



Volkswagen Dođuş Finansman A.Ş.

Executive Summary

Private and Confidential
KPMG Turkey | Valuation Services
18 March 2021

Private and confidential

Dear Sir/Madam,

KPMG Yönetim Danışmanlığı A.Ş. (hereinafter also referred to as “KPMG” or “We”) was appointed by Doguş Otomotiv Servis ve Ticaret A.Ş. (“Doguş Otomotiv”, or “the Client”) to assist in performing an indicative valuation of Volkswagen Doęuş Finansman A.Ş. (“VDF Finansman” or “the Company”) as at 31 December 2020 (hereinafter also referred to as the “Valuation Date”), as set out in our terms of reference.

This executive summary (“Report”) has been prepared on the basis of information provided to us by Company Management, supported by publicly available data where available. Our analysis has been primarily based on the IFRS financial statements provided by the Company.

We would like to stress that the financial statements provided to us, have not been compiled, independently verified, reviewed or audited by KPMG. Accordingly, we express no opinion or any other form of assurance on them - we have assumed that the information provided to us is relevant, reliable, complete and accurate. We have reviewed the historical performance and sector benchmarks. Our valuation analysis is mainly based on IFRS based financials.

KPMG expressly disclaims any and all responsibility for the accuracy and completeness of the information provided by Company Management which is contained in this Report. Taking into account the uncertainty inherent to prospective information, our calculations neither warrant nor confirm the realization of the future financial developments as presented.

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KPMG did not perform any reasonableness or other kind of plausibility check on the assumptions and also did not perform financial due diligence for the historical financials provided. Therefore, we do not express an opinion or any other form of assurance on it. Client and Company Managements has sole responsibility for the application and implementation of the financial statements and their assumptions.

This report is prepared solely for internal use of Client for the purpose stated before. It is confidential to Client and it is given on the understanding that it is not communicated or disclosed, in whole or in part, to any third party without KPMG’s prior written consent. It should be noted that our findings do not constitute suggestions or recommendations in the direction of acceptance or rejection of proposals that may be made to Company and by third parties. Decisions to propose to potential buyers as a result of valuation analysis will be made entirely by Client.

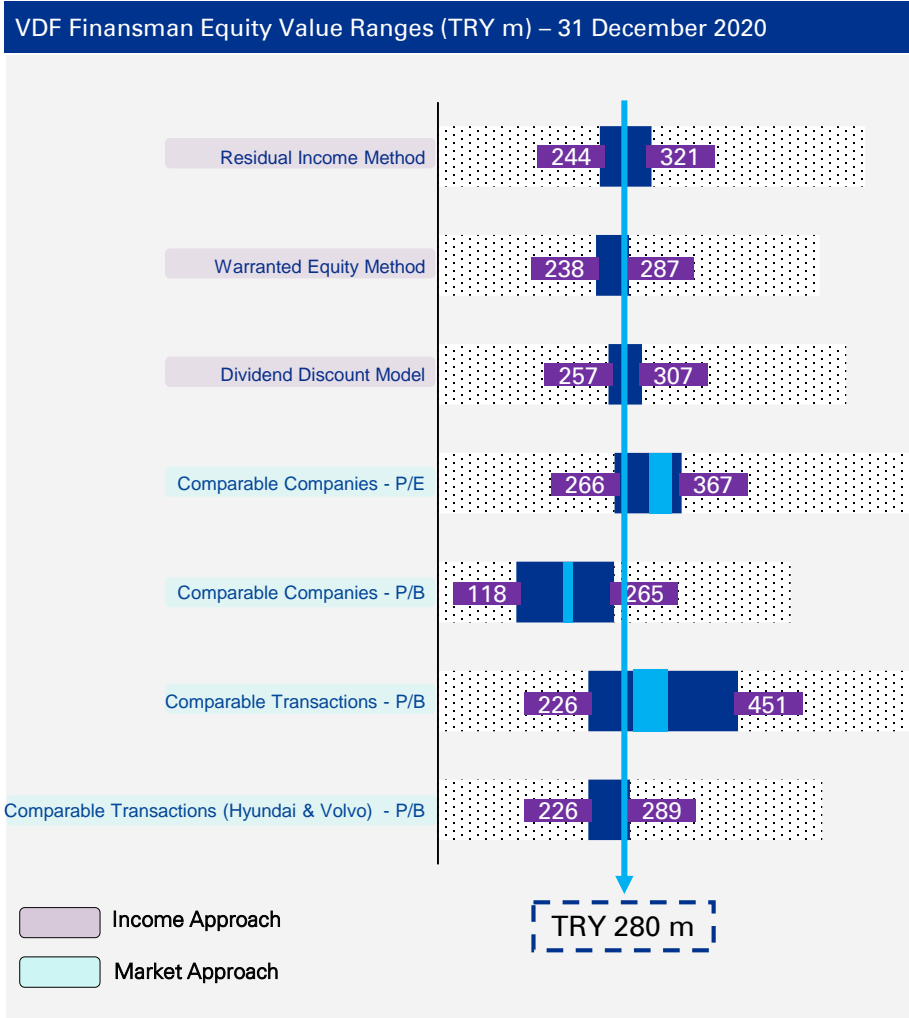
The formal relationship between Doęuş Otomotiv and KPMG has been established in the Engagement Letter and includes an arrangement for the responsibilities, indemnification and liabilities.

