

# AYGAZ Investor Presentation

October 2011

# Table of Contents

- Aygaz Overview
- LPG from A to Z = AygaZ
- Aygaz as an Energy Player
- Strategies and Key Takeaways
- Financial Highlights
- Appendix
  - Summary Financial Statements

## AYGAZ; A Well Diversified Energy Holding

### •Leader in its core business: Fully integrated LPG services

- #1 in Turkey, #5 in Europe
- Market leader since foundation
- 29% market share as Aygaz Group
- 1,6 m tons sales – 2010
- \$3,1 b revenue - 2010
- 7th in top industrial enterprises of TR

**AYGAZ**



**Mogaz**

*akpa*



### •Diversified investments in energy

- Refinery
- Power generation
- Natural gas

**Tüpraş**

**AESEntek**

**AYGAZ**  
**DOĞALGAZ**

## Keeping its solid performance

Strong financials;  
(Cons. in m\$)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>YoYchange</u>
Revenue	3.105	2.431	2.768	28%
EBITDA	204	252	261	-19%
EBITDA Margin	7%	10%	9%	-3
Net Profit	160	203	20	-22%
Net Profit Margin	5%	8%	1%	-3

Volume (000 tons)	1.601	1.574	1.321	2%
-------------------	-------	-------	-------	----

- ✓ Outstanding cash generation ability
- ✓ Solid financial position
- ✓ Strong contribution from participations

# LPG from A to Z

## AygaZ



On the road



In your home



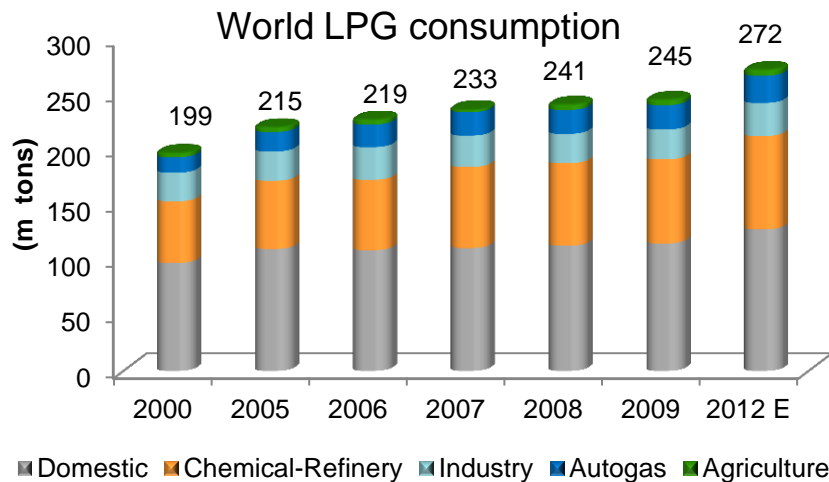
For business

On the road

In your home

For business

# LPG consumption is increasing in the world

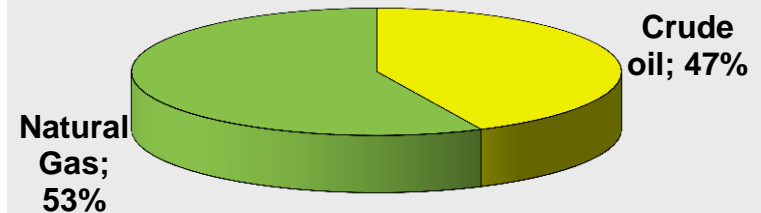


- Mixtures of hydrocarbons in which butane or propane are predominant
- LPG market is supply oriented
- Supply is secure as LPG is extracted from related natural gas facilities or as refinery gases

## Why LPG? Anytime+Anywhere

- Portable and versatile
- Abundant reserves-price advantage
- Diversity of supply sources
- Low GHG emission

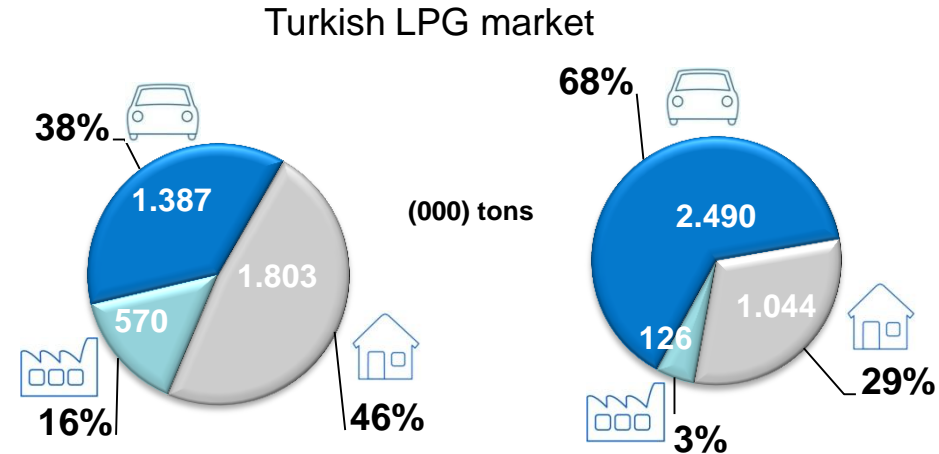
Sources of LPG production



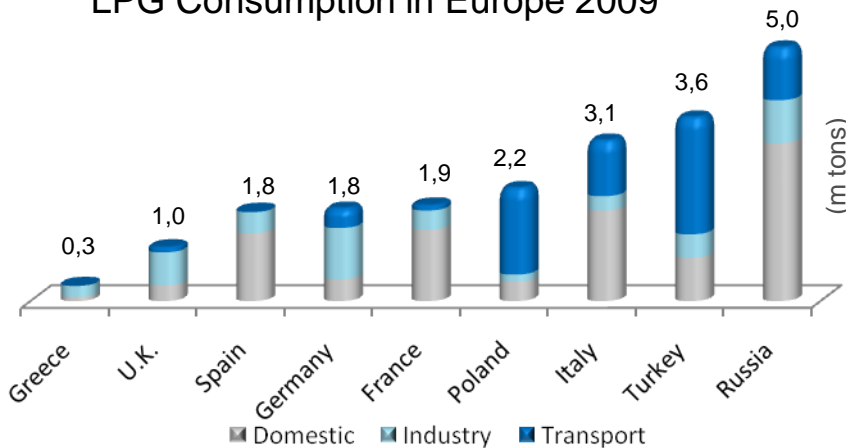
\*WLPGA Statistical Review of Global LP Gas Report, 2010

## Turkish LPG Market is evolving

- 3,6 m tons, #2 in Europe
- 70 distribution companies
- First 6 players share 73% of the market
- Serving; 12 m houses  
2,9 m cars
- Liberal market with regulatory body-EMRA



