INVEST IN TURKEY
INVESTMENT SUPPORT & PROMOTION AGENCY OF TURKEY
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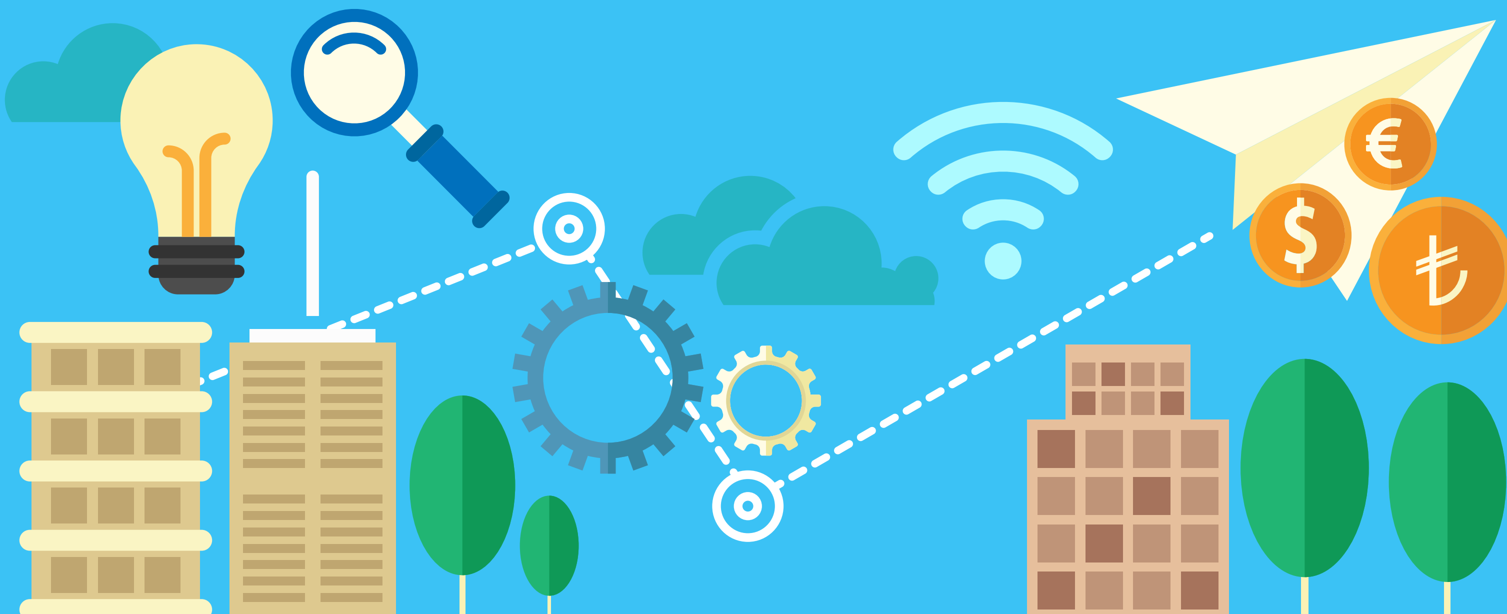


TURKEY IN PLAY AGAIN WITH ROBUST GROWTH RATE

Strong real GDP growth in Q1 2017 sees the Turkish economy recovering much faster than expected

The Turkish economy grew at a larger-than-expected 5 percent year-on-year during the first quarter of 2017. According to data from the Turkish Statistical Institute (TurkStat), Turkey outperformed major emerging market peers by exceeding consensus growth estimates.

In early June, the World Bank increased its 2017 growth projection for Turkey to 3.5 percent, up 0.5 percent from initial projections. Then on June 19, 2017, Fitch Ratings also revised upward Turkey's growth forecast to 4.7 percent from 2.3 percent for 2017 and to 4.1 percent from 1.3 percent for 2018. Fitch Ratings pointed to a smoother political environment after the referendum that will support the investment environment and consumption through mid-2019, when the next elections are due to be held.

