

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

Aygaz Anonim Őirketi and Subsidiaries

January 1 – June 30, 2014 interim condensed consolidated financial statements together with independent auditor's review report

Aygaz Anonim Şirketi and Subsidiaries

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

**Review Report on the interim financial information
for the period January 1 – June 30, 2014**

To the Board of Directors of
Aygaz Anonim Şirketi

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Aygaz Anonim Şirketi ("Aygaz" or "the Company") and its subsidiaries (together will be referred to as "the Group") as of June 30, 2014, which comprise consolidated balance sheet, consolidated statement of profit or loss and other comprehensive income for the six-month-period then ended, consolidated statement of changes in equity, consolidated statement of cash flows and disclosures. Group Management is responsible for the preparation and fair presentation of these interim financial information in accordance with TAS 34 Interim Financial Reporting ("TAS 34"). Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Turkish Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention which may cause us to believe that the accompanying interim condensed consolidated financial information are not prepared, in all material respects, in accordance with TAS 34.

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

Erdem Tecer, SMMM
Partner

August 12, 2014
İstanbul, Türkiye

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

Aygaz Anonim Şirketi and Subsidiaries

Consolidated balance sheet

as at June 30, 2014

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

		Current period Reviewed	Prior period Audited
Assets	Notes	June 30, 2014	December 31, 2013
Current assets		811.191	867.167
Cash and cash equivalents	4	141.883	173.054
Trade receivables		428.652	367.454
-Trade receivables from related parties	18	26.077	18.360
-Trade receivables from third parties	8	402.575	349.094
Other receivables		7.439	4.505
-Other receivables from third parties		7.439	4.505
Inventories	9	183.175	275.630
Prepaid expenses		43.960	39.762
Assets related to current year tax		202	40
Other current assets		5.880	6.722
Non-current assets		2.469.397	2.321.139
Financial investments	5	317.135	267.885
Trade receivables		6.071	6.756
-Trade receivables from third parties	8	6.071	6.756
Other receivables		80	77
-Other receivables from third parties		80	77
Investments accounted under equity method	10	1.491.229	1.377.154
Property, plant and equipment	11	580.647	589.330
Intangible assets		27.776	30.562
-Other intangible assets	12	27.776	30.562
Prepaid expenses		46.068	49.136
Deferred tax asset	17	391	239
Total assets		3.280.588	3.188.306

The accompanying accounting policies and notes presented between pages 7 and 39 form an integral part of these interim condensed consolidated financial statements.

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

Aygaz Anonim Şirketi and Subsidiaries

Consolidated balance sheet

as at June 30, 2014

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

		Current period Reviewed	Prior period Audited
Liabilities	Notes	June 30 2014	December 31, 2013
Short-term liabilities		796.005	667.192
Short-term financial borrowings	6	44.009	85.405
Short-term portion of long-term financial borrowings	6	153.626	9.905
Trade payables		345.408	376.346
- Trade payables to related parties	18	131.600	164.175
- Trade payables to third parties	8	213.808	212.171
Liabilities for employee benefits		6.455	36.354
Other payables		628	578
- Other payables to related parties	18	506	434
- Other payables to third parties		122	144
Derivative financial instruments	7	158	-
Deferred income		1.337	2.968
Provision for taxation on income	17	3.422	2.649
Short-term provisions		107.922	85.373
-Provisions for employee benefits		5.374	-
-Other provisions	14	102.548	85.373
Other current liabilities	14	133.040	67.614
Long-term liabilities		219.725	277.538
Long-term financial borrowings	6	81.110	142.497
Other payables		75.762	73.614
- Other payables to third parties		75.762	73.614
Derivative financial instruments	7	1.529	-
Long-term provisions		25.874	24.485
-Provisions for employee benefits		25.874	24.485
Deferred tax liabilities	17	35.450	36.942
Equity		2.264.858	2.243.576
Share capital	15	300.000	300.000
Adjustment to share capital	15	71.504	71.504
Adjustment to share capital due to cross-ownership (-)		(7.442)	(7.442)
Other comprehensive income or expenses not to be reclassified to profit or loss		(106)	(106)
-Actuarial gain/loss arising from defined benefit plans		(106)	(106)
Other comprehensive income or expenses to be reclassified to profit or loss		215.514	167.532
-Foreign currency translation differences		1.861	1.875
-Hedging gains/losses		-	(1.208)
-Gains/losses from the revaluation and reclassification of marketable securities		213.653	166.865
Restricted reserves		293.875	277.875
Retained earnings		1.242.608	1.228.355
Net profit for the period		148.264	205.253
Equity attributable to equity holders of the parent		2.264.217	2.242.971
Non-controlling interests		641	605
Total equity and liabilities		3.280.588	3.188.306

The accompanying accounting policies and notes presented between pages 7 and 39 form an integral part of these interim condensed consolidated financial statements.

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

Aygaz Anonim Şirketi and Subsidiaries

Consolidated statement of profit or loss and other comprehensive income

for the six month interim period ended June 30, 2014

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

	Notes	Reviewed		Reviewed	
		January 1 - June 30, 2014	April 1 - June 30, 2014	January 1 - June 30, 2013	April 1 - June 30, 2013
Revenue		3.491.559	1.714.464	2.767.531	1.390.782
Cost of sales (-)		(3.228.518)	(1.582.130)	(2.524.505)	(1.265.110)
Gross profit		263.041	132.334	243.026	125.672
General administrative expenses (-)		(77.299)	(39.947)	(62.588)	(29.916)
Marketing, sales and distribution expenses (-)		(111.212)	(59.349)	(106.451)	(57.379)
Research and development expenses (-)		(1.238)	(797)	(1.365)	(668)
Other operating income		59.059	29.473	30.090	18.337
Other operating expenses (-)		(49.446)	(21.430)	(20.751)	(11.304)
Operating profit		82.905	40.284	81.961	44.742
Income from investment activities		4.125	1.402	1.074	484
Loss from investment activities (-)		(498)	-	(129)	(32)
Profit /losses from investments accounted under equity method	10	82.881	37.512	7.350	1.016
Operating profit before financial income/(expense)		169.413	79.198	90.256	46.210
Financial income		21.843	5.858	3.833	1.140
Financial expense (-)		(33.144)	(15.512)	(5.475)	(4.149)
Profit before taxation		158.112	69.544	88.614	43.201
Tax income / (expense)					
- Current tax expense for the period (-)	17	(13.918)	(5.803)	(13.212)	(6.228)
- Deferred tax income / (expense)	17	4.106	763	789	(949)
Profit for the period		148.300	64.504	76.191	36.024
Other comprehensive income / (expense)					
To be reclassified as profit or loss					
Foreign currency translation differences		(14)	(525)	208	214
Gains/losses from the revaluation and reclassification of marketable securities		46.788	46.788	6.550	6.550
Hedging gains/losses		1.208	640	1.110	516
Other comprehensive income/(expense) (after taxation)		47.982	46.903	7.868	7.280
Total comprehensive income		196.282	111.407	84.059	43.304
Distribution of profit for the period					
Non-controlling interest		36	11	52	33
Equity holders of the parent		148.264	64.493	76.139	35.991
Distribution of total comprehensive income					
Non-controlling interest		36	11	52	33
Equity holders of the parent		196.246	111.396	84.007	43.271
Earnings per share (TL)	16	0,494213	0,214977	0,253797	0,119970

The accompanying accounting policies and notes presented between pages 7 and 39 form an integral part of these interim condensed consolidated financial statements.

