

Investor
Presentation

Teknosa İç ve Dış Ticaret A.Ş.

1Q15 Results

«Turkey's Leading Electronics Retailer»

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Investment Theme

1

Strong Growth Potential in the Market

- Young population with higher tendency for electronics spending
- Turkey's CE retail is under-penetrated, growing strongly with favorable demographics and rising per capita income

2

Undisputed Market Leader

- Having the first-mover advantage, Teknosa is the by far market leader amongst electronics retailers

3

Flexible Store Formats Supporting Fast Expansion

- Three different store formats and assortment matching diverse customer needs & different store sizes supporting fast expansion

4

On-line Platforms

- Emphasizing growth both as an omni-channel player through teknosa.com and as a pure player through kliksa.com

5

Financial Strength

- Strong track record of sales growth
- Strong cash flow generation supported by the negative working capital cycle

6

Strong Operational and Technical Infrastructure

- Targeted marketing via advanced ERP and CRM programs
- Teknosa Akademi, the first and only training program in electronics retail
- State of the art logistics infrastructure

Agenda

Results at a Glance

Electronics Retail Market

Financial Overview

Year-end Guidance

Main messages

Strong e-commerce performance maintained...

- E-commerce has been the growth engine with 10% YoY increase in 1Q15 to TL 71mn
- 11% of Net Sales in 1Q15; from 9% in 1Q14

Weak consumer confidence and high base year effect of Jan14 put a cap on top-line growth...

- Fragility of TL coupled with uncertainties prior to elections dragged CCI to 64.4
- Strong base year effect due to pull-forward demand in Jan14 before the credit card law

Improvement in value added services...

- Aftersales services revenues up by +20% YoY despite lower topline
- Consumer credit gained further traction with +60k loans issued in less than a year
- Mobile service launched in February

Cost control measures on OPEX continue...

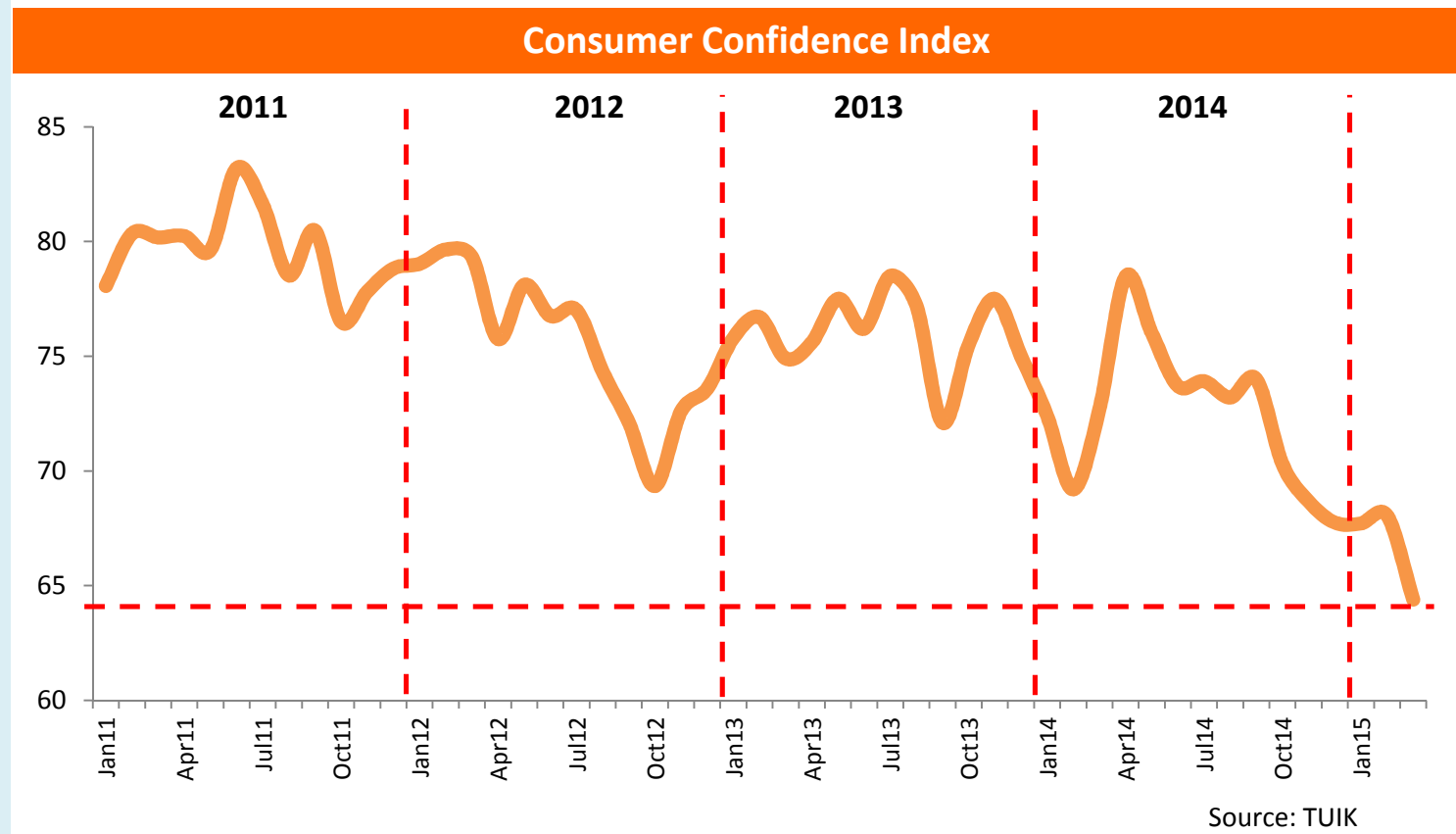
- 1Q15 OPEX down by 6% QoQ to TL 122mn, the lowest in 5 qtrs, despite TL devaluation

Focus on lowering the level of inventory...

- As a part of our efficiency measures, inventory management efforts started to generate results in 1Q15

CCI slumped
to a new low
in 1Q15...

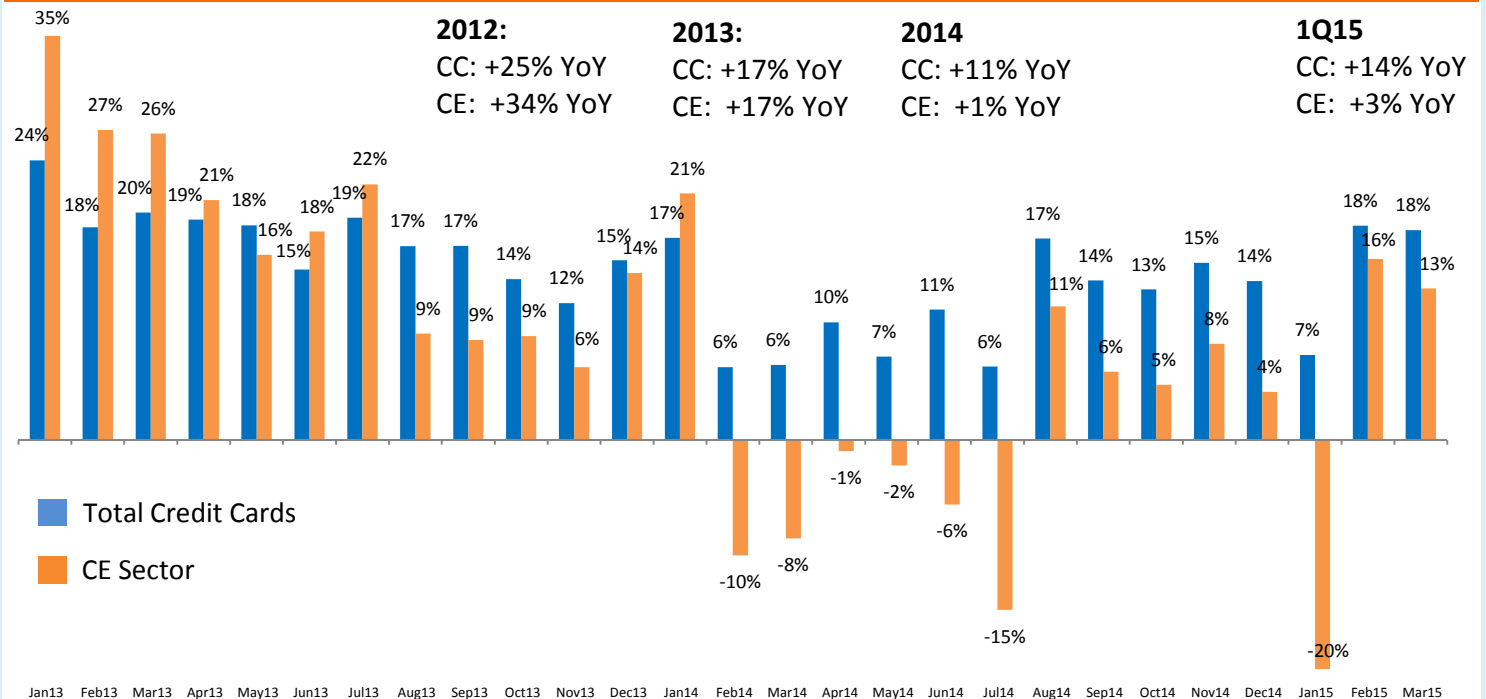
- Outlook in the global economy was volatile amidst the declining oil prices and stronger US\$, and the Consumer Confidence Index hit the trough point of the last 4 years in December, negatively affecting demand. The downward trend has endured in 1Q15, pushing CCI further back to 2009 levels in March



