WHY INVEST IN TURKEY?
Why invest in Turkey?

10 reasons to invest in Turkey:

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

Track record growth and bright future with proven resilience..

13TH LARGEST ECONOMY

Ranking of Economies by GDP at PPP

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>USA</td>
<td>CHINA</td>
</tr>
<tr>
<td>2</td>
<td>CHINA</td>
<td>USA</td>
</tr>
<tr>
<td>3</td>
<td>JAPAN</td>
<td>INDIA</td>
</tr>
<tr>
<td>4</td>
<td>GERMANY</td>
<td>GERMANY</td>
</tr>
<tr>
<td>5</td>
<td>INDIA</td>
<td>JAPAN</td>
</tr>
<tr>
<td>6</td>
<td>RUSSIA</td>
<td>RUSSIA</td>
</tr>
<tr>
<td>7</td>
<td>FRANCE</td>
<td>INDONESIA</td>
</tr>
<tr>
<td>8</td>
<td>UK</td>
<td>BRAZIL</td>
</tr>
<tr>
<td>9</td>
<td>BRAZIL</td>
<td>UK</td>
</tr>
<tr>
<td>10</td>
<td>ITALY</td>
<td>FRANCE</td>
</tr>
<tr>
<td>11</td>
<td>MEXICO</td>
<td>MEXICO</td>
</tr>
<tr>
<td>12</td>
<td>INDONESIA</td>
<td>ITALY</td>
</tr>
<tr>
<td>13</td>
<td>SPAIN</td>
<td>TURKEY</td>
</tr>
<tr>
<td>14</td>
<td>CANADA</td>
<td>S. KOREA</td>
</tr>
<tr>
<td>15</td>
<td>S. KOREA</td>
<td>SPAIN</td>
</tr>
<tr>
<td>16</td>
<td>S. ARABIA</td>
<td>S. ARABIA</td>
</tr>
<tr>
<td>17</td>
<td>IRAN</td>
<td>CANADA</td>
</tr>
<tr>
<td>18</td>
<td>TURKEY</td>
<td>IRAN</td>
</tr>
</tbody>
</table>

Average Annual GDP Growth (%), 2003-2018

<table>
<thead>
<tr>
<th>Country</th>
<th>2003</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>5.5</td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>4.0</td>
<td></td>
</tr>
<tr>
<td>Romania</td>
<td>3.9</td>
<td></td>
</tr>
<tr>
<td>Czechia</td>
<td>2.8</td>
<td></td>
</tr>
<tr>
<td>Hungary</td>
<td>2.1</td>
<td></td>
</tr>
</tbody>
</table>

Real GDP Growth (Index: 2002=100)

Robust & Resilient Economy

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

Gross Public Debt Stock as % of GDP

- EU 28 (IMF estimate)
- Turkey (NEP)

Budget Balance as % of GDP

- Turkey (NEP)
- EU 28

Annual Inflation (%)

- 1973-1987: CPI 40% Average Volatility: 23%
- 1988-2002: CPI 71% Average Volatility: 18%

End-Year Inflation (%)

- 2003-2018 (as of Sep): CPI 9.6% Average Volatility: 4%

Source: Eurostat, IMF, OECD, CBRT, New Economic Program (Medium-Term Program) 2019-2021
Turkish economy has more than tripled over the past 15 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
- -0.7 Stocks
- -32 Imports

*Source: TurkStat, * current prices
Income per capita
(GDP per capita at purchasing power parity)

2002: $10,685
2018: $27,956

Source: Turkstat

Turkey’s economic growth has paved the way for emergence of a sizeable middle-class with an increasing purchasing power...

Stock of Automobiles
(millions of passenger cars)

2002: 4.6
2018: 12.4
The domestic market is further supported by emerging urban centers across Turkey...

23 urban centers with populations over 1 million (m)

Source: TurkStat, 2018
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

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

TOYOTA
Exporting 85% of its production

Ford
Exporting 77% of its production

Nestle
Production base for MENA

BOSS
Its largest production facility worldwide

16 TIME ZONES

B/S/H/  89 countries

GE Healthcare  80 countries

KNAUF  80 countries

thyssenkrupp  72 countries

Intel  67 countries

POWERCHINA  63 countries

Verifone  60 countries

gsk  30 countries
The convenient location has enabled Turkey to tap significant export opportunities with increasing diversified markets and products.

### Exports of Goods in Turkey and World

**CAGR**
- Turkey ($Billion, LHS): 11%
- World ($Trillion, RHS): 7.3%

**Merchandise Exports by Geography**
- 2002: $36 BILLION, 57% EU28, 29% Middle East and Africa, 14% Other Countries
- 2018: $168 BILLION, 50% EU28, 23% Middle East and Africa, 26% Other Countries

**Number of Export Products over $1 Billion**
- 2002: 9
- 2018: 33

**Turkey’s Share in Global Exports of Goods**
- Source: TurkStat, ITC
Favorable Demographics

half of population under age 31...

Source: Turkstat, Eurostat, UN, 2016
Turkey’s education system has been upgraded to support a skilled labor pool that meets business requirements.

