



LEADING TURKEY'S ECONOMIC SURGE

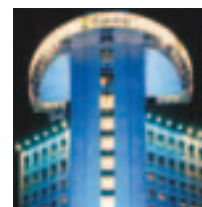
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Opening the door for investment

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INSIDER VIEW

'Turkey's population is young and dynamic'

How does Turkey compare with other European countries in terms of economic progress?

At the end of 2006 Turkey had the world's 17th-largest economy and the 6th-largest in the E.U., with continual GDP growth of 7.4% - one of the highest levels of growth on the continent. Turkey has done very well in exports, which grew from \$35 billion in 2002 to \$107 billion in 2007. We are the second largest job-generating country in the E.U.. Between 2003 and 2006, 2.4 million non-agricultural-related jobs were generated. Of Turkey's population of 70 million, 65% are under 34, so the Turkish population is young, motivated, and dynamic. It is also very well educated: every year we have 400,000 new university graduates coming into the market.

What about foreign investment in the country?

Between 1992 and 2002 we attracted a billion U.S. dollars in FDI annually. Through structural reforms, economic and political stability and a clear E.U.-orientated policy, Turkey has attracted more FDI in recent years. In 2004 the figure was approximately \$3 billion. In 2005, \$10 billion, in 2006 \$20 billion and in 2007, just under \$22 billion. Last year, Turkey was 13th in the world in terms of FDI and fifth among emerging markets. Our target for the next five years is to place Turkey among the top five FDI attracting countries in the world.

More than 80% of this new FDI is coming from Europe. What has your agency been doing to promote greater U.S.-based investment?

We are focusing on the U.S. because we believe that companies there do not know Turkey very well. We want to give them the message that if they are thinking of Europe and Central Asia, they should think of Turkey. We have launched a new wave of road shows and campaigns in the U.S. to raise awareness. The U.S. represents 5-7% of our FDI. We would like this to increase. Microsoft currently manages 79 countries out of Turkey—one of their largest corporate centers in the world after Seattle. Coca-Cola also has its Eurasian headquarters, which manages 43 countries, in Turkey.



Alpaslan Korkmaz,
President of the Investment Support and Promotion Agency of Turkey

Turkey

Tuesday, July 08, 2008

Bouncing back from the economic crisis of 2001 and revealing in its role as the commercial epicenter of southeastern Europe, Turkey is becoming an increasingly important economic and diplomatic ally of western nations and is duly aiming for accession to the E.U.



Dr. Abdullah Gül,
President of the Republic of Turkey

Moving Turkey forward

Turkey's geopolitical significance has ensured that as a transcontinental country it has always been an important cog in the machinery of international diplomacy. As the Ottoman Empire crumbled in the aftermath of the First World War and the victorious Allies moved to occupy Istanbul, Turkish nationalism found a focal point in the form of Mustafa Kemal, a military commander who had fought with merit at Gallipoli. The Turkish War of Independence ensued, with the Allies being eventually driven out. The 1923 Treaty of Lausanne officially recognized the fledgling Republic of Turkey, drawing a veil over 623 years of Ottoman sway.

The Republic swiftly implemented a series of reforms designed to facilitate its alignment with western democracies, the most radical being its shift toward secularism - ending centuries of religious doctrine. Mustafa Kemal, honorifically renamed Atatürk, 'the Father of the Turks', in 1934 - died in 1938, leaving the foundations of a modern nation state. His political legacy, often referred to as 'Kemalism', forms the basis of the political bedrock of modern Turkey. In 1945 his successor, Ismet Inonu, presided over Turkey's symbolic entry into the Second World War on the side of the Allies - a landmark event that would herald an era of Turkey-U.S. cooperation that has flourished into the 21st century. A founding member of the United Nations and a NATO stalwart since 1952, Turkey is also a member of the G20 group of industrial nations and an associate member of the European Union. Turkey signed a Customs Union agreement to remove export tariffs with the E.U. in 1995. Formal E.U. accession negotiations began in 2005.

The government of Abdullah Gül, who was sworn into office last year, has continued in the modern Turkish trait of reformist zeal, implementing many new economic reforms while forming the first single party government in Turkey's history. Dr. Gül, a pro-western economist, says, "Our first priority as politicians is a strong economy, hence over the last five years we have made many structural reforms that



Istanbul is Turkey's economic and industrial heart, Ankara its seat of government

have fostered our economic growth. Last year we successfully completed a standby agreement with the IMF, and we have another ongoing."

After the economic crisis of 2001 GDP growth averaged 4%. Between 2003 and 2007, it averaged 7.4%, while inflation was reduced to single-digit numbers. In 2007 exports totalled \$107 billion and for-

eign direct investment rose to almost \$22 billion. It has been a remarkable turnaround.

"Sound economic results are achieved by putting things in order," explains Dr. Gül. "You begin with the macroeconomic fundamentals, as we have over the last five years. Then you can begin fine-tuning at the microeconomic level. This is what

we are doing now. The Turkish economy is no longer based on cheap labor but on quality and productivity. Being able to offer a well-educated, motivated and young population to potential investors is vital."

It is here that the special relationship between Turkey and the U.S. comes to the fore once again. The political ties that bind the two nations are fast, yet economic activity is limited. The U.S., for example, accounts for only 6% of Turkish exports. This is something the Gül administration is keen to address.

"Americans continue to identify with Turkey in terms of foreign policy and national security and defense, and less in terms of business opportunities," concludes Dr. Gül. "We recently signed a statement together called the 'Strategic Region Paper', in which we underline the fields we need to strengthen, such as military and commercial issues. President Bush has asked congress to pass the nuclear law for Turkey. Turkey is a net importer of oil and so we, and the wider region, really need this energy source. With the legal structure in place this is one of many fields in which U.S. companies can enter our markets and make good profits. Both our governments and private institutions have to work in order to truly capitalize on the opportunities which exist."

Strengthening ties with Turkey's long-standing political partner

The American-Turkish Council (ATC) annual conference in April attracted high-profile speakers including U.S. Secretary of State Condoleezza Rice. In addition, a range of officials and private sector players, whose interests lay in nurturing the U.S.-Turkey relationship, also discussed the regional and global challenges and opportunities that face the two countries.

While traditionally

based strongly on defense and security issues, U.S.-Turkey relations today are also about strategic business alliances. Former U.S. ambassador to Turkey and ATC president, James H. Holmes, understands the relationship well: "While sometimes it seems that Americans continue to identify Turkey with foreign policy and defense, and less for business opportunities, through the success of Turkey's

economy the relationship we have has been put on a renewed and solid footing."

In 2007, U.S. exports to Turkey totalled \$6.6b, and bilateral trade touched many sectors, including banking and the traditional Turkish textile industry, which maintains its hold on high-end products not yet sacrificed to cheaper competition from Asia.

Mr. Holmes remains

positive about the future: "We expect the next 5 years to be equally productive." IT, the automotive industry, healthcare and energy are just some of the potential areas for bilateral development for U.S. businesses eager to expand.

With this broad range of opportunities, then, neither the conference nor its delegates were short of ideas to discuss and develop for the future.

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Turkey

Foreign Trade

A new trading nation is coming

Turkey has tripled foreign trade and national per capita income, says Minister Kürsad Tüzmen

In 2002 figures, Turkey's exports to the European Union were just \$20 billion. Today, they exceed \$100 billion. In Europe, Turkey is the number one producer of cars and buses, the fourth-largest producer of trucks, and the second-largest producer of glassware. One of every three washing machines and refrigerators in Europe was made in Turkey. For TVs, the number is even higher. Turkish glassware, electronics, textiles, clothing, and automotive vehicles are sold in the United Kingdom, Germany, France and Italy. Now, according to U.S.-educated State Minister for Foreign

Trade Kürsad Tüzmen, Turkey's goal is to reach the rest of the world.

"This is our competitive edge, which means that although there are conservative measures and tough competition inside of the European Union, we have managed to produce sophisticated items and high-income goods with the latest technology. This is a real production-based country," affirms the minister.

It all started just over a decade ago. In 1996, Turkey signed a Customs Union Agreement with the European Union, launching the country's export bonanza. The

2008 target for the sector is \$125 billion. By 2023, the 100th anniversary of the Turkish Republic, the country is aiming for \$500 billion.

"We have to upgrade our country's basic standard of living and skills, and all of this can only be done through Turkish exports," states the minister. "When we had \$36 billion in exports, we had \$2,000 in per capita income. In 2007, we had \$107 billion in exports and our per capita income exceeded \$5,000. In 2012, we will be able to see at least \$10,000 in per capita income and \$200 billion worth of Turkish exports. We will support this by turning Turkey into

a foreign trade country."

When Mustafa Kemal Atatürk formed the Exporters Union of Turkey in 1936, he said, "Exports must not be limited under any circumstances. All export activities must be facilitated." As such, modern Turkey was born with a strong international focus. The country's geographical position has not hampered these global ambitions. With its close proximity to the European market, the Black, Mediterranean and Caspian Seas, Turkey is able to serve a range of markets.

One market the country has yet to conquer, however, is the U.S., but if things go as planned, it will be

the next to succumb to the high volume of quality products coming out of Turkey. The depreciation of the dollar against the Turkish lira, though, is causing problems in getting Turkish goods to U.S. markets. Consequently, the ministry has begun a program that is initially targeting just six states - Illinois, D.C., California, Florida, Texas and Georgia, which together represent 75% of total U.S. trade. "I will never give up because I know that if the United States knows Turkey better, then we will be able to upgrade our figures. There are great opportunities there for us," the minister concludes.



Kürsad Tüzmen, State Minister for Foreign Trade

Facilitating international entry into southeastern Europe

The Investment Support and Promotion Agency's focus is to make life simple for investors

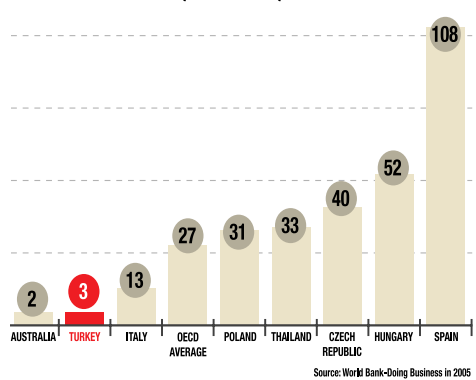
With a geographic position that straddles two continents and permits access to the Balkan, Asian and Middle Eastern markets and an average GDP growth of 7.4% over the last half decade, Turkey is setting out its stall as a choice investment destination.

Making life easier for investors in Turkey is the mandate of the Investment Support and Promotion Agency, the official support framework within the country and answerable to the prime minister himself. A one-stop shop that offers continuous client support free of charge and demystifies entry regulations for investors, the agency takes the hard work out of investing in Turkey.

With a population of 70 million people, over half of whom are aged below 30, and with 400,000 new graduates entering the job market annually, Turkey's economic potential is huge. In 2006, exports reached \$85 billion and the country ranked 13th on the OECD list of most attractive countries for FDI. GDP has increased by 122%, reaching \$400 billion over the past four years.

Turkey's amiable international relations also facilitate trade and investment. It signed a Customs Union agreement with the E.U. in 1996, removing restrictive tariffs and harmonizing Turk-

Time necessary to start your business (in days)



ish and E.U. customs regulations. Turkey also has Double Taxation Prevention Treaties with 65 countries and Free Trade Agreements with a further 11 countries, with 10 more under negotiation.

Having successfully made the move from an agrarian economy to an industrialized market that can provide top-to-bottom services across the supply chain, Turkey now boasts the world's 17th-largest economy.

The remit of the Investment Support and Promotion Agency is to keep this momentum going. Through 100% foreign ownership, free transfer of funds, assistance in obtaining work permits and finding real estate, the agency ensures that the building blocks of increased FDI remain solid.

Selling Turkey internationally

The Ministry of the Economy and the ATO are the key institutions for the promotion and development of business

In comparison with the past, the Turkish economy is stronger in the face of possible future global crises. Lower inflation rates remain a target, but public debt is smaller, and a stronger performance by the Turkish banking sector allows for some confidence in the face of possible risk. Noting that the public sector borrowing requirement has decreased significantly, Economy Minister Mehmet Sisek says, "The fact that Turkey has considerably lowered its debts both in absolute numbers and in their ratio to the national income is an important indication that debts are no longer a source of concern."