Consumer adjustment to the new law close to completion...

- Average monthly CE spending via credit cards stood nearly flat on a yearly basis at TL 2.7bn in 2014, as opposed to 17% YoY growth recorded in 2013
- Due to the high base year effect of Jan14, CE spending via credit cards remained flattish in 1Q15, while the double digit growth rates attained in February and March bodes well for the remainder of the year

YoY Growth Rates of Credit Card Total and CE Sector Spending

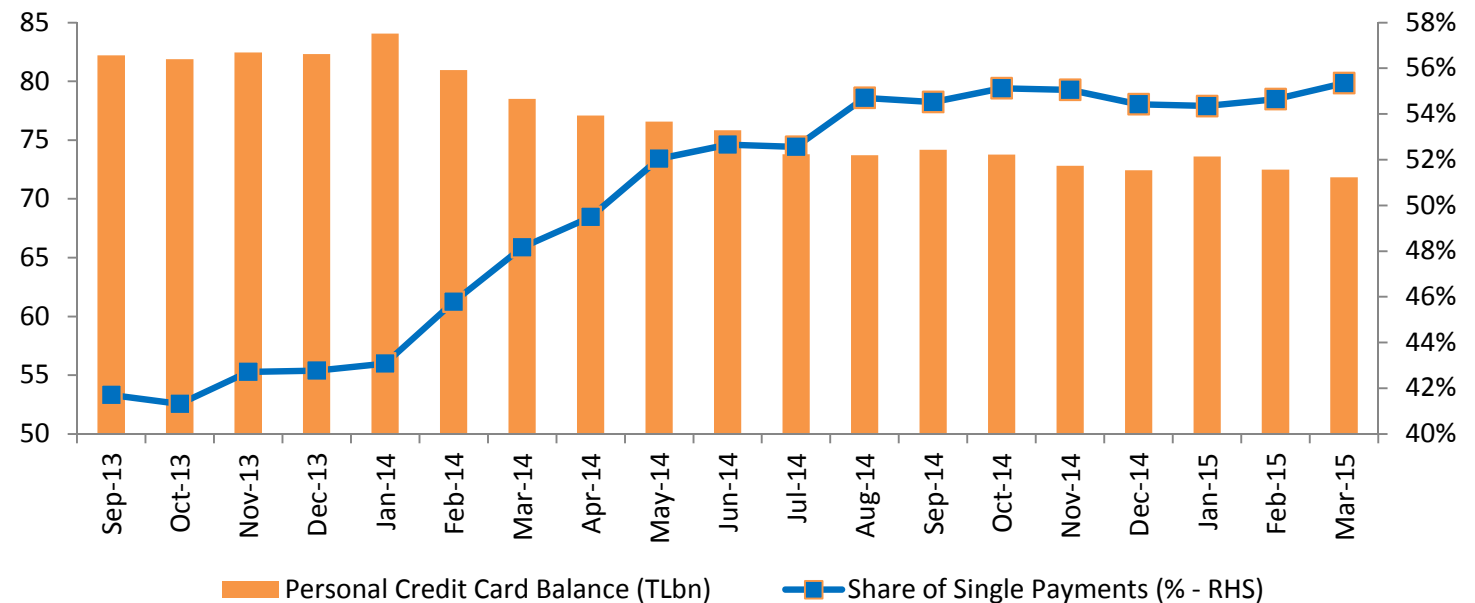


Source: Interbank Card Center

Consumer adjustment to the new law close to completion...

- The monthly balance of single payments via personal credit cards grew 15pps YtD, increasing their share in total to 55% from ~40% levels prior to the law
- The consistent decline in monthly balance for personal credit cards came to a halt in August and seems to be stabilized at ~TL 70bn

Monthly Personal Credit Card Balance & The Share of Single Payments



Source: BRSA

Offering pioneer services...

- Teknosa will continue to differentiate itself from the competition in 2015, carrying on its evolution into a «service provider» from a «classical box mover»
- As the first step towards this goal, TeknoFinans was launched in June 2014, offering new financing options to our customers
- Our highly anticipated Teknosa Mobil project was also launched in February 2015, rendering Teknosa as the first & only Electronics Retailer in Turkey offering a complete telecom service under its own brand



MVNO
project is
here...

The First & Only Electronic Retailer in Turkey Offering Complete Telecom Services under its Own Brand



- **Creating synergies with the existing product line, while also turning the business to a profit center by utilizing a revenue sharing model**



- ✓ Utilizing Teknosa's strong brand image synonymous with high-tech products to attract subscribers
- ✓ Wide store network reaching all cities of Turkey, visited by ~100mn people each year
- ✓ ~1mn mobile phones sold in 2014, which is to be further boosted with Teknosa Mobil

Benefits of the MVNO...

- To offer a «one-stop-shop» experience for the customers where the product and the related services are offered under one roof



- ✓ The lack of GSM contract options in the TSS channel prevents it to be the #1 address in customer's mind in telecom products
 - ✓ Coupled with Teknosa's wide product range, we aim to garner market share in telecom segment in all channels
- To create a continuous & closer relationship with the customer via the monthly receipt
 - New private label products to further enhance the already sizeable product spectrum

Value Creation for Customers



BASIC TELECOM OFFERS

- Simple & advantageous tariffs
- Emphasis on data packages to support the use of social media on portable devices

COMPLEMENTARY OFFERS

Value Add Products

- Technical advisory for choosing the right package with the right product
- Utilizing the wide product range offered

Bundle Products

- Attractive bundles of products with contract packages
- Additional services with other Sabanci Group Companies