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

Aygaz Anonim Şirketi and Subsidiaries

**Consolidated statement of changes in equity
for the period ended June 30, 2014**

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

			Other comprehensive income or expenses not to be reclassified to profit or loss	Other comprehensive income or expenses to be reclassified to profit or loss									
	Share capital	Adjustment to share capital	Adjustment to share capital due to cross-ownership (-)	Actuarial gain/loss arising from defined benefit plans	Foreign currency translation adjustment	Hedging gains/losses	Gains/losses from the revaluation and reclassification of marketable securities	Restricted reserves	Retained earnings	Net profit for the period	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Reviewed													
Balance as of January 1, 2013	300.000	71.504	(7.442)	(1.862)	1.024	(3.095)	213.653	307.846	1.193.454	304.930	2.380.012	523	2.380.535
Transfers from retained earnings	-	-	-	-	-	-	-	-	304.930	(304.930)	-	-	-
Transfers to reserves	-	-	-	-	-	-	-	28.500	(28.500)	-	-	-	-
Transfers from restricted reserves	-	-	-	-	-	-	-	(71.553)	71.553	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(300.000)	-	(300.000)	-	(300.000)
Comprehensive income / (loss) for the period	-	-	-	-	208	1.110	6.550	-	-	76.139	84.007	52	84.059
Balance as of June 30, 2013	300.000	71.504	(7.442)	(1.862)	1.232	(1.985)	220.203	264.793	1.241.437	76.139	2.164.019	575	2.164.594
Reviewed													
Balance as of January 1, 2014	300.000	71.504	(7.442)	(106)	1.875	(1.208)	166.865	277.875	1.228.355	205.253	2.242.971	605	2.243.576
Transfers from retained earnings	-	-	-	-	-	-	-	-	205.253	(205.253)	-	-	-
Transfers to reserves	-	-	-	-	-	-	-	16.000	(16.000)	-	-	-	-
Dividends paid (note 15)	-	-	-	-	-	-	-	-	(175.000)	-	(175.000)	-	(175.000)
Comprehensive income / (loss) for the period	-	-	-	-	(14)	1.208	46.788	-	-	148.264	196.246	36	196.282
Balance as of June 30, 2014	300.000	71.504	(7.442)	(106)	1.861	-	213.653	293.875	1.242.608	148.264	2.264.217	641	2.264.858

The accompanying accounting policies and notes presented between pages 7 and 39 form an integral part of these interim condensed consolidated financial statements.

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

Aygaz Anonim Şirketi and Subsidiaries

Consolidated cash flow statement

for the period ended June 30, 2014

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

		Reviewed January 1- June 30, 2014	Reviewed January 1- June 30, 2013
	Notes		
A. Cash flows from operating activities			
Profit/loss before tax for the period		158.112	88.614
Adjustments related with the reconciliation of net profit/ loss for the period		(8.589)	50.584
-Adjustments for depreciation and amortization expenses	11, 12	41.416	41.290
-Adjustments for provisions		26.391	20.608
-Adjustments for interest income and expenses		4.006	(1.182)
-Adjustments for income from equity participations	10	(82.881)	(7.350)
-Adjustments for profit/ loss on sale of tangible/intangible assets		(2.767)	(945)
-Other adjustments for reconciliation of profit/ loss		5.246	(1.837)
Changes in working capital:		30.921	30.279
-Adjustments for increase/decrease in inventories		92.455	35.449
-Adjustments for increase/decrease in trade receivables		(65.334)	(103.613)
-Adjustments for other current assets and liabilities		46.701	3.292
-Adjustments for increase/ decrease in trade payables		(30.938)	108.737
-Adjustments for other non-current assets and long-term liabilities		(11.963)	(13.586)
Cash flows from operating activities		180.444	169.477
Tax payments/returns	17	(13.307)	(12.178)
Other cash inflow/outflows		(3.006)	(954)
B. Cash flows from investing activities			
Cash inflows from the sale of property, plant and equipment and intangible assets		6.785	2.947
Cash outflows from the purchase of property, plant and equipment and intangible assets	11, 12	(33.965)	(26.349)
Share capital participation to joint ventures		(30.000)	(2.791)
Net cash outflow due to acquisition of a subsidiary		(40)	-
C. Cash flows from financing activities			
Net change in borrowings		39.836	145.874
Dividends paid	15	(175.000)	(300.000)
Interest received		3.963	3.834
Interest paid		(6.867)	-
Net increase/decrease in cash and cash equivalents before the effect of foreign currency translation differences		(31.157)	(20.140)
D. Impact of foreign currency translation differences on cash and cash equivalents			
		(14)	208
Net increase/decrease in cash and cash equivalents		(31.171)	(19.932)
E. Cash and cash equivalents at the beginning of the period			
	4	173.054	125.365
Cash and cash equivalents at the end of the period			
	4	141.883	105.433

The accompanying accounting policies and notes presented between pages 7 and 39 form an integral part of these interim condensed consolidated financial statements.

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of June 30, 2014

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

1. Organization and operations of the Company

The main activity of Aygaz Anonim Şirketi (“the Company” or “Aygaz”) is the purchase of liquid petroleum gas (“LPG”) in bulk from domestic refineries and the overseas market and delivery to retailers for distribution to customers. As a result of the merger in 2001 with Gaz Aletleri A.Ş., the Company started to manufacture LPG cylinders, LPG tanks, LPG stoves and other supplementary materials which support the Company’s main business and which are necessary equipment for the end-user. 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”) and as of June, 30 2014 24,27% of its shares have been quoted at Borsa İstanbul.

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

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

As of June 30, 2014, number of personnel employed by categories in Aygaz and its subsidiaries (together with referred to as the “Group”) is 705 white-collar (December 31, 2013: 724) and 722 blue-collar (December 31, 2013: 703) totaling to 1.427 (December 31, 2013: 1.427).

Subsidiaries

Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. (“Akpa”) reached to its current structure with the merger of four subsidiaries of Koç Holding Energy Group at the end of 2001. Before the merger, four companies were operating separately from each other in Bursa, Eskişehir, Ankara and Antalya. At the time of merger the company name was Bursa Gaz ve Ticaret A.Ş., later it was changed to “Akpa Dayanıklı Tüketim Lpg ve Akaryakıt Ürünleri Pazarlama Anonim Şirketi” with the decision of Ordinary General Meeting held on March 17, 2005. Akpa is mainly engaged in sales of cylinders through dealers, retail and wholesale of LPG, fuel and lubes through autogas stations 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. (“Anadolu Hisarı”), Kandilli Tankercilik A.Ş. (“Kandilli”), Kuleli Tankercilik A.Ş. (“Kuleli”) and Kuzguncuk Tankercilik A.Ş. (“Kuzguncuk”) with an effective ownership interest of 100%. The main activities of these companies are to purchase, build or rent vessels and to operate them in domestic and/or overseas transportation of crude oil, petroleum products, liquid petroleum gas, natural gas and solid, liquid and liquefied products.

