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3M to invest USD 500 million for a regional manufacturing facility in Turkey

3M, on their 25th anniversary in Turkey, will establish a manufacturing facility in the town of Corlu. The estimated USD 500 million investment will kick off with the groundbreaking in December.

Istanbul, October 9, 2012-3M has announced its decision to build a new regional manufacturing facility in Turkey. The global innovation company, with products and creative solutions for personal care, household, hobby and office, electricity and electronics, telecommunications systems, healthcare, traffic and transport safety, automotive, construction, chemical industries, has 17 such facilities around the world.

The investment decision was publicly announced at a joint press conference with ISPAT, the Investment Support and Promotion Agency of the Prime Minister's Office. The event also hosted Mr Zafer Caglayan, Republic of Turkey's Minister of Economy. The facility will be located at the European Free Zone in Corlu, an industrial town near the vicinity of Istanbul. Targeting an estimated USD 500 million investment, the project will start with the groundbreaking in December 2012, incorporating sophisticated technology and creating highly-qualified employment for a workforce of more than one thousand people.

Minister of Economy Zafer Caglayan, ISPAT President Ilker Ayci, Consul General of the United States of America to Istanbul Scott Frederic Kilner, 3M Vice President for CEE Region Giuseppe Castaldi, 3M Turkey Managing Director Andrei Holban and 3M Turkey Production Director Tamer Gunes were the attendees of the press conference, where the main emphasis was on Corlu becoming one of the most important manufacturing sites of 3M globally.

During his opening speech, ISPAT President Ilker Ayci said the Agency had been collaborating with 3M for two years, from the planning phase of the investment. "This initiative is very important for us in terms of creating employment and positive impact on our exports. Turkey is now accepted as a strategic base for developing markets of the Middle East, North Africa, Russia and Europe, yet by another multinational leader, 3M. We are proud to host such an



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investment. The USA is a key business partner for Turkey. The total amount of investment from the USA to Turkey has been USD 7 billion within the last five years. Last year, we observed USD 1.4 billion of direct investment from the USA, four times the amount of the previous year. There will be more investments in the very near future, already in the pipeline, and we will announce them once they have matured. ISPAT does and will enhance investments, be it from global leaders or SMEs," said Ayci.

Giuseppe Castaldi, Vice President of CEE region for 3M, emphasized the significance of the investment from their perspective: "The CEE region covers 31 countries including Turkey, Russia, Poland and other dynamic players of Europe's future. A region with such an exciting outlook and potential also needs tailor-made initiatives. We observe the growth opportunities in existing markets through wider penetration and we will expand our reach in new and emerging markets through new products. To achieve these objectives, our main strategy is to enhance regional self-sufficiency in the fields of manufacturing and, without a doubt, research and development. Observing this huge potential, in line with 3M's international growth strategy and the focus of regional self-sufficiency, we developed a plan to invest strongly in Turkey in terms of manufacturing. We believe this is the key action to support growth in Turkey and in other Eastern and Western European countries and in the Middle East."

Giuseppe Castaldi also explained the investment in detail: "The investment we announced today is called a Super Hub in 3M terminology; a large production facility that is aligned to both local and regional needs, manufacturing products for multiple markets. These facilities allow us to realize our most important driver of being closer to our customer. Throughout the process, especially during our preparations, our executive management has been very supportive of us, where we had a rather swift approval of our plans by our CEO Inge Thulin and our Vice President in charge of operations HC Shin.

As 3M, we are committed to bring an investment of up to USD 500 million for this new Super Hub facility. The new Super Hub in Turkey will be the third Super Hub in Europe. This new facility will not only serve the Turkish market, but will also provide products and solutions to primarily European, Middle Eastern and African regions, generating sales value of USD 1 billion. With export orientation, we are aiming to achieve an annual exports figure exceeding USD 500 million. Moreover, we will increase the share of sales from local production to 45 percent, almost doubling the recent figure of 25 percent in Turkey."

The reason to choose Turkey for investment was Giuseppe Castaldi's next statement: "The economic uncertainty in the world has not affected Turkey; the growth and stability in the country encourage us. Turkey is one of the fastest growing economies backed up by a highly-skilled workforce. I would like to emphasize the importance of the positive environment created for the multinational companies like us, by the recently introduced investment incentives system. With this development, combined with the other selection criteria such as the local market potential, country's economic outlook, and vision combined with the political stability, existing local



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infrastructure, geographical location, investment environment in combination with the availability of skilled workforce and strong supplier base, Turkey has proved itself to be the strongest country within the region for the new Super Hub investment. The support has been at all levels, and I would like to thank the President of the Turkish Republic Mr. Abdullah Gül, and, the Prime Minister Mr. Recep Tayyip Erdogan for their endorsements, as well as the Economy Minister Mr. Zafer Caglayan and his highly respected officials for their utmost support and guidance throughout the process. And Mr. İlker Aycı and his team for their dedication, commitment and encouraging support in making this happen. And of course, I would like to thank our new host Mr. Kemal Sahin, the President of European Free Trade Zone, for his cooperation.”

