



PRESIDENT ERDOĞAN MEETS ITALIAN COMPANIES, CALLS FOR MORE INVESTMENT

In the first week of February, President Recep Tayyip Erdoğan addressed a delegation of Italian investors at an executive roundtable meeting hosted by ISPAT and the Pirelli Group, in collaboration with the Italian think tank - Institute for International Political Studies (ISPI) in Rome.

Senior representatives of major Italian companies with operations across a wide range of sectors, such as automotive, infrastructure, machinery, defense, food, and pharmaceuticals, attended the meeting to get the latest updates on Turkey's investment environment, business opportunities in the pipeline, and economic reforms. Pirelli, Elettronica, Cementir, Ferrero, Astaldi, Salini, and Leonardo were a few of the major companies in attendance.

THOSE WHO HAVE CONFIDED IN AND INVESTED IN TURKEY HAVE ALWAYS WON AND WILL REMAIN WINNERS

Reminding that Turkey and Italy have privileged investment bonds that have evolved over the years into grand projects, Erdoğan said that more than 1,400 Italian companies currently do business in Turkey and that they have injected more than USD 3.1 billion into the country since 2002.

Erdoğan extended his gratitude to the Italian investors for their unwavering trust in Turkey. He said, "I believe that foreign capital has no nationality, country, or belief. The intellectual property rights and reforms we have implemented over the past 15 years have transformed Turkey into a center of attraction for foreign capital. The Turkish government has developed a system of incentives based on the booming economy and in line with the expectations of investors. Attractive incentive packages can be ensured for strategically important investments, even in the most developed regions. We have attached, and will always attach, the utmost significance to enhancing predictability and ensuring a transparent investment environment. We have full confidence that Turkey – currently the 13th largest economy globally – will have the potential to attract much higher FDI."

Inviting more Italian companies to invest in Turkey, Erdoğan called on investors to directly contact ISPAT for anything having to do with investment projects in Turkey, as ISPAT stands out as the embodiment of the government's efforts to institutionalize reforms in the way of assisting investors during their entire investment process in Turkey.



International investors continue to show unwavering confidence in Turkey's industrial and economic potential, and they have contributed to our economic development by bringing capital and technology to our country. A prime example of this was the inauguration of Japanese Mitsubishi Electric's new plant in Manisa this past month.

February also saw ISPAT co-host an executive roundtable meeting with Italian investors in Rome and which featured President Recep Tayyip Erdoğan as a guest of honor. We then attended the EMPEA & GlobalTurk Capital's private equity event in London following Rome. February also saw the second round of investor meetings in Italy including Terni and Milan.

Arda ERMUT
ISPAT President

TURKEY LOOKS TO SECURE ADDITIONAL FDI FROM ITALY

Following a visit to Rome earlier in the month, Terni and Milan were the focus of ISPAT's second round of investor meetings in Italy on February 21 and 22 respectively.

ISPAT Country Advisor Yasemen Korukcu was the featured speaker at the "International Forum: Focus on Turkey" held by Unicredit Group in collaboration with Confindustria Umbria, Umbria Export, ISPAT, and NCTM law firm in Terni on February 21. The forum provided a comprehensive overview of Turkey's economic outlook and the business opportunities available to Italian companies willing to operate in Turkey.

The second meeting on "Turkey: New Opportunities for Italian Companies" held by the Assolombarda Confindustria Milano Monza e Brianza, ISPAT, and the UniCredit Group convened on February 22 in Milan. This meeting focused on Turkey's political-economic framework and provided insight into key sectors in the country.



Delivering a keynote address at the meeting, ISPAT President Arda Ermut said that Turkey offers abundant opportunities in a variety of sectors that need further investment, particularly from foreign investors. "Investments totaling more than USD 100 billion are required in the energy sector over the next decade to satisfy the increasing energy needs. Meanwhile, almost 30 percent of Turkey's infrastructure investment need till 2023 is expected to be made through public-private partnership model mega projects," said Ermut.

Ermut also highlighted Turkey's advantages compared to other developing countries. Turkey's robust economy, strong domestic market, strategic location, reforms and incentives, skilled labor-force, favorable demographics, and liberal

investment climate are factors that Ermut hopes will further increase Italian companies' engagement with Turkey.