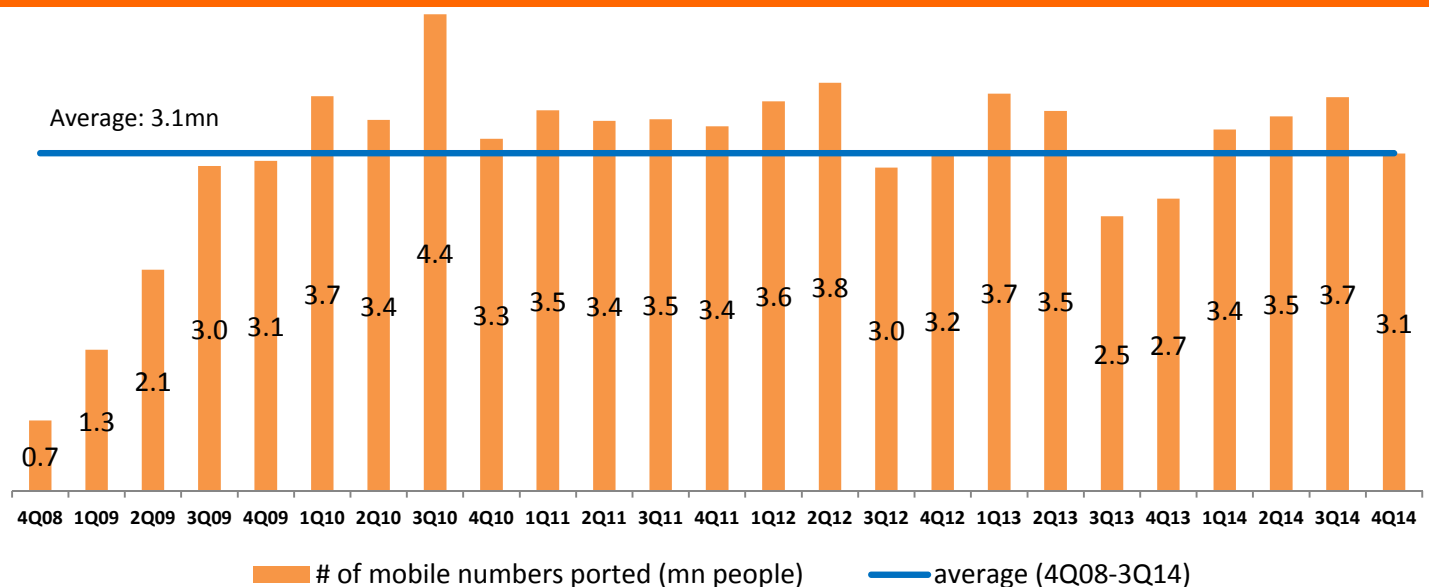
Pioneer Products

- Bundles with «Internet of Things» products
- Internet & tracking services offered for vehicles
- Pioneer products for houses & users

Telecom
customers are
responsive to
new offers...

- As of FY14, there are 71.9mn subscribers in the sector
- Mobile penetration stands at 92.5% in Turkey as of 4Q14, indicating further growth potential compared to 139% average in major EU countries
- Since the law came into effect in Nov08, an average of 3.1mn subscribers per quarter carried their mobile numbers to an other operator

Mobile Numbers Ported Per Quarter

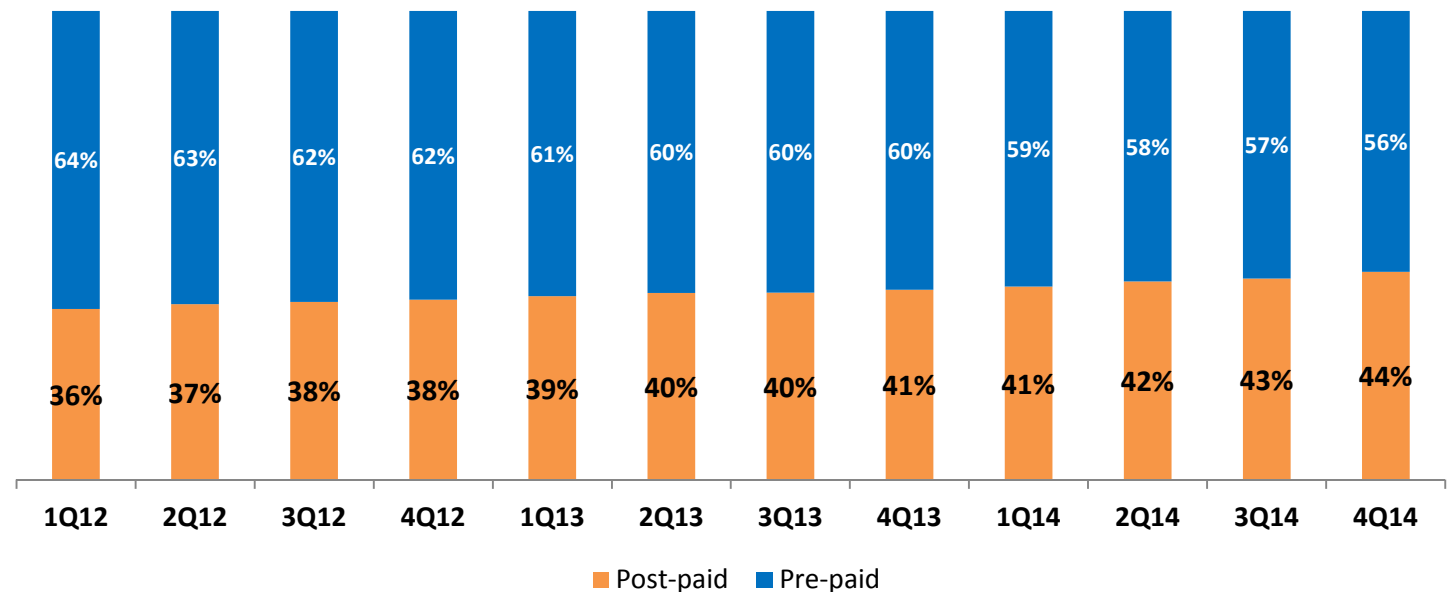


Source: Information and Communication Technologies Authority

Higher value
post paid
customers are
increasing...

- The share of post-paid subscribers increased by 7.9pps since 1Q12, reaching 44% in 4Q14, supporting our strategy of offering post-paid contracts initially
- The share of post-paid contracts in Turkey points out to further growth opportunities, vis-a-vis 61% average in major EU countries
- Post paid subscribers also complement our strategy to target the middle segment

Breakdown of Post-Paid / Pre-Paid Subscribers



Source: Information and Communication Technologies Authority

TeknoFinans is
to display
faster growth
with Akbank on
board...



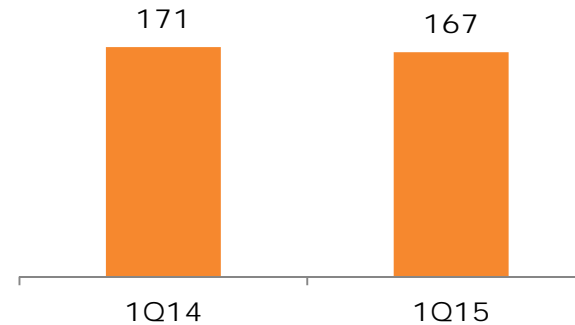
AKBANK



- After its launch in June14 in collaboration with ING Bank, consumer financing business saw a rapid increase in the number of applicants.
- Akbank also entered into picture in October14 with its wide network, which makes a positive impact on growth figures.
- Consumers are benefitting from installments up to 36 months on every product, with interest rates rivalling mortgages and without bearing any additional fees.
- Unlike the competition, Teknosa is partnering with larger scale banks with better IT structures for its consumer financing program, helping the procedures to run smoothly and without a glitch.
- The current numbers support our target of increasing the share of TeknoFinans to 10% of our sales.
- In less than a year, over 60k loans were issued from TeknoSA stores.

