WHY INVEST IN TURKEY?

February 2021
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

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

AVERAGE ANNUAL GDP GROWTH (%), 2003-2019

- 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)

Source: TurkStat, IMF, PPP: Purchasing Power Parity
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%
- 2003-2020: CPI: 10.3%, Average Volatility: 4.5%

Source: IMF, Turkstat, Ministry of Treasury and Finance
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>761</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Consumption</td>
<td>73</td>
</tr>
<tr>
<td>Investment Expenditures</td>
<td>32</td>
</tr>
<tr>
<td>Exports</td>
<td>27</td>
</tr>
<tr>
<td>Stocks</td>
<td>-30</td>
</tr>
</tbody>
</table>

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>Income per capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$10,685</td>
</tr>
<tr>
<td>2019</td>
<td>$28,518</td>
</tr>
</tbody>
</table>

Source: TurkStat, IMF

Stock of Automobiles
(millions of passenger cars)

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

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

Total Population in 2020
83.6 MILLION

Source: TurkStat, 2020 (m): million

24 urban centers with populations over 1 million

- Istanbul: 15.4 million
- Ankara: 5.6 million
- İzmir: 4.3 million
- Bursa: 3.1 million
- Antalya: 2.5 million
- Adana: 2.2 million
- Konya: 2.2 million
- Şanlıurfa: 2.1 million
- Gaziantep: 2.1 million
- Kocaeli: 1.9 million
- Mersin: 1.8 million
- Diyarbakır: 1.7 million
- Hatay: 1.6 million
- Manisa: 1.4 million
- Kayseri: 1.4 million
- Samsun: 1.3 million
- Balıkesir: 1.2 million
- Kahramanmaraş: 1.1 million
- Van: 1.1 million
- Aydın: 1.1 million
- Tekirdağ: 1 million
- Sakarya: 1 million
- Denizli: 1 million
- Muğla: 1 million
- Eskişehir: 0.8 million
- Afyonkarahisar: 0.7 million
- Mardin: 0.8 million
- Trabzon: 0.8 million
- Malatya: 0.8 million
- Ordu: 0.7 million
- Erzurum: 0.7 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
Customs Union with the EU allows direct access to the EU Market

Source: Eurostat, World Bank; Population as of 2019, Ministry of Trade, TurkStat

*In ratification process

DOMESTIC MARKET + EU MARKET + FREE TRADE AREA

- 446 million in EU
- 457 million in FTA Area
- 84 million in Turkey

Free access 987 Million consumers

in 28 countries with Free Trade Agreements
STRATEGIC LOCATION

TO MANUFACTURE, EXPORT AND MANAGE

1.3 billion people and $26T GDP in Europe, MENA and Central Asia at 4 hour flight distance

PROXIMITY TO MAJOR MARKETS

Connectivity
Turkish Airlines connects you to 323 destinations in 127 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

89 countries

80 countries

72 countries

67 countries

63 countries

60 countries

30 countries

25 countries

Its largest production facility worldwide

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
- EU: $36 Billion (57%)
- Middle East and Africa: $8 Billion (14%)
- Other Countries: $2 Billion (29%)

2020
- EU: $169 Billion (50%)
- Middle East and Africa: $33 Billion (23%)
- Other Countries: $43 Billion (27%)

Number of Export Products over $1 Billion

- 2002: 9 Products
- 2020: 39 Products

Turkey’s Share in Global Exports of Goods

Source: TurkStat, ITC
FAVORABLE DEMOGRAPHICS

...HALF OF POPULATION UNDER AGE 32.4

Source: Turkstat, Eurostat, UN, 2019
Turkey’s education system has been upgraded to support a skilled labor pool that meets business requirements.

**Labor Force by Education Level**

<table>
<thead>
<tr>
<th></th>
<th>University</th>
<th>Vocational &amp; Technical High School</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>287</td>
<td>891</td>
</tr>
<tr>
<td>2019</td>
<td>177</td>
<td>495</td>
</tr>
</tbody>
</table>

**Annual Number of Graduates (thousands)**

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2019</th>
</tr>
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<tr>
<td>University</td>
<td>287</td>
<td>177</td>
</tr>
<tr>
<td>V&amp;THS</td>
<td>891</td>
<td>495</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Turkey</th>
<th>Poland</th>
<th>Romania</th>
<th>Czechia</th>
<th>Bulgaria</th>
<th>Hungary</th>
<th>Slovakia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>7.35</td>
<td>6.74</td>
<td>5.75</td>
<td>5.65</td>
<td>5.47</td>
<td>4.86</td>
<td>4.92</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Turkey</th>
<th>Poland</th>
<th>Czechia</th>
<th>Bulgaria</th>
<th>Romania</th>
<th>Slovakia</th>
<th>Hungary</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>6.15</td>
<td>5.72</td>
<td>4.45</td>
<td>4.18</td>
<td>3.91</td>
<td>3.39</td>
<td>2.75</td>
</tr>
</tbody>
</table>

