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In making an investment decision investors must rely on their own examination of the Company and the terms of the offering including the merits and risk involved.

Natural Gas Sector Outlook

According to global energy consumption projections, it is projected that natural gas will be the only fossil fuel to record an increase in consumption between now and 2040. In terms of global energy consumption, natural gas consumption is forecasted to exceed coal consumption with natural gas set to be the second most consumed energy source after oil.

Although natural gas prices generally move in parallel with each other across the world, they are lower in countries with higher production compared to importing countries.

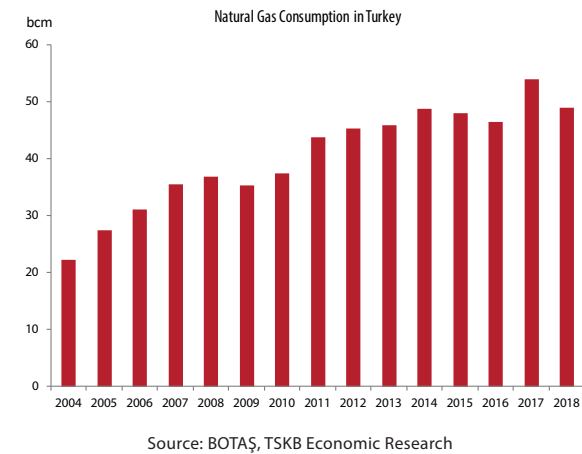
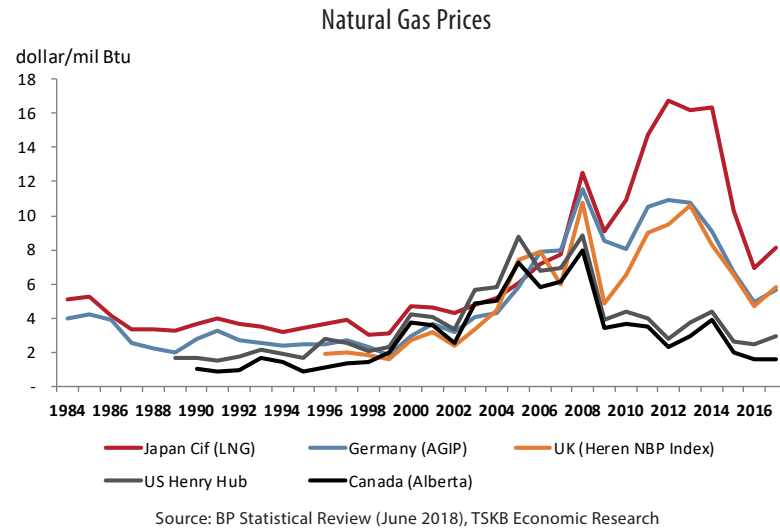
After the Fukushima nuclear accident in 2011, natural gas prices in Japan dramatically escalated because of the change in Japan's policy in favour of the use of LNG (liquefied natural gas) instead of nuclear power as an alternative energy source.

The participation of countries such as the USA, Australia, Malaysia and Indonesia in the supply of natural gas has significantly influenced prices. LNG prices are expected to compete with natural gas prices carried by pipeline in the coming period.

Natural Gas Consumption

Natural gas consumption in Turkey reached its highest ever value of 54 bcm in 2017, with consumption of about 49 bcm in 2018. In 2018, natural gas consumption decreased by approximately 9% YoY in the steepest decline on record. The main focus of consumption has been in a decrease of approximately 2.4 bcm in electricity generation/conversion-cycle plants and a 1.4 bcm reduction in industrial facilities.

Following the investments, natural gas is now provided to all 81 of Turkey's provinces, with 66 million people enjoying access to natural gas in 2018. However, natural gas consumption in households decreased by about 0.8 bcm compared to the previous year due to the dry winter and the steep tariff hikes during the year.



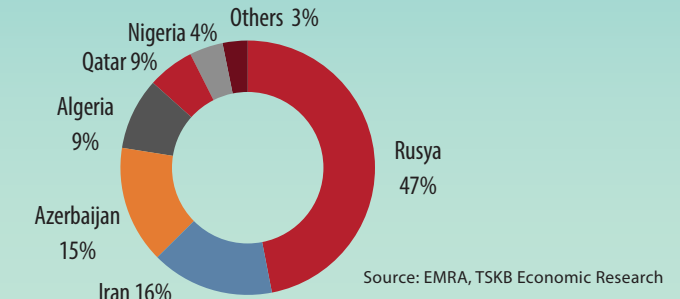
Natural Gas Imports

The share of LNG in natural gas imports has been increasing steadily. LNG accounted for 22.5% of total natural gas imports in 2018. Turkey's natural gas supply is projected to grow in the following years due to the growth of the LNG supply on a global scale, the increase in the number of FSRUs (Floating Storage Regasification Unit) and capacity increases in LNG terminals.

Approximately 47% of Turkey's total natural gas imports are provided by Russia, amounting to 23.6 bcm. Iran and Azerbaijan are the other countries supplying natural gas by pipeline. In 2018, a total of 39 bcm natural gas was supplied to Turkey through pipelines. The 11.3bcm of entered Turkey from 11 different countries via sea tankers.

In 2018, only 0.9% of Turkey's natural gas consumption could be met through domestic production. The total amount of natural gas production was recorded as 428 mcm, realized in 7 different provinces (production of under 0.1 mcm in Edirne, Hatay and Mardin not being taken into consideration).

Natural Gas Import Share by Country (2018)



Natural Gas System in Turkey

In the past years, there have been occasional difficulties and interruptions in meeting peak demand during the winter. Short-term supply security is now ensured by the capacity increase, especially in LNG storage facilities and underground storage. On 8 January, 2019, daily consumption reached an all-time high of 245 mcm, which was met without any supply problems. Currently, the daily supply capacity is announced as 310 mcm and the studies and investments related to the development of this capacity are expected to continue in the coming years.

Supply security cannot be guaranteed only by technical competencies; therefore, diversification of resources is also significant. The rise in the share of LNG and the diversification of LNG producing countries illustrates that the LNG market will be highly active in the coming years. The ramping up of LNG storage investments in Turkey is another prediction due to the expectation of a decrease in LNG prices.

