

Eye on Turkey

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Merger & Acquisition Activities in 2013 (Page 2)

In 2013, Merger & Acquisition activity in Turkey was positively affected as investors continued to be drawn to Turkey's relatively favorable economic indicators.



Major Transactions For the First Four Months of 2014 in Turkey (Page 3 –4)

10 Reasons to Invest in TURKEY (Page 5-6)

Successful Economy, Population,
Qualified and Competitive Labor Force,



Do You Know This?

The First Merger in Turkey



The first merger transaction is accrued between Avusturya-Osmanli Bank (Austria Based) and Banka-i Osman-i Şahane (French and England Based Bank) in 1874.

Source: <http://www.babdanimanlik.com/wp-content/uploads/2012/12/>

Merger & Acquisition Activities in 2013

According to EY Report, the number of mergers and acquisitions in 2013 was 336 in Turkey which is the highest number for Turkey. Only 135 of the total transactions' value are disclosed totaling \$13.7 billion. Despite of political crisis and protests in Turkey and slowdown in merger and acquisition transactions around the world in 2013, Turkey continues to be attractive place for investors.

	Transaction Number	Transaction Volume
Value Disclosed	135	\$13.7 billion
Value Not Disclosed	201	-

Table 1: Value Disclose Number and Volume

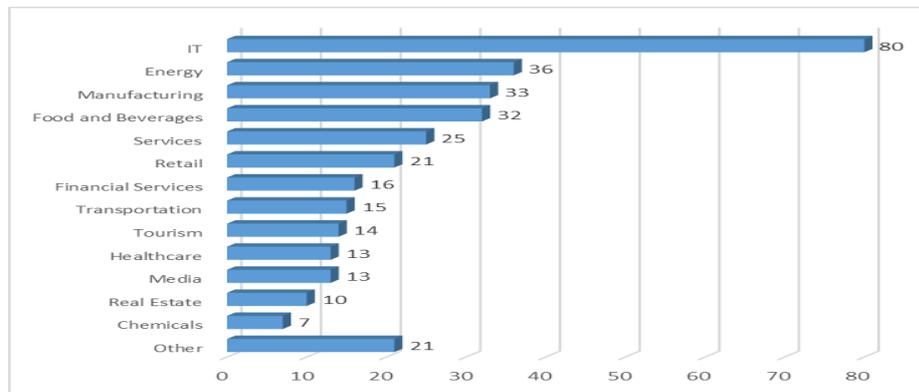
The 66% of total investors are Turkish with \$ 10.4 billion. 222 transactions of domestic investors are also a record for Turkey in 2013. The other significant aspect of 2013's transactions is related with the private equity funds. Private

equity transactions are increased to 74. Aslanoba Capital (23 transactions), Galata Business Angels and Crescent Capital (5 transactions), are private equity funds from Turkey, invested to IT and energy sectors remarkably. Foreign fund Actera implemented significant investments to Kamil Koç, Çelebi Havacılık, and Standart Profil in Turkey.

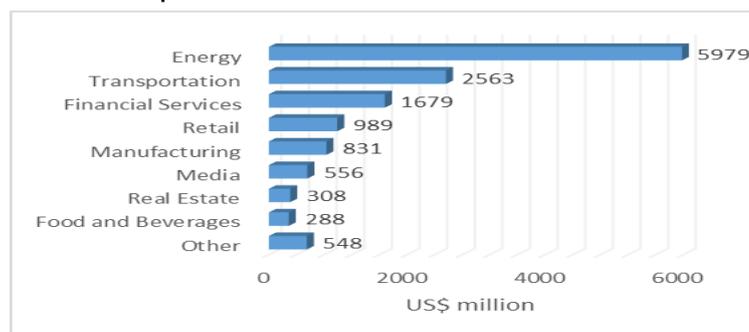
	Transaction Number	Transaction Volume
Turkish Investor	222	\$10.4 billion
Foreign Investor	114	\$3.3 billion

Table 2: Investor Profile

Based on sectorial breakdown, the energy sector ranked first in terms of transaction volume, while the IT sector had the highest number of transactions in 2013.



Graph 1: Sectorial Breakdown of Transaction Numbers



Graph 2: Sectorial Breakdown of Transaction Volume

Source: EY Mergers and Acquisitions Report Turkey 2013

Major Transactions For the First Four Months of 2014 in Turkey

1. Worthington Industries acquires majority stakes of Turkish LNG Company

US-based metals manufacturing company Worthington Industries has announced the acquisition of 75 percent of shares in the Turkish liquefied natural gas (LNG) and cryogenic technology company, ARITAS. The financial details of the transaction have not been announced. Employing 300 people, ARITAS has one manufacturing facility in Istanbul and plans to build a second much larger facility in nearby Bandirma in Balikesir province. The company's sales volume in 2013 totaled USD 40 million.



which was formed in early 2014 with the merger of the three previously separate companies, Eastchem, Enplast and Ravago Kimya, has announced the deal worth EUR 36 million.