Fitch said in its Global Economic Outlook report that global growth is expected to rise from 2.5 percent in 2016 to 2.9 percent this year and 3.1 percent in 2018. The recovery in commodity prices and the improvement across advanced and emerging market economies is driving this growth. The report anticipated growth rates of 1.8 percent in 2017 and 2 percent in 2018 for developed countries and of 4.9 percent through 2018 for emerging ones.

The robust growth rate in Turkey in the first quarter of 2017, was fueled mainly by strong export volume and consumption, while the fiscal stance of the government to boost economic activity was another key factor driving growth. A breakdown of growth rate indicates year-on-year growth rates of 5.1 percent, 9.4 percent, and 10.6 percent in private consumption, government expenditures, and exports respectively.

The fiscal measures taken by the government have spurred a strong increase in economic activity. The Credit Guarantee Fund, which guarantees around TRY 180 billion of credits as of June 2017, had a favorable impact on the Turkish economy. Furthermore, the rising demand from the Euro Zone led to robust export figures that played a significant role in Turkey's growth rate in the first quarter.

The Turkish economy has proven resilient and has recovered much faster in the wake of the adverse incidents in 2016. Diminishing political uncertainty after the referendum in April 2017, which provided a mandate in favor of the constitutional amendment package, resulted in rising capital inflows to Turkey.

Following the successful referendum, the government has focused on economic reforms and on improving the business environment. This decision has resulted in better-than-expected economic indicators so far in 2017. Headline inflation saw the first decline since November 2016. Moreover, PMI is gradually recovering and has stabilized above 50, posting 53.5 in May. On the other side, the Central Bank of the Republic of Turkey is fully committed to reducing inflation and maintaining a tight monetary policy. With the support of FED's rate hike that anticipates monetary policy normalization and supports a gradually appreciating lira, investors can make clearer strategic decisions in Turkey.

Assuming that the capital inflow to Turkey continues to increase and that the lira claws back more of the losses it suffered in 2016, there could be ample room for Turkey to surpass government growth target of 4.4 percent in 2017.

WORLD INVESTMENT REPORT:

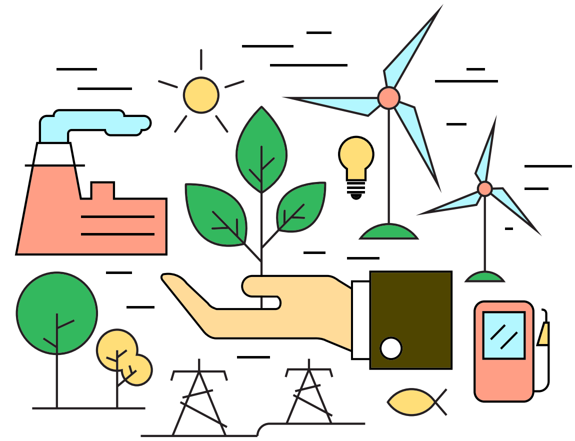
TURKEY MOST ACTIVE COUNTRY IN PROMOTING INVESTMENTS

Turkey ambitiously sought out FDI by signing seven treaties in 2016

According to the World Investment Report 2017, prepared by the United Nations Conference on Trade and Development (UNCTAD), Turkey has noticeably increased foreign direct investments (FDI) over the last 15 years, attracting USD 12.3 billion in 2016 alone. The FDI inflows reflect the country's diversified industrial structure, with manufacturing accounting for around half of the total FDI. The report also highlighted the reforms that have been implemented and the incentives that have been introduced in Turkey in recent years to attract investments, particularly incentives in R&D and those granting citizenship to foreigners under certain eligibility conditions.

According to the report, Turkey cemented its position as the most active country vying for FDI inflows in 2016 as it signed seven international investment agreements in the area of mutual encouragement and protection of investments. Canada, Morocco, and the United Arab Emirates followed Turkey with four international investment agreements each. The report goes on to mention that a total of 37 new international investment agreements were concluded in 2016, of which 30 were bilateral investment treaties and seven were treaties with investment provisions.

ENERGY



The recent 2017 edition of the REN21 Renewables Global Status Report reveals an energy transition well under way in Turkey with new additions of installed renewable energy capacity, particularly in geothermal and solar power. According to the report, Turkey became the second largest geothermal power market in 2016 by adding 200 megawatts (MW), a 44 percent increase compared with the previous year. Around 36.7 GW of new solar thermal capacity was commissioned in 2016, and China accounted for 75 percent of global additions followed by Turkey.

