

**THE REPUBLIC OF TURKEY PRIME
MINISTRY
Investment Support and Promotion
Agency of Turkey (ISPAT)**

**The Investment Climate and the Mining
Sector in Turkey**

M. İlker Aycı, President of ISPAT

March 4, 2013 PDAC, Canada

REPUBLIC OF TURKEY PRIME MINISTRY
INVESTMENT SUPPORT AND
PROMOTION AGENCY



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

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The Republic of Turkey Prime Ministry Investment Support and Promotion Agency



ANKARA



ISTANBUL

- Attached to the Prime Ministry and
- Reports directly to the Prime Minister
- 2 offices (Ankara – Istanbul)
- Established in 2007
- Private sector approach
- Multi-lingual, professional and dedicated project directors, International representatives network worldwide
- Guidance on: Laws, Regulations, Site Selection, Sectoral Reports, Local Market Players, Potential Partners
- Confidential, Free of Charge



The International Network



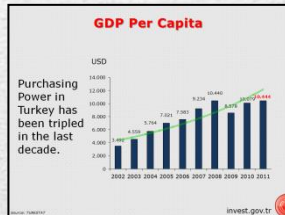
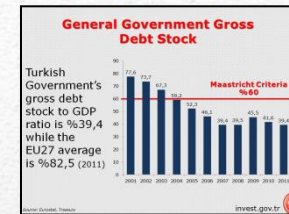
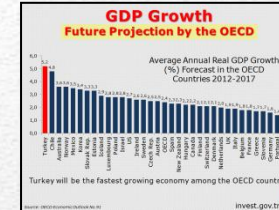
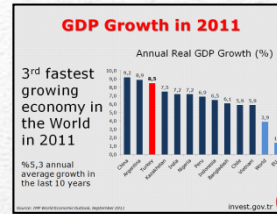
*To be located

**Also Estonia and CIS countries



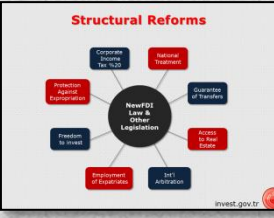
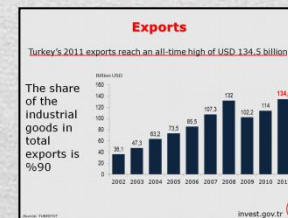
Why invest in Turkey?

Dynamic, Stable & Attractive Economy



Strong Domestic Market

International Hub to Access Multiple Markets



REPUBLIC OF TURKEY PRIME MINISTRY INVESTMENT SUPPORT AND PROMOTION AGENCY

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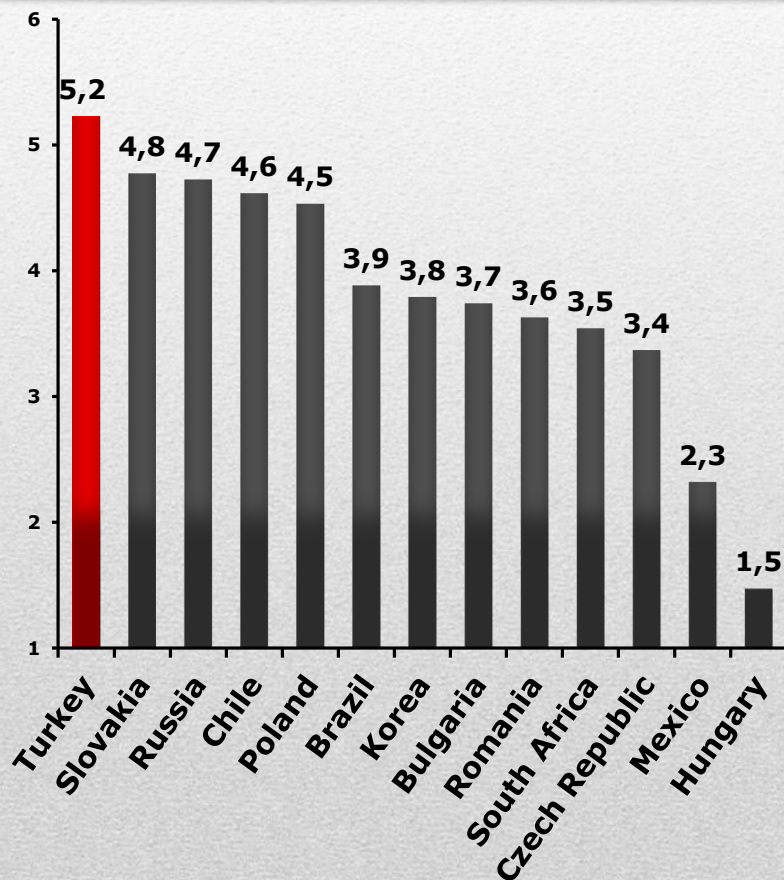
Investment Friendly Business Environment



