

REPUBLIC OF TURKEY  
PRIME MINISTRY  
Privatization Administration



INVITATION TO INVESTORS

TENDER ANNOUNCEMENT FOR THE PRIVATIZATION OF  
100% OF THE SHARES OF  
BAŐKENT DOĐALGAZ DAĐITIM A.Ő. THROUGH BLOCK SALE METHOD

Company Whose Shares Are Being Offered	Capital of the Company (Turkish Lira)	Percentage of Shares Being Offered (%)	Number of Shares Being Offered	Amount of Bid Bond (US Dollars)	Bidding Deadline
Bařkent Dođalgaz Dađıtım A.Ő.	700,000,000 (seven hundred million)	100 (hundred)	700,000 (seven hundred thousand)	50,000,000 (fifty million)	17/12/2012

1. 100% (hundred percent) of the state-owned shares held in the capital of Bařkent Dođalgaz Dađıtım A.Ő. ("Company") belonging to the Privatization Administration of the Prime Ministry of the Republic of Turkey ("Administration") will be privatized through "Block Sale" method in accordance with the provisions of the Law No. 4046 regarding Privatization Implementations and Privatization High Council Decisions dated 02.07.2009 and numbered 2009/43 and dated 06.08.2012 and numbered 2012/120, respectively.
2. Real persons, legal entities and Joint Venture Groups can bid in the tender. Investment funds can take part as members in a Joint Venture Group comprising at least one real person and/or legal entity.
3. In order to participate in the tender, it is compulsory to sign the Confidentiality Undertaking and to purchase the Information Memorandum and the Tender Specifications prepared for the Company. It is not possible to bid for the tender without purchasing the Tender Specifications and the Information Memorandum. Although purchase of the Information Memorandum and the Tender Specifications by one of the Joint Venture Group members suffices, each member of the Joint Venture Group is required to sign the Confidentiality Undertaking separately and deliver it to the Administration.
4. The tender shall be conducted by holding negotiations through the negotiation method following the receipt of the bids in sealed envelopes. If deemed necessary by the Tender

Commission, the tender may be concluded through an auction with the participation of the Bidders involved in the negotiations.

5. Bidders must provide a Bid Bond of **US Dollars 50,000,000 (Fifty Million)** in order to participate in the tender.
6. Confidentiality Undertaking may be obtained from the address of the Administration given below as of **14/09/2012**. Confidentiality Undertaking signed by the Bidder or its authorized representatives will be submitted to the Administration with the signature circulars. The fee of the Information Memorandum and the Tender Specifications is **US Dollars 20,000 (Twenty thousand)** and shall be deposited to;

**6.1.** The following Privatization Proceeds Accounts of the Administration, if the payment is made in **US Dollars** to account;

- a) No. **TR91 0001 0000 0138 7773 4350 05** at the **Central Branch of T.C. Ziraat Bankası A.Ş. in Ankara** or,
- b) No. **TR47 0001 5001 5804 8000 4174 74** at the **Central Branch of Vakıfbank A.Ş. in Ankara** or,
- c) No. **TR69 0001 2009 4520 0053 0000 24** at the **Corporate Branch of Halkbank in Ankara**.

**6.2.** The following Privatization Proceeds Accounts of the Administration, if the payment is made in **Turkish Lira**, in the equivalent amount to be calculated at the prevailing Foreign Exchange Selling Rate declared by the Central Bank of the Republic of Turkey on the payment date and shall be deposited to account;

- a) No. **TR86 0001 0000 0138 7756 6150 04** at the **Central Branch of T.C. Ziraat Bankası A.Ş. in Ankara** or,
- b) No. **TR22 0001 5001 5800 7287 5506 67** at the **Central Branch of Vakıfbank A.Ş. in Ankara** or,
- c) No. **TR25 0001 2009 4520 0083 0000 06** at the **Corporate Branch of Halkbank A.Ş. in Ankara**.