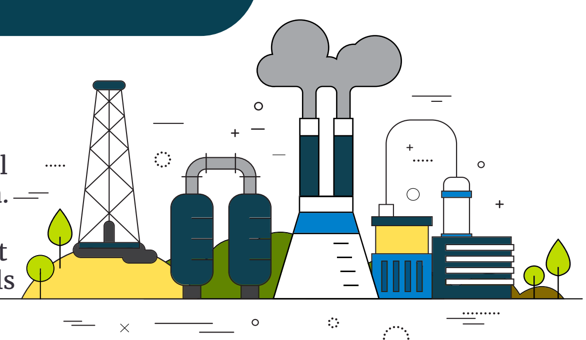
2ND

LARGEST GEOTHERMAL MARKET IN THE WORLD IN 2016

3RD

LARGEST SOLAR MARKET IN EUROPE IN 2016

PETROCHEMICALS



Turkey has a growing petrochemicals industry and it is seen as one of the fastest growing petrochemical markets after China and India. Because Turkey lacks basic chemicals, it is the 2nd largest net importer of petrochemicals in the world. A growing number of end-use industries in Turkey means that there are ample opportunities for investments that would reduce the country's dependency on petrochemical imports.

SOCAR

ADDITIONAL INVESTMENT IN THE PIPELINE

Azerbaijan's state-run energy company SOCAR, a majority stakeholder of Turkish petrochemical maker Petkim, is aiming to make a USD 3 billion additional investment in Turkey. Speaking in an interview, SOCAR Turkey Chairman Vagif Aliyev said the new facility that SOCAR is working on may be the second Petkim and that it will be supported through the Turkish government's investment incentives program.

SOCAR has made around USD 11 billion of investments in Turkey over the last decade. The company will also complete the construction of Star Refinery in İzmir in 2018.

TOURISM

After declines in 2016 and first quarter of 2017, international tourist arrivals to Turkey were up by 18 percent in April 2017. Some of the factors encouraging tourists to come back to Turkey include being able to benefit from lower airfares fed by the depreciation of TRY against EUR and USD, the recovery of global economic conditions that led to rising travel demand, and Turkey's improving relations with Russia, which is leading to a recovery of Russian tourists. The CIS region therefore accounted for the largest improvement by nationality, followed by the Middle East and Far East. The 7 percent increase in German and 9 percent increase in British travelers in April accounted for the improved European demand.

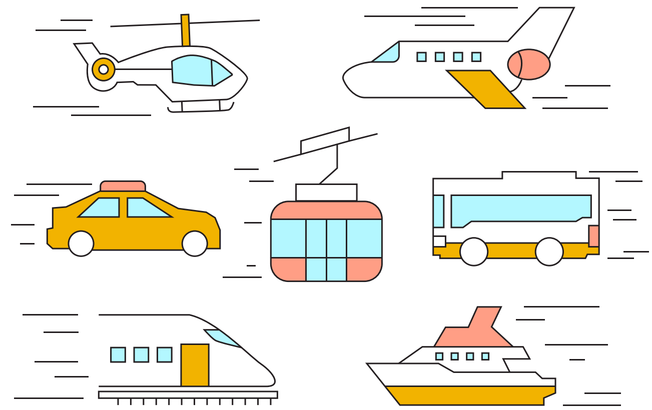
18%

RISE IN INTERNATIONAL TOURIST ARRIVALS IN APRIL 2017

AUTOMOTIVE

Proven as a production hub of excellence, the Turkish automotive industry is now aiming at improving its R&D, design, and branding capabilities. As of the end of May 2017, 89 R&D centers belonging to automotive manufacturers/suppliers and engineering companies were operational in Turkey.

Auto manufacturers are increasingly choosing Turkey as a production base for their export sales. This is evidenced by the fact that around 75 percent of production in Turkey is destined for foreign markets. In 2016, more than 1.14 million vehicles were exported from Turkey. While Germany, France, Italy, the UK, and Spain are currently the major export customers of the Turkish automotive industry, there is a trend of diversification in export destinations with companies looking to break into nearby emerging countries where there is considerably more demand potential for new auto sales.