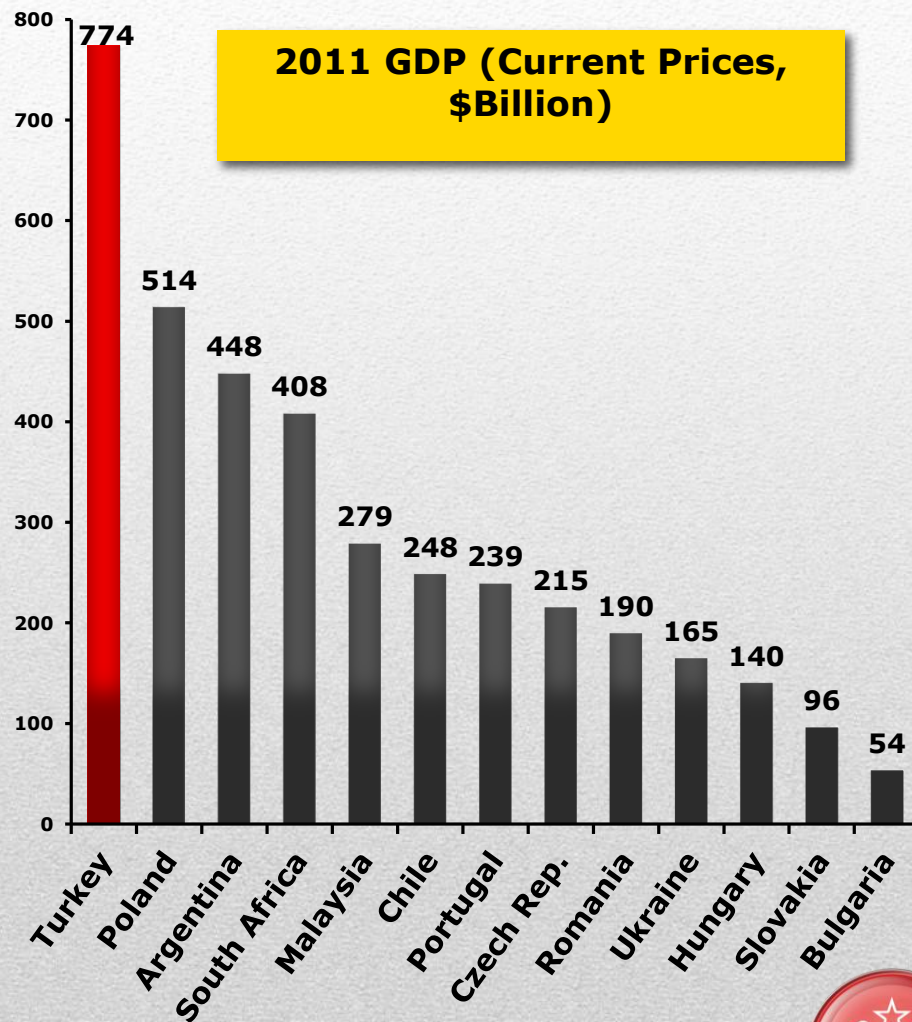
Why invest in Turkey?

Booming economy reaching \$774 billion in 2011 up from \$230 billion in 2002

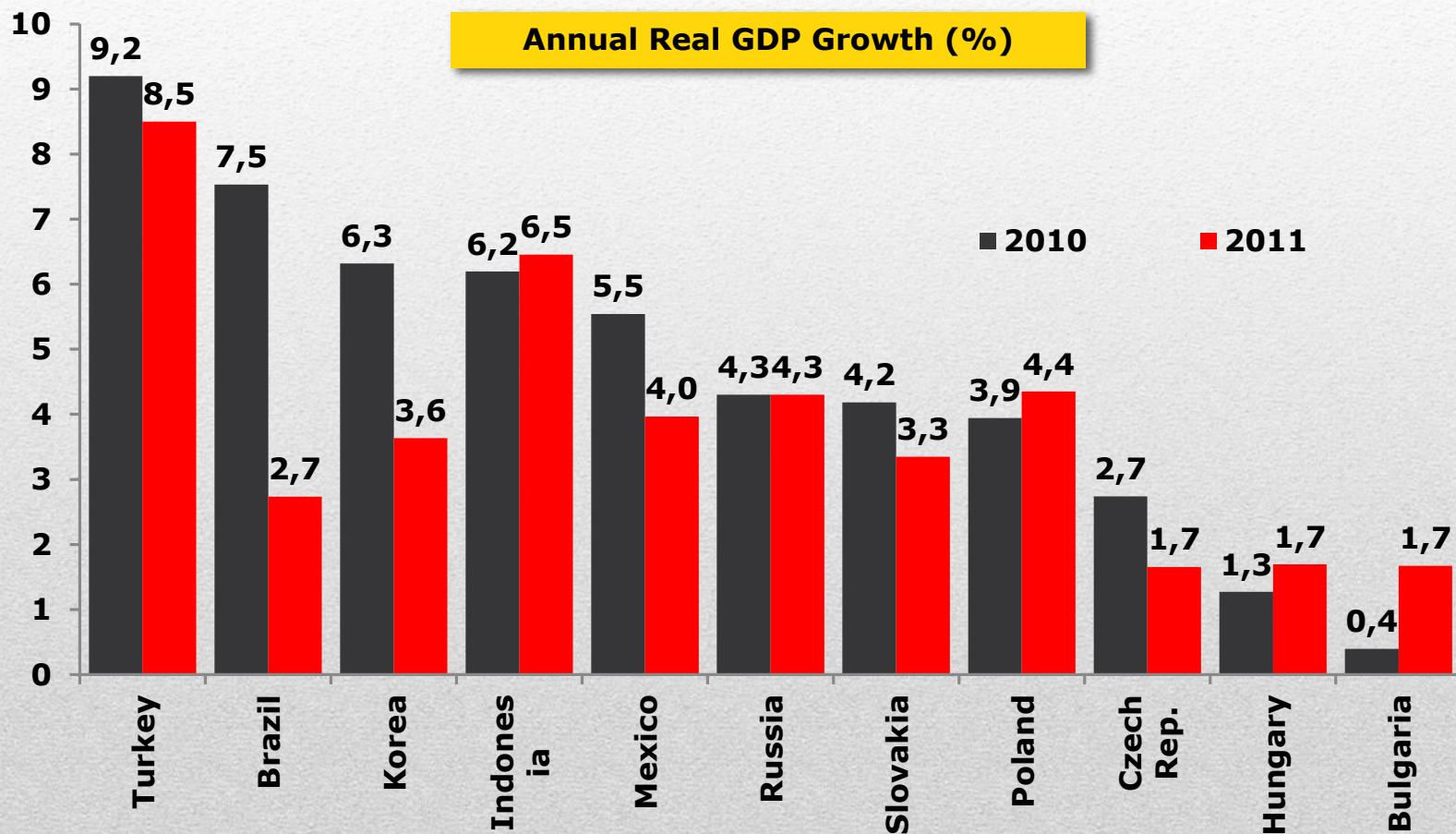
**Average Annual Real GDP Growth (%)
2002-2011**



