

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

Aygaz Anonim Őirketi and Subsidiaries

**January 1 – June 30, 2016 interim condensed
consolidated financial statements together with
auditor’s review report**

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

Aygaz Anonim Şirketi and Subsidiaries

Index

	<u>Page</u>
Review report	1
Interim consolidated statement of financial position	2 - 3
Interim consolidated profit or loss and other comprehensive income statement	4
Interim consolidated statement of changes in equity	5
Interim consolidated cash flow statement	6
Disclosures related to interim condensed consolidated financial statements	7 - 40

(Convenience translation into English of Independent Auditor's Review Report originally issued in Turkish)

**Review Report on the interim financial information
for the period January 1 – June 30, 2016**

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, 2016, which comprise the statement of condensed consolidated financial position, condensed consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the six-month-period then ended and explanatory notes. The management of the Company is responsible for the preparation and fair presentation of these interim condensed consolidated financial information in accordance with the Turkish Accounting Standard - 34 Interim Financial Reporting Standard ("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" issued by Public Oversight Accounting and Auditing Standards Authority of Turkey. 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

Ethem Kutucular, SMMM
Engagement Partner

August 11, 2016
İstanbul, Turkey

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

Consolidated statement of financial position

as at June 30, 2016

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

Assets	Notes	Current period	Prior period
		(Reviewed)	(Audited)
		June 30,	December 31,
		2016	2015
Current assets		1.113.321	1.025.191
Cash and cash equivalents	4	485.554	288.637
Trade receivables		382.230	483.374
-Trade receivables from related parties	18	30.282	30.274
-Trade receivables from third parties	8	351.948	453.100
Other receivables		8.198	2.376
-Other receivables from third parties		8.198	2.376
Derivative financial instruments	7	1	19.654
Inventories	9	180.399	186.024
Prepaid expenses		52.233	40.703
Assets related to current year tax		-	376
Other current assets		4.706	4.047
Non-current assets		2.885.443	2.891.133
Financial investments	5	281.519	268.002
Trade receivables		6.506	6.791
-Trade receivables from third parties	8	6.506	6.791
Other receivables		77	82
-Other receivables from third parties		77	82
Investments accounted under equity method	10	1.848.081	1.867.181
Property, plant and equipment	11	654.793	650.672
Intangible assets		19.420	21.340
-Other intangible assets	12	19.420	21.340
Prepaid expenses		74.573	76.632
Deferred tax asset	17	474	433
Total assets		3.998.764	3.916.324

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

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

Consolidated statement of financial position

as at June 30, 2016

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

Liabilities	Notes	Current period (Reviewed) June 30, 2016	Prior period (Audited) December 31, 2015
Short term liabilities		889.781	846.837
Short-term financial borrowings	6	62.060	66.128
Current portion of long term financial borrowings	6	208.366	182.478
Trade payables		325.939	372.235
- Trade payables to related parties	18	147.054	143.019
- Trade payables to third parties	8	178.885	229.216
Liabilities for employee benefits		6.732	26.852
Other payables		1.425	1.252
- Other payables to related parties	18	677	547
- Other payables to third parties		748	705
Derivative financial instruments	7	-	1.475
Deferred income		2.423	2.703
Provision for taxation on income	17	30.745	8.767
Short-term provisions		124.577	86.970
-Provision for employee benefit		19.996	-
-Other provisions	14	104.581	86.970
Other current liabilities	14	127.514	97.977
Long term liabilities		544.846	458.667
Long-term borrowings	6	386.434	302.748
Other payables		86.304	83.917
- Other payables to third parties		86.304	83.917
Derivative financial instruments	7	1.790	-
Long-term provisions		35.739	31.414
-Provisions for employee benefits		35.739	31.414
Deferred tax liabilities	17	34.579	38.627
Other non-current liabilities		-	1.961
Equity		2.564.137	2.610.820
Share capital	15	300.000	300.000
Adjustment to share capital	15	71.504	71.504
Adjustment to share capital due to cross-ownership (-)		(7.442)	(7.442)
Other comprehensive income or expenses not to be reclassified to profit or loss		(253)	(253)
-Actuarial gain/loss arising from defined benefit plans		(253)	(253)
Other comprehensive income or expenses to be reclassified to profit or loss		124.194	116.448
-Foreign currency translation differences		1.788	1.791
-Gains (losses) from cash flow hedges		(57.560)	(52.208)
-Gains (losses) from the revaluation and/or reclassification of available-for-sale financial assets		179.966	166.865
Restricted reserves		350.430	320.430
Retained earnings		1.566.767	1.391.086
Net profit for the period		158.090	418.375
Equity attributable to equity holders of the parent		2.563.290	2.610.148
Non-controlling interests		847	672
Total equity and liabilities		3.998.764	3.916.324

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

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

Consolidated profit or loss and other comprehensive income statement

for the six month interim period ended June 30, 2016

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

	Notes	Reviewed		Reclassified (Note 2.3)	
		January 1 - June 30, 2016	April 1 - June 30, 2016	Reviewed January 1 - June 30, 2015	April 1 - June 30, 2015
Revenue		3.059.971	1.535.251	2.963.555	1.523.185
Cost of sales (-)		(2.691.109)	(1.341.465)	(2.655.273)	(1.361.108)
Gross profit		368.862	193.786	308.282	162.077
General administrative expenses (-)		(99.926)	(50.023)	(88.119)	(42.368)
Marketing expenses (-)		(126.879)	(67.005)	(119.930)	(64.788)
Research and development expenses (-)		(1.729)	(1.105)	(755)	(412)
Other operating income		47.315	18.156	45.930	20.372
Other operating expenses (-)		(39.432)	(11.751)	(50.014)	(18.750)
Operating profit		148.211	82.058	95.394	56.131
Income from investment activities		825	263	7.242	238
Loss from investment activities (-)		(22)	(22)	(325)	(28)
Profit /losses from investments accounted under equity method	10	53.047	35.630	84.527	66.942
Operating profit before financial income (expense)		202.061	117.929	186.838	123.283
Financial income		148.688	82.611	65.951	36.380
Financial expense (-)		(171.331)	(95.708)	(80.537)	(46.749)
Profit from continuing operations before tax		179.418	104.832	172.252	112.914
Tax income (expense), continuing operations					
Current tax expense for the period (-)	17	(25.931)	(15.577)	(9.325)	(6.537)
Deferred tax income (expense)	17	4.778	3.533	(2.799)	442
Profit for the period		158.265	92.788	160.128	106.819
Distribution of profit for the period					
Non-controlling interest		175	107	52	11
Equity holders of the parent		158.090	92.681	160.076	106.808
Earnings per share (TL)	16	0,526967	0,308937	0,533587	0,356027
Diluted earnings per share (TL)	16	0,526967	0,308937	0,533587	0,356027
Other comprehensive income					
Not to be reclassified to profit or loss					
Actuarial gain (loss) arising from defined benefit plans		-	-	(102)	(102)
To be reclassified as profit or loss					
Foreign currency translation differences		(3)	46	344	146
Gains (losses) from cash flow hedging		(5.352)	(14.765)	(23.240)	(3.586)
Gains (losses) from the revaluation and reclassification of available-for-sale financial assets		13.790	13.790	(29.550)	(29.550)
Other comprehensive income not to be reclassified to profit or loss, tax effect					
Gains (losses) on revaluation and/or reclassification of available-for-sale financial assets, tax effect		(689)	(689)	1.478	1.478
Other comprehensive income (expense) (after taxation)		7.746	(1.618)	(51.070)	(31.614)
Total comprehensive income		166.011	91.170	109.058	75.205
Distribution of total comprehensive income					
Non-controlling interest		175	107	52	11
Equity holders of the parent		165.836	91.063	109.006	75.194