While discussions continue about the renewal of the IMF's reform program, which ends in May, foreign direct investment remains an important part of Turkey's transformation. In 2007, the country received \$21 billion, a staggering

jump from \$200 million five years earlier. Recent constitutional revisions of the FDI law have raised concerns about foreign property ownership, but legislation offering tax breaks on R&D has highlighted the country's FDI potential. One of Turkey's growing trade partners is the U.S.. In 2005, Turkish exports dominated the relationship, but by 2006 figures had balanced



Sinan Ayygün, President of ATO

out and exports from the U.S. are increasing, making it Turkey's fourth-largest trading partner.

With over 176,000 members, the Ankara Chamber of Commerce (ATO) is a key institution in the promotion and development of the capital's business community. As 95% of Turkish companies are SMEs, much of ATO's work is directed towards guiding local busi-

nesspeople on official, financial, infrastructure and substructure issues. They also campaign on a national level on issues that affect their members. "Our achievement," says ATO Chairman Sinan Ayygün, "is that we have been very sensitive in many social and political issues, as well as matters concerning Turkish national interest."

Logistically speaking, while Turkey is at the trade crossroads between Europe, Asia and the Middle East, for Mr Ayygün, Ankara is also attractive for investors interested in Turkey itself.

Minister Simsek concurs: "Turkey is among the countries that have made the most progress in terms of competitiveness and is also among the countries that have seen the biggest surge in exports, excluding the developing countries in Asia, in the period from 2001-2007. As we see progress in other areas, Turkey will be less vulnerable to external problems. This is a very important indication as inflation is still a bit high. Thus, to lower public borrowing in absolute numbers, serious budgetary discipline is required. And this is a serious achievement"

Harnessing the potential for bilateral trade

When Turkey's parliament voted against opening a northern front in the Iraq war in 2003, much coverage was given to the cooling of relations between Ankara and Washington. Turkish policymakers went on to open the country's airspace to the U.S. military. The logistics supply chain in northern Iraq also relied on Turkish acquiescence. But the damage was already done. On his third posting to the U.S., Ambassador Nabi Sensoy is glad to have put the past behind him. Now he can pool all his resources to promote bilateral trade.

"There is a lot of scope between the two countries to sell more, to buy more and to invest more in developing countries and engage in further economic activities together," he says. Turkey aspires to align itself with innovating industries both in Europe and the U.S.. The ambassador believes there are many avenues of opportunity and as a

career diplomat his knowledge of day-to-day business is priceless. One question he cannot resist asking is why Turkey only manages to sell \$5 billion worth of



'There is a lot of scope between the two countries to sell more, to buy more and to invest more'

annual exports to the U.S., when Washington buys \$2 trillion worth of goods from the rest of the world. "There is a lot more potential than that," says Ambassador Sensoy.

His strategy has been to create professional networks for U.S.-educated Turkish entrepreneurs who can act as knowledge conduits. According to one database,

the number of these agents of influence in the business world is about 15,000.

What Turkey can offer in return is geopolitical clout and indirect access to new markets. Since 2001, GNP here has risen to \$400 billion, up from \$100 billion 4 years ago. Anatolia is no longer the southern rump of NATO, or even just the famed exotic bridge between east and west. Today, Turkey is the manufacturing heartland for southeastern Europe and a purveyor of goods for Central Asia. Its engineering firms have built much of the post-Soviet infrastructure in Kazakhstan. It is also a military heavyweight in the Middle East, with a distinguished army that relies heavily on U.S. technology.

"When I look at the figures 20 years ago and the figures now, it's really amazing. We went from an inward-looking economy to a liberal one," says Ambassador Sensoy.

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- Access to the EU, Central Asia and the Middle East.
- More than 50 b USD FDI stock since 2005.
- GDP increased from 180 b USD in 2002 to 493 b USD in 2007.
- Ranked as the 17th largest economy in the world and the 6th largest economy when compared to 27 EU countries (IMD World Competitiveness Yearbook 2007).
- Ranked as the 13th most attractive country in the world for FDI (2007-2008).
- Annual average GDP growth of 7% in the past 5 years.

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Turkey

Turkey's buoyant economy has been nurtured by Europe's Finance Minister of the Year Marching towards the Maastricht criteria

Turkey has posted an average GDP growth rate of 7.4% over the last five years and had reduced inflation from over 70% in 2001 to 9.2% at the beginning of 2008

In the years following its financial crisis of 2001, Turkey has risen to become the world's 17th largest economy in terms of gross domestic product based on purchasing power parity, according to the International Monetary Fund. Of the \$400 billion in FDI Turkey has received over the past five years, \$22.7 billion of it poured into the financial sector.

Turkey's economy grew by an average 7.4% between 2002 and 2006, and while elections last year slowed this somewhat, the Organi-

zation for Economic Cooperation and Development predicts that growth will remain at a steady 6% for both 2008 and 2009. The country's export volumes now exceed an annual \$100 billion. Its total trade volumes are now in excess of a quarter trillion U.S. dollars.

Inflation in the country now hovers around 7%, a dramatic improvement over the crippling 70% rates suffered throughout the 1980s and 1990s. Debt levels have been halved from 78% of gross domestic product in 2001

to 40% last year, and the government continues pulling rabbits out of hats. In January this year, it achieved a stunning coup by slashing the country's budget deficit to YTL 524 million, a 91% decrease over the same period the year before.

Leading this economic revolution has been Kemal Unakitan, Turkey's Finance Minister since 2002, and chosen as Best European Minister of Finance by the Banker's Magazine for 2007. Under his guidance, Turkey has regained international credibility, experienced a strong economic revival, and is enjoying record levels of confidence from within its borders and beyond. He says the current government's economic policies were planned before it came to power.

"Even prior to coming to power, during the party's campaign, we had already announced the measures we were going to take. We were targeting a decrease in the inflation rate, creating sustained growth and decreasing risk. Firstly, we had to deal with the budget deficit so as to ensure sustainability. The proportion of the budget

deficit to GDP was 14.6% before we came to power. We decreased it to just under 1% in six years with the help of very strict fiscal policies and discipline, which we will continue pursuing because it is essential for the economy," he said.

"We have also caught up with the E.U. Maastricht criteria which recommends a budget deficit below 3% of GDP. In this respect we are in a better position than France or Italy. Decreasing the budget deficit also decreases debts. Another criteria of the Maastricht Treaty is that the national debt should not exceed 60% of GDP. We should reduce national debt to 57% this year."

Although the challenges are not over it is safe to say the country is now out of the woods, and firmly entrenched on a stable and upward trajectory towards developed country status. It is supported by a strong financial sector that generated nearly \$12 billion in profits in 2007.

Mr. Unakitan is working to boost tax collection methods and push through reforms in the pensions and social security system.



Kemal Unakitan,
Minister of Finance

According to Mr. Unakitan, social security reform is the highest priority for the government as the current system is economically unsustainable and has brought an untenable burden to bear on the public coffers. A new law is awaiting parliamentary approval. Once passed, Mr. Unakitan plans to issue more tax reforms and amend the Turkish trade law.

Meanwhile, privatizations are ongoing and are expected to maintain the country's buoyant incoming capital flows. Plans are in place to privatize state energy distribution networks, two publicly-owned banks, the national lottery

administrator and the state tobacco and alcohol company, Tekel. The minister says, "Privatization is one of the structural reforms we aimed at and we will not slow down the privatization process. Before our government came into office, the total volume of privatization reached \$8 billion. We have achieved \$40 billion in about 6 years."

For American investors, Turkey represents a number of opportunities, especially in the construction, chemicals and electronics industries, according to the minister, who adds the country's outsourcing sector is also on the rise, representing a good base for those looking to expand into the Middle East and Russia. The ministry of finance has made strides in improving the country's business climate, recently introducing new tax changes that cut corporate tax from 30% to 20%, at the same time as abolishing a previous 15% withholding tax on non-residents investing in shares and bonds. Mr. Unakitan concludes, "We will also soon be passing a law to encourage investment in R&D that will include tax reductions. I would recommend that American investors consider running their R&D activities out of Turkey."



Turkey's drive for developed nation status is supported by a strong financial sector

A pillar of Turkey's economic stability and growth

Created by Mustafa Kemal Atatürk as a beacon of Turkish progress, İsbank continues to lead the banking sector

Mustafa Kemal Atatürk, the founder of the Turkish republic, was also the founder of İsbank, the country's biggest private bank. He ordered the creation of a new financial institution in August, 1924, less than a year after the declaration of the republic.

"Paramount among measures that will liberate and augment the nation is the establishment of a bank, utterly modern and national in identity, born directly out of the people's respect and confidence," he said at the time, and İsbank's goal has been to promote economic growth and stability in Turkey ever since.

Following its inception the bank's size, importance and reputation increased as it expanded through most of the country. It was the first Turkish bank to expand outside of national borders and now has a network of 11 branches abroad. A subsidiary based in Germany has 12 branches in that country, two more are present in the Netherlands and France and Switzerland each have one branch. The lender has also set a positive example for other banks in the region, said Chief Executive Officer Ersin Özince.

"İsbank has always committed itself to meeting the banking needs of Turkish customers and the neighborhood around Turkey," he

said. "We may argue that İsbank is the stronghold, the model of free banking in this region because the bank has accumulated the largest shareholder equity."

Mr. Özince is also chairman of the Banks Association of Turkey, which groups together the country's 46 lending institutions. All the banks in Turkey have to join



İsbank was founded in 1924 - Turkey's first bank to expand internationally

the Association, which represents them and defends their interests with the government and with public opinion.

The association has helped the Turkish banking sector to evolve and grow stronger, and to avoid the periodic financial crises that have shaken the country in the past. Turkish banks are adopting international

standards and principles, most private banks are publicly traded and the role of state-controlled banks is fading - all of which add to the industry's stability.

The entry of foreign capital into the Turkish banking sector has also helped, Mr. Özince said.

"It is increasing the quality. However, international banking alone cannot necessarily satisfy all the needs of an emerging market. So we also need serious domestic focus in this under-banked market." İsbank is providing that domestic focus, and its customers notice the difference. İsbank was the country's top bank in Banker Magazine's 'Top 300 European banks' ranking in its October 2007 issue.

İsbank has always concentrated on maintaining state-of-the-art technology and on improving customer service. Its 891 branches and 2,834 automated teller machines are all connected on-line, allowing transactions to be processed in real time. The bank developed its MOD program to use its technology to improve client service, Mr. Özince explained.

The program "is in parallel with the innovations of today's banking, it is technology being used to serve customers better, without boring them, of course," he said. "We have never been pushy and

in consumer areas we do not insist too much on selling our products. The aim of these programs is to increase the performance of our selling capabilities."

One of the sources of the bank's strength is its ownership structure. Its shares have been publicly traded since its founding, and employees and former employees are among the biggest shareholders, at about 42%. At the end of 2006 its pension fund owned another 28% and about 30% are free float. The shares trade on the Istanbul Stock Exchange, where they represent about 7% of the benchmark index, and are also traded on the London Stock Exchange.

Despite the bank's branches abroad and its listing in London, its real focus is domestic, Mr. Özince insisted. There are still regions in the country where İsbank needs to extend its reach, for instance in the northeast and southeast areas close to Iran, Iraq and Syria. Those last two countries are areas where İsbank can also expand once the current situation in that region improves.

The potential for economic expansion, and profit growth, in those areas is already so big that the bank doesn't need to look past Turkey and neighboring economies to expand, Mr. Özince said.



Ersin Özince, Chief Executive Officer of İsbank

"The potential of the domestic and regional market is so huge that we are not necessarily trying to advertise our market," he said. "We are happy with it. I am not neces-

sarily trying to sell Turkey, but we are happy with our business in this region. We do not have any doubt that it will continue to increase with more peace in the region."

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Akbank, Turkey's biggest private bank by profit in 2006, is also its foremost bank in service quality and technology usage. The bank has invested heavily to achieve its goal to be the top multi-specialist banking company in the country.

Akbank gains valuable experience, financial depth and business from its parent firm the Sabanci Group, a conglomerate of 70 companies and 10 joint ventures that employs more than 52,000 people, permitting the bank to concentrate on providing its clients with the best service possible. In an independent research survey carried out in 2006, Akbank was ranked the most contemporary and modern bank in Turkey, with the highest quality of service, and was also named the most innovative and most accessible in terms of products and services.

