



Republic of Turkey
Prime Ministry

Investment Support and
Promotion Agency of
Turkey
ISPAT

Investment
Environment in
Turkey

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REPUBLIC OF TURKEY PRIME MINISTRY
INVESTMENT SUPPORT AND
PROMOTION AGENCY



**YOUR ONE-STOP-SHOP
IN TURKEY**

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The Agency





REPUBLIC OF TURKEY PRIME MINISTRY INVESTMENT SUPPORT AND PROMOTION AGENCY

- Established in 2006 to increase and attract direct investment
- Attached to the Prime Ministry & directly report to the PM
- Private sector approach with public sector capabilities
- ONE STOP SHOP approach
- HQs in Ankara; branch office in Istanbul
- In 2012, World Bank has ranked ISPAT general performance 13th and ISPAT website 7th best website among all IPA's worldwide.
- Presidency of WAIPA (World Association of Investment Promotion Agencies) since 2014



ISPAT International Network

14 Countries – 25 representatives



*To be assigned

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ISPAT Services

- Providing extensive services:
 - Coordination with relevant governmental institutions
 - Market information and analyses
 - Site selection
 - Matchmaking potential partners
 - Facilitating legal procedures, such as:
 - Establishing business operations
 - Incentive applications
 - Work/residence permits



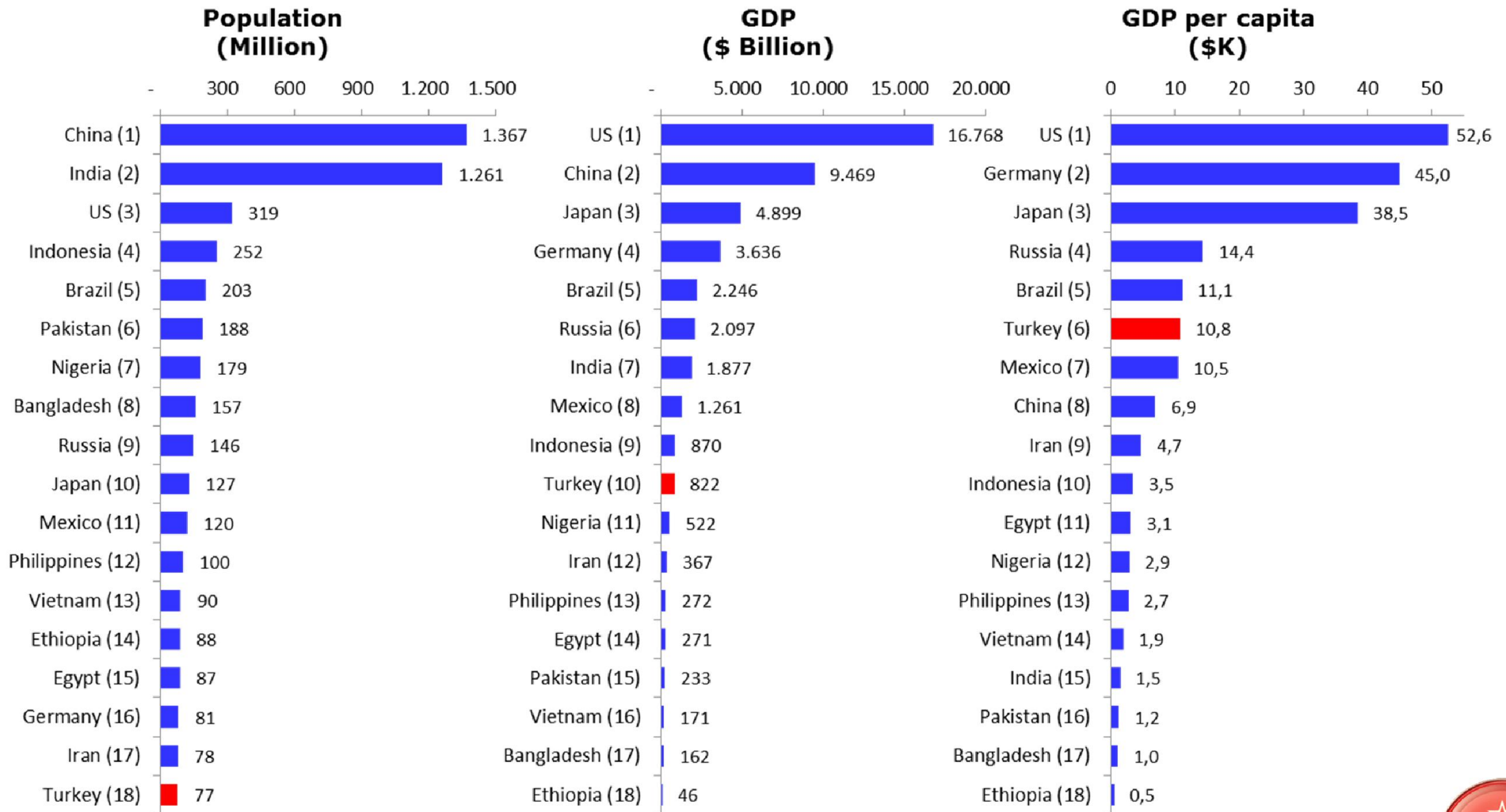
Some Key Figures



Sizable Domestic Market

2013

Ranking of Countries with Population over 70 million

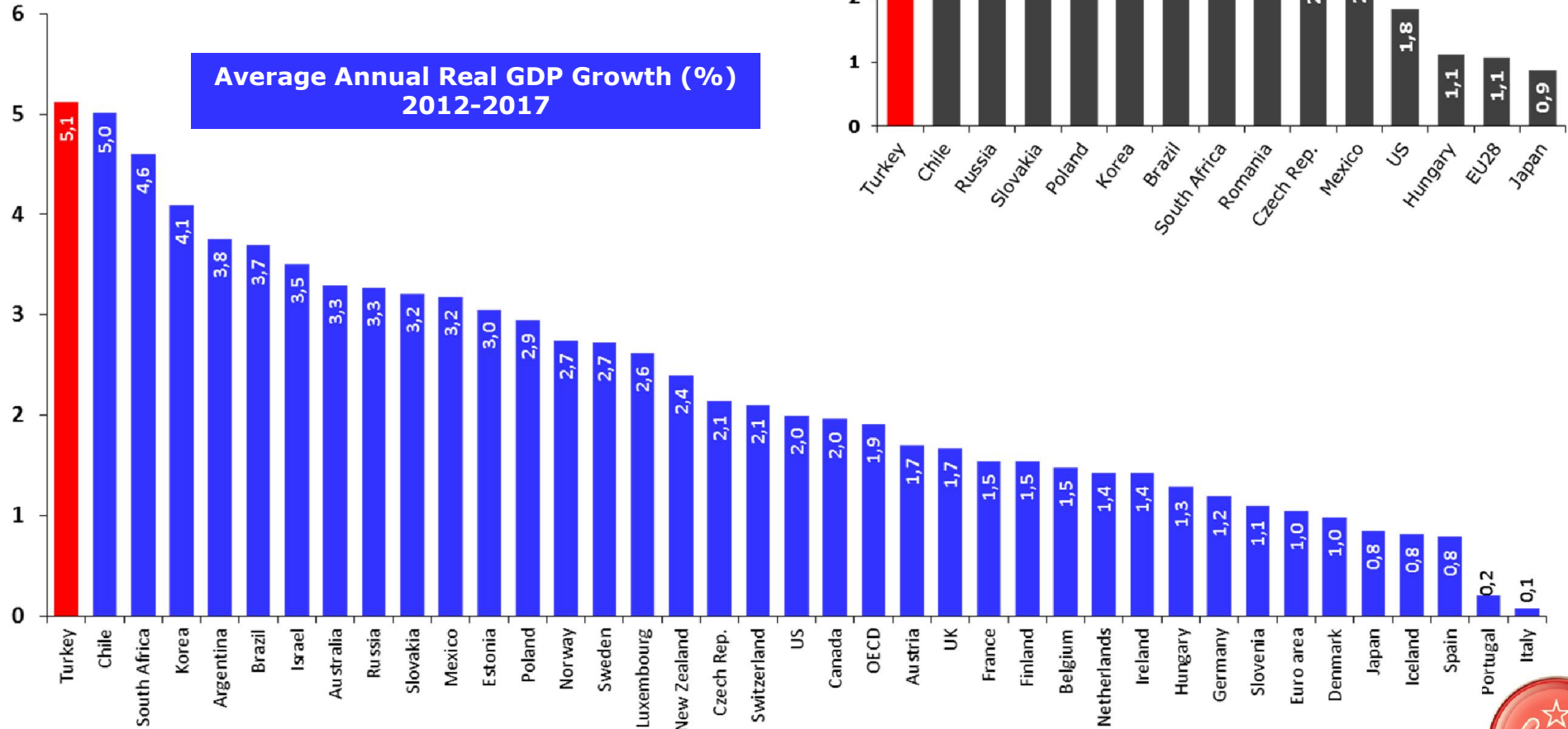


Source: UN, IMF, national sources



Growing Economy

➤ Strong record, bright future

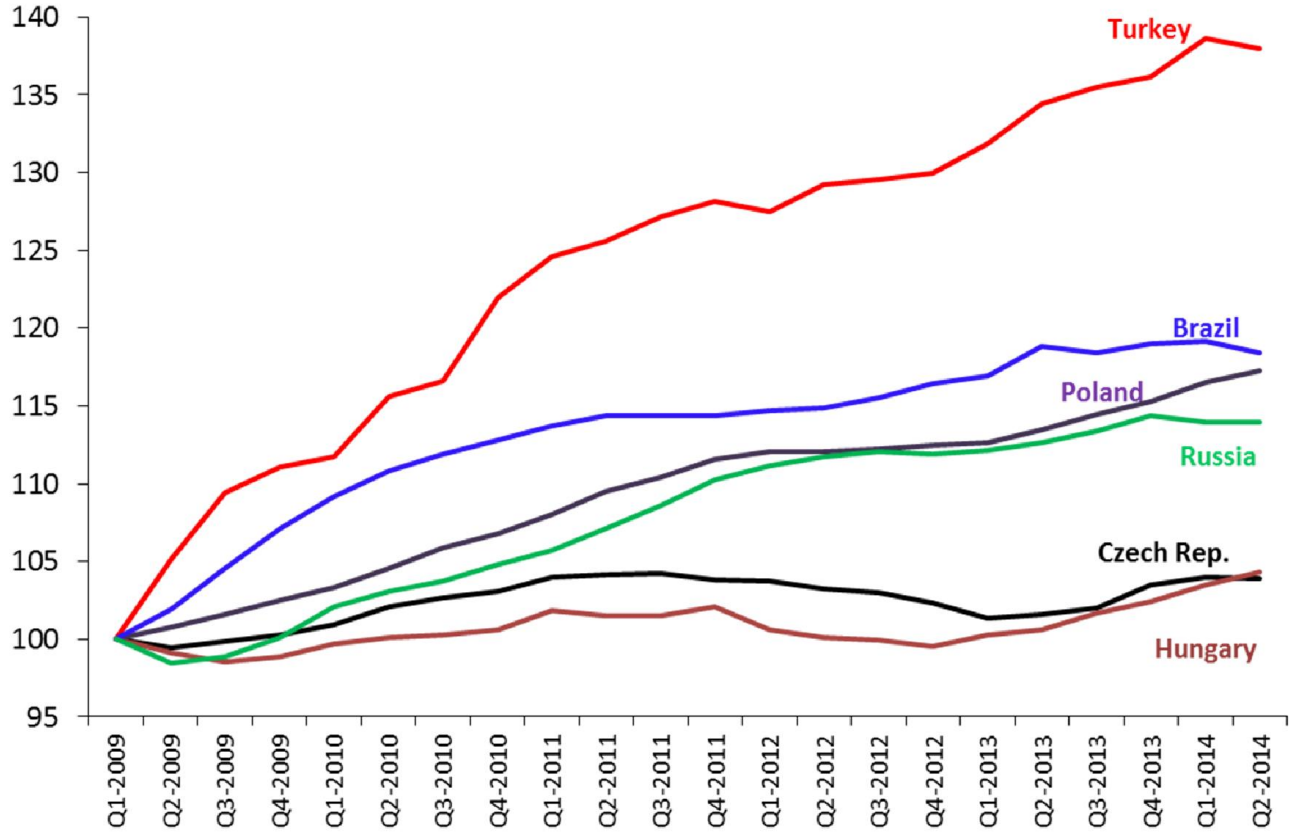


Source: IMF World Economic Outlook April 2014, Eurostat, OECD, TurkStat, OECD Economic Outlook No.93, May 2013



The Fastest Growing Economy Since The Onset of Global Financial Crises in 2009

Quarterly Real GDP Growth (Index: Q1-2009=100)
Seasonally adjusted



Fastest growing economy in Europe and one of the fastest growing economies in the world

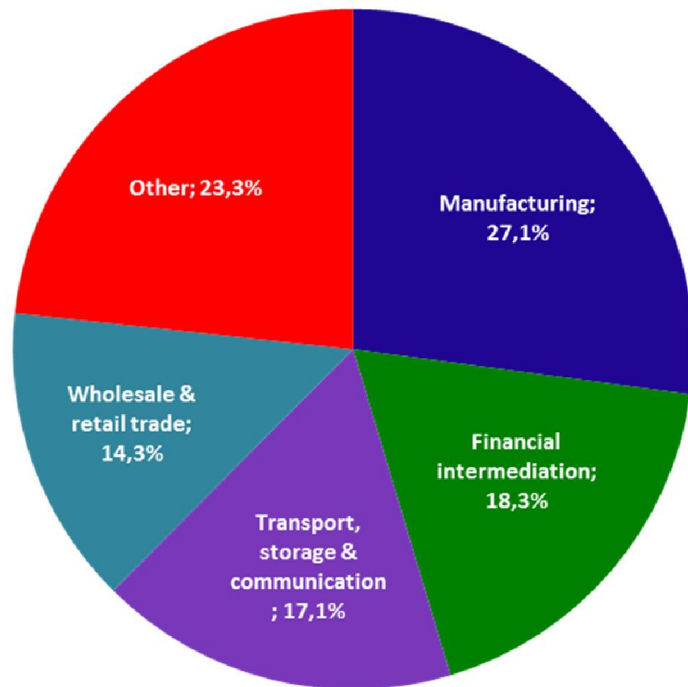
Source: Indicators are based on the compilations of OECD and Turkstat data



