Reaching out to the future

AYGAZ

ANNUAL REPORT **2015**

We remain deeply saddened by the untimely death of Koç Holding Chairman Mustafa V. Koç.

Mustafa V. Koç leaves behind a substantial, highly successful and proud legacy from his 32-year professional career, which included 13 years as Chairman of Koç Holding.

During his tenure as Chairman, groundbreaking investments were undertaken with determination. The Holding's position in the domestic market was reinforced through successful acquisitions. Koç corporate banner was planted in new countries and our international operations expanded. The Holding's and nation's overseas revenues significantly increased through large-scale export projects. Mustafa V. Koç's global vision turned the Holding into one of the world's leading corporations and Koç Holding achieved the honor of being the only Turkish firm on the Fortune 500 list.

During his life, Mustafa V. Koç was committed to the motto of Holding founder Vehbi Koç, "I exist as long as my country exists and prospers". He was not only a leader who took on ambitious business ventures, but also a pioneer in social responsibility projects, which he wholeheartedly embraced to contribute to the nation's social advancement.

Always a firm believer in Turkey's bright future, Mustafa V. Koç leaves behind a permanent mark with his vision, philanthropy, leadership and most important of all, humanitarian values. He was truly a man of the people. A leader who energized and supported his employees, he was also a source of inspiration with his global perspective, determination, values and business ethics.

Going forward, we shall transform Koç Holding from a company with international operations into a truly global company in line with his values, broad vision and dynamism…

We will remember him with respect, affection and gratitude.

KOÇ GROUP

Mustafa V. Koç
(1960-2016)

INTRODUCTION

OPERATIONS IN 2015

SUSTAINABLE GROWTH

SOCIAL RESPONSIBILITY

CORPORATE GOVERNANCE

CONSOLIDATED FINANCIAL STATEMENTS

Reaching out to the future

The story of Aygaz is your story.

It is the story of new lives, establishing themselves with great expectations in the young Republic's developing cities…

Fifty-five years ago we entered into your homes with only a spark to accompany those expectations and we quickly became an important part of your days and nights. Soon after, we became food, light, and heat for millions of homes. Then, we established a huge presence, all originating from that single spark.

Since 1961, when we started distributing LPG, until today… At home, on the road and in industry… Hand-in-hand with our society, we evolved into an energy company encompassing cylinder gas and autogas, natural gas and electricity.

Now, once again, we have new lives ahead of us. New horizons, new requirements, and the search for new resources… Aygaz has a dream to contribute building the future by providing different energy solutions. By joining hands for sustainable growth…

Now, the story of Aygaz is the story of the future.

The future of us all…

AYGAZ

ANNUAL REPORT **2015**

Report of the Board of Directors and Message from the Chairman

There is no doubt that Aygaz's success story, growing annually for more than 50 years, is no coincidence - and I'm confident the future holds new successes in every market we reach.

Dear Shareholders,

I want to extend a warm welcome to all participants in the company's 55th General Meeting of Shareholders. Unfortunately, all of us are deeply saddened by the untimely loss of my son, Mustafa V. Koç. The condolences we have received from the entire nation are a great comfort to us as we try to come to terms with his loss. On behalf of my family and myself, I would like to thank you all from the bottom of my heart for your immeasurable support.

Despite these feelings, I extend my warmest greetings and regards to all of you on behalf of myself and the Aygaz Board of Directors. I'm sure that we will have a cordial, productive meeting.

In 2015, Aygaz increased its market share and continued its growth, confirming its position as one of the energy industry's leading companies. Our growth was achieved despite adverse conditions arising from social, political, and economic conditions in Turkey and worldwide. Having operated for 55 years to create long-term value for our stakeholders, our outstanding financial and operational performance allows us to look back on another efficient, profitable year.

The effort to steer the world's economic development continues

The year 2015 did not leave many positive traces considering the stressful and grief-stricken developments such as the unfolding immigrant crisis and the terrorist attacks on innocent people both in Turkey and abroad.

Also, although seven years have passed since the onset of the global economic crisis, last year's growth in various world regions was below pre-crisis levels.

The growth rate of developing countries, which in past years was the driving force of global economic growth, has decelerated significantly. Commodity price decreases have caused negative impacts globally, from Russia to South Africa and from the Gulf region to Australia. China's growth rate dropped to almost 7%, whereas Japan, which has been in recession for a long period of time, was only able to sustain its growth efforts by introducing expansionary fiscal and monetary policies.

While growth in Asia continued, albeit at a slower rate, growth in Latin America came almost to a virtual standstill.

In the US, the Fed's late-year decision to raise interest rates indicated that the world's largest economy had left the crisis behind. Meanwhile, in Europe, the growth trend observed at the end of 2014 was maintained. As long as financial instruments are effectively used and structural reforms are implemented without delay, it would not be incorrect to expect that this stability will be sustained in 2016.

On the other hand, continued efforts to steer economic development through trade and investment projects on a global and regional scale have been observed, and it is reasonable to expect that such efforts will play a significant economic role in 2016.

Turkey's growth composition changed in 2015

While it is expected that Turkey's growth rate at the end of the year will be around 3% - 3.5%, higher than the anticipated level, it is also observed that the composition of growth has been changing. As seen, the contribution of investment expenditures to growth declined while the share of agricultural sector and government expenditures increased in relation to successive elections throughout the year. Meanwhile, despite internal and external uncertainties, a high level of consumption demand in sectors like housing and automotive supported Turkey's growth performance in 2015.

Throughout the year, the election-related slowdown of parliamentary efforts interrupted pending reforms in the social, economic, political, and legal realms. The revival of relations between Turkey and the European Union has great importance with respect to the decisive implementation of these reforms in the period ahead.

In addition to these reforms, Turkey's 2016 agenda will focus primarily on revising the Customs Union agreement with the EU, signing a free-trade agreement with the US, and above all, protecting our social unity and cohesion. Considering all of these factors, we expect that Turkey's economy will grow at a similar rate in 2016 compared to 2015.

Risks and opportunities caused by changing dynamics

Our surrounding region is experiencing a very complicated period. Russian intervention brought a new dimension to the Syrian Civil War, and it's increasingly possible that Iran, which took an important step to lift its sanctions, will change the region's economic and political balance. This process, which will directly affect Turkey's growth performance and regional position, should be closely followed in terms of the risks and opportunities it may create.

In order to ensure Turkey's energy supply security, we must immediately diversify the energy types we use and the source countries of that energy. This issue, which we have emphasized for many years, gained crucial importance regarding the procurement of natural gas following the Russian crisis.

LPG's share increases in the global energy market

In 2015, the global energy market's dynamics favorably impacted LPG's supply and demand. In addition to declining oil prices, increased production volume in the United States and decreased consumption in some markets pushed LPG prices down to their lowest levels in recent years. These developments raised LPG supply and accordingly LPG's share in the global energy market.

Lower prices had positive reflections on the Turkish market, which is Europe's fourth-largest and the world's 16th largest LPG market. The cylinder gas market's decrease was halted for the first time in 15 years, and the autogas market exhibited higher-than predicted growth. If LPG's economic and environmental-friendly features are emphasized and long-term support policies are implemented, we expect that the Turkish LPG sector will further strengthen its position.

The highest market share in autogas

As Koç Group's pioneering company in the energy sector, Aygaz accomplished a 2016 turnover of TL 6.4 billion, thanks to its rich energy portfolio: Aygaz maintained its clear-cut leadership in the cylinder gas market and posted its highest market share in autogas.

Non-LPG companies operating under Aygaz also demonstrated successful performances in 2015. Aygaz Doğal Gaz reached a total business volume of 930 million m^3 by the end of 2015 and continues to strengthen its market position via evaluating new business opportunities in the marketplace. Our subsidiaries Entek, operating in electricity generation, distribution and sales, Akpa, a supplier of room equipment, central air-conditioning systems, electric and gasoline-powered service vehicles, and Opet-Aygaz Gayrimenkul, conducting fuel and gas station-related real estate investments, increased their competitive strengths and demonstrated sustainable growth in 2015.

Moving towards greater successes in all markets

As one of the most reputable and established energy companies operating in Turkey, situated at the energy crossroads, Aygaz continues its economic, social and environmental activities with an approach that respects the individual, law and nature. Our company carries on its investments in social development via social responsibility projects that protect the past and invest in the future.

Having increased its Corporate Governance Score each year since 2009 (when ratings began), in 2015 Aygaz increased its score from 9.29 to 9.36.

According to results generated by Turkey Customer Satisfaction Index (TMME) research, Aygaz became the most admired brand by customers in 2015. Having ranked at first place three years in a row, our company has also obtained the Golden Award from KalDer, the Turkish Quality Association in 2015.

With all of this in mind, there is no doubt that Aygaz's success story, spanning more than half a century of annual growth, is no coincidence. This success can only be sustained by an experienced, determined team comprising the best professionals in the energy sector. Thanks to the synergy created by Aygaz employees, I am sure our future holds new accomplishments in all of our target markets.

I would like to express my gratitude to all of our stakeholders, particularly our employees, dealers, suppliers, customers, trade unions, side-industries, and shareholders for their valuable contribution and their confidence in and dedication to Aygaz.

Yours sincerely,

Rahmi M. Koç
Chairman of the Board of Directors

Message from the General Manager

In 2015, we successfully extended our activities and performed well in almost every financial and operational measure.

Dear Shareholders,

Today, while meeting for the 55th Ordinary General Assembly of our company, we are still deeply saddened by the loss of Mustafa V. Koç, Chairman of the Board of Directors of Koç Holding. He consistently strove to expand the Koç Group with an approach that placed first priority on his country and the social responsibilities. His goals and dreams have not only served as our guidance, but also served as a source for our inspiration. We will cherish his memory by following in his path with resolution and determination.

As we are all aware, the energy sector, which is Aygaz's core business field, has seen rapid global changes. Understanding these changes and managing their impact through effective measures holds great importance. In 2015 we made the best of our opportunities while minimizing our risks, and we can reflect on another successful year that produced long-lasting value for our country and our stakeholders.

Last year, a global decline in oil prices and an increased supply brought LPG prices down to their lowest level in 12 years. This decline was reflected in the prices of final products. Accordingly, for the first time in 15 years Turkey's cylinder gas market exhibited growth of 2% and the autogas market grew by 9%, surpassing expectations.

Our focus on sustainable long-term growth produced a very successful performance in 2015 in all financial and operational measures. We achieved a consolidated turnover of TL 6.4 billion, of which TL 458 million was from international sales. Our net profit was TL 418 million, an annual increase of 92%.

Our cylinder gas sales increased for the first time in 15 years, and we obtained a 42% market share. In the autogas market, our sales grew by 14%, higher than the market's average increase, and our 25% market share is our largest ever. Thus, in 2015 we sustained our clear-cut leadership in the LPG sector.

With our 2015 sales volume surpassing two million tons for the first time since Aygaz's foundation, we displayed outstanding performance not only as an LPG company, but also as a diversified, integrated energy company together with our subsidiaries and affiliates. Thanks to our superior service and product quality, we received new awards that further strengthened our leading position in customer satisfaction.

Aygaz Doğal Gaz, which is closely attuned to the natural gas market's dynamics and opportunities, reached a total business volume of 930 million m^3 with an annual turnover of TL 781 million.

Last year, we conducted 32% of our total marine transport operations using our own

For the first time in 15 years Turkey's cylinder gas market exhibited growth of 2% and the autogas market grew by 9%, surpassing expectations.

ships, and our fleet is managed by our affiliate, Anadoluhisarı Tankercilik. With the purchase of a new ship, the Beykoz, in early 2015, we increased our total transportation capacity from 26.000 m^3 to 33.800 m^3 and reduced the fleet's average age from 16 to 11.5 years.

Aiming to solidify the positions held by Aygaz and its autogas partner Opet, Opet Aygaz Gayrimenkul operating with 18 stations in the market, made concerted efforts to increase its competitive power in 2015.

In the electricity generation sector, Entek manages its existing projects while focusing on alternative resources with which to increase its market share through new acquisitions and investments.

In 2011, we began distributing carboy water in order to optimize our distribution network and further increase dealer satisfaction. Last year, our sales increased by 22% and reached 8.1 million units, and Pürsu is now among the top five brands in the carboy water segment.

Another subsidiary, Akpa, has one of the leading sales & marketing organizations in its field of operation and the company reached a sales volume of 28,000 tons in 11 cities in the cylinder gas market. At the same time, its fuel oil sales increased by 15% to reach 68,000 tons.

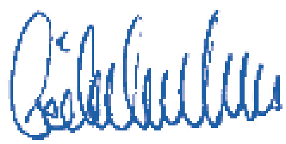
Having improved our Corporate Governance Score every year since 2009 (when ratings began), last year Aygaz increased its rating score from 9.29 to 9.36. Also, according to the Turkey Customer Satisfaction Index (TMME) research as conducted by KalDer, for the past three years Aygaz has been the most admired brand by LPG customers. KalDer also honored Aygaz with the Golden Award.

Social responsibility awareness is and always will be an integral part of Aygaz's corporate management approach. Our priority in social responsibility activities is to participate in sustainable projects that create permanent value while taking into account social and environmental benefits. Over the past fifty-five years we have consistently shared our gains with society, and our people have conducted social responsibility projects which have made significant contributions to environmental concerns, education, health, culture and art, sports, and women's rights. In 2015, we continued to spearhead significant, enduring social projects that protect the past and invest in the future. These efforts include the United Nations' HeForShe movement, and the "For My Country I Support Gender Equality" project of the Koç Holding and 14th Istanbul Biennial.

In the period ahead, I believe our innovative approach will fuel the completion of many new successful projects. Together with our stakeholders, we aim to achieve sustainable growth and ensure that Turkey, which stands at an energy crossroads, fully benefits from our accomplishments.

Over these many years, we could not have maintained our leading and pioneering position without the synergy created by all of our stakeholders - primarily our customers, dealers, employees, suppliers, and shareholders. I would like to take this opportunity to express my gratitude to all of you for your trust in our company.

With best wishes and kind regards,



Gökhan Tezel
General Manager

Aygaz in Figures

4.1
million tons
Annual consumption in the Turkish LPG market

178
thousand m³
The largest LPG storage capacity in Turkey

343
thousand tons
Cylinder gas sales in 2015

2,129
Cylinder gas dealers

1,750
Autogas stations

156
million TL
Investment expenditures

33,800 m³
Total LPG transportation capacity of the Beykoz, Beylerbeyi, Kuleli and Kuzguncuk

865
thousand tons
Exports and total sales in 2015

930
million m³
Aygaz Doğal Gaz total sales volume

4.2 million
Number of vehicles running with autogas in Turkey

46%

Aygaz's share in Turkey's annual LPG import

A new record for Aygaz with

2,000,000 tons

of total LPG sales

1,394

Number of employees

16%

Return on equity

Pioneer in R&D with

35

Patents

42.1

Average training hours per person in 2015

8.1

million units

Annual sales amount of Pürsu carboy water

9.36

Corporate governance rating score in 2015

458

million TL

Exports and transit sales

777

thousand tons

Autogas sales in 2015

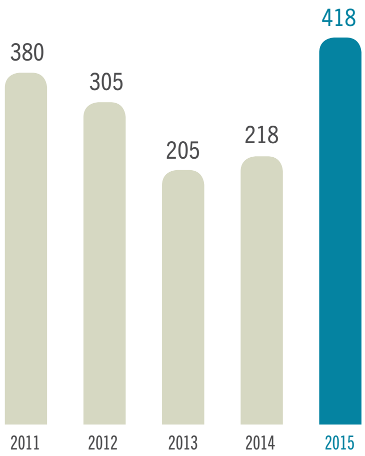
3

billion TL

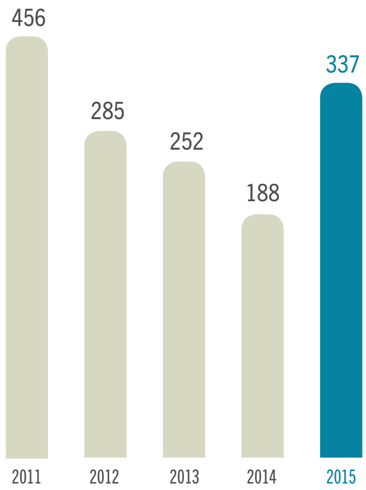
Market value as of the end of 2015

Financial and Operational Outlook

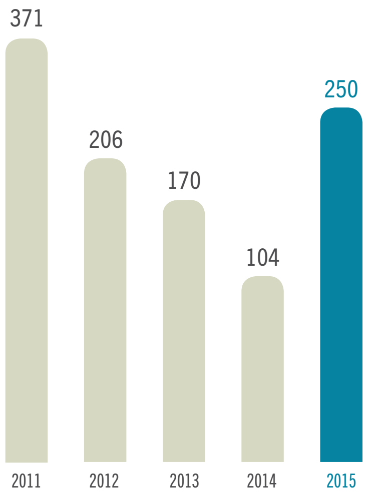
Net Profit (TL M)



EBITDA (TL M)



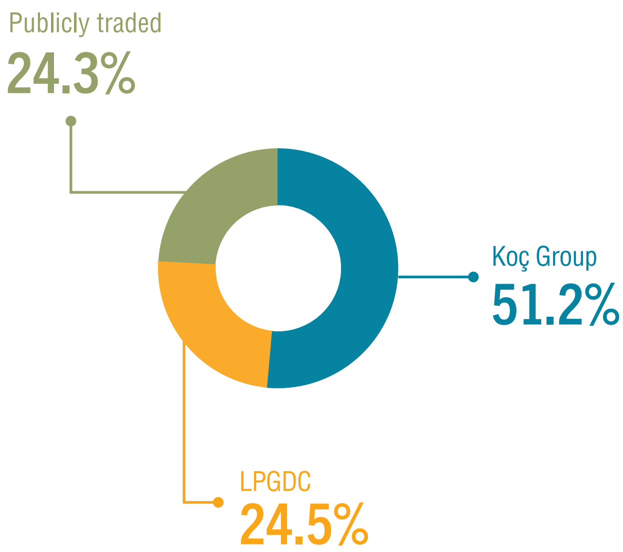
Operating Profit (TL M)



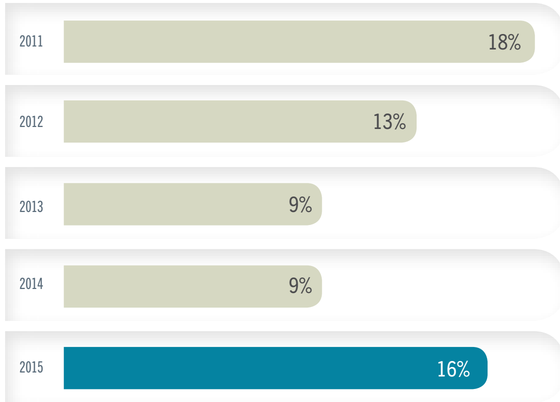
Summary Financial Indicators (TL M)

	2015	2014	2013	2012	2011	Change over the last year
Sales revenues	6,420	7,061	6,005	5,586	5,456	-9%
Gross profit	677	527	571	521	478	28%
Operating profit	250	104	170	206	371	141%
Pre-tax profit	458	237	237	345	419	94%
Net profit	418	218	205	305	380	92%
EBITDA	337	188	252	285	456	79%
Gross profit margin	11%	7%	10%	9%	9%	4
Operating profit margin	4%	1%	3%	4%	7%	3
Net profit margin	7%	3%	3%	5%	7%	4
EBITDA margin	5%	3%	4%	5%	8%	2
Current assets	1,025	713	867	692	783	44%
Fixed assets	2,891	2,699	2,321	2,264	1,929	7%
Total assets	3,916	3,412	3,188	2,956	2,712	15%
Short term liabilities	847	715	667	443	439	19%
Long term liabilities	459	338	278	133	118	36%
Shareholders' equity	2,611	2,359	2,244	2,381	2,155	11%
Total equity and liabilities	3,916	3,412	3,188	2,956	2,712	15%
Return on equity (ROE)	16%	9%	9%	13%	18%	7
Net debt/equity ratio	10%	9%	3%	*	*	1
Current ratio	1.21	1.00	1.30	1.56	1.78	0.21

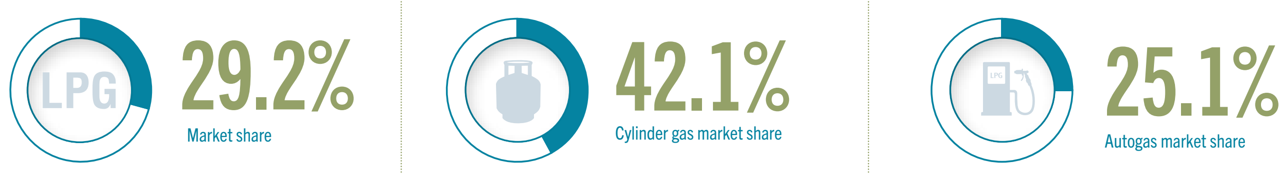
Capital Structure



Return on equity (ROE)

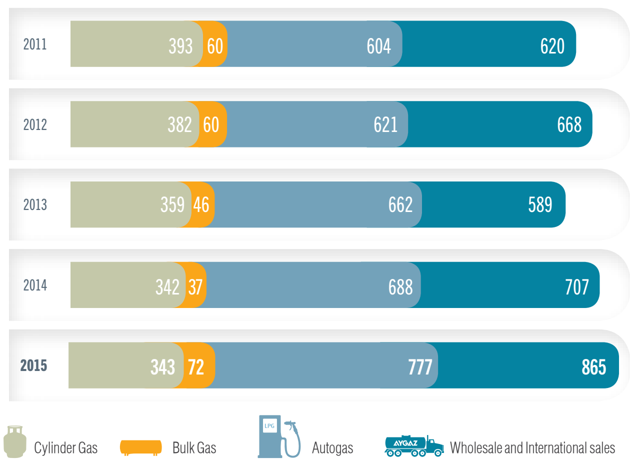


Market Shares



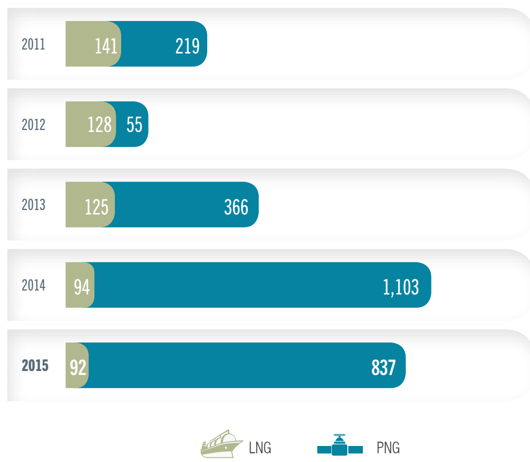
LPG Sales Volume by Segments

(000) Ton



Natural Gas Sales Volume

mcm



Subsidiaries and Affiliates

Akpa

100%

Engaged in direct sale of cylinder gas and carboy water, Akpa A.Ş. carries out fuel trade at its fuel stations in the region of Mid-Anatolia as well. Akpa A.Ş. also provides room equipment, central air-conditioner systems, electrically-powered and gasoline-powered service vehicles to hotels, holiday camps, golf facilities, and hospitals. Operating in its sector for about half a century, Akpa is one of Turkey's leading sales and marketing organizations.

Anadoluhisarı Tankercilik

100%

As Turkey's largest LPG logistics operation, Aygaz owns four tanker companies. Anadoluhisarı Tankercilik A.Ş. carries out LPG marine transportation with four ships belonging to itself and the companies named Kandilli, Kuleli and Kuzguncuk. The ships have a total capacity of 33,800 m^3.

ADG Energy Investments

100%

ADG Energy Investments was established to buy and sell natural gas domestically as well as to foreign markets. Its objective is to store, deliver, transport and distribute natural gas in any state, to any place: underground, above ground, or via the sea; as well as to change the form and state of natural gas as needed. The company makes the investments necessary for facilities, stores, marine and land transport and pipelines to carry out its delivery and distribution activities.

Aygaz Doğal Gaz

99%

Aygaz Doğal Gaz, which was founded in 2004, operates in the business of the wholesale and delivery of natural gas to eligible consumers via pipelines, and LNG to users who cannot access natural gas via pipelines through specially designed transport vehicles. Operating with the vision of becoming a diversified player in the natural gas market, Aygaz Doğal Gaz is closely attuned to the dynamics and opportunities of the market.

Opet Aygaz Gayrimenkul

50%

Opet Aygaz Gayrimenkul A.Ş. was founded as a 50-50 partnership between Aygaz A.Ş. and Opet Petrolcülük A.Ş. to purchase real estate in various regions of Turkey and manage or lease these properties as fuel or autogas sales stations.

Entek

50%

In 2015, Entek, electricity generation company of the Koç Group, operated with a total capacity of 364 MW, including two natural gas cycle plants of 300 MW, gas engine-based cogeneration facility of 2 MW and three hydroelectric power plants of 62 MW. Entek continues to closely pursue various investment opportunities in line with its goal of expanding the electricity generation business.

EYAŞ

20%

Founded in 2005, Enerji Yatırımları A.Ş. owns 51% of the shares of Tüpraş, Turkey's largest industrial corporation. Aygaz holds a 20% stake in Enerji Yatırımları A.Ş. As Turkey's only producer in the refining sector and Europe's seventh largest refining company with an annual crude oil capacity of 28.1 million tons, Tüpraş engages in refining, distribution, petroleum and petroleum products marine transport.

VISION

To be the leading company providing energy solutions to Turkey and other potential markets, particularly in LPG and natural gas

MISSION

To offer the best products and services in every field it operates, particularly in LPG, by prioritizing high quality and safety standards with working principles adopted from corporate values of the Koç Group and by being always responsive to society and the environment

STRATEGIC PRIORITIES

Sustain its market leadership in LPG through;

- Product differentiation and innovation for autogas
- Further penetration by opening new autogas stations
- Growth prospects for cylinder gas in rural Turkey

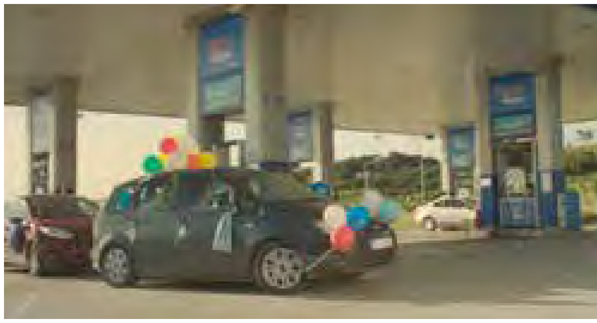
Utilize and enhance its asset portfolio through;

- New acquisitions, mergers, and investments in Turkey and abroad
- Profit generating opportunities

2015: The Year of High Performance

MARCH > Aygaz's 54th Ordinary General Meeting of Shareholders

APRIL > 2014 Stars of Export Awards



MAY > Mogaz Otogaz's "Never Runs Out" Advertising Campaign

JANUARY

- Anadoluhisarı Tankercilik A.Ş., which manages the fleet of Aygaz, successfully completed on-board inspections and those performed at the offices by ClassNK and received fleet certification.

FEBRUARY

- Aygaz purchased the Knightsbridge (the Beykoz), twin of the Beylerbeyi, a new vessel made in Japan in 2009 with a transportation capacity of 11 thousand m^3.
- Mogaz and Lipetgaz dealer portals were put into service on February 9, to improve communication with dealers as well as to meet their demands and necessities more rapidly.
- Aygaz joined GAN Turkey (Global Apprenticeship Network) established in order to contribute to the solution of youth unemployment.

MARCH

- Aygaz became one of the supporters of HeForShe movement, a solidarity compaign for gender equality, initiated by the UN Women, United Nations entity for Gender Quality and Empowerment of Women.
- Aygaz's 54th Ordinary General Meeting of Shareholders took place at Aygaz Han on March 30.

APRIL

- Aygaz participated 12th Petroleum Istanbul and Gas & Power Network fairs.
- Aygaz received the first prize in the "Mineral Fuels" category of the 2014 Stars of Export Awards sponsored by the Istanbul Minerals and Metals Exporters' Association (İMMİB).
- Aygaz participated in the 10th Argus LPG Moscow Conference 2015, held on April 22-24 by Argus Media, one of the leading media institutions of the world energy industry.

MAY

- The 2014 Turkey Customer Satisfaction Index (TMME) research, conducted by KalDer, selected Aygaz as the most admired brand in the category of cylinder gas. In addition, because it has been ranked number one for three consecutive years, Aygaz received the Golden Sculpture Award, representing its sustained success.
- Aygaz received the Bronze Effie with Mogaz Otogaz's "Never Runs Out" (Git Git Bitmez) campaign in the 7th Effie Turkey Awards organized by the Turkish Association of Advertising Agencies (TAAA) and the Turkish Association of Advertisers in cooperation with Effie Worldwide.
- Aygaz met its customers in Germany during the fair organized in Berlin by the European LPG Association, AEGPL.
- Aygaz, together with Opet and Tüpraş, sponsored gala dinner of the World Forum on Energy Regulation held by Energy Market Regulatory Authority, EMRA, in Istanbul.
- Beşiktaş Mogaz Handball Team became the champion of 2014-2015 season during the final held on May 28. It was seventh consecutive and totally 11th championship of the team.

JUNE

- The Diabetic Children's Camp, organized through the sponsorship of Aygaz for 11 years, brought together diabetic children from all over Turkey for the 23rd time between June 28-July 4.

JULY

- At the Service Award Ceremony held on July 1, 30 employees from Aygaz, Aygaz Doğal Gaz and Akpa received their awards and certificates for their dedicated services to Aygaz Group.
- Increasing its Corporate Governance Score every year since 2009 when it began to be rated, Aygaz further raised its rating in 2015 from 9.29 to 9.36.

SEPTEMBER > *The 28th World LPG Forum*

OCTOBER > *Conversion Club Meetings*

NOVEMBER > *Environmental Facility Awards*

SEPTEMBER

- Under the main sponsorship of Koç Holding, and together with Opet and Tüpraş, Aygaz supported 14th Istanbul Biennial, organized on the theme of Salt Water by Istanbul Foundation for Culture and Arts (İKSV).

- Within the framework of gender equality theme set under the For My Country project of Koç Holding for the period of 2015-2017, Aygaz held the first of Knowledge Mill Seminars on September 18, to support gender responsive workplace environment.

- The 28th World LPG Forum was held between September 28-October 2 in Singapore. Yağız Eyüboğlu who served as the General Manager of Aygaz until September 30, was elected as the First Vice President of the World LPG Association (WLPGA).

