

Investor
Presentation

Teknosa İç ve Dış Ticaret A.Ş.

2Q14 Results

«Leader of A Growing Market»

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August 4, 2014

Investment Theme

1

Strong Growth Potential in the Market

2

Undisputed Market Leader

3

Flexible Store Formats Supporting Fast Expansion

4

Financial Strength

5

On-line Platforms

6

Strong Operational and Technical Infrastructure

- Young population with higher tendency for electronics spending
- Turkey's CE retail is under-penetrated and growing strongly with favorable demographics and rising per capita income
- Having the first-mover advantage, Teknosa is the market leader with almost double the sales of the second player in the market
- Three different store formats and assortment matching diverse customer needs & different store sizes supporting fast expansion
- Strong track record of sales growth
- Strong & positive cash flow generation
- Cash available for future consolidation in the market
- Emphasizing growth both as an omni-channel player through teknosa.com and as a pure player through kliksa.com
- Targeted marketing via advanced ERP and CRM programs
- Teknosa Akademi, the first and only training program in the technology goods market
- State of the art logistics infrastructure

Agenda

Results at a Glance

Electronics Retail Market

Financial Overview

Year-end Guidance

Main messages

Top-line growth slowed to a single digit level due to lower demand...

- Demand negatively impacted by retreating consumer confidence, while growth sustained via online sales and new store openings
- 2% Net Sales growth in 2Q14 (+5% YoY excluding the one-off wholesale in 2Q13)

Strong e-commerce performance...

- E-commerce share doubled YoY
- 10% of Net Sales in 1H14; from 5% in 1H13

Lower gross margin, as a result of campaigns held in June...

- Invested 1.2pps gross margin QoQ in 2Q14 to revive demand and secure a stronger market share (+4pps market share gained in June)

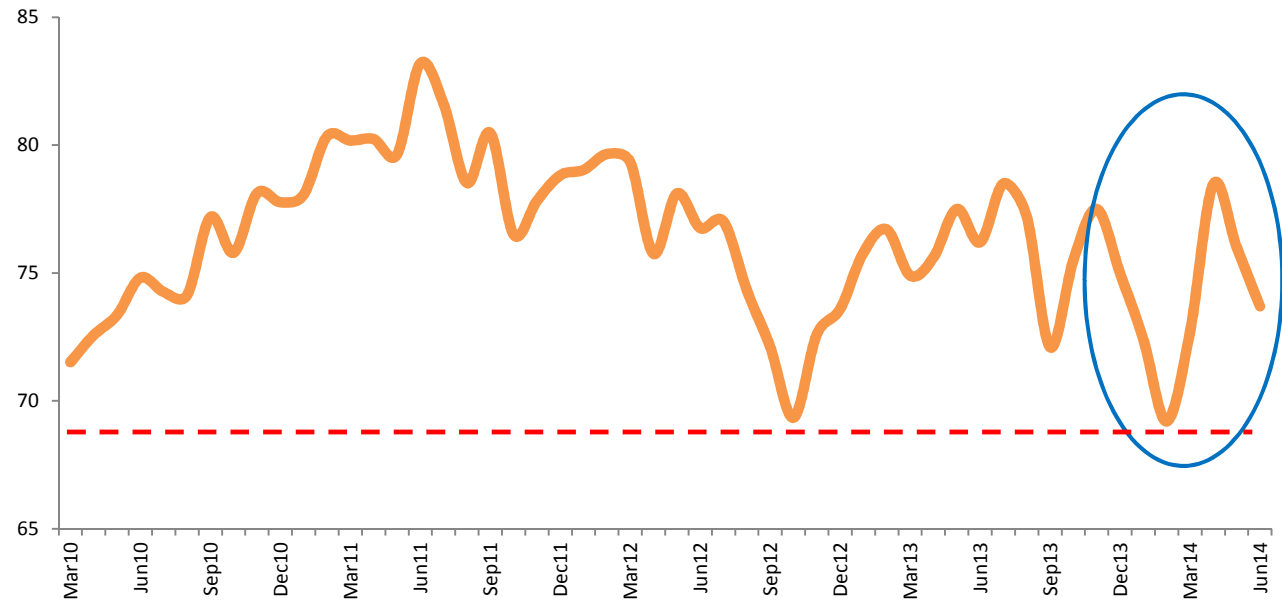
QoQ improvement in OPEX/Sales ratio is to pick pace in 2H14...

- Cost cutting measures led to improvement in OPEX/Sales ratio
- Further improvement expected in 2H14 through continuing cost control measures

Post-election improvement in CCI was short lived...

- +5.8p improvement in CCI in April following the elections was short-lived, as the index plummeted by -2.5p in May and -2.3p in June following the mining accident in Soma and the political instability in the region, curbing down demand considerably.

