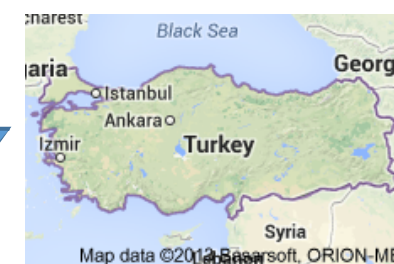




Why investing in Turkey?



Investment opportunities for Italian companies in Turkey



«Bridging continents, connecting markets»

«Turkey is one of the fastest growing countries among the emerging economies»



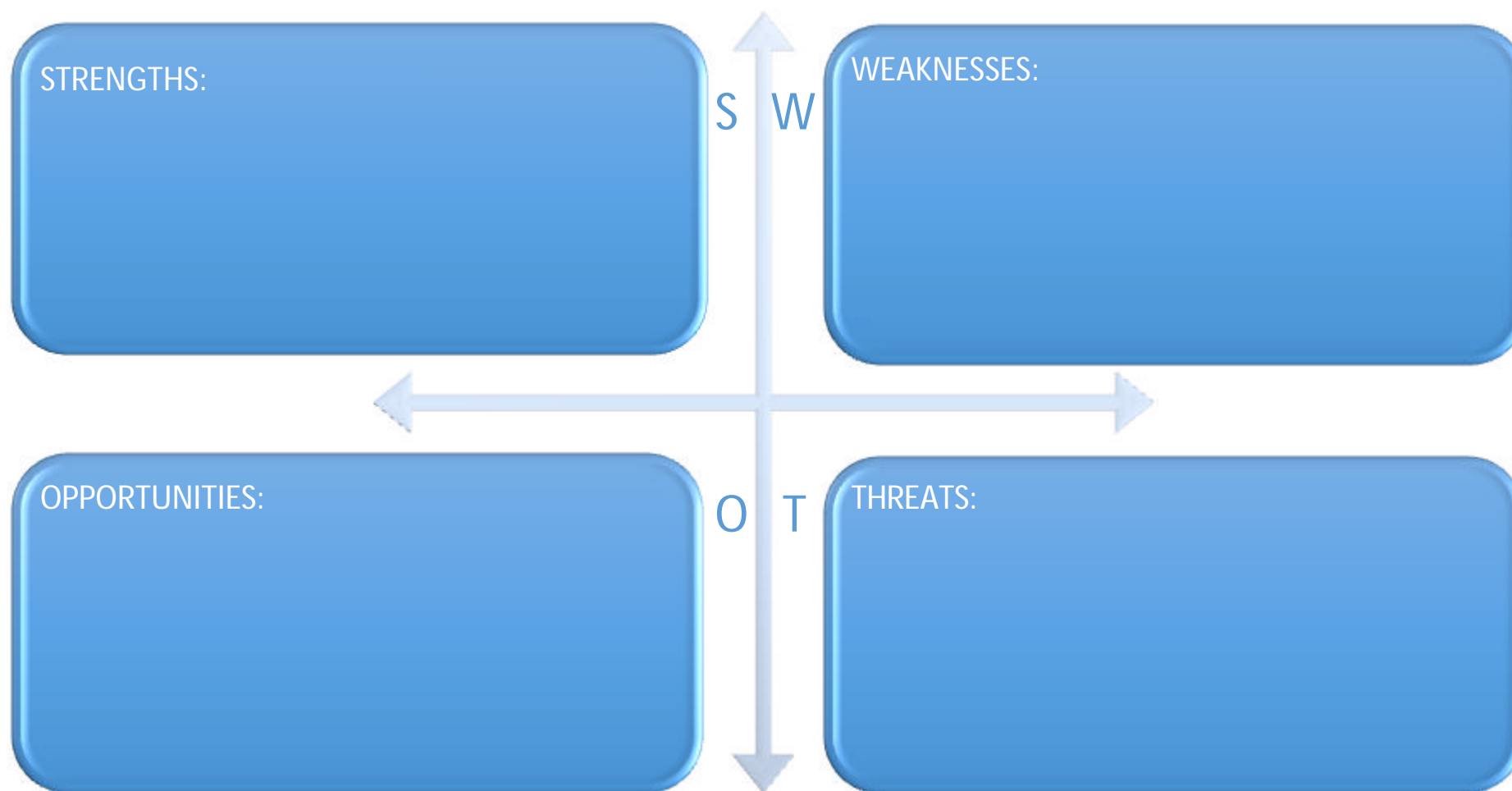
“TURKEY IS THE SECOND FASTEST GROWING ECONOMY IN ALL EUROPE”



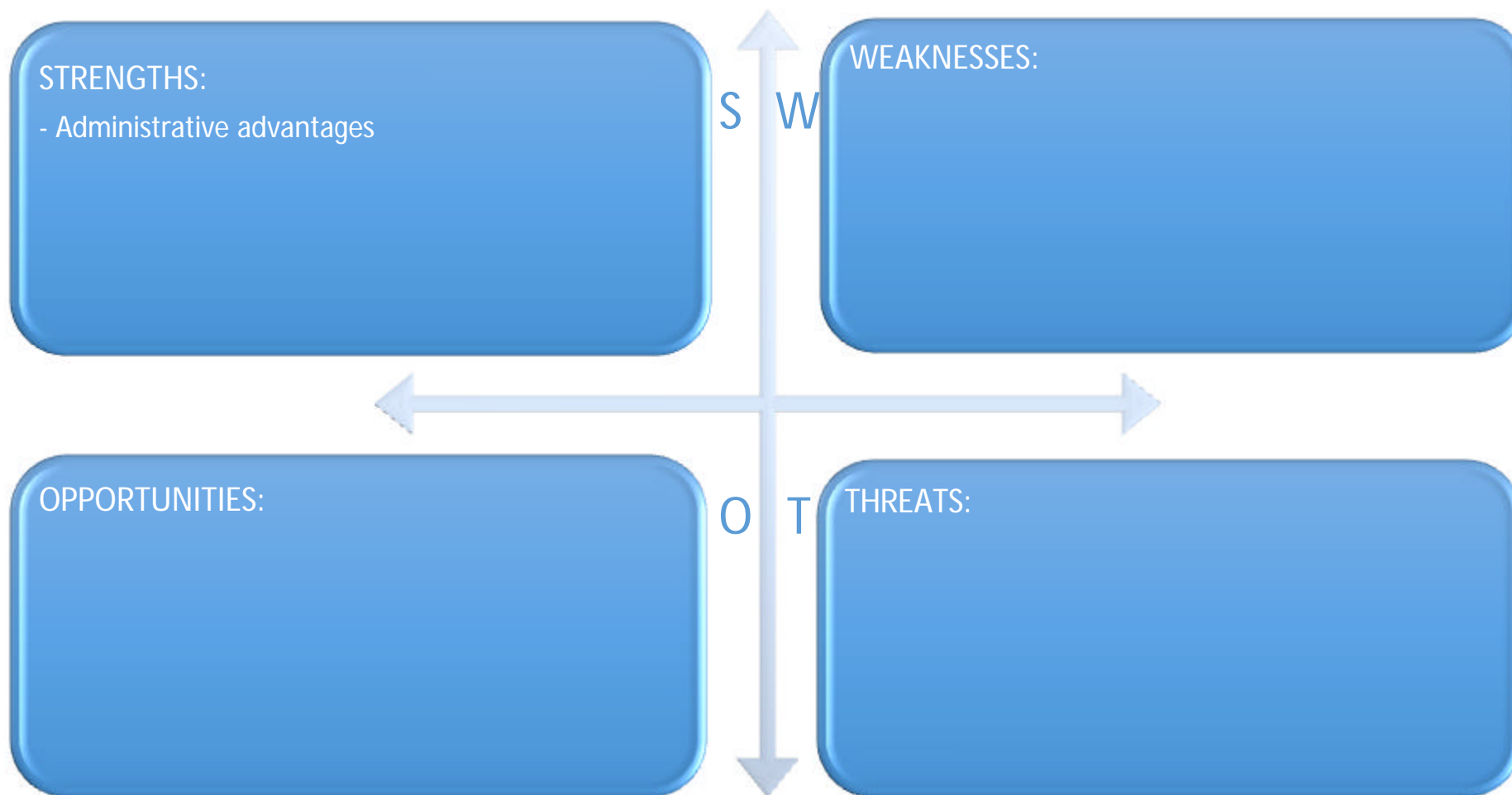
Turkey: the China of Europe!



