WHY INVEST IN TURKEY?
Why invest in Turkey?

10 reasons to invest in Turkey.

- Robust Economy
- Domestic market + EU
- Strategic Location
- Favorable Demographics
- Skilled workforce with cost advantage
- Continuous reform process...
- REFORMS
- Benign R&D Ecosystem
- Opportunities
- Lucrative Incentives
- Business-friendly
Robust Economy

13th Largest Economy

Track record growth and bright future with proven resilience.

Average Annual GDP Growth (%), 2003-2018

Turkey: 5.5
Poland: 4.0
Romania: 3.9
Czechia: 2.8
Hungary: 2.1

Robust Economy

Strong macroeconomic fundamentals have been based on successful public finance management.

Gross Public Debt Stock as % of GDP

Budget Balance as % of GDP

Annual Inflation (%)

End-Year Inflation (%)

Source: Eurostat, IMF, OECD, CBRT, New Economic Program (Medium-Term Program) 2019-2021
Driven by a diversified structure, Turkish economy has more than tripled over the past 16 years.

Turkish economy has more than tripled over the past 16 years and is promising more growth in future.

Driven by a robust domestic market and entrepreneurial private sector which has spurred investments and exports.

**Turkish Economy (GDP at current prices, $Billion)**

- 2002: 236
- 2018: 784

**Contribution to GDP Growth 2002-2018* (%)**

- Domestic Consumption: 71%
- Investment Expenditures: 31%
- Exports: 30%
- Stocks: -0.7%
- Imports: -32%

Source: TurkStat, *current prices
Turkey’s economic growth has paved the way for emergence of a sizeable middle-class with an increasing purchasing power.

Income per capita
(GDP per capita at purchasing power parity)

<table>
<thead>
<tr>
<th>Year</th>
<th>2002</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income per capita</td>
<td>$10,685</td>
<td>$27,956</td>
</tr>
</tbody>
</table>

Stock of Automobiles
(millions of passenger cars)

<table>
<thead>
<tr>
<th>Year</th>
<th>2002</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.6</td>
<td>12.4</td>
<td></td>
</tr>
</tbody>
</table>

Source: Turkstat, IMF
The domestic market is further supported by emerging urban centers across Turkey.

23 urban centers with populations over 1 million

Total Population in 2018: 82 million

Source: TurkStat, 2018 (m): million
Customs Union with the EU allows direct access to the EU Market

510 million in EU

355 million in FTA Area

82 million in Turkey

Free Access to 945 million consumers

In 27 countries with Free Trade Agreements

Source: Eurostat, Population as of 2017, Ministry of Economy
* In ratification process
Strategic Location

to manufacture, export and manage...

PROXIMITY TO MAJOR MARKETS
1.5 billion people and $24T GDP in Europe, MENA and Central Asia at 4 hour flight-distance

CONNECTIVITY
Turkish Airlines connects you to 255 destinations in 122 countries

MANUFACTURING & EXPORT HUB FOR MULTINATIONALS

AS WELL AS MANAGEMENT HUB FOR MULTINATIONALS

B/S/H/ 89 countries
GE Healthcare 80 countries
Knauf 80 countries
thyssenkrupp 72 countries
Intel 67 countries
Power China 63 countries
Verifone 60 countries
gsk 30 countries
Hitachi 25 countries

16 TIME ZONES
The convenient location has enabled Turkey to tap significant export opportunities with increasing diversified markets and products.

### Merchandise Exports by Geography

- **2002**
  - EU28: $36 billion (29%)
  - Middle East and Africa: $9 billion (14%)
  - Other Countries: $8 billion (25%)

- **2018**
  - EU28: $168 billion (23%)
  - Middle East and Africa: $39 billion (26%)
  - Other Countries: $60 billion (50%)

### Number of Export Products over $1 Billion

- **2002**: 9 products
- **2018**: 33 products

### Turkey's Share in Global Exports of Goods

- **2002**: 0.5%
- **2018**: 0.6%

CAGR:

- **Turkey**: 11%
- **World**: 7.3%

**Source**: TurkStat, ITC
Favorable Demographics

Half of the population is under the age of 31.

**Working Age Population (15-64) (Index: 2014=100)**

**Total Dependency Ratio (% of Age 0-14 & 64/Age 15-64)**

Source: Turkstat, Eurostat, UN, 2016
Skilled Workforce with Cost Advantage

Turkey’s education system has been upgraded to support a skilled labor pool that meets business requirements.

