WHY INVEST IN TURKEY?

December 2021

INVEST.GOV.TR
10 reasons to invest in Turkey

- Robust Economy
- Domestic + Accessible Markets
- Strategic Location
- Skilled and Competitive Labor Force
- Continuous Reform Process
- Business-Friendliness
- Lucrative Incentives
- Benign R&D Ecosystem
- Sectoral Opportunities
ROBUST ECONOMY

TRACK RECORD GROWTH AND BRIGHT FUTURE WITH PROVEN RESILIENCE

11th largest economy in the World

RANKING OF ECONOMIES BY GDP AT PPP

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>2003</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>USA</td>
<td></td>
<td></td>
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<tr>
<td>2</td>
<td>CHINA</td>
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<tr>
<td>3</td>
<td>JAPAN</td>
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<tr>
<td>4</td>
<td>GERMANY</td>
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<tr>
<td>5</td>
<td>INDIA</td>
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<tr>
<td>6</td>
<td>RUSSIA</td>
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<td>7</td>
<td>FRANCE</td>
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<tr>
<td>8</td>
<td>UK</td>
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<tr>
<td>9</td>
<td>BRAZIL</td>
<td></td>
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<tr>
<td>10</td>
<td>ITALY</td>
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<tr>
<td>11</td>
<td>MEXICO</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>INDONESIA</td>
<td></td>
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<tr>
<td>13</td>
<td>SPAIN</td>
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<td></td>
</tr>
<tr>
<td>14</td>
<td>CANADA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>S.KOREA</td>
<td></td>
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<tr>
<td>16</td>
<td>S.Arabia</td>
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<tr>
<td>17</td>
<td>IRAN</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>TURKEY</td>
<td></td>
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AVERAGE ANNUAL GDP GROWTH (%)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>2002-2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>CHINA</td>
<td>3.6</td>
</tr>
<tr>
<td>2</td>
<td>USA</td>
<td>3.4</td>
</tr>
<tr>
<td>3</td>
<td>INDIA</td>
<td>3.0</td>
</tr>
<tr>
<td>4</td>
<td>JAPAN</td>
<td>2.4</td>
</tr>
<tr>
<td>5</td>
<td>RUSSIA</td>
<td>2.3</td>
</tr>
<tr>
<td>6</td>
<td>FRANCE</td>
<td>2.2</td>
</tr>
<tr>
<td>7</td>
<td>TURKEY</td>
<td>2.4</td>
</tr>
<tr>
<td>8</td>
<td>POLAND</td>
<td>2.3</td>
</tr>
<tr>
<td>9</td>
<td>ROMANIA</td>
<td>2.2</td>
</tr>
</tbody>
</table>

REAL GDP GROWTH (INDEX: 2002=100)


Turkey registered the second largest economic growth in OECD.
ROBUST ECONOMY

STRONG MACROECONOMIC FUNDAMENTALS
BASED ON SUCCESSFUL PUBLIC FINANCE MANAGEMENT

Gross Public Debt Stock as % of GDP

Budget Balance as % of GDP

Annual Inflation (%)

Source: IMF, Turkstat, Ministry of Treasury and Finance
Turkish economy has **more than tripled** over the past 18 years and is promising to be on the growing trend.

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

- 236 (2002)
- 717 (2020)

**Robust domestic market** and entrepreneurial private sector spurred investments and exports.

**Contribution to GDP Growth 2002-2020 (%)**

- Domestic Consumption: 72
- Investment Expenditures: 32
- Exports: 21
- Stocks: -1
- Imports: -24

Source: TurkStat
DOMESTIC MARKET

IMPRESSIVE ECONOMIC GROWTH LEADING TO A SIZEABLE MIDDLE CLASS WITH INCREASING PURCHASING POWER

Income per capita

(GDP per capita, current prices at purchasing power parity)

2002: $10,997
2020: $30,253

Stock of Automobiles

(millions of passenger cars)

2002: 4.6
2020: 13.1

Turkish Aviation Passenger

(millions of passengers)

2002: 33.8
2019: 208.4

Source: TurkStat, Ministry of Transport and Infrastructure and IMF
DOMESTIC MARKET FURTHER SUPPORTED BY EMERGING URBAN CENTERS