**2011 GDP (Current Prices,
\$Billion)**

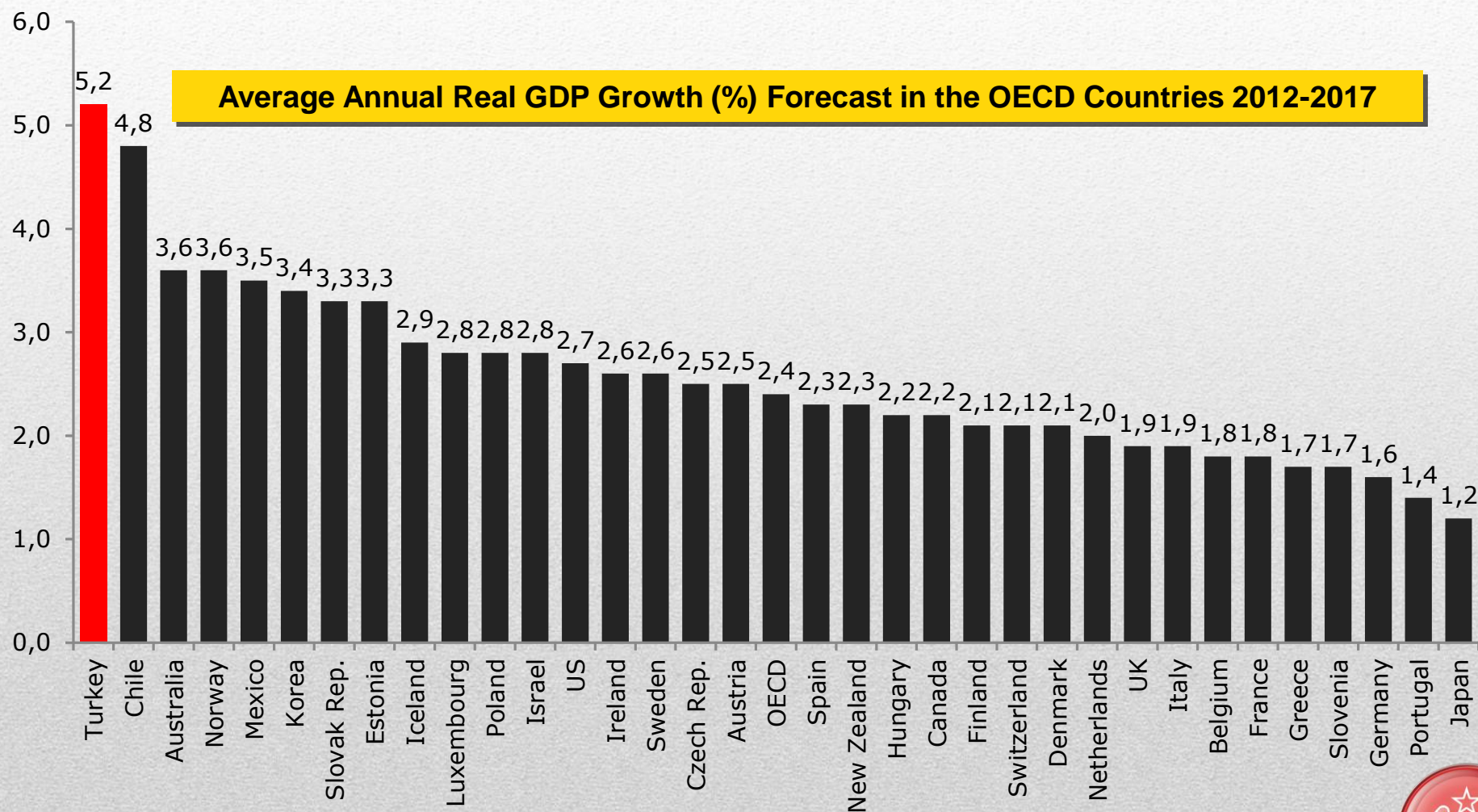


Fastest growing economy in Europe



Why invest in Turkey?