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Investment opportunities for Italian companies in Turkey



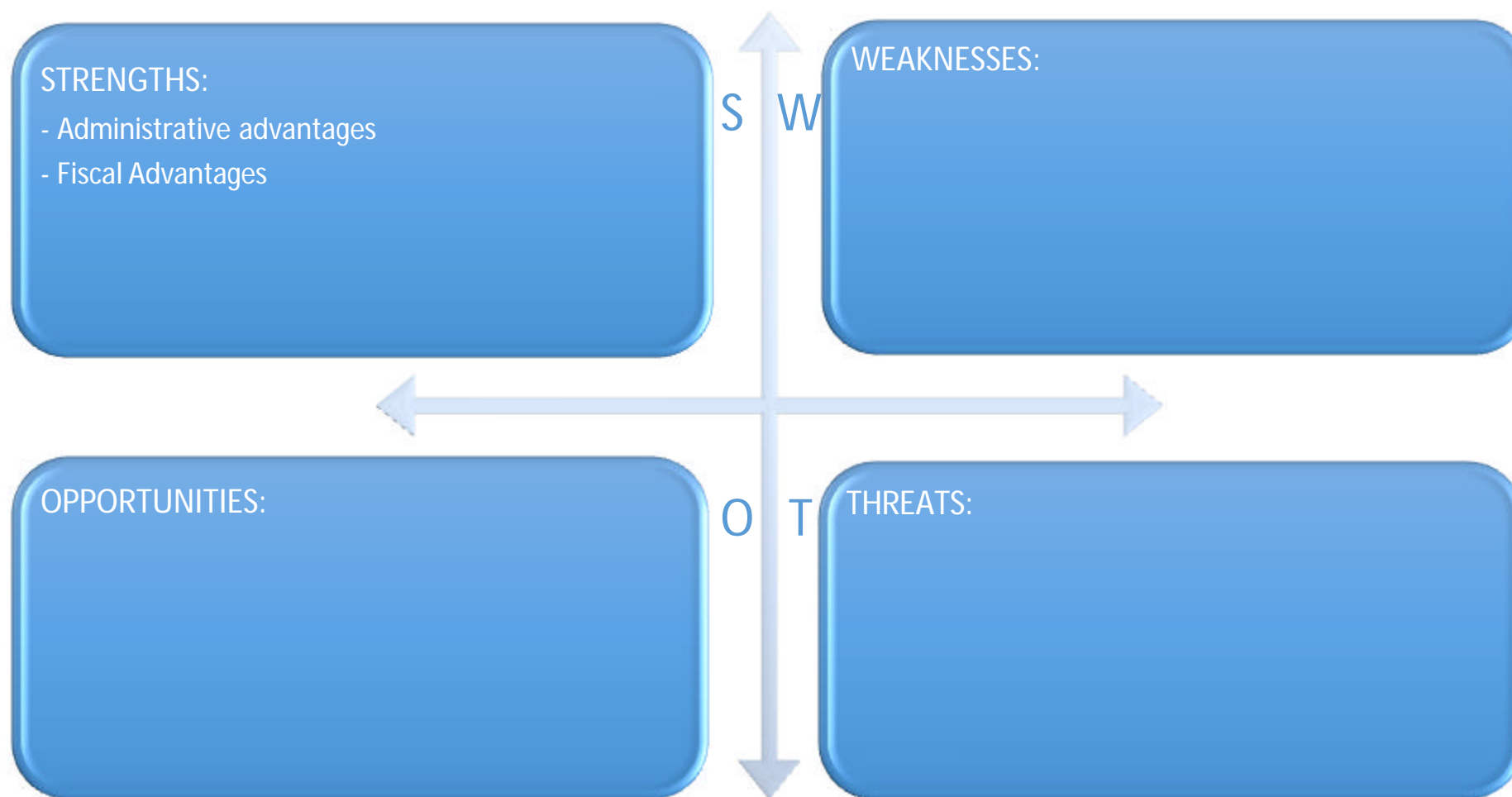
Investment opportunities for Italian companies in Turkey

Administrative advantages:

The new **TCC** (Turkish Commercial Code), which came into force as of July 1st 2012, has introduced a number of substantial simplifications, amongst which:

- It enables the constitution of either a Joint Stock Company (JSC, in Italian “SPA”) or a Limited Liability Company (LLC, in Italian “SRL”) with **one** or more **shareholders** – the old code required at least 5 shareholders for a JSC and 2 for an LLC. This means that a foreign company does not need to have any longer a mandatory number of minor shareholders.
- In compliance with EU legislation, the **BoD** can now consist of **one single member** (3 in the past), as such simplifying the decision making process within the companies. According to the new TCC any person independent from the shareholders can now be a BoD member. This guarantees the possibility of creating a board of professionals facilitating the establishment of corporate governance. Also, the new CCT does not require the physical presence of BoD members.
- It is now possible to establish a company in **one day**. Founders can be persons or entities who have subscribed the shares and signed the Articles of Association in front of a notary public. The AoA must be registered with the Trade Registry and published in the Trade Registry Gazette (7-10 days)
- It is now possible to establish a company in Turkey regardless of nationality and place of residence.
- Minimum capital requirements: TRL 10.000 for an LLC and TRL 50.000 for a JSC (Euro 3.650 and Euro 18.250 ... in Italy euro 10.000 and Euro 120.000 respectively!!)

ADMINISTRATIVE
Simplification



Investment opportunities for Italian companies in Turkey

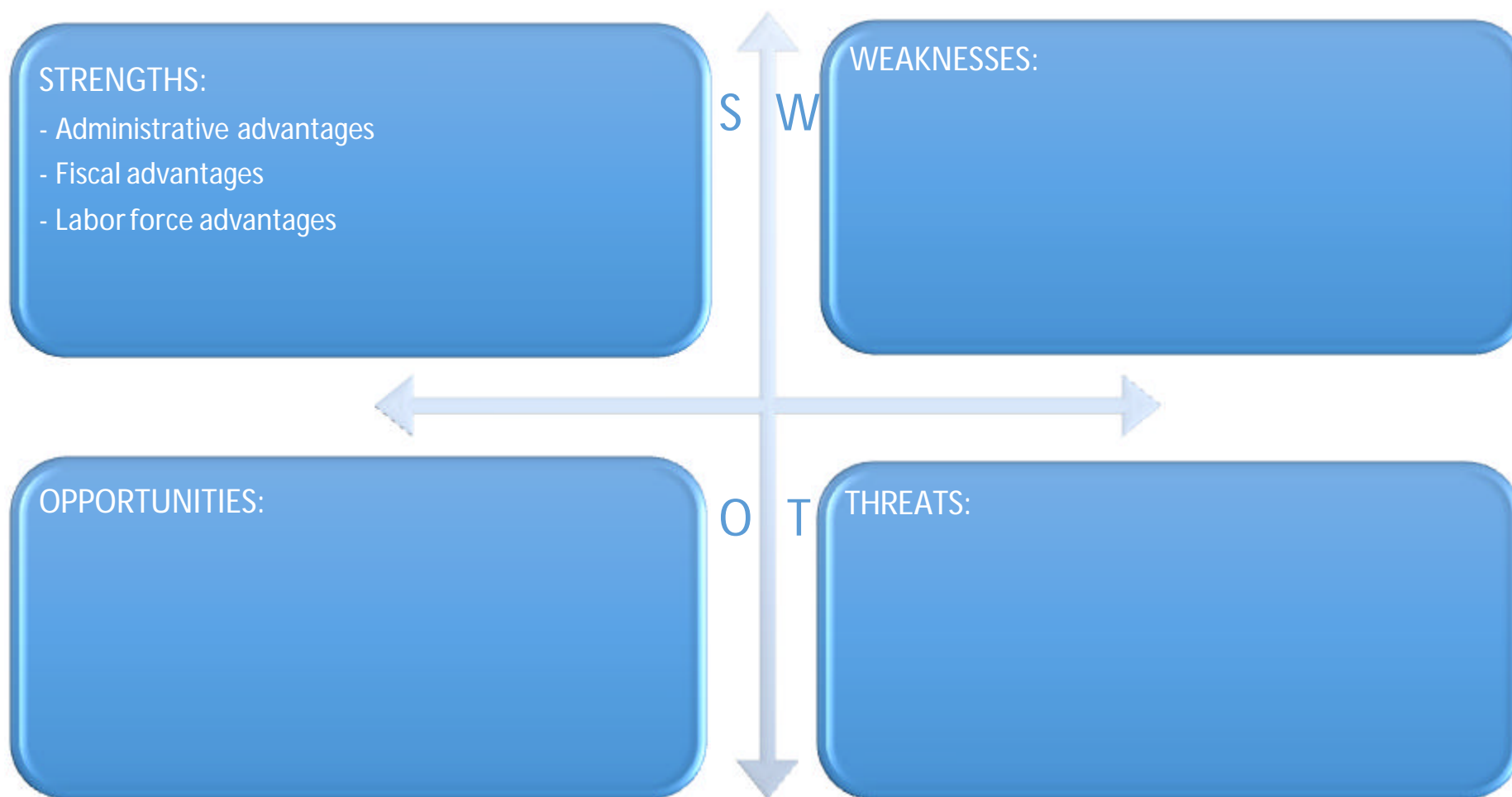
Fiscal advantages:

- Corporate **Income Tax**: 20% (in Italy 27.5%, non considering IRAP...)
- **VAT**: 1%, 8% and 18% (in Italy 10% and 21%, expected to raise up to 11% and 22% from October 1st 2013)
- 20 **Free Trade Zones**, operating in strict cooperation with UE and Middle East markets. They guarantee:



- ✍ 100% exemption from customs duties and other assorted duties.
- ✍ 100% exemption from corporate income tax for manufacturing companies.
- ✍ 100% exemption from value added tax (VAT) and special consumption tax.
- ✍ 100% exemption from income tax on employees' salaries (for companies that export at least 85% of the FOB value of the goods they produce in the free zones).
- ✍ Goods can remain in free zones for an unlimited period.
- ✍ Companies are free to transfer profits from free zones to abroad as well as to Turkey, without restrictions.

In January 1996 Turkey joined the European Customs Union, thus eliminating customs duties in the interchange with Europe, its first commercial partner both for import and export. In view of this agreement, the Turkish market represents a low-cost base for a local production intended for export towards EU, since Turkish products are allowed into Europe under duty free conditions.