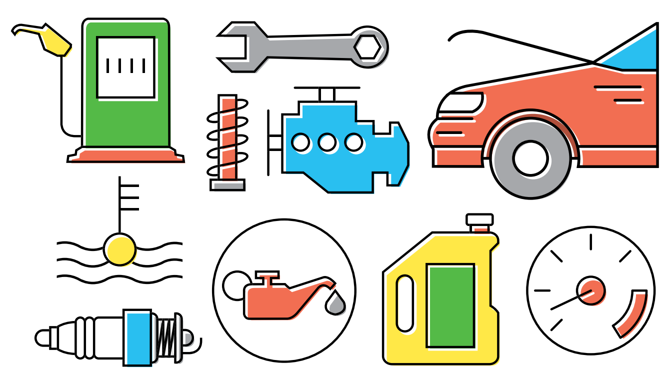
ADP TO BUY FURTHER STAKE IN TAV

GROUPE ADP

Tepe Akfen TAV Airports

French airport operator ADP, operator of the Charles De Gaulle and Orly airports in Paris and the largest shareholder of TAV Airports with a 38 percent stake, announced that it plans to increase its stake in TAV to 46 percent. The USD 160 million transaction is expected to be completed in summer 2017.

By the end of 2017, TAV will operate a total of 17 airports. These include five in Turkey, among them Istanbul Atatürk Airport, one of the busiest airports in Europe, four in Saudi Arabia, two each in Georgia, Tunisia, and Macedonia, and one each in Latvia and Croatia.



TURKEY'S AUTOMOTIVE EXPORTS BOOST IN JAN-MAY 2017

According to the Automotive Manufacturers' Association report, automobile exports posted an increase of 77 percent year-on-year during the January – May 2017 period, reaching USD 5 billion. The report also said that during the same period automobile production rose by 41 percent annually, coming in at 507,000 units.

30 May

Madrid **SPAIN**

CONFERENCE ON TURKEY'S OUTLOOK

The Spanish-Turkish Chamber of Commerce and Industry and the Spanish Confederation of Employers Organizations (CEOE) held a seminar in collaboration with ISPAT at CEOE headquarters in Madrid. The seminar focused on the latest outlook in Turkey's investment environment and recent hot topics that are impacting the country's economy. Following the opening remarks of Juan Canals, President of CEOE's Committee for Mediterranean Countries, Esther González, President of the Spanish-Turkish Chamber of Commerce and Industry took the stage. González stated that the primary objective of the meeting was to offer first-hand information about recent events taking place in Turkey and their possible effects on business operations and the investments of companies based in Turkey. The conference also featured a speech by Ömer Önhon, Ambassador of Turkey to Spain, who touched upon Turkey's constitutional referendum in April 2017, the outlook in the region, and talks between Russia, Iran, and Turkey. Also presenting at the meeting was Álvaro Ortiz Vidal-Abarca, Chief Economist at BBVA, who spoke on "Why invest in Turkey" while citing data from BBVA research.

8 June

Paris **FRANCE**

HIGH-LEVEL MEETING ON ENERGY & AVIATION

On the occasion of the Ministerial Council Meeting at the OECD, Turkish Deputy Prime Minister Mehmet Şimşek attended a meeting organized by ISPAT during his Paris visit. Şimşek came together with high level executives of several major French companies operating in the energy and aviation industries during this meeting, which was followed by one-on-one talks.

12 June

Rome **ITALY**

SEMINAR ON TURKEY'S INVESTMENT CLIMATE

ISPAT contributed to a seminar held in Rome by the Italian law firm Nunziante Magrone with a presentation on Turkey's investment environment and opportunities awaiting international investors. During the seminar, Ambassador of Turkey to Italy Murat Esenli gave a speech that focused on Turkey's recent political and economic outlook. Participants also had a chance to listen to the success story of Leonardo S.p.A., which has been operating in Turkey for decades through its fully-owned subsidiary. Leonardo is known for the delivery of state-of-the-art communications capabilities in the aerospace and defense industry.