Tender Specifications can be obtained as of the date of the Tender Announcement and the Information Memorandum can be obtained as of **01/10/2012** from the address of the Administration given below in return for a "Receipt Document" by providing the original bank slip, on which name of real person, legal entity or the Joint Venture Group is clearly stated, including "**Baskent Doğalgaz Dağıtım A.Ş. Information Memorandum and Tender Specifications Purchase Price**" showing the deposit of the purchase price. The fee paid for the purchase of the Information Memorandum and Tender Specifications shall not be refunded under any circumstances.

7. Participants upon their application, may be given the opportunity to access the Data Site that will be made available in electronic environment from the date to be designated by the Administration, to visit the Data Room that will contain the information and documents that could not be uploaded to the Data Site, to hold meetings with Company representatives, to attend Management Presentations and to make Company Visits in order to perform due diligence of the current status of the Company including also the information contained in the Information Memorandum, prior to bidding ("Due Diligence Process").

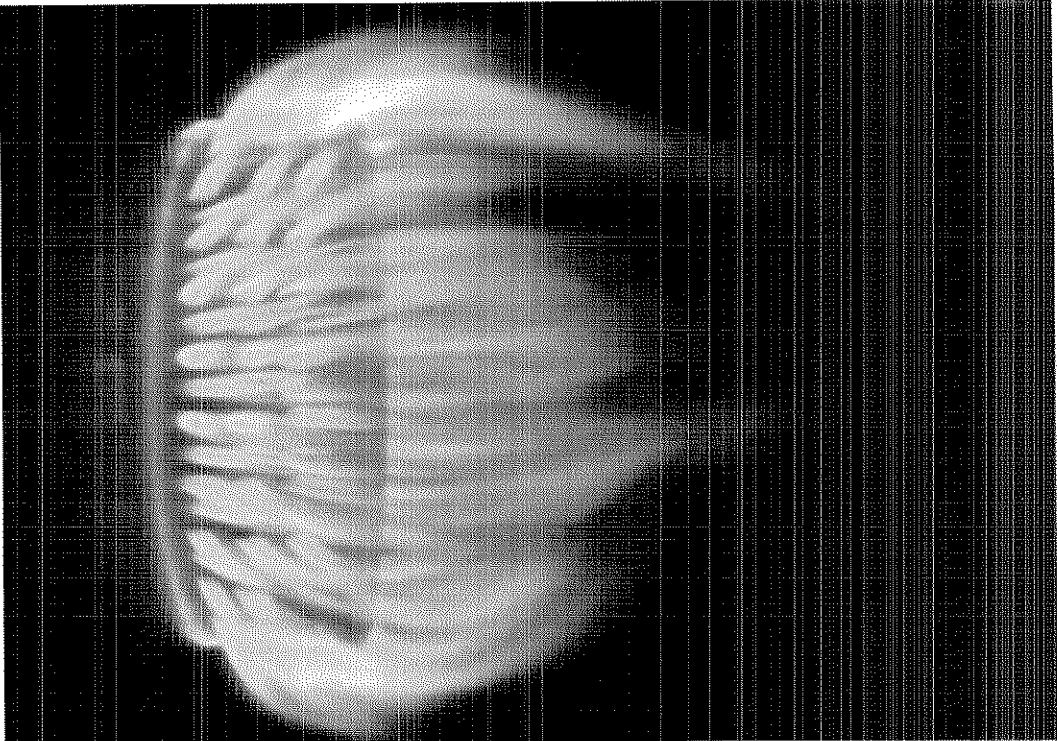
8. In order to participate in the Due Diligence Process, Participants are required to deposit **US Dollars 20,000 (Twenty Thousand)** or the equivalent in Turkish Lira, to be calculated at the prevailing Foreign Exchange Selling Rate declared by the Central Bank of the Republic of Turkey on the payment date, to any of the bank account numbers specified in Article 6 of the Tender Announcement in cash, and apply to the Administration in writing with the full list of the representative(s) who will participate in the Due Diligence Process, attaching the bank slip showing that the abovementioned amount has been deposited. The Due Diligence Process participation fee shall under no circumstances be refunded.
9. Bids shall be prepared in accordance with the terms set out in the Tender Specifications and shall be delivered by hand in a sealed envelope labeled **“BID FOR TENDER OF BAŞKENT DOĞALGAZ DAĞITIM A.Ş. - CONFIDENTIAL”** to the address of the Administration given below no later than **6.00 pm** on **17/12/2012**. Bids submitted after the bidding deadline will not be taken into consideration.
10. The tender is not subject to State Tender Law No. 2886 and it is in the Administration’s sole discretion to conduct the tender or not, to award the tender to any person or entity and to extend the bidding deadline. The Administration reserves its right to extend the bidding deadline to a certain date or defer it to a time to be designated at a further date.
11. All other issues related to the tender are provided in the Tender Specifications.