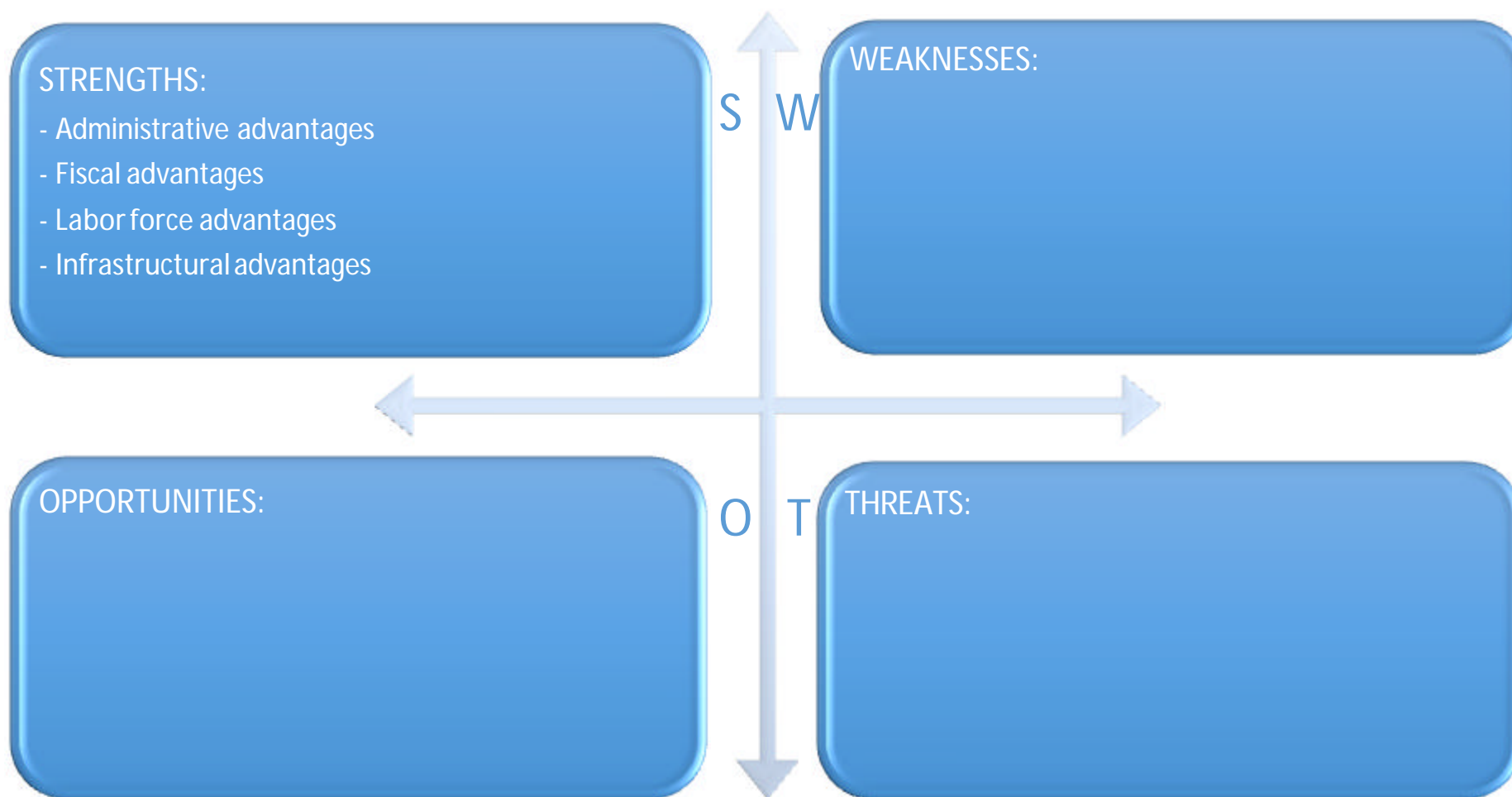


Investment opportunities for Italian companies in Turkey

Labor force advantages:



- Turkey has a labor force of over 27 million people against a total population of about 75 million and it is ranked as the 4th largest labor force in relation to EU countries.
- The Country is highly competitive in terms of labor cost, productivity, low absenteeism and has one of the highest annual working hour rates. Working week consists of 45 hours (39 in Italy) from Monday to Friday. In average 280 days are worked yearly.
- Average yearly staff salary is TRL 14.500 (Euro 5.300) for workmen, TRL 21.500 (Euro 7.850) for clerical employees and TRL 45.500 (Euro 16.600) for directors.



Investment opportunities for Italian companies in Turkey

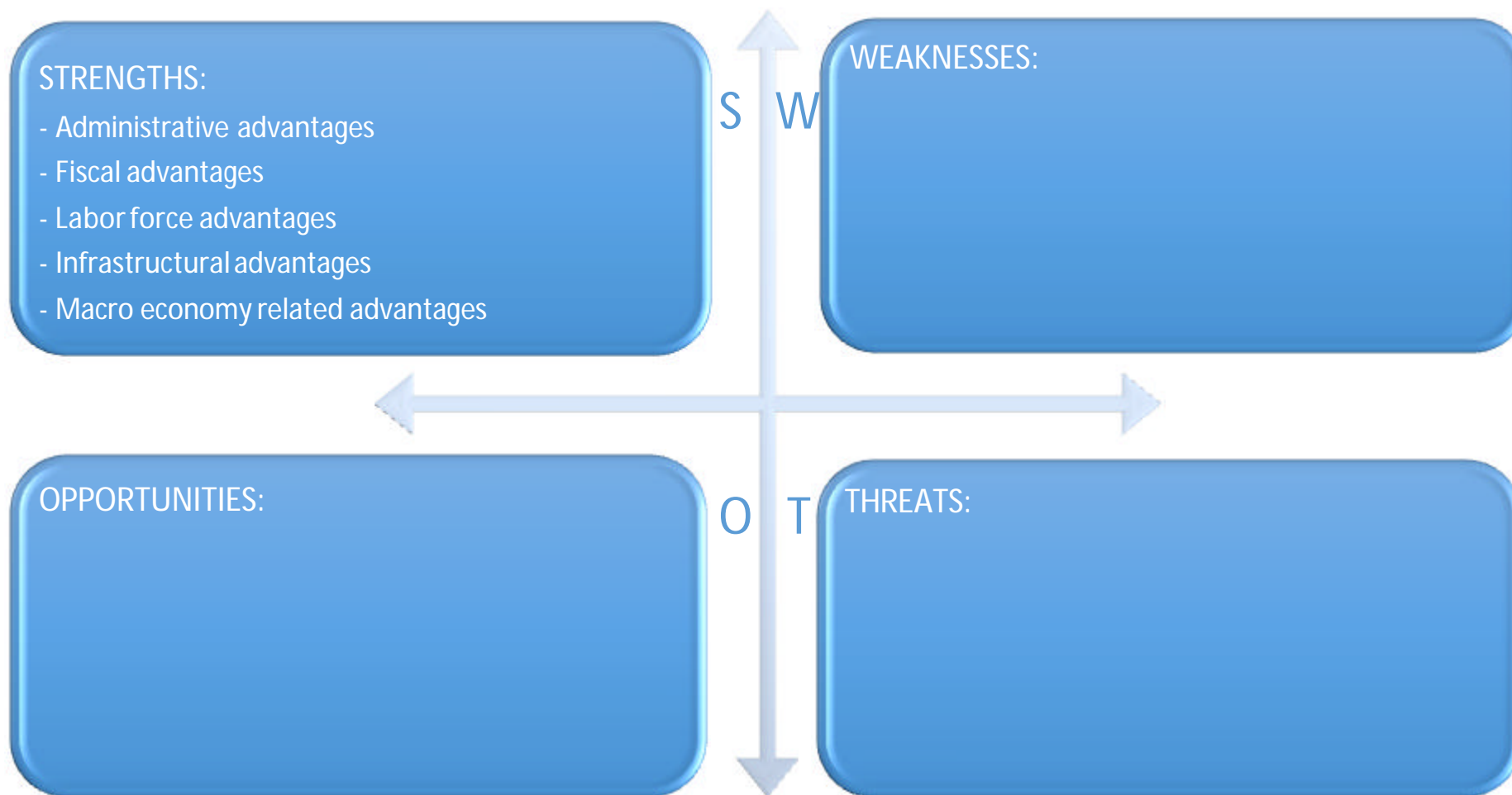


Infrastructural advantages:

- Turkey's logistics industry has developed significantly since its entry into the EU Customs Union back in January 1996. Its geographic, physical and corporate infrastructure create multiple advantages for potential investors.
- 47 airports (13 international), a seaport handling capacity of over 350 million tons yearly, 64.000 km of highways and 12000 km of rails, allow Turkey to meet the requirements for efficient, cost-effective and reliable transportation services all over the country
- Turkey has a major role in connecting Pan-European transport corridors to Central Asia. Its proximity to markets such as the CIS, the Middle East and North Africa facilitates the reach of approx. 1.5 billion consumers in the whole area.
- The Turkish Government is planning to increase ICT sector (Information, Communication and Technology), spending the 8% of its GDP, in order to position the Country amongst the top ones in E-Transformation