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

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

**Consolidated statement of changes in equity
for the period ended June 30, 2016**

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

	Other comprehensive income or expenses to be reclassified to profit or loss							Accumulated profit			Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
	Share capital	Adjustment to share capital	Adjustment to share capital due to cross-ownership (-)	Actuarial gain (loss) arising from defined benefit plans	Foreign currency translation differences	Gains (losses) from cash flow hedging	Gains (losses) from the revaluation and/or reclassification of available-for-sale financial assets	Restricted reserves	Retained earnings	Net profit for the period			
Reviewed													
Balance as of January 1, 2015	300.000	71.504	(7.442)	(2.892)	1.230	(46)	241.725	303.833	1.232.650	217.958	2.358.520	670	2.359.190
Transfers	-	-	-	-	-	-	-	8.500	209.458	(217.958)	-	-	-
Total comprehensive income (loss)	-	-	-	(102)	344	(23.240)	(28.072)	-	-	160.076	109.006	52	109.058
Net income	-	-	-	-	-	-	-	-	-	160.076	160.076	52	160.128
Other comprehensive income (loss)	-	-	-	(102)	344	(23.240)	(28.072)	-	-	-	(51.070)	-	(51.070)
Dividend paid	-	-	-	-	-	-	-	-	(100.000)	-	(100.000)	(85)	(100.085)
Balance as of June 30, 2015	300.000	71.504	(7.442)	(2.994)	1.574	(23.286)	213.653	312.333	1.342.108	160.076	2.367.526	637	2.368.163
Reviewed													
Balance as of January 1, 2016	300.000	71.504	(7.442)	(253)	1.791	(52.208)	166.865	320.430	1.391.086	418.375	2.610.148	672	2.610.820
Effect of prior year period adjustments	-	-	-	-	-	-	-	-	102.306	-	102.306	-	102.306
Transfers	-	-	-	-	-	-	-	30.000	388.375	(418.375)	-	-	-
Total comprehensive income (loss)	-	-	-	-	(3)	(5.352)	13.101	-	-	158.090	165.836	175	166.011
Net income	-	-	-	-	-	-	-	-	-	158.090	158.090	175	158.265
Other comprehensive income (loss)	-	-	-	-	(3)	(5.352)	13.101	-	-	-	7.746	-	7.746
Dividend paid (Note 15)	-	-	-	-	-	-	-	-	(315.000)	-	(315.000)	-	(315.000)
Balance as of June 30, 2016	300.000	71.504	(7.442)	(253)	1.788	(57.560)	179.966	350.430	1.566.767	158.090	2.563.290	847	2.564.137

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

Aygaz Anonim Şirketi and Subsidiaries

Consolidated cash flow statement

for the period ended June 30, 2016

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

		Reviewed	Reviewed
	Notes	January 1- June 30, 2016	January 1- June 30, 2015
Cash flows from operating activities		380.596	136.226
Net income from continuing operations		158.265	160.128
Adjustments related with the reconciliation of net profit (loss) for the period		91.683	23.923
-Adjustments for depreciation and amortization expenses	11, 12	43.090	43.260
-Adjustments for impairment loss (reversal)		520	400
-Adjustments for provisions		43.810	37.050
-Adjustments for dividend (income) expense		(264)	(6.507)
-Adjustments for interest income		(11.493)	(4.606)
-Adjustments for interest expense		29.336	20.916
-Adjustments for unrealized foreign exchange differences		(860)	15.444
-Adjustments for fair value losses (gains) on derivative financial instruments		19.968	(9.184)
-Adjustments for undistributed profits of investments accounted under equity method	10	(53.047)	(84.527)
-Adjustments for tax (income) expenses		21.153	12.124
-Adjustments for losses (gains) on disposal of non-current assets		(803)	(410)
-Other adjustments for reconciliation of profit (loss)		273	(37)
Changes in working capital:		156.622	(45.035)
-Adjustments for decrease (increase) in trade receivables		100.909	8.731
-Adjustments for decrease (increase) in other operating receivables		95.806	(11.771)
-Adjustments for decrease (increase) in inventories		5.625	(30.940)
-Decrease (increase) in prepaid expenses		(9.471)	(10.887)
-Adjustments for increase (decrease) in trade payables		(46.296)	23.072
-Increase (decrease) in liabilities for employee benefits		(20.120)	(39.371)
-Adjustments for increase (decrease) in other operating payables		30.449	15.832
-Increase (decrease) in deferred income		(280)	299
Cash flows from operating activities		406.570	139.016
-Payments related to provision for employee benefits		(1.878)	(1.054)
-Tax returns (payments)		(24.096)	(1.736)
Cash flows from investing activities		42.798	(96.850)
Cash inflows from the sale of property, plant and equipment and intangible assets		5.150	2.946
Cash outflows from the purchase of property, plant and equipment and intangible assets	11, 12	(49.638)	(106.303)
Dividends received		87.286	6.507
Cash flows from financing activities		(226.477)	(20.969)
Proceeds from borrowings		1.402.283	1.335.747
Repayments of borrowings		(1.300.753)	(1.241.703)
Dividends paid		(315.000)	(100.085)
Interest paid		(24.500)	(19.534)
Interest received		11.493	4.606
Net increase (decrease) in cash and cash equivalents		196.917	18.407
Cash and cash equivalents at the beginning of the period	4	288.637	160.904
Cash and cash equivalents at the end of the period	4	485.554	179.311

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

Aygaz Anonim Şirketi and Subsidiaries

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

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

1. Organization and operations of the Company

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

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

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

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

As of June 30, 2016, number of personnel employed by categories in Aygaz and its subsidiaries (together with referred to as the "Group") is 726 white-collar (December 31, 2015: 696) and 725 blue-collar (December 31, 2015: 698) totaling to 1.451 (December 31, 2015: 1.394).