OCTOBER

- Gökhan Tezel, who has served in Koç Group for 22 years of his professional life and in Aygaz for the last six years, was appointed as the General Manager of Aygaz.

- The Aygaz Sailing Team, which placed in several national competitions as well as in Koç Sports Festivals during the last four years, won second prize in the Özcan Özyemişçi Cup.

- During the meeting hosted by M. Ömer Koç, the Chairman of TEV (Turkish Educational Foundation), the social responsibility projects conducted in cooperation with Aygaz and TEV were reviewed and targets for 2016 were announced.

- TEV Aygaz Employees Scholarship Fund was established to provide educational support for successful students in Turkey as well as from the Aygaz employees' families who need financial support.

- To further strengthen relationship between autogas conversion companies, Aygaz held meetings in Antalya on October 22 with participation of 90 Conversion Club members, as well as in Ankara on October 27 with 65 members.

NOVEMBER

- Aliağa Filling Facility of Aygaz was awarded in Environmental Facility Awards organized by the Turkish Healthy Cities Association to support protection of environmental health within the scope of Healthy Cities Movement of the World Health Institute.

DECEMBER

- Attaching importance to strengthen relations with conversion companies, Aygaz met with Conversion Club members on December 23. More than 120 staff was provided information about the activities of Aygaz as well as situation of LPG sector and autogas segment.

- The Turkish Patent Institute's Board of Intellectual Property Rights granted the First Invention Award of the Year to Aygaz's Cylinder Monitoring System due to the improvements it made in process efficiency and customer satisfaction. In addition, the company's invention, the Cylinder Transportation Vehicle received the Second Invention Award based on its improved work health and safety and increased process efficiency.

- The first time since its establishment, Aygaz increased its sales volume above two million tons.

Corporate History

1961
- Aygaz begins operations under the trade name Gazsan Likit Gaz Tic. ve San. A.Ş.

1962
- The Yarımca Filling Facility is established next to the İzmit İpraş Refinery, and LPG filling and distribution is launched.
- Groundbreaking for dealership network.

1963
- The company's trade name is changed from Gazsan to Aygaz A.Ş.
- The first Aygaz ad campaign is "40 TL in cash, 40 TL in installments".

1965
- First publicity and promotion campaign: French fries are cooked on an Aygaz fryer in a delivery truck and distributed to the public.

1967
- Ambarlı Filling Facility is established.
- M/T Aygaz, Turkey's first LPG vessel, leaves port for the first time.

1970
- A total of five filling facilities, including the Aliağa Filling Facility, are in operation.
- Aygaz begins selling chemicals.

1976
- All Aygaz management units are consolidated in one location at the new headquarters in Zincirlikuyu, Istanbul.

1982
- The "blue seal lid", a symbol of Aygaz's safety for cylinders, is launched.

1984
- First Aygaz mobile heater is produced.

1985
- Transit LPG purchase and sales agreement is signed with Iraqi state oil company SOMO.

1988
- Modernization of Aygaz dealers in order to better serve customers begins.

1989
- Aygaz designs the "Gavdem Machine", the first LPG equipment to change valves without releasing gas.

1993
- Twelve-kilogram tall residential cylinders and 24 kg commercial cylinders are put on the market.
- The "Aygaz jingle" is played on urban delivery trucks' loudspeakers and creates a new media platform for marketing, a first for the market.
- Aygaz Central Energy System begins to be established in residences.
- Total shares of Mobil Oil Gaz A.Ş. were purchased and its trade name is changed to Mogaz.

1995
- Aygaz Hotline is launched to provide information to consumers on Aygaz products and services.
- Occupational Health and Safety Management System is launched.
- Dealers start using Computerized Customer Code System.

1996
- Guaranteed seal cap is introduced for cylinder gas.

1997
- Aygaz 24 Service and the Automatic Tank Ordering System are initiated.

1998
- Aygaz revamps its corporate image and identity. New logo introduced with the first Turkish zeppelin.
- Aygaz enters the autogas market.
- Framework agreement signed with Opet.
- The launch of the new social responsibility campaign, "Aygaz Warns About Accidents at Home".

1999
- Aygaz becomes the first LPG company to obtain ISO 9002 Certification.
- Aygaz introduces the Electronic Gas Control Detector in Turkey for the first time.
- Aygaz Patio Heater is introduced to the market.
- The Aygaz propane industrial cylinder starts a revolution in propane.

2000
- Aygaz receives an award for being the Turkey's Most Successful LPG Company in the Petroleum '99 Achievement Awards.

2001

- Aygaz A.Ş. and Gaz Aletleri A.Ş. (Gazal) are merged under the Aygaz brand; all operations from production to sales are united in a single organization.
- Turkish customers are introduced to Turkey's first autogas brand to meet European standards: OTOAYGAZ LPG1, designed just for automobiles.

2002

- The "Cautious Child - Raising Accident Awareness Campaign" is launched.

2004

- Aygaz Euro LPG is put on the market.

2005

- Aygaz differentiates itself in terms of cylinder gas safety by launching the first hologram cap application in the LPG sector.

2006

- The Turkey Customer Satisfaction Index (TMME) conducted by KalDer (Quality Association of Turkey) ranks Aygaz number one for four consecutive quarters.
- For the first time in Turkey, Aygaz offers consumers the option of purchasing cylinders via credit card or with loyalty points at their home.

2007

- A special forklift tank is produced for forklifts used extensively in factories and industrial establishments.
- Renovation is carried out on 81 community health clinics in 81 provinces as part of a project called "Moonlight: Aygaz brings the Light of Health".

2008

- Aygaz wins third place in the Management category at the EU Environment Awards.
- Aygaz ranks among the top five companies in Turkey in terms of financial transparency according to a report by Sabancı University and Standard & Poor's.
- Aygaz is rated the one of the four best brands in Turkey and the best brand in the LPG sector according to GfK Turkey's "Best Brands" study.

2009

- Aygaz increases its stake in the Koç Statoil Gaz Company to 98% and changes the name of the company to Aygaz Doğal Gaz.
- Aygaz Euro LPG+, Turkey's first autogas with additives, is put on the market.
- www.aygaz.com.tr is awarded the Superb Achievement Award at the Interactive Media Awards competition.

2010

- Aygaz receives a Corporate Governance Rating score of 8.46.
- The social responsibility campaign "What Will the Weather Be Tomorrow?" is initiated against climate change.
- Aygaz receives the first prize in 'Performance Management' in the "2010 Human Management Awards" organized by Turkey Personnel Management Association (PERYÖN).

2011

- Aygaz celebrates its 50th anniversary through a series of events with participation of its employees, dealers and industry representatives.
- Aygaz receives an impressive total of 14 awards given by national and international institutions.
- Aygaz breaks more ground in the LPG sector by obtaining the ISO 10002 certificate, recognizing the company's excellence in resolving customer demands.

2012

- Aygaz is selected the "Most Admired Company" in the LPG sector in Capital Magazine's Survey of the Most Admired Companies in Turkey.
- For the second consecutive year, Aygaz wins a prize for being the "Company to Adopt the Principle of Consumer Satisfaction" at the 15th Annual Traditional Consumer Awards organized by the Turkish Customs and Trade Ministry.

2013

- The merger of Mogaz with Aygaz was registered by the Registry of Commerce of Istanbul.
- Aygaz achieved another "first" when it became the first company to receive a "Customer-Friendly Brand and Customer-Friendly Enterprise" certificate, a brand recognition launched by the Turkish Standards Institute.
- Opet Aygaz Gayrimenkul A.Ş. was established as a 50-50 partnership between Aygaz A.Ş. and Opet Petrolcülük A.Ş.

2014

- According to the results of the 2013 Turkey Customer Satisfaction Index (TMME) research, conducted by KalDer, Aygaz, Mogaz and Lipetgaz were selected as the most admired brands, receiving silver award in the category of cylinder gas. With this award, Aygaz was ranked number one by consumers for the fifth time since 2005.
- At the Turkey Energy Summit, Aygaz Doğal Gaz was granted the Golden Valve Award while Aygaz received the Golden Barrel Award.

Safe and advantageous

Our story is retold every morning
through the comfort of millions of people
who enjoy using Aygaz cylinder gas in their homes.

2015: AT A GLANCE

LPG Industry in the World and Turkey

LPG, an environment-friendly and sustainable source of energy, is preferred by hundreds of millions of consumers all over the world.

Residential consumption in the world LPG market in 2014

44%

In global consumption, 28% growth during the past decade

An efficient, clean and environment-friendly product, LPG is accepted as the energy source of the future. The LPG industry possesses strong growth potential on the global scale. According to the latest data published by the World LPG Association (WLPGA) in 2014, the global LPG market grew by 28% with an increase of 61 million tons during the past decade.

In 2014, global LPG consumption reached 275 million tons with an annual increase of 4%, which exceeds the annual growth of general energy consumption (0.9%) as well as the global natural gas consumption increase (0.4%). The global consumption for 2015 is expected to reach 280-285 million tons with an increase of 2-4%.

In 2014, the residential LPG market has still the biggest share (44%) in global consumption whereas the greatest increase is seen in petrochemical industry with 14.5%; the share of consumption of petrochemical products rose from 25% to 28%.

The leading markets, China, India and the United States have totally 41% in the global residential consumption. Following petrochemical and industry, autogas ranks fourth, with its 9% share in total consumption. South Korea, Russia and Turkey dominate the market and totally constitute 36% of global autogas consumption.

In 2014, world autogas consumption reached 26.4 million tons increasing by 2.3% whereas number of vehicles with autogas rose by 1.8% to 25.1 million units. In 2014, Thailand, increased its consumption by 11.2% to 2.0 million tons, and China, reached 968 thousand tons with an increase of 32.6%, are the most active players of the global autogas markets. Meanwhile, in the US, in line with growth plan based on fleet model, the annual consumption reached 559 thousand tons with an increase of 9%.

With its substantial reserves, LPG is an easily processable and transportable product; it is preferred by hundreds of millions of consumers all over the world. The existence of 1.5 billion potential consumers supports expectations for rapid growth in this market.

The measures set by the European Union to reduce greenhouse gas emissions also create a great opportunity for development of the LPG market. Compared to other energy sources, LPG has lower greenhouse gas emission values. Thus, the European Union seeks to significantly increase LPG's existing share in its energy portfolio by 2030.

The US, Saudi Arabia and China are the three countries with the largest share in the volume of the global LPG production. In 2014, general world production of natural gas increased by 1.6%, and LPG production rose by 4.1%, totaling 284 million tons. Due to the addition of the new shale gas resources, the US has become an LPG exporter country whereas before it was an importer.

Last year, because of the rapid decline in oil prices, LPG procurement prices also remained at lower levels compared to previous years.

LPG maintains its strong position in Turkish energy sector

Turkey is the world's 16th and Europe's fourth largest LPG market. In 2015, 22% of Turkey's total LPG demand was met by domestic production and the remaining 78% was imported from abroad. Algeria, Russia, Kazakhstan and Norway have the biggest share in the LPG import volume.

Although the more widespread use of natural gas in Turkey has led to a contraction in the cylinder gas and bulk gas markets, the share of autogas in general consumption has increased steadily. The result has been that the LPG market maintained its position in the energy sector.

Energy Market Regulatory Authority (EMRA) data indicates that after 15 years, cylinder gas market grew by 1.8% in 2015.

In 2015, continuing decline in oil prices affected the Turkish LPG market as well. Compared to the previous year, LPG sale prices decreased by 7% and 15% in the cylinder gas and autogas segments, respectively. Lower prices positively influenced growth performance of the market.

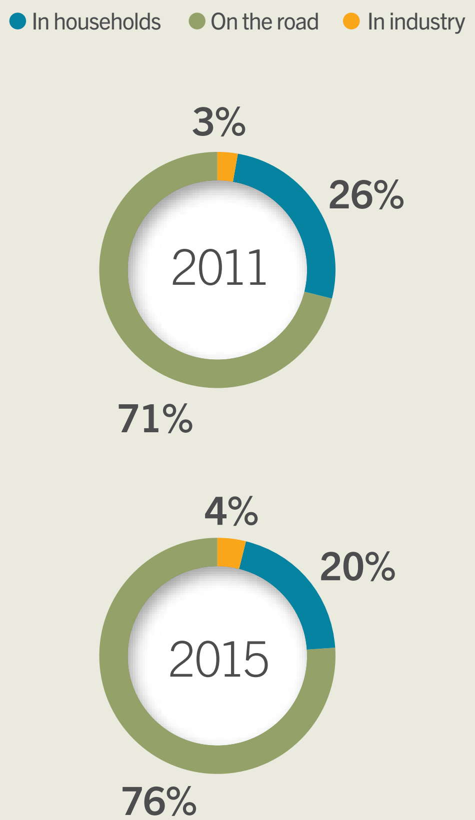
Energy Market Regulatory Authority (EMRA) data for December 2015 indicates that the share of autogas in total consumption rose from 70% to 76% in the last five years. At the same time the share of the cylinder gas used in 7.5 million households and workplaces stood at a level of 20%.

Turkey: The world's 16th and Europe's fourth largest LPG market

1.8%

Growth in the cylinder gas market after 15 years

Areas of usage of LPG in Turkey and consumption shares



Aygaz in 2015

Being the only integrated LPG company in Turkey, Aygaz sustains its clear-cut leadership in its sector.

29.2%

Market share

Generic brand of the LPG market

Koç Holding began its activities in the energy sector with Aygaz in 1961. As the generic brand of the Turkish LPG market, Aygaz uninterruptedly sustained its pioneering position and continued its growth based on solid accomplishments. The first publicly-traded company to be active in the LPG sector, Aygaz is Turkey's 10th largest industrial company according to the 2014 rankings of the Istanbul Chamber of Industry, also ranking 22nd in the Turkey Fortune 500 listings.

In its core business field, Aygaz distributes LPG as autogas, cylinder gas, and bulk gas; manufactures and sells LPG cylinders, tanks, valves and regulators locally and internationally. Aygaz also produces and markets LPG-operated devices, and carries out LPG marine transportation.

Aygaz aims to sustain its leadership and further improve its profitability by expanding its market share in all segments it operates. The company's strategic goal is, in both Turkey and other potential markets, to develop alternative projects providing diversified solutions for energy requirements primarily in LPG and natural gas.

Turkey's only integrated LPG company

The only integrated LPG company in the domestic market, Aygaz manages all of the processes in its core business including production, procurement, storage, filling and distribution. The company also produces and markets LPG-operated devices. Having the most preferred brands of Turkey in cylinder and autogas, Aygaz sustains its clear-cut leadership in its sector.

Completing another successful year in terms of its operational and financial results, Aygaz dominates 29.2% of the LPG market, comprised of 83 enterprises, according to EMRA data. This ratio is 42.1% in the cylinder gas market and 25.1% in the autogas market.

In 2015, total domestic sales of cylinder gas, bulk gas and autogas of Aygaz were 1,192 thousand tons, reaching historically the highest level at 2 million tons together with export and transit sales. As of the end of 2015, Aygaz's consolidated turnover was TL 6.4 billion, of which TL 458 million is from exports and transit sales.

2015: The year of records and innovations in LPG procurement

Aygaz is the sole importer of nearly 46% of Turkey's LPG. It procures LPG partly from Tüpraş, and the rest through imports.

In a year that the market faced with supply deficiency in Turkey, the amount procured by Aygaz reached above 2 million tons thanks to its active role and reputable position in the global LPG market.

Closely monitoring the recent developments in the world, Aygaz has been the first company, which imported shale gas-based LPG from the US to Turkey.

Continuously the highest customer satisfaction

According to the results of an independent customer satisfaction survey, which has been conducted since 2003 and was repeated in 2015, Aygaz continually maintains its position as having the highest customer satisfaction score in the sector both in cylinder gas and autogas.

Closely watching its customers' needs, Aygaz proactively improves the quality of its services and products. The service quality of Aygaz is ensured primarily by its broad distribution network. The company meets its customers' requirements in a fast and reliable manner carrying its quality of services and products to all corners of Turkey by means of 2,129 cylinder gas dealers and 1,750 autogas stations in 81 provinces. Thanks to this strong and broad distribution network, Aygaz cylinders enter into more than 80 thousand houses/workplaces every day. Meanwhile, more than 1 million vehicles are driven daily with Aygaz Otogaz.

Turkey's largest fleet of LPG trucks

Aygaz manages the largest LPG logistics operations in Turkey. Within the context of its logistics optimization efforts, Aygaz benefits from economies of scale to organize the numbers and capacities of its vehicles and its distribution network according to the volume and distribution network of its sales.

With its autogas tankers numbering more than 200, Aygaz has Turkey's largest highway vehicle LPG transport fleet. The company initiated the Station Stock Management and Rotating project for planning LPG supply to 1,700 autogas stations.

In 2015, Aygaz broke a new record as its total LPG sales exceeded 2 million tons.

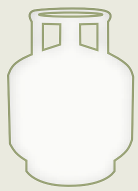
1,192 thousand tons

Total domestic sales of cylinder gas, bulk gas and autogas of Aygaz

Turkish LPG market

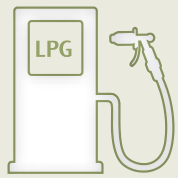
CYLINDER GAS USERS

7.5 million



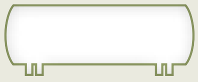
VEHICLES WITH AUTOGAS

4.2 million



BULK GAS CUSTOMERS

8,000



Aygaz became the first company to import LPG from the United States to Turkey.

Primarily automation began at Yarımca, Aygaz's largest terminal in terms of tanker traffic. Implementing the optimal supply plan ensures improvements in efficiency and further increase dealer satisfaction.

Since 2010, Aygaz has conducted its transportation operations within the framework of the European Agreement on International Carriage of Dangerous Goods by Road (ADR), signed by 48 countries, including Turkey. In 2015, all of the company's operations were done by ADR-compliant tankers. The tankers in the fleet were certified while legal requirements for other vehicles were also met by obtaining Certificates of Vehicle Assessment.

Specially equipped vessel fleet

Aygaz owns a fleet of four specially equipped and fully pressurized LPG ships. Since 1967, the company conducts its marine transport operations with its own ships managed by Anadoluhisarı Tankercilik A.Ş., an affiliate completely owned by Aygaz.

In 2015, the company conducted 32% of its total marine transport operations including imports, spot and rental transportation, using its own ships.

In October 2014, the company sold the Kandilli, the oldest and the lowest-capacity vessel of its fleet. Focusing on the renovation of its fleet, Aygaz purchased a new ship, the Beykoz, in the beginning of 2015. As a result, Aygaz increased its total transportation capacity from 26,000 m^3 to 33,800 m^3 and reduced the average fleet age from 16 to 11.5 years.

Anadoluhisarı Tankercilik A.Ş. implements Tanker Management Self-Assessment Model since 2008 in its fleet. The holder of Quality (ISO 9001), Safety (ISM Code), Security (ISPS Code) and Environment (ISO 14001) Management system certifications, the company is audited by globally respected petroleum suppliers. Besides, it successfully completes other inspections required by the regulations (class, flag state, port state, insurance, etc). In 2014, the company completed the preparations for the Occupational Health and Safety Management Systems (OHSAS 18001:2007) certification and incorporated the criteria in its management systems. Further, it successfully completed the on-board inspections and those performed at the offices by ClassNK and received fleet certification in January 2015.

The Collective Labor Agreement between the Seafarers' Union of Turkey and seamen working on vessels was signed on July 17, 2015 for the January 1, 2015 – December 31, 2016 period.

LPG storage activities at international standards

Aygaz boasts five sea terminals, six filling facilities and 12 distribution centers, as well as an additional facility where pressurized containers and accessories are produced. All of these facilities operate in conformance with international standards and use state-of-the-art technologies. Aygaz has the largest LPG storage capacity in Turkey, with a total of 178.4 thousand m^3.

Stored at Aygaz facilities, LPG is delivered into cylinders automatically and prepared for distribution after a series of safety tests. Each Aygaz cylinder is checked for "Valve Gasket Integrity", "Overfilling and Gas Leakage", and is then issued a "Cylinder Information Card" and sealed with a "Hologram Lid" to verify that it is fully filled and quality certified.

Besides the ISO 9001 Quality, ISO 14001 Environment and OHSAS 18001 Occupational Health and Safety, ISO 50001 Energy, ISO 10002 Customer Complaints Management Systems, Aygaz products also carry the CE and PI brand certificates that allow free movement of goods in the EU as well as TSE Customer Friendly Organization and Customer Friendly Brand certifications.

Gebze Facility

Aygaz produces cylinders, valves, small bulk gas tanks, pressure regulators and similar items in Gebze Facility located at the Gebze Organized Industrial Zone. The facility, which is established on a property encompassing 52,000 m^2 of open and 25,000 m^2 of closed space and operating with the most advanced technologies, has certifications on quality, environment, occupational health and safety and energy management systems.

In 2015, despite the dramatic decline in commodity prices and instabilities in target markets, Aygaz exported to 17 countries in the Middle East, Africa and Europe from the Gebze Facility and achieved total foreign exchange revenues of USD 27 million. In 2015, closely following national tenders in the sector, Gebze Facility won tenders in Jordan for JPRC's 500 thousand unit and in Kuwait for KOTC's 300 thousand unit residential cylinder gas.

Since its inception, Gebze Facility has produced more than 65 million units of cylinders and approximately 100 million units of valves for both domestic and international markets.

Aygaz continues to be the brand with the highest level of customer satisfaction in both of the cylinder gas and autogas segments.

Cylinder Gas

In 2015, Aygaz increased its sales by 0.5% to reach 343 thousand tons and maintained its clear-cut leadership in cylinder gas segment with a 42.1% market share.

42.1%

Market share in cylinder gas

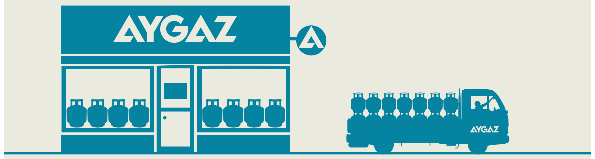
Increase in domestic cylinder gas consumption

In 2015, increasing its sales by 0.5% to 343 thousand tons, Aygaz maintained its clear-cut leadership as well as its competitive edge in cylinder gas segment with 42.1% market share.

Based on December 2015 Energy Market Regulatory Authority (EMRA) data, domestic cylinder gas consumption increased by 1.8% to 816 thousand tons. In the cylinder gas segment, Aygaz operates all over Turkey with more than 6,000 employees of over 2,100 dealers under the brands of Aygaz, Mogaz and Lipetgaz.

Aygaz continually enhance its competitive advantage thanks to its broad and efficient dealership structure in Turkey, deep-rooted corporate culture as well as fast and high-quality service.

In addition to advertising efforts on a national level to strengthen brand perception, Aygaz also carries out local campaigns that are customized to meet its customers' regional needs and expectations.



2,129
dealers

The company also creates difference through its technological infrastructure, which is continuously updated.

Campaigns focused on local needs

In addition to advertising efforts on a national level to strengthen brand perception and increase brand recognition, Aygaz also carried out local campaigns that were customized to meet its customers' regional needs and expectations.

These campaigns, organized with local business partners from different industries, helped to reach the company's targets and increased dealer and customer satisfaction. Local credit card campaigns arranged in cooperation with regional banks attracted intensive attention from both dealers and the customers.

Aygaz was recognized by the Direct Marketing Advertisers Association in the category of "Locally Focused Sales Point" as a result of its local campaigns realized in 2015.

Ongoing trainings by Aygaz

By sending the Aygaz Training Truck to destinations throughout Turkey, Aygaz sustains its service and security training program provided to dealers and their employees. Training programs aim to standardize the service quality of Aygaz across the country and instill Aygaz's corporate culture, values and vision in its dealer employees.

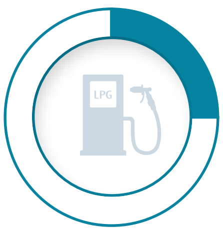
Within the framework of the training programs for cylinder gas users, information is provided about safe and correct usage of cylinder gas. Besides, consumers are reached through corporate social responsibility projects and brand communication.

Economic and high performing

Our story is rewritten every day
through the confidence of one million drivers
who are on the road using Aygaz autogas.

Autogas

Experiencing a solid and sustainable growth, the Turkish autogas market sets a model to follow for other countries.



25.1%

Market share in autogas

Comprising 11% of the global autogas market, the Turkish autogas market is the largest European market and third largest in the world, following South Korea and Russia.

Turkey has the largest number of LPG vehicles in the world. Approximately 4.2 million vehicles, which constitute more than 41% of total number of vehicles in Turkey, use autogas. This figure constitutes 17% of a total of 25 million vehicles worldwide running on LPG.

Experiencing a solid and sustainable growth, the Turkish autogas market sets a model for other countries. In 2015, the decline in oil prices by 15% compared to the previous year positively impacted the growth of the segment and autogas consumption reached 3.093 thousand tons in Turkey with an increase of 8.9%.

While the awareness that autogas is an eco-friendly product increases, consumers' favorable perceptions of performance and safety are increasing. Recently, as vehicle owners in higher segments gravitate toward autogas, its consumption and the number of consumers who prefer autogas increase gradually as well.

The most extensive distribution network in Turkey

In 2015, Aygaz reached 777 thousand tons of sales volume in autogas, increasing its market share from 24.2% to 25.1%.

In Turkey, more than 4.2 million LPG vehicles refuel at more than 10,000 autogas stations. Having the most extensive distribution network in Turkey with more than 1,700 licensed autogas stations, Aygaz increased the number of stations by 7% in 2015.

Aygaz focused on providing solutions in line with consumers' expectations through proactive marketing policies and expanding its distribution network to further enhance its competitive advantage.

Aygaz continues its cooperation with Opet while also growing in different distribution channels with Mogaz Otogaz and Lipetgaz Otogaz brands.

Broad and efficient advertising campaigns

During different periods of the year, various advertising campaigns were carried out for Aygaz Otogaz and Mogaz Otogaz to strengthen brand perception and loyalty as well as to direct the preferences of consumers.

The advertising campaign named "Yolların Kahramanı Sen Ol" (Become the Hero of the Roads), which was carried out in May-June period, underlines the superior performance of Aygaz Otogaz even under difficult driving conditions.

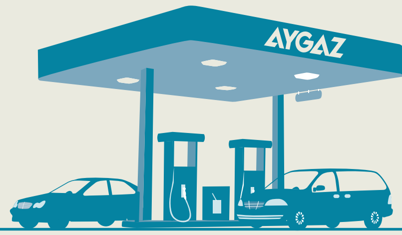
For many years, Aygaz Otogaz advertising campaigns emphasized its superior performance. The "Türkiye Yola Aygaz'la Çıkıyor" (Turkey Travels with Aygaz) campaign, however, accentuated its quality of being "the most preferred brand in the sector". Şener Şen, one of Turkey's most-loved actors, featured in the film, which seeks to foster warmer and more personalized relations with consumers. Further, the campaign underscored the fact that LPG is the most preferred automotive fuel in Turkey.

During the summer, the advertising campaign, "Git Git Bitmez" (Never Runs Out), was carried out for Mogaz Otogaz to emphasize its fuel economy qualities.

Additionally, the implementation started last year at Mogaz Otogaz stations by using the Aygaz logo in order to benefit from the prestige of the Aygaz brand was extended to all stations with new visual materials.

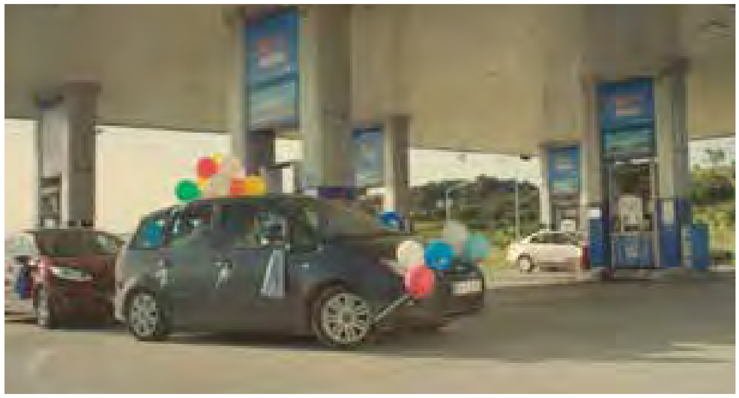
The communications campaign of Mogaz Otogaz, "Git Git Bitmez" (Never Runs Out), received the Bronze Award of the Effie Awards, which measure advertising strategies and the effectiveness of advertisements on sales.

In 2015, Aygaz reached 777 thousand tons of sales volume in autogas, obtaining a market share of 25.1%.



1,750

Autogas stations



In order to increase its market share, Aygaz focuses on providing solutions by proactive marketing methods that nourish consumer needs.

Efficient communication works at the national and local levels

In addition to its national advertising campaigns, the company implemented local campaigns customized to fit regional consumers' expectations. In selected Turkish cities, regional characteristics regarding brand advertising were determined. As a result messages customized for those cities were broadcasted through radio or open-air channels.

Aygaz Conversion Club, which targets contributing to development of autogas conversion sector, reinforcing the perception of autogas and increasing consumption, uninterruptedly continued its activities in 2015.

The website of www.otogazla.com, which meets Aygaz Conversion Club members with consumers wanting to convert their vehicle to LPG or already having vehicles with autogas, has been visited by more than 250.000 consumers.

Bulk Gas

Aygaz maintains its leadership in the bulk gas segment with its product and service quality.

In 2015, Aygaz served nearly 3,500 bulk gas customers and its sales reached 72 thousand tons in this segment. Bulk gas makes up 3% of the total domestic LPG sales of Aygaz.

Pürsu

In 2011, Aygaz began distributing carboy water to optimize its distribution network and to create a new field of operation for its dealers. Providing its water from three springs located in Uludağ, Nazilli and Sapanca, Pürsu carries out its sales in 33 cities through 500 dealers.

Pürsu is among the first five brands of the carboy water market, which consists of more than 300 companies.

In 2015, Pürsu carboy sales increased by 22% and reached 8.1 million units annually.

SUBSIDIARIES

Aygaz Doğal Gaz

In 2015, sales volume and turnover of Aygaz Doğal Gaz were 930 million m^3 and TL 781 million, respectively.

Aygaz Doğal Gaz was founded in 2004, when Turkish natural gas market entered into liberalization process, to benefit from the opportunities that may arise both in Turkey and abroad. With the vision of becoming a diversified player in the natural gas market, Aygaz Doğal Gaz sells natural gas that it acquires from domestic market to users classified as eligible consumers through natural gas pipelines, as well as selling and delivering liquefied natural gas (LNG).