Andrei Holban, 3M Turkey's Managing Director, made an opening remark on the contribution of the investment to manufacturing and export potential of the country: “As this year marks our 25th year in this promising country, now my second home, 3M Turkey is a fast runner with its more than 400 employees and USD 170 million of sales volume. We provide innovative products and solutions to our customers, reaching key markets in Turkey such as automotive, healthcare, construction, consumer markets etc. We have come a long way from the modest days in 1987 to a dynamic organization in Istanbul today. Our production started in 1992 and in 2000 we moved to our existing production facility in Cerkezkoy. Since the first days, our scope of operations has continued to expand both in the production facility and in the business reach to answer customer needs and expectations. Today, we are not only supplying products and solutions to our millions of customers in Turkey, helping them to be more competitive, improving the quality of their lives; but also through our current production facility in Cerkezkoy, we are exporting to more than 35 countries in the world – from China to India. In fact, since 2011, we are listed among the top 1,000 exporters in Turkey. Compared to 3M's heritage of 110 years, we are a 25 year-young subsidiary. As 3M Turkey, we are now stepping out from our childhood to the stage of young adulthood. It's important to mention that we have learnt how to walk, before we start running. Now we can proudly mention that, our marathon has just started.

We are here to mark an important milestone for 3M's operations in Turkey. With this investment, we will set up a facility on a 200 thousand square meter land, reach **USD 500 million** in the years to come, we will witness a remarkable increase in the production and export volumes from Turkey. We estimate potential sales worth approximately **USD1 billion** for this site. This is a huge expansion for our manufacturing operation in Turkey, nearly **10 times** of our current production capacity. Of course, this also means more than **one thousand new jobs** for Turkey.”

“As 3M, we are one of the most innovative companies in the world, with more than **43 thousand** patents issued,” pointed out Mr Holban: “The most important driver behind this huge innovation power is the customer needs. Our strategy is to be close to our customers, understand their needs and provide solutions for them. In 3M, we proudly call this the “Customer Inspired Innovation”. With the new investment, 3M Turkey will gain a higher capability and flexibility to provide tailor-made solutions to our customers. We will facilitate an unprecedented opportunity for various industries from automotive to construction and consumer goods to industrial



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products. With the new Super Hub, we will have the opportunity to accelerate the relocation (and development) of some application and product development capabilities, namely the R&D lab facility, to Turkey. Therefore, Turkey will go over this process and gradually own some of the 3M R&D capabilities – becoming a center for the application and product development for certain industries and categories. It should be also noted that with the establishment of highly developed production facilities, 3M Turkey would also provide technology localization, which is an important asset for Turkey as well. Thus, we will create new revenue for the local businesses while contributing to the quality of their production. By bringing production to Turkey, we will support the Turkish economy by providing Turkish companies with “Made in Turkey” 3M products, which have been originally imported; thus reducing the dependence on the importation. Just to give an example, the new Super Hub will allow 3M Turkey to reduce its import ratio from 80 percent down to 50 percent in the years to come. The Super Hub will also become a manufacturing hub in the region, primary serving the Middle East and Africa, in addition to the European countries. With this respect, we foresee in the years to come, the new Super Hub site to have an exports volume reaching USD 500 million. With all these taken into consideration, 3M Turkey will eventually become a key player, both regionally and globally. The flexibility of the Super Hub investment would contribute to the technical capacity and competitiveness of local industries and businesses. Having local manufacturing will give local customers access to products and technologies that can enhance their competitiveness.”

3M Turkey's Manufacturing Director Tamer Gunes gave further information on the investment, stating the company will transfer a remarkable portion of its products from an incredible portfolio of fifty five thousand. “There are only ten Super Hubs outside the US” said Gunes, “This will be the third such facility in the nearby region covering Europe, the Middle East and Africa.”

Tamer Gunes said the new facility will function as an addition to the existing plant: “The 200 thousand square meter facility will be located in the European Free Zone in Corlu. We planned the groundbreaking before the end of the year and the first phase of production will start in 2013. New production lines will be added gradually and as stated previously, the Super Hub investment will be an ongoing one. Our projections see beyond the USD 500 million mark of investment and will employ more than one thousand skilled workforce. We aim to increase our export ratio to 80 – 90 percent from the current level of 60 percent. Our raw material supply from the local market is currently around 20 percent and this figure will at least double to the level of 45 – 55 percent.”

US General Consul Scott Frederic Kilner also expressed his contentment with such a big investment in Turkey. He emphasized the significance of the initiative for Turkey. 3M's new manufacturing facility will be established in the European Free Zone in Corlu. The groundbreaking is planned for December 2012 and the construction will be completed within 2013.