### Labor Force by Education Level

<table>
<thead>
<tr>
<th>Year</th>
<th>University</th>
<th>High School &amp; below</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>287</td>
<td>24.2%</td>
</tr>
<tr>
<td>2017</td>
<td>177</td>
<td>10%</td>
</tr>
<tr>
<td>2018</td>
<td>505</td>
<td>75.8%</td>
</tr>
</tbody>
</table>

### 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>804</td>
<td>2002</td>
</tr>
<tr>
<td>2017</td>
<td>505</td>
<td>2017</td>
</tr>
<tr>
<td>2002</td>
<td>287</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>177</td>
<td></td>
</tr>
</tbody>
</table>

### Availability of Qualified Engineers

<table>
<thead>
<tr>
<th>Year</th>
<th>Turkey</th>
<th>Poland</th>
<th>Romania</th>
<th>Czechia</th>
<th>Bulgaria</th>
<th>Hungary</th>
<th>Slovakia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>6.92</td>
<td>6.41</td>
<td>6.02</td>
<td>5.35</td>
<td>5.13</td>
<td>5.02</td>
<td>4.88</td>
</tr>
</tbody>
</table>

### Availability of Competent Senior Managers

<table>
<thead>
<tr>
<th>Year</th>
<th>Turkey</th>
<th>Poland</th>
<th>Czechia</th>
<th>Bulgaria</th>
<th>Hungary</th>
<th>Slovakia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>5.85</td>
<td>5.10</td>
<td>4.96</td>
<td>3.87</td>
<td>3.87</td>
<td>3.38</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>
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<tr>
<td>Hungary</td>
<td>11.5</td>
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<td>Poland</td>
<td>10.7</td>
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<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

<table>
<thead>
<tr>
<th>Country</th>
<th>$K, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>151</td>
</tr>
<tr>
<td>France</td>
<td>120</td>
</tr>
<tr>
<td>USA</td>
<td>107</td>
</tr>
<tr>
<td>UK</td>
<td>87</td>
</tr>
<tr>
<td>Czechia</td>
<td>69</td>
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<tr>
<td>Slovakia</td>
<td>62</td>
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<td>Poland</td>
<td>45</td>
</tr>
<tr>
<td>Turkey</td>
<td>42</td>
</tr>
<tr>
<td>Romania</td>
<td>39</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>35</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 Insurance Law, ISPAT
- **2007:** Tax Reform (Corporate Tax %20 down from 33%), New Banking Law, New FDI Law
- **2008:** Investment Incentives, Investment Incentives, New Commercial Code
- **2009:** R&D and Innovation Incentives, Overhaul of Social Security System, New Code of Obligations, Investment Incentives
- **2010:** New Capital Market Law
- **2011:** Removing Restrictions on Foreigners’ Purchases of Real Estate, New Labor Law, ISPAT
- **2012:** New Code of Obligations, New Labor Law, ISPAT
- **2013:** Incentive Programs, Istanbul Arbitration Center
- **2014:** Unifying All Exchanges (Stock, Derivative, Gold, etc.) under BIST
- **2015:** Amendments to improve doing business (Law 7099)
- **2016:** Personal Data Protection Law
- **2017:** Industrial Property Law (IPR), New Capital Market Law
- **2018:** New Labor Courts Code, New FDI Law

**Number of Days to set up a Company, 2018**

- **South Africa:** 40
- **Poland:** 37
- **Romania:** 35
- **Czech Rep.:** 24.5
- **Bulgaria:** 23
- **Austria:** 21
- **Brazil:** 20.5
- **Finland:** 17
- **India:** 16.5
- **Spain:** 12.5
- **Japan:** 11.2
- **Russia:** 10.1
- **Turkey:** 7

Down from 38 days in 2002

**FDI Regulatory Restrictiveness Index, 2018**

- **Russia:** 0.257
- **China:** 0.251
- **India:** 0.209
- **Canada:** 0.161
- **USA:** 0.089
- **Brazil:** 0.087
- **Switzerland:** 0.083
- **Poland:** 0.072
- **OECD:** 0.065
- **Turkey:** 0.059

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)

Bilateral Investment Protection Treaties with 75 countries

Treaties to avoid Double Taxation with 80 countries

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

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.)
Investors are offered lucrative incentives in many ways.

### Manufacturing Incentives
- ✓ Tax deduction & exemption +

### Employment Incentives
- ✓ Payroll & Training support +

### Exclusive Zones
- **Free Zones**
  - ✓ Tax deduction & exemption +
- **Organized Industrial Zones**
  - ✓ Developed infrastructure

### Incentives for Service Exporters
- ✓ Tax deduction for exporting services in:
  - **Engineering**
  - **Architecture**
  - **Design**
  - **Software**
  - Medical Reporting
  - Accounting
  - Call Center
  - Data Center
  - Education
  - Healthcare

### Technology Development Zones
- ✓ To support R&D
- ✓ Tax deduction & exemption +

### R&D and Innovation Incentives
- ✓ Tax deduction & exemption +
Selected Foreign Companies conducting R&D in Turkey

**Over 100 R&D centers by foreign companies**

- **Turkey**
- **Poland**
- **Hungary**
- **Romania**

**Increasing R&D Spending ($ Billion, PPP)**

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

**Benign R&D Ecosystem**

R&D incentives are further supported by a favorable ecosystem.
Turkey offers abundant opportunities in a variety of sectors.

**Opportunities**

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

- **MACHINERY & ELECTRICAL EQP.**
  - 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

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

- **FINANCE**
  - Robust growth with double digits
  - Islamic finance to grow
  - Istanbul Financial Center

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
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 of Companies</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: 1.3%

**Sectoral Breakdown of Investments**

- Finance: 33.7%
- Manufacturing: 24.1%
- Information & Communication Services: 8.1%
- Energy: 11.7%
- Wholesale & Retail Trade: 6.4%
- Transport & Storage: 4.5%
- Construction: 3.1%
- Others: 8.4%
What can Invest in Turkey 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

AFTERSALES