LPG Consumption in Europe 2009



2004



2010

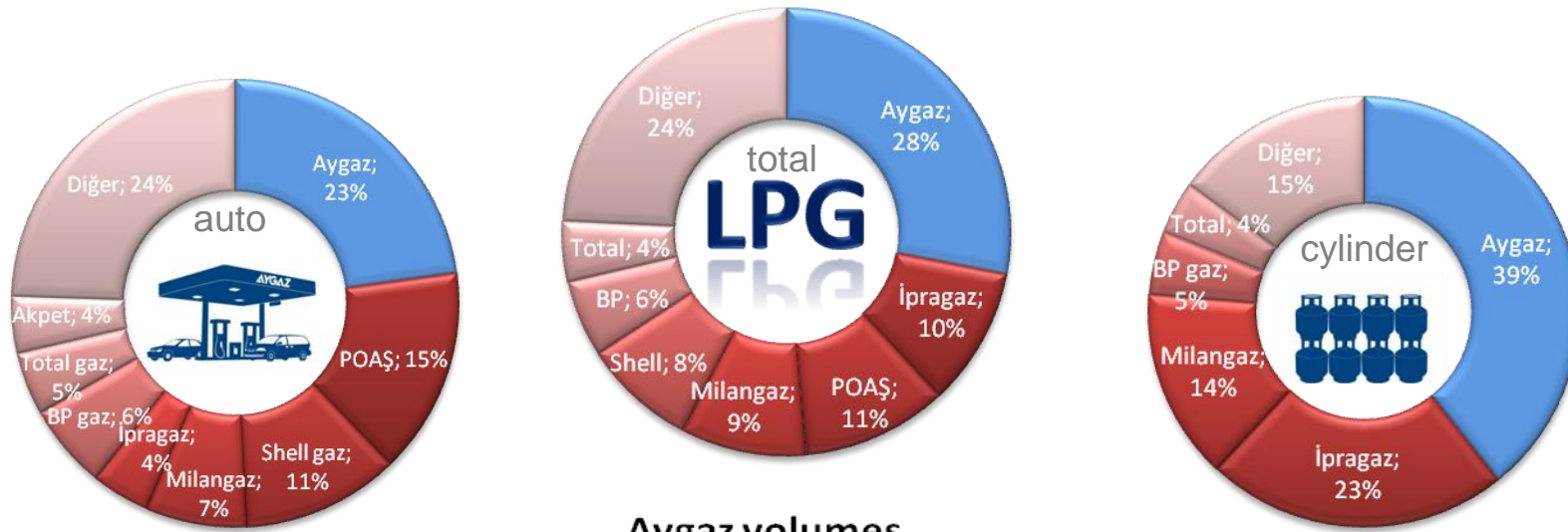
Evolving from cylinder to auto

EMRA LPG Sector Report 2010

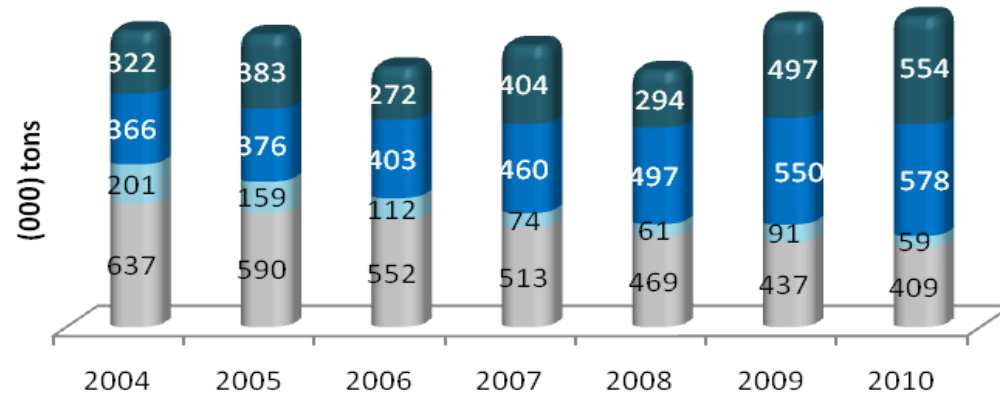
### Pricing

Final selling price  
= commodity price  
+ excise tax  
+ distribution margin  
+ VAT

## Aygaz Volumes and Market Shares



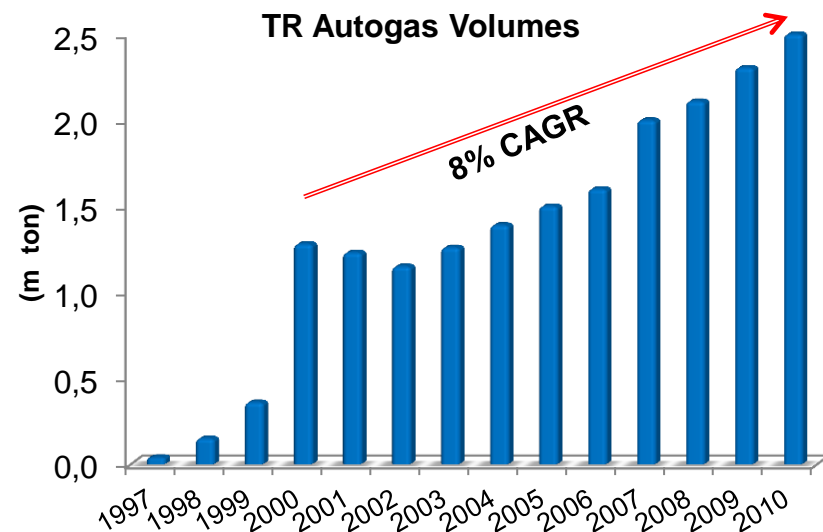
**Aygaz volumes**



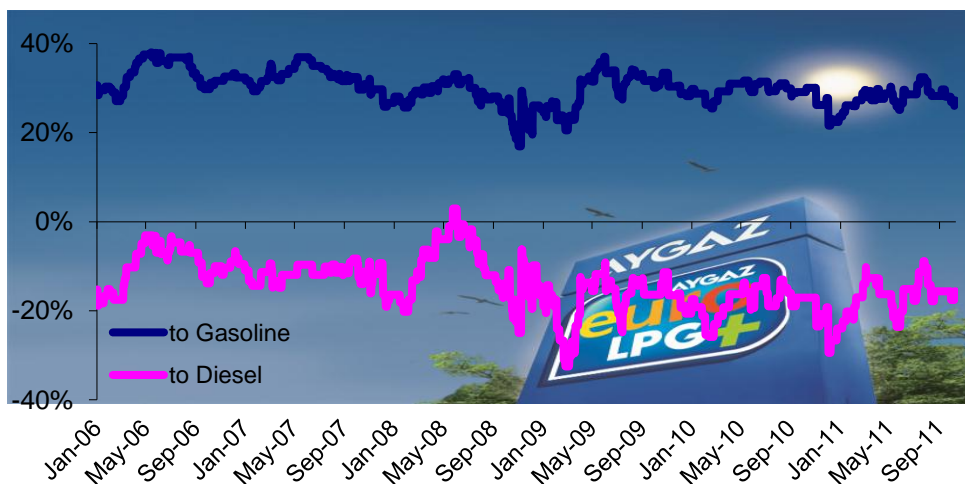


## Turkish autogas market; growth story

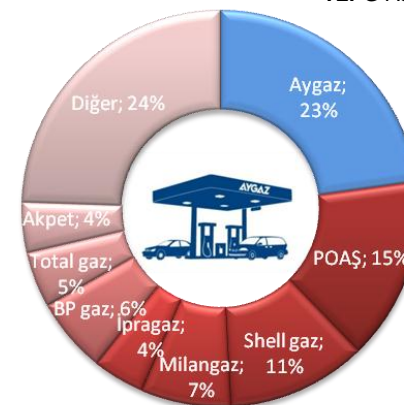
- 2.5 m tons, #2 in the world
- Fuel distributors are main players
- 30% price advantage to gasoline
- 2.9 m cars in Turkey -2010E
  - ~37% of passenger car park
- 8700+ autogas stations - 2010



Price Advantage of Autogas



TLPG Association Report, EMRA



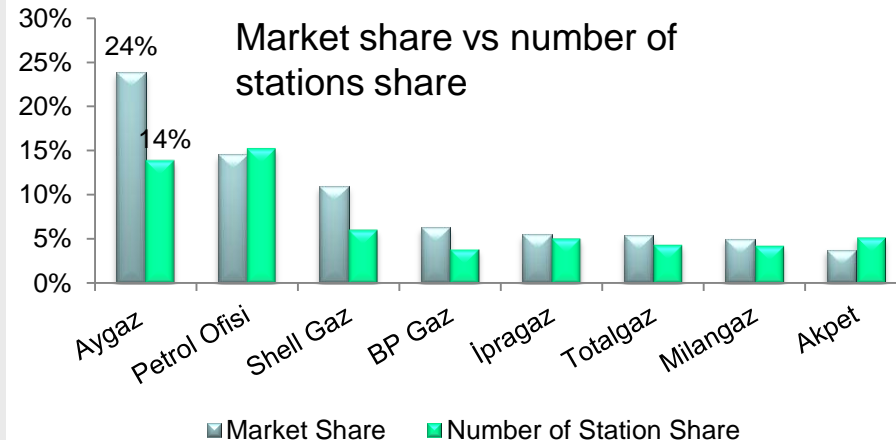
Market share July 2011

EMRA LPG Sector Report July, 2011

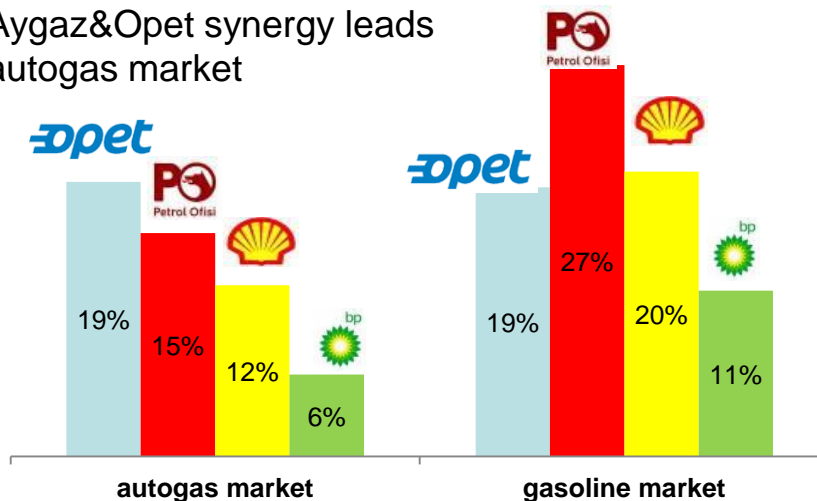
## Adaptation to change as market leader