KPMG Yönetim Danışmanlığı A.Ş.

Hande Şenova Partner, Valuation Services
18 March 2021



VDF Finansman – Valuation Summary



Equity Value Ranges		
TRY m	Low	High
Residual Income Method	244	321
Warranted Equity Method	238	287
Dividend Discount Method	257	307
Comparable Companies - P/E	266	367
Comparable Companies - P/B	118	265
Comparables Transactions -P/B	226	451
Comparables Transactions (Hyundai & Volvo) -P/B	226	289

Based on the income approach, the indicative Equity Value of the Company as of 31.12.2020 is estimated within the range of TRY 238 million and TRY 321 million.

Based on the market approach, the indicative Equity Value of the Company as of 31.12.2020 is estimated within the range of TRY 226 million and TRY 367 million.

The midpoint concluded for the equity value is **TRY 280,694,402.23**.

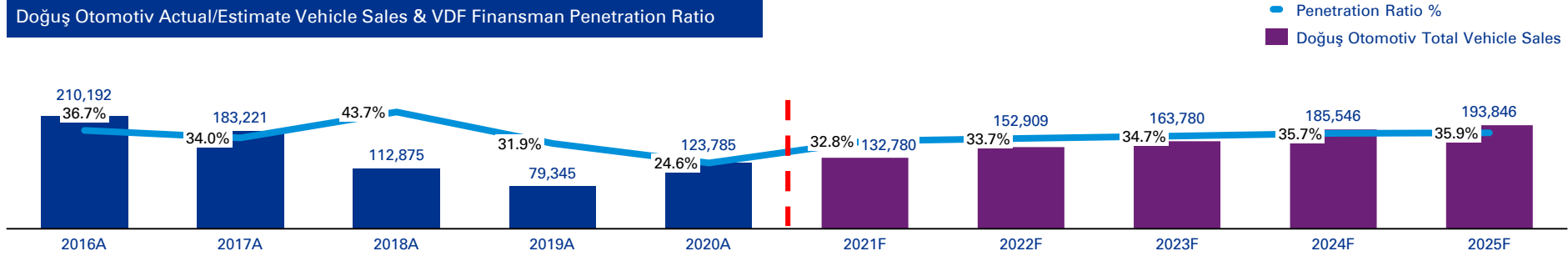
Source: KPMG Analysis
■: Median – Average Range



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VDF Finansman - Valuation Assumptions (1/2)