Italy is a target country for Turkey and it is one of its most important trade and investment partners with a bilateral trade volume of USD 19.8 billion in 2017. Turkey had USD 11.3 billion in imports from Italy, making it the fifth country in imports in 2017. Turkey also had USD 8.5 billion in exports to Italy, ranking the country as the sixth largest destination for Turkish exports.

Along with ISPAT President Arda Ermut, ISPAT Coordinators Başak Avcı and Mustafa Erdönmez delivered presentations on chemicals, renewable energy, and machinery sectors in Turkey.

OPPORTUNITY HIGHLIGHTS

ENERGY



- Market of USD 70 billion (CAGR: 8%)
- Growing demand
- Energy corridor with proximity to 70% of world's proven primary energy sources
- Untapped renewable sources
- Government support for renewables



Turkey topped European solar market with 1.79 GW of new installations in 2017 - up 213 percent year-on-year, whilst Germany, the UK, France, and the Netherlands followed with 1.75 GW, 912 MW, 887 MW, and 853 MW respectively, according to SolarPower Europe.



In 2017, the Turkish government held a series of wind power tenders in 32 locations throughout the country. These tenders are expected to add 2,820 MW to existing capacity. Meanwhile, the government also successfully held two giant tenders for 1 GW solar and 1 GW wind power plants in 2017, both seeing huge interest from international investors.

AUTOMOTIVE



- 14th largest auto producer globally
- Number one auto supplier to EU
- Expected production of around 2 million units over next four years
- Market of USD 25 billion (CAGR: 6%)
- Exports of USD 20 billion
- Well-developed supplier base



Turkey's total automotive production increased 13 percent to 1.7 million compared to 2016 - an all-time high for the industry in 2017, according to the Automotive Manufacturers Association (OSD).



The Turkish automotive sector closed 2017 with an export volume of USD 28.5 billion - an increase of 19.5 percent compared to 2016, according to data from the Turkish Exporters' Assembly.

TOYOTA

Toyota Turkey became the facility with highest production capacity among the Japanese company's European operations in 2017, thanks in part to the C-HR crossover SUV project commenced same year. The C-HR is the first model Toyota Turkey has ever exported to the US.

JAPAN'S MITSUBISHI ELECTRIC COMMISSIONS NEW PLANT IN TURKEY

The inauguration of a new room air-conditioner production facility backed by Japanese multinational electronics and electrical equipment manufacturer Mitsubishi Electric Corporation was held in Turkey's Manisa Organized Industrial Zone. The TRY 382.5 million investment by Mitsubishi Electric is located on a 60,000 sqm area and will provide employment for around 400 people by 2021.

During his speech to mark the plant's inauguration, Minister of Science, Industry, and Technology Faruk Özlü said that Turkey is now a global attraction center. He added that Mitsubishi Electric's new plant exemplifies the confidence that international investors have in the Turkish economy and its future. "As Turkey has successfully grown during the last 15 years, it has become an island of stability and confidence in its region," said Özlü.



Speaking at the ceremony, ISPAT President Arda Ermut said, "We have worked hard for this facility since 2013, including the data provision for feasibility, bureaucratic follow-up, site selection support, and various meetings in Japan. We are more than happy to see all of these efforts bear fruit today." He further noted that Turkey has always turned crisis into opportunities. "Foreign investors use Turkey as a safe haven in the region. For companies that want to explore the opportunities in the region, Turkey has always been a relatively safe place to do business," said Ermut.

President and CEO of Mitsubishi Electric Corporation Masaki Sakuyama said during the inauguration that their AC systems segment, comprising Mitsubishi Electric Turkey, is an integral part of Mitsubishi Electric's household appliances division. "Turkey – already

a prime market for us – has now become our vital production hub," he emphasized.

President of Mitsubishi Electric Turkey Klima Sistemleri Üretim A.Ş. Katsu Wada acknowledged that Mitsubishi Electric will manufacture high-tech environmentally friendly products using the e-factory concept in line with the move towards Industry 4.0.

Mitsubishi Electric operates in 43 countries with more than 138,000 employees. The new plant in Manisa is the company's first room air-conditioner plant in Europe. Mitsubishi Electric Turkey was established in April 2016, and the construction of the plant was completed in June 2017 with an investment of TRY 382.5 million. The plant began production in December 2017 with more than 200 employees.



