

Monthly Energy Bulletin

TSKB Economic Research

October 2021 #41

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COP26 Climate Change Conference is actualizing between October 31 - November 12

In the United Nations Climate Change Conference (COP26) which will be held in the UK, in Glasgow, Scotland, world leaders are sharing their visions on climate change – the common problem facing the world. Since the first summit, which was held in Germany in 1995, the COP convenes every year in a different country with a different agenda. The primary subjects tabled for discussion in COP26 were the carbon market, climate financing, reducing the use of coal and the transition to electric vehicles.

The primary goal of COP26 is to encourage countries to determine their 2030 goals to make them achieve their net-zero carbon emission goals by 2050. All countries are expected to determine their emission reduction goal detailed and decidedly until 2030, in the path of net-zero carbon emission until 2050. Another goal of the COP26 is for the countries to allocate USD 100 billion each year for their climate financing. Conferences are being organized every day on a different theme within the context of COP26.

Oct 31 st	Nov 1 st	Nov 2 nd	Nov 3 rd	Nov 4 th	Nov 5 th	Nov 6 th
Opening Discussions	World Leaders Summit		Finance	Energy	Supporting Youth and Society	Nature
Nov 7 th	Nov 8 th	Nov 9 th		Nov 10 th	Nov 11 th	Nov 12 th
-	Adaptation, Loss, and Damage	Gender Equality Science and Innovation		Transportation	Cities, Regions and the Construction of Environment	Closing Discussions

26.54 TWh

October Gross Generation

669.93 TL/MWh

Average MCP

4.3%

Daily average licensed electricity generation decreased by 8.0% MoM and increased by 4.3% YoY in October.

[Click](#) for details.

28.6%

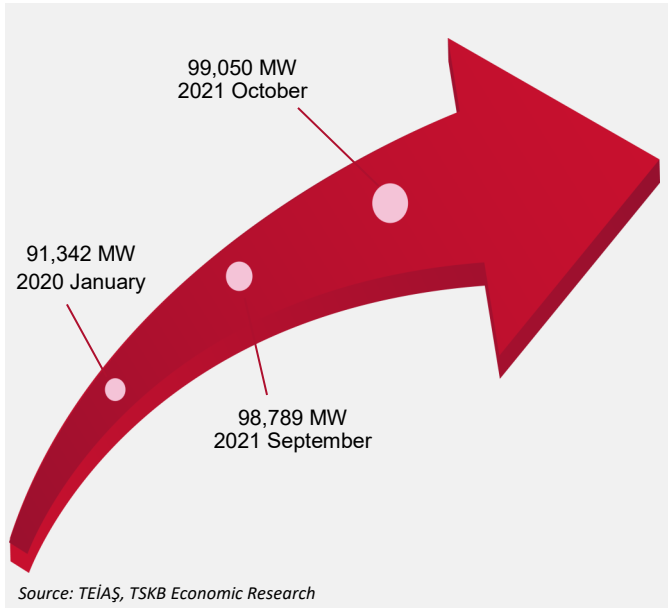
Market Clearing Price (MCP) increased by 110.2% YoY and decreased by 28.6% MoM in October.

[Click](#) for details.

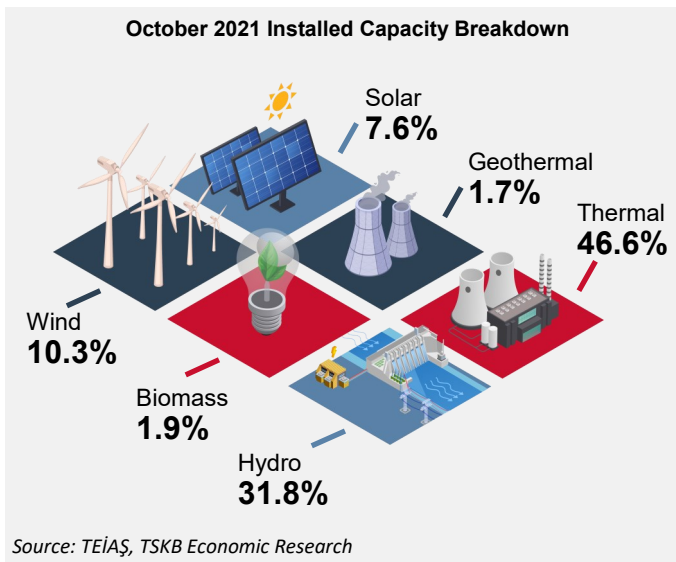


Installed Capacity Analysis

Turkey's total installed capacity, which reached 98,789 MW at the end of September, increased to 99,050 MW at the end of October. In October, solar power plants with a total net installed capacity of 124.3 MW was commissioned. In the same period, the total net installed capacity of wind and renewable waste power plants increased by 85.3 MW and 27.9 MW, respectively.