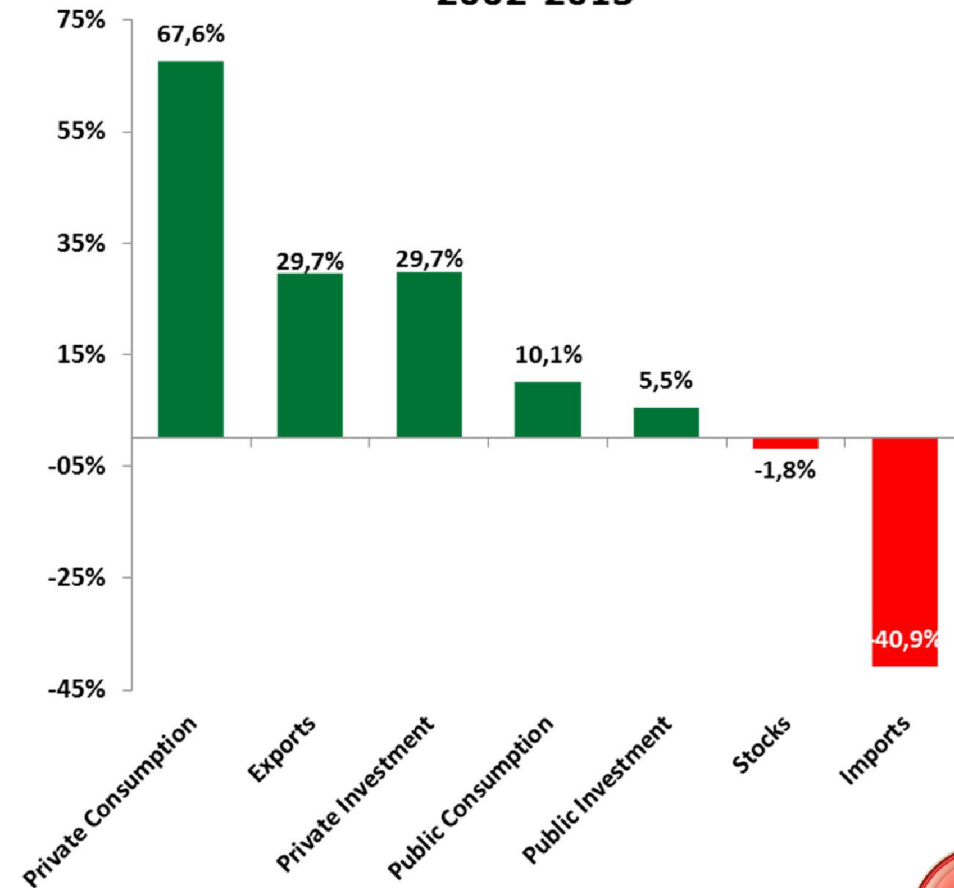
Main Drivers of the Economic Growth

An economy driven by entrepreneurial spirit of private sector, robust domestic market and lucrative export opportunities

Contribution to Real GDP Growth 2002-2013

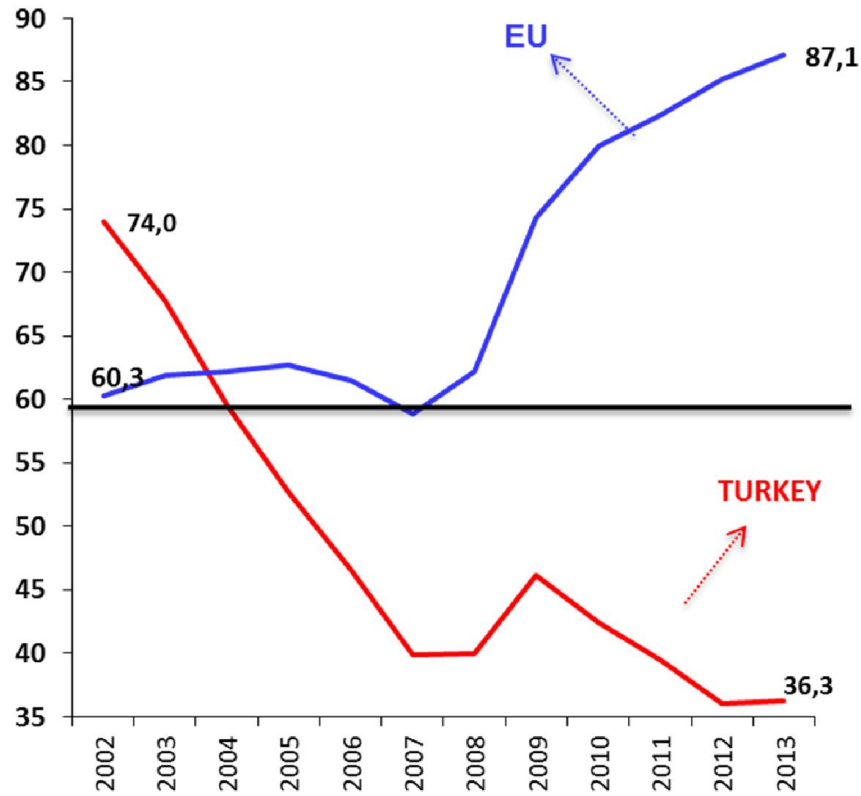


Contribution to Real GDP Growth 2002-2013



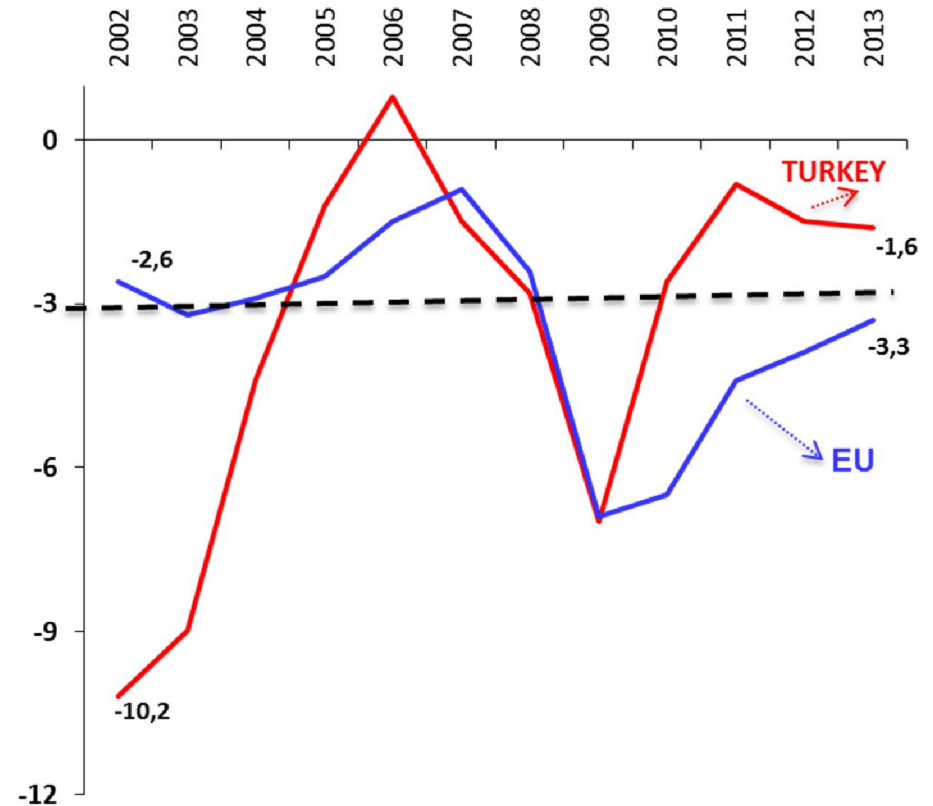
Strong Fiscal Position

Gross Public Debt Stock (% of GDP)



— Maastricht Criteria: 60 %

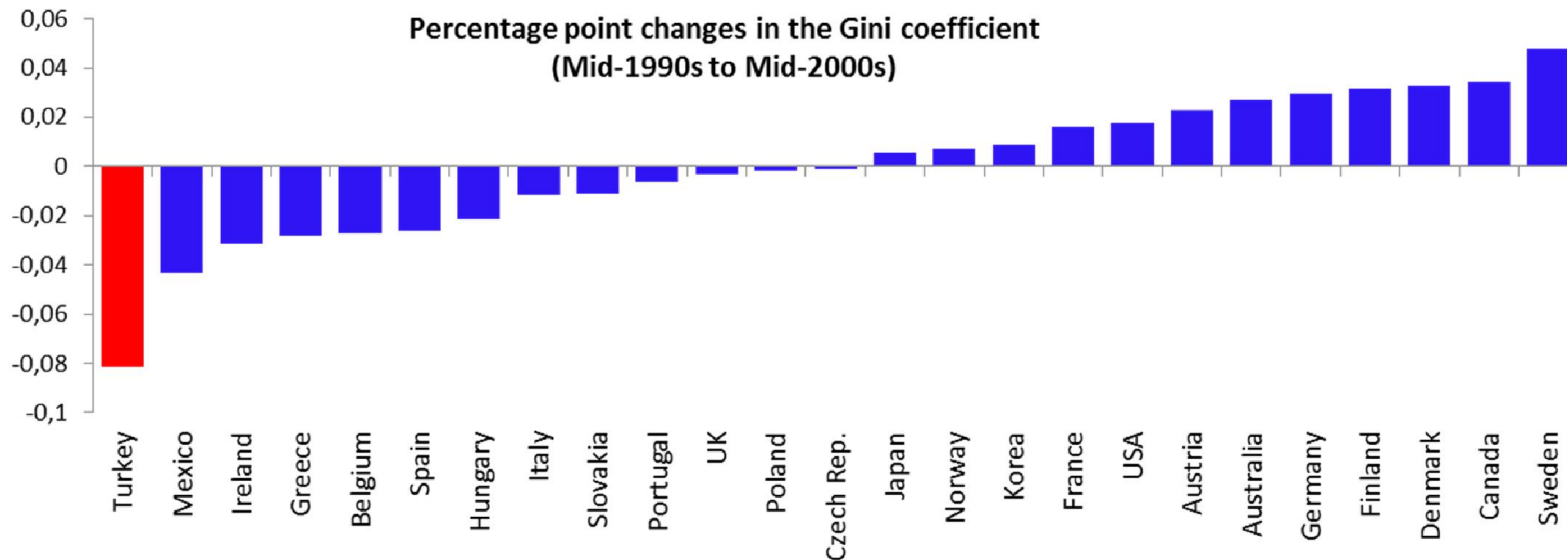
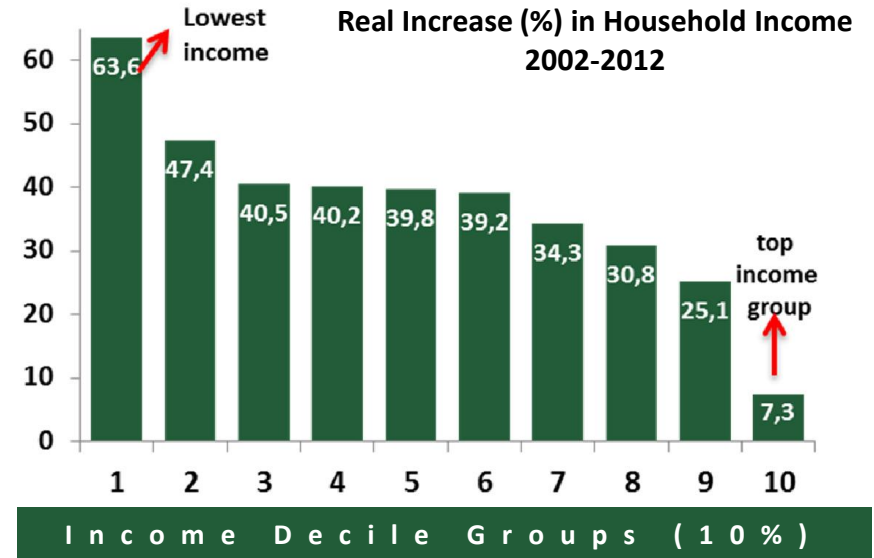
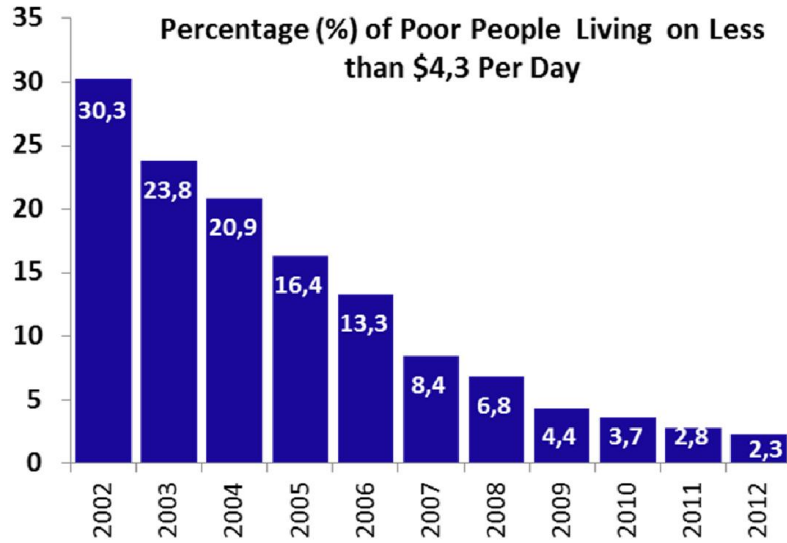
Central Government Budget Balance (% of GDP)