In 2015, sales volume and turnover of Aygaz Doğal Gaz were 930 million m^3 and TL 781 million, respectively.

Piped gas sales

In Turkey, total amount of natural gas procured by the companies other than the public sector institution, Botaş, is about 11 billion m^3. Being an active player in this market, Aygaz Doğal Gaz provides consumers with natural gas through pipelines in an uninterrupted, economic and reliable fashion.

Aygaz Doğal Gaz began piped gas operations in 2010 and successfully enhanced its sales volume by broadening its customer portfolio through various procurement agreements.

Closely monitoring developments in the global natural gas markets, market dynamics and opportunities Aygaz Doğal Gaz strives to increase its domestic sales through imports.

Bulk LNG sales

The LNG market in Turkey has a size of approximately 550 million m^3. The LNG received from Botaş Marmara Ereğlisi and Egegaz Aliağa LNG terminals is distributed all around Turkey with special LNG trailers, stored in specially designed LNG tanks on the premises of customers and is delivered to consumers in locations that are not served by pipelines. The asphalt, food and tourism sectors have a significant place in LNG market.

One of the prominent players in the bulk LNG market, Aygaz Doğal Gaz strives to strengthen its market position by closely monitoring developments and new business opportunities in this field.

Investing in the future for supply security

Domestic natural gas consumption reached 48 billion m^3 in 2015. In the Turkish market, which depends heavily on imports, natural gas production meets approximately 1% of the total domestic demand.

In Turkey, nine companies procure natural gas, including the public sector institution, Botaş. In 2015, private sector meets 20% of the total domestic demand. Since the number of companies with import licenses has increased, players in the domestic wholesale sector increased as well.

International LNG prices are higher than domestic market prices due to continued government subsidies and exchange rate increases. This situation prevented the private sector from importing LNG in 2015 as well. As a result, LNG consumed in the Turkish pipeline gas market was imported only by Botaş.

In 2020, it is anticipated that the total consumption will reach 60 billion m^3, an increase of 20% compared to today's levels. Then the market share and importance of private sector will markedly increase while the number of gas inlet points will also increase to meet domestic demand and to deliver gas to Europe with supply security and diversity of sources. As a result, it will be possible for Turkey to become a new and important gas trade center offering high quality natural gas to consumers.

Positioning itself in the market in line with this vision, Aygaz Doğal Gaz focuses on the work to be done in the near-term as well as long-term future.

Akpa

Engaged in the direct sale of cylinder gas and carboy water throughout Turkey, Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. also carries out fuel trade and provides durable consumer goods, electrically-powered and gasoline-powered service vehicles to hotels, holiday camps, golf facilities and hospitals. Operating in its sector for about half a century, Akpa is one of Turkey's leading sales and marketing organizations in its field. As a result of decline in fuel prices, the company's sales volume in 2015 decreased by 6% to TL 351 million.

Operating in the cylinder gas market since the day it was founded, Akpa considerably enhanced its service area in recent years and focused on direct sales to residences and offices. Last year, the company reached a cylinder gas sales volume of 28 thousand tons from its operations in 11 cities.

Sales of fuel products are another field of business of the company. In addition to its wholesale customers, Akpa also provides retail sales to individual customers through its own stations. Fuel sales in 2015 reached 68 thousand tons increasing by 15% over the previous year with a turnover of TL 179 million.

The sales of durable consumer goods to hotels throughout Turkey reached TL 57 million in 2015.

Akpa also sells carboy water to corporates, cylinder gas dealers and retail customers. In 2015, 2 million units of carboy water were sold under Pürsu brand with an increase of 26% compared to the previous year.

AFFILIATES

Opet Aygaz Gayrimenkul

With the contribution of Opet Aygaz Gayrimenkul A.Ş., Aygaz targets to solidify its position in the market together with its partner in autogas, Opet.

Opet Aygaz Gayrimenkul A.Ş. was founded in 50-50% partnership with Opet Petrolcülük A.Ş. and Aygaz in 2013.

Opet Aygaz Gayrimenkul aims to buy real estates in order to either operate them itself or rent as fuel and autogas filling stations in various regions of Turkey. With Opet Aygaz Gayrimenkul A.Ş., Aygaz aims to solidify its position in the market together with its partner in autogas, Opet, and increase the competitive edge of its brands in autogas.

The number of stations as of the end of 2015 is 18.

Entek

Entek aims to increase its market share through new acquisitions and investments, primarily in alternative resources.

In 2015, Entek, electricity generation company of the Koç Group, operated with a total capacity of 364 MW, including two natural gas cycle plants of 300 MW (Kocaeli and Bursa), gas engine-based cogeneration facility of 2 MW (Istanbul Koç University) and three hydroelectric power plants (two in Karaman, one in Samsun) of 62 MW. Aygaz and Koç Holding, each have 49.62% shares in Entek capital.

Entek plans to build a 625 MW power plant in Iskenderun Bay within the framework of 50-50% partnership agreement signed with OYAK in 2012.

Entek's natural gas plants are among the few production plants providing TEİAŞ (Turkish Electricity Transmission Company) with secondary frequency control service since 2013. By this means, the company generated a significant amount of revenue. However, since new players enter into the market, competition in this sector increases year on year. Thus, the inefficient natural gas facilities disappear in the market. As such, the company decided to cancel the licenses of natural gas cycle plant in Bursa and cogeneration facility in Koç University and stop their activities in 2016. Meanwhile, the facility in Kocaeli continues its operations.

Eltek, wholesale company of Entek, came into play when system prices were at a low level and it had the opportunity to purchase from alternative sources; these factors further strengthens the competitive edge of Entek. When faced with "buy or pay" risks in natural gas and low system prices, Entek has the ability to decrease production and revenue risks by purchasing energy from the system through Eltek and selling it to the customer.

Entek purchased 0.05% of the shares in EPIAS (Energy Market Management Corporation), which will be established in conformance with the more liberal and transparent market provisions of the New Electricity Market Law.

In the period ahead, Entek plans to increase its market share through new acquisitions and investments, primarily in alternative resources.

Enerji Yatırımları

Enerji Yatırımları A.Ş. (EYAŞ) was established in 2005 for the purpose of purchasing 51% of the shares of Tüpraş, the largest industrial corporation in Turkey, from the Privatization Administration. Aygaz holds a 20% stake in Enerji Yatırımları A.Ş. As the only producer in Turkey's refining industry, Tüpraş operates in refinery, distribution and marine transportation of gasoline and products. Tüpraş is the seventh largest oil refining company in Europe with an annual crude oil capacity of 28.1 million tons.

Human Resources

With a corporate approach valuing diversity, Aygaz has a participative and competent team of professionals that are among the best in the sector.

Aygaz's human resources policies are based on the phrase of its founder, Vehbi Koç, "Our human resources are our most important assets." Aygaz owes its leading and pioneering position sustained in the business world since its inception primarily to its target oriented and innovative human resources composed of the best in the sector.

As of the end of 2015, total number of Aygaz employees was 1,394, of which 696 are white collars and 698 are blue collars; 9% of them are women and 91% are men with an average age of 36.7 and average seniority of 8.1 years. 40% of all employees have undergraduate and post-graduate degrees, while this ratio is 74% among white-collar employees.

With a corporate approach valuing diversity, Aygaz has a participative and competent team of professionals that are among the best employees in the sector. Hiring highly qualified employees, offering them continuous personal and professional development opportunities and ensuring employee loyalty by keeping motivation high are primary objectives of human resources policies of Aygaz.

Right candidate for the right position

Aiming to add top recruits to the company's talent pool, Aygaz carries out promotional activities conducted in collaboration with Koç Group. The recruitment process of new employees includes group interviews conducted by managers from every level, case studies, presentations, English language test, personality inventory and reference checks. Identifying right candidate for the right position, the individuals also conforming to the corporate culture of Aygaz are selected. Afterwards, the selected employees are put through the orientation program that contains Koç Group and Aygaz Group introductions.

Performance management and development planning

Aygaz applies a performance management system based on delegating objectives from upper-management down to all employees. Employees' performances are tracked with objective cards and evaluated based on quantitative criteria. Results of the Performance Management System form the basis for personal development planning as well as promotion and wages.

This system allows employees to see their contributions to the company objectives and proactively define their own development areas. The performance-based immediate reward system makes sure that all employees are rewarded right after they display an achievement.

Personal and professional training

Ongoing training and employee development is among the corporate priorities of Aygaz. The employees are able to receive feedback from their managers and co-workers through a 360-degree Competency Evaluation System and plan their own personal development in line with their career targets.

Through the Koç Academy System, employees have the opportunity to obtain training whenever and wherever they want on a digital platform. Additionally, learning with video, becoming increasingly popular globally, was initiated this year as a new training approach. This opportunity for education was implemented on an unlimited basis for employees.

Employees are provided in-class and one-to-one training opportunities to perfect their foreign language skills. The Papagei, an e-training platform, introduced in 2015, allows employees to improve their English at any time and is completely flexible accommodating their own levels of knowledge.

Aygaz provided personal development training packages to Aygaz Group employees, and Koç University Executive MBA and English language support to executives in addition to leadership development programs. All employees in the Headquarters were provided two hours of social development seminars.

Meanwhile, in order to help them establish more happy and healthy family life; blue-collar employees were provided a seminar on child development and communications between children and their parents. After the seminar, all employees, if they needed, had the opportunity to have a one-on-one meeting with the child development expert.

In 2015, due to the investments made in employees' development, the average number of training hours provided per person realized at 42.1 hours from 36.6 hours in 2014.

Employee satisfaction and loyalty

The primary precondition for continuous and high level of consumer satisfaction is to guarantee excellent service quality, accordingly, to ensure strong employee engagement at all levels of the corporate structure. Since 1996, Aygaz has regularly conducted surveys to measure employee satisfaction and employee engagement; and has taken the necessary actions for improvement.

The Internal Communication Plan is prepared annually to establish a strong communication among the employees. In line with this plan, activities such as upper management business results information meetings, breakfasts on terrace, area and plant visits, service award ceremonies, department dinners, cultural trips, sports festival, the year-end communication meeting and celebration, the Turkish Music Choir, and social activity groups are held throughout the year.

Aiming to add top recruits to the company's talent pool, Aygaz carries out promotional activities conducted in collaboration with Koç Group.

1,394

employees

696 white-collars
698 blue-collars

74%

of white-collar employees have undergraduate and post-graduate degrees

Environment-friendly and innovative

Our story easily becomes a part of life through the joy of the people that Aygaz accompanies outdoors.

Sustainable Growth

Aygaz devotes all of its efforts to reduce the environmental impact of its production processes, products and services.

Aygaz is the first Turkish company to have published a report on sustainable development and publishes biannual sustainability reports within the context of Global Reporting Initiative (GRI) principles.

Fulfilling its obligations concerning working conditions, human rights and transparent corporate governance, as per its commitment to the UN Global Compact, Aygaz devotes all of its efforts to reduce the environmental impact of its production processes, products and services. The company carries out its projects in this field in line with its integrated management policies.

Quality, Environment, Work Health and Safety

According to the results of the Turkey Customer Satisfaction Index (TMME) research, Aygaz was selected as the most admired brand in the category of cylinder gas for the third consecutive year and received the Golden Award.

Conducting its business without adversely affecting either the environment or its own stakeholders is a core principle for Aygaz.

The company's Integrated Management Systems ensure the effective management of all disciplines in quality, environment, work health and safety under a single roof. All employees are responsible for adhering to the company's Integrated Management Systems policy.

In 2015, within the framework of Integrated Management Systems, 63 internal controller inspected 70 business units. Following internal and external inspections, Aygaz reviewed and improved its Quality, Environment, Work Health and Safety, Energy, Customer Satisfaction Management systems as well as Customer Friendly Organization and Customer Friendly Brand requirements. The company completed TPED and PED inspections and renewed its products' CE and PI brand certificates.

A peak in customer satisfaction

According to the results of the Turkey Customer Satisfaction Index (TMME) research, Aygaz was selected as the most admired brand in the category of cylinder gas for the third consecutive year and was awarded the Golden Sculpture representing Sustained Success Award.

The Platform of Work Health and Safety Experts continued its activities in 2015 in close cooperation with other institutions of the industry, exhibiting active participation in related works and meetings. In 2015, 502 person* hours of training were provided in Aygaz facilities on environmental management.

Environmental Friendly Facility Award

Efficient utilization of natural resources and protecting the environment is a strategic priority for Aygaz, which contributes positively to urban air quality with its environmental friendly product portfolio.

In 2015, posters were prepared to educate employees on the effects of greenhouse gases and global warming as well as the importance of decreasing the carbon footprint. Additionally, a painting contest on the theme of climate change was organized among employees' primary school children during World Environment Week.

In 2015, Turkish Healthy Cities Association, established within the scope of Healthy Cities Movement of the World Health Institute, organized the Second Environmental Facility Awards to support protection of environmental health and granted an award to Aliağa Filling Facility of Aygaz.

Intellectual property rights

Aygaz's intellectual property portfolio expands each year with trademarks and patents, which are either in application process or registered in Turkey and abroad.

Since the day it was founded, Aygaz has allocated resources to monitor and protect its trademarks, patents, industrial designs, works and internet domain names. Intellectual property management aims to support creativity within the company as well as to protect the activities of R&D, marketing and operation in line with strategies of intellectual property rights. Aygaz periodically reviews and commercializes its patent portfolio.

Innovation

Attaching importance to creativity and entrepreneurship, Aygaz Group initiated Innovation Management Process to create value from the ideas of its employees. The vision, mission, strategies and the fields of innovation were defined; the innovation management process, comprising all phases from collection of ideas to their systematic implementation, was prepared.

The "Aythink Ideas Collection Platform", which will allow employees to share innovative ideas, to follow the shared ideas and to monitor global technological developments, will be implemented in the near future. Based on what was learned from the survey conducted among employees to measure innovation culture, necessary actions to follow up on the results were planned. Meanwhile, the innovation bulletin, Inobox, which is prepared to pursue the developments in this field and sectoral dynamics, primarily in the energy sector, is distributed to all employees.

Industrial relations

Aygaz tracks licenses given by the Energy Market Regulatory Authority (EMRA); closely follows all legislative regulations in the sector and ensures timely compliance with their requirements.

Through its membership in various national and international NGOs, Aygaz also contributes to setting and improving policies and standards in the sector.

Research and Development

With its new R&D projects, Aygaz pioneers its sector.

Aygaz further strengthened its pioneering position in the sector by virtue of its R&D activities, which is focused on closely monitoring existing technologies as well as developing new technological solutions.

Aygaz carries out its R&D activities in three main categories: new product development, machine and process improvement and alternative fuels. Maintaining its sector leadership position in R&D thanks to its 35 national and international patents, Aygaz applied to the Turkish Patent Institute for five patents and international patent institutes for three patents in 2015.

Benefiting from the TÜBİTAK TEYDEB R&D incentives, Aygaz conducts some of its projects in cooperation with universities and Teknokent companies. In 2015, Aygaz worked on two projects, for which it received incentives from TÜBİTAK TEYDEB. "The Production of Light and Middle Distillates through the Olefin Oligomerization" project, carried out in partnership with Tüpraş, continued in 2015. In the meantime, the project of Production of Aerosol Grade LPG from Standard LPG, supported by the R&D incentive program of SAN-TEZ, Ministry of Science, Industry and Technology, was started in cooperation with Istanbul Technical University (ITÜ).

With a pilot scheme in the Işıkkent filling facility, Aygaz initiated the "Cylinder Barcode" project, which will ensure increased efficiency by tracking the cylinders from facilities to dealers and customers. In 2016, the results of the pilot scheme will be reviewed and the project will be gradually expanded in the coming years.

Aygaz has been carrying out R&D works on the "Sulfur-free Odorant" project for a long time. In cooperation with Istanbul University, an environmentally friendly odorant chemical has been developed as part of this project. The company has applied for its patent and in 2016 work will continue to put the odorant into use.

In 2015, the Removal of Heavy Hydrocarbons project was presented in the World LPG Association Conference held in Singapore.

Social Responsibility

Aygaz's approach to corporate citizenship is centered on supporting social development, balancing environmental concerns, and promoting time-honored values.

As a corporate citizen committed to fulfilling its social and environmental responsibilities in harmony with its stakeholders, Aygaz supports projects that protect the past while investing in the future in the fields of environment, education, culture and art, health, and sports.

Aygaz knows that corporate development must go hand-in-hand with the environment and society. The philosophy of Aygaz's founder Vehbi Koç can be summed up as "I live and prosper with my country". In line with these sentiments, the company invests in Turkey's future through its social responsibility projects. In all operations, not just those that are part of its core business, Aygaz's corporate citizenship approach necessitates participating in sustainable projects which balance environmental and social development considerations while creating permanent value.

CULTURE AND ART

Aygaz Library

The Aygaz Library is an enduring reminder to everyone of Turkey's rich historical and cultural heritage, which must be preserved for future generations.

Since 1996, 14 books have been published as part of this project, which embraces booklovers, art lovers, researchers, and the nation's youth. Nemrut: The Mountain of Gods, The Photographers of Constantinople, The Treasures of Troia, The First Year of the Second Constitutional Monarchy Era, Dynasty and Camera, and Kat'ı: Quilling Art and Artists in the Ottoman World are examples of published works.

The History of Ottoman Diplomacy

The History of Ottoman Diplomacy project sees that documents and supplementary information collected from the Ottoman archives are gathered together and published in book form. Published works include various diaries and papers of diplomats who served in Istanbul. In 2015, eight books were published within the project's scope, and the number of books published in collaboration with the Sadberk Hanım Museum currently stands at 40.

The Restoration of the Sagalassos Antonine Nymphaeum

The history of the ancient city of Sagalassos, in the foothills of the Taurus Mountains, dates back to the 4200 BC. Since 2005, Aygaz has supported efforts to bring Sagalassos' past to light.

Following completion of the Antonine Nymphaeum project in 2010, restoration of the Upper Agora structures surrounding the monumental fountain began in 2011. The project's ultimate goal is to revive the ancient city's political center, the Upper Agora, and provide public access as an open-air museum. When restoration is completed in 2016, the Upper Agora will once again possess its architectural and spatial integrity, and be one of the world's most remarkable ancient city centers. The restoration will also provide effective protection for the Upper Agora monuments, which are of intrinsic global importance, and present the site in a more articulate and understandable way. All of these endeavors will help support the effort to place Sagalassos on UNESCO's World Cultural Heritage List.

Van Castle Excavations

In cooperation with Istanbul University and the Ministry of Culture and Tourism, Aygaz has supported excavations at Van Castle since 2010. The work indicates that Tuşpa, the capital of Urartu, was one of the most spectacular cities of the first millennium BC. In 2015, more extensive excavations were carried out at the Mound of the Van Castle and Van Citadel, and various discoveries relating to settlements at Urartu were made. Of particular note are architectural structures that can be classified as ateliers or public houses, and multi-room homes with backyards. Clay tablets and bullas found here indicate that people with ties to the citadel lived in this area.

Maydos Kilisetepe Excavations

Since 2012 Aygaz has supported the Maydos Kilisetepe Mound excavation, conducted by Çanakkale Onsekiz Mart University and the Ministry of Culture and Tourism. In 2015, Mound excavations focused on the European side of the Dardanelles revealed various discoveries that indicate commercial relations between the Aegean and Black Sea regions during the Bronze Age. Further findings include oval-shaped buildings belonging to the earliest Greek colony that migrated to the north Aegean Sea.

Istanbul Theatre Festival and Istanbul Biennial

For more than a decade, Aygaz has co-sponsored the Istanbul Theatre Festival which is organized every two years by the Istanbul Foundation for Culture and Arts (IKSV). Aygaz further confirmed its support for culture and the arts by sponsoring the 14th Istanbul Biennial in 2015.

ENVIRONMENT

What Will the Weather be Like Tomorrow?

In September 2010, Aygaz commenced the "What will the weather be like tomorrow?" project in cooperation with the Regional Environmental Center (REC) and under the auspices of the Ministry of Environment and Forestry. Throughout 2010 and 2011, a "Sky Truck" visited 32 Turkish cities, displaying a mobile planetarium and a "Magical Globe" which simulates the Earth's movements in 3D. Approximately 10,000 people nationwide attended this educational program.

Since 2012, educational programs like this one have been available at the Rahmi Koç Museum. In 2015, more than 19,000 Turkish students were given training in the museum's "Awareness on Climate Change Workshop" in conjunction with the Discovery Globe.

HEALTH

Diabetic Children's Camp

In 2015, 100 diabetic children attended the 23rd Diabetic Children's Camp in Kocaeli, organized by the Child and Adolescent Diabetic Association. The camp, which Aygaz has supported since 2004, is one of Turkey's first child-focused health camps. The camp's objective is to teach diabetic children to be self-sufficient, while having fun and making new friends. Over the last 22 years, this exemplary program has hosted 1,800 children.

Women's Health Training Program

For many years Aygaz has collaborated with the Turkish Family Health and Planning Foundation (TAPV) to educate pregnant women and mothers on issues related to their babies' and their own health. The partnership aims to improve mothers' and babies' quality of life and help reduce mother and infant deaths. During the past few years, the scope of the "Safe Motherhood" project has expanded to include the "Women's Health Training Program" aims to increase health awareness and quality of life for families with limited economic means and education levels who have immigrated from rural areas to cities. During the period September 2014 - June 2015, 71 groups were established during trainings in 20 cities. 1,076 women participated in the program and earned certification, and a total of 7,000 women have been trained since the project's beginning.

FOR MY COUNTRY

I Support Gender Equality for My Country

For the period 2015 - 2017 Aygaz initiated the "I Support Gender Equality for My Country" project under Koç Holding's umbrella project, "For My Country", which is carried out by every Koç Group company.

In the first "Knowledge Mill Seminar", which enjoyed broad participation, Mother Child Education Foundation experts trained Aygaz employees on how to create awareness of the reasons behind and the results of gender inequality. The Aygaz employees who volunteered to be trainers in this project delivered the seminars, and by the end of 2015, 178 employees had completed this training.

In addition to the project's volunteer trainers, the 10 Aygaz executives who completed training provided by UNESCO and the Koç University Center for Gender Studies (KOÇ-KAM) became volunteers to raise awareness of gender equality in their business fields, and how to create a gender-responsive workplace.

SPORTS

Beşiktaş Mogaz Handball Team

Since 2013, Aygaz has supported the Beşiktaş Jimnastik Kulübü (BJK) Handball Team through its brand, Mogaz. This marks the first time a Turkish private sector institution has supported handball. Beşiktaş Mogaz Handball Team was champion of the Men's Handball Super League for the 2014 - 2015 season, and also qualified to represent Turkey in the European Handball Federation (EHF) Champions League. Aygaz's team sponsorship will continue for the 2015 - 2016 and 2016 - 2017 seasons.

Clean and efficient

Our story becomes more widespread each day
through the confidence of the industries
that utilize Aygaz in their production processes.

Risk Management and Internal Control

In order to achieve its corporate objectives while ensuring sustainability, Aygaz appropriately identifies both risks and their probable consequences and manages them effectively.

Conducting and appropriately managing operations in line with corporate risk management principles is essential for corporations to be able to create the highest level of value for its stakeholders and ensure sustainable profitability and growth.

The nature of the energy industry exposes Aygaz to various financial, operational and legal risks. The company manages these risks within the framework of corporate risk management with an integrated, systematic and proactive approach. Risk management is applied in accordance with international standards and practices as well as through policies approved by the Board of Directors.

Financial risks arising from uncertainties and fluctuations in currency, interest rates and commodity prices are identified and evaluated within this framework; requisite instruments are used to mitigate these risks. Currency risks originating from purchases in foreign currencies are mitigated by reflecting exchange rate fluctuations to sales prices of products. The ratio of foreign exchange position exposed to currency risk after natural hedge is closely monitored and effectively managed. The risks that may otherwise arise are restricted to be kept within targeted limits by means of forward transactions.

Liquidity risk is managed by closely monitoring existing and expected cash flows, and by ensuring maturity matching between assets and liabilities. The company's policy in this field is to assume long-term liabilities with fixed-interest rates and to manage the potential interest rate risks that may otherwise occur through derivative instruments.

Due to its broad range of activities, Aygaz's receivables are spread across different industries and geographical regions through numerous dealers and customers. Thus, the company avoids vulnerability resulting from concentrating on a specific field or a customer. Continuously and closely monitoring its clients, Aygaz seeks to keep credit risk exposure arising from commercial receivables within approved limits. The company is careful to conduct business only with parties possessing a high level of credibility and also mitigates existing risks with collaterals. The use of multiple payment systems is another element that facilitates collections and mitigates risks.

The company's objective in managing capital risk is to conduct its business with the best appropriate capital structure that minimizes the cost of capital while creating value for its stockholders. In this respect, the most significant indicator is the ratio of Net Financial Debt/EBITDA, Total Financial Debts/Equity, Current Ratio and Liquidity Ratio, maturity structure of Financial Debt and Net Working Capital. Ensuring all these indicators within the required limits, Aygaz A.Ş. has the capital structure and debt capacity enabling it to conduct its business in a healthy manner.

The Board of Directors is informed via the reports submitted periodically to the Risk Management Committee. Operational, legal and strategic risks are evaluated by related units. The decisions taken by the executive management in this field are monitored by the Board of Directors through this committee. The Board of Directors receives also information about corporate risk management activities carried out within the scope of strategic planning and management processes through the executive management and the Risk Management Committee.

Legislative changes are monitored by the Legal Department and other related units. All required information in this area is provided to the staff; training and compliance activities are carried out in order to avoid legal risks.

The activities of the Risk Management Committee

The Risk Management Committee was established with the Board of Directors' decision dated on April 3, 2015, in line with the provision of 378 of the Turkish Commercial Code No. 6102 and Corporate Governance Declaration of the Capital Markets Board. The Committee, which targets early identification and effective management of risks that may endanger the company's existence, development and continuity is currently composed of two members with Ayşe Canan Ediboğlu, Independent Member of the Board, and Dr. Bülent Bulgurlu, Board Member, serving as Chairwoman of the Committee and Committee Member, respectively.

The committee held seven meetings during 2015 to assess Aygaz Risk Management System and risk-reporting guidelines, evaluate periodical reports prepared in line with previously set guidelines, and to provide recommendations on the measures to be taken regarding the issues that do not comply with the requirements of Risk Management System. The results, reports and assessments of the Committee are presented to the Board of Directors.

Internal Control System and Internal Audit

The mission of the Internal Control Unit, which reports directly to the General Manager, is to establish a risk-based and an objective and prudent approach as well as to protect and enhance corporate value through recommendations and predictions. Accordingly, it provides the company management with information in a systematic, independent and objective approach and strives for establishing an efficient and steady internal control structure within the company. Internal Control Unit reports the risk issues to the executive management by analyzing the company processes.

Also reporting to the Audit Committee, when required, the Internal Audit Unit conducts efficient internal controls to ensure the integrity, consistency, reliability, timeliness, and security of the information provided by the accounting and financial reporting system.

Risk management is applied in accordance with international standards and practices as well as through policies approved by the Board of Directors.

Investor Relations

Paying strict attention to provide timely, regular, transparent and accurate information to its existing and potential shareholders and all other stakeholders, Aygaz increased its Corporate Governance Rating Score to 9.36.

Targeting to generate higher shareholder value, investor relations activities are carried out by Investor Relations Unit under Finance Department reporting to the Assistant General Manager in charge of Finance. The Unit, which bases its investor relations and corporate governance practices on international standards, aims to attract attention of potential investors while striving for increasing the value of the company for its shareholders.

Being in uninterrupted communication with its shareholders, Aygaz Investor Relations provides all information excluding commercial secrets to shareholders, the public and stakeholders in a timely, accurately and easily comprehensible and accessible manner. Targeting to set a bridge between the company and its stakeholders based on clear information and trust, the Investor Relations Unit abides by the principles of fairness, transparency, accountability and responsibility when providing such information.

In addition, the Unit tries to accurately and thoroughly answer inquiries about the company. In 2015, information requests of investors and analysts were met by telephone and e-mail; they were also informed during financial reporting periods.

In 2015, Saha Corporate Governance and Credit Rating Services raised the Corporate Governance Rating of Aygaz from 9.29 to 9.36.

Expectations beating the Borsa Istanbul index

In 2015, the Aygaz Investor Relations attended a total of two road shows and conferences at home and abroad and held one-on-one meetings with approximately 100 existing or potential investors through teleconferences or visits to company headquarters. In all reports prepared by their analysts, the expectation regarding the share value of Aygaz is for it to beat or meet the performance of Borsa Istanbul index.

Company investor presentations and other informational documents are updated when required, information on profit distribution is shared following the announcement of financial results and all are available at www.aygaz.com.tr in the Investor Relations section.

Increase in share value

The year 2015, in which the capital markets exhibited a mostly fluctuating appearance, adversely influenced the capital markets with significant outflows from stocks. Increasing concerns about global growth following the negative results obtained from China, the Fed's increase in interest rates and the decreasing risk appetite due to increasing geopolitical risks all arose during this period.

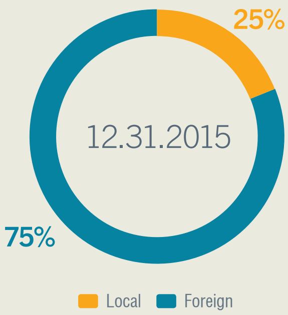
As of the end of 2015, the total market value of 308 companies which are traded in BIST, decreased annually by 13% on TL basis and 30% on US dollar basis. Net sales of foreign investors reached 2.5 billion US dollars in 2015. The value of the BIST 100 index declined by 16% from 85,721 to 71,727 as of the end of 2015.

Meanwhile, Aygaz share value rose by 6.4% in 2015 and the company's market capitalization stood at TL 3,030 million (USD 1,042 million) as of December 31, 2015. At the end of 2015, foreign investors' share in Aygaz's free float was 75%.

