



Davutoglu meets foreign investors in Turkey

Turkey's Prime Minister meets with the representatives of international companies operating in the country

Turkish Prime Minister Ahmet Davutoglu told representatives of leading international companies operating in Turkey that the country's greatest offerings to foreign investors were political and economic stability and pledged to reduce bureaucracy when starting a business in the country.

The event was held at the Prime Ministry Dolmabahce Office under the coordination of the Ministry of Economy and the Investment Support and Promotion Agency of Turkey (ISPAT) and was attended by more than 70 executives and senior government officials including Deputy Prime Ministers, Lutfi Elvan and Mehmet Simsek, Minister of Science, Industry and Technology Fikri Isik, Minister of Economy Mustafa Elitas, Minister of Energy and Natural Resources, Berat Albayrak, Minister of Finance, Naci Agbal and Minister of Transport, Maritime Affairs and Communications, Binali Yildirim.

Prime Minister Davutoglu said that Turkey's political and economic stability in the past 13 years has proved vital in times of crisis. "The world has undergone serious political and economic turbulence and, despite the geopolitical risks in our surroundings, Turkey stood as beacon of stability, emerging unscathed from the global financial crisis," he

said, highlighting the fact that no Turkish bank had required government assistance during the global financial crisis. "On a growth track for the last 24 consecutive quarters, the Turkish economy expanded while the global economy contracted, creating 7 million jobs since 2007," the Prime Minister said.

Davutoglu said that Turkey's young population and high-quality work force were instrumental in attracting new foreign investments, as well as its central geographic position making it an energy corridor between suppliers and consumers and a logistics hub of a fast-developing region at the same time, which all added to its value as an investment destination.

The Prime Minister promised reforms would be delivered on time in the government's 2016 action plan. "The procedures for starting a business will be reduced while obtaining operating licenses will be more streamlined," he said, adding that vocational education would be reformed to meet labor market requirements. Thanking the international companies for their confidence in the country, Davutoglu said that new investments would mean development, new jobs and increasing prosperity for Turkey.

According to latest data from Turkey's Ministry of Economy, the country attracted USD 14.1 billion of foreign direct investments in the January-November period of 2015, with an increase of 33 percent over a year earlier. Over 46,000 foreign companies are currently operating in Turkey.

Participants of the meeting:

3M, Abraaj Capital, ACWA, Ak Gıda, Allianz, EBRD, Axa, Bank of Tokyo, Mitsubishi, BASF, Bayer, BMC, Bosch, BP, Brisa, Citibank, DHL, Dow, DP World, Eczacıbaşı, ENBW, Ericsson, Finansbank, Ford, Foxconn, GE, Groupama, ICBC, IHI, Intel, Khazanah, Kuvveyt Türk, Mapfre, Mass Kablo, Mercedes, Mersin Uluslararası Liman İşletmeciliği, Microsoft, Mtsui&Co, Nesma, Nestle, Odea Bank, OMV, Oyak Renault, PepsiCo, Pfizer, Philip Morris, Posco, Pratt&Whitney, P&G, Rabobank, Recordati, Roche, Rolls Royce, RWE&Turcas, Samsung, Sanofi, Shell, Siemens, Socar, Sumitomo, Garanti Bankası, TAV, Thyssen Krupp, Tofaş, Toyota, Turkcell, Henkel, Unilever

Italian renewable energy company

EXERGY thrives in Turkey

Attracted by Turkey's geothermal energy potential, Italian engineering company Exergy's investment in a turbine production plant in Izmir has made it the number-one supplier of geothermal power generation equipment in the country.

Exergy's new production facility manufactures turbines for use in combined-cycle geothermal power generation plants. The company's turbines are used in more than 60 percent of Turkey's operational geothermal power plants.

Speaking of their production operations in Turkey, Exergy founder and CEO Claudio Spadacini said that the country's geothermal potential was immense and that Turkey would continue to be the priority market for Exergy in the foreseeable future. Exergy sources parts and components from Turkish companies. "Our plant in Izmir has a localization ratio of 60 percent," he said.