4. Turkish eye hospital teams up with Gulf investors

Partnered by Gulf investors, the Turkish eye hospital chain, **AVRUPAGÖZ**, is set for strong growth with plans to open new clinics in Turkey and abroad. A 50 percent stake of the hospital chain, which currently has 14 branches throughout Turkey, has been acquired by Saudi-based Nesma Holding and Reaya Holding for TRY 52 million (approx. USD 23.6 million).

2. Monitise acquires Turkish mobile payments company Pozitron

British technology company Monitise has acquired Turkish mobile payment services specialist, Pozitron for USD 100 million. Providing mobile payment solutions to enterprises in and around Turkey, Istanbul-based Pozitron has clients in a number of sectors including banking, telecommunication, retail and pharmaceuticals.



5. Chinese copper producer buying 50 percent of Turkish mining company Nesko

China's largest copper producer Jiangxi Copper Corporation (JCC) is buying a 50 percent stake in Turkish mining company Nesko Metal, according to Chinese news sources. The Chinese will reportedly pay USD 65 million for half of Istanbul-based Nesko Metal. Nesko has a copper mining business in Albania under the name of Beralb SHA, producing 50,000 tons of concentrates per year. JCC is one of the leading copper producers in the world, also supplying gold, silver and other metals. Possessing large deposits of minerals like copper, chromite, boron, and marble, Turkey's mining exports exceeded USD 5 billion in 2013 with China, US, Iraq, Belgium and Italy being the top buyers.



3. Ravago acquires Turkish polyurethanes producer

Belgium-based plastics supplier Ravago has further expanded its already-strong presence in Turkey with the acquisition of Tekpol AS, a maker of various polyurethane products.



Ravago Petrokimya, the petrochemicals branch of the Belgian group in Turkey,

There are over 650 foreign companies active in Turkey's mining sector.

6. Alstom to acquire stake in Turkish geothermal company

France-based Alstom has reached a preliminary agreement to acquire a 30 percent stake in Turkish Energy Company Deltom



Jeotermal, a subsidiary of Delta Yatirim, according to a filing made to the Turkish Competition Authority. The French conglomerate, which mainly operates in the transportation and energy sectors, intends to team up with Turkey's Delta Group to develop geothermal sites and install power plants utilizing geothermal sources in the country.

Turkey ranks 7th in the world and 1st in Europe when it comes to geothermal resources, according to data from the Mineral Research and Exploration Agency of Turkey (MTA). The country plans for 120,000 MW of installed capacity in 2023, double that of today's 60,000 MW.

7. Cargill acquires Turkish oleo chemicals producer

US-based multinational Cargill has announced the acquisition of Alemdar Kimya, a producer of vegetable oil-based industrial commodities in Turkey. The total investment cost of the deal is reported as USD 50 million, including all shares, name rights, facilities and a land plot adjacent to 95-year old Alemdar Kimya's production site in Gebze, Kocaeli.



Becoming Cargill's third oleo chemicals plant outside the US and Russia, the Gebze plant will produce various industrial raw materials to be used in textiles, printing, machinery, and other sectors.

8. China's ICBC acquires Turkish lender

The Industrial and Commercial Bank of China (ICBC), the world's largest lender by total assets, has announced an agreement with



Turkish GSD Holding for the acquisition of 75.5 percent shares in Tekstilbank. Subject to approval by the relevant authorities in Turkey and China, the TRY 669 million (approx. USD 314 million) deal is slated to make the Chinese lender the latest entrant in Turkey's lucrative banking sector.

Founded in 1986, Tekstilbank is active corporate, retail and investment banking. The rest of Tekstilbank shares are publicly traded on the Borsa Istanbul. With over USD 3 trillion of assets, ICBC is the world's largest bank.

A crisis-tested financial system and a sturdy and profitable banking sector have encouraged many new lenders into Turkey in recent years. The Commercial Bank of Qatar, Kuwaiti Burgan, and Saudi National Commercial Bank have all made their entries into the Turkish banking market via acquisitions in recent years.

