WHY INVEST IN TURKEY?

July 2020
10 reasons to invest in Turkey

- Robust Economy
- Domestic Market + EU
- Strategic Location
- Favourable Demographics
- Skilled Workforce with Cost Advantage
- Continuous Reform Process
- Business-friendly
- Lucrative Incentives
- Benign R&D Ecosystem
- Opportunities
ROBUST ECONOMY

13TH LARGEST ECONOMY IN THE WORLD

RANKING OF ECONOMIES BY GDP AT PPP

2003
1. USA
2. CHINA
3. JAPAN
4. Germany
5. INDIA
6. RUSSIA
7. FRANCE
8. UK
9. BRAZIL
10. ITALY
11. MEXICO
12. INDONESIA
13. SPAIN
14. CANADA
15. S.KOREA
16. S.Arabia
17. IRAN
18. TURKEY

2019
1. CHINA
2. USA
3. INDIA
4. JAPAN
5. GERMANY
6. RUSSIA
7. INDONESIA
8. BRAZIL
9. UK
10. FRANCE
11. MEXICO
12. ITALY
13. TURKEY
14. S.KOREA
15. SPAIN
16. S.Arabia
17. CANADA
18. IRAN

AVERAGE ANNUAL GDP GROWTH (%), 2003-2018

5.3
4.0
4.0
2.8
2.2

TURKEY
POLAND
ROMANIA
CZECHIA
HUNGARY

TRACK RECORD GROWTH AND BRIGHT FUTURE WITH PROVEN RESILIENCE

REAL GDP GROWTH
(INDEX: 2002=100)

STRONG MACROECONOMIC FUNDAMENTALS HAVE BEEN BASED ON SUCCESSFUL PUBLIC FINANCE MANAGEMENT

**Gross Public Debt Stock as % of GDP**

- **Maastricht Criteria:** 60%

**Budget Balance as % of GDP**

- **Maastricht Criteria:** -3%

**Annual Inflation (%)**

- **1973-1987**
  - CPI: 40%
  - Average Volatility: 23%

- **1988-2002**
  - CPI: 71%
  - Average Volatility: 18%

- **2003-2019**
  - CPI: 10.1%
  - Average Volatility: 4.6%

**End-Year Inflation (%)**

- **2003-2019**
  - CPI: 10.1%
  - Average Volatility: 4.6%

Source: Eurostat, IMF, OECD, CBRT, New Economic Program (Medium-Term Program) 2019-2022
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)**

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP (Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>236</td>
</tr>
<tr>
<td>2019</td>
<td>754</td>
</tr>
</tbody>
</table>

**Contribution to GDP Growth 2002-2019* (%)**

- Domestic Consumption: 73
- Investment Expenditures: 32
- Exports: 27
- Stocks: -30
- Imports: -30

*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>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>10,685</td>
</tr>
<tr>
<td>2018</td>
<td>27,956</td>
</tr>
</tbody>
</table>

**Stock of Automobiles**
(millions of passenger cars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>4.6</td>
</tr>
<tr>
<td>2019</td>
<td>12.5</td>
</tr>
</tbody>
</table>

