SaSaD – Turkish Defence and Aerospace Manufacturers Association

Established in 1990 with the guidance of the Ministry of National Defence, SaSaD is an association founded for the development and strengthening of its members as well as increasing their competitiveness. SaSaD was founded on the purpose of providing contribution to the competitiveness of its members in the world markets and it has been presenting the joint views and suggestions of the industry to the relevant authorities for the continuation of the activities of industry’s players in a more convenient environment.

At the same time, SaSaD is the organizer of the platforms in which the national and international business negotiations are conducted, scientific issues are discussed and awareness on technologic tendencies is created. In this context, in order to support the scientific infrastructures of its members SaSaD has been organizing national and international conferences, workshops and seminars in which scientific issues, technologic developments and tendencies are discussed and where cooperation opportunities are sought.

SaSaD gathers industry's data every year, and issues Sector Performance reports where all these data are consolidated, analyzed and interpreted. These reports are regarded as the only report of the industry by all the relevant shareholders and also utilized as reference documents by the decision-making authorities.

As a result of the priority adopted by the Ministry of National Defence since the beginning of the 2000s that is based on fulfilling the demands of the Turkish Armed Forces through national and domestic solutions, our industry acquired critical capabilities in aerospace and defence areas by including numerous products to its inventory and started to take its place as a competitive country in the world markets.

One of the Ministry of National Defence’s and our Association’s strategic targets is defined as sustaining this obtained capacity through developing it.

Within this context, suggestions on the following were developed, reports were prepared to the Ministry of National Defence and were awaited for negotiations:

- New areas of technology aimed to be acquired in the short, medium or long term (Technology Taxonomy) and new systems and products,
- Developing competition, indigenization of sub systems and components, developing and supporting subcontractors for the removal of foreign dependency on critical sub systems and components,
- Maintaining the logistic support to the platforms and systems in an integrated and performance-based fashion, utilization of organic assets
- Creating competent human resources required by the industry,
- Improvement of the provisions in the contracts in force that increase the responsibilities of the contractor significantly and affect their potential of assuming business
- Contribution was provided to the Ministry of Science, Industry and Technology on the improvement of the R&D Incentives Legislation, on supporting the SMEs and increasing incentives. A memorandum of understanding was signed on supporting the Investments on Strategic Product Development and High Technology Areas for the Small and Medium Industry Development Organization - KOSGEB and SMEs.
- Joint activities were executed with the Ministry of Economy on increasing the incentives towards the export of high technology products, preparation of new legislation on the incentives regarding participation in events and procurement and trade delegations (covering international events such as IDEF).

The close interest of our relevant institutions in concern with the aforesaid points and the concrete developments regarding the solutions please us on behalf of our industry.

Our industry has been performing a highly essential and critical task in respect of the protection of our country’s future. Therefore, although the economic sizes of the industry lag far behind many other sectors, the interest it created in the public opinion and government’s perspective and approach to the industry is far beyond the expectations.

These figures indicate an increase by 12% in turnover and a 3.7% increase in exports compared with the percentages of the previous year. The Product and Technology Development Expenses reached approximately the level of the previous year yet there is a decrease of 32% in Orders Received.

The new platforms such as the National Combat Ship MILGEM Project, Main Battle Tank Project - ALTAY, Unmanned Air Vehicle Project - ANKA and BAYKAR UAV/ AUAV, CİRIT, Anti – Tank Missiles, BORA and KASIRGA Missiles, New Generation Trainer Jet (HÜRİKÜR), Patrol and Coast Guard Boats, Light Weapons and various modern ammunition, etc. of which the development and verification activities were completed will be increasing our export potential and help us take the place we deserve in the world markets.

The products of the industry have been utilized fruitfully in Operation Euphrates Shield and Operation Olive Branch and are appreciated by the Turkish Armed Forces and have become the focus all over the world.

