

**Dear Chairman,
Esteemed Members of our Assembly,
Distinguished Honorary Members of our Assembly,
Dear Guests
and Distinguished Members of the Press,**

I would like to greet you all with love and respect on my behalf and on behalf of our Board of Directors before sharing with you my opinions at our assembly meeting for July.

Just as we were about to leave behind a Ramadan Feast in a climate of national peace, serenity and tolerance, we have been deeply saddened by the news of a bloody terrorist attack in Suruç, Urfa and Adıyaman. The fault line of terrorism poses a greater threat for regional and global peace each day, irrespective of geographical borders. Speaking from a country with a long history of suffering from terrorism, I wholeheartedly believe that our nation will prevail over any brutal attack in a spirit of unity and solidarity just as it has done so far.

We are going through a phase in which we as a society must act with utmost care and prudence. We must not succumb to a pessimism infused by terrorism and therefore not embolden forces that aspire to thrive with terrorism. We can go through this hard and sorrowful time only in solidarity.

As Istanbul Chamber of Industry, we condemn the terrorist attacks carried out in our country, and would like to extend our condolences on the death of our fellow citizens and would like to wish quick recovery to the injured.

I would like to thank Mr. Tuncay Dinç, Borsa Istanbul CEO, for his participation in our assembly meeting for this month themed "The Potential and the Opportunities Presented by the Stock Exchange and Capital Markets to Strengthen Our Economy and Industry". On my behalf and on behalf of Istanbul Chamber of Industry, I would like to congratulate Mr. Dinç on his recent appointment as CEO of Borsa Istanbul. I wish him success in his new duties.

We are going through a period in which a new, production-based perspective on the economy is a matter of heated debate. It is therefore crucial for us industrialists to eliminate the obstacles posed by limited financial resources on our way to strengthen our economy and industry.

We will discuss today how savings, as opposed to banks, can be turned into investments directly and at lower costs in capital markets which are another component of financial markets.

Indeed, a great number of studies demonstrate that active and robust capital markets are one of the most significant drivers of long-term sustainable growth. The main reasons behind this finding are the increase in financial diversification in the economy and the reduction of risks. But perhaps most importantly, capital markets are conducive to increasing savings. This is why we industrialists have to maintain close relations with capital markets institutions, which is our cardinal need.

The data of the ICI top and second top 500 industrial enterprises have proved that our industrial companies carry out their operations with high levels of debt/ equity ratios. The survey also clearly demonstrates how they spend almost half of the gains out of their main activities to cover financial expenses. Therefore, I would like to particularly call the attention of our industrialists on the critical issue that we will be discussing with our honorable guest today.

Dear Chairman and Esteemed Members of Our Assembly,

Before sharing with you my views on the main item of our agenda, I would like to touch upon certain issues within Turkey and in the global scene.

I think all of us have grown weary of the long-drawn-out debates caught in a vicious circle in the country. It wouldn't be too bold a statement to argue that reconciliation is the antidote to this weariness and loss of social energy. We are in utmost need for reconciliation today if we are to build a fresh momentum in the economy, boost social energy, engage in solution-oriented politics and improve our reputation across the world.

It is within this perspective that we need to draw a stable and a long-term outcome based on the picture that emerged out of the elections on June 7. As an industrialist, I would like to express the necessity for such outcome for the sake of the economy at least. Above all, all of our political parties should see the glass half full, promote the reconciliation expected of them and aim for a result that will leave no room for new risks.

There have been debates around coalition in the aftermath of the last elections in our country. There are frequent references to previous experiences. One truth should be borne in mind: Coalition governments of the past have left few good traces in social memory. We should remember that previous coalition governments were built on particularly weak macroeconomic equilibriums; whereas today, Turkey has robust macroeconomic equilibriums, chiefly in public finance. The bad memories of the past must not overshadow the need to form a coalition government today. It will be impossible to come to an agreement today and to form a political coalition with a perspective oriented towards the past only and which overlooks the realities of the day.

We cannot step into the same river twice. Similarly, it would be unwise to believe that the negative experiences of previous coalition governments would repeat today and tomorrow. Turkey is a whole new country now, with an economy far more open to the world compared to the past. Turkish people today are better integrated into the world chiefly with tourism as well as in business, education and technology.

