



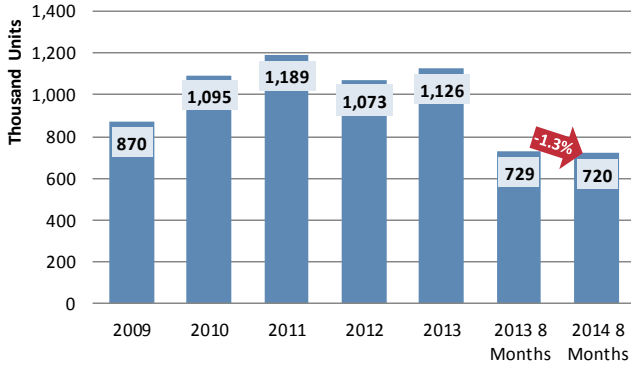
Turkish Automotive Industry

September 24, 2014

Cüneyt DEMİRKAYA
demirkayac@tskb.com.tr

Gaye AKSONGUR
aksongur@tskb.com.tr

Automotive Production excl. F.Trac.

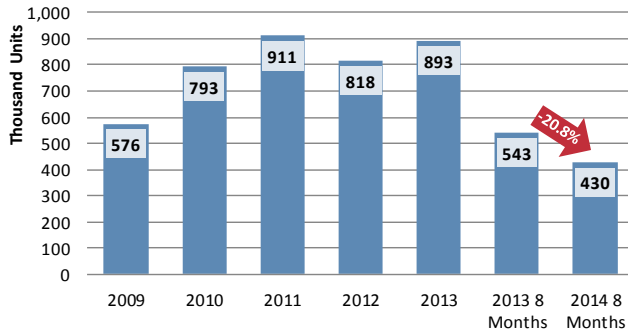


Source: OSD, TSKB Economic Research

Production

Total automotive production -excluding agricultural tractors- realized as 719,501 units in the first eight months of 2014, pointing to a 1.3% contraction compared to the same period of 2013. The capacity utilization rate was 64.4%, 7.9 points below than 2013 figure. 2014 production figure was mainly driven by the performance of commercial vehicles (CV) production which contracted by 21%. On the other hand, passenger car (PC) production showed a strong increase of 15%. 2 main exporters, Hyundai Asan and Toyota's PC production skyrocketed by 122% and 62%, respectively. Oyak Renault took the first place in automotive production among all automotive manufacturers, with total production of 193,972 units.

Retail Sales



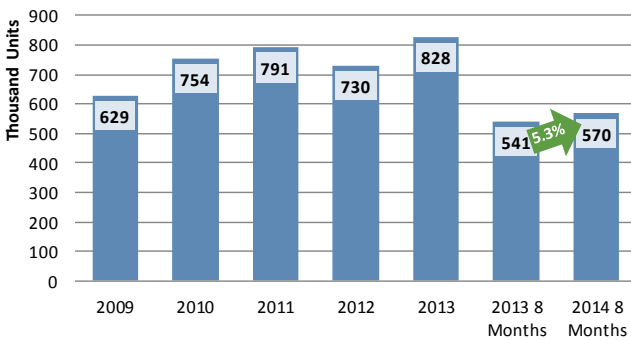
Source: OSD, TSKB Economic Research

Retail Sales

In the first eight months of 2014, 430,158 vehicles were sold, which was 20.8% lower than the same period of 2013. 16.1 points of this fall is resulted from the decline in imported cars while the remaining is due to the decline in locally produced cars. The share of imported vehicles decreased by 2.1 points to 67.1%.

Looking at imported brands in detail, Opel and Ford's PC sales lowered the overall figure the most. On the other side, BMW and Mercedes' sales went up by 14.4% and 6.6%. On the LCV side, Volkswagen and Renault negatively effected the figure, however Kia and Fiat sales compensated the losses.

Exports excl. F. Trac.



Source: OSD, TSKB Economic Research

Exports

According to TIM, in January-August period of 2014, the transport vehicle and component industry continued to be the leader with US\$15.3 billion exports revenue with a share of 14.3% in Turkey's overall exports.