### Annual Number of Graduates (thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>University</th>
<th>Vocational &amp; Technical High School</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>287</td>
<td>804</td>
</tr>
<tr>
<td>2017</td>
<td>177</td>
<td>505</td>
</tr>
</tbody>
</table>

### Labor Force by Education Level

- **University**: 24.2%
- **High School & below**: 75.8%
- **2002**: 90%
- **2018**: 10%

### Availability of Qualified Engineers

(10=Available; 0=Unavailable)

<table>
<thead>
<tr>
<th>Country</th>
<th>Availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>6.92</td>
</tr>
<tr>
<td>Poland</td>
<td>6.41</td>
</tr>
<tr>
<td>Romania</td>
<td>6.02</td>
</tr>
<tr>
<td>Czechia</td>
<td>5.35</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>5.13</td>
</tr>
<tr>
<td>Hungary</td>
<td>5.02</td>
</tr>
<tr>
<td>Slovakia</td>
<td>4.88</td>
</tr>
</tbody>
</table>

### Availability of Competent Senior Managers

(10=Available; 0=Unavailable)

<table>
<thead>
<tr>
<th>Country</th>
<th>Availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>5.85</td>
</tr>
<tr>
<td>Poland</td>
<td>5.10</td>
</tr>
<tr>
<td>Czechia</td>
<td>4.96</td>
</tr>
<tr>
<td>Romania</td>
<td>3.87</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>3.87</td>
</tr>
<tr>
<td>Hungary</td>
<td>3.38</td>
</tr>
<tr>
<td>Slovakia</td>
<td>3.17</td>
</tr>
</tbody>
</table>

### Labor Cost per hour in Manufacturing

<table>
<thead>
<tr>
<th>Country</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>47.2</td>
</tr>
<tr>
<td>France</td>
<td>44.4</td>
</tr>
<tr>
<td>USA</td>
<td>39.6</td>
</tr>
<tr>
<td>UK</td>
<td>31.1</td>
</tr>
<tr>
<td>Czechia</td>
<td>14.9</td>
</tr>
<tr>
<td>Slovakia</td>
<td>14.3</td>
</tr>
<tr>
<td>Hungary</td>
<td>11.5</td>
</tr>
<tr>
<td>Poland</td>
<td>10.7</td>
</tr>
<tr>
<td>Romania</td>
<td>7.0</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>5.6</td>
</tr>
<tr>
<td>Turkey</td>
<td>5.6</td>
</tr>
</tbody>
</table>

### Remuneration of Management/Engineer

Total base salary plus bonuses and long-term incentives

<table>
<thead>
<tr>
<th>Country</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>151</td>
<td>120</td>
</tr>
<tr>
<td>France</td>
<td>107</td>
<td>87</td>
</tr>
<tr>
<td>USA</td>
<td>69</td>
<td>62</td>
</tr>
<tr>
<td>UK</td>
<td>45</td>
<td>42</td>
</tr>
<tr>
<td>Slovakia</td>
<td>39</td>
<td>35</td>
</tr>
<tr>
<td>Poland</td>
<td>35</td>
<td>22</td>
</tr>
<tr>
<td>Romania</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>22</td>
<td>22</td>
</tr>
</tbody>
</table>

Source: Ministry of National Education, Council of Higher Education, Turkstat, IMD World Competitiveness Yearbook Executive Opinion Survey based on an index from 0 to 10; Eurostat, US BLS
Turkey has implemented sweeping reforms in many areas and continues to introduce new reforms.

**Major Reforms**

- **2001**: Coordination Council for the Improvement of the Investment Environment
- **2003**: New FDI Law
- **2004**: New Labor Law
- **2005**: Establishment and Operating Licenses
- **2006**: New Banking Law
- **2007**: New Insurance Law
- **2008**: ISPAT
- **2009**: New Code of Obligations
- **2010**: New Commercial Code
- **2011**: Overhaul of Social Security System
- **2012**: New Capital Market Law
- **2013**: New Code of Obligations
- **2014**: Upgrading Investment Incentives
- **2015**: New Code of Obligations
- **2016**: Unifying All Exchanges (Stock, Derivative, Gold, etc.) under BIST
- **2017**: Amendments to improve doing business (Law 7099)
- **2018**: New Labor Courts Code

**FDI Regulatory Restrictiveness Index, 2018**

1 = Closed to FDI
0 = Open to FDI

Down from 0.283 in 2003

Source: OECD, World Bank
International Tax Competitiveness, 2018
(Index=100 as most competitive)

Source: Ministry of Economy, Ministry of Finance, WB Doing Business Report, Total Tax Rate: Profit or corporate income tax, social contributions and labor taxes paid by the employer, property taxes, turnover taxes and other taxes (such as municipal fees and vehicle taxes). Tax Foundation (Tax competitiveness measures countries’ tax policies five categories: corporate income tax, consumption taxes, property taxes, individual taxes, and international tax rules.)