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of June 30, 2014 (continued)

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

1. Organization and operations of the Company (continued)

The Company has purchased 100% ownership interest of Enram Su ve Çevre Yatırımları A.Ş. as a result of share transfer agreement dated March 14, 2014. Enram Su ve Çevre Yatırımları A.Ş. has decided to change its trade name as ADG Enerji Yatırımları A.Ş. (“ADG Enerji”) and to increase share capital from TL 3.600.000 to TL 25.000.000 in its Extraordinary General Meeting held on March 20, 2014. The Company has paid in cash a part of the increased share amounting to TL 5.350.000 on March 20, 2014 and the remaining part amounting to TL 16.050.000 will be paid within 24 months from the date of decision. Main activity of ADG Enerji is to produce natural gas in domestic and/or overseas markets, purchase natural gas from domestic and/or overseas suppliers, selling natural gas in domestic and/or overseas customers and make related investments to storing, transportation and distribution of natural gas and building necessary facilities.

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

Subsidiaries	Place of incorporation and operation	Ownership interest (%)			Voting power right	Principal activity
		June 30, 2014	December 31, 2013			
Anadoluhisarı	Turkey	100%	100%	100%	Shipping	
Kandilli	Turkey	100%	100%	100%	Shipping	
Kuleli	Turkey	100%	100%	100%	Shipping	
Kuzguncuk	Turkey	100%	100%	100%	Shipping	
Akpa	Turkey	100%	100%	100%	Marketing	
Aygaz Doğal Gaz Toptan Satış A.Ş.	Turkey	99,15%	99,15%	99,15%	Natural gas	
Aygaz Doğal Gaz İletim A.Ş.	Turkey	99,59%	99,59%	99,59%	Natural gas	
ADG Enerji	Turkey	100%	-	100%	Natural gas	

Investments in associates

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

AES Entek Elektrik Üretim A.Ş. (AES Entek), the electricity producer company of Koç Group, has been operating with its two natural gas cycling plants and one cogeneration facility with a total of 302 MW power in Kocaeli, Bursa and Istanbul, and two hydroelectric power plants in Karaman and one hydroelectric power plant in Samsun with a total of 62 MW power.

AES Entek increased its share capital from TL 402.000 thousand to TL 538.500 thousand with the decision taken through Ordinary General Meeting held on April 30, 2013. The Company has netted of TL 32.750 thousand of related increase, which corresponds to the preferential right of the Company, from the shareholder loan provided to AES Entek, and the remaining balance amounting to TL 1.113 thousand has been paid in cash in May,2013.

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
		June 30, 2014	December 31, 2013			
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 Enerji Sanayi ve Ticaret A.Ş. (“Zinerji”)(*)	Turkey	56,00%	56,00%	56,00%	Energy	

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

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of June 30, 2014 (continued)

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

1. Organization and operations of the Company (continued)

Joint ventures

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

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

Joint venture	Place of incorporation and operation	Ownership interest (%)		Voting power right	Principal activity
		June 30, 2014	December 31, 2013		
Opet Aygaz Gayrimenkul A.Ş.	Turkey	50,00%	50,00%	50,00%	Real Estate

Approval of condensed consolidated financial statements:

The condensed consolidated financial tables for the period ended on June 30, 2014 are approved on the Board of Directors meeting held on August 12, 2014 to be published and are signed by Assistant General Manager (Finance) Gökhan Tezel and Subsidiaries and Accounting Director Nurettin Demirtaş.

2. Basis of presentation of consolidated financial statements

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

2.1 Basis of presentation

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

The Group has prepared its interim condensed consolidated financial statements for the period ended on June 30, 2014 in accordance with TAS 34 “Interim Financial Reporting Standards”.

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

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of June 30, 2014 (continued)

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

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

The interim condensed consolidated financial statements do not include all of the disclosures required in year-end financial statements and should be evaluated with the Group’s consolidated financial statements as of December 31, 2013.

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

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

2.2 Changes in accounting policies

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

2.3 New and amended Turkey Financial Reporting Standards

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at 30 June 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2014. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2014

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendment)

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not have an impact on the interim condensed consolidated financial statements of the Group.

TFRS Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is not applicable for the Group and did not have any impact on the financial position or performance of the Group.

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

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of June 30, 2014 (continued)

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

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

TAS 36 Impairment of Assets (Amendment) - Recoverable Amount Disclosures for Non-Financial assets

As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets has been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. These amendments did not have an impact on the interim condensed consolidated financial statements of the Group.

TAS 39 Financial Instruments: Recognition and Measurement (Amendment) - Novation of Derivatives and Continuation of Hedge Accounting

Amendments provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. These amendments did not have an impact on the interim condensed consolidated financial statements of the Group.

TFRS 10 Consolidated Financial Statements (Amendment)

TFRS 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 TFRS 9. This amendment does not have any impact on the financial position or performance of the Group.

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

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

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after January 1, 2015. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

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

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

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

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of June 30, 2014 (continued)

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

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

Improvements to IFRSs

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010–2012 Cycle and IFRSs – 2011–2013 Cycle. Other than the amendments that only affect the standards’ Basis for Conclusions, the changes are effective for annual reporting periods beginning on or after July 1, 2014.

Annual Improvements – 2010–2012 Cycle

IFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

IFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

IFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

IFRS 13 Fair Value Measurement

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

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows:

i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

IAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of June 30, 2014 (continued)

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

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

Annual Improvements – 2011–2013 Cycle

IFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

IFRS 13 Basis for Conclusions on Fair Value Measurement

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

IAS 40 Investment Property

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

The Group do not expect that these amendments will have significant impact on the financial position or performance of the Group.

IAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendments will not have an impact on the financial position or performance of the Group.

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

In May 2014 the IASB amended IFRS 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

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

In May 2014, the IASB issued amendments to IAS 16 and IAS 38, prohibiting the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of June 30, 2014 (continued)

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

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

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the recognition and measurement of the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 is effective for reporting periods beginning on or after January 1, 2017. Entities will apply to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

In June 2014, the IASB issued amendments that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in IAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of IAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IFRS 9 Financial Instruments - Final standard (2014)

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

2.4 Convenience Translation into English of Consolidated Financial Statements

The accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, classification of some income statement items and also for certain disclosures requirement of the POA.

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of June 30, 2014 (continued)

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

3. Segment reporting

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

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

- Gas and petroleum products
- Electricity
- Other

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

As of June 30, 2014 and December 31, 2013, assets and liabilities according to industrial segments are as follows:

	June 30, 2014				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Assets					
Current assets	704.605	-	115.728	(9.142)	811.191
Non-current assets	1.655.965	185.411	195.278	432.743	2.469.397
Total assets	2.360.570	185.411	311.006	423.601	3.280.588
Liabilities					
Short-term liabilities	749.856	-	60.631	(14.482)	796.005
Long-term liabilities	204.681	-	12.005	3.039	219.725
Equity	1.406.033	185.411	238.370	435.044	2.264.858
Total liabilities and equity	2.360.570	185.411	311.006	423.601	3.280.588
Investments accounted under equity method	1.228.668	185.411	77.150	-	1.491.229
	December 31, 2013				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Assets					
Current assets	755.763	-	124.742	(13.338)	867.167
Non-current assets	1.660.370	184.393	166.237	310.139	2.321.139
Total assets	2.416.133	184.393	290.979	296.801	3.188.306
Liabilities					
Short-term liabilities	623.359	-	61.405	(17.572)	667.192
Long-term liabilities	266.238	-	9.613	1.687	277.538
Equity	1.526.536	184.393	219.961	312.686	2.243.576
Total liabilities and equity	2.416.133	184.393	290.979	296.801	3.188.306
Investments accounted under equity method	1.145.592	184.393	47.169	-	1.377.154

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

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of June 30, 2014 (continued)

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

3. Segment reporting (continued)

For the period ended June 30, 2014 and 2013, profit or loss statements according to industrial segments are as follows:

	January 1 - June 30, 2014				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Revenue	3.330.336	-	235.325	(74.102)	3.491.559
Cost of sales (-)	(3.095.020)	-	(208.119)	74.621	(3.228.518)
Gross profit	235.316		27.206	519	263.041
General administrative expenses (-)	(68.449)	-	(9.350)	500	(77.299)
Marketing, sales and distribution expenses (-)	(104.791)	-	(6.421)	-	(111.212)
Research and development expenses (-)	(1.238)	-	-	-	(1.238)
Other operating income	80.002	-	3.619	(24.562)	59.059
Other operating expenses (-)	(46.896)	-	(2.530)	(20)	(49.446)
Operating profit	93.944		12.524	(23.563)	82.905
Income from investment activities	4.065	-	60	-	4.125
Loss from investment activities (-)	(498)	-	-	-	(498)
Profit/losses from investments accounted under equity method	81.882	1.018	(19)	-	82.881
Operating profit before financial income/(expense)	179.393	1.018	12.565	(23.563)	169.413
Financial income	19.576	-	2.267	-	21.843
Financial expense (-)	(31.959)	-	(1.185)	-	(33.144)
Profit before taxation	167.010	1.018	13.647	(23.563)	158.112
Tax income / (expense)					
Current tax expense for the period (-)	(12.587)	-	(1.331)	-	(13.918)
Deferred tax income/(expense)	3.954	-	152	-	4.106
Profit for the period	158.377	1.018	12.468	(23.563)	148.300
Distribution of profit for the period:					
Non-controlling interest	36	-	-	-	36
Equity holders of the parent	158.341	1.018	12.468	(23.563)	148.264
Investments accounted under equity method	81.882	1.018	(19)	-	82.881

Aygaz Anonim Şirketi and Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of June 30, 2014 (continued)**

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

3. Segment reporting (continued)

	January 1 - June 30, 2013				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Revenue	2.641.825	-	189.727	(64.021)	2.767.531
Cost of sales (-)	(2.423.101)	-	(166.792)	65.388	(2.524.505)
Gross profit	218.724	-	22.935	1.367	243.026
General administrative expenses (-)	(54.997)	-	(8.013)	422	(62.588)
Marketing, sales and distribution expenses (-)	(99.711)	-	(6.740)	-	(106.451)
Research and development expenses (-)	(1.365)	-	-	-	(1.365)
Other operating income	53.080	-	3.631	(26.621)	30.090
Other operating expenses (-)	(19.524)	-	(1.227)	-	(20.751)
Operating profit	96.207	-	10.586	(24.832)	81.961
Income from investment activities	1.268	-	27	(221)	1,074
Loss from investment activities (-)	(129)	-	-	-	(129)
Profit/losses from investments accounted under equity method	10.761	(3.411)	-	-	7.350
Operating profit before financial income/(expense)	108.107	(3.411)	10.613	(25.053)	90.256
Financial income	3.449	-	384	-	3.833
Financial expense (-)	(4.674)	-	(801)	-	(5.475)
Profit before taxation	106.882	(3.411)	10.196	(25.053)	88.614
Tax income/(expense)					
Current tax expense for the period (-)	(12.424)	-	(788)	-	(13.212)
Deferred tax income / (expense)	887	-	73	(171)	789
Profit for the period	95.345	(3.411)	9.481	(25.224)	76.191
Distribution of profit for the period:					
Non-controlling interest	52	-	-	-	52
Equity holders of the parent	95.293	(3.411)	9.481	(25.224)	76.139
Investments accounted under equity method	10.761	(3.411)	-	-	7.350

The amortization and depreciation expense for the industrial segmental assets for the period ended as of June 30, 2014 and 2013 are as follows:

	January 1 - June 30, 2014	January 1 - June 30, 2013
Gas and petroleum products	37.824	37.690
Other	3.592	3.600
	41.416	41.290

The investment expenditures for the industrial segmental assets for the periods ended as of June 30, 2014 and 2013 are as follows:

	January 1 - June 30, 2014	January 1 - June 30, 2013
Gas and petroleum products	33.632	25.037
Other	333	1.321
	33.965	26.358

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

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Notes to the interim condensed consolidated financial statements as of June 30, 2014 (continued)

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

4. Cash and cash equivalents

	June 30, 2014	December 31, 2013
Cash on hand	327	356
Cash at banks	111.723	140.136
- Demand deposits	35.712	16.187
- Time deposits	76.011	123.949
Receivables from credit card transactions	29.833	32.562
Total cash and cash equivalents	141.883	173.054

As of June 30, 2014 the Group's TL time deposits amounting to TL 40.590 thousand have maturities of 1-36 days and interest rate of 10% - 10,8%; USD time deposits amounting to USD 16.680 thousand (TL 35.418 thousand) have maturities of 1 day and interest rate of 1,75% (As of December 31, 2013 the Group's TL time deposits amounting to TL 76.670 thousand have maturities of 2 – 32 days and interest rates of 6,5 – 9,4%; USD time deposits amounting to USD 22.150 thousand (TL 47.275 thousand) have a maturity of 2 days and an interest rate of 1,9%).

5. Financial assets

The long-term financial assets identified as financial assets held for sale by the Group are as follows as of June 30, 2014 and December 31, 2013:

	June 30, 2014		December 31, 2013	
	Participation amount	Participation rate %	Participation amount	Participation rate %
Koç Finansal Hizmetler A.Ş. (*)	315.200	1,97	265.950	1,97
Ram Dış Ticaret A.Ş. (**)	1.338	2,50	1.338	2,50
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. (***)	540	10,00	540	10,00
Tat Gıda Sanayi A.Ş. (**)	34	0,08	34	0,08
Other (***)	23	-	23	-
	317.135		267.885	

- (*) Stated at fair value, the difference between the acquisition cost and fair value are accounted as valuation fund under equity also considering the deferred tax effect.
- (**) Stated at fair value, impairments are accounted as “Impairment reserve” under financial assets and impairment loss is recognized under consolidated profit or loss.
- (***) Stated at cost, because fair value could not be determined reliably.

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

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as of June 30, 2014 (continued)

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6. Financial borrowings

As of June 30, 2014 and December 31, 2013 the Group’s short-term financial borrowings are as follows:

	June 30, 2014	December 31, 2013
USD-denominated short-term borrowings	-	85.372
TL-denominated short-term borrowings (*)	44.009	33
Total short-term financial borrowings	44.009	85.405
Interest accruals of TL-denominated long-term borrowings	901	-
Interest accruals of USD-denominated long-term borrowings	118	-
Short-term portion of long-term bond issued (**)	152.607	9.905
Total short-term portion of long-term financial borrowings	153.626	9.905

(*) As of June 30, 2014, the Group has interest free loan with a total amount of TL 44.009 thousand which was used for VAT payment amounting to TL 34.320 thousand, SSI payment amounting to TL 1.525 thousand and custom expenses payment amounting to TL 8.164 thousand.

(**) On April 18, 2013, the Group has issued a fixed rate bond with a nominal value of TL 150.000 thousand, with a maturity of 700 days and half-yearly coupon payments. As of June 30, 2014, net present value of the issued bond is TL 152.607 thousand and its effective interest rate is 7,26%.