**REPUBLIC OF TURKEY  
PRIME MINISTRY  
Privatization Administration**

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BASKENTGAZ  
BASKENTGAZ A.Ş.

## Baskent Doğalgaz Dağıtım A.Ş.


### Brief Info Pack

Şubat 2012

www.baskentgaz.com.tr



BASKENTGAZ  
ÖZELLEŞTİRME  
İDARESİ  
BASKENTGAZ A.Ş.

 Garanti Yatırım

## Important Notice

This document has been prepared by Garanti Yatirim Menkul Kymetler A.Ş. ("Garanti Securities") and Nomura International PLC ("Nomura") (together referred as "Financial Advisors") which has been assigned as exclusive advisor by the Republic of Turkey, Prime Ministry, Privatisation Administration (the "PA"), at the direction of and from materials and information supplied from Bařkentgaz Doęalgaz Daęıtım A.Ş. ("Bařkentgaz" or the "Company") and the sector in accordance with the instructions given by PA, in connection with the privatization of 100% of shares of Bařkentgaz through "sale" method.

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## Investment Opportunity

- Turkey's second largest natural gas distribution company
- 1.4 million subscribers
- Annual distribution volume over 3.6 billion m<sup>3</sup>
- Over 2.3 billion m<sup>3</sup> sales volume
- Fixed US\$ distribution charge
- Flexible ring system; enabling alternative distribution paths
- 1,100+ regulation and metering stations
- Distribution network exceeding 9,600 km

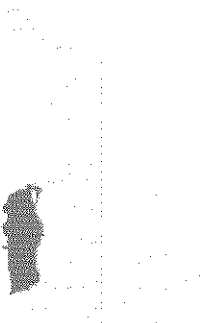
### Company Overview

### Transaction Overview

- 100% of the shares to be privatized by "block sale"
- After collecting sealed bids and negotiation rounds, tender to be concluded with open bidding
- An undisclosed reserve value to be determined prior to the open bidding
- Bid submission deadline and bid bond requirements to be announced in the Tender Announcement
- Payment options to be stated in the Tender Specification Document
- Non-Disclosure Agreement must be signed to obtain the Tender Specification Document
- Conditions of the procurement of the Tender Specification Document to be stated in the Tender Announcement
- Management Presentations and Site Visits may only be requested after the collection of the Tender Specification Document

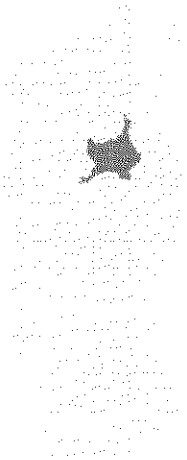
## Key Investment Highlights

### Turkey



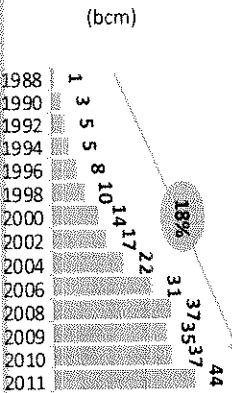
- Strategic location; attractive position between Europe, Middle East and Asia
- Strong GDP growth, despite the global financial turbulence (8.5% and 3.2% in 2011 and in 20121Q respectively)
- Population growth rate 14.3% (2007-2011)