Investment opportunities for Italian companies in Turkey

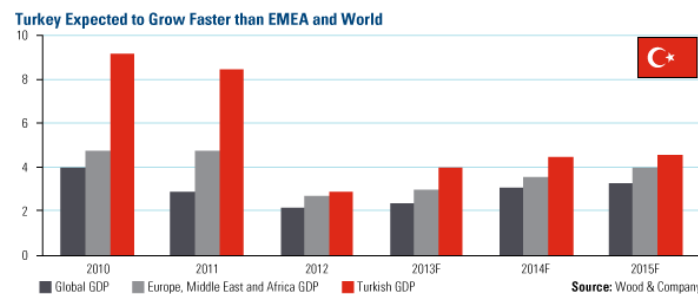




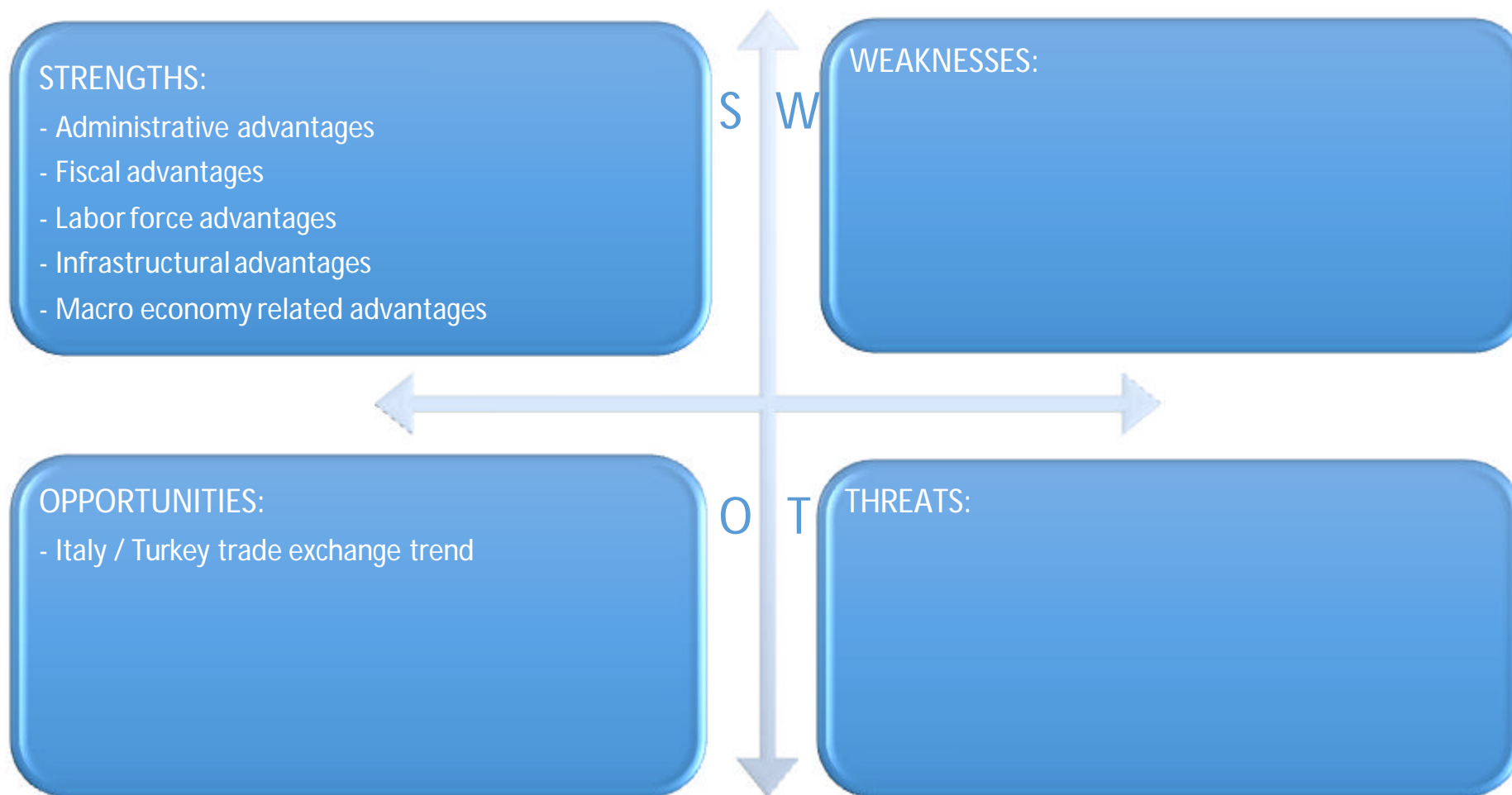
Investment opportunities for Italian companies in Turkey

Macro-economy related advantages:

- The GDP growth is among the fastest in the world: 9.2% in 2010, 8.8% in 2011 and 2.2% in 2012, notwithstanding the persisting economic crisis. GDP has grown by 234% between 2002 and 2011, reaching 772 billion US\$.
- Turkey is today ranked 18th amongst the world's economies and 6th with reference to the European area (Italy ranks 10th and 4th respectively)



Investment opportunities for Italian companies in Turkey



Investment opportunities for Italian companies in Turkey

Italy / Turkey trade exchange trend:

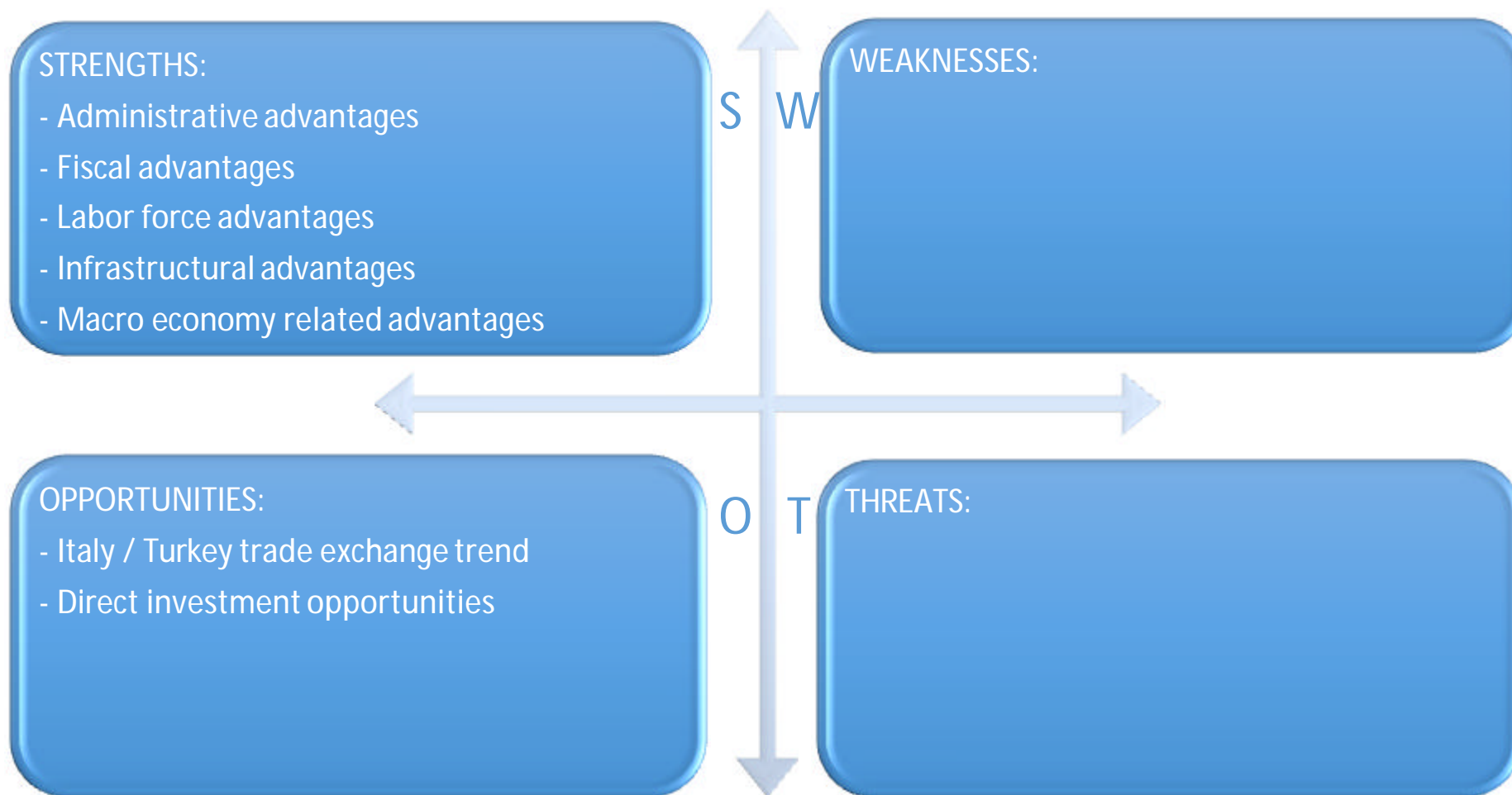
The European Union is Turkey's main trade partner, with a quota of 37.7% of the Country's overall trade exchanges (2012).

Going into details, the main individual partners are: 1) Germany, 2) Russia, 3) China, 4) Iran, 5) USA, **6) Italy**, 7) France and 8) UK.

In particular:

Year	Export to Italy from Turkey		Import from Italy to Turkey	
	Value (000\$)	Share in total export (%)	Value (000\$)	Share in total import (%)
2003	3.193.242	6.8	5.471.537	7.9
2012	6.373.080	4.2	13.344.468	5.6

The table shows, in regards to absolute values, a 100% growth in export volumes and a 144% growth in import ones over a decade, although the market percentages indicate a shrinking in the exchange quotas. Overall, the substantial increase in values indicates the consistent positive trend in the commercial exchange and the existing solid opportunities for the trade.