- - - Maastricht Criteria: -3 %



Fighting Poverty and Decreasing Inequality

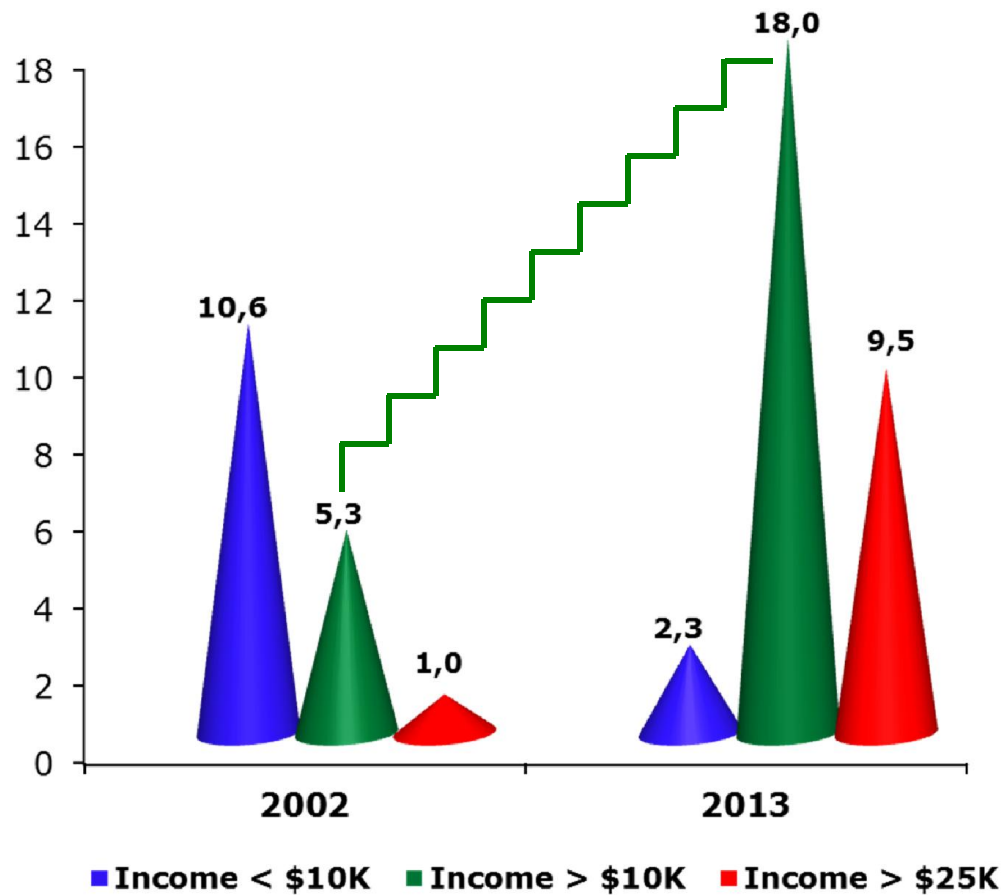


Source: TURKSTAT, OECD

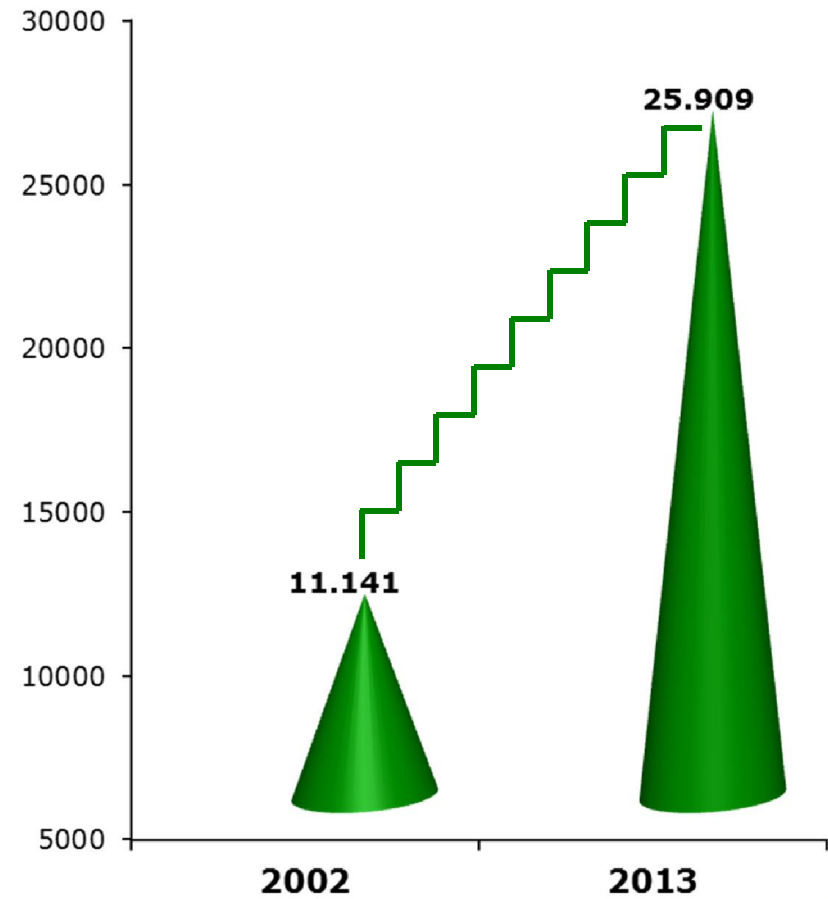


Rise of the Middle-Class

Number of Households by Annual Disposable Income (million)



Wealth per Adult (\$)



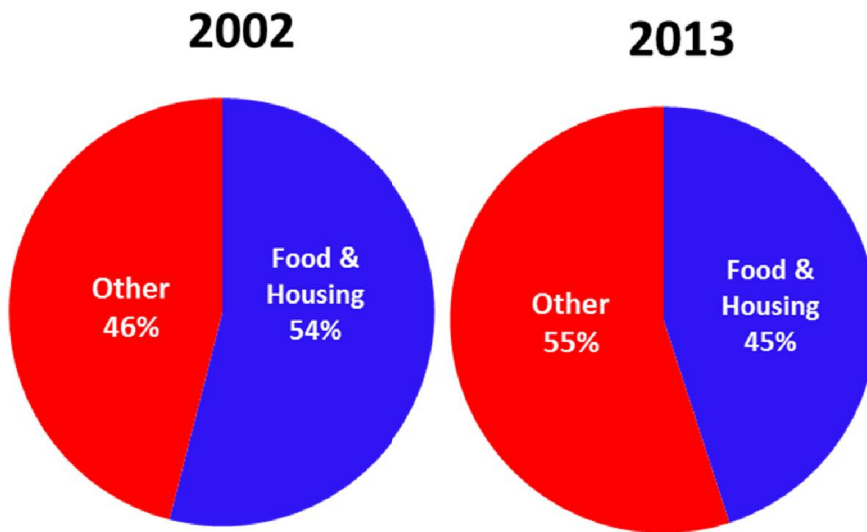
Source: Euromonitor International; Credit Suisse, Adults are defined to be individuals aged 20 or above



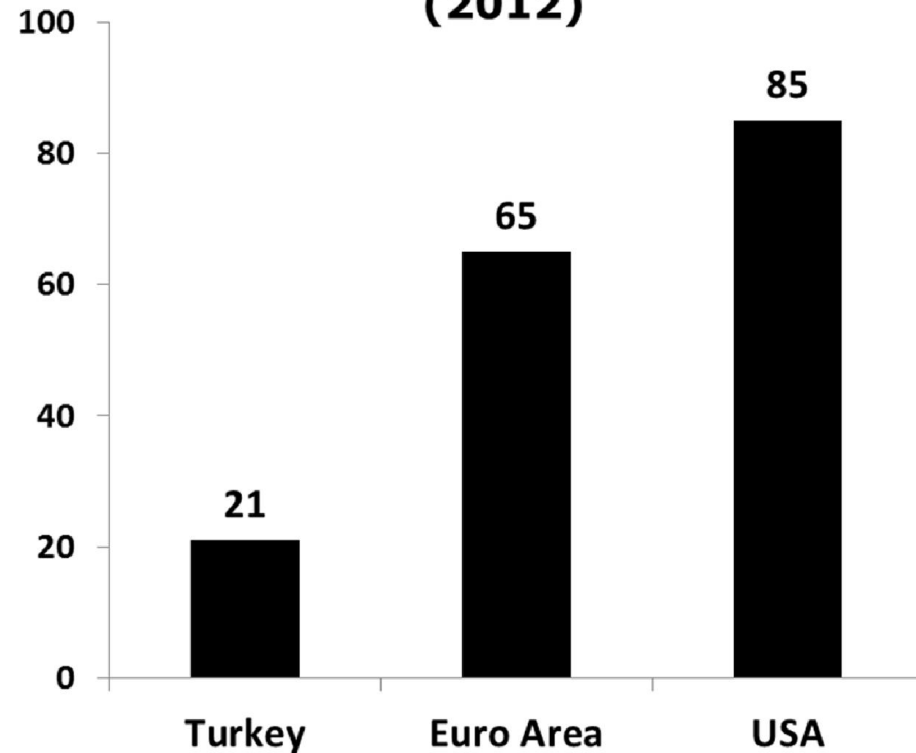
Change In Consumption Culture

Changing consumption culture with increasing purchasing power and lower liabilities

Allocation of Household Consumption Expenditures (%)

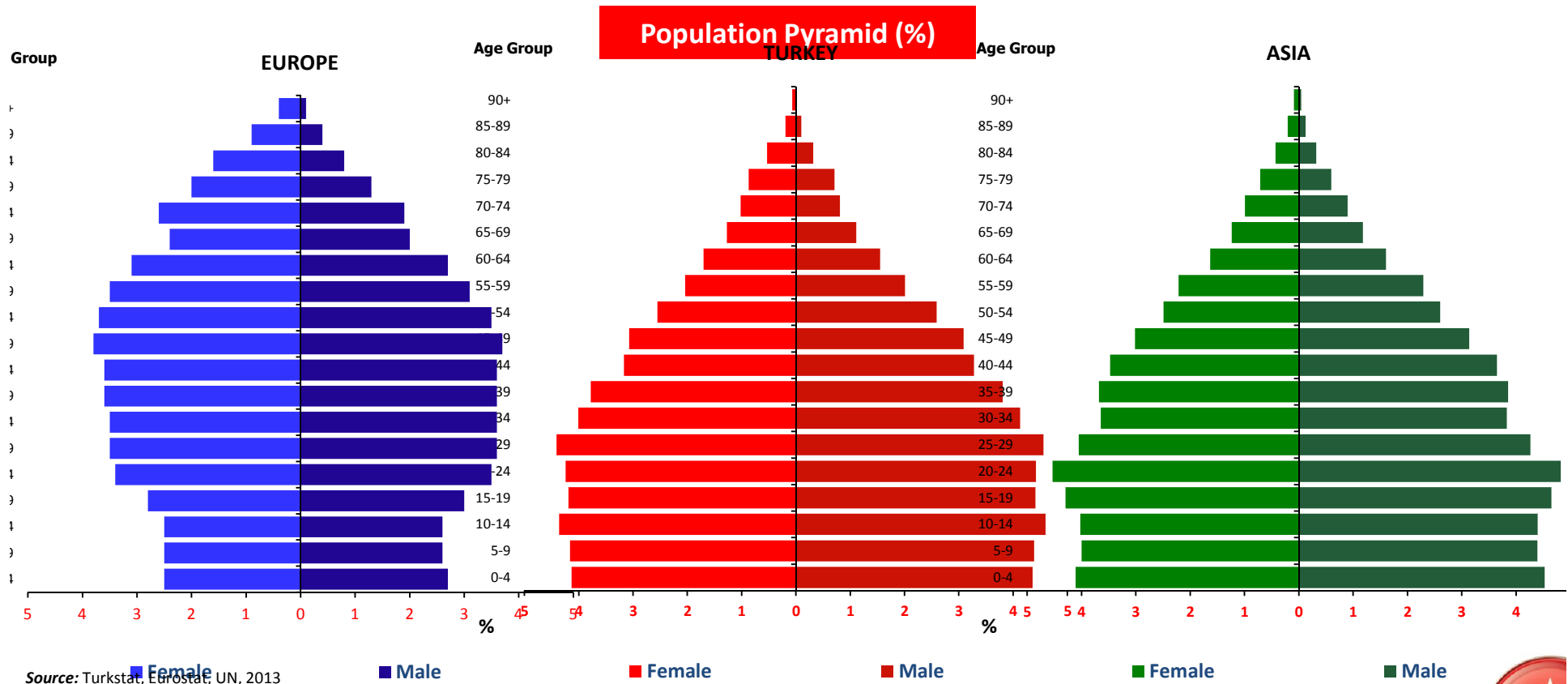


Household Liability % of GDP (2012)



Favorable Demographics

77 million young & dynamic people



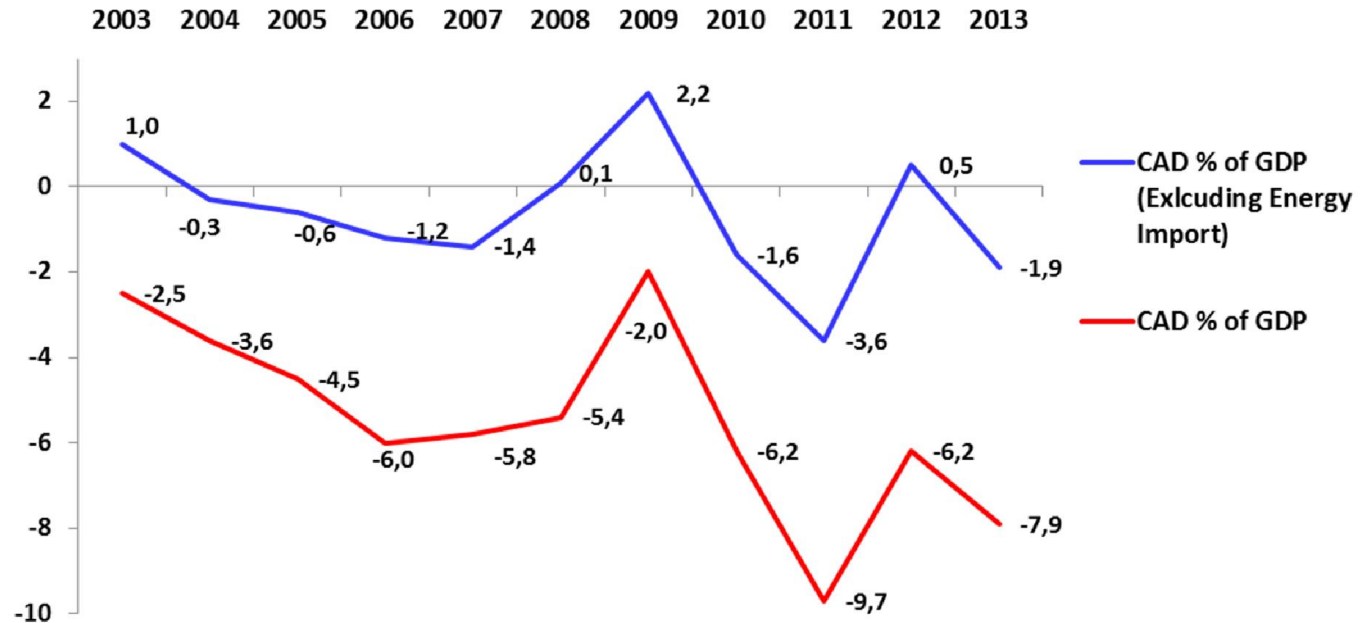
Largest youth population as compared to EU; half of the population is under age 30



Current Account Deficit

The main causes of CAD:

- Trade deficit
 - Energy import
- Low saving



Measures

- ✓ FDI to finance CAD
- ✓ Incentives for strategic investments to reduce trade deficit (lucrative tax deductions & exemptions)
- ✓ Incentives for private pension funds (to increase savings, 25% contribution by Treasury)
- ✓ Energy efficiency & diversification (use of native energy resources)
- ✓ Support R&D (to move up value chain)
- ✓ Export diversification (to increase export and reduce risks)



Current Account Deficit : Export Diversification

Product & Market Diversification of Exports

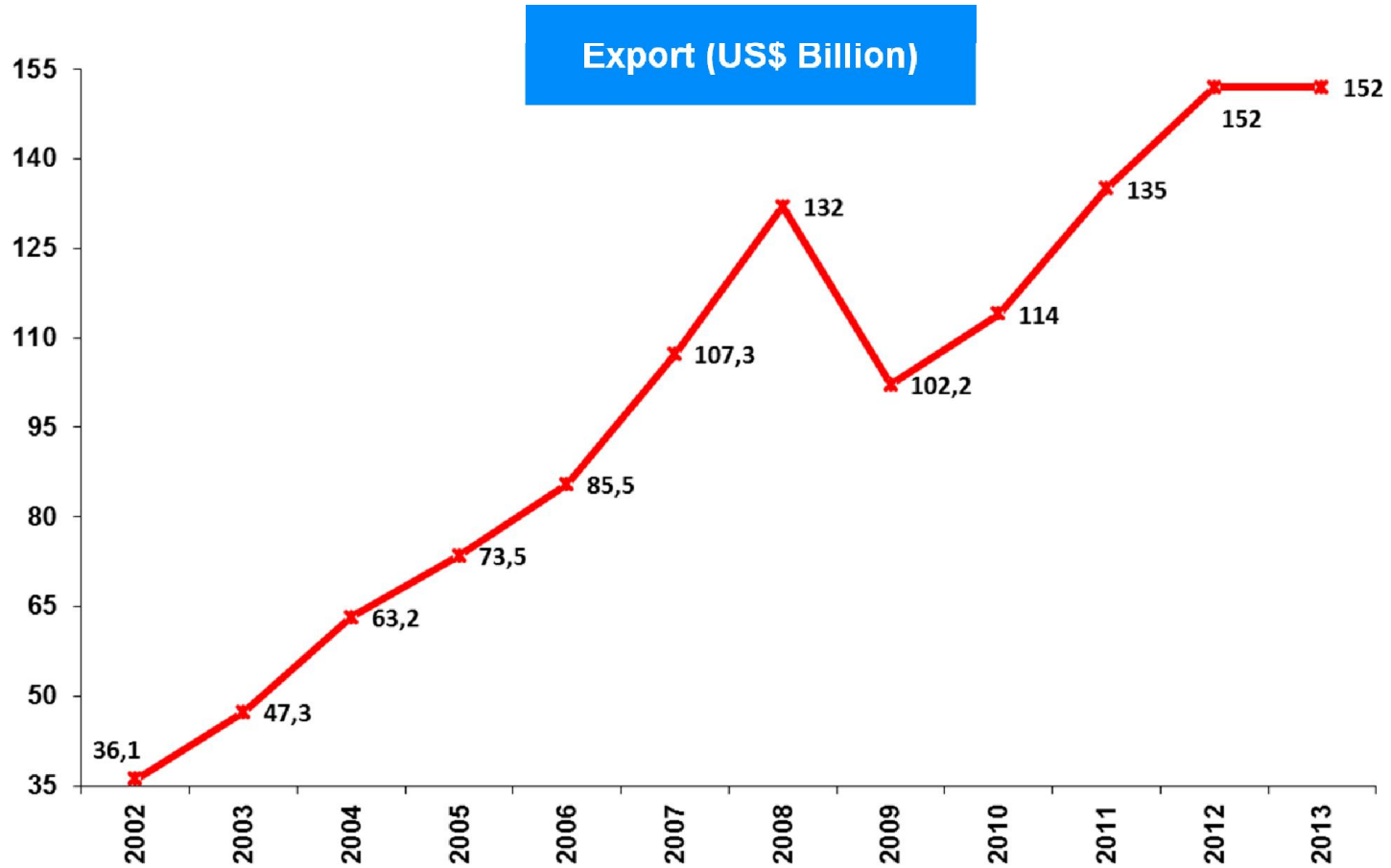
	2002	2013
Number of export products with over \$1 billion	9	35
Number of export markets with over \$1 billion	8	34
Share of top 5 countries in total exports (%)	47	32
Share of MENA in total exports (%)	13	30
Share of North America in total exports (%)	10	4
Share of EU in total exports (%)	57	42

Source: TURKSTAT, Products with 2-digit HS Codes, EU includes 27 countries (new members in 2004 were included in 2002 figures)

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Increasing Exports



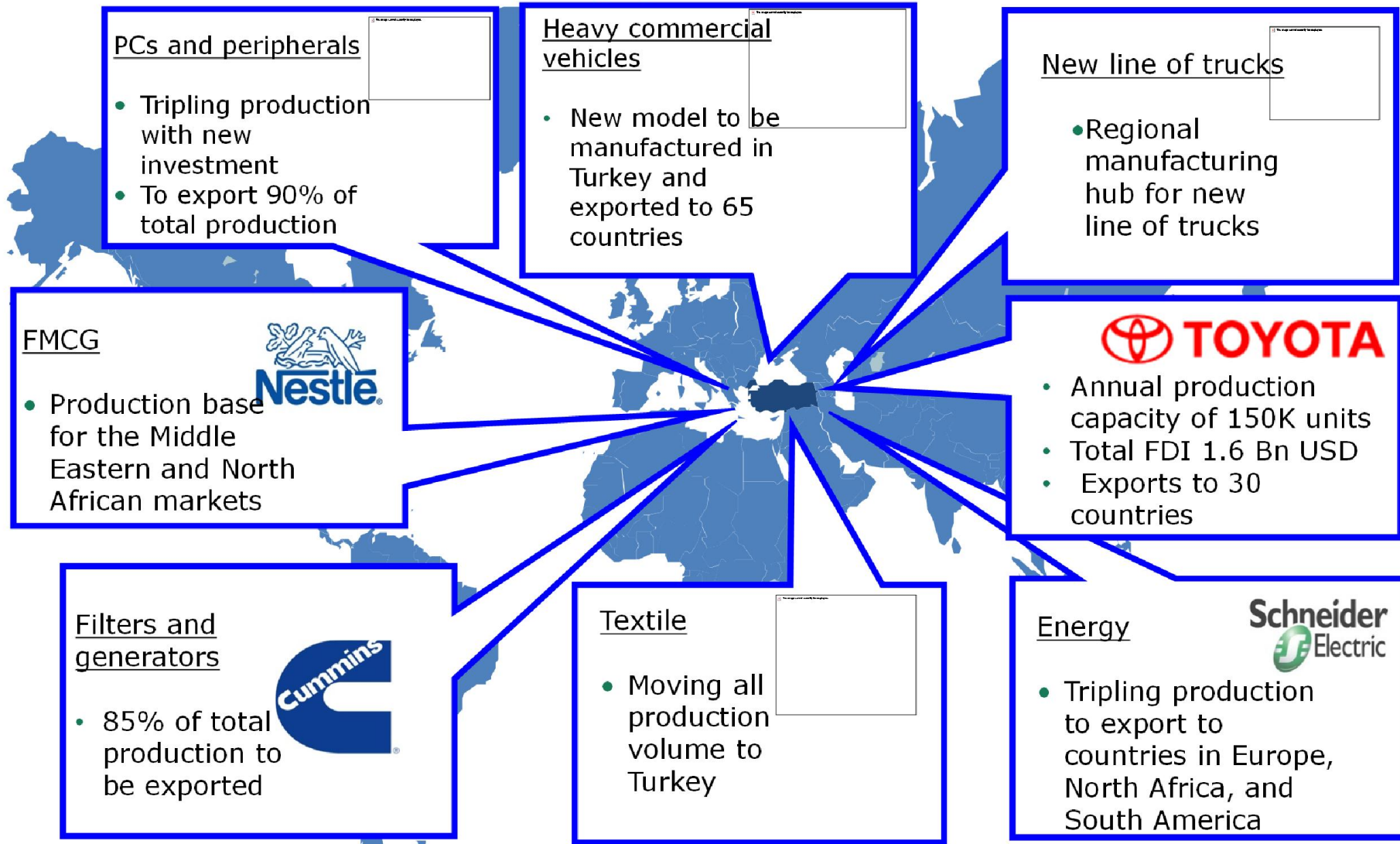
Turkey is located in the center of the most promising markets of the World



You can access to multiple markets from Turkey

(Total 56 Nations, 1,5 Billion People \$ 23 Trillion GDP)

Turkey emerges as a regional manufacturing hub for many global firms



Turkey as Regional Hub

Multinational Company	Number of Countries Managed from Turkey
Coca Cola	90
GE Healthcare	80
Microsoft	76
Intel	67
Unilever	36
Verifone	30
Schneider Electric	27
BASF	22
Ericsson	22
Cargill	20
Pfizer	20
Volvo	18
PepsiCo	14
P&G	11
LG Electronics	9
Adobe	9