As of June 30, 2014, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	-	44.009	44.009
			44.009

As of December 31, 2013, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	-	33	33
USD	1,86	40.000	85.372
			85.405

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

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of June 30, 2014 (continued)

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

6. Financial borrowings (continued)

As of June 30, 2014 and December 31, 2013 the Group’s long-term financial borrowings are as follows:

	June 30, 2014	December 31, 2013
TL-denominated long-term borrowings	30.000	-
USD-denominated long-term borrowings	51.110	-
Long-term bonds issued (*)	-	142.497
Total long-term borrowings	81.110	142.497

(*) On April 18, 2013, the Group has issued a fixed rate bond with a nominal value of TL 150.000 thousand, with a maturity of 700 days and half-yearly coupon payments. As of December 31, 2013, net present value of the issued bond is TL 152.402 thousand (TL 9.905 of this amount is shown as short-term portion of long-term financial borrowings) and its effective interest rate is 7,26%.

As of June 30, 2014 the details of long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	14,81	30.901	30.901
USD	2,07	24.125	51.228
			82.129
Short-term interest accruals of long-term financial borrowings			(1.019)
			81.110

7. Derivative financial instruments

As of June 30, 2014 and December 31, 2013, the Group’s derivative financial instruments are as follows:

Short-term derivative financial instruments	June 30, 2014		December 31, 2013	
	Contract amount	Fair value assets/(liabilities)	Contract amount	Fair value assets/(liabilities)
Forward transactions (*)	35.045	(158)	-	-
Long-term derivative financial instruments	June 30, 2014		December 31, 2013	
	Contract amount	Fair value assets/(liabilities)	Contract amount	Fair value assets/(liabilities)
Foreign currency swap contracts (**)	50.635	(1.529)	-	-

(*) As of June 30, 2014 the Group made forward transaction with a maturity of 2-14 days and nominal value amounting to USD 16.420 thousand.

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

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

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as of June 30, 2014 (continued)

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8. Trade receivables and payables from third parties

The Group's trade receivables from third parties as of June 30, 2014 and December 31, 2013 are as follows:

Short-term trade receivables	June 30, 2014	December 31, 2013
Trade receivables	359.372	300.896
Notes receivables	59.887	64.892
Allowance for doubtful receivables (-)	(16.684)	(16.694)
Total short-term trade receivables	402.575	349.094

Long-term trade receivables	June 30, 2014	December 31, 2013
Notes receivables	6.071	6.756
Total long-term trade receivables	6.071	6.756

The Group's trade payables to third parties as of June 30, 2014 and December 31, 2013 are as follows:

Short-term trade payables	June 30, 2014	December 31, 2013
Trade payables	213.808	212.171
Total short-term trade payables	213.808	212.171

9. Inventories

	June 30, 2014	December 31, 2013
Raw materials	157.664	223.889
Trade goods	15.296	21.080
Goods in transit	177	19.333
Finished goods	8.888	10.596
Work in process	1.379	961
Allowance for impairment on inventory	(229)	(229)
Total inventories	183.175	275.630

As of June 30, 2014, the inventories are composed of 47.259 tons of LPG (December 31, 2013 - 71.441 tons).

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

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Notes to the interim condensed consolidated financial statements as of June 30, 2014 (continued)

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10. Equity investments

	June 30, 2014		December 31, 2013	
	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	1.861		1.875	
Legal reserves	14.239		5.509	
Financial risk hedge fund	-		(1.208)	
Actuarial gain/loss arising from defined benefit plans	(273)		(273)	
The share of the Group in the retained earnings after the acquisition date	550.883		477.731	
	1.228.668	20,00%	1.145.592	20,00%
AES Entek acquisition value	118.930		118.930	
Participation in share capital increase of equity investment	108.300		108.300	
The share of the Group in the retained earnings after the acquisition date	(41.819)		(42.837)	
	185.411	24,81%	184.393	24,81%
Zinerji Enerji Sanayi ve Tic. A.Ş. (establishment cost)	738		738	
Group's share in accumulated profit occurred after the date of establishment	1.383		1.313	
	2.121	56,00%	2.051	56,00%
Opet Aygaz Gayrimenkul A.Ş.	45.000		45.000	
Participation in share capital increase of equity investment	30.000		-	
Group's share in accumulated profit occurred after the date of establishment	29		118	
	75.029	50,00%	45.118	50,00%
Total	1.491.229		1.377.154	

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

Aygaz Anonim Şirketi and Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of June 30, 2014 (continued)**

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

11. Property, plant and equipment

	Land	Land Improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furnitures and fixtures	Leasehold improvements	Construction in progress	Total
Acquisition cost									
Opening balance as of January 1, 2014	16.204	115.176	70.607	1.555.764	205.600	53.042	24.719	11.901	2.053.013
Additions	-	-	-	1.595	128	64	-	32.178	33.965
Transfers	-	20	5	20.841	-	603	232	(21.701)	-
Disposals	-	(470)	(8)	(20.836)	(1.977)	(1.502)	(234)	-	(25.027)
Ending balance as of June 30, 2014	16.204	114.726	70.604	1.557.364	203.751	52.207	24.717	22.378	2.061.951
Accumulated depreciation									
Opening balance as of January 1, 2014	-	48.769	45.216	1.192.476	115.316	38.954	22.952	-	1.463.683
Charge for the period	-	2.134	1.019	27.779	5.295	2.035	390	-	38.652
Disposals	-	(304)	(2)	(17.417)	(1.777)	(1.456)	(75)	-	(21.031)
Ending balance as of June 30, 2014	-	50.599	46.233	1.202.838	118.834	39.533	23.267	-	1.481.304
Net book value as of June 30, 2014	16.204	64.127	24.371	354.526	84.917	12.674	1.450	22.378	580.647

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

Aygaz Anonim Şirketi and Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of June 30, 2014 (continued)**

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

11. Property, plant and equipment (continued)

	Land	Land improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furnitures and fixtures	Leasehold improvements	Construction in progress	Total
Acquisition cost									
Opening balance as of January 1, 2013	16.204	109.331	69.165	1.535.063	201.547	51.601	24.110	15.514	2.022.535
Additions	-	-	-	1.334	1.366	138	-	23.511	26.349
Transfers (*)	1.071	-	-	21.388	30	592	-	(22.735)	346
Disposals	-	(808)	(8)	(14.032)	(558)	(606)	-	-	(16.012)
Ending balance as of June 30, 2013	17.275	108.523	69.157	1.543.753	202.385	51.725	24.110	16.290	2.033.218
Accumulated depreciation									
Opening balance as of January 1, 2013	-	46.118	43.345	1.170.827	107.116	37.883	22.319	-	1.427.608
Charge for the period	-	2.013	992	28.275	4.972	1.865	350	-	38.467
Disposals	-	(549)	(8)	(12.342)	(532)	(579)	-	-	(14.010)
Ending balance as of June 30, 2013	-	47.582	44.329	1.186.760	111.556	39.169	22.669	-	1.452.065
Net book value as of June 30, 2013	17.275	60.941	24.828	356.993	90.829	12.556	1.441	16.290	581.153

(*) TL 9 thousand under “Construction in progress” under the account property, plant and equipment has been classified to intangible fixed assets. Remaining balance amounting to TL 355 thousand, consists of the spare parts and maintenance equipments which were earlier accounted under “inventories” and have been reclassified to plant, machinery, equipment and LPG cylinders under the account “property, plant and equipment” in 2013.