### Ankara



- Capital of Turkey and center of bureaucracy
- Turkey's second most populated city (4.9 million)
- Rapidly growing: 2.3% population growth rate between 2007-2011
- Between December- February monthly average temperature of (2 C°) (1970-2011)

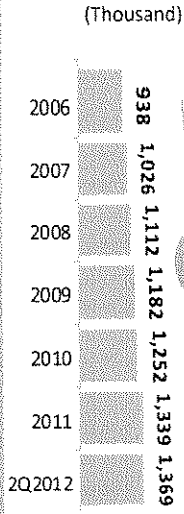
### Turkish Natural Gas Sector



- Rapidly growing natural gas consumption (CAGR of 18% between 1988 and 2011)
- High growth potential; relatively low per capita consumption compared to EU average in 2010 (495 m<sup>3</sup> compare to 920 m<sup>3</sup>)
- By the end of 2011 in Turkey, out of 81 cities, 69 has access to natural gas

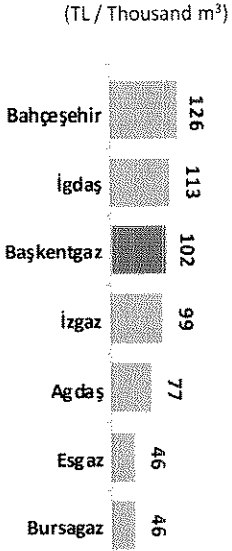
## Key Investment Highlights

### Distribution Network



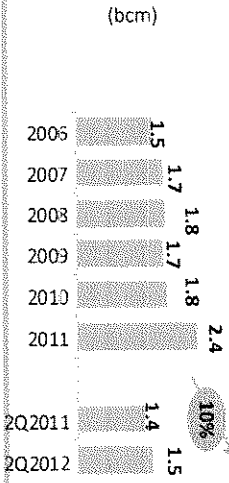
- Developing distribution network with growing subscriber base
- Distribution network of exceeding 9,160 km
- 1,100+ regulation and metering stations
- Flexible ring system; enabling alternative distribution paths

### Distribution Charge



- Exclusive distributor with US\$ based distribution charge for all subscriber groups (period extended for 8 years after privatization)
- Service Charge fixed at annual consumption threshold of 800,000 m³
- Enjoys the third highest national Service Charge (July, 2012)

### Consumption Volume



- Second largest national natural gas distribution company
- 1.4 million subscribers (additional 500k subscriber potential)
- Sales and supply volume increased by 33% and 37% respectively in 2010 and 2011
- Annual distribution volume has exceeded 3 billion m³ p.a.

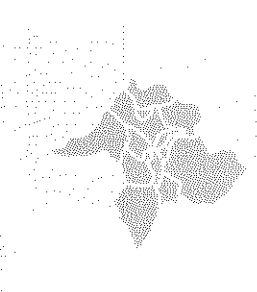


## Başkentgaz Overview

### Business Description

- Established in 2007, Başkentgaz is the second largest national natural gas distribution company.
- Exclusive distributor of natural gas within its assigned region covering an area of c. 50 km in radius in Ankara, capital of Turkey
- Serves around 1.4 million subscribers
- Holds a 30-year natural gas distribution license, valid until 2037
- Supervised by Energy Market Regulatory Authority ("EMRA")