Subsidiaries

Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. ("Akpa") reached to its current structure with the merger of four subsidiaries of Koç Holding Energy Group at the end of 2001. Before the merger, four companies were operating separately from each other in Bursa, Eskişehir, Ankara and Antalya. At the time of merger the company name was Bursa Gaz ve Ticaret A.Ş., later it was changed to "Akpa Dayanıklı Tüketim Lpg ve Akaryakıt Ürünleri Pazarlama Anonim Şirketi" with the decision of Ordinary General Meeting held on March 17, 2005. Akpa is mainly engaged in sales of cylinders through dealers, retail and wholesale of LPG, fuel and lubricants through autogas stations and sale of durable goods. In October 2012, the Company has purchased shares with a nominal amount of TL 4 from natural persons and raised Group's effective control to 100%. On July 22, 2014, Akpa, which already had 8% ownership of Zinerji A.Ş., acquired 100% ownership of Zinerji from other shareholders including the Company, by purchasing the rest of the shares with a nominal value of TL 184 thousand representing 92% of total capital, with a price of TL 3.404 thousand, with the decision taken through Board of Directors held on July 24, 2014. By the decision taken through Boards of Directors held on October 30, 2014, the procedures related with the acquisition of Zinerji A.Ş. by Akpa have been registered on December 10, 2014. The merger of Akpa, with Zinerji A.Ş., through a whole take-over of all assets and liabilities were completed as of registration date.

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

Aygaz Anonim Şirketi and Subsidiaries

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

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

1. Organization and operations of the Company (continued)

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

The Company has purchased 100% ownership interest of Enram Su ve Çevre Yatırımları A.Ş. as a result of share assignment agreement dated March 14, 2014. Enram Su ve Çevre Yatırımları A.Ş. has decided to change its trade name as ADG Enerji Yatırımları A.Ş. ("ADG Enerji") and to increase share capital from TL 3.600 thousand to TL 25.000 thousand in its Extraordinary General Meeting held on March 20, 2014. For the increased share amount of TL 21.400 thousand, the Company has paid TL 5.350 thousand in cash on March 20, 2014 and the remaining part amounting to TL 16.050 thousand on February 11, 2016. In its Ordinary General Meeting held on February 11, 2016 ADG Enerji has decided to increase its share capital from TL 25.000 thousand to TL 26.100 thousand with the amendment of related paragraph of Articles of Incorporation. On March 2, 2016 the company has paid TL 1.100 thousand in cash. Main activity of ADG Enerji is to produce natural gas in domestic and/or overseas markets, purchase natural gas from domestic and/or overseas suppliers, selling natural gas in domestic and/or overseas customers and make related investments to storing, transportation and distribution of natural gas and building necessary facilities.

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

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

Investments in associates

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

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

Aygaz Anonim Şirketi and Subsidiaries

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

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

1. Organization and operations of the Company (continued)

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

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

Investments in associates	Place of incorporation and operation	Ownership interest (%)		Voting power right	Principal activity
		June 30, 2016	December 31, 2015		
Enerji Yatırımları A.Ş. (“EYAŞ”)	Turkey	20,00%	20,00%	20,00%	Energy
Entek Elektrik Üretimi A.Ş. (“Entek”)	Turkey	49,62%	49,62%	49,62%	Electricity

Joint ventures

Opet Aygaz Gayrimenkul A.Ş. was established on September 20, 2013 as a joint venture with 50% equal shares by the Company and Opet Petrolcülük A.Ş., which is the Company’s business partner, operating in distribution of fuel products. Its main activity is to establish, purchase, operate and rent fuel and LPG stations. Opet Aygaz Gayrimenkul A.Ş. decided to increase its capital from TL 90.000 thousand to TL 150.000 thousand in its Ordinary General Meeting, held on March 10, 2014. 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, 2016	December 31, 2015		
Opet Aygaz Gayrimenkul A.Ş. (“OAGM”)	Turkey	50,00%	50,00%	50,00%	Real Estate

Approval of condensed consolidated financial statements:

The condensed consolidated financial tables for the six months period ended on June 30, 2016 are approved on the Board of Directors meeting held on August 11, 2016 to be published.

2. Basis of presentation of consolidated financial statements

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

2.1 Basis of presentation

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

Aygaz Anonim Şirketi and Subsidiaries

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

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

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

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

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

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

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

2.2 Changes in accounting policies

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

2.3 Comparative information and reclassifications on prior period financial statements

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

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

2.4 Summary of significant accounting policies

The condensed interim consolidated financial statements of the Group for the six month period ended June 30, 2016 have been prepared in accordance with TAS 34 “Interim Financial Reporting”. Additionally, the accounting policies used in the preparation of the condensed interim consolidated financial statements for the period ended June 30, 2016 are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2015. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2015.

Aygaz Anonim Şirketi and Subsidiaries

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

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

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

2.5 New and revised Turkey Financial Reporting Standards

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

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

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

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

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

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

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

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

TAS 27 Equity Method in Separate Financial Statements (Amendments to TAS 27)

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

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

The entity must apply the same accounting for each category of investments. The amendment is not applicable for the Group and did 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, 2016 (continued)

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

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

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

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

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

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

TAS 1: Disclosure Initiative (Amendments)

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

Annual Improvements to TFRSs, 2012-2014 Cycle

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

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- IFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report

Aygaz Anonim Şirketi and Subsidiaries

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

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

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

- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting –clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

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

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

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

TFRS 9 Financial Instruments – Classification and measurement

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

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

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

Annual Improvements, 2010–2012 Cycle

IFRS 13 Fair Value Measurement

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

Aygaz Anonim Şirketi and Subsidiaries

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

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

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

Annual Improvements, 2011–2013 Cycle

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 Revenue from Contracts with Customers in May 2014. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

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

IFRS 9 Financial Instruments - Final standard (2014)

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

Aygaz Anonim Şirketi and Subsidiaries

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

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

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

IFRS 16 Leases

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

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

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

IAS 7 Statement of Cash Flows (Amendments)

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

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

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

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

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of June 30, 2016 (continued)

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

3. Segment reporting

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

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

- Gas and petroleum products
- Electricity
- Other

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

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

	June 30, 2016				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Assets					
Current assets	1.008.595	-	111.709	(6.983)	1.113.321
Non-current assets	2.547.948	348.595	246.332	(257.432)	2.885.443
Total assets	3.556.543	348.595	358.041	(264.415)	3.998.764
Liabilities					
Short-term liabilities	839.980	-	56.784	(6.983)	889.781
Long-term liabilities	534.882	-	16.907	(6.943)	544.846
Equity	2.181.681	348.595	284.350	(250.489)	2.564.137
Total liabilities and equity	3.556.543	348.595	358.041	(264.415)	3.998.764
Investments accounted under equity method	1.421.131	348.595	78.355	-	1.848.081
					December 31, 2015
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Assets					
Current assets	927.624	-	103.194	(5.627)	1.025.191
Non-current assets	2.566.893	330.875	246.561	(253.196)	2.891.133
Total assets	3.494.517	330.875	349.755	(258.823)	3.916.324
Liabilities					
Short term liabilities	823.016	-	29.453	(5.632)	846.837
Long term liabilities	449.642	-	15.726	(6.701)	458.667
Equity	2.221.859	330.875	304.576	(246.490)	2.610.820
Total liabilities and equity	3.494.517	330.875	349.755	(258.823)	3.916.324
Investments accounted under equity method	1.459.501	330.875	76.805	-	1.867.181