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

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of June 30, 2014 (continued)

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

12. Intangible assets

	Rights	Total
Acquisition costs		
Opening balance as of January 1, 2014	53.152	53.152
Disposals	(24)	(24)
Ending balance as of June 30, 2014	53.128	53.128
Accumulated depreciation		
Opening balance as of January 1, 2014	22.590	22.590
Charge for the period	2.764	2.764
Disposals	(2)	(2)
Ending balance as of June 30, 2014	25.352	25.352
Carrying value as of June 30, 2014	27.776	27.776
	Rights	Total
Acquisition costs		
Opening balance as of January 1, 2013	52.127	52.127
Transfers (*)	9	9
Ending balance as of June 30, 2013	52.136	52.136
Accumulated depreciation		
Opening balance as of January 1, 2013	16.982	16.982
Charge for the period	2.823	2.823
Ending balance as of June 30, 2013	19.805	19.805
Carrying value as of June 30, 2013	32.331	32.331

(*) TL 9 thousand under “Construction in progress” under the account property, plant and equipment has been classified to intangible assets.

13. Provisions, contingent liabilities and assets

	June 30, 2014	December 31, 2013
Guarantees given		
Letter of guarantees given to customs for gas import	571.081	234.171
Other letter of guarantees given	27.739	18.180
	598.820	252.351

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

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of June 30, 2014 (continued)

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

13. Provisions, contingent liabilities and assets (continued)

The liability for environmental pollution:

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

National inventory reserve liability:

Oil refineries, licensed oil and LPG distributors should carry at least equivalent of 20 times their average daily sales of inventory in their storage tanks or the rented storage tanks 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 financial statements originally issued in Turkish – see Note 2)

Aygaz Anonim Şirketi and Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of June 30, 2014 (continued)**

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

13. Provisions, contingent liabilities and assets (continued)

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

	June 30, 2014				December 31, 2013			
	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	32.109	5.789	560.922	598.820	32.625	4.172	215.554	252.351
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	32.109	5.789	560.922	598.820	32.625	4.172	215.554	252.351

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

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of June 30, 2014 (continued)

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

14. Other short-term provisions and other current liabilities

	June 30, 2014	December 31, 2013
Other short-term provisions		
Special Consumption Tax (SCT) provision on imported LPG	62.144	64.554
Provision for general and administrative expenses	23.739	11.592
Provision for selling and marketing expenses	9.133	2.214
Provision for EMRA contribution	3.323	3.653
Provision for lawsuit	4.209	3.360
Total other short-term provisions	102.548	85.373
	June 30, 2014	December 31, 2013
Other current liabilities		
Taxes and funds payable	126.398	63.359
Other liabilities	6.642	4.255
Total other current liabilities	133.040	67.614

15. Share capital

As of June 30, 2014 and December 31, 2013 the share capital held is as follows:

Shareholders	Participation rate	June 30, 2014	Participation rate	December 31, 2013
Koç Holding A.Ş.	40,68%	122.054	40,68%	122.054
Liquid Petroleum Gas Development Company (“LPGDC”) (*)	24,52%	73.546	24,52%	73.546
Temel Ticaret ve Yatırım A.Ş.	5,29%	15.884	5,29%	15.884
Koç Family	5,24%	15.705	5,24%	15.705
Publicly held (*)	24,27%	72.811	24,27%	72.811
Nominal capital	100,00%	300.000	100,00%	300.000
Inflation adjustment (**)		71.504		71.504
Adjusted capital		371.504		371.504

(*) TL 2.725 thousand under publicly held shares (0,91% participation rate on the share capital) belong to Hilal Madeni Eşya Ticaret Sanayi ve Yatırım A.Ş., a 100% owned subsidiary of LPGDC.

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

Dividend paid

During the Ordinary General Meeting held on March 31, 2014, the Company decided to reserve TL 16.000 thousand as legal reserves and distribute TL 175.000 thousand gross dividends from the net distributable income of 2013. According to this decision, the Company has begun dividend payments on April 7, 2014.

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

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of June 30, 2014 (continued)

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

16. Earnings per share

	January 1 – June 30, 2014	April 1 – June 30, 2014	January 1 – June 30, 2013	April 1 – June 30, 2013
Average number of shares throughout the period (thousand)	300.000	300.000	300.000	300.000
Net profit for the year attributable to equity holders of the parent	148.264	64.493	76.139	35.991
Earnings per share (TL)	0,494213	0,214977	0,253797	0,119970

17. Tax assets and liabilities

	June 30, 2014	December 31, 2013
Current tax liability:		
Current corporate tax provision	13.918	32.361
Less: Prepaid taxes and funds	(10.496)	(29.712)
Current tax liability	3.422	2.649
	January 1- June 30, 2014	January 1- June 30, 2013
Tax expense in income statement		
Current corporate tax provision	(13.918)	(13.212)
Deferred tax income	4.106	789
	(9.812)	(12.423)

Corporate tax

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

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

The effective rate of tax in 2014 is 20% (2013: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2014 is 20% (2013: 20%). Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. Tax carry back is not allowed.

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

Aygaz Anonim Şirketi and Subsidiaries

**Notes to the interim condensed consolidated financial statements
as of June 30, 2014 (continued)**

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

17. Tax assets and liabilities (continued)

Deferred tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for TFRS 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 TFRS and tax legislation. The rate applied in the calculation of deferred tax assets and liabilities is 20% (December 31, 2013: 20%).

	June 30, 2014	December 31, 2013
Deferred tax (assets) / liabilities:		
Restatement and depreciation / amortization differences of property, plant and equipment and other intangible assets	33.386	34.721
Revaluation fund on financial assets	11.244	8.782
Valuation of inventories	(480)	249
Provision for employment termination benefits	(4.030)	(3.963)
Carry forward tax losses	(365)	(365)
Other	(4.696)	(2.721)
	35.059	36.703

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.

	June 30, 2014			December 31, 2013		
	Deferred tax			Deferred tax		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Aygaz A.Ş.	(8.349)	42.579	34.230	(8.006)	43.217	35.211
Akpa A.Ş.	(560)	169	(391)	(517)	278	(239)
Aygaz Doğal Gaz	(830)	2.050	1.220	(603)	2.334	1.731
	(9.739)	44.798	35.059	(9.126)	45.829	36.703

Movement of deferred tax from continuing operations is as follows:

	January 1- June 30, 2014	January 1- June 30, 2013
Movement of deferred tax (asset) / liability:		
Opening balance as of January 1	36.703	39.573
Deferred tax expense / (income)	(4.106)	(789)
Deferred tax associated with financial asset revaluation fund	2.462	346
Closing balance as of June 30	35.059	39.130

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

18. Transactions with related parties

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

Balances with related parties	June 30, 2014			
	Receivables		Payables	
	Trade	Non-trade	Trade	Non-trade
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	14.257	-	63.027	-
Demir Export A.Ş.	6.579	-	-	-
Ford Otomotiv Sanayi A.Ş.	2.276	-	-	-
Tat Gıda Sanayi A.Ş.	397	-	-	-
Arçelik A.Ş.	301	-	22.311	-
Otokoç Otomotiv Tic. ve San. A.Ş.	104	-	1.812	-
Opet Petrolcülük A.Ş.	83	-	28.139	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	1.020	-
Ram Dış Ticaret A.Ş.	-	-	9.837	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	-	-	3.162	-
Other	2.078	-	2.043	-
Shareholders				
Koç Holding A.Ş.	-	-	-	-
Investments accounted under equity method				
AES Entek Elektrik Üretimi A.Ş.	2	-	249	-
	26.077	-	131.600	-

Balances with related parties	December 31, 2013			
	Receivables		Payables	
	Trade	Non-trade	Trade	Non-trade
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	8.347	-	75.991	-
Demir Export A.Ş.	4.762	-	-	-
Ford Otomotiv Sanayi A.Ş.	975	-	6	-
Tat Gıda Sanayi A.Ş.	448	-	-	-
Arçelik A.Ş.	447	-	22.223	-
Opet Petrolcülük A.Ş.	161	-	45.553	-
Otokoç Otomotiv Tic. ve San. A.Ş.	86	-	1.708	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	49	-	2.306	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	-	-	7.453	-
Ram Dış Ticaret A.Ş.	-	-	5.827	-
Other	1.443	-	2.405	-
Shareholders				
Koç Holding A.Ş.	-	-	244	-
Investments accounted under the equity method				
AES Entek Elektrik Üretimi A.Ş.	1.642	-	459	-
	18.360	-	164.175	-

(*) Group companies include Koç Group companies.

