WHY INVEST IN TURKEY?

July 2021
10 reasons to invest in Turkey

1. Robust Economy
2. Skilled Workforce
3. Favorable Demographics
4. Robust Economy
5. Skilled Workforce
6. Skilled Workforce
7. Skilled Workforce
8. Continuous Reform Process
9. Business-Friendliness
10. Lucrative Incentives

Invest in Turkey for its robust economy, skilled workforce, favorable demographics, strategic location, domestic + accessible markets, continuous reform process, business-friendliness, and lucrative incentives.
ROBUST ECONOMY

TRACK RECORD GROWTH AND BRIGHT FUTURE WITH PROVEN RESILIENCE

11th largest economy in the World

<table>
<thead>
<tr>
<th>RANKING OF ECONOMIES BY GDP AT PPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
</tr>
<tr>
<td>-----------------------------------</td>
</tr>
<tr>
<td>1. USA</td>
</tr>
<tr>
<td>2. CHINA</td>
</tr>
<tr>
<td>3. JAPAN</td>
</tr>
<tr>
<td>4. GERMANY</td>
</tr>
<tr>
<td>5. INDIA</td>
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<tr>
<td>6. RUSSIA</td>
</tr>
<tr>
<td>7. FRANCE</td>
</tr>
<tr>
<td>8. UK</td>
</tr>
<tr>
<td>10. ITALY</td>
</tr>
<tr>
<td>11. MEXICO</td>
</tr>
<tr>
<td>12. INDONESIA</td>
</tr>
<tr>
<td>13. SPAIN</td>
</tr>
<tr>
<td>15. S.KOREA</td>
</tr>
<tr>
<td>16. S.Arabia</td>
</tr>
<tr>
<td>17. IRAN</td>
</tr>
<tr>
<td>18. TURKEY</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>AVERAGE ANNUAL GDP GROWTH (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002-2020</td>
</tr>
<tr>
<td>--------------------------------</td>
</tr>
<tr>
<td>1. CHINA</td>
</tr>
<tr>
<td>2. USA</td>
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<tr>
<td>3. INDIA</td>
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<tr>
<td>4. JAPAN</td>
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<tr>
<td>5. GERMANY</td>
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<td>6. RUSSIA</td>
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<td>7. INDONESIA</td>
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<td>8. BRAZIL</td>
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<td>9. FRANCE</td>
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<td>10. UK</td>
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<td>11. TURKEY</td>
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<td>12. ITALY</td>
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<tr>
<td>13. MEXICO</td>
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<tr>
<td>14. KOREA</td>
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<tr>
<td>15. CANADA</td>
</tr>
<tr>
<td>16. SPAIN</td>
</tr>
<tr>
<td>17. S.Arabia</td>
</tr>
<tr>
<td>18. AUSTRALIA</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>REAL GDP GROWTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>(INDEX: 2002=100)</td>
</tr>
<tr>
<td>100</td>
</tr>
<tr>
<td>TURKEY registered the second largest economic growth in OECD</td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP at current prices, $Billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>236</td>
</tr>
<tr>
<td>2020</td>
<td>717</td>
</tr>
</tbody>
</table>

**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 SIZEBLE MIDDLE CLASS WITH INCREASING PURCHASING POWER

Income per capita

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2002</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>$10,997</td>
<td>$30,253</td>
</tr>
</tbody>
</table>

Stock of Automobiles

- (millions of passenger cars)

<table>
<thead>
<tr>
<th>Year</th>
<th>2002</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>4.6</td>
<td>13.1</td>
</tr>
</tbody>
</table>

Turkish Aviation Passenger

- (millions of passengers)

<table>
<thead>
<tr>
<th>Year</th>
<th>2002</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>33.8</td>
<td>208.4</td>
</tr>
</tbody>
</table>

Source: TurkStat, Ministry of Transport and Infrastructure and IMF
DOMESTIC MARKET

