated.)

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

December 31, 2011						
Contractual maturity analysis	Carrying value	Total cash outflow according to the contract (I+II+III+IV)	Less than 3 months (I)	3 - 12 months (II)	1-5 years (III)	More than five years (IV)
Non-derivative financial liabilities						
Bank borrowings	1.764	1.764	1.764	-	-	-
Trade payables	163.468	163.468	163.468	-	-	-
Payables to related parties	87.039	87.039	87.039	-	-	-
Other payables	86.460	86.460	19.469	-	-	66.991
Other liabilities	745	745	745	-	-	-
Total liabilities	339.476	339.476	272.485	-	-	66.991

Derivative Instruments	Book value	Cash flow according to contract	Less than 3 months	3 – 12 months	1 – 5 years	Above 5 years
Derivative cash inflows	-	3.778	3.778	-	-	-
Derivative cash outflows	-	(3.715)	(3.715)	-	-	-
Derivative instruments, net	(27)	63	63	-	-	-

b.3) Market risk management

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

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

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

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

Aygaz Anonim Şirketi and its Subsidiaries**Notes to the consolidated financial statements
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28. Nature and the level of risk derived from financial instruments (continued)*b.3.1) Foreign currency risk management*

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

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

December 31, 2012		Total TL equivalent	TL equivalent of USD	TL equivalent of Euro	TL equivalent of other
1.	Trade receivables	30.881	30.352	529	-
2.a	Monetary financial assets	23.209	21.266	1.780	163
2.b	Non monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current assets	54.090	51.618	2.309	163
5.	Trade receivables	-	-	-	-
6.a	Monetary financial assets	-	-	-	-
6.b	Non monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non current assets	-	-	-	-
9.	Total assets	54.090	51.618	2.309	163
10.	Trade payables	(100.719)	(99.669)	(1.007)	(43)
11.	Financial liabilities	-	-	-	-
12.a	Other monetary financial liabilities	-	-	-	-
12.b	Other non monetary financial liabilities	-	-	-	-
13.	Current liabilities	(100.719)	(99.669)	(1.007)	(43)
14.	Trade payables	-	-	-	-
15.	Financial liabilities	-	-	-	-
16.a	Other monetary financial liabilities	-	-	-	-
16.b	Other non monetary financial liabilities	-	-	-	-
17.	Non current liabilities	-	-	-	-
18.	Total liabilities	(100.719)	(99.669)	(1.007)	(43)
19.	Net asset / liability position of off balance sheet asset and liabilities (19a-19b)	-	-	-	-
19.a	Total foreign currency amount of off-balance sheet derivative financial assets	25.723	25.723	-	-
19.b	Total foreign currency amount of off-balance sheet derivative financial liabilities	-	-	-	-
20.	Net foreign currency asset / liability position	(20.906)	(22.328)	1.302	120
21.	Net foreign currency asset / liability position of monetary items (1+2a+5+6a+10+11+12a+14+15+16a)	(20.906)	(22.328)	1.302	120
22.	Fair value of foreign currency hedged financial assets	-	-	-	-
23.	Hedged foreign currency assets	-	-	-	-
24.	Hedged foreign currency liabilities	-	-	-	-
25.	Export	700.264	686.898	13.366	-
26.	Import	2.378.250	2.371.886	5.614	750

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 December 31, 2012, the Group has LPG amounting to TL 110.739 thousand (December 31, 2011, TL 91.932 thousand).