Turkey will be the fastest growing economy among the OECD countries in the near future



Why invest in Turkey?

Strong Domestic Market and an International Hub



**You can access multiple markets from
Turkey**

(1,5 Billion People, \$ 25 Trillion GDP, \$ 8 Trillion Trade Volume)

Why invest in Turkey?

Investment Friendly Business Environment with Structural Reforms

National Treatment



Guarantee of Transfers



Access to Real Estate



International Arbitration



Freedom to Invest



Employment of Expatriates



Protection Against Expropriation



The New Commercial Code



Corporate Income Tax

%20

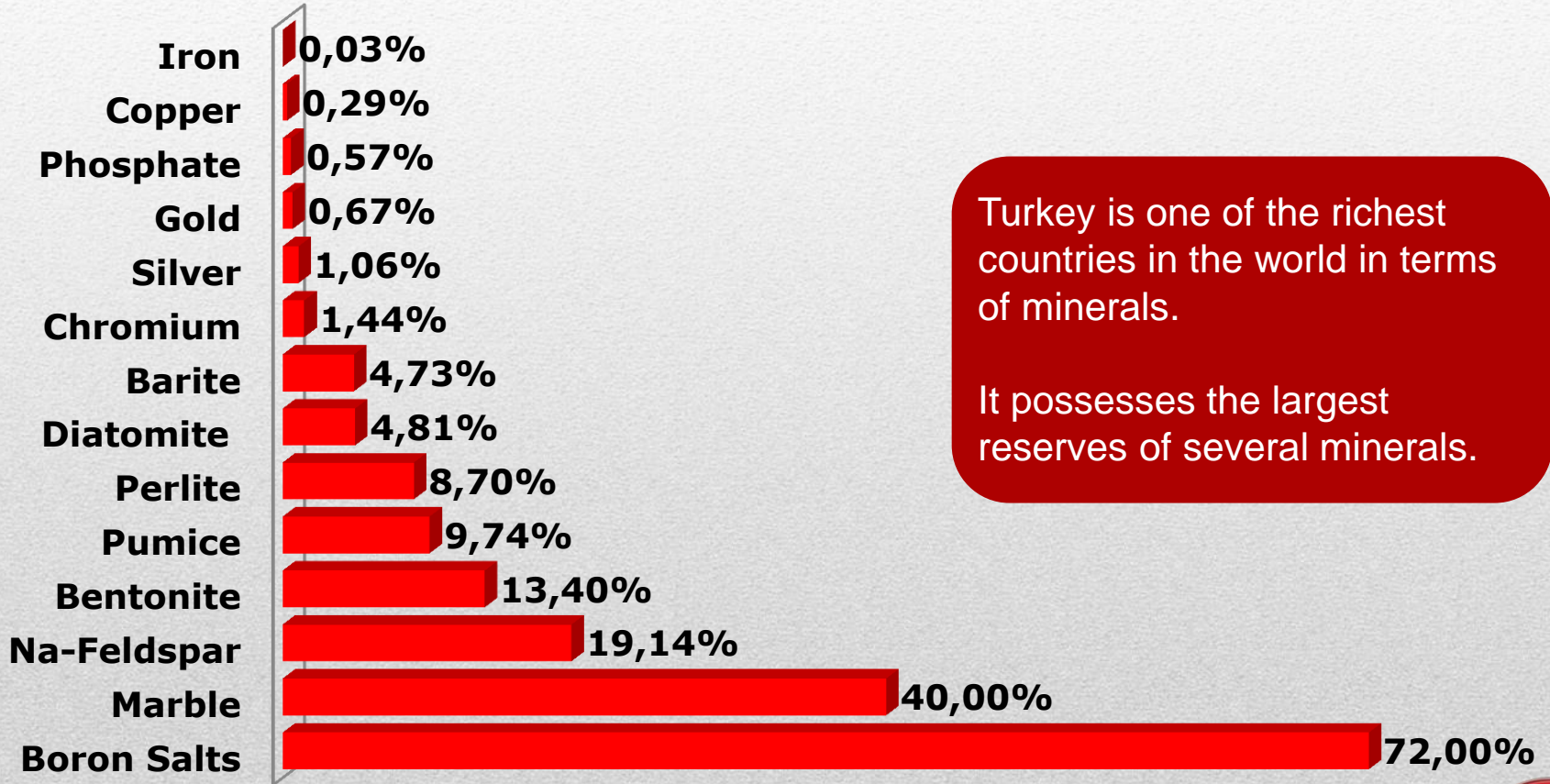
Structural Reforms: Yielding Results & Increasing Competitiveness