"Customer focused banking is a priority at Akbank," said Zafer Kurtul, President and Chief Executive Officer. "With its new products, Akbank is moving away from traditional, non-creative services to provide innovative services to customers at a time and in a manner that suits their needs."

Akbank offers customers a full range of financial products. Its Ak Securities brokerage was established in 1996, the Ak Investment Fund in 1998. Ak Asset Management and the Private Banking Department were founded in 2000 and the Ak Leasing unit began operations in 2005.

This wide range of experience gives the bank a strong base from which to offer new products, such as its Mobile loan. Customers can request a car loan, a mortgage or a personal loan by sending a text message on their mobile phone,



Zafer Kurtul, President and CEO of Akbank

and get a response within 2 minutes, also by text message. Approved loans can then be finalized at any Akbank branch.

Such innovations have made Akbank Turkey's biggest lender to consumers and small businesses. Its large branch network brings the bank closer to clients, and the mobile phone and online approval system ease the burdensome lending process.

"The Turkish economy has become more resilient to shocks and is unlikely to undergo another crisis"

The bank's strength in loans has been helped by the demand fuelled by Turkey's rapid economic growth. The periodic economic crises that shook the economy over the past several decades are unlikely to return because the government and the banking industry have both been hard at work to correct the imbalances that caused the problems, Mr. Kurtul said.

The government has reduced its budget deficit to less than 3% of gross domestic product – the limit European Union members must achieve to join the euro – while reducing the national debt to 60% of GDP, another of the criteria for adopting the European currency.

After the last crisis, the Turkish lira was permitted to float against foreign currencies, significant for-

ign exchange reserves have been accumulated and inflation has been cut to single-digit levels, reducing interest rates and freeing funds for investments in other areas of the economy.

The industry has also become more stable. Capital bases have been strengthened, and financial legislation has been brought in line with E.U. standards. Exposure to large foreign exchange-related risk has been reduced and deposit insurance coverage has been cut to E.U. norms, according to Mr. Kurtul. Foreign banks now account for more than a quarter of assets in the sector.

"Although we may experience occasional fluctuations that could be triggered from global economic uncertainties, we believe that the Turkish economy has become stronger and more resilient to shocks through a major reform path, and is unlikely to undergo a severe financial crisis as we experienced in 2001," he said.

Akbank gained a foreign investor recently when Citigroup bought a 20% stake in the Turkish lender. The partnership benefits both banks, allowing the investor to benefit from the Turkish bank's local expertise and giving Akbank access to Citigroup's international experience.

Taking Turkey's economy far beyond the expected

Mustafa Kemal Atatürk stated more than 80 years ago: "In order to raise our new Turkey to the level that she is worthy of, we must attach the highest importance to the national economy". How does the business climate in Turkey nowadays fit into this statement?

Last September, we went to Erzurum, which is an important province in the eastern part of the country. On the way there, I had the chance to look at a map with pictures from several provinces, maybe from 50 years ago, of people of various ages. I could see the conditions of the towns at that time. When I compare those pictures with today's modern Turkey, I can see how far we have come since then. In the last five years, the Turkish economy has been one of the fastest-growing economies in the world, and although there is still a long way ahead of us, most of what Atatürk aimed at has been accomplished.

Turkey's financial sector and economy have reached previously unimaginable heights in the last five years. What are your views on the competitiveness of the financial sector today?

Turkey is a developing country. To achieve economic development, we need to raise our production capacity through new investments. At the same time, we have to make sure that the mobilization of capital accumulation through domestic and external savings is not realized at the expense of productivity. The financial system plays a critical role here. Savings from households have to be passed on to entrepreneurs who have a better knowledge of how to invest these resources in the most productive way. Therefore, the health of the financial system is the key for the growth and development of a country. The measures that were taken after the 2001 crisis have led to the formation of a strong and resilient Turkish financial sys-



Durmus Yilmaz, Governor of the Central Bank of Turkey. Under his stewardship Turkey's financial sector has been brought up to E.U. standards

tem, which has become one of the major vehicles for growth in our country.

How would you define the level of sophistication of Turkish banks?

I can comfortably say that the sector compares well with those of the new members of the European Union. Major steps were taken after the crisis of 2001 to clean up non-transparency and to upgrade the regulatory structure of the banking system to E.U. standards.

But, this does not mean that there is not room for improvement. For example, the level of housing credits in Turkey is very low, around 5% of GDP. Despite significant credit growth in recent years, government securities still constitute a sizeable share of banks portfolios, about 30% of bank assets, and credits to the real sector represent only 25% of GDP.

What have been the main achievements of IMF-backed reform of the financial sector?

Looking at the performance of the Turkish economy over the last 40 years, it could be argued that macroeconomic stability stems to a large extent from political stability. Since the 2001 crisis, we have

had a single party government, committed to structural reforms, and that reform process has generated macroeconomic stability. For the first time in decades, decision-makers were able to see the results of their decisions – enjoying the fruits of correct decisions and paying the price for poor ones – whereas in the past, it was always interrupted by early elections. So, the political stability that materialized after the 2002 elections strengthened the reform process. The economy has gone through major restructuring and some radical reforms in terms of the financial system, in the way of doing business, and also in monetary policy and public finance.

Monetary policies in the past, which mainly focused on short-term goals, have resulted in high inflation, low and unstable growth rates, crises and high unemployment rates. Thanks to structural reforms since then, the Consumer Price Index (CPI) inflation declined to single-digit levels in 2004, and the national debt has become manageable and sustainable. In 2002, gross public debt to GDP ratio was around 90%, and today, it is under 60%. So, the debt burden on the whole economy has gradually lost its importance.

55 years of experience in community banking

Sekerbank began operations in 1953 as the Sugar Beet Co-operative Bank in Eskisehir, north-west Turkey. It was founded to help the beet farmers in the region combine their modest savings for investment, and it has continued to help individuals and small businesses in the region by providing business loans and other financial services for the past 55 years.

"The purpose and the main priority of Sekerbank is to serve mostly the owners of small enterprises, to add value to people's savings and bring ease and convenience to their spending," said Hasan Basri Gökten, Sekerbank's Chairman. "This is the main philosophy and founding aim of Sekerbank."

The lender serves its clients through a network of about 250 branches throughout the country, and has plans to expand to more than 260 branches by the end of the year. One of its signature products is the small business loan and it is currently focusing on increasing the size of its micro financing program.

In 2007 its microcredit lending volume reached 15 million Turkish lira, and the bank expects that volume to rise to 150 million lira by the end of this year. The service, executed with KfW of Germany was offered in 20 branches last year,



Hasan Basri Gökten, Chairman of Sekerbank

and will be available in 100 branches by the end of 2008.

The bank made a strategic partnership last year that brings in strong capital with Turan Alem Securities, a wholly owned subsidiary of Bank Turan Alem of Kazakhstan. Today, 34% of Sekerbank's capital belongs to Turan Alem Securities, 34% to Sekerbank Pension Fund while 31% is publicly traded. From this foundation, Sekerbank has increased its capital by 220%. The bank has also made an agreement with the IFC to obtain a long-term 36 million euro loan to finance smaller individual enterprises within the same year.

Sekerbank has many different types of clients in commercial, corporate and retail banking, but is concentrating much of its effort on the small

enterprises and small scale retailers market. Sekerbank's operations in the niche market are already very profitable, Dr. Gökten asserted.

"Let me tell you a secret, the loans we provide are very secure loans, their loss is almost zero, because their return is really high and the customers of this segment are faithful to their debts."

This has helped the bank grow at an amazing pace. Sekerbank's market value has soared from \$300 million in 2005 to about \$1 billion today, and the goal is to increase credits, total assets and profitability by at least 50% by the end of 2008, Dr. Gökten said.

Economic stability in recent years has also boosted growth. Since the financial crisis that rocked the country in 2001, when many banks went under, the sector has improved its oversight and strengthened its capital base. The country's financial sector is now in much better shape to face any future difficulties, Dr. Gökten said.

"There is a big difference between Turkey now and in 2001," Dr. Gökten said. "Turkey learned several things from that crisis; the first thing is that the banking sector needs to be managed with strict terms and the financial structure of a bank has to be very strong."

Participation banking with a difference

Bank Asya was created as a participation bank to take advantage of the fact that Turkey is a secular country with a largely Muslim population. While charging interest on a loan is legal under Turkish law it is frowned upon under Islamic heritage, so participation banks offer Muslims modern banking products that don't violate the principles of interest-free banking structures.

"Looking at our market we see people that would come to a participation bank, but still keep their money in the house, under the mattress instead of opening up an account," said President and Chief Executive Officer Ünal Kabaca. "We try to find that money."

The bank offers deposit accounts that give depositors a portion of the bank's profit, instead of paying interest on the funds. It can also provide funding to businesses seeking to expand through leasing agreements and other non-interest charging arrangements.

Asya is the biggest participation bank in Turkey, and it is getting bigger. Founded in 1996 with 2 million Turkish lira, it now has 600 million lira in paid-up capital. The bank had 125 branches in Turkey at the beginning of May, 2008, and plans to open 25 new branches a year.

There are currently 4 other participation banks in Turkey,



Ünal Kabaca, President and CEO of Bank Asya

and together they represent a combined loan portfolio market share of 5.9%.

All of the participation banks compete against each other and the other banks in the country to offer services in a rapidly growing market. Recent studies show that as much as 40% of the population doesn't use banking services.

"There is a big market, with huge potential," said Mr. Kabaca. "It is a very competitive market with many foreign players, and this competitive environment is encouraging us to continuously improve our products and services."

Asya offers its retail clients current accounts and profit sharing accounts, money transfers, bill payment services, collection services, credit cards, consumer loans, safe deposit boxes and insurance.

Corporate clients have access to participation accounts and cash management services such as money transfers, insurance and international trade financing.

The bank also offers normal, participation banking loans to clients that want them, while offering opportunities to customers who wish to respect interest-free banking rules or who prefer not to invest their money in businesses that are related to alcohol and tobacco.

Foreign investors seeking opportunities in Turkey can take advantage of Asya's wide-ranging experience in industrial companies. The bank has participated in many projects in the construction and energy industries, and still sees a lot of growth potential in those two sectors and in other areas such as shipping and ship building.

Asya's strategy has been paying off. Profit increased by 51% in 2007 and its loan portfolio grew 56% over the same period, to 4.3 billion lira.

Mr. Kabaca wants the bank to get bigger before diversifying, and he is satisfied with the current pace of growth. That doesn't mean the bank isn't interested in expanding its shareholder base, though. Asya established an American Depository Receipt program at the beginning of this year, enabling investors in the U.S. to buy shares.

TURKEY

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Turkey

Dogus Group, an investment magnet

The Group's partnerships with important international businesses greatly benefit Turkey overall

As the head of one of Turkey's largest and most important conglomerates, Ferit Sahenk is above all proud to be Turkish, especially at a time when the country is enjoying so much growth and prosperity – with an even brighter future ahead. As Turkey has emerged as a key destination for FDI, Mr. Sahenk cites the country's large, young and educated workforce as the reason Turkey will continue to be highly competitive in the future. Not only is this an important feature of today's Turkey but "with the recent investments in infrastructure, technology and telecommunications, Turkey has very much adapted to the changing world. She has become a hub for investments for many international companies, not only so they can do business in Turkey but also so that they can use Turkey as a stepping-stone to reach neighboring markets", says Mr. Sahenk

Indeed, when it comes to attracting investments from abroad and internationalizing Turkish business, it is Dogus that has led the way. The company, which operates mainly in service industries including: financial services, automotive distribution, construction, tourism & leisure and media, represents Turkey worldwide



Ferit F. Sahenk,
Chairman of the Board of Directors of Dogus Group

through its numerous brands and is highly regarded as one of the top establishments preferred by global investors looking to do business in Turkey and the surrounding region. The strength of Dogus as a magnet for attracting cooperation and investments from international business giants can be seen from its work with General Electric in financial services, real estate and media, Volkswagen AG in the automotive sector and Alstrom of France and Marubeni of Japan in the construction sector.