- Long-term strategy builder
  - Opet partnership
- LPG is core business unlike fuel distributors
  - Pioneering R&D and innovation
- Brand power cultivated over 50 years
  - Highest efficiency per station
- 1.305 Aygaz autogas stations- Sep 11

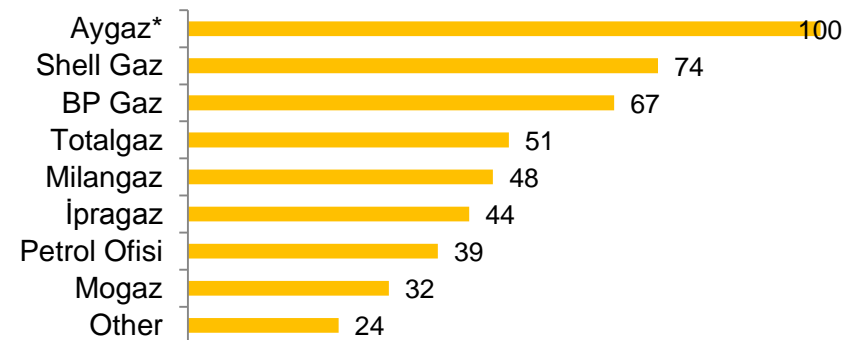


Aygaz&Opet synergy leads autogas market



\* July 2011 PETDER and EMRA data

### Sales per station efficiency index



\* Aygaz solo figure

## Autogas market dynamics

### Conversion

- 300.000+ conversions per year
- 1.000+ conversion points
- \$700 average cost
- Pay back in 15.000 km

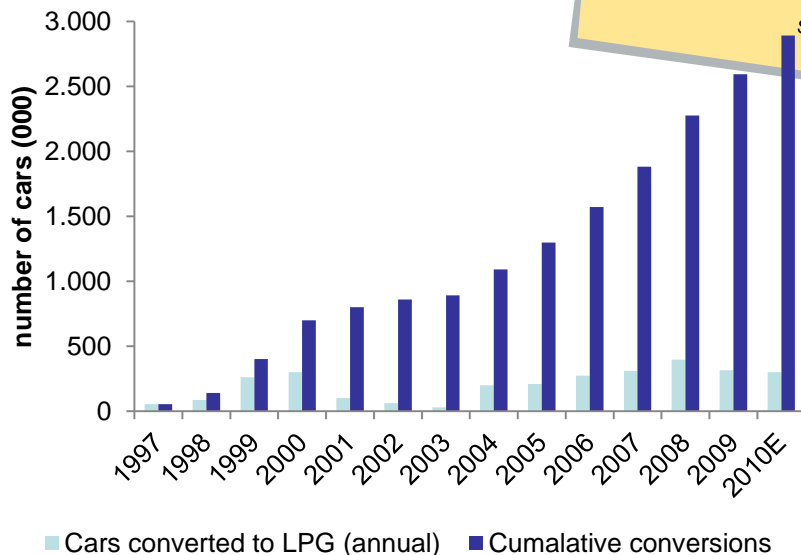
### OEM

- Guaranteed conversion provided by 12 car manufacturers (34% passenger car market share) including:



# of cars per 1000  
 EU 466  
 Turkey 92

\* SMMT: The Society of Motor manufacturers & Traders



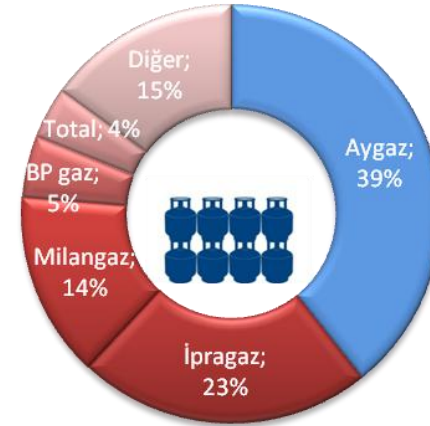
### CNG versus LPG comparison

- initial investment (x10 times)
- conversion cost (x2 times)
- range per tank (x1/3)
- longer tank refill time

Source: TURKSTAT; AYGAZ

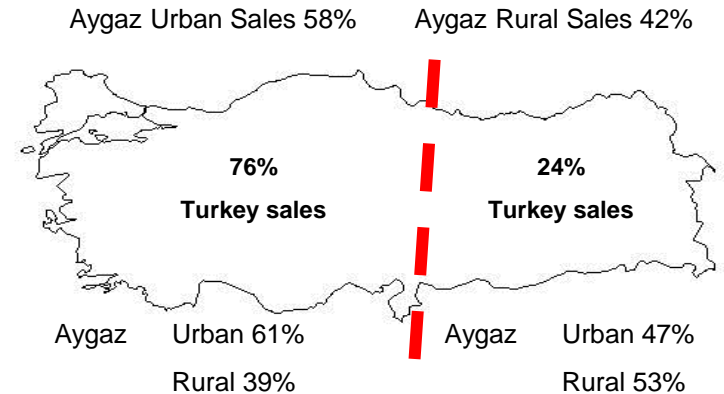
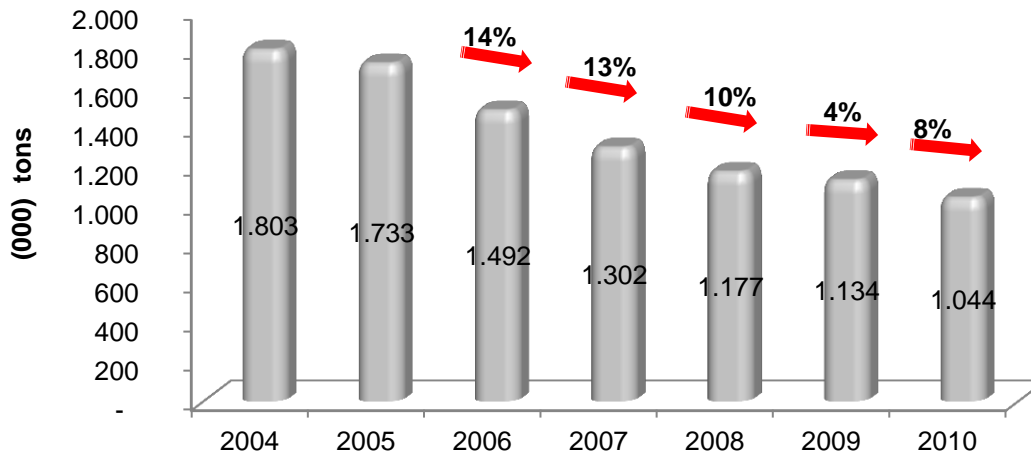
## Turkish Cylinder market; always here

- Fragmented market; 70 players
- Contraction slowing down
- Potential growth in rural areas
- Conventional areas of use
  - Residential (heating, bathroom, cooking)
  - Commercial
  - Camping
- New areas of use
  - Leisure market (outside heating, barbecues)
  - Forklift



Market shares  
July 2011

EMRA LPG Sector Report July 2011



Source: AYGAZ

## Unique expertise in cylinder market

- Strong penetration
  - 12.300+ points of sale
- Different brands for different segments



- Brand power
  - 60% share in residential market
- Market maker
  - CRM activities
  - Innovative marketing approach
- Fully integrated production cycle; Gebze Plant
  - Cylinders, gas appliances



# Cylinder product family

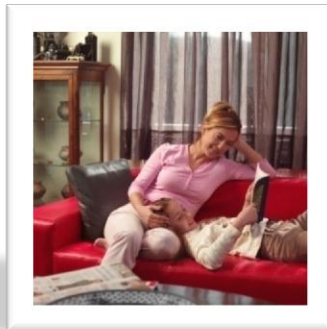
## Residential



bathroom



cooking

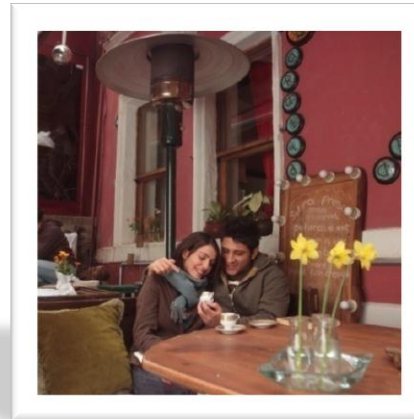


heating

## Camping



## Outside heating



## Barbecue



## Bulk LPG

- Where natural gas infrastructure is infeasible
  - Residential
  - Commercial - Industrial
- Petrochemical sector started using LPG in Turkey
  - Aygaz became first and only seller to the sector