Structural Reforms

National Treatment



Freedom to Invest



Access to Real Estate



Protection Against Expropriation



International Arbitration



Employment of Expatriates



Guarantee of Transfers



The New Commercial Code

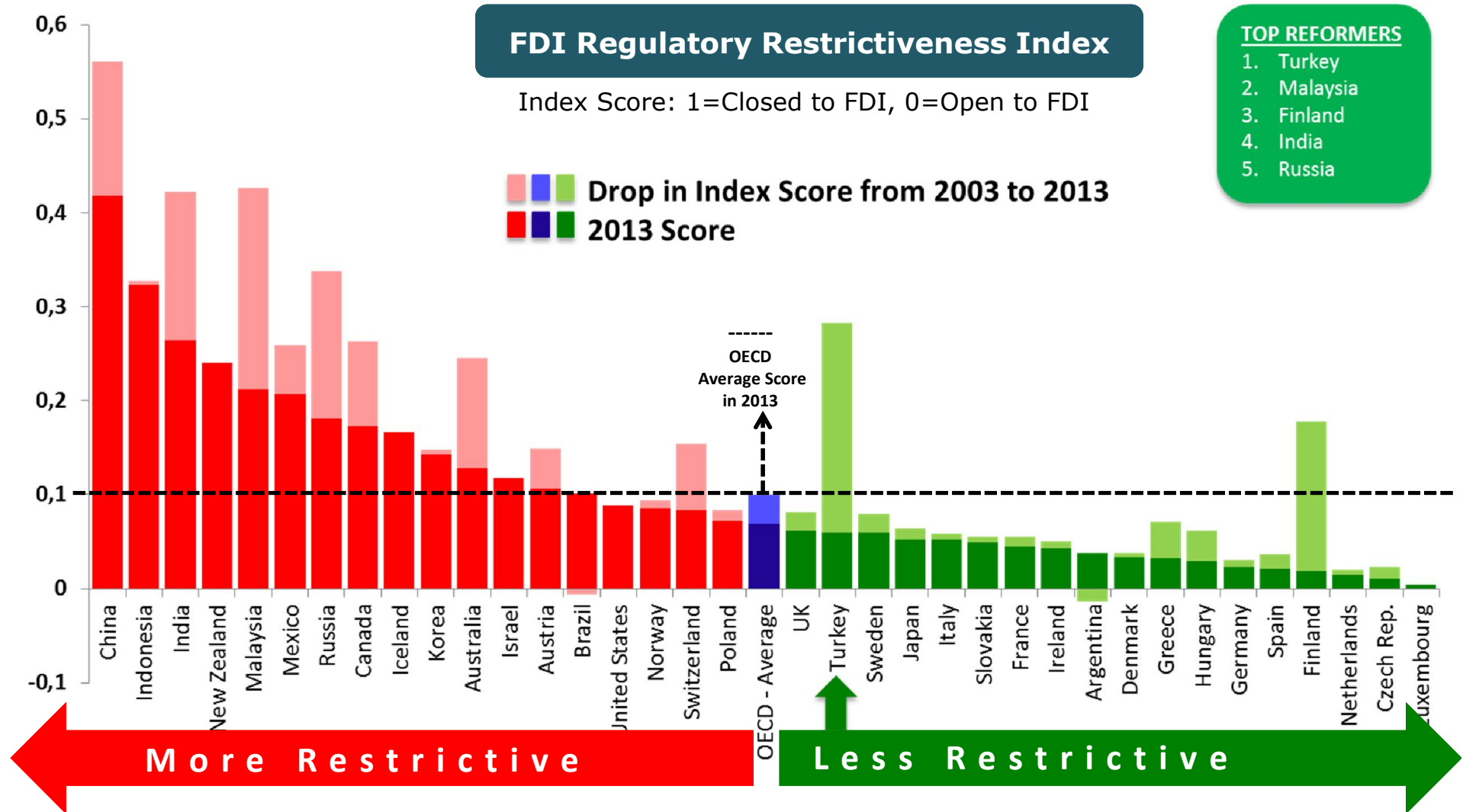


Corporate Income Tax

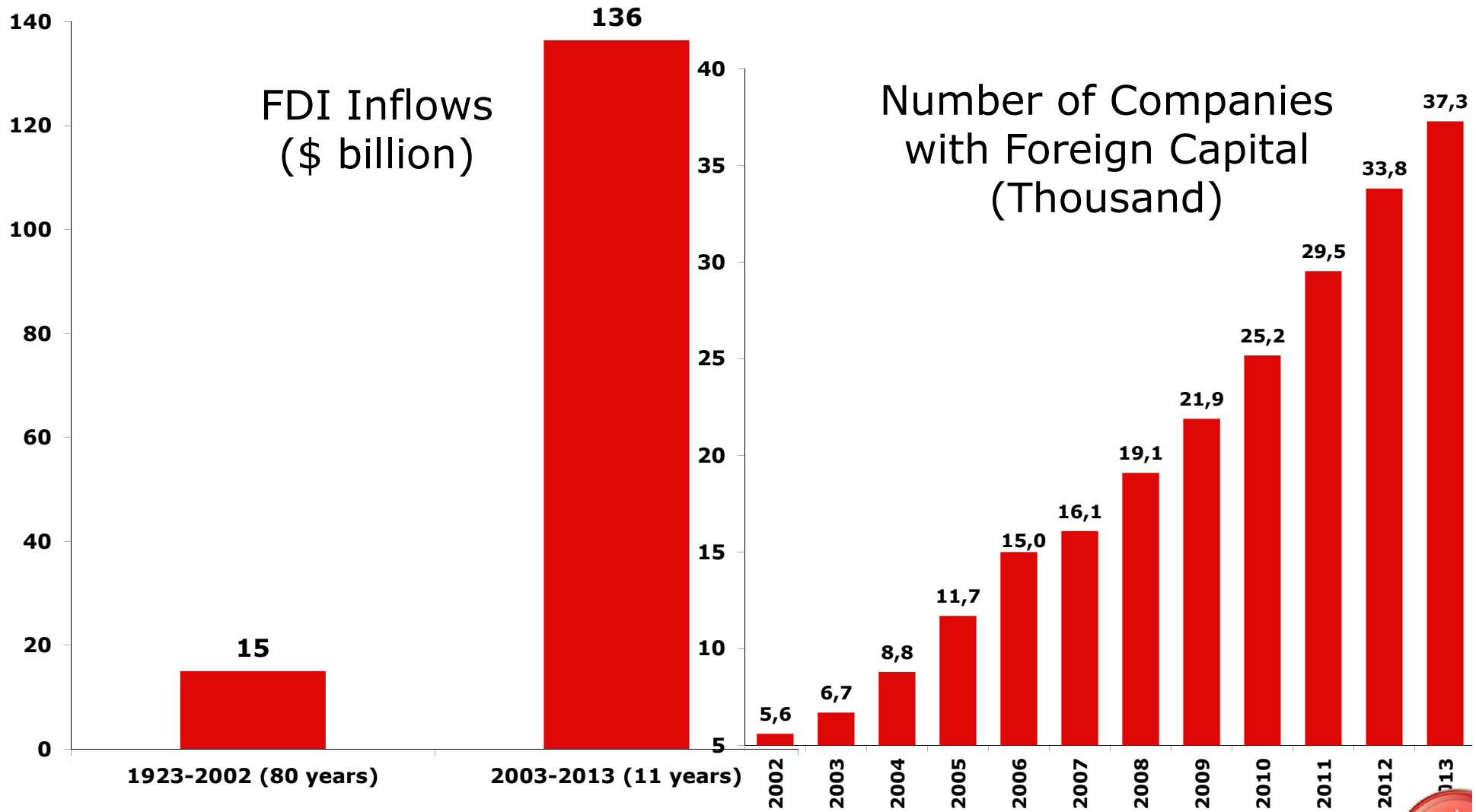
%20



Turkey has emerged as the biggest reformer



FDI inflows to Turkey



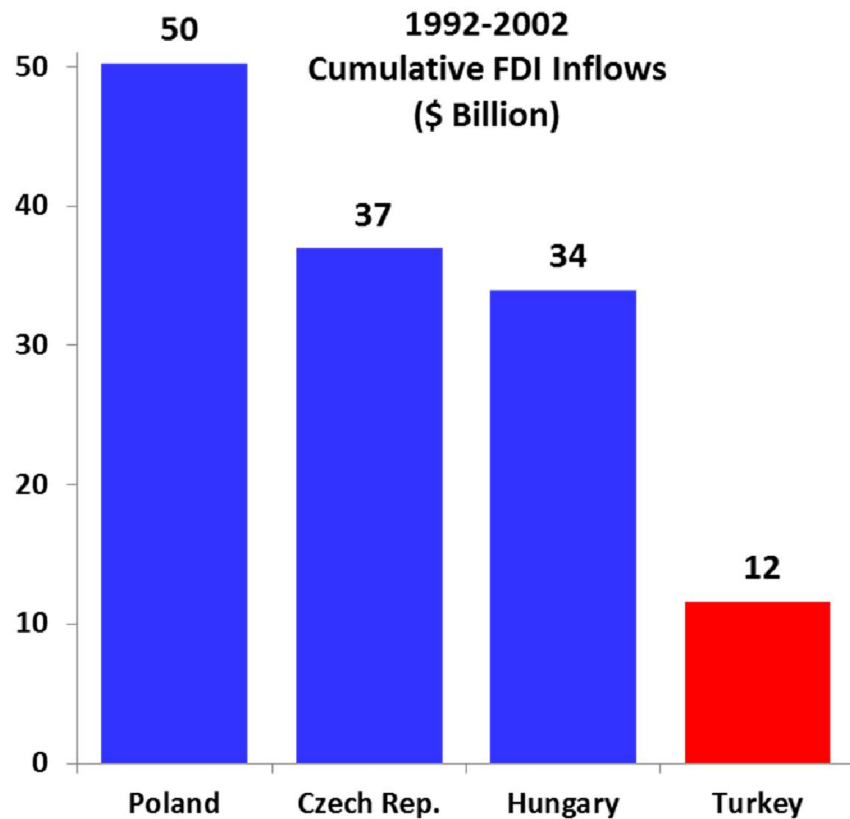
Source: The Central Bank of Turkey, Ministry of Economy

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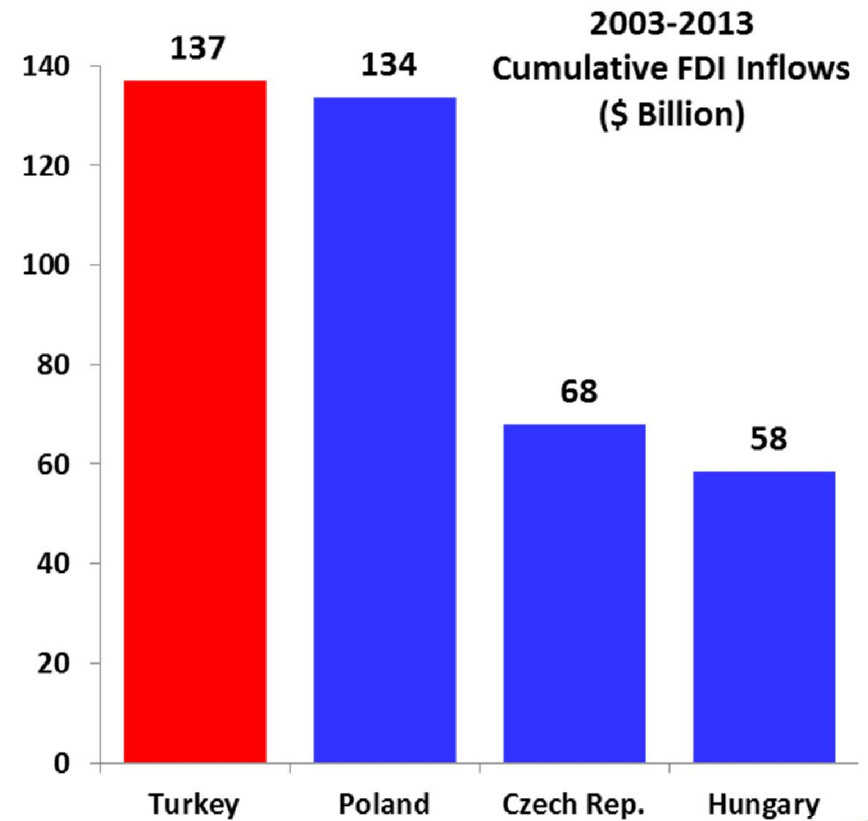


Remarkable Performance in Attracting FDI

Turkey was lagging way behind competitors



But now, Turkey is outperforming all of them



Source: National Sources

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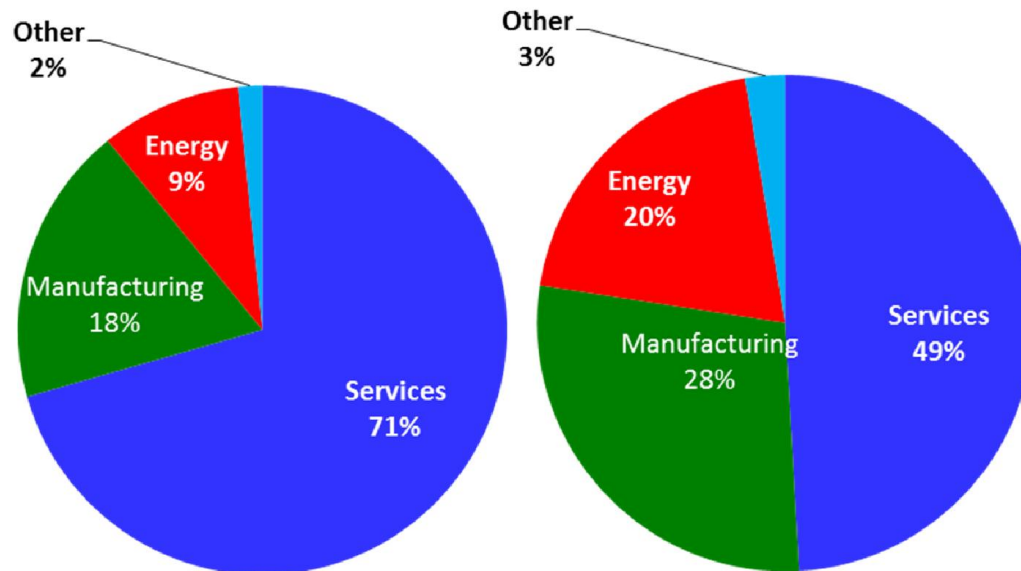


Turkey has successfully diversified FDI in terms of sectors and quality

Sectoral Breakdowns of FDI Inflows (Equity Inflows)

2002-2010

2011-2014*



Most attractive services sectors:

Finance; ICT; Wholesale & Retail; Construction; Transportation & Storage; Real Estate; Healthcare; Professional, Scientific & Technical Activities; Admin. & Support Service; Accommodation & Food Service

Most attractive manufacturing sectors

- Food, Beverage & Tobacco
- Chemicals & Pharmaceutical
- Computers, Electronic-Electrical & Optical Equipment
- Metals
- Petrochemical
- Non-metallic mineral products
- Textile
- Rubber & Plastic
- Transport Equipment
- Machinery
- Pulp & Paper

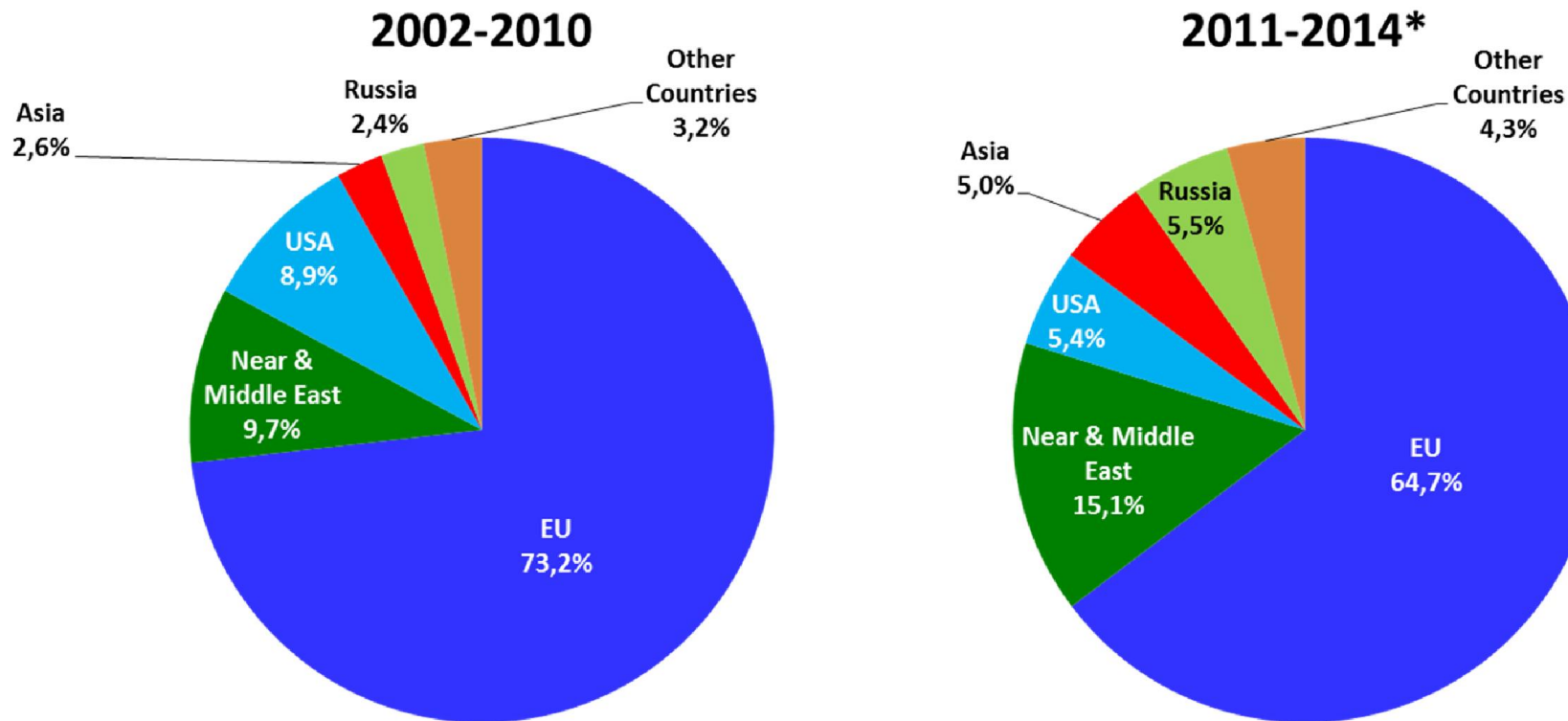


Geographic Diversification of FDI

Increasing Asian investment in Turkey led by Japan, Malaysia, India and Singapore

- Turkey has also successfully diversified FDI inflows in terms of geographic sources

Geographic Breakdowns of FDI Inflows to Turkey (Equity Inflows)



Investment Incentives In Turkey

- **New incentive system (General, Regional, Large-scale, Priority, Strategic Investment)**
 - ✓ Reduced corporate tax rates
 - ✓ Social security premium support
 - ✓ Allocation of state land
 - ✓ Interest support
 - ✓ Withholding tax support

- **Investment Zones** (Technology Development Zones, Organized Industrial Zones, Free Zones)
 - ✓ Corporate and Personal Income Tax allowances
 - ✓ Exemption from custom duties
 - ✓ VAT exemption
 - ✓ Social Security Premiums Support

- **R&D and Innovation Support Law**
 - ✓ R&D allowances and Enhanced Tax allowances
 - ✓ Income Withholding Tax Deduction
 - ✓ Cash support for entrepreneurial scientists

- **Other R&D Support and Grant Programs**
 - ✓ TUBITAK-TEYDEB Program
 - ✓ TUBITAK Industry R&D Projects Support Program
 - ✓ Entrepreneur Support (KOSGEB / TEYDEB)