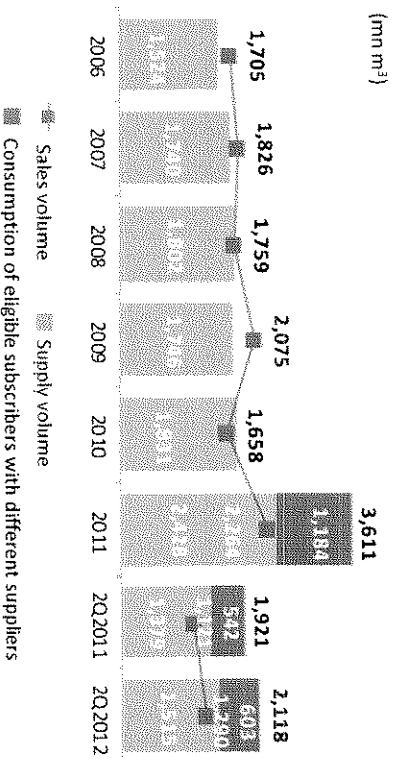
Population: 4,9 million  
(6.5% of Turkey)



Coverage area

### Subscriber and Sales Volume

- Achieved sales and supply volume CAGR of 6.0% and 11.6% between 2004 and 2011 respectively
- Sold 2.3 billion m<sup>3</sup> and supplied 2.4 billion m<sup>3</sup> natural gas in 2011
- Discrepancies between the volume of natural gas sale and supply is attributable to pre-paid system
- In 2011 natural gas supply volume growth of 33% highlights the rapid expansion of natural gas consumption in the region
- Following the transfer of RMS stations with attached eligible subscribers from BOTAŞ (National Gas Supplier) in February 2011, the annual distribution volume has surpassed 3 billion m<sup>3</sup>.



Source: Başkentgaz

## Distribution Charge Structure

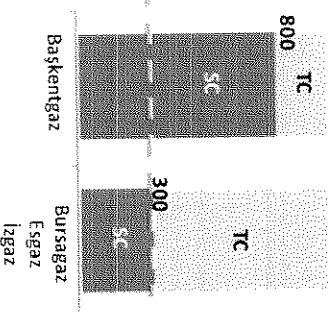
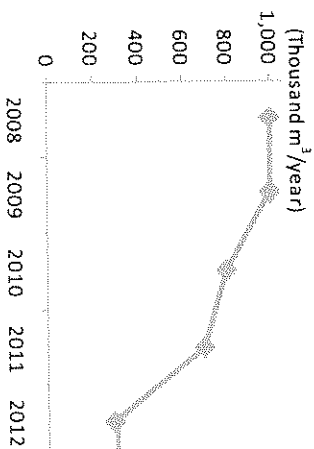
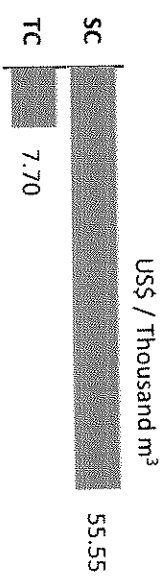
- Başkentgaz operates under Natural Gas Market Legislation No 4646 and is subject to regulations set forth by the Energy Market Regulatory Authority ("EMRA")
- Retail price is regulated by EMRA and composed of three components: (i) natural gas price; (ii) special consumption tax on the natural gas price, applied by Ministry of Finance; and (iii) service/transmission charge, fixed for charge per m<sup>3</sup> for natural gas distributed until 8 years after the signing of Share Purchase Agreement ("SPA")
- Based on Law No 4646, subscribers consuming over the eligibility limit set by EMRA are classified as eligible subscribers and these customers are eligible to select different suppliers
- Two types of distribution charges; service charge ("SC") is collected from captive (non-eligible) subscribers and transmission charge ("TC") is applied to eligible subscribers

### Fixed Charge Components

- Based on Law No 6353, Başkentgaz is secured to charge US\$ based fixed SC and TC extended for 8 years after the privatization