## Strong distribution & transportation network

- 2.477 cylinder dealers/market total 12.000+
- 1.305 autogas stations/market total 8.700+
- 5.000+ service trucks
- 200+ tanker trucks
- 15.000+ employees (Aygaz+dealers)

Sep 2011 figures





## Incomparable brand value

- Most preferred LPG brand in Turkey since its foundation – 50 years

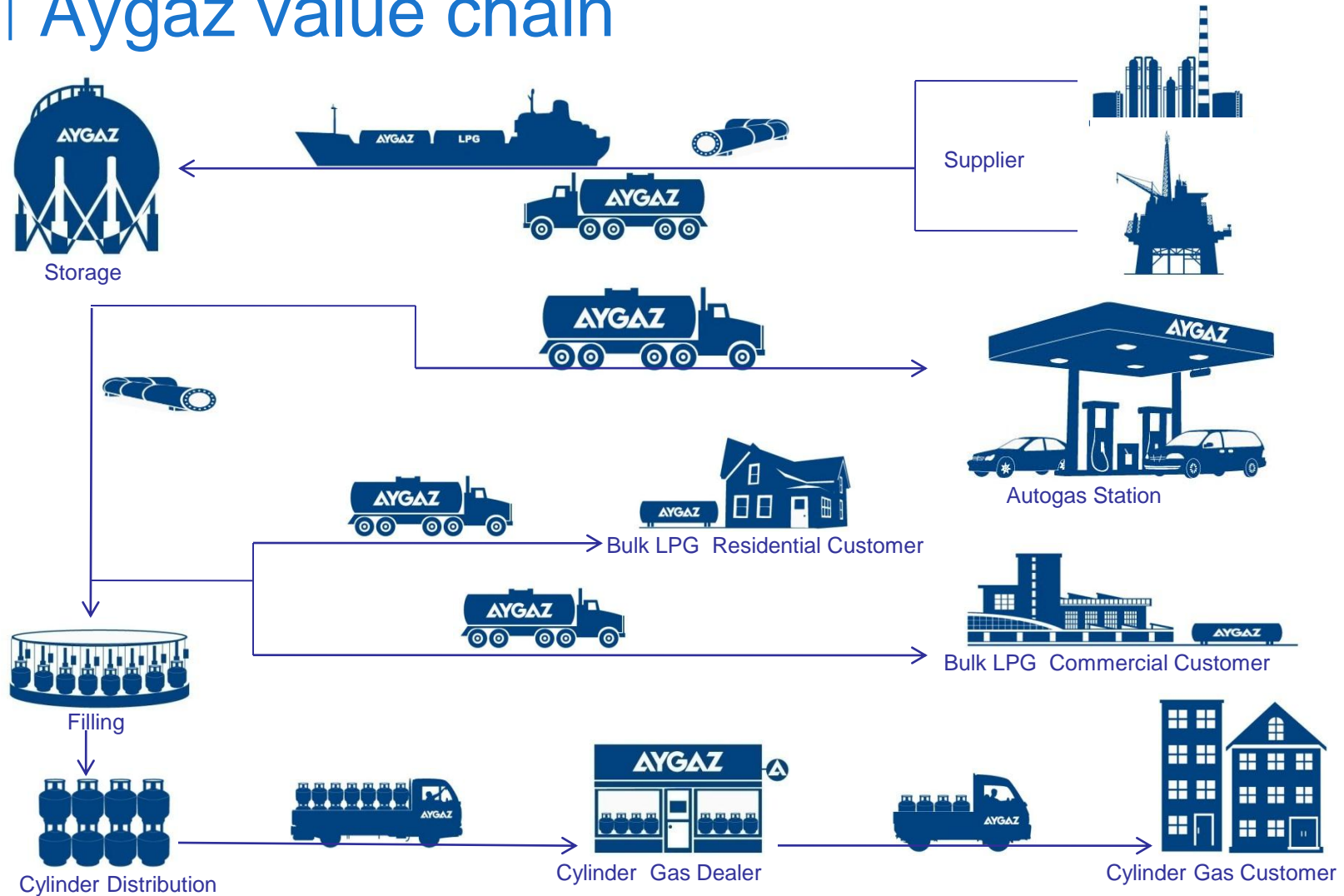
**AYGAZ = LPG in Turkey**

- Best Brands 2010 by GfK
  - Best Brand in LPG sector
- Best Brands 2010 by KalDer
  - Best Brand in Cylinder LPG
- SAHA Ratings – Corporate Governance Rating
  - One of the most transparent companies in terms of corporate governance
- Listed in first 5 for;
  - Ethical accountability by Corporate Social Responsibility Institute of Turkey
  - Financially most transparent company by Sabancı University and Standard&Poor's Survey

**AYGAZ**  
50<sup>th</sup> YEAR



## Aygaz value chain

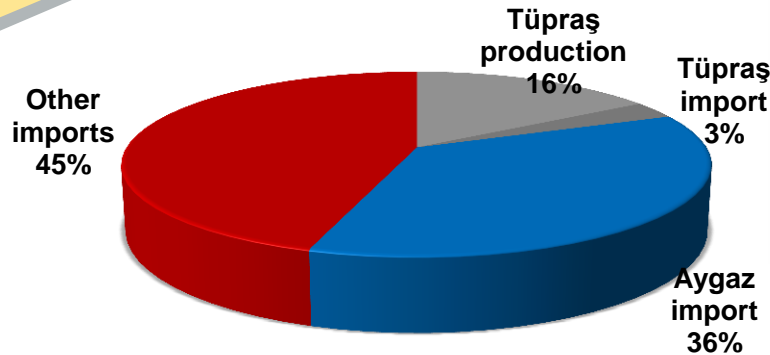


## Smart solutions for supply

- Flexibility creates added value
- Diversification – supplier portfolio
- Primary access to supply info & market dynamics

#1 importer in Turkey  
 #1 purchaser in Med.  
 #1 in LPG handling in Europe  
 #1 player in Black Sea  
 #1 fob purchaser in Turkey