Consumer Confidence Index

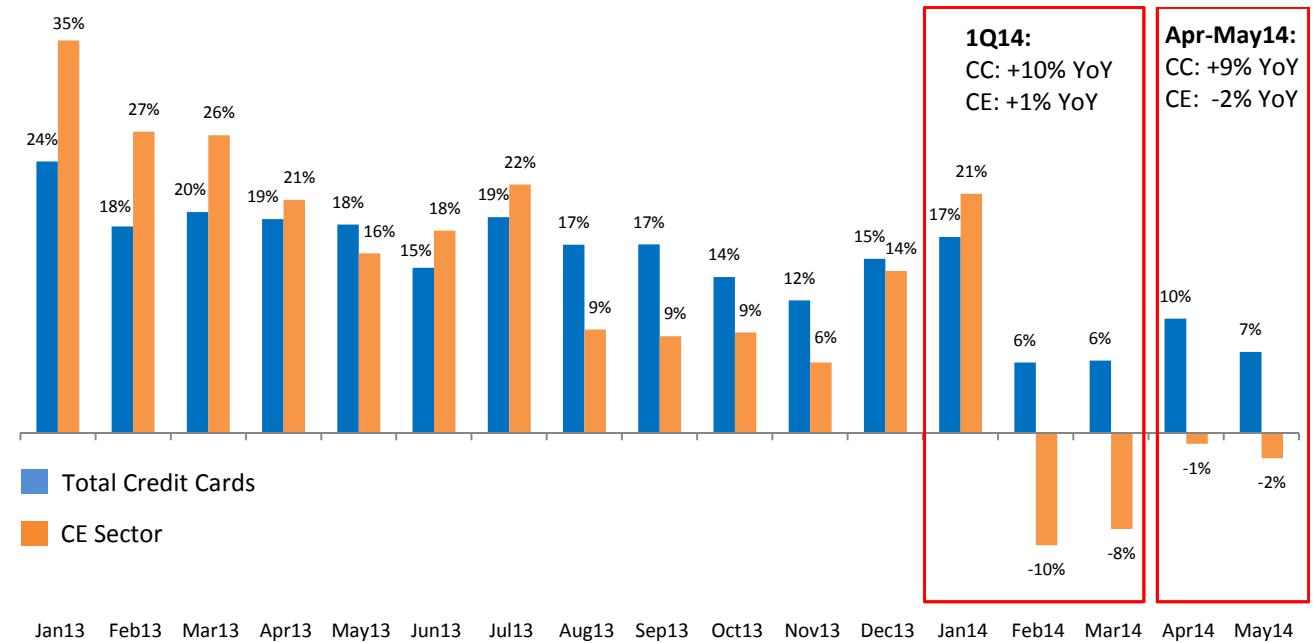


Source: TUIK

Consumers are still adjusting to the new law...

- In addition to reducing the credit card spending, the new law on credit cards also made a negative impact on the demand for CE products.
- As may be recalled, the new law only cancelled the installments for Telecom products, while limiting them to 9 months in CE products, which was in-line with sector averages prior to the law.

YoY Growth Rates of Credit Card Total and CE Sector Spending

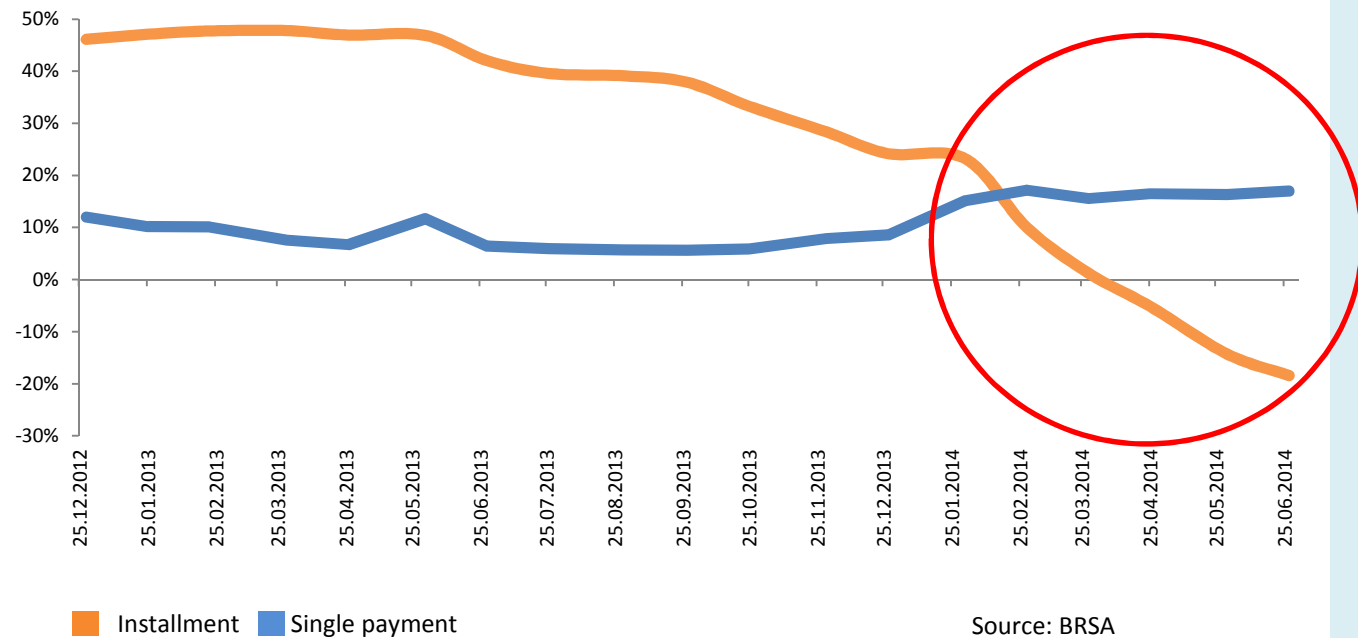


Source: Interbank Card Center

Consumers are still adjusting to the new law...

- Consumers are still adjusting to the new law on credit cards, while the growth in the balance of installment payments slipped to red for the first time in April and maintained a downward trend afterwards, contracting by 18% YoY in June.
- The need for new financing options is imminent in the sector.

YoY Growth Rates on Monthly Credit Card Balance



TeknoKredi
fully launched
in June as a
remedy for
the new law...

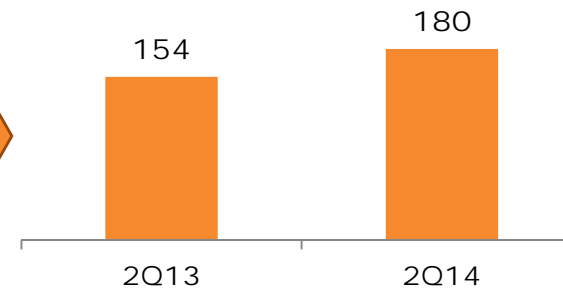
TEKNOSA

ING BANK

- In order to offer its customers a new way for financing their needs, **TeknoKredi** was fully launched in June, in cooperation with ING Bank, becoming available in all our stores by the end of the month
- Consumer loans from ING Bank are offered to customers at rates rivalling mortgage loans through our stores, enabling installments up to 36 months
- No additional costs for the loans, aside from the interest rate applied
- Upon approval, the whole process is completed within 10 minutes
- **TeknoKredi** will enable customers to buy Telecom products on installments, while offering a new financing alternative for big ticket items
- Number of applicants displayed a rapid increase since the launch, supporting our target of realizing 10% of our sales via consumer loans
- **New models via debit cards and overdraft accounts to follow, to provide a full line of financing options under the umbrella of our TeknoFinans brand**

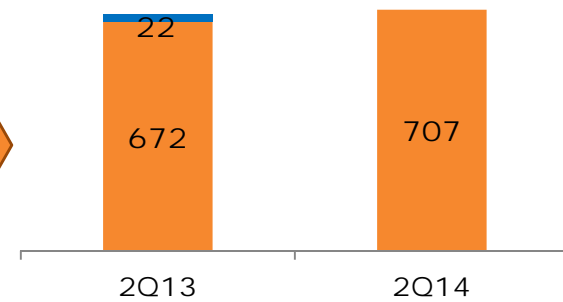
2Q14 Results

Net Sales Area (k m2)