### Eligibility Limit

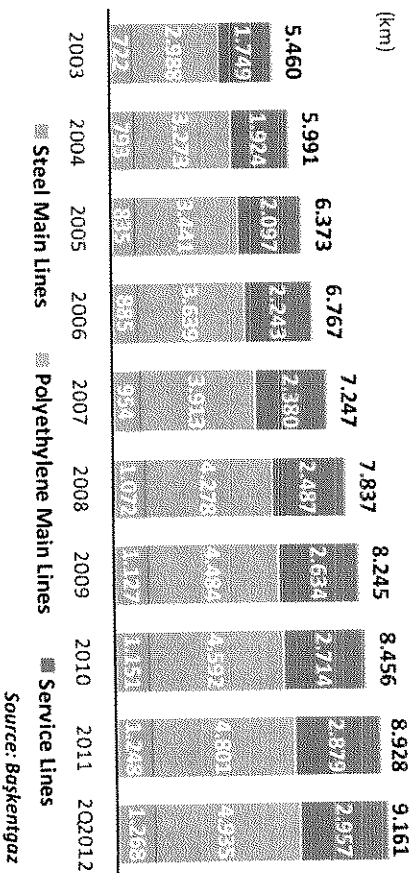
- For 2012, EMRA set the eligibility limit at 300,000 m<sup>3</sup> annual consumption volume. Accordingly other distribution companies namely İzgaz, Esgaz and Bursagaz charges their subscribers SC or TC based on this consumption threshold. On the other hand via a communiqué of EMRA, Başkentgaz is privileged to collect service charge from all its subscribers with less than 800,000 m<sup>3</sup> annual consumption until August 31, 2017



Source: EMRA

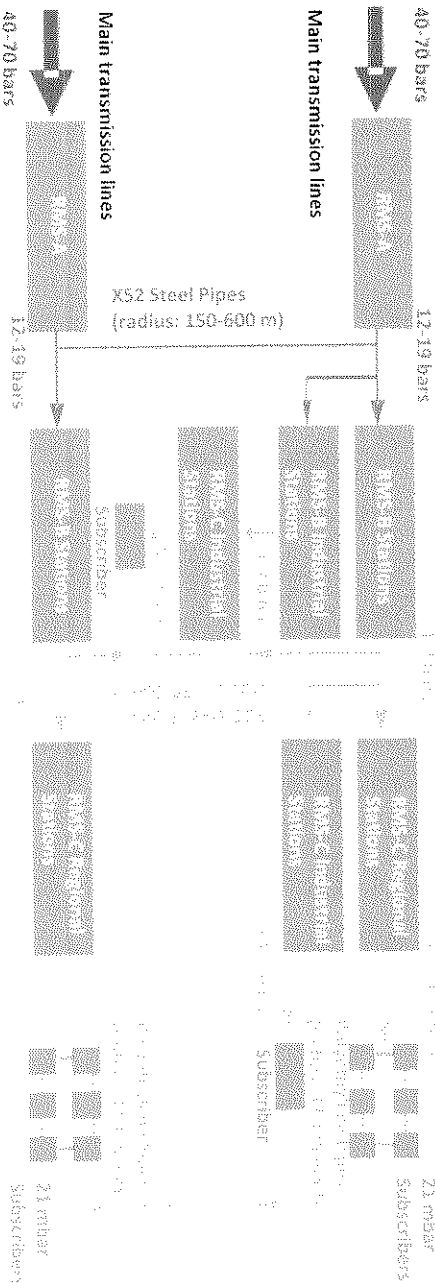
# Distribution Network

- Wide distribution network with 9,161 km of infrastructure, including primary and service lines
- Operates 11 RMS-A, 70 RMS-B and 1,103 RMS-C stations
- Distributes natural gas to non-eligible subscribers under low pressure (75 – 100 mbars) following its decompression in RMS-C regional stations
- Utilizes a flexible ring system enabling distribution of natural gas to a destination through alternative pipeline routes