Exports rose by 5.3% compared to the same period of 2013. Oyak Renault continued to be on the first rank of exporters with 162,685 units, suffering 9.5% contradiction. On the other side, Hyundai and Toyota showed strong results again with 115,040 and 77,966 units, showing 141% and 55% climb respectively. In this period, pick-up sales plunged by 16.9% and lowered the overall figure down by 6.4 points, whereas PC exports geared up 23% and contributed by 13 points.

(Units)	2010	2011	2012	2013	8M2013	8M2014	%Chg	Aug-13	Aug-14	%Chg
Production	1,094,557	1,189,131	1,072,978	1,125,534	728,627	719,501	-1.3%	47,288	57,278	21.1%
Retail sales	793,172	910,867	817,620	893,124	543,075	430,158	-20.8%	67,383	62,837	-6.7%
Exports	754,469	790,966	729,923	828,471	541,459	569,973	5.3%	39,686	37,947	-4.4%
CUR (%)	72.2%	75.2%	67.8%	74.4%	72.3%	64.4%		38%	41%	

Source: Automotive Manufacturers Association (OSD), TSKB Economic Research

Production

According to statistics released by the Automotive Manufacturer's Association (OSD) total automotive production (excluding tractors) realized as 719,501 units in the first eight months of 2014, which indicates a **1.3% slow down** compared to the same period of previous year. Production of CVs narrowed by 21% while PC segment rose by 15%. CV segment contributed negatively with 9.5 points, while PC production elevated the figure up by 8.2 points. 2014 8M CUR stepped back to 64.4%, staying under the previous period's CUR of 72.3%.

Yearly changes highlighted a production increase of 21.1%, arising from 24% upturn in PC production. In addition to that, CV production went up by 16% in August 2014 compared to the same month of previous year.

Compared to July, production geared down by 41.6% to 57,278 units. In line with the decrease in production, August's CUR deteriorated by 29 points to 41% from July's 70.3%. (August 2013: 37.5%)

In January-August period of 2014, Oyak Renault kept its first ranking with 193,972 units. The followers were Ford and Tofaş with 143,337 and 133,274 units respectively. In addition to that, Hyundai Assan's and Toyota's production continued progressing by 122% and 62%, while Ford's, Oyak Renault's and Tofaş' production narrowed by 24%, 13% and 18% respectively.

Exhibit: 1 Automotive Production in Turkey

(Units)	2010	2011	2012	2013	Aug-13	Aug-14	%Chg	8M2013	8M2014	%Chg	Jul-14	Jul-13	Jul-Aug%
Passenger Car	603,394	639,734	577,296	633,604	30,137	37,330	23.9%	399,331	459,372	15.0%	61,151	65,411	-39.0%
Commercial Vehicle	491,163	549,397	495,682	491,930	17,151	19,948	16.3%	329,296	260,129	-21.0%	36,995	46,581	-46.1%
Minibus	16,978	22,475	29,335	37,750	1,336	2,061	54.3%	24,219	20,484	-15.4%	3,157	3,757	-34.7%
Midibus	2,658	3,509	4,158	5,197	244	472	93.4%	3,257	3,900	19.7%	268	414	76.1%
Bus	5,268	6,907	6,427	8,345	500	534	6.8%	5,983	4,446	-25.7%	548	787	-2.6%
Pick-Up	442,408	479,110	426,633	410,556	13,026	14,942	14.7%	276,185	212,793	-23.0%	30,727	39,002	-51.4%
M.Truck	20,429	32,635	26,271	25,587	1,776	1,727	-2.8%	17,044	16,470	-3.4%	2,129	2,332	-18.9%
L.Truck	3,422	4,761	2,858	4,495	269	212	-21.2%	2,608	2,036	-21.9%	166	289	27.7%
TOTAL	1,094,557	1,189,131	1,072,978	1,125,534	47,288	57,278	21.1%	728,627	719,501	-1.3%	98,146	111,992	-41.6%

Source: Automotive Manufacturers Association (OSD), TSKB Economic Research

8 Months Production (2014)							
(Units)	P.Car	Mini Bus	Midi Bus	Bus	Pick Up	Truck	Total
January	52,006	1,537	599	485	18,388	2,027	75,042
February	53,250	1,754	536	588	24,832	2,180	83,140
March	61,203	2,762	532	654	29,849	2,308	97,308
April	63,761	3,015	543	542	28,684	2,446	98,991
May	63,658	3,192	454	561	31,019	2,611	101,495
June	67,013	3,006	496	534	34,352	2,700	108,101
July	61,151	3,157	268	548	30,727	2,295	98,146
August	37,330	2,061	472	534	14,942	1,939	57,278