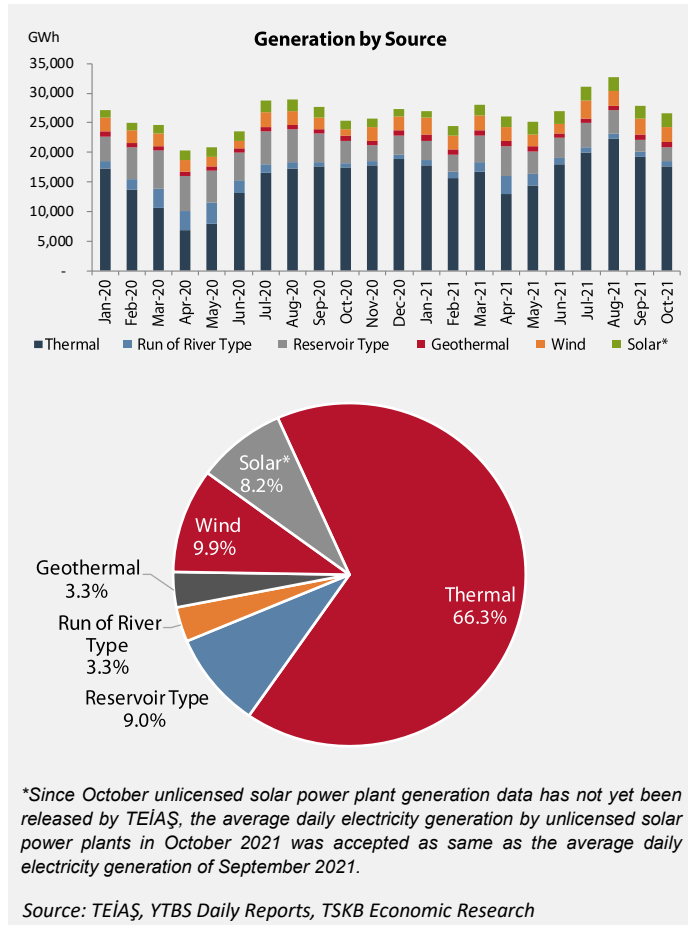


Of all the power plants in operation during October, 53.4% of the capacity consisted of power plants generating electricity from renewable resources. Thus, the share of renewable power plants in total installed capacity continued to stay above 53% levels. Hydroelectric power plants (HEPP) accounted for 31.8% of Turkey's total installed capacity in September, while the combined share of wind and solar power plants amounted to 17.9%.



Electricity Generation Analysis

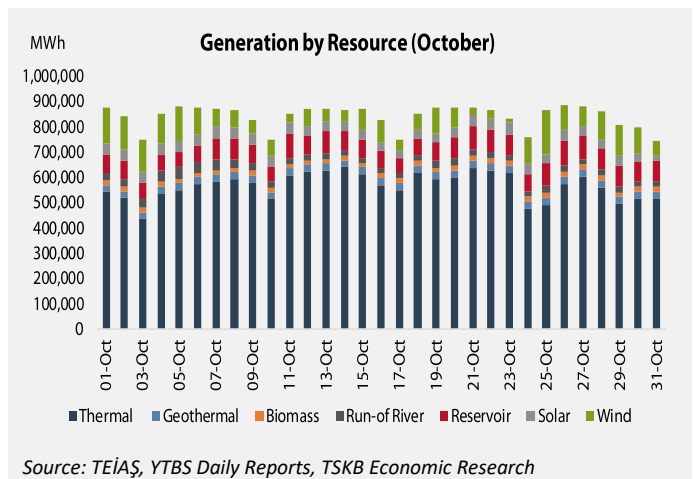
Total electricity generation, which stood at 26.54 terawatt-hours (TWh) in October, compared to 27.91 TWh in September, representing an 8.0% fall compared to the daily average electricity generation compared to September but a 4.3% increase when compared with the same month of the previous year.