Total Population in 2020 83.6 Million

<table>
<thead>
<tr>
<th>City</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>İstanbul</td>
<td>15.4 Million</td>
</tr>
<tr>
<td>Ankara</td>
<td>5.6 Million</td>
</tr>
<tr>
<td>İzmir</td>
<td>4.3 Million</td>
</tr>
<tr>
<td>Bursa</td>
<td>3.1 Million</td>
</tr>
<tr>
<td>Antalya</td>
<td>2.5 Million</td>
</tr>
<tr>
<td>Adana</td>
<td>2.2 Million</td>
</tr>
<tr>
<td>Konya</td>
<td>2.2 Million</td>
</tr>
<tr>
<td>Şanlıurfa</td>
<td>2.1 Million</td>
</tr>
<tr>
<td>Gaziantep</td>
<td>2.1 Million</td>
</tr>
<tr>
<td>Kocaeli</td>
<td>1.9 Million</td>
</tr>
<tr>
<td>Mersin</td>
<td>1.8 Million</td>
</tr>
<tr>
<td>Diyarbakır</td>
<td>1.7 Million</td>
</tr>
<tr>
<td>Hatay</td>
<td>1.6 Million</td>
</tr>
<tr>
<td>Manisa</td>
<td>1.4 Million</td>
</tr>
<tr>
<td>Kayseri</td>
<td>1.4 Million</td>
</tr>
<tr>
<td>Samsun</td>
<td>1.3 Million</td>
</tr>
<tr>
<td>Balıkesir</td>
<td>1.2 Million</td>
</tr>
<tr>
<td>Kahramanmaraş</td>
<td>1.1 Million</td>
</tr>
<tr>
<td>Van</td>
<td>1.1 Million</td>
</tr>
<tr>
<td>Aydın</td>
<td>1.1 Million</td>
</tr>
<tr>
<td>Tekirdağ</td>
<td>1 Million</td>
</tr>
<tr>
<td>Sakarya</td>
<td>1 Million</td>
</tr>
</tbody>
</table>

- Denizli 1 Million
- Muğla 1 Million
- Eskişehir 0.8 Million
- Mardin 0.8 Million
- Trabzon 0.8 Million
- Malatya 0.8 Million
- Ordu 0.7 Million
- Erzurum 0.7 Million
- Afyonkarahisar 0.7 Million
- Sivas 0.6 Million
- Adıyaman 0.6 Million
- Batman 0.6 Million
- Tokat 0.5 Million
- Zonguldak 0.5 Million
- Elazığ 0.5 Million
- Kütahya 0.5 Million
- Osmaniye 0.5 Million
- Çanakkale 0.5 Million
- Şırnak 0.5 Million
- Ağrı 0.5 Million
- Çorum 0.5 Million

Source: TurkStat, 2020
DOMESTIC + ACCESSIBLE MARKETS

Customs Union with the EU allows direct access to the EU Market

Source: Eurostat, World Bank; Population as of 2020, Ministry of Trade, TurkStat

*In ratification process

NORWAY ISRAEL *SUDAN
LIECHTENSTEIN SWITZERLAND ICELAND
BOSNIA AND HERZEGOVINA PALESTINE MACEDONIA
MOROCCO TUNISIA
ALBANIA EGYPT GEORGIA MONTENEGRO
SERBIA CHILE MAURITIUS SOUTH KOREA
*LEBANON MOLDOVA FAROE ISLANDS SINGAPORE VENEZUELA
UNITED KINGDOM *QATAR KOSOVO

DOMESTIC MARKET + EU MARKET + FREE TRADE AREA

FREE ACCESS

995 MILLION CONSUMERS

448 MILLION in EU

463 MILLION in FTA AREA

84 MILLION in TURKEY

in 28 countries with Free Trade Agreements
STRATEGIC LOCATION

HUB FOR MULTINATIONALS TO MANUFACTURE, EXPORT AND MANAGE

Working Hours
Intersect with
16 Time Zones

PROXIMITY TO MAJOR MARKETS
1.3 billion people and $28T GDP in Europe, MENA and Central Asia at 4 hour flight-distance

