Forbes
Reprinted from the June 24, 2013 issue of Forbes magazine

Turkey
Going Global

In October 2013, Turkey will mark its 90th anniversary as a democratic, secular nation. Over the last nine decades, the country has grown to become the 17th largest economy worldwide, while assuming an increasingly important regional role. Today, it is home to 75 million people.

Turkey is now focused on achieving an ambitious set of goals by 2023, set out by Prime Minister Recep Tayyip Erdoğan's administration, including expanding its economy to rank among the global top ten; securing full European Union membership; installing new energy facilities nationwide; rolling out enhanced rail, road and port networks; providing universal healthcare; and becoming the world's fifth most visited tourism destination.

Its location at the crossroads of Europe and Asia has long made Turkey a bridge between the continents and a regional focal point.

Turkey has also undergone a transformation into a fast-growing, free-market economy in recent years. While agriculture remains an important employer, industry and services account for the bulk of output and export earnings. Despite contraction in 2009, caused by the cumulative effects of the global crisis, the economy rebounded strongly in 2010 and 2011, by 9% and 8.5%, respectively, although growth cooled to 2.2% in 2012.

Since the 1980s, successful privatizations have transformed Turkey into a model of public- and private-sector partnership and a foreign direct investment (FDI) magnet. The sale of some 200 publicly owned interests has contributed more than $43 billion to state coffers to date, and the government sold four regional power companies this March for close to $3.5 billion. GDP topped $780 billion last year, according to the Turkish Statistical Institute, and appears to be on track to reach the $2 trillion target by 2023.

"Opportunities are real and very exciting in Turkey," says M. Rifat Hisarcıklıoğlu, president of the Foreign Economic Relations Board of Turkey (DEİK) and the Union of Chambers and Commodity Exchanges of Turkey (TOBB). "With strong and healthy macroeconomic fundamentals, Turkey will stand out as a solid, long-term investment case among emerging market economies."

DEİK brings together Turkey's business community – including 750 member companies, 40 institutions, 112 business councils and 129 commercial and industrial chambers – with the goal of high-value-added integration of the country and its private sector into the globalization process.

"We welcome global investors and promise them a vital environment in which they can look forward to sharing rapid growth in a wide spectrum of sectors: retail, real estate, information and communication technologies, renewable energy, healthcare, venture capital, sustainability and research and development," Hisarcıklıoğlu says. "Companies well established in Turkey will reap the rewards, while latecomers will have missed the opportunities."

A welcoming climate for investment

"Since 2002, structural reforms have fundamentally transformed Turkey, integrating it into the global economy, removing all hurdles to foreign investors, and creating an attractive investment climate," says İlker Aycı, the president of the Investment Support and Promotion Agency of Turkey (ISPAT). "Today, Turkey is a safe haven for global investors faced with a turbulent economic outlook."

Over the last decade, the pro-business Erdoğan administration has passed new legislation enabling foreign direct investment (FDI), introduced investment initiatives, established customs union with the European Union (EU) and signed free-trade agreements with more than 20 nations, revolutionizing trade and investment in Turkey.

The numbers back up the success of the government's policies. Turkey's economy has more than tripled in size since 2002, and exports grew fourfold in the same period. The most spectacular figure, however, is the amount of FDI that has flowed into the country in the last decade: $120 billion. According to Aycı, that's eight times the total Turkey received in the previous eight decades.

According to the A.T. Kearney FDI Confidence Index, Turkey ranked 13th worldwide for FDI last year. The annual total reached a record high of over $22 billion in 2007, before tumbling to a third of that figure as the global economic crisis hit hard in 2009. By 2011, however, FDI inflows recovered to $15.9 billion, with most destined for the financial services, manufacturing and energy sectors.

Closer cooperation with EU neighbors has paid dividends in attracting capital; more than 70% of Turkey's FDI originates from the union's member states, well ahead of the Middle East and the United States.

Prudent fiscal policies and a well-regulated financial sector have aided Turkey's sovereign credit upgrade to investment grade, according to Fitch Ratings' assessment last November. But ISPAT's influence and the success of programs like Turquality, which helps local companies internationalize, cannot be underestimated.