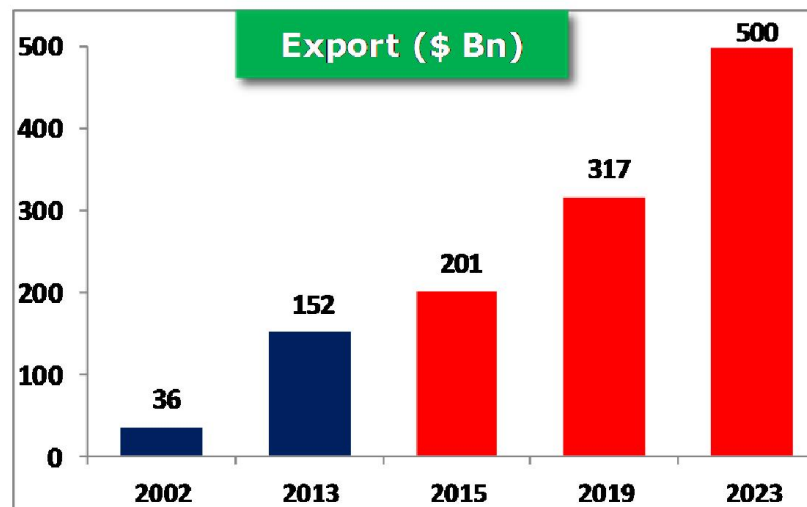
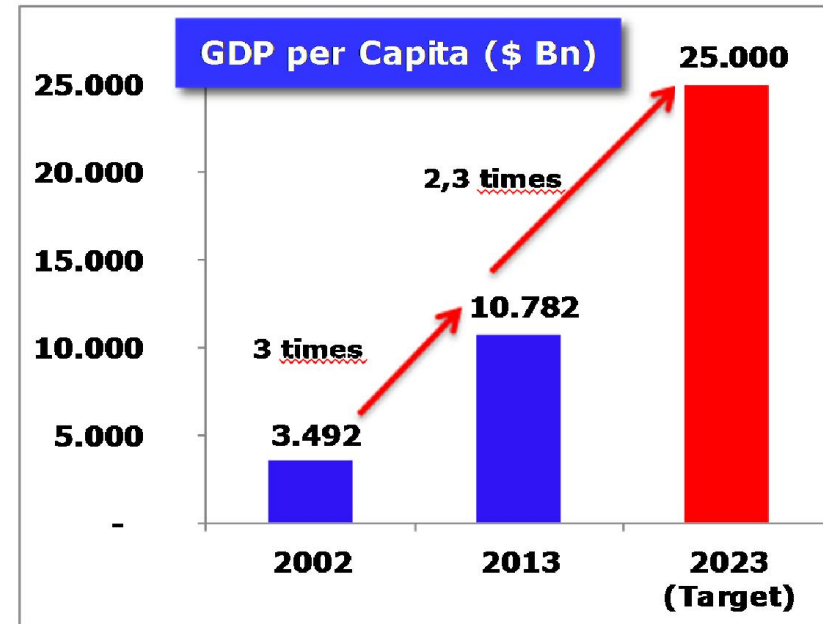
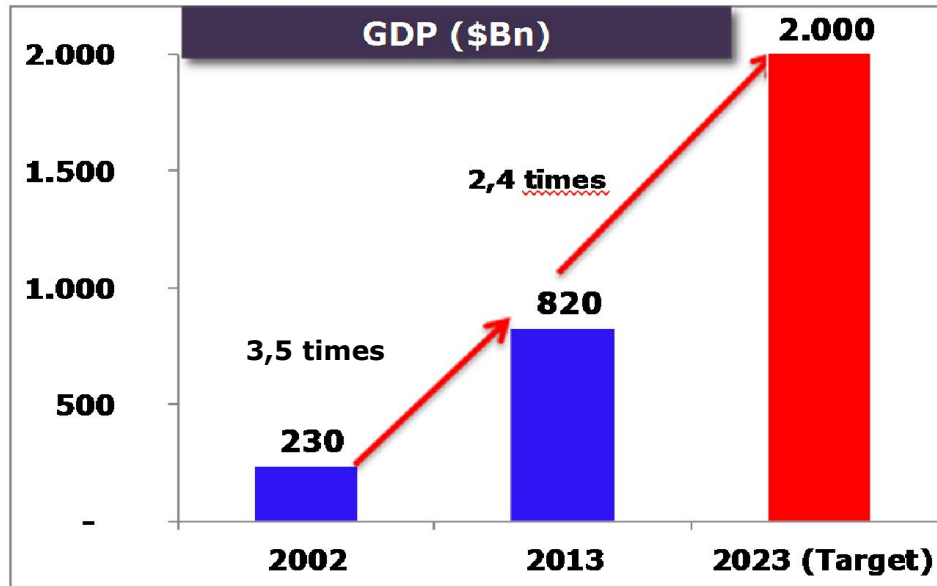


Turkey

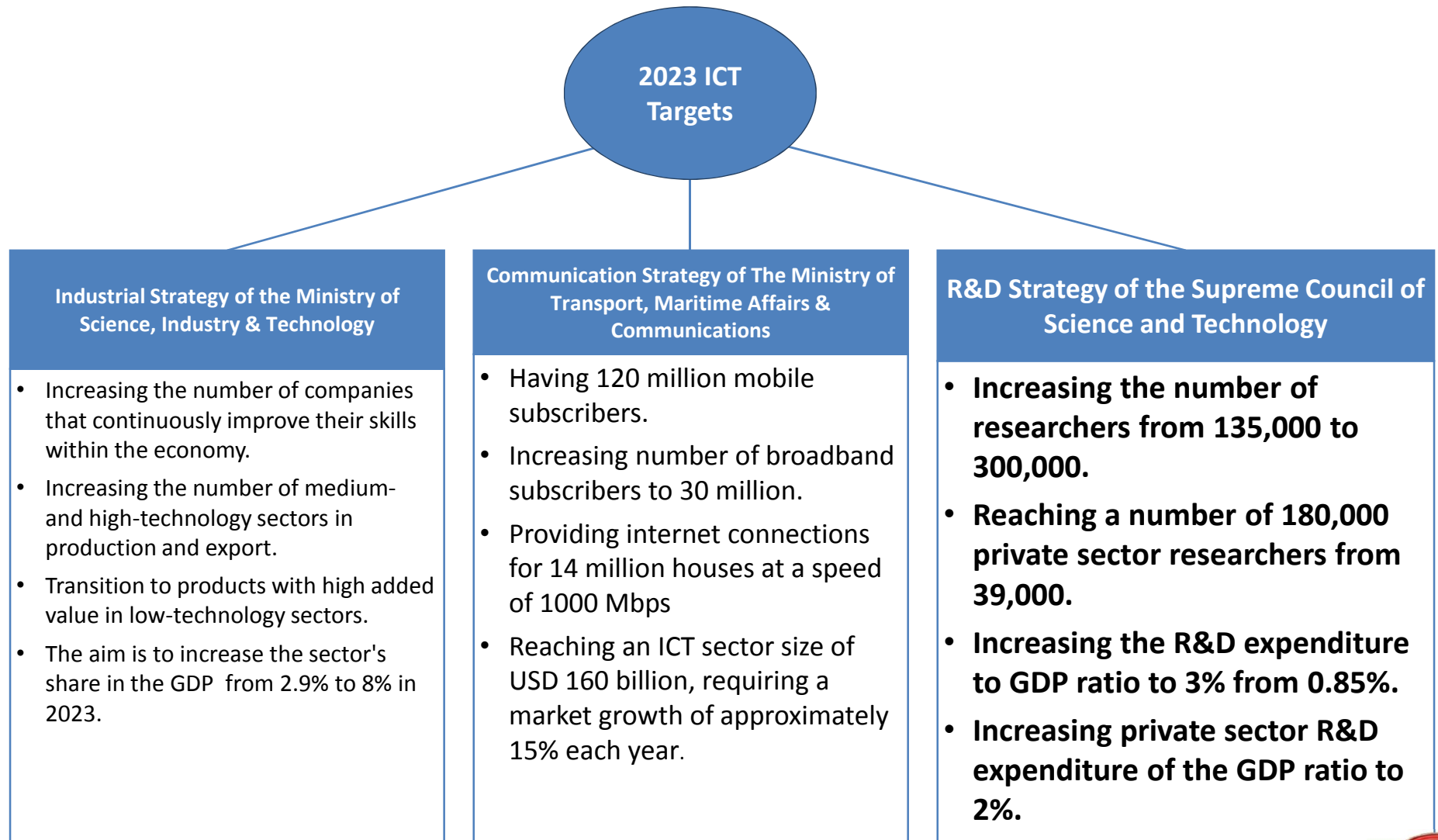
Vision 2023



Turkey's vision for 2023

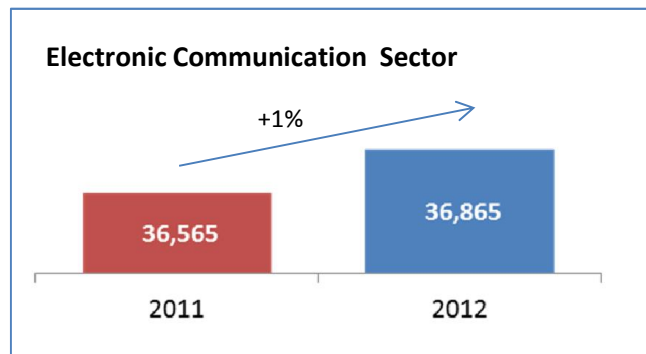
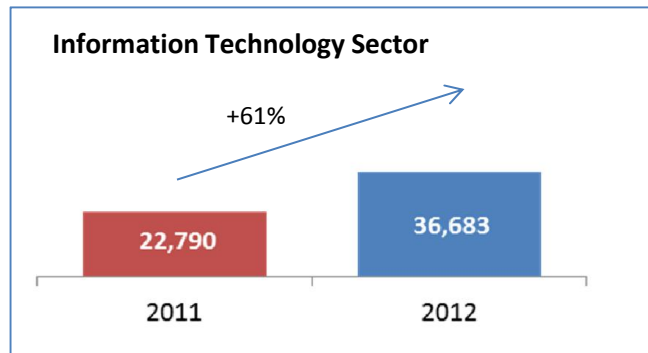


Turkey's public agencies set ambitious goals in 2011 to ensure Turkey becomes an information society with a fully developed ICT sector by 2023

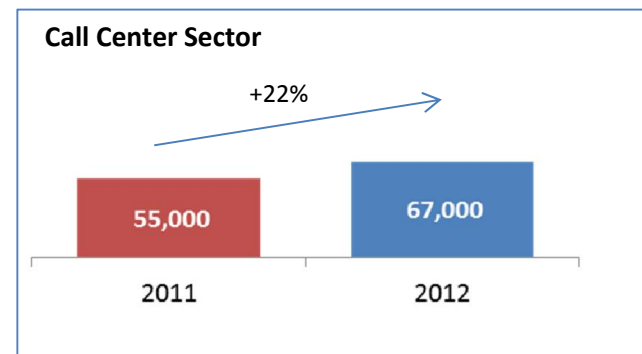
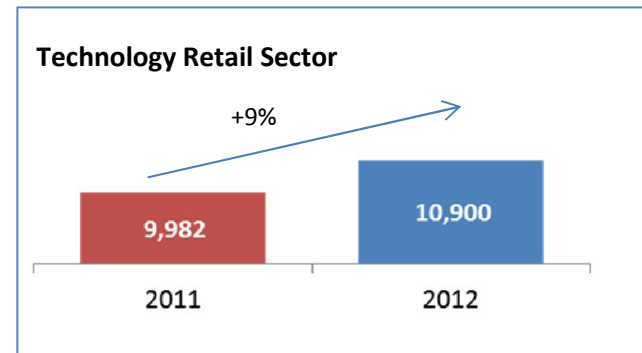
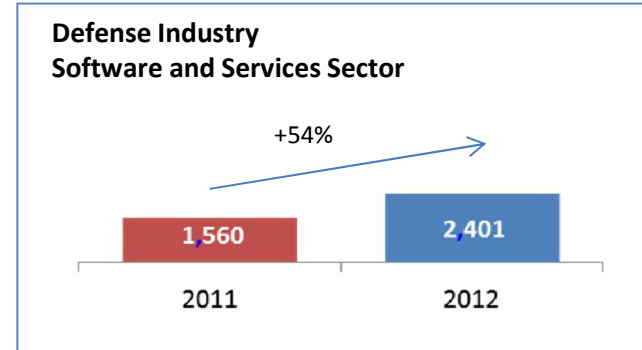


Employment in the ICT sector is increasing in Turkey

- The Turkish ICT market is growing and that growth is reflected in the increase within the total employment within its sub-sectors.
- The call center sector and retail technology sector, which support the ICT services sector, require a large number of employees, the current total is 77,900 people employed.
- The annual increase in the number of employees in the information technology sector and defense industry software and services sector, which are 61% and 54%, respectively, is also noteworthy.