Source: OSD, TSKB Economic Research

8 Months Brand-wise Production (2014)							
(Units)	P.Car	Mini Bus	Midi Bus	Bus	Pick Up	Truck	Total
Oyak Renault	193,972						193,972
Ford Otosan	5,677	19,627			113,492	4,541	143,337
Tofaş	35,538				97,736		133,274
Hyundai Assan	128,573						128,573
Toyota	87,037						87,037
M. Benz Türk				2,514		11,929	14,443
Honda Türkiye	8,575						8,575
A. Isuzu			1,257	65	1,352	1,748	4,422
Otokar		11	1,448	284	204	288	2,235
Temsa Global			1,138	882			2,020
Karsan		846	57	43	9		955
MAN Türkiye				658			658

Source: OSD, TSKB Economic Research

Domestic Sales (Retail)

Domestic sales posted a decline of 20.8% in the first eight months of 2014 and realized as 430,158 units. In the same period, PC sales posted a 20.5% decline, where CV sales contracted by 21.6%. Accordingly, imported vehicle sales declined by 23.2% to 288,730 units.

In August, domestic sales strengthened by 6% to 19,949 units compared to last year. CV sales increased by 17.9% while the PC sales were down by 3.5%.

The share of import-based vehicles in the domestic market increased to 68.3% in August from 66.6% in July. In terms of 8 months import numbers, Volkswagen held the first position with a declining trend in PC and CV imports; with 49,780 and 13,583 units respectively.

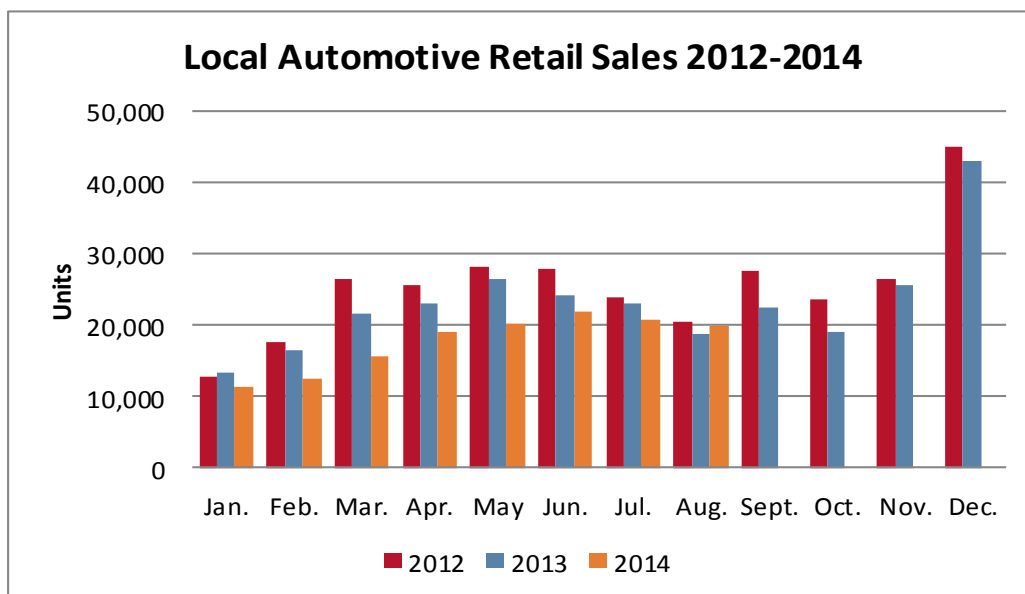
Exhibit: 2 Automotive Sales in Turkey (Retail)

(Units)	2010	2011	2012	2013	%Chg	Aug-13	Aug-14	%Chg	8M2013	8M2014	%Chg	Jul-14	Jul-Aug%
Local	327,764	372,335	305,926	277,515	-9.3%	18,823	19,949	6.0%	167,159	141,428	-15.4%	20,776	-4.0%
Import	465,408	538,532	511,694	615,609	20.3%	48,560	42,888	-11.7%	375,916	288,730	-23.2%	41,416	3.6%
Domestic Sales	793,172	910,867	817,620	893,124	9.2%	67,383	62,837	-6.7%	543,075	430,158	-20.8%	62,192	1.0%
Imports as % of Total	58.7%	59.1%	62.6%	68.9%		72.1%	68.3%		69.2%	67.1%		66.6%	