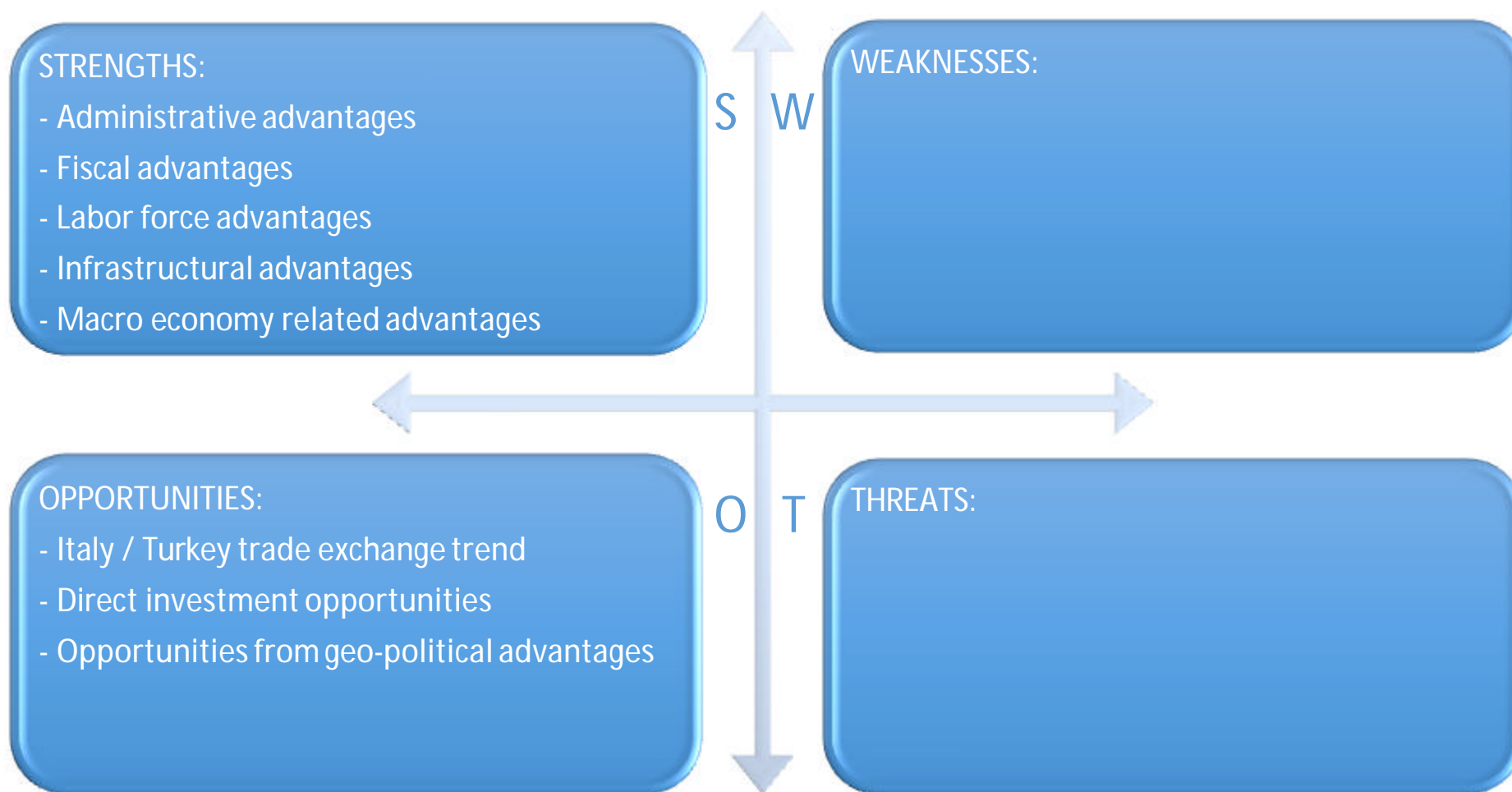
Investment opportunities for Italian companies in Turkey

Direct investment opportunities



- According to the recent available data, the Italian presence in Turkey counts about 1.000 companies. Turkey is becoming more and more for Italy an important – and still low cost -production base for the whole European market and for the trade development with the Middle East. Direct Italian investments in Turkey have reached – after the decrease registered in 2010 - the total value of 139 million euros, growing by 74% from 2011.
- *Note: Germany firmly remains the first trade partner for Turkey, with a much higher direct presence in terms of number of companies (5 times the Italian ones) however recording an overall lower turnover. This indicates that the Italian presence in Turkey is characterized by substantial investments, especially in the manufacturing field.*
- The privatization program in Turkey offers a number of infrastructural opportunities. A new discipline regulating investment incentives and subsidies entered into effect on June 19th 2012 and contains a large variety of measures intended to support and facilitate foreign investments, in order to decrease the trade deficit (especially the dependency from importation of semi finished products), lessen the development differences in the various areas of the Country and promote the industrial production of high-tech goods. Among the incentive measures it is worth to mention: VAT and duties exemption for the importation of machinery and tools necessary to carry on the investment, income tax reductions, reduced social security fees to boost employment, facilitated access to credit, land assignment, etc.
- Regardless of the actual region of the investment, all projects which comply with the specific capacity conditions and the minimum investment amount (between TRL 500.000 and TRL 1.000.000, depending on the region) are eligible for the incentive program.

Investment opportunities for Italian companies in Turkey



Investment opportunities for Italian companies in Turkey

Opportunities from geo-political advantages:

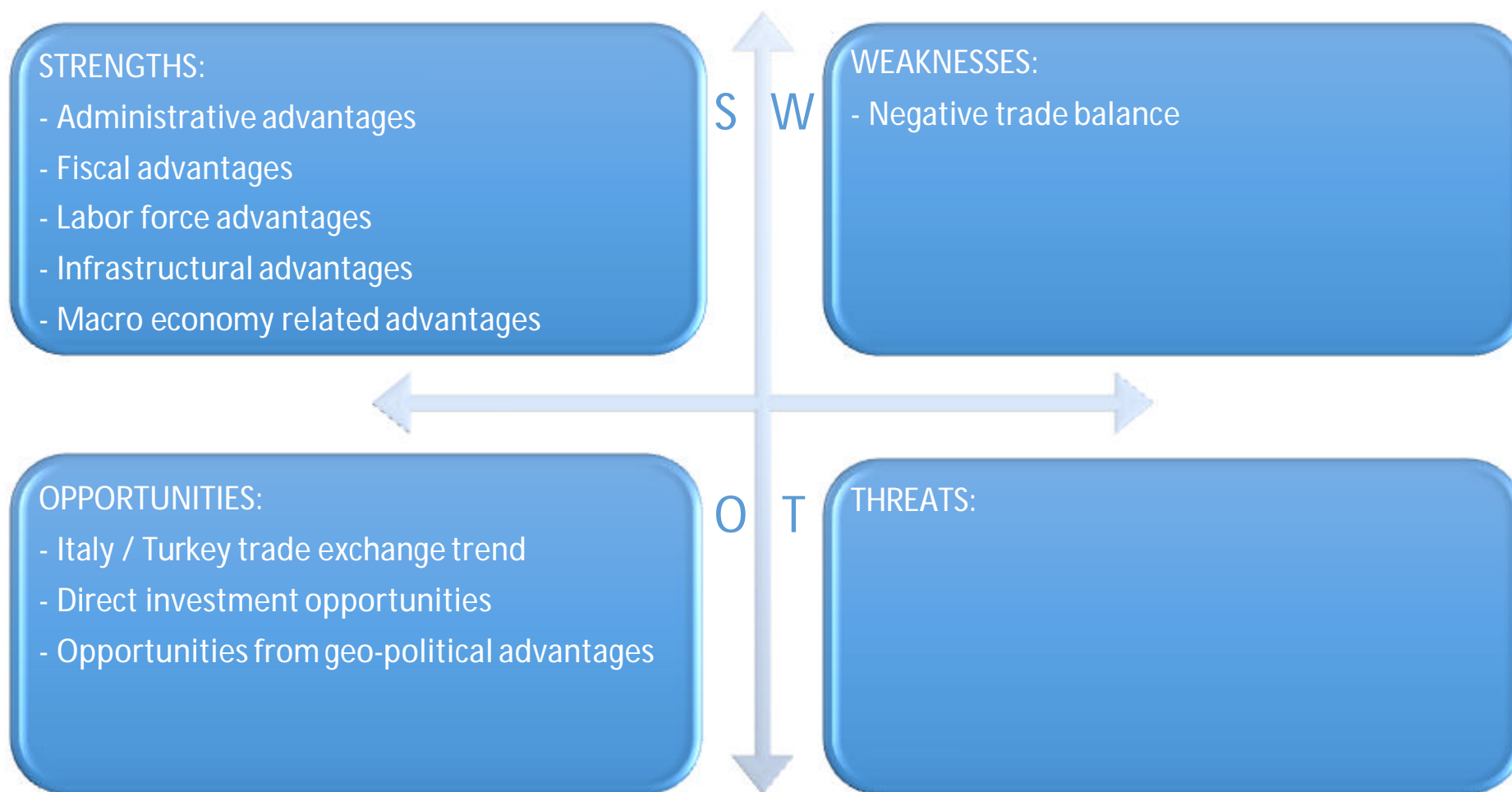
The unique geographical position of Turkey, in between Europe and Asia, makes it a very appealing market also for its role of strategic bridge towards other neighbouring countries, from the Middle East to Northern Africa and Central Asian Republics, from the Balkans to the Black and Caspian Seas.

Turkish culture and its ethnic and religion related roots also play a very important role in facilitating the relation between Italy (and Europe in general) and those Countries, otherwise less easily accessible.