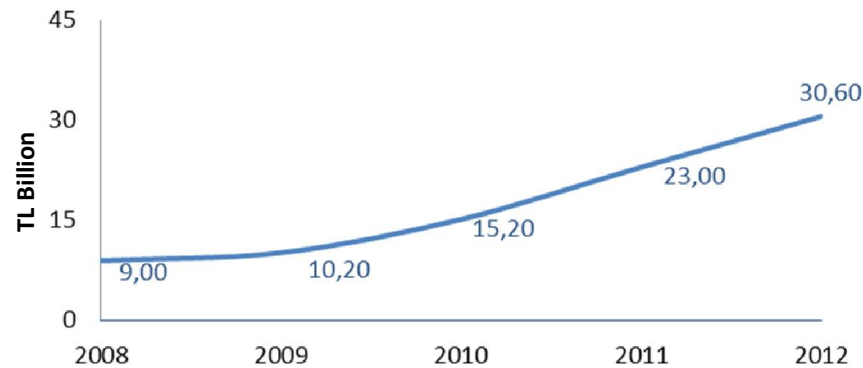


Source: TÜBISAD, ICT Market Data 2012

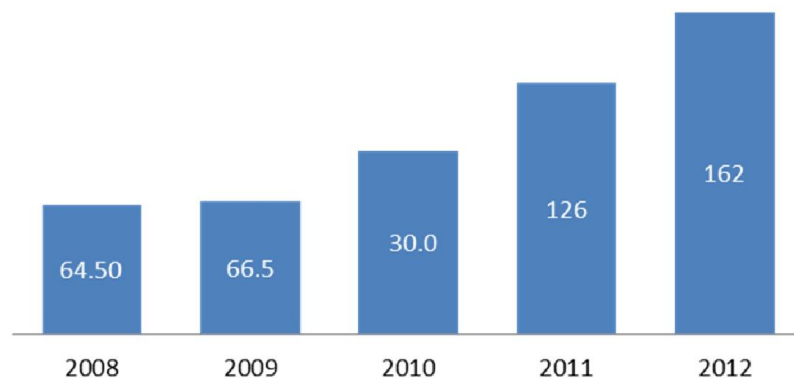


Growth in e-commerce is likely to continue because of the young & tech-savvy population

Size of E-Commerce Market*

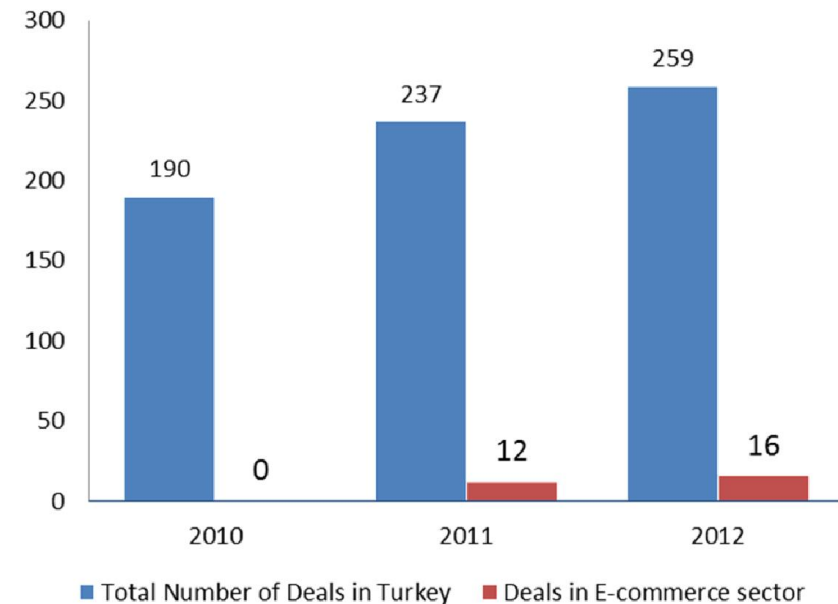


Volume of Transactions (in Millions)



Number of M&A Deals

Source: Deloitte Analysis



Sources: Euromonitor, Interbank Card Center, Deloitte Analysis

f: forecast

* E-commerce market size includes transaction made via pos machine, therefore includes items such as tax, insurance etc



PE/VC Ecosystem



Recent Regulatory Updates

- Since February 2013, **Angel Investor** Licenses have been granted by the Treasury for “High Income” or “Experienced” individuals.
 - Angels are eligible for tax credits if they make investments through Accredited **Business Angel Networks** (BIC, Etohum, GBA, Keiretsu, SirketOrtagim...)
 - 10 Investments of total value close to 3million TL applied for tax credit (5 Ecommerce, 5 Software Development & Application) as of Sep-2014
 - Total 253 angel investors accredited by treasury as of Sep 2014

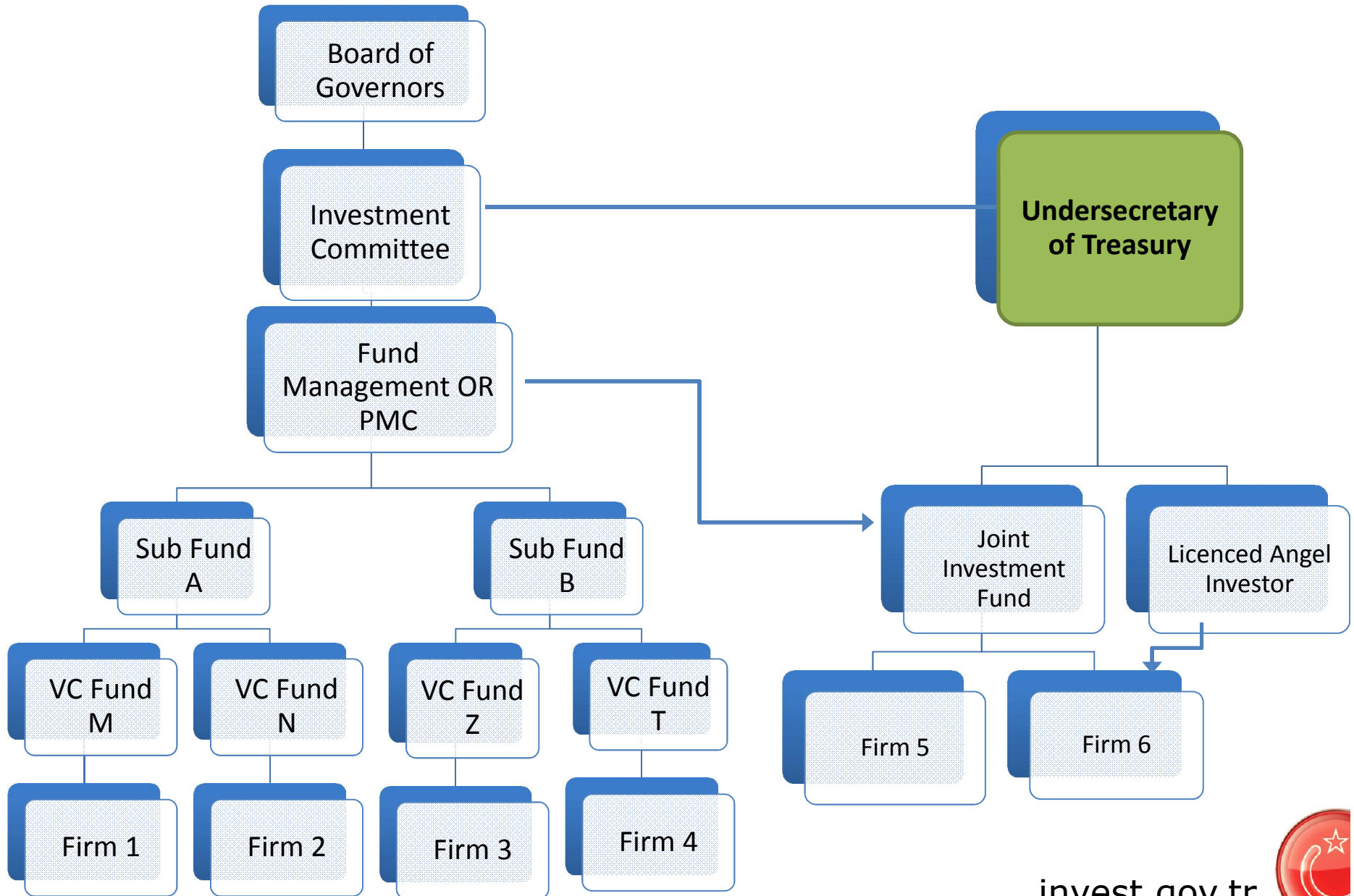


Recent Regulatory Updates

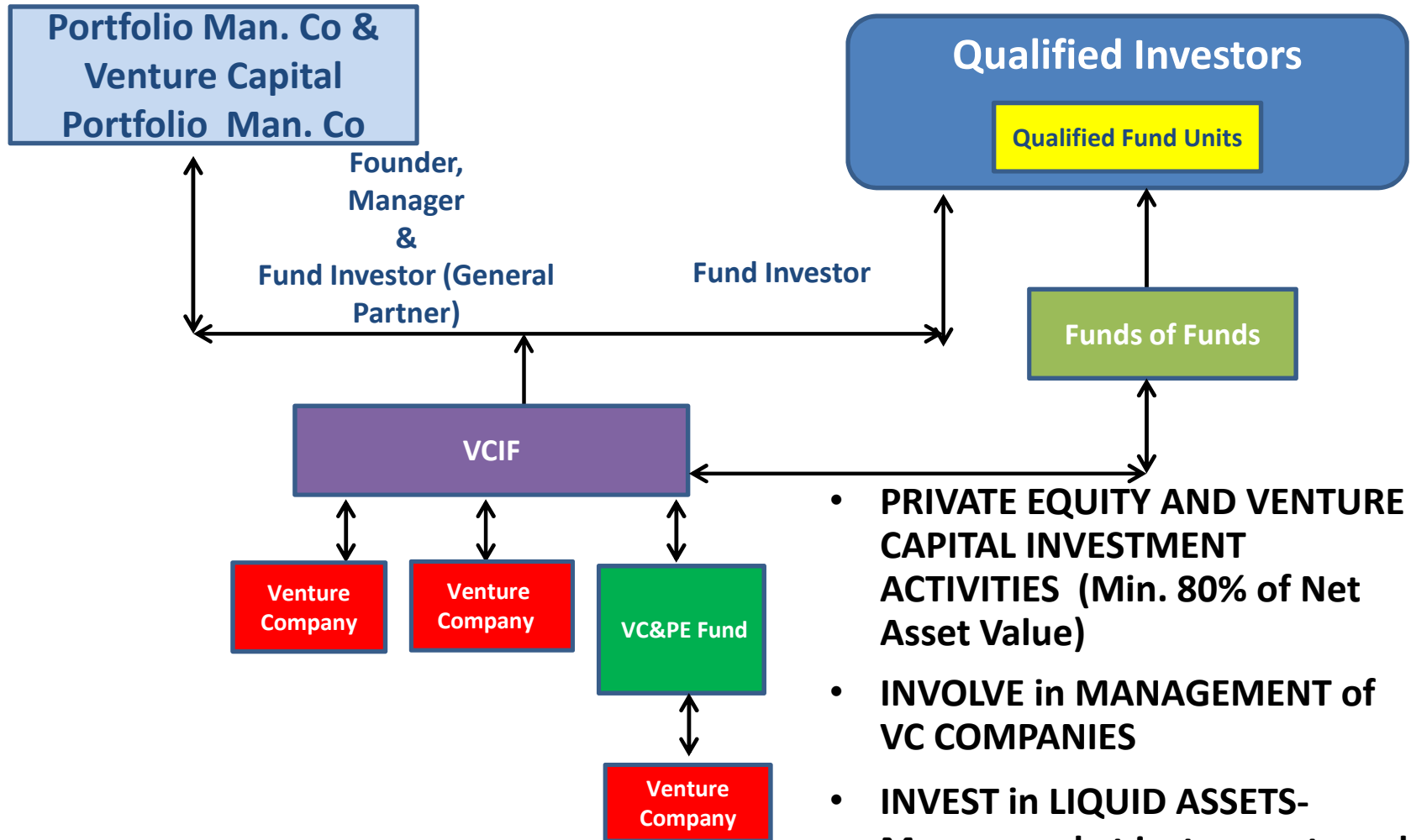
- The Communiqué on Principles of **Venture Capital Investment Company (VCIC)** became effective in October, 2013.
 - There are corporate tax and withholding tax exemptions for VCICs established in Turkey.
- Since July 2014, it is possible to establish **Venture Capital Investment Funds (VCIF)** in Turkey
 - Investment vehicles regulated by Capital Markets Board, (lighter requirement for portfolio management companies)
 - VCIFs are exempt from Corporate Tax
 - Corporate Tax exempted incomes of VCIF's are subject to 0% withholding tax.
 - There are certain tax exemption and incentives for QIs (Tax Subsidy- Private Equity Reserve, Income from VCIF Tax Exempt for Corporate Qis, Distributions are 0% withholding tax....)
- In August 2014, Treasury announced the eligibility criteria for its resource commitments to **Funds of Funds** established in line with the regulations became effective in March, 2014.



Treasury Role in Funds of Funds



VCIF Investment Model



- PRIVATE EQUITY AND VENTURE CAPITAL INVESTMENT ACTIVITIES (Min. 80% of Net Asset Value)
- INVOLVE in MANAGEMENT of VC COMPANIES
- INVEST in LIQUID ASSETS- Money market instruments and listed securities

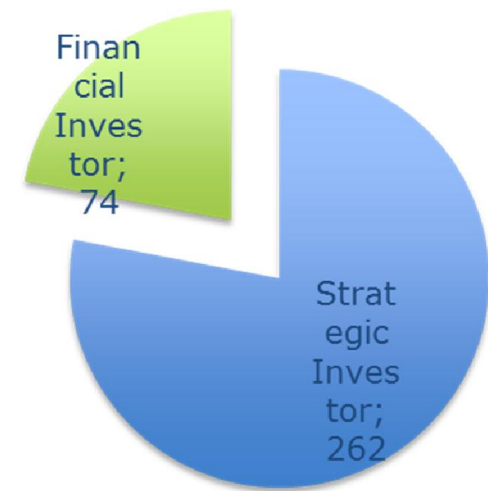


Private Equity Activity in Turkey

M&A Values 2006-2013

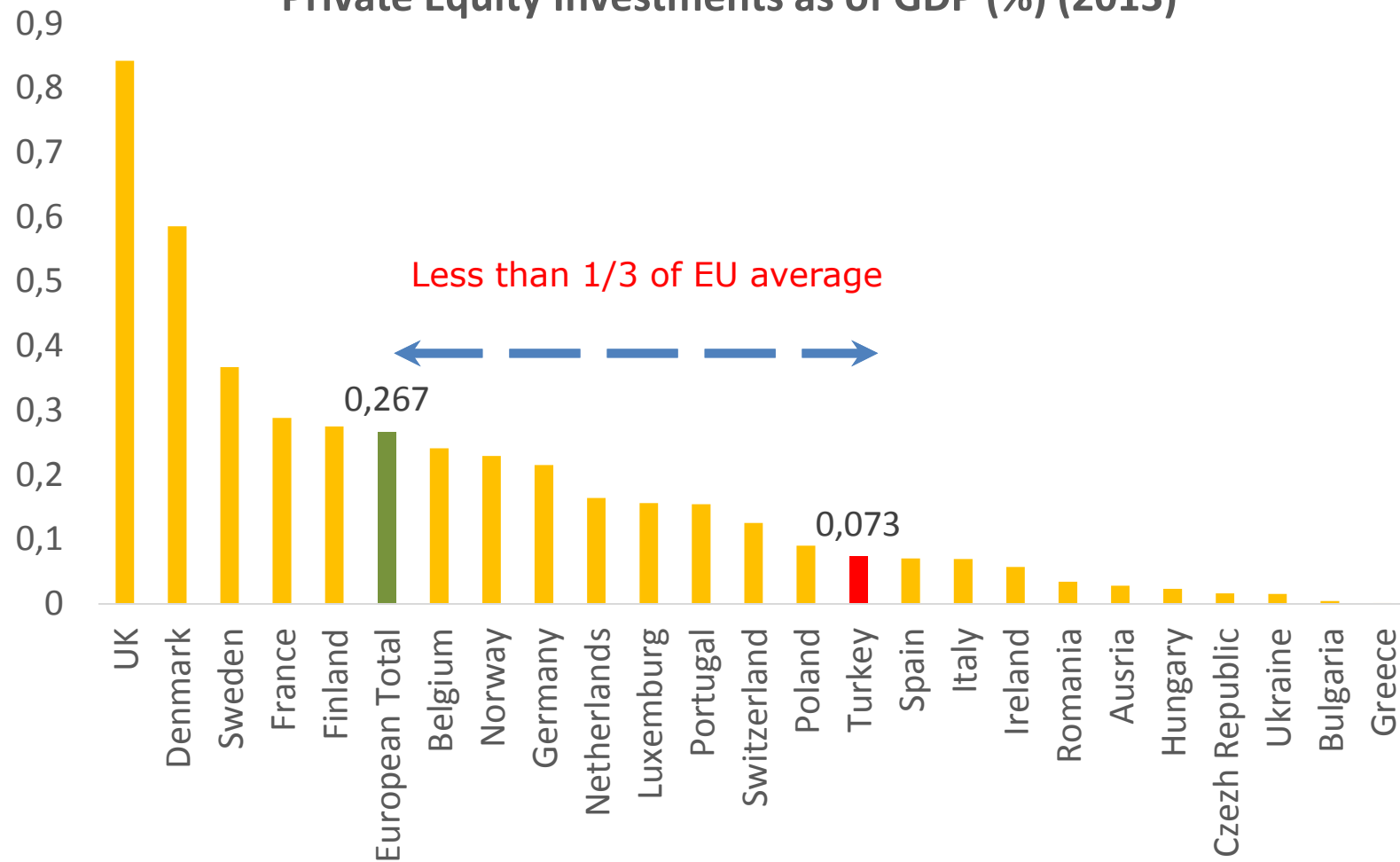


Number of Deals in 2013



Untapped PE Market

Comparison of European PE Markets Private Equity Investments as of GDP (%) (2013)



