

AUTOMOTIVE SUBSIDIARY INDUSTRY

***Past,
Present
And Future
Of Konya
Automotive
Subsidiary
Industry***

...



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1882
KONYA TİCARET ODASI
KONYA CHAMBER OF COMMERCE

**WITHIN THE SCOPE OF
REPUBLIC OF TURKEY
MEVLANA DEVELOPMENT AGENCY
2016 DIRECT ACTIVITY SUPPORT PROGRAM**

KONYA CHAMBER OF COMMERCE

PROJECT OF PREPARING SECTOR REPORTS IN ORDER TO INCREASE
THE INVESTMENT AND EXPORT FIGURES OF KONYA

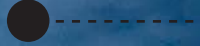
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KONYA TİCARET ODASI
KONYA CHAMBER OF COMMERCE

KONYA TİCARET ODASI
TUTAN KONYA ULUSLARARASI
PİYASASI MERKEZİ



giriş / entrance



KONYA TİCARET ODASI
MEHMET AKİNOĞLU



KONYA TİCARET ODASI
MEHMET AKİNOĞLU

One of the greatest advantages we have gained in the last thirty years is the fact that new production centers have been started to be established in Anatolia. From this point of view, one of the central cities that will bear the production load of Anatolia is Konya with its economic development and potential. With its companies that opened to the world, modern and scientific production and trade, universities, organized industrial zones and international exhibition center, Konya is one of the example cities of Turkey, which has a short history of industrialization, has become a world-renowned production and trade center with moves it has made in the last fifteen years. Konya which is an exceptional city where cultural heritage inherited from its historical accumulation is brought to the present, messages of peace, brotherhood and human love are given to the world, unity and co-existence have become the philosophy of life, modesty and courtesy have ruled for centuries, enabled the city develop economically, socially and culturally with the spirit of unity formed together with its public institutions, non-governmental organizations, chambers and stock exchange. One of the biggest achievements of Konya where unemployment is below 5 percent, is rapidly increasing exports in recent years. Export of Konya which exports to 178 countries and had 03% export share and 100 million dollars of export amount in 2001, increased at the rate of 1.500% and reached 1.5 billion dollars level in fifteen years and its share in Turkey's export exceeded 1%.

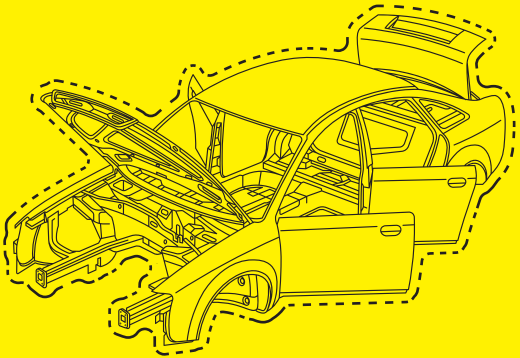


In the last fifteen years, Turkey's average in export has increased 5 times and Konya has increased its export 15 times and has written a success story around the world. Today, Konya has potential to receive 3% share from Turkey's export in the next decade. While Konya industry which allows production in many different sectors instead of a single sector, provides a great advantages to the city in international competition, Konya makes its presence felt in world's market by offering low-cost and better quality products in Food, Machinery, Furniture, Automotive Spare Part, Plastic, On-vehicle Equipment and Lift, Footwear-Textile and Agricultural Machinery sectors. Konya which is one of the cities of Turkey showing high economic performance recently with historical and cultural accumulation, geographical features and entrepreneurs and which continues to rise economically by contributing to our country's objectives as a central city in its region, offers many opportunities for foreign investors and businessmen with its socio-economic advantages.

Selçuk ÖZTÜRK
Konya Chamber of Commerce
President of Board of Directors

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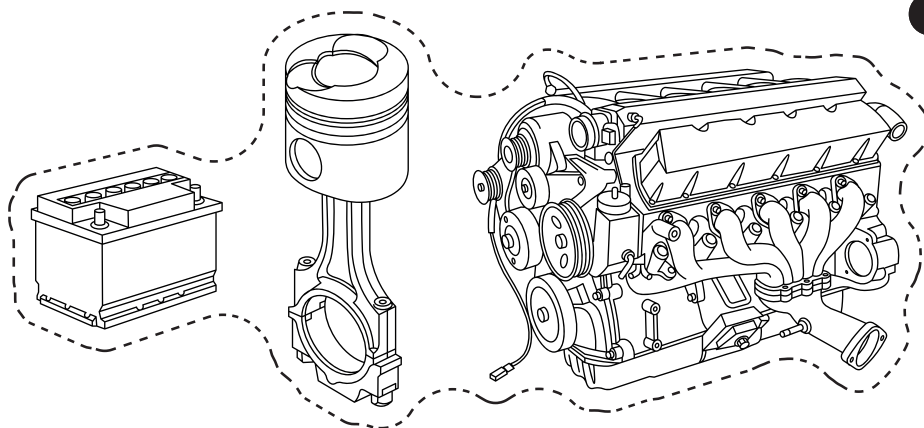
Past, Present And Future Of Konya Automotive Subsidiary Industry

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AUTOMOTIVE







***The sector
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...

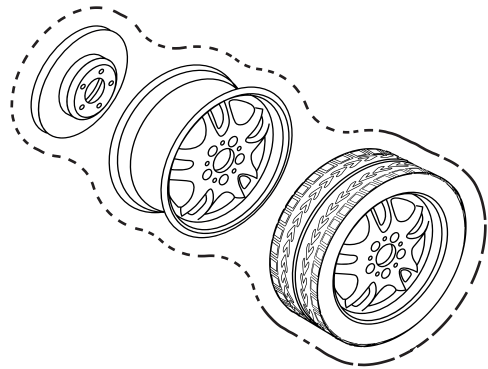
OVERVIEW

In the 20th century with the spread of cars, the automotive sector which is the subject of individual consumption and has become one of the largest industrial sectors, is one of the leading sectors that save the highest budget for R & D activities to respond to today consumers' safety, comfort, speed and status seeking.

The automotive sector covers the production of vehicles and spare parts; it supplies parts from several sectors such as metal, plastic, glass, textile, and establishes a strong link with the transportation and logistics sectors. In addition, the automotive

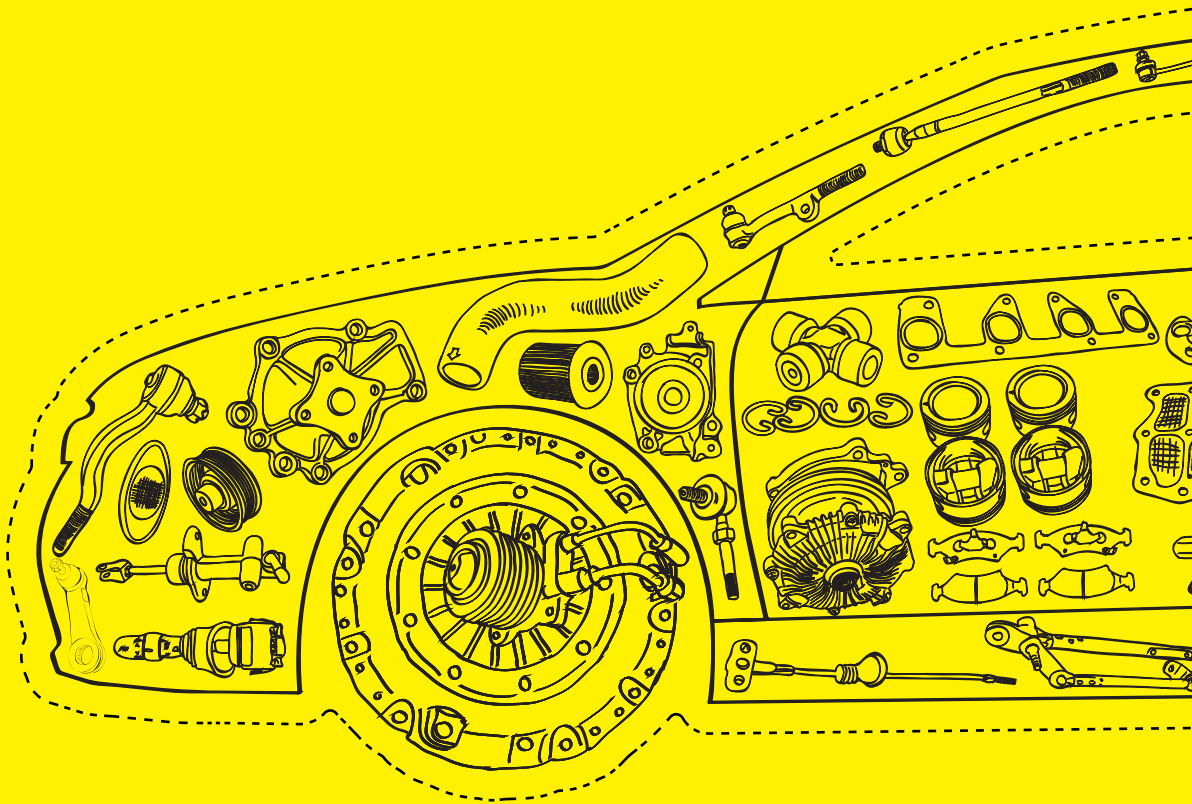
industry, which enables mass commercialization of materials and products developed in sectors such as aerospace, defense and medical, also stands out as an intermediary for the widespread use of technology.