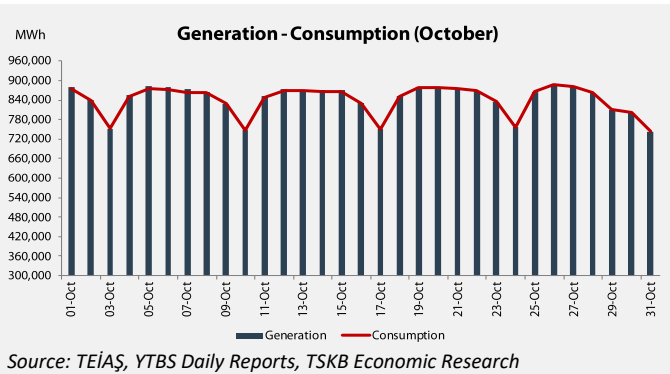


*Since October unlicensed solar power plant generation data has not yet been released by TEİAŞ, the average daily electricity generation by unlicensed solar power plants in October 2021 was accepted as same as the average daily electricity generation of September 2021.

Thermal power plants, which had provided 69.2% of the total electricity generation in September, generated 66.3% of Turkey's total electricity in October. While hydroelectric power plants had a 10.2% share of total generation in the previous year, the generated 12.3% of total electricity generation in October - the second lowest proportion in 2021, after September.

In 2020, renewable energy power plants accounted for 42.5% of electricity generation; this proportion stood at just 33.7% in October 2021. In the same period, while dam-type hydroelectric power plants contributed 9.0% to total generation, with wind power plants providing 9.9% of total generation. The share of natural gas power plants in total generation, which stood at 38.8% in September, reached 40.6% in October.





Source: TEİAŞ, YTBS Daily Reports, TSKB Economic Research

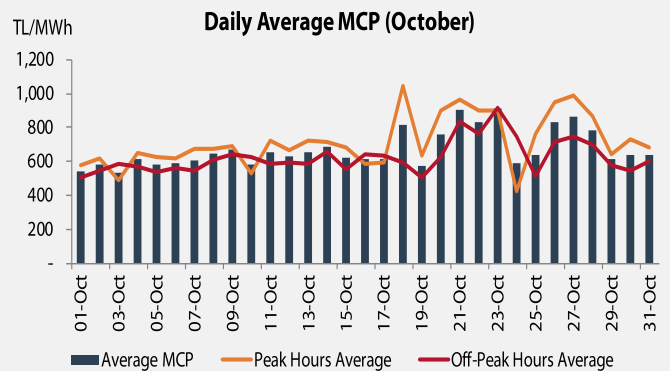
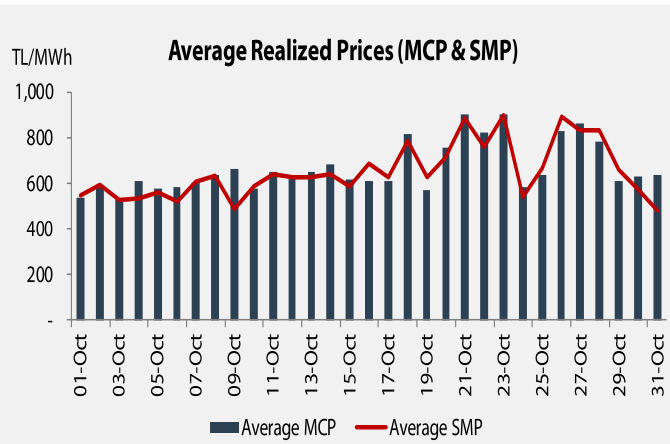
The daily average generation of licensed power plants stood at 842,768 MWh in October. The maximum recorded generation from licensed power plants in the month of October was recorded on Tuesday, October 26, when generation totaled 888,671 MWh, while the lowest recorded generation in the same period was 743,949 MWh, on Sunday, October 31.