Source: EVCA 2013 and Merger Markets (Disclosed Values)



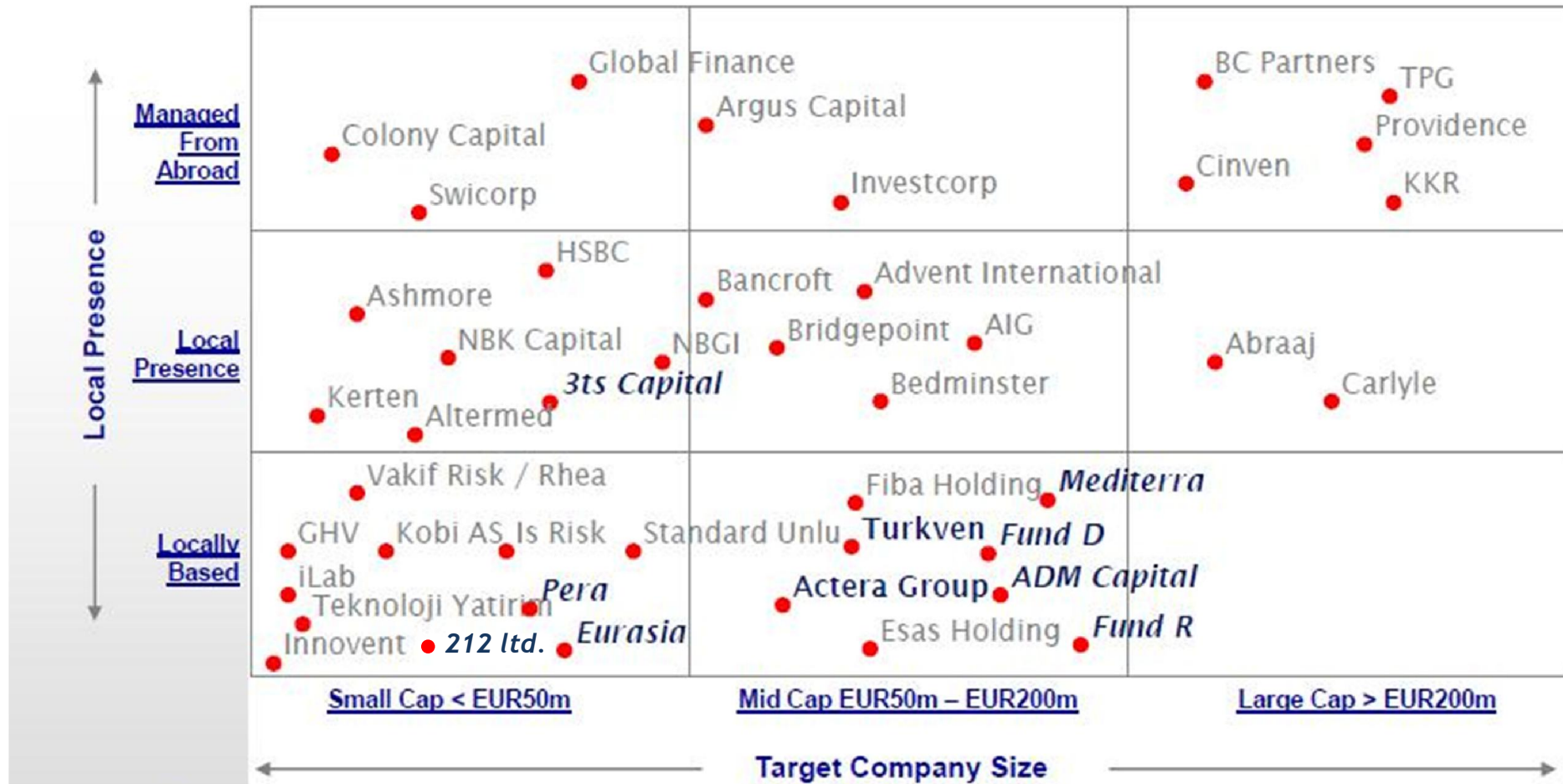
Turkey's PE/VC Scene in 2006

Only a bunch of small to mid cap local players back in 2006

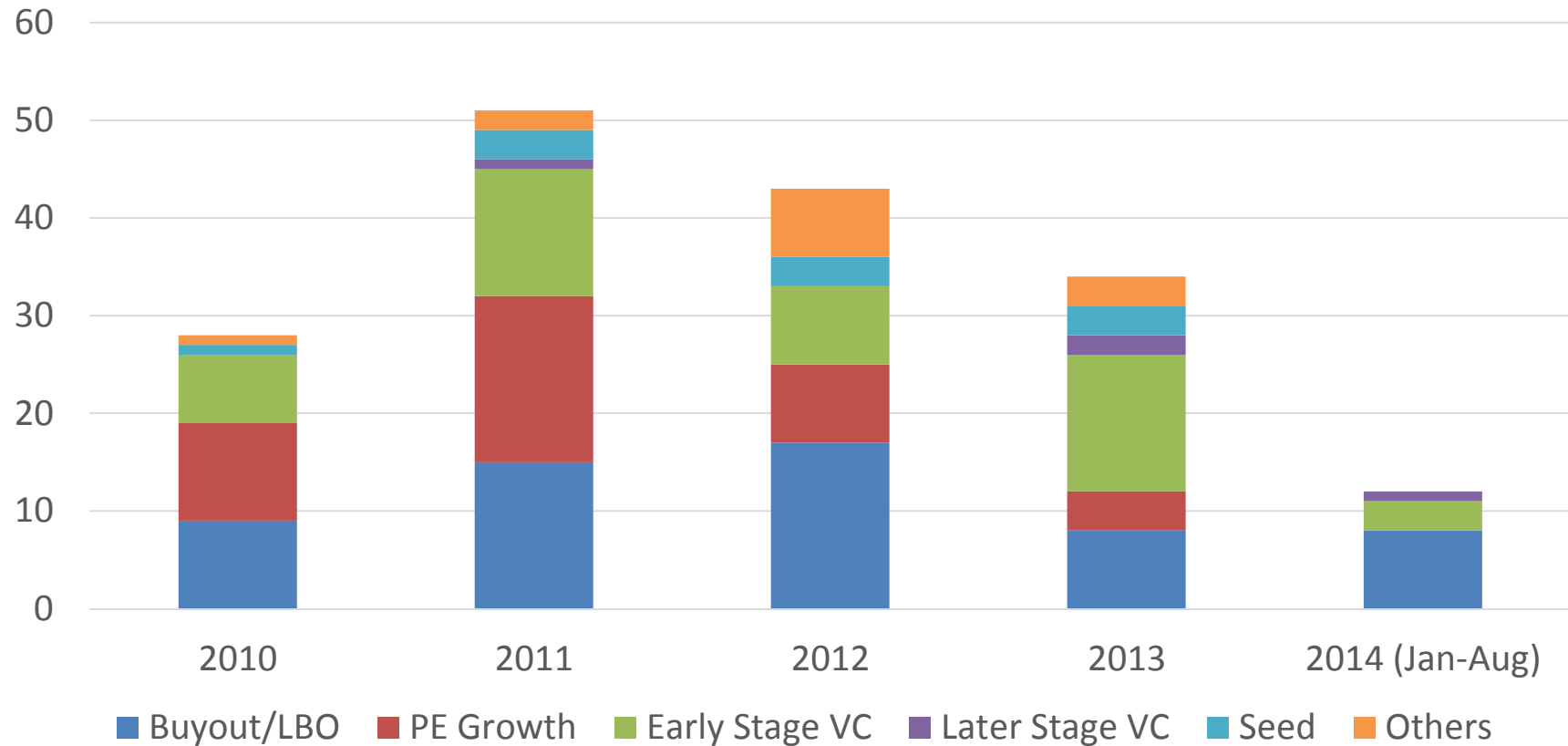


Turkey's PE/VC Scene in 2011

Growing international presence through direct and indirect investors



PE/VC Deals in the last 5 years *



* Figures are not official, data collected from press releases

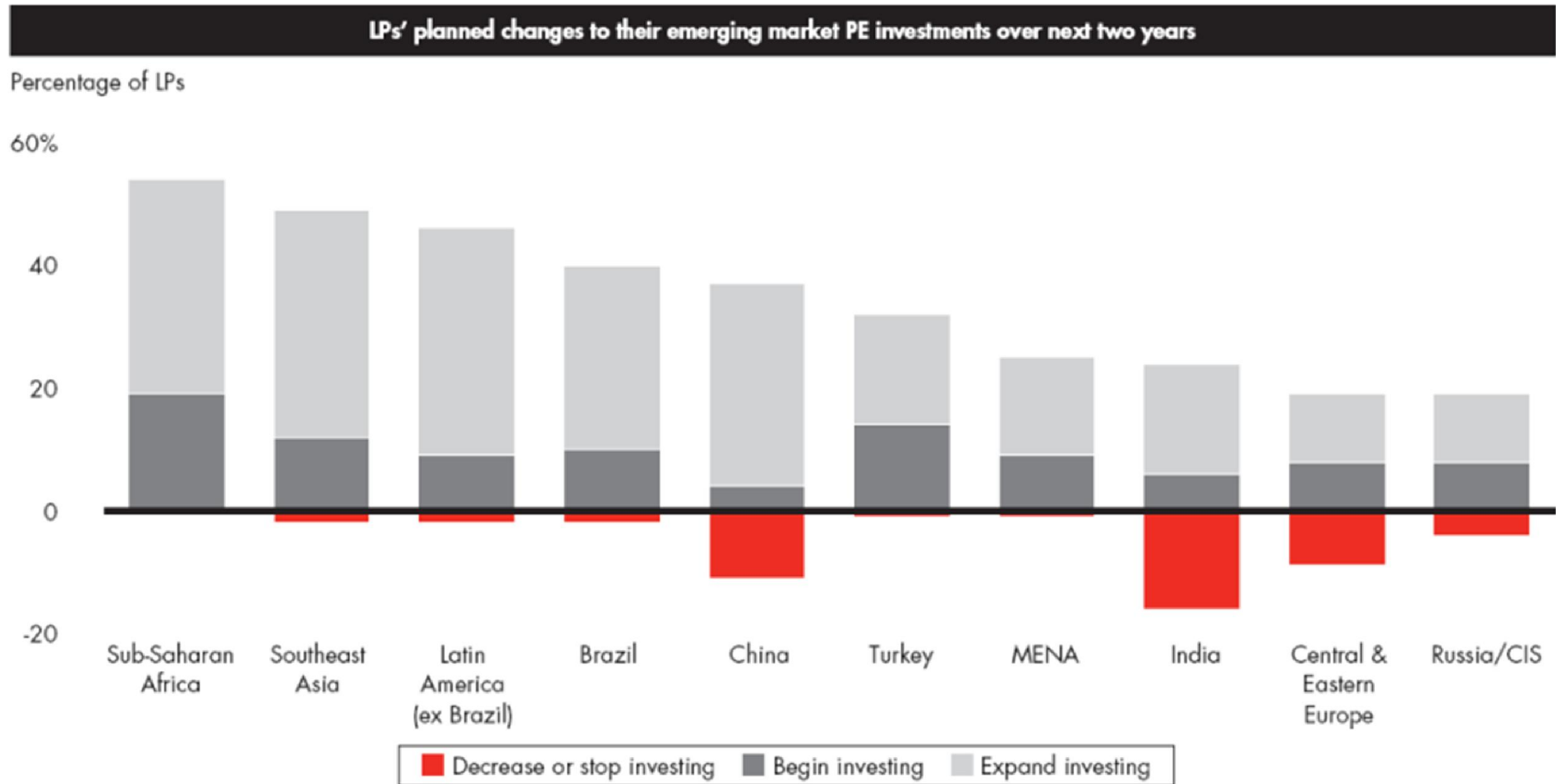


Last 10 Deals from 2014

Company	Deal Type	Sector
Provet Veterinary Products	Buyout/LBO	Agri/Food
U.N Ro-Ro Isletmeleri	Buyout/LBO	Logistic
Vivense	Early Stage VC	E-Commerce
Eti Soda	Buyout/LBO	Chemicals
Webrazzi	Later Stage VC	Media
ACP Sigorta ve Reasürans Brokerligi	Buyout/LBO	Insurance
Aviva Sigorta (AVIVA)	Buyout/LBO	Insurance
Romatem Rehabilitasyon Saglik Hizmetleri	Buyout/LBO	Health Care
GG Oyun Bilisim Yazilim ve Pazarlama	Early Stage VC	Game Dev.
On Iki Levha Yayıncılık	Buyout/LBO	Publishing



Increasing Interest from Global LPs



Source: EMPEA (Global Limited Partners Survey 2013)



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TO YOUR GLOBAL BUSINESS
PUSH THE BUTTON**



ON

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for your attention..

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