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

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

18. Transactions with related parties (continued)

As of June 30, 2014, dividends payable amounting to TL 506 thousand (December 31, 2013 – TL 434 thousand) is reflected within other payables to related parties under short-term liabilities.

January 1 - June 30, 2014				
Transactions with related parties	Purchases (Goods)	Sales (Goods)	Purchases (Services)	Sales (Services)
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	392.632	187.855	924	-
Opet Petrolcülük A.Ş.(**)	95.915	553	119	-
Arçelik A.Ş.	25.337	2.381	49	-
Ram Dış Ticaret A.Ş.	20.098	-	478	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	8.302	3	8.692	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	6	65	2.828	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	4	1.062	-
Otokoç Otomotiv Tic. ve San. A.Ş.	4	1.367	518	-
Ford Otomotiv Sanayi A.Ş.	-	9.166	-	-
Demir Export A.Ş.	-	25.125	-	-
Tat Gıda Sanayi A.Ş.	-	2.100	-	-
Setur Servis Turistik A.Ş.	-	24	1.261	-
Setair Hava Taşımacılığı ve Hizm. A.Ş.	-	-	2.268	-
Other	2.169	8.634	630	-
Shareholders				
Koç Holding A.Ş.	-	18	2.390	-
Investments accounted under equity method				
AES Entek Elektrik Üretimi A.Ş.	-	8	1.420	-
	544.463	237.303	22.639	-
January 1 - June 30, 2013				
Transactions with related parties	Purchases (Goods)	Sales (Goods)	Purchases (Services)	Sales (Services)
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	339.923	129.048	634	-
Arçelik A.Ş.	54.400	2.050	7	-
Opet Petrolcülük A.Ş.(**)	54.319	626	1.800	-
Ram Dış Ticaret A.Ş.	15.713	-	-	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	5.804	7	11.031	-
Opet-Fuchs Madeni Yağ A.Ş.	311	4	3	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	249	13	1.303	-
Yapı Kredi Bankası A.Ş.	11	239	91	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	11	2	792	-
Otokoç Otomotiv Tic. ve San. A.Ş.	9	665	1.218	-
Ford Otomotiv Sanayi A.Ş.	-	8.136	-	-
Otokar Otomotiv ve Savunma Sanayi A.Ş.	-	2.202	171	-
Demir Export A.Ş.	-	2.554	-	-
Tofaş Türk Otomobil Fabrikası A.Ş.	-	3.312	36	-
Türk Traktör ve Ziraat Makinaları A.Ş.	-	1.549	-	-
RMK Marine Gemi Yapım San. ve Deniz Taş. İşl. A.Ş.	-	489	-	-
Tat Gıda Sanayi A.Ş.	-	2.243	-	-
Harranova Besi ve Tarım Ürünleri A.Ş.	-	751	-	-
Setur Servis Turistik A.Ş.	-	16	1.334	-
Setair Hava Taşımacılığı ve Hizm. A.Ş.	-	-	1.759	-
Callus Bilgi ve İletişim Hizmetleri A.Ş.	-	-	654	-
Yapı Kredi Sigorta A.Ş.	-	13	91	-
Divan Turizm İşletmeleri	-	100	100	-
Other	193	499	513	-
Shareholders				
Koç Holding A.Ş.	-	10	1.860	-
Investments accounted under equity method				
AES Entek Elektrik Üretimi A.Ş.	-	5.889	603	-
	470.943	160.417	24.000	-

(*) Group companies include Koç Group companies.

(**) Commission expense regarding LPG sold at Opet stations as of June 30, 2014 is TL 42.947 thousand (June 30, 2013 - TL 40.981 thousand). The commission expense mentioned above is evaluated as part of sales and accounted under income statement as sales discounts.

Aygaz Anonim Şirketi and Subsidiaries

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18. Transactions with related parties (continued)

January 1 - June 30, 2014				
Tangible asset and rent transactions with related parties	Rent income	Rent expense	Fixed asset purchases	Fixed asset sales
Group companies (*)				
Opet Petrolcülük A.Ş.	241	402	-	-
Yapı Kredi Bankası A.Ş.	-	95	-	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	2.240	22	-
Türkiye Petrol Rafinerileri A.Ş.	-	6	-	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	119	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	34	-
Other	1	-	8	-
	242	2.743	183	-

January 1 - June 30, 2013				
Tangible asset and rent transactions with related parties	Rent income	Rent expense	Fixed asset purchases	Fixed asset sales
Group companies (*)				
Opet Petrolcülük A.Ş.	224	9	-	-
Yapı Kredi Bankası A.Ş.	-	97	-	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	937	53	15
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	317	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	29	-
Other	3	-	3	-
	227	1.043	402	15

(*) Group companies include Koç Group companies.

January 1 - June 30, 2014				
Financial and other transactions with related parties	Financial income	Financial expense	Other income	Other expense
Group companies (*)				
Yapı Kredi Bankası A.Ş.	6.028	10.598	-	-
	6.028	10.598	-	-

January 1 - June 30, 2013				
Financial and other transactions with related parties	Financial income	Financial expense	Other income	Other expense
Group companies (*)				
Yapı Kredi Bankası A.Ş.	2.539	859	-	-
Investments accounted under equity method				
AES Entek Elektrik Üretimi A.Ş.	1.276	-	-	-
	3.815	859	-	-

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

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Notes to the interim condensed consolidated financial statements

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

18. Transactions with related parties (continued)

Cash at banks	June 30, 2014	December 31, 2013
Group companies (*)		
Yapı Kredi Bankası A.Ş.	87.856	129.151
Credit card receivables	June 30, 2014	December 31, 2013
Group companies (*)		
Yapı Kredi Bankası A.Ş.	25.155	24.274

(*) Group companies include Koç Group companies.

Benefits to Top Management

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

Benefits to top management personnel includes salaries, premiums, Social Security Institution employer’s contribution, employer’s contribution of unemployment insurance and the attendance fees of board of directors.

Total of the benefit provided to senior management of the Group as of June 30, 2014 is TL 2.938 thousand (June 30, 2013: TL 3.186 thousand).

19. Nature and level of risk derived from financial instruments

Financial risk factors

The risks of the Group resulted from operations, include market risk (including currency risk, fair value interest rate risk 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.