"ISPAT provides assistance to investors before, during and after their entry into Turkey," Aycı explains. "We consider investors as clients and their satisfaction is a top priority. According to a survey by the World Bank, ISPAT ranked as the 13th best performer in facilitating investment among 189 national investment promotion agencies. Our target is to be among the top five agencies in the world in the long term."

Financial sector shows its muscle

While the effects of the economic crisis resulted in a 4.7% GDP contraction in 2009, the financial sector not only emerged unscathed, but prospered in the face of adversity. While banks collapsed in the United States and across the Eurozone, not one Turkish institution needed a bailout, and last year the country's banks grew by 12.6% in terms of assets and registered a 19% profit hike.

"The crisis worked out to Turkey's

Project Directors: Lynsey Elston and Rosie Venn
or more in ormation contact
Gabriel Gutierrez — g gutierrez@ orbes-cm com

Information for several interviews used in the preparation of this report was gathered with the cooperation of Foreign Economic Relations Board of Turkey (DEIK)

CARATPARK
VILLAS
ANTALYA

Caratpark welcomes you to a joyful lifestyle

Many privileged European and Turkish families have already become a part of Caratpark Villas, located in Antalya, Belek. Featuring beautiful landscaping, intelligent home technology and a luxury lifestyle - Caratpark is ready for you.


www.caratpark.com

CARATPARK
VAN EVLERİ

This new development and lifestyle will be open in 2014

www.caratparkvanevleri.com

HİTİT
HOLDİNG

www.hititholding.com.tr

The beginning of a new banking era in Turkey

With strength, expertise and solid backing from our main shareholder, the leading bank in the region, Lebanon-based Bank Audi, now is the time to provide new financial dynamism and foster ties between the MENA region and Turkey.

Our young and energetic team, using cutting-edge technology, is steadfastly determined to make Odeabank one of the most admired banks in Turkey.

Reaching an asset size of $2 billion in just 3 months is clear testimony to the high performance and success of Odeabank, the newest player in the Turkish Banking Sector.

odeabank

Not everyone's bank but yours.

444 8 444 | odeabank.com.tr

/Odeabank

advantage," says Suzan Sabancı Dinçer CBE, the chairperson of Akbank, the nation's fourth largest bank. "It allowed us to show our muscle. We have strong governmental leadership, supported by a successful private sector. The financial community is accountable and stable. Our sector is Turkey's real strength."

The resilience of the financial industry traces back to reforms implemented following Turkey's own crash in 2000–01, when tight lending and high interest rates led to a run on the lira, spiraling public debt and huge losses. The lessons learned paid off. Last year, three-quarters of Turkey's 49 banks reported profit increases, and new players are already exploring opportunities.

At the end of 2012, Odeabank, a subsidiary of Lebanon's Bank Audi, became the first foreign lender to set up shop in more than a decade and is setting its sights high: "It's no surprise Bank Audi invested here," says Hüseyin Özkaya, Odeabank's general manager. "It's an obvious choice due to the advantages Turkey offers. We are attracting capital and establishing regional links that will facilitate Turkey's becoming a regional financial center. We want to be a big player and reach 90 to 100 branches by 2017."

Even back in 2001, however, established overseas banks like HSBC, which opened its first office in Turkey in 1990, found cause for optimism. That October, HSBC Bank acquired Demirbank and now operates a network of over 300 branches, offering corporate, investment and retail banking nationwide.

"The possibilities are incredible," says CEO of HSBC Turkey, Martin Spurling. "I am a strong advocate for anyone wanting to do business in Turkey."

As Istanbul positions itself as a regional financial hub, Turkey's capital markets will be instrumental to its success. At the end of last year, changes to the law unified exchanges under the Borsa Istanbul brand, and players like IS Investment, the country's premier investment house, are key to developing the marketplace.

