WHY INVEST IN TURKEY?
Why invest in Turkey?

10 reasons to invest in Turkey.

- Robust Economy
- Domestic market + EU
- Opportunities
- Strategic Location
- Benign R&D Ecosystem
- Favorable Demographics
- Lucrative Incentives
- Skilled workforce with cost advantage
- Business-friendly
- Continuous reform process
Robust Economy

Track record growth and bright future with proven resilience.

13TH LARGEST ECONOMY

Ranking of Economies by GDP at PPP

<table>
<thead>
<tr>
<th>2003</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>USA</td>
</tr>
<tr>
<td>2</td>
<td>CHINA</td>
</tr>
<tr>
<td>3</td>
<td>JAPAN</td>
</tr>
<tr>
<td>4</td>
<td>GERMANY</td>
</tr>
<tr>
<td>5</td>
<td>INDIA</td>
</tr>
<tr>
<td>6</td>
<td>RUSSIA</td>
</tr>
<tr>
<td>7</td>
<td>FRANCE</td>
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<tr>
<td>8</td>
<td>UK</td>
</tr>
<tr>
<td>9</td>
<td>BRAZIL</td>
</tr>
<tr>
<td>10</td>
<td>ITALY</td>
</tr>
<tr>
<td>11</td>
<td>MEXICO</td>
</tr>
<tr>
<td>12</td>
<td>INDONESIA</td>
</tr>
<tr>
<td>13</td>
<td>SPAIN</td>
</tr>
<tr>
<td>14</td>
<td>CANADA</td>
</tr>
<tr>
<td>15</td>
<td>S. KOREA</td>
</tr>
<tr>
<td>16</td>
<td>S. ARABIA</td>
</tr>
<tr>
<td>17</td>
<td>IRAN</td>
</tr>
<tr>
<td>18</td>
<td>TURKEY</td>
</tr>
</tbody>
</table>

Average Annual GDP Growth (%), 2003-2018

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>5.6</td>
<td>4.0</td>
<td>3.9</td>
<td>2.8</td>
<td>2.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

Turkish economy, as a sign of rebalancing, has slowed down in 2018, but recovery started in the first quarter of 2019 and continued into the second quarter.
Over the past 58 years, Turkey has only once experienced negative growth in two consecutive years…

Real GDP Growth (1961-2018)

<table>
<thead>
<tr>
<th>Negative Growth</th>
<th>Argentine</th>
<th>Brazil</th>
<th>South Africa</th>
<th>Turkey</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-consecutive years</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>3-consecutive years</td>
<td>1</td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>4-consecutive years</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Every other year (Y₁ː−, Y₂ː+, Y₃ː−)</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total number of years with negative growth</td>
<td>22</td>
<td>8</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Average Annual Growth (1961-2018)</td>
<td>2.5%</td>
<td>4.0%</td>
<td>3.0%</td>
<td>4.8%</td>
</tr>
</tbody>
</table>

Source: IMF, World Bank, Compiled by Author
Sporadic overheating in the economy have been followed by rebalancing, converging to Turkey’s long-term dynamic growth trend.

Source: TurkStat
Robust Economy

Strong macroeconomic fundamentals have been based on successful public finance management.

[Graphs showing budget balance and gross public debt stock as % of GDP, with data from 2002 to 2018.]

Source: Eurostat, IMF, OECD, CBRT
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.

Source: TurkStat, *current prices

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>2018</td>
<td>784</td>
</tr>
</tbody>
</table>

Contribution to GDP Growth 2002-2018* (%)

<table>
<thead>
<tr>
<th>Component</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Consumption</td>
<td>71</td>
</tr>
<tr>
<td>Investment Expenditures</td>
<td>31</td>
</tr>
<tr>
<td>Exports</td>
<td>30</td>
</tr>
<tr>
<td>Stocks -0.7</td>
<td>-32</td>
</tr>
<tr>
<td>Imports</td>
<td></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 ( USD )</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>10,685</td>
</tr>
<tr>
<td>2018</td>
<td>27,956</td>
</tr>
</tbody>
</table>

**Number of Automobiles**
(millions of passenger cars registered in traffic)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Automobiles</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>4.6</td>
</tr>
<tr>
<td>2018</td>
<td>12.4</td>
</tr>
</tbody>
</table>
The domestic market is further supported by emerging urban centers across Turkey.