Source: Bakentgaz

# Network Topology



Source: Bakentgaz

## Law No 6353

- Commencing after the issuance of the license, 0,0555 US\$/m<sup>3</sup> service charge and 0,0077 US\$/m<sup>3</sup> transmission charge to be applied. This charge structure resumes for 8 years until the signing of the Share Purchase Agreement.
- In a month after this paragraph becomes effective 20% of the Başkentgaz shares are included in the privatization agenda by Privatization High Council and together with the 80% shares previously taken into privatization agenda, shall be privatized in via block sale method according to Law Number 4046 by Privatization Administration.
- Law Number 4646 article 4 clause (4) sub-clause (g) shall not be applied for Başkentgaz.
- After netting off Privatization Administration's expenses regarding the privatization, proceeds from the privatization of 100% shares of Başkentgaz; first liability of EGO's natural gas purchases until 25/5/2007 by omitting all interests with ancillaries to be reimbursed. After the fulfillment of BOTAS liability, second EGO's Treasury backed foreign loan, provided for natural gas implementation projects, to be reimbursed in original currencies by omitting all interests with ancillaries. Finally overdue balance of EGO and Municipality's liability as of the Share Purchase Agreement date, to be reimbursed with interests and related ancillaries. In case Share Purchase Agreement proceeds are paid in installments, payments again to be made in the above mentioned order.

### Law

### Effects

- ✓ **%100 shares to be subject to privatization**
- ✓ **Redemption claim on 10% shares of Başkentgaz and Board representation rights of Ankara Municipality are revoked**
- ✓ **Current US\$ denominated fixed service charges remain to be effective following the 8 years after the privatization**
- ✓ **Privatization proceeds to pay off the preceding BOTAS, Treasury liability and outstanding balance of Ankara Municipality to Başkentgaz, respectively**

## Profit and Loss Statements

Profit & Loss statements prepared according to IFRS standards is presented below.

	01.01.2009 - 31.12.2009	01.01.2010 - 31.12.2010	01.01.2011 - 31.12.2011
million TL			
Net Sales	1,263.6	1,068.4	1,490.2
COGS	(1,127.7)	(989.7)	(1,383.4)
Gross Profit (loss)	135.9	78.7	106.8
Margin	10.8%	7.4%	7.2%
Net Operational Income	(0.7)	(1.4)	3.1
EBITDA	115.3	47.4	75.3
Margin	9.1%	4.4%	5.1%
EBIT	95.1	19.2	43.2
Financial Income	37.4	80.0	64.1
Financial Expense	(74.5)	(87.1)	(47.0)
Profit Before Tax	58.1	12.0	60.2
Tax	(13.2)	(2.6)	(12.1)
Net Income (Loss)	44.9	9.4	48.1

Source: Başkentgaz Grant Thornton

## Balance Sheet

Balance Sheets prepared according to IFRS standards is presented below.

million TL	12/31/2009	12/31/2010	12/31/2011
<b>Assets</b>			
<b>Current Assets</b>	<b>509.1</b>	<b>553.0</b>	<b>711.5</b>
Cash & Cash Equivalents	106.5	25.9	41.6
Trade Receivables	162.5	256.6	364.2
Other Current Assets	240.1	270.6	305.6
<b>Non-Current Assets</b>	<b>827.8</b>	<b>823.7</b>	<b>864.7</b>
Tangible Fixed Assets	797.1	790.8	838.7
Other Long Term Assets	30.7	32.9	26.1
<b>Total Assets</b>	<b>1,336.9</b>	<b>1,376.7</b>	<b>1,576.2</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>	<b>698.0</b>	<b>721.7</b>	<b>872.2</b>
Financial Borrowings	-	-	-
Trade Payables	273.8	350.4	332.1
Due to Related Parties (PA Fund)	-	-	150.3
Other Trade Payables	424.2	371.3	389.7
<b>Non-Current Liabilities</b>	<b>9.1</b>	<b>15.8</b>	<b>20.6</b>
Non-Current Liabilities	9.1	15.8	20.6
<b>Equity</b>			
Paid-in Capital	700.0	700.0	700.0
Restricted Reserves Assorted From Profit	1.1	1.2	1.2
Retained Earnings	(116.2)	(71.4)	(65.9)
Net Profit/Loss For the Period	44.9	9.4	48.1
<b>Total Liabilities</b>	<b>1,336.9</b>	<b>1,376.7</b>	<b>1,576.2</b>

Source: Başkentgaz Grant Thornton

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