Spadacini also said that Turkey's feed-in tariff for renewables favored locally produced equipment. "Energy projects using locally produced turbines benefit from higher rates when selling power to the national grid. That increases the feasibility of the project," he said.

The Italian company also has a regional service center in Turkey, which is likely to become an export hub too, according to Exergy's CEO. "Our focus is on the Turkish market but exporting to other countries from Turkey can be considered in the future," he noted.

Turkey's installed geothermal capacity exceeded 600 MW as of the end of 2014. With 225 surveyed sites, Turkey is thought to have a power generation capacity of 2000 MW with heating potential estimated at 31,500 MW.



Microsoft CEO Satya Nadella received by President Erdoğan

Microsoft's CEO Satya Nadella was received by Turkey's President Recep Tayyip Erdoğan at the Presidential Complex in the capital, Ankara.

Nadella also visited the Middle East Technical University (ODTÜ) in Ankara and attended a Microsoft-organized event themed "Big Data and Internet of Things" in ODTÜ Teknokent, the university's technopark.

The software giant runs its business in the Middle East and Africa, comprising 79 countries, from its Istanbul headquarters and has an ecosystem of more than 11,000 business partners in Turkey.

Microsoft's former CEOs, Bill Gates and Steve Ballmer visited Turkey in the past and the company opened a Microsoft Innovation Center in Bilkent University in Ankara and a software R&D center in Koç University in Istanbul.

Foreign investors weigh heavy in Turkey's M&A market

The volume of mergers and acquisitions (M&As) in Turkey reached USD 16.5 billion last year, according to financial advisory firm Deloitte's Annual Turkish M&A Review 2015.

Foreign investors accounted for 70 percent of the total volume of last year's M&A deals, with their share increasing by 44 percent over the preceding year to reach USD 11.5 billion. Of the 245 transactions that took place in 2015, foreign parties were involved in 125, while Turkish investors underwrote the remainder. The number of M&A deals in 2014 stood at 236 while the volume was USD 21 billion.

In 2015, European investors made 62 M&As in Turkey, followed by 28 North American investors, 19 Far Eastern investors and 14 deals by Gulf investors. In terms of deal volumes, Gulf investors took the lion's share with 39 percent, mostly due to sizeable Qatari investments in lender Finansbank, retailer Boyner and pay-TV network Digiturk. Excluding privatizations, which took an 11 percent share of the total amount, 2015's M&A volume was the highest in the past three years. Manufacturing, energy and services sectors were the top three in terms of deals while energy, financial services and infrastructure constituted the top three in deal value.

Foreign investors emerged as drivers in Turkey's M&A market in 2015, according to Basak Vardar, Financial Advisory Services Leader at Deloitte Turkey when commenting on the study. Vardar, predicting that Turkey will retain its appeal for investors in the new year, pointed to manufacturing, energy, food and services sectors as primary points of interest in the M&A market in 2016.



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Machinery

The machinery industry in Turkey has been growing at a rate of nearly 20 percent per year since 1990, and 30 percent per year since 2009



The growth of the Turkish machinery sector is backed by highly competitive and adaptable small and medium-sized businesses (SMEs), which form the bulk of the industrial production in the country and account for 50 percent of machinery production.

As the drivers of growth in machinery and major contributors to the industrialization of the country, Turkish SMEs distinguish themselves from their peers in other countries by their utilization of the competitive and highly-skilled work force Turkey offers. With domestic inputs accounting for approximately 85 percent of all inputs at the production stage, and over 450,000 engineering graduates every year, the sector is dynamic and flexible.

The combined advantage of the engineering capability required to compete in the international market with reasonable labor costs enable the Turkish machinery industry to offer a range of products and components that are both high-quality and affordable. This is evident in the fact that R&D spending on machinery manufacturing has increased 33 percent between 2010-2012, outpacing the R&D spending on manufacturing in general (24 percent) and on overall activities (19 percent) in Turkey.