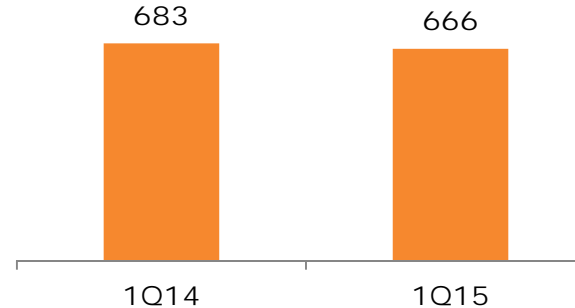
1Q15 Results

Net Sales Area (‘000 m2)



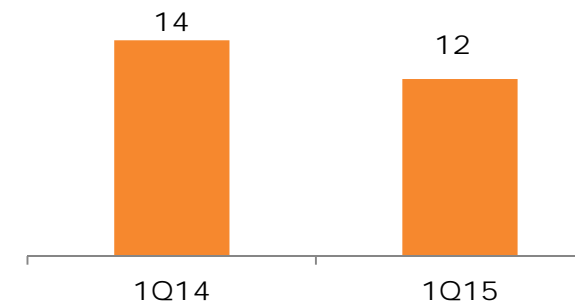
➤ 5 stores opened while 9 low performing stores closed as a part of 2014 restructuring

Net Sales (M TL)



➤ Rock-bottom hit in CCI, high base year effect of Jan14 and store closures pressurized top-line performance

EBITDA (M TL)

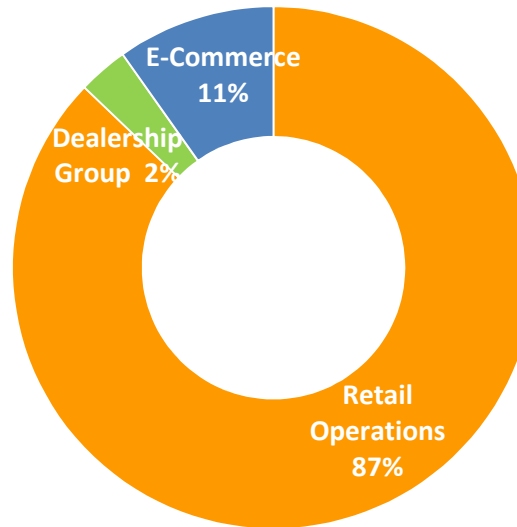


➤ Thanks to strict cost control measures in OPEX, impact of topline on EBITDA remained limited

Revenues by activity

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

Revenue Breakdown as of 1Q15



E-trade Operations

KLİKSA.com

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

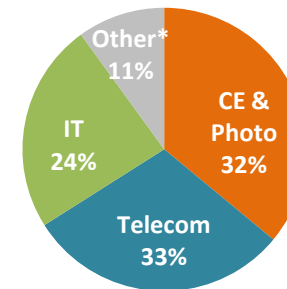
TEKNOSA.com

- Started operations in **2005**

Retail Operations

TEKNOSA

Revenue Breakdown by Product Groups as of 1Q15



* Consists of major and small domestic appliances and warranty sales

Dealership Group

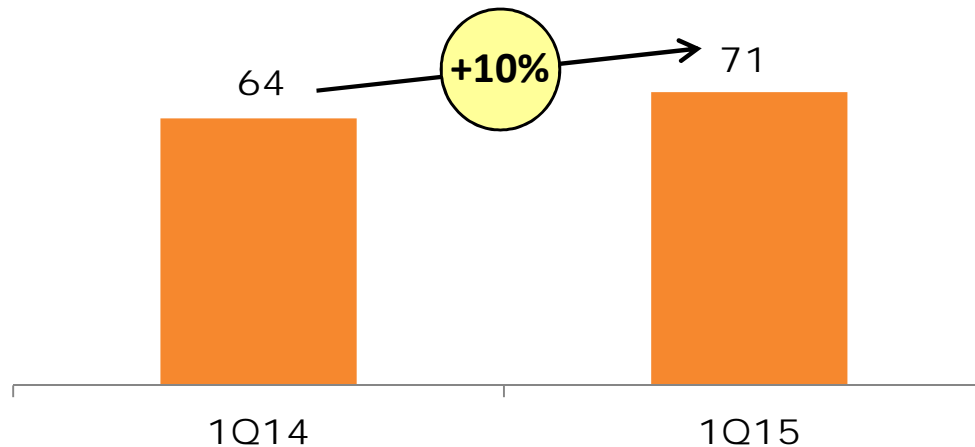
İKLİM SA
Türkiye'nin İklimlendirme Markası

Revenue Breakdown by Product Groups as of 1Q15

- Air Conditioners: 99%**
- Refrigerators: 1%**

Strong growth
in e-commerce
revenues...

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



- Growth in e-commerce is expected to maintain the high pace
- E-commerce revenues are anticipated to exceed TL 400mn in 2015
- The share of e-commerce is to reach 25% of revenues over the next 5 years
- Further investments in order to improve omni-channel model for teknosa.com and implement a marketplace model for kliksa.com
- «Click & Collect» is fully integrated into teknosa.com (reached over 10% of sales)
- 700k customers are directed to stores via online site or mobile (per month)
- Mobile applications are used by ~1mn users, constituting ~15% of internet sales

Our Platforms On E-commerce: Kliksa.com & Teknosa.com



Two legged strategy in e-commerce which aimed to gain share in both electronics retail market and fast developing e-commerce business:

Reached 11% of total retail sales in 1Q15

Kliksa.com	Teknosa.com
<ul style="list-style-type: none">➤ Aims to gain share in fast growing e-commerce business➤ Combined Sabancı brand with the modern online shopping experience➤ Targets to become a leading player in B2C e-commerce➤ # of visitors/month reached ~4 million➤ Kliksa.com will soon become an important part of total Teknosa sales	<ul style="list-style-type: none">➤ Teknosa.com is the critical component of Teknosa's multi channel strategy➤ Sets the web to store link➤ Considered as a 4th store format which enables;<ul style="list-style-type: none">▪ Customers in provinces with smaller store assortment to reach the whole product range▪ To prevent stock-outs➤ # of visitors/month is ~7 million

E-commerce Market In Turkey (2014)

- **Ratio of household with internet access** increased from 20% to **60%** in 2007-2014 period (2013: 49%).
- Number of **internet users** increased to **54 million** (2013: 49 million).
- Ratio of **online shoppers among internet users** is **31%** (2013: 24%). The category breakdown of online purchase is as follows:
 - 52% apparel and sport equipment; 27% house goods; 25% electronics; 26% travelling & 16% books
 - 3G users in TR reached 58 million in 2014 from 49 million in 2013
- Broadband penetration is 57% (OECD average: 78%)
- The main factors stimulating the growth are;
 - Increasing share of internet users who made a purchase online
 - Secure e-trade (3D secure) application,
 - Various incentive/discount campaigns encouraging online shopping
 - High credit card penetration (~75%)
 - Internet banking active users: +10 million

E-Commerce Global Comparison (2013)

Country	Online Retail / Total Retail	Internet Penetration	Online Shoppers	Per Capita Income (PPP - '000 US\$)	Population (mn)
UK	10.4%	87%	85%	37	64
USA	7.4%	81%	72%	53	316
Germany	6.0%	84%	79%	40	81
France	5.5%	83%	75%	36	64
Japan	4.2%	79%	77%	37	127
Spain	3.1%	72%	55%	30	47
Italy	1.8%	58%	44%	30	60
	5.5%				
China	5.6%	42%	44%	10	1,361
Poland	5.3%	65%	30%	21	39
Brazil	3.1%	49%	34%	12	198
Russia	2.8%	53%	38%	18	143
India	0.7%	12%	23%	4	1,243
	3.5%				
TURKEY	1.3%	49%	24%	15	76