Dividend distribution

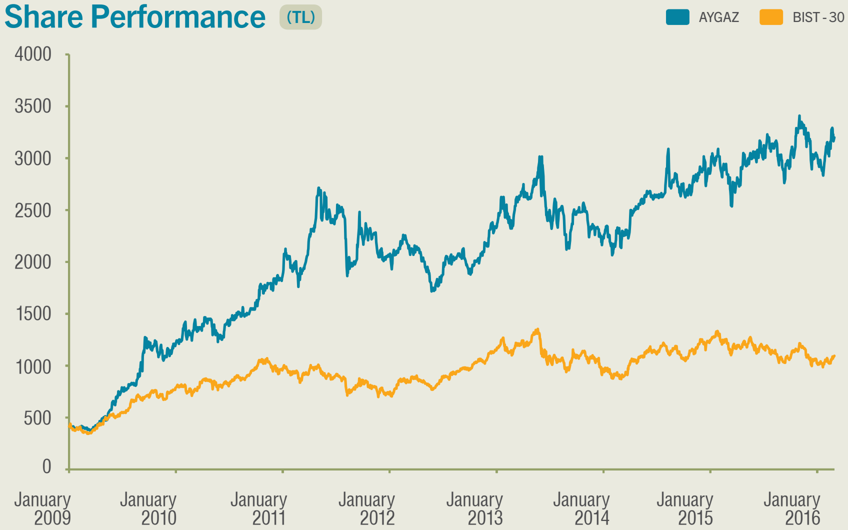
Aygaz strives to create high shareholder value for its stockholders and pursues a consistent dividend policy that balances both the company's and the shareholders' interests in accordance with the corporate governance principles. Total dividends for the last five years has reached TL 1,040 million with an average distribution rate of 75%, including TL 315 million from the profits of 2015, which will be submitted for General Assembly approval for distribution.

Share Information



BIST Code	: AYGAZ
Bloomberg Code	: AYGAZ.TI
Reuters Code	: AYGAZ.IS
IPO date	: 01.13.1988
Free float rate	: 24%

Share Performance (TL)



Total Dividend (TL)

Payout Ratio (%)

2015	315 million	75%
2014	100 million	46%
2013	175 million	85%
2012	300 million	99%
2011	150 million	40%

Corporate Governance Rating Score

Shareholders	9.53
Stakeholders	9.86
Public Information and Transparency	9.20
Board of Directors	9.13
Total	**9.36**

Corporate Governance Principles Compliance Report

SECTION I - Corporate Governance Principles Compliance Declaration

Aygaz is aware of the benefit and importance of the Principles of Corporate Governance with regard to the capital markets and companies. In a world that is becoming more globalized, it is very important to comply with international standards, to create sustainable value for shareholders, to procure funds from foreign markets and to achieve consistent growth. In this regard, corporate governance makes a significant contribution to increasing the quality of management, reducing risks and managing them better, and increasing the reliability and image of the company in the financial and capital markets.

Aygaz fully complies with the principles that are compulsory as per the Corporate Governance Communiqué No: II-17.1 and adopted a majority of the non-compulsory principles. Although we strive to fully comply with the non-compulsory Corporate Governance Principles, due to difficulties associated with the implementation of some principles, the ongoing debate both on domestic and international platforms regarding the adoption of them, and the failure to overlap with the existing structure of the market and the company, full compliance has yet to be achieved. Work is underway on the principles that have not yet been put in practice, and we are planning to adopt them upon the completion of the administrative, legal, and technical infrastructure work that would contribute to our company's effective management. The comprehensive efforts undertaken within the framework of Corporate Governance Principles and the principles that have yet to be adopted under relevant sections, and the resulting conflicts of interest, if any, are explained below.

The highlight of our work in the field of Corporate Governance in 2015 was the efforts to ensure compliance with the Capital Markets Law and the communiqués prepared based on this law. The Material Disclosures Guide, put into practice by the Capital Markets Board (CMB), resolutions of CMB and codes of practice of Material Disclosures Communiqué were elaborated, various amendments and improvements were made. Within the framework of new adjustments, with the decision of our Board of Directors on 15 July 2015, certain amendments were made in information policy, primarily on information about the future. At the same time when the related material disclosure announcement was done on the Public Disclosure Platform, the policy amendment was announced to all of the stakeholders through the company's internet site (www.aygaz.com.tr).

Our Board of Directors and Board committees were restructured in accordance with the regulations of Corporate Governance Communiqué. The newly established Board committees effectively sustain their operations. A remuneration policy was determined for the Board of Directors and senior managers and submitted to the information of shareholders at the General Assembly. Through the information document prepared for the General Assembly, related information such as privileged shares, voting rights, organizational changes, background information on the nominees for Board membership, remuneration policy for the Board of Directors and senior managers, and all reports and information that must be drafted and disclosed with regard to related parties, disclosure of which is mandatory as per the principles, were submitted for the information of investors three weeks prior to the General Assembly meeting. The company website and annual report were also revised and the necessary changes were made towards full compliance with the principles.

Developments in legislation and implementations will be taken into consider to make necessary studies for full conformity with the principles in the forthcoming period.

Aygaz is not fully in compliance with the below-mentioned non-compulsory principles due to the above-mentioned reasons. The detailed information on this issue is provided below under the relevant sections of the report. Our company has not faced any conflict of interest due to the fact that it is not fully in compliance with the principles.

- Regarding the principle no 1.5.2, minority rights are not recognized for shareholders who hold an amount less than one-twentieth of the share capital; general regulations are adopted in this field.
- Regarding the principle no 4.3.9, even though it continues its efforts in this field, the company did not set a target rate and timetable yet for the number of female members in the Board of Directors. Detailed information on this issue is provided in section 5.1.
- Regarding the principle no 4.4.7, the company does not impose any restrictions concerning additional duties that its Board Members may assume outside the company. Further information on this issue is provided in section 5.1.
- Regarding the principle no 4.5.5, due to the structure of our Board of Directors, some of our Board members have duties in more than one committee. These members help strengthen communication among committees and increase cooperation possibilities.

Aygaz A.Ş. has demonstrated the importance it places on the principles of corporate governance and its eagerness to implement these as a continual and dynamic process by receiving Corporate Governance Rating scores and remaining in the Corporate Governance Index. Operating in Turkey under license from the Capital Markets Board (CMB) to conduct corporate governance rating activities for the companies included in the BIST Corporate Governance Index, SAHA Corporate Governance and Credit Rating Services announced Aygaz's corporate governance rating score as 9.36 on July 1, 2015 from 9.29 on July 1, 2014. Among the fields open to improvement, announcement of the company's donation policy, preparing a policy and setting a timetable to reach the target of at least 25% female board membership rate were stated. As of its date of assignment, this new corporate governance rating has made Aygaz one of the highest-rated companies in Turkey in terms of corporate governance score.

The corporate governance rating score is determined by four main categories weighted to different degrees within the framework of the CMB resolution regarding the issue. Among the improvements made in the last term by Aygaz, the announcement made on the Public Disclosure Platform about the insurance protecting the company against the possible damages, which may stem from the faults of the Board members, as well as the inhouse written document prepared for setting written rules for operation principles of the Board of Directors meetings have contributed to a significant increase in the scores received, particularly in "Stakeholders" and "Board of Directors" categories.

Taking into account the developments in the legislation and practices, necessary efforts will be undertaken also in the upcoming period with a view to increasing compliance. Aygaz's efforts in this area are accelerated thanks to its well-established corporate identity while its management structure and processes have been reorganized in compliance with these regulations.

Since the General Assembly Meeting of 2005, Aygaz has been preparing Corporate Governance Compliance Reports, publishing them on the company's internet site and as part of its annual reports. We hereby present for your information our Corporate Governance Report, which has been prepared this year in accordance with the format set out by the Capital Markets Board Resolution no. 2/35 dated January 27, 2014.

Corporate Governance Committee

Mansur Özgün	Levent Çakıroğlu	Ferda Erginoğlu
Chairperson	Member	Member

SECTION II – Shareholders

2.1. Investor Relations Unit

At Aygaz, the Investor Relations Unit's duties stated by the article 11 of the Corporate Governance Communiqué are carried out by the Finance Department reporting to the Assistant General Manager in charge of Finance. As specified in the company's Material Event Disclosure dated September 1, 2015, Finance Manager, Mehmet Özkan, who was Manager of the Investor Relations Department as per Corporate Governance Communiqué (no. II-17.1) of the Capital Markets Board, was appointed to another position in the Koç Conglomerate as of September 1, 2015. His position was replaced by Şebnem Yücel who is a full time manager in the company and meets all the requirements stated in the communiqué of CMB. As announced in Public Disclosure Platform with Material Event Disclosure dated October 16, 2015, Gökhan Tezel was appointed as Aygaz A.Ş. General Manager as of October 1, 2015, with the Board decision dated October 16, 2015. Ferda Erginoğlu was appointed in his previous position as Assistant General Manager in charge of Finance as of November 2, 2015. Within the framework of Corporate Governance Communiqué (no. II-17.1) of the Capital Markets Board, Ferda Erginoğlu was also appointed as the member of Corprate Governance Committee as of November 2, 2015. The unit is administered by Şebnem Yücel who holds Capital Market Activities Advance Level and Corporate Governance Rating Specialist Licenses, and Selin Sanver. Requests for information may be made to the unit by e-mail at yatirimciiliskileri@aygaz.com.tr or investorrelations@aygaz.com.tr, or by phone at +90 212 354 15 15 / extensions 1510-1659.

The primary responsibilities of the Investor Relations Unit are as follows:

- To maintain relations with the shareholders in an orderly manner within the scope of the disclosure policy, and to ensure regular and reliable access to information about the company
- To ensure the exercise of shareholders' rights and to answer shareholders' inquiries
- To update the company website, annual report, investor presentations, earnings releases, and similar communication tools to ensure complete and rapid access to such information for shareholders
- To meet requests for information made by investors by means of various communication methods and tools such as face-to-face meetings, investor conferences, road shows, teleconferencing, telephone, e-mail, fax, and disclosures/announcements with a view to increasing the value of the company
- To facilitate a two-way flow of information between the shareholders and the company's senior management and Board of Directors
- To keep shareholder records accurate, reliable, and up-to-date based on the records of the CRA
- To implement and monitor the Principles of Corporate Governance, and ensure compliance with such principles in the operations of the company, and represent the corporate entity of the company before the relevant ministries, the Capital Markets Board (CMB), the Borsa Istanbul (BIST), the Istanbul Settlement and Custody Bank Inc. (Takasbank), the Central Registry Agency (CRA), and other relevant institutions and organizations, and provide such institutions with reports and information as required
- To make the necessary disclosures to ISE via the Public Disclosure Platform
- To hold the General Assembly of Shareholders meetings, to hold Boards of Directors and Auditors meetings, and keep the records thereof

Shareholders generally request information and make inquiries on the profitability, share value, investments, turnover, subsidiaries, and dividend payments of Aygaz as well as the withholding tax on dividends. In 2015, more than 60 requests for information were received, and the requested information was provided in writing, verbally, and electronically. Furthermore, in 2015, a total of two road shows and investor conferences were attended in Turkey and abroad and approximately 100 meetings were held with domestic and foreign corporate investors and brokerage house analysts. Presentations prepared for this purpose are available to all investors on the company website.

The report including all of the activities carried out throughout the year was submitted to Corporate Governance Committee on March 2, 2016.

2.2. Exercise of Shareholders' Right to Obtain Information

The "Investor Relations" section on the company website is constantly revised with a view to allowing shareholders to use it more easily and to access more information.

There is no discrimination among shareholders regarding the exercise of the right to obtain information and inspect, and all information is shared with shareholders with the exception of information classified as trade secret. With the exception of information classified as confidential information and trade secret, inquiries put to the Investor Relations Unit are answered both on the telephone and in writing upon conferring with the highest-ranking official on the relevant issue. As explained under section 3.1 of this report, the company website features all relevant information and explanation that may affect the exercise of shareholders' rights.

While our Articles of Association does not designate any right to request a special auditor as an individual right, as per Article 438 of the Turkish Commercial Code, each shareholder may request from the General Assembly, even if it is not included in the agenda, the clarification of certain events through a special audit provided that doing so is necessary for the exercise of shareholders' rights and the right to obtain information or inspect what was previously exercised. To date, no such request has been made by shareholders. Furthermore, the company's operations are periodically audited by an independent auditor appointed by the General Assembly.

2.3. General Assembly Meetings

The Ordinary General Assembly Meeting, at which the 2014 reporting year activities were discharged, was held on March 30, 2015 at the headquarters of the company located at Istanbul Şişli, Büyükdere Caddesi, No: 145/1 Zincirlikuyu with a shareholder attendance rate of 89%. The General Assembly Meetings were attended by eight members of the Board of Directors, auditors and executive management. Individual shareholders and members of the press also showed interest in the meeting. The venue, agenda and a sample power of attorney were announced to the public 21 days prior to the meeting through announcements placed in the Turkish Trade Registry Gazette (TTRG), and material disclosures made via the Public Disclosure Platform (PDP).

The 2014 annual report, auditor's report, independent audit report, financial statements and notes, and dividend distribution proposal of the Board of Directors, General Assembly information document and annexes were made available to shareholders both at the company headquarters and on the company website 21 days prior to the General Assembly Meeting. The dividend distribution proposal was announced via the PDP. Shareholders made no requests with regard to the agenda. The questions posed by shareholders at the General Assembly Meeting were answered by the company's Board of Directors and senior management.

At the Ordinary General Assembly Meeting, which is held on an annual basis, the Chairman and members of the Board of Directors are authorized as per articles 395 and 396 of the Turkish Commercial Code to carry out the businesses that fall within the scope of the company personally or on behalf of others and to became partners in such companies and carry out other transactions. Within the framework of this authorization, members of the Board of Directors may assume other duties outside the company without any limitations.

At the Ordinary General Assembly Meeting held in 2015, information was provided regarding the donations and aids given in 2014 as a separate general assembly agenda item and the donation limit for 2015 was determined as TL 10,000,000 and there have been no changes to our ongoing donation practices.

The minutes of the General Assembly are registered and announced in the TTRG and made accessible to shareholders both at the company headquarters and on the company website. General Assembly Meetings are held as open to public including media and stakeholders without right to speak as it is stated in article 14 of the company's Articles of Association.

2.4. Voting Rights and Minority Rights

No privileges are accorded in the company with regard to the shareholders' voting rights. There is no shareholding company that has a mutual participation with Aygaz. Minority rights are represented at the General Assembly directly or by proxy. The company's Articles of Association contain no provisions on the cumulative voting method. Minority rights are not recognized for shareholders who hold an amount less than one-twentieth of the share capital; general regulations in the legislation are adopted in this field.

2.5. Dividend Rights

There are no privileges regarding the sharing of company profits. Dividend distribution is made in accordance with and at the intervals stipulated by the relevant legal legislation.

The goal has been to determine and declare a dividend distribution policy in compliance with the Principles of Corporate Governance that will take into consideration the interests of both the shareholders and the company. At the company's Board of Directors meeting on March 5, 2014, the dividend distribution policy was revised into its present form as follows:

"The company distributes profit in accordance with the provisions of the Turkish Commercial Code, the Regulations on Capital Markets, Tax Laws and other related laws and regulations, and within the framework of the pertinent article of the company's Articles of Association. In line with Corporate Governance Principles, a balanced and consistent policy is adopted as regards the interests of both shareholders and the company.

In principle, as long as related regulations and financial resources allow, taking into consideration our long-term company strategies, investment and financing policies, profitability and cash position, and provided it can be covered from the legally registered profit for the fiscal year, a minimum 50% of the distributable profit calculated in accordance with Capital Markets regulations is distributed as cash and/or bonus shares.

Distribution of profit is aimed at being paid out at the latest within one month subsequent to the General Assembly Meeting of Shareholders; the date of distribution is resolved at the General Assembly Meeting. In the event the General Assembly Meeting of Shareholders passes a resolution or authorization is granted, the Board of Directors may take a decision for the distribution of profits on an installments basis in line with Capital Markets Regulations.

According to the Articles of Association of the company, the Board of Directors may distribute an advance on dividends, provided it has been authorized to do so by the General Assembly and there is compliance with Capital Markets Regulations."

As per the Principles of Corporate Governance, the General Assembly on March 30, 2015 was informed of the Profit Distribution Policy presented on the company website and in the annual report to ensure that the shareholders possessed this information. In 2015, the gross amount of TL 100 million was distributed to our shareholders as cash dividend for the year of 2014.

2.6. Transfer of Shares

As stated in Article 8 of the Articles of Association, only the persons registered in the share book as per the records kept in the Central Registry Agency will be considered and treated as holders of shares or holders of rights of usufruct on shares. The transfer of the publicly traded registered shares of the company shall be governed by and subject to the pertinent regulations of the Capital Markets Board.

SECTION III – Public Disclosure and Transparency

3.1. Company Website and Content

The company website is accessible at www.aygaz.com.tr. It is available in two languages including Turkish and English. As explained in detail in the company Disclosure Policy, the Investor Relations section includes main headings such as stock ID, financial statements, material disclosures, shareholders and participation, registration statement, agendas and minutes of General Assembly Meetings, list of attendants, proxy vote form, profit distribution policy, distribution policy, board of directors, corporate governance, news and announcements, presentations, frequently asked questions, and contact us as well as a diverse set of documents and information under these that must be featured on the website as per the principles of corporate governance and other legislation. Changes either to this information and to the legislation are reflected on the website simultaneously.

3.2. Annual Report

The company's Annual Report is drafted in a manner that includes all information stipulated by the Corporate Governance Principle No. 2.2 and its subparagraphs, in sufficient detail to ensure that the public can reach complete and accurate information regarding the company's activities and in compliance with the relevant legislation.

SECTION IV - Stakeholders

4.1. Informing Stakeholders

Company stakeholders are informed regularly on matters that concern them. Company employees are informed at internal communication meetings. Blue-collar workers at the Aygaz Gebze Plant and seamen working on vessels are members of trade unions organized in their respective industries. These workers are informed through union representatives. Regional or general dealer meetings are held every year. During the meetings held in 2015, dealers were informed about the company's activities and their requests and suggestions were received. Individual and group meetings are held with the suppliers where a mutual exchange of information takes place.

In the meantime, information is also conveyed through an extensive range of media such as the company's corporate website, e-bulletins, technical publications, and the company magazine, "Aygaz Dünyası". The Dealer Portal, which is designed specifically to improve communication with dealers, also continues to be used effectively.

Stakeholders can use the reporting line on our company's corporate internet and intranet sites to report any infringements to the rules and ethically inappropriate activities to the Internal Audit Department then to be submitted to the Audit Committee.

4.2. Stakeholder Participation in Management

At the stakeholder meetings, participants find the opportunity to express their requests and suggestions, which are then taken into consideration by the management. Furthermore, the Individual Suggestion System and e-mail pools established within the company provide an opportunity to bring new ideas, and those whose ideas are implemented are rewarded. Suggestions can be submitted through the company's corporate internet and intranet sites.

4.3. Human Resources Policy

As is true at all Koç Group companies, Aygaz's human resources policy is also based on the "Our most valuable asset is our human resources" philosophy. The Aygaz vision is to be regarded as "The best company to work for in Turkey" by our employees, who we deem to be a strategic advantage that manages all resources, by keeping their satisfaction and loyalty at the highest possible level through our established systems and practices.

Our human resources mission is to support the entire company management and all employees and to put into place human resource systems in coordination with the relevant departments, with a view to ensure the continuity of a creative, dynamic, well-trained, motivated, and productive Aygaz team.

HR Management Principles:

- Make employee motivation and company loyalty a priority
- Provide an environment conducive to continuing training and self-improvement
- Systematically plan and develop the careers of individuals in line with the needs of the organization
- Conduct human resources planning and organizational redundancy
- Provide fair compensation and rewards
- Provide individuals with feedback on their job performance
- Hire employees based on their qualifications and the company's needs
- Honor employees with public recognition and respect their personal rights when offering criticism
- Promote social and cultural activities

In addition to union workplace representatives designated in accordance with the Collective Labor Agreement, Human Resources staff working in all the regions are charged with facilitating communication and coordination between employees and the Human Resources Department. No discrimination complaints were filed by the employees.

Aygaz Group has a Performance Management System in place for all employees. The performance of white-collar workers is evaluated through objective business objectives in the system, which was established based on the balanced scorecard methodology. For blue-collar workers, the required functional competences to achieve excellent performance have been defined and the evaluation is made through these competences. With regard to recognition and award practices, in addition to the Individual Recommendation System and TPM applications that aim to boost efficiency, the reward categories were redefined and the Blue Star Reward System was put in place in 2012. The Blue Star Reward System aims to instantly recognize and reward high performance and efforts that make a difference.

Company employees are informed of their job definitions and distribution of work as well as performance and reward criteria. Employee satisfaction and loyalty are measured through an "Employee Loyalty Assessment Questionnaire" as a result of which areas that require improvement are determined and remedial measures are taken.

The Collective Labor Agreement between the Turkish Metal Union and our workers at the Aygaz Gebze Plant was signed on December 15, 2014 for the September 1, 2014 - August 31, 2017 period. Meanwhile, the Collective Labor Agreement process between the Seafarers' Union of Turkey and our seamen working on vessels was signed on August 3, 2015 for the January 1, 2015 - December 31, 2016 period.

No representatives have been assigned within the company to maintain relations with the employees other than the union workplace representative designated in accordance with the Collective Labor Agreement. Relations with the union are maintained by the Human Resources Department.

4.4. Codes of Conduct and Social Responsibility

Throughout its history, Aygaz has always been an exemplary company with its integrity, reputation, reliability, ethical conduct, and its culture of compliance with laws and regulatory rules.

In the performance of their duties, employees of Aygaz, as part of Koç Group, are obligated to comply with the "Koç Group Goals and Principles". Committed to Koç Group's ethical principles, Aygaz:

• Respects the respectability, privacy, and personal rights of individuals.
• Respects the differences among individuals such as race, origin, religion, gender, social class, nationality, age, and physical disability, and does not discriminate.
• Provides all of its employees with equal opportunity in personal development and career regardless of their origins and creeds as part of its employee commitments.
• Enforces the mechanisms related to the rules of work discipline in the cases of human rights violations.
• Respects the traditions, culture, and history of each and every community in which it operates.
• Respects the union rights of its employees.

In 2010, Aygaz put its "Codes of Ethical Conduct and Practice" with a view to ensuring that ethical values are extended to all employees with the same effectiveness and handed down to the following generations.

A Board of Ethical Conduct has been established so as to better assess any infringements and to harmonize the practice. The Board is comprised of the General Manager, the relevant Assistant General Manager, the Human Resources Manager, and the Legal Advisor.

The "Codes of Ethical Conduct and Practice" were made into a booklet and sent to all permanent staff, who were then requested to read it and sign the Document of Declaration and Undertaking on the last page to be included in their respective personal files. Newly recruited personnel are also informed of these principles and declare and undertake that they would adhere to them.

The principles of the company's environmental policy have also been announced in the annual report and our corporate website. The social responsibility projects in which our company takes part as well as the efforts undertaken in this field are further explained in the relevant sections of the Annual Report.

SECTION V - Board of Directors

5.1. The Composition and Election of the Board of Directors

The Aygaz Board of Directors is composed of one Chairperson, one Vice Chairperson and nine members, three of whom are independent. As of 2015, the Board of Directors has one female member. All members of the Board of Directors were elected in the General Assembly meeting on March 30, 2015 to serve until the Ordinary General Assembly Meeting to be held to discuss the financial results for the year 2015. Backgrounds of the Board members and the General Manager are provided in the annual report.

The summary information is provided below about the non-executive members of the Board in accordance with CMB's Corporate Governance Principles.

Name of Board Member	Independence Status	Duties in the Board and Committees	Duties Outside the Company
Rahmi M. Koç	Non-independent	Board and Executive Committee Chairperson	Koç Holding A.Ş. Honorary President and Board Member in Koç Group Companies
Ömer M. Koç	Non-independent	Board Vice Chairperson and Executive Committee Member	Chairman of the Board of Directors in Koç Holding A.Ş. and Board Member in Koç Group Companies
Alexandre F. J. Picciotto	Non-independent	Board Member and Executive Committee Member	Orfim General Manager and Board Member in various companies
Dr. Bülent Bulgurlu	Non-independent	Board Member, Risk Management Committee Member and Executive Committee Member	Board Member in Koç Holding A.Ş. and Koç Group Companies
Levent Çakıroğlu	Non-independent	Board Member and Corporate Governance Committee Member	Koç Holding A.Ş. CEO and Board Member in Koç Group Companies
Erol Memioğlu	Non-independent	Board Member	Koç Holding A.Ş. Energy Group President and Board Member in Koç Group Companies
Ayşe Canan Ediboğlu	Independent	Board Member, Risk Management Committee Chairperson	ING Bank Türkiye Board Member
Tunç Uluğ	Independent	Board Member, Audit Committee Chairperson	Arçelik A.Ş. Independent Board Member
Mansur Özgün	Independent	Board Member, Corporate Governance Committee Chairperson	Tat Konserve A.Ş. Independent Board Member

The offices of the Chairman of the Board of Directors and General Manager are held by different persons. While Board members are expected to spare the required time for the affairs of the company, there are no limitations imposed on them as to other duty/duties outside the company. Such a limitation is not deemed necessary particularly for independent members due to their important contributions to the Board of Directors with their respective professional and industrial experiences. Prior to the General Assembly, background of the member as well as the duties he/she performs outside the company are submitted for the information of the shareholders.

In our company, duties of the Nomination Committee have been assumed by the Corporate Governance Committee. In 2015, three nominees were submitted to the Corporate Governance Committee for independent membership, and all independent member nominees submitted their statements of independence to the Corporate Governance Committee. Declarations of nomination and backgrounds of Independent Board Members were evaluated at the Corporate Governance Committee meeting dated February 27, 2015 and the Board of Directors meeting on March 2, 2015. Each of the nominees fully met the criteria stipulated in the Corporate Governance Principles, and it was decided that all should be designated as independent member candidates. During the 2015 operating period, no situations that would eliminate independence arose.

We believe that diversity in the Board of Directors in terms of knowledge, experience and point of view will positively contribute to the company's activities and ensure the efficiency of the Board's works. Our company continues its efforts to set a target rate for female members in the Board; which ensures diversity in the Board as well. Currently, there is one female member on the Board of nine directors.

5.2. Operating Principles of the Board of Directors

The agenda of the Board of Directors is set based on the needs of the company as a result of the assessment of the company's activities. The General Manager and the Assistant Manager in charge of Finance inform and maintain communication with the Board of Directors. Assembling as required by the company's activities, in 2015 the Board of Directors held three meetings and passed a total of 17 resolutions including those that fall under the scope of paragraph 4 of Article 390 of the Turkish Commercial Code.

Board members have no weighted voting privileges and/or negative veto power. During the reporting term, all resolutions were passed unanimously. The Board of Directors is authorized to make decisions related to the affairs of the company with the exception of powers vested in the General Assembly by the Turkish Commercial Code. Powers and responsibilities of Board members and managers are regulated by the specimen of signature drafted in accordance with the relevant provisions of the company's Articles of Association.

Board members of the company do not carry out any transactions with the company or take part in any competitive entities. Board Members and Senior Executives of the company are covered by "executive responsibility insurance".

While reviewing the company's activities, Board of Directors questions the existence of conflict of interests, and if any, evaluates its possible results and takes necessary decisions in line with the company's benefits. The Board meticulously follows related party transactions considering compliance with regulations as well as assessing possible misconduct risks.

5.3. Number, Composition and Independence of Committees within the Board

The Audit Committee was formed within the statutory period and fulfills the duties set out by the CMB communiqué. Within this scope, it audits the company's accounting system, disclosure of financial information to the public, independent audit, and the functioning and efficiency of the internal control mechanism of the partnership. Selection of the independent auditing firm, drafting of independent auditing agreements, initiation of the independent audit process, and efforts of the independent auditing firm at all stages are carried out under the supervision of the Audit Committee. The Audit Committee convenes at least four times a year and more frequently when required as it must report in writing, along with its own assessments, to the Board of Directors on whether the annual and interim financial reports to be disclosed to the public complied with the accounting principles followed by the partnership and fully reflected the financial condition of the company after conferring with the responsible managers of the partnership and independent auditors. The Committee was convened five times during 2015. Together with the company management, the Audit Committee is responsible for the meticulous execution of internal and external audits and ensuring compliance of records, operation, and reporting with the relevant laws, rules and regulations as well as the principles set out by CMB and IFRS. In 2015, independent Board member Tunç Uluğ was appointed as the Audit Committee Chairperson and Mansur Özgün as Committee Member.

Independent Board Member Mansur Özgün is the Chairperson of the Corporate Governance Committee, which was created to supervise compliance with Corporate Governance Principles and to examine the grounds with regard to the principles that have yet to be implemented. Levent Çakıroğlu was appointed as Committee Member. As per the article 11 of the new Corporate Governance Communiqué (II-17.1), which came into effect on January 3, 2014, Assistant General Manager in charge of Finance was appointed as Executive Manager responsible for Investor Relations Unit and member of the Corporate Governance Committee. As per the Board of Directors' decision dated October 16, 2015, Gökhan Tezel was appointed as the Aygaz A.Ş. General Manager as of October 1, 2015, whereas Ferda Erginoğlu was appointed in his previous position as Assistant General Manager in charge of Finance as of November 2, 2015. Within the framework of Corporate Governance Communiqué (no. II-17.1) of the Capital Markets Board, Ferda Erginoğlu was also appointed as the member of Corporate Governance Committee as of November 2, 2015. The Committee was convened four times during 2015.

The Risk Management Committee was established with a view to providing the Board of Directors with suggestions and recommendations regarding the identification, assessment and calculation of the impact and likelihood of all strategic, operational, financial and miscellaneous risks that may affect the company. Further, managing in accordance with the corporate risk-taking profile, reporting, and taking into consideration the decision making mechanisms of such risks, as well as the creation and integration of effective internal control systems to this end. In 2015, independent Board member Ayşe Canan Ediboğlu was appointed as the Chairperson and Dr. Bülent Bulgurlu as member of the committee. During the year, the Risk Management Committee convened seven times.

With the Board resolution dated May 4, 2012, it was decided that the activities of the Investment and Business Development Committee, renamed as the Executive Committee, established on July 15, 2010 with a view to generating ideas and strategies for the company, ensuring coordination among relevant departments, and accordingly, determining the special areas within the company's field of activity and designing and planning of new projects and investments, as well as overseeing the management of adopted strategies and projects, should be expanded in a way to provide the Board of Directors with support in all matters. The Executive Committee convenes as frequently as required by the activities of the company. The Committee was convened monthly during 2015; Mustafa Rahmi Koç was the committee Chairman with Mehmet Ömer Koç, Alexandre F.J. Picciotto, Dr. Bülent Bulgurlu and Erol Memioğlu acting as members.

As a principle, Board members do not have duties simultaneously in various committees. However, due to the structure of our Board of Directors, some of our Board members have duties in more than one committee. These members help strengthen communication among committees and increase cooperation possibilities.

5.4. Risk Management and Internal Control Mechanism

The Board of Directors is responsible for the sound operation of the internal control system and internal audit, and related efforts are coordinated by the General Manager, overseen by the committees created by the Board of Directors and necessary information is submitted to the Board of Directors. Thus, the monitoring the efficiency of the management systems is enabled.

