

Investor
Presentation

Teknosa İç ve Dış Ticaret A.Ş.

3Q14 Results

«Leader of A Growing Market»

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Agenda

Results at a Glance

Electronics Retail Market

Financial Overview

Year-end Guidance

Main messages

Now in every city of Turkey...

- The sole electronics retailer present in all 81 cities of Turkey

Higher focus on profitability in 3Q14 ...

- With strong market share gains in June and July, focus diverted back to profitability, leading to +80bps QoQ improvement in gross margin

QoQ improvement in OPEX/Sales ratio is to be maintained in 4Q14...

- Cost cutting measures led to improvement in OPEX/Sales ratio
- Further improvement expected in 4Q14 through continuing cost control measures

Strong e-commerce performance maintained...

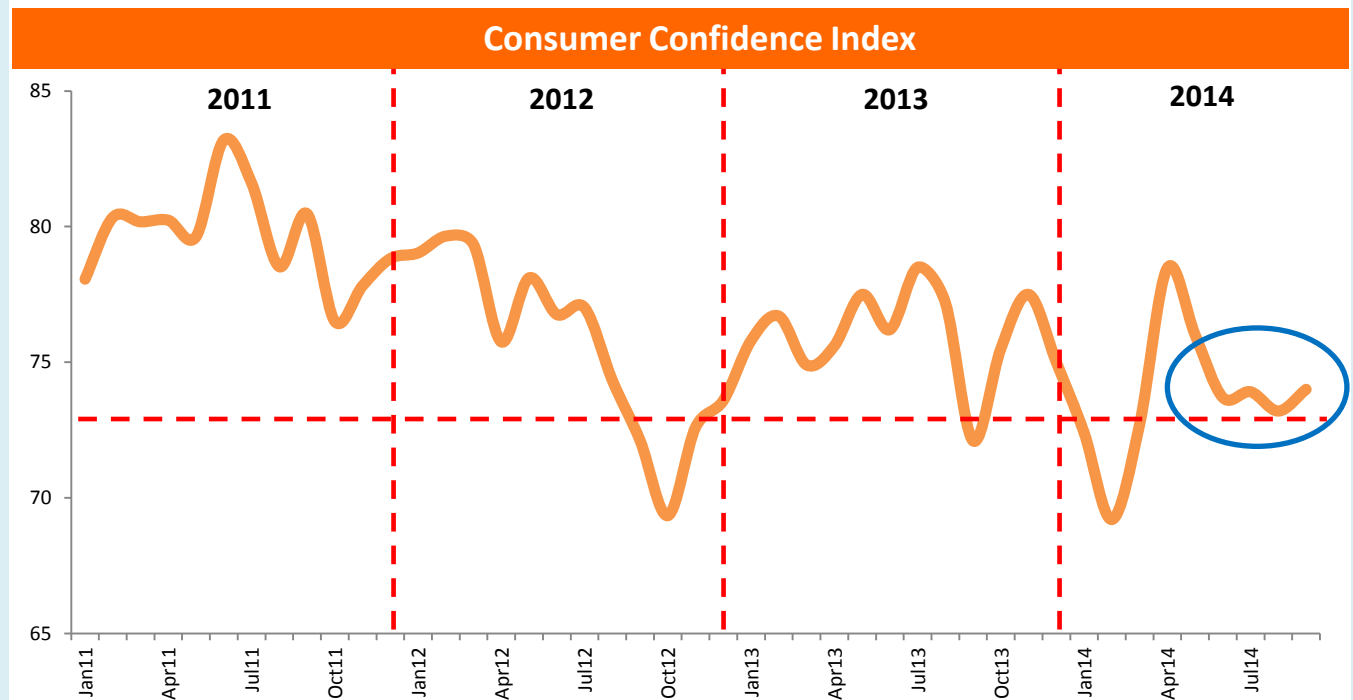
- E-commerce sales maintained strong growth trend with 33% YoY increase in 3Q14 to TL 72mn
- 10% of Net Sales in 9M14; from 6% in 9M13

Low consumer confidence continued to pressurize demand ...

- Low consumer confidence led to a flattish top-line figure, despite the growth achieved via on-line sales & store openings

CCI remained
flat in the 3rd
quarter...