The table below, with official 2012 data, clearly confirms the fast growing trend of the trade exchange between Turkey and those Countries:

Rank	Country	Value (000\$)	% Variation vs. 2011
4	Iran	21.887.301	+36.4
9	U.A.E.	11.773.845	+119.8
10	Iraq	10.979.527	+30.8
18	Saudi Arabia	5.850.442	+22.8
20	Egypt	5.023.592	+21.3
27	Kazakhstan	3.125.076	+6.2%
28	Azerbaijan	2.927.401	+25.8
31	Libya	2.556.574	+188.1%

Investment opportunities for Italian companies in Turkey

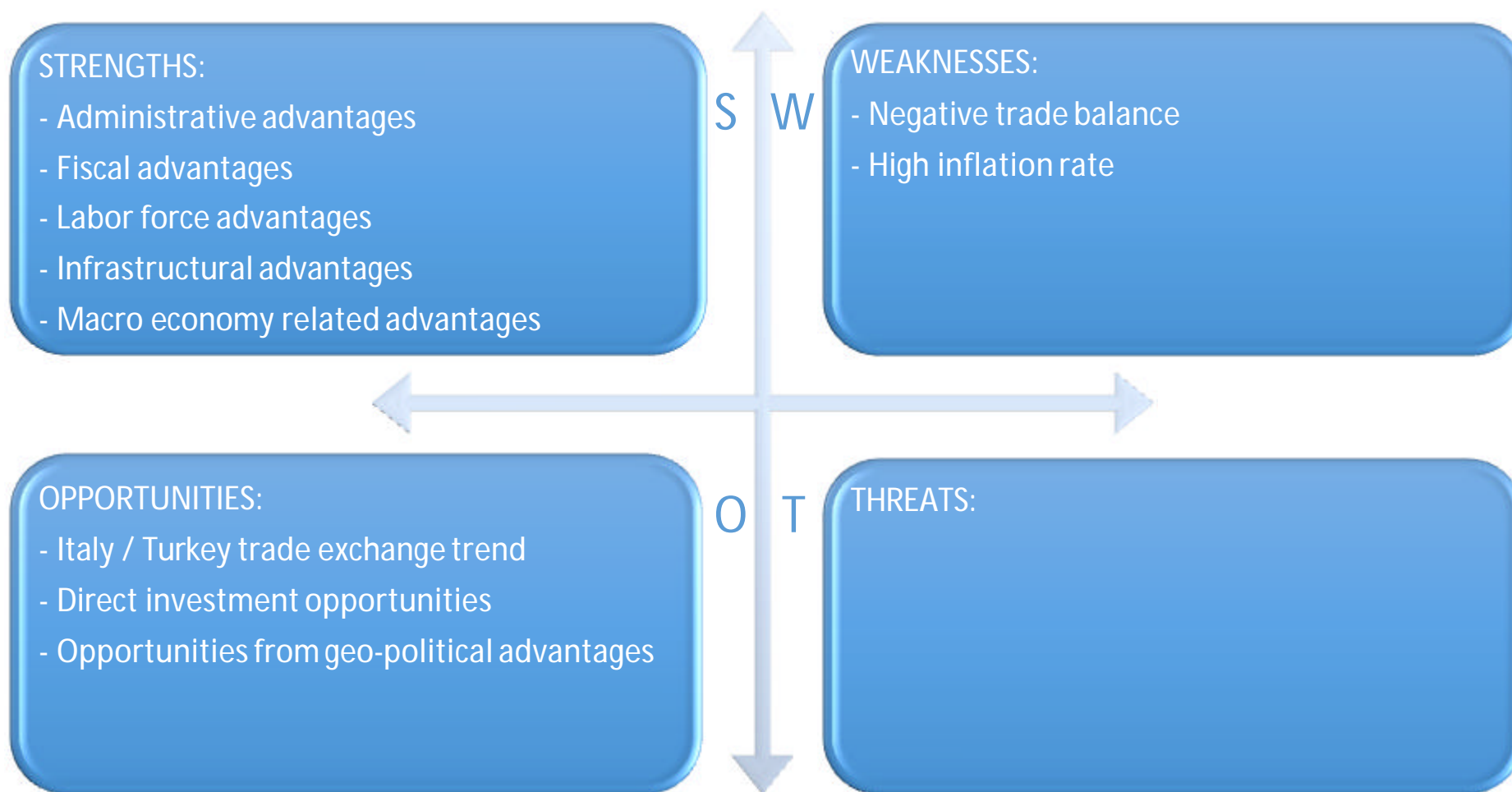


Investment opportunities for Italian companies in Turkey

Negative Trade Balance

- Turkey's **trade balance** is negative since many years. In 2003 the deficit was 2.5% of the GDP, reaching 10% in 2011. The Country imports almost the entirety of its necessary raw materials, gas and oil and it has been so far able to compensate the increasing trade deficit thanks to the substantial flow of foreign investment. The **price of oil** related products is amongst the highest in the world, as such affecting the cost of transportation and logistic related services



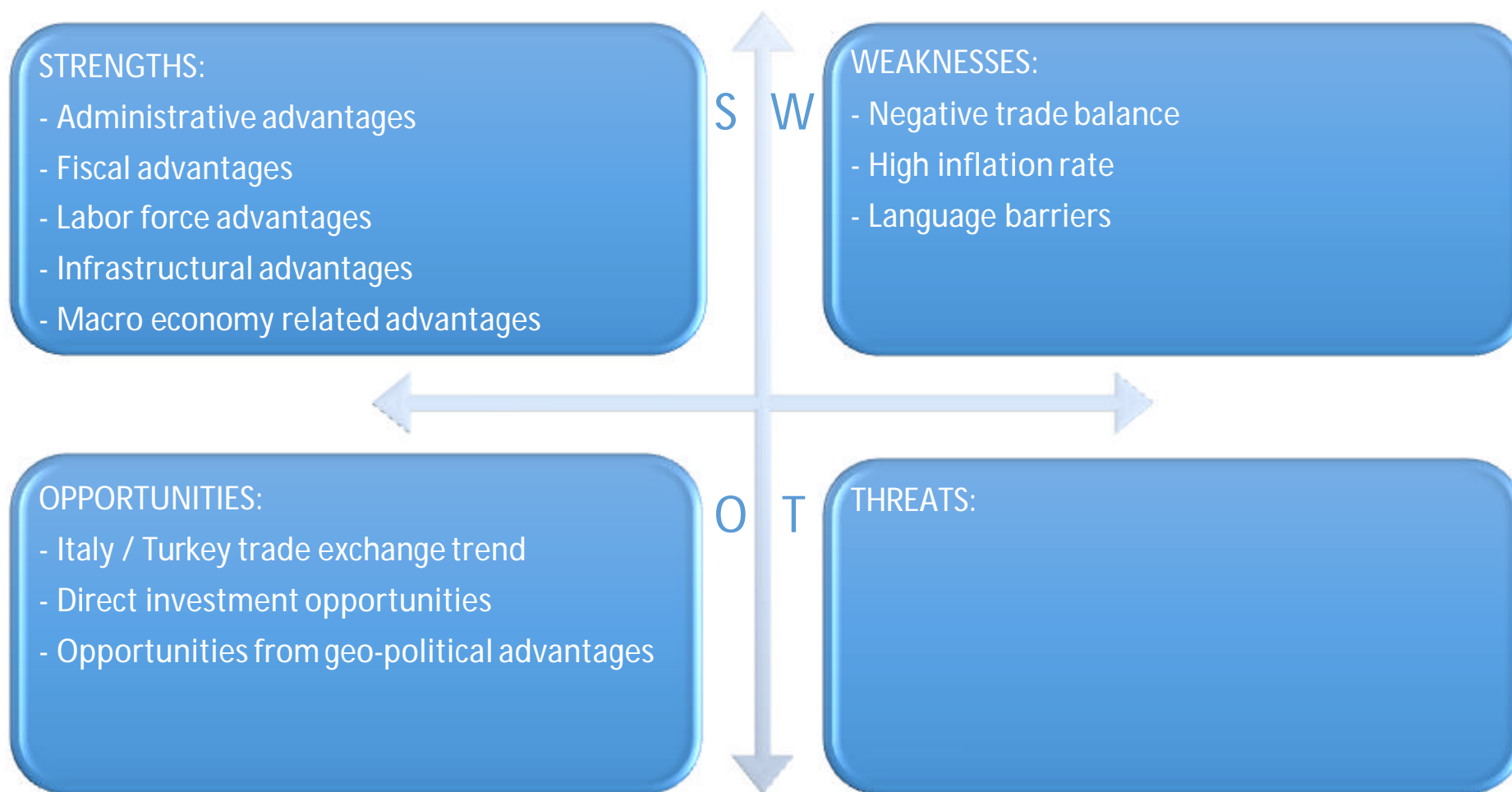


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High inflation rate



- Turkey has one of the highest **inflation rates** in the world (6.5% in 2011 and 8.9% in 2012). The immediate consequences are, for the population, a decrease of the buying power and of the private consumption and, for enterprises, an overall increase of the overhead costs, growing faster than productivity and resulting in a lower inclination to investments