Aygaz Anonim Şirketi and its Subsidiaries**Notes to the consolidated financial statements
for the year ended December 31, 2012 (continued)**

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

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

December 31, 2011	Total TL equivalent	TL equivalent of USD	TL equivalent of Euro	TL equivalent of other
1. Trade receivables	18.552	17.018	1.534	-
2.a Monetary financial assets	17.183	8.238	8.794	151
2.b Non monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. Current assets	35.735	25.256	10.328	151
5. Trade receivables	-	-	-	-
6.a Monetary financial assets	-	-	-	-
6.b Non monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non current assets	-	-	-	-
9. Total assets	35.735	25.256	10.328	151
10. Trade payables	(99.958)	(99.856)	(97)	(5)
11. Financial liabilities	-	-	-	-
12.a Other monetary financial liabilities	-	-	-	-
12.b Other non monetary financial liabilities	-	-	-	-
13. Current liabilities	(99.958)	(99.856)	(97)	(5)
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16.a Other monetary financial liabilities	-	-	-	-
16.b Other non monetary financial liabilities	-	-	-	-
17. Non current liabilities	-	-	-	-
18. Total liabilities	(99.958)	(99.856)	(97)	(5)
19. Net asset / liability position of off balance sheet liabilities (19a-19b)	-	-	-	-
19.a Total foreign currency amount of off-balance sheet derivative financial assets	3.778	3.778	-	-
19.b Total foreign currency amount of off-balance sheet derivative financial liabilities	-	-	-	-
20. Net foreign currency asset / liability position	(60.445)	(70.822)	10.231	146
21. Net foreign currency asset / liability position of monetary items (1+2a+6a+10+11+12a+14+15+16a)	(60.445)	(70.822)	10.231	146
22. Fair value of foreign currency hedged financial assets	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Export	513.922	484.255	29.667	-
26. Import	2.233.334	2.227.120	5.741	473

Currency forward agreements

Currency forward agreements which are valid as of December 31, 2012 and 2011 are summarized at the table below.

Maturity	Parity	Type of contract	Transaction	December 31, 2012	
				Total amount	Currency
1 to 3 months	1,784 - 1,7965	Forward	Sells TL, buys USD	12.970	USD
3 to 6 months	1,8013	Forward	Sells TL, buys USD	1.460	USD
December 31, 2011					
Maturity	Parity	Type of contract	Transaction	Total amount	Currency
1 to 3 months	1,8577 - 1,8300	Forward	Sells TL, buys USD	2.000	USD

Aygaz Anonim Şirketi and its Subsidiaries**Notes to the consolidated financial statements
for the year ended December 31, 2012 (continued)**

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

28. Nature and the level of risk derived from financial instruments (continued)Foreign currency sensitivity :

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

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

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

	December 31, 2012			
	Income/Expense		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
10% fluctuation of USD rate				
USD net asset/liability	(2.233)	2.233	(2.233)	2.233
Secured portion from USD risk	-	-	-	-
USD net effect	(2.233)	2.233	(2.233)	2.233
10% fluctuation of Euro rate				
Euro net asset/liability	130	(130)	130	(130)
Secured portion from Euro risk	-	-	-	-
Euro net effect	130	(130)	130	(130)
Total	(2.103)	2.103	(2.103)	2.103

	December 31, 2011			
	Income/Expense		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
10% fluctuation of USD rate				
USD net asset/liability	(7.082)	7.082	(7.082)	7.082
Secured portion from USD risk	-	-	-	-
USD net effect	(7.082)	7.082	(7.082)	7.082
10% fluctuation of Euro rate				
Euro net asset/liability	1.023	(1.023)	1.023	(1.023)
Secured portion from Euro risk	-	-	-	-
Euro net effect	1.023	(1.023)	1.023	(1.023)
Total	(6.059)	6.059	(6.059)	6.059

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

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements for the year ended December 31, 2012 (continued)

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

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

b.3.2) Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

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

Interest rate position table

	December 31, 2012	December 31, 2011
Fixed interest instruments		
Time deposits	66.338	203.230
Variable interest instruments		
Financial liabilities	-	-

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

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the consolidated financial statements
for the year ended December 31, 2012 (continued)**