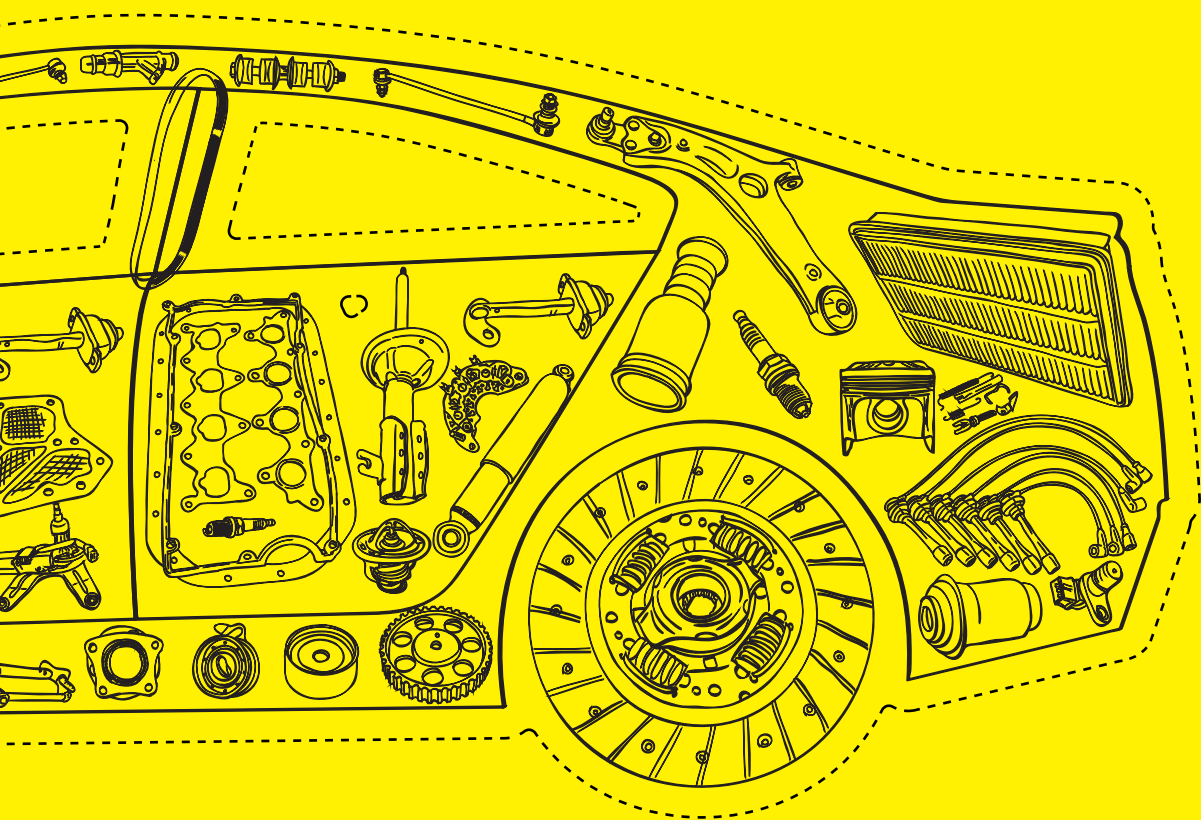
In the automotive sector, the final product mainly includes automobiles as durable consumer goods, as well as commercial vehicles for cargo and passenger transportation. The automotive subsidiary industry includes all kinds of parts used in the production of a vehicle.



*The
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...







WHY KONYA?

From past to present, being the agriculture, commerce, industry and tourism center of both our country and of Central Anatolia Region, Konya has made significant contributions in various sectors and at different levels for the national economy.

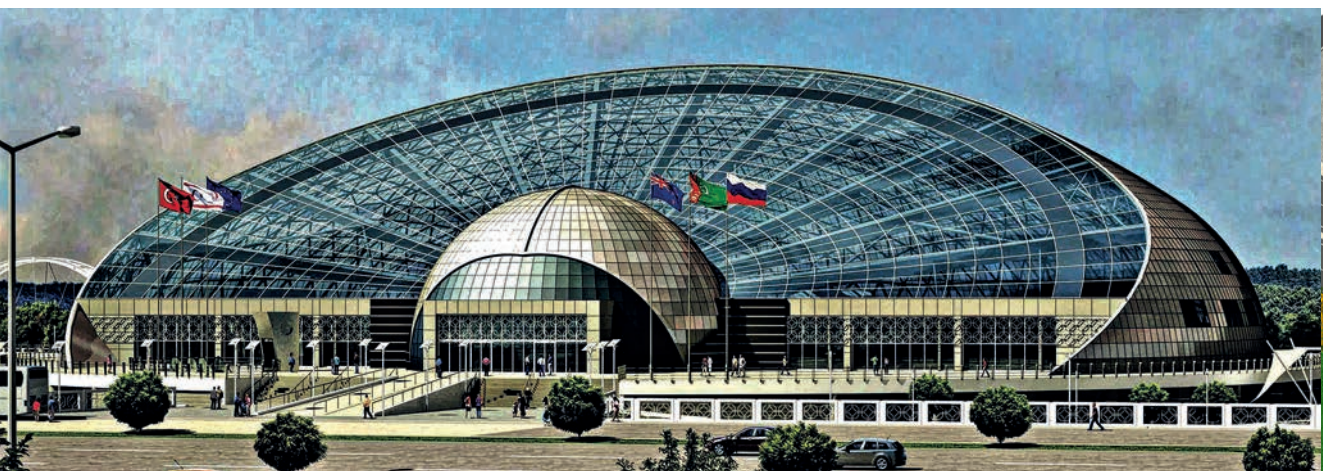
Although the inadequacy of capital accumulation for many years did not allow for large-scale sector investments, a series of investments were made in the aftermath of the 1950s-corporate partnership.

It was ensured that the clusters in the automotive subsidiary industry sector in Konya could provide vertical and horizontal cooperation among the enterprises, the development

of innovative and value added products, and at the same time the recognition of Konya in the sector.

In Konya, the automotive subsidiary industry has the chance to produce products for different industries such as defense industry, aviation industry, rail systems industry, agricultural machine industry and the presence of many organized industrial zones has facilitated geographical gathering in the sector, bringing economic advantages together.

Konya has the capacity to meet the qualified workforce that can use the advanced production processes that the industry needs with its many technical education faculties and





the possession of the vocational high schools bringing almost 8.180 graduates in each year and with the population, 60,6% of which is below 35 years old (young labor force) and therefore it is an attractive city in terms of the sector.

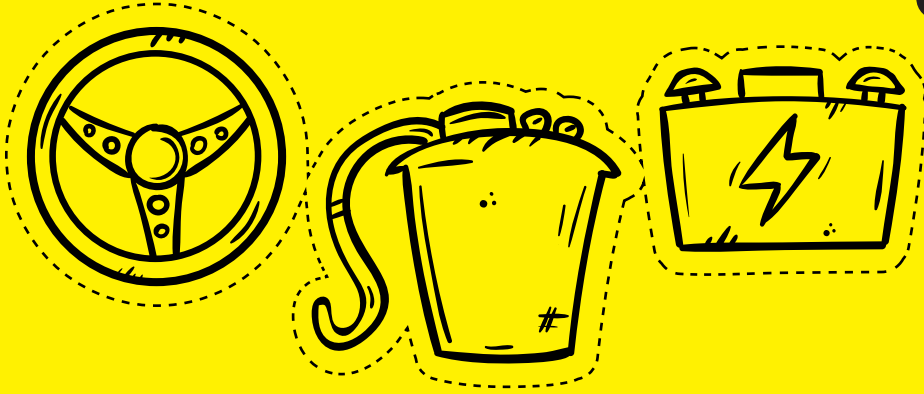
In terms of R&D infrastructure, Konya has Turkey's third largest technology, a TÜBİTAK-supported science center and a Regional Innovation Center. In addition, the formation of an effective local development model through the cooperation and harmony of the public, private sector and non-governmental organizations is one of the reasons why Konya is preferred.

Konya, which makes its mark in the automotive subsidiary industry with 208 million dollars export in 2015 and which has the characteristics of an intersection with its double highway reaching 7 cities, also makes an indelible impression with the high-speed train facility, existence of international airport, the railroad linking Western Anatolia to Southeast Anatolia, having the first logistics central project and a fast railway project that will facilitate transportation and freight transportation between Konya and Mersin Port.







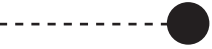


AUTOMOTIVE SUBSIDIARY INDUSTRY SECTOR IN TURKEY

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It is estimated that the share of automotive sector in GDP together with main industry and sub-industry is close to 4%. When forward and backward connections are added, it is thought that the share is about 6-8%. The sector, which takes the first place with 16% share in exports, is among the most important manufacturing industries with its production value, added value and place in employment and technology level.

While 75% of the main industrial production and 65% of the sub-industry production are made for export, 58% of the automotive sector exports consist of the main industry (from the producers of vehicles) and the remaining part consists of exports of the sub-industry. (In the period of 2011-2014, the main industry exports increased by 22% and the sub-industry exports increased by 44 %. Turkey ranks 20th with 1.5% share in the world total automotive subsidiary industry trade.)



Turkey, in the automotive industry, ranks 4th with 3.854 enterprises, with a production value of 77.9 billion TL and 8.1% share in the whole manufacturing industry and ranks 5th in the manufacturing industry with the added value of TL 13.7 billion it produced. There are 13 thousand manufacturers in the automotive main industry and 4 thousand manufacturers in the subsidiary industry. However, it is estimated that the first 100 companies made more than half of the sub-industry production and exports.

The subsidiary industry, including about 200 firms (mainly European Union originated) coming with licenses and joint investments and established with the support of the main producers, has reached a high potential over the years. The mentioned companies have the capacity to meet about 85% of the automotive spare parts produced in Turkey and the main part where the production is limited is the engine.

In many cities in Turkey, the automotive subsidiary industry sector has been developed and the majority is seen in a few cities. Konya is the city with the most development and sectoral concentration.

The sector has a share of about 5% in total manufacturing industry employment with 180 thousand people. With the sales network,

distribution and marketing, it is estimated that the industry provides employment for about 400,000 individuals (about 1.6% of the total workable population).

Since 2006, the sector has been exporting the most, and it is also the general buyer for the industries such as iron and steel, light metals, petrochemicals, rubber and plastics.

The Customs Union Agreement signed with the European Union in the development of the automotive main industry and subsidiary industry also plays a special role. Since 1996, when the agreement entered into force, the restrictions imposed on the import of second hand vehicles, the practices such as the gradual reduction of import taxes in the main industry and subsidiary industry have encouraged new investments in the sector. Some of the production of the EU in the economic and light commercial vehicle segments has been shifted to Turkey.