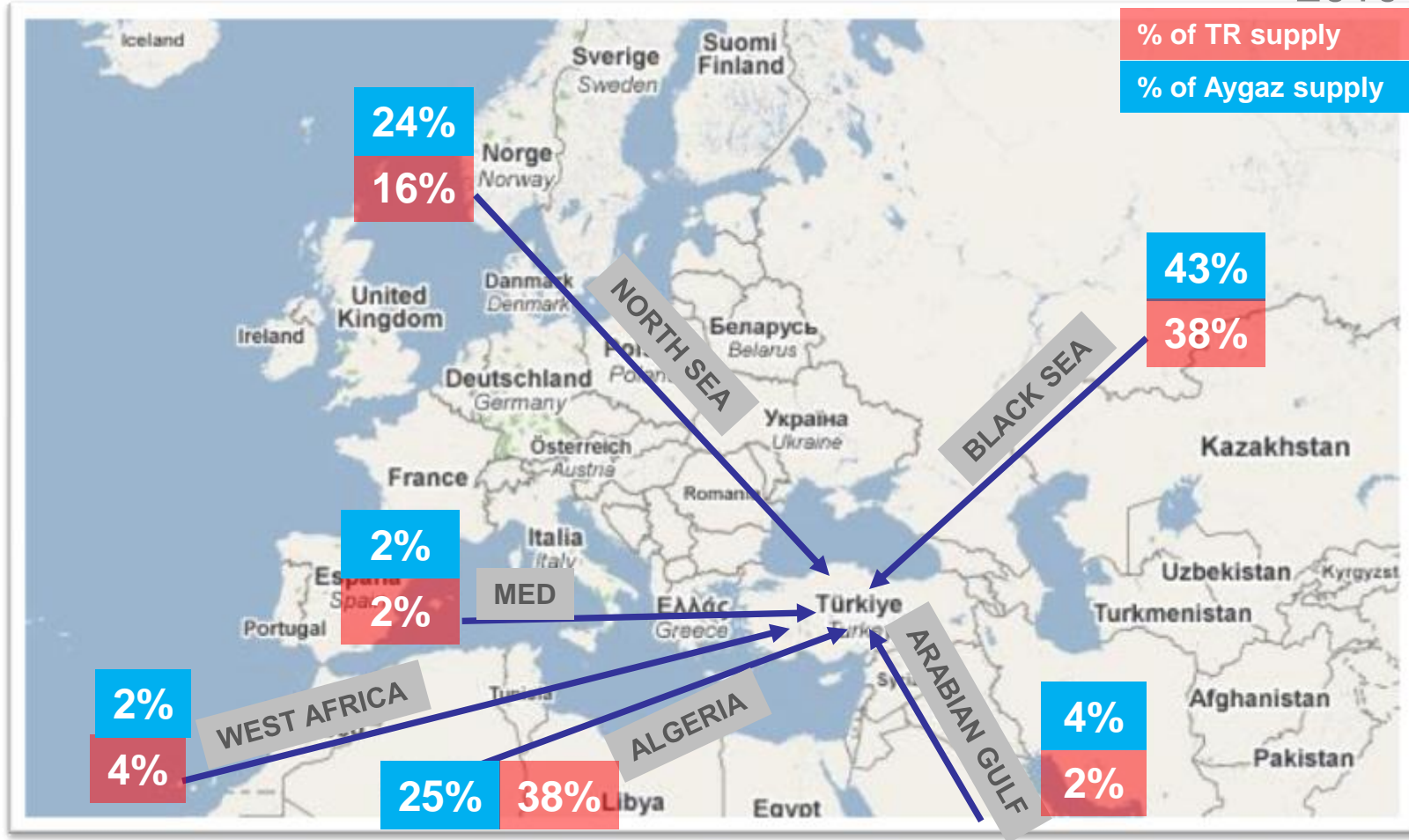
**Turkish LPG supply 2010**



Source: AYGAZ

## Utilization of geographical advantage

2010



## Sole fleet operator



Anadoluhisari

Anadoluhisari

Kuzguncuk

Kandilli

Kuleli



- Reduces logistics costs
- Gives flexibility in sourcing and inventory management
- Provides competitive advantage for Black Sea supply

**Total capacity: 40.500 cbm\***

\*2010 figure including C&O

## Effective logistics infrastructure

2010

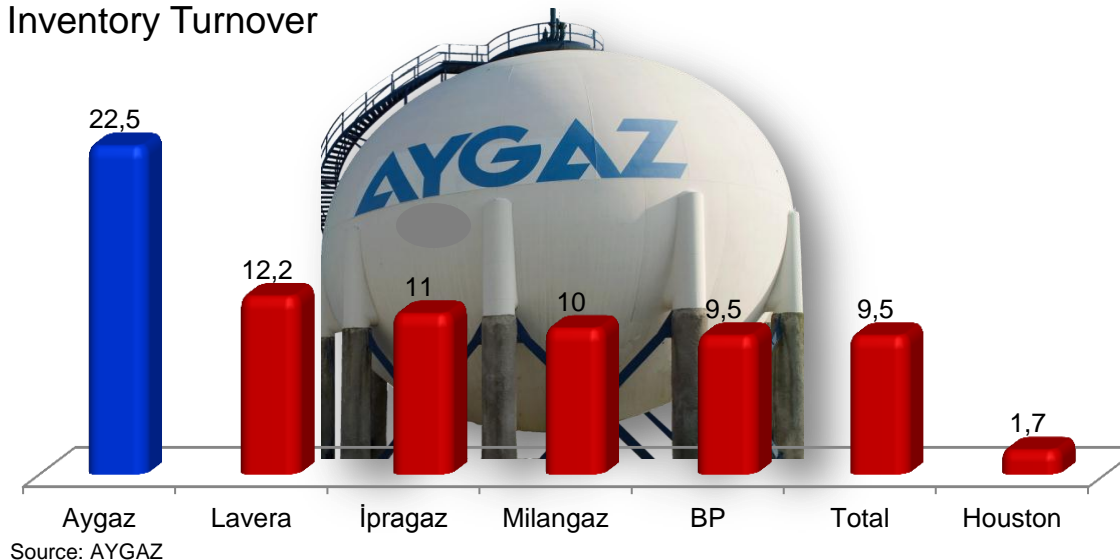
- 170.000 cbm fixed storage - 30% of TR
- 50.000 cbm moving storage - 60% of TR
- 1.040.000 tons filling capacity
- 28 plants all over Turkey



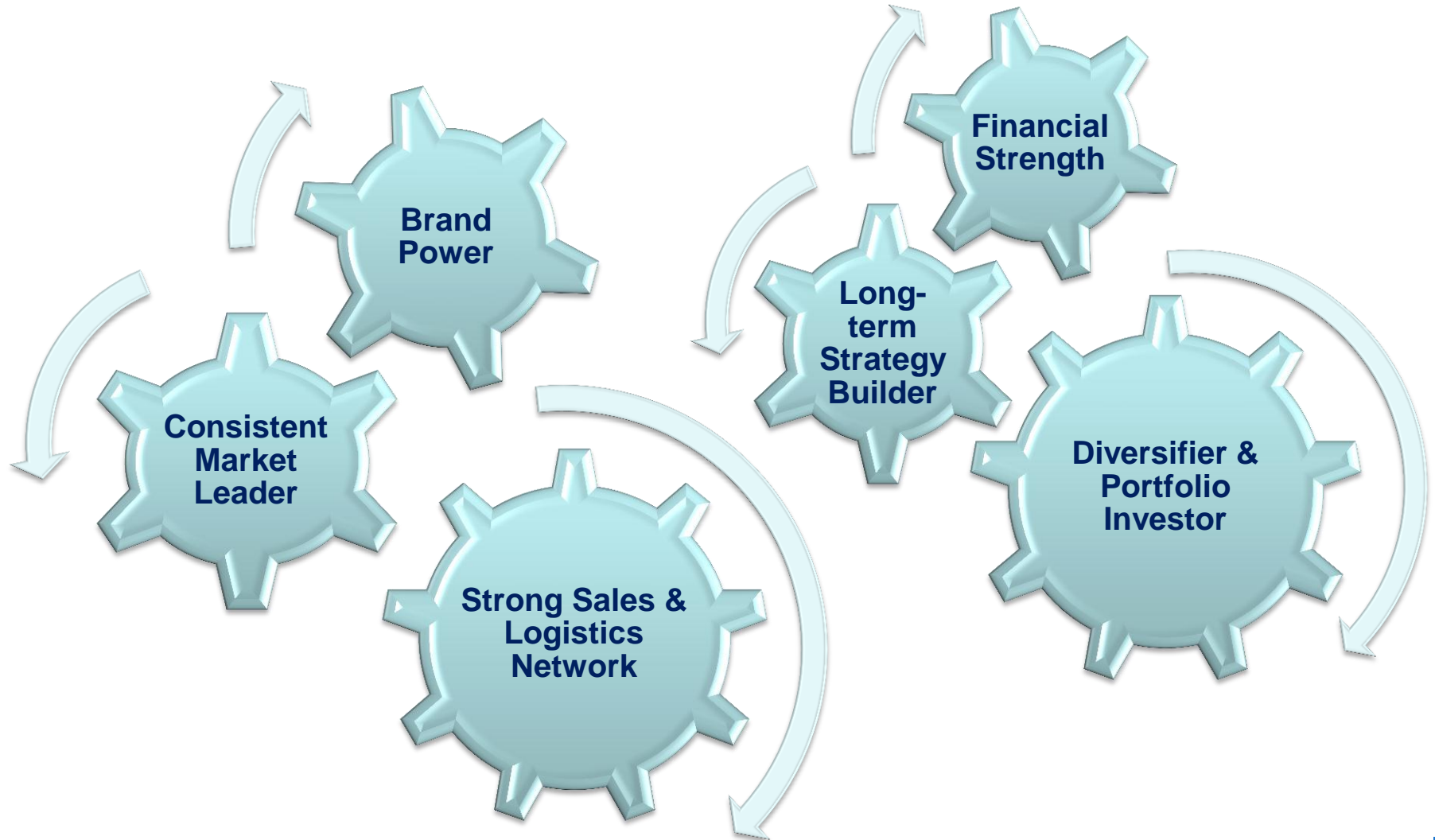
# High logistics competency

- 3 different types of inventory management
  - LPG Mix, Autogas, Propane
- Direct import to 5 different locations
- Operational excellence in primary transportation
- Best inventory turnover globally