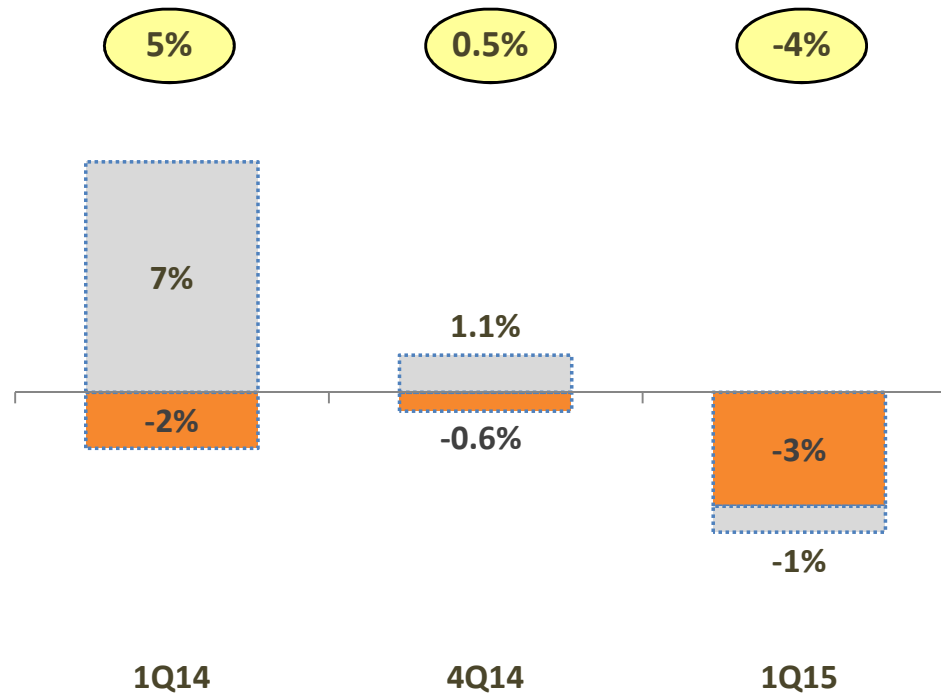
Source: TUBISAD (Informatics Industry Association)

Key Performance Indicators (Retail Operations)

Teknosa Key Performance Indicators (Retail Operations)								
	1Q14	4Q14	1Q15	YoY (%)	QoQ (%)	FY13	FY14	YoY (%)
Number of Provinces	77	81	81	5%	0%	77	81	5%
Net Sales Area ('000 sqm)	171	171	167	-2%	-2%	166	171	3%
Number of Stores	298	291	287	-4%	-1%	294	291	-1%
Number of Visitors (mn)	27	26	23	-12%	-9%	108	101	-6%
Number of Customers (mn)	1.9	2.0	1.7	-7%	-13%	8.5	7.5	-11%
Conversion Rate	7.0%	7.7%	7.4%	0.4pp	-0.3pp	7.9%	7.5%	-0.4pp
Average Basket Size (TL)	318	371	334	5%	-10%	307	349	14%

- Teknosa has the highest penetration among Technical Super Stores with **287 stores in all 81 provinces of Turkey and 167k m2 net sales area** as of 1Q15
- Teknosa stores were visited by 23 million people in 1Q15
- 40bps YoY improvement in conversion rate in 1Q15

Retail Operations Revenue Growth Analysis



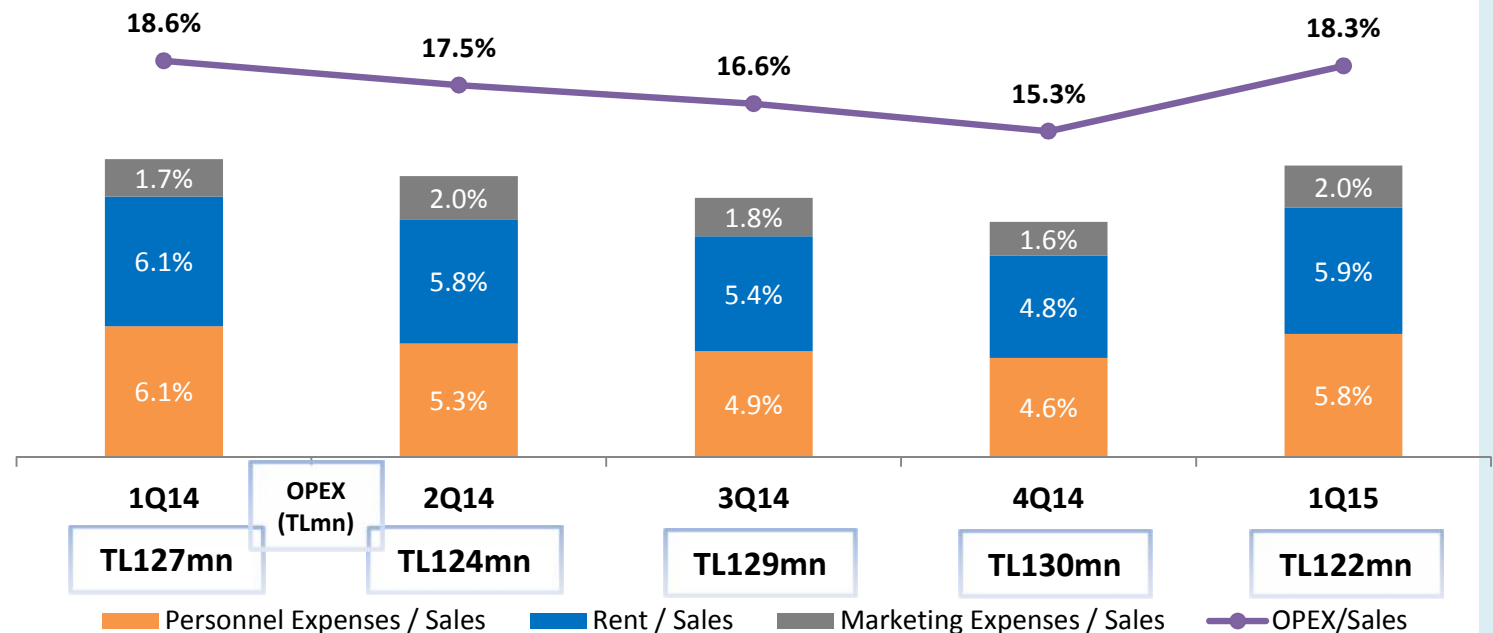
- Low consumer confidence and strong base year effect (due to pull-forward demand in Jan14 before the credit card law) had an affect on 1Q LfL
- Positive LfL trend realized in March15

■ Like for Like Growth
 ■ Net Expansion = New store openings – closings

Quarterly OPEX Breakdown

- Thanks to cost control measures, OPEX continued to decline in TL terms in 1Q15, retreating by 6% QoQ
- YoY trend in OPEX/Sales is positive, while the jump in ratio to sales stems from the low seasonality of 1Q
- Despite the 9% QoQ increase in avg. USD/TL parity in 1Q15, rent costs were down by 4% in the same period