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>
<tr>
<td>Denizli</td>
<td>1 Million</td>
</tr>
<tr>
<td>Muğla</td>
<td>1 Million</td>
</tr>
<tr>
<td>Eskişehir</td>
<td>0.8 Million</td>
</tr>
<tr>
<td>Mardin</td>
<td>0.8 Million</td>
</tr>
<tr>
<td>Trabzon</td>
<td>0.8 Million</td>
</tr>
<tr>
<td>Malatya</td>
<td>0.8 Million</td>
</tr>
<tr>
<td>Ordu</td>
<td>0.7 Million</td>
</tr>
<tr>
<td>Erzurum</td>
<td>0.7 Million</td>
</tr>
<tr>
<td>Afyonkarahisar</td>
<td>0.7 Million</td>
</tr>
<tr>
<td>Sivas</td>
<td>0.6 Million</td>
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<tr>
<td>Adıyaman</td>
<td>0.6 Million</td>
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<tr>
<td>Batman</td>
<td>0.6 Million</td>
</tr>
<tr>
<td>Tokat</td>
<td>0.5 Million</td>
</tr>
<tr>
<td>Zonguldak</td>
<td>0.5 Million</td>
</tr>
<tr>
<td>Elazığ</td>
<td>0.5 Million</td>
</tr>
<tr>
<td>Kütahya</td>
<td>0.5 Million</td>
</tr>
<tr>
<td>Osmaniye</td>
<td>0.5 Million</td>
</tr>
<tr>
<td>Çanakkale</td>
<td>0.5 Million</td>
</tr>
<tr>
<td>Şırnak</td>
<td>0.5 Million</td>
</tr>
<tr>
<td>Ağrı</td>
<td>0.5 Million</td>
</tr>
<tr>
<td>Çorum</td>
<td>0.5 Million</td>
</tr>
</tbody>
</table>

Source: TurkStat, 2020

24 urban centers With Populations over 1 million

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

- 448 million in EU
- 463 million in FTA Area
- 84 million in Turkey

995 million consumers in 28 countries with Free Trade Agreements

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

TRATEGIC LOCATION

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

HUB FOR MULTINATIONALS TO MANUFACTURE, EXPORT AND MANAGE

16 Time Zones

1. TOYOTA
   Exporting 85% of its production

2. Ford
   Exporting 77% of its production

3. Nestle
   Production base for MENA

4. BOSS
   Its largest production facility worldwide

5. B/S/H/
   89 countries

6. GE Healthcare
   80 countries

7. KNAUF
   80 countries

8. Intel
   67 countries

9. China PowerChina
   63 countries

10. Verifone
    60 countries

11. GSK
    30 countries

12. Hitachi Healthcare
    25 countries
STRATEGIC LOCATION AND ENHANCED PRODUCTION CAPABILITIES ATTRACTING MULTINATIONALS TO INVEST FOR EXPORT

MERCHANDISE EXPORTS BY GEOGRAPHY

- 2002: $36 billion (57% EU, 29% Middle East and Africa, 14% Other Countries)
- 2020: $170 billion (50% EU, 23% Middle East and Africa, 27% Other Countries)

NUMBER OF EXPORT PRODUCTS OVER $1 BILLION

- 2002: 9 products
- 2020: 39 products

TURKEY’S SHARE IN GLOBAL EXPORTS OF GOODS

- 2002: 0.5%
- 2003: 0.6%
- 2004: 0.7%
- 2005: 0.8%
- 2006: 0.9%
- 2007: 1.0%

Exports 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
SKILLED WORKFORCE WITH COST ADVANTAGE

ANNUAL NUMBER OF GRADUATES

- University: 2002: 287, 2020: 1,113

AVAILABILITY OF QUALIFIED ENGINEERS

- Turkey: 2021: 7,28
- Czechia: 2021: 5.97
- Poland: 2021: 5.57
- Slovakia: 2021: 5.45
- Romania: 2021: 5.33
- Bulgaria: 2021: 4.91

AVAILABILITY OF COMPETENT SENIOR MANAGERS

- Turkey: 2021: 5.66
- Czechia: 2021: 4.64
- Poland: 2021: 4.51
- Romania: 2021: 3.97
- Bulgaria: 2021: 3.48
- Slovakia: 2021: 3.45
- Hungary: 2021: 3.16