Our industry is confident about the future. Currently, around 800 projects are being conducted by the Presidency of Defence Industries (SSB). Decisions were adopted in the last two Defence Industry Executive Committees for the launch of the contract activities of new projects at an amount of $ 9.5 billion. Among the aforesaid decisions, the indigenization / nationalization projects regarding the sub systems and components that will reduce foreign dependency would be a critical step in respect to the development of our exports.

Our industry has started to take its place both in the internal market and at world markets as a powerful player. In this way, the powerful defence industry that will maintain the fulfillment of Turkish Armed Forces’ requirements through national and domestic resources will be the basis of the motto of Powerful Army and Powerful Turkey.

<table>
<thead>
<tr>
<th>Our Industry’s performance data of 2017 was listed in our report is as follows:</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>6.693 Million $</td>
</tr>
<tr>
<td>Export</td>
<td>1.739 Million $</td>
</tr>
<tr>
<td>Orders received</td>
<td>8.055 Million $</td>
</tr>
<tr>
<td>Import</td>
<td>1.544 Million $</td>
</tr>
<tr>
<td>Product and Technology Development Expenses</td>
<td>1.237 Million $</td>
</tr>
</tbody>
</table>
Voytes- Turkey’s Premier Consultancy Company Provides Resourceful Financial Solutions to Foreign Investors
by Bircem ÖZEKİÇİ – Project Specialist

Voytes plays an active role in Global Supply Chain Implementations through facilitation activities that focus on accelerating industrial development in Defence, Aerospace, Satellite, Space and Advanced Technologies.

Since 2010, Voytes Turkey has been offering financial solutions to a wide range of companies from foreign partnership companies and funds to national brands and SMEs, supporting them to establish strategies and implement them accordingly, and creating funds. Among these solutions, it has enabled many enterprises in different sectors to benefit from incentives, grants and other government support, through the projects especially carried out with sectoral associations, professional chambers, organized industrial zones, universities and the Ministry of Economy. Voytes has also been providing accounting, tax and financial regulatory consultancy and legal expert services.

Voytes, with its fundamental working principle, gets to know every single detail of its customer’s business and produces solutions with a multidimensional approach instead of just doing what is expected, and it has proven itself by implementing these solutions successfully many times. It has developed and finalized a wide range of projects in the fields of incentives, grants and government support project management.


In addition, in order for the investors to make the most profitable investment decisions, Voytes conducts feasibility studies, prepares reports for proper market research and presents these reports in combination with the expertise of incentives and grants. Thus, it provides the reduction of the costs of investments to be made in Turkey and turns them into more sustainable investments.

Voytes Turkey has gained significant incentives and grants in considerable volume to various sectors such as machinery, defence and aerospace, satellite / space technology, engines, metal, construction equipment and furniture.

We, as Voytes Turkey, are carrying out incentive and grant project activities in the Defence and Aviation/Aerospace sector. As of today, we have already prepared and obtained the approval of two grant projects worth approximately USD 6 million within the scope of the Ministry of Economy’s Development of International Competitiveness Program (UR-GE) for SAHA Istanbul Association with 32 companies in the field of Defence and Aerospace/Aviation. Our duty of executive counseling for these cluster projects is continuing. Within the scope of the project, our report prepared for requirement analysis, market research, offset applications, cluster analysis, standards and certifications, NATO STO activities and etc. has become an important source in terms of being a roadmap for the sector. Our goal with this roadmap is to include our companies in the Global Supply Chain later on and to increase their competitiveness. In addition, we provided cooperation with regional institutions and stakeholders in Kayseri for the establishment of the Center of Excellence under the Aircraft Maintenance and Construction Center which is amongst Turkey’s 2023 targets. Our efforts are continuing also on this issue. With the regional institutions and stakeholders in the Kocaeli-Gezbe region, which has a significant share in advanced technologies, the Ministry of Science, Industry and Technology processes are ongoing for the establishment the Center for the Design and Development of Advanced Technological Industrial Products.