In the automotive supplier industry, where there is a relatively high concentration of OEM (Original Equipment Manufacturer) firms and Tier 1 suppliers, Turkey is dramatically dependent on EU market and there is a strong competition with EU countries such as Poland, Czech Republic and Hungary.

AUTOMOTIVE SUBSIDIARY INDUSTRY SECTOR IN KONYA

In Konya, in the automotive main industry, Turkish Engine Industry and Commerce INC (Türk Motor Sanayi ve Ticaret Anonim Şirketi - TUMOSAN) is located. In Konya automotive subsidiary industry sector, about 400 manufacturing companies employs more than 10 thousand employees.

In addition to the axles, lifts (cylinders), other hydraulic and pneumatic components integrated into the main components such as trailers, the engine components and parts (valves, pistons, shirts, cranks) are produced intensively in the region. Half of piston ring manufacturers, more than 50% of piston manufacturers in Turkey (71% of piston production); 76% of valve manufacturers (68% of valve production); 45% of axle and shaft producers (56% of axle and shaft production) are located in Konya.

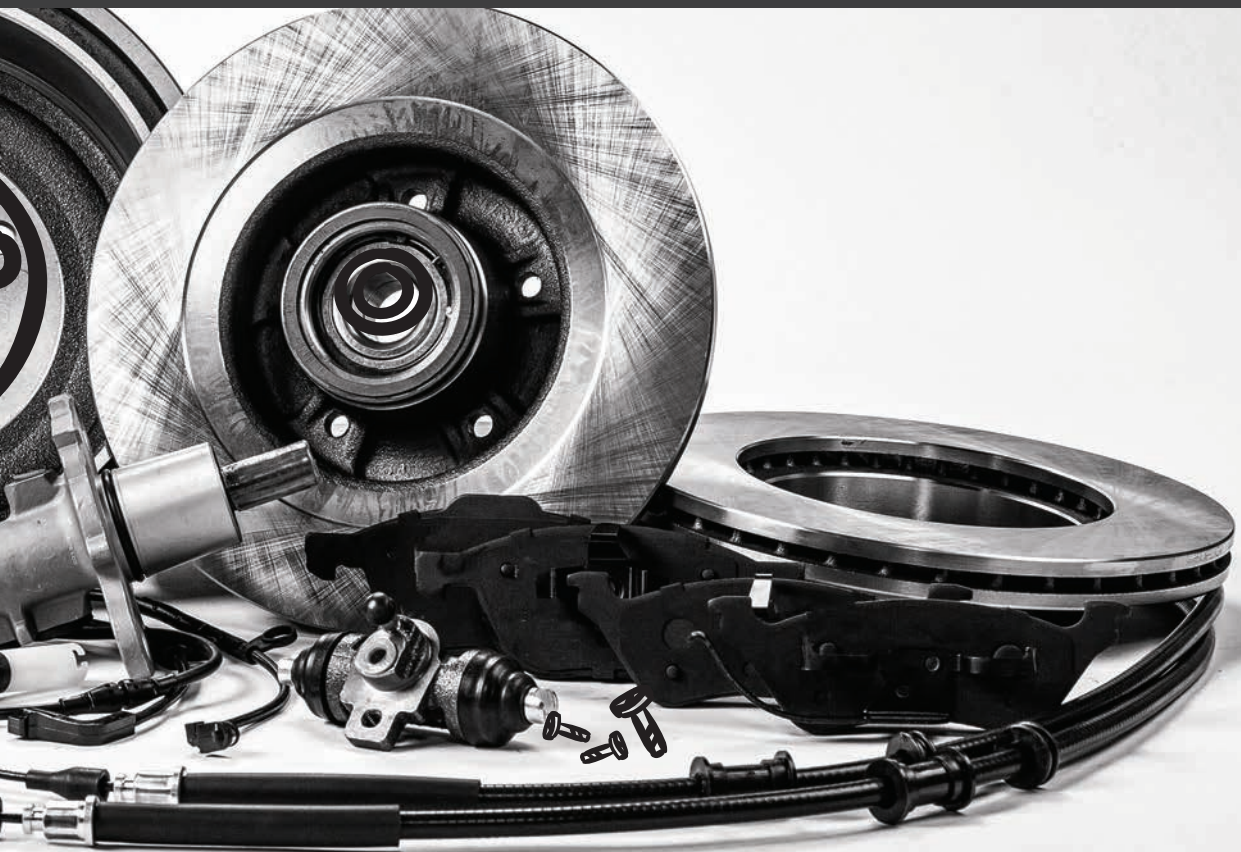
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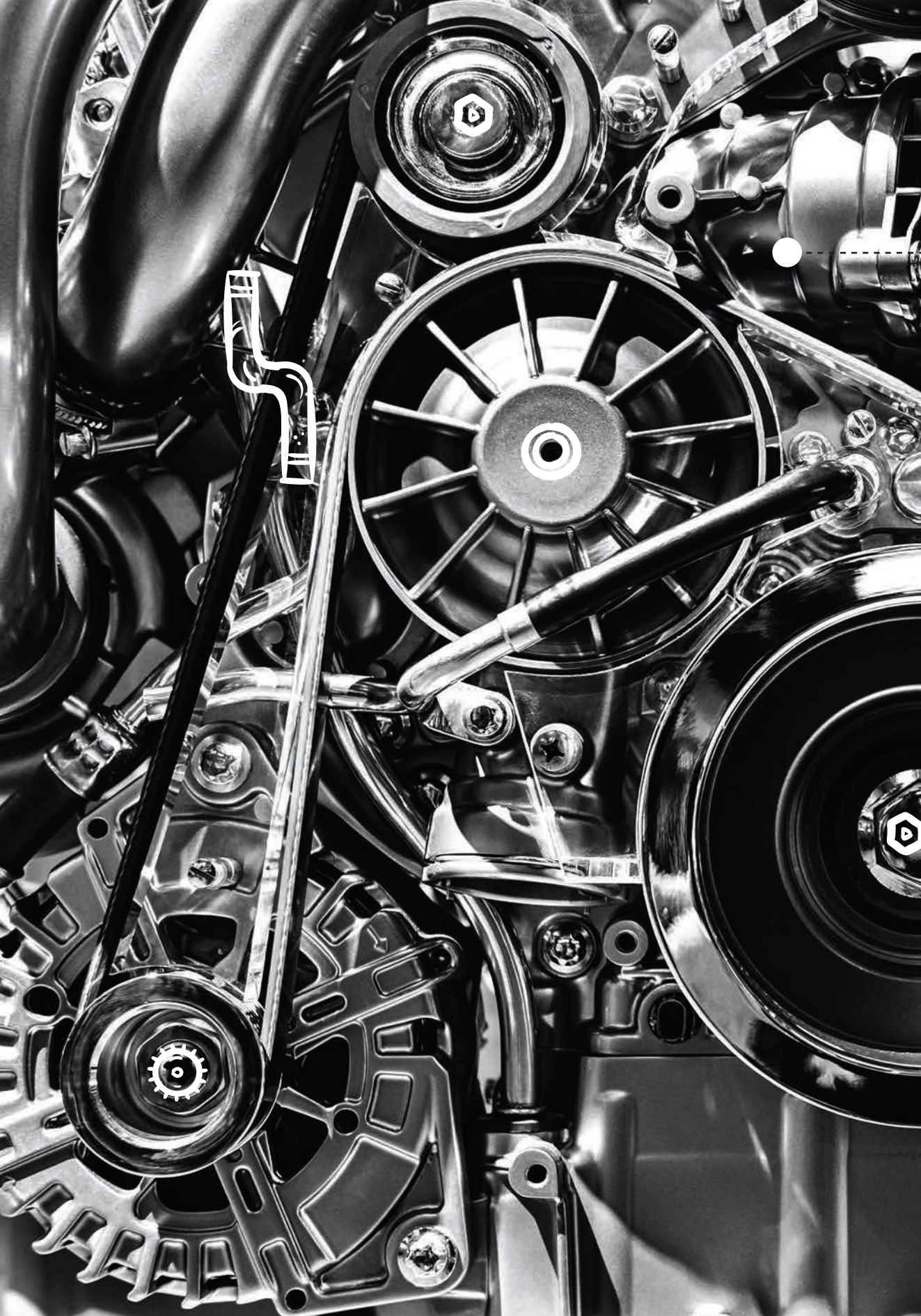
*The sector
is important
power of
Konya...*

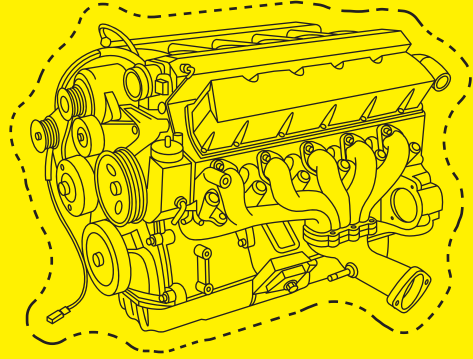


Products that are manufactured by Konya automotive subsidiary industry and diversified, are as follows;

Motor covers	Axle
Piston	Shaft
Gasket	Break lining
Engine valve	Lug nut
Valve guide and valve seat insert	Manifold
Gear	Transmission rods and cranks
Rod and tie rods	Rim
Grease cap	Final drive
Hydraulic pump	Brake systems and components, brakes and servo brakes
Suspension parts	Safety components
Hydraulic and pneumatic systems	Auto glass, seat
Casting and forging parts	Radiator
Piston ring	Electrical equipment and lighting systems
Filters	Automotive sheet metal parts
Industrial oil	Plastic body shell parts
Rubber and plastic parts	Complete engine and parts
Trailers and semitrailers	
Power train	
Bumper components and parts	







While the "Automotive Parts and Accessories" cluster was found in Konya, which is one of the seven leading provinces in the basic metal industry, "not-elsewhere-classified machinery sector, vehicle, trailer and semi-trailer manufacturing, basic metal industry, food products and beverage production" in Konya come to the fore front in the industry sectors as stated in the "Prominent Industry Sectors of Provinces" by State Planning Organization in 2006.

