WHY INVEST IN TURKEY?

August 2020
10 reasons to invest in Turkey

1. Robust Economy
2. Domestic Market + EU
3. Strategic Location
4. Favourable Demographics
5. Skilled Workforce with Cost Advantage
6. Continuous Reform Process
7. Business-friendly
8. Lucrative Incentives
9. Benign R&D Ecosystem
10. Opportunities
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

Turkey: 5.3
Poland: 4.0
Romania: 4.0
Czechia: 2.8
Hungary: 2.2

Track Record Growth and Bright Future with Proven Resilience

Real GDP Growth (Index: 2002=100)

ROBUST ECONOMY

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

End-Year Inflation (%)

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

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP</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: -1%

Source: TurkStat, *current prices*
DOMESTIC MARKET

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

Source: TurkStat, IMF

Stock of Automobiles
(millions of passenger cars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Stock of Automobiles</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

Istanbul 5.6 million
Ankara 4.3 million
İzmir 3 million
Bursa 2.5 million
Adana 2.2 million
Konya 2.2 million
Şanlıurfa 2.1 million
Gaziantep 2 million
Kocaeli 1.9 million
Mersin 1.8 million
Diyarbakır 1.8 million
Hatay 1.6 million
Kayseri 1.4 million
Manisa 1.4 million
Samsun 1.4 million
Balıkesir 1.2 million
Aydın 1.1 million
Kahramanmaraş 1.2 million
Van 1.1 million
Denizli 1 million
Muş 1 million
Sakarya 1 million
Tekirdağ 1 million
Eskişehir 0.9 million
Ordu 0.8 million
Trabzon 0.8 million
Erzurum 0.8 million
Malatya 0.8 million
Mardin 0.8 million
Afyonkarahisar 0.7 million
Adıyaman 0.6 million
Batman 0.6 million
Elazığ 0.6 million
Kütahya 0.6 million
Sivas 0.6 million
Tokat 0.6 million
Zonguldak 0.6 million

Source: TurkStat, 2019 (m): million

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

DOMESTIC MARKET + EU MARKET + FREE TRADE AREA

Free access 904 Million consumers

513 million in EU +

308 million in FTA Area

in 27 countries with Free Trade Agreements

83 million in Turkey

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

TO MANUFACTURE, EXPORT AND MANAGE

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

Exporting 85% of its production
Exporting 77% of its production
Production base for MENA

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

80 countries
72
63
67
60
30
25

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

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STRATEGIC LOCATION

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**

<table>
<thead>
<tr>
<th>Year</th>
<th>UE28</th>
<th>Middle East and Africa</th>
<th>Other Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>29%</td>
<td>14%</td>
<td>57%</td>
</tr>
<tr>
<td>2019</td>
<td>23%</td>
<td>27%</td>
<td>50%</td>
</tr>
</tbody>
</table>

**Number of Export Products over $1 Billion**

- 2002: 9 products
- 2019: 35 products

**Turkey’s Share in Global Exports of Goods**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Share</td>
<td>0.5%</td>
<td>0.6%</td>
<td>0.6%</td>
<td>0.7%</td>
<td>0.7%</td>
<td>0.8%</td>
<td>0.8%</td>
<td>0.9%</td>
<td>0.9%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>0.7%</td>
<td>0.7%</td>
<td>0.8%</td>
<td>0.9%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

Source: TurkStat, ITC
FAVORABLE DEMOGRAPHICS

...HALF OF POPULATION UNDER AGE 32.4

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

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

Source: Turkstat, Eurostat, UN, 2019
SKILLED WORKFORCE WITH COST ADVANTAGE

TURKEY’S EDUCATION SYSTEM HAS BEEN UPGRADED TO SUPPORT A SKILLED LABOR POOL THAT MEETS BUSINESS REQUIREMENTS.

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**Annual Number of Graduates**

<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**

- **University**: 25.3%
- **High School & Below**: 74.7%

**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>5.74</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>5.75</td>
<td>5.75</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>6.15</td>
</tr>
<tr>
<td>Poland</td>
<td>5.72</td>
<td>5.72</td>
</tr>
<tr>
<td>Czechia</td>
<td>4.45</td>
<td>4.45</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>4.18</td>
<td>4.18</td>
</tr>
<tr>
<td>Romania</td>
<td>3.91</td>
<td>3.91</td>
</tr>
<tr>
<td>Slovakia</td>
<td>3.39</td>
<td>3.39</td>
</tr>
<tr>
<td>Hungary</td>
<td>2.75</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>14.9</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**

<table>
<thead>
<tr>
<th>Country</th>
<th>$K, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>160</td>
</tr>
<tr>
<td>USA</td>
<td>121</td>
</tr>
<tr>
<td>France</td>
<td>113</td>
</tr>
<tr>
<td>UK</td>
<td>94</td>
</tr>
<tr>
<td>Slovakia</td>
<td>69</td>
</tr>
<tr>
<td>Poland</td>
<td>62</td>
</tr>
<tr>
<td>Hungary</td>
<td>45</td>
</tr>
<tr>
<td>Czechia</td>
<td>43</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>41</td>
</tr>
<tr>
<td>Turkey</td>
<td>36</td>
</tr>
<tr>
<td>Romania</td>
<td>23</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 FDI Law
  - Establishment and Operating Licenses
  - Tax Reform (Corporate Tax %20 down from 33%)

