Başkentgaz – Business Overview

September 2017
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Başkentgaz Is the Dominant Supplier of Natural Gas in the Ankara Region

✓ 2nd largest regulated gas distribution network in Turkey based in Ankara, Turkey’s growing capital
✓ 1st infrastructure real estate investment company in Turkey – corporate tax exempted
✓ Stable cash flow profile with growth potential underpinned by guaranteed US Dollar denominated fixed tariff until the end of 2021¹ and concession rights granted until 2037
✓ c. 1.72 MM² customers with direct access to customer via meter ownership

✓ 100% revenue regulated³
✓ 6.6% CAGR of infrastructure network from 2000 to H1 2017
✓ 8.4% residential gas sales volume CAGR from 2014 to 2016
✓ TRY 306 MM 2016 EBITDA⁴ & TRY 236 MM H1 2017 EBITDA⁴

Source: Company information

Notes
1. Tariff transition effective from January 2022 but subject to adjustment fees to be paid to EMRA to reflect end of current regulation regime period in May 2021
2. As of H1 2017
3. With the exception of connection fees charged to Commercial & Industrial customers but pricing also capped by regulation (cost plus mechanism)
4. EBITDA defined as following: revenues less cost of sales, less administrative & marketing expenses plus depreciation & amortization, based on audited IFRS financial statements
**Başkentgaz Has a Long History**

### Operational Milestones
- **March 18, 2001:** Natural Gas Market Law (NGML) adopted
- **2001:** Turkey’s first local natural gas distribution started in Ankara
- **2002:** Customer base reaches 500K customers
- **2007:** Customer base reaches 1 MM customers
- **2012:** Length of the distribution grid reaches 10,000 km in 2012
- **2013:** Customer base reaches 1.5 MM customers

### Transformation Process / Corporate History
- **1927:** Turkey’s first local natural gas distribution started in Ankara
- **1988:** Natural gas services transferred to Başkentgaz Natural Gas Distribution Inc.
- **2001:** Başkentgaz established as a joint-stock company through a spin-off from EGO pursuant to the new legal requirement to create a separate natural gas distribution company
- **2002:** Natural gas services transferred to Başkentgaz Natural Gas Distribution Inc.
- **2007:** Customer base reaches 1 MM customers
- **2013:** Length of the distribution grid reaches 10,000 km in 2012
- **2014:** Customer base reaches 1.5 MM customers
- **February 2016:** Başkentgaz is transformed into an infrastructure REIC, the first such conversion of an infrastructure company, granting it a full corporate tax exemption

### Source
Company information
Başkentgaz – A Resilient and Regulated Company…

**Company’s Strengths**

1. **GAS DISTRIBUTION NETWORK**
   - Başkentgaz is the dominant gas distributor to Turkey’s capital, Ankara, under an exclusive license until 2037

2. **RESILIENCE UNDERPINNED BY FIXED USD-BASED TARIFF**
   - A resilient business model, with 100% of the TRY 2,537 MM revenue in FY 2016 from regulated gas distribution and sales activities

3. **STRONG REGULATORY VISIBILITY**
   - Strong regulatory visibility driven by a fixed USD-based tariff until 2021

4. **RELIABILITY EFFICIENCY AND GROWTH**
   - Young asset base with high reliability and proven resilience ensuring cash flow recurrence

5. **RELIABILITY AND GROWTH**
   - Combination of a cost optimization program and CAPEX expansion plan providing attractive bottom line growth

6. **STRONG FINANCIAL POSITION**
   - Attractive historical returns driven by gas volume growth and enhanced by corporate tax exemption

7. **DIVIDENDS BASED ON 100% PAY-OUT OF DISTRIBUTABLE PROFIT**
   - Dividends based on 100% pay-out of distributable profit to ensure maximal cash returns to investors

8. **INCENTIVES OF EXPERIENCED MANAGEMENT**
   - Incentives of experienced management aligned with shareholders’ objectives