Global Competitiveness Index			
Year	Number of Countries	Turkey's Rank	Turkey's Rank (Percentile)
2004	104	66	63,5
2005	117	66	56,4
2006	125	59	47,2
2007	131	54	41,2
2008	134	63	47,0
2009	133	61	45,9
2010	139	61	43,9
2011	142	59	41,5
2012	144	43	29,8



Turkish Mining Industry

Mining reserves in Turkey (as a percentage of world reserves)

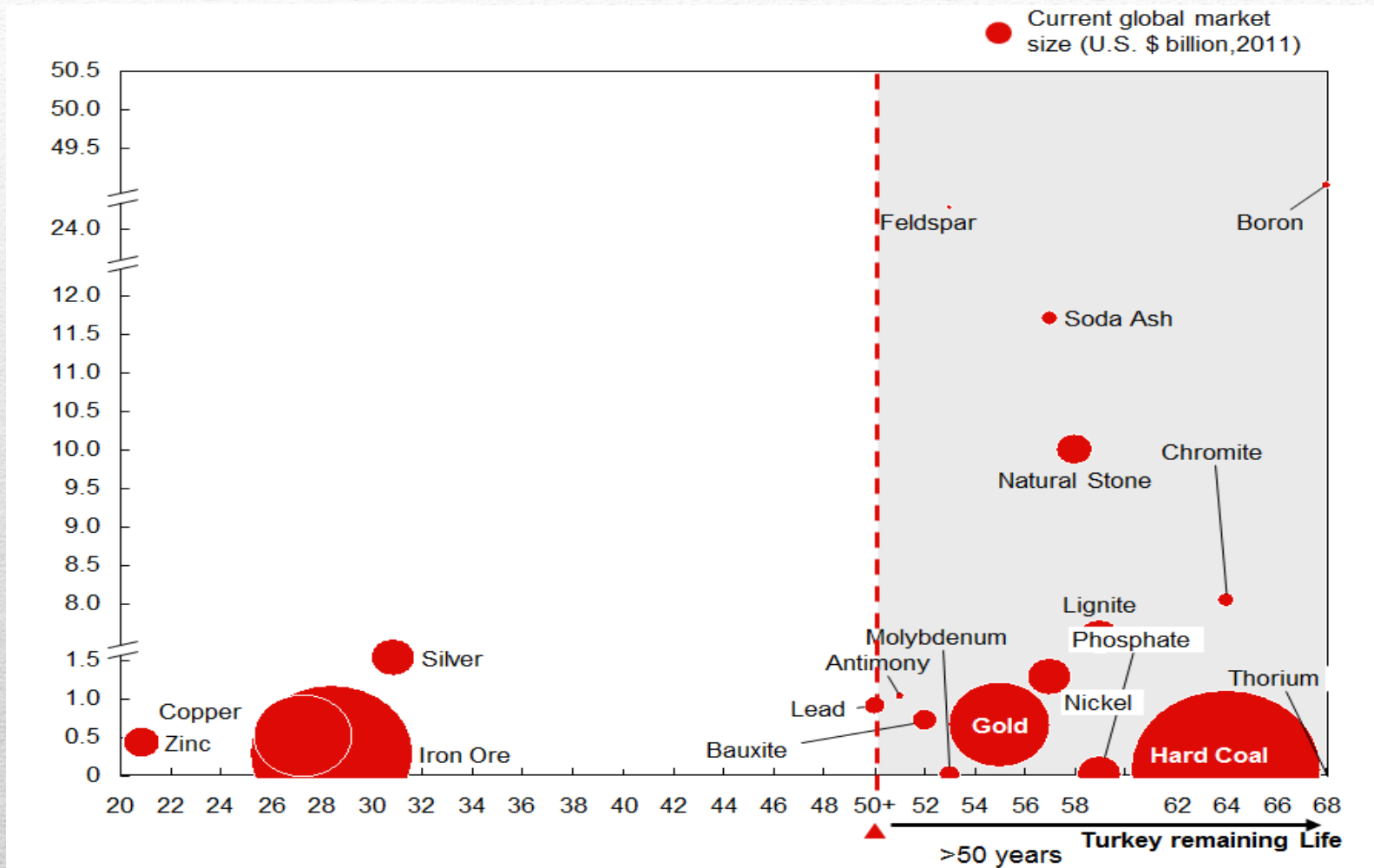


Turkey is one of the richest countries in the world in terms of minerals.

It possesses the largest reserves of several minerals.