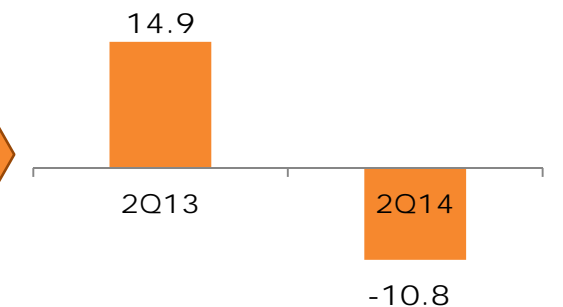
- +17% YoY growth
- Dynamic portfolio management: 27 stores opened, 15 closed

Net Sales (M TL)



- Excluding the one-off wholesale in 2Q13, revenues are up by 5% YoY
- Growth in on-line sales & new store openings

Net Profit (M TL)

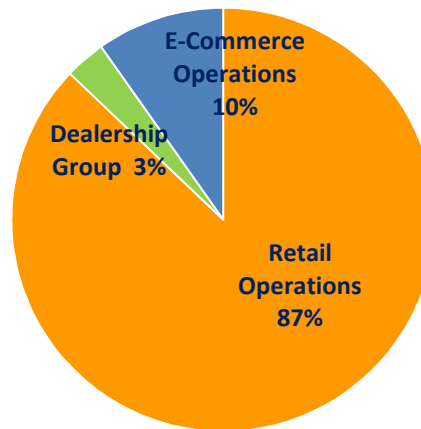


- Higher rent costs continued to pressure margins along with online brand investment and sales communication

Operations

Teknosa operations are composed of Retail, Dealership and e-commerce activities

Revenue Breakdown as of 1H14



Retail Operations



Revenue Breakdown by Product Groups as of 1H14

- Consumer Electronics & Photo: 37% (2013: 37%)
- Telecom: 29% (2013: 28%)
- IT: 24% (2013: 27%)
- Other*: 10% (2013: 8%)

* Consists of major and small domestic appliances and warranty sales

Dealership Group



Revenue Breakdown by Product Groups as of 1H14

- Air Conditioners: 95% (2013: 94%)
- Refrigerators: 5% (2013: 6%)

E-trade Operations

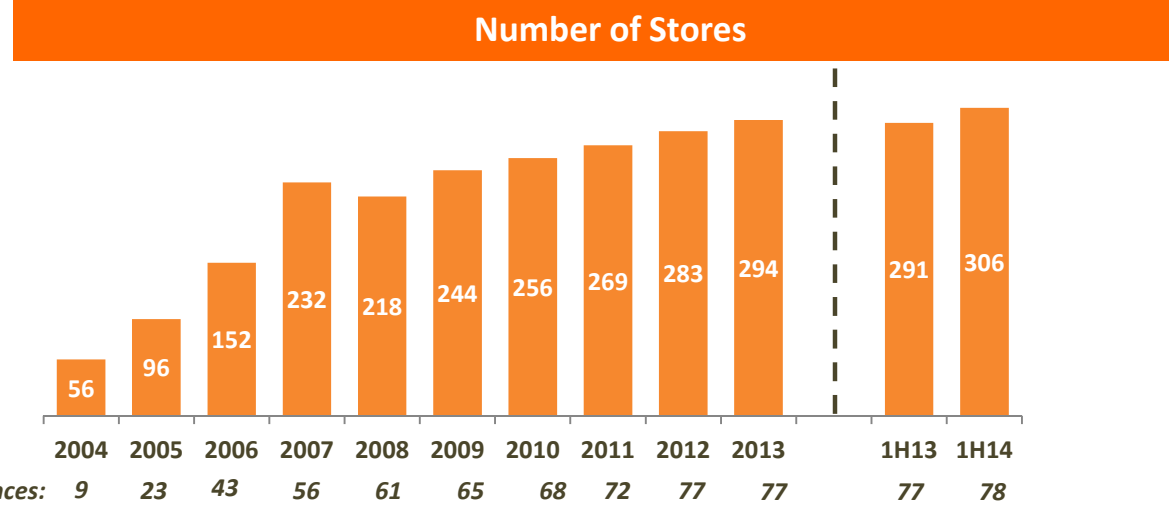
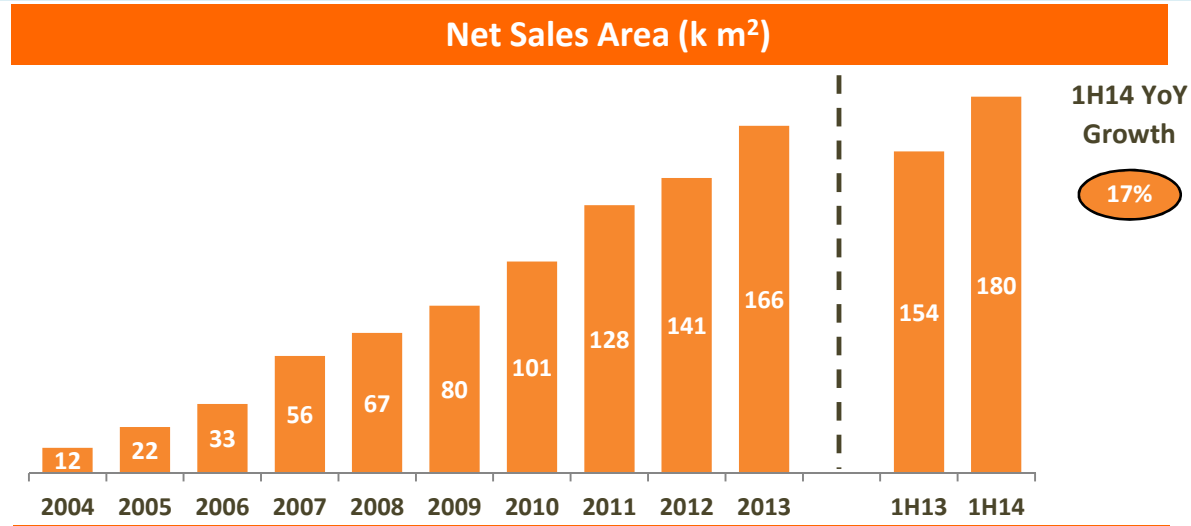