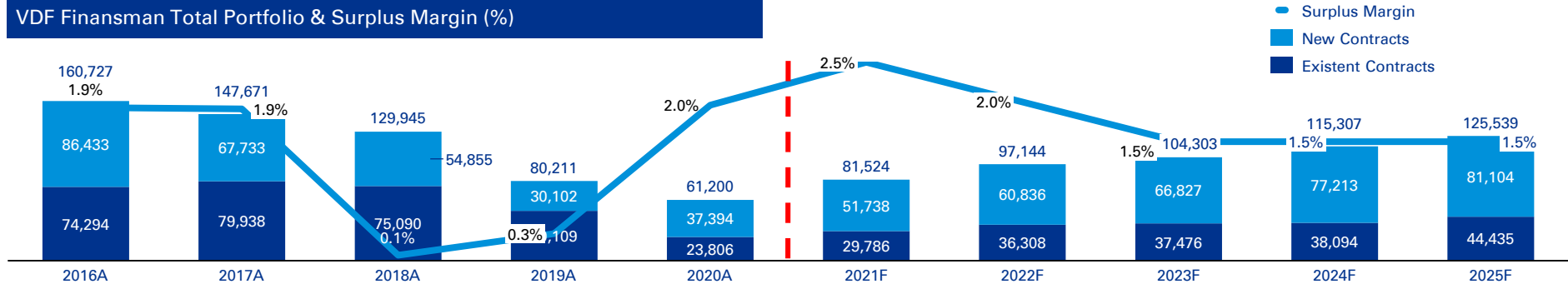
Doğuş Otomotiv Actual/Estimate Vehicle Sales & VDF Finansman Penetration Ratio



Penetration ratio projected in the forecast period is parallel with the historical years' penetration ratio.

Total vehicle sales forecasted by the Client management is consistent with LMC Automotive's vehicle sales expectations in Turkey.

VDF Finansman Total Portfolio & Surplus Margin (%)

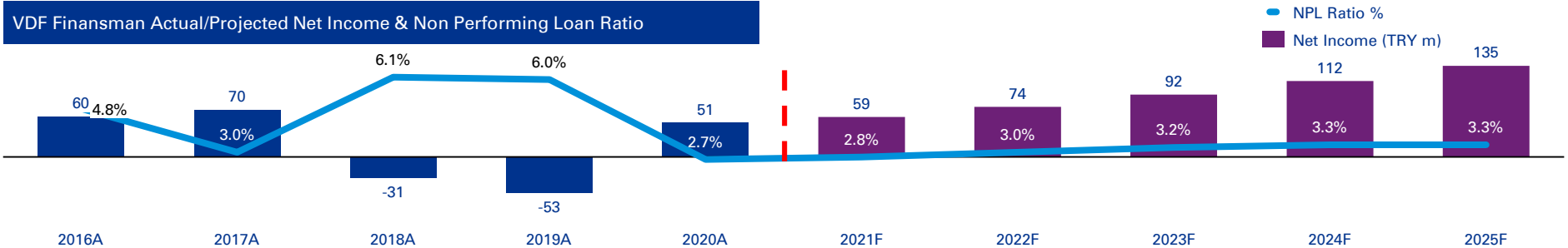


Source: KPMG Analysis, Company Management



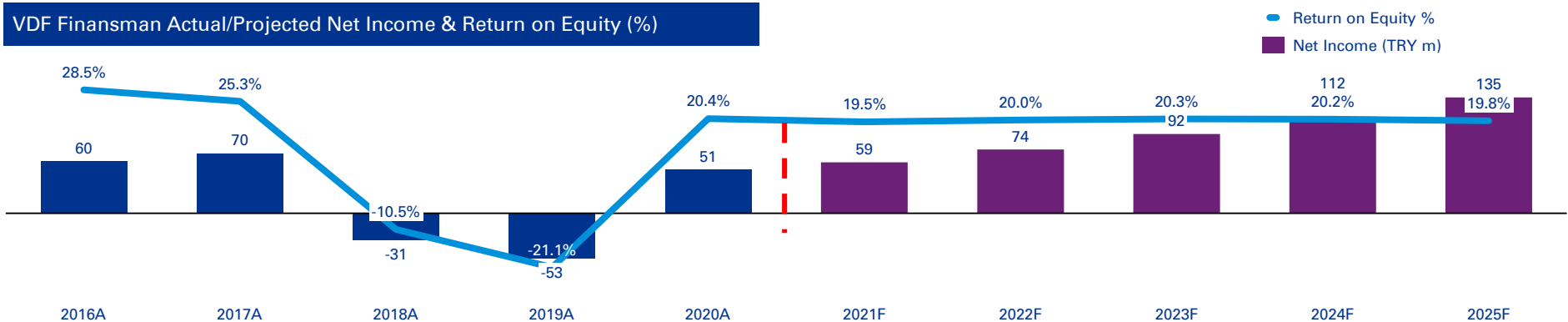
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VDF Finansman - Valuation Assumptions (2/2)