Shares of Major OPEX Items in Net Sales



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Results at a Glance

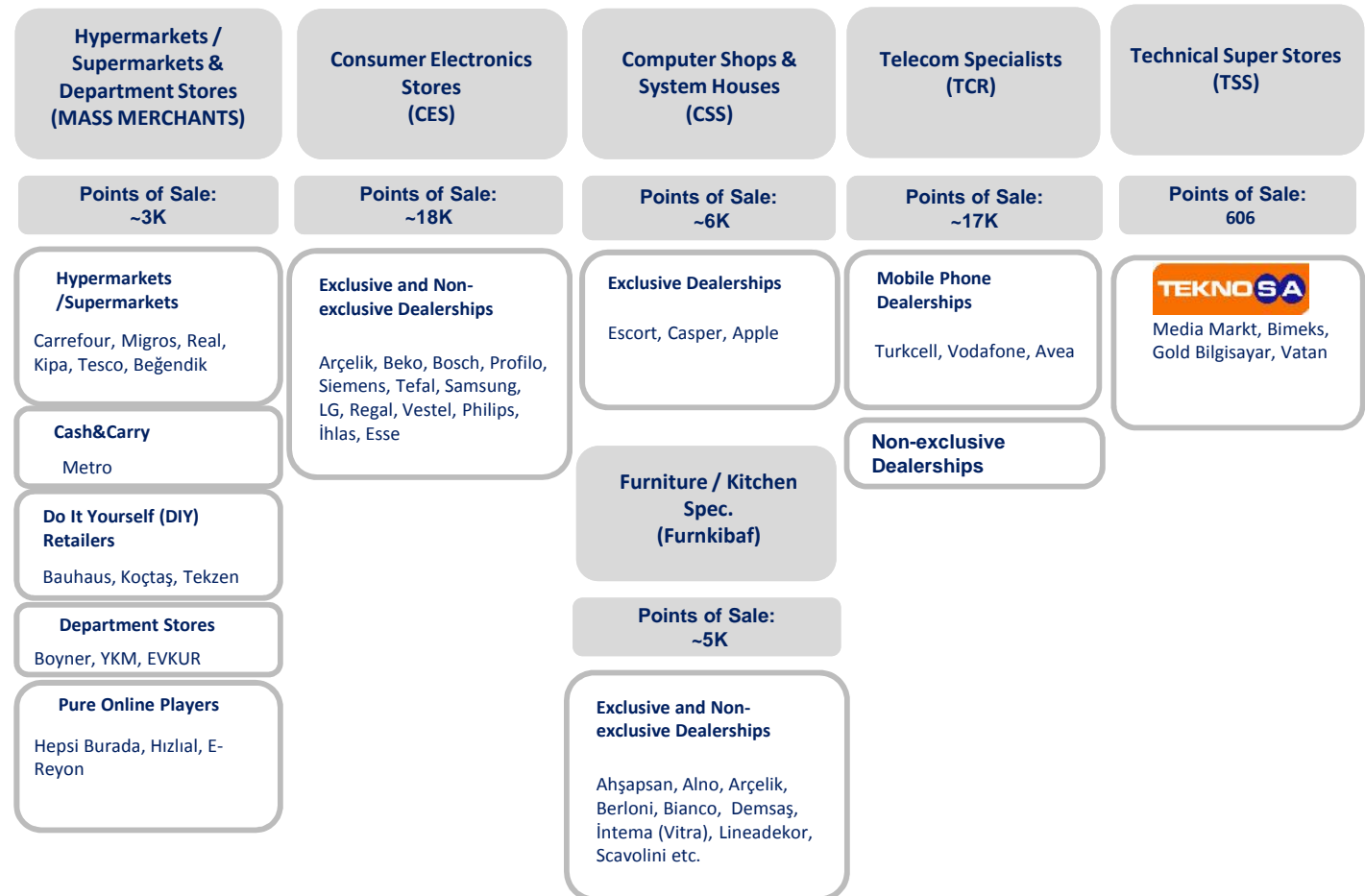
Electronics Retail Market

Financial Overview

Year-end Guidance

Electronics Retail Market in Turkey

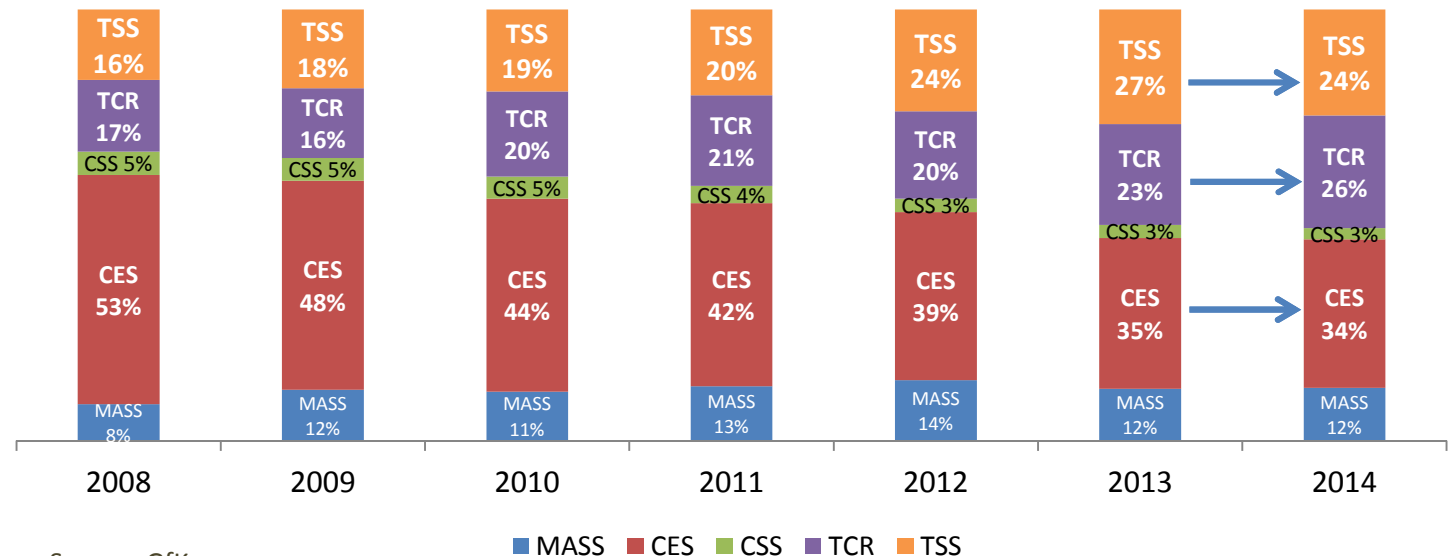
Sales Channels of Technical Consumer Goods Market



Channel Development

- Technical Super Stores (TSS) grew below the market for the first time in 2014 due to their disadvantage in consumer financing
- The new law offered Telecom Retailers (TCR) an advantage, as they are able to apply up to 24 months of installments on Telecom products via contracts, helping them to raise their share by 3pps in FY14, compared to FY13
- Consumer Electronic Stores (CES) were also able to use bill payables in order to offer their customers installment options exceeding 9 months

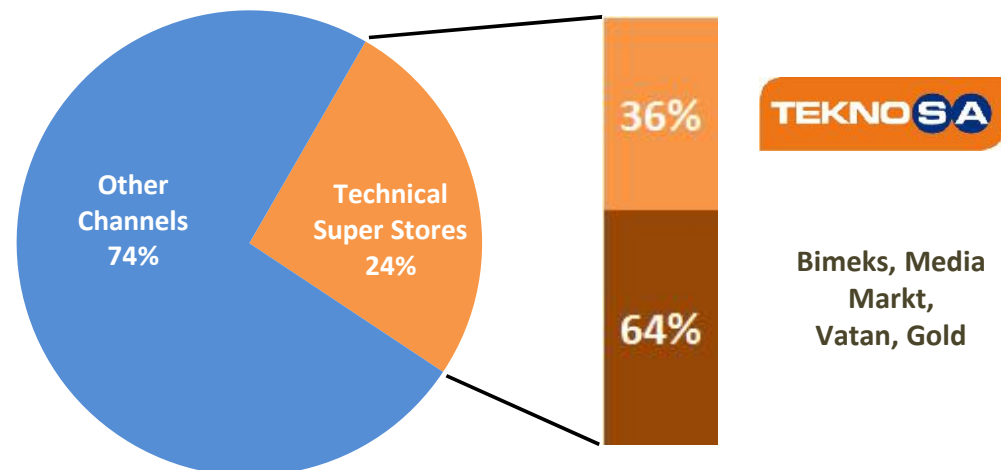
Channel Development (inc. MDA & SDA)



Electronics Retail Market and Teknosa (FY14)

- As of FY14, total market (CE, IT, Telecom, MDA, SDA) grew by 16% YoY, reaching TL 35bn
- Technical Super Stores (TSS) channel recorded 6% YoY growth in the same period to TL 8.6bn in the 5 major categories
- Teknosa retail sales were up by 7% YoY in FY14, excluding the one-off wholesale that took place in 1H13
- TSS channel accounts for 24% of the total market
- Teknosa has 36% market share in the TSS channel as of FY14.