- Separate legal entity fully owned by Teknosa
- Started operations in March 2012

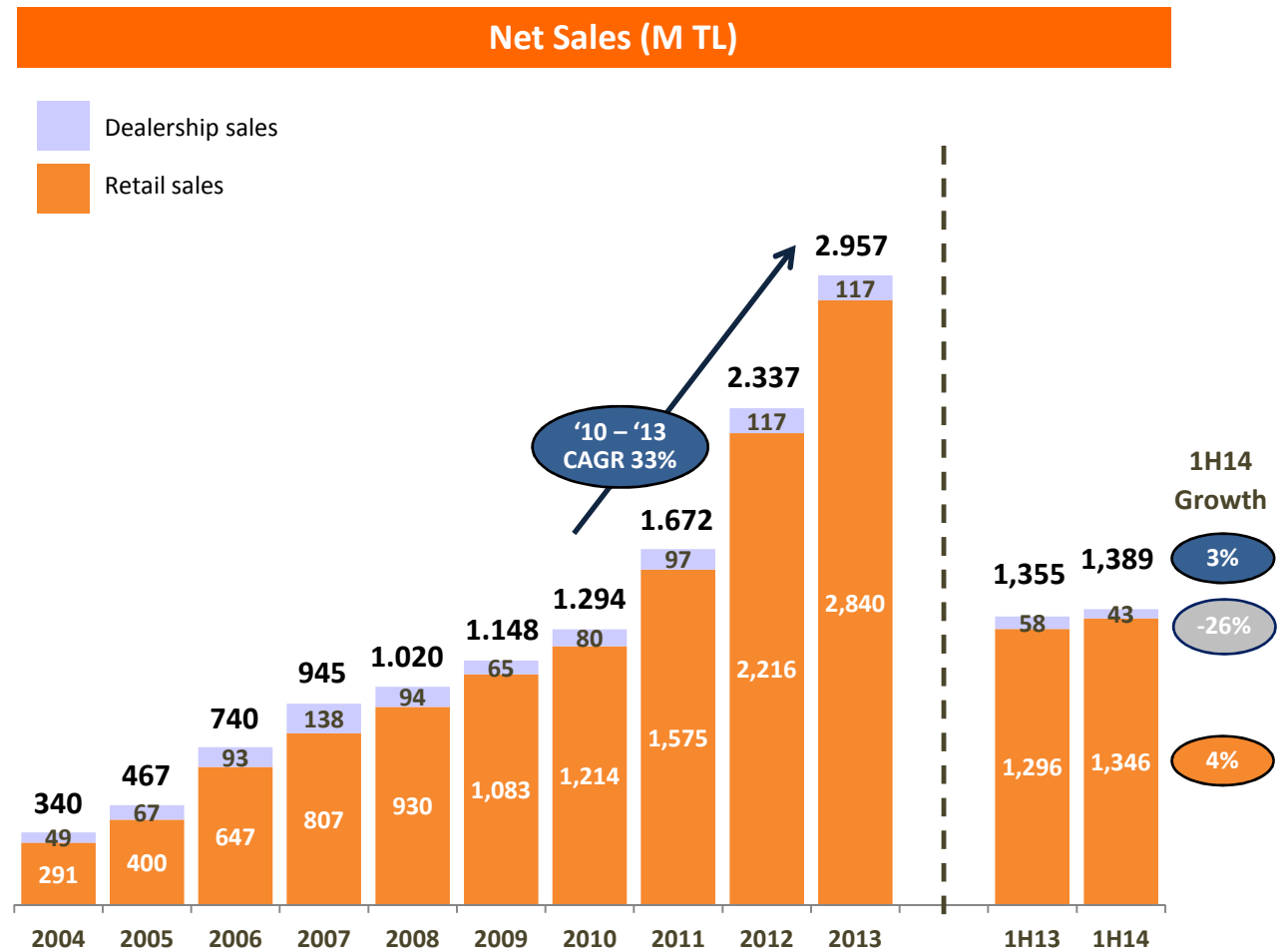


- Started operations in 2005

Rapid
Expansion
Through
Different
Store Formats

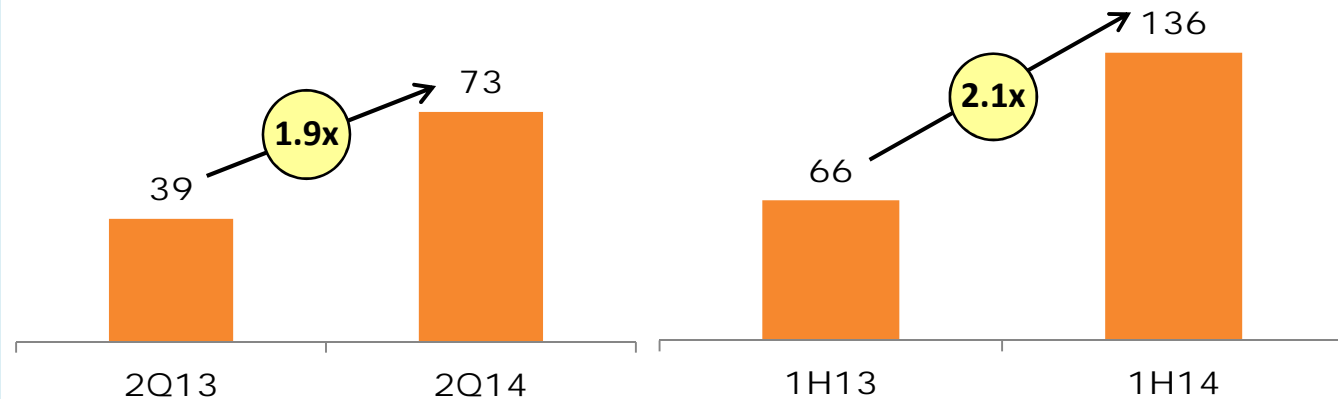


Proven
Growth Track



Strong growth
in e-commerce
revenues...