The Internal Audit Department, which is responsible to the General Manager, but also reports to the Audit Committee as necessary, continues its efforts to put in place a more effective internal control structure by analyzing company processes and reporting to senior management the issues that it deems to be risky.

Furthermore, periodic audits are conducted by Koç Holding Internal Control Units and an independent auditing firm, and the reports drafted based on these audits are presented to the Board of Directors. Enterprise Risk Management (ERM) efforts are conducted by a team comprised of members from various departments under the supervision of the Risk Management Committee created by the Board of Directors. Detailed information on the activities of the Risk Management Committee is provided in the relevant sections of the Annual Report.

5.5. The Company's Strategic Goals

In addition to the company's vision and mission, its strategic goals have also been determined and are submitted for the information of all stakeholders through various channels. Annual targets, which are determined and set out for the company management by the Board of Directors in accordance with these, and shared by all levels. Both the Board of Directors and relevant committees are periodically briefed regarding the realization of the given targets and the developments.

The strategic goals of Aygaz are to maintain its leading position in the LPG market by sustaining its product diversity and innovative approach in autogas, increasing its market penetration through new autogas filling stations, realizing the growth potential of cylinder-gas in rural areas and to develop and strengthen the existing portfolio of subsidiaries by pursuing new acquisition, merger, and investment possibilities and taking advantage of highly profitable opportunities in both Turkey and abroad.

5.6. Financial Rights

Our company's Remuneration Policy for the members of the Board of Directors and Senior Executives, which includes all rights, benefits and wages provided to the members of the Board of Directors and senior executives, was changed considering Corporate Governance Committee's proposal made within the context of Capital Markets Board's Corporate Governance Communiqué No: II-17.1 dated January 3, 2014. The new policy was approved by the Ordinary General Assembly on March 31, 2014, and took effect thereafter. This policy, which was disclosed through annual report and web site of the company, is also on the agenda of the general assembly to be held on April 4, 2016 and will be presented to the shareholders. Every year, the total of the payments made within the framework of the Remuneration Policy for the members of the Board of Directors and Senior Executives is assessed by the Corporate Governance Committee and the Board of Directors. In parallel with general practices, payments made to the board members and senior executives are also disclosed to the public as part of the related notes in our financial statements. There are strictly no transactions that may lead to conflicts of interest such as loaning, extension of credit, provision of guarantees to the benefit of our board members or executives.

At the company's Ordinary General Assembly Meeting on March 30, 2015, a resolution was passed to pay a yearly gross honorarium of TL 270,000 (Two hundred seventy thousand Turkish lira) to each of the members of the Board of Directors. This amount will be paid in equal installments starting from the month following the general assembly.

Legal Disclosures

Commercial name, registry number, contact information of its headquarters and branches the company is registered at the Istanbul Trade Registry with the number 80651 (Mersis No. 0-1190-0510-2700017), and contact information of its headquarters and branches appear on its website, www.aygaz.com.tr.

Capital and shareholding structure
Issued capital of the company is TL 300,000,000, all of which has been pledged and paid in full. Issued capital is divided into 30,000,000,000 (thirty billion) registered shares at 1 Kuruş nominal value per share.

The shareholding structure as of December 31, 2015 is as follows:

Name and Title of the Person or Company	Amount of Shares (TL)	Share Stake (%)	Voting Rights	Voting Rights Ratio (%)
Koç Group	**153,642,569.58**	**51.21**	**15,364,256,958**	**51.21**
Koç Holding A.Ş.	122,053,514.27	40.68	12,205,351,427	40.68
Temel Ticaret ve Yatırım A.Ş.*	15,883,935.59	5.29	1,588,393,559	5.29
Koç Family	15,705,119.72	5.24	1,570,511,972	5.24
Other	**146,357,430.42**	**48.79**	**14,635,743,042**	**48.79**
Liquid Petroleum Gas Development Company (LPGDC)	73,545,660.24	24.52	7,354,566,024	24.52
Free Floating**	72,811,770.18	24.27	7,281,177,018	24.27
Total	**300,000,000.00**	**100.00**	**3,000,000,000**	**100.00**

* The majority of Temel Ticaret ve Yatırım A.Ş. shares belong to the members of the Koç Family.
** The free floating shares in the amount of TL 2,725,041.31 (ratio to capital 0.91%) belong to Hilal Madeni Eşya Ticaret Sanayi ve Yatırım A.Ş., of which LPGDC is a 100% shareholder.

Division of duties of Board members and changes made
There have been no changes made during the period in the members of the Board of Directors who were elected to serve until the next Ordinary General Meeting of Shareholders on March 30, 2015. By decision of the Decision of the Board of Directors dated April 3, 2015, the Committees of the Board of Directors have been delegated as follows:
-Committee Responsible for Auditing: Tunç Uluğ (Chairman), Mansur Özgün (Member)
-Corporate Governance Committee*: Mansur Özgün (Chairman), Levent Çakıroğlu (Member), Gökhan Tezel (Member)
- Risk Management Committee: Ayşe Canan Ediboğlu (President) Dr. Bülent Bulgurlu (Member)
-Executive Committee: Mustafa Rahmi Koç (President), Mehmet Ömer Koç (Member), Alexandre François Julien Picciotto (Member), Dr. Bülent Bulgurlu (Member)

*As per the Board of Directors' decision dated October 16, 2015, Gökhan Tezel was appointed as the Aygaz A.Ş. General Manager as of October 1, 2015, whereas Ferda Erginoğlu was appointed in his previous position as Assistant General Manager in charge of Finance as of November 2, 2015. Within the framework of Corporate Governance Communiqué (no. II-17.1) of the Capital Markets Board, Ferda Erginoğlu was also appointed as the member of Corporate Governance Committee as of November 2, 2015.

The Board of Directors took 17 unanimous decisions during 2015. It was seen that all the committees worked efficiently during the year. Details about the work of the committees can be found in Article 5.3. of the Corporate Governance Principles Compliance Report, the working principles of the committees are to be found on the corporate web pages.

Lawsuits and sanctions
There are no administrative or legal sanctions imposed on the company and the members of its management bodies that may affect the financial situation and activities of the company as a result of any lawsuit against the company or its practices in violation of any legal provision.

Public audits and special audits
In addition to the corporation's internal auditing, various documents and information was requested by the Ministry of Finance, the Ministry of Customs and Trade and other regulatory and supervisory organizations; ordinary and limited audits were executed.

The Tax Auditing Board Presidency of the Ministry of Finance began a tax audit at Aygaz A.Ş. in 2013. As a result, we reached an agreement to pay TL 25 million for total tax levy regarding taxes and related fines including interest. Thus, the disagreement and related legal actions have been terminated.

As a result of the EMRA product audits, in 2013, administrative decision taken including license revocation, administrative fine and sequestration; accordingly, the storage licenses of a total of four of our facilities had been canceled. Following our company's application to renew the licenses all of them have been reinstated in a short period. Relevant lawsuit processes are currently ongoing to cancel the administrative fines decisions taken by EMRA following the audits. Due to the same audits, our company has been made a party to four sequestration lawsuits filed by the EMRA; however, all of the cases came out in favor of Aygaz.

Through the notification informing us that the Competition Board made a decision dated 05.08.2015, numbered 15-33/477-M to open an investigation toward our company concerning whether there has been a violation of Article 4 of the Law No. 4054 on the Protection of Competition through the setting of resale prices of Aygaz dealers, and our company was asked to defend.

The fact that the Competition Board has opened an investigation or that the subject of the investigation is whether a company or companies have violated the Law No. 4054 on the Protection of Competition does not mean that they faced or will face a penalty. Our company conducts its business in accordance with the Competition Law and with all other laws and regulations. On the same date we received the notification about the investigation, our company made a material event disclosure on the Public Disclosure Platform. Any further developments in the matter will be announced as required by CMB regulations.

Conflicts of interest between the company and the organizations from which it obtains services on matters such as investment consultancy and rating and information about the measures taken by the company to avoid such conflicts of interest
There has been no conflict of interest with consultancy and rating companies.

Related company report drafted as per Article 199 of the Turkish Commercial Code
As per Article 199 of the Turkish Commercial Code no. 6102, which entered into force on July 1, 2012, the Aygaz A.Ş. Board of Directors is liable to issue within the previous year, a report on the relations of the company with its controlling shareholder, and the subsidiaries of the controlling shareholder in the previous year and include the conclusion of such a report in its annual report. The necessary explanations regarding the transactions are included in Footnote 31 of the financial statement.

The report dated March 9, 2016, which was prepared by the Aygaz A.Ş. Board of Directors, says: "It is concluded that, with respect to all the transactions of Aygaz A.Ş. with the controlling shareholder, ultimate controlling shareholder and the subsidiaries of the controlling shareholder in 2015, in each transaction a proper counter-gain was obtained according to the circumstances and conditions known by us when the transaction was carried out or the measure was taken or avoided and that there is no measure taken or avoided that can cause the company to incur any losses and that there is no transaction or measure that necessitates balancing within this framework."

Other matters
In order to meet the financing needs of the company, on February 16, 2015, our Board of Directors decided to issue debt instruments with a total nominal value up to TL 300.000.000 with maturity not exceeding 3 years by way of selling to qualified investors and/or private placement; its sale will be done one or several times domestically excluding public offering.

Aygaz A.Ş.: Says to issue debt instruments with a total nominal value up to 300.000.000 TL (three hundred million Turkish Liras) with maturity not exceeding 3 years. Says the sale of bonds will be done one or several times domestically by way of selling to qualified investors and/or private placement excluding public offering.

In line with this decision, our application was approved by the Capital Markets Board, with decision numbered 7/313 and dated 13.03.2015. Within the framework of TL 300,000,000 nominal value of issuance ceiling, the following transactions were completed:

* Sale of TL 100,000,000 nominal value of bonds 728-day maturity, fixed interest, 182-days coupon payment and principal payment at maturity was completed on 18.03.2015.
* Sale of TL 60,000,000 nominal value of bonds 1092-day maturity, floating interest, 91-days coupon payment and principal payment at maturity was completed on 30.03.2015.
* Sale of TL 75,000,000 nominal value of bonds 728-day maturity, fixed interest, 182-days coupon payment and principal payment at maturity was completed on 28.01.2016.
The issuances were managed by Yapı Kredi Yatırım Menkul Değerler A.Ş.

The redemption of the bond of TL 150 million nominal value issued on April 18, 2013 with 24 month maturity 6-month coupon and principal payment at maturity is completed on March 19, 2015.

As of July 1, 2015, Corporate Governance Rating score of our company was updated as 93.58 (9.36) by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. Material event disclosure on this issue was made on July 1, 2015.

Profit distribution policy and payment of dividends during the year
The Profit Distribution Policy for 2014 and subsequent years, as decided upon and revised by the Board of Directors with the decision dated March 3, 2014, has taken the following form and as such, has been included in the Corporate Governance Principles Compliance Report and the Corporate website.

"The company distributes profit in accordance with the provisions of the Turkish Commercial Code, the Regulations on Capital Markets, Tax Laws and other related laws and regulations, and within the framework of the pertinent article of the company's Articles of Association. In line with Corporate Governance Principles, a balanced and consistent policy is adopted as regards the interests of both shareholders and the company.

In principle, as long as related regulations and financial resources allow, taking into consideration our long-term company strategies, investment and financing policies, profitability and cash position, and provided it can be covered from the legally registered profit for the fiscal year, a minimum 50% of the distributable profit calculated in accordance with Capital Markets regulations is distributed as cash and/or bonus shares.

Distribution of profit is aimed at being paid out at the latest within one month subsequent to the General Meeting of Shareholders; the date of distribution is resolved at the General Meeting. In the event the General Meeting of Shareholders passes a resolution or authorization is granted, the Board of Directors may take a decision for the distribution of profits on an installments basis in line with Capital Markets Regulations.

According to the Articles of Association of the company, the Board of Directors may distribute an advance on dividends, provided it has been authorized to do so by the General Assembly and there is compliance with Capital Markets Regulations."

In line with the decision taken at the General Meeting of Shareholders on March 30, 2015, a payment of dividends in the amount of TL 100 million was made, this to be paid out as of April 6, 2015.

Changes in the Articles of Association during the period
The company's Articles of Association were not amended during the period.

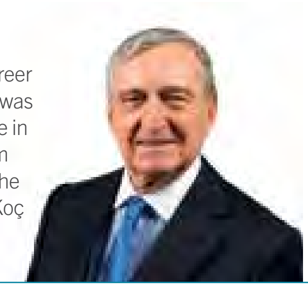
Personnel and worker movements and collective labor agreement practices
The Collective Labor Agreement with the Turkish Metals Union for the period September 1, 2014 - August 31, 2017 to provide coverage for workers at the Aygaz Gaz Aletleri Production Facility was signed on December 15, 2014. The Collective Labor Agreement for the period of January 1, 2015 - December 31, 2016 between the Seafarers' Union of Turkey and our seamen working on vessels was signed on August 3, 2015.

Our employees are regularly and periodically provided with social rights in accordance with the law. Provisions for seniority pay at the end of the period and leave obligations totaled TL 31,414,000 (2014: TL 28,273,000).

Donations and assistance paid out
At the ordinary general meeting of shareholders held in 2015, information was provided as a separate item on the agenda about the donations and assistance paid out during 2014; the donation limit for 2015 was determined as TL 10,000,000. No change has been made in customary donation practices. The total amount of donations paid out in 2015 is TL 6,033,713.28.

Board of Directors

RAHMİ M. KOÇ / Chairman of the Board of Directors



Mr. Koç completed his graduate studies in Industrial Management at Johns Hopkins University in the USA. He began his career in 1958 at Otokoç. In 1960, he was appointed to Koç Ticaret A.Ş., which represented the Koç Group in Ankara. In 1964, he was appointed as the General Coordinator of Koç Holding A.Ş. Subsequently, he served as Chairman of the Executive Committee in 1970, Vice President of the Board in 1975, and Chairman of the Management Committee at Koç Holding A.Ş. in 1980. From 1984 to 2003, he carried out the duties of Chairman of the Board of Directors of Koç Holding A.Ş. Rahmi M. Koç served as the President of the International Chamber of Commerce from 1995-1996. He has been serving as the Honorary Chairman of Koç Holding A.Ş. since 2003 and has been the Chairman of the Board of Directors at Aygaz A.Ş. since 1996.

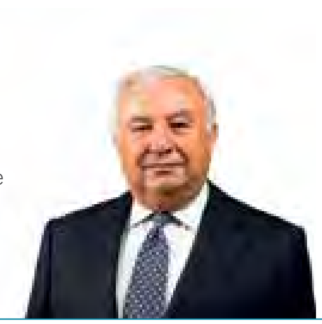
ÖMER M. KOÇ / Vice Chairman of the Board of Directors

Mr. Koç completed his high school education at Robert College. He received his BA in Ancient Greek at Columbia University in 1985; then earned his MBA from the same university in 1989. He began his professional career in 1985 as a Sales Clerk at Kofisa Trading Company in Switzerland. From 1989 to 1990, he worked as a Sales Representative at Ramerica Int. Inc. in New York and then became a Manager at Gazal A.Ş. in 1991. Ömer M. Koç served as Financial Coordinator at Koç Holding A.Ş. from 1992 to 1996, Vice President and then President of Energy Group between 1996 and 2004. Since April 2004, Mr. Koç has been on the Board of Directors of Koç Holding and served as Vice Chairman between 2008 and 2016. As of February 22, Mr. Koç became Chairman of Koç Holding. At Aygaz A.Ş. he has been on the Board of Directors since 1996 and has acted as the Vice Chairman since 2001.

ALEXANDRE F.J. PICCIOTTO / Member of the Board of Directors

Mr. Picciotto is one of the grandsons of Mr. Hillel Picciotto who established Aygaz in 1961 with Mr. Vehbi Koç. After graduating from Ecole Supérieure de Gestion (Paris) in 1990, he started his career in Orfim, the investment company of his family in Paris, France. From 1990 to 2003, he managed different subsidiaries operating in various fields including real estate, movie industry. In 2003, he was appointed General Manager at Liquid Petroleum Gas Development Company, the Picciotto family owned company, which is shareholder of Aygaz. Then he was appointed General Manager at Orfim in 2008. Mr. Picciotto is also member of the board of directors at various companies in both Turkey and France. He has been serving on the Aygaz Board of Directors since July 2012.

DR. BÜLENT BULGURLU / Member of the Board of Directors



After completing his higher education at the Ankara College of Engineering and Architecture, he continued a doctoral program at the Norwegian University of Science and Technology. Dr. Bülent Bulgurlu began his career as a Civil Engineer at Elliot Strömme in Oslo in 1972. From 1977 to 1979, he worked as a Civil Engineer at İntes A.Ş. After working at Garanti İnşaat A.Ş. as Engineer, Planning and Construction Manager, Work Site Coordination and Construction Manager, Assistant General Manager and General Manager, he started working at Koç Holding A.Ş. in 1996 as Vice President of the Tourism and Services Group. Dr. Bulgurlu became President of the Tourism and Services Group in 2000 and President of the Tourism and Construction Group in 2001. In 2004, Dr. Bulgurlu was President of the Durable Consumer Goods and Construction Group and served as the CEO of Koç Holding A.Ş. from 2007 to 2010. Dr. Bülent Bulgurlu has been serving on the Aygaz Board of Directors since 2008.

LEVENT ÇAKIROĞLU / Member of the Board of Directors

He graduated from Ankara University, School of Political Science in Business Administration and completed his MBA at the University of Illinois. He began his career at the Ministry of Finance as Junior Accountant in 1988. Between 1997 and 1998, he worked as part-time Lecturer at Bilkent University and as Vice President of Financial Crimes Investigation Board at Ministry of Finance. He joined Koç Holding in 1998 as Finance Group Coordinator. He was General Manager of Koçtaş between 2002 and 2007 and Migros between 2007 and 2008. After becoming General Manager of Arçelik in 2008, he was also appointed as the President of Consumer Durables Group at Koç Holding in April 2010. He was appointed as the CEO of Koç Holding as of March, 2015. He has been serving on the Aygaz Board of Directors since 2015.

EROL MEMİOĞLU / Member of the Board of Directors

Mr. Memioğlu graduated from the Petroleum Engineering School at Middle East Technical University. He began his career in 1979 as an Expert Engineer at Turkish Petroleum Corporation (TPAO) and went on to become a Production Manager and then President of the International Projects Group at the same company. He joined Koç Holding A.Ş. in 1999 as Vice President of the Energy Group, and then served as Executive Member of the Board of Directors of the Koç Holding A.Ş. Energy Group from 2003 to 2004. Mr. Memioğlu has been President of the Koç Holding A.Ş. Energy Group and a Member of the Aygaz Board of Directors since May 2004.

AYŞE CANAN EDİBOĞLU / Member of the Board of Directors

Ayşe Canan Ediboğlu completed her high school education at Ancaster House School and her graduate studies at Southampton University (UK) obtaining a master's degree in financial control and management. Following her studies at the same university as a Research Assistant, she continued her professional life as Planning Manager at Shell in 1980. Assuming various responsibilities at Shell Turkey, she was appointed as General Manager in 2002 and the Country Officer in 2006. She served as a Board Member at Shell-Turcas Petrol A.Ş. from 2006 to 2009. Ayşe Canan Ediboğlu has been serving on the Aygaz Board of Directors since 2012.

TUNÇ ULUĞ / Member of the Board of Directors

Tunç Uluğ completed his graduate degrees at Robert College Engineering School and Columbia University (USA). He joined Koç Group in 1969 at Aygaz A.Ş. as Assistant General Manager. He was appointed as General Manager at Tat A.Ş. in 1976 and at RAM A.Ş. in 1979. At Koç Holding, he served as the Vice President of Energy and Trade Group between 1981-1985 and as the President of Foreign Trade Group between 1991-1997. After serving as a Member of Yaşar Holding Board of Directors between 1997-2000, Tunç Uluğ has been offering consultancy to various firms since 2001. Tunç Uluğ has memberships from DEIK, TESEV and Turkey-Switzerland Trade Office. He has been serving on the Aygaz Board of Directors since 2012.

MANSUR ÖZGÜN / Member of the Board of Directors

Mansur Özgün graduated from Ankara Economic and Commercial Sciences Academy. He started his career in 1958 at the Directorate General of Foundations and between 1963-1971 he worked at the Ministry of Finance. He joined Koç Group in 1971 as Assistant Finance Manager at Koç Holding. He was appointed as Assistant General Manager at Ormak A.Ş. between 1974-1983. He served as Finance Coordinator at Koç Holding between 1984-1999. After 1999, he worked as a Chartered Accountant. He has been serving on the Aygaz Board of Directors since 2012.

Executive Management

GÖKHAN TEZEL / General Manager

Gökhan Tezel began his career in 1993 as a Finance Expert at Tofaş A.Ş. and became the Finance Manager in 1998. In addition to this position, he also served as the General Manager of Koç Fiat Consumer Credit Financing A.Ş. Mr. Tezel had been the Assistant General Manager of Finance at Aygaz since 2009; he was appointed as the General Manager of Aygaz in October 2015.

FERDA ERGİNOĞLU / Assistant General Manager (Finance)

Mr. Erginoğlu worked as a Mechanical Engineer at Ata İnşaat from 1985 to1986 before beginning as an Assistant Financial Coordinator at RAM Dış Ticaret A.Ş. in 1990, where he served as the Finance Group Manager from 1996 to 2001, and as the Assistant General Manager (Finance) from 2001 to 2002. Mr. Erginoğlu worked at Koç Bilgi Grubu A.Ş. as Director of the Financial Expertise Center from 2002 to 2006, and has served as the Financial Coordinator at Koç Holding from 2006 to 2015. On November 2, 2015, he was appointed as the Assistant General Manager (Finance) at Aygaz A.Ş.

ALİ KIZILKAYA / Assistant General Manager (Technical Affairs and Investments)

Ali Kızılkaya began his career in 1988 as a Training Engineer at Bilar A.Ş. From 1992 to 1994, he worked as a Purchasing Engineer at Istanbul Fruehauf A.Ş. In 1996, he joined Aygaz A.Ş. and from 1996 to 2002 he served as the Bulk Gas Sales Supervisor in the Marmara Region and as the Purchasing Supervisor. In 2002, he served as the Lipet A.Ş. Operations Manager and in 2004 as the Mogaz A.Ş. Operations Manager, after which he became the Aygaz A.Ş. Facility System Manager. Mr. Kızılkaya was appointed as Aliağa Terminal Manager in 2008, and since 2010 he has been serving as the Assistant General Manager of Technical Affairs and Investments.

FİKRET COŞAR / Assistant General Manager (Sales)

Fikret Coşar began his career as Sales Specialist at Çukurova Import and Export Company in 1998. He then joined Aygaz A. Ş. in 1991 and worked as Diyarbakır Cylinder LPG Sales Supervisor. Mr. Coşar was appointed as Diyarbakır Sales Manager in 1998. Between 1999 and 2010 he served as Trakya Cylinder LPG Assistant Sales Manager, Çukurova Sales Manager and Marmara Sales Manager, respectively. After 2010 he worked as the General Manager at Akpa A. Ş. and as of January 1, 2016, he became the Assistant General Manager of Sales at Aygaz A.Ş.

NURETTİN DEMİRTAŞ / Director (Affiliates and Accounting)

Nurettin Demirtaş began his career in 1986 in the Doğuş Financial Consultancy and Accounting Office. In 1988, he worked in the Accounting Department at Tekor Plastik A.Ş. He joined the Koç Group in 1989 and worked respectively as an Aygaz A.Ş. Accounting Specialist, General Accounting Department Administrator, Accounting Manager and Affiliates and Accounting Group Manager. In 2008, he was appointed as the Director of Affiliates and Accounting.

RAMAZAN PULAT OKTAY / Director (Production)

Pulat Oktay began his career as an Engineer and Construction Site Foreman at Disa in 1988. He joined the Koç Group in 1991. From 1991 to 2001, he served at Gazal A.Ş. as a Project Engineer, Maintenance Engineer, Cylinder Production Method Process Specialist and Residential-Camp Cylinder Production Manager respectively. In 2001, he continued in his position as Residential-Camp Cylinder Production Manager after the merger of Gazal A.Ş. and Aygaz A.Ş. From 2003 to 2008, he worked as the Purchasing Manager. He has been serving as the Production Director since 2008.

ÖZGÜR ASENA YILDIRIM / Director (Cylinder Gas Sales)

After beginning his career in 1988 as a Marine Mechanical Engineer at Türkiye Denizcilik İşletmeleri , Mr. Yıldırım went on to work as a Marine Mechanical Engineer at Soh Trans Denizcilik, followed by Göksel Denizcilik. In 1993, Mr. Yıldırım began working as an Operations Engineer at Aygaz A.Ş., and then he worked as the Kırıkkale Facility Manager, Central Anatolian Bulk Gas Sales Manager, Çukurova Regional Sales Manager, Trakya Regional Sales Manager, Istanbul Regional Sales Manager and Marmara Regional Sales Manager, respectively. He has been serving as the Cylinder Gas Sales Director at Aygaz since 2010.

KENAN DENİZHAN EGE / Director (Autogas Sales)

After beginning his career as a Quality Assurance Supervisor at Mutlu Akü in 1993, Mr. Ege worked as a Direct Sales Representative at ELF/Selyak, Product Manager at Toprak Seramik, Regional Manager at ELF/Selyak and Regional Manager at FL/Selenia, respectively. In 2003, Mr. Ege began working as the Marmara Sales Manager at Opet Petrolcülük A.Ş., and from 2008 to 2010 he served as the Sales Group Manager at Opet Petrolcülük A.Ş. He has been serving as the Autogas Sales Director at Aygaz since 2010.

AHMET ERCÜMENT POLAT / Director (Marketing)

Ahmet Ercüment Polat began his career in 1995 as a Sales Engineer at Aygaz, and up to 2004, he worked consecutively as the Trakya Regional Sales Supervisor, the Bulk Gas Sales Department Manager, the Bulk Gas Sales Manager and the Bulk Gas and Autogas Sales Manager. He served as the Akpa A.Ş. Branch Manager from 2004 to 2008 and as the company Manager from 2008 to 2010. Since 2010, Ercüment Polat serves as the Aygaz Marketing Director.

AYŞE ABAMOR BİLGİN / Director (Logistics)

Ayşe Abamor Bilgin began her career in 1998 as a Management Trainee at Aygaz A.Ş. Appointed as LPG Procurement Manager in 2005, Ayşe Abamor Bilgin served as LPG Procurement and Trade Manager from 2008 to 2011. She serves as the Logistics Director since January 2012.

Agenda for the Ordinary General Assembly Meeting of Aygaz Anonim Şirketi for the Year 2015 to be held on April 4, 2016

1. Opening and election of the Presiding Committee,
2. Reading of, deliberations on, and approval of the 2015 Annual Report as prepared by the Board of Directors,
3. Reading of the Independent Audit Report Summary for the accounting year 2015,
4. Reading of, deliberations on, and approval of the Financial Statements for the accounting year 2015,
5. Release of each member of the Board of Directors from liability for the affairs of the company for the year 2015,
6. Approval, approval with modifications or rejection of the Board of Directors' proposal concerning dividend distribution in line with "Profit Distribution Policy" for 2015 and the dividend distribution date,
7. Determination of the number and terms of office of the members of the Board of Directors, the election based on the determined number of members, election of the Independent members of the Board of Directors,
8. Informing the shareholders about the Remuneration Policy for the members of the Board of Directors and senior executives and about the payments made within the scope of the policy and its approval in accordance with Corporate Governance Principles,
9. Determination of the yearly gross remuneration of the members of the Board of Directors,
10. Approval of the appointment of the Independent Audit Firm as selected by the Board of Directors, in accordance with the provisions of the Turkish Commercial Code and the Capital Markets Board regulations,
11. Informing the shareholders about the donations made by the company in 2015 and setting of an upper limit for the donations to be made in 2016,
12. In accordance with Capital Markets Board legislation, informing Shareholders about securities, pledges and mortgages granted in favor of third parties by the company and its subsidiaries in 2015 and of any benefits or income thereof,
13. Authorizing the shareholders holding the management control, the members of the Board of Directors, the senior executives and their spouses and relatives related by blood or affinity up to the second degree as per the provisions of articles 395 and 396 of the Turkish Commercial Code and presentation to the shareholders, of the transactions carried out thereof in the year 2015 pursuant to the Corporate Governance Communiqué of the Capital Markets Board,
14. Wishes and comments.

Proposal of the Board of Directors for Profit Distribution

Dear Shareholders,

As a result of the review of Consolidated Financial Statements for the accounting period of January 1 – December 31, 2015, and the Independent Audit Report composed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. company (A Member firm of Ernst&Young Global Limited),

In the company's Consolidated Financial Statement, the total assets is TL 3,916,324,000 and total shareholders' equity is TL 2,610,820,000 for 2015 activities, and consolidated net income after tax of TL 418,375,000 and net period income of TL 189,891,874.54 have been obtained according to legal records from these activities. By observing that distributable period income of TL 418,375,000 was obtained in accordance with Capital Markets Board and the regulations of Capital Markets Board, the first dividend base of TL 424,408,713.28 was available as composed by the addition of the donation of TL 6,033,713.28, made to foundations and to associations within the year, to this amount, a total of distributable income of TL 706,167,471.85 was available in legal records with the current year income of TL 189,891,874.54.

By taking the opinion of Executive Committee into account, appropriate with investment and financing policies as stated in our company's Profit Distribution Policy and taking into consideration the cash flow conditions, as demonstrated in the attached dividend table calculated in accordance with CMB Declarations, it has been decided:

Not to allocate 5% Legal Reserve, which is required to be allocated pursuant to Article 519 of Turkish Commercial Code, in the current year since the amount reserved in previous years exceeded the upper limit,

To propose to the General Assembly that out of the Current Period Income of TL 418,375,000,

- TL 212,204,356.64 is paid to shareholders as the First Gross Cash Dividend,
- TL 102,795,643.36 is paid to shareholders as the Second Gross Cash Dividend,
- TL 30,000,000 is set aside as Second Issue Legal Reserves,
- The remaining amount of TL 73,375,000 is transferred to the extraordinary reserves account,

TL 315,000,000, total of first and second gross cash dividend, is paid to shareholders as cash.

