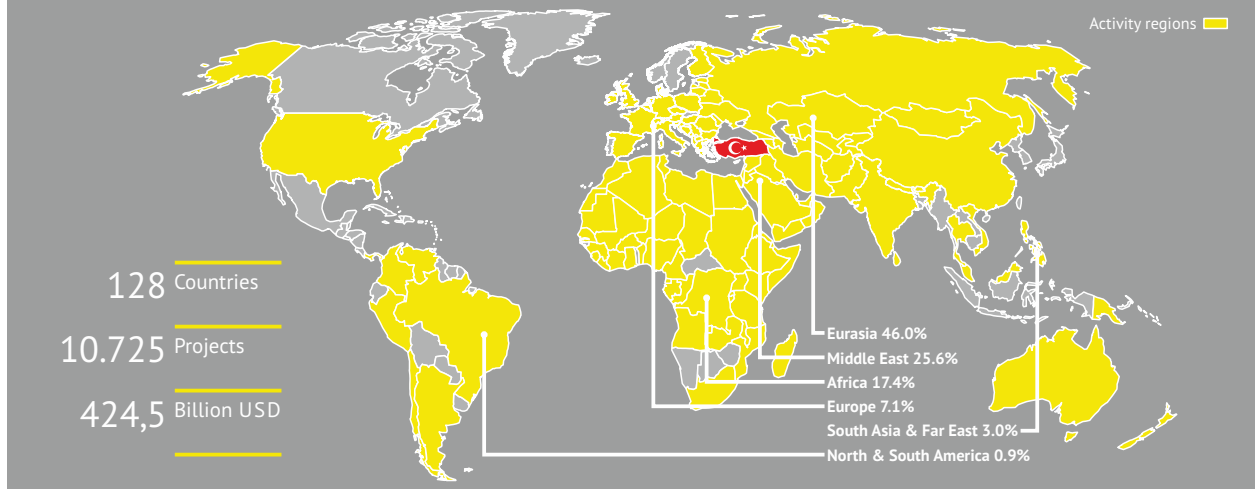


**TURKISH INTERNATIONAL CONTRACTING SERVICES
(1972-2021/March)**





TURKISH INTERNATIONAL CONTRACTING SERVICES (1972-2021/March)



General Overview

Construction industry plays a crucial role in Turkey's economic development, accounting for nearly 6% of GDP and employing almost 1,5 million people. With the direct and indirect impacts on other sectors, the share of the construction sector in the Turkish economy reaches 30%.

The constantly growing global competitiveness of the Turkish contractors and construction materials producers, contribute significantly to the balance of payments of Turkey.

In the period of 1972-2021/Q1 Turkish contractors have undertaken 10.725 projects in 128 countries, with a total value of 424,5 billion USD. On the other hand, Turkey is among the world's leading producers of construction materials.

Turkey's unique geographical location contributes a great deal to the global competitiveness of the Turkish contracting services abroad. Turkey's strength in the field is not only due to its location, but also the cost-effective services provided at international standards, high client satisfaction, and credibility in partnerships, vast international experience in a wide variety of projects, familiarity with the business environments especially in the neighbouring regions, qualified manpower and a calculated risk-based approach to business.

The Turkish contracting companies successfully perform on 5 continents and in 128 countries offering affordable services at high quality. They are open to enhancing international partnerships not only in the field of contracting, but also in construction industry investments, ranging from production of construction materials to infrastructure, housing, industrial plants and tourism projects in the African, Eurasian and Middle Eastern countries. The Turkish contractors continue to increase their competitiveness with extensive know-how and experience gained in all kinds of challenging projects and in all forms of business environments since 1972.