Electricity consumption averaged 841,108 MWh per day in October, with a maximum of 888,046 MWh on Tuesday, October 26 and a minimum of 743,916 MWh on Sunday, October 31.

Electricity Price Analysis

The daily average market clearing price (MCP) and system marginal price (SMP) varied between TL 480-910 /MWh in October. The average MCP in October was realized at TL 669.93 /MWh while the average SMP was TL 653.03 /MWh. The minimum average MCP value was recorded on Sunday, October 3 at TL 535.40 /MWh with the minimum average SMP value realized on Sunday, October 31 at TL 480.42 /MWh.

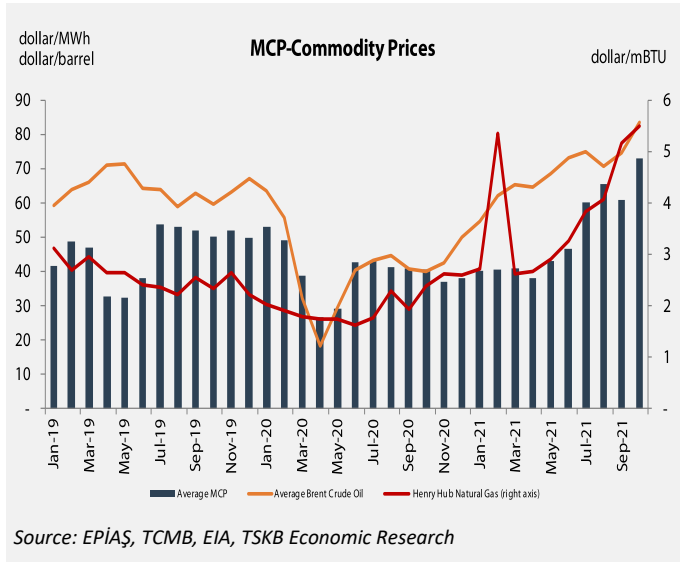
On the basis of hourly data, the highest MCP was TL 1,078.00 /MWh for 29 hours in October.



Source: EXIST, TSKB Economic Research

An analysis of the MCP finds that the peak-hours average (between 8AM and 8PM) was TL 716.33 /MWh, 6.9% higher than the daily average value. The highest peak-hours average was realized on Monday, October 18, at TL 1,043.34 /MWh with the lowest recorded on Sunday, October 24 at TL 426.32 /MWh.

In the same period, the off-peak average (between 8PM and 8AM) was TL 623.52 /MWh. The highest off-peak average was realized on Saturday, October 23 at TL 913.80 /MWh with the lowest off-peak average recorded on Friday, October 1 at TL 501.13 /MWh.



Source: EPIAŞ, TCMB, EIA, TSKB Economic Research

The average MCP, which stood at USD 61.08 /MWh in September, reached USD 73.16 /MWh in October, an increase of 81.1% when compared with the same period of the previous year.

Average Commodity Prices

The price of a barrel of Brent crude oil, which had averaged USD 74.49 in September, reached USD 83.54 in October, an increase of 12.1% month-on-month. This average, which exceeded USD 80 for the first time since October 2014, was 107.9% higher than the same period of the previous year.

The contract price of Henry Hub natural gas, which averaged USD 5.16 /mBTU in September 2021, reached an average of USD 5.51 /mBTU in October – a 130.5% YoY increase compared with the same period of the previous year.





Sector News

Local News

- **Capital transfer to Boru Hatları ile Petrol Taşıma A.Ş. (BOTAŞ) under consideration.** The Presidential Annual Program for 2022, prepared by the Ministry of Treasury and Finance and Department of Strategy and Budgets, it was indicated that markups in natural gas and electricity prices in recent years were insufficient to recover the costs borne by BOTAŞ ve Elektrik Üretim A.Ş. (EÜAŞ), with plans to transfer capital to these firms during the year to cover their financing needs. Unseasonably low levels of precipitation in 2021 were cited as causing a decrease in hydroelectric potential, and that as a result of this, costs increased when EÜAŞ stepped up its electricity generation from natural gas power plants; there was also a corresponding increase in BOTAŞ's natural gas sales volumes as well. (October 27, 2021)