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

28. Financial instruments (explanations related to fair value and hedge accounting)

Financial instrument categories

December 31, 2012	Financial assets at amortized cost	Loans and receivables	Financial assets available for sale	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Fair value	Note
<u>Financial assets</u>							
Cash and cash equivalents	125.365	-	-	-	-	125.365	5
Trade receivables	-	293.455	-	-	-	293.455	9
Due from related parties	-	15.241	-	-	-	15.241	27
Other financial assets	-	-	317.258	-	-	317.258	6
Other receivables	-	36.740	-	-	-	36.740	10
<u>Financial liabilities</u>							
Financial liabilities	-	-	-	-	5.810	5.810	7
Trade payables	-	-	-	-	150.460	150.460	9
Due to related parties	-	-	-	-	118.120	118.120	27
Other financial liabilities	-	-	-	135	-	135	8
Other payables	-	-	-	-	84.812	84.812	10
<hr/>							
December 31, 2011	Financial assets at amortized cost	Loans and receivables	Financial assets available for sale	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Fair value	Note
<u>Financial assets</u>							
Cash and cash equivalents	254.302	-	-	-	-	254.302	5
Trade receivables	-	277.853	-	-	-	277.853	9
Due from related parties	-	23.370	-	-	-	23.370	27
Other financial assets	-	-	243.868	-	-	243.868	6
Other receivables	-	3.865	-	-	-	3.865	10
<u>Financial liabilities</u>							
Financial liabilities	-	-	-	-	1.764	1.764	7
Trade payables	-	-	-	-	163.468	163.468	9
Due to related parties	-	-	-	-	87.039	87.039	27
Other financial liabilities	-	-	-	27	-	27	8
Other payables	-	-	-	-	86.460	86.460	10

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

Aygaz Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements for the year ended December 31, 2012 (continued)

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

28. Financial instruments (explanations related to fair value and hedge accounting) (continued)

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			
	December 31, 2012	1st Level	2nd Level	3rd Level
Available-for-sale financial assets (*)	316.694	32	316.662	-
Forward transactions	(135)	-	(135)	-

Financial assets / (liabilities)	Level of fair value as of reporting date			
	December 31, 2011	1st Level	2nd Level	3rd Level
Available-for-sale financial assets (*)	243.304	25	243.279	-
Forward transactions	(27)	-	(27)	-

(*) The Group has available for sale financial assets, which are not quoted in stock markets, and total amount of these financial assets is TL 564 thousand as of December 31, 2012 (December 31, 2011 – TL 564 thousand). The fair value of these financial assets cannot be measured reliably and stated at cost in the accompanying financial statements.

Information for reflecting financial assets and liabilities at fair value:

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

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

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

Aygaz Anonim Şirketi and its Subsidiaries

**Notes to the consolidated financial statements
for the year ended December 31, 2012 (continued)**

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

**28. Financial instruments (explanations related to fair value and hedge accounting)
(continued)**

Financial assets

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

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

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

Financial Liabilities

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

29. The events after the balance sheet date

- a) Registration procedures regarding the merger of Aygaz, with Mogaz Petrol Gazları A.Ş., 100% owned subsidiary through a whole take-over of all assets and liabilities reflected in the balance sheet dated June 30, 2012, were completed on January 22, 2013 and the merger process has been completed.
- b) In the Board of Directors meeting dated February 15, 2013, the Company decided that;
- An application shall be made to the CMB for a bond issuance with a nominal value of TL 150.000 thousand.
 - Upon the acceptance of the application, the bonds shall be issued with 24-month maturity, payable with a fixed coupon once every 6 months and with capital on the maturity date, the interest rate of these bonds shall be determined by adding a margin between 150 base points and 155 base points over the Treasury of the Turkish Republic Benchmark Government Bond annual joint interest which is traded on the market in accordance with the maturity of the Company bond to be issued;
 - The sale shall be made by private placement and/or by sale to a qualified investor without public listing;
 - The bonds to be issued in case of allotment to a qualified investor shall be sold after being recorded to be traded in Istanbul Stock Exchange regional market in a manner that it does not cause public listing;
 - Yapı Kredi Yatırım Menkul Değerler A.Ş. shall be used as a brokerage firm in the issuance of the bond;
 - The brokerage operations shall be realized by stand-by underwriting.

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

None.