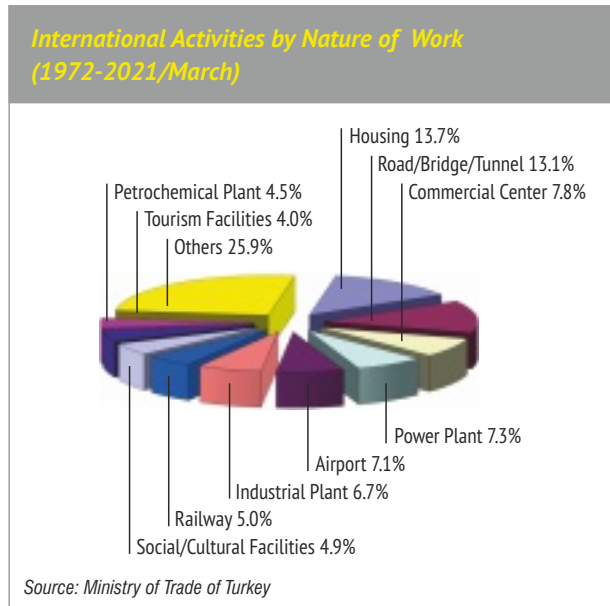
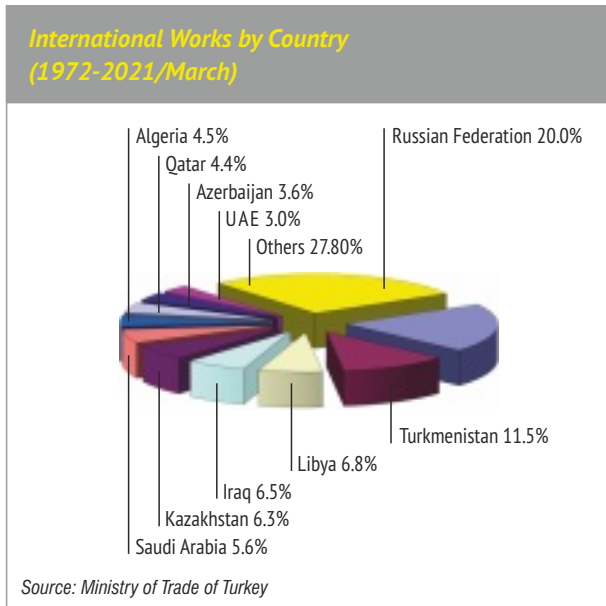
Rich experience in diverse markets, cost effective service at international standards, ability to take initiative, willing to take risks and extensive partnership experience are the key factors behind the success of the Turkish contractors.

In addition, adaptation to social life in the countries where they operate with good communication skills, providing added value to the country and employment of local labour have also created an advantage for the Turkish companies.

In the regional distribution of the international business volume, the Eurasian countries, with a share of 46.0%, are well ahead of the others. Eurasia is followed by Middle East (25.6%), Africa (17.4%), Europe (7.1%), South Asia & Far East (3.0%), North and South America (0.9%).

In other words, approximately 50% of the international business volume of the Turkish contractors is in the Eurasian countries and 90% in the Eurasian, Middle Eastern and African countries within the period of 1972-2021/Q1.

In the 1972-2020/Q1 period, the majority of international contracting projects have been undertaken in the Russian Federation (20.0%), and followed by Turkmenistan (11.5%) and Libya (6.8%).