The currency crisis started in the second half of 2018 had a negative impact on the business in 2018 and 2019. During 2018 and 2019, net sales and gross profit decreased by 30% and 50%, respectively. In comparison to 2017, Non Performing Loan Ratio doubled in 2018. In addition to deterioration in the performance of truck customers, some of the local large companies went bankrupt. As a result of this, write-off amounts and provisions increased significantly during 2018 and 2019.

The Company Management has assumed that NPL ratio for FY21-25 would revert back to the level of the past years.



Source: KPMG Analysis, Company Management



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Appendices

Residual Income Method

Volkswagen Doğuş Finansman- Residual Income Method												
TRY '000	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	Terminal Period
Beginning Book Value		180,865	240,796	310,565	275,591	223,181	273,763	332,963	406,978	499,128	611,464	746,105
Ending Book Value	180,865	240,796	310,565	275,591	223,181	273,763	332,963	406,978	499,128	611,464	746,105	
Net Profit/Loss	3,606	60,035	69,641	(30,800)	(52,612)	50,736	59,200	74,015	92,151	112,336	134,641	149,110
Return on Equity %	2.0%	28.5%	25.3%	(10.5)%	(21.1)%	20.4%	19.5%	20.0%	20.3%	20.2%	19.8%	20.0%
Cost of Equity %							20.5%	20.5%	20.5%	20.5%	20.5%	20.5%
Equity Charge (-)							(56,056)	(68,178)	(83,333)	(102,202)	(125,204)	(152,773)
Residual Income							3,144	5,837	8,818	10,134	9,437	(3,663)
Terminal Adjustment Factor							1.00	1.00	1.00	1.00	1.00	9.19
Present Value Factor							0.83	0.69	0.57	0.47	0.39	0.39
Present Value of Residual Income							2,610	4,021	5,042	4,810	3,718	(13,271)
Total Present Value of Residual Income	6,931											
Book Value (31.12.2020)	273,763											
Equity Value (31.12.2020)	280,694											
Implied P/B Multiple	1.03x											

Volkswagen Doğuş Finansman- Residual Income Method				
TRY '000		Return on Equity		
31.12.2020		(0.5)%	-	0.5%
	(0.5)%	279,373	300,403	321,432
Cost of Equity		260,696	280,694	300,693
	0.5%	243,799	262,857	281,916

Source: KPMG Analysis, Company Management



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Warranted Equity Method

Volkswagen Doğuş Finansman - Warranted Equity Method												
TRY '000	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	Terminal Period
Beginning Book Value		180,865	240,796	310,565	275,591	223,181	273,763	332,963	406,978	499,128	611,464	746,105
Ending Book Value	180,865	240,796	310,565	275,591	223,181	273,763	332,963	406,978	499,128	611,464	746,105	
Net Profit/Loss	3,606	60,035	69,641	(30,800)	(52,612)	50,736	59,200	74,015	92,151	112,336	134,641	149,110
<i>Return on Equity %</i>	<i>2.0%</i>	<i>28.5%</i>	<i>25.3%</i>	<i>(10.5)%</i>	<i>(21.1)%</i>	<i>20.4%</i>	<i>19.5%</i>	<i>20.0%</i>	<i>20.3%</i>	<i>20.2%</i>	<i>19.8%</i>	<i>20.0%</i>
Average Return on Equity (FY21-25)	20.0%											
Average Cost of Equity (FY21-25)	20.5%											
Sustainable Growth Rate %	9.60%											
Justified P/B Multiple	0.95x											
Book Value (31.12.2020)	273,763											
Equity Value (31.12.2020)	261,404											

Volkswagen Doğuş Finansman - Warranted Equity Method				
TRY '000		Return on Equity		
31.12.2020		(0.5)%	-	0.5%
Cost of Equity	(0.5)%	260,809	274,001	287,193
		248,819	261,404	273,990
	0.5%	237,883	249,915	261,948