Dogus also recently announced that they have become the first and only Turkish company to become a strategic partner of the World Economic Forum and the international nature of the organization is also further highlighted by the fact that it is the only conglomerate in Turkey to be rated by 3 global ratings agencies. The reports issued by Fitch, Standard & Poor and Moody reflect the extent of the company's transparency and accountability. Clearly this is something that has attracted foreign firms to attach themselves to Dogus's success in Turkey and beyond. As Mr. Sahenk points out, "we believe in regional thinking so we acquired strategic partners such as General Electric in the finance sector to get into new markets." This has born fruit in Romania where the company is expanding a great deal and there are also plans for Dogus Otomotive, the distributor of Volkswagen AG and Audi

AG cars in Turkey, to expand into 5 more countries while also aiming to sell Audis in the United States. With regards to other areas of Dogus's impressive portfolio, Mr. Sahenk says, "another sector that we are expanding into is tourism. We are going to have 3 marinas in Turkey by 2009 and hopefully we will create strategic partnerships in tourism as well." For while Dogus has an impressive international scope and partnerships with some of the world's leading businesses, its domestic role and importance to Turkey should not be overlooked. With annual turnover of well over \$6 billion, 73 companies – each a leader in their respective field – and 18,000 employees offering high quality products and services to over 6 million customers, Dogus is clearly an organization that greatly benefits the country at large. Indeed, holding companies such as Dogus have always been crucial to

Turkey's development. For Mr. Sahenk they have proven to be "a very good source of entrepreneurship, education of human capital and investments in technology", although he expects that as "the Turkish economy evolves, the holding companies will get more sophisticated and will narrow their fields of activity and specialize in certain sectors." Whatever the future of holding companies in Turkey, Dogus under Mr. Sahenk will keep to the ethos and values established under his father when the company was founded in 1951 as a construction firm. Speaking of the way in which the spirit of Dogus remains linked to its original work, Mr. Sahenk says construction is "a people's business" and "that is what makes construction different from other sectors. The boss, the engineer and the worker work closely on the site, they eat, work and make money together. In Dogus, no one works for somebody but we work together. Of course we have organizational discipline but we have the spirit of an amateur". Another concept Mr. Sahenk has taken from his pioneering late father is to always put the customer at the center of operations. For Mr. Sahenk, as an organization grows, "the key factor is how you can retain that close relationship with the customer and the answer is that you have to be open. You have to use technology to be in touch with the customer at all times"



Keeping abreast of the latest banking technology

Garanti Bank places great emphasis on convenience and invests heavily in technology

Garanti Bank may not be Turkey's biggest bank, but it is one of the country's most innovative and ambitious lending institutions. The Istanbul-based bank is expanding rapidly at home and abroad as its high-tech services and focus on customer satisfaction attract new business and retail clients daily. The bank has long believed in investing in new technology to offer broader and easier ways for clients to interact with the lender. Almost 60% of transactions are carried out online, ahead of many western European countries, and more than 80% of general interactions are completed through alternate channels such as Internet, automated teller machines or over the telephone.

The emphasis on customer satisfaction extends to new products that benefit clients who make the most use of the bank's services. Garanti was ahead of competitors in offering credit card users loyalty plans that include bonus points and frequent flier miles, and took another step forward with the FlexiCard.

"We set the standards in the credit card market, and our products are always innovative and attract many people," said Ergun Özen, President and Chief Executive Of-

ficer of Garanti. "We invest in technology and human resources much better than our competition; this gives an edge in producing an unmatched level of services and product range for our customers."

The FlexiCard program lets users choose the interest rate, rewards plan, fee and even the design on the card itself. A client can pick a higher or lower interest rate and at the same time get a more or less generous bonus plan, and can decide how much of their annual fee they want to pay with the bonus points they earn.



Garanti Bank is Turkey's number one lender

The bank offers a full range of financial services through several subsidiaries including Garanti Bank International N.V., an Amsterdam-based international trade finance bank that was established in 1990, and Garanti Securities, the leading brokerage and investment bank in Turkey.

Garanti Asset Management is the fourth-largest fund manager in the country, with \$2.5 billion under management and Garanti Leasing is the only Turkish leasing company with a rating from international credit rating agencies. Garanti also has an insurance unit and technology units that work in the financial operations sector.

The bank's wide-ranging businesses helped net income more than doubled in 2007 to 2.3 billion Turkish lira, up from 1.1 billion lira in 2006. Profit was boosted by Turkey's booming economy, which has expanded an average 7.4% over the past five years.

The International Monetary Fund has forecast economic growth of 4% for this year, as the global slowdown takes effect on Turkish exports. That slower pace is still faster than the growth forecast for the wider European Union for 2008, and faster expansion is vital for Turkey's efforts to enter the E.U., according to Mr. Özen.

Economic growth is spurring demand for loans, and Garanti is

Turkey's biggest lender, despite being the third-biggest bank as measured by assets. The size of its loan portfolio is growing rapidly, and that pace will continue this year, Mr. Özen said.

"We are expecting about 40-45% in loan growth and are gaining 120,000 customers per month, so we have no problems with customer acquisition. We can sell 200,000 products per month through our call center, which is also a very inexpensive channel."

Garanti plans to help fuel its growth through expansion abroad. The lender has had a bank in Moscow since 1996 and started operations in Romania in 1998. Mr. Özen wants to increase the number of branches Garanti has in that country to 100 in two to three years, from about 40 now. Garanti's international ties include a partnership with General Electric Consumer Finance, which in 2005 bought a 25.5% stake in the bank from Dogus Group, Garanti's parent conglomerate. Dogus bought the lender in 1983, and in 2001 merged all its banking units into Garanti.

The next move abroad might be a listing on the London Stock Exchange or the New York Stock Exchange, which would raise the bank's profile internationally and help attract more capital from international financial markets, Mr. Özen said.



Ergun Özen, President and CEO of Garanti Bank

The world's favourite Turkish bank.



Turkey

A clear route to continued success in a diverse sector

Sisecam Group, Turkey's leading glass manufacturer, is behind many of the products available on the international market

It's the goal of most well-established companies to honor tradition while pioneering new methods. The Sisecam Group, Turkey's leading glass manufacturer, has achieved this rare equilibrium, with its roots planted firmly in the company's rich history and its gaze fixed toward the future.

Sisecam was founded in 1935 by Isbank, Turkey's first national bank. Sisecam's establishment came as a direct order from then-president Mustafa Kemal Atatürk, the founder of modern Turkey. Atatürk dreamed of developing the glass industry in his young republic, and it began as an import business, distributing foreign glass before it began producing its own a few years later. By the 1960s, global markets began to take notice of Sisecam's specialized products and streamlined delivery. Today, The Sisecam Group has become one of the most prestigious producers of flat glass, glassware and glass packaging in the world. It has a staff of 17,000, with five of its sub-companies trading on the Istanbul Stock Exchange.

Sisecam's president, Dogan Arkan, credits this growth to Turkey's increased political and economic stability. "People have started to have more faith in the



Sisecam is one of the largest, integrated glassmakers in the world



Dogan Arkan, Sisecam's President, has moulded artisan glass techniques with mass production to form a singular company

economy and gained the confidence to look positively to the future." This consistency has also been drawing international investors from the far and wide. "Looking at the economic facts, we see that Turkey is experiencing an upturn," Mr. Arkan says, "I do not believe we should be worrying about a financial crisis in the near future." Sisecam has benefitted from healthy local and regional investments within Turkey, "and we have all the technical expertise and practices we need to make it competitive on the world stage, such as strong transport and communication links in order to reach our customers worldwide," Mr. Arkan explains. "After the Customs Union with Europe in 1996, Sisecam tried to make itself more competitive with regards to quality and pricing," says Mr. Arkan. It's not just about marketing, however. "Turkey is a country that prides itself on respecting the local traditions and cultures of our export markets."

One of Sisecam's sub-groups, Trakya Cam, is considered the pioneer of flat glass production in

Turkey, which produces architectural, automotive and tempered glass. Trakya Cam's materials are used in the construction, automotive, household appliance, furniture, energy and agriculture sectors all over the world. Chances are, your television, blender or office window began its life in Turkey. Another Sisecam brand, Pasabahçe glassware, is making a name for itself with pieces known for their clean lines and extensive production techniques. Soda Sanayii, of Sisecam Chemicals Group, is Turkey's sole producer of soda ash and chromium chemicals. These chemicals are used as raw materials in more than 100 products, from glass to detergents and leather products.

The Sisecam Group is well aware that environmental concerns are paramount. "We have spent considerable time looking at every way possible for Sisecam to reduce carbon dioxide emissions," Mr. Arkan says. "We spend time measuring and controlling the emissions produced, which is something that every company should strive to achieve." Sisecam has researched the use of glass in homes, where Mr. Arkan says energy usage could be reduced by 40%. "Too often people emphasize the look of the product, with the environment a secondary concern."

This combination of forward-thinking environmental policy and perfecting long-established, quality glass-production techniques is the secret to Sisecam's enduring success. Mr. Arkan believes that the company's first imperative still holds true today: "Atatürk founded the company to make people feel proud, proud to do something, to produce and to work toward a better Turkey."

Rethinking Exports

Turkish officials are retooling their export strategy to fight off stiff competition from India and China. The addition of capital-intensive, value-added exports coupled with improvements in textiles is paying dividends. Since 2001, Turkish exports have tripled to \$107 billion. Officials would like to see the figure reach \$500 billion by 2023.

Oguz Satici, Chairman of the Turkish Exporters Assembly (TIM), detailed what has driven this rapid growth: "With political stability and new legal arrangements aimed at improving the investment environment, domestic and foreign investors have made new investments in Turkey. Production has increased sub-



Oguz Satici, Chairman of the Turkish Exporters Assembly

stantially, fostering economic growth and breaking the supply-side inflation pressure."

Mr. Satici and other officials are helping to advise Turkish companies on how to implement new commercial strategies and products to succeed in the globalized world. "We are giving knowledge and vision to support our companies through various channels." These channels include seminars in various locations around the country, national magazine, and trade fairs.

Paramount to the future of Turkey's exports will be improvements in R&D. TIM is actively seeking more funding from both the public and private sectors. "We believe in the importance of innovation to increase competitiveness for our Turkish firms."

Promoting the finer things in Turkish life on a global scale

Turququality is the benchmark standard for commercial activities in Turkey

Turkey is a country renowned for its stunning landscapes and cities, but now it is making great strides towards becoming a leading global exporter of high quality goods. Three years ago, Kürsad Tüzmen, the State Minister for Foreign Trade, launched Turkey's first ever state-funded brand development program: Turququality. This organization establishes standards for quality, reliability, image, after-sales service and logistics so that the participating companies may successfully compete in the global market and portray a positive image of Turkey as a brand.

Turququality began promoting only a handful of brands, all from the textile and clothing industry, one of the country's leading sectors. Once these had been established, the organization opened its doors to jewelry, furniture, automotive, machinery, ceramics, chemicals, food and electronics. However, not just any company can receive Turququality benefits; companies must undergo a stringent selection process, demonstrated by the fact that so far more than 800 firms have applied for membership and, to date, only 55 have passed. Potential participants must demonstrate a clear short-, middle- and long-term vision and prove themselves committed to world-class standards, by undergoing assessment by the international auditing and consultancy company Deloitte, as well as interviews and observation by Turququality itself.

While Turququality provides local entrepreneurs with international experience and expertise, it also backs them up financially. Branding Turkish products abroad incurs expenses such as patent rights, trademark registration, advertising, quality certification, fashion and industrial product designer costs and showroom rental expenses, all of which are partially subsidized by Turququality. The program also assists participants with training and all angles of production, including sourcing, brand management, IT systems and financial data. Turququality has partnered with Koç University and Sabancı University to organize manager development training programs for medium and top executives. International experts have also been brought in. For example, Trout & Partners holds branding and strategic vision seminars and AC-Nielsen gathers intelligence for detailed program analysis. Werner International offers consulting services for the improvement of production processes for companies in the textile and clothing sec-



Flying the flag: Turququality's entry requirements are stringent, but ensure that only worthy brands and products receive the official seal of approval

tor. As Ziya Altunyalidiz, Turququality's chairman, says, "We provide sophisticated education and training programs that are set on international standards," adding that "we groom people so that they are professionally equipped to take their companies to the world markets and compete with their counterparts there."