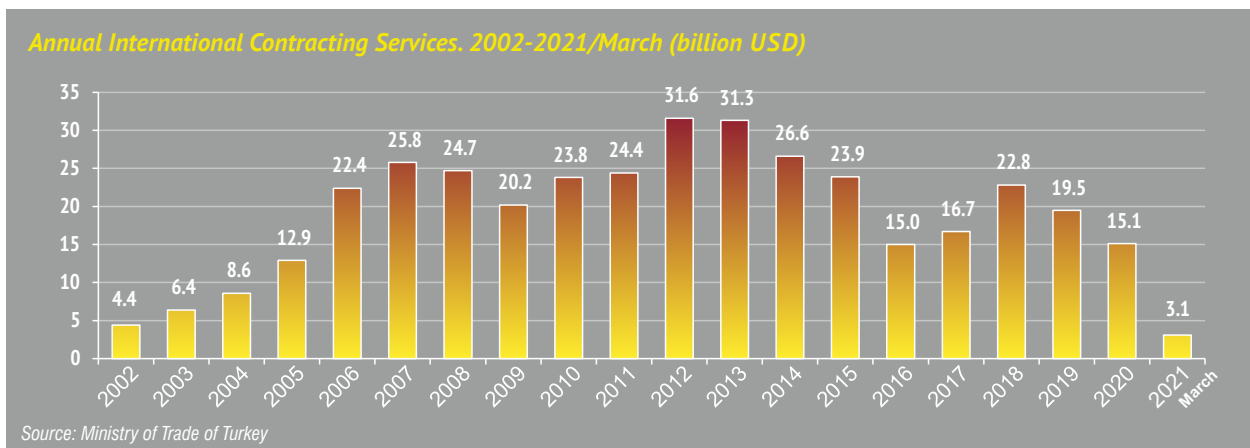


During this 49 year period, the market, product and business diversification has gained momentum in the sector and some contractors have specialized in certain project types like international airports, railways, metro and light rail systems.

The distribution of the international activities of the Turkish contractors by nature of work since 1972 have a breakdown of, housing with a share of 13.7% and followed by road/bridge/tunnel, commercial centers, power plants and airports.

Within the years, the share of road/bridge/tunnel, power plants, airports, railways, social-cultural facilities and petrochemical plants have increased significantly.

The figures of the last twenty years showed that the volume of the annual new projects undertaken by the Turkish contractors in the international market which was 4.4 billion USD in 2002 reached 25.8 billion USD in 2007 with a significant increase and due to the effect of the global financial crisis was decreased to 20.2 billion USD in 2009.





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In the 2010-2019 period, a fluctuating outlook prevailed in the annual international business volume of Turkish construction companies. Annual new business volume, which was 23.8 billion USD in 2010 reached its highest levels with 31.6 billion USD in 2012 and 31.3 billion USD in 2013.

After 2013, the sector started to decline with the developments emerging in the conjuncture such as the decline in energy and raw material prices and also the sanctions against the Russian Federation as well. With a decrease of 15% in 2014, the annual business volume was realized as 26.6 billion USD. However, due to the political and economic developments in the world, the decline in oil and commodity prices and the problems experienced in the Russian market, this figure drew back till to 15 billion USD in 2016.

The annual international business volume of the sector was 22.8 billion USD and 19.5 billion USD in 2018 and 2019 respectively. In 2020, due to the pandemic the anticipated 20 billion USD level could not be reached and remained at the level of 15.1 billion USD.

Meanwhile, 44 Turkish contracting companies are ranked among "The World's Top 250 International Contractors" list, published in August 2020 by the leading international industry magazine "ENR - Engineering News Record". With this number Turkey ranked second in the world after China and maintained its position for more than 10 years.

Top 250 International Contractors								
Country	Number of Firms							
	2020	2019	2018	2017	2016	2015	2014	2013
China	74	77	69	65	65	65	62	55
Turkey	44	44	46	46	40	43	42	38
USA	35	36	36	43	38	32	31	33
Japan	13	11	14	13	14	14	14	15
S. Korea	12	12	11	11	13	12	13	15
Italy	11	12	11	14	15	15	16	17
Spain	11	10	11	11	11	11	13	12
India	5	5	6	3	4	3	4	4
Australia	5	4	4	3	3	4	4	4
France	4	3	3	3	4	4	4	4
Egypt	4	3	4	3	4	4	4	4
Germany	3	4	4	2	4	4	5	4
Other	29	29	31	33	35	39	38	45
Total	250	250	250	250	250	250	250	250

History

The Anatolian Peninsula, on which Turkey is located, has a history that dates back to 8000 B.C., when the earliest human settlements emerged. The region has been the birthplace of 13 major civilizations, which flourished and left behind many magnificent sites and structures. The incredible richness and diversity of Turkey's cultural heritage are the important factors that fostered the maturity of a building tradition in Turkey that has developed over millennia – from the Hittites to the Romans, Byzantines, and Ottomans.