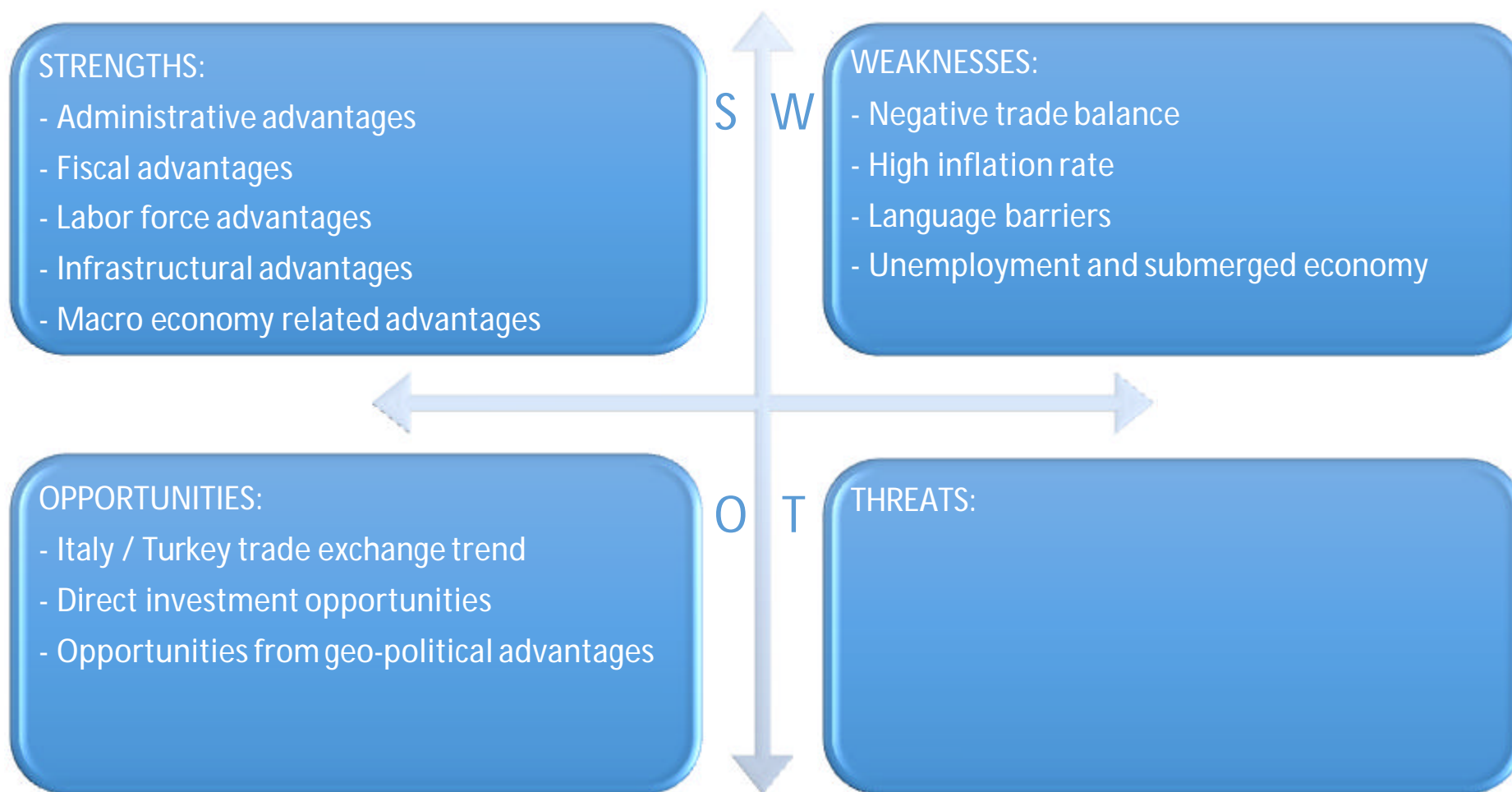


Investment opportunities for Italian companies in Turkey

Language barriers

although Turkey offers in general highly qualified staff at all levels, with competent managerial workforce in all professional fields, in areas outside the major cities, English is not yet widely spoken and language barriers still exist.



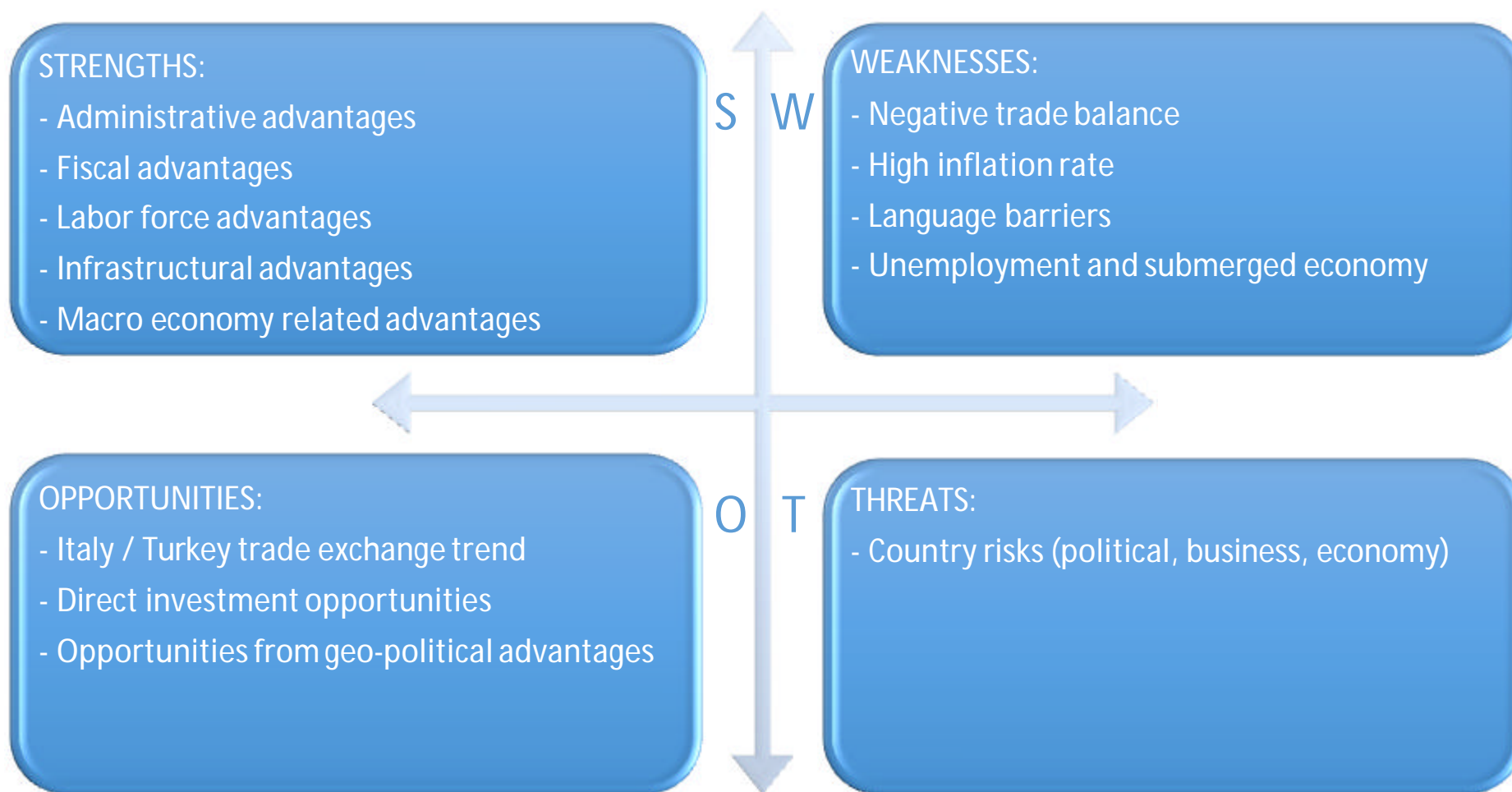


Investment opportunities for Italian companies in Turkey

Unemployment and submerged economy

Official unemployment rate continues to fluctuate on fairly high level: 11.9% in 2010, 9.8% in 2011 and 9.2% in 2012. Especially in the south-eastern areas of the Country unemployment is particularly high, as a sign of the non homogeneous economic development. Official data does not allow to evaluate the extent of “**undeclared work**” which remains, together with other aspects of the **submerged economy**, one of the main problems of Turkey.





