Turkey’s Growth Story
Powered by
Mining & Steel Sectors

Robert Yuksel YILDIRIM
President & CEO, YILDIRIM Group
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World GDP Growth is Expected to Rise in 2013

PMI Indices are yet to Show Significant Increase

The EU & Japanese Economies are still in Doldrums

Commodities Dipped in 2012 &

Prices are Still in Depression
Have the Wheels of Economies Started to Turn Again?

Real GDP Growth Rates

- **Emerging Economies**
- **G7 Countries**
- **World**

- 2013 is expected to be the **REVIVAL** year
- Emerging economies are dominating global growth with an average of over 5% growth rate

Source: IMF - WEO April 2013
Have the Wheels of Economies Started to Turn Again?

Purchasing Managers’ Index (PMI)

2008 CRISIS ➔ RAPID RECOVERY

2011 CRISIS ➔ WEAK BALANCE

REVIVAL?

Business sentiment has been leveling since 2012, but there is still time to recover

The EU & Japan are the only economic regions in contraction

The United States, China & other emerging economic regions are in gradual uptrend

Source: Markit, HSBC, JMMA, Below 50 points: Contraction; Above 50 points: Expansion
Have the Wheels of Economies Started to Turn Again?

Since end of 2010, commodity prices have been eroding due to diminishing demand

China is the sole region that underpins demand

Commodity price trends indicate a «balance year» for 2013

Source: IMF, CRU
Turkey: Regional Growing Power

A Brief Snapshot of Turkey

16th Largest Economy in the World

6th Largest Economy in the EU

5.2% Average Growth Over the Last 10 Years

Exports Expanded 4-folds in the Last 10 Years

8th Largest Steel Producer in the World

16th Largest Automotive Producer in the World

Investment Grade by Fitch, Moody’s & JCR

Turkey Ranked 10th in Mining Diversity in the World

9th Largest Economy in the World in 2050*

Source: Turkey Invest, Turkstat IMF, MREGD, * Goldman Sachs
Turkey: Regional Growing Power

1.5 Billion People

US$ 23 Trillion GDP

at a 4-hour Flight Distance

Source: Turkey Invest
In terms of economy, Turkey leads its region beyond most of the European countries.

In 2012, Turkish economy expanded to US$ 800 billion level.
Turkey ranked at 20th in 2007, 23rd in 2010 and 13th in 2012 in the list.

There is an increasing confidence for Turkey amongst the developed countries.
Where Does Turkey Stand? (What do We Expect in the Near Term?)

Turkey’s Performance in 2012

- **Sustainable Growth**: 2.2%
  - Real Growth Rate in 2012

- **Investment Grade**: by Fitch in 2012

- **Market Divergence**: 13.0%
  - Exports Growth in 2012

- **Stabilizing Inflation**: 6.2%
  - CPI in 2012

- **Unemployment Rate**: 9.2%
  - One-Digit Level in 2012

- **Rising Confidence**: 53.1 points
  - PMI at the end of 2012

Source: Turkstat, Turkish Treasury
It is predicted that Turkey will grow steadily and remain balanced over the next years.

Turkey’s growth is expected to be 4.0% in 2013 and 5.0% in 2014 & 2015.
Where Does Turkey Stand? (What do We Expect in the Near Term?)

Business Sector's Confidence

- Leading indicators are cautiously optimistic, climbing to the positive zone in 2013
- Purchasing managers’ index (PMI) was above 50 point over the last 9 months
Growth Dynamics’ Pillars: Mining & Steel Sectors

Facts about Turkey’s Mining Sector

- Mining’s Share Expanded 3-Folds in the Overall Economy Since 2004
- Mining Sector’s Volume US$ 11.7 Billion in 2012
- Mining Sector Has 1.5% Share in GDP in 2012
- Turkey is an Important and Emerging Actor in Boron, Chromium, Gold, Marble Markets
- Mining Exports Reached US$ 4.2 Billion in 2012

Source: Turkstat, General Directorate of Mineral Research and Exploration of Turkey
### Turkey's Mining Reserve Shares in the World

<table>
<thead>
<tr>
<th>Mineral</th>
<th>World Share</th>
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<tbody>
<tr>
<td>Iron</td>
<td>0.03%</td>
</tr>
<tr>
<td>Copper</td>
<td>0.29%</td>
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<tr>
<td>Phosphate</td>
<td>0.57%</td>
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<tr>
<td>Gold</td>
<td>0.67%</td>
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<tr>
<td>Silver</td>
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<td>Chromium</td>
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<td>Barite</td>
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<td>Pumice</td>
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<td>Bentonite</td>
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<td>Na-Feldspar</td>
<td>19.14%</td>
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<td>Marble</td>
<td>40.00%</td>
</tr>
<tr>
<td>Boron</td>
<td>72.00%</td>
</tr>
</tbody>
</table>

Source: General Directorate of Mineral Research and Exploration of Turkey

- **Turkey holds a wide spectrum of mines and has significant volume of reserves**
- **There are around 70 minerals & metals reserves in Turkey**
- **In recent years, the search for Au, Ag, Mn & Cr ore is on the rise**
Turkey’s mining sector’s contribution increased from 0.9% in 2004 to 1.5% in 2012.