Set up in 1996 by Turkey's biggest bank, İşbank, IS Investment provides asset management, brokerage, corporate finance, investment advisory and research services to national and overseas customers. Listed since May 2007, it is Turkey's only investment firm to hold an AAA credit rating from Fitch Ratings. IS Investment controls $2 billion in assets and in 2012 handled trading transactions worth $52.7 million. The firm has 10 dedicated branches and offers services through İşbank's 1,000-strong branch network nationwide.

"IS Investment delivers excellent operating results, thanks to our long-term

> "The possibilities are incredible. I am a strong advocate for anyone wanting to do business in Turkey."
>
> **Martin Spurling**
> **CEO of HSBC Turkey**

INVESTORS ♥ TURKEY ♥ INVESTORS

More than 30,000 foreign companies have already invested in Turkey. How about you?

akuoenergy · BASF · BNP PARIBAS · citi · Coca-Cola · DHL · FABER-CASTELL · GE Healthcare · Groupama · HYUNDAI · Indesit Company · MANGO · Microsoft · Nestlé · ORACLE · PIRELLI · Shell · TOYOTA · Unilever · UNITED COLORS OF BENETTON.

INVEST IN TURKEY

- One of the fastest growing economies in the world with robust GDP growth rates of 9.2% in 2010 and 8.5% in 2011.
- 16th largest economy in the world with $1 trillion GDP at PPP (2011, WEO IMF)
- A population of 75 million with half under the age of 30.
- Access to Europe, Caucasus, Central Asia, the Middle East and North Africa
- Around 600,000 university graduates per year
- The World's 13th most attractive FDI destination in 2012 (A.T. Kearney FDI Confidence Index 2012)
- Highly competitive investment incentives as well as exclusive R&D support

REPUBLIC OF TURKEY PRIME MINISTRY INVESTMENT SUPPORT AND PROMOTION AGENCY

YOUR ONE-STOP-SHOP IN TURKEY

invest.gov.tr

focus on creating value-added products," insists IS Investment's Deputy CEO, Çağlan Mursaloğlu. "Our strong balance sheet, steadily growing profitability and time-proven competitiveness are key factors behind our reputation."

Generating new supplies to meet demand

Energy security is paramount to Turkey's future. According to the Ministry of Foreign Affairs, the country is second only to China in electricity and gas demand, but meets just 26% of its requirements from national resources. The International Energy Agency forecasts that domestic demand will more than double by 2020.

Diversifying supplies, expanding renewables and enhancing efficiency are all part of the administration's plan to ensure that the nation has enough energy for its own needs and continues to deliver to the European Union. Private investment should help the country realize its Vision 2023 goals of boosting installed capacity to 125,000MW, increasing renewables' share to 30% of the total and building new nuclear plants.

Homegrown companies – like compressed natural gas (CNG) distributor Naturelgaz – are also aiming to reduce Turkey's dependency on imported oil. Founded in 2004, Naturelgaz was the pioneer, and remains the leader, in the nation's burgeoning CNG sector. CNG is a more environmentally clean alternative to other fossil fuels such as gasoline, diesel or propane.

"We are the largest in Europe in terms of infrastructure," says Aksel Goldenberg, Naturelgaz's CEO. The company delivers its products via its own installations to corporate clients in regions that other energy providers do not reach.

Naturelgaz is also the first and only fuel distribution company to have an R&D department dedicated to diesel and gasoline vehicle conversions.

"2013 will be our expansion year towards the autogas market, meaning many heavy- and light-duty vehicles will switch from diesel to CNG," continues Goldenberg. "Our main focus is CNG for automotive use, and once we finish our infrastructure every vehicle on the road will have access to CNG. Owners will enjoy a savings of 35% on their fuel costs once they convert their vehicles," he adds.

Yildirim Energy Investments, established in 2010 as part of the Yildirim Group of Companies, is looking into thermal, wind, hydroelectric, biomass, solar and nuclear power projects in Turkey and abroad. With interests in mining, metals, coal trading, shipping and port management, Yildirim added energy to its portfolio as a logical next step in its global yet local thinking, according to its president, Robert Yildirim.