Source: Automotive Manufacturers Association (OSD), TSKB Economic Research

(Units)	2010	2011	2012	2013	%Chg	Aug-13	Aug-14	%Chg	8M2013	8M2014	%Chg	Jul-14	Jul-Aug%
Passenger Car	509,784	593,519	556,280	664,655	19.5%	51,611	45,131	-12.6%	399,429	317,506	-20.5%	46,602	-3.2%
Commercial Vehicle	283,388	317,348	261,340	228,469	-12.6%	15,772	17,706	12.3%	143,646	112,652	-21.6%	15,590	13.6%
LCV	251,129	270,920	221,481	188,723	-14.8%	13,432	15,068	12.2%	118,953	89,461	-24.8%	13,305	13.3%
HCV	32,259	46,428	39,859	39,746	-0.3%	2,340	2,638	12.7%	24,693	23,191	-6.1%	2,285	15.4%
Midibus	2,372	3,104	3,084	3,959	28.4%	235	167	-28.9%	2,150	1,910	-11.2%	139	20.1%
Bus	1,525	2,532	2,410	4,027	67.1%	260	81	-68.8%	3,336	989	-70.4%	63	28.6%
Truck	28,362	40,792	34,365	31,760	-7.6%	1,845	2,390	29.5%	19,207	20,292	5.6%	2,083	14.7%
TOTAL	793,172	910,867	817,620	893,124	9.2%	67,383	62,837	-6.7%	543,075	430,158	-20.8%	62,192	1.0%

Source: Automotive Manufacturers Association (OSD), TSKB Economic Research



Source: Automotive Manufacturers Association (OSD), TSKB Economic Research

Exports

In the first 8 months of 2014, automotive sector exports went up by 5.3% to 569,973 units. Pick up exports continued declining while PC exports surged 22.9% to 379,093 units. In the same period CV exports shrunk by 18.1% to 190,880 units.

In August, automotive sector exports went down by 4.4%. Fading demand for PCs was the primary reason for slump in exports. Passenger cars showed 5.1% increase, while CV exports dropped by 2.8%. Compared to July 2014, total exports decreased by 52.4%.

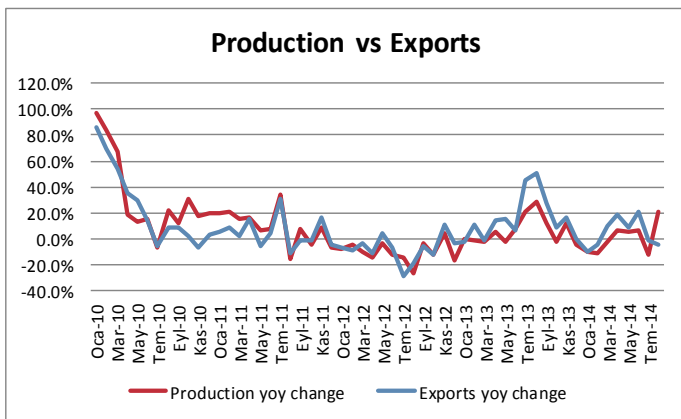
Oyak-Renault maintained its leading position in the first half of 2014, by dispatching 162,685 units.

According to Turkish Exporters Association (TIM), the transport vehicle and component industry continued to be the leader with US\$15.3 billion exports with a share of 14.3% in Turkey's overall exports the first six months of 2014.