The machinery production of Turkey has also started to take up an increasing portion of the country's exports, and accounted for 14.7 percent of total exports to 200 countries with USD 23.3 billion in 2014. The major export destinations of Turkish machinery products include Germany, UK, Iraq and France. Meanwhile, Turkey imports machinery products mostly from China, Germany, Italy, South Korea and France. Despite robust domestic production of machinery, the imports of machinery with USD 46 billion in 2014 are twice that of exports and 19 percent of overall imports, indicating the increasing domestic demand for machinery.

The Turkish machinery sector therefore presents strong opportunities for investors with competitive input costs in labor, energy and logistics, and strong enablers including R&D readiness, skilled labor, IP protection, targeted incentive programs and an extensive supply basis with several regional clusters. Turkey's machinery industry has been given ambitious export targets for the country's 100th anniversary in 2023. To reach USD 100 billion of exports with a share of 2.3 percent of the global market, the Turkish machinery industry is projected to have a CAGR of 17.8 percent until 2023.

Candy Hoover investing in R&D in Turkey



Italian home appliances maker Candy Hoover plans to open an R&D center in Turkey by the end of the first quarter of 2016.

Having made an entry into the Turkish market in 2007, Candy Hoover production plants in the country account for a 10 percent share in the group's global production total.

Currently production is carried out in Eskisehir, a city in Central Anatolia where the company will expand its presence in the Turkish market with the R&D center. The R&D investment project is taking full advantage of the country's incentive scheme, according to Candy Hoover Turkey CFO Mustafa Kilic.

"This innovative investment project, approved by the Scientific and Technological Research Council of Turkey, is entitled to Region-5 level priority investment incentives," Kilic said. He added that the center will create 55 engineering jobs when it becomes operational in the coming months.

"Turkish accounts for more than 10 percent of Candy Hoover's global production and exports 85 percent of its production. Our R&D center in Turkey will be the group's largest outside Europe," the Kilic said.

Candy Hoover Turkey currently employs 670 people, mainly in the production of dryers and built-in ovens and stoves.

PAST EVENTS



ISPAT's Department for Cooperation with Development Agencies was part of the two-day training program organized by the Ministry of Development for new employees of the investment support offices of the 26 development agencies in Turkey. Around 40 employees attended the program, which featured presentations on the organization and mission of ISPAT, investment support and promotion strategies, efficient promotion techniques, and indexes related to the investment environment. Mustafa Rumeli, Head of ISPAT's Department for Cooperation with Development Agencies, delivered the presentations alongside other experts from ISPAT.



At a meeting cohosted by Google, Fifth Era, and ISPAT, and chaired by Deputy Undersecretary of the Ministry of Transport, Maritime Affairs and Communications Hamdi Yıldırım, the impact that potential regulations may have on internet investments and how to eliminate any such obstacles were discussed with lawmakers and experts from the ICT sector. At the meeting, ISPAT President Arda Ermut delivered a welcome speech in which he underscored the role of the digital economy in driving innovation and growth around the world.



As part of the 64th government's action plan for 2016, Prime Minister Ahmet Davutoğlu addressed top executives of 70 international companies operating in Turkey in an exclusive meeting in order to provide them with a picture of Turkey's economy and the upcoming reforms. Held at the Prime Ministry's Dolmabahçe Office in Istanbul in coordination with ISPAT and the Ministry of Economy, the first edition of the high-level business meetings offered a platform to brief on the government's targets and to discuss new policies and measures for attracting FDI to Turkey.



Prime Minister Ahmet Davutoğlu, accompanied by Deputy Prime Ministers Mehmet Şimşek and Lütfi Elvan, ISPAT President Arda Ermut & ISPAT experts, attended a series of meetings with businessmen at the HQs of Merrill Lynch, Bloomberg, and Goldman Sachs. The Turkish delegation also held one-to-one meetings organized by ISPAT with EBRD, BP Group and Zenium Technology Partners. The meetings took place as part of a tour aimed at bringing Turkey's investment opportunities to the attention of UK-based investors. During the program, Davutoğlu mainly focused on Turkey's significance as the most promising economy for long-term stability and as a country that meets the standards of a favorable investment climate.