- **Turkey's natural gas imports jump by 24.3%.** According to the August 2021 dated "Natural Gas Market Sector Report" prepared by the Energy Market Regulating Authority (EPDK), Turkey's natural gas imports increased by 24.3% in August 2021 when compared with the same month of the previous year, reaching 4.17 billion cubic meters (bcm). Approximately 3.53 bcm of these imports were carried out through pipelines with 644 million cubic meters (mcm) through liquefied natural gas (LNG) facilities. Russia accounted for the largest supply of natural gas imports (2.08 bcm) followed by Iran (898.2 mcm), and Azerbaijan (547 mcm) in August. (October 26, 2021)

- **Gazprom Export planning to deliver approximately 25 bcm of natural gas to Turkey.** In a statement, Elena Burmistrova, the chairman of Gazprom Export remarked that Gazprom was planning to deliver 183 bcm of natural gas to the European and Turkish market by the end of the year and expected an average delivery price of approximately USD 270 per 1,000

cubic meters. Ms. Burmistrova added that Gazprom was planning to deliver 24-25 bcm of natural gas to Turkey by the end of the year. (October 26, 2021)

- **Revisions to last resource procurement tariff.** According to the amendment made by EPDK, with the board's decision published in the Official Gazette, the "Agricultural Irrigation Consumer Group" was added to distinction categories which had been comprised merely of "Residential" and "Other Consumer Groups". With effect from January 1, 2022, the consumption amount, that will be applied to the agricultural irrigation consumer group, will be yearly 7 million kilowatthours (kWh) and 3 million kWh/year for the other consumer groups. There is no change made for the residential consumer group which has been applied as 50 million kWh/year. (October 25, 2021)

- **Three quarters of underground natural gas storage facilities filled, according to Fatih Dönmez, Minister of Energy and Natural Resources.** Mr. Dönmez remarked that the government had taken steps to avoid being affected by the natural gas procurement problems facing the World and had filled 75% of underground natural gas storage facilities, adding that they would be filled to capacity within the coming weeks. (October 25, 2021)

- **Measures taken in the electricity market day-ahead price limits.** According to a decision taken by the EPDK published in the Official Gazette, while the minimum price limits will be applied as TL 0 per MWh in related markets, the maximum price limit will be triple the weighted average market clearing price for the previous 12 months applied retroactively and backdated 2 calendar months based on the present calendar month at that time, under the condition that it shall not exceed TL 2,000 per MWh. Before this regulation, the minimum price limit was double the weighted average market clearing price of the past 12 months, backdated 2 calendar months based on the present

calendar month at that time. Under the new measure, some power plants which would not have been able to operate due to high costs will be able to operate. (October 15, 2021)

- **Climate Council to gather in January.** Murat Kurum, the Ministry of Environment and Urbanization, remarked that the "Climate Law" was due to pass through the parliament shortly and that all of the activities to be conducted to achieve the goal of net-zero emissions in 2053 will be carried out under this legal umbrella. Mr. Kurum announced that the Climate Council would gather in January. (October 15, 2021)

- **Fatih Dönmez, the Minister of Energy and Natural Resources provides update on negotiations regarding additional purchases of natural gas.** Mr. Dönmez remarked that renegotiations regarding additional resources were proceeding in order to meet the increase in demand for natural gas over the winter months, and that he long-term natural gas agreements were providing some certainty for supplies. Mr. Dönmez added the government was seeking to minimize the impacts of the higher costs on the end customer. (October 14, 2021)

- **Legislation infrastructure for electricity storage completed.** Mustafa Yılmaz, the chairman of the Energy EPDK stated that the draft legislation for electricity storage had been completed. Mr. Yılmaz stated that terms on storage added to Electricity Market License Regulations and other legislation to ensure the storage regulation would operate effectively. He said that electricity storage facilities would allow arbitrage opportunities to companies in the market because of changes in hourly spot electricity prices, adding that electricity storage facilities would allow energy to be stored when prices were low and traded in periods when prices in the energy market were high. (October 11, 2021)

- **Fatih Dönmez, Minister for Energy and Natural Resources, provides assurance that Turkey will not face natural gas shortage.** Stating that there had been an increase in demand due to the rise in rates of capacity usage in the industry and drought, which may result in an additional increase in natural gas demand of 8-10 bcm, Mr. Dönmez offered reassurance that there would be no difficulties supplying natural gas through both pipelines with existing contracts and in liquified form. Mr. Dönmez added that Turkey had been relatively unaffected by the global price increases due to its long-term contracts, with the price increases partially reflected to the customer. (October 11, 2021)