Source: TurkStat, IMF
THE DOMESTIC MARKET IS FURTHER SUPPORTED BY EMERGING URBAN CENTERS ACROSS TURKEY

24 urban centers with populations over 1 million

Source: TurkStat, 2019 (m): million

<table>
<thead>
<tr>
<th>City</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Istanbul</td>
<td>5.6 million</td>
</tr>
<tr>
<td>Ankara</td>
<td>4.3 million</td>
</tr>
<tr>
<td>İzmir</td>
<td>3 million</td>
</tr>
<tr>
<td>Bursa</td>
<td>2.5 million</td>
</tr>
<tr>
<td>Antalya</td>
<td>2.2 million</td>
</tr>
<tr>
<td>Adana</td>
<td>2.2 million</td>
</tr>
<tr>
<td>Konya</td>
<td>2.1 million</td>
</tr>
<tr>
<td>Şanlıurfa</td>
<td>2.0 million</td>
</tr>
<tr>
<td>Gaziantep</td>
<td>1.9 million</td>
</tr>
<tr>
<td>Kocaeli</td>
<td>1.8 million</td>
</tr>
<tr>
<td>Mersin</td>
<td>1.8 million</td>
</tr>
<tr>
<td>Diyarbakır</td>
<td>1.8 million</td>
</tr>
<tr>
<td>Hatay</td>
<td>1.6 million</td>
</tr>
<tr>
<td>Kayseri</td>
<td>1.4 million</td>
</tr>
<tr>
<td>Manisa</td>
<td>1.4 million</td>
</tr>
<tr>
<td>Samsun</td>
<td>1.4 million</td>
</tr>
<tr>
<td>Balıkesir</td>
<td>1.2 million</td>
</tr>
<tr>
<td>Aydın</td>
<td>1.1 million</td>
</tr>
<tr>
<td>Kahramanmaraş</td>
<td>1.2 million</td>
</tr>
<tr>
<td>Van</td>
<td>1.1 million</td>
</tr>
<tr>
<td>Denizli</td>
<td>1.0 million</td>
</tr>
<tr>
<td>Muğla</td>
<td>1.0 million</td>
</tr>
<tr>
<td>Sakarya</td>
<td>1.0 million</td>
</tr>
<tr>
<td>Tekirdağ</td>
<td>1.0 million</td>
</tr>
<tr>
<td>Eskişehir</td>
<td>0.9 million</td>
</tr>
<tr>
<td>Ordu</td>
<td>0.8 million</td>
</tr>
<tr>
<td>Trabzon</td>
<td>0.8 million</td>
</tr>
<tr>
<td>Erzurum</td>
<td>0.8 million</td>
</tr>
<tr>
<td>Malatya</td>
<td>0.8 million</td>
</tr>
<tr>
<td>Mardin</td>
<td>0.8 million</td>
</tr>
<tr>
<td>Afyonkarahisar</td>
<td>0.7 million</td>
</tr>
<tr>
<td>Adıyaman</td>
<td>0.6 million</td>
</tr>
<tr>
<td>Batman</td>
<td>0.6 million</td>
</tr>
<tr>
<td>Elazığ</td>
<td>0.6 million</td>
</tr>
<tr>
<td>Kütahya</td>
<td>0.6 million</td>
</tr>
<tr>
<td>Sivas</td>
<td>0.6 million</td>
</tr>
<tr>
<td>Tokat</td>
<td>0.6 million</td>
</tr>
<tr>
<td>Zonguldak</td>
<td>0.6 million</td>
</tr>
</tbody>
</table>

Total Population in 2019: 83 million
Customs Union with the EU allows direct access to the EU Market

Source: Eurostat, Population as of 2019, Ministry of Trade
*In ratification process

**DOMESTIC MARKET + EU MARKET + FREE TRADE AREA**

**513 million in EU**

**308 million in FTA Area**

in 27 countries with Free Trade Agreements

**83 million in Turkey**

Free access **904 Million consumers**
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

16 TIME ZONES

Exporting 85% of its production
Exporting 77% of its production
Production base for MENA
Its largest production facility worldwide

89 countries
80 countries
80 countries
72 countries
67 countries
63 countries
60 countries
30 countries
25 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

Source: TurkStat, ITC
THE CONVENIENT LOCATION HAS ENABLED TURKEY TO TAP SIGNIFICANT EXPORT OPPORTUNITIES WITH INCREASING DIVERSIFIED MARKETS AND PRODUCTS

Merchandise Exports by Geography

- **2002**
  - UE28: 29%
  - Middle East and Africa: 14%
  - Other Countries: 57%
  - Total: $36 Billion

- **2019**
  - UE28: 23%
  - Middle East and Africa: 27%
  - Other Countries: 50%
  - Total: $172 Billion

Number of Export Products over $1 Billion

- **2002**: 9 products
- **2019**: 35 products

Turkey’s Share in Global Exports of Goods

- **2002**
- **2003**
- **2004**
- **2005**
- **2006**
- **2007**
- **2008**
- **2009**
- **2010**
- **2011**
- **2012**
- **2013**
- **2014**
- **2015**
- **2016**
- **2017**
- **2018**
- **2019**

Source: TurkStat, ITC
FAVORABLE DEMOGRAPHICS

TURKEY

EUROPE

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

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

Source: Turkstat, Eurostat, UN, 2016
TURKEY’S EDUCATION SYSTEM HAS BEEN UPGRADED TO SUPPORT A SKILLED LABOR POOL THAT MEETS BUSINESS REQUIREMENTS.