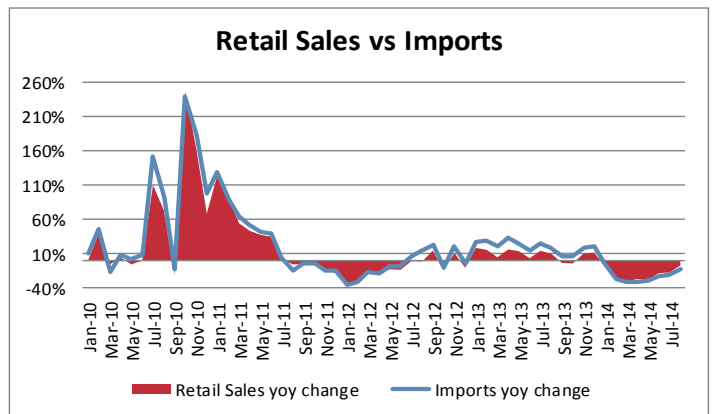
Exhibit: 3 Motor Vehicle Export Figures

(Units)	2010	2011	2012	2013	8M2013	8M2014	Cum.Change	Aug-13	Aug-14	YoY%	Jul-14	MoM%
Passenger Car	439,999	442,674	412,991	484,504	308,367	379,093	22.9%	27,844	26,433	-5.1%	53,125	-50.2%
Commercial Vehicle	314,470	348,292	316,932	343,967	233,092	190,880	-18.1%	11,842	11,514	-2.8%	26,562	6.9%
LCV	307,702	339,529	309,030	335,429	228,582	186,698	-18.3%	11,106	10,989	-1.1%	25,965	-57.7%
Pick-Up	306,902	319,366	292,601	300,765	206,563	171,731	-16.9%	9,980	9,535	-4.5%	24,154	-60.5%
Minibus	800	20,163	16,429	34,664	22,019	14,967	-32.0%	1,126	1,454	29.1%	1,811	-19.7%
HCV	6,768	8,763	7,902	8,538	4,510	4,182	-7.3%	736	525	-28.7%	597	-12.1%
Midibus	807	647	1,173	985	654	557	-14.8%	109	89	-18.3%	14	535.7%
Bus	3,550	4,204	4,047	4,498	2,569	2,870	11.7%	266	365	37.2%	426	-14.3%
Truck	2,411	3,912	2,682	3,055	1,287	755	-41.3%	361	71	-80.3%	157	-54.8%
TOTAL	754,469	790,966	729,923	828,471	541,459	569,973	5.3%	39,686	37,947	-4.4%	79,687	-52.4%