E-Commerce (teknosa.com + kliksa.com) Revenues (M TL)



- Strong growth in e-commerce is expected to maintain the high pace
- The share of e-commerce is expected to reach 25% of consolidated revenues over the next 3 years
- Kliksa's paid-in capital has been increased to TL 50mn from TL 5mn in April
- Orders to teknosa.com can be delivered from the nearest Teknosa store, granting a cutting edge against competitors in logistics
- Mobile applications are used by ~400K users, constituting ~10% of internet sales

Agenda

Results at a Glance

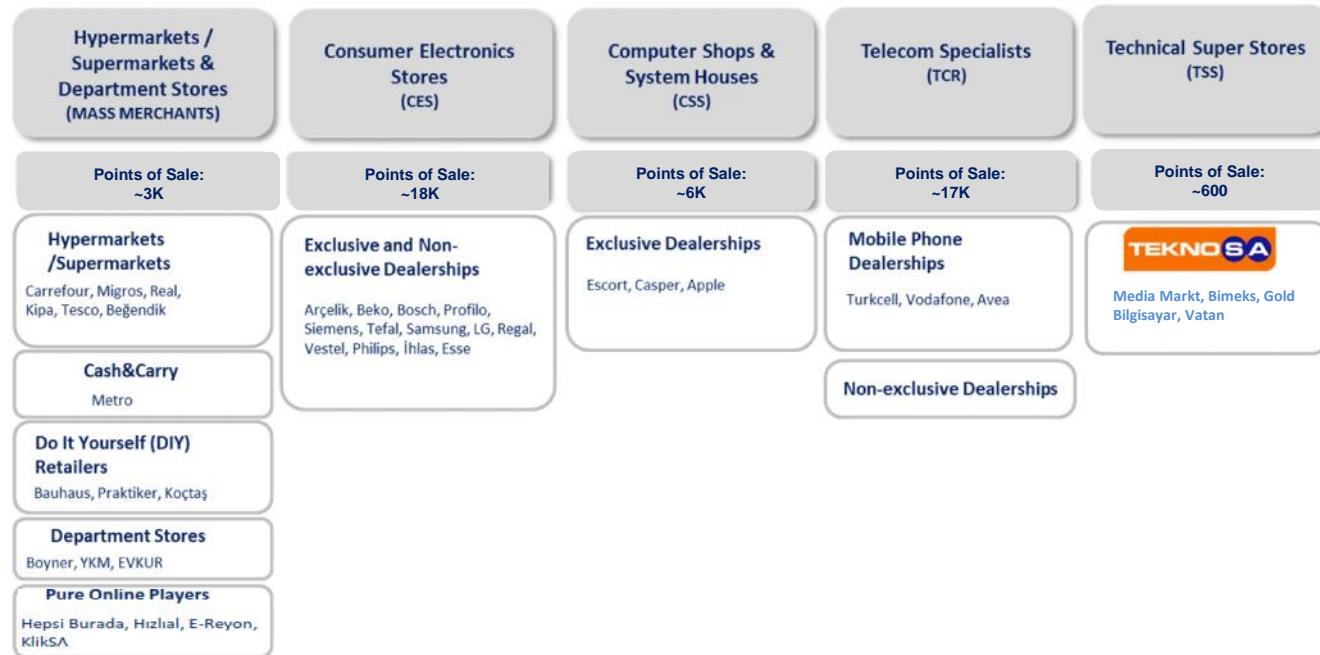
Electronics Retail Market

Financial Overview

Year-end Guidance

Electronics Retail Market in Turkey

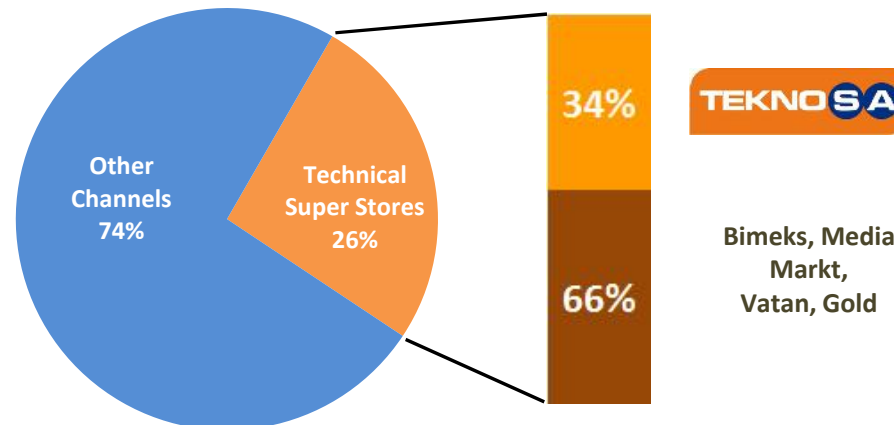
Sales Channels of Technical Consumer Goods Market



Electronics Retail Market and Teknosa (5M14)

- As of 5M14, total market (CE, IT, Telecom, MDA, SDA) grew by 17% YoY, reaching TL 13.1bn
- Technical Super Stores (TSS) channel recorded 10% YoY growth in the same period to TL 3.4bn in the 5 major categories
- TSS channel accounts for 26% of the total market
- Teknosa retail sales were up by 9% YoY in 5M14, excluding the one-off wholesale that took place in 1H13
- Teknosa has 34% market share in the TSS channel as of 5M14, which rose to 39% in June according to the preliminary & TSS channel only report, boosted by the campaigns held during the month