The development of the Turkish construction sector over the last 98 years since the foundation of the Turkish Republic can be evaluated in five successive periods: Preparation, domestic market efficiency, international market penetration, market and product diversification and global competition. The first two periods continued until the beginning of the 1970s.

Foundation of the Republic and First Steps

Following its foundation in 1923, the Republic of Turkey experienced a rapid modernization process along with the political, economic, social and cultural reforms with major infrastructure and industrial investments realized throughout the country.

In the 1920s special measures, including the employment of foreign experts in public institutions, had to be undertaken by the government to overcome the shortage of local engineers and architects. Under the influence of these public policies, and partly due to the economic crisis witnessed in Europe in those years, many European engineers, architects and entrepreneurs came to Turkey; and in the years 1925–1926 at least one third of the 28 construction companies established in Istanbul were of European origin.

The 1930s was the period of formation of the first generation of Turkish engineers, who founded many large-scale construction companies and successfully realized numerous challenging projects both in Turkey and abroad.

The political change experienced in Turkey in 1950 and the country's accession to NATO in 1952 were the important milestones in the history of the Turkish construction sector with regards to infrastructure investments realized in the following years. In the same period, the first wave of Turkish engineers graduated from universities and began their careers in an environment that offered great opportunities for the establishment of their own companies; and it was those businessmen who founded in 1952 the oldest non-governmental organization in the Turkish construction sector, the Turkish Contractors Association (TCA).

Construction of water supply projects in the 1950s, large dams and power plants in the late 1960s and early 1970s provided many opportunities to Turkish contractors to spread their activities throughout Anatolia.

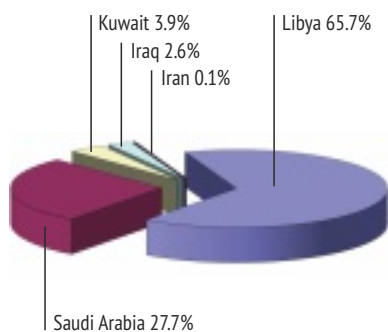
1972-1979 Period: International Contracting Adventure Begins

In 1970s, Turkish contractors began pursuing business opportunities in foreign markets. Libya was the first country to export Turkish contracting services in 1972, whereas in less than 10 years the Turkish contractors extended their activities to the Middle Eastern countries.

With a share of 65.7% in the overall business volume Libya was the number one market for the Turkish contractors in this initial period of international business, followed by Saudi Arabia (27.7%), Kuwait (3.9%), Iraq (2.6%) and Iran (0.1%).

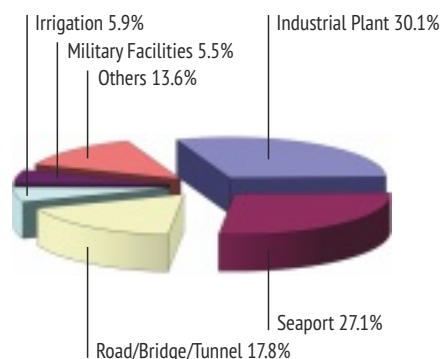
The major field of activity in this period was industrial plants (30.1%), followed by seaport (27.1%), road/bridge/tunnel (17.8%) and irrigation projects (5.9%).

International Works by Country (1972-1979)



Source: Ministry of Trade of Turkey

International Activities by Nature of Work (1972-1979)



Source: Ministry of Trade of Turkey



TURKISH INTERNATIONAL CONTRACTING SERVICES (1972-2021/March)

1980-1989 Period: New Business Opportunities

The 1980s was an important decade in the restructuring of Turkey's economy. Starting from 1983, parallel to the developments in the western countries, Turkey experienced a significant transition from closed economy of the 1970s to the market economy. Together with the convertibility of the Turkish currency, new agencies, such as the Housing Development and the Public Participation Administration were founded and new concepts, such as privatization and liberal economy were introduced to the country's economic system.