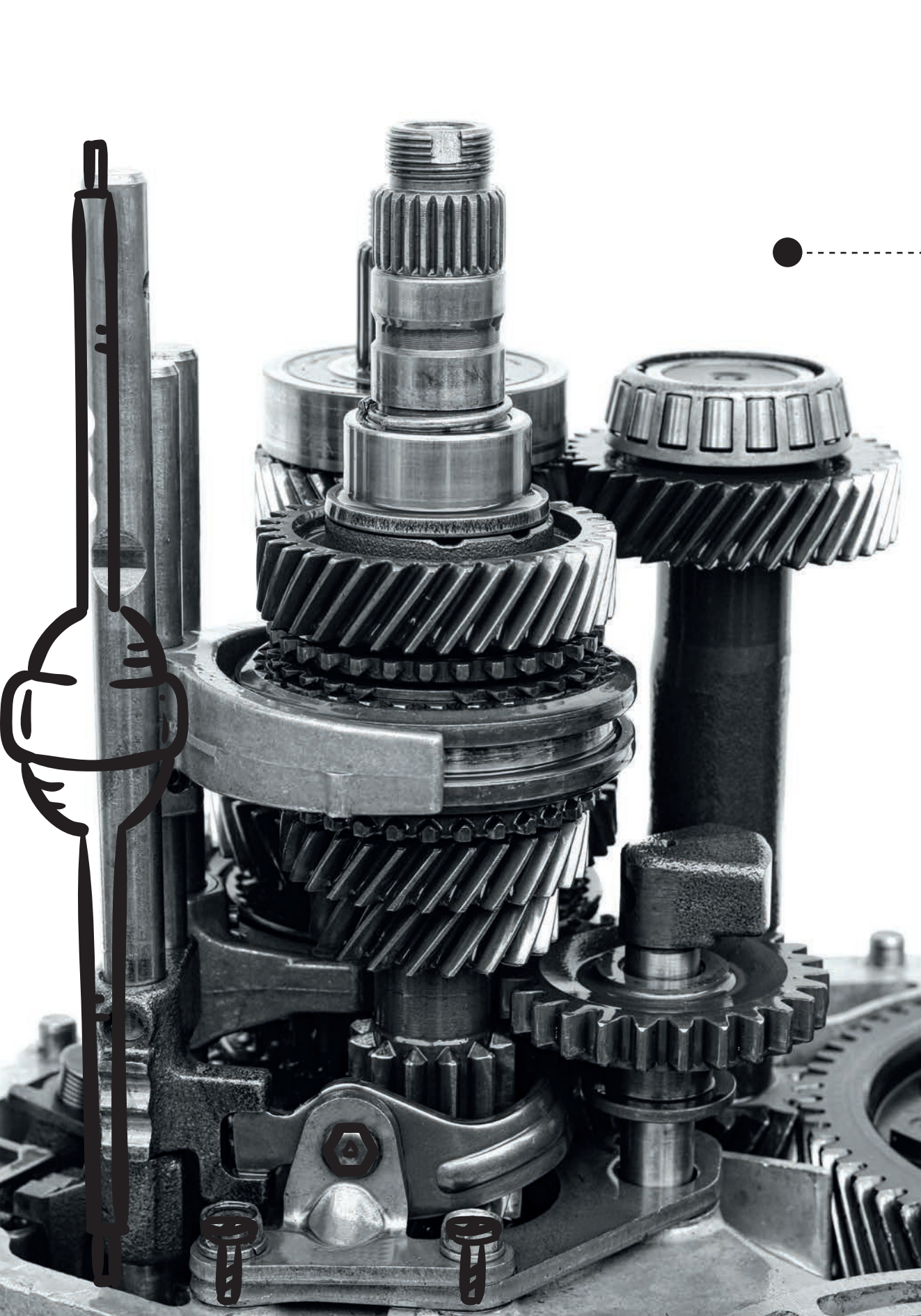
Konya is one of the five leading provinces of motor vehicles, trailers and semi-trailers production in the industry sector of Turkey. Konya, which is developing in the automotive sub-industry and is

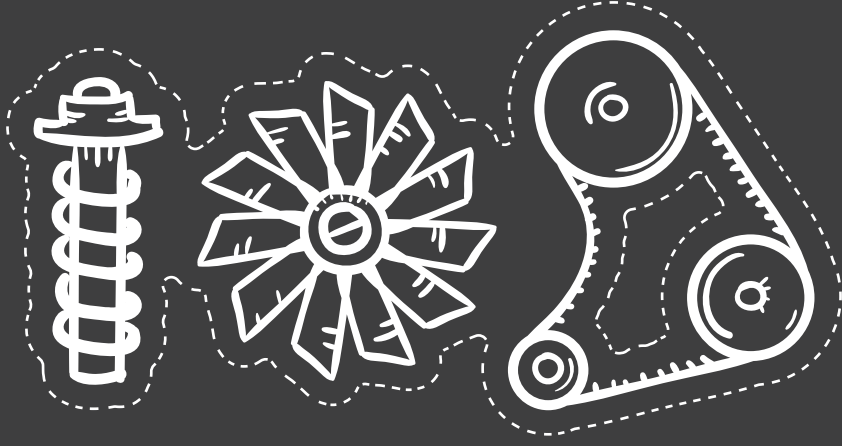
one of the ambitious producers of domestic vehicles in the main industry, is among the important producers in the machinery sector and its knowledge and experience in the field of tractor production is an advantage in terms of development of the automotive subsidiary industry. In addition, with the factors like providing a suitable land for domestic vehicle production, Konya - Mersin railway line in the project form and the development of logistics facilities, it is a city which has a high potential in the sector. Industrialists and sector representatives in this city are prepared in this direction.

Table 1: Production Groups in the Automotive Supplier Industry in Konya

Product Name	Customs Tariff Statistics Position No.	Product Definition
Engine Parts	8409	<ul style="list-style-type: none">- Spark-ignition internal combustion engines for aircraft, parts of reciprocating or revolving piston engines, those for the use on civil aircraft.- Parts suitable for use in internal combustion piston engines, with or without spark ignition (other than parts of aircraft engines).- Cylinder blocks and sumps, pistons, piston rods and piston rings, syringe, injector cylinder and injector nozzle, cylinder heads and cylinder liners, and other components and parts for internal combustion piston engines (diesel and semi-diesel) with compression ignition
Brake and Clutch Parts	870830	Brakes, servo brakes and their parts (other than unmounted break linings or brake pads).
Gearbox and differential components	870850	Driving axles, stationary axles and their parts.
Body shell	870810	Bumpers and parts (including plastic bumpers).
Hydraulic Systems	870894	Steering wheel, steering column, steering boxes and parts
Shaft equipments	8706	For motor vehicles, tractors, automobiles and other motor vehicles mainly designed for human and freight transport, and for special purpose vehicles including racing cars

Rods	8483	<ul style="list-style-type: none"> - Cranks and crank shafts - Cardan shafts - Other shafts - Bearing sleeves, with ball or roller bearings - Bearing sleeves (other than those with ball or roller bearings); Sliding shaft bearings - Gears and gear sets (for fixed equipment), plain gears and helical gears, bevel gears, conical / plain gears - Other gears and gear sets - Ball or roller screws - Those for gear boxes and other speed changers, machines and land/sea vehicles (excluding gears and gear sets, gearboxes of the motor vehicles) - Other transmission elements (except gears and gear sets, ball or reel screws, gear boxes and other speed changers) - Flywheels and pulleys (including pulley blocks) - Clutches and shaft couplings, including universal joints - Parts of bearing sleeves - The parts of the transmission shaft, camshaft, crankshaft, cranks, shaft bearings, gears, gear sets, ball and roller screws, gear boxes, torque converters, flywheels, couplings, rod (shaft couplings) and universal joints
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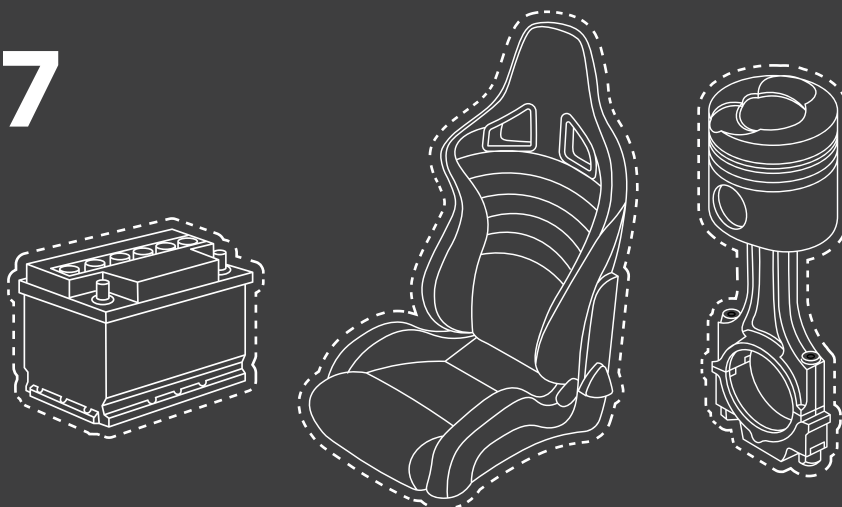
According to TURKSTAT (TUIK) statistics, Konya has a share of 13% in the total automotive industry enterprises in Turkey and 5% in the automotive industry employment. The regions stated in the following tables represent 66% of the Turkish automotive industry enterprises and 86% of the employment.