CONNECTIVITY
Turkish Airlines connects you to 323 destinations in 127 countries

MANUFACTURING & EXPORT HUB FOR MULTINATIONALS

AS WELL AS MANAGEMENT HUB FOR MULTINATIONALS

PRODUCING
Cargill
Microsoft
Nestle
BOSS
Nissho Iwai
Microsoft
Nestle
BOSS
Nissho Iwai

66 countries
70 countries
167 countries
89 countries

Production base for MENA
Its largest production facility worldwide

TOYOTA
Ford
SANOFI
GSK

80 countries
22 countries
14 countries
30 countries

Exporting 85% of its production
- Exporting 87% of its production

63 countries
167 countries
89 countries

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STRATEGIC LOCATION

STRATEGIC LOCATION AND ENHANCED PRODUCTION CAPABILITIES ATTRACTING MULTINATIONALS TO INVEST FOR EXPORT

MERCHANDISE EXPORTS BY GEOGRAPHY

2002

- EU: 29%
- Middle East and Africa: 14%
- Other Countries: 57%

$36 BILLION

2020

- EU: 23%
- Middle East and Africa: 27%
- Other Countries: 50%

$170 BILLION

NUMBER OF EXPORT PRODUCTS OVER $1 BILLION

2002

- EU: 9

2020

- EU: 39

TURKEY’S SHARE IN GLOBAL EXPORTS OF GOODS

Export of Goods in Turkey and World

Source: TurkStat, ITC
FAVORABLE DEMOGRAPHICS

HALF OF POPULATION UNDER AGE OF 32.7 CREATING DYNAMIC LABOR FORCE AND FISCAL DISCIPLINE

Source: Turkstat, Eurostat, UN, 2019

WORKING AGE POPULATION
(15-64+) (Index: 2014=100)

TOTAL DEPENDENCY RATIO
(%, Age 0-14 & 65+)/Age 15-64)
**SKILLED AND COMPETITIVE LABOR FORCE**

**ANNUAL NUMBER OF GRADUATES** (thousands)

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>University</td>
<td>287</td>
<td>1.113</td>
</tr>
<tr>
<td>Vocational &amp; Technical High School</td>
<td>177</td>
<td>455</td>
</tr>
</tbody>
</table>

**UPGRADED EDUCATION SYSTEM TO ENABLE A SKILLED LABOR POOL AND ADDRESS BUSINESS REQUIREMENTS**

**AVAILABILITY OF QUALIFIED ENGINEERS** (10=Available; 0=Unavailable)

<table>
<thead>
<tr>
<th>Country</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>7.28</td>
<td>5.97</td>
</tr>
<tr>
<td>Czechia</td>
<td>5.57</td>
<td>5.45</td>
</tr>
<tr>
<td>Poland</td>
<td>5.33</td>
<td>4.99</td>
</tr>
<tr>
<td>Slovakia</td>
<td>4.91</td>
<td>4.91</td>
</tr>
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</table>

**AVAILABILITY OF COMPETENT SENIOR MANAGERS** (10=Available; 0=Unavailable)

<table>
<thead>
<tr>
<th>Country</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>5.66</td>
</tr>
<tr>
<td>Czechia</td>
<td>4.64</td>
</tr>
<tr>
<td>Poland</td>
<td>4.51</td>
</tr>
<tr>
<td>Romania</td>
<td>3.97</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>3.48</td>
</tr>
<tr>
<td>Slovakia</td>
<td>3.45</td>
</tr>
<tr>
<td>Hungary</td>
<td>3.16</td>
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</tbody>
</table>

