

**Corporate Credit Rating**

**Non-Financial & Industry**

*Natural Gas Distribution*

		Long Term	Short Term
International	Foreign Currency	BB+	B
	Local Currency	BBB-	A-3
	Outlook	Stable	Stable
National	Local Rating	BBB+(Trk)	A-2(Trk)
	Outlook	Positive	Positive
Sponsor Support		2	-
Stand-Alone		B	-
Sovereign*	Foreign Currency	BBB-	-
	Local Currency	BBB-	-
	Outlook	Stable	-

PALEN ENERJİ DOĞALGAZ DAĞITIM END. ve TİC. A.Ş.						
Financial Data	June,2015	2014*	2013*	2012*	2011*	2010*
Total Assets (000 USD)	38,002	41,134	39,410	39,228	33,162	32,804
Total Assets (000 TRY)	102,035	95,385	83,959	69,732	62,639	50,440
Equity (000 TRY)	22,899	22,014	19,255	20,429	17,872	17,929
Net Profit (000 TRY)	888	2,737	-1,169	883	-57	2,503
Sales (000 TRY)	90,307	140,190	124,078	102,815	83,797	59,921
Net Profit Margin (%)	0.98	1.95	-0.94	0.86	-0.07	4.18
ROAA (%)	N/A	3.84	-1.96	0.56	-0.16	6.14
ROAE (%)	N/A	16.68	-7.58	1.95	-0.50	17.86
Equity / Total Assets (%)	22.44	23.08	22.93	29.30	28.53	35.55
Net Working Capital / T. Assets (%)	-15.91	16.49	22.73	-10.94	-6.62	-18.51
Debt Ratio (%)	77.56	76.92	77.07	70.70	71.47	64.45
Asset Growth Rate (%)	N/A	13.61	20.40	11.32	24.19	8.16

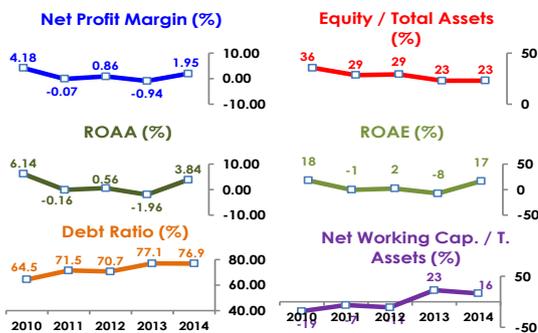
\*End of year

**Company Overview**

**Palen Enerji Dogalgaz Dagitim Endüstri ve Ticaret A.Ş.** (referred to as **Palen** or the Company) was issued with a gas distribution license for the Erzurum and Ilica regions in Eastern Turkey from February, 2004 onwards for a 30-year period. The Company delivers gas distribution services in its coverage region in line with pre-determined Energy Markets Regulatory Authority (EMRA) tariffs. Palmet Enerji A.Ş., an integrated energy group established in 1984, is the qualified shareholder of the Company which contains local authorities in its shareholder structure as required by EMRA. The Company currently has over 92k subscribers as part of its distribution schemes in its service coverage zone while 48 people are employed across its operations. (FYE2013: 44)

**Palmet Enerji A.Ş.** (referred to as **Palmet** or the **Group**), stepped into the energy sector through the construction of natural gas pipelines in the 1990s and has a diversity of operational fields including natural gas distribution & trade, electricity generation & trade, engineering and contracting services. In addition, it provides managerial support services in the areas of finance, strategy, human resources and budgeting to all Group subsidiaries and affiliates. Mr. Bülent Doganay **SAMURAY** is the largest qualified shareholder of the Company which employed 215 personnel as of March, 2015. (FYE2013: 199)

\*Assigned by Japan Credit Rating Agency, JCR on August 28, 2015  
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**Strengths**

- Sound expansion in operational volume over the last 5 years as reflected by the growth in asset size and sales revenues
- Predictability of future cash flow generation potential safeguarded by licensed monopoly status in its operating zone
- Significant growth potential of gas consumption on a local and national basis in the medium and long-term
- Know-how and established status of Palmet Enerji, the qualified shareholder, in the national energy sector along with the presence of local authorities
- Reduction of foreign currency risk, low level of price and collection risks and off-balance sheet liabilities lowering risk levels
- Potential positive contribution of the newly formed Palmet Gas Group to future growth and development

**Constraints**

- Role of regulatory authorities in the determination of profitability across the gas distribution industry
- Fluctuation in past profitability performance stemming from exposure to foreign currency risk arising from financial liabilities
- High level of dependence on natural gas imports and rising political tensions with Russia along with the monopoly of state-owned BOTAS
- Need for further improvement in the level of compliance with Corporate Governance Practices regarding transparency

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*"Global Knowledge supported by Local Experience"*