WHY INVEST IN TURKEY?

August 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

10 REASONS TO INVEST IN TURKEY
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

AVG ECONOMIC GROWTH (% 2003-2018

- TURKEY: 5.3
- POLAND: 4.0
- ROMANIA: 4.0
- CZECHIA: 2.8
- HUNGARY: 2.2

AVERAGE ANNUAL GDP GROWTH (%), 2003-2018

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

Budget Balance as % of GDP

Maastricht Criteria: 60%

Maastricht Criteria: -3%

Annual Inflation (%)

End-Year Inflation (%)

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

Stock of Automobiles
(millions of passenger cars)

TURKEY’S ECONOMIC GROWTH HAS PAVED THE WAY FOR EMERGENCE OF A SIZEABLE MIDDLE-CLASS WITH AN INCREASING PURCHASING POWER

10,685
2002

27,956
2018

4.6
2002

12.5
2019

Source: TurkStat, IMF
24 urban centers with populations over 1 million

THE DOMESTIC MARKET IS FURTHER SUPPORTED BY EMERGING URBAN CENTERS ACROSS TURKEY

Total Population in 2019
83 MILLION

Source: TurkStat, 2019 (m): million
DOMESTIC MARKET + EU MARKET + FREE TRADE AREA

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

513 million in EU

308 million in FTA Area

Free access 904 Million consumers

83 million in Turkey

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

PROXIMITY TO MAJOR MARKETS
1.3 billion people and $26T 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

TO MANUFACTURE, EXPORT AND MANAGE

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: $36 Billion (57% UE28, 29% Middle East and Africa, 14% Other Countries)
- 2019: $172 Billion (50% UE28, 23% Middle East and Africa, 27% Other Countries)

Number of Export Products over $1 Billion

- 2002: 9
- 2019: 35

Turkey’s Share in Global Exports of Goods

Source: TurkStat, ITC
FAVORABLE DEMOGRAPHICS

...HALF OF POPULATION UNDER AGE 32.4

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

- **Turkey**:
  - Female: 90, 100, 110, 120
  - Male: 90, 90, 90, 90

- **Europe**:
  - Female: 100, 100, 100, 100
  - Male: 100, 100, 100, 100

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

- **Europe**: 70, 75, 80, 85
- **Turkey**: 50, 55, 60, 65

Source: Turkstat, Eurostat, UN, 2019
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>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>253%</td>
<td>74.7%</td>
</tr>
<tr>
<td>2019</td>
<td>10%</td>
<td>90%</td>
</tr>
</tbody>
</table>

Availability of Qualified Engineers (10=Available; 0=Unavailable)

<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>5.75</td>
</tr>
<tr>
<td>Romania</td>
<td>5.65</td>
<td>5.65</td>
</tr>
<tr>
<td>Czechia</td>
<td>5.47</td>
<td>5.47</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>4.86</td>
<td>4.92</td>
</tr>
<tr>
<td>Hungary</td>
<td>4.92</td>
<td>4.92</td>
</tr>
<tr>
<td>Slovakia</td>
<td>2020</td>
<td></td>
</tr>
</tbody>
</table>

Availability of Competent Senior Managers (10=Available; 0=Unavailable)

<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>4.18</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>4.18</td>
<td>3.91</td>
</tr>
<tr>
<td>Romania</td>
<td>3.91</td>
<td>3.39</td>
</tr>
<tr>
<td>Slovakia</td>
<td>3.39</td>
<td>2.75</td>
</tr>
</tbody>
</table>