In the same period important infrastructure investments started in Turkey. Ataturk Dam (2400 MW), highway projects (approximately 2000 km) and telecommunication investments provided excellent opportunities for Turkish firms to cooperate with international partners, and thus improve their technical and managerial skills and become acquainted with the global finance system.

At the end of the 1980s the political changes in Eurasia provided further opportunities to the Turkish contractors. Many companies focused on the Russian Federation as well as the newly formed Central Asian Republics. In the same period, they extended their activities to other markets including Iraq, Saudi Arabia, Yemen, Jordan, Iran, the United States, Tunisia, the United Arab Emirates and Kuwait.

Despite a relative decrease in proportion (56.6%), the majority of the international contracting activities continued in Libya, with Iraq (19.9%) and Saudi Arabia (16%) ranking second and third.

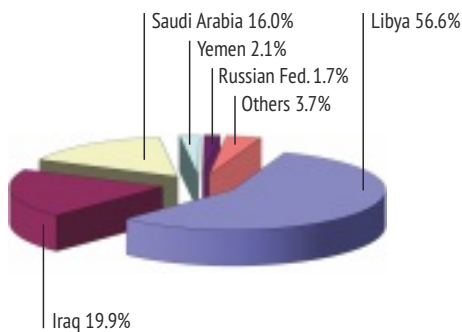
Dissolution of the Soviet Union and emergence of the new Central Asian Republics besides the Russian Federation (1.7%) were the new developments of this period.

The entry of the Turkish contractors into the Russian market coincided with the last years of former USSR. The USSR - Turkey Natural Gas Agreement, which includes the provision that a certain portion of the imported natural gas should be paid back with the Turkish goods and services, was signed on September 18, 1984 and entered into force in 1987.

The fact that 25% of the imported natural gas amounts started to be used in the contracting services within the scope of the said Agreement, enabled the development of the activities of the Turkish contractors in this market.

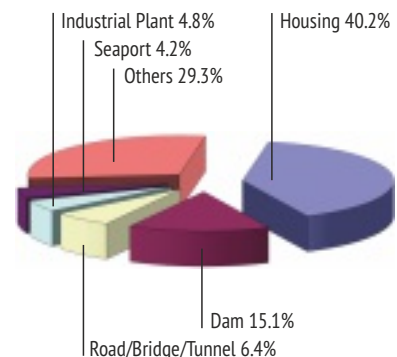
During this period the shares of housing (40.2%) and dam projects (15.1%) increased, followed by road/bridge/tunnel (6.4%) and industrial plant projects (4.8%).

International Works by Country
(1980-1989)



Source: Ministry of Trade of Turkey

International Activities by Nature of Work
(1980-1989)



Source: Ministry of Trade of Turkey

1990-1999 Period: Market Diversification

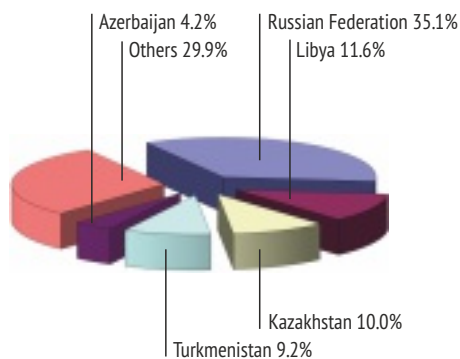
In 1990s, economic depression and political uncertainties in the Middle Eastern countries and Libya forced the Turkish contractors to turn their attention to other countries in the nearby regions, with the new focus on Eurasian, Balkan and Asian countries. Many large-scale projects in the Russian Federation, Ukraine, Central Asian Republics, Germany and Pakistan were realized in this period.