- **BOTAŞ purchases LNG.** According to a Bloomberg report, BOTAŞ has completed the purchasing of a part of the 20 cargoes of LNG which it planned to deliver between October and February. In the report, it is stated that BOTAŞ is working with the suppliers to guarantee the rest of the deliveries and reduce prices, and even other institutions' offers to purchase at a premium deal for an amount of 80-90 cents from Europe's benchmark price hadn't been accepted. (October 6, 2021)

- **Turkey's total installed wind power capacity reaches 10,585 MW.** According to Turkey's Wind Power Statistics Report for the January-June period, published by Turkey's Wind Power Union (TÜREB), 13.75 TWh of electricity was produced by wind farms in the first half of 2021, constituting 9.22% of the electricity generated in Turkey in the first half of the year. The report highlighted that 24 wind power plants with a total capacity of 926 MW were in the construction phase and that Turkey's installed wind power had increased by 1,280 MW to reach 10,585 MW. (October 5, 2021)

- **Natural Gas Futures Market now active.** In the first transaction of the Natural Gas Futures Market, which will operate within the body of Enerji Piyasaları İşletme A.Ş. (EPIAŞ), Turkey's energy exchange, January-dated natural gas futures contracts were traded at TL 3,413 per 1,000 cubic meters and December-dated futures contracts were traded at TL 3,155 per 1,000 cubic meters. Abdullah Tancan, the Deputy Minister of Energy and Natural Sources and Board Manager of EPIAŞ, stated that participants future gas costs can be fixed with the natural gas futures market, adding that the market volume had reached TL 300,000 with the first futures contracts, two being November-dated and the other January-dated. (October 4, 2021)

- **Türkiye Elektrik İletim A.Ş. (TEİAŞ) invests TL 187.6 million in capacity for 44 electricity generation facilities in August.** The highest payments will be made to Soma Termik Santral Elektrik Üretim A.Ş. (TL 15.2 million) and Yeniköy Kemerköy Elektrik Üretim ve Ticaret A.Ş. (TL 10 million). There are 15 local coal-fired thermal power plants, 4 local and import coal-fired thermal power plants, 17 natural gas-fired electric power plants and 8 hydroelectric power plants which will receive payments. (October 4, 2021)

- **Increase in natural gas tariffs for industrial subscribers and electric power plants.** The natural gas sales tariff has been published on the BOTAŞ website. While the tariff for residential subscribers has been left unchanged, tariffs for industrial subscribers and electricity production power plants were raised by 15%. (October 1, 2021)

- **No change in electricity tariffs.** According to a press briefing made by the EPDK, no changes have been made to electricity tariffs as of October 1, 2021. (October 1, 2021)

- **Deadline for applications in YEKA RES-3 contests postponed.** According to a correction notice published in the Official Gazette, the application date of Contest Announcement For Wind Power Based Renewable Energy Resource Fields and Connection Capacities' Assignment (YEKA RES-3) has been delayed to December 14, 2021. The determined application date for the YEKA RES-3 contests, announced on May 29, 2021, had been October 12, 2021. (October 1, 2021)

News From Abroad

- **Saudi Arabia to invest in battery metals.** Saudi Arabia's state mining company announced that it would embark on an



extensional investment in battery metals in the wake of a rise in prices due to the increased demand for electric vehicles, wind and solar power. Speaking on Bloomberg TV, Abdulaziz Al Harbi, the CEO of Maaden, pledged that the company would invest significant sums in searching nickel and lithium metals in the next 10-20 years. (October 28, 2021)

- Stellantis and LG Energy Solution planning to invest over EUR 30 billion in battery technology. Stellantis N.V. and LG Energy Solutions announced that had agreed to establish a joint venture to produce battery cells and models in North America. According to the announcement, Stellantis and LG Energy Solution are planning to establish a new battery production facility with the aim of strengthening this group's mobility goals. The facility, which is due to start operating in the first quarter of 2024, will have an annual generation capacity of 40 gigawatt-hours. (October 28, 2021)