Table 2: Konya Automotive Industry Positioning (2013)
Source: (TUIK)

	Number of Local Units	Share (%)	Emp- loyment	Share (%)	Emp- loyment per share
Turkey (TR)	4.340	100,0	170.623	100,0	39
Istanbul (TR-10)	783	18,0	20.126	11,8	26
Izmir (TR-31)	371	8,5	15.762	9,2	42
Bursa-Eskisehir- Bilecik (TR-41)	692	15,9	55.831	32,7	81
Kocaeli-Sakarya- Bolu-Düzce- Yalova (TR-42)	378	8,7	40.951	24,0	108
Konya-Karaman (TR-52)	565	13,0	8.615	5,0	15
Manisa-Afyon- Uşak-Kütahya (TR-33)	95	2,2	4.777	2,8	50

In the classification by TURKSTAT; "Manufacture of motor vehicles, trailers and semi-trailers





SUB-SECTOR BASED PRODUCTION GROUPS

Engine Parts in Konya

In Konya, there is a better view of the automotive parts than the general situation of the automotive subsidiary industry, especially since the production is done for the non-automotive sectors, especially for

the machinery sector. Turkey has 41% of the registered producers in Konya with smaller scaled firms compared to the average of the country. Konya's share of engine part employment is close to 8.8% and its share in production capacity is close to 23%.

Table 3: Konya Engine Parts Positioning Motor
Source: Turkish Union of Chambers and Commodity Exchanges

	Registered Producer	Employment	Production Capacity (ton)	Employment/ Production Capacity	Capacity/ Producer (ton)
Konya	56	2.673	27.671	48	494
Turkey	137	30.362	122.695	222	896
Konya/ Turkey (%)	40,9	8,8	22,6	21,5	55,2

Konya's US \$ 209 million worth of automotive industry exports (out of the total US \$ 282 million) in 2015 consisted of engine parts (74%). In recent years, exports of engine parts have increased by 25%, and about 14% of Turkey's total engine parts exports are made from Konya. Konya's success in this product group, where the competitive

power of the Turkish automotive subsidiary industry is relatively high, is parallel to the machinery sector infrastructure and tractor production in the city. This infrastructure can be better assessed through product diversification. Exports of motor parts and accessories in Konya are increasing every year.





Brake and Clutch Parts in Konya

46% of the registered producers are in Konya with smaller scaled firms compared to Turkey average. Konya's share of employment in brake and clutch parts is close to 28.7% and its share in production capacity is close to 40%.

Table 4: Konya Brake and Clutch Parts Positioning
Source: Turkish Union of Chambers and Commodity Exchanges

	Registered Producer	Emp- loyment	Production Capacity (ton)	Employment /Production Capacity	Capacity/ Producer (ton)
Konya	42	1.889	30.328	45	722
Turkey	92	6.581	76.884	72	836
Konya/ Turkey (%)	45,7	28,7	39,4	62,9	86,4



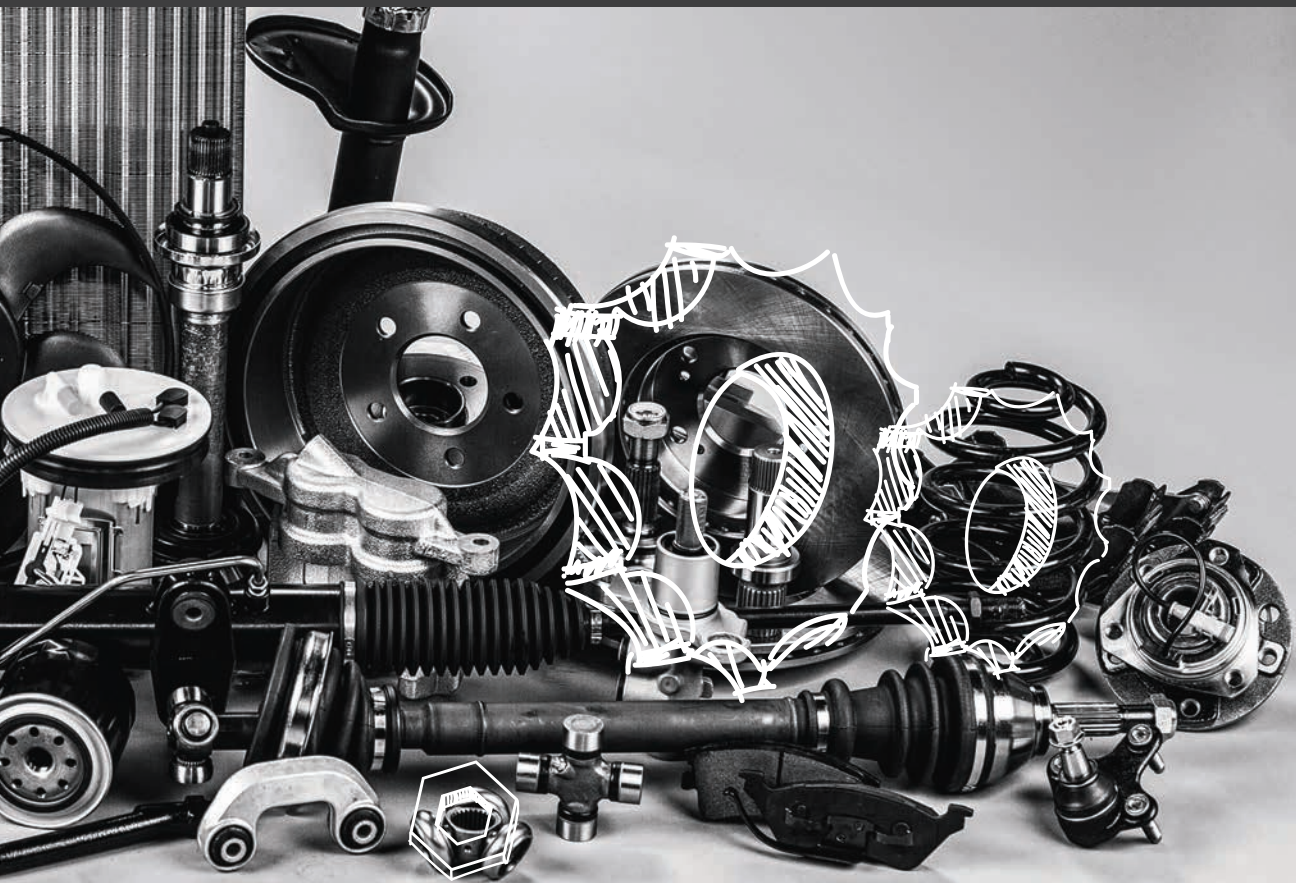
Considering the Konya's share in the number of producers and employment in this sub-sector, it is estimated to have 20-25% share of Turkey's total brake and clutch parts exports, and exports are estimated to be around USD 50 million.

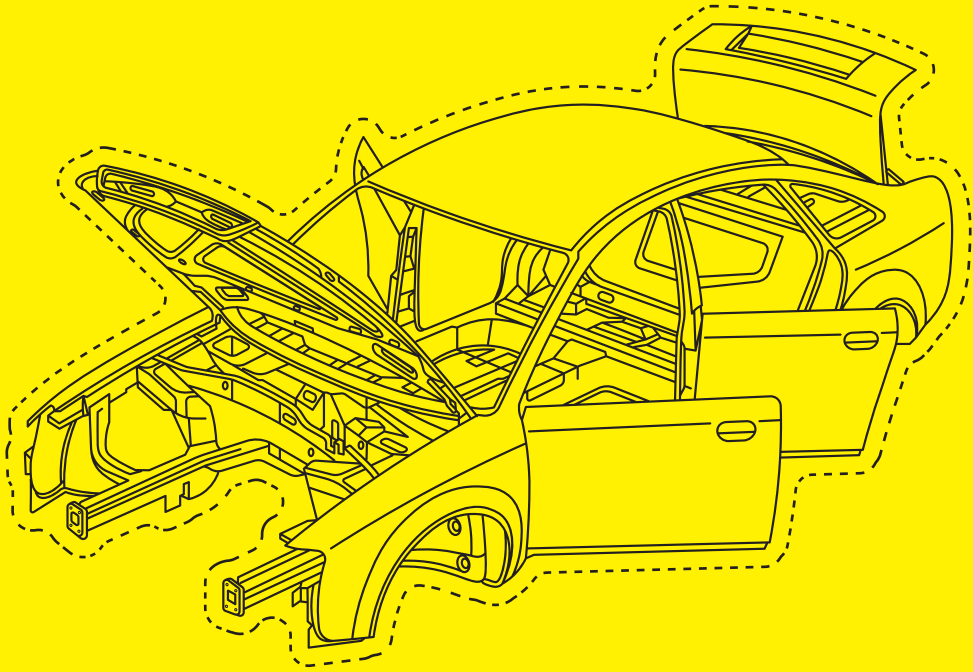
Gearbox and Differential Components in Konya

Turkey has 32% of registered producers in Konya with smaller scaled firms than average. The share of Konya's gearbox and differential components in employment is close to 23.4% and its share in production capacity is close to 40%.

Table 5: Konya Gearbox and Differential Components Positioning
Source: Turkish Union of Chambers and Commodity Exchanges

	Registered Producer	Emp- loyment	Production Capacity (ton)	Employment /Production Capacity	Capacity/ Producer (ton)
Konya	25	1.313	31.170	53	1.247
Turkey	79	5.614	79.422	71	1.005
Konya/ Turkey (%)	31,6	23,4	39.2%	73,9	124,0