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

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

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

3. Segment reporting (continued)

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

	January 1 - June 30, 2016				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Revenue	2.918.554	-	220.951	(79.534)	3.059.971
Cost of sales (-)	(2.587.560)	-	(183.410)	79.861	(2.691.109)
Gross profit	330.994	-	37.541	327	368.862
General administrative expenses (-)	(89.076)	-	(12.564)	1.714	(99.926)
Marketing expenses (-)	(120.653)	-	(6.226)	-	(126.879)
Research and development expenses (-)	(1.729)	-	-	-	(1.729)
Other operating income	46.153	-	3.176	(2.014)	47.315
Other operating expenses (-)	(38.116)	-	(1.343)	27	(39.432)
Operating profit	127.573	-	20.584	54	148.211
Income from investment activities	129.463	-	384	(129.022)	825
Loss from investment activities (-)	(22)	-	-	-	(22)
Profit (losses) from investments accounted under equity method	33.668	17.829	1.550	-	53.047
Operating profit before financial income (expense)	290.682	17.829	22.518	(128.968)	202.061
Financial income	145.948	-	2.740	-	148.688
Financial expense (-)	(169.781)	-	(1.550)	-	(171.331)
Profit from continuing operations before tax	266.849	17.829	23.708	(128.968)	179.418
Tax income (expense), continuing operations					
Current tax expense for the period (-)	(23.963)	-	(1.968)	-	(25.931)
Deferred tax income (expense)	4.749	-	29	-	4.778
Profit for the period	247.635	17.829	21.769	(128.968)	158.265
Investments accounted under equity method	33.668	17.829	1.550	-	53.047

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of June 30, 2016 (continued)

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

3. Segment reporting (continued)

	January 1 - June 30, 2016				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Revenue	2.819.530	-	218.471	(74.446)	2.963.555
Cost of sales (-)	(2.543.293)	-	(186.747)	74.767	(2.655.273)
Gross profit	276.237	-	31.724	321	308.282
General administrative expenses (-)	(78.465)	-	(10.207)	553	(88.119)
Marketing expenses (-)	(113.869)	-	(6.061)	-	(119.930)
Research and development expenses (-)	(755)	-	-	-	(755)
Other operating income	41.706	-	5.221	(997)	45.930
Other operating expenses (-)	(46.854)	-	(3.640)	480	(50.014)
Operating profit	78.000	-	17.037	357	95.394
Income from investment activities	56.483	-	674	(49.915)	7.242
Loss from investment activities (-)	(220)	-	(105)	-	(325)
Profit (losses) from investments accounted under equity method	79.634	4.324	569	-	84.527
Operating profit before financial income (expense)	213.897	4.324	18.175	(49.558)	186.838
Financial income	60.389	-	5.562	-	65.951
Financial expense (-)	(80.137)	-	(400)	-	(80.537)
Profit from continuing operations before tax	194.149	4.324	23.337	(49.558)	172.252
Tax income (expense), continuing operations					
Current tax expense for the period (-)	(6.739)	-	(2.586)	-	(9.325)
Deferred tax income (expense)	(2.851)	-	52	-	(2.799)
Profit for the period	184.559	4.324	20.803	(49.558)	160.128
Investments accounted under equity method	79.634	4.324	569	-	84.527

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

	January 1 - June 30, 2016	January 1 - June 30, 2015
Gas and petroleum products	37.943	38.489
Other	5.147	4.771
	43.090	43.260

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of June 30, 2016 (continued)

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

3. Segment reporting (continued)

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

	January 1 - June 30, 2016	January 1 - June 30, 2015
Gas and petroleum products	47.190	38.461
Other (*)	2.448	67.842
	49.638	106.303

(*) On February 25, 2016, the vessel named "Knightsbridge" which is used in the transportation of liquid fuel gas, was bought for USD 27.150 thousand in cash by Kandilli Tankercilik A.Ş - the Company's subsidiary.

4. Cash and cash equivalents

	June 30, 2016	December 31, 2015
Cash on hand	139	181
Cash at banks	447.527	258.820
- Demand deposits	19.116	19.653
- Time deposits	428.411	239.167
Receivables from credit card transactions	37.888	29.636
Total cash and cash equivalents	485.554	288.637

As of June 30, 2016 the Group's TL time deposits amounting to TL 243.362 thousand have maturities of 1 - 39 days and interest rate of 10,95% - 11,75%; USD time deposits amounting to USD 63.950 thousand (TL 185.049 thousand) have maturities of 1 day and interest rate of 1,75% (As of December 31, 2015 the Group's TL time deposits amounting to TL 134.228 thousand have maturities of 4 - 37 days and interest rates of 10,6% – 14,00%; USD time deposits amounting to USD 36.090 thousand (TL104.939 thousand) have a maturity of 4 - 6 days and an interest rate of 1,75%).

5. Financial assets

The long-term financial assets identified as financial assets held for sale by the Group are as follows as of June 30, 2016 and December 31, 2015:

	June 30, 2016		December 31, 2015	
	Participation amount	Participation rate %	Participation amount	Participation rate %
Koç Finansal Hizmetler A.Ş. (*)	279.740	1,97	265.950	1,97
Ram Dış Ticaret A.Ş. (**)	728	2,50	1.000	2,50
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. (***)	540	10,00	540	10,00
Tat Gıda Sanayi A.Ş. (**)	75	0,08	76	0,08
Other (***)	436	-	436	-
	281.519		268.002	

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

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

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

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of June 30, 2016 (continued)

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

6. Financial borrowings

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

	June 30, 2016	December 31, 2015
USD-denominated short-term bank borrowings (*)	59.361	58.722
TL-denominated short-term bank borrowings (*)	2.699	7.406
Total short-term bank borrowings	62.060	66.128
Short-term portion and interest accruals of TL-denominated long-term bank borrowings	85.164	91.337
Short-term portion and interest accruals of USD-denominated long-term bank borrowings	11.067	81.254
Short-term portion of long-term bond issued (**)	112.135	9.887
Total short-term portion of long-term financial borrowings	208.366	182.478

(*) As of June 30, 2016, the Group has interest free loan with a total amount of TL 2.699 thousand which was used for SSI payment amounting to TL 1.886 thousand and custom expenses payment amounting to TL 813 thousand (December 31, 2015: TL 2.204 thousand). The Group has fixed interest rate loans amounting to USD 20.000 thousand (TL 59.361 thousand) have a maturity date of September 19, 2016. Interest rate of the loan is 3%.