Inventory Turnover

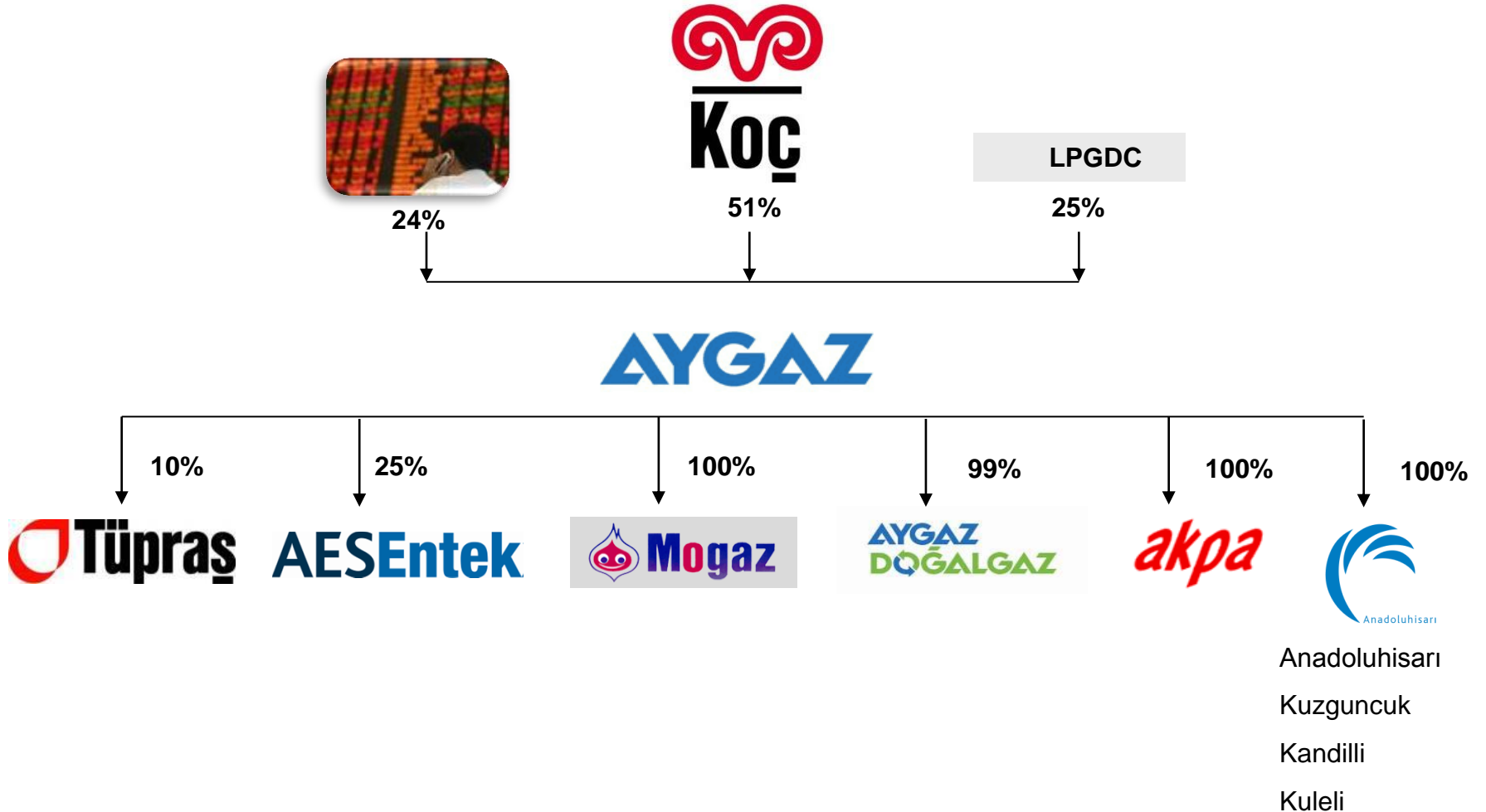


# Aygaz Key Takeaways





## Portfolio Architecture



## AYGAZ DOĞALGAZ



### LNG Distribution

- Transportation and regasification
- 250 industrial customers, 107MCM, 20% market share
- 2011 Planned sales : 126MCM
- Total natural gas market: 35-40BCM; LNG market: 0.5BCM



### CNG Distribution

- Antalya CNG plant / Capacity: 12MCM
- Sales: 3MCM - 2011 Planned sales : 3.6MCM



### Pipeline Natural Gas

- Started in 2010; Sales: 66MCM
- 2011 Planned sales: 193MCM



### Strategies

- LNG import (near term)
- Pipeline
- Local Distribution

# AESEntek



## Capacity - 305MW NGCC

- İzmit : 160MW
- Bursa : 143MW
- Sales composition : 52% PMUM & 48% trade & direct customers



## Production and Sales - 2010

- Electricity prod. : 1.890 Gwh
- Steam prod. : 122 Gwh
- Energy sales : 2.761 Gwh
- Revenue : 401 m TL



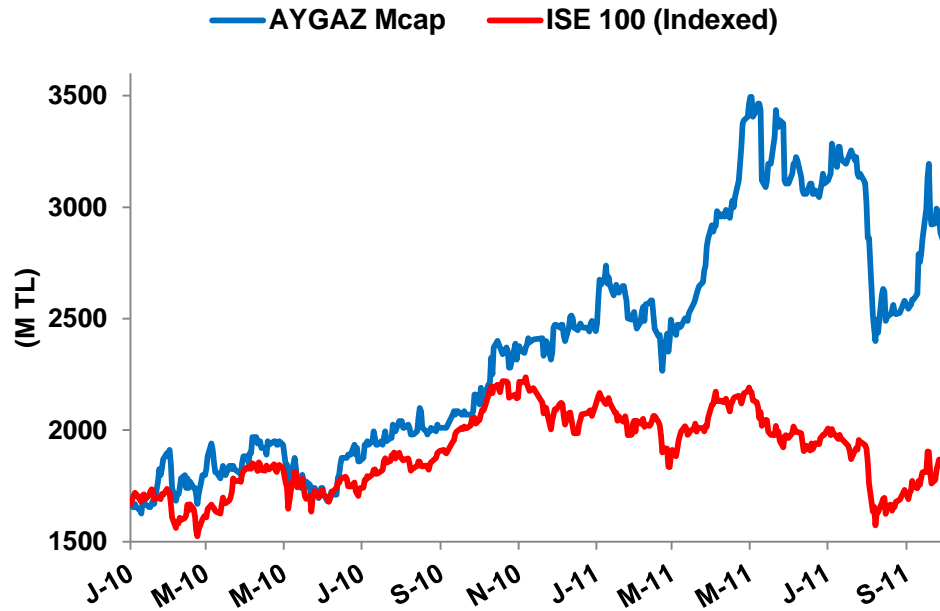
## Strategies

- Aygaz has signed a partnership agreement with US based 
- 49,62% stake in Entek sold for \$136,5m
- Parties have equal voting power
- Expansion plans by jointly investing in coal, hydro, renewable & other NG fired power plant projects (greenfield or through acquisitions)

## Our priorities

- Sustain LPG market leadership through
  - Product differentiation and innovation for autogas
  - Further penetration through new autogas stations
  - Growth prospects for cylinder in rural Turkey
  - Geographical diversification in neighbouring countries
- Offset impact of diminishing bulk LPG sales through Aygaz Doğalgaz penetration in natural gas
- Utilize and expand existing holding structure through close monitoring of profit generating opportunities
  - Privatization in natural gas and electricity
  - New investments (greenfield / acquisition)