Electronics Retail Market (CE, IT, Telecom, MDA, SDA) – FY14



Source: GfK

TSS Consolidation Trend

- 3 players have already exited the market since 2010
- Regardless, the existing 5 TSS players are still too many to operate efficiently and profitably in the Turkish electronics market
- Given the recent demand and channel trends outlook, we expect further decline in the number of players

2010	
COMPANY	Sales Index (TSA=100)
TEKNOSA	100
Competitor 1	54
Competitor 2	35
Competitor 3	19
Competitor 4	19
Competitor 5	15
Competitor 6	15
Competitor 7	4



2014	
COMPANY	Sales Index (TSA=100)
TEKNOSA	100
Competitor 1	73
Competitor 2	50
Competitor 3	42
Competitor 4	12

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Income Statement Summary

Teknosa Summary Financials - Income Statement

(M TL)	1Q14	4Q14	1Q15	YoY (%)	QoQ (%)	FY13	FY14	YoY (%)
Net Sales	683	851	666	-2%	-22%	2,957	3,016	2%
Gross Profit	131	149	123	-6%	-17%	554	551	0%
Gross Profit Margin	19.2%	17.5%	18.5%	-0.8pp	1.0pp	18.7%	18.3%	-0.5pp
EBITDAR	56	70	51	-8%	-27%	271	248	-9%
EBITDAR Margin	8.2%	8.3%	7.7%	-0.5pp	-0.6pp	9.2%	8.2%	-0.9pp
EBITDA	14	29	12	-18%	-60%	133	82	-38%
EBITDA Margin	2.1%	3.4%	1.8%	-0.3pp	-1.7pp	4.5%	2.7%	-1.8pp
Other Expenses	-5	-21	-8	-75%	61%	-13	-44	240%
Financial Expenses	-5	-6	-5	-17%	15%	-17	-22	29%
Profit Before Tax	-5	-8	-13	174%	55%	70	-24	-134%
Tax	1	1	2	180%	127%	-14	4	-130%
Net Profit	-4	-7	-10	172%	45%	57	-20	-135%
Net Profit Margin	-0.6%	-0.8%	-1.5%	-1.0pp	-0.7pp	1.9%	-0.7%	-2.6pp

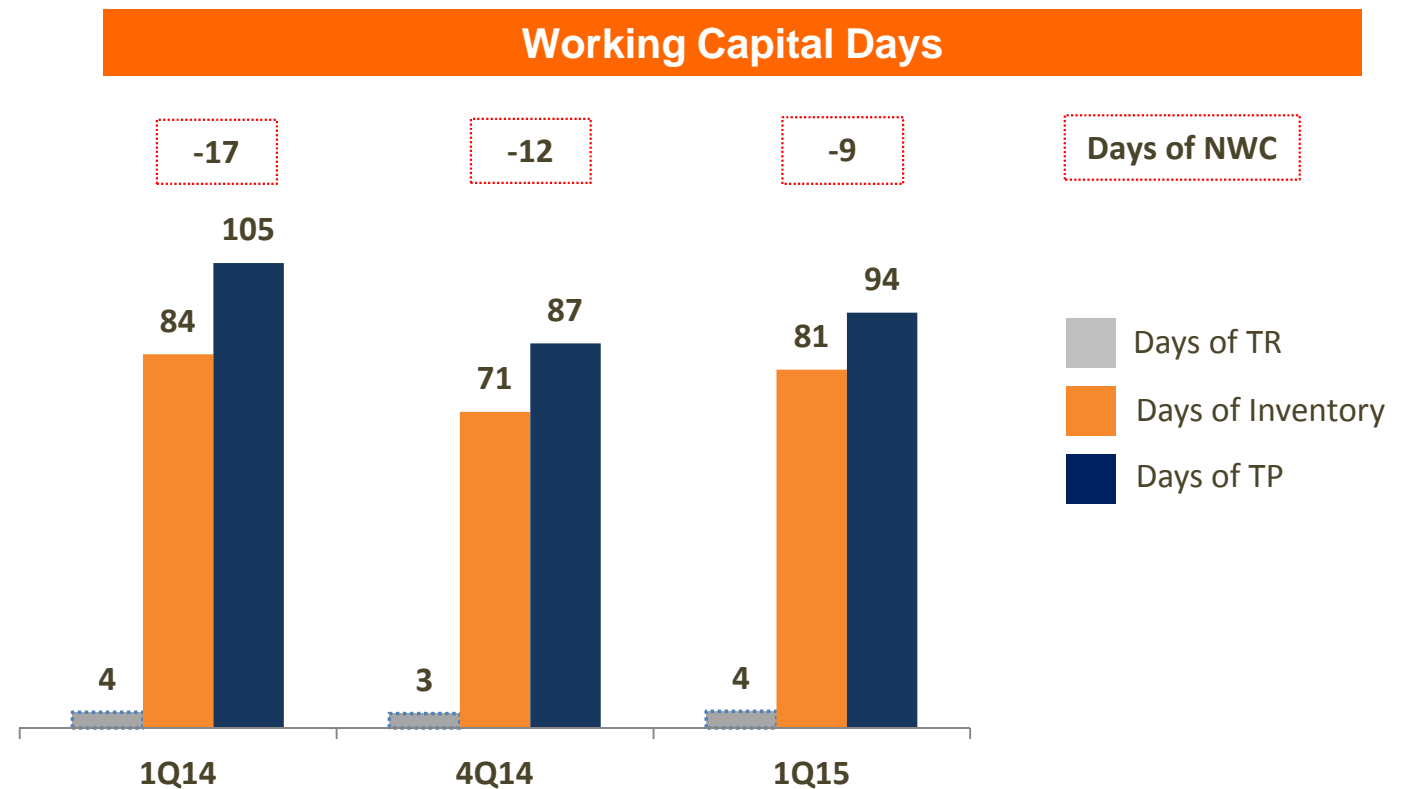
Source: Independent Auditor's report

Balance Sheet Summary

Assets (in M TL)	Mar.14	Dec.14	Mar.15
Current Assets	685	762	496
Cash and Cash Equivalents	113	193	8
Due From Related Parties	1	4	2
Trade Receivables	27	23	26
Inventories	520	530	443
Other Current Assets	24	19	17
Non-current Assets	159	187	190
Investment Property	11	11	11
Property, Plant and Equipment	115	118	116
Intangible Assets	16	27	28
Deferred Income Tax Assets	9	16	19
Other Non-current Assets	8	15	16
Total Assets	844	949	686