Upon acceptance by the General Meeting of Shareholders of the dividend distribution proposal made above, based on our legal records, TL 173,992,613.22 is to be paid from current year revenues and the remaining TL 141,007,386.78 is to be paid from extraordinary reserves out of total dividend amount of TL 315,000,000; and TL 15,899,261.32 of TL 30,000,000 Second Issue Legal Reserves is to be paid from current year revenues and the remaining TL 14,100,738.68 is to be paid from extraordinary reserves;

- To all full-pledged taxpayer corporate shareholders and those of our limited taxpayer shareholders that obtain dividends through a workplace in Turkey or a permanent representative, shall be paid a %105.00000 Kr gross=net cash dividend per 1Kr nominal share, at 1.0500000,

- To other shareholders shall be paid gross 1.0500000 Kr, and net 0.8925000 Kr cash dividend,

and payments of dividends shall begin to be made on April 11, 2016.

Yours sincerely,

Rahmi M. Koç
Chairman of the Board

Statements of Independence of the Independent Board Members

DECLARATION OF INDEPENDENCE MARCH 3, 2016

Within the framework of the criteria determined in the Corporate Governance Communiqué No. II-17.1 announced at the Aygaz A.Ş (Company) Board of Directors, the Company Articles of Association, and the Capital Markets Board, I hereby declare that I am a candidate to serve as an "Independent Member," and in this context, I further declare that:

a) I have assumed no major duty or responsibility or been employed in a management position in the last five years or acquired more than 5% of capital or voting rights or privileged shares either by myself or with others and have established no major commercial relations of any significant kind with the Company, the partnerships that have management control of the Company, or the shareholders that have management control in the Company or are of major influence in the Company, neither with legal persons in which these shareholders have management control, and there is no relationship between the above-mentioned and myself, my spouse or my blood relatives or relatives by marriage to the second degree;

b) In the last five years, I have not been a partner (5% or more) or assumed major duties or responsibilities or been employed in a management position or as a member of the board of directors of any Company from or to which the Company purchases or sells or has assigned the purchasing or selling of services or products within the framework of signed agreements, particularly with auditing companies (tax auditing, legal auditing, internal auditing, included), rating or consultancy companies;

c) I have the necessary professional education, knowledge and experience to assume and execute the duties I am responsible for as an independent member of the board of directors;

d) Provided it is within the laws to which I must abide, I will not work full-time in public enterprises and organizations after being appointed member, save for my duties as university faculty member;

e) I am considered a resident of Turkey according to Income Tax Law (GVK) No. 193 dated December 31, 1960 and December 19, 1960;

f) I possess the strong ethical standards, professional reputation and experience that will allow me to freely make decisions and contribute positively to Company operations, maintain my impartiality in conflicts of interest between the Company and its shareholders, and consider the rights of stakeholders in the Company;

g) I will dedicate the time necessary to follow up on the workings of Company operations and fully perform the duties that I have assumed with regard to Company matters;

h) I have not performed the duties of member of the board of directors of the Company for more than six years within the last decade;

i) I have never before assumed the duty of independent member of the board of directors in the Company or in more than three of the companies in which management control belongs to the partners in which the Company has management control or in a total of more than five publicly-traded companies;

j) I have not been registered or announced in the name of the legal person that has been appointed as member of the Board of Directors.

Ayşe Canan EDİBOĞLU

DECLARATION OF INDEPENDENCE MARCH 3, 2016

Within the framework of the criteria determined in the Corporate Governance Communiqué No. II-17.1 announced at the Aygaz A.Ş (Company) Board of Directors, the Company Articles of Association, and the Capital Markets Board, I hereby declare that I am a candidate to serve as an "Independent Member,"" and in this context, I further declare that:

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b) In the last five years, I have not been a partner (5% or more) or assumed major duties or responsibilities or been employed in a management position or as a member of the board of directors of any Company from or to which the Company purchases or sells or has assigned the purchasing or selling of services or products within the framework of signed agreements, particularly with auditing companies (tax auditing, legal auditing, internal auditing, included), rating or consultancy companies;

c) I have the necessary professional education, knowledge and experience to assume and execute the duties I am responsible for as an independent member of the board of directors;

d) Provided it is within the laws to which I must abide, I will not work full-time in public enterprises and organizations after being appointed member, save for a university faculty member position;

e) I am considered a resident of Turkey according to Income Tax Law (GVK) No. 193 dated December 31, 1960 and December 19, 1960;

f) I possess the strong ethical standards, professional reputation and experience that will allow me to freely make decisions and contribute positively to Company operations, maintain my impartiality in conflicts of interest between the Company and its shareholders, and consider the rights of stakeholders in the Company;

g) I will dedicate the time necessary to follow up on the workings of Company operations and fully perform the duties that I have assumed with regard to Company matters;

h) I have not performed the duties of member of the board of directors of the Company for more than six years within the last decade;

i) I have never before assumed the duty of independent member of the board of directors in the Company or in more than three of the companies in which management control belongs to the partners in which the Company has management control or in a total of more than five publicly-traded companies;

j) I have not been registered or announced in the name of the legal person that has been appointed as member of the Board of Directors.

Tunç ULUĞ

DECLARATION OF INDEPENDENCE MARCH 3, 2016

Within the framework of the criteria determined in the Corporate Governance Communiqué No. II-17.1 announced at the Aygaz A.Ş (Company) Board of Directors, the Company Articles of Association, and the Capital Markets Board, I hereby declare that I am a candidate to serve as an "Independent Member,"" and in this context, I further declare that:

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b) In the last five years, I have not been a partner (5% or more) or assumed major duties or responsibilities or been employed in a management position or as a member of the board of directors of any Company from or to which the Company purchases or sells or has assigned the purchasing or selling of services or products within the framework of signed agreements, particularly with auditing companies (tax auditing, legal auditing, internal auditing, included), rating or consultancy companies;

c) I have the necessary professional education, knowledge and experience to assume and execute the duties I am responsible for as an independent member of the board of directors;

d) Provided it is within the law to which I must abide, I will not work full-time in public enterprises and organizations after being appointed member, save for a university faculty member position;

e) I am considered a resident of Turkey according to Income Tax Law (GVK) No. 193 dated December 31, 1960 and December 19, 1960;

f) I possess the strong ethical standards, professional reputation and experience that will allow me to freely make decisions and contribute positively to Company operations, maintain my impartiality in conflicts of interest between the Company and its shareholders, and consider the rights of stakeholders in the Company;

g) I will dedicate the time necessary to follow up on the workings of Company operations and fully perform the duties that I have assumed with regard to Company matters;

h) I have not performed the duties of member of the board of directors of the Company for more than six years within the last decade;

i) I have never before assumed the duty of independent member of the board of directors in the Company or in more than three of the companies in which management control belongs to the partners in which the Company has management control or in a total of more than five publicly-traded companies;

j) I have not been registered or announced in the name of the legal person that has been appointed as member of the Board of Directors.

Mansur ÖZGÜN

Profit Distribution Policy

The company distributes profit in accordance with the provisions of the Turkish Commercial Code, the Regulations on Capital Markets, Tax Laws and other related laws and regulations, and within the framework of the pertinent article of the company's Articles of Association. In line with Corporate Governance Principles, a balanced and consistent policy is adopted as regards the interests of both shareholders and the company.

In principle, as long as related regulations and financial resources allow, taking into consideration our long-term company strategies, investment and financing policies, profitability and cash position, and provided it can be covered from the legally registered profit for the fiscal year, a minimum 50% of the distributable profit calculated in accordance with Capital Markets Regulations is distributed as cash and/or bonus shares.

Distribution of profit is aimed at being paid out at the latest within one month subsequent to the General Meeting of Shareholders; the date of distribution is resolved at the General Meeting. In the event the General Meeting of Shareholders passes a resolution or authorization is granted, the Board of Directors may take a decision for the distribution of profits on an installments basis in line with Capital Markets Regulations.

According to the Articles of Association of the company, the Board of Directors may distribute an advance on dividends, provided it has been authorized to do so by the General Assembly and there is compliance with Capital Markets Regulations.

Remuneration Policy for the Board of Directors and Senior Management

This policy document defines the remuneration system and practices adopted with regard to members of the board of directors and senior management who have assumed administrative responsibilities within the scope of CMB regulations.

A fixed remuneration is allocated to each of the members of the board of directors, as determined annually at the ordinary general meeting of shareholders. Executive directors on the board shall receive a payment within a determined policy for senior management, the details of which are specified below.

The president and members of the Executive Committee, which will support the company's Board of Directors in all matters related to the operations of the company, may be remunerated at the end of each year for their contributions, their participation in meetings and on the basis of the functions they serve, in an amount determined by the board of directors within the framework of the opinion set forth by the Corporate Governance Committee. If a payment has been made to the members of the Executive Committee during the year, this amount shall be set off at the end of the year from the determined amount.

The performance-based payment plans of the company may not be used in the remuneration of independent members of the board of directors.
The remuneration of members of the board is allocated on the basis of the dates of their appointment to and withdrawal from the board and according to the length of the term served. Expenses incurred by members of the board of directors in the course of their contributions to the company (transportation, telephone, insurance costs) may be borne by the company.

The remuneration of Senior Executives however is based on a fixed and performance-based salary comprised of two components.
The fixed salaries of Senior Executives are determined in line with macroeconomic data related to the market, general salary policies in the market, the size of the company, as well as long term goals, the position of the individual officer, and international standards and legal requirements.

Premiums for Senior Executives are calculated according to the premium baseline, company performance and individual performance. Information on these criteria is summarized below:

- **Premium Baselines:** Premium Baselines are updated at the start of every year and may vary according to the size of the workload of the executive position. Premium baselines are updated in the light of senior executive premium policies in the market.

- **Company Performance:** Company performance is determined at the end of the period by measurement of the achievement of the financial and operational goals given to the company (market share, exports, foreign operations, productivity, etc.). Company goals are based on the important principles of sustaining company achievements and making improvements over previous years.

- **Individual Performance:** In determining individual performance, goals related to employees, customers, processes, technologies and long-term strategies are taken into consideration along with company goals. In measuring individual performance, parallel with company performance, long-term sustainable improvements are considered in addition to financial matters.

In the event a senior executive vacates his/her position in the company, severance indemnity may be paid on the basis of the term served in the position of senior executive, the contributions made to the company, the last goal achievement premium paid out before the date of leaving the company, and the salary and premiums paid out in the last year.

The total amounts paid out to Senior Management and Members of the Board of Directors according to the principles stated above are presented to the General Assembly for their information and/or approval in accordance with the law.

Independent Auditors' Report On the Annual Report of the Board of Directors

(Convenience translation of a report originally issued in Turkish)

To the Board of Directors of Aygaz Anonim Şirketi;

Report on the Audit of the Annual Report of the Board of Directors in accordance with the Independent Auditing Standards

We have audited the annual report of Aygaz Anonim Şirketi ("the company") and its subsidiaries (together referred to as "the company") for the year ended December 31, 2015.

The responsibility of the Board of Directors on the Annual Report

In accordance with Article 514 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Group is responsible for the preparation and fair presentation of the annual report consistent with the consolidated financial statements and for the internal controls considered for the preparation of a report of such quality.

Responsibility of the Independent Auditor

Our responsibility is to express and opinion, based on the independent audit we have performed on the Group's annual report in accordance with article 397 of the TCC and the Communiqué, on whether the financial information provided in this annual report is presented fairly and consistent with the Group's consolidated financial statements there on which auditor's report dated February 12, 2016 has been issued.

Our independent audit has been performed in accordance with the Independence Auditing Standards as endorsed by CMB and Independent Auditing Standards which are a part of Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report is free from material misstatement and consistent with the consolidated financial statements. This independent audit involves the application of auditing procedures in order to obtain audit evidence on the historical financial information. The selection of these procedures is based in the professional judgment of the independent auditor. We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial information provided in the annual report of the Board of Directors is presented fairly and consistent with the audited consolidated financial statements in all material respects.

Independent auditor's responsibilities arising from other regulatory requirements

In accordance with paragraph 3 of Article 402 of the Turkish Commercial Code ("TCC") 6102, within the framework of the Independent Auditing Standards 570 "Going Concern", no material uncertainty has come to our attention which causes us to believe that the Group will not be able to continue as a going concern in the foreseeable future.

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

Ethem Kutucular, SMMM
Partner

March 10, 2016
Istanbul, Turkey

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

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

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

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of Aygaz Anonim Şirketi:
We have audited the accompanying consolidated statement of financial position of Aygaz Anonim Şirketi (the "Company") and its Subsidiaries (together will be referred to as the "Group") as at December 31, 2015 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Group management's responsibility for the financial statements
Group's management is responsible for the preparation and fair presentation of financial statements in accordance with the Turkish Accounting Standards and for such internal controls as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and Standards on Auditing of Turkey issued by Public Oversight Accounting and Auditing Standards Authority of Turkey. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of "material misstatement" of the financial statements, whether due to error and/or fraud. In making those risk assessments; the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Aygaz Anonim Şirketi and its Subsidiaries as at December 31, 2015 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Reports on other responsibilities arising from regulatory requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on February 12, 2016.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 – December 31, 2015 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

Ethem Kutucular, SMMM
Engagement Partner

February 12, 2016
Istanbul, Turkey

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2015

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

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

Assets	Notes	Current period (Audited) December 31, 2015	Prior period (Audited) December 31, 2014
Current assets		**1.025.191**	713.475
Cash and cash equivalents	4	288.637	160.904
Trade receivables		483.374	389.832
-Trade receivables from related parties	*31*	*30.274*	*20.435*
-Trade receivables from third parties	*8*	*453.100*	*369.397*
Other receivables		2.376	5.458
-Other receivables from third parties	*9*	*2.376*	*5.458*
Derivative financial instruments	7	19.654	500
Inventories	11	186.024	110.448
Prepaid expenses	19	40.703	38.071
Assets related to current year tax		376	3.555
Other current assets	18	4.047	4.707
Non-current assets		**2.891.133**	2.698.743
Financial investments	5	268.002	346.706
Trade receivables		6.791	5.236
-Trade receivables from third parties	*8*	*6.791*	*5.236*
Other receivables		82	74
-Other receivables from third parties	*9*	*82*	*74*
Derivative financial instruments	7	-	4.294
Investments accounted under equity method	12	1.867.181	1.676.961
Property, plant and equipment	13	650.672	585.063
Intangible assets		21.340	25.748
-Other intangible assets	*14*	*21.340*	*25.748*
Prepaid expenses	19	76.632	54.270
Deferred tax asset	29	433	391
Total assets		**3.916.324**	3.412.218

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2015

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

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

Liabilities	Notes	Current period (Audited) December 31, 2015	Prior period (Audited) December 31, 2014
Short term liabilities		**846.837**	714.612
Short-term financial borrowings	6	66.128	4.625
Current portion of long term financial borrowings	6	182.478	166.607
Trade payables		372.235	318.557
- Trade payables to related parties	*31*	*143.019*	*109.625*
- Trade payables to third parties	*8*	*229.216*	*208.932*
Liabilities for employee benefits	10	26.852	44.093
Other payables		1.252	700
- Other payables to related parties	*31*	*547*	*506*
- Other payables to third parties	*9*	*705*	*194*
Derivative financial instruments	7	1.475	-
Deferred income	20	2.703	3.325
Provision for taxation on income	29	8.767	1.156
Short-term provisions		86.970	76.340
-Other provisions	*17*	*86.970*	*76.340*
Other current liabilities	18	97.977	99.209
Long term liabilities		**458.667**	338.416
Long-term borrowings	6	302.748	194.058
Other payables		83.917	78.809
- Other payables to third parties	*9*	*83.917*	*78.809*
Long-term provisions		31.414	28.273
-Provisions for employee benefits	*16*	*31.414*	*28.273*
Deferred tax liabilities	29	38.627	35.940
Other non-current liabilities		1.961	1.336
Equity		**2.610.820**	2.359.190
Share capital	21	300.000	300.000
Adjustment to share capital	21	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)	(2.892)
-Actuarial gain/loss arising from defined benefit plans		*(253)*	*(2.892)*
Other comprehensive income or expenses to be reclassified to profit or loss		116.448	242.909
-Foreign currency translation differences		*1.791*	*1.230*
-Cash flow hedge fund		*(52.208)*	*(46)*
-Gains/losses from the revaluation and reclassification of marketable securities	*21*	*166.865*	*241.725*
Restricted reserves	21	320.430	303.833
Retained earnings		1.391.086	1.232.650
Net profit for the period		418.375	217.958
Equity attributable to equity holders of the parent		**2.610.148**	2.358.520
Non-controlling interests	21	**672**	670
Total equity and liabilities		**3.916.324**	3.412.218

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

	Notes	(Audited) January 1- December 31, 2015	Reclassified (Note 2.3) (Audited) January 1- December 31, 2014
Revenue	22	6.419.610	7.061.276
Cost of sales (-)	22	(5.743.058)	(6.533.934)
Gross profit		676.552	527.342
General administrative expenses (-)	23	(167.467)	(171.304)
Marketing, sales and distribution expenses (-)	23	(252.865)	(235.174)
Research and development expenses (-)	23	(2.481)	(2.629)
Other operating income	25	94.662	92.589
Other operating expenses (-)	25	(97.912)	(106.808)
Operating profit		250.489	104.016
Income from investment activities	26	7.248	18.538
Loss from investment activities (-)	26	(2.164)	(515)
Profit /losses from investments accounted under equity method	12	230.770	123.900
Operating profit before financial income/(expense)		486.343	245.939
Financial income	27	217.573	43.514
Financial expense (-)	28	(246.110)	(52.877)
Profit before taxation		457.806	236.576
Tax income/(expense)			
- Current tax expense for the period (-)	29	(33.232)	(23.167)
- Deferred tax income/(expense)	29	(6.112)	4.614
Profit for the period		418.462	218.023
Other comprehensive income/(expense)			
Not to be reclassified as profit or loss			
Actuarial gain/loss arising from defined benefit plans, netted off deferred tax		2.639	(2.786)
To be reclassified as profit or loss			
Foreign currency translation differences		561	(645)
Gains/losses from the revaluation and reclassification of marketable securities		(74.860)	74.860
Cash flow hedging gains/losses		(52.162)	1.162
Other comprehensive income/(expense) (after taxation)		(123.822)	72.591
Total comprehensive income		294.640	290.614
Distribution of profit for the period			
Non-controlling interest		87	65
Equity holders of the parent		418.375	217.958
Distribution of total comprehensive income			
Non-controlling interest		87	65
Equity holders of the parent		294.553	290.549
Earnings per share (TL)	30	1,394583	0,726527

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

				Other comprehensive income or expenses not to be reclassified to profit or loss	Other comprehensive income or expenses to be reclassified to profit or loss								
	Share capital	Adjustment to share capital	Adjustment to share capital due to cross-ownership (-)	Actuarial gain/loss arising from defined benefit plans	Foreign currency translation differences	Cash flow hedging gains/losses	Gains/losses from the revaluation and reclassification of marketable securities	Restricted reserves	Retained earnings	Net profit for the period	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Audited													
Balance as of January 1, 2014	300.000	71.504	(7.442)	(106)	1.875	(1.208)	166.865	277.875	1.228.355	205.253	2.242.971	605	2.243.576
Transfers from retained earnings	-	-	-	-	-	-	-	-	205.253	(205.253)	-	-	-
Transfers to reserves	-	-	-	-	-	-	-	25.958	(25.958)	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(175.000)	-	(175.000)	-	(175.000)
Comprehensive income/(loss) for the period	-	-	-	(2.786)	(645)	1.162	74.860	-	-	217.958	290.549	65	290.614
Balance as of December 31, 2014	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
Audited													
Balance as of January 1, 2015	**300.000**	**71.504**	**(7.442)**	**(2.892)**	**1.230**	**(46)**	**241.725**	**303.833**	**1.232.650**	**217.958**	**2.358.520**	**670**	**2.359.190**
Effect of prior year period adjustments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**57.075**	**-**	**57.075**	**-**	**57.075**
Transfers from retained earnings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**217.958**	**(217.958)**	**-**	**-**	**-**
Transfers to reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16.597**	**(16.597)**	**-**	**-**	**-**	**-**
Dividends paid (note 21)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(100.000)**	**-**	**(100.000)**	**(85)**	**(100.085)**
Comprehensive income/(loss) for the period	**-**	**-**	**-**	**2.639**	**561**	**(52.162)**	**(74.860)**	**-**	**-**	**418.375**	**294.553**	**87**	**294.640**
Balance as of December 31, 2015	**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**

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

	Notes	Audited January 1- December 31, 2015	Audited January 1- December 31, 2014
A. Cash flows from operating activities		**244.524**	283.456
Net profit for the period		**418.462**	218.023
Adjustments related with the reconciliation of net profit/loss for the period		**(39.439)**	(30.313)
-Adjustments for depreciation and amortization expenses	13, 14	**86.432**	83.884
-Adjustments for provisions		**23.895**	(853)
-Adjustments for interest income and expenses	27, 28	**31.010**	9.116
-Dividend income from financial investments	26	**(6.507)**	(6.392)
-Adjustments for income from investments accounted under equity method	12	**(230.770)**	(123.900)
-Unrealized foreign exchange losses related with borrowings, net		**29.309**	5.215
-Adjustments for derivative financial instruments		**(13.385)**	(4.794)
-Adjustments for tax (income)/expenses		**39.344**	18.553
-Adjustments for profit/loss on sale of tangible/intangible assets	26	**1.423**	(11.631)
-Other adjustments for reconciliation of profit/loss		**(190)**	489
Changes in working capital		**(96.878)**	128.882
-Adjustments for increase/decrease in inventories		**(76.400)**	165.182
-Adjustments for increase/decrease in trade receivables		**(98.451)**	(22.668)
-Adjustments for other current assets and liabilities		**40.932**	33.747
-Adjustments for increase/decrease in trade payables		**53.678**	(57.793)
-Adjustments for other non-current assets and long-term liabilities		**(16.637)**	10.414
Cash flows from operating activities		**282.145**	316.592
-Tax payments/returns		**(34.115)**	(28.175)
-Other cash inflows/outflows	16	**(3.506)**	(4.961)
B. Cash flows from investing activities		**(142.549)**	(233.113)
Cash inflows from the sale of property, plant and equipment and intangible assets		**6.566**	18.154
Cash outflows from the purchase of property, plant and equipment and intangible assets	13, 14	**(155.622)**	(81.326)
Dividend income	26	**6.507**	6.392
Share capital participation to joint ventures		**-**	(30.000)
Net cash outflow due to acquisition of a subsidiary		**-**	(146.333)
C. Cash flows from financing activities		**25.758**	(62.493)
Net change in borrowings		**154.357**	119.176
Dividends paid		**(100.085)**	(175.000)
Interest received		**14.681**	10.782
Interest paid		**(43.195)**	(17.451)
Net increase/decrease in cash and cash equivalents		**127.733**	(12.150)
D. Cash and cash equivalents at the beginning of the period	4	**160.904**	173.054
Cash and cash equivalents at the end of the period	4	**288.637**	160.904

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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 December 31, 2015, 24,27% of its shares have been quoted at Borsa Istanbul.

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

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

As of December 31, 2015, number of personnel employed by categories in Aygaz and its subsidiaries (together with referred to as the "Group") is 696 white-collar (December 31, 2014: 691) and 698 blue-collar (December 31, 2014: 691) totaling to 1.394 (December 31, 2014:1.382).

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 24, 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 22, 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 ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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 will be paid within 24 months from the date of decision. Main activity of ADG Enerji is to produce natural gas in domestic and/or overseas markets, purchase natural gas from domestic and/or overseas suppliers, selling natural gas in domestic and/or overseas customers and make related investments to storing, transportation and distribution of natural gas and building necessary facilities.

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

		Ownership interest (%)			
Subsidiaries	Place of incorporation and Operation	**December 31, 2015**	December 31, 2014	**Voting power right**	Principal activity
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 (Istanbul 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 decided to terminate the licences of natural gas cycle plant (143MW) in Bursa and cogeneration facility (2MW) in Koç University and its operations 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.

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

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

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 in 2015.

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

		Ownership interest (%)			
Investments in associates	Place of incorporation and operation	**December 31, 2015**	December 31, 2014	**Voting power right**	Principal activity
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:

		Ownership interest (%)			
Joint venture	Place of incorporation and operation	**December 31, 2015**	December 31, 2014	**Voting power right**	Principal activity
Opet Aygaz Gayrimenkul A.Ş.	Turkey	**50,00%**	50,00%	**50,00%**	Real Estate

Approval of financial statements

The consolidated financial statements as of and for the year ended December 31, 2015 are approved in the Board of Directors meeting held on February 12, 2016.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Financial reporting standards

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

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 companies operating in Turkey. The Group has prepared its consolidated financial statements in accordance with this decision.

The Group's consolidated financial statements are presented in terms of Turkish Lira "TL" which is the functional and presentation currency of the Company and its subsidiaries.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

The consolidated financial statements are prepared based on the historical cost conversion, except for the financial assets and liabilities which are expressed with their fair values.

2.2 Consolidation principles

(a) Consolidated financial statements incorporate the financial statements of the Company, its subsidiaries and affiliates and joint ventures, which have been prepared in accordance with guidelines defined in the items (b) to (h). The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records with adjustments and reclassifications for the purpose of presentation in conformity TAS/TFRS promulgated by the POA as set out in the communiqué numbered II-14.1, and Group accounting and disclosure policies.

(b) Subsidiaries are the companies controlled by Aygaz when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

(c) Subsidiaries are fully consolidated from the date of acquisition, being the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. In case it is necessary, accounting policies are changed for subsidiaries in order to align with Group accounting policies.

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

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

(f) The non-controlling share in the net assets and operating results of Subsidiaries for the year are separately classified as non-controlling interest in the consolidated statements of financial position and consolidated statements of profit or loss.

(g) A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The investments in its associate and joint venture are accounted for using the equity method.

(h) Under the equity method, the Group's investments in its associates and joint venture are initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as a part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate or a joint venture' in the statement of profit or loss.

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 6.392 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 December 31, 2014.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 New and revised Turkey Financial Reporting Standards

New and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2015 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2015. 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, 2015 are as follows:

TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendment did not have a significant impact on the consolidated financial statements of the Group.

Annual Improvements to TAS/TFRSs

In September 2014, POA issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle.

Annual Improvements - 2010–2012 Cycle

TFRS 2 Share-based Payment:

Definitions relating to performance and service conditions which are vesting conditions are clarified. The amendment is effective prospectively.

TFRS 3 Business Combinations

The amendment clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of TAS 39 (or TFRS 9, as applicable). The amendment is effective for business combinations prospectively.

TFRS 8 Operating Segments

The changes are as follows: i) An entity must disclose the judgements made by management in applying the aggregation criteria in TFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows: i) Adjust the gross carrying amount of the asset to market value or ii) Determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

TAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. . In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment is effective retrospectively.

Annual Improvements – 2011–2013 Cycle

TFRS 3 Business Combinations

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

TFRS 13 Fair Value Measurement

The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts within the scope of TAS 39 (or TFRS 9, as applicable). The amendment is effective prospectively.

TAS 40 Investment Property

The amendment clarifies the interrelationship of TFRS 3 and TAS 40 in determining whether the transaction is the purchase of an asset or business combination. The amendment is effective prospectively.

The amendments did not have a significant impact on the consolidated financial statements 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 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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012 and February 2015, the new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

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

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. These amendments are to be applied prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization (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 amortization for intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

TAS 27 Equity Method in Separate Financial Statements (Amendment)

In April 2015, 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 TFRS 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 effective for annual periods beginning on or after January 1, 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

In February 2015, 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. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

In February 2015, 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 amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments are applied retrospectively. However, when the first time the amendments to TFRS 10 are applied, the quantitative information required TAS 8 need only be presented for the annual period immediately preceding the date of initial application. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

TAS 1: Disclosure Initiative (Amendments)

In February 2015, 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. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the consolidated financial statements of the Group

Annual Improvements to TFRSs - 2012-2014 Cycle

In February 2015, POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- TFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan.

- TFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with TFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

- TAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located.

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

The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

TFRS 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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Annual Improvements – 2011–2013 Cycle

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the 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 original effective date was January 1, 2017. However, in September 2015, IASB decided to defer the effective date to reporting periods beginning on or after 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.

IFRS 9 Financial Instruments - Final standard (2014)

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

IFRS 16 Leases

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

In January 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If *the Company/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)

In January 2016, the IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Company/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.

2.5 Offsetting

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

2.6 Revenue recognition

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

Sale of goods:

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Rendering of services:

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the entity and when the revenue amount, the completion level of the transaction as of the reporting date and the cost required for the completion of the transaction can be measured reliably.

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

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

Dividend and interest revenue:

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

2.7 Inventories

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

2.8 Property, plant and equipment

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

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

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

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

2.9 Intangible assets

Intangible assets acquired separately

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

Trade rights and licenses

Acquired trade rights and licenses are shown at historical cost. Trade rights and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives in 4 – 15 years.

Computer software

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives in 3 – 5 years.

2.10 Impairment of assets

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.11 Borrowing costs

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

2.12 Financial instruments

2.12.1 Financial assets

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification is made considering the purpose of acquisition of financial asset and its specifications, at the time of initial recording of the asset. Financial assets are reflected to the Group's balance sheet, in case of that the Group becomes a party to the related financial instruments.

Effective interest method

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

Income related with the financial assets, other than financial assets at FVTPL and AFS financial assets, is calculated by using the effective interest method.

Financial assets at FVTPL

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

Available-for-sale financial assets

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, credit card receivables from banks and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are not subject to a significant risk of changes in value.

2.12.2 Financial liabilities

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

Financial liabilities at FVTPL

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

Other financial liabilities

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

2.12.3 Derivative financial instruments and hedge accounting

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

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

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

2.13 Business combinations

Before January 1, 2010 business combinations carried out by the Group has accounted for using the acquisition method according to before revised TFRS 3 "Business Combinations".

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

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

Partial share sale and purchase transactions settled with minority shareholders

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

2.14 Foreign currency transactions

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

2.15 Earnings per share

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

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

2.16 Subsequent events

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

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

2.17 Provisions, contingent liabilities, contingent assets

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

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

2.18 Related parties

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity,
(ii) has significant influence over the reporting entity,
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

(b) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- (i) Entity and Company are members of the same Group,
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member),
- (iii) Both entities are joint ventures of the same third party,
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity,
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity,
- (vi) The entity is controlled or jointly controlled by a person identified in (a),
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

2.19 Segmental information

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

2.20 Taxation and deferred tax

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

Income tax expense represents the sum of the corporate tax and deferred tax.

Corporate tax

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Deferred tax

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

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

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.21 Employment benefits

Defined benefit plan:

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

Defined contribution plan:

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

2.22 Statement of cash flows

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

2.23 Share capital and dividends

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

2.24 Research and development expenses

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

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

Other development expenditures are recognized as expense as incurred.