Electronics Retail Market (CE, IT, Telecom, MDA, SDA) - 5M14



Source: GfK

Agenda

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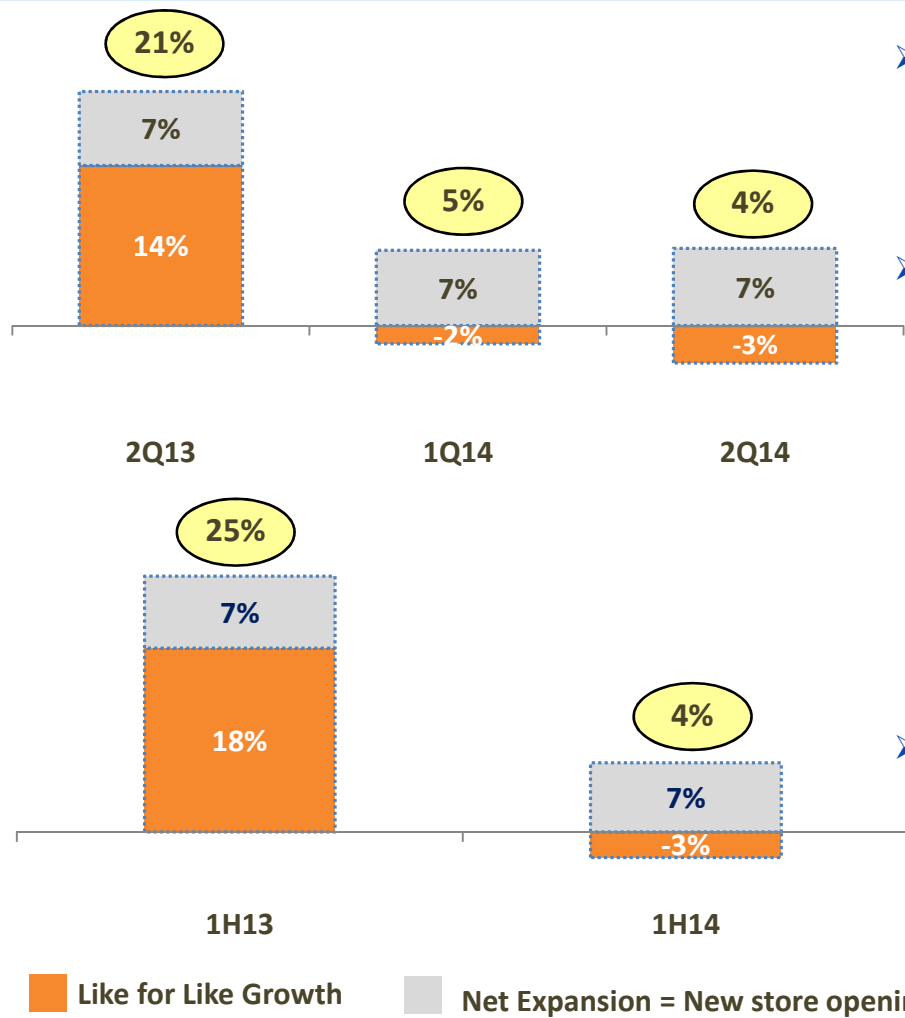
Year-end Guidance

Financial Highlights

Teknosa Summary Financials - Income Statement

(M TL)	2Q13	1Q14	2Q14	YoY (%)	QoQ (%)	1H13	1H14	YoY (%)
Net Sales	694	682	707	2%	4%	1,355	1,389	3%
Gross Profit	132	130	127	-4%	-3%	248	257	3%
Gross Profit Margin	19.0%	19.1%	17.9%	-1.1pp	-1.2pp	18.3%	18.5%	0.2pp
EBITDAR	64	55	53	-16%	-3%	119	108	-9%
EBITDAR Margin	9.2%	8.0%	7.5%	-1.6pp	-0.5pp	8.8%	7.8%	-1.0pp
EBITDA	31	14	12	-60%	-10%	56	26	-53%
EBITDA Margin	4.5%	2.0%	1.7%	-2.7pp	-0.3pp	4.1%	1.9%	-2.3pp
Other Expenses	-2	-4	-10	-370%	-156%	-5	-14	-202%
Financial Expenses	-4	-5	-6	-66%	-31%	-7	-11	-49%
Profit Before Tax	17	-5	-13	-179%	-189%	29	-18	-163%
Tax	-2	1	3	227%	203%	-5	3	172%
Net Profit	15	-4	-11	-173%	-186%	24	-15	-161%
Net Profit Margin	2.1%	-0.6%	-1.5%	-3.7pp	-1.0pp	1.8%	-1.1%	-2.8pp

Retail Operations Revenue Growth Analysis



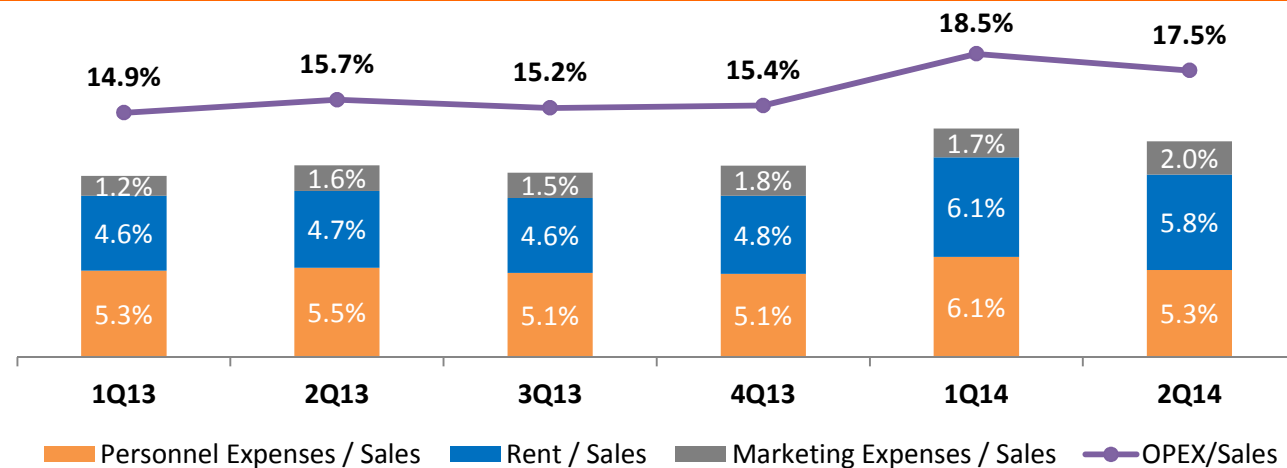
- Store revenues, which account for ~90% of the total, posted 4% YoY growth in 2Q14.
- 2Q14 LfL growth: -3% due to strong base and declining CCI in May and June, negatively affecting demand

- 1H14 LfL growth: -3%

Quarterly OPEX Breakdown

- Personnel expenses, which were back to historic levels, stood out as the major item in 2Q14, paving the way for the improvement in the OPEX/Net Sales Ratio.
- Although rent expenses were positively affected by a slightly stronger TL in 2Q14, they remained above their historic levels. We aim to achieve further improvement in this item in the remainder of the year
- Marketing expenses were higher due to brand investment in online business as well as sales communication to revive demand in 2Q14