“Turkey has become an important manufacturing base for Mitsubishi Electric.”

Masaki Sakuyama
President, Mitsubishi Electric Corporation

“This factory plays a very important and strategic role for us.”

Takeshi Sugiyama
Executive VP, Living Environment & Digital Media Equipment, Mitsubishi Electric Corporation



“Mitsubishi Electric will manufacture high-tech environmentally-friendly products using the e-F@ctory concept in response to Industry 4.0.”

Katsu Wada
President, Mitsubishi Electric Turkey



HIGHLIGHTS OF NEW PLANT



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|----------------------------|---|
| Location | Manisa Organized Industrial Zone |
| Area | Around 60K sqm |
| Indoor space | Around 40K sqm |
| Commencement of operations | December 12, 2017 |
| Product | Room air-conditioners |
| Production capacity | 500K sets indoor & outdoor units / annual |
| Number of employees | 211 as of February 2018, around 400 in March 2021 |

ISPAT OFFERS UK INVESTORS INSIGHT INTO TURKEY'S INVESTMENT ENVIRONMENT

The "Recap of the 3rd Annual Executive Briefing on Private Equity in Turkey and Environs" event, organized by EMPEA and GlobalTurk Capital at the London Stock Exchange, was held in London on the 7th of February.

During his speech at the event, Deputy Prime Minister Mehmet Şimşek said that Turkey has substantially decreased the tax burden on companies and that it attracts international investors thanks to its competitive labor costs. "Turkey is an energy hub connecting the east and the west. Europe is the core market for Turkey, but



we should not neglect Asia and Africa," Şimşek said. He offered the participants insights into Turkey's economic agenda, supporting his speech with a presentation that focused on the drivers of growth in Turkey, inflation and fiscal policy, the structural reform agenda, and Turkey's long-term prospects.

ISPAT President Arda Ermut also addressed private equity executives during the event, touching on Turkey's investment climate and growth prospects. "Thanks to Turkey's location offering access to markets in Europe, the Middle East, and Africa, export-oriented companies have significantly grown in recent years. With managerial skills, extensive international networks, and equity financing, private equity investors can enable these companies to realize

their potential," Ermut said.

During the last 10 years, private equity driven investments have claimed a 65 percent share in all inbound investments. The London Stock Exchange has a strong private equity track record and is Europe's leader for number and size of initial public offerings. Turkey is one of the most attractive destinations for private equity as well. Over the past 5 years, private equity deals amounted to more than USD 11 billion. Thanks to top-quartile returns of the first funds raised back in early 2000s, Turkey's private equity scene has been transformed dramatically with small to large capital investors as well as local, regional, and international players actively pursuing new deals in the country.

18-20

FEBRUARY

ISTANBUL HOSTS WORLD BUSINESS ANGELS INVESTMENT FORUM

The World Business Angels Investment Forum (WBAF) 2018 took place on February 18-20 in Istanbul. The global organization brought together hundreds of angel investors, angel network managers, policymakers, academics, business owners, bank executives, presidents of international associations, and stock exchange executives from more than 82 countries. This year's forum focused on the theme "Unlocking the Potential for Innovation: Angel Investors Partnering with Family Offices and Wealth Management Institutions".

Hot topics such as "Global Action Plans of Global Leaders", "New Rules of Wealth Management", "The Rise of the Secondary Market", and "New Roles for

Development Banks" were discussed during the forum.

Speaking at the opening ceremony of the forum, Minister of Development Lütfi Elvan said that the Turkish government has taken "Venture Capital Initiative" and "Young Entrepreneur Centers" on to its agenda. "Turkey will work on a venture capital initiative in order to produce high value-added products and services," said Elvan. He noted that 428 angel investors are licensed in Turkey and that 94 percent of them are actively engaged in networks.

ISPAT Vice President Ahmet Burak Dağlıoğlu was a speaker on the panel "Global Action Plans of Global Leaders", where he talked about unlocking

potential for innovation and developing global partnerships for economic development. The panel also touched upon how to achieve the sustainable development goals of the United Nations.



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