

PALGAZ DOĞALGAZ		Long Term	Short Term
International	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook	Stable	Stable
National	Local Rating	BBB+(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	2013*	2012*	2011*	2010*	2009*
Total Assets (000 USD)	129,502	139,429	96,366	94,475	82,365
Total Assets (000 TRY)	275,892	247,849	182,027	145,265	122,502
Equity (000 TRY)	53,477	55,015	34,374	32,523	30,448
Net Profit (000 TRY)	-1,605	17,369	1,851	2,075	448
Sales (000 TRY)	242,270	220,529	120,038	90,397	216,950
Net Profit Margin (%)	-0.66	7.88	1.54	2.29	0.21
ROAA (%)	-0.65	8.46	1.41	1.89	0.92
ROAE (%)	-3.16	40.69	6.92	8.03	3.71
Equity / Total Assets (%)	19.38	22.20	18.88	22.39	24.86
Net Working Capital / T. Assets (%)	-14.80	-23.50	-33.05	-45.35	-38.01
Debt Ratio (%)	80.62	77.80	81.12	77.61	75.14
Asset Growth Rate (%)	11.31	36.16	25.31	18.58	n.a

*End of year

Company Overview

Palgaz Doğalgaz Dağıtım Sanayi ve Ticaret A.Ş. (referred to as **Palgaz** or the Company) won the natural gas distribution tender for the Gebze, Darıca, Dilovası and Çayırova regions of Izmit in FY2003 for a 30-year period which started in FY2004. The largest qualified shareholder of the non-listed Company is Palmet Enerji A.Ş. whilst the remaining 10% of shares are controlled by the 4 local governments constituting the operational zone of Palgaz, as required by the legislations. As a licensed Company operating in the energy sector, Palgaz is subject to the rules and regulations of the Energy Markets Regulatory Agency. (EMRA) The Company currently has over 140k subscribers and employed 46 personnel as of FYE2013.

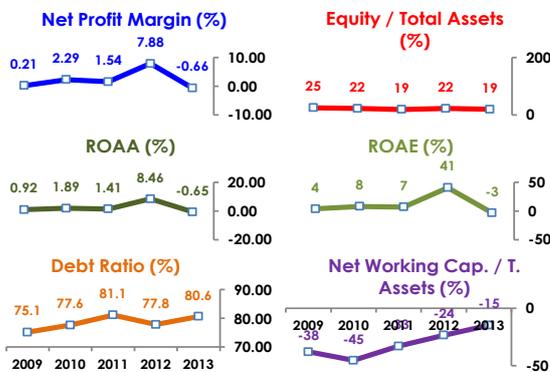
Palmet Enerji A.Ş., (referred to as the **Palmet** or the **Group**), established in 1984, has been operating as an integrated energy Company in the fields of natural gas trade & distribution, electricity generation & trade, engineering and contracting services as well as providing managerial support services in the fields of finance, strategy, human resources, budgeting to all Group subsidiaries and affiliates. It enjoys direct ownership of Palgaz, Palen, Gazport, Gasline, Palport and Palmet Elektrik and is a significant shareholder in Palmet-Manitoba Hydro International. **Bülent Doğanay SAMURAY** is the largest qualified shareholder of the Company that employed 199 personnel as of FYE2013.

*Assigned by Japan Credit Rating Agency, JCR on July 11, 2014

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Strengths

- Monopoly status enjoyed across its operating zone
- Significant growth potential carried by the Gebze region with respect to future natural gas consumption
- Robust shareholder structure containing the parent Company and local authorities
- Improving debt composition in favor of long-term liabilities
- Creation of trade synergies with other Group companies leading to cost savings and productivity
- Low level of collection risks strengthening the Company's asset quality

Constraints

- Deterioration in the major profitability indicators of ROAA and ROAE in the past financial year
- Presence of sector regulations leading to fixed levels of profitability
- Downward pressures exerted on profitability resulting from the effects of the devaluation of the Turkish Lira on the Company's FX position
- High level of dependence on imports for natural gas requirements leading to supply insecurity and fluctuations in prices
- Exposure to potential risks across the Palmet Group
- Areas for Improvement in the level of Compliance with Corporate Governance Practices despite recent progress

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