- Amidst the political tensions in the region, the Consumer Confidence Index failed to display any improvement in the third quarter, remaining below pre-election levels

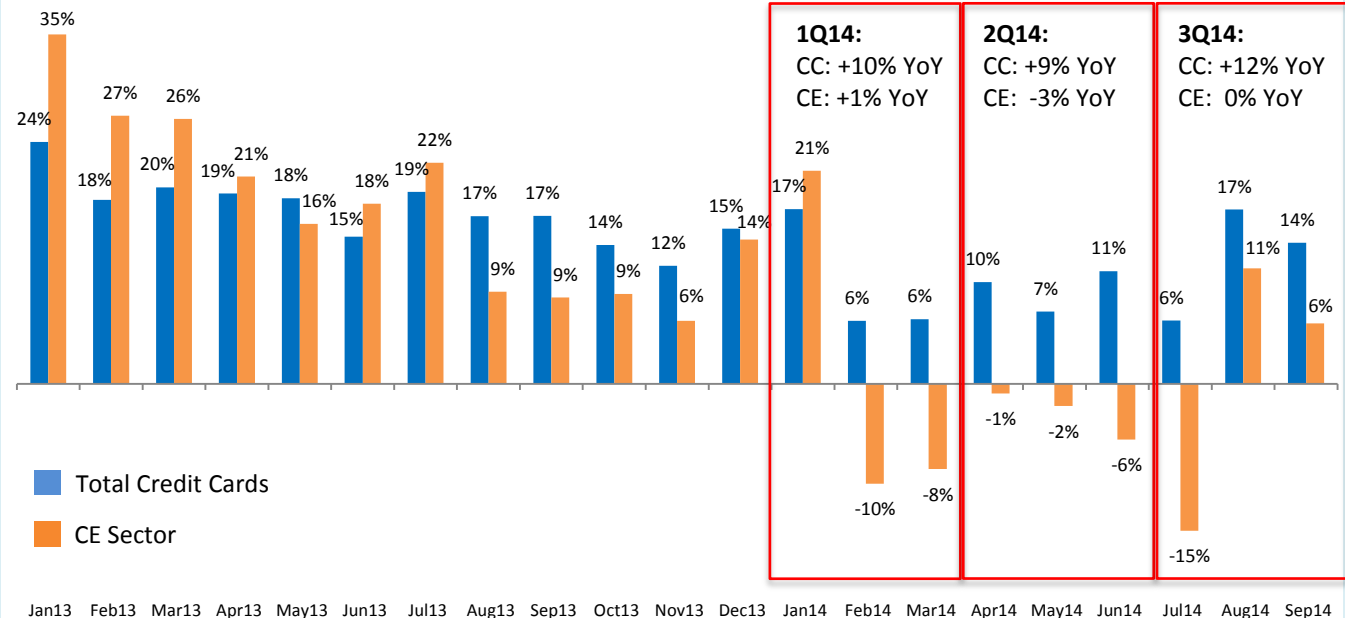


Source: TUIK

Consumers are still adjusting to the new law...

- Consumer electronics spending via credit cards displayed 11% YoY growth in August, following 6 months of consecutive contractions for the first time after the law came into effect and a further 6% improvement in September. Yet, it is early to comment on the sustainability of this trend at this stage.

YoY Growth Rates of Credit Card Total and CE Sector Spending

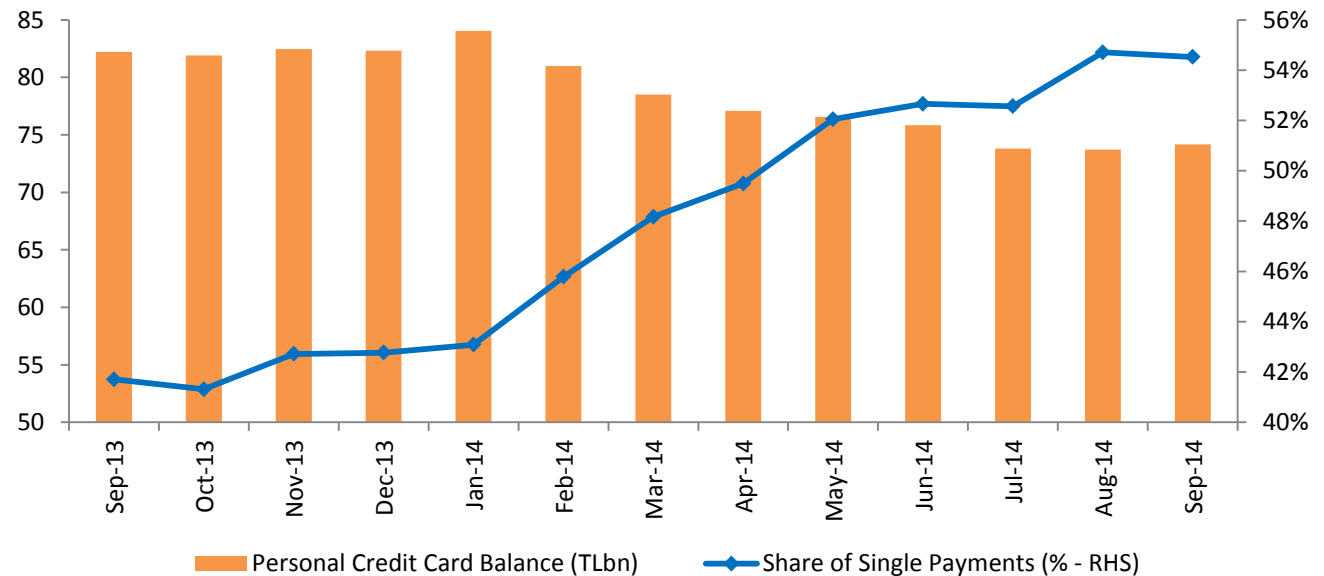


Source: Interbank Card Center

Consumers are still adjusting to the new law...