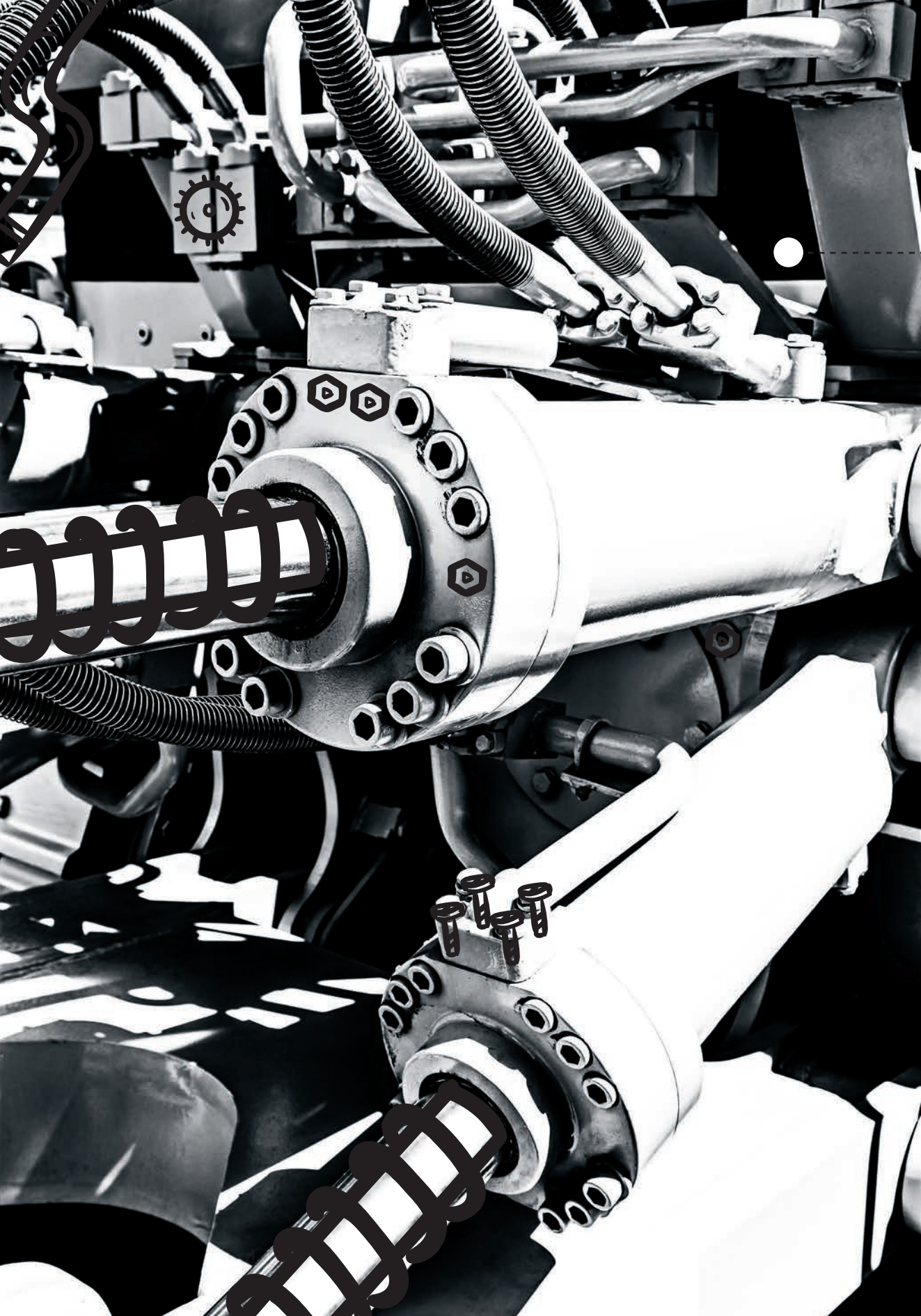
Vehicle Body in Konya

7.4% of the registered vehicle body producers in Turkey are in Konya. Konya has 5.8% share in the vehicle body employment.

Table 6: Konya Vehicle Body Positioning
Source: Turkish Union of Chambers and Commodity Exchanges

	Registered Producer	Employment	Employment / Production Capacity	Capacity/ Producer (ton)
Konya	2	226	113	56,5
Turkey	27	3.874	143	614
Konya/ Turkey (%)	7,4	5,8	78,8	10,64





Hydraulic Systems in Konya

10% of the registered producers are in Konya with the smaller scaled firms compared to Turkey average. Konya's share in hydraulic systems employment is 5% and its share in production capacity is 3%.

Table 7: Konya Hydraulic Systems Positioning
Source: Turkish Union of Chambers and Commodity Exchanges

	Registered Producer	Empl-oyment	Production Capacity (ton)	Employment /Production Capacity	Capacity/ Producer (ton)
Konya	4	372	745	93	186
Turkey	39	7.389	24.495	189	628
Konya/ Turkey (%)	10,3	5,0	3,0	49,1	29,7

Shafts in Konya

Composed of smaller sized companies compared to the average in Turkey, 24% of registered producers are in Konya. Considering the sub-sector capacity, Konya's share in Turkey is over 13%. Konya's share in shaft employment is 15%.

Table 8: Konya Shaft Products Positioning
Source: Turkish Union of Chambers and Commodity Exchanges

	Registered Producer	Empl-oyment	Production Capacity (ton)	Employment /Production Capacity	Capacity/ Producer (ton)
Konya	113	4.141	48.921	43	432,93
Turkey	464	27.041	370.311	67	750,01
Konya/ Turkey (%)	24	15	13	64	57

13% of Konya automotive industry exports consist of shafts and in recent years, exports of shaft products have increased by 46%. The city's share in the total shaft exports of Turkey is around 8%.

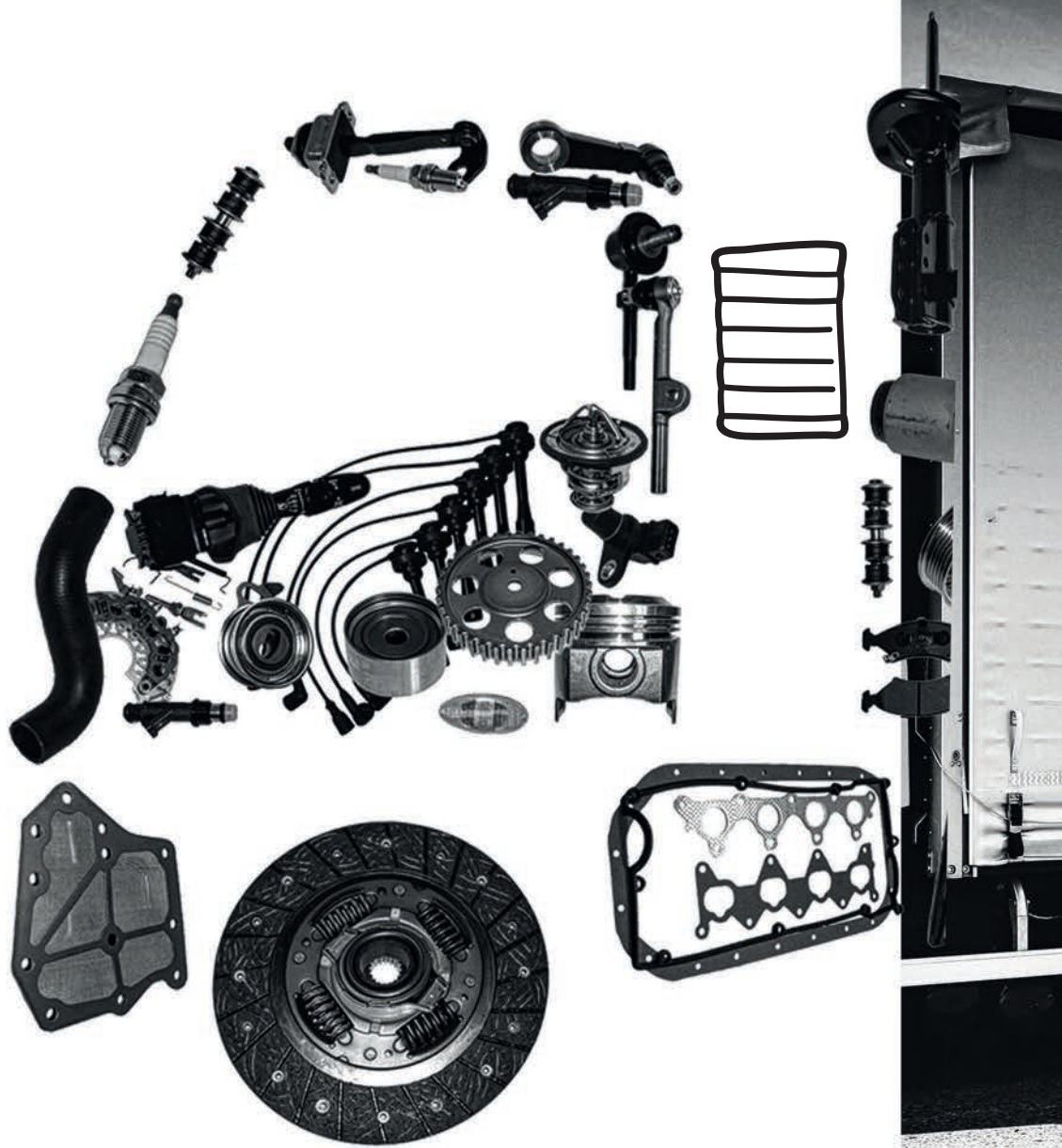
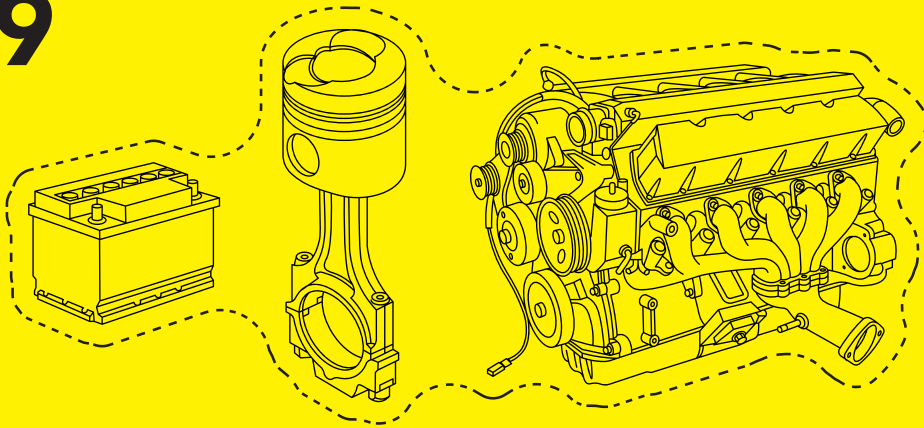




Table 9: Sub-Component Based Shaft Manufacturer Enterprises
Source: Turkish Union of Chambers and Commodity Exchanges