World class connections drive trade

As the bridge between Europe and Asia, Turkey has been at the forefront of international logistics since the days of the Silk Road. Today, the nation has over 40,000 miles of roads, 6,800 miles of railroad, a network of 45 airports and some 5,000 miles of coastline on the Mediterranean, Aegean and Black seas.

The nation's ports account for more than half of all imports and exports transported, most via the major hubs of Istanbul, Izmir, Izmit and Mersin. Most are privately operated, and in 2011 they together handled 6.6 million TEU containers. As part of its Vision 2023, the government aims to boost Turkey's exports to $500 billion and trade to over $1 trillion, three times the current volume, making development of maritime networks a priority.

At the end of 2012, Yildirim Group became Turkey's leading port operator with the acquisition of RotaPort in Körfez, near Istanbul. The purchase added to its $2 billion portfolio, which also includes Yilport Gebze, Yilport Gemlik and Malta Freeport, to reach a combined capacity of 5.5 million TEUs. The group is also active in shipping and shipbuilding, and is now eyeing opportunities in Brazil where the government plans to privatize up to 90 ports, says Yildirim.

Housing you can call home

According to the latest Knight Frank Global House Price Index, Turkey ranked

is@isinvestment.com
www.isinvestment.com

İŞ INVESTMENT
#1 in ISE and TurkDEX
BROKERAGE&TRADING | RESEARCH | CORPORATE FINANCE | INVESTMENT ADVISORY | ASSET MANAGEMENT
A subsidiary of İşbank | TÜRKİYE İŞ BANKASI

fourth worldwide in price increases in 2012, registering a 10.5% jump for the 12-month period and bucking the downward trend of its Eurozone neighbors. Demand from Turkey's middle class, as well as foreign investment since the introduction of new reciprocity legislation in 2012, have fueled this growth.

Foreign nationals have purchased almost 11,000 properties since the new law came into effect, with Germans and Britons leading the pack. In 2012, the value of foreign real-estate purchases surpassed $2.6 billion, a year-on-year rise of over 30%.

While prices are rising fast, real estate in Turkey remains a relative bargain and a sound investment compared to real estate in neighboring nations, and supply is plentiful.

Low interest rates and longer-term loans have helped mortgage lending expand over the last decade, from less than $1 billion in 2004 to $86 billion last year. At the same time, developers are increasingly building projects in accordance with full building code and legal requirements, with close to 540,000 developments registered in 2012.

These include homes for rent and sale to suit all kinds of budgets and tastes, including luxury apartments and villas. X Flats, a company that renovates historical buildings, offers a choice of serviced apartments in the heart of Istanbul. Available for short- or long-term stays, the company's boutique accommodations combine great locations with luxury fittings.

Away from Istanbul, Hitit Holding has developed 100 high-end single-family villas at Antalya, a city on Turkey's southwestern Mediterranean Riviera. It has also built a number of top-quality apartment buildings and office developments in both Antalya and Çorum, and is currently involved in the construction of a five-star hotel in the Bafra region of Cyprus.

"We have made a name for ourselves by creating luxury housing in emerging and developing cities," says Sait Börecki, Hitit's chairman. "Our goal is to have the capacity to work in every part of Turkey."

Sait Börecki, chairman, Hitit Holding

Hitit seeks to repeat the holding's success in expanding the scope of its business activities. Set up four decades ago in Çorum in northern Anatolia, Hitit has grown from a family-owned jewelry firm into a diversified, publicly listed group, with interests in the retail, construction, and food sectors today.

"Entrepreneurship is a very important characteristic of Turkish people," Börecki says, "one that will enable us to do more in the future. We have created a mechanism that allows us to work well with any type of growth, opportunity and partnership."

NATURELGAZ
THE LARGEST
CNG COMPANY
IN EUROPE
TURKEY
THE MOST PROMISING
AUTOGAS MARKET
IN THE
WORLD

Welcome to the Naturelgaz Era

Naturelgaz®

www.naturelgaz.com

For more information about this report on Turkey,
please contact:

Gabriel Gutierrez — g.gutierrez@forbes-cm.com
Tel:+1 212 751 1900

www.forbescustom.com