Business-friendly offers protection and ease of doing business.

Foreign Direct Investment Law
Bilateral Investment Protection Treaties with 75 countries
Treaties to avoid Double Taxation with 80 countries

Total Tax and Contribution Rate, 2018 (% of Profit)

International Tax Competitiveness, 2018

Source: Ministry of Economy, Ministry of Finance, WB Doing Business Report, Total Tax Rate: Profit or corporate income tax, social contributions and labor taxes paid by the employer, property taxes, turnover taxes and other taxes (such as municipal fees and vehicle taxes). Tax Foundation (Tax competitiveness measures countries’ tax policies five categories: corporate income tax, consumption taxes, property taxes, individual taxes, and international tax rules.)

Business-friendly offers protection and ease of doing business.
Investors are offered lucrative incentives in many ways.

<table>
<thead>
<tr>
<th>Manufacturing Incentives</th>
<th>Employment Incentives</th>
<th>Exclusive Zones</th>
</tr>
</thead>
</table>
| ✓ Tax deduction & exemption + | ✓ Payroll & Training support + | **Free Zones**  
  ✓ Tax deduction & exemption +  
  **Organized Industrial Zones**  
  ✓ Developed infrastructure |

<table>
<thead>
<tr>
<th>Incentives for Service Exporters</th>
<th>Technology Development Zones</th>
<th>R&amp;D and Innovation Incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Tax deduction for exporting services in; Engineering Architecture Design Software Medical Reporting Accounting Call Center Data Center EDUCATION Healthcare ✓ To support R&amp;D ✓ Tax deduction &amp; exemption+</td>
<td>✓ Tax deduction &amp; exemption+</td>
<td></td>
</tr>
</tbody>
</table>
Selected Foreign Companies conducting R&D in Turkey

Over 100 R&D centers by foreign companies

Benign R&D Ecosystem

R&D incentives are further supported by a favorable ecosystem.

Source: OECD, Eurostat, Turkstat, PPP: Purchasing Power Parity
Opportunities

Turkey offers abundant opportunities in a variety of sectors.

AUTOMOTIVE
- 15th largest manufacturer
- 1.6 million vehicle produced
  - Market: $24 billion
  - Export: $32 billion

MACHINERY & ELECTRICAL EQUIP.
- Largest TV & white goods producer in Europe
  - Market: $38 billion
  - Export: $25 billion

AEROSPACE & DEFENCE
- $19 billion defense spending
  - Industry: $8.7 billion
  - Export: $2.2 billion
  - Air passengers: 210 million

ENERGY
- Market: $66 billion
  - Growing demand
  - Energy corridor
  - Untapped renewables

AGROFOOD
- Market: $80 billion
  - Export: $17 billion
  - Export to around 200 countries

FINDING
- $127 billion PPP contracts (2003-2018)
  - More opportunities in transport, energy, health

Source: Turkstat, Ministry of Industry and Technology, Sasad, OSD, SBB; export values as of 2018, market values as of 2017, defence industry value as of 2018

Oppportunities

OPPORTUNITIES
Foreign Direct Investment (FDI)

Turkey's value has been appreciated by foreign investors with increasing FDI inflow to Turkey.

**FDI Inflows ($ Billion)**

<table>
<thead>
<tr>
<th>Period</th>
<th>FDI Inflows</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-2002 (30 years)</td>
<td>15</td>
</tr>
<tr>
<td>2003-2018 (16 years)</td>
<td>209</td>
</tr>
</tbody>
</table>

**Number of Foreign Companies in Turkey ('000)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>5.6</td>
</tr>
<tr>
<td>2018</td>
<td>65.5</td>
</tr>
</tbody>
</table>

**Geographic Breakdown of Investments**

- EU: 68.6%
- USA: 8.8%
- Asia: 21.5%
- Other: 1.5%

**Sectoral Breakdown of Investments**

- Finance: 33.7%
- Manufacturing: 24.1%
- Energy: 11.7%
- Information & Communication Services: 8.1%
- Wholesale & Retail Trade: 6.4%
- Transport & Storage: 4.5%
- Construction: 3.1%
- Others: 8.4%
What can we do for you?

... assist you before, during and after your entry into Turkey.

A governmental agency reporting to the President

Private sector approach with public sector capabilities

Acting as your solution partner

General & customized business information & Sectoral analysis & reports

Site selection support to find appropriate location/land for your investment

Arrangements of meetings with governmental bodies and other stakeholders

Facilitating your investment at all stages

Matchmaking with local partners & establishing business linkages

Project launch & Press release Services

Facilitating your visit to Turkey