**SKILLED WORKFORCE WITH COST ADVANTAGE**

**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>177</td>
</tr>
<tr>
<td>2019</td>
<td>891</td>
<td>495</td>
</tr>
</tbody>
</table>

**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>90%</td>
<td>10%</td>
</tr>
<tr>
<td>2019</td>
<td>25.3%</td>
<td>74.7%</td>
</tr>
</tbody>
</table>

**Availability of Qualified Engineers**

<table>
<thead>
<tr>
<th>Country</th>
<th>2002</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>7.35</td>
<td>6.74</td>
</tr>
<tr>
<td>Poland</td>
<td>6.74</td>
<td>5.72</td>
</tr>
<tr>
<td>Romania</td>
<td>5.75</td>
<td>4.45</td>
</tr>
<tr>
<td>Czechia</td>
<td>5.65</td>
<td>4.18</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>5.47</td>
<td>3.91</td>
</tr>
<tr>
<td>Hungary</td>
<td>4.86</td>
<td>3.39</td>
</tr>
<tr>
<td>Slovakia</td>
<td>4.92</td>
<td>2.75</td>
</tr>
</tbody>
</table>

**Availability of Competent Senior Managers**

<table>
<thead>
<tr>
<th>Country</th>
<th>2002</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>6.15</td>
<td>5.72</td>
</tr>
<tr>
<td>Poland</td>
<td>5.72</td>
<td>4.45</td>
</tr>
<tr>
<td>Czechia</td>
<td>4.45</td>
<td>3.91</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>4.18</td>
<td>3.39</td>
</tr>
<tr>
<td>Romania</td>
<td>3.91</td>
<td>2.75</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>14.3</td>
</tr>
<tr>
<td>Slovakia</td>
<td>11.5</td>
</tr>
<tr>
<td>Hungary</td>
<td>10.7</td>
</tr>
<tr>
<td>Poland</td>
<td>7.0</td>
</tr>
<tr>
<td>Romania</td>
<td>5.6</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>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>160</td>
<td>121</td>
</tr>
<tr>
<td>USA</td>
<td>133</td>
<td>94</td>
</tr>
<tr>
<td>France</td>
<td>113</td>
<td>69</td>
</tr>
<tr>
<td>UK</td>
<td>94</td>
<td>62</td>
</tr>
<tr>
<td>Slovakia</td>
<td>62</td>
<td>45</td>
</tr>
<tr>
<td>Poland</td>
<td>45</td>
<td>42</td>
</tr>
<tr>
<td>Hungary</td>
<td>42</td>
<td>36</td>
</tr>
<tr>
<td>Czechia</td>
<td>36</td>
<td>23</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>23</td>
<td></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
- New FDI Law
- New Labor Law
- Ease of company establishment (Law No: 4884)

2004
- New Banking Law

2006
- New Insurance Law
- Investment Incentives

2008
- Upgrading Investment Incentives

2011
- New Capital Market Law
- Upgrading Investment Incentives
- Removing Restrictions on Foreigners' Purchases of Real Estate

2013
- Istanbul Arbitration Center

2016
- Industrial Property Law (IPR)
- Production Reform Package
- New Labor Courts Code

2018
- Amendments to improve doing business (Law 7099)

Source: OECD, World Bank
TURKEY HAS IMPLEMENTED SWEEPING REFORMS IN MANY AREAS AND CONTINUES TO INTRODUCE NEW REFORMS

Number of Days to set up a Company, 2019

FDI Regulatory Restrictiveness Index, 2018

Ease of Doing Business Ranking, 2020

Ease of Doing Business Ranking (y-o-y)

South Africa 40
Poland 37
Czech Rep. 24.5
Bulgaria 23
Austria 21
Romania 20
India 17.5
Brazil 16.6
Finland 13
Spain 12.5
Japan 11.2
Russia 10.7
Turkey 7

Down from 38 days in 2002

Russia 0.257
China 0.251
India 0.209
Canada 0.161
USA 0.083
Brazil 0.082
Switzerland 0.072
Poland 0.065
OECD 0.059
Turkey 0.058

1 = Closed to FDI
0 = Open to FDI

Down from 0.283 in 2003

Turkey 33
Poland 40
Hungary 52
Romania 55
Bulgaria 61

Higher rankings...