# AYGAZ as an investment;

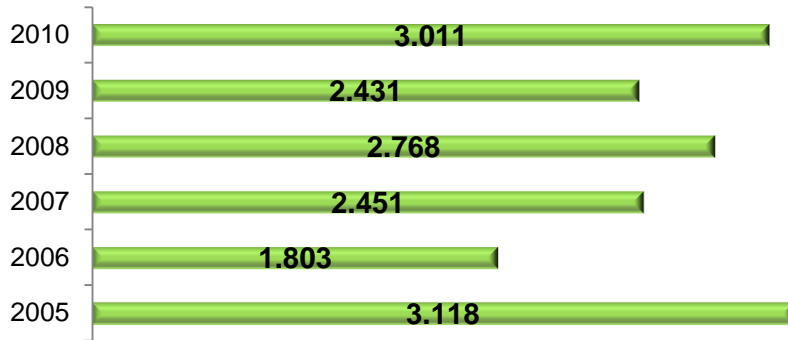


• ISE Ticker	:	AYGAZ
• Shares outstanding	:	300 m
• Free Float	:	24%

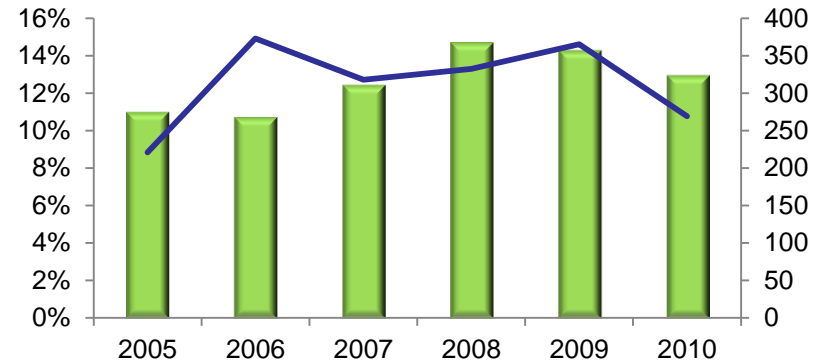
- Sustainable and long term cash generator
- Strong dividends
  - 255 m TL cash dividend paid during the last 3 years
  - 125 m TL cash dividend paid for 2010
- Aygaz intends to continue distributing dividends

# Financial Highlights

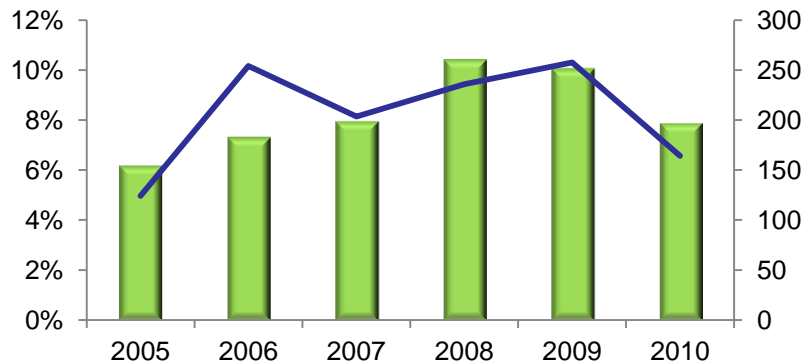
### Net sales (m\$)



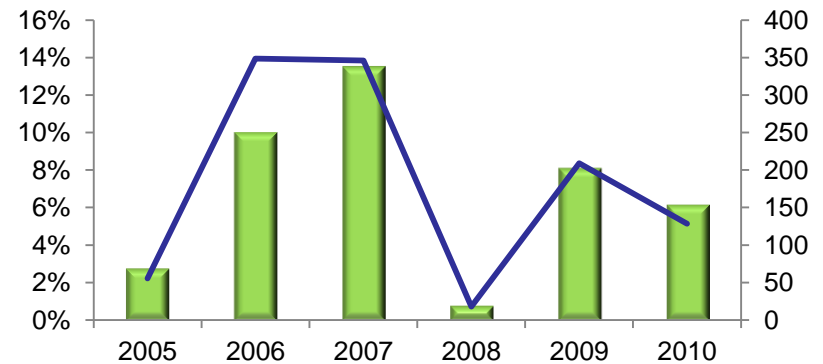
### Gross Profit(m\$) and GPM\*



### EBITDA(m\$) and EBITDA Margin\*



### Net Profit(m\$) and NPM\*

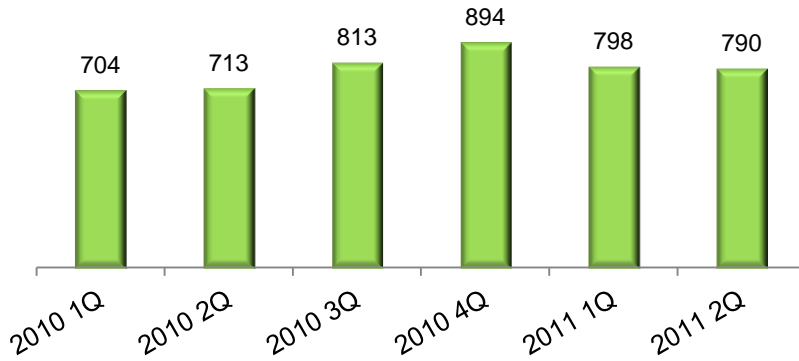


\* bars: \$ figures & lines: % figures

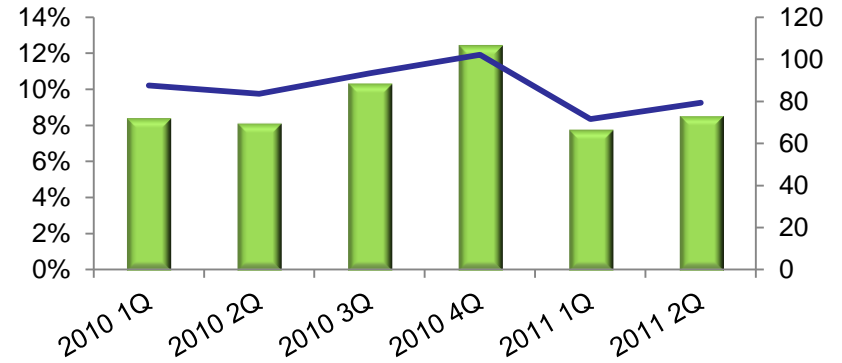
\* Instability due to FX(TRY/USD) fluctuation

# Quarterly Financials

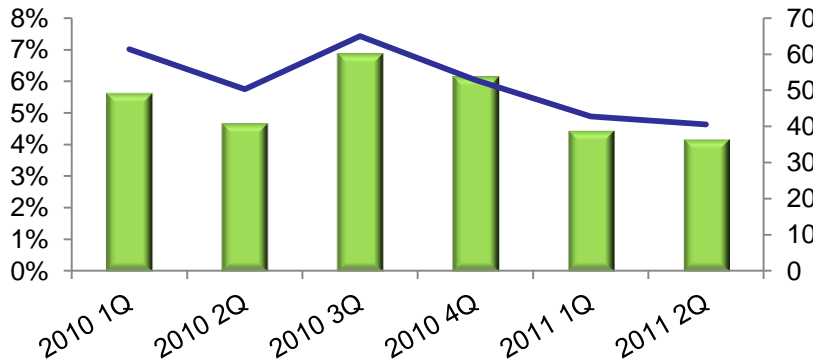
### Net Sales(m\$)