Source: <http://www.invest.gov.tr/en-US/infocenter/news/Pages/News.aspx>

10 Reasons to Invest in TURKEY

1. SUCCESSFUL ECONOMY

- ◇ Booming economy; more than tripling its GDP, reaching USD 786 billion in 2012, up from USD 231 billion in 2002 (TurkStat)
- ◇ Stable economic growth with an average annual real GDP growth rate of 5 percent over the past decade (TurkStat)
- ◇ Promising economy with a bright future as it is expected to become the fastest growing economy among the OECD members during 2012-2017 with an average annual real GDP growth rate of 5.2 percent (OECD Economic Outlook No. 91)
- ◇ 16th largest economy in the world and 6th largest economy compared with the EU in 2012 (GDP at PPP, IMF WEO)
- ◇ Institutionalized economy fueled by USD 123 billion of FDI in the last decade and ranked as the 13th most attractive FDI destination in 2012 (A.T. Kearney FDI Confidence Index)
- ◇ A dynamic and mature private sector with USD 153 billion worth of exports and an increase of 325 percent between 2002 and 2012 (TurkStat)

2. POPULATION

- ◇ A population of 76 million (2012, TurkStat)
- ◇ Largest youth population compared with the EU (Eurostat)
- ◇ Half the population under the age 30.1 (TurkStat)
- ◇ Young, dynamic, well-educated and multi-cultural population

3. QUALIFIED AND COMPETITIVE LABOR FORCE

- ◇ Over 27 million young, well-educated and motivated professionals (TurkStat)

- ◇ Increasing labor productivity
- ◇ Approximately 600,000 students graduate annually from over 170 universities (2012, Student Selection and Placement Center-OSYM)
- ◇ More than 700,000 high school graduates with around half from vocational and technical high schools (2012, Ministry of National Education)

4. LIBERAL AND REFORMIST INVESTMENT CLIMATE

- ◇ The second biggest reformer among OECD countries in terms of its restrictions on FDI since 1997 (OECD FDI Regulatory Restrictiveness Index 1997-2012)
- ◇ Business-friendly environment with average of 6 days to set up a company, while the average in OECD members is more than 12 days
- ◇ Highly competitive investment conditions
- ◇ Strong industrial and service culture
- ◇ Equal treatment for all investors
- ◇ More than 33,000 companies with international capital
- ◇ International arbitration
- ◇ Guarantee of transfers

5. INFRASTRUCTURE

- ◇ New and highly developed technological infrastructure in transportation, telecommunications and energy
- ◇ Well-developed and low-cost sea transport facilities
- ◇ Railway transport advantage to Central and Eastern Europe
- ◇ Well-established transportation routes and direct delivery mechanism to most of the EU countries

6. CENTRALLY LOCATED

- ◇ A natural bridge between both East-West and North-South axes, thus creating an efficient and cost effective outlet to major markets
- ◇ Easy access to 1.5 billion customers in Europe, Eurasia, the Middle East and North Africa
- ◇ Access to multiple markets worth USD 25 trillion of GDP

7. ENERGY CORRIDOR AND TERMINAL OF EUROPE

- ◇ An important energy terminal and corridor in Europe connecting the East and the West
- ◇ Located at a close proximity of more than 70 percent of the world's proven primary energy reserves, while the largest energy consumer, which is Europe, is located right to the west of Turkey, thus making the country a linchpin in energy transit and an energy terminal in the region

8. LOW TAXES & INCENTIVES

- ◇ Corporate Income Tax reduced from 33 percent to 20 percent
- ◇ Tax benefits and incentives in Technology Development Zones, Industrial Zones and Free Zones could include total or partial

exemption from Corporate Income Tax, a grant on employer's social security share, as well as land allocation

- ◇ R&D and Innovation Support Law
- ◇ Incentives for strategic investment to decrease imports, for large-scale investments, as well as for regional investments

9. CUSTOMS UNION WITH THE EU SINCE 1996

- ◇ Customs Union with the EU since 1996, and Free Trade Agreements (FTA) with 22 countries
- ◇ More FTAs underway
- ◇ Accession negotiations with the EU

10. LARGE DOMESTIC MARKET

- ◇ 20 million broadband internet subscribers in 2012, up from 0.1 million in 2002
- ◇ 68 million mobile phone subscribers in 2012, up from 23 million in 2002
- ◇ 54 million credit card users in 2012, up from 16 million in 2002
- ◇ 131 million airline passengers in 2012, up from 33 million in 2002
- ◇ 31.8 million international tourist arrivals in 2012, up from 13 million in 2002

Source: <http://www.invest.gov.tr/en-US/investmentguide/Pages/10Reasons.aspx>

About CGS Center

Corporate Governance and Sustainability Center (CGS Center) is a network of eligible experts in the field of corporate governance and related services ranging from assessment to research and raising awareness to compliance with its training and advisory services.

Assistance in corporate finance is also among the services it provides. CGS Center provides full service in mergers and acquisitions and private equity projects; from identifying the partner candidates/acquisition targets and evaluation of the subject to the later stages of negotiation and deal closing.

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