Within the period of 1990-1999 the projects completed in the Russian Federation and other Eurasian countries accounted for almost 60% of the total international business.

Market diversification was the major trend that characterized this decade. While the share of the Russian Federation increased to 35.1%, Libya's share decreased drastically to 11.6%, followed by Kazakhstan (10%), Turkmenistan (9.2%) and Azerbaijan (4.2%). Other important developments were the considerable decrease in the proportion of works in Saudi Arabia and disappearance of Iraq from the scene.

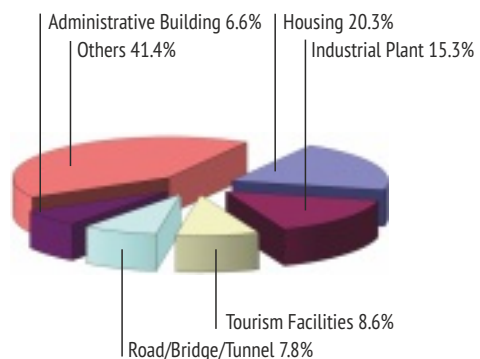
Despite a sharp decrease in the share of housing works (20.3%) compared to the previous period, housing continued to be the number one activity in this period as well. Housing was followed by industrial plants (15.3%), tourism facilities (8.6%) and road/bridge/tunnel works (7.8%).

**International Works by Country
(1990-1999)**



Source: Ministry of Trade of Turkey

**International Activities by Nature of Work
(1990-1999)**



Source: Ministry of Trade of Turkey

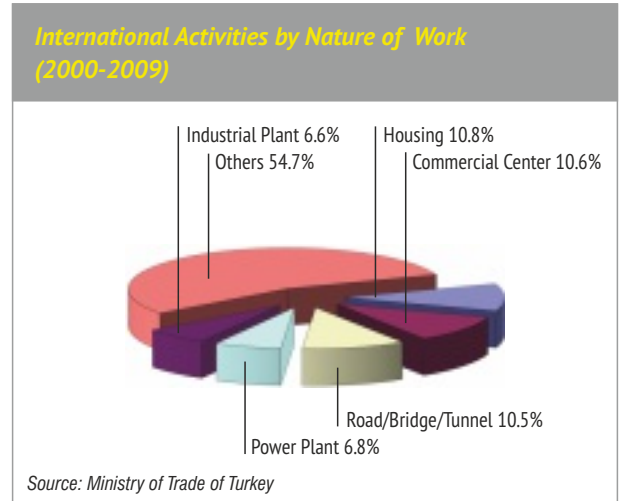
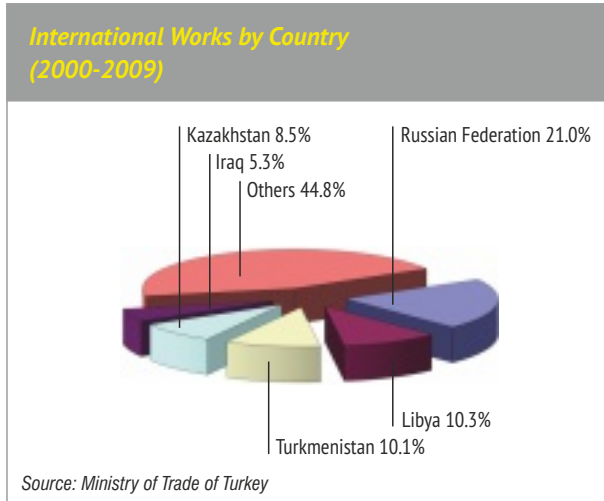


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2000-2009 Period: Focus on International Market

After the 2001 economic crisis the international contracting services have experienced a very rapid development. In the period of 2000-2009, the majority of international contracting was undertaken in the Russian Federation (21.0%) and followed by Libya (10.3%), Turkmenistan (10.1%), Kazakhstan (8.5%) and Iraq (5.3%).