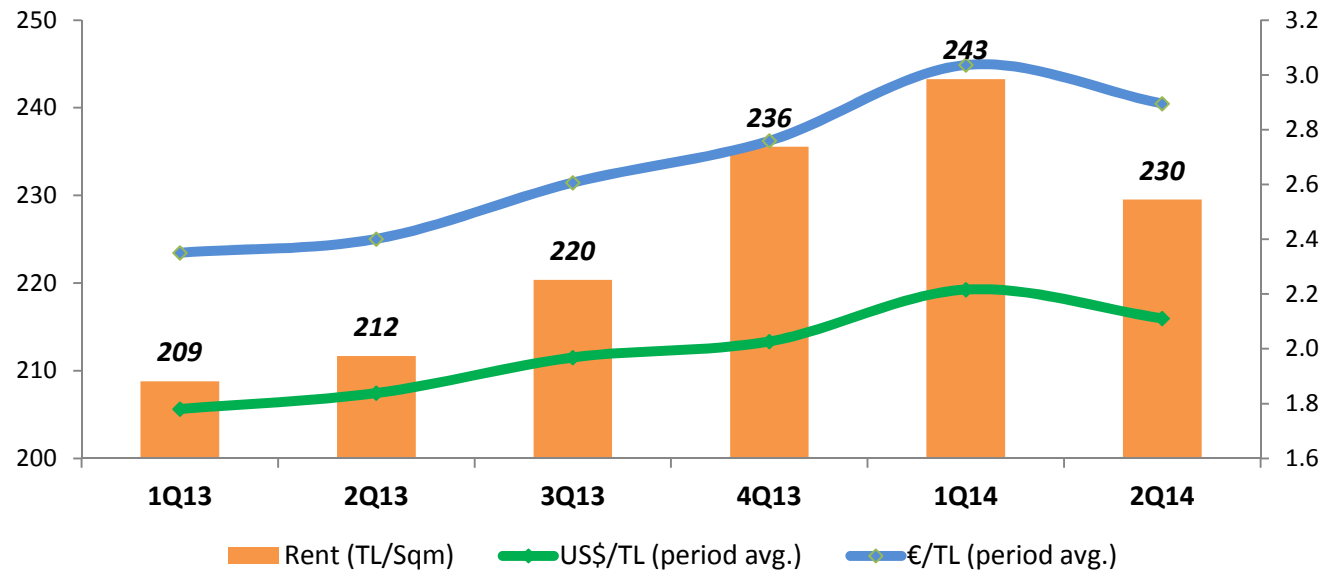
Shares of Major OPEX Items in Net Sales



Rent Costs Stand Out as the Major Item Inflating OPEX

- The persistent hike in FX rates since 3Q13 elevated rent costs, which are comprised of ~40% € contracts and ~30% US\$ contracts
- Rent costs increased by 17% YoY in 1Q14 (US\$/TL +24%, €/TL +29% YoY) and by 8% YoY in 2Q14 (US\$/TL +15%, €/TL +21% YoY)
- **Additional measures will be taken in 2H14 to further reduce rent/sqm, which is already down by 6% QoQ in 2Q14**

Rent/Sqm (TL) vs. US\$/TL & €/TL Rates (Period Avg.)



Key Performance Indicators (Retail Operations)

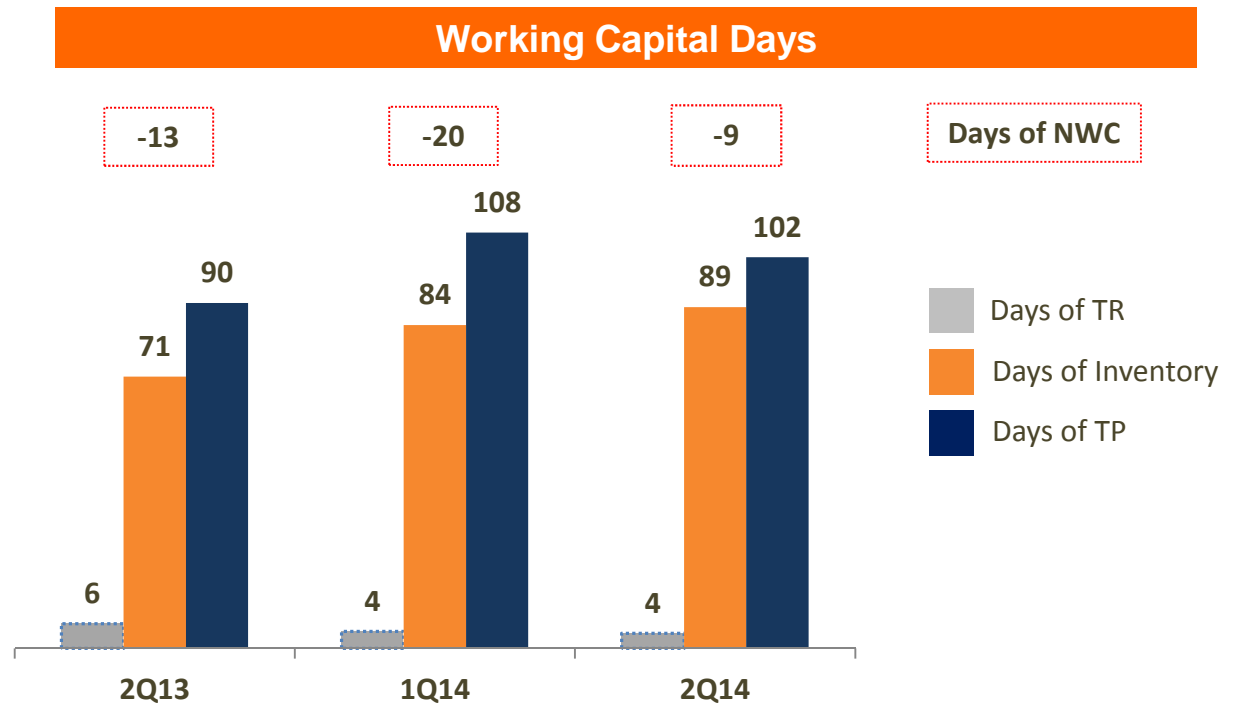
	Teknosa Key Performance Indicators (Retail Operations)							
	2Q13	1Q14	2Q14	YoY (%)	QoQ (%)	1H13	1H14	YoY (%)
Number of Provinces (@ period end)	77	77	78	1%	1%	77	78	1%
Net Sales Area (k m ² @ period end)	154	171	180	17%	5%	154	180	17%
Number of Stores (@ period end)	291	298	306	5%	3%	291	306	5%
Number of Visitors (in m. persons)	25	27	23	-5%	-13%	52	50	-3%
Number of Customers (in m. persons)	1.9	1.9	1.8	-8%	-5%	4.0	3.7	-9%
Conversion Rate	7.8%	7.0%	7.6%	-0.2pp	0.6pp	7.7%	7.3%	-0.5pp
Average Basket Size (TL)	307	318	348	14%	10%	291	333	15%