PAST EVENTS



Seminar: Turkey as a Business and Investment Partner

The German Near and Middle East Association (NUMOV), Germany's oldest and largest non-profit and independent service provider for the Near and Middle East region, held a seminar in cooperation with ISPAT in Berlin. The seminar opened with a welcome speech by Ole von Beust, ISPAT's Country Advisor to Germany. Following the opening speech, ISPAT President Arda Ermut delivered a presentation on Turkey's position as a business and investment partner for NUMOV's member companies that are active in Near and Middle East region. Hüseyin Avni Karslıoğlu, Turkish Ambassador to Germany, and Peter Altmaier, German Federal Minister and Head of the Federal Chancellery, contributed to the event with their speeches.



ISPAT & Turkish Airlines' Joint Press Conference

ISPAT and Turkish Airlines cohosted a press conference for prominent members of the Spanish press in Madrid to present Turkey's investment opportunities and to promote global activities of both organizations.

The press conference featured ISPAT's Country Advisor to Spain Yasemen Korukçu and Turkish Airlines Area General Manager in Madrid Yahya Z. Şensoy as speakers, and ended with a Q&A session.



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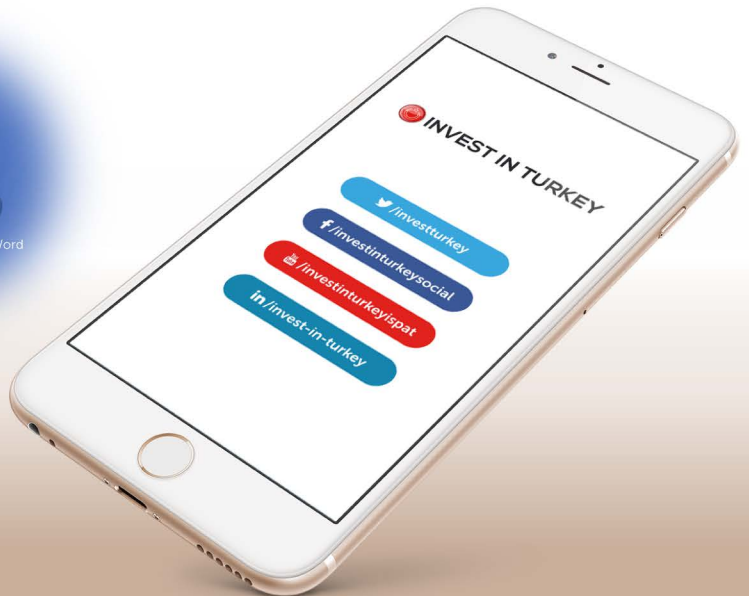
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Energy Industry

Turkish wind blows ever faster as new licensed capacities are announced regularly to meet the 2023 targets

Wind Energy continues to grow in Turkey

The total installed capacity of wind energy power plants in Turkey surpassed 4,500 MW as of the end of 2015 thanks to 868.7 MW of newly added capacity during the year. The additional capacity added during 2015 represents a 24% increase compared to the previous year's capacity. Wind energy now constitutes 6.2% of the total installed capacity of Turkey with 113 licensed and 9 un-licensed (plants with installed capacity lower than 1 MW) wind power plants. There was a 24% increase in the total wind installed capacity in 2015 compared to previous year's total capacity of 3,630 MW.

TEIAS (Turkish Electricity Transmission Company) announced 2,000 MW of new capacity for wind energy in 2015 and added that another 2,000 MW capacity will be issued in 2016. It is expected that TEIAS will continue to announce new capacities each year in order to reach the government's goal of 20 GW installed capacity by the year 2023 as part of its ambitious 2023 Vision. The 2023 Vision calls for 30% of total installed capacity to be provided by renewable energy sources.