		Registered Producer	Emp- loyment	Capacity (ton)	Emp- loyment/ Producer
Crank and crank shaft	Konya	10	95	342	10
	Turkey	12	408	17.843	34
Articulated shafts	Konya	8	207	1.310	26
	Turkey	18	1096	27.189	61
Camshafts	Konya	5	227	493	45
	Turkey	62	1766	27.081	28
Bed sleeves	Konya	5	117	2.436	23
	Turkey	16	999	10.116	62
Bed sleeves without bearings	Konya	7	304	2.889	43
	Turkey	38	2272	12.016	60
Gears and gear systems	Konya	11	131	6.947	12
	Turkey	54	3266	61.407	60
Conic and other types of gears	Konya	3	53		18
	Turkey	16	247	5.343	15
Screw gears	Konya	1	7		7
	Turkey	10	112	5.079	11
Other gears	Konya	15	227	12.220	15
	Turkey	50	2564	38.991	51
Gear box	Konya	20	1147	16.880	57
	Turkey	64	6352	86.275	99
Transmission elements	Konya	1	150		150
	Turkey	9	439	11.886	49
Flywheel	Konya	13	763	2.975	59
	Turkey	38	2670	12.114	70
Pulleys	Konya	7	275	1.694	39
	Turkey	27	821	6.050	30
Coupling pulley parts and accessories	Konya	7	438	735	63
	Turkey	50	4.029	48.921	81
TOTAL	Konya	113	4.141	48.921	37
	Turkey	464	27.041	370.311	58



FOREIGN TRADE IN KONYA AUTOMOTIVE SUBSIDIARY INDUSTRY SECTOR

Konya received around 1% share of Turkey's exports in 2015 with exports of US \$ 1.3 billion. The automotive industry in Konya exports is second with 21% share followed by machinery industry. Konya's share in total automotive exports is 1.3%.

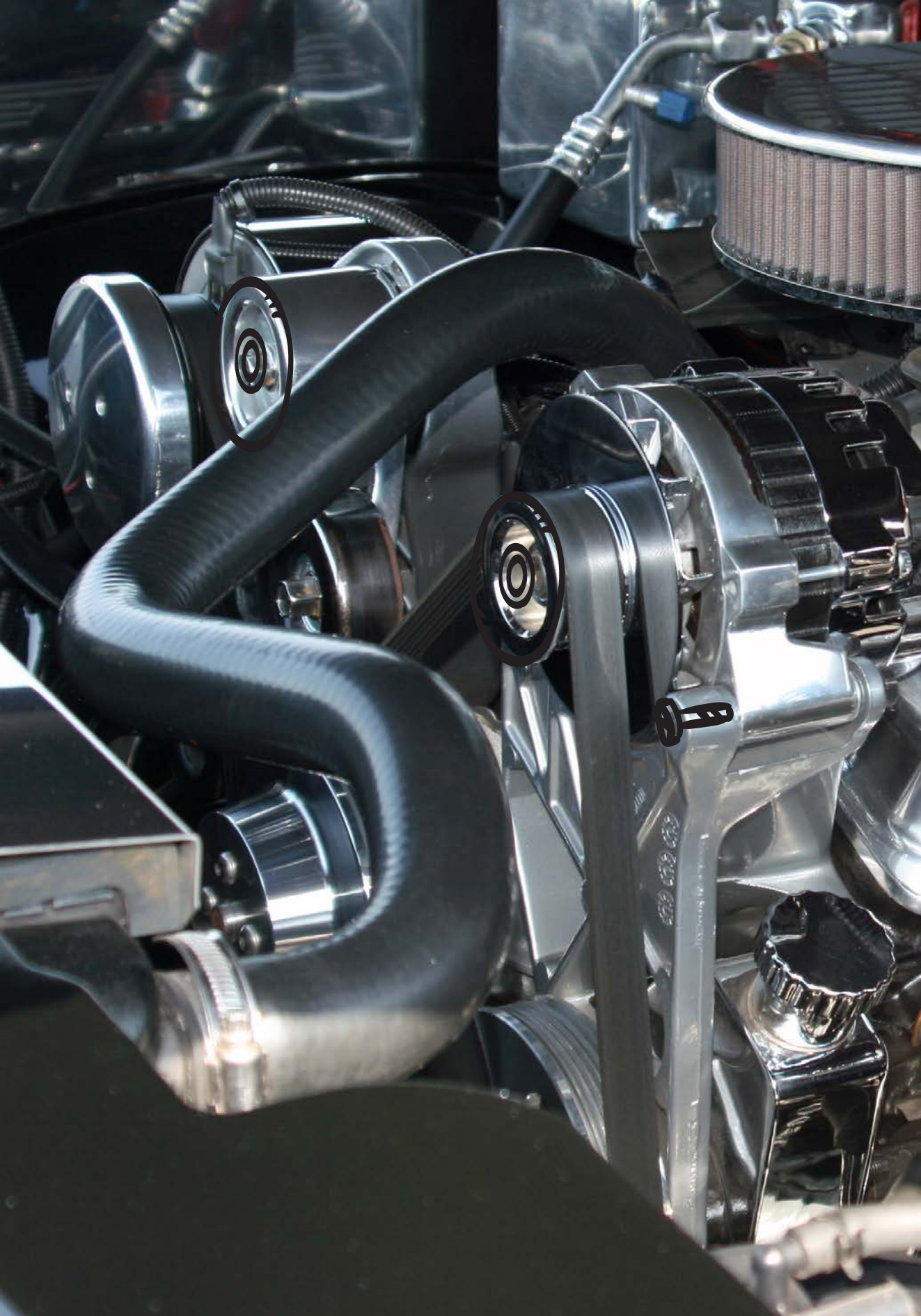
While there are three companies from Konya among the first 1,000 exporters published by TIM, one of these companies operates in the automotive subsidiary industry.

Also in Konya, there are 240 automotive sub-industry companies including 56 engine parts manufacturers, 42 brake and clutch systems manufacturers, 25 gearbox and parts manufacturers, 2 body shell manufacturers, 4 hydraulic system manufacturers and 111 shaft manufacturers. Some of them consist of companies that are active in service or repair services, or are engaged in small-scale manufacturing.

**Table 10 : Countries to which
Automotive Subsidiary industry
products are exported from Konya**

Source: Turkish Statistical Institute

Country
Germany
England
Poland
Belgium
Iraq
Saudi Arabia
Iran
Mexico
USA
Tanzania
Italy
Algeria
Bulgaria
Egypt
Israel
Russian Federation
Jordan
Qatar
Spain
South Africa







INVESTMENT INCENTIVE PRACTICES IN AUTOMATIVE SUBSIDIARY SECTOR

Investment incentive systems applied in our country are as follows;

- **General Incentive Practices:**

Except for investment issues which won't be incentivized or which can't fulfill conditions required for the incentive, investments above minimum fixed investment amount and capacities are supported under General Incentive Practices without making discrimination between regions.

- **Regional Incentive Practices:**

While sectors to be supported by Regional Incentive Practices are determined by considering potentials of provinces and their economic scale sizes, aid intensity differs according to regions' levels of development.

- **Privileged Investment Incentive:**

While investments to be made in areas that will be identified in line with the needs of our country, are determined as privileged investments, supports practiced in the 5th Zone are provided to these investments even if they are carried out in 1st, 2nd, 3rd and 4th Zones.

Investments in test centers in the automotive sector are among the primary investments. In these investments, contribution rate for tax reduction is 40%, tax reduction is 80%, support for insurance premium employer's share is 7 years, interest support is applied as 5 points for internal loans, and 2 points for external loans.

- **Large Scale Investment**

Incentive: The motor vehicles discussed in the report are foreseen among the sectors that can benefit from large scale investment support in the sub-industry and the minimum fixed investment amount is 50 million TL. The minimum investment amount for the main industrial investments benefiting from the same incentive is 200 million TL.

- **Strategic Investment Incentive:**

Investments for intermediary goods or products with high import dependency are supported within the scope of strategic investment incentive practices.

Criteria that must be met by investments to be supported in this context are as follows:

- Minimum fixed investment amount must be 50 million TL,

- Total domestic production capacity of the investment issue must be less than import,

- Added value provided by investment must be minimum 40% (this condition is not required for refinery and petrochemistry investments)

- Total import value of the product to be produced must be at least 50 million USD in the last 1 year.

Support elements provided to investments in the framework of these practices;

Table 11: Support Provided for Investment*

Support	General Incentive Practices	Regional Incentive Practices	Privileged Investment Incentive	Large Scale Investment Incentive	Strategic Investment Incentive
VAT exception	Yes	Yes	Yes	Yes	Yes
Customs Tax Exemption	Yes	Yes	Yes	Yes	Yes
Tax Reduction		Yes	Yes	Yes	Yes
Insurance Premium Employer's Share Support		Yes	Yes	Yes	Yes
Investment Place Allocation		Yes	Yes	Yes	Yes
VAT Refund**					Yes

* Interest support which is not applied in 2nd Zone in which Konya gets involved, insurance premium (worker share) support and VAT return are not included.

** Strategic investments whose fixed investment amount is more than 500 million TL

Konya is in the 2nd zone within the investment zones. The minimum investment amount for the automotive subsidiary industry in General Incentive Practices for Region 2 is predicted to be 1 million TL. In Regional Incentive Practices, the minimum fixed investment amount for Region 2 including Konya is planned separately for each sector starting from 3 million TL. Minimum fixed investment amount for Large Scale Investments is defined by different sizes according to the sector starting from 50 million TL. Minimum fixed investment amount applied for strategic investments is 50 million TL.

Content of investment support practices for Konya is as follows;

VAT Exemption: It is applied in a way that value added tax is not paid for investment good, machine and equipment to be provided within the country and from abroad within the scope of the incentive certificate.

Customs Duty Exemption: It is applied in a way that custom duty is not paid for investment good, machine and equipment to be provided from abroad within the scope of the incentive certificate.

Tax Reduction: Application of income or corporation taxes at a reduced rate until they reach up to contribution amount foreseen for investment.

Insurance Premium Employer's Share Support: Insurance premium employer share's amount corresponding to minimum wage that must be paid for additional employment provided by investment covered by incentive certificate, is covered by Ministry.