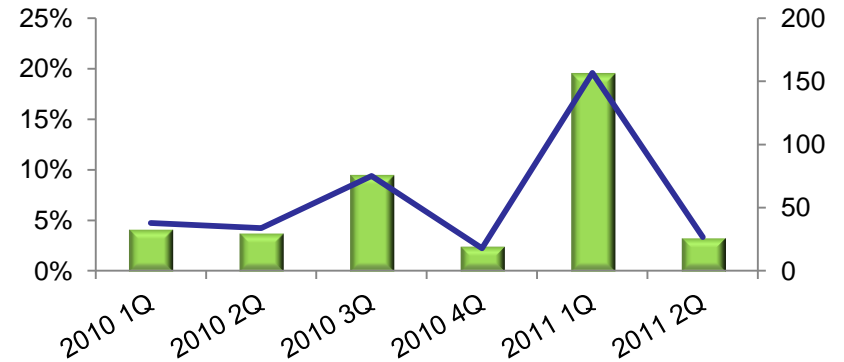
### Gross Profit(m\$) and GPM\*



### EBITDA(m\$) and EBITDA Margin\*



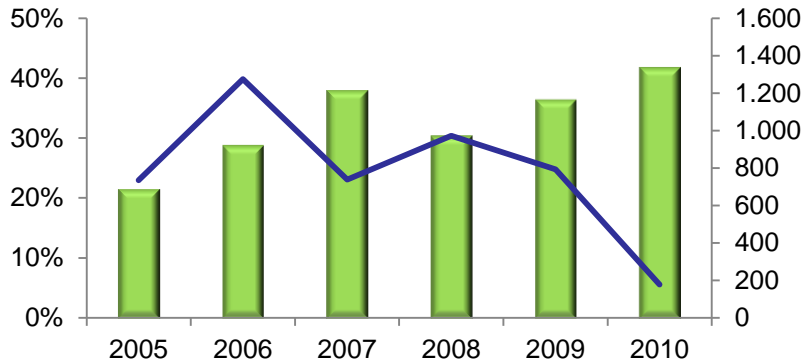
### Net Profit (m\$) and NPM\*



\* bars: \$ figures & lines: % figures

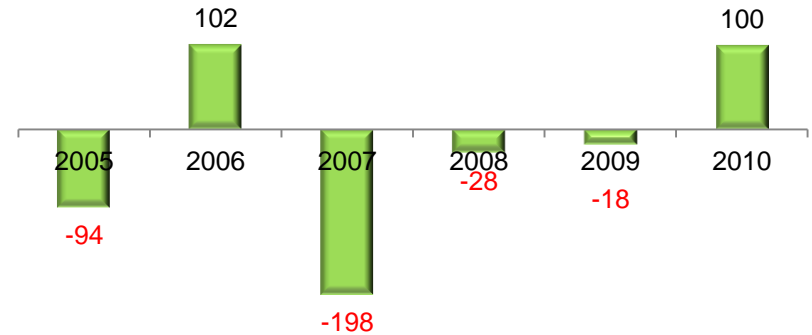
# Financial Highlights

### Equity (m\$) and Debt Ratio\*

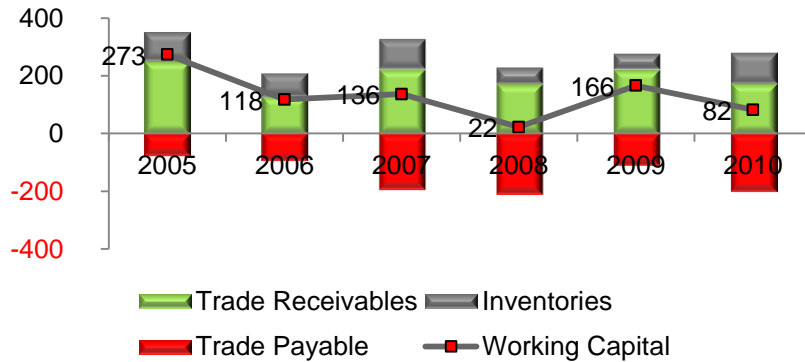


\* bars: \$ figures & lines: % figures

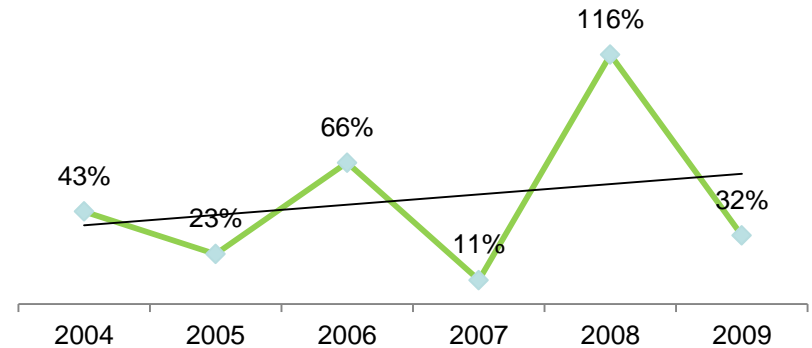
### Net Cash (m\$)



### Working Capital



### Dividend Payout





# Contacts

[investor@aygaz.com.tr](mailto:investor@aygaz.com.tr)

Gökhan Tezel, CFO

E-mail: [gokhan.tezel@aygaz.com.tr](mailto:gokhan.tezel@aygaz.com.tr)

Phone: +90 212 354 1733

---

Mehmet Özkan, Finance Manager

E-mail: [mehmet.ozkan@aygaz.com.tr](mailto:mehmet.ozkan@aygaz.com.tr)

Phone: +90 212 354 1657

---

Selin Sanver, Investor Relations

E-mail: [selin.sanver@aygaz.com.tr](mailto:selin.sanver@aygaz.com.tr)

Phone: +90 212 354 1659

---

[www.aygaz.com.tr](http://www.aygaz.com.tr)

## Disclaimer

This presentation contains forward-looking statements that reflect the company management's current views with respect to certain future events. Although it is believed that the expectations reflected in these statements are reasonable, they may be affected by a variety of variables and changes in underlying assumptions that could cause actual results to differ materially. Neither Aygaz nor any of its directors, managers or employees nor any other person shall have any liability whatsoever for any loss arising from use of this presentation.

All Aygaz labelled data includes AYGAZ Group figures (Aygaz and Mogaz) unless otherwise stated.

# Appendix

# Income Statement Summary

(m USD)	2005	2006	2007	2008	2009	2010
<b>Net Sales</b>	3.118	1.803	2.451	2.768	2.431	3.105
<b>COGS</b>	(2.842)	(1.534)	(2.140)	(2.400)	(2.073)	(2.770)
<b>Gross Profit</b>	276	269	312	368	358	334
<b>Operating Profit</b>	76	123	128	189	189	145
<b>Profit Before Tax</b>	85	85	317	49	242	189
<b>Net Profit</b>	69	252	339	20	203	160
<b>EBITDA</b>	155	183	200	261	252	204
<b>GP margin</b>	9%	15%	13%	13%	15%	11%
<b>OP margin</b>	2%	7%	5%	7%	8%	5%
<b>PBT margin</b>	3%	5%	13%	2%	10%	6%
<b>NP margin</b>	2%	14%	14%	1%	8%	5%
<b>EBITDA margin</b>	5%	10%	8%	9%	10%	7%

# Balance Sheet Summary

(m USD)	2005	2006	2007	2008	2009	2010
Cash & Cash Eq.	65	470	83	268	271	174
Trade Receivables	252	132	224	175	224	176
Inventories	98	81	103	56	54	105
Participations	122	618	910	624	669	783
Prop. Plant & Eq.	461	378	610	444	472	316
Financial Debt	(158)	(368)	(281)	(296)	(289)	(74)
Trade Payable	77	95	191	208	(111)	(199)
Total Equity	690	924	1.218	974	1.167	1,338
Total Assets	1.185	1.703	1.970	1.630	1.730	1,862
Fin. Debt / T. Assets	13%	22%	14%	18%	17%	4%
Net Cash	(94)	102	(198)	(28)	(18)	100
Working Capital	273	118	136	22	171	82

# Income Statement Summary

(million TL)	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	ΔQ	Q1 11/Q2 11
Net sales	1,064	1,070	1,227	1,303	1,253	1,241	16%	-1%
COGS	-956	-965	-1,094	-1,148	-1,148	-1,126	17%	-2%
Gross profit	108	104	134	155	105	115	10%	10%
Operating profit	50	42	69	57	40	38	-10%	-6%
Profit before tax	62	54	130	37	259	50	-7%	-81%
Net Profit	50	45	115	29	245	41	-9%	-83%
EBITDA	74	62	91	79	61	57	-7%	-6%
GP margin	10%	10%	11%	12%	8%	9%	-1	+1
OP margin	5%	4%	6%	4%	3%	3%	-1	-
PBT margin	6%	5%	11%	3%	21%	4%	-1	-17
NP margin	5%	4%	9%	2%	20%	3%	-1	-17
EBITDA margin	7%	6%	7%	6%	5%	5%	-1	-

# Balance Sheet Summary

(million TL)	07	08	09	3M 10	6M 10	9M 10	10	3M 11	6M 11	ΔY %
<b>Cash &amp; Cash Equivalents</b>	97	405	408	302	246	302	262	350	256	4%
<b>Trade Receivables</b>	261	264	337	280	295	326	265	305	332	12%
<b>Inventories</b>	120	84	81	148	154	127	159	146	187	22%
<b>Participations</b>	1,060	944	1,007	1,007	1,081	1,136	1,180	1,206	1,186	10%
<b>Prop. Plant &amp; Equipment</b>	710	672	711	693	687	680	475	584	592	-14%
<b>Financial Debt</b>	(327)	(448)	(435)	(198)	(199)	(173)	(111)	(12)	(14)	-93%
<b>Trade Payables</b>	223	314	168	229	233	239	300	269	290	24%
<b>Total Equity</b>	1,418	1,474	1,757	1,797	1,812	1,927	2,014	2,132	2,148	19%
<b>Total Assets</b>	2,294	2,465	2,604	2,510	2,523	2,631	2,804	2,799	2,745	9%
<b>Fin.Debt/ Tot. Assets</b>	14%	18%	17%	8%	8%	7%	4%	0%	1%	-7
<b>Fin.Debt/ Tot.Equity</b>	23%	30%	25%	11%	11%	9%	6%	1%	1%	-10
<b>Net Cash (Debt)</b>	(230)	(42)	(28)	105	47	129	151	338	241	412%
<b>Working Capital</b>	159	34	258	199	216	214	124	182	230	6%