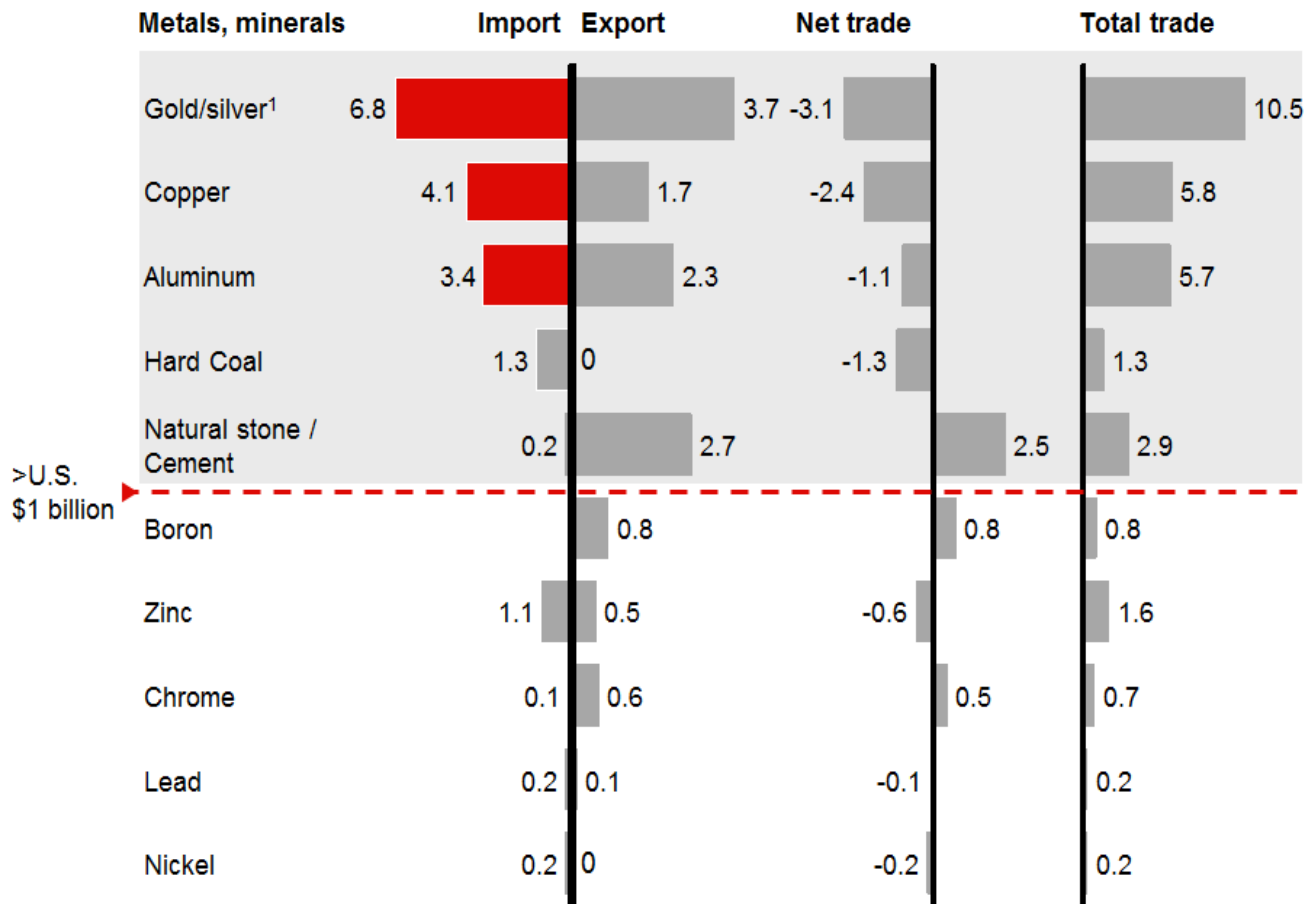


Turkey's share of world production



Foreign trade of major commodities (2011)