23 urban centers with populations over 1 million

Total Population in 2018

82 million

Source: TurkStat, 2018 (m): million
Domestic market + EU market + Free Trade Area

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

510 million in EU

+ 355 million in FTA Area

in 27 countries with Free Trade Agreements

+ 82 million in Turkey

Free Access to 945 million consumers

Source: Eurostat, Population as of 2017, Ministry of Economy

* In ratification process
PROXIMITY TO MAJOR MARKETS
1.5 billion people and $24T GDP in Europe, MENA and Central Asia at 4 hour flight-distance

CONNECTIVITY
Turkish Airlines connects you to 255 destinations in 122 countries

MANUFACTURING & EXPORT HUB FOR MULTINATIONALS

AS WELL AS MANAGEMENT HUB FOR MULTINATIONALS

1. TOYOTA Exporting 85% of its production
2. Ford Exporting 77% of its production
3. Nestlé Production base for MENA
4. BOSS Its largest production facility worldwide

B/S/H/ 89 countries
GE Healthcare 80 countries
Knauf 80 countries
thyssenkrupp 72 countries
intel 67 countries
POWERCHINA 63 countries
Verifone 60 countries
gsk 30 countries
Hitachi Healthcare 25 countries

MANUFACTURING and EXPORT HUB FOR MULTINATIONALS

16 TIME ZONES

Strategic Location to manufacture, export and manage...
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

Merchandise Exports by Geography

- 2002: $36 Billion (29% EU28, 57% Middle East and Africa, 14% Other Countries)
- 2018: $168 Billion (23% EU28, 50% Middle East and Africa, 26% Other Countries)

Number of Export Products over $1 Billion

- 2002: 9 products
- 2018: 33 products

Turkey's Share in Global Exports of Goods

Source: TurkStat, ITC
Favorable Demographics

half of the population under age 31.

Source: Turkstat, Eurostat, UN, 2016
Turkey’s education system has been upgraded to support a skilled labor pool that meets business requirements.

### Skilled Workforce with Cost Advantage

#### Annual Number of Graduates (thousands)

- **University**: 2002: 804, 2017: 505

<table>
<thead>
<tr>
<th>Year</th>
<th>University</th>
<th>Vocational &amp; Technical High School</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>804</td>
<td>287</td>
</tr>
<tr>
<td>2017</td>
<td>505</td>
<td>177</td>
</tr>
</tbody>
</table>

#### Labor Force by Education Level

- **University**: 2002: 24.2%, 2017: 10%
- **High School & below**: 2002: 75.8%, 2017: 90%

#### Availability of Qualified Engineers

<table>
<thead>
<tr>
<th>Country</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>6.92</td>
<td>5.02</td>
</tr>
<tr>
<td>Poland</td>
<td>6.41</td>
<td>5.13</td>
</tr>
<tr>
<td>Romania</td>
<td>6.02</td>
<td>4.88</td>
</tr>
<tr>
<td>Czechia</td>
<td>5.35</td>
<td>3.87</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>5.13</td>
<td>3.87</td>
</tr>
<tr>
<td>Hungary</td>
<td>5.02</td>
<td>3.38</td>
</tr>
<tr>
<td>Slovakia</td>
<td>4.88</td>
<td>3.17</td>
</tr>
</tbody>
</table>

#### Availability of Competent Senior Managers

<table>
<thead>
<tr>
<th>Country</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>5.85</td>
<td>5.10</td>
</tr>
<tr>
<td>Poland</td>
<td>5.10</td>
<td>4.96</td>
</tr>
<tr>
<td>Czechia</td>
<td>3.87</td>
<td>3.87</td>
</tr>
<tr>
<td>Romania</td>
<td>3.87</td>
<td>3.87</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>3.38</td>
<td>3.38</td>
</tr>
<tr>
<td>Hungary</td>
<td>3.17</td>
<td>3.17</td>
</tr>
<tr>
<td>Slovakia</td>
<td>3.17</td>
<td>3.17</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, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>151</td>
</tr>
<tr>
<td>USA</td>
<td>120</td>
</tr>
<tr>
<td>France</td>
<td>107</td>
</tr>
<tr>
<td>UK</td>
<td>87</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>Turkey</td>
<td>42</td>
</tr>
<tr>
<td>Czechia</td>
<td>39</td>
</tr>
<tr>
<td>Romania</td>
<td>35</td>
</tr>
<tr>
<td>Bulgaria</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, US BLS.
Turkey has implemented sweeping reforms in many areas and continues to introduce new reforms.