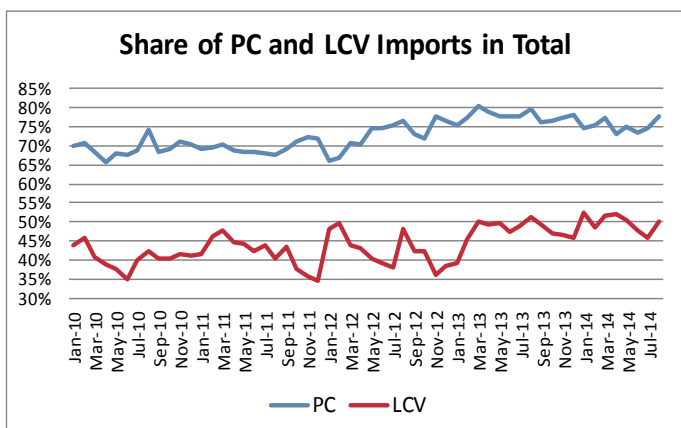
Source: OSD, TSKB Economic Research



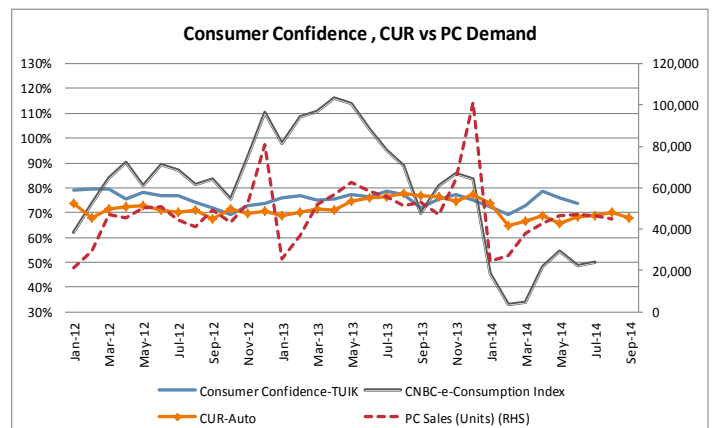
Source: OSD, TSKB Economic Research



Source: OSD, TSKB Economic Research

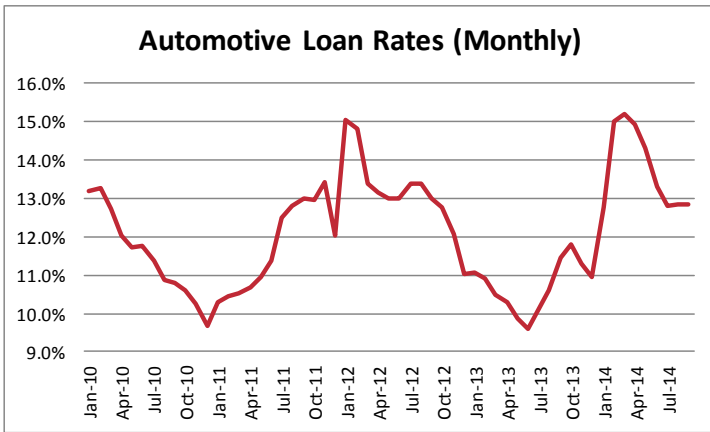


Source: OSD, TSKB Economic Research

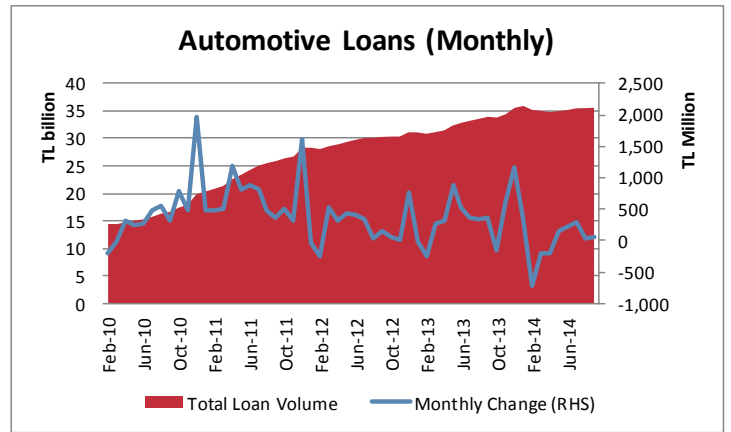


Source: OSD, TUIK, CNBC-e, TSKB Economic Research

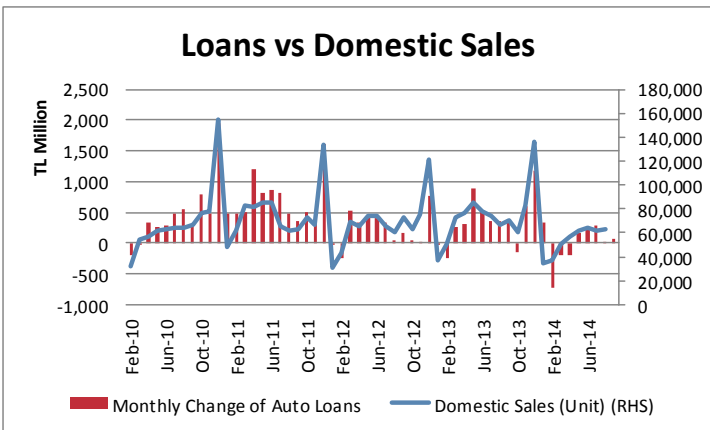
Exhibit: 4 Automotive Loans and Rates



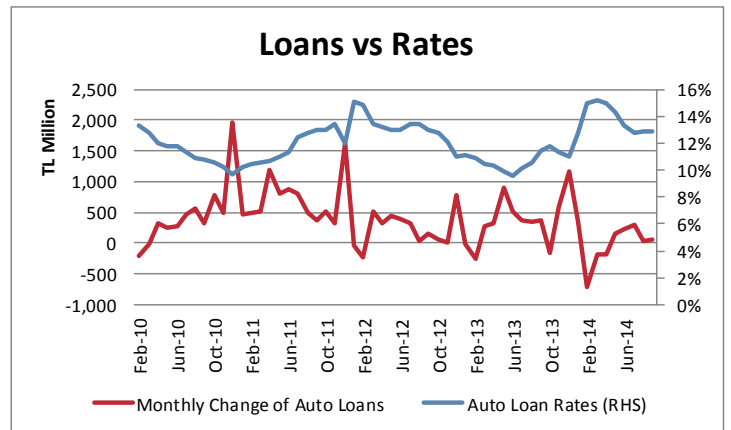
Source: CBRT, TSKB Economic Research



Source: CBRT, TSKB Economic Research



Source: CBRT, TSKB Economic Research



Source: CBRT, TSKB Economic Research

Automotive loan rates started to slightly increase commencing from August onwards. The rate was lowest on the first week of January with %10.6. and went all the way up to 15.3% at the beginning of March. The latest figure shows 12.8%.