One of Turququality's main objectives is the creation of ten international brands within ten years. "Turququality is a platform that provides assistance to Turkish brands with aim, energy, discipline and vision to become an international brand," Mr. Altunyalidiz states. What differentiates Turkish prod-



Ziya Altunyalidiz, Chairman of Turququality

ucts from the rest is their unique Turkish flavor, but unfortunately this is still relatively unknown in many markets. Furthermore, Turkey's image has been tarnished by certain companies who use the "Made in Turkey" label for the sake of short-term interests. Turququality, therefore, works to promote firms that apply only the highest standards of quality and business practices and turn them into global competitors, thus enhancing the Turkey brand image abroad. The target markets for penetration are the U.S., the E.U. and Russia. Already, participating brands have had television commercials and press publicity in Russia and have organized fashion shows in New York and Paris. In Takashimaya, one of Japan's largest shopping malls, an outlet for Turkish brands was opened. In 2007, the 33 Turkish brands that at the time were operating under Turququality's umbrella increased their exports by 38%.

Mr. Altunyalidiz is very confident of the future of Turkish brands abroad: "Turkey is at a very exciting stage. We are coming up with fresh and strong brands that are distinctly our own, yet follow the best international standards. International consumers exposed to Turkish products will no doubt appreciate what Turkish brands offer. More than a product, we offer a whole new experience."

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Turkey

The Sabanci Group: growing in tandem with Turkey

Güler Sabancı is the latest scion of the business family to take the helm of what is today a leading industrial and financial conglomerate

"We will continue creating value in 2008," says Güler Sabancı, Chairperson and Managing Director of Sabancı Holding, Turkey's leading industrial and financial conglomerate. "As the Sabancı Group, and bearing in mind global and national ambiguities and developments, we will seek to be the best in 2008. Within the challenging goals we have set, we will continue to create value for all our business partners by



being a fast-growing and profitable group. We will gain a sustainable competitive advantage through innovation in every field."

Ms. Sabancı, one of Turkey's most influential women, heads what is the country's second-largest group, and the first to be ISO 27001 certified. She oversees 70 companies in diverse activities, 10 joint ventures, 52,000 employees, annual revenues of \$12 billion and net profits of \$350 million. Since taking over the conglomerate in 2004, Ms. Sabancı has managed to expand the business by 23%, doubling the group's number of joint ventures, expanding into food retailing, beefing up energy activities and expanding its banking presence. In 2006, Fortune Magazine listed her as one of the 50 most powerful women in international business. Last year, she was awarded the Order of Léopold II Commander by the Belgian senate.

A third-generation member of the renowned Sabancı family, Güler Sabancı's drive for excellence is the continuation of a family story that is steeped in more than 75 years of experience and determination to succeed. It began when Hacı Ömer Sabancı became a shareholder in a cotton ginning plant in 1932. Today, Sabancı Group has interests in finance, banking and insurance, energy, retail, cement, and the tire and tire reinforcement industries, spread throughout 18 countries across the globe. Sabancı companies market their products in various regions of Europe, the Middle East, North Africa and North and South America, and the group's multinational partners include such prominent companies as Citigroup, Bridgestone, Toyota, BeKaert, Verbund, Carrefour, Mitsubishi Motor Co., Philip Morris and Hilton International. With Ms. Sabancı at the helm, this global presence will become even more pronounced, and this is also something she expects of Turkey itself.

"Turkey today is a part of the global world. With its young population it requires jobs. The level

of education needs to be improved and we need to improve our industry, but Turkey offers a lot of opportunities nationally," she observes. "80 years ago, the emphasis was on the national industry. Now the world has changed and it is not only about Turkish capital, it is also about global capital. Turkey is improving its democracy and human rights every day. As long as the Turkish economy continues with steady growth, and the country stays on the road to European accession, we will continue to attract international capital. As a result, living standards in Turkey will improve."

Ms. Sabancı credits Turkey's steady growth over the past five

years to the political stability that the country has enjoyed. This, in turn, has created the conditions for implementing a comprehensive macroeconomic program, which has contributed to economic stability and boosted market confidence. After the 2007 elections, she says that "the first condition for a stable economy – political stability, is now secured". She believes that the country's efforts to achieve E.U. membership, and the subsequent reform that this has augured, as well as Turkey's agreement with the International Monetary Fund, have been important milestones in the country's economic growth. Now it is time for com-

prehensive microeconomic reform, and Ms. Sabancı is confident that the government is up to the task.

"The new budget shows that the government is clearly aware of the priorities that lie ahead. They know what needs to be done and we are expecting that it will be done," she states, pointing out that Turkey's greatest vulnerability – its current account deficit – was inevitable given the growth that has been achieved. If the government continues to finance the debt and proper microeconomic reforms, and if foreign investment continues to arrive, Ms. Sabancı believes Turkey can meet its growth targets.

DEIK: the bridge from West to East

Ongoing privatization and economic reforms are rapidly improving Turkey's economy. Eager to pounce on ripe opportunities, foreign investment firms are turning to organizations that specialize in bilateral business relations to streamline entry into the Turkish market.

The Foreign Economic Relations Board (DEIK) was established to pool the resources and knowledge of influential Turkish organizations operating in the global markets. "We wanted an organization that brought all the NGO's involved in foreign economic relations in Turkey under one umbrella," DEIK Chairman Rona Yırcalı explained. "We have 27 founders and all the important NGOs involved in foreign relations are under us, representing a wide range of sectors."

One of the ways in which the organization fosters and promotes business relationships is through its Bilateral Business Councils. "The Councils consist of two sections, one a Turkish side and the other side a counterpart institution in the relevant country, which is usually a representative body of the country's private sector," Mr. Yırcalı explained. "Bilateral business councils ensure an effective follow-up mechanism and a continuous flow of information to member companies on trade and industrial cooperation possibilities."

The Bilateral Councils provide a platform for in-

ternational organizations to discuss current business trends and opportunities. Mr. Yırcalı gave the example of the Energy Conferences, which work with the Cambridge Energy Research Associates to underline the geo-political importance of Turkey in the determination of "East – West" and "North – South" energy corridors. In 2006 the Baku-Tbilisi-Ceyhan pipeline, which transports over 1 million barrels of oil per day from the Caspian to the



Rona Yırcalı, Chairman of the Foreign Economic Relations Board

European market, was officially opened, serving as an example of a successful international venture.

Turkey's role as a liaison between the Western world and difficult-to-reach markets should not be understated. "SME's are very important for every country because they are numerous. They give a good, diversified ownership of industry. They are, however, quite vulnerable in terms of financing, reaching local and international markets, keeping up with the competition, and being able to acquire

funding for R&D. We have regular meetings where we go to different cities, focusing on how we can help companies reach new markets."

Turkey has been a reliable trade partner and ally to the United States for decades, with bilateral trade flow growing steadily since the 1980s. "American companies are here because our investment laws are very liberal. You can start a company in one or two days and there is no restriction on the import of capital or on the export of benefits."

Putting Turkey on the international fashion map with high-quality garments and thousands of designs

Milan, Paris, New York – will Istanbul be the next fashion capital? Koton, Turkey's leading textile and design firm, is putting Eurasia on the fashion map. In the last 10 years, Koton's number of stores has more than quadrupled, and its in-house design team churns out more than 10,000 new designs per year – an industry record. Their designs are comparable to those of successful European brands Zara and New Look, providing affordable men's and women's fashion to its 25 million annual visitors.

"If you want to be successful, then you have to understand customer needs and compete with reasonable prices," explains Koton Chairman Yılmaz Yılmaz. "The retail and fashion sector is growing very fast, as young people have a desire to consume."

In order to manage its rapid expansion (110 stores in Turkey and 44 stores abroad, plus two more set to open in Russia and Hong Kong), Koton participates in the Turquality program, which aids in or-



Koton is Turkey's answer to other European chains such as Zara and New Look. The company currently has over 150 stores in Turkey and overseas

ganization and project subsidies, helping Koton become a worldwide fashion brand.

"Our investment in the design department of the company enabled us to produce the variety needed to accommodate the public," says Mr. Yılmaz. Average store size has also been increased, putting Koton ahead of its competitors and allowing for more display space for the brand's trendy dresses, trousers, tops, shoes and handbags.

Another way that Koton has set itself apart is sheer speed. "If you look

at Turkey's geography, we have many advantages in terms of reaching the European market due to our location," says Mr. Yılmaz, "Our most competitive asset is to be fast and fashionable." Mr. Yılmaz says that in five years' time, Koton will begin looking toward conquering the U.S. retail market. "When people see a big store that looks good, located in the best part of the city and recognize it as a Turkish brand," concludes Mr. Yılmaz, "This is what we strive for."

The toast of the Turkish brewing industry

It is not difficult to see why Alejandro Jimenez, the President of EFES Beer Group, views his company as "one of the most successful exporting and international expansion companies that Turkey has." Since it started operations in Turkey in 1969 with two domestic breweries, EFES has evolved into a flagship Turkish enterprise abroad that Mr. Jimenez is rightly proud of. Today, while EFES commands an 82% share of the beer market at home, 65% of total sales are achieved overseas as the company continues its mission to make their flagship brand global.

At present EFES has licences to distribute in over 40 countries worldwide and of their 17 breweries, 12 are located abroad. The company has found considerable success in Russia and former CIS countries where its beer has been particularly well received, and it is these regions that account for much of its overseas sales revenues. The strategy of targeting these markets has reaped great benefits for EFES and its new acquisition in February this year of Loms Ltd, the largest brewer in Georgia, highlights the way in which EFES is going from strength to strength in former Soviet countries. EFES regional expansion has served the company well as it allows them to target high-growth markets such as Georgia where the beer market is growing at an annual rate of 16% – compared to 5% in Turkey – reaping a sales growth of 11.1% in 2007. Mr. Jimenez himself best illustrates the overall policy. "We don't ignore the fact that we are not a global giant, we are a very successful medium-sized company. As such you need to have focus. You cannot be everywhere. Therefore, you have to define where it is



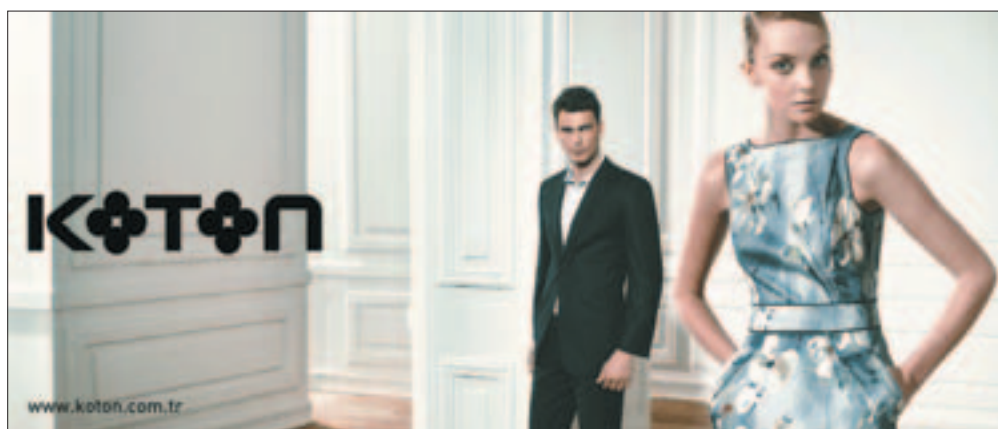
EFES' expansion has targeted high-growth markets

that you are relevant, where it is that your competencies will position you better to be competitive. We decided that we had the particular strengths to be successful in Russia and from there we were able to extend our success to the CIS countries."

Much of this success, both at home and abroad, Mr. Jimenez puts down to the Turkish character and the people who form the basis of EFES. As a Costa Rican, Mr. Jimenez provides an interesting insight and perspective into the reasons behind Turkey and EFES Beer's economic success of late. "What I find in Turkey is, frankly speaking, an entrepreneurial spirit. In very few countries do you find the entrepreneurial spirit that Turkey has. They are hard working people but also very clever people and I am sure the main reason why Turkey is so successful with foreign trade, and the main reason why also EFES is so successful, is because Turkish people combine both these qualities."



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Turkey

Ministry of Energy and Natural Resources

Turkey's rising population places onus on sourcing renewable energies

The Ministry of Energy and Natural Resources faces a challenge to provide for a growing, youthful population. The oil-importing nation is seeking alternative sources

Turkey's swiftly rising energy consumption and market liberalization have sparked interest from investors across Europe, including E.ON and RWE of Germany, and Verbund of Austria. "The picture is changing," says Mehmet Hilmi Güler, Minister of Energy and Natural Resources. "We have created an attractive atmosphere for investment, not only for Turkish companies but also for foreign investors and industrialists, particularly in the fields of coal power and nuclear energy. We may also be held as an example for our neighbors because Turkish sensitivity, stability and democracy are important."