- Current price increases "not related to climate policies" according to nine European Union (EU) member countries. Germany, the Netherlands, Austria, Luxembourg, Denmark, Finland, Estonia, Ireland and Latvia published a common letter ahead of a meeting attended by energy ministers of EU member countries on October 27th in Luxembourg for the purpose of debating on increased energy prices. The letter highlighted that the existing energy price increase was related to the global economic recovery as well as supply and demand factors for fossil fuels, and that the "EU energy market's design or climate policies" are were responsible for this increase. (October 26, 2021)

- EU "in need of nuclear power and natural gas". Ursula von der Leyen, the president of the EU Commission, said that Europe needed a stable resource such as nuclear power as well as renewable energy, and would need natural gas in the transition period. President von der Leyen underlined that the EU would work on the additional measures that would increase independence and strength in the energy in the medium and long term, adding that the EU was investigating common opportunities to purchase natural gas and how a strategic natural gas reserve could be constructed. She remarked that the cost of generating electricity from renewable resources had declined in the last years, with the cost of generating solar electricity now only a tenth as much as it was 10 years ago and wind energy half as much. President von der Leyen said that while renewable resources do not emit carbon, it is local production that contributes to energy independence and that a stable resource such as nuclear power was needed in addition to renewables, and that natural gas would still be required during the transition period. (October 25, 2021)

- Employment in renewable energy sector reaches 12 million worldwide. According to the "Renewable Energy and Employment - Annual Review Report" prepared by the International Renewable Energy Agency (IRENA) and the International Labour Organization (ILO), employment in the global renewable energy sector has followed a path of constant growth since 2012. China ranks first with 4.7 million people employed in the renewable energy sector followed by 1.2 million in Brazil, 838,000 in the USA and 726,000 in India, while 1.3 million people work in the sector in the EU. Thus employment in the world's renewable energy sector has reached 12 million, an increase of half a million compared to the previous year. According to the report, women accounted for 32% of jobs in the global renewable energy sector in the last year. The renewable energy sector is expected to employ 43 million by 2050. (October 25, 2021)

- Saudi Arabia aiming to reach net-zero emissions by 2060. Saudi Arabia's crown prince Muhammed Bin Selman remarked that Saudi Arabia aims to achieve net-zero emissions by 2060 by adopting a circular economy perspective, adding that he intended to participate in Saudi Arabia's Global Ocean Alliance, the Cleaning of The Plastic Waste in The Ocean and Beaches Alliance and Sports Deal for Climate Action. (October 25, 2021)

- EU leaders demand investigation into natural gas and electricity market. After the completion of the first day of the EU Leaders Summit, according to the final declaration on the increase in energy prices, the EU Committee stated that it would conduct an investigation into whether commercial practices in the energy field required further regulations after the aforementioned examinations. (October 22, 2021)

- The United Kingdom (UK) to provide financing for new nuclear power plant within as part of efforts to achieve zero-carbon emission goal. According to a report in The Telegraph, the government will set out its plans for the financing of a new nuclear power plant during this parliament this week. The power plant will generate enough power to provide electricity to 6 million homes. (October 22, 2021)

- Nord Stream-2 awaiting green light from Europe. The operator of the Nord Stream-2 Natural Gas Pipeline, Nord Stream-2 AG, has announced that the natural gas filling operation for the Nord Stream-2 Natural Gas Pipeline is complete and now awaiting permission to commence sales to Europe. According to the statement, to provide the necessary pressure level to begin natural gas delivery with the pipeline constructed for transporting Russia's natural gas to Germany underneath the Baltic Sea, 177 mcm of gas has been installed in the first pipe. It is currently awaiting the license to be issued by the German regulator in Germany to start natural gas delivery from Nord Stream-2. (October 19, 2021)

- Octopus Energy and Renewable Energy Systems will generate green hydrogen in the UK. The two companies announced that they had entered a partnership to invest USD 4.1 billion in nationwide renewable hydrogen projects by 2030. It was remarked that the green hydrogen produced will help protect the country's industrial sector from the price fluctuations in the fossil fuel market and achieve the country's climate



goals. (October 19, 2021)