Source: KPMG Analysis, Company Management



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Dividend Discount Model

Volkswagen Doğuş Finansman - Dividend Discount Method												
TRY '000	2015G	2016G	2017G	2018G	2019G	2020G	2021T	2022T	2023T	2024T	2025T	Terminal Period
Beginning Book Value		180,865	240,796	310,565	275,591	223,181	273,763	332,963	406,978	499,128	611,464	746,105
Ending Book Value	180,865	240,796	310,565	275,591	223,181	273,763	332,963	406,978	499,128	611,464	746,105	
Net Profit/Loss	3,606	60,035	69,641	(30,800)	(52,612)	50,736	59,200	74,015	92,151	112,336	134,641	149,110
<i>Return on Equity %</i>	<i>2.0%</i>	<i>28.5%</i>	<i>25.3%</i>	<i>(10.5)%</i>	<i>(21.1)%</i>	<i>20.4%</i>	<i>19.5%</i>	<i>20.0%</i>	<i>20.3%</i>	<i>20.2%</i>	<i>19.8%</i>	<i>20.0%</i>
Terminal Period Return on Equity %	20.0%											
Sustainable Growth Rate	9.6%											
Retention Rate	48%											
Dividend Distribution Rate	52%											
Distributable Dividend												77,484
<i>TV Discount Factor</i>												<i>9.19</i>
<i>PV Factor</i>												<i>0.39</i>
Equity Value (31.12.2020)	280,694											
<i>Implied P/B Multiple</i>	<i>1.03x</i>											

Volkswagen Doğuş Finansman - Dividend Discount Method				
TRY '000		Return on Equity		
31.12.2020		(0.5)%	-	0.5%
	(0.5)%	293,277	300,403	307,180
Cost of Equity		274,036	280,694	287,028
	0.5%	256,622	262,857	268,788

Source: KPMG Analysis, Company Management



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Trading Multiples Analysis

Volkswagen Dođuş Finansman - Trading Multiples Analysis						
TRY Million 12.31.2020						
Company Name	Country	Industry	Market Cap	EV	P/E LFY	P/B LFY
Akbank T.A.S.	Turkey	Financials	36,036	43,070	6.7x	0.7x
Türkiye Garanti Bankasi A.S.	Turkey	Financials	43,554	16,447	7.1x	0.8x
Türkiye Halk Bankasi A.S.	Turkey	Financials	13,754	82,875	6.6x	0.4x
Albaraka Türk Katılım Bankasi A.S.	Turkey	Financials	2,619	(1,832)	29.1x	0.7x
Türkiye Sinai Kalkınma Bankasi A.S.	Turkey	Financials	4,984	44,789	6.8x	1.0x
Türkiye İs Bankasi A.S.	Turkey	Financials	31,500	73,410	5.2x	0.5x
Türkiye Vakıflar Bankasi Türk Anonim Ortaklığı	Turkey	Financials	18,395	117,525	5.5x	0.6x
Yapı ve Kredi Bankasi A.S.	Turkey	Financials	26,017	80,081	7.2x	0.6x
Min					5.24x	0.43x
Max					7.23x	0.97x
Median					6.73x	0.65x
Average					6.45x	0.66x

Volkswagen Dođuş Finansman - Trading Multiples Analysis								
TRY '000	Price/Earnings				Price/Book Value			
31.12.2020	Min.	Max.	Average	Median	Min.	Max.	Median	Average
Selected Multiple	5.24x	7.23x	6.45x	6.73x	0.43x	0.97x	0.65x	0.66x
Parameter	50,736				273,763			
Equity Value	265,929	366,659	327,462	341,594	118,000	265,408	177,194	180,721

Source: KPMG Analysis, Company Management



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Transaction Multiples Analysis