**Labor Cost per hour in Manufacturing**

<table>
<thead>
<tr>
<th></th>
<th>Germany</th>
<th>France</th>
<th>USA</th>
<th>UK</th>
<th>Czechia</th>
<th>Slovakia</th>
<th>Hungary</th>
<th>Poland</th>
<th>Romania</th>
<th>Bulgaria</th>
<th>Turkey</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>47.2</td>
<td>44.4</td>
<td>39.6</td>
<td>31.1</td>
<td>14.9</td>
<td>14.3</td>
<td>11.5</td>
<td>10.7</td>
<td>7.0</td>
<td>5.6</td>
<td>5.6</td>
</tr>
</tbody>
</table>

**Remuneration of Management/Engineer**

Total base salary plus bonuses and long-term incentives

<table>
<thead>
<tr>
<th></th>
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<th>USA</th>
<th>France</th>
<th>Slovakia</th>
<th>Poland</th>
<th>Hungary</th>
<th>Czechia</th>
<th>Bulgaria</th>
<th>Turkey</th>
</tr>
</thead>
<tbody>
<tr>
<td>$K, 2018</td>
<td>160</td>
<td>121</td>
<td>113</td>
<td>94</td>
<td>69</td>
<td>62</td>
<td>45</td>
<td>42</td>
<td>41</td>
</tr>
<tr>
<td>$, 2018</td>
<td>120</td>
<td>110</td>
<td>100</td>
<td>80</td>
<td>60</td>
<td>50</td>
<td>40</td>
<td>30</td>
<td>20</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
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

2006
- Investment Incentives
- Tax Reform (Corporate Tax %20 down from 33%) 
- Overhaul of Social Security System

2008
- R&D and Innovation Incentives
- New Commercial Code

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)
TURKEY HAS IMPLEMENTED SWEEPING REFORMS IN MANY AREAS AND CONTINUES TO INTRODUCE NEW REFORMS

Number of Days to set up a Company, 2020

FDI Regulatory Restrictiveness Index, 2019

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

Source: Ministry of Trade, Foreign Direct Investment Law 2003
OFFERS PROTECTION AND EASE OF DOING BUSINESS

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

International Tax Competitiveness**, 2020
(Index=100 as most competitive)

Source: World Bank, Tax Foundation. *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 across 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

Over 210 R&D centers by foreign companies

Number of Researchers (thousands)

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

BENIGN R&D ECOSYSTEM

R&D INCENTIVES ARE FURTHER SUPPORTED BY A FAVORABLE ECOSYSTEM
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.

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).

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

Turkey exported 41.7 million USD worth of ventilators in 2020, up from 10.8 million USD in 2019.

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

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.

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
- 1.3 million vehicle produced
- 30 of the top 50 global suppliers have production facilities in Turkey.
- Export: $26 billion

MACHINERY & ELECTRICAL EQP.
- Largest TV & white goods producer in Europe
- Total Revenue: $23 billion
- Export: $25 billion

AEROSPACE & DEFENCE
- $19 billion defence spending
- Industry: $8.7 billion
- Export: $2.2 billion
- Air passengers: 210 million

ENERGY
- 5th in European electricity market, with 88.5 GW of installed capacity
- 5th in energy consumption in Europe with 155 Mtoe
- Energy corridor

AGROFOOD
- 1st in Europe’s agricultural economy in 2018
- Export: $18 billion, to around 200 countries
- 2.5% annual growth between 2003-2018.

INFRASTRUCTURE
- $130 billion PPP contracts (2003-2019)
- 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, 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>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-2002</td>
<td>15</td>
</tr>
<tr>
<td>2003-2020</td>
<td>225</td>
</tr>
</tbody>
</table>

Number of Foreign Companies in Turkey (’000)

- 2002: 5.6
- 2020: 73.7

Most Attractive Sectors (Cumulative 2003-2020)

- Finance: 32.8%
- Manufacturing: 24.2%
- Construction: 3.2%
- Others: 8.4%
- Energy: 11.0%
- Transport & Storage: 4.8%
- Wholesale & Retail Trade: 6.8%
- Information & Communication Services: 8.8%
- Others: 7.8%

Geographic Breakdown of Investments (2003-2020)

- EU: 66.6%
- USA: 7.8%
- Asia: 17.8%
- Others: 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 TURKIYE

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