**Source** Company information
Demonstrating a Strong Growth and Cash Generation Profile

### Strong revenue growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue TRY MM</th>
<th>% CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2,093</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>2,633</td>
<td>10%</td>
</tr>
<tr>
<td>2016</td>
<td>2,537</td>
<td></td>
</tr>
<tr>
<td>2017 H1</td>
<td>1,550</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Audited IFRS financial statements

### High EBITDA profitability

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA TRY MM</th>
<th>% EBITDA Margin</th>
<th>% CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>225</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>243</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>306</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>2017 H1</td>
<td>236</td>
<td>15%</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Audited IFRS financial statements

### Healthy Net Income margins

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Income TRY MM</th>
<th>% Net Income Margin</th>
<th>% CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>142</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>150</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>284^</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>2017 H1</td>
<td>222</td>
<td>14%</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Audited IFRS financial statements

### Record dividend payments

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividends paid TRY MM</th>
<th>~2x</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>171</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>178</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>320</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Company information, Audited IFRS financial statements

**Notes:**
1. Net Income adjusted for one-time effect of TRY 217 MM due to transition to tax-exempt status. Unadjusted net income in 2016 was TRY 501 MM.
Başkentgaz is the Dominant Gas Distributor for Turkey’s Capital City…

(1) Exclusive provider of gas distribution and sales activity in Ankara until the end of 2037…

- Ankara key facts:
  - 2nd largest city in Turkey and political capital
  - Total population 5.3 MM as of 2016 year-end
  - 1st most attractive city in Turkey in terms of net domestic migration flow between 2010 and 2016

**Başkentgaz concession area within the Ankara region**

- Başkentgaz distribution network
- Other distribution companies
- Non-gasified district
- Ongoing gasification process

**Source** Company Information, Turkstat

(2) …Which makes it the 2nd largest regulated gas utility in Turkey and the largest privatised gas utility in the country…

Local gas utility companies by number of customers²

<table>
<thead>
<tr>
<th>MM</th>
<th>4.7</th>
<th>1.7</th>
<th>0.6</th>
<th>0.5</th>
<th>0.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source</td>
<td>EMRA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(3) …Located in a region with attractive demographics for a network utility business…

**Population growth**

<table>
<thead>
<tr>
<th>% CAGR’11–16</th>
<th>Ankara</th>
<th>Turkey</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.8</td>
<td>1.3</td>
<td></td>
</tr>
</tbody>
</table>

**Household growth**

<table>
<thead>
<tr>
<th>% CAGR’11–16</th>
<th>Ankara</th>
<th>Turkey</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.8</td>
<td>2.7</td>
<td></td>
</tr>
</tbody>
</table>

**Population density**

<table>
<thead>
<tr>
<th>Inhabitants/km², 2016</th>
<th>Ankara</th>
<th>Turkey</th>
</tr>
</thead>
<tbody>
<tr>
<td>218</td>
<td>104</td>
<td></td>
</tr>
</tbody>
</table>

**Source** TurkStat, World Bank, Turkish Government Mid Term Plan ‘14-16

(4) …Enhanced by positive macro-economic underlying drivers

**GDP per capita**³ – 2014

<table>
<thead>
<tr>
<th>TRY ‘000s</th>
<th>36.7</th>
<th>26.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source</td>
<td>TurkStat</td>
<td></td>
</tr>
</tbody>
</table>

**Notes**

1. Calculated as percentage of Başkentgaz concession area population to total Ankara population
2. Total number of customers as of 2016 year-end
3. As of 2012
4. Nominal prices
...Serving Ankara and Demonstrating High Operational Excellence

**Regional footprint**
Operating territory of Başkentgaz¹

- Concession obtained in 2007, lasting for 30 years
- Supply 13 districts of Ankara within the operating territory

**Gas Network Distribution**
- Extensive sales channels:
  - 14 direct branches
  - 55 Gazmatik kiosks
  - 316 complementary sales points in partnership with PTT and local bank partner (ING)

**Retail Supply Activity**
- Advanced Customer Services:
  - Call Center assisting 1.3 MM calls annually²
  - First-of its kind 24/7 Customer Service team in Turkey formed by 14 certified companies ensuring uninterrupted service²

**Operating territory: 25,402 km²**

- 11,595 km network length
- 1.72 MM total customers
- 1.64 MM residential customers