**LABOR FORCE BY EDUCATION LEVEL**

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>University</td>
<td>47.2</td>
<td>44.4</td>
</tr>
<tr>
<td>High School &amp; Below</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>2020</td>
<td>90%</td>
<td>90%</td>
</tr>
<tr>
<td>2022</td>
<td>72.5%</td>
<td>72.5%</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>153</td>
</tr>
<tr>
<td>France</td>
<td>122</td>
</tr>
<tr>
<td>USA</td>
<td>108</td>
</tr>
<tr>
<td>UK</td>
<td>91</td>
</tr>
<tr>
<td>Czechia</td>
<td>77</td>
</tr>
<tr>
<td>Slovakia</td>
<td>61</td>
</tr>
<tr>
<td>Poland</td>
<td>43</td>
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<tr>
<td>Romania</td>
<td>40</td>
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<tr>
<td>Bulgaria</td>
<td>36</td>
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<tr>
<td>Hungary</td>
<td>34</td>
</tr>
<tr>
<td>Turkey</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
REFORMS
CONTINUOUSLY IMPLEMENTING SWEEPING REFORMS IN MANY AREAS

Major Reforms

- **2001**
  - New FDI Law
  - New Labor Law
  - Ease of company establishment (Law No: 4884)

- **2004**
  - New Banking Law
  - New Insurance Law
  - New Labor Law
  - Investment Incentives

- **2006**
  - New Capital Market Law
  - Upgrading Investment Incentives
  - Removing Restrictions on Foreigners’ Purchases of Real Estate

- **2008**
  - Overhaul of Social Security System
  - R&D and Innovation Incentives
  - New Commercial Code
  - New Code of Obligations

- **2009**
  - Unifying All Exchanges (Stock, Derivative, Gold, etc.) under BIST

- **2011**
  - New Labor Courts Code
  - Amendments to improve doing business (Law 7099)

- **2012**
  - Personal Data Protection Law
  - Upgrading Investment Incentives

- **2013**
  - Istanbul Arbitration Center
  - New Labor Courts Code

- **2014**
  - Industrial Property Law (IPR)
  - Production Reform Package

- **2016**
  - Establishment of European Green Deal Working Group
  - Green Deal Action Plan

- **2018**
  - Tech-Driven Industry Initiative
  - Ease of Doing Business Reform Package I

- **2020**
  - Establishment of European Green Deal Working Group
  - Green Deal Action Plan

- **2021**
  - Amendments to improve doing business (Law 7099)
  - Amendments to the Capital Market Law (Introduction of Global Standards)
Continuous implementing sweeping reforms in many areas.
OFFERING PROTECTION AND EASE OF DOING BUSINESS

**Protection of International Investors by FDI Law**

- Bilateral Investment Protection Treaties with 82 countries
- Treaties to avoid Double Taxation with 87 countries

**TOTAL TAX AND CONTRIBUTION RATE*, 2019**
 (% of Profit)

- **USA**: 36.6%
- **Hong Kong**: 37.9%
- **Poland**: 40.8%
- **Turkey**: 42.3%
- **Czechia**: 46.1%
- **Russia**: 46.2%
- **Japan**: 46.7%
- **Spain**: 47%
- **Germany**: 48.7%
- **India**: 49.7%
- **Slovakia**: 51.4%
- **Austria**: 52.6%
- **Mexico**: 55.1%
- **Italy**: 59.1%
- **China**: 59.2%
- **France**: 60.7%
- **Brazil**: 65.1%

**INTERNATIONAL TAX COMPETITIVENESS**, 2020
(Index=100 as most competitive)

- **Czechia**: 73.1%
- **Turkey**: 62.9%
- **Slovakia**: 62.6%
- **Austria**: 67.9%
- **Hungary**: 67.9%
- **Germany**: 67.9%
- **Ireland**: 63.1%
- **USA**: 62.9%
- **UK**: 61.6%
- **Korea**: 59.9%
- **Japan**: 59.4%
- **Spain**: 59.5%
- **Mexico**: 51.5%
- **France**: 50.7%
- **Poland**: 50.3%
- **Italy**: 44.3%

Source: Ministry of Trade, World Bank, Tax Foundation Foreign Direct Investment Law 2003. *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 competitiveness measures countries' tax policies five categories: corporate income tax, consumption taxes, property taxes, individual taxes, and international tax rules.)*
LUCRATIVE INCENTIVES

OFFERING LUCRATIVE INCENTIVES IN MANY WAYS

MANUFACTURING 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

EMPLOYMENT INCENTIVES

- Payroll & Training support +

R&D AND INNOVATION INCENTIVES

- Tax deduction & exemption +

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 200 R&D CENTERS BY FOREIGN COMPANIES

INCREASING R&D SPENDING ($ Billion, PPP)

Source: OECD, Turkstat, PPP: Purchasing power parity, Ministry of Industry and Technology
SELECTED FOREIGN COMPANIES CONDUCTING R&D IN TURKEY
RESILIENT HEALTHCARE SYSTEM

STRONG HEALTHCARE SYSTEM IN THE FIGHT AGAINST COVID-19 PANDEMIC...

