

Corporate Credit Rating

Annual Review

Non-Financial & Industry

Natural Gas Distribution

		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	Positive	Positive
	Issue Rating	BBB+(Trk)	A-1(Trk)
Sponsor Support		2	-
Stand-Alone		B	-
Sovereign*	Foreign Currency	BBB-	-
	Local Currency	BBB-	-
	Outlook	Stable	-

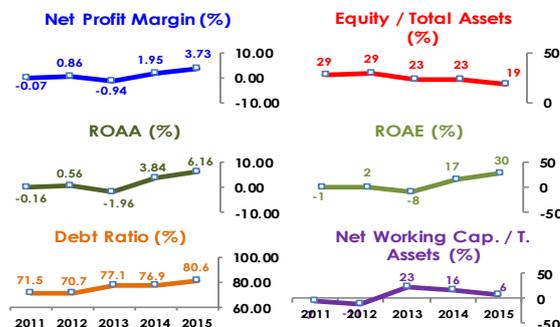
PALEN ENERJİ DOĞALGAZ DAĞITIM END. ve TİC. A.Ş.					
Financial Data	2015*	2014*	2013*	2012*	2011*
Total Assets (000 USD)	49,535	41,134	39,338	39,228	33,162
Total Assets (000 TRY)	144,029	95,385	83,959	69,732	62,639
Equity (000 TRY)	27,966	22,014	19,255	20,429	17,872
Net Profit (000 TRY)	5,912	2,737	-1,169	883	-57
Sales (000 TRY)	158,406	140,190	124,078	102,815	83,797
Net Profit Margin (%)	3.73	1.95	-0.94	0.86	-0.07
ROAA (%)	6.16	3.84	-1.96	0.56	-0.16
ROAE (%)	29.53	16.68	-7.58	1.95	-0.50
Equity / Total Assets (%)	19.42	23.08	22.93	29.30	28.53
Net Working Capital / T. Assets (%)	6.27	16.49	22.73	-10.94	-6.62
Debt Ratio (%)	80.58	76.92	77.07	70.70	71.47
Asset Growth Rate (%)	51.00	13.61	20.40	11.32	24.19

*End of year

Company Overview

Following the tender held in August, 2003, **Palen Enerji Doğalgaz Dağıtım Endüstri ve Ticaret A.Ş.** (referred to as **Palen** or the Company), was entitled to gas distribution services in the Erzurum and Ilica regions in Eastern Turkey for a 30-year period in line with the EMRA license beginning from February, 2004. The Company maintained its steady expansion throughout FY2015 and currently has over 95k subscribers.

Palmet Gaz Grup A.Ş., which was established in December, 2014 to bring together the gas group companies of Palgaz, Palen, Gasline and Palmet-Manitoba, is the qualified shareholder of the Company with a rate of 89% whilst **Palmet Enerji A.Ş.** and ultimately Mr. Bülent Döğenay SAMURAY is the qualified individual shareholder of the Company. Palmet Enerji A.Ş. which stepped into the energy sector in the 1990s as through the construction of natural gas pipelines, is a vertically integrated energy company with operations in inner city gas distribution, imports and wholesale of natural gas along with electricity generation and trade. As required by EMRA regulations, the remaining 10% of shares belong to the local authority in its operating region, Erzurum Metropolitan Municipality.



Strengths

- Maintenance of the upward trend in the principle profitability indicators over the last 2 years
- Stable ebitda margin and cash flow generation capacity granted from licensed monopoly status in its service region
- Operational volume growth supported by further additional investment limits and enlargement of service zone
- Medium and long-term growth potential of the gas distribution sector at the national level
- Asset quality strengthened by low level of impaired receivables, collection risks, off balance sheet liabilities and absence of foreign currency risk
- Synergies and cost-savings created through management of risks at the Palmet Group level and the recently established Palmet Gas Group

Constraints

- Downward pressure exerted on gross operating profitability by the high cost of sales level
- Reduction in the share of equity in the funding of Company operations throughout FY2015 due to undertaken heavy investment activity with leverage
- Import dependency on Russia for natural gas imports along with the monopoly of state-owned BOTAS in the domestic gas market
- Contraction in national gas consumption throughout FY2015 despite the rise in global consumption
- Ongoing deterioration in market circumstances stemming from the unsuccessful coup attempt and its impact on economic confidence
- Further need for improvement in the level of compliance with Corporate Governance Practices

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