(**) On March 18, 2015, March 30, 2015 and January 28, 2016 the Group has issued a fixed rate bond with a nominal value of TL 100.000 thousand, with a maturity of 728 days and half-yearly coupon payments, a floating rate bond with a nominal value of TL 60.000 thousand, with a maturity of 1.092 days and quarter-yearly coupon payments, a fixed rate bond with a nominal value of TL 75.000 thousand, with a maturity of 728 days and half-yearly coupon payments, respectively. As of June 30, 2016, net present value of these issued bonds is TL 242.003 thousand (TL 129.868 thousand of this amount is shown as long-term bond issued) and their effective interest rates are 10,55% - 11,85% and 13,09% respectively.

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

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	-	2.699	2.699
USD	3	20.515	59.361
			62.060

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

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

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

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

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

6. Financial borrowings (continued)

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

	June 30, 2016	December 31, 2015
TL-denominated long-term bank borrowings	107.546	81.286
USD-denominated long-term bank borrowings	149.020	68.329
Total long-term bank borrowings	256.566	149.615
Long-term bonds issued	129.868	153.133
Total long-term bonds	129.868	153.133
Total long-term financial borrowings	386.434	302.748

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

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	11,6-14,32	192.710	192.710
USD	3,4-3,52	55.325	160.087
			352.797
Short-term portion and interest accruals of long-term borrowings			(96.231)
			256.566

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

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

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of June 30, 2016 (continued)

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

7. Derivative financial instruments

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

Short-term derivative financial instruments	June 30, 2016		December 31, 2015	
	Contract amount	Fair value assets/(liabilities)	Contract amount	Fair value assets/(liabilities)
Forward transactions (*)	32.305	1	68.761	(1.475)
Foreign currency swap contracts	-	-	50.635	19.654

Long-term derivative financial instruments	June 30, 2016		December 31, 2015	
	Contract amount	Fair value assets/(liabilities)	Contract amount	Fair value assets/(liabilities)
Foreign currency swap contracts (**)	91.350	(1.790)	-	-

(*) As of June 30, 2016 the Group made forward transaction with a maturity of 81-92 days and nominal value amounting to USD 11.000 thousand.

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

8. Trade receivables and payables from third parties

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

Current trade receivables from third parties	June 30, 2016	December 31, 2015
Trade receivables	325.496	434.185
Notes receivables	47.535	39.628
Allowance for doubtful receivables (-)	(21.083)	(20.713)
Total current trade receivables from third parties	351.948	453.100
Non-current trade receivables from parties	June 30, 2016	December 31, 2015
Notes receivable	6.506	6.791
Total non-current trade receivables from third parties	6.506	6.791

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

Short-term trade payables to third parties	June 30, 2016	December 31, 2015
Trade payables	178.885	229.216
Total short-term trade payables to third parties	178.885	229.216

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of June 30, 2016 (continued)

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

9. Inventories

	June 30, 2016	December 31, 2015
Raw materials	147.185	150.698
Trade goods	16.823	17.264
Goods in transit	4.656	5.054
Finished goods	10.797	12.399
Work in process	1.991	1.662
Allowance for impairment on inventory	(1.053)	(1.053)
Total inventories	180.399	186.024

As of June 30, 2016, inventories includes 57.312 tons of LPG (December 31, 2015 - 57.795 tons).

10. Equity investments

	June 30, 2016		December 31, 2015	
	Participation amount	Participation rate %	Participation amount	Participation rate %
EYAŞ acquisition value	669.400		669.400	
Adjustment to share capital	(7.442)		(7.442)	
Currency translation differences	1.788		1.791	
Legal reserves	24.196		15.494	
Actuarial gains (losses) arising from defined benefit plans	(369)		(369)	
Gains (losses) from cash flow hedging	(57.352)		(52.109)	
Group's share in accumulated profit (losses) after the acquisition date	857.702		825.886	
Dividend distributed	(87.022)		-	
Effect of prior year period adjustments	20.230		6.850	
	1.421.131	20,00%	1.459.501	20,00%
Entek acquisition value	118.930		118.930	
Acquisition of additional shares	147.831		147.831	
Participation in share capital increase of equity investment	108.300		108.300	
Fair value adjustment for share purchase	548		548	
Actuarial gains (losses) arising from defined benefit plans	(102)		(102)	
Gains (losses) from cash flow hedging	(208)		(99)	
Group's share in accumulated profit (losses) after the acquisition date	(26.704)		(48.064)	
Effect of prior year period adjustments	-		3.531	
	348.595	49,62%	330.875	49,62%
OAGM subsidiary value	45.000		45.000	
Participation in share capital increase of equity investment	30.000		30.000	
Group's share in accumulated profit (losses) realized after the date of establishment	3.355		1.805	
	78.355	50,00%	76.805	50,00%
Total	1.848.081		1.867.181	

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

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

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

11. Property, plant and equipment

	Land	Land improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furnitures and fixtures	Leasehold improvements	Construction in progress	Total
Acquisition cost									
Opening balance as of January 1, 2016	16.204	135.114	70.872	1.607.299	251.221	58.489	25.745	17.584	2.182.528
Additions	-	-	-	1.098	2.276	118	142	46.004	49.638
Transfers (*)	-	124	-	31.626	1.447	1.655	3	(35.096)	(241)
Disposals	-	(1.853)	(48)	(6.833)	(1.404)	(3.716)	(49)	(690)	(14.593)
Ending balance as of June 30, 2016	16.204	133.385	70.824	1.633.190	253.540	56.546	25.841	27.802	2.217.332
Accumulated depreciation									
Opening balance as of January 1, 2016	-	56.107	49.215	1.251.791	106.878	43.475	24.390	-	1.531.856
Charge for the period	-	2.508	974	26.924	7.678	2.432	413	-	40.929
Disposals	-	(233)	(42)	(5.830)	(1.194)	(2.929)	(18)	-	(10.246)
Ending balance as of June 30, 2016	-	58.382	50.147	1.272.885	113.362	42.978	24.785	-	1.562.539
Net book value as of June 30, 2016	16.204	75.003	20.677	360.305	140.178	13.568	1.056	27.802	654.793

(*) TL 241 thousand under “Construction in progress” under the account property, plant and equipment has been classified to intangible fixed assets.