- Agreement reached with foreign consortium in regard to natural gas discovered in the Black Sea. Türkiye Petrolleri Anonim Ortaklığı (TPAO) reached an agreement with Schlumberger and the Subsea 7 consortium to improve Sakarya natural gas field. In a statement, Subsea 7 remarked that it would be responsible for over USD 750 million of work. (October 18, 2021)

- No additional demand for natural gas from EU, according to Russian Vice President Alexander Novak. Vice President Novak highlighted that Russia had also seen record-high levels in natural gas consumption with the economic recovery, but was nevertheless prepared for additional sales to solve Europe's energy crisis. Vice President Novak also said that Russia has increased its natural gas sales to global markets by 15% in comparison with its 2020 levels, meeting all obligations set out in this year's agreement. (October 18, 2021)

- US Energy Information Agency (EIA) revises petroleum price projections upward for this year and next year. In its "October 2021 Short Term Energy Outlook Report", the EIA projected a Brent crude oil price of USD71.38 per barrel this year (compared to the USD68.61 per barrel estimated in September's report) with the upward revision based on expectations of declining global oil supply and dwindling oil stocks. The EIA also revised its projection for the price Brent crude oil for the following year. The price of Brent crude oil had been projected at USD 66.04 per barrel in last month's report, while it had been projected to reach USD 71.91 next year. (October 18, 2021).

- Russian President Vladimir Putin indicates that his country is ready to supply Europe's natural gas needs. President Putin said the approval of Nord Stream-2 would help reduce gas prices in Europe. In addition, he remarked that European customers were making a mistake by seeking supplies from the short-term market to cover their storage shortage. While President Putin stated that Germany procured natural gas from Gazprom for USD 250-300 per 1,000 cubic meters, he highlighted that Nord Stream-2 offered a shorter and cheaper route than Ukraine, and Nord Stream-2 would help reduce gas prices in Europe. (October 14, 2021)

- Net-zero commitments made for 2050 "not sufficient" according to International Energy Agency (IEA). In the World Energy Outlook 2021 report published by the IEA, the IEA indicated that the commitments provided by governments for net-zero emissions by 2050 were not sufficient, and that there was a need for a tripling in clean energy investments over the next 10 years. The report additionally underlined that achieving the net-zero emission goals could create a market worth USD 1 trillion in fields such as wind turbines, solar panels, batteries and electrolyzers by 2050. The report cautions that the rate of global warming could reach 2.6°C over the pre-industrial period if governments maintain their existing policies. The IEA indicated that global oil demand was on course to exceed 100 million barrels per day by 2050, with global gas demand to grow by 15% over its 2020 levels but not reach its peak until 2050. (October 14, 2021)

- OPEC revises down its oil demand projection. According to its "Oil Market Report" published monthly, the Organization For Petroleum Exporting Countries (OPEC) revised its global oil projection estimation downward, stating that while demand for oil would increase in sectors such as energy generation on the back of higher natural gas prices, production from refineries could decrease. OPEC has lowered its global oil demand

projection for this year to 96.6 million barrels per day from 96.68 million barrels per day. According to the report, the global demand for oil, which had been projected to be 100.83 million barrels per day in 2022, is now projected to be 100.76 million barrels per day. (October 14, 2021)

- Price limits for coal power plants to be extended in China. The National Development and Reform Committee announced in a statement that it would issue permission to raise the sales prices of coal-fired electricity power plants by 20%. In the pricing system determined by the government, permission was given for sales prices to be increased by a maximum of 10-15% over base prices. The commission also stated that the increase in tariffs for businesses which consume high volumes of electricity would not be limited to 20% and that price fluctuations would be permitted. (October 13, 2021)

- Global energy consumption projected to climb by approximately 50% in 2020-2050 period. In its "October 2021 Short Term Energy Outlook Report", the EIA projects that the steepest increase in consumption among resources up to 2050 would be recorded in the renewable energy segment, according to the base-case scenario that foresees energy trends in the future based on existing laws and regulations. According to the report, oil and other liquid fuels will remain the world's most significant resource in 2050. Unless progress can be achieved with important energy policy changes or leaps in technology, the increase in energy-driven carbon dioxide emissions will continue until 2050, even with an increased share of renewable resources in energy generation. (October 8, 2021)





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