EBRD FINANCES TURKEY'S LARGEST GEOTHERMAL POWER PLANT

The European Bank for Reconstruction and Development (EBRD) is providing a long-term financing package for Turkey's largest geothermal power plant. The Efeler Geothermal Plant, which is being built by a subsidiary of Gürış Holding, will boast a total installed capacity of 162.3 MW. The plant's five units – four of them already operational – are situated near the western town of Germencik in the Buyuk Menderes Graben, which is the area in Turkey with the greatest potential for geothermal energy.

The EBRD has played a key role in securing 15-year financing for the project. The Bank is providing a USD 200 million loan, alongside additional loans of USD 325 million from Türkiye İş Bankası AŞ (İşbank), USD 130 million from Türkiye Sınai Kalkınma Bankası A.S. (TSKB), and USD 65 million from the Black Sea Trade and Development Bank (BSTDB).

The investment will increase the amount of installed geothermal capacity in Turkey by about 30 per cent, a substantial contribution towards reaching the country's target of 1 GW installed capacity in geothermal energy within the 2023 renewable energy targets. The geothermal potential in the country is estimated at around 4 GW, of which only 624 MW has been developed to date.





Turkish Electricity Consumption Hits a Record High

Turkey's electricity use hit a record high in 2015 with the country consuming 263.8 billion kWh according to TEIAS. The electricity consumption increased by 2.6% from the 255.4 billion kWh of the previous year, helped in part by the dramatic rise in the total installed capacity. Turkey's installed capacity increased by 5.2% to 73,148 MW compared to 2014.



The country reached the highest consumption figures in August with 25.4 billion kWh, while the lowest consumption was 20.4 billion kWh in February. In December 2015, the electricity consumption increased by 12.2% to 23.9 billion kWh, a sharp rise from the same month of 2014.

2015 has gone down on record as the year in which the share of natural gas used in electricity generation decreased by 10%, to 37.9% from a 47.9% share in 2014. In 2015, 25% of the total power generated came from hydroelectric power plants, while domestic lignite, imported coals, wind and geothermal accounted respectively for 12%, 15.2%, 4.4% and 1.3%.

In 2015, 21.3% of the total generated electricity of 259.6 billion kWh came from state-owned power plants of EUAS (the public electricity generation company), totaling 55.3 billion kWh, while 204.3 billion kWh was generated by private entities. 2.8% of the total electricity consumed was imported from neighboring countries into Turkey.

In 2015, Turkey also made a significant step towards the synchronization of its grid system with the European Continental electricity network.

TEIAS and ENTSO-E signed an agreement in April 2015 in Brussels for the permanent synchronization of the Turkish power system with the continental European electricity system. There were already temporary trial connections to the European system, but with the agreement the synchronous connection has become permanent.

The European Network of Transmission System Operators for Electricity, ENTSO-E, is the EU's legal body for electricity transmission system operators. ENTSO-E has representation from 41 operators across 34 countries in Europe. Turkey currently imports 550 MW and exports 400 MW of electricity via interconnections to Bulgaria and Greece. Following the permanent connection to the system, the electricity trade volume is expected to increase to 1,000 MW during the first phase will widen its electricity trade network to the rest of Europe.

TURKEY'S 2023 TARGETS FOR GREEN ENERGY

INCREASING THE SHARE OF RENEWABLE ENERGY IN THE COUNTRY'S TOTAL INSTALLED CAPACITY TO

30%



MAXIMIZING THE USE OF HYDRO SOURCES

100%



INCREASING WIND POWER CAPACITY TO

20,000 MWs



INCREASING GEOTHERMAL POWER CAPACITY TO

1,000 MWs



INCREASING SOLAR POWER CAPACITY TO

3,000 MWs



INCREASING INSTALLED POWER TO

120,000 MWs