

Corporate Credit Rating
Annual Review

Energy

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

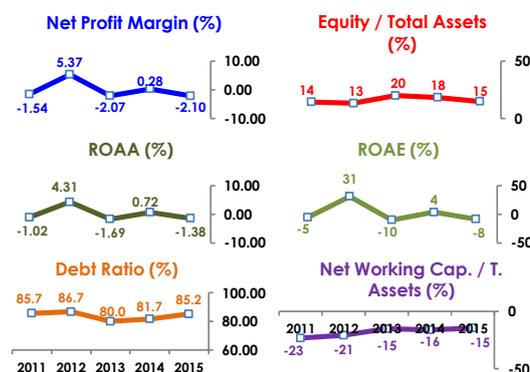
*Assigned by Japan Credit Rating Agency, JCR on August 28, 2015

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Strengths

- Stable and sustainable cash flow generation potential in the gas distribution segment safeguarded by strong regulatory operating environment and licensed monopoly status
- Increase in core operating profitability in the completed financial year due to reductions in activities expenses
- High levels of penetration attained across Turkey with respect to membership of gas distribution schemes with large levels of investment by the private sector
- Asset quality strengthened by the large share of tangible assets, low collection risks and reduction in foreign currency risk
- Vertical integration of operations at the Group level leading to cost-savings and contributing to risk management
- Successive realized bond issues in the past and current financial year and attained level of compliance with Corporate Governance Practices

Constraints

- Deterioration in internal equity generation capacity and subsequent losses throughout the completed financial year resulting from the utilization of USD denominated financial liabilities
- High levels of dependence on external leverage in order to finance capital expenditures in the distribution and electricity generation segments
- Large cost of sales level placing pressure on core operating profitability
- Maintenance of negative net working capital levels due to the short-term liability dominated funding composition
- Excessive supply in the national electricity market due to ongoing and planned projects anticipated to exert pressure on future prices and profit margins across the sector
- Heavy dependence on the Russian Federation for natural gas imports in the context of rising political tensions along with the monopoly status of BOTAS in the market

		PALMET ENERJİ A.Ş.				
Financial Data		2015*	2014*	2013*	2012*	2011*
Total Assets (000 USD)		429,998	476,301	469,586	452,936	305,784
Total Assets (000 TRY)		1,250,264	1,104,494	1,000,407	805,139	577,595
Equity (000 TRY)		185,431	201,895	199,943	107,259	82,813
Net Profit (000 TRY)		-16,845	2,658	-16,669	27,950	-8,296
Sales (000 TRY)		801,358	936,075	803,469	520,078	537,987
Net Profit Margin (%)		-2.10	0.28	-2.07	5.37	-1.54
ROAA (%)		-1.38	0.72	-1.69	4.31	-1.02
ROAE (%)		-8.41	3.80	-9.94	31.35	-5.35
Equity / Total Assets (%)		14.83	18.28	19.99	13.32	14.34
Net Working Capital / T. Assets (%)		-14.50	-16.14	-15.18	-20.84	-23.33
Debt Ratio (%)		85.17	81.72	80.01	86.68	85.66
Asset Growth Rate (%)		13.20	10.40	24.25	39.39	63.10

*End of year

Overview

With an operational history dating back to 1984, Palmet Enerji A.Ş. was established initially to operate in the infrastructure and telecommunication sectors and entered into the energy sector through the construction of natural gas pipelines. The Company won the tenders for natural gas distribution in the regions of Gebze and Erzurum in 2004, entitling it to monopoly status with respect to gas distribution in the stated regions through its subsidiaries of Palgaz and Palen respectively for a 30 year period.

In addition to natural gas distribution, the Company diversified its operational fields to include electricity generation and trade, imports and wholesale trade of liquefied natural gas, engineering and project management services to ensure vertical integration in line with the liberalization in the Turkish energy market following the establishment of the Energy Markets Regulatory Authority in 2001.

Mr. **Bülent Doganay SAMURAY** is the qualified shareholder and Chairman of the Company which had a paid-in capital of TRY 75mn as of FYE2015. Headquartered in Istanbul with investments dispersed across Turkey, Palmet Enerji had 11 consolidated subsidiaries, employed 243 personnel and had sales revenues of TRY 801.36mn at FYE2015.

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