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

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

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

11. Property, plant and equipment (continued)

	Land	Land improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furnitures and fixtures	Leasehold improvements	Construction in progress	Total
Acquisition cost									
Opening balance as of January 1, 2015	16.204	122.673	70.847	1.577.648	179.650	55.463	25.022	16.135	2.063.642
Additions	-	-	-	938	67.618	115	213	37.415	106.299
Transfers (*)	-	66	60	23.564	363	1.882	-	(25.965)	(30)
Disposals	-	(174)	(170)	(6.920)	(674)	(2.383)	(37)	-	(10.358)
Ending balance as of June 30, 2015	16.204	122.565	70.737	1.595.230	246.957	55.077	25.198	27.585	2.159.553
Accumulated depreciation									
Opening balance as of January 1, 2015	-	52.523	47.247	1.220.227	94.012	40.953	23.617	-	1.478.579
Charge for the period	-	2.295	993	27.599	7.168	2.214	393	-	40.662
Disposals	-	(105)	(6)	(6.038)	(291)	(1.373)	(9)	-	(7.822)
Ending balance as of June 30, 2015	-	54.713	48.234	1.241.788	100.889	41.794	24.001	-	1.511.419
Net book value as of June 30, 2015	16.204	67.852	22.503	353.442	146.068	13.283	1.197	27.585	648.134

(*) TL 30 thousand under “Construction in progress” under the account property, plant and equipment has been classified to intangible fixed assets.

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

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

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

12. Intangible assets

	Rights	Total
Acquisition costs		
Opening balance as of January 1, 2016	54.517	54.517
Additions	-	-
Transfers (*)	241	241
Ending balance as of June 30, 2016	54.758	54.758
Accumulated depreciation		
Opening balance as of January 1, 2016	33.177	33.177
Charge for the period	2.161	2.161
Ending balance as of June 30, 2016	35.338	35.338
Carrying value as of June 30, 2016	19.420	19.420

(*) TL 241 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible assets.

	Rights	Total
Acquisition costs		
Opening balance as of January 1, 2015	53.825	53.825
Additions	4	4
Transfers (*)	30	30
Ending balance as of June 30, 2015	53.859	53.859
Accumulated depreciation		
Opening balance as of January 1, 2015	28.077	28.077
Charge for the period	2.598	2.598
Ending balance as of June 30, 2015	30.675	30.675
Carrying value as of June 30, 2015	23.184	23.184

(*) TL 30 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible assets.

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of June 30, 2016 (continued)

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

13. Provisions, contingent liabilities and assets

Guarantees given	June 30, 2016	December 31, 2015
Letter of guarantees given to customs for gas purchase	792.911	815.301
Other letter of guarantees given	34.279	27.388
Total guarantees given	827.190	842.689

The liability for environmental pollution:

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

National inventory reserve liability:

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

Competition Board Investigation:

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

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

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

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

13. Provisions, contingent liabilities and assets (continued)

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

	June 30, 2016					December 31, 2015				
	Euro guarantees	USD guarantees	Other guarantees	TL guarantees	TL total	Euro guarantees	USD guarantees	Other guarantees	TL guarantees	TL total
A. GPMs given on behalf of the Company’s legal personality	39.345	66.847	-	584.917	691.109	37.848	61.802	57	584.530	684.237
B.GPMs given in favor of subsidiaries included in full consolidation (*)	-	51.624	-	84.457	136.081	-	93.075	-	65.377	158.452
C. GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	-	-	-	-	-	-	-	-	-	-
D. Other GPM's										
i. GPMs given in favor of parent company	-	-	-	-	-	-	-	-	-	-
ii. GPMs given in favor of companies not in the scope of B and C above	-	-	-	-	-	-	-	-	-	-
iii. GPMs given in favor of third party companies not in the scope of C above	-	-	-	-	-	-	-	-	-	-
Total amount of GPM	39.345	118.471	-	669.374	827.190	37.848	154.877	57	649.907	842.689

(*) As of June 30, 2016 total amount of commission accrued for guarantees given or contingent liabilities except 'A. GPMs given on behalf of the Company’s legal personality' is TL 300 thousand (December 31, 2015: TL 693 thousand).

Aygaz Anonim Şirketi and Subsidiaries

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

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

14. Other short-term provisions and other current liabilities

Other short-term provisions	June 30, 2016	December 31, 2015
Special Consumption Tax (SCT) provision on imported LPG	70.224	68.496
Provision for other operating expenses	17.198	3.537
Provision for lawsuit	5.724	5.724
Provision for selling and marketing expenses	8.630	4.540
Provision for EMRA contribution	1.531	3.399
Provision for warranty expenses	1.274	1.274
Total other short term provisions	104.581	86.970

Other current liabilities	June 30, 2016	December 31, 2015
Taxes and funds payable	126.078	95.824
Other liabilities	1.436	2.153
Total other current liabilities	127.514	97.977

15. Share capital

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

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

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

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

Dividend paid

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

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

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

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

16. Earnings per share

	January 1 – June 30, 2016	April 1 – June 30, 2016	January 1 – June 30, 2015	April 1 – June 30, 2015
Average number of shares throughout the period (thousand)	300.000	300.000	300.000	300.000
Net profit for the year attributable to equity holders of the parent	158.090	92.681	160.076	106.808
Earnings per share (TL)	0,526967	0,308937	0,533587	0,356027
Diluted earnings per share (TL)	0,526967	0,308937	0,533587	0,356027

17. Tax assets and liabilities

	June 30, 2016	December 31, 2015
Current tax liability		
Current corporate tax provision	46.450	44.905
Less: Prepaid taxes and funds	(15.705)	(36.138)
Current tax liability	30.745	8.767
Tax expense	January 1- June 30, 2016	January 1- June 30, 2015
Current corporate tax provision	(25.931)	(9.325)
Deferred tax income (expense)	4.778	(2.799)
	(21.153)	(12.124)

Corporate tax

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

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

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

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

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

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

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

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

17. Tax assets and liabilities (continued)

Deferred tax

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

Deferred tax (assets) / liabilities:	June 30, 2016	December 31, 2015
Restatement and depreciation/amortization differences of property, plant and equipment and other intangible assets	36.490	35.771
Differences from the revaluation of available-for-sale financial assets	9.471	8.782
Provision for employment termination benefits	(5.215)	(4.725)
Valuation of inventories	(1.737)	(1.369)
Other	(4.904)	(265)
	34.105	38.194

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

	June 30, 2016			December 31, 2015		
	Deferred tax			Deferred tax		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Aygaz A.Ş.	(12.248)	45.936	33.688	(8.671)	46.406	37.735
Akpa A.Ş.	(918)	444	(474)	(897)	464	(433)
Aygaz Doğal Gaz	(757)	1.648	891	(868)	1.760	892
	(13.923)	48.028	34.105	(10.436)	48.630	38.194

Movement of deferred tax from continuing operations is as follows:

Movement of deferred tax (asset) liability:	2016	2015
Opening balance as of January 1	38.194	35.549
Deferred tax expense (income)	(4.778)	2.799
Deferred tax correlated with gains (losses) from the revaluation of available-for-sale financial assets	689	(1.478)
Closing balance as of June 30	34.105	36.870

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

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

18. Transactions with related parties

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.