Transaction Multiples Analysis						
Transaction Date	Target Company	Acquirer	Transaction Volume (Mn USD)	Transaction P/B (1.Year)	Transaction P/B (2.Year)	
2016-08-16	Volvofinans Bank AB (40% Stake)	Volvo Car Corporation Ltd.	196	1.06x	0.95x	
2016-01-05	Hyundai Capital Services, Inc. (23.3% Stake)	Hyundai Motor Co; Kia Motors Corporation	595	0.83x	0.84x	
2013-09-27	HRG Group, Inc. (13.06% Stake)	Jefferies Financial Group Inc.	158	-	1.15x	
2013-02-14	White River Capital, Inc.	Parthenon Capital Partners	78	1.08x	0.94x	
2011-05-19	BFI Finance Indonesia Tbk PT (45% Stake)	Trinugraha Capital & Co SCA	170	1.65x	2.21x	
2011-08-01	Fremont Michigan InsuraCorp, Inc.	Auto Club Insurance Association	64	1.31x	1.39x	
Min				0.83x	0.84x	
Max				1.65x	2.21x	
Median				1.08x	1.05x	
Average				1.18x	1.25x	

Volkswagen Doğuş Finansman - Transaction Multiples Analysis				
TRY '000	Price/Book Value			
	Min.	Max.	Median	Average
31.12.2020				
Selected Multiple	0.83x	1.65x	1.08x	1.18x
Parameter	273,763			
Equity Value	226,101	451,463	296,759	324,327

Volkswagen Doğuş Finansman - Transaction Multiples Analysis		
TRY '000	Price/Book Value	
	Min.	Max.
31.12.2020		
Selected Multiple: Hyundai & Volvo	0.83x	1.06x
Parameter	273,763	
Equity Value	226,101	289,066

Source: KPMG Analysis, Company Management



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Cost of Equity Calculation

Volkswagen Doğu Finansman - Cost of Equity Calculation			
31.12.2020		TRY	
Inputs		Sources	Details
Risk-Free Rate	1.65%	US Department of the Treasury	Average yield on USD denominated Treasury bonds with maturity of 30 years as of valuation date
Country Risk Premium (CRP)	5.60%	KPMG Database	Premium that has to be paid for the risk of a foreign country defaulting or becoming unable to pay its debt on time as of valuation date
Inflation Differential	8.30%	KPMG Database	Delta of expected inflation between USA and Turkey as of valuation date
Size Premium	1.0%	KPMG Valuations	Alpha factor added to reflect risk factors not covered elsewhere
Unlevered Beta	0.18	Capital IQ	Derived from comparable company analysis
Debt/Equity (D/E)	300.9%	Capital IQ	Derived from comparable company analysis
Debt/Total Capital (D/(D+E))	75.1%	Capital IQ	Derived from comparable company analysis
Corporate Tax Rate	20.0%	Finance Ministry of Turkey	Corporate Tax Rates in Turkey
Market Risk Premium (MRP)	6.5%	KPMG Database	Difference between the expected return on a market portfolio and the risk-free rate
Relevered Equity Beta			
Unlevered Beta	0.18	Capital IQ	Derived from comparable company analysis
Debt/Equity (D/E)	300.9%	Capital IQ	Derived from comparable company analysis
Corporate Tax Rate	20.0%	Finance Ministry of Turkey	Corporate Tax Rates in Turkey
Relevered Equity Beta	0.60	KPMG Analysis	Unlevered Beta x (1 + (1 - Corporate Tax Rate) x D/E)
Capital Asset Pricing Model			
Risk-Free Rate	1.65%	US Department of the Treasury	Average yield on USD denominated Treasury bonds with maturity of 30 years as of valuation date
Country Risk Premium (CRP)	5.60%	KPMG Database	Premium that has to be paid for the risk of a foreign country defaulting or becoming unable to pay its debt on time as of valuation date
Inflation Differential	8.30%	KPMG Database	Delta of expected inflation between USA and Turkey as of valuation date
Size Premium	1.0%	KPMG Valuations	Alpha factor added to reflect risk factors not covered elsewhere
Relevered Equity Beta	0.60	KPMG Analysis	Derived from comparable company analysis
Market Risk Premium (MRP)	6.5%	KPMG Database	Difference between the expected return on a market portfolio and the risk-free rate
Cost of Equity	20.48%	KPMG Analysis	Risk-free Rate + CRP + (Relevered Equity beta x MRP) + Size Premium

Source: KPMG Analysis, Capital IQ



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