Estimates suggest \$130 billion in investments are needed by 2020 to keep up with the pace of the nation's rising population and economic growth. The government is committed to liberalizing the energy sector and encouraging significant participation by private enterprises to avoid a possible energy shortfall in coming years. "The most important in-



Mehmet Hilmi Güler, Minister of Energy and Natural Resources

centive is the market itself; the market is ready to buy whatever you produce. In Turkey, increase in demand is eight percent, unlike Europe which is showing a one or two percent increase," the minister remarks.

"Our main target is to meet local demand and to create a sustainable investment atmosphere for the future. Looking ahead, privatization is important. Only the transmission lines will be state-owned; the rest will be in private hands. We have been working hard to create a system based on three pillars to produce electricity—coal, water and fossil fuel sources," says Minister Güler. "But we have to add two more: renewable energy and nuclear energy."

Around \$20 billion in investment is needed for hydroelectric turbines, as well as an additional \$20 billion for wind turbines, creating an attractive market for investors. "Even as we are preparing the wind atlas of Turkey, we are also preparing our geothermal and solar maps. When we compete with other European countries on wind and solar en-



Turkey is rich in natural gas and has plenty of potential for wind, solar and hydroenergy production

ergy and with our hydroelectric and geothermal reserves, we find that ours are more abundant than in other countries," comments the minister. Turkey's renewable energy potential could provide for current national energy needs and beyond, if exploited to their full potential.

"I would like to reduce dependency on foreign sources and to give more weight to renewable sources. It will help reduce global warming. We have to consider not only our economy but also our social responsibility and the pressures on the environment. We have bold targets; by 2020 we will have 25 percent of our electricity produced from hydroelectric power plants," the minister affirms.

Although short on its own supplies and reliant on imports, Turkey is blessed with a significant geopolitical advantage, situated as it is between the gas-

rich countries of the east and the gas-hungry consumers of Europe. Turkey is looking to capitalize on being a crucial energy corridor between the Caspian region, the Middle East and Europe.

In February, the United States threw its full diplomatic weight behind the E.U.'s 2,051-mile Nabucco pipeline to bring gas from the Caspian Basin via Turkey to central Europe. A senior U.S. official said the scheme was as important to the United States, to help European allies diversify sources of supply and reduce dependency on Russia, as the Baku-Tbilisi-Ceyhan (TBC) oil pipeline had been in the 1990s. A six-company consortium is due to start construction of the \$6-billion project next year. The project could transport gas from northern and western Iraq as well

as Azerbaijan and offshore Caspian fields.

Transforming Turkey into a regional energy nexus may also see U.S. collaboration on other projects as interest in a domestic

'I would like to reduce dependency on foreign sources to give more weight to renewable sources'

nuclear energy system has been revived in recent years. In his speech at the Nuclear Energy Arena Conference held in Istanbul in January, Minister Güler commented on how mounting oil prices are

putting pressure on Turkey to acquire nuclear technology. "France produces 78 percent of its electricity from nuclear power. China will quintuple its energy capacity in fifteen years," he added. Nuclear power looks set to become a fundamental pillar of Turkey's energy sources diversification policy and will enable it to have a freer hand in selling energy to its neighbors.

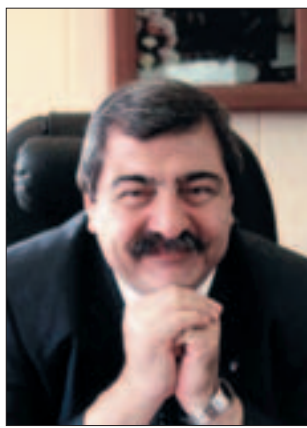
Spinning success

Just over a century ago, Sanko began as a small but confident textile producer, run by a family from Gaziantep, a town whose history of textile making dates back to the 14th century. So small was the initial set-up in fact, that in its first year, it only counted one handloom among its assets. After several decades garnering an excellent reputation in the textile business, the company's Chairman and son of the original owner began to diversify in the 1990's. In 1996, Abdulkadir Konukoglu created Sanko Holding, an umbrella entity for a group now active in eleven sectors.

Despite diversification, Sanko still remains one of the world's major yarn producers and exports round the world, including China. The remaining sectors in which the Group participates are energy, construction, packaging, construction machinery, information-communication, air conditioning, finance, education, food and health. Mr. Konukoglu claims that the main reason behind the growth strategy was that as the potential was used up in one par-

ticular sector, the Group found it had to continue forward. "As we expanded, we had to move on to other sectors because a sector has its limited capacity for growth," he explains.

The Group's diversification is helping it to weather market



Abdulkadir Konukoglu, Chairman of Sanko

changes; when one sector is in recession, another is improving. However, Mr. Konukoglu states that the Group may reduce operations in time and instead, concentrate on the biggest

breadwinners and the ones that would most contribute to Turkey's economic development and environmental sustainability. Sanko's top priorities at the moment include investing in technology and R&D to raise product quality in the textile industry – a sector the Chairman describes as "the heritage from our elders" – and to boost investment in the construction and energy sectors. Within the latter, Sanko is placing great emphasis on renewable sources, namely wind and hydropower, although their sights are set on eventually moving into solar power as well.

In addition to the Holding's own investments, Sanko also has many high quality foreign partnerships. "Our experience, expertise and production quality attracts them," reasons Mr. Konukoglu. Ytong of Germany, Barbetti and Nestlé are just a few examples of the high caliber partners that Sanko has attracted. Sanko is currently seeking new investors to advance in Turkey's flourishing construction and energy sectors.

Powering Turkey and beyond

'Energy everywhere, from source to outlet' is Zorlu Energy Group's mantra. The company is active regionally

Active across Turkey, Europe, Russia and the Middle East, Zorlu Energy Group's vision of "energy everywhere, from source to outlet" has propelled the company into the list of Europe's 100 fastest-growing companies. It is one of several firms seeking a slice of Turkey's expanding energy sector and recently consolidated its position as Turkey's key energy provider after winning the nation's first energy privatization tender. Zorlu Energy's bid of \$510 million beat 26 other bidders for nine power stations with a total capacity of 141 megawatts. The auction was for the Tercan, Kuzgun, Mercan, Çıldır, Beyköy and Ataköy hydroelectric plants, as well as Engil Gas Turbines and the 30-year operating rights for Denizli geothermal power plant.

Adapting state-of-the-art technologies to diversify its activities and exploit energy market niches, the company aims to increase its installed capacity to 3,500-4,000 megawatts by 2012. "We



Murat Sungur Bursa, CEO of Zorlu Energy Group

are becoming a transit country for gas and oil," comments Murat Sungur Bursa, CEO of Zorlu Energy Group. "We aim to make maximum use of our geopolitics and our advantageous location at a crossroads between East and West. Regarding gas exploration and distribution, we have licenses for distribution in several regions, including the Thrace region, which covers three provinces. There will be more tenders in the coming months, such

as Istanbul and Izmir, which are the biggest consumption areas."

The group is involved in a wide range of energy development projects, including electricity distribution, nuclear power, coal, petrochemicals, refineries and renewable sources. Together with its partner ICFS International of Virginia, USA, Zorlu Energy owns Russia's biggest private power plant in Kozhukhovo. The \$600-million project demonstrates the company's determination to become an indispensable figure in the world energy sector.

Zorlu's 130-megawatt wind power project with General Electric in Bahce, southeastern Turkey, more than doubled the country's wind capacity. "The environment is very important and we should invest in a better world," comments Mr. Bursa. "So we looked at our portfolio and realized we have gas but we need something else. We need some hydro, wind and solar energy. At the moment, we are negotiating with some Israeli partners to be the biggest private energy company in Israel. We are also the first company in Pakistan to invest in wind energy, where we have a license to build two wind farms with a combined capacity of 110 megawatts."

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Turkey

Construction

Building the future of Turkey

Turkey is emerging as a new Mediterranean market for second-home buyers. National needs currently stand at 700,000 new homes per annum

While Spain and Greece have enjoyed a real estate and construction boom in recent years, the Mediterranean has a new competitor that not only has the advantage of being able to emulate their example, but also the hindsight to learn from their mistakes.

Even though Turkey does not remain untouched by current trends in the global property market, with a price slow-down in second-hand sales, interest has been sparked by

a new mortgage law and a wider range of new development projects, spanning from mass developments to higher-end products appealing to both domestic and foreign investors.

These developments are all being supported by what is, after textiles and agriculture, the third biggest contributor to Turkey's economy: construction. While Turkish contractors are taking advantage of a boom at home to refine their project development skills, they are also fine-tuning their international reputation



Turkey's construction industry is ranked third in the world behind the U.S. and China

through major projects abroad.

In 2007, 22 Turkish contractor companies were among a list of the world's largest, compiled by Engineering News Record. Ranked in third place behind the United States and China, Turkish construction has been recognised as an influential player in emerging economy growth and development.

Their competitive advantage comes from know-how of the logistically-amenable regions of the Middle East, former Soviet Union, and Europe. This is combined with a unique technical

know-how born of their own domestic experience of major regeneration projects, and building in naturally high-risk areas.

With domestic demands standing at around 700,000 new residences per year, and urban regeneration a major priority for cities like Istanbul and Ankara, the construction sector is predicted to continue to grow for some while yet. Foreign involvement will also lighten the load of such considerable development work, although possible constitutional changes on foreign ownership may still affect

companies interested in purchasing land for development.

Residential projects are not the only ones that will provide contractors with growth potential. Commercial development of hotels and shopping malls is booming. Meanwhile, Turkey's push to improve accommodation options for tourists and second-home residents means major developments along the country's varied coastlines will help to contribute to the sector's 9% growth rate for the 2007-2011 period, as forecast by Business Monitor International.

Rolling out the national welcome mat

The image of a country begins at its airports, says Mustafa Sani Sener

Since its establishment in 1997 and following the restructuring which saw TAV group its operations under 'TAV Airports Holding' and 'TAV Construction' in 1996, TAV Airports has become the market leader in Turkey, running 3 major airports in Istanbul, Ankara and Izmir. Its success is important because, as Mustafa Sani Sener, the President and Group CEO of TAV Airports says, "airports are the main gates for entering and exiting countries." They are "the business cards" of a country.

Today, the scope of TAV reaches far beyond the boundaries of Turkey as the company continues to become a truly international organisation. Dr. Sener explains, "TAV Airports Holding is a group of 12 companies. 6 of these companies are airport operators, operating 8 airports around the world. The other 6 are service companies providing services to these airports. So TAV Airports Holding is a one-stop shop for airport solutions. Then we have TAV Construction, which is building Tripoli Airport in Libya as well as a further airport in the Sahara." With this work in the

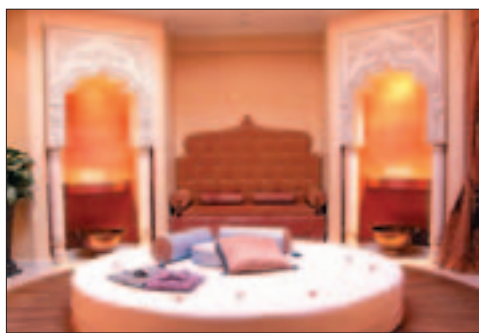


Mustafa Sani Sener, President of TAV Airports Holding

surrounding area and by entering into operations in Prague, it is no wonder that Dr. Sener speaks of creating a "new commercial empire" which almost matches the boundaries of the old Ottoman Empire.

The secret to this success is the Build - Operate - Transfer model of operation, which allows TAV to cover all aspects of the building and management of airports, already running some of the best airports in the region, Dr. Sener looks at the potential for further airport privatisation around the world and sees a wealth of opportunity. With the number of aircraft and passengers both expected to double by 2020, Dr. Sener expects \$350 billion dollars of airport investments in the coming decade and points to the fact that while there are approximately 2000 airports in the world, only 3-4% have already been privatised. For TAV therefore, the opportunities are vast. "Our region used to cover North Africa, the Middle East, the Caucasus, and eastern Europe. Now, we have also included southern Asia. We know that there are 50 tenders there, and we will bid for them. This year they will make the announcement, and in the meantime we will focus on preparing for Prague."

With the addition of the possibility of bidding for the Chicago Midway tender in the U.S., it is no surprise that Dr. Sener is so bullish about the future of TAV. "The wind blows from the right direction for our sector, and we have set our sails accordingly."