June 30, 2016				
Balances with related parties	Receivables		Payables	
	Trade	Non-trade	Trade	Non-trade
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	16.849	-	67.855	-
Demir Export A.Ş.	7.484	-	-	-
Arçelik A.Ş.	1.393	-	19.588	-
Ford Otomotiv Sanayi A.Ş.	1.278	-	-	-
Tat Gıda Sanayi A.Ş.	539	-	-	-
Opet Petrolcülük A.Ş.	146	-	47.346	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	-	2.818	-
Ram Dış Ticaret A.Ş.	370	-	2.657	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	-	-	4.107	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	448	-
Other	2.222	-	1.856	-
Shareholders				
Koç Holding A.Ş.	-	-	25	-
Investments accounted under equity method				
Entek Elektrik Üretimi A.Ş.	1	-	354	-
	30.282	-	147.054	-
December 31, 2015				
Balances with related parties	Receivables		Payables	
	Trade	Non-trade	Trade	Non-trade
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	17.224	-	70.614	-
Demir Export A.Ş.	6.661	-	-	-
Ford Otomotiv Sanayi A.Ş.	1.128	-	-	-
Tat Gıda Sanayi A.Ş.	533	-	-	-
Arçelik A.Ş.	357	-	6.603	-
Opet Petrolcülük A.Ş.	78	-	33.076	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	-	2.023	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	1.189	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	-	-	9.927	-
Ram Dış Ticaret A.Ş.	61	-	8.507	-
Yapı Kredi Finansal Kiralama A.O.	1.953	-	-	-
Other	2.278	-	1.666	-
Shareholders				
Koç Holding A.Ş.	-	-	9.059	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	1	-	355	-
	30.274	-	143.019	-

(*) Group companies include Koç Group companies.

(**) Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer") provides purchasing services for various item to the Group. As of balance sheet date, trade payables consist of Group's payables to third party 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
as of June 30, 2016 (continued)**

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

18. Transactions with related parties (continued)

As of June 30, 2016, dividends payable amounting to TL 677 thousand (December 31, 2015 – TL 547 thousand) is reflected within other payables to related parties under short-term liabilities.

Transactions with related parties	January 1 - June 30, 2016			
	Purchases (Goods)	Sales (Goods)	Purchases (Services)	Sales (Services)
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	355.566	185.496	1.126	-
Opet Petrolcülük A.Ş. (**) (***)	80.141	772	54.943	-
Arçelik A.Ş.	21.670	7.215	14	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	11.076	20	12.002	-
Ram Dış Ticaret A.Ş.	9.408	1.232	122	-
Otokoç Otomotiv Tic. ve San. A.Ş.	3	175	316	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	52	3.766	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	4	1.379	-
Ford Otomotiv Sanayi A.Ş.	5	7.796	-	-
Demir Export A.Ş.	-	17.540	49	-
Tat Gıda Sanayi A.Ş.	-	2.691	-	-
Setur Servis Turistik A.Ş.	-	27	2.167	-
Other	2.236	11.112	1.390	-
Shareholders				
Koç Holding A.Ş.(****)	-	22	7.351	-
Temel Ticaret ve Yatırım A.Ş.	-	1	-	-
Investments accounted under equity method				
Entek Elektrik Üretimi A.Ş.	87	17	1.863	-
	480.192	234.172	86.488	-
Transactions with related parties	January 1 - June 30, 2015			
	Purchases (Goods)	Sales (Goods)	Purchases (Services)	Sales (Services)
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	364.441	181.940	1.409	-
Opet Petrolcülük A.Ş. (**) (***)	87.192	513	46.475	-
Arçelik A.Ş.	27.652	1.445	35	-
Ram Dış Ticaret A.Ş.	19.267	-	2.268	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	10.680	4	12.060	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	20	123	3.147	-
Otokoç Otomotiv Tic. ve San. A.Ş.	4	787	554	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	3	1.339	-
Ford Otomotiv Sanayi A.Ş.	-	8.909	-	-
Demir Export A.Ş.	-	16.842	-	-
Tat Gıda Sanayi A.Ş.	-	2.449	-	-
Setur Servis Turistik A.Ş.	-	44	1.235	-
Other	1.806	8.346	1.397	-
Shareholders				
Koç Holding A.Ş. (****)	-	18	4.005	-
Temel Ticaret ve Yatırım A.Ş.	-	1	-	-
Investments accounted under equity method				
Entek Elektrik Üretimi A.Ş.	-	18	1.830	-
	511.062	221.442	75.754	-

(*) Group companies include Koç Group companies.

(**) Commission expense regarding LPG sold at Opet stations as of June 30, 2016 is TL 54.758 thousand (June 30 2015: TL 46.230 thousand). The commission expense mentioned above is evaluated as part of sales and accounted under income statement as sales discounts.

(***) Though not presented at transactions with related parties, so as to fulfil fuel and auto gas sales exclusively and on the basis of station, prepayments and/or infrastructural investments are made directed for sales under "Agreement of Auto Gas Sales at Gas Stations" between Aygaz and Opet. Prepayments are presented under prepaid expenses in consolidated statement of financial position and are periodically amortized based on duration of dealer agreements. In consideration of 5 years sale agreement on average, TL 16.316 thousand has been made as prepayments or investment contribution margin payment to be given to Aygaz Dealers making auto gas sales at Opet stations during six month period ended June, 2016 (January 1-June 30, 2015: TL16.539 thousand).

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

Aygaz Anonim Şirketi and Subsidiaries

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

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

18. Transactions with related parties (continued)

	January 1 - June 30, 2016			
Tangible asset and rent transactions with related parties	Rent income	Rent expense	Fixed asset purchases	Fixed asset sales
Group companies (*)				
Opet Petrolcülük A.Ş.	284	12	-	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	2.913	1.441	173
Yapı Kredi Bankası A.Ş.	-	112	-	-
Türkiye Petrol Rafinerileri A.Ş.	-	5	-	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	330	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	38	-
Ford Otomotiv Sanayi A.Ş.	-	-	673	-
Other	-	-	3	1
Shareholders				
Koç Family Members	-	300	-	-
Temel Ticaret ve Yatırım A.Ş.	-	122	-	-
	284	3.464	2.485	174

	January 1 - June 30, 2015			
Tangible asset and rent transactions with related parties	Rent income	Rent expense	Fixed asset purchases	Fixed asset sales
Group companies (*)				
Opet Petrolcülük A.Ş.	261	5	-	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	2.172	468	-
Yapı Kredi Bankası A.Ş.	-	137	-	-
Türkiye Petrol Rafinerileri A.Ş.	-	4	-	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	575	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	342	-
Otokar Otomotiv ve Savunma Sanayi A.Ş.	-	-	308	-
Other	-	-	9	-
Shareholders				
Koç Family Members	-	432	-	-
	261	2.750	1.702	-

(*) Group companies include Koç Group companies.