Source: OECD, World Bank
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
OFFERS PROTECTION AND EASE OF DOING BUSINESS

Total Tax and Contribution Rate, 2019
(% of Profit)

International Tax Competitiveness, 2019
(Index=100 as most competitive)

Source: Ministry of Trade, Ministry of Treasury and 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 +

R&D and Innovation Incentives
- Tax deduction & exemption +

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

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

Exclusive Zones
- Free Zones
- Tax deduction & exemption +
- Organized Industrial Zones
- Developed infrastructure
R&D INCENTIVES ARE FURTHER SUPPORTED BY A FAVORABLE ECOSYSTEM

Number of Researchers
(Thousands)

Over 100 R&D centers by foreign companies

Increasing R&D Spending
($ Billion, PPP)

Source: OECD, Eurostat, Turkstat, PPP: Purchasing power parity
**Selected Foreign Companies conducting R&D in Turkey**

- Ford
- Zontiva
- Huawei
- Alcatel-Lucent
- SOCAR
- Bosch
- Alstom
- Renault
- Amgen
- Siemens
- Mercedes-Benz
- Metair
- Magna
- Daikin
- Indesit
- Manz
- DHL
- AVL
- Bridgestone
- Isuzu
- Johnson Controls
- Novares
- Mando
- Seiyun E-Yuasa
- Doehler
- Kansai Paint
- Ceva
- TPI Composites
- Panasonic
- Ridolfi Group
- Monitise
- Canakk
STRONG HEALTHCARE SYSTEM IN THE FIGHT AGAINST COVID-19 PANDEMIC..

State hospitals, social security hospitals and institutional hospitals were merged for use by all citizens.

State-of-the art technology ambulance fleets were formed with 5,400 fully-equipped vehicles and 19 aircrafts.

The budget set aside for healthcare services was increased from 19 billion TRY to 190 billion TRY over the past 17 years.

With their modern infrastructure, high-tech devices and qualified healthcare professionals, 12 city hospitals entered into service in 11 provinces. 10 more city hospitals are under construction.

Targeting to reach 5,000 at the end of May, Turkey is able to manufacture domestic ventilators to address domestic and international demand.

An army of medical professionals was built with the employment of some 1.4 million people.

1,526 hospitals, some 4,000 medical treatment facilities and over 15,000 primary healthcare centers continue to provide healthcare services without any disruption.

Having 46 intensive care beds per 100K inhabitants, Turkey is leading in the list of countries including Germany (34), Austria (29), the US (26), France (16), Canada (13), the UK (11), Spain (10), Italy (9), Denmark (8) and Ireland (5).

Healthcare expenditures during the past 6 years have grown by 14%.

Source: Presidency of the Republic of Turkey, Republic of Turkey Ministry of Treasury and Finance, Republic of Turkey Ministry of Health, Turkish Statistical Institute, Republic of Turkey Ministry of Industry and Technology, Statista,
TURKEY OFFERS ABUNDANT OPPORTUNITIES IN A VARIETY OF SECTORS

AUTOMOTIVE
- 15th largest manufacturer
- 1.5 million vehicle produced
- Market: $24 billion
- Export: $31.2 billion

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

AEROSPACE & DEFENCE
- $19 billion defence 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

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, OISD, 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

Source: CBRT, Ministry of Industry and Technology, Team Analysis *Geographic (adjusted) and sectoral breakdown of cumulative gross inflows of equity FDI from 2003 to 2019

**FOREIGN DIRECT INVESTMENT (FDI)**

**FDI Inflows**

<table>
<thead>
<tr>
<th>Year</th>
<th>FDI Inflows ($ Billion)</th>
<th>Number of Foreign Companies in Turkey ('000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-2002 (30 years)</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>2003-2019 (17 years)</td>
<td>217</td>
<td>74,2</td>
</tr>
</tbody>
</table>

**Geographic Breakdown of Investments**

- EU: 66.4%
- USA: 7.6%
- Asia: 17.9%
- Other: 8.1%

**Number of Foreign Companies in Turkey**

- 2002: 5.6
- 2019: 74,2

**Most Attractive Sectors (Cumulative 2003-2018)**

- Manufacturing: 24.4%
- Energy: 11.3%
- Others: 8.5%
- Construction: 3.3%
- Transport & Storage: 4.7%
- Wholesale & Retail Trade: 6.6%
- Information & Communication Services: 7.7%
- Finance: 33.4%
- Asia: 17.9%
- USA: 7.6%
- Other: 8.1%
- EU: 66.4%
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