Exclusive, luxury suites on the Bosphorus

The exclusive Hôtel Les Ottomans is an oasis of comfort

Ahu Aysal, owner of Hôtel Les Ottomans, proclaims "I am the sultan of the Bosphorus." If the title is bestowed for ambition and bringing the absolute finest in luxury tourism to Istanbul, Ms. Aysal has certainly earned it.

Built in the 1790s, the former Pasha mansion was one of the most impressive of its time. It was ravaged by fire in 1933, and by the time Ms. Aysal was contacted in the mid-1980s, she couldn't wait



Ahu Aysal, Owner of the Hôtel Les Ottomans

to restore the mansion to its original splendor. Construction took seven years and three top architects using Feng Shui techniques, and the final project cost more than \$65 million. The result is a 10-suite jewel overlooking the Bosphorus River, which was recently named Turkey's Leading Boutique Hotel and the World's Leading All-Suite Hotel and Spa at the 2007 World Travel Awards.

Bubbling fountains, lavish furnishings and rich textiles adorn the suites, meeting rooms and late night jazz club. Each detail of the hotel remains faithful to its original design, but updated with the latest technology. But, Ms. Aysal insists, it's not just about opulent surroundings. "The personal touch is very important to me," she explains. "I live upstairs, so this is my baby; it is my home and not just a business." Aysal even makes the occasional guest appearance in the restaurant's kitchen, which features both traditional Turkish and international cuisine. For a relaxing touch, head to the Caudalie Vinotherapie Spa for a variety of treatments, take a swim in Les Ottomans' indoor/outdoor pool, or stretch out in the in-house Pilates studio. Just a few of the reasons that Les Ottomans has earned Ms. Aysal yet another title: The Economist's 2007 Lady Entrepreneur of the Year.



Shop around in Turkey at the Forums

Multi Turkmall's shopping centers are a hit in Turkey and beyond

Turkey is poised and ready to become the world's next shopping mecca. Istanbul-based Multi Turkmall has established its prominent position in the Turkish commercial real estate sector with its extensive portfolio of "Forum" projects, placing shopping malls in the neighborhoods of increasingly wealthy Turks. Following the opening of its Shopping and Lifestyle Centres in Izmir in 2006, Mersin in 2007 and Denizli in 2008, Multi Turkmall has 22 more Forum Shopping and Lifestyle Center projects under construction and in progress in nine different cities.

In 2004, CEO Levent Eyüboğlu brought the first institutional investments to the market, taking advantage of the newly recovered economy and the citizenry's

need for high street stores all in one aesthetically pleasing location. Mr. Eyüboğlu believes that this investment and attention to detail are what give Multi Turkmall Forum shopping centers an edge in the Turkish and European markets. "We considered the architecture, the design, the respect for the local architecture and environment," explains Mr. Eyüboğlu. In the future, Multi Turkmall is aiming at continuous development, hoping to expand current operations in Azerbaijan, Bulgaria, Romania, Georgia, Macedonia and Greece. Multi Turkmall's overall success is demonstrated by the fact that it is responsible for 35% to 38% of its massive parent company Multi Corporation's total profits. "Forum has modernized and made the shopping experience more enjoyable," says Mr. Eyüboğlu, but he continues, "Our greatest achievement is having managed to bring so much investment into the country and to have become the largest developer in such a short time."



Levent Eyüboğlu, CEO of Multi Turkmall

Global transport made easy

Celebi Holding dominates the market by air, land and sea

Over the past 50 years Turkey has impressive economic inroads, producing in recent years one of the highest sustained GDP growth rates in the world. This remarkable economic success story is drawing the interest of savvy foreign investors, and nowhere is Turkey's remarkable growth more evident than with top Turkish company Celebi Holding.

Celebi Holding is one of the oldest private ground handling companies in Europe. It was founded in 1958 at Ankara Esenboga Airport with Iran Air and Sabena Belgian Airlines as its first clients. More airlines were soon to follow, and in 1973, Celebi Tourism travel agency was born. From there Celebi Holding began to further dominate the transportation market with ventures in fleet vehicle renting and crew transport, in addition to taking on blue-chip clients like Lufthansa and Britannia Airlines. By May 2004, they controlled a 50% stake in the second international terminal opened at Antalya airport and their offices expanded in Istanbul and beyond. After conquering the air, in 2006 and 2007 Celebi Holding set its sights on the sea, taking over the Antalya Seaport and Marina. Today,



Canan Çelebioglu, Vice President of Celebi Holding

apart from Airport Ground Handling Services and Tourism, Celebi Holding provides a wide range of services, including fast food and VIP security, thanks to its 6,000 employees, meaning you can travel, dine and rest comfortably in one of its varied incarnations. Celebi Holding hopes to expand further throughout Europe, Asia and the Middle East.

You'd think that such a large company with such sprawling interests would be a cold, faceless corporate machine. Not so. Indeed, current Vice President Canan Celebioglu Tokgöz's father started the company, which at its inception had only five employees. "We as a family have grown up in the business and in the company," explains Ms. Tokgöz. "We are quite experienced in the sector and our goal has always been to compete with European and international ground handling services companies." Celebi Holding's widespread success is thanks to years of hard work, research, and investment in its employees. "Technology-intensive as it may be," says Ms. Tokgöz, "the business of ground handling services is very much dependent on the quality of one's human resources. It is our principle not to become involved in a business unless we can really satisfy all of its requirements and standards." Investors eagerly await the next sector that Celebi Holding conquers and makes a gold standard.

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Turkey



Agaoglu Group: the architects of life

The development group that aims high

The development of the real estate sector in Turkey is not only about urban regeneration or attracting foreign investment. It's also about improving the quality of life of the people for whom the houses, apartments and villas are being built.

The Agaoglu Group, a major Turkish holding company whose business portfolio includes textiles and energy, is a company that is placing this type of customer care at the center of its business philosophy. So much so, in fact, that through its real estate development projects spread throughout the country, the company claims to be taking on the role of "the architect of life" – building new residential complexes and housing units that become a key part of their inhabitants' lives.

"As the Turkish people's income has increased, they are not just looking for shelter, but for a place that shows their quality of life," says Group Chairman Ali Agaoglu. "We noticed the needs of people and have been designing our projects in terms of these needs."

The projects to which Mr. Agaoglu refers are part of the company's "My" brand. Alluding to the feeling of belonging that the company hopes to create among those who choose to live within the residential complexes designed and built by Agaoglu, the "My" brand stretches from smaller developments such as the 6,000-square meter My Home, with its 9 villas a stone's throw away from Istanbul, to My Village, with 116 villas stretching over 83,000 square meters, which al-



Ali Agaoglu, Chairman of Agaoglu Group

so includes golf courses and ample green spaces.

The My World project – over 3,600 residences in 8 different neighborhoods – is a joint venture between Agaoglu Group and TOKI, the national housing development administration. Situated in the modern Istanbul neighborhood of Atasehir, Agaoglu's vision will create a lifestyle as well as a place to live.

While the construction of permanent residences forms a large part of Agaoglu's real estate developments, the company's interest in the tourist sector has also led to the planning and building of tourist complexes around Turkey. Projects include the My Dream complex at the skiing resort of Uludag, with a 205-room hotel and indoor swimming pools, and a My City hotel in Istanbul, not only providing accommodation for tourists but also execu-

tive facilities for business visitors.

My Country is another residential project that aims, with its eco-friendly living, to detach residents from the stress of city life. However, the real jewel in Agaoglu's construction crown is the recently acquired land at Bodrum, in the south of the country, which will be developed as part of the Bodrum-Milas Real Estate and Tourism Development Project.

Total estimated cost stands at \$5 billion and the project, which will cover 9.5m square meters – making it one of the world's biggest tourism developments – is slated to open in 2014. Conference facilities and art galleries will mix with villas and time-share apartments, creating a "year-round living tourism city" as Mr. Agaoglu likes to call it. "There are 2 golf courses, five 5-star hotels, a market, a shopping mall and a theater. In other words, everything that people look for in a normal city can be found there."

Mr. Agaoglu sees the Bodrum-Milas project as part of a wider push that tourism in Turkey needs in order to realize its full potential. "Turkey has sun 300 days a year, its nature is rich and it is full of history," he says. "Turkey has potential and through such construction projects it can continue to develop."

The target market for Bodrum-Milas is mainly northern European. However, Mr. Agaoglu is keen to underline that projects like his will also serve as a means of giving Turkey a much-needed image overhaul further afield, helping to "introduce Turkey to Americans in a better way."

The keys to the housing market

Article 56 of the Turkish Constitution states that every citizen has the right to live in a healthy and safe environment. At TOKI (Housing Development Administration), the public body responsible for the housing sector in Turkey, this basic right serves as a source of inspiration to keep working to support the constantly evolving Turkish real estate sector.

Established as a separate entity in 1990, TOKI is responsible for a range of services that facilitate the Turkish people's access to the housing market, whatever their income or geographical situation.

"There are currently 16 million houses in Turkey, and half of these need to be renewed," says Erdogan Bayraktar, President of TOKI. While public funding combined with a national commitment to improv-

ing housing means that provisions for the Turkish people can gradually be made, Mr. Bayraktar is eager to see the arrival of more foreign investors, taking advantage of the real estate development opportunities, including the construction of housing and business facilities, that Turkey has to offer.

Low, medium, and high-income groups are all searching for improved housing, whether they be through agricultural village projects or luxury housing complexes, and TOKI aims to take care of all of these social groups and their real estate demands.

TOKI's duties include working with financial institutions to ensure accessible funding for housing development and improved credit conditions for borrowers. The Administration also provides support to real es-



TOKI plans to regenerate vast areas of urban Istanbul

tate development companies, while TOKI also has sector-related subsidiaries that include the Real Estate Appraisal Valuation Co., Inc., and TOBAS Company, a joint venture between five institutions that include TOKI and the Ankara Metropolitan Municipality.

Housing is not TOKI's only concern. In light of any natural disasters, such as the earthquake of 1999, TOKI takes responsibility for the rehabilitation of affected areas, not only providing new accommodation, but also essential social facilities and infrastructure.

And rehabilitation doesn't only take place after an emergency. Prevention is also key. In November 2007, TOKI, along with the Istanbul Municipality, launched a project that will replace slums and illegal buildings located on the city's earthquake belt. Financing will come from private and public sources and the plan forms a key part of Istanbul's regeneration.



Erdogan Bayraktar, President of the Housing Development Administration

An international developer for a new generation

U.S.-educated Turkish businessman Engin Yesil's outlook is truly international. His more than 20 companies include manufacturing plants in the UAE and Oman, and telecom companies across North America. No matter how far away his business interests fly, however, Mr. Yesil also has things to concentrate on at home as Turkey's booming real estate sector provides plenty of potential for growth.

Through several major projects, appealing to low, middle and high-income groups, the construction company Yesil Insaat is playing a major role in the regeneration of Turkish real estate. "We have decided to cover two different market segments," says Mr. Yesil. "Therefore, we have the largest development in Turkey in Belikduzu, with quite reasonable prices, and then some ultra-luxury projects."

These high-end products are part of an exclusive agreement with Donald Trump to build what will begin as 300 residential units, eventually becoming a major lifestyle complex. While Yesil

Insaat will be the developer, the company will enjoy the Trump organization's involvement from design to construction, and Mr. Yesil also hopes potential buyers reflect the project's international outlook.



Engin Yesil, Chairman of Yesil Insaat

In Belikduzu, meanwhile, the Modernist project aims to provide low-to-middle income buyers with 14,000 housing units and a modern residential experience. It is currently being built in partnership with British real estate investors Salamanca.

The amount of these low-to-middle income residences built is not Mr. Yesil's only concern. His business interests also stretch to the creation of materials for mass developments through the Innovida brand. By using these composite materials, sound and heat insulation are improved and, as Mr. Yesil points out, "there is a 30% cost saving and the construction span is 75% shorter."

While direct involvement in the construction process is an inexorable part of Mr. Yesil's vision, along with fund Manager Rudolph Younes he has formed the YELY REIT, providing investment opportunities for those interested in joining the Turkish real estate boom. "Our aim is to unite international finance potential and the project experience of two partners to start a new era in real estate investments in Turkey," says Isik Gökçaya, General Manager of YELY. For Mr. Yesil, then, there are plenty of opportunities that will keep his business interests in Turkey alive for a long while yet.