Mining sector’s added value to the overall economy is US$ 11.7 billion in 2012.
Turkey's Mining Exports & Share in Overall Exports

- Mining exports has reached to US$ 4.2 billion in 2012 with an 2.8% growth rate
- Mining exports has fold 3.5 times in the last 9 years

Source: Turkish Exporters Association, Istanbul Mineral Exporters's Association
There are almost 700 foreign mining companies in Turkey now, as compared to 188 in 2005.

FDI in mining sector is getting better since 2009, reached to US$ 214 million in 2012.

Rio Tinto, Teck Resources, Eldorado Gold, Alamos, Centerra Gold, Inmet Mining and more in Turkey.

Source: Ministry of Economy
Facts about Turkey’s Steel Sector

- **35.9 Mill. Tons**
  - Crude Steel Production in 2012

- **5.2%**
  - Crude Steel Production Growth in 2012

- **Turkey Surpassed Ukraine & Brazil in 2012**

- **Turkey Ranked 8th in the World in 2012**

- **75%**
  - Electric Arc Furnaces of Overall Production

- **10-Year Avg. Growth Rate 8.3%**
  - After China & India

- **Production Expanded 2-Folds in the Last 10 Years**

Source: World Steel Association
Turkey's share in the global steel market was 1.8% in 2005, it reached the 2.4% level in 2012.

Turkey has shown a drastic jump & ranked 8th in 2012, surpassing Ukraine & Brazil.
Turkey’s 10-year average steel production growth: 8.3%

Turkey’s 10-year average apparent steel use growth: 10.4%
While the scrap prices are weakening, the scrap imports increased by 13% in the last 3 years.

Electricity prices are soaring significantly since 2011, with an 8.6% average yearly increase.
Steel production is highly correlated with Turkey's overall growth

The jump in the construction sector dominated the growth in steel sector & overall economy
WORLD ECONOMIES

World economies are expected to rise again in 2013, but a Slow Revival is expected.

The EU will be a lackluster economy. On the other hand, the new policies can help Japan.

Commodity Prices are in depression for so long and need to rise to the pre-crisis averages.

TURKISH ECONOMY

Strategic importance of Turkey continues to increase.

Turkey’s growth will remain balanced around 4-5% in the next 2 years.

Turkey’s credit rating will continue to increase after Fitch, Moody’s and JCR.

Confidence in the Turkish economy will be strengthening over the next years.
## Conclusion

### Mining Sector of Turkey

Turkey’s #1 advantage is to hold rich mine reserves. Boron (72%) & Marble (40%).

Turkey is an important and emerging player in Chrome ore & Gold markets.

However, R&D investments are below world averages.

High start-up costs are a threat to the sector, combined with depressed commodity prices.

### Steel Sector of Turkey

The dependence to scrap is a bottleneck for the steel market.

75% of production is based on EAFs. Hence, the market is affected by rising energy costs.

Imports from CIS countries erode Turkish players’ competitive strength.

Turkey’s steel production is expected to increase by 2% in 2013 to the 36.6 million tons level.
YILDIRIM Group (in Numbers - 2012)

- **Active Sectors**: 10
- **Total Assets (US$)**: 3.4 Billion
- **Revenues (US$)**: 1.07 Billion
- **Employees**: >7,000
- **Investments (US$)**: 2.0 Billion
VARGÖN ALLOYS AB - SWEDEN

ETİ KROM INC. - TURKEY
YILDIRIM Group (Mining & Ferroalloys Activities)

**Chrome Ore Mines**
- **79** Chrome Ore Mining Licenses
- **15** of Them in Operation
- Reserve: over **100 million tons**
- Resources: over **150 million tons**

**HC FeCr Production**
- **4** Furnaces in Elazig, Turkey
- **160,000 tpy** HC FeCr Production Capacity
- **2x17 MVA** Open Type: 50,000 tpy
- **2x30 MVA** Semi-Closed Type: 100,000 tpy
- **Slag Recovery**: 10,000 tpy
HC FeCr Production in Turkey

- **4 Furnaces** in Vargön, Sweden
- **240,000 tpy** HC FeCr Production Capacity
  - **1x105 MVA**: 110,000 tpy
  - **1x48 MVA**: 65,000 tpy
  - **2x24 MVA**: 55,000 tpy
- **Slag Recovery**: 10,000 tpy
- Alternatively **24,000 tpy** FeSi Production Capacity (by 48 MVA)
THANK YOU...
Robert Yuksel YILDIRIM
President & CEO
Tel: +90-212-290 30 80
Fax: +90-212-290 30 81
E-mail: info@yildirimgroup.com
Website: www.yildirimgroup.com