

### Corporate Credit Rating

### Non-Financial & Industry [[Natural Gas Distribution]]

PALGAZ DOĞALGAZ		Long-Term	Short-Term
International	Foreign currency	BBB-	A-3
	Local currency	BBB-	A-3
	Outlook	Stable	Stable
National	Local Rating	A-(Trk)	A-1(Trk)
	Outlook	Stable	Stable
Sponsor Support		2	-
Stand-alone		B	-
Sovereign	Foreign currency	BBB-	-
	Local currency	BBB-	-
	Outlook	Stable	-

PALGAZ DOĞALGAZ DAĞITIM SANAYİ VE TİCARET A.Ş.					
Financial Data	March, 2013	2012*	2011*	2010*	2009*
Total Assets (000 USD)	125,527	138,366	96,366	93,962	81,359
Total Assets (000 TL)	227,040	245,959	182,027	145,265	122,502
Equity (000 TL)	46,978	51,347	34,374	32,523	30,448
Net Profit (000 TL)	1,599	16,973	1,851	2,075	448
Sales (000 TL)	71,889	223,677	120,790	91,062	217,389
Net Profit Margin (%)	2.22	7.59	1.53	2.28	0.21
ROAA (%)	n.a	8.15	1.41	1.89	n.a
ROAE (%)	n.a	40.67	6.92	8.03	n.a
Equity/Assets (%)	20.69	20.88	18.88	22.39	24.86
Net W.Cap/T.Assets (%)	-21.47	-26.22	-53.36	-58.43	-50.59
Debt Ratio (%)	79.31	79.12	81.12	77.61	75.14
Asset Growth Rate (%)	-7.69	35.12	25.31	18.58	n.a

\*End of year

#### Overview

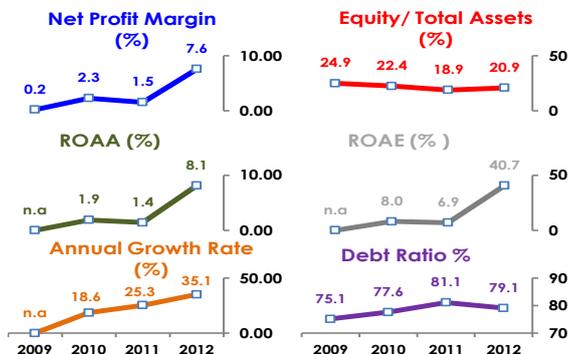
**Palgaz Doğalgaz Dağıtım Sanayi ve Ticaret A.Ş.** (referred to as **Palgaz** or the **Company**) is a natural gas distribution company operating in the Gebze, Darica, Dilovası and Çayırova regions since FY2003 with a 30-year license to distribute natural gas starting from FY2004.

**Palmet Enerji A.Ş.** is the largest qualified shareholder of the non-listed company along with the 10% share enjoyed by the 4 local governments in the area that is covered by the company.

**Palmet Enerji A.Ş.**, the largest qualified shareholder of **Palgaz** was established in 1984. The holding company, along with its subsidiaries, provides services in the fields of natural gas distribution, energy production, natural gas and electricity trade, engineering and contracting services as well as providing back-up support services in the fields of finance, budgeting and human resources to all other group companies. The largest qualified shareholder of **Palmet Enerji A.Ş.** is **Bülent Doğanay SAMURAY**. **Palmet Enerji** enjoys direct ownership of **Palgaz**, **Palen**, **Gazport**, **Gasline**, **Palport** and **Palmet Elektrik** and is a significant shareholder in **Palmet-Manitoba Hydro International**. The operating activities of the group concentrate mainly on the natural gas and electricity sectors.

\*Assigned by Japan Credit Rating Agency, JCR on May 23, 2013

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#### Strengths

- Creation of operational productivity, cost-savings and high-levels of trade synergies as a result of the close trade relations enjoyed within group companies
- Downward trend in the cost of sales and the maintenance of this trend
- Low level of price, credit and collection risk and NPL ratios observed throughout Company operations and the sector in general,
- Low level of off-balance-sheet liabilities
- Ability to create interest-free resources based on deposit fees from subscribing members and their possible high levels
- Monopoly status enjoyed by the company in its operational zone and the legal barriers that exist to the entry of other players into the same market
- The presence of local governments in its shareholder structure

#### Constraints

- Determination of prices, level of competition and consumption in the Turkish natural markets based on developments taking place in the global oil markets
- Extremely high level of import dependence in the natural gas supply which leads to supply insecurity
- Despite having monthly PPI adjusted price mechanisms in place, the negative effects imposed by high FX risks on the volatility of profitability
- Negative net working capital ratio and the resultant need for an increase in cash equity
- Need to improve corporate governance practices