As of September 19, auto loan volume stands at TL 35.6 billion. This number was highest in the first week of January with TL 36 billion.

Exhibit: 5 Passenger Car Market In Turkey

Passenger Car Sales

(Units)	2010	2011	2012	2013	%Chg	Aug-13	Aug-14	%Chg	8M2013	8M2014	%Chg	Jul-14	Jul-Aug%
Local	155,634	179,488	146,604	147,128	0.4%	10,481	10,117	-3.5%	86,633	78,863	-9.0%	11,822	-14.4%
Import	354,150	414,031	409,676	517,527	26.3%	41,130	35,014	-14.9%	312,796	238,643	-23.7%	34,780	0.7%
Domestic Sales	509,784	593,519	556,280	664,655	19.5%	51,611	45,131	-12.6%	399,429	317,506	-20.5%	46,602	-3.2%
Imports as % of Total	69.5%	69.8%	73.6%	77.9%		79.7%	77.6%		78.3%	75.2%		74.6%	

Passenger Car Imports

(Units)	2010	2011	2012	2013	%Chg	Aug-13	Aug-14	%Chg	8M2013	8M2014	%Chg	Jul-14	Jul-Aug%
Volkswagen	39,822	55,550	66,792	88,304	32%	7,374	6,863	-7%	54,899	49,780	-9%	7,104	-3%
Ford	55,212	58,807	47,030	58,405	24%	3,786	3,220	-15%	32,805	21,160	-35%	4,762	-32%
Opel	39,768	52,624	49,143	55,719	13%	4,867	2,868	-41%	33,599	20,728	-38%	2,888	-1%
Renault	5,291	7,534	5,965	32,904	452%	3,423	1,862	-46%	20,242	14,609	-28%	1,719	8%
Dacia	13,230	17,937	27,666	28,901	4%	2,362	2,096	-11%	17,809	14,438	-19%	2,358	-11%
B.M.W	12,034	15,018	15,247	20,705	36%	1,578	2,856	81%	11,887	13,598	14%	2,050	39%
Mercedes	12,300	12,630	12,730	20,023	57%	1,698	1,700	0%	12,100	12,902	7%	1,723	-1%
Hyundai	16,418	17,157	25,141	29,824	19%	2,460	1,616	-34%	18,337	12,227	-33%	1,720	-6%
Nissan	11,299	18,573	18,873	18,417	-2%	1,577	1,687	7%	10,214	10,880	7%	1,091	55%
Peugeot	18,851	15,480	14,519	23,068	59%	1,587	1,109	-30%	13,147	9,495	-28%	1,104	0%
Audi	9,656	12,064	13,720	14,987	9%	1,114	1,657	49%	8,834	9,184	4%	903	83%
Skoda	6,332	7,589	10,118	12,833	27%	1,129	1,355	20%	7,703	8,107	5%	1,657	-18%
Citroen	11,462	14,469	14,711	19,690	34%	1,041	952	-9%	12,244	7,047	-42%	943	1%
Others	102,475	108,599	88,021	93,747	7%	7,134	5,173	-27%	58,976	34,488	-42%	4,758	9%
Total	354,150	414,031	409,676	517,527	26%	41,130	35,014	-15%	312,796	238,643	-24%	34,780	1%

Source: ODD, TSKB Economic Research

Exhibit: 6 LCV Market In Turkey

LCV Sales

(Units)	2010	2011	2012	2013	%Chg	Aug-13	Aug-14	%Chg	8M2013	8M2014	%Chg	Jul-14	Jul-Aug%
Local	149,720	158,586	129,399	98,778	-23.7%	6,566	7,535	14.8%	61,656	45,012	-27.0%	7,211	4.5%
Import	101,409	112,334	92,082	89,945	-2.3%	6,866	7,533	9.7%	57,297	44,449	-22.4%	6,094	23.6%
Domestic Sales	251,129	270,920	221,481	188,723	-14.8%	13,432	15,068	12.2%	118,953	89,461	-24.8%	13,305	13.3%
Imports as % of Total	40.4%	41.5%	41.6%	47.7%		51.1%	50.0%		48.2%	49.7%		45.8%	