### MAJOR REFORMS

- Tax Reform (Corporate Tax %20 down from 33%)
- New Insurance Law
- Overhaul of Social Security System
- New Commercial Code
- R&D and Innovation Incentives
- New Capital Market Law
- New Code of Obligations
- Upgrading Investment Incentives
- Upgrading Investment Incentives
- Unifying All Exchanges (Stock, Derivative, Gold, etc.) under BIST
- Personal Data Protection Law
- Industrial Property Law (IPR)
- Production Reform Package
- Amendments to improve doing business (Law 7099)

#### Number of Days to set up a Company, 2018

- South Africa: 40
- Poland: 37
- Romania: 35
- Czech Rep.: 24.5
- Bulgaria: 23
- Austria: 21
- Brazil: 20.5
- Finland: 17
- India: 16.5
- Spain: 12.5
- Japan: 11.2
- Russia: 10.1
- Turkey: 7

Down from 38 days in 2002

#### FDI Regulatory Restrictiveness Index, 2018

- Russia: 0.257
- China: 0.251
- India: 0.209
- Canada: 0.161
- USA: 0.089
- Brazil: 0.087
- Switzerland: 0.083
- Poland: 0.072
- OECD: 0.065
- Turkey: 0.059

1 = Closed to FDI
0 = Open to FDI

Down from 0.283 in 2003

Source: OECD, World Bank
The continuous reform process has significantly improved Turkey’s investment climate.

Turkey’s Ranking in the World Bank’s Doing Business Report
(out of 190 economies)

2017: 69
2018: 60
2019: 43
2020: 33

Source: World Bank Doing Business reports
Business-friendly offers protection and ease of doing business.

- **Foreign Direct Investment Law**
- **Bilateral Investment Protection Treaties with 75 countries**
- **Treaties to avoid Double Taxation with 80 countries**

### Total Tax and Contribution Rate, 2018 (% of Profit)
- Hungary: 49.3
- Poland: 45.7
- Turkey: 46.9
- Colombia: 46.7
- Russia: 46.7
- Japan: 49
- Spain: 52.1
- Germany: 59.5
- Austria: 63.3
- China: 65.1

### International Tax Competitiveness, 2018 (Index=100 as most competitive)
- Czechia: 68.8
- Austria: 68.4
- Colombia: 68.4
- Greece: 68.4
- Germany: 68.4
- France: 68.4
- Ireland: 68.4
- Japan: 68.4
- Korea: 68.4
- Spain: 68.4
- Sweden: 68.4

Source: Ministry of Economy, Ministry of 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 +

### Exclusive Zones
- **Free Zones**
  - Tax deduction & exemption +
- **Organized Industrial Zones**
  - Developed infrastructure

### Incentives for Service Exporters
- Tax deduction for exporting services in:
  - Engineering
  - Architecture
  - Design
  - Software
  - Medical Reporting
  - Accounting
  - Call Center
  - Data center
  - Education
  - Healthcare

### Technology Development Zones
- To support R&D
- Tax deduction & exemption+

### R&D and Innovation Incentives
- Tax deduction & exemption +
Selected Foreign Companies conducting R&D in Turkey

Source: OECD, Eurostat, Turkstat, PPP: Purchasing Power Parity
Turkey offers abundant opportunities in a variety of sectors.

**Opportunities**

- **AUTOMOTIVE**
  - 15th largest manufacturer
  - 1.6 million vehicle produced
  - Market: $24 billion
  - Export: $32 billion

- **MACHINERY & ELECTRICAL EQP.**
  - Largest TV & white goods producer in Europe
  - Market: $38 billion
  - Export: $25 billion

- **AEROSPACE & DEFENCE**
  - $19 billion defense 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.

**FDI Inflows ($ Billion)**

- 15 (1973-2002, 30 years)
- 209 (2003-2018, 16 years)

**Number of Foreign Companies in Turkey (’000)**

- 5.6 (2002)
- 65.5 (2018)

**Geographic Breakdown of Investments**

- EU: 68.6%
- USA: 8.8%
- Asia: 21.5%
- Others: 1.1%

**Sectoral Breakdown of Investments**

- Finance: 33.7%
- Manufacturing: 24.1%
- Energy: 11.7%
- Information & Communication Services: 8.1%
- Wholesale & Retail Trade: 6.4%
- Transport & Storage: 4.5%
- Construction: 3.1%
- 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 2018*
What can we do for you?

... assist you before, during and after your entry into Turkey.

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