Support Models for Foreign Investors

1. Global Supply Chain Support Program

The Global Supply Chain Support Program is a project to support the expenditures of the suppliers for increasing intermediate goods production and export competencies in order to ensure that they become more effective suppliers in the Global Supply Chain.
Support is provided for the following at a rate of 50% up to USD 1,000,000.00:
- Procurement of Machinery, Equipment, Hardware
- Office/Warehouse Expenses in Foreign Countries
- Procurement of Software
- Training, Consultancy Services and Customer Visits
- Certification, Test/Analysis, Product Verification Expenses

2. Support Program for Design and Product Development

It refers to the projects that will be implemented in order to increase the fashion, industrial design and innovation capacities of companies and to produce value added products for export. 50% allocated for the companies’ design and product development projects which are included in the scope of support.

<table>
<thead>
<tr>
<th>1,000,000 USD</th>
<th>250,000 USD</th>
<th>150,000 USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross salaries of employed designers, modelists and engineers</td>
<td>Tools, equipment, materials and software expenses</td>
<td>Expenses for travel and website membership</td>
</tr>
</tbody>
</table>

3. Support Program for Project Based Technological Production Investments

The aim of the Project Based Technological Production Investments Support Program is to support project based innovative, R&D focused, high value added investments that will meet critical current and future needs of our country, provide supply security, reduce external dependency and realize technological transformation in line with the targets envisaged in the development plans and annual programs.

For the assessment of the projects, the minimum fixed investment amount should be $100 million.

The support elements provided within the scope of this Project are given below:
- Investment Venture Allowance: The place where the investment is made will be allocated to the investor.
- Infrastructure Support: The infrastructure support will be provided for the place where the investment is made.
- Support for Exemption on Restrictive Provisions and Facilitation of Administrative Procedures.

4. Support Program for Centers of Attraction

Support Program for Centers of Attraction covers investment and operation support to be provided for new investment projects of the manufacturing industry as well as call centers and data centers, additionally for the incomplete facilities or those not put into operation or partially put into operation due to insufficient operational capital or those not active due to other reasons.

The amount of Investment and Production Support is TL10,000,000.00.

The Support for the Transfer/Transportation of Production Facilities meets the disassembly, transfer/transportation and assembly costs of the facilities in cash during such process provided that the related costs do not exceed TL1,000,000.00.


Call Center Investment and Operational Support applies up to TL2500 per employee provided that a minimum of 200 employees are employed.

Data Center Investment and Energy Support meets 30% of the monthly energy costs (excluding VAT) of the data centers for 10 years.

Where Can You Establish a Center?

5. R&D and Design Center Support Program

Support is provided to R&D projects which have objectives and scopes, the general and technical identifications of which were made, the time and budgets of which were identified, all phases of R&D activities of which were determined, which are carried out by researchers in line with scientific principles. In order to establish an R&D Center, 15 fulltime R&D personnel should be employed.

Design projects carried out by the designer are supported for systematic activities that have the potential to increase the functionality,
development, improvement and will differentiate the product or products, and at the same time have the potential to create added value and a competitive advantage. In order to establish a Design Center, 10 fulltime Design personnel should be employed.

6. Strategic Product Support

The "Strategic Product Support Program" is critical for enterprises. It is not only important for the development of production capacity but also for the comprehensive feasibility studies that KOSGEB requests from the companies before the project application. As a result of feasibility studies, companies will have obtained macro data such as market analysis, strategic plan, feasibility of the project and project risk analysis for the current situation of the sector in which have been performing activities. This data is a road map for future forecasts of these companies.

Small and Medium Enterprises can benefit from the support. The enterprise can apply for this program individually, or in partnership with the stakeholder or large enterprises. It is necessary that the enterprises that applied for the support should be trading in at least one of the 9 strategic areas designated as Strategic Products:
- 20- Production of chemicals and chemical products
- 21- Production of basic pharmaceutics products and pharmaceutical materials
- 23- Production of other nonmetallic mineral products (provided that a cooperation is made with the defense industry)
- 26- Production of computers, electronic and optical products
- 27- Production of electrical equipment
- 28- Production of machinery and equipment that are not classified under other category
- 29- Production of motor land vehicles, trailers and semitrailers
- 30- Production of other transportation vehicles (except for 30.99)
- 32- Production of medical and dental tools and materials

