



ALL MEGA PROJECTS IN TURKEY REMAIN ON SCHEDULE

Yavuz Sultan Selim Bridge's unique features place it in a leading position globally

Turkey has set specific targets to be achieved by the 2023 centennial of the Republic. These targets include becoming one of the top 10 economies in the world, increasing exports revenues and upgrading the country's infrastructure investments through energy, transportation and healthcare projects. The expansion of Turkey's infrastructure is transforming Turkey and playing a key role in its economic dynamism. The government of Turkey in its 10th National Development Plan, has identified PPPs as a critical financing mechanism to address the vast need of infrastructure investments. An ambitious master plan, which includes metro line extensions, a 3rd airport in Istanbul, the Eurasia Tunnel, the Izmit Bay Bridge (Osmangazi Bridge), and the 3rd Bosphorus Bridge (Yavuz Sultan Selim Bridge), bodes well for growth.

The latest masterpiece, the Yavuz Sultan Selim Bridge, links the European and Asian sides of Istanbul and was opened on August 26 in a ceremony attended by President Recep Tayyip Erdoğan, Prime Minister Binali Yıldırım, Turkish Republic of Northern Cyprus President Mustafa Akıncı, Bahrain's King Hamad bin Isa al-Khalifa, Presidential Council Chairman of Bosnia and Herzegovina Bakir Izetbegovic, Macedonian President Gorge Ivanov, Bulgarian Prime Minister Boyko Borisov, and many other local and foreign top officials. Having an investment amount of USD 3 billion and completed in 27 months, Yavuz Sultan Selim Bridge lays claim to several features that set it apart from other bridges in the world. The bridge is the longest dual-purpose (8 lanes of motorway and two lanes of rail) suspension bridge in the world at a

length of 1.4 kilometers. It also boasts the widest span of any suspension bridge in the world at 59 meters in width, as well as the tallest tower at a height of 322 meters.

The bridge is the centerpiece of the first phase of the Northern Marmara Motorway Project, which has two more phases comprising highways and link roads together totaling 257 kilometers that will be completed in 2018. Because the bridge will reduce travel times and therefore fuel consumption, it is estimated that the project will save its users a total of USD 1.75 billion per year.

President Recep Tayyip Erdoğan said during the opening ceremony that all mega projects remain on schedule, including Eurasia Tunnel and 3rd airport in Istanbul. He also noted that the Yavuz Sultan Selim Bridge is a leading example globally with its many unique features.

AUGUST



Moody's announced that its review on Turkey's rating remains ongoing



Democracy and Martyrs' Rally was held at Yenikapı meeting area; several million people were in attendance

2



President Recep Tayyip Erdoğan met with CEOs of international companies at Presidential Complex in Ankara

5

7



President Recep Tayyip Erdoğan visited the Russian Federation at the invitation of Russian President Vladimir Putin

9

FOREIGN INVESTORS CONFIDENT IN TURKEY

President Erdoğan addressed top representatives of global companies operating in Turkey at the Presidential Complex in Ankara on August 2. He reassured attendees that the three-month state of emergency, which fully complies with EU procedures, will have no impact on the business environment in Turkey.

During his speech, Erdoğan underlined that, on track to reach 2023 goals, a set of targets including becoming one of the top 10 largest economies in the world with an increasing national income of up to USD 2 trillion, per capita income of up to USD 25,000, and foreign trade volume of up to USD 1 trillion, Turkey places a great emphasis on international investors.

Erdoğan also emphasized that Turkey stands tall in the face of adversity, never once in the past 14 years canceling an investment project due to unfortunate incidents. Touching on the business procedures, he promised the audience that any bureaucratic red tape holding up investment projects will be eliminated in a timely manner. With regard to investment projects in Turkey, Erdoğan noted that international investors should reach out to ISPAT as the agency serves as an intermediary between investors and the government, ensuring clear communication.

Turkey stands tall in face of adversity, never once in the past 14 years canceling an investment due to unfortunate incidents.



ISPAT President Arda Ermut brought President Recep Tayyip Erdoğan together with top executives at the summit for international investors.

TURKISH SOVEREIGN WEALTH FUND PUT INTO PRACTICE

The law on the establishment of the Turkish Sovereign Wealth Fund, which is expected to contribute to Turkey's growth by an additional 1.5 percent per year, was published in the Official Gazette on August 26. The Privatization Administration will allocate the fund's initial capital of TRY 50 million. The total asset value of the fund is expected to reach TRY 200 billion in the coming years. The fund will be sourced from revenues of institutions and assets transferred by the Privatization High Council, as well as through excess revenues of other public institutions. The fund is expected to create its own sources in time and to provide financial support to mega projects in Turkey.

POSITIVE PHASE IN TURKEY-RUSSIA RELATIONS

President Recep Tayyip Erdoğan paid a visit to Russian Federation on August 9 at the invitation of President Vladimir Putin. This was the first official relation between the two countries after the downing of a Russian jet in November, 2015. Condemning the coup attempt on July 15, Putin remarked that relations between Turkey and Russia hold unprecedented qualifications. President Erdoğan also said that he believes the two countries will enter a different phase with past and new steps.

The recent rapprochement will provide both sides the opportunity to resume their collaboration in the energy sector, especially with projects such as pipelines and the construction of nuclear power plants in Turkey. Turkey will more than likely attract new Russian investments in energy, infrastructure, transportation, and agriculture sectors in near future.