One should also pay attention to the economic figures setting Turkey apart from its past. Today, Turkey has a gross national product level of almost \$800 billion and a foreign trade volume of \$400 billion. This indeed is an achievement but it comes with a major problem, namely, the deep rift between the economic infrastructure and the intellectual superstructure in Turkey. This is what lies beneath the problems arising from Ankara. Immediate action must be taken to harmonize the economic infrastructure with the intellectual superstructure. We will only then see how problems can be solved within an environment of understanding, away from tensions or stress.

In a nutshell, we are going through a period in which the realities of Turkey and the world lay a responsibility on everybody's shoulder. The lack of social cohesion increases our economic risks. We have so far believed that all of our political parties would act responsibly with respect to the choices of the voters and we will continue to keep the faith

Dear Chairman and Esteemed Members of Our Assembly,

In recent years, we have been receiving mournful news from the neighboring regions that have weakened our hopes. The circumstances have taken a positive turn with two favorable developments that occurred ahead of the Ramadan Feast. The first one was the announcement of an agreement with the creditors in our western neighbor, Greece. For now, everybody is relieved with the elimination of this crisis before it turned into a huge catastrophe, which was of great concern for not only European economies but for our economy as well.

Following the news from Greece, a historic development took place in the same week in Iran, our neighbor in the east. The nuclear deal brokered between Iran and the P5+1 countries as well as the incipient integration of Iran with the rest of the world represent, needless to say, a welcome development for our economy as well.

The lifting of embargoes imposed against Iran so far will bring new momentum to our mutual trade relations. Prior to this agreement, our private sector had reservations about establishing economic relations with Iran due to these embargoes. But the recently brokered deal dissipates such fears.

With a large population and market, Iran will be creating a lot of opportunities for a great number of industries in Turkey. The agreement will also result in a favorable and stable outlook for global energy prices, which is of great import for us. It could be argued that our border trade with Iran will grow in the coming months which will benefit the locals living on the Eastern border.

Meanwhile, positive news is spreading on the Cyprus issue which has so far drawn attention as a hopeless situation. It is reported that far-reaching negotiations in recent months have resulted in significant agreements between representatives of both countries on issues such as ownership, EU, economy and administration. This positive momentum built in Cyprus will not only prove to be a crucial step towards peace with a permanent treaty in the coming months but will definitely contribute to Turkey-EU relations as well.

Dear Chairman and Esteemed Members of Our Assembly,

Now I would like to share with you my opinions on the main item of our agenda.

The distinguished institution that served as Istanbul Stock Exchange until its transformation into Borsa Istanbul in 2013 now spans three continents and rapidly gains ground as a prospective global stock exchange.

We have welcomed the efforts of Borsa Istanbul to develop our capital markets as well as to turn Istanbul into a strong financial hub. I would like to take this opportunity to express my wholehearted belief that Borsa Istanbul is on its way to achieve higher and bigger success thanks to the invaluable knowledge and experience of its CEO, Mr. Tuncay Dinç. I would like to specifically emphasize that we will be intently listening to the ideas and opinions of Mr. Dinç on the opportunities offered by the stock exchange and capital markets to reinforce our economy and industry.

When industrialists are open to the opportunities in stock exchange and capital markets, they indeed reap the fruits. Needless to say, the chief opportunity lies in the possibility to enjoy long-term and affordable financing. I would like to particularly stress one issue: The rate of domestic savings in our country is around 13%. Unfortunately, we constantly reiterate that this is a very low figure.

We have to look at the picture not only in terms of the savings rate but also with respect to liabilities of the private sector. It is an undeniable fact that capital markets have not grown as fast as the economy at large. Financing of the real economy still depends on foreign resources acquired through banks. This is why our private sector is suffering from a heavy burden of debt of some \$285 billion. If capital markets in Turkey were more developed, private sector could have resorted to higher rates of domestic savings for financing which in turn would eliminate the high currency risk we are facing today.