Labor Cost per hour in Manufacturing

<table>
<thead>
<tr>
<th>Country</th>
<th>2002</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>47.2</td>
<td>44.4</td>
</tr>
<tr>
<td>France</td>
<td>44.4</td>
<td>39.6</td>
</tr>
<tr>
<td>USA</td>
<td>39.6</td>
<td>31.1</td>
</tr>
<tr>
<td>UK</td>
<td>31.1</td>
<td>14.9</td>
</tr>
<tr>
<td>Czechia</td>
<td>14.9</td>
<td>14.3</td>
</tr>
<tr>
<td>Slovakia</td>
<td>14.3</td>
<td>11.5</td>
</tr>
<tr>
<td>Hungary</td>
<td>11.5</td>
<td>10.7</td>
</tr>
<tr>
<td>Poland</td>
<td>10.7</td>
<td>7.0</td>
</tr>
<tr>
<td>Romania</td>
<td>7.0</td>
<td>5.6</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>5.6</td>
<td>5.6</td>
</tr>
<tr>
<td>Turkey</td>
<td>5.6</td>
<td>4.86</td>
</tr>
</tbody>
</table>

Remuneration of Management/Engineer

<table>
<thead>
<tr>
<th>Country</th>
<th>2002</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>160</td>
<td>121</td>
</tr>
<tr>
<td>USA</td>
<td>121</td>
<td>113</td>
</tr>
<tr>
<td>France</td>
<td>113</td>
<td>94</td>
</tr>
<tr>
<td>UK</td>
<td>94</td>
<td>69</td>
</tr>
<tr>
<td>Slovakia</td>
<td>69</td>
<td>62</td>
</tr>
<tr>
<td>Poland</td>
<td>62</td>
<td>45</td>
</tr>
<tr>
<td>Hungary</td>
<td>45</td>
<td>42</td>
</tr>
<tr>
<td>Czechia</td>
<td>42</td>
<td>41</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>41</td>
<td>36</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, New Insurance Law, Investment Incentives
- **2006**: New Labor Law
- **2008**: Tax Reform (Corporate Tax %20 down from 33%), Overhaul of Social Security System, R&D and Innovation Incentives
- **2011**: New Capital Market Law, Upgrading Investment Incentives, Removing Restrictions on Foreigners’ Purchases of Real Estate
- **2013**: Istanbul Arbitration Center, Upgrading Investment Incentives
- **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)

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

- Foreign Direct Investment Law
- Bilateral Investment Protection Treaties with 82 countries
- Treaties to avoid Double Taxation with 86 countries
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
R&D INCENTIVES ARE FURTHER SUPPORTED BY A FAVORABLE ECOSYSTEM

Selected Foreign Companies conducting R&D in Turkey

<table>
<thead>
<tr>
<th>Ford</th>
<th>ZENTIVA &amp; SANDOZ COMPANY</th>
<th>HUAWEI</th>
<th>IBM</th>
<th>Alcatel-Lucent</th>
<th>SOCAR</th>
<th>BOSCH</th>
<th>ALSTOM</th>
<th>KOMONI</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMGEN</td>
<td>SIEMENS</td>
<td>Mercedes-Benz</td>
<td>METAIR MOEKO</td>
<td>TOYOTA</td>
<td>MAGNA</td>
<td>DAIKIN</td>
<td>MANN</td>
<td>VDL</td>
</tr>
<tr>
<td>DHL</td>
<td>AVL</td>
<td>B/S/H/</td>
<td>BRIDGESTONE</td>
<td>ISUZU</td>
<td>Johnson Controls</td>
<td>NOVARES</td>
<td>MAN</td>
<td></td>
</tr>
</tbody>
</table>
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.

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.

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

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

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

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).

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

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

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

**OPPORTUNITIES**

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

**MACHINERY & ELECTRICAL EQP.**
- 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
- Industry: $8.7 billion
- Growing demand
- Energy corridor
- Untapped renewables

**AGROFOOD**
- Market: $80 billion
- Industry: $8.7 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, OİSD, 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>Year</th>
<th>Inflows</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-2002</td>
<td>15</td>
</tr>
<tr>
<td>2003-2019</td>
<td>217</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>2019</td>
<td>74,2</td>
</tr>
</tbody>
</table>

Most Attractive Sectors (Cumulative 2003-2018)

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

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"
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