- **2008**
  - New Insurance Law
  - Investment Incentives
  - 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
  - Personal Data Protection Law
  - Unifying All Exchanges (Stock, Derivative, Gold, etc.) under BIST

- **2016**
  - Industrial Property Law (IPR)
  - Production Reform Package

- **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)

<table>
<thead>
<tr>
<th>Country</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>36.6</td>
</tr>
<tr>
<td>Hungary</td>
<td>37.9</td>
</tr>
<tr>
<td>Poland</td>
<td>40.8</td>
</tr>
<tr>
<td>Turkey</td>
<td>42.3</td>
</tr>
<tr>
<td>Czechia</td>
<td>46.1</td>
</tr>
<tr>
<td>Russia</td>
<td>46.2</td>
</tr>
<tr>
<td>Japan</td>
<td>46.7</td>
</tr>
<tr>
<td>Spain</td>
<td>47</td>
</tr>
<tr>
<td>Germany</td>
<td>48.8</td>
</tr>
<tr>
<td>India</td>
<td>49.7</td>
</tr>
<tr>
<td>Slovakia</td>
<td>51.4</td>
</tr>
<tr>
<td>Austria</td>
<td>55.1</td>
</tr>
<tr>
<td>Mexico</td>
<td>59.1</td>
</tr>
<tr>
<td>Italy</td>
<td>59.2</td>
</tr>
<tr>
<td>China</td>
<td>60.7</td>
</tr>
<tr>
<td>France</td>
<td>65.1</td>
</tr>
</tbody>
</table>

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.)

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

<table>
<thead>
<tr>
<th>Country</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czechia</td>
<td>69</td>
</tr>
<tr>
<td>Austria</td>
<td>68.6</td>
</tr>
<tr>
<td>Slovakia</td>
<td>68.6</td>
</tr>
<tr>
<td>Turkey</td>
<td>68.9</td>
</tr>
<tr>
<td>Hungary</td>
<td>68.9</td>
</tr>
<tr>
<td>Germany</td>
<td>69.7</td>
</tr>
<tr>
<td>Ireland</td>
<td>69.7</td>
</tr>
<tr>
<td>USA</td>
<td>69.7</td>
</tr>
<tr>
<td>Spain</td>
<td>69.7</td>
</tr>
<tr>
<td>UK</td>
<td>69.7</td>
</tr>
<tr>
<td>Korea</td>
<td>69.7</td>
</tr>
<tr>
<td>Japan</td>
<td>69.7</td>
</tr>
<tr>
<td>Mexico</td>
<td>69.7</td>
</tr>
<tr>
<td>Italy</td>
<td>69.7</td>
</tr>
<tr>
<td>Poland</td>
<td>69.7</td>
</tr>
<tr>
<td>France</td>
<td>69.7</td>
</tr>
</tbody>
</table>

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

**BENIGN R&D ECOSYSTEM**

Selected Foreign Companies conducting R&D in Turkey

- Ford
- ZONTIVA
- HUAWEI
- FORD
- Alcatel-Lucent
- SOCAR
- BOSCH
- ALSTOM
- RENAULT
- AMGEN
- SIEMENS
- Mercedes-Benz
- METAIR
- MOLYKOTE
- TOYOTA
- MAGNA
- DAIKIN
- invest
- MAN
- B/S/H/
- BRIDGESTONE
- ISUZU
- Johnson Controls
- NOVARES
- MAN
- JOTUN
- TOYOINC
- GS YUASA
- Valeo
- MAGNETEK
- Gestamp
- FINELLI
- TOYOTETSU
- DHL
- AVL
- Mando
- GS YUASA
- SEVEN E-YWE
- DOHLER
- KANSAI PAINT
- CEVA
- tpi
- Panasonic
- RUDOLF GROUP

monitise
CANAOK
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

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

MACHINERY & ELECTRICAL EQUIPMENT
- 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, 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

**FOREIGN DIRECT INVESTMENT (FDI)**

**FDI Inflows ($ Billion)**
- 15 (1973-2002, 30 years)
- 217 (2003-2019, 17 years)

**Number of Foreign Companies in Turkey (‘000)**
- 5.6 (2002)
- 74,2 (2019)

**Geographic Breakdown of Investments**
- EU 66.4%
- USA 7.6%
- Asia 17.9%
- Other 8.1%

**Most Attractive Sectors (Cumulative 2003-2018)**
- Manufacturing 24.4%
- Energy 11.3%
- Information & Communication Services 7.7%
- Wholesale & Retail Trade 6.6%
- Transport & Storage 4.7%
- Construction 3.3%
- Others 8.5%

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

Facilitating your visit to Turkey

AFTERSALES

Project launch & Press release Services