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Turkey

Mesa Housing Industries: building a better future

Going beyond its successful apartment complexes to provide communities with shopping and sports centers, hotels, hospitals and more

Mesa Housing Industries Inc. has been growing steadily since its founding in 1969, and though it is now comprised of countless facilities and joint ventures in various fields, it has maintained its grassroots approach through its builders' loyalty to the now-flourishing country. "Many years ago," recalls Mesa Chairman Erhan Boysanoglu, "Turkish quality was very low because the people involved in the construction sector were not well educated." However, as of 1965, many local builders decided to study abroad, and when they returned, they started applying high-quality standards in construction. "Most of the engineers and architects who became successful studied overseas in Europe or the U.S., and started small companies upon their return to Turkey." The quality of construction increased a great deal, and the future generations of Turkish builders have benefited from the experience. "Many of these people started teaching in local universities and nowadays, the majority of future Turkish constructors study inside the country." Meanwhile, as Turkey's economy grows stronger, housing capacity increases, making credits and

loans more accessible to Turkey's young and growing population. There is a need for an additional 700,000 houses each year, and Mesa is looking to provide them, maintaining their commitment to high quality and reliability to the Turkish people.

Today, there are more than 300,000 residents living in nearly 60,000 Mesa dwellings. Following its success in the construction sector, Mesa Group is now looking to make investments, and to expand and extend its scope of services. It currently comprises 20 companies, which include shopping centers, a sports center, a tourist group and Mesa hospital, as Mesa looks to be-

come a significant long-term player in Turkey's healthcare sector. By diversifying its business interests, Mesa hopes to conquer the international market, bringing affordable mass housing to regular people in cities across the globe. "We are experts applying the latest techniques for construction," says Mr. Boysanoglu. What Mesa needs now, he says, is the support of U.S. investors and their know-how in management, finance technology and marketing, to make Mesa a household name in the houses it builds all over the world. "We are the leading company within the sector," says Mr. Boysanoglu. "Mesa is a synonym for innovation."



Erhan Boysanoglu, Chairman of Mesa Housing Industries Inc.

Making it simpler to find time to smile

Mobile provider Smile Holding has a simple edict: make life simpler

When Smile Holding was born in April 2007, its CEO, Emre Alkin, had a clear idea of the company's mission: to make life easier for Turkish people. "Life is hard in emerging countries, as it is in other countries" says Prof. Alkin, "so I wanted people to be able to pay for things and to be able to arrange things in a few minutes. That was my dream."

Thanks to Smile, this dream is coming true at record speed, as the company, in partnership with one of Turkey's biggest media groups, Dogan Holding, has developed a range of services that, for the last year, have been providing telecom, internet, new media and entertainment solutions to Turkish people.

Taking advantage of Turkey's young population, whose average age stands at 29 and who are increasingly more open to technology, Smile is reaping the benefits of a developing Turkish telecom market, with its improved cellphone coverage currently at 99.5%. 20 million fixed line users and 60 million GSM



Smile Holding is contemplating an IPO and international partnerships as part of its expansion drive

subscribers demand increasingly sophisticated services and Smile is constantly concentrating on providing creative solutions to their needs.

The more than 400 services on offer, however, not only provide better quality handsets, or faster downloads. They also directly affect the speed with which Turkish people can go about the business of doing everyday things like paying bills. Through Smile's more than 800 selling points, found throughout the country in a range of establishments that include shops and

gas stations, customers can also top up their cellphone credit or apply for loans. In addition, Smile offers customers the opportunity to find the best deal for a range of telecom and internet solutions.

The Smile brand, then, has added a new angle to the telecom industry in Turkey, but its growing portfolio of services is not the only innovative contribution. Through its

unique business model that takes care of the end seller, who always owns the shop that provides access to Smile services, improved profit and turnover are guaranteed. "If you own the shop as the end seller you have a different approach," says Prof. Alkin. "We have shops with a solid identity and the all-important seller reflex."

While Prof. Alkin and his company can be sure that part of the dream of making life in Turkey easier has already been realised by Smile Holdings during its short existence, the future is not a time for complacency. Talk of an IPO is definitely on the cards, and future international partnerships are already being contemplated, thus reinforcing the company's 2007 commitment to expanding to at least another 3 countries. The Smile dream continues to grow, then, as making people's lives easier should remain Smile's core business both inside and outside Turkey.

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The raw material to construct lasting success

Nuh Çimento brings its fifty years of experience in the sector to bear on the global market through its sophisticated export system



With more than 50 years of experience Nuh Çimento is poised to take advantage of the current construction boom

The Turkish real estate boom has sparked major growth in a range of other sectors, that of construction materials perhaps being the most obvious. As one of the 10 largest cement producers in the world, producing over 50m tons a year, Turkey is not only in a position to meet domestic demands, but also to supply international markets. And this is especially true if expectations of overproduction in 2008 are fulfilled, sparking not only increased competition but also potentially a greater shift towards export.

One company that already considers the world its market is Nuh Çimento, one of Turkey's leading cement producers, which ships domestic and international cement and clinker supplies from the company's own sophisticated harbor facilities in the

Hereke region, on the north coast of the Izmit gulf.

With its more than fifty years of experience, Nuh Çimento is well positioned to take advantage of the construction boom in Turkey and in other emerging markets, thanks to "the raw material and the excellent transport and communication links in Turkey that make export possible," as Atalay Sahinoglu, Chairman and CEO of the

company points out.

Challenges in the near future come directly from the rising cost of commodities, affecting both production of cement and its transportation. "This is a real challenge for the whole of the cement industry," confirms Mr. Sahinoglu, thus underlining the industry's greatest goal for the coming months, that of increased competitiveness.

Turkey's leading cellphone operator takes mobile communication forward

Turkcell's 35 million subscribers benefit from the company's outstanding service

The more than \$6 billion invested in Turkey by the country's leading cellphone operator, Turkcell, since 1994 is paying off not only in number of subscribers, which stands at around 35 million, or the amount of profits made (almost \$5 billion in 2006), but also in terms of quality of service.

Covering all settlements with a population of more than 5,000, Turkcell provides the best penetration levels of all Turkish operators. Meanwhile, being owners of the country's fastest data network also provides subscribers with excellent coverage for their data needs.

It's no surprise for company CEO Mr Süreyya Ciliz, then, that Turkcell is the number one choice for customers looking for reliable and sophisticated mobile and data services. "When you as a company provide the best technology and the best quality service for a reasonable price, the consumers react favorably," he says. "We have created a very strong value proposition and I think this is the main reason Turkcell has been so successful in capturing a large



Süreyya Ciliz, CEO of Turkcell

chunk of the market."

The company now hopes that its technological expertise will be challenged at home in 2008 with the introduction of 3G technology. "We are anxious to provide mobile internet broadband all over Turkey," says Mr. Ciliz. "I think this technology is long overdue here."

While Turkcell responds well to domestic market needs, its international reputation continues to

improve, through titles such as Europe's second biggest mobile operator in terms of subscribers, or the world's number one company in terms of GPRS roaming. An IPO on the Istanbul and New York stock exchanges in 2000 clearly underlined Turkcell's international ambitions. "We wanted to be exposed to an international market," explained Mr. Ciliz. "The NYSE has very high standards of governance and we are very proud that we comply with those standards."

International exposure comes through more than just the NYSE. Membership of international organizations such as the GSM Association, has also permitted Turkcell to voice its opinion on global technological trends and developments. Meanwhile, international investment in several countries, including Kazakhstan, Georgia and Azerbaijan – and attempts at entering new markets in the Middle East – also provide Turkcell with the opportunity to spread the benefits of its home-grown sophisticated technology and quality service to other emerging markets.

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Turkey's youthful population represents a huge market for mobile companies

Türk Telekom

The early adopter catches the attention

Cornering the young, tech-savvy Turkish population is the key to Türk Telekom's innovative marketing strategy

The future of Turkey is not necessarily in its anticipated 4.3% GDP growth in 2009, or in the relatively low inflation of 4.5% forecast for next year. It is not necessarily in the market potential of this country of 71.8 million. Instead, it is in the innovative ways in which young people are integrating communications into their daily lives and taking their toolkit into the workplace. The median age here is 29. For early adopters, Türk Telekom is the best ally.

"We provide the cell phone services, the voice, data and fixed-mobile convergence that will make it all possible," says Paul Doany, CEO of Türk Telekom. Most new users are under 21 and the prices for mobile equipment are down for the first time in years. Internet penetration in Turkey stands at 5 million, with most subscribing to broadband. Meanwhile, landlines are undergoing a revolution of their own. Türk Telekom has seen profit margins grow by cross-selling products like ADSL and ISDN.

"In 2008, our strategy is to sustain profits via three elements: keeping our revenue in fixed-lines, developing our mobile activities and expanding the ADSL network," said Dr. Doany. Market differentiation will be key. One of Türk Telekom's star products will be the Video Phone. A runner-up is IPTV, which allows TV viewers to establish an interactive relationship with their appliances. "IPTV tracks your usage habits and lets you watch [television] whatever you want, whenever you want to and wherever you are," said Dr. Doany.

For Turkish telecoms, recent history began with European convergence dynamics. As Turkey made its bid for E.U. membership, the Copenhagen criteria outlined a set of rules for the telecommunications market. Liberalization resulted in sudden investment inflows into the ICT sector spearheaded by multinationals like Cisco, Nortel and Oracle. At the same time, foreign investors began to see Turkey as an ICT powerhouse for the region.

In 2005, the privatization of Türk Telekom marked a turning point. By selling 55% of its shares



Paul Doany, CEO of Türk Telekom

to Dubai-based Oger Telecom, market confidence was in stark contrast to the meltdown of 2001, when the lira depreciated by more than 40%. "If we are looking at a major event in Türk Telekom's 168 years of history, this was it. The fact that Oger Telecom made an early payment rather than paying in installments was an indicator of its confidence in the economy. It set a good example for foreign investors," said Mr. Doany.

Türk Telekom has since flourished by signing Type A and B license agreements with other operators for services like long-distance telephony. Innovative companies like Turkcell and Vodafone, as well as Avea, are behind the current market boom in GSM. Turkey is ranked only after Italy in terms of mobile penetration in Europe. And according to Dr. Doany, average revenue per user means there is ample room for growth.

"The important thing here is to invest and help the sector grow. Those who don't invest will simply be uncompetitive," said Dr. Doany. This year, Türk Telekom will invest YTL60 million (\$49.2 million) in the refurbishment of 1,800 distribution centers. The revamp of retail spaces will also affect the company's 170 offices and 2,700 dealers. For Mr. Doany, it proves his company's commitment to a most prized asset: the eager crowd of early adopters in Turkey.

GROWTH DRIVERS: AVEA & ARGELA



Türk Telekom plans to invest nearly \$50 million in new distribution centers

The world's 13th-largest telecom company has earned Turkey a reputation as a regional modernizer. From virtual monopoly to market player, Türk Telekom has moved strategically into mobile communications and domestic software. To stay ahead in GSM, it acquired 81% of Avea, an operator that generated \$757 million in revenue by end-2006. Meanwhile, Argela Technologies, a subsidiary, is selling its engineering savvy in the U.S. Avea was born of the merger between Aycell and Aria in 2004. Initially, it struggled to compete. But in 2005, the company invested \$600 million in infrastructure and R&D. It was the first to offer BlackBerry services in Turkey. The result was a surge in subscriber numbers, with 1.5 million new users in 2006. The same growth was recorded in the first 7 months of 2007.

"Avea's subscriber base increased from 6.1 million at the end of 2005 to more than 10 million today," says Doany. Türk

Telekom's mobile arm is more than an attempt to diversify its income. It signals an ambition to expand in all directions. Doany thinks buying operators in Turkey is one path toward expansion. But greenfield expansion can have a cachet of its own.

"We have two main goals with our investments and projects. One of them is to develop value-added products and services. The other is to develop customer services. For that, we'll need to put more money into R&D," says Doany.

Meanwhile, Türk Telekom subsidiaries like Argela Technologies are venturing into the global market. Türk Telekom set up Argela USA earlier this year after buying the Turkish developer in 2007. A specialist in network structures, Argela is an example of a Turkish firm selling know-how to three big-ticket customers in North America. The company is now developing solutions for customers in Germany and Belgium.

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