LCV - Imports

(Units)	2010	2011	2012	2013	%Chg	Aug-13	Aug-14	%Chg	8M2013	8M2014	%Chg	Jul-14	Jul-Aug%
Volkswagen	24,018	26,361	26,048	23,752	-9%	1,912	2,208	15%	16,384	13,583	-17%	1,975	12%
Renault	19,109	25,128	16,331	11,550	-29%	731	767	5%	7,150	4,722	-34%	640	20%
Mercedes	5,262	8,395	9,234	10,421	13%	1,005	759	-24%	6,709	4,436	-34%	479	58%
Fiat	4,141	5,380	4,962	6,245	26%	564	796	41%	3,490	3,971	14%	414	92%
Dacia	5,938	3,402	1,298	7,494	477%	604	505	-16%	4,738	3,346	-29%	440	15%
Citroen	8,780	9,258	7,672	6,679	-13%	325	424	30%	4,244	3,240	-24%	661	-36%
Peugeot	11,252	9,968	9,112	8,323	-9%	623	448	-28%	5,020	2,663	-47%	361	24%
Mitsubishi	3,647	4,640	2,684	3,592	34%	285	502	76%	2,154	2,039	-5%	297	69%
Isuzu	2,622	2,296	2,296	2,587	13%	144	260	81%	1,516	1,502	-1%	212	23%
Iveco	1,130	1,833	1,673	2,204	32%	148	164	11%	1,232	1,256	2%	138	19%
Toyota	1,539	1,351	2,615	2,413	-8%	223	118	-47%	1,391	1,070	-23%	94	26%
Hyundai	2,153	2,557	2,454	1,480	-40%	92	199	116%	882	934	6%	149	34%
Kia	718	780	845	453	-46%	28	241	761%	250	870	248%	199	21%
Others	11,100	10,985	4,858	2,752	-43%	182	142	-22%	2,137	817	-62%	35	306%
Total	101,409	112,334	92,082	89,945	-2%	6,866	7,533	10%	57,297	44,449	-22%	6,094	24%

Source: ODD, TSKB Economic Research

TSKB

Economic Research

research@tskb.com.tr

MECLISI MEBUSAN CAD. NO 81

FINDIKLI ISTANBUL 34427, TÜRKİYE

(90) 212 334 50 50 fax: (90) 212 334 52 34

This document was produced by Türkiye Sınai Kalkınma Bankası A.Ş. ("Industrial Development Bank of Turkey") ("TSKB") solely for information purposes and for the use of registered broker or dealer, whether the registered broker or dealer is acting as principal for its own account or as agent for others, or a bank acting in a broker or dealer capacity as permitted by U.S.A. law. This document shall not be reproduced under any circumstances and is not to be copied or made available to any person other than the recipient. It is produced and distributed in the Republic of Turkey. This document does not constitute an offer of, or an invitation by or on behalf of TSKB or any other company to any person, to buy or sell any security. The information contained herein has been obtained from published information and other sources which TSKB considers to be reliable. No liability or responsibility whatsoever is accepted by TSKB for the accuracy or completeness of any such information. All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document. TSKB may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or options thereon either on their own account or on behalf of their clients. TSKB may, to the extent permitted by law, act upon or use the above material or the conclusions stated above or the research or analysis on which they are based before the material is published to recipients and from time to time provide investment banking, investment management or other services for or solicit to seek to obtain investment banking, or other securities business from, any entity referred to in this document.

Any customer wishing to effect transactions in any securities referred to herein or options thereon should do so only by contacting a representative of TSKB.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior consent of Türkiye Sınai Kalkınma Bankası A.Ş.

This document does not constitute an offer to sell, or an invitation to subscribe for or purchase, any of the offer shares in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by TSKB and the managers to inform themselves about and to observe any such restrictions. No person has been authorised to give any information or to make any representation except as contained in this publication.

In making an investment decision investors must rely on their own examination of the Company and the terms of the offering including the merits and risk involved.