Aygaz Anonim Şirketi and Subsidiaries

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

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

18. Transactions with related parties (continued)

	January 1 - June 30, 2016			
Financial and other transactions with related parties	Financial income	Financial expense	Other Income	Other expense
Group companies (*)				
Yapı Kredi Bankası A.Ş.	12.621	6.013	-	-
Tat Gıda Sanayi A.Ş.	-	-	14	-
Ram Dış Ticaret A.Ş.	-	-	250	92
Vehbi Koç Vakfı	-	-	-	25
Türk Eğitim Vakfı	-	-	-	77
Rahmi Koç Müzesi	-	-	-	700
	12.621	6.013	264	894

	January 1 - June 30, 2015			
Financial and other transactions with related parties	Financial income	Financial expense	Other Income	Other expense
Group companies (*)				
Yapı Kredi Bankası A.Ş.	9.313	2.522	-	-
Opet Petrolcülük A.Ş.	-	-	-	476
Koç Finansal Hizmetler A.Ş.	-	-	6.353	-
Ram Dış Ticaret A.Ş.	-	-	150	-
Ditaş Deniz İşletmeciliği ve Tic. A.Ş.	-	-	4	-
Vehbi Koç Vakfı	-	-	-	26
	9.313	2.522	6.507	502

Cash at banks **June 30, 2016** December 31, 2015

Group companies (*)		
Yapı Kredi Bankası A.Ş.	359.161	220.777

Credit card receivables **June 30, 2016** December 31, 2015

Group companies (*)		
Yapı Kredi Bankası A.Ş.	33.522	27.059

Bank Loans **June 30, 2016** December 31, 2015

Group companies (*)		
Yapı Kredi Bankası A.Ş.	1.886	6.953

(*) Group companies include Koç Group companies.

Benefits to Top Management

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

Benefits to top management personnel includes salaries, premiums, Social Security Institution employer's contribution, employer's contribution of unemployment insurance and the attendance fees of board of directors. Total of the benefit provided to senior management of the Group as of June 30, 2016 is TL 3.951 thousand (June 30, 2015: TL 3.365 thousand).

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

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

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

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

Foreign currency risk management

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

The Group manages its foreign currency risk by regularly considering and reflecting the foreign exchange rate changes in the determination of product prices. As of June 30, 2016, the Group has LPG amounting to TL 55.364 thousand (December 31, 2015 TL 64.808 thousand).

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

June 30, 2016		Total TL equivalent	TL equivalent of USD	TL equivalent of Euro	TL equivalent of other
1.	Trade receivables	12.929	11.244	1.685	-
2.a	Monetary financial assets	187.182	186.507	449	226
2.b	Non-monetary financial assets	-	-	-	-
3.	Other	291	238	53	-
4.	Current assets	200.402	197.989	2.187	226
5.	Trade receivables	-	-	-	-
6.a	Monetary financial assets	-	-	-	-
6.b	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non-current assets	-	-	-	-
9.	Total assets	200.402	197.989	2.187	226
10.	Trade payables	(84.609)	(84.077)	(460)	(72)
11.	Financial liabilities	(70.428)	(70.428)	-	-
12.a	Other monetary financial liabilities	-	-	-	-
12.b	Other non-monetary financial liabilities	(1.202)	(1.202)	-	-
13.	Current liabilities	(156.239)	(155.707)	(460)	(72)
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(149.020)	(149.020)	-	-
16.a	Other monetary financial liabilities	-	-	-	-
16.b	Other non-monetary financial liabilities	-	-	-	-
17.	Non-current liabilities	(149.020)	(149.020)	-	-
18.	Total liabilities	(305.259)	(304.727)	(460)	(72)
19.	Net foreign currency asset / liability position of off balance sheet derivatives (19a-19b)	122.978	122.978	-	-
19.a	Total hedged assets	122.978	122.978	-	-
19.b	Total hedged liabilities	-	-	-	-
20.	Net foreign currency asset / liability position	18.121	16.240	1.727	154
21.	Net foreign currency asset / liability position of monetary items (1+2a+5+6a+10+11+12a+14+15+16a)	(103.946)	(105.774)	1.674	154
22.	Fair value of foreign currency hedged financial assets	-	-	-	-
23.	Hedged foreign currency assets	-	-	-	-
24.	Hedged foreign currency liabilities	-	-	-	-
25.	Export	183.606	165.106	17.429	1.071
26.	Import	707.416	698.862	6.521	2.033

Aygaz Anonim Şirketi and Subsidiaries

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

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

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

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

Aygaz Anonim Şirketi and Subsidiaries

Notes to the interim condensed consolidated financial statements

as of June 30, 2016 (continued)

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

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

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

	June 30, 2016			
	Gain/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
10% fluctuation of USD rate				
USD net asset/liability	(10.577)	10.577	(10.577)	10.577
Secured portion from USD risk	12.298	(12.298)	12.298	(12.298)
USD net effect	1.721	(1.721)	1.721	(1.721)
10% fluctuation of Euro rate				
Euro net asset/liability	(167)	167	(167)	167
Secured portion from Euro risk	-	-	-	-
Euro net effect	(167)	167	(167)	167
Total	1.554	(1.554)	1.554	(1.554)

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

Aygaz Anonim Şirketi and Subsidiaries

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

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

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

Currency forward agreements

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

						June 30, 2016
Maturity	Parity	Type of contract	Transactions	Total amount	Currency	
3 months	2,9040-2,9663	Forward	Sells TL, buys USD	11.000	USD	

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

Swap agreements

As of June 30, 2016 the Group has swap agreement amounting to TL 91.350 thousand with fixed interest rate of 13,415% in return for USD 31.500 thousand with a floating interest rate of six-month USDLIBOR +2,4%. Swap transaction has half yearly interest payments and principal repayments will start on June 25, 2018. The maturity date of principal repayments is June 24, 2021.

Fair value of financial instruments

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

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

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

Financial assets / liabilities	Level of fair value as of reporting date			
	June 30, 2016	1st Level	2nd Level	3rd Level
Available-for-sale financial assets (*)	280.543	75	280.468	-
Derivative financial instruments	(1.789)	-	(1.789)	-

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

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

(Convenience translation of financial statements originally issued in Turkish)

Aygaz Anonim Şirketi and Subsidiaries

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

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

20. Events after balance sheet date

None.

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

None.