2011, U.S. \$ billions



Turkey is strong in exports of

- Gold jewelry
- Natural stones and cement

Major trade imbalances in

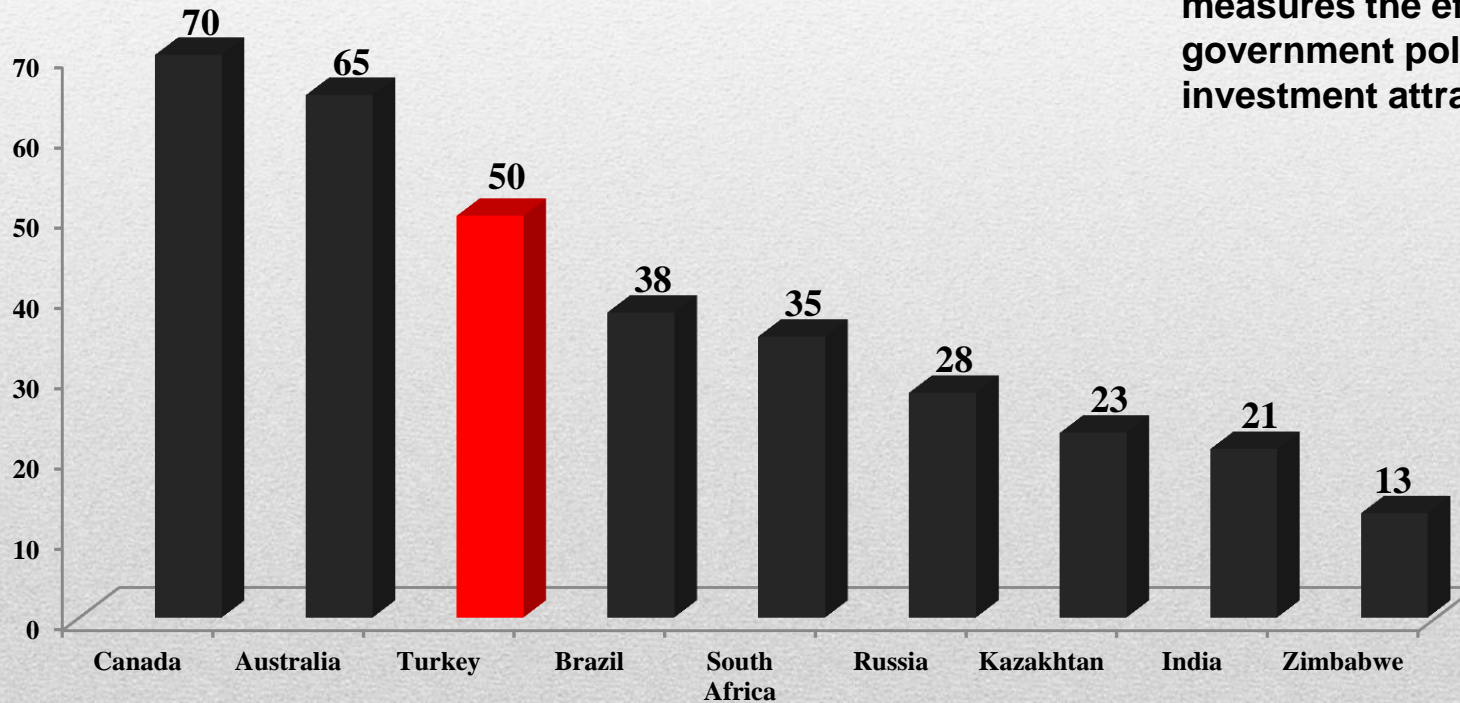
- Coal
- Copper
- Aluminum

¹ Gold and silver combined due to the common materials. Estimated figures for gold and silver are 6.6 and 0.2 USD bln respectively
 SOURCE: UN Comtrade; EtiBor



Turkey is an investment friendly destination for mining companies

Policy potential index for mining (score out of 100 in 2012)



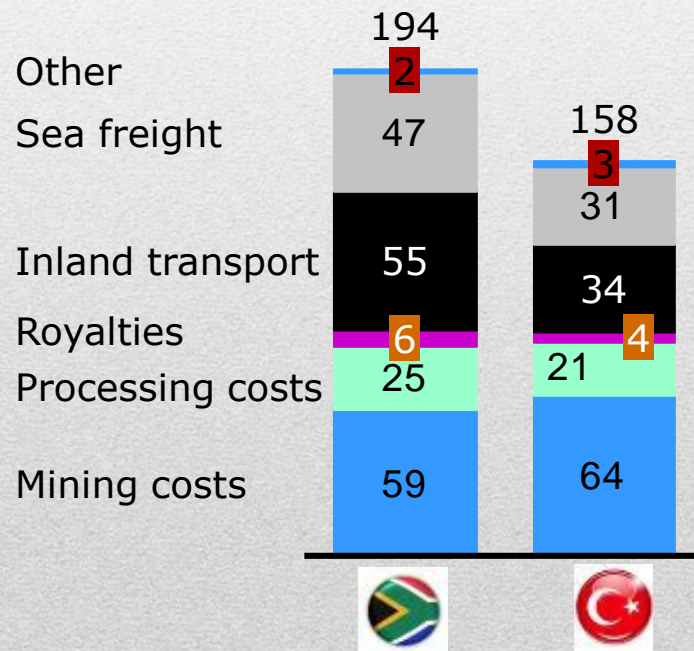
PPI is a composite index that measures the effects of government policies on the investment attractiveness



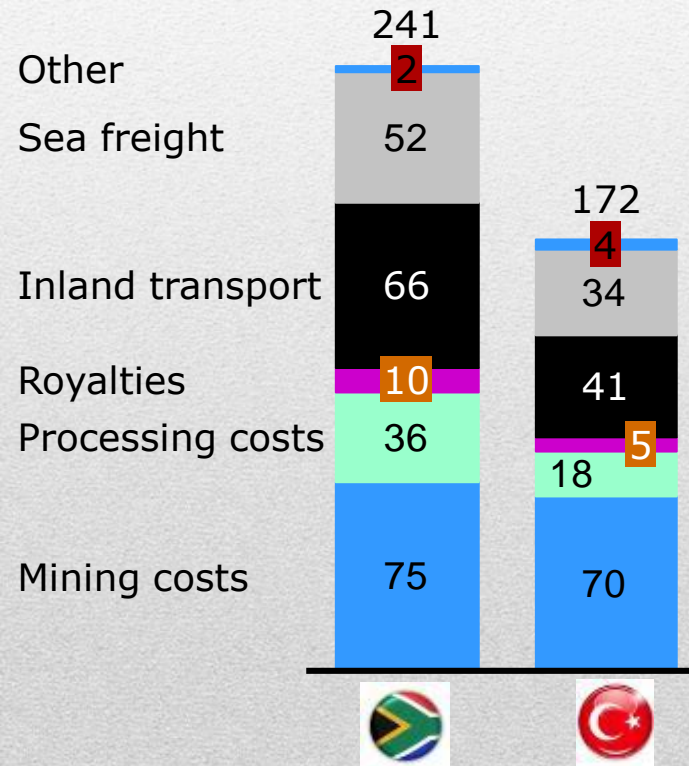
Turkish Mining Industry

Comparison of Turkish and South African CIF China cost base for comparable mines*