The maximum limit of the support to be provided within the scope of SME Strategic Product Support Program is total TL5,000,000.00 as refundable and/or nonrefundable. Support rates will be 70% nonrefundable and 30% refundable within the scope of Machinery-Equipment Support and 70% nonrefundable for other support items. 15% will be added to the nonrefundable support rates for the products purchased with domestic goods certificate for machine-equipment costs and software costs. In this case, 15% reduction is applied to the refundable support rate. Thus, the rate of nonrefundable support increases to 85%.

The support items are: Machinery-Equipment Support, Software Costs Support, Personnel Costs Support, Information Transfer Support, Test-Analysis, Calibration and Reference Sample Support and Service Procurement Support.

7. Technological Product Investment Support Program

KOSGEB has made a new call of "Techno-Investment" program for SMEs with the motto: "We will provide the necessary support to all our SMEs that produce innovative, technological and high added value products and that want to transfer these products to international markets and to focus on exports".

With this program, it is aimed to commercialize new products that emerged as a result of R&D and innovation activities in the priority technology areas in order to bring the country's economy to a competitive structure on an international level, to create value added to the country's economy, to lead the export of technological products by taking place in international markets, and to support the investment of enterprises in our country.

Investment items to be supported:
- a) Technological products emerged from research and innovation projects supported by KOSGEB and other public institutions and organizations, foundations established by law or international funds
- b) Technological products emerged as a result of R&D and innovation projects in foreign technology zones / research centers / institutes / science parks / incubation centers / accelerators
- c) Technological products emerged as a result of R&D and innovation projects that the companies in the domestic technology development regions have concluded in the region
- d) Technological products emerged as a result of R&D activities in public research institutes / centers
- e) Technological products protected by a patent specification
- f) Technological products emerged from doctorate studies
- g) Technological products that are certified with Technological Product Certificate of Experience
- h) Owners of the technological products, the prototype studies of which have been completed or enterprises that have taken over the right of use from the right holder through a contract

The enterprise should have a certificate that the technological product has emerged successfully. Within 5 (five) years from the date of finalization, the applicant is provided with support for the technological product. Owners of the technological products, the prototype studies of which have been completed

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<tr>
<th>R&amp;D CENTER</th>
<th>DESIGN CENTER</th>
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<tbody>
<tr>
<td>%100 R&amp;D DISCOUNT</td>
<td>%100 DESIGN DISCOUNT</td>
</tr>
<tr>
<td>%80 - 95 INCOME TAX EXEMPTION</td>
<td>%80 - 95 INCOME TAX EXEMPTION</td>
</tr>
<tr>
<td>%50 EMPLOYER'S NATIONAL INSURANCE CONTRIBUTION SUPPORT</td>
<td>%50 EMPLOYER'S NATIONAL INSURANCE CONTRIBUTION SUPPORT</td>
</tr>
<tr>
<td>%100 DOCUMENTARY TAXES INDENMITY</td>
<td>%100 DOCUMENTARY TAXES INDENMITY</td>
</tr>
<tr>
<td>%100 CUSTOMS DUTY EXEMPTION</td>
<td>%100 CUSTOMS DUTY EXEMPTION</td>
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</tbody>
</table>
or enterprises that have taken over the right of use from the right holder through a contract are able to benefit from this program. For technological products protected by patent specification, it is required that the patent has been transferred by the Turkish Patent Institute and Trademark Office.

Micro, Small and Medium Scaled SMES can benefit from this support. The maximum limit of the support that will be granted under the SMEs Technological Product Investment Support Program is 5,000,000.00 TL (five-million), as refundable and/or nonrefundable.

Support rates to microscaled enterprises will be 70% nonrefundable and 30% refundable for machinery-equipment, molding and software costs; 60% nonrefundable and 40% refundable to small and medium scaled enterprises. For costs other than machinery-equipment, molding and software, 70% nonrefundable support is granted to micro scaled enterprises and 60% to small and medium scaled enterprises.