LABOR FORCE BY EDUCATION LEVEL

- University: 2002: 27.5%, 2020: 9.9%
- High School & Below: 2002: 72.5%, 2020: 90%

LABOR COST PER HOUR IN MANUFACTURING

- Germany: 2018: 153
- USA: 2018: 122
- France: 2018: 108
- UK: 2018: 91
- Czechia: 2018: 77
- Slovakia: 2018: 61
- Poland: 2018: 43
- Romania: 2018: 40
- Bulgaria: 2018: 36
- Turkey: 2018: 34

REMUNERATION OF MANAGEMENT/ENGINEER

- Total base salary plus bonuses and long-term incentives
- Germany: 2019: 228
- USA: 2019: 202
- France: 2019: 184
- UK: 2019: 168
- Czechia: 2019: 153
- Slovakia: 2019: 148
- Poland: 2019: 133
- Romania: 2019: 128
- Bulgaria: 2019: 123

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
Major Reforms

2001
- New FDI Law
- New Labor Law
- Ease of company establishment (Law No: 4884)
- Coordination Council for the Improvement of the Investment Environment

2004
- New Banking Law
- Tax Reform (Corporate Tax %20 down from 33%)
- Investment Office

2006
- New Insurance Law
- Overhaul of Social Security System
- R&D and Innovation Incentives

2008
- New Capital Market Law
- New Commercial Code
- New Code of Obligations
- Unifying All Exchanges (Stock, Derivative, Gold, etc.) under BIST
- Overhaul of Social Security System
- R&D and Innovation Incentives

2011
- Upgrading Investment Incentives
- Removing Restrictions on Foreigners’ Purchases of Real Estate
- Istanbul Arbitration Center
- New Labor Courts Code
- Ease of Doing Business Reform Package

2013
- Industrial Property Law (IPR)
- New Capital Market Law
- Production Reform Package
- New Labor Courts Code
- Techno-Driven Industry Initiative

2016
- Amendments to the Capital Market Law (Introduction of Global Standards)
- Amendments to improve doing business (Law 7099)

2018
- Ease of Doing Business Reform Package II
- Upgrading Investment Incentives
- Unifying All Exchanges (Stock, Derivative, Gold, etc.) under BIST
- Overhaul of Social Security System
- R&D and Innovation Incentives

2020
- Unifying All Exchanges (Stock, Derivative, Gold, etc.) under BIST
- Overhaul of Social Security System
- R&D and Innovation Incentives

CONTINUOUSLY IMPLEMENTING SWEEPING REFORMS IN MANY AREAS

REFORMS
CONTINUOUSLY IMPLEMENTING SWEEPING REFORMS IN MANY AREAS

NUMBER OF DAYS TO SET UP A COMPANY, 2020

FDI REGULATORY RESTRICTIVENESS INDEX, 2020

EASE OF DOING BUSINESS RANKING, 2020

EASE OF DOING BUSINESS RANKING (Y-O-Y)

Continentally implementing sweeping reforms in many areas.

Source: OECD, World Bank
BUSINESS-FRIENDLINESS

OFFERING PROTECTION AND EASE OF DOING BUSINESS

Foreign Direct Investment Law

Bilateral Investment Protection Treaties with 82 countries

Treaties to avoid Double Taxation with 87 countries

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

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

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.)

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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
BENIGN R&D ECOSYSTEM

R&D INCENTIVES ARE FURTHER SUPPORTED BY A FAVORABLE ECOSYSTEM

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

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

- **MACHINERY & ELECTRICAL EQP.**
  - 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, GİH
EXCEPTIONAL INCREASE IN FOREIGN INVESTMENT BOOSTED BY THE VALUE TURKEY OFFERS

FOREIGN DIRECT INVESTMENT (FDI)

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%
- Others: 7.8%

MOST ATTRACTION SECTORS (CUMULATIVE 2003-2020)

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

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

PRIVATE SECTOR APPROACH WITH PUBLIC SECTOR CAPABILITIES

PRIVATE
PUBLIC

A GOVERNMENTAL AGENCY REPORTING TO THE PRESIDENT

ACTING AS YOUR SOLUTION PARTNER

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

AFTERSALES
Facilitating your visit to Turkey