Our common desire now is the return to a production-based economy with investments spurring the economy and creation of employment and added value that will result in quality growth. However, the need to solve the financing issues of our industrialists continues to play a central role in the fulfillment of this desire. If I am to state the obvious, our industrialists try to meet their capital requirements largely by bank borrowing. This, of course, comes with a huge price. The high cost of such short-term solutions, as I have stated at the beginning of my speech, manifests itself in the ICI Top 500 results.

At this juncture, I would like to call your attention to an untapped potential. Compared to other economies with a similar structure to Turkish economy, the rate of our listed companies to GNP is extremely low, which offers a huge and unfulfilled potential.

That said, if our companies are to exploit this potential and satisfy their capital requirements with long-term and affordable instruments, they need to build their knowledge and experience in stock exchange and capital markets and ease their worries.

I find it natural that our companies express reluctance and concern over meeting their financing requirements by going public. It is not easy to take this giant step that calls for a thorough transformation in a company's structure. It is incumbent upon Borsa Istanbul to boost confidence in this area.

Dear Chairman and Esteemed Members of Our Assembly,

I would like to now touch upon our need to improve investment expertise and financial literacy in Turkey. In the last decade, the decreasing interest rates in domestic government bonds resulted in a tendency to leave such instruments and to opt largely for deposits. However, it is not possible to have higher interest rates in deposits in the same period, especially given that the inflation rate fluctuates above the targeted figure.

We believe that the lack of established capital markets in our country is partly due to inadequate knowledge of savers in capital markets which plays a role in their choice of deposits rather than stocks and bonds. Financial education and policies geared towards protecting financial consumers are of great import. We believe that as financial literacy grows, investors will develop risk assessment skills and will help adopt optimal investment instruments.

I would like to reiterate that we welcome the efforts of Tuncay Dinç, CEO of Borsa Istanbul, in this area. I would like to equally underline Istanbul Chamber of Industry's openness to all sorts of cooperation with Borsa Istanbul, the strategic partner of our industry congresses.

Dear Chairman and Esteemed Members of Our Assembly,

Having expressed my views on the main item of our agenda, I would like to now move onto a different topic.

We at Istanbul Chamber of Industry continue to take a snapshot of Turkish industry and announce the results to the public. Last month, we published the survey entitled "Turkey's Top 500 Industrial Enterprises", followed by "Turkey's Second Top 500 Industrial Enterprises", the results of which we have recently announced.

Just as we do every year, we will be sharing the results of our survey with you, esteemed members of our assembly.

The results of "Turkey's Second Top 500 Enterprises" for 2014 which examines relatively smaller-scale companies, demonstrate that small and medium-sized enterprises will drive the future of Turkey and will contribute to Turkish economy at higher and better quality if they are guided and supported well.

The operating profits of the Second 500 Industrial Enterprises have shown a steady trend upward. Production-based sales of these companies have grown higher than the inflation rate, revealing positive figures in profitability and financial expenses as well. The drop in financial expenses is happy news in a year rife with financial fluctuations. The decreasing figures illustrate that companies followed more creative and efficient methods in financing compared to previous years.

Meanwhile, the borrowing rate of the Second Top 500 slowed down in 2014. This finding is worthy of notice as evidence of how companies started to make better use of their operating capital in the face of scarce resources.

Another observation is that companies have started to lower their short-term liabilities especially in financial debt with increasing opportunities to find long-term resources. Other noteworthy improvements in Second Top 500 include liability management and sustainability.

On the other hand, we cannot afford to overlook the debt/equity ratio in Turkey far above the world average at around 70%. The rate was over 150% in 2014, despite a downturn compared to the previous year.

The industry of our country needs a transformation based on high added value and advanced technology if the economy is to rise above a robust and sustainable ground. R&D spending shows a slightly better growth than production-based sales compared to the previous year, nevertheless not higher than a scant 0.31%, a clear indication of our lack of progress in the area.

If especially our small and medium-sized companies find lasting solutions to their problems, our economy will fast develop at desired levels in many areas including employment, added value, imports and technological transformation.

Dear Chairman, Esteemed Members of our Assembly, Distinguished Honorary Members of our Assembly, Dear Guests and Distinguished Members of the Press,

As I conclude my remarks, I would like to welcome once again our esteemed guests Mr.Tuncay Dinc and would like to greet you all with love and respect on behalf of our board of directors and myself.