Merging State hospitals, social security hospitals and institutional hospitals for the service to all citizens.

12 city hospitals* entered into service in 11 provinces. 10 more city hospitals are under construction.

1,534 hospitals, some 4,000 medical treatment facilities and over 15,000 primary healthcare centers

State-of-the art technology ambulance fleets with 5,586 fully-equipped vehicles and 21 aircrafts.

An army of medical professionals with 1.4 million people.

Turkey is leading the list of intensive care beds per 100K among the European countries.

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

Healthcare expenditures during the past 6 years have grown by 16%.

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. *The city hospitals, with their modern infrastructure, high-tech devices and qualified healthcare professionals are the largest healthcare complexes in Turkey.
OFFERING ABUNDANT OPPORTUNITIES IN A VARIETY OF SECTORS

SECTORAL OPPORTUNITIES

AUTOMOTIVE
- 14th largest manufacturer in the World, 4th in Europe
- 1.5 million vehicle produced
- Market: $13 billion
- Export: $25.5 billion

MACHINERY & ELECTRICAL EQUIPMENT
- Largest TV & white goods producer in Europe
- Market: $34 billion
- Export: $28 billion

AEROSPACE & DEFENCE
- $19 billion defence spending
- Industry: $11 billion
- Export: $2.3 billion
- Air passengers: 210 million

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

AGROFOOD
- Agriculture & Food Industry Market: $103 billion
- Export: $19 billion
- Export to around 200 countries

INFRASTRUCTURE
- $156 billion PPP contracts (2003-2020)
- 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, Ministry of Agriculture and Forestry, OSD, ODD as of 2020, MAHFED, TESiD as of 2019, SASAD as of 2020, SHGM as of 2019, GfK
FOREIGN DIRECT INVESTMENT (FDI)

EXCEPTIONAL INCREASE IN FOREIGN INVESTMENT BOOSTED BY THE VALUE TURKEY OFFERS

**FDI INFLOWS ($ BILLION)**

- 1973-2002 (30 years): 15
- 2003-2020 (18 years): 225

**NUMBER OF FOREIGN COMPANIES IN TURKEY (’000)**

- 2002: 5.6
- 2020: 73.7

**GEOGRAPHIC BREAKDOWN OF INVESTMENTS (2003-2020)**

- EU: 66.6%
- USA: 7.8%
- Asia: 17.2%
- Other: 7.8%

**MOST ATTRACTIVE SECTORS (CUMULATIVE 2003-2020)**

- Finance: 32.8%
- Manufacturing: 24.5%
- Construction: 3.2%
- Others: 8.4%
- Transport & Storage: 4.8%
- Wholesale & Retail Trade: 6.8%
- Information & Communication Services: 8.9%
- Energy: 11.0%
- Other: 7.8%

Source: CBRT, Ministry of Industry and Technology, Team Analysis *Geographic (adjusted) and sectoral breakdown of cumulative gross inflows of equity FDI from 2003 to 2020*
INVEST IN TÜRKİYE

ASSIST YOU BEFORE, DURING AND AFTER YOUR ENTRY INTO TURKEY

PRIVATE SECTOR APPROACH WITH PUBLIC SECTOR CAPABILITIES

PRIVATE
PUBLIC

A GOVERNMENTAL AGENCY REPORTING TO THE PRESIDENT

GENERAL

AFTERSALES

Facilitating your visit to Turkey

General & customized business information & Sectoral analysis & reports

Facilitating your investment at all stages

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

Matchmaking with local partners & establishing business linkages

Arrangements of meetings with governmental bodies and other stakeholders

Project launch & Press release Services