2010 cost comparison USD per metric tonne (real 2011)



2020 cost comparison USD per metric tonne (real 2011)



- Low sea freight rates in Turkey supported due to availability of excess container capacity on the Turkey – China route
- Overall processing cost increase in SA driven by power tariffs

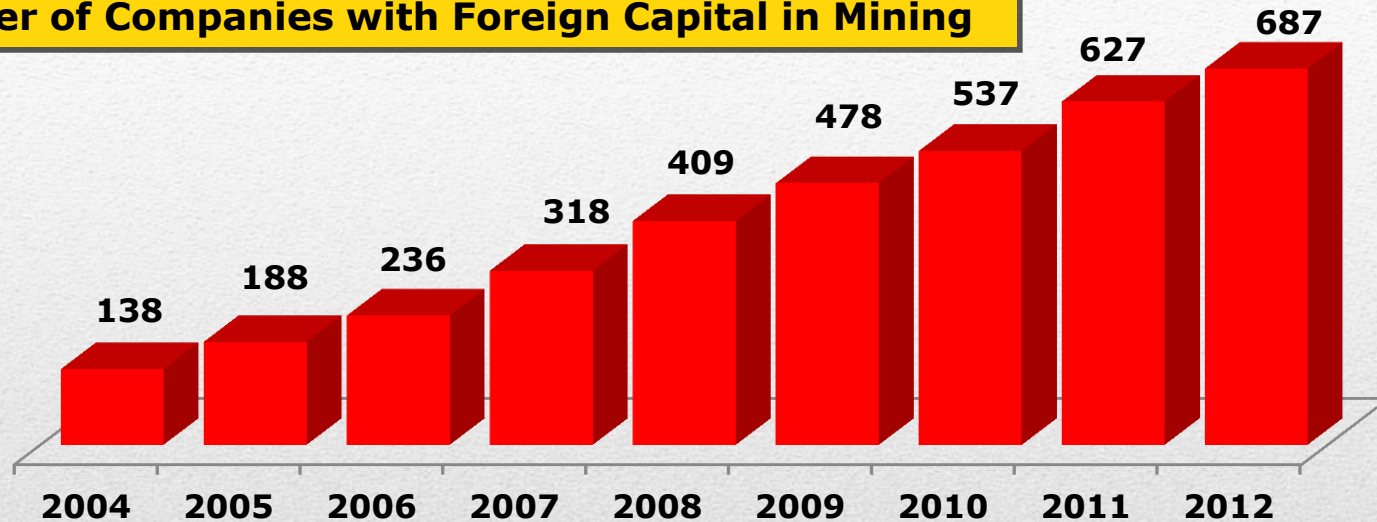
* Underground mines with ~1 million metric tonne

SOURCE: Nithia Capital Resources



Turkey wants to see more companies investing in exploration, exploitation, and refining facilities

Number of Companies with Foreign Capital in Mining



The New Incentive Scheme

NEW INCENTIVE SYSTEM

1. General Incentives

- ✓ VAT Exemption
- ✓ Custom Duty Exemption

2. Regional Incentives

- ✓ VAT Exemption
- ✓ Custom Duty Exemption
- ✓ Tax Deduction
- ✓ Employer's share for insurance premium payment
- ✓ Land provision
- ✓ Interest Support (except 1st and 2nd regions)

3. Incentives for large-scale Investments

- ✓ VAT Exemption
- ✓ Custom Duty Exemption
- ✓ Tax Deduction
- ✓ Employer's share for insurance premium payment
- ✓ Land provision

4. Incentives for Strategic Investments

- ✓ VAT Exemption
- ✓ Custom Duty Exemption
- ✓ Tax Deduction
- ✓ Employer's share for insurance premium payment
- ✓ Land provision
- ✓ Interest Support
- ✓ VAT Refund

In the 6th Region: income withholding tax and employee's share for insurance premium payment



The New Incentive Scheme



- **V.A.T. Exemption (for the imported and domestically provided Machinery and Equipment)**
- **Customs Duty Exemption (for the imported Machinery and Equipment)**
- **Reduced Corporate Income Tax (C.I.T. between %2 - %10)**
- **Social Security Premium Support (Both Employer's and Employee's Share, for 2 - 12 years)**
- **Land Allocation**
- **Interest Support**
- **Income Tax Withholding Allowance**
- **VAT Refund for Construction Expenses**
- **Rates of instruments determined in a descending rate in 6 regions scaled from the most developed to the least developed regions**



“Specific Priority Investments” Incentives for Mining

Investments in the **mining sector** can enjoy **special privileges**, and will be supported by the more attractive instruments of **Region V** regardless of their location.

Strategic Incentives

Mining investments can also benefit from stronger supports than other incentives under the “Strategic Incentives” scheme, regardless of the region, provided that they meet the below criteria:

- *to be made for the production of intermediate and finished goods with high import dependency and of these goods more than 50% are supplied by imports*
- *to have a minimum investment amount of TRY 50 million*
- *to create a minimum added-value of 40%*
- *to possess an import value of at least USD 50 million during the past one year, for goods to be produced*



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ATTENTION**

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