The share of housing works was 10.8% in the period of 2000-2009; meanwhile the share of commercial centres (10.6%), road/bridge/tunnel (10.5%), power plant (6.8%) and industrial plant (6.6%) projects showed a significant increase.



The factors which contributed to the rapid development of international contracting services during the period of 2000-2009 can be grouped under three main categories: reduced business opportunities in Turkey, the attractiveness of business opportunities abroad and the increasing competitiveness of Turkish contractors:

- Domestic investments decreased significantly after the crisis in 2001. Furthermore, the "abnormally low tenders" in bids created unfair competition for qualified companies and forced them out of the domestic market, eventually turning their attention to the international market.
- Having realized large-scale infrastructure projects in cooperation with foreign partners in Turkey between the years 1985 and 2000, Turkish contracting firms gained significant experience in production at international standards, project management and relations with international financial institutions.
- Investments in oil and gas exporting countries, which are geographically close and culturally familiar to Turkey increased as a result of booming oil prices and this development created attractive business opportunities for the Turkish contractors.

Due to the above mentioned factors the annual international business volume of Turkish contractors grew at a pace that far surpassed the annual targets.

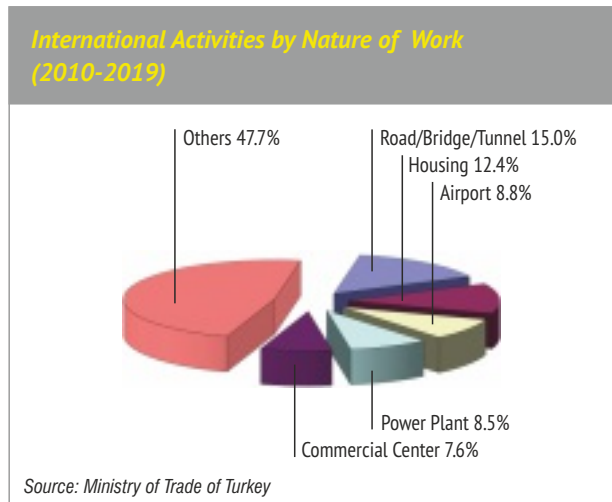
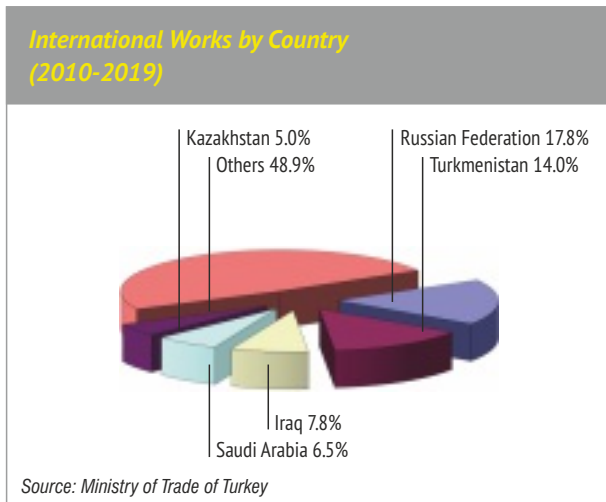
In this period, market diversification and specialization in certain types of projects were the major trends. The number of countries in which the Turkish contractors was working increased considerably, causing the percentage of work in each country to decrease relatively.

In the aftermath of the interventions in Afghanistan and Iraq, the reconstruction activities in these countries were closely followed by the Turkish contractors, and as a result, Iraq in particular has become one of the most important markets for the Turkish contractors again.

2010-2019 Period: Fluctuation in the Global Market

Within the period of 2010-2019, the Russian Federation (17.8%) was again the leading market for the Turkish contractors which was followed by Turkmenistan (14.0%), Iraq (7.8%), Saudi Arabia (6.5%) and Kazakhstan (5.0%).