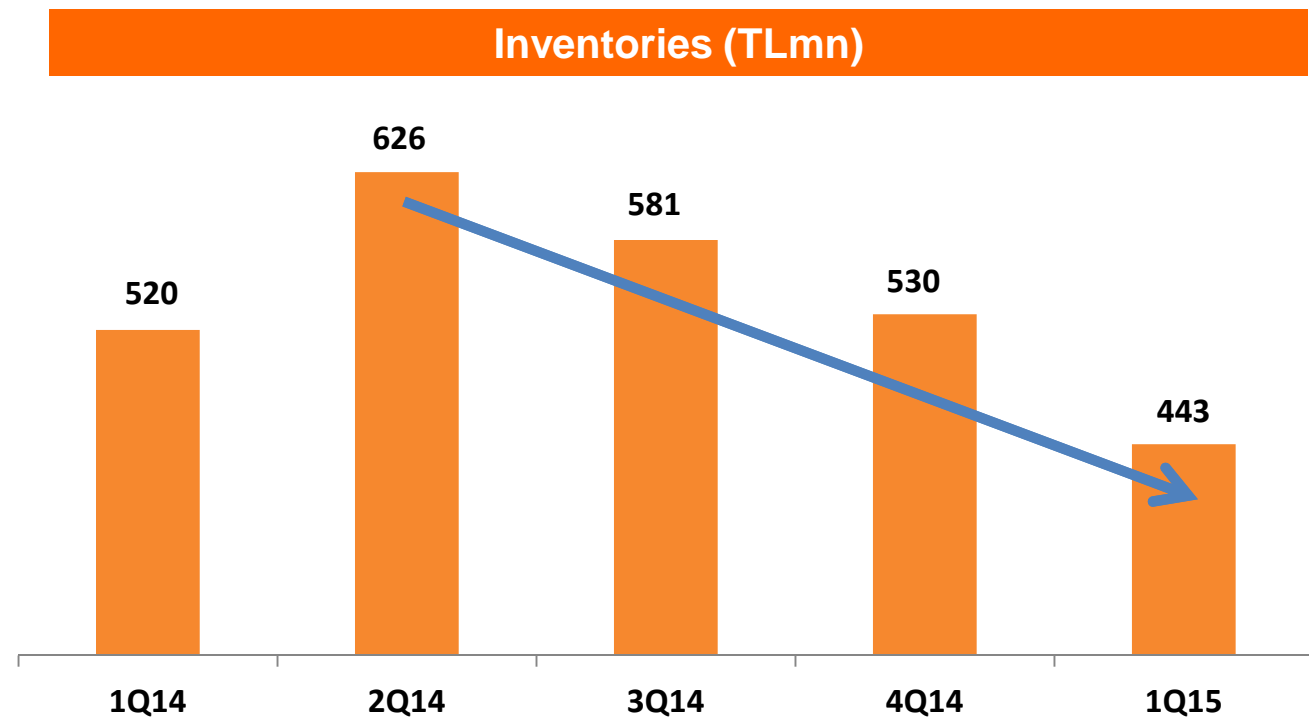
Liabilities (in M TL)	Mar.14	Dec.14	Mar.15
Current Liabilities	636	757	521
Financial Liabilities	0	0	24
Due to Related Parties	2	7	2
Trade Payables	541	684	435
Other Current Liabilities	92	66	60
Non-current Liabilities	4	3	3
Total Equity	205	188	162
Total Liabilities	844	949	686

Working Capital



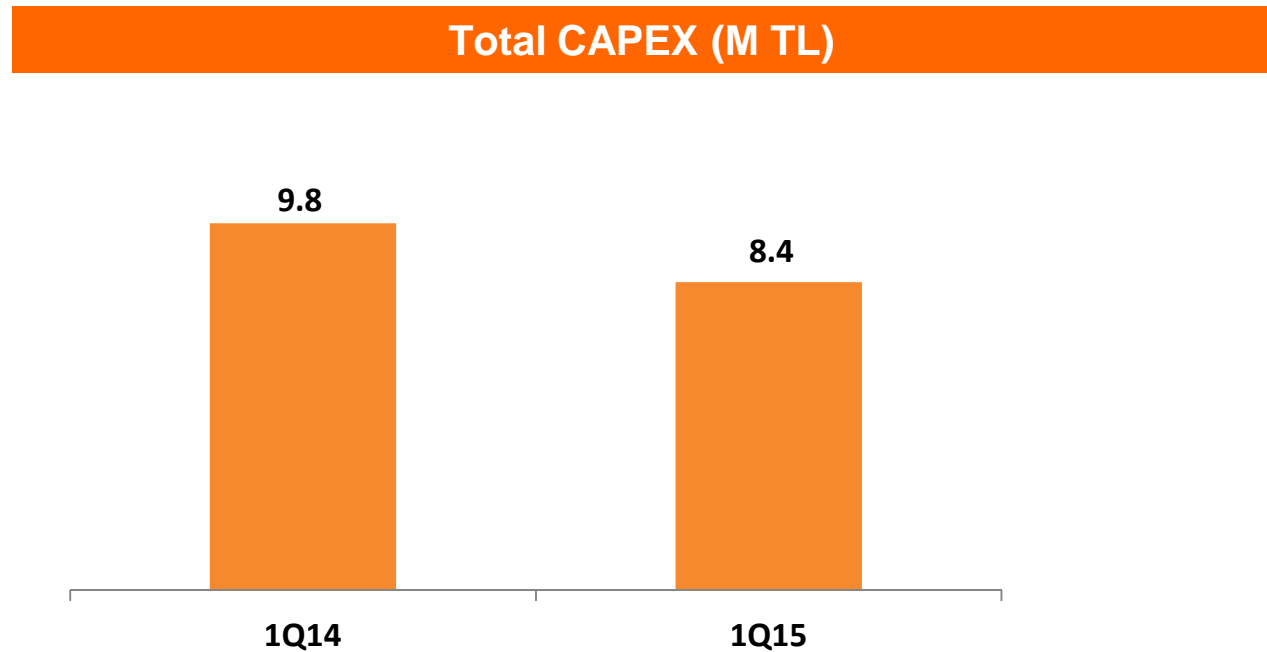
- Negative working capital allows Teknosa to generate positive cash flow in tandem with growth
- Company policy is to maintain NWC days at -15

Working Capital



- Thanks to strict management and focus, inventory levels deflated by ~30% from the peak level of 2Q14 to TL 443mn in the quarter

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.

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Macroeconomic Indicators

Indicator	2013	2014	2015E
GDP growth	4.1%	2.9%	3.0%
Private Consumption	5.1%	1.3%	2.5%
CPI Inflation	7.4%	8.2%	7.5%
USD/TL rate (avg.)	1.90	2.19	2.64
EUR/TL rate (avg.)	2.53	2.90	2.90

Teknosa's Targets in 2015

Return to double digit growth rates at the top line

- Stores; new openings and LfL
- Maintain strong growth in e-commerce

Utilize Teknosa Mobil for a higher market share

- Increase share in telecom category
- Cross-selling opportunities
- Higher traffic in stores

Further develop TeknoFinans

- 10% of sales through TeknoFinans
- Improved customer communication through monthly payment size

Maintain strict cost control & increase efficiency

- Finalize the closure program of loss making stores initiated in 2H14
- Identify & focus on successful shopping malls in over-supplied areas
- Further improve NWC days through more effective inventory management
- Minimize costs via enhancing efficiency

Aftersales services

- Develop new products & further increase the attachment rate

New CEO Appointment

Pilot projects to revive LfL

With the appointment of our new CEO, Mr. Gurcan, we initiated several pilot projects to increase store traffic and conversion, therefore revive topline LfL.

Action	Store Traffic	Conversion Rate	Basket Size
New product groups	✓		✓
New promotional campaigns	✓	✓	✓
Increasing the effectiveness of communication	✓		
New bonus schemes for personnel	✓	✓	
Additional&optimized store employees		✓	

Based on the results of pilot projects above and several others, we will be able to apply new models in May-June period to see LfL results in 2H15.

2015 Full Year Financial Guidance

	2014 ACTUAL	2015 OLD	2015 NEW
YE Net Sales Area (km2)	171	190	180
Net Sales (TL mn)	3,016	3,300	3,300
Growth (%)	2%	10%	10%
LFL Growth (%)	-4%	5%	5%
EBITDA (%)	2.7%	3.0%-3.5%	3.0%-3.5%
CAPEX(TL mn)	62	45-50	40-45

Note: EBITDA excludes Other Income/Expenses

Our 5 year growth plan...

➤ **Benefitting from the «Economic Darwinism» as the strongest player...**

- Control costs in order to adopt to lower annual market growth
- Utilize debt-free strong balance sheet
- Strengthen our foothold in the sector via market share gains

➤ **E-commerce is the new frontier...**

- Further benefit from the low penetrated e-commerce market of Turkey
- Carry on perfecting our omni-channel business model with teknosa.com
- Position kliksa.com as the leading pure-player in Turkey
- Derive ~25% of our revenues from our e-commerce over the next 5 years

➤ **Evolving our business model into a service provider...**

- Evolve into a «service provider» from a «classical box mover»
- Improve our CRM capabilities,
- Offer new & enhanced after sales products
- Further differentiate Teknosa from the competition

Our 5 year growth plan...

- **Laying the foundations for new services to our clients...**
 - Consumer financing options under TeknoFinans brand
 - Telecom contract sales via TeknoSA Mobil in order to provide a complete service and boost market share in telecom products

Thank You

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