Investment opportunities for Italian companies in Turkey



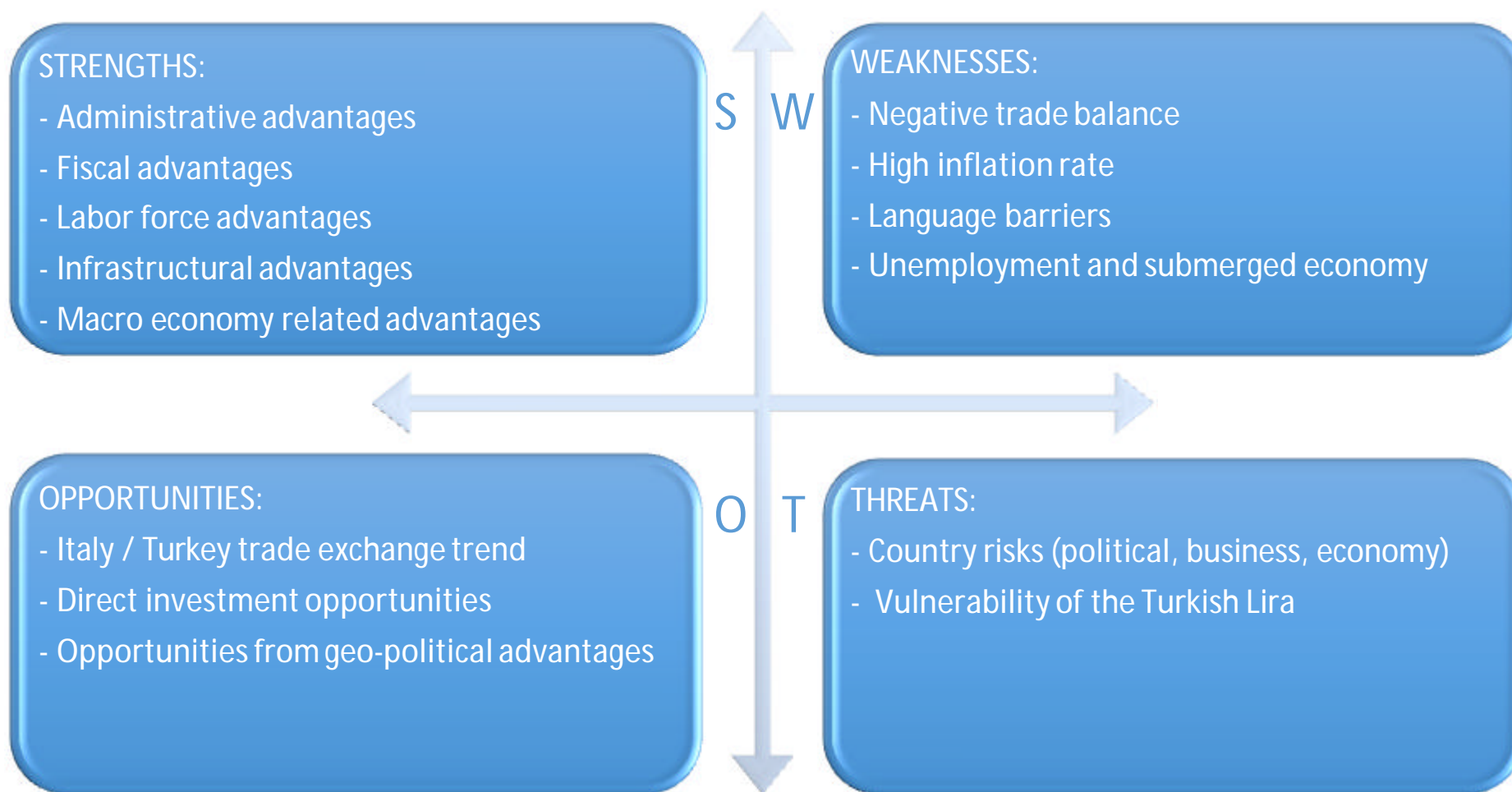
Country Risks

According to **D&B Country Risk-line Report** (August 2013), Turkey is rated **DB4C**, which indicates:

- Moderate Risk: *“significant uncertainty over expected returns. Risk-averse customers are advised to protect against potential losses”*
- Trend: *“Deteriorating: the country’s overall risk profile is deteriorating owing to adverse political, commercial, economic and/or external developments”*
- **Political and social risks**: The political environment in Turkey is particularly instable and subject to possible social tensions, coming from the attempt to establish a new constitution and a presidential system. The aftermath of the anti-government demonstrations of last June continues to reverberate across many cities, even though on a lower profile, while the government maintains a relatively hard-line position. In late July the vice chairman of AKP called for protesters to be tried under a section of the Turkish penal code, requiring life sentence. A number of journalists who covered the June demonstrations have been sacked or asked to resign, while many others complain about an increasing censorship of their articles



- Significantly for **business risk**, there seems to be an increasing number of measures against private companies, media groups and even a bank, after having attracted government criticisms for alleged sympathy with the demonstrators, although the government claims pure coincidence. These events highlight the necessity for cross-border businesses to monitor their counter parties, to avoid that their local companies may fall foul of political actions, possibly undermining profitability and payment performances.
- Latest data indicates that the **economic risk** is increasing. After the GDP growth registered in the first quarter 2013, the economy seems to be on a declining trend, with the industrial production only growing by 2% on a 12 months basis (up to May 2013). The account deficit increased from USD 9.9bln during the last quarter 2012 to USD 15.9bln in the first quarter 2013. Moreover the phasing out of the USA's quantitative easing program is set to reduce investments in emerging countries – such as Turkey – increasing the possibility that the Country will need to borrow funds from the international market to balance the deficit, as such increasing external economic risk.

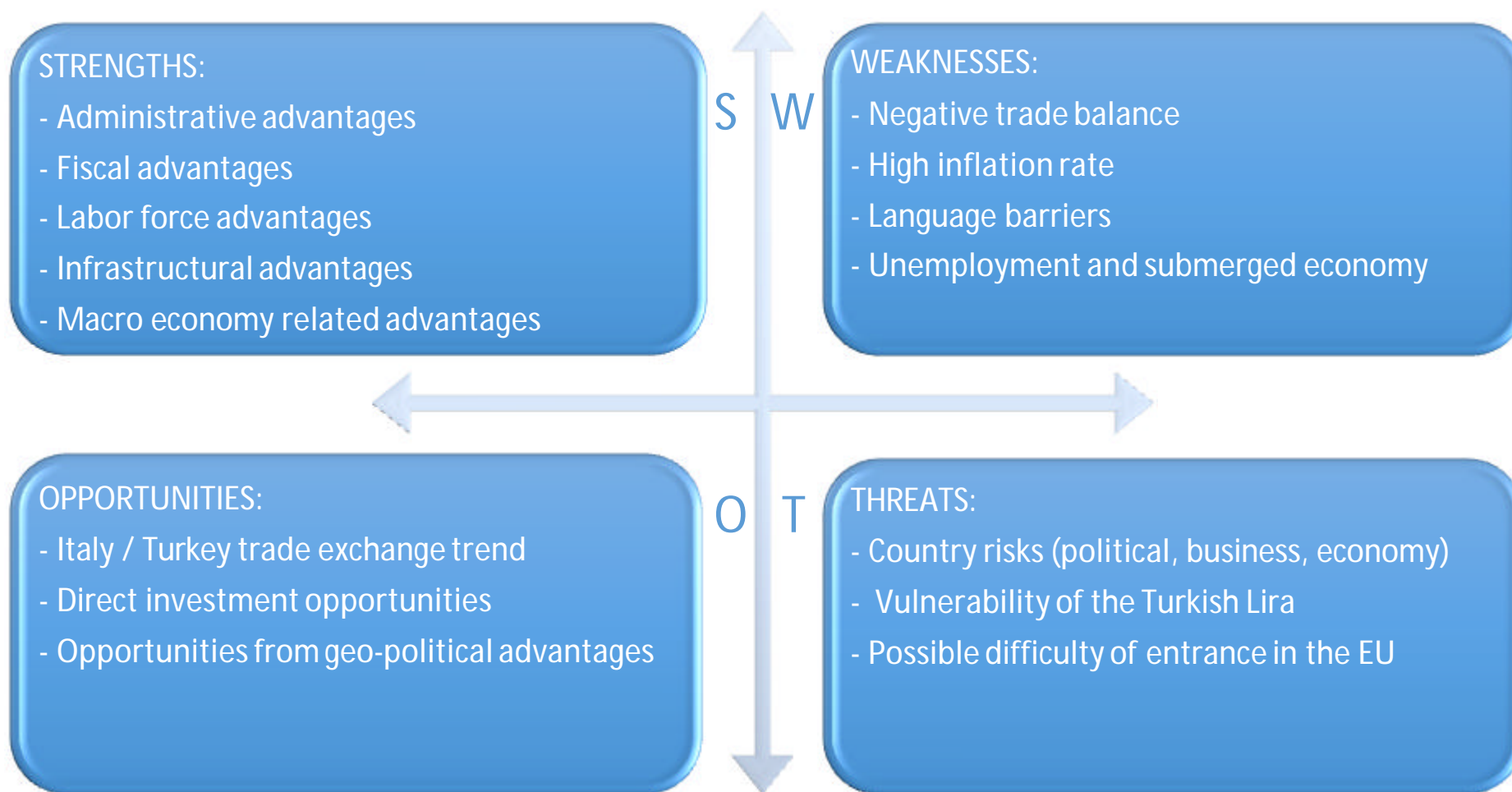


Investment opportunities for Italian companies in Turkey

Vulnerability of the Turkish Lira

Financial analysts express worries about a potential cash-flow crisis and the dependency from foreign investments makes the local currency even more exposed. During 2011 the TRL depreciated by 19% towards the Euro, in spite of the fact that the European currency was negatively affected by the crisis in a number of member states. The unbalance with the foreign markets could further affect the exchange rate and the macro-economic stability, undermining the financial stability of the operators. The global economic uncertainties – especially those of Europe, first export market for Turkey and main external financing source – make the monetary policy of the Turkish government, aimed to re-establish a safe balance, extremely complex and delicate.





Investment opportunities for Italian companies in Turkey

Possible difficulty for Turkey's entrance in EU



Turkish political, ethnic, religious and cultural profound roots may be seen, by many, as a deterrent to **Turkey's entry into EU**. But is this really a threat? I believe this peculiar situation **could actually be seen as an advantage**. As long as the Country will maintain its independence from Europe, we will all be able to benefit from the geo-political advantages listed amongst the opportunities. And some other advantages, like the existence of its Free Trade Zones will remain in place to continue to attract the highly needed investments.

In conclusion:

- Although a number of uncertainties will remain, Turkey certainly has the potential to maintain a strong and sustainable economic growth and to create additional employment. To achieve these targets the Country will need to continue on its reforms policy, especially in the industrial, monetary, work and instruction fields. Particular attention will need to be paid to the containment of the inflation .
- A more balanced growth can be achieved through the reinforcement of competitiveness, productivity, private savings and through the improvement of the financial culture, which can further stimulate and attract foreign investments.
- Turkey has shown sensible improvements in terms of transparency, development in the private sector and solidity in the banking system. It offers one of the highest risk-reward ratio to foreign investors in the world.
- The political system is economically liberal and business oriented. The private sector is strong and growing rapidly, while the state carries on its withdrawal policy from the business activities.
- The world has realized that the concept of “emerging markets” is not limited to the BRICs (Brazil, Russia, India and China). Turkey has all the fundamental characteristics to lead the new wave of rapid-growth markets.

- Representing a service category, I feel that companies operating in the logistic field must maintain and develop a firm focus on Turkey while continuing to be extremely receptive to the market requirements. As the political and economic measures implemented in Turkey continue to attract direct foreign investments, it is expected that the demand for services will grow proportionally and a local presence will guarantee the necessary standards of expertise and reliability on both sides.
- As such, Turkey is – and will remain – one of the most potential market to look at for investment and business development.

thank you



grazie



teşekkür ederim