During this period, the share of the road/bridge/tunnel and housing projects were 15.0% and 12.4% respectively, airports (8.8%) came into the picture and followed by power plants (8.5%) and commercial centers (7.6%).



According to the data of the construction industry magazine Engineering News Record (ENR), the size of the international construction market which was 507 - 544 billion USD in the 2012-2014 period, went back till to 468.1 billion USD in the period of 2014-2016.

The international construction market size, which reached 482.4 billion USD in 2017, recorded a limited growth of 1% in 2018, reaching 487.3 billion USD. This is a clear indication that the stagnation is continuing in the global construction industry.

The international construction market, which has been under the negative impact of protectionism and trade wars, political turmoil and fluctuations in commodity prices in recent years, shrank by 2.9% in 2019 from 487.3 billion USD to 473.1 billion USD.

Recently, international contracting companies have been affected by the covid-19 outbreak and the price war in oil.



TURKISH INTERNATIONAL CONTRACTING SERVICES (1972-2021/March)

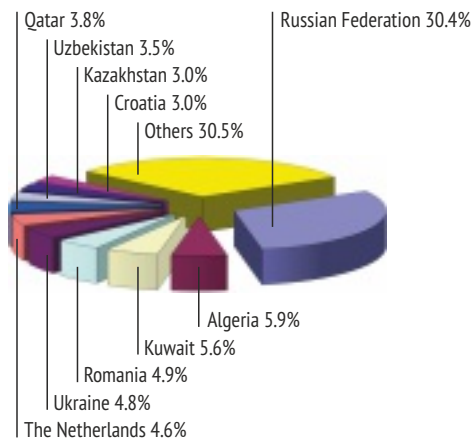
2020 in Review

In 2020, the Turkish contracting companies undertook 348 projects in 57 countries amounting to 15,1 billion USD. In this year, the leading market was again the Russian Federation with a share of 30,4%, and 54 construction projects that worth 4.6 billion USD in the country were tendered to our contractors.

Other top five markets were Algeria (885,6 million USD), Kuwait (4 projects worth 841.1 million USD), Romania (7 projects worth 743.3 million USD), and Ukraine (10 projects with a total value of 720.7 million USD).

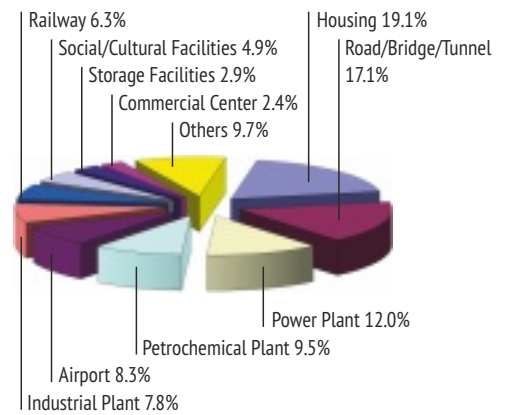
When the nature of work of the projects undertaken in 2020 is examined, it is observed that housing projects took the first place with a share of 19.1%. These projects are followed by road-bridge-tunnel (17.1%), power plant (12.0%), petrochemical plant (9.5%) and airport (8.3%) projects.

International Works by Country
(2020)



Source: Ministry of Trade of Turkey

International Activities by Nature of Work
(2020)



Source: Ministry of Trade of Turkey

The importance of the strategies, targeting the post-pandemic period, has increased in the international contracting services, where the negative impacts of the restrictions caused by the pandemic in 2020 still continue.

The scope of the estimated growth for the 2021 in the world economy is momentarily promising and it is expected that a significant share of it will be taken from the global construction market. The recent increase in oil prices, which have been fluctuating for some time, also gives hope for the implementation of deferred development projects in the sector.

In this context, the Turkish contractors strive to increasing their activities in traditional markets and while concentrating on entering new markets in Sub-Saharan Africa, Far Eastern and Latin American countries.