- Teknosa stores were visited by 23 million people in 2Q14 (-13% QoQ)
- The drop in number of visitors partially offset by higher conversion rate, as well as a larger average basket size in the quarter
- Teknosa has the highest penetration among Technical Super Stores with **306 stores in 78 provinces** and 180k m2 net sales area as of 2Q14

Balance Sheet

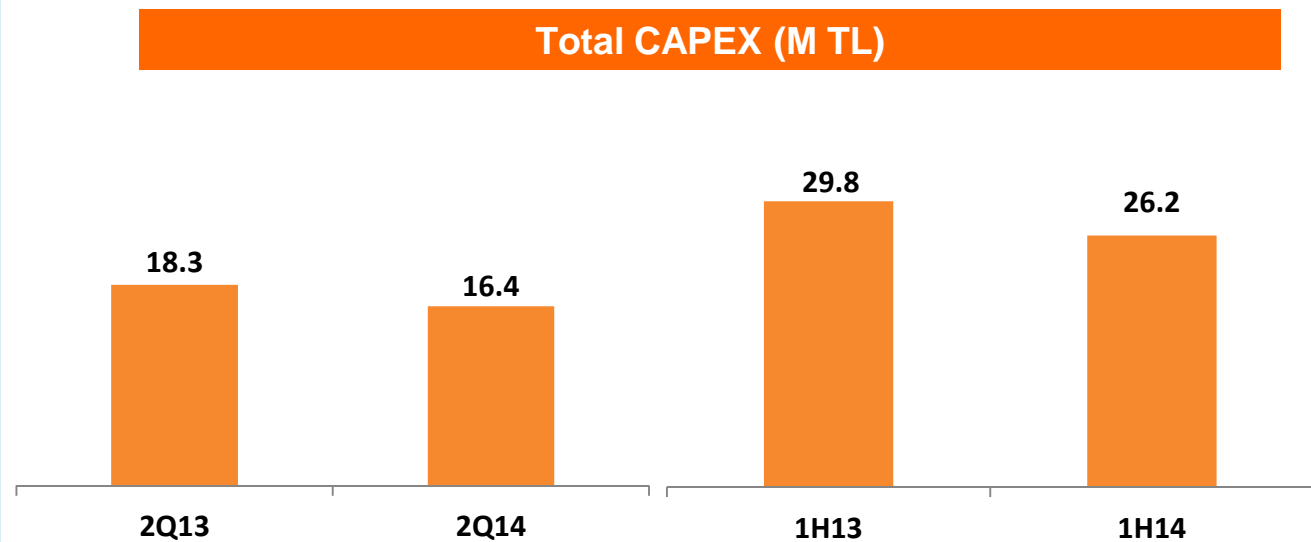
Assets (in M TL)	Jun.13	Mar.13	Jun.14
Current Assets	720	685	807
Cash and Cash Equivalents	168	113	124
Due From Related Parties	0	1	2
Trade Receivables	62	27	32
Inventories	461	520	626
Other Current Assets	28	24	22
Non-current Assets	150	159	167
Investment Property	11	11	11
Property, Plant and Equipment	109	115	118
Intangible Assets	10	16	18
Deferred Income Tax Assets	5	9	12
Other Non-current Assets	15	8	8
Total Assets	870	844	974
Liabilities (in M TL)	Jun.13	Mar.13	Jun.14
Current Liabilities	646	636	777
Financial Liabilities	0	0	0
Due to Related Parties	2	2	1
Trade Payables	570	541	727
Other Current Liabilities	74	92	49
Non-current Liabilities	4	4	4
Total Equity	220	205	193
Total Liabilities	870	844	974

Working Capital



- Negative working capital allows Teknosa to generate positive cash flow in tandem with growth
- 2Q14 NWC is below our target of net -15 days due to early supplier payments in return for discounts and sales level impacting inventory days

Capital Expenditures



- New store openings and store renovations account for a major part of the Company's capital expenditures.
- Capital expenditures are financed with cash generated from operations.
- Delay in shopping mall projects led to lower than expected CAPEX in 1H14

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Macroeconomic Indicators

Indicator	2012	2013	2014E
GDP growth	2.1%	4.0%	2.5%
Private Consumption	-0.5%	4.6%	0.7%
CPI Inflation	6.2%	7.4%	8.5%
USD/TL rate (y.e.)	1.78	2.13	2.19
USD/TL rate (avg)	1.80	1.92	2.16

Teknosa's Targets in 2014

Growth over the market; stores&online

- Stores; new openings and LfL
- Online sales more than double, reaching TL 0.5 billion ; continue investments

Aftersales services

- Develop new products & increase attachment rate

Customer centricity

- Over 4m loyalty customers
- Continue to invest in CEM projects

Consumer financing models

- Develop new models to complement credit card system
- Potentially a new profit center

Tactical opportunities

- Utilize cash position in difficult macro environment

Dividend

- Dividend policy is to distribute 100% of the distributable income to our shareholders

2014 Targets Checklist...

Growth over the market; stores&online

- Net store space up by 17% YoY in 1H14
- On-line sales doubled YoY to TL 136mn

Aftersales services

- Aftersales services increased to 2.6x of 1H13 level, nearly tripling YoY in TL terms

Customer centricity

- 4.1m loyalty customers in 1H14, compared to 3.8m in FY13

Consumer financing models

- TeknoKredi fully launched in June in cooperation with ING Bank

Tactical opportunities

- Strong cash position effectively being used with suppliers for more favorable terms

Dividend

- TL 0.40/share gross cash dividend distributed on April 2, implying 3.5% dividend yield

2014 Full Year Financial Guidance

	2013 FORECAST	2013 ACTUAL	2014E OLD	2014E NEW
YE Net Sales Area (km2)	165-170	166	190-195	175-180
Net Sales (TL mn)	2,900 – 3,000	2,957	3,500-3,850	3,200-3,300
Growth (%)	25%-30%	27%	20%-30%	8%-12%
LFL Growth (%)	15%-20%	13%	10%	0%
EBITDA (%)	4.5%-4.7%	4.5%	4.0%-4.5%	3.5%
Capital Expenditures (TL mn)	60-65	56	60	60

Note: EBITDA excludes Other Income/Expenses

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