Foreign currency risk management

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

Aygaz Anonim Şirketi and Subsidiaries**Notes to the interim condensed consolidated financial statements****as of June 30, 2014 (continued)****(Amounts expressed in thousands of Turkish Lira (“TL”) and in thousands for other currencies unless otherwise indicated.)****19. Nature and level of risk derived from financial instruments (continued)**

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

June 30, 2014		Total TL equivalent	TL equivalent of USD	TL equivalent of Euro	TL equivalent of other
1.	Trade receivables	3.787	2.132	1.655	-
2.a	Monetary financial assets	37.508	36.133	1.227	148
2.b	Non monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current assets	41.295	38.265	2.882	148
5.	Trade receivables	-	-	-	-
6.a	Monetary financial assets	-	-	-	-
6.b	Non monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non current assets	-	-	-	-
9.	Total assets	41.295	38.265	2.882	148
10.	Trade payables	(126.038)	(125.889)	(143)	(6)
11.	Financial liabilities	(118)	(118)	-	-
12.a	Other monetary financial liabilities	-	-	-	-
12.b	Other non monetary financial liabilities	-	-	-	-
13.	Current liabilities	(126.156)	(126.007)	(143)	(6)
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(51.110)	(51.110)	-	-
16.a	Other monetary financial liabilities	-	-	-	-
16.b	Other non monetary financial liabilities	-	-	-	-
17.	Non current liabilities	(51.110)	(51.110)	-	-
18.	Total liabilities	(177.266)	(177.117)	(143)	(6)
19.	Net asset / liability position of off balance sheet liabilities (19a-19b)	85.976	85.976	-	-
19.a	Total foreign currency amount of off-balance sheet derivative financial assets	85.976	85.976	-	-
19.b	Total foreign currency amount of off-balance sheet derivative financial liabilities	-	-	-	-
20.	Net foreign currency asset / liability position	(49.995)	(52.876)	2.739	142
21.	Net foreign currency asset / liability position of monetary items (1+2a+5+6a+10+11+12a+14+15+16a)	(135.971)	(138.852)	2.739	142
22.	Fair value of foreign currency hedged financial assets	-	-	-	-
23.	Hedged foreign currency assets	-	-	-	-
24.	Hedged foreign currency liabilities	-	-	-	-
25.	Export	267.104	260.349	6.755	-
26.	Import	1.198.225	1.195.850	1.800	575

Aygaz Anonim Şirketi and Subsidiaries**Notes to the interim condensed consolidated financial statements****as of June 30, 2014 (continued)****(Amounts expressed in thousands of Turkish Lira (“TL”) and in thousands for other currencies unless otherwise indicated.)****19. Nature and level of risk derived from financial instruments (continued)**

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 June 30, 2014, the Group has LPG amounting to TL 78.185 thousand (December 31, 2013 TL 151.698 thousand).

December 31, 2013		Total TL equivalent	TL equivalent of USD	TL equivalent of Euro	TL equivalent of other
1.	Trade receivables	26.346	22.706	3.640	-
2.a	Monetary financial assets	48.163	47.713	203	247
2.b	Non monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current assets	74.509	70.419	3.843	247
5.	Trade receivables	-	-	-	-
6.a	Monetary financial assets	-	-	-	-
6.b	Non monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non current assets	-	-	-	-
9.	Total assets	74.509	70.419	3.843	247
10.	Trade payables	(136.707)	(136.605)	(56)	(46)
11.	Financial liabilities	(85.372)	(85.372)	-	-
12.a	Other monetary financial liabilities	-	-	-	-
12.b	Other non monetary financial liabilities	-	-	-	-
13.	Current liabilities	(222.079)	(221.977)	(56)	(46)
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	(222.079)	(221.977)	(56)	(46)
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	-	-	-	-
19.b	Total foreign currency amount of off-balance sheet derivative financial liabilities	-	-	-	-
20.	Net foreign currency asset / liability position	(147.570)	(151.558)	3.787	201
21.	Net foreign currency asset / liability position of monetary items (1+2a+5+6a+10+11+12a+14+15+16a)	(147.570)	(151.558)	3.787	201
22.	Fair value of foreign currency hedged financial assets	-	-	-	-
23.	Hedged foreign currency assets	-	-	-	-
24.	Hedged foreign currency liabilities	-	-	-	-
25.	Export	611.454	593.180	18.274	-
26.	Import	2.197.655	2.188.288	8.569	798

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

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of June 30, 2014 (continued)

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

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

As of June 30, 2014 and December 31, 2013, the sensitivity analysis of the Group’s pre-tax income against 10% change in USD and Euro (when other variables are held constant) are as follows:

	June 30, 2014			
	Gain/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
10% fluctuation of USD rate				
USD net asset/liability	(13.885)	13.885	(13.885)	13.885
Secured portion from USD risk	-	-	-	-
USD net effect	(13.885)	13.885	(13.885)	13.885
10% fluctuation of Euro rate				
Euro net asset/liability	274	(274)	274	(274)
Secured portion from Euro risk	-	-	-	-
Euro net effect	274	(274)	274	(274)
Total	(13.611)	13.611	(13.611)	13.611

	December 31, 2013			
	Income/Expense		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
10% fluctuation of USD rate				
USD net asset/liability	(15.156)	15.156	(15.156)	15.156
Secured portion from USD risk	-	-	-	-
USD net effect	(15.156)	15.156	(15.156)	15.156
10% fluctuation of Euro rate				
Euro net asset/liability	379	(379)	379	(379)
Secured portion from Euro risk	-	-	-	-
Euro net effect	379	(379)	379	(379)
Total	(14.777)	14.777	(14.777)	14.777

Currency forward agreements

Currency forward agreements which are valid as of June 30, 2014 are summarized at the table below. As of December 31, 2013, the Group does not have currency forward agreement.

Maturity	Parity	Type of contract	Transaction	Total amount	June 30, 2014
					Currency
1 to 3 months	2,1232 - 2,1286	Forward	Sells TL, buys USD	16.420	USD

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of June 30, 2014 (continued)

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

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

Swap agreements

As of June 30, 2014, the Group has swap agreements amounting to TL 50.635 thousand with fixed interest rate of 11% in return for USD 24.070 thousand with a floating interest rate of three-month USDLIBOR +1,8%. Swap transaction has quarterly interest payments and the maturity date of principal payment is on May 23, 2016. On December 31, 2013 the Group does not have swap transaction.

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			
	June 30, 2014	1st Level	2nd Level	3rd Level
Available-for-sale financial assets (*)	316.572	34	316.538	-
Derivative financial instruments	1.687	-	1.687	-

Financial assets / liabilities	Level of fair value as of reporting date			
	December 31, 2013	1st Level	2nd Level	3rd Level
Available-for-sale financial assets (*)	267.322	34	267.288	-

(*) 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 June 30, 2014 (December 31, 2013 – TL 564 thousand). The fair value of these financial assets cannot be measured reliably and stated at cost in the accompanying condensed consolidated 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.

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

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements as of June 30, 2014 (continued)

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

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

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

Financial assets

The carrying amounts of foreign currency denominated monetary assets which are translated at period 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.

20. Events after balance sheet date

On July 24, 2014, Akpa A.Ş., which already had 8% ownership of Zinerji A.Ş., acquired 100% ownership of Zinerji from other shareholders including Aygaz A.Ş., by purchasing the rest of the shares with a nominal value of TL 184 thousand representing 92% of total capital, with a price of TL 3.404 thousand, with the decision taken through Board of Directors held on July 22, 2014. In this context, the Company has sold its shares with a nominal value of TL 96 thousand representing 48% of total capital of Zinerji, to Akpa, which is the subsidiary of the Company, by cash amounting to TL 1.776 thousand.