Investment Place Allocation: Allocation of investment place by Ministry of Finance for investments whose incentive certificates are issued within the framework of principles and procedures determined.


VAT Return: Return of VAT collected for building and construction spending made within the scope of strategic investments more than fixed investment amount of 500 million Turkish Liras.

Table 12: Konya Investment Support System (2nd ZONE)

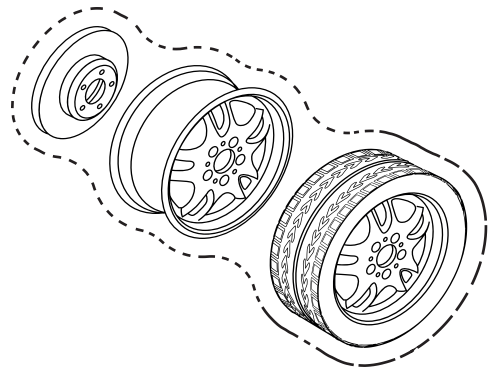
	Investment Start Date			
	Before 12.12.2015		After 1.01.2016	
	Inside of Organized Industrial Zone	Outside of Organized Industrial Zone	Inside of Organized Industrial Zone	Outside of Organized Industrial Zone
Rate of Contribution to Investment (%)	25	20	20	15
Tax Reduction Rate (%)	60	55	50	40
Insurance Premium, Employer's Share (year)	5	3	3	-
Investment Place Allocation	All investments that will benefit from regional incentives			
VAT Exemption	Investments with incentive certificates in all sectors			
Customs Duty Exemption	Investments with incentive certificates in all sectors			
Regional Minimum Investment	Motor Land Vehicle 50 million TL, Automotive Sub-Industry 3 million TL			

As can be seen in the table, both land vehicles and the automotive subsidiary industry can benefit from the investment incentive system in Konya and the minimum investment amount to benefit from regional incentives in the automotive sub-industry is 3.000.000 TL.



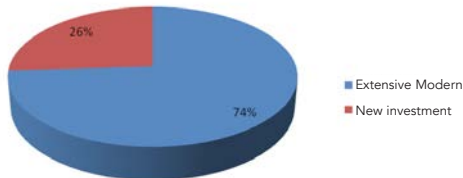
A close-up photograph of a car's brake system, showing a dark, metallic brake caliper and a brake disc. The disc has a series of parallel lines on its surface. A white curved line is drawn over the left side of the image.

**Konya's
employment
share in
brake and
clutch
components**
is 28,7% and
its production
share is
close to 40%
...

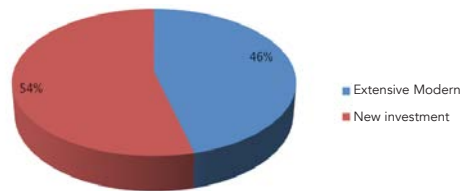


While a fixed investment with an amount of more than 107 million TL and 515 additional job opportunities are foreseen for the incentive certificates provided in 2014, the incentive certificates provided for 2015 cover the fixed investment amounted to TL 39 million and 11 additional job opportunities. In the investments provided with the certificate of incentive for the purchase of imported machinery, 24 million US Dollars are expected in 2014 and 10 million US Dollars in 2015.

In 2015, the distribution of the documents provided for the expansion, modernization investments and the complex new investments is as follows;



Although the investment amount realized in 2014 is higher than in 2015, the share of new investments is 26% and the distribution of incentive certificates provided in 2014 is as follows;



As can be seen from the graph, the share of new investments in incentive certificates provided in 2015 is 54% and the share of investments in expansion and modernization is 46%.

Table 13: 2015 Konya Automotive Subsidiary Industry Sector Incentives and Investment Subjects

Investments in Expansion and Modernization	Fixed Investment Amount (TL)	Investment Subject
	5.596.070	Aluminum casting parts
	1.482.334	Parts and accessories
	3.392.700	Axle and scissors table
	3.363.400	Hidr. Pneumatic union, heart, valve bobbin brake union
	4.472.270	Thoria hot forging, container lock
Total Expansion and Modernization Investments	18.306.774	
New Investments	21.450.580	Drum

The table above shows the expansion and modernization investments in 2015 and new investments per investment subjects. Aluminum and cast parts have received the highest shares in expansion and modernization investments with 30%, thoria hot forging and container locks with 24%.



SECTORAL ADVANTAGES

When the distribution of sub-products is considered, it was observed that the largest number of operators in Konya focuses on the gearboxes and other groups of friction gear meshes. Flywheels, couplings and their parts are only a few of the areas with the highest employment. The most important advantages of Konya's automotive supplier industry development are listed as follows;

- Konya is one of the attractions of our country with its advanced industrial infrastructure, modern Organized Industrial Zones and wide range of terrains. Konya who has got the investments in sufficient magnitude and expansion fields after the investment in large scale key industry and sub industry investments in this regard, has the potential to export to many different countries of the world today and has the capacity to produce most the parts required for an automobile with its current automotive supplier industry infrastructure. Also, she has more than 25,000 SMEs and flexible industrial production with special industrial zones and infrastructure to contribute to potential major industrial investments that can be formed in the region. The level of competitiveness is also increased by strengthening the substructure of the sectors with the automotive subsidiary industry, casting and agriculture machinery clusters.

- Konya, who has achieved a favorable position by attracting the white-collar workers and professional

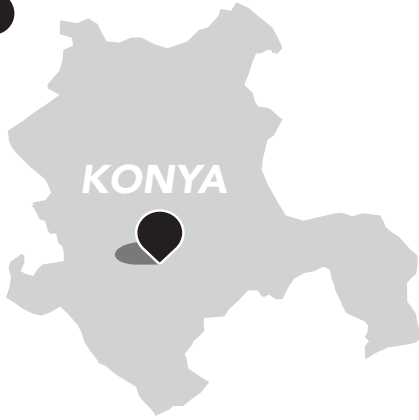
managers to the city thanks to both foreign investors and High Speed Train whose construction had been completed in 2013, has got the most suitable climatic conditions for the metal industry.

- Konya, which is one of the high potential centers of renewable energy resources in our country, has also an advantage that it has important reservoirs in terms of fossil fuel resources and diversity of underground resources (Aluminum, magnesite, lignite, coal, clay, cement raw materials, lead, zinc, barite, geothermal resources)

Konya, who successfully performed quality management systems in her enterprises, is a city which expands her export volume continuously (a county which exports to 172 countries, providing diversity in export), has foreign trade surplus and an export focused business environment. (In 2001, 462 exporters in Konya exported goods worth of \$ 107 million. While the number of exporting companies was 852 in 2007, the export figure reached 700 million dollars. By the year 2014, the number of exporters reached 1.543 and the export figure reached 1.490 billion dollars).

Konya, one of the future brand cities with economic and cultural potential and high value-added sectors, will become one of the most important logistic centers of our country in 2020 with both highway networks and railway networks. (When the existing main industrial investments in Europe are examined, it has been observed that the distance to the ports do not constitute a disadvantage. The main issue that comes to the forefront in this process is the good planning of the logistics network of the region. Also, during the plant site selection process, the target range is especially pre-planned.)





KONYA FOR INVESTMENT, BECAUSE

...

Konya is a city available to foreign and domestic investors, which holds the position of a system supplier or a main component producer that can assume the fastmoving role in the sector to increase the potential of production directed to vehicle OEM (Original Equipment Manufacturers) and export. Growing automotive interior market attracts the interest of international OEM companies and investors to Konya by making these possible.

It is considered that in the case if Turkey increases her technological level in the automotive sector, develops her production capacity for domestic market and catches the transformations such as electric cars, autonomous driving systems, it will cause jamming in Bursa-Kocaeli route and there will be a need for an alternative and Konya will stand out as one of the best options in this concept.

Being one of the provinces which public points out for domestic vehicles, having a good level of integration to the global markets, performance of an increasing export

level to various countries and its advantageous position in terms of domestic market are only a few of the advantages that Konya has.

It is possible to state that Konya is stronger than the measurable one in product groups classified under the machinery or fabrication metal products which perform production for both machinery and automotive sector except the machinery industry infrastructure to help the development of automotive sub industry production and product groups handled and involving the automotive sector parts directly.

All these advantages can transform the investments to be made in Konya which has the power to draw new investments of appropriate automotive infrastructure to itself, to an opportunity along with the opportunities to be originated from autonomous driving systems and the transition to usage of electric cars in the globe and with Turkey's potential of increasing her current share in traditional vehicle and parts and obtaining shares from new parts.

TRANSPORTATION TO KONYA



Konya which has been an important center of trade and accommodation throughout history due to its geographical location, connects to other cities through roads going towards north, northwest, northeast, west, east and south directions.

Konya-Afyonkarahisar, Eskişehir-Bursa-İstanbul, Konya-Ankara highways enable connection with Ankara and cities located in the northwest; Konya-Aksaray road enables connection with Nevşehir and northeast cities; Konya-Beyşehir road extending to the west enables connection with İzmir through Isparta-Denizli-Aydın; Konya-Karaman in the south enables access to Mersin and Adana.

In addition, road connecting to Ankara-Adana highway also provides access to Adana and southeastern cities through Ereğli and it provides access to Black Sea cities through Kayseri. Konya-Seydişehir road connects Konya and Central Anatolia Region to the southern coast from the shortest distance.

Railway length passing through the borders of Konya which has 6.6% of the 12,000 km of railway network in Turkey, is about 800 km.

Railway transportation from Konya is provided by High Speed Train (Konya-Ankara/ Konya-Eskişehir/ Konya-İstanbul), Toros Express (İstanbul-Konya- Gaziantep), Central Anatolian Blue Train (Ereğli-Konya-İstanbul) and Meram Express (İstanbul-Konya) lines. With high-speed train, it takes 1,5 hour to Ankara and Eskişehir, 4 hours to İstanbul. Airway transportation is also becoming increasingly important day by day in Konya which has one military-civilian airport. The airport which is open to international traffic as a border crossing, is 20 km away from the city center. While flights are regularly carried out to İstanbul and İzmir every day, direct flights are made to various points in Europe during the summer months.