Development costs previously recognized as expense can not be capitalized in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis. As of December 31, 2015, the Group has no capitalized research and development expenses. (December 31, 2014: none).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.25 Important accounting policies and applications

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

a) Property, plant and equipment and intangible fixed assets are subject to depreciation according to their useful lives (Note 13, 14). Estimations of such useful lives are based on the expectations of Group management.

b) The Group Management uses market values for quoted equity items traded in active markets, while determining fair values of available for sale financial assets. For other available for sale financial assets, fair values are determined in line with generally accepted valuation principles using current economic data, trends in the market and expectations.

Available-for-sale investment of the Group includes shares of Koç Finansal Hizmetler A.Ş. as an unlisted company, which owns the majority shareholder of Yapı ve Kredi Bankası with 81,8%. Since the shares of Yapı ve Kredi Bankası are traded in Istanbul Stock Exchange, the fair value of shares of Koç Finansal Hizmetler has been determined by using several methods such as the existing market value of Yapı ve Kredi Bankası and discounted dividend method and considering price/equity ratio of recent similar local or international acquisitions realized. In the equity method, discount rate of 16,7% (2014: 13,8%) and growth rate of 4,9% (2014: 4,0%) have been taken into consideration. The average of maximum and minimum values that are formed by calculations using these methods are reflected in the recordings as fair value (Note 5).

c) Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. During the periodic impairment test for the receivables, the debtors are assessed with their prior year performances and provision is accounted accordingly (Note 8).

d) In order to record allowances for litigations, the consequences of lost cases are evaluated with the Company lawyers and Company Management makes most accurate evaluations with the available data (Note 17).

e) Actuarial assumptions used on turnover ratio, discount rate and salary increase to calculate the employee benefit provision. Calculation details have been provided in related disclosure (Note 16).

f) There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Group recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due and recognizes tax assets for the carry forward tax losses and unused investment tax credits to the extent that the realization of the related tax benefit through the future taxable profits is probable (Note 29). Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

3. SEGMENT INFORMATION

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

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

-Gas and petroleum products
-Electricity
-Other

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

As of December 31, 2015 and 2014, assets and liabilities according to industrial segments are as follows:

					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

					December 31, 2014
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Assets					
Current assets	594.264	-	124.293	(5.082)	713.475
Non-current assets	2.319.945	327.879	184.631	(133.712)	2.698.743
Total assets	2.914.209	327.879	308.924	(138.794)	3.412.218
Liabilities					
Short term liabilities	691.263	-	33.307	(9.958)	714.612
Long term liabilities	322.114	-	13.255	3.047	338.416
Equity	1.900.832	327.879	262.362	(131.883)	2.359.190
Total liabilities and equity	2.914.209	327.879	308.924	(138.794)	3.412.218
Investments accounted under equity method	1.273.776	327.879	75.306	-	1.676.961

(Amounts expressed in thousands of Turkish Lira ("TL")
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3. SEGMENT INFORMATION (CONTINUED)

As of December 31, 2015 and 2014, profit and loss statement according to industrial segments are as follows:

					January 1 - December 31, 2015
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Revenue	6.149.025	-	426.624	(156.039)	6.419.610
Cost of sales (-)	(5.539.292)	-	(360.450)	156.684	(5.743.058)
Gross profit	609.733	-	66.174	645	676.552
General administrative expenses (-)	(148.011)	-	(20.693)	1.237	(167.467)
Marketing, sales and distribution expenses (-)	(240.265)	-	(12.600)	-	(252.865)
Research and development expenses (-)	(2.481)	-	-	-	(2.481)
Other operating income	137.311	-	9.099	(51.748)	94.662
Other operating expenses (-)	(92.137)	-	(6.468)	693	(97.912)
Operating profit	264.150	-	35.512	(49.173)	250.489
Income from investment activities	6.647	-	601	-	7.248
Loss from investment activities (-)	(2.026)	-	(150)	12	(2.164)
Profit/losses from investments accounted under equity method	229.605	(334)	1.499	-	230.770
Operating profit before financial income/(expense)	498.376	(334)	37.462	(49.161)	486.343
Financial income	208.137	-	9.436	-	217.573
Financial expense (-)	(244.648)	-	(1.462)	-	(246.110)
Profit before taxation	461.865	(334)	45.436	(49.161)	457.806
Tax income/(expense)					
Current tax expense for the period (-)	(29.222)	-	(4.010)	-	(33.232)
Deferred tax income/(expense)	(6.186)	-	74	-	(6.112)
Profit for the period	426.457	(334)	41.500	(49.161)	418.462
Distribution of profit for the period:					
Non-controlling interest	87	-	-	-	87
Equity holders of the parent	426.370	(334)	41.500	(49.161)	418.375
Investments accounted under equity method	229.605	(334)	1.499	-	230.770

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3. SEGMENT INFORMATION (CONTINUED)

	January 1 - December 31, 2014				
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Revenue	6.772.865	-	434.845	(146.434)	7.061.276
Cost of sales (-)	(6.298.643)	-	(382.664)	147.373	(6.533.934)
Gross profit	474.222	-	52.181	939	527.342
General administrative expenses (-)	(153.175)	-	(19.120)	991	(171.304)
Marketing, sales and distribution expenses (-)	(222.448)	-	(12.726)	-	(235.174)
Research and development expenses (-)	(2.629)	-	-	-	(2.629)
Other operating income	110.929	-	8.066	(26.406)	92.589
Other operating expenses (-)	(101.627)	-	(5.317)	136	(106.808)
Operating profit	105.272	-	23.084	(24.340)	104.016
Income from investment activities	11.647	-	233	6.658	18.538
Loss from investment activities (-)	(509)	-	(144)	138	(515)
Profit/losses from investments accounted under equity method	128.535	(4.893)	258	-	123.900
Operating profit before financial income/(expense)	244.945	(4.893)	23.431	(17.544)	245.939
Financial income	36.882	-	6.632	-	43.514
Financial expense (-)	(50.571)	-	(2.306)	-	(52.877)
Profit before taxation	231.256	(4.893)	27.757	(17.544)	236.576
Tax income/(expense)					
Current tax expense for the period (-)	(20.530)	-	(2.637)	-	(23.167)
Deferred tax income/(expense)	4.483	-	131	-	4.614
Profit for the period	215.209	(4.893)	25.251	(17.544)	218.023
Distribution of profit for the period:					
Non-controlling interest	65	-	-	-	65
Equity holders of the parent	215.144	(4.893)	25.251	(17.544)	217.958
Investments accounted under equity method	128.535	(4.893)	258	-	123.900

The depreciation and amortization expense for the industrial segmental assets as of December 31, 2015 and 2014 is as follows:

	January 1 - December 31, 2015	January 1 - December 31, 2014
Gas and petroleum products	**76.542**	76.814
Other	**9.890**	7.070
	86.432	83.884

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3. SEGMENT INFORMATION (CONTINUED)

The investment expenditures for the industrial segmental assets as of December 31, 2015 and 2014 are as follows:

	January 1 - December 31, 2015	January 1 - December 31, 2014
Gas and petroleum products	**85.746**	80.202
Other (*)	**69.876**	1.124
	155.622	81.326

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

4. CASH AND CASH EQUIVALENTS

	December 31, 2015	December 31, 2014
Cash on hand	**181**	518
Cash at banks	**258.820**	134.869
- Demand deposits	***19.653***	*14.177*
- Time deposits	***239.167***	*120.692*
Receivables from credit card transactions	**29.636**	25.517
Total cash and cash equivalents	**288.637**	160.904

As of December 31, 2015 the Group's TL time deposits amounting to TL 134.228 thousand with maturities of 4-37 days and interest rates of 10,6-14,00%; USD time deposits amounting to USD 36.090 thousand (TL 104.939 thousand) with maturities of 4-6 days and interest rate of 1,75% (As of December 31, 2014 the Group's TL time deposits amounting to TL 83.990 thousand with maturities of 2 -54 days and interest rates of 8,75 – 10,00%; USD time deposits amounting to USD 15.870 thousand (TL 36.801 thousand) with maturity of 2 days and an interest rate of 1,55%).

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5. FINANCIAL ASSETS

The Group's long term financial assets identified as available-for-sale financial assets are as follows as of December 31, 2015 and 2014:

	December 31, 2015		December 31, 2014	
	Participation amount	Participation rate %	Participation amount	Participation rate %
Koç Finansal Hizmetler A.Ş. (*)	265.950	1,97	344.750	1,97
Ram Dış Ticaret A.Ş. (**)	1.000	2,50	925	2,50
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. (***)	540	10,00	540	10,00
Tat Gıda Sanayi A.Ş. (**)	76	0,08	55	0,08
Other (***)	436	-	436	-
	268.002		346.706	

(*) Stated at fair value, the difference between the acquisition cost and fair value are accounted as valuation fund under equity also considering the deferred tax effect.
(**) Stated at fair value, increase in value is accounted as "profit from increase in value" under consolidated profit or loss.
(***) Stated at cost, since fair value could not be determined reliably.

6. FINANCIAL BORROWINGS

As of December 31, 2015 and 2014 the Group's short-term financial borrowings are as follows:

	December 31, 2015	December 31, 2014
USD-denominated short-term bank borrowings (*)	58.722	-
TL-denominated short-term bank borrowings (*)	7.406	4.625
Total short-term bank borrowings	66.128	4.625
Short-term portion and interest accruals of TL-denominated long-term bank borrowings	91.337	13.616
Short-term portion and interest accruals of USD-denominated long-term bank borrowings	81.254	120
Short-term portion of long-term bond issued (**)	9.887	152.871
Total short-term portion of long-term financial borrowings	182.478	166.607

(*) As of December 31, 2015, the Group has interest free loan with a total amount of TL 2.204 thousand which was used for SSI payment amounting to TL 1.753 thousand and custom expenses payment amounting to TL 451 thousand. (December 31, 2014: TL 4.625 thousand). The Group has fixed interest rate loans amounting to USD 20.000 thousand (TL 58.722 thousand) have a maturity date of September 19, 2016 and TL 5.202 thousand have a maturity date of January 4, 2016. Interest rates are 3% and 12,90% respectively.
(**) On March 18, 2015 and March 30, 2015, the Group has issued fixed rate bonds with a nominal value of TL 100.000 thousand, with a maturity of 728 days, fixed interest rate and half-yearly coupon payments and with a nominal value of TL 60.000 thousand, with a maturity of 1.092 days, floating interest rate and tri-monthly coupon payments. As of December 31, 2015, net present value of the issued bonds are TL 163.020 thousand (TL 153.133 thousand is presented as long term bonds issued) and their effective interest rates are 10,55% and 11,86% respectively.

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6. FINANCIAL BORROWINGS (CONTINUED)

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

As of December 31, 2014, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	-	4.625	4.625
			4.625

As of December 31, 2015 and 2014 the Group's long-term financial borrowings are as follows:

	December 31, 2015	December 31, 2014
TL-denominated long-term bank borrowings	81.286	138.242
USD-denominated long-term bank borrowings	68.329	55.816
Total long-term bank borrowings	149.615	194.058
Long-term bonds issued	153.133	-
Total long-term bonds	153.133	-
Total long-term financial borrowings	302.748	194.058

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 long-term loans and interest accruals			(172.591)
			149.615

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6. FINANCIAL BORROWINGS (CONTINUED)

As of December 31, 2014 the details of long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	11,66-14,08	151.858	151.858
USD	2,08	24.122	55.936
			207.794
Short-term portion of long-term loans and interest accruals			(13.736)
			194.058

7. DERIVATIVE FINANCIAL INSTRUMENTS

As of December 31, 2015 and 2014, the Group's derivative financial instruments are as follows:

Short-term derivative financial instruments	December 31, 2015		December 31, 2014	
	Contract amount	Fair value assets/(liabilities)	Contract amount	Fair value assets/(liabilities)
Forward transactions (*)	68.761	(1.475)	26.787	500
Foreign currency swap contracts (**)	50.635	19.654	-	-

Long-term derivative financial instruments	December 31, 2015		December 31, 2014	
	Contract amount	Fair value assets/(liabilities)	Contract amount	Fair value assets/(liabilities)
Foreign currency swap contracts (**)	-	-	50.635	4.294

(*) As of December 31, 2015 the Group has entered into forward transaction with a maturity of 19 - 110 days and nominal value amounting to USD 22.800 thousand.

(**) In May, 2014, the Group has entered into swap transaction with a contract amounting to TL 50.635 thousand with 2 years maturity, tri-monthly interest payment and fixed interest rate of 11,2%, in return for USD 24.070 thousand with a floating interest rate of 3 months USDLIBOR +1,8%.

8.TRADE RECEIVABLES AND PAYABLES FROM THIRD PARTIES

The Group's trade receivables from third parties as of December 31, 2015 and 2014 are as follows:

Current trade receivables	December 31, 2015	December 31, 2014
Trade receivables	434.185	346.700
Notes receivables	39.628	40.640
Allowance for doubtful receivables (-)	(20.713)	(17.943)
Total current trade receivables	453.100	369.397

Non-current trade receivables	December 31, 2015	December 31, 2014
Notes receivable	6.791	5.236
Total non-current trade receivables	6.791	5.236

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8. TRADE RECEIVABLES AND PAYABLES FROM THIRD PARTIES (CONTINUED)

Movement of allowance for doubtful receivables	January 1 - December 31, 2015	January 1 - December 31, 2014
Opening balance	17.943	16.694
Additional provision	3.354	1.810
Collections	(584)	(561)
Closing balance	**20.713**	17.943

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

Level and composition of risks of trade receivables are explained in note 32.

The Group's trade payables as of December 31, 2015 and 2014 are as follows:

Short-term trade payables	December 31, 2015	December 31, 2014
Trade payables	229.216	208.932
Total short-term trade payables	**229.216**	208.932

9. OTHER RECEIVABLES AND PAYABLES FROM THIRD PARTIES

The Group's other receivables from third parties as of December 31, 2015 and 2014 are as follows:

Other current receivables	December 31, 2015	December 31, 2014
Guarantees and deposits given	1.246	3.235
Other receivables	1.130	2.223
Total other current receivables	**2.376**	5.458

Other non-current receivables	December 31, 2015	December 31, 2014
Guarantees and deposits given	82	74
Total other non-current receivables	**82**	74

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9. OTHER RECEIVABLES AND PAYABLES FROM THIRD PARTIES (CONTINUED)

As of December 31, 2015 and 2014, other payables to third parties of the Group are as follows:

Other short-term payables	**December 31, 2015**	December 31, 2014
Deposits and guarantees taken	**705**	194
Total other short-term payables	**705**	194

Other long-term payables	**December 31, 2015**	December 31, 2014
Cylinder deposits received	**83.917**	78.809
Total other long-term payables	**83.917**	78.809

10. LIABILITIES FOR EMPLOYEE BENEFITS

As of December 31, 2015 and 2014, liabilities for employee benefits of the Group are as follows:

Liabilities for employee benefits	**December 31, 2015**	December 31, 2014
Payables to personnel	**13.665**	33.334
Employee's income tax payable	**10.228**	8.040
Social security liabilities	**2.959**	2.719
Total liabilities for employee benefits	**26.852**	44.093

11. INVENTORIES

	December 31, 2015	December 31, 2014
Raw materials	**150.698**	74.438
Trade goods	**17.264**	15.182
Goods in transit	**5.054**	11.276
Finished goods	**12.399**	8.418
Work in process	**1.662**	1.363
Allowance for impairment on inventory	**(1.053)**	(229)
Total inventories	**186.024**	110.448

As of December 31, 2015, the inventories compromise of 57.795 tons of LPG (December 31, 2014: 39.031 tons).

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11. INVENTORIES (CONTINUED)

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

Movement of allowance for impairment on inventory	January 1 - December 31, 2015	January 1- December 31, 2014
Opening balance	229	229
Additional provision	824	-
Closing balance	1.053	229

12. EQUITY INVESTMENTS

	December 31, 2015		December 31, 2014	
	Participation amount	Participation rate %	Participation amount	Participation rate %
Enerji Yatırımları A.Ş. acquisition value	669.400		669.400	
Adjustment to share capital	(7.442)		(7.442)	
Currency translation reserve	1.791		1.230	
Legal reserves	15.494		14.239	
Financial risk hedge fund	(52.109)		(46)	
Actuarial gains/losses arising from defined benefit plans	(369)		(1.141)	
Group's share in accumulated profit/losses after the acquisition date	825.886		597.536	
Effect of prior year period adjustments	6.850		-	
	1.459.501	20,00%	1.273.776	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	
Group's share in accumulated profit/losses after the acquisition date	(48.064)		(47.730)	
Financial risk hedge fund	(99)		-	
Actuarial gains/losses arising from defined benefit plans	(102)		-	
Fair value adjustment for share purchase	548		548	
Effect of prior year period adjustments	3.531		-	
	330.875	49,62%	327.879	49,62%
Opet Aygaz Gayrimenkul A.Ş.	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	1.805		306	
	76.805	50,00%	75.306	50,00%
Total	1.867.181		1.676.961	

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12. EQUITY INVESTMENTS (CONTINUED)

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

Consolidated balance sheet	December 31, 2015	December 31, 2014
Total assets	30.234.948	26.783.979
Total liabilities	(17.799.055)	(16.295.348)
Non-controlling interest	(5.138.388)	(4.119.751)
Net assets	7.297.505	6.368.880
Group's ownership	20%	20%
Group's share in associates' net assets	1.459.501	1.273.776

Consolidated profit or loss statement	January 1 - December 31, 2015	January 1 - December 31, 2014
Revenue	36.893.328	39.722.712
Profit for the period	1.148.027	642.675
Group's share in associates' profit for the period	229.605	128.535

Financial information on Entek which is accounted in the Group's financial statements according to equity pick-up method is set out below:

Consolidated balance sheet	December 31, 2015	December 31, 2014
Total assets	906.400	964.447
Total liabilities	(239.582)	(303.667)
Net assets	666.818	660.780
Group's ownership	49,62%	49,62%
Group's share in associates' net assets	330.875	327.879
Group's total share	330.875	327.879

Consolidated profit or loss statement	January 1 - December 31, 2015	January 1 - December 31, 2014
Revenue	323.048	395.271
Loss for the period	(673)	(19.723)
Group's share in associates' loss for the period (*)	(334)	(4.893)

(*) After the receipt of EMRA approval and necessary legal permissions related with the acquisition of the shares with a nominal value of TL 133.594.282 and equivalent to 24,81% of the shares of Entek Elektrik Üretimi A.Ş. by the Company, the purchase price has been paid in cash on December 18, 2014 and the share transfers have been completed on December 22, 2014. The Group's share in associates' loss for the period is 24,81%.

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12. EQUITY INVESTMENTS (CONTINUED)

Financial information on Opet Aygaz Gayrimenkul A.Ş., which is accounted in the Group's financial statements according to equity pick-up method is set out below:

Consolidated balance sheet	**December 31, 2015**	December 31, 2014
Total assets	**399.880**	373.910
Total liabilities	**(246.270)**	(223.298)
Net assets	**153.610**	150.612
Group's ownership	**50%**	50%
Group's share in associates' net assets	**76.805**	75.306

Consolidated profit or loss statement	**January 1 - December 31, 2015**	January 1 - December 31, 2014
Revenue	**14.485**	10.890
Profit for the period	**2.998**	376
Group's share in associates' profit for the period	**1.499**	188

In addition to the equity invesments given above, the revenue amounting to TL 70 thousand which belongs to Zinerji A.Ş. between January 1 and July 24, 2014 is recognized as "Profit from investments accounted under equity method" in the accompanying consolidated statement of profit or loss.

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13. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Acquisition cost									
Opening balance as of January 1, 2015	16.204	122.673	70.847	1.577.648	179.650	55.463	25.022	16.135	2.063.642
Additions	-	-	-	689	69.280	479	650	84.471	155.569
Transfers (*)	-	15.522	202	56.462	4.663	5.355	179	(83.022)	(639)
Disposals	-	(3.081)	(177)	(27.500)	(2.372)	(2.808)	(106)	-	(36.044)
Ending balance as of December 31, 2015	16.204	135.114	70.872	1.607.299	251.221	58.489	25.745	17.584	2.182.528
Accumulated depreciation									
Opening balance as of January 1, 2015	-	52.523	47.247	1.220.227	94.012	40.953	23.617	-	1.478.579
Charge of the period	-	4.638	1.979	54.822	14.589	4.504	800	-	81.332
Disposals	-	(1.054)	(11)	(23.258)	(1.723)	(1.982)	(27)	-	(28.055)
Ending balance as of December 31, 2015	-	56.107	49.215	1.251.791	106.878	43.475	24.390	-	1.531.856
Net book value as of December 31, 2015	16.204	79.007	21.657	355.508	144.343	15.014	1.355	17.584	650.672

(*) TL 639 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets.

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13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land	Land improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Acquisition cost									
Opening balance as of January 1, 2014	16.204	115.176	70.607	1.555.764	205.600	53.042	24.719	11.901	2.053.013
Additions	-	-	-	3.383	759	1.778	-	75.406	81.326
Transfers (*)	-	8.228	248	50.831	6.055	4.441	658	(71.172)	(711)
Disposals	-	(731)	(8)	(32.330)	(32.764)	(3.798)	(355)	-	(69.986)
Ending balance as of December 31, 2014	16.204	122.673	70.847	1.577.648	179.650	55.463	25.022	16.135	2.063.642
Accumulated depreciation									
Opening balance as of January 1, 2014	-	48.769	45.216	1.192.476	115.316	38.954	22.952	-	1.463.683
Charge of the period	-	4.292	2.033	55.386	11.037	4.853	787	-	78.388
Disposals	-	(538)	(2)	(27.635)	(32.341)	(2.854)	(122)	-	(63.492)
Ending balance as of December 31, 2014	-	52.523	47.247	1.220.227	94.012	40.953	23.617	-	1.478.579
Net book value as of December 31, 2014	16.204	70.150	23.600	357.421	85.638	14.510	1.405	16.135	585.063

(*) TL 711 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets.

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

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13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	December 31, 2015	December 31, 2014
Land improvements	12.635	12.455
Buildings	19.173	18.480
Plant, machinery, equipment and LPG cylinders	926.594	864.720
Vehicles and vessels	22.960	18.551
Furniture and fixtures	31.901	30.802
Leasehold improvements	24.123	21.689
	1.037.386	966.697

As of December 31, 2015 and 2014, the details of depreciation expenses are as follows:

	January 1 - December 31, 2015	January 1 - December 31, 2014
Cost of sales and services rendered	67.946	65.567
General and administrative expenses	5.959	5.926
Selling, marketing and distribution expenses	5.070	5.164
Capitalized on cylinders	2.357	1.731
	81.332	78.388

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14. INTANGIBLE ASSETS

	Rights	Total
Acquisition costs		
Opening balance as of January 1, 2015	53.825	53.825
Additions	53	53
Transfers (*)	639	639
Ending balance as of December 31, 2015	54.517	54.517
Accumulated amortization		
Opening balance as of January 1, 2015	28.077	28.077
Charge for the period	5.100	5.100
Ending balance as of December 31, 2015	33.177	33.177
Carrying value as of December 31, 2015	21.340	21.340

(*) TL 639 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets.

	Rights	Total
Acquisition costs		
Opening balance as of January 1, 2014	53.152	53.152
Transfers (*)	711	711
Disposals	(38)	(38)
Ending balance as of December 31, 2014	53.825	53.825
Accumulated amortization		
Opening balance as of January 1, 2014	22.590	22.590
Charge for the period	5.496	5.496
Disposals	(9)	(9)
Ending balance as of December 31, 2014	28.077	28.077
Carrying value as of December 31, 2014	25.748	25.748

(*) TL 711 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets.

The carrying amounts of fully amortized intangible assets still in use are as follows:

	December 31, 2015	December 31, 2014
Rights	22.075	15.776
	22.075	15.776

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14. INTANGIBLE ASSETS (CONTINUED)

As of December 31, 2015 and 2014, the details of amortization expenses of intangible assets are as follows:

	January 1 - December 31, 2015	January 1 - December 31, 2014
General and administrative expenses	5.100	5.496
	5.100	5.496

15. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Guarantees given as of December 31, 2015 and 2014 are as follows:

Guarantees given	December 31, 2015	December 31, 2014
Letter of guarantees given to customs for gas purchase	815.301	813.698
Other letter of guarantees given	27.388	21.190
Total guarantees given	842.689	834.888

The liability for environmental pollution:

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

National inventory reserve liability:

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

Competition Board Investigation:

Company, received a notification from the Competition Board informing that with a decision dated 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.

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15. CONTINGENT ASSETS AND CONTINGENT LIABILITIES (CONTINUED)

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

	December 31, 2015					December 31, 2014				
	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	37.848	61.802	57	584.530	684.237	31.332	3.803	-	591.772	626.907
B.GPMs given in favor of subsidiaries included in full consolidation (*)	-	93.075	-	65.377	158.452	-	63.948	-	144.033	207.981
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	37.848	154.877	57	649.907	842.689	31.332	67.751	-	735.805	834.888

(*) As of December 31, 2015 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 693 thousand.

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16. LONG-TERM PROVISION FOR EMPLOYEE BENEFITS

Details of long-term provisions for employee benefits as of December 31, 2015 and 2014 are as follows:

Long term provision for employee benefits	December 31, 2015	December 31, 2014
Retirement pay provision	24.469	23.401
Vacation pay liabilities	6.945	4.872
Total long-term provision for employee benefits	31.414	28.273

Retirement pay provision:

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

The amount payable consists of one month’s salary limited to a maximum of full TL 3.828,37 (December 31, 2014: full TL 3.438,22) for each year of service at December 31, 2015.

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

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

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

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

	2015	2014
Net discount rate (%)	4,60	3,50
Turnover rate related to the probability of retirement (%)	94,76 – 97,73	95,70 – 97,62

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

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16. LONG-TERM PROVISION FOR EMPLOYEE BENEFITS (CONTINUED)

The movement of retirement pay provision for the period ended December 31, 2015 and 2014 is as follows:

	2015	2014
Opening balance at January 1	**23.401**	20.255
Charge for the period	**7.014**	5.728
Actuarial (gain)/loss	**(2.440)**	2.379
Retirement pay paid	**(3.506)**	(4.961)
Closing balance at December 31	**24.469**	23.401

17. OTHER SHORT-TERM PROVISIONS

Other short-term provisions	**December 31, 2015**	December 31, 2014
Special Consumption Tax (SCT) provision on imported LPG	**68.496**	33.542
Provision for other operating expenses (*)	**3.537**	28.211
Provision for lawsuit	**5.724**	6.221
Provision for selling and marketing expenses	**4.540**	4.269
Provision for EMRA contribution	**3.399**	4.097
Provision for warranty expenses	**1.274**	-
Total other short term provisions	**86.970**	76.340

(*) On February 26, 2015, the Company reached to the agreement for the tax and tax penalty notifications issued to the Company as a result of the tax inspection which was started by the Presidency of Tax Audit Committee of Ministry of Finance in 2013; in accordance with the negotiation, original tax amounting to TL 12.587 thousand and its default interests have been accounted as "provision for other operating expenses" under other short-term provisions as of December 31, 2014.

Movement of SCT provision on imported LPG	**January 1- December 31, 2015**	January 1- December 31, 2014
Opening balance	**33.542**	64.554
Paid in current period	**(33.542)**	(64.554)
Provision for the period	**68.496**	33.542
Closing balance	**68.496**	33.542

Movement of provision for other operating expenses	**January 1- December 31, 2015**	January 1- December 31, 2014
Opening balance	**28.211**	11.592
Paid in current period	**(22.254)**	(1.441)
Provision no longer required	**(2.789)**	-
Provision for the period	**369**	18.060
Closing balance	**3.537**	28.211

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18. OTHER CURRENT ASSETS AND LIABILITIES

Other current assets	December 31, 2015	December 31, 2014
Deferred VAT	43	1.319
Fuel used in shipping operations	2.559	1.672
Income accrual	962	738
Other current assets	483	978
Total other current assets	**4.047**	4.707

Other current liabilities	December 31, 2015	December 31, 2014
Taxes and funds payable	95.824	97.276
Other liabilities	2.153	1.933
Total other current liabilities	**97.977**	99.209

19. PREPAID EXPENSES

As of December 31, 2015 and 2014, the details of Group's prepaid expenses in current assets are as follows:

Prepaid expenses	December 31, 2015	December 31, 2014
Prepaid expenses	38.433	36.479
Advances given	2.270	1.592
Total prepaid expenses	**40.703**	38.071

As of December 31, 2015 and 2014, the details of Group's prepaid expenses in non-current assets are as follows:

Prepaid expenses	December 31, 2015	December 31, 2014
Prepaid expenses	76.630	54.268
Advances given	2	2
Total prepaid expenses	**76.632**	54.270

Total amount of TL 35.166 thousand (2014: TL 32.626 thousand) presented as prepaid expenses under current assets and total amount of TL 75.620 thousand (2014: TL 53.431 thousand) presented as prepaid expenses under non-current assets are prepayments and investment contribution margin for dealer agreements.

20. DEFERRED INCOME

Deferred income	December 31, 2015	December 31, 2014
Advances taken	1.307	2.498
Prepaid income	1.396	827
Total deferred income	**2.703**	3.325

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21. SHARE CAPITAL

As of December 31, 2015 and 2014 the share capital held is as follows:

Shareholders	Participation rate	December 31, 2015	Participation rate	December 31, 2014
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.

Restricted reserves assorted from the profit

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

The details of the restricted reserves are stated below:

	December 31, 2015	December 31, 2014
Legal reserves	163.741	155.241
Gain on sale of subsidiary share that will be added to capital	156.689	148.592
	320.430	303.833

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21. SHARE CAPITAL (CONTINUED)

Dividend distribution:

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

The Company's statutory profit for the period and other sources that are subject the profit distribution as of December 31, 2015 amounts to TL 1.066.139 thousand. (December 31, 2014: TL 976.449 thousand). TL 209.043 thousand of such sources from inflation adjustment differences and TL 151.130 thousand from other capital reserves are subject to tax when they are distributed.

Dividends paid

In the Ordinary General Meeting held on March 30, 2015, the Company decided to reserve TL 8.500 thousand as legal reserves and distribute TL 100.000 thousand gross dividends from the net distributable income of 2014. According to this decision, the Company has begun dividend payments on April 6, 2015.

Gains and losses from the revaluation and reclassification of marketable securities:

Gains and losses from the revaluation and reclassification of marketable securities are related with financial assets and details are as follows:

	December 31, 2015	December 31, 2014
Koç Finansal Hizmetler A.Ş.	166.865	241.725
	166.865	241.725

Currency translation adjustment

Currency translation adjustment as of December 31, 2015 represents the Company's share of currency translation adjustment of equity investment.