**Notes**
1. Calculated as percentage of Başkentgaz concession area population to total Ankara population
2. As of 2016YE

**Source** Company Information as of 2017 H1
Başkentgaz Operates Under an Attractive Regulatory Framework…

<table>
<thead>
<tr>
<th>Existing current regulation applied to Başkentgaz</th>
<th>New regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>Jan. 2022</td>
</tr>
<tr>
<td>8 Years Fix Tariff Period Through 2021¹</td>
<td>5 years regulatory period</td>
</tr>
</tbody>
</table>

### Key characteristics of the current mark-up system

- **Mark-Up**
  - + VAT + Special Consumption Tax²
  - Pass-through to customers

- **Gas Sourcing Cost**
  - Passed through to customers with limited and controlled working capital effect

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>USD-denominated</strong></td>
<td><strong>Fixed and guaranteed for a period of 8 years through 2021</strong></td>
<td><strong>Minimal regulatory complexity through its tariff system</strong></td>
</tr>
<tr>
<td><strong>Covers both distribution and retail activities</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Price-cap RAB-based system**
- **Attractive allowed returns – currently pre-tax real of 12.85%³**
- **Active stakeholder management strategy in place to seek successful regulatory transition**
- **Expected to cover both distribution and retail activities**

**Source** Company Information, EMRA

**Notes**
1. Tariff transition effective from January 2022 but subject to adjustment fees to be paid to EMRA to reflect end of current regulation regime period in May 2021
2. VAT of 18% and special consumption tax of TRY 23 per 1,000 cubic meter, not an IFRS metric
3. Current allowed returns rate is applicable to other gas distributors in Turkey – subject to revision for the following five years periods
…With Clearly Defined Path for Future Success…

1. The best-in-class regional operator...
   - Cost optimization program
   - Metering infrastructure modernization program

2. ...Positioned to secure profitable growth organically...
   - Organic growth in the Ankara region
   - Preparation of successful transition into new regulatory regime through active stakeholder management

3. ...And potential to expand into new geographies¹
   - New concession opportunities outside of Ankara, as liberalisation progresses

Source: Company information

Notes
1. Subject to regulation change or exemption granted
### A seasoned management team cumulating over 100 years of relevant industry experience...

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Industry Experience</th>
<th>Background</th>
</tr>
</thead>
</table>
| Ahmet Yetik           | Chief Executive Officer (CEO)         | 21 Years 4 years at Başkentgaz | • Joined Başkentgaz in 2013 as commercial director, CEO since 2016  
  • Previous experience: Gazbir-Gazmer, Aksa Doğalgaz and İGDAŞ |
| Asim Yuksel           | Chief Financial Officer (CFO)         | 28 Years 3 years at Başkentgaz | • Joined Başkentgaz in 2014 as chief auditor, CFO since 2016  
  • Responsible for Finance and Administrative Services  
  • Previous experience: Assistant General Manager at Ziraat Securities |
| Muhammed Omer Ayla    | Chief Investment Officer (CIO)        | 25 Years 3 years at Başkentgaz | • Joined Başkentgaz in 2014 as Director of Investments, CIO since 2016  
  • Previous Experience: Project Manager/Administrator at İGDAŞ, Aksa, Zorlu and Arsan |
| Mustafa Erdogdular    | Chief Operation Officer (COO)         | 28 years Baselgaz: 1 year | • Joined Başkentgaz in 2016 as COO  
  • Previous Experience: Aksa Natural Gas, İklimsa, Demir-Dokum |

### ...With a proven recent track-record, as seen in the significant restructuring effort post privatization...

- Restructuring effort pursued post-privatization, generating significant savings and quality enhancement over the past 3 years
  - Operational efficiencies measures such as call center and meter maintenance services insourced by Başkentgaz
  - Well invested, properly maintained and equipped with modern technologies network

### ...supported by top-management incentive program

- Remuneration policy with adequate management incentives to align with shareholder interests with a bonus structure taking into consideration:
  - Total shareholder returns (including dividends)
  - Customer growth
  - Cost cutting objectives