Early payment can be made at a rate of 25% of the total amount of support as set forth in the initial board decision. If the technological product subject to investment is at high technology level, 5% added to nonrefundable support rates. If the machinery, equipment and software to be purchased for the related investment project are classified / differentiated with a domestic goods certificate, 15% is added to the nonrefundable support rates. Within the scope of refundable support, nonrefundable support is granted for securities / guarantees requested by KOSGEB, regardless of the upper limit of 100% support as Security / Guarantee Expenses.

Support Items (Granted during the Investment Project)
- Machinery-equipment and software costs support
- Personnel costs support
- Training and consultancy support
- Rental / Leasing support
- Support Items (Granted following the Investment Project)

Enterprises that have completed their investment projects can benefit for a duration of 1 year.
- Operating Costs Support
  - Personnel costs
  - Utility costs

- c. Maintenance-repair costs

Applications will be received on a regular basis throughout the year.

In the SME Technological Product Investment Support Program, the duration of the investment project is maximum 36 (thirty) months. An additional period of six (6) months can be given by the Board decision.

Within the scope of the "Technological Product Investment Support Program", Voytes will assist our enterprises in the preparation of project feasibility studies, market research reports, technical and financial analysis, investment phases, project software, execution process and completion of the project.

8. Investment Incentive System Support Program

The aim of the Investment Incentive System Support Program is to increase the production of intermediary goods and products with high import dependence in order to reduce the current deficit, to support high and medium-high technology investments that will provide technological transformation, to increase investment supports provided to the least developed regions, to reduce regional development disparities, to increase the effectiveness of the support elements and to support the cluster activities. Within the scope of this support, great emphasis is placed on investments also in the field of defence.

The laboratory complexes are also supported within the scope of Investment Incentive System Support Program. Below are the laboratory complexes that are supported:
- Research and Reference Laboratories
- Consumer Safety and Infectious Diseases Reference Laboratory
- Pharmaceuticals and Medical Devices Analysis and Control Laboratory
- Laboratories involving Experimental Animals Production, Test and Research Center Units

Support Items for investments to be made in the fields of Defence and Laboratory Complexes:
- VAT Exemption
- Customs Duty Exemption
- Tax Reduction (Investment Contribution Rate 40%, Tax Reduction 80%)
- Employer’s National Insurance Contribution Support (7 Years)
- Investment Venture Allowance
- Interest Support (Internal Credit 5 Points, Forex Indexed Loan 2 Points)

For detailed information regarding the aforesaid support, please get in contact with us at proje@voytes.com.

As Voytes team, we make it our duty to encourage domestic and national production in sectors such as Advanced Technologies and Defence and Aviation/Aerospace. We would like to inform you that Voytes Group will create new clustering and cooperation opportunities together with a new formation that will be formed by Voytes Group during this vital period and will actively participate in Global Supply Chain Applications and will be a consultant and partner for high added value investments, especially Direct & Indirect Offset Applications.

<table>
<thead>
<tr>
<th>Eligible Costs</th>
<th>Support Ratios and Duration *</th>
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<tbody>
<tr>
<td>VAT Exemption</td>
<td>✓</td>
</tr>
<tr>
<td>Customs Tax Exemption</td>
<td>✓</td>
</tr>
<tr>
<td>Tax Discount Investment</td>
<td>Investment Contribution Rate (%) 40</td>
</tr>
<tr>
<td>TAX Discount</td>
<td>TAX Discount (%) 80</td>
</tr>
<tr>
<td>Employer’s National Insurance</td>
<td>Employer’s National Insurance Contribution Support 7 years</td>
</tr>
<tr>
<td>Investment Venture Allowance</td>
<td>✓</td>
</tr>
<tr>
<td>Interest Support</td>
<td>Internal Credit 5 Points</td>
</tr>
<tr>
<td></td>
<td>Forex Indexed Loan 2 Points</td>
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</tbody>
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