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21. SHARE CAPITAL (CONTINUED)

Financial risk hedging reserve:

Fair value gains/losses of interest rates swap transactions and cross currency swap transactions carried out with respect to cash flow hedge accounting by Türkiye Petrol Rafinerileri A.Ş., a subsidiary of Enerji Yatırımları A.Ş, are recognized under "Cash flow hedge accounting gains/losses". The exchange difference gains/expenses of loans of Türkiye Petrol Rafinerileri A.Ş defined as hedging instruments against the spot foreign exchange rate risk (USD/TL) associated with highly probable export revenues in USD are recognized under equity in the same account until the cash flows of the related item, which is subject of financial risk hedging reserve, are realized.

Non-controlling interest:

	January 1 - December 31, 2015	January 1 - December 31, 2014
Opening balance	670	605
Dividends paid	(85)	-
Non-controlling interest on current year profit	87	65
Closing balance	672	670

22. REVENUE AND COST OF SALES

Revenue	January 1 - December 31, 2015	January 1 - December 31, 2014
Domestic sales	6.292.308	6.840.885
Export sales	458.036	513.262
Sales returns (-)	(10.860)	(6.234)
Sales discounts (-)	(319.874)	(286.637)
Total revenue, net	6.419.610	7.061.276
Sales of goods and services	5.340.805	5.787.810
Sales of merchandises	1.078.805	1.273.466
Revenue	6.419.610	7.061.276

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22. REVENUE AND COST OF SALES (CONTINUED)

	January 1 - December 31, 2015	January 1 - December 31, 2014
Cost of goods sold and services rendered:		
Raw materials used	**4.545.987**	5.144.374
Production overheads	**98.825**	90.783
Depreciation expenses	**67.946**	65.567
Personnel expenses	**55.415**	48.553
Change in work in process inventories	**(299)**	(402)
Change in finished goods inventories	**(3.981)**	2.178
	4.763.893	5.351.053
Cost of merchandises sold	**979.165**	1.182.881
Total cost of sales	**5.743.058**	6.533.934

23. GENERAL ADMINISTRATIVE EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES

	January 1 - December 31, 2015	January 1 - December 31, 2014
General administrative expenses	**167.467**	171.304
Marketing, sales and distribution expenses	**252.865**	235.174
Research and development expenses	**2.481**	2.629
Total	**422.813**	409.107

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23. GENERAL ADMINISTRATIVE EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES (CONTINUED)

a) Detail of general administrative expenses

	January 1 - December 31, 2015	January 1 - December 31, 2014
Personnel expenses	73.559	81.240
Consultancy expenses	11.897	7.852
Depreciation and amortization expenses	11.059	11.422
Tax expenses	9.504	7.450
Information technology expenses	8.551	7.721
Transportation expenses	6.733	6.669
Insurance expenses	6.476	5.445
Donation and aids	5.785	4.978
Lawsuit, consultancy and auditing expenses	4.425	5.583
Maintenance expenses	3.834	3.225
Communication expenses	2.813	2.662
Rent expenses	2.375	2.172
Post office expenses	1.702	1.703
Public relations activities expenses	1.554	1.328
Other administrative expenses	17.200	21.854
Total general administrative expenses	167.467	171.304

b) Detail of marketing, sales and distribution expenses

	January 1 - December 31, 2015	January 1 - December 31, 2014
Transportation, distribution and warehousing expenses	110.652	105.324
Sales expenses	52.507	48.970
Personnel expenses	38.726	34.875
Advertising and promotion expenses	35.146	29.345
Transportation expenses	7.381	7.168
Depreciation and amortization expenses	5.070	5.164
License expenses	3.344	4.225
Other marketing, sales and distribution expenses	39	103
Total marketing, sales and distribution expenses	252.865	235.174

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23. GENERAL ADMINISTRATIVE EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES (CONTINUED)

c) Detail of research and development expenses

	January 1 - December 31, 2015	January 1 - December 31, 2014
Outsourced research and development expenses	2.481	2.629
Total research and development expenses	2.481	2.629

24. EXPENSES RELATED TO THEIR NATURE

	January 1 - December 31, 2015	January 1 - December 31, 2014
Personnel expenses	112.286	116.115
Transportation, distribution and warehousing expenses	110.652	105.324
Sales expenses	52.507	48.970
Advertising and promotion expenses	35.146	29.345
Depreciation and amortization expenses	16.129	16.586
Transportation expenses	14.115	13.837
Consultancy expenses	11.897	7.852
Tax expenses	9.504	7.450
Information technology expenses	8.551	7.721
Insurance expenses	6.476	5.445
Donation and aids	5.785	4.978
Lawsuit, consultancy and auditing expenses	4.425	5.583
Maintenance expenses	3.834	3.225
License expenses	3.344	4.225
Communication expenses	2.813	2.662
Outsourced research and development expenses	2.481	2.629
Rent expenses	2.375	2.172
Public relations activities expenses	1.554	1.328
Other	18.939	23.660
Total	422.813	409.107

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25. OTHER OPERATING INCOME/EXPENSES

Other operating income for the years ended as of December 31, 2015 and 2014 are as follows:

Other operating income	January 1 - December 31, 2015	January 1 - December 31, 2014
Foreign exchange gains arising from trading activities	43.576	33.421
Income generated from maturity differences of sales	21.020	38.350
Provisions no longer required	5.299	561
Income from port services	2.463	1.740
Fair value differences on forward transactions	2.230	2.838
Demurrage income	2.229	965
Rent income	2.050	2.221
Gain on sale of scrap	1.708	1.691
LPG pipeline usage income	1.502	935
Other income and profits	12.585	9.867
Total	94.662	92.589

Other operating expenses for the years ended as of December 31, 2015 and 2014 are as follows:

Other operating expenses	January 1 - December 31, 2015	January 1 - December 31, 2014
Foreign exchange losses arising from trading activities	65.681	45.356
Expenses from maturity differences of purchases on credit	19.415	33.952
Provision expenses	3.302	19.870
Fair value differences on forward transactions	3.227	3.812
Other expenses and losses	6.287	3.818
Total	97.912	106.808

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26. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Income from investment activities	January 1 - December 31, 2015	January 1 - December 31, 2014
Dividend income from financial investments	6.507	6.392
Income from sales of property, plant and equipment (*)	741	12.146
Total	7.248	18.538

(*) On October 10, 2014, the vessel named "Kandilli" in the assets of Kandilli Tankercilik A.Ş. with a book value of TL 152 thousand, which is used in the transportation of liquid fuel gas, was sold for USD 3.000 thousand in cash. Gain on sale of the vessel amounting to TL 6.658 thousand has been accounted in the income from investment activities in the consolidated financial statements as of December 31, 2014.

Expenses from investment activities	January 1 - December 31, 2015	January 1 - December 31, 2014
Expenses from sales of property, plant and equipment	2.164	515
Total	2.164	515

27. FINANCIAL INCOME

Financial income for the years ended as of December 31, 2015 and 2014 are as follows:

Financial income	January 1 - December 31, 2015	January 1 - December 31, 2014
Foreign exchange gains	202.990	32.732
Interest income	14.583	10.782
Total	217.573	43.514

28. FINANCIAL EXPENSE

Financial expense for the years ended as of December 31, 2015 and 2014 are as follows:

Financial expense	January 1 - December 31, 2015	January 1 - December 31, 2014
Foreign exchange losses	200.517	32.979
Interest expenses	45.593	19.898
Total	246.110	52.877

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29. TAX ASSETS AND LIABILITIES

	December 31, 2015	December 31, 2014
Current tax liability		
Current corporate tax provision	44.905	23.167
Less: Prepaid taxes and funds	(36.138)	(22.011)
Current tax liability	8.767	1.156

Tax expenses	January 1-December 31, 2015	January 1-December 31, 2014
- Current corporate tax provision	(33.232)	(23.167)
- Deferred tax	(6.112)	4.614
	(39.344)	(18.553)

Corporate tax

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

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

The effective rate of tax in 2015 is 20% (2014: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2015 is 20% (2014: 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.

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29. 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/TFRS 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/TFRS and tax legislation. The rate applied in the calculation of deferred tax assets and liabilities is 20% (December 31, 2014: 20%).

Deferred tax (assets)/liabilities:	**December 31, 2015**	December 31, 2014
Restatement and depreciation/amortization differences of property, plant and equipment and other intangible assets	**35.771**	34.899
Revaluation fund on financial assets	**8.782**	12.722
Provision for employment termination benefits	**(4.725)**	(4.521)
Valuation of inventories	**(1.369)**	(2.863)
Other	**(265)**	(4.688)
	38.194	35.549

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

	December 31, 2015			December 31, 2014		
	Deferred tax			Deferred tax		
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
Aygaz A.Ş.	**(8.671)**	**46.406**	**37.735**	(13.441)	47.789	34.348
Akpa A.Ş.	**(897)**	**464**	**(433)**	(677)	286	(391)
Aygaz Doğal Gaz	**(868)**	**1.760**	**892**	(526)	2.118	1.592
	(10.436)	**48.630**	**38.194**	(14.644)	50.193	35.549

(Amounts expressed in thousands of Turkish Lira ("TL")
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29. TAX ASSETS AND LIABILITIES (CONTINUED)

Movement of deferred tax assets and liabilities are as follows:

Movement of deferred tax (assets)/liabilities :	2015	2014
Opening balance on January 1	**35.549**	36.703
Deferred tax expense/(income)	**6.112**	(4.614)
Deferred tax income/(expense) reflected in the comprehensive income statement:	**(3.467)**	3.460
Actuarial gain/loss arising from defined benefit plans	***473***	*(480)*
Hedging gains/losses	***(3.940)***	*3.940*
Closing balance on December 31	**38.194**	35.549

Tax reconciliation :

	January 1 - December 31, 2015	January 1 - December 31, 2014
Profit before tax	**457.806**	236.576
Income tax rate	**20%**	20%
Expected tax expense	**91.561**	47.315
Tax effects of:		
-revenue that is exempt from taxation	**(18.112)**	(9.423)
-expenses that are not deductible in determining taxable profit	**2.670**	1.666
-consolidation eliminations without tax effect	**(36.322)**	(21.244)
Other	**(453)**	239
Tax expense in the statement of profit or loss	**39.344**	18.553

30. EARNINGS PER SHARE

	January 1 - December 31, 2015	January 1 - December 31, 2014
Average number of ordinary shares outstanding during the period (one thousand)	**300.000**	300.000
Net profit for the year attributable equity holders of the parent company	**418.375**	217.958
Earnings per thousand shares (TL)	**1,394583**	0,726527

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

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31. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

				December 31, 2015
		Receivables		**Payables**
Balances with related parties	**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	-

				December 31, 2014
		Receivables		Payables
Balances with related parties	Trade	Non-trade	Trade	Non-trade
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	11.244	-	52.931	-
Demir Export A.Ş.	5.305	-	-	-
Ford Otomotiv Sanayi A.Ş.	1.149	-	-	-
Tat Gıda Sanayi A.Ş.	444	-	-	-
Arçelik A.Ş.	319	-	9.738	-
Opet Petrolcülük A.Ş.	47	-	24.087	-
Otokoç Otomotiv Tic. ve San. A.Ş.	51	-	1.598	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	1.700	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	-	-	4.087	-
Ram Dış Ticaret A.Ş.	-	-	10.790	-
Other	1.875	-	2.038	-
Shareholders				
Koç Holding A.Ş.	-	-	2.196	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	1	-	460	-
	20.435	-	109.625	-

(*) 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.

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

31. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

As of December 31, 2015; dividends payable amounting to TL 547 thousand (December 31, 2014 – TL 506 thousand) is reflected within other payables to related parties under short-term liabilities at the consolidated balance sheet.

				January 1 - December 31, 2015
Transactions with related parties	**Purchases (Goods)**	**Sales (Goods)**	**Purchases (Service)**	**Sales (Service)**
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	764.056	417.352	3.168	-
Opet Petrolcülük A.Ş.(**) (***)	175.422	1.229	107.156	-
Arçelik A.Ş.	36.090	3.102	123	-
Ram Dış Ticaret A.Ş.	35.806	251	2.753	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	22.398	8	25.205	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	51	150	7.048	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	6	2.701	-
Otokoç Otomotiv Tic. ve San. A.Ş.	45	1.028	594	-
Ford Otomotiv Sanayi A.Ş.	-	17.260	-	-
Demir Export A.Ş.	-	33.903	-	-
Tat Gıda Sanayi A.Ş.	-	15.500	-	-
Setur Servis Turistik A.Ş.	-	69	3.642	-
Setair Hava Taşımacılığı ve Hizm. A.Ş.	-	-	1.021	-
Diğer	3.753	20.764	2.941	-
Shareholders				
Koç Holding A.Ş. (****)	-	36	11.897	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	-	30	3.797	-
	1.037.621	510.688	172.046	-

				January 1 - December 31, 2014
Transactions with related parties	Purchases (Goods)	Sales (Goods)	Purchases (Service)	Sales (Service)
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	768.981	383.357	1.798	-
Opet Petrolcülük A.Ş.(**) (***)	191.366	1.155	94.627	-
Arçelik A.Ş.	36.941	4.703	147	-
Ram Dış Ticaret A.Ş.	35.818	-	21	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	20.431	6	20.474	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	51	194	6.576	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	7	2.997	-
Otokoç Otomotiv Tic. ve San. A.Ş.	9	2.949	1.071	-
Ford Otomotiv Sanayi A.Ş.	-	17.451	-	-
Demir Export A.Ş.	-	53.190	-	-
Tat Gıda Sanayi A.Ş.	-	12.113	-	-
Setur Servis Turistik A.Ş.	-	41	3.424	-
Setair Hava Taşımacılığı ve Hizm. A.Ş.	-	-	4.321	-
Diğer	3.973	16.828	2.500	-
Shareholders				
Koç Holding A.Ş. (****)	-	35	7.861	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	-	14	3.772	-
	1.057.570	492.043	149.589	-

(*) Group companies include Koç Group companies.

(**) Commission expense regarding LPG sold at Opet stations as of December 31, 2015 is TL 106.727 thousand (December 31, 2014 - TL 94.243 thousand). The commission expense mentioned above is evaluated as part of sales and accounted under profit or loss statement as sales discounts.

(***) Though not presented at transactions with related parties, so as to fulfil fuel and auto gas sales exclusively and on the basis of station, prepayments and/or infrastructural investments are made directed for sales under "Agreement of Auto Gas Sales at Gas Stations" between Aygaz and Opet. Prepayments are presented under prepaid expenses in consolidated statement of financial position and are periodically amortized based on duration of dealer agreements. Prepayments and investment contribution margin amounting to TL 53.031 thousand has been made to Opet in 2015 in consideration of 5 years sale agreement on average to be paid to Aygaz Dealers making auto gas sales at Opet stations.

(****) 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".

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31. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

			January 1 - December 31, 2015	
Tangible asset and rent transactions with related parties	**Rent income**	**Rent expense**	**Tangible and intangible asset purchases**	**Sale of fixed assets**
Group companies (*)				
Opet Petrolcülük A.Ş.	522	22	61	-
Yapı Kredi Bankası A.Ş.	-	291	-	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	5.284	1.148	94
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	1.409	-
Otokar Otomativ ve Savunma Sanayi A.Ş.	-	-	922	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	115	-
Türkiye Petrol Rafinerileri A.Ş.	-	17	-	526
Arçelik A.Ş.	-	-	20	-
Other	-	-	3	8
Shareholders				
Koç Family Members	-	865	-	-
	522	6.479	3.678	628

			January 1 - December 31, 2014	
Tangible asset and rent transactions with related parties	Rent income	Rent expense	Tangible and intangible asset purchases	Sale of fixed assets
Group companies (*)				
Opet Petrolcülük A.Ş.	494	20	49	-
Yapı Kredi Bankası A.Ş.	-	236	-	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	4.349	166	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	913	-
Otokar Otobüs Karoseri Sanayi A.Ş.	-	-	76	-
Türkiye Petrol Rafinerileri A.Ş.	-	12	-	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.			218	-
Arçelik A.Ş.	-	-	21	-
Diğer	-	-	28	-
Shareholders				
Koç Family Members	-	788	-	-
	494	5.405	1.471	-

(*) Group companies include Koç Group companies.

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31. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

			January 1 - December 31, 2015	
Financial and other transactions with related parties	**Financial income**	**Financial expense**	**Other income**	**Other expense**
Group companies (*)				
Yapı Kredi Bankası A.Ş.	**21.490**	**9.112**	**-**	**-**
Vehbi Koç Vakfı	**-**	**-**	**-**	**3.826**
Koç Finansal Hizmetler A.Ş.	**-**	**-**	**6.353**	**-**
Opet Petrolcülük A.Ş.	**-**	**-**	**-**	**479**
Ram Dış Ticaret A.Ş.	**-**	**-**	**150**	**-**
Ditaş Deniz İşletmeciliği ve Tic. A.Ş.	**-**	**-**	**4**	**-**
	21.490	**9.112**	**6.507**	**4.305**

			January 1 - December 31, 2014	
Financial and other transactions with related parties	Financial income	Financial expense	Other income	Other expense
Group companies (*)				
Yapı Kredi Bankası A.Ş.	21.037	14.007	-	-
Koç Finansal Hizmetler A.Ş.	-	-	6.392	-
Vehbi Koç Vakfı	-	-	-	3.830
Opet Petrolcülük A.Ş.	-	-	-	696
Diğer	-	-	3	-
	21.037	14.007	6.395	4.526

Cash at banks	**December 31, 2015**	December 31, 2014
Group companies (*)		
Yapı Kredi Bankası A.Ş.	**220.777**	124.805

Credit card receivables	**December 31, 2015**	December 31, 2014
Group companies (*)		
Yapı Kredi Bankası A.Ş.	**27.059**	22.324

Bank loans	**December 31, 2015**	December 31, 2014
Grup şirketleri (*)		
Yapı Kredi Bankası A.Ş.	**6.953**	1.606

(*) Group companies include Koç Group companies.

Benefits to Top Management:

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

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

As of December 31, 2015, total benefit provided to senior management of the Company is TL 32.825 thousand (December 31, 2014: TL 33.746 thousand). TL 2.680 thousand of total amount is paid to senior management due to their leave (December 31, 2014: None) and the remaining amount is consist of short term benefits as of December 31, 2015.

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32.NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS

a) Capital risk management

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

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

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

	December 31, 2015	December 31, 2014
Total short-term and long-term borrowings	**551.354**	365.290
Less: Cash and cash equivalents	**(288.637)**	(160.904)
Net financial debt	**262.717**	204.386
Total shareholder's equity	**2.610.820**	2.359.190
Net financial debt/equity ratio	10%	9%

b) Financial risk factors

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

b.1) Credit risk management

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

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

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32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk of financial instruments

	Receivables					
	Trade receivables		Other receivables			
December 31, 2015	Related party	Third party	Related party	Third party	Deposits in banks	Credit card receivables
Maximum exposed credit risk as of reporting date (*)	30.274	459.891	-	2.458	258.820	29.636
- The part of maximum risk under guarantee with collateral etc.	-	273.461	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	30.274	421.405	-	2.458	258.820	29.636
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	38.486	-	-	-	-
- The part under guarantee with collateral etc-	-	6.114	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	20.713	-	-	-	-
- Impairment (-)	-	(20.713)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

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

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32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk of financial instruments

	Receivables					
	Trade receivables		Other receivables			
December 31, 2014	Related party	Third party	Related party	Third party	Deposits in banks	Credit card receivables
Maximum exposed credit risk as of reporting date (*)	20.435	374.633	-	5.532	134.869	25.517
- The part of maximum risk under guarantee with collateral etc.	-	250.715	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	20.435	318.990	-	5.532	134.869	25.517
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	55.643	-	-	-	-
- The part under guarantee with collateral etc-	-	30.670	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	17.943	-	-	-	-
- Impairment (-)	-	(17.943)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

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

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32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

December 31, 2015	**Trade receivables**	**Other receivables**	**Deposits in banks**	**Derivative instruments**	**Other**	**Total**
Past due 1-30 days	**28.146**	**-**	**-**	**-**	**-**	**28.146**
Past due 1-3 months	**5.717**	**-**	**-**	**-**	**-**	**5.717**
Past due 3-12 months	**844**	**-**	**-**	**-**	**-**	**844**
Past due 1-5 years	**3.656**	**-**	**-**	**-**	**-**	**3.656**
Past due more than 5 years	**123**	**-**	**-**	**-**	**-**	**123**
Total past due	**38.486**	**-**	**-**	**-**	**-**	**38.486**
The part under guarantee with collateral	**6.114**	**-**	**-**	**-**	**-**	**6.114**

December 31, 2014	Trade receivables	Other receivables	Deposits in banks	Derivative instruments	Other	Total
Past due 1-30 days	40.301	-	-	-	-	40.301
Past due 1-3 months	9.695	-	-	-	-	9.695
Past due 3-12 months	1.926	-	-	-	-	1.926
Past due 1-5 years	3.599	-	-	-	-	3.599
Past due more than 5 years	122	-	-	-	-	122
Total past due	55.643	-	-	-	-	55.643
The part under guarantee with collateral	30.670	-	-	-	-	30.670

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32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

b.2) Liquidity risk management

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

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

December 31, 2015

Contractual maturity analysis	Book value	Total cash outflow according to the contract (I+II+III+IV)	Less than 3 months (I)	3 – 12 months (II)	1– 5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Short term and long term borrowings	551.354	598.990	30.948	245.377	322.665	-
Trade payables	372.235	372.235	372.235	-	-	-
Other payables	85.169	85.169	1.252	-	-	83.917
Other liabilities	99.938	99.938	97.977	-	-	1.961
	1.108.696	1.156.332	502.412	245.377	322.665	85.878

Derivative Instruments (*)	Carrying value	Cash flow according to contract	Less than 3 months	3 – 12 months	1 – 5 years	More than 5 years
Derivative cash inflows		136.279	56.117	80.162	-	-
Derivative cash outflows		(119.396)	(58.127)	(61.269)	-	-
Derivative instruments, net	18.179	16.883	(2.010)	18.893	-	-

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

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32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

December 31, 2014						
Contractual maturity analysis	Book value	Total cash outflow according to the contract (I+II+III+IV)	Less than 3 months (I)	3 – 12 months (II)	1 – 5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Short term and long term borrowings	365.290	403.795	161.101	13.684	229.010	-
Trade payables	318.557	318.557	318.557	-	-	-
Other payables	79.509	79.509	700	-	-	78.809
Other liabilities	100.545	100.545	99.110	99	531	805
	863.901	902.406	579.468	13.783	229.541	79.614

Derivative Instruments (*)	Carrying value	Cash flow according to contract	Less than 3 months	3 – 12 months	1 – 5 years	More than 5 years
Derivative cash inflows		82.832	27.016	-	55.816	-
Derivative cash outflows		(77.422)	(26.787)	-	(50.635)	-
Derivative instruments, net	4.794	5.410	229	-	5.181	-

b.3) Market risk management

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

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

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

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

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32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

b.3.1) Foreign currency risk management

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

The Group manages its foreign currency risk by regularly considering and reflecting the foreign exchange rate changes in the determination of product prices. As of December 31, 2015, the Group has LPG amounting to TL 64.808 thousand (December 31, 2014:TL 37.824 thousand).

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

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 asset/liability position of off balance sheet asset and liabilities (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 ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

December 31, 2014		Total TL equivalent	TL equivalent of USD	TL equivalent of Euro	TL equivalent of other
1.	Trade receivables	24.779	22.449	90	2.240
2.a	Monetary financial assets	38.048	37.123	184	741
2.b	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	Current assets	62.827	59.572	274	2.981
5.	Trade receivables	-	-	-	-
6.a	Monetary financial assets	-	-	-	-
6.b	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non-current assets	-	-	-	-
9.	Total assets	62.827	59.572	274	2.981
10.	Trade payables	(100.269)	(99.666)	(603)	-
11.	Financial liabilities	(120)	(120)	-	-
12.a	Other monetary financial liabilities	-	-	-	-
12.b	Other non-monetary financial liabilities	-	-	-	-
13.	Current liabilities	(100.389)	(99.786)	(603)	-
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(55.816)	(55.816)	-	-
16.a	Other monetary financial liabilities	-	-	-	-
16.b	Other non-monetary financial liabilities	-	-	-	-
17.	Non-current liabilities	(55.816)	(55.816)	-	-
18.	Total liabilities	(156.205)	(155.602)	(603)	-
19.	Net asset/liability position of off balance sheet asset and liabilities (19a-19b)	82.832	82.832	-	-
19.a	Total hedged assets	82.832	82.832	-	-
19.b	Total hedged liabilities	-	-	-	-
20.	Net foreign currency asset/liability position (9+18+19)	(10.546)	(13.198)	(329)	2.981
21.	Net foreign currency asset/liability position of monetary items (1+2a+5+6a+10+11+12a+14+15+16a)	(93.378)	(96.030)	(329)	2.981
22.	Fair value of foreign currency hedged financial assets	-	-	-	-
23.	Hedged foreign currency assets	-	-	-	-
24.	Hedged foreign currency liabilities	-	-	-	-
25.	Export	513.262	507.057	6.205	-
26.	Import	2.380.071	2.375.342	3.974	755

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32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Currency forward agreements

Currency forward agreements which are valid as of December 31, 2015 and 2014 are summarized at the table below:

					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**

					December 31, 2014
Maturity	Parity	Type of contract	Transactions	Total amount	Currency
1 to 3 months	2,3352 -2,3518	Forward	Sells TL, buys USD	11.650	USD

Swap agreements

As of December 31, 2015, the Group has swap agreements amounting to TL 50.635 thousand with fixed interest rate of 11,2% in return for USD 24.070 thousand with a floating interest rate of three-month USDLIBOR +1,8%. Swap transaction has quarterly interest payments and the maturity date of principal payment is on May 23, 2016.

Foreign currency sensitivity:

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

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

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

				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

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32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

				December 31, 2014
		Income/Expense		Equity
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
10% fluctuation of USD rate				
USD net asset/liability	(9.603)	9.603	(9.603)	9.603
Secured portion from USD risk	8.283	(8.283)	8.283	(8.283)
USD net effect	(1.320)	1.320	(1.320)	1.320
10% fluctuation of Euro rate				
Euro net asset/liability	(33)	33	(33)	33
Secured portion from Euro risk	-	-	-	-
Euro net effect	(33)	33	(33)	33
Total	(1.353)	1.353	(1.353)	1.353

b.3.2) Interest rate risk management

The Group is exposed to interest rate risk due to the effect of changes in interest rates on the Group's assets and liabilities having interest returns. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and interest rate forward contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

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

Interest rate position table

	December 31, 2015	December 31, 2014
Instruments with fixed interest rate		
Time deposits	**239.167**	120.692
Borrowings and bonds issued	**308.531**	273.805
Instruments with variable interest rate		
Borrowings	**240.619**	86.860

At December 31, 2015, for the financial instruments with variable interest rate, had the interest rates in terms of all the currency units increased/decreased by 100 basis points, with all other variables held constant, profit before taxation would have been higher/lower by TL 341 thousand (2014: TL 132 thousand) as a result of the low/high interest income/expense related with the borrowings and time deposits.

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32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Financial instrument categories and fair values

December 31, 2015	Financial assets at amortized cost	Loans and receivables	Financial assets available for sale	Trading financial assets	Financial liabilities at amortized cost	Book value	Note
Financial assets							
Cash and cash equivalents	288.637	-	-	-	-	288.637	4
Trade receivables	-	490.165	-	-	-	490.165	8,31
Other financial assets	-	-	268.002	-	-	268.002	5
Other receivables	-	2.458	-	-	-	2.458	9
Financial liabilities							
Short-term and long-term borrowings	-	-	-	-	553.919	551.354	6
Trade payables	-	-	-	-	372.235	372.235	8,31
Liabilities for employee benefits	-	-	-	-	13.665	13.665	10
Other payables	-	-	-	-	85.169	85.169	9,31
Other liabilities	-	-	-	-	2.153	2.153	18

December 31, 2014	Financial assets at amortized cost	Loans and receivables	Financial assets available for sale	Trading financial assets	Financial liabilities at amortized cost	Book value	Note
Financial assets							
Cash and cash equivalents	160.904	-	-	-	-	160.904	4
Trade receivables	-	395.068	-	-	-	395.068	8,31
Other financial assets	-	-	346.706	-	-	346.706	5
Other receivables	-	5.532	-	-	-	5.532	9
Financial liabilities							
Short-term and long-term borrowings	-	-	-	-	367.963	365.290	6
Trade payables	-	-	-	-	318.557	318.557	8,31
Liabilities for employee benefits	-	-	-	-	33.334	33.334	10
Other payables	-	-	-	-	79.509	79.509	9,31
Other liabilities	-	-	-	-	1.933	1.933	18

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

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32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy table

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

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

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

Financial assets/liabilities			**Level of fair value as of reporting date**	
	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**	**-**

Financial assets /liabilities			Level of fair value as of reporting date	
	December 31, 2014	1st Level	2nd Level	3rd Level
Available-for-sale financial assets (*)	345.730	55	345.675	-
Derivative financial instruments	4.794	-	4.794	-

(*) 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 December 31, 2015 (December 31, 2014 – TL 976 thousand). The fair value of these financial assets cannot be measured reliably and stated at cost in the accompanying financial statements.

Information for reflecting financial assets and liabilities at fair value:

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

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

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

Financial assets

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

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

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32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)

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

Financial Liabilities

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

As of December 31, 2015 the carrying value and the fair value of the long-term borrowings, including the short term portions, are equal to TL 485.226 thousand (Note 6), and TL 487.791 thousand respectively. Fair value is calculated by discounting the cash out flows regarding market interest rates.

33. SUBSEQUENT EVENTS

Within the scope of approval of Capital Market Board at Meeting numbered 7/313, and dated March 13, 2015, Entity has issued bond with a nominal value of TL 75.000 thousand, maturity of 728 days, and every 182 days fixed interest rate coupon payments for demand of qualified investors on
January 29, 2016.

As a result of the Board of Director's decision of ADG Enerji for share capital increase dated March 20, 2014, the Company paid the remaining amount of TL 16.050 thousand of capital commitment to ADG Enerji Yatırımları A.Ş. ("ADG Enerji") on February 11, 2016.

34. OTHER SIGNIFICANT ISSUES AFFECTING THE FINANCIAL STATEMENTS OR THE OTHER ISSUES REQUIRED FOR CLARIFICATION OF FINANCIAL STATEMENTS

None.

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