A new tax law (No. 6728) to improve Turkey's investment climate entered into force



Law on establishment of the Turkish Sovereign Wealth Fund was published in the Official Gazette

19



Fitch affirmed Turkey's sovereign rating at investment grade

26



Yavuz Sultan Selim Bridge, linking the European and Asian sides of Istanbul, was opened

TURKEY KEEPS HOLD OF INVESTMENT GRADE

Turkey kept its sovereign rating at investment grade in the wake of the review of Fitch Ratings on August 19. The agency affirmed Turkey's Long-Term Foreign and Local Currency Issuer Default Ratings at BBB-, while revising its outlook to negative from stable.

Fitch said that it does not expect the fiscal stance to weaken in response to the coup attempt. Referring to the solid fiscal performance during the first half of 2016, Fitch pointed out that in spite of the spending commitments made during the late-2015 election, the central government primary surplus was 1.3 percent of projected full year GDP for the first two quarters of 2016. Moreover, Fitch is forecasting Turkey's debt/GDP ratio to fall to 32.2 percent by the end of 2016, which puts the country ahead of many of its peers, where the median ratio is 40.2 percent.

Citing that Turkey's current account deficit has continued to narrow due to lower oil prices, Fitch is projecting it to realize at 4.3 percent of GDP in 2016. The statement also pointed out that average

inflation has fallen so far in 2016, with core inflation at 8.7 percent in July. Focusing on the fact that the banking sector functioned well and that deposit outflows were kept at minimum after the coup attempt, Fitch said that a more stable domestic security environment and implementation of structural reforms could lead to a revision of the outlook to stable.

Moody's, the last of the big three ratings issuers to release a report following the foiled coup, previously announced on August 5 that its review on Turkey's Baa3 rating remains ongoing and will be released within 90 days of July 18.

Turkish government firmly believes that there is no basis for a downgrade. In fact, there has been no significant deterioration in macro indicators when compared to 2012 and 2013 figures used by the same rating agencies when they upgraded Turkey. Likewise, the equity markets have claimed back most of the losses they suffered in the aftermath of July 15.

GDP GROWTH RATE (%)

2.1	4.2	4.8
2012	2013	Q1 2016

EU-DEFINED GEN. GOV. DEBT STOCK /GDP (%)

36.2	36.1	32.3
2012	2013	Q1 2016

CURRENT ACCOUNT BALANCE /GDP (%)

-6.1	-7.8	-4.2
2012	2013	Q1 2016

Turkish equity markets have claimed back most of the losses in the wake of July 2015.

BIST 100 INDEX



TURKEY EYES LEADING POSITION IN GLOBAL GAMING INDUSTRY

Turkey has embarked on a special campaign called Turkey Loves Indies [www.turkeylovesindies.com] with the aim of targeting new and existing digital game developers from around the globe and better communicating to them the business opportunities that await them in Turkey. The campaign offers game developers the chance to develop their dream game in Turkey.

The Turkey Loves Indies campaign, a joint initiative of the Investment Support and Promotion Agency of Turkey (ISPAT) and the Game Developers Association of Turkey (TOGED), kicked off on August 15, 2016 in Germany following the launch of www.turkeylovesindies.com. The platform provides developers with all the information they need about game development opportunities in Turkey. Developers can learn about all types of government incentives and support programs, including funding, training, design, logistics, consulting, and tax exemptions.

In order to broaden the campaign's reach, Turkey became the partner country of Gamescom - a global event visited by over 345,000 visitors and around 6,000 media employees - and sponsored two events, namely Respawn and the Game Developers Conference.

ISPAT supports high-technology, value-added, and employment-generating investments. In this regard, it believes the future is bright for the ICT sector, including software. ISPAT will participate in global gaming events to engage with indies, startups, and corporates in the industry in a bid to maintain a connection between corporations and individuals, including game designers, software engineers, programmers, visual artists, modelers, and voice processing experts. ISPAT



hopes to accelerate the technical, social, and economic improvement of game development companies in Turkey and increase their standards, success, and popularity internationally.

With its relatively new and yet-to-expand ecosystem, Turkey harbors huge potential for indies. Graced with a growing young and dynamic population - one of the keys to success in the gaming industry - and generous government incentives, Turkey is soon to become a major player in the global gaming industry. In fact, Turkey has already drawn the attention of global companies. US-based video game developer and publisher Riot Games runs operations in Turkey. Having entered the Turkish market in 2012, Riot Games employs around 120 people in its Istanbul office and has over 5 million loyal customers in Turkey.

Furthermore, one of the most successful indigenous developers, Ankara-based TaleWorlds Entertainment, saw its Mount & Blade franchise become a top seller on Valve's Steam platform. Currently, Turkey's gaming industry's exports total USD 400 million, with the bulk of that coming from startups. Taking into account the growing sales from startups, this figure is well on its way to hit USD 1 billion.

Foreign investors are increasingly keen on the Turkish gaming sector. Turkish game developers, such as Game Sultan, Joy Game, and Peak Games are on the hot list of Asian and European companies. Meanwhile, Netmarble, CJ Games Corporation, MOL Global, Alpha Investment, Earlybird Venture Capital, and Hummingbird Ventures are the latest additions to the growing list of foreign acquisitions in Turkey.

TURKEY'S PROMISING GAMING INDUSTRY

8%*

AVERAGE ANNUAL GROWTH RATE

*2013-2016

Gaming industry >

[music industry + film industry]

Total value of gaming industry
USD 418 million

Amount spent by players abroad
USD 395 million

11.4 million people spend money on digital games



22 million individual gamers



Half of population aged under 31