- 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 displayed a miniscule growth for the first time on a MoM basis in September.

Monthly Personal Credit Card Balance & The Share of Single Payments



Source: BRSA

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

TEKNOSA

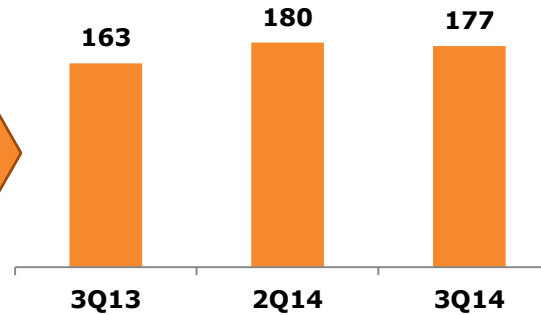
AKBANK

ING BANK

- After its launch on June in collaboration with ING Bank, consumer financing business saw a rapid increase in the number of applicants.
- Akbank also entered into picture in October with its wide network, which will no doubt make a positive impact on growth figures.
- The current numbers support our target of increasing the share of TeknoFinans to 10% of our sales by the end of the year on a monthly basis.
- 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.
- Consumers are benefitting from installments up to 36 months on every product, with interest rates rivalling mortgages and without bearing any additional costs.

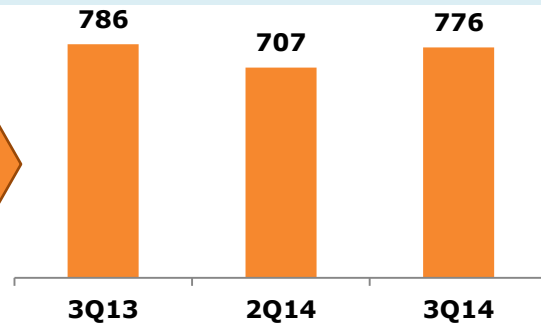
3Q14 Results

Net Sales Area (‘000 m2)



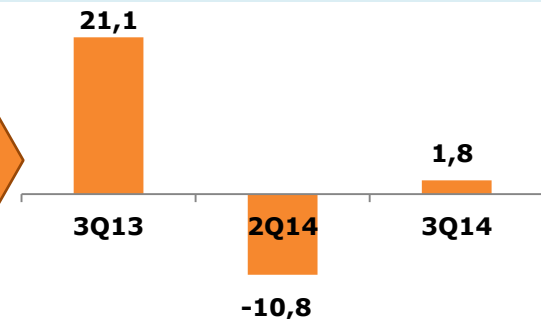
- +8% YoY growth
- 15 new stores opened while 21 low performing stores closed in 3Q14

Net Sales (M TL)



- Store closures limited top-line growth in the third quarter

Net Profit (M TL)

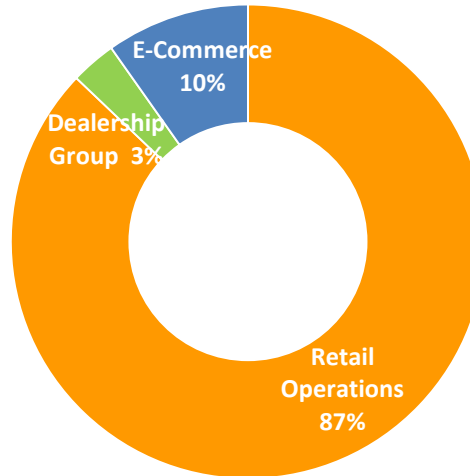


- Bottom-line returned to black in 3Q14, supported by margin gain and further cost control measures

Revenues by activity

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

Revenue Breakdown as of 9M14



E-trade Operations

KLIKSA.com

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

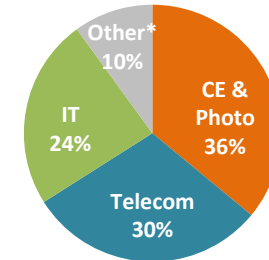
TEKNOSA.com

- Started operations in **2005**

Retail Operations

TEKNOSA

Revenue Breakdown by Product Groups as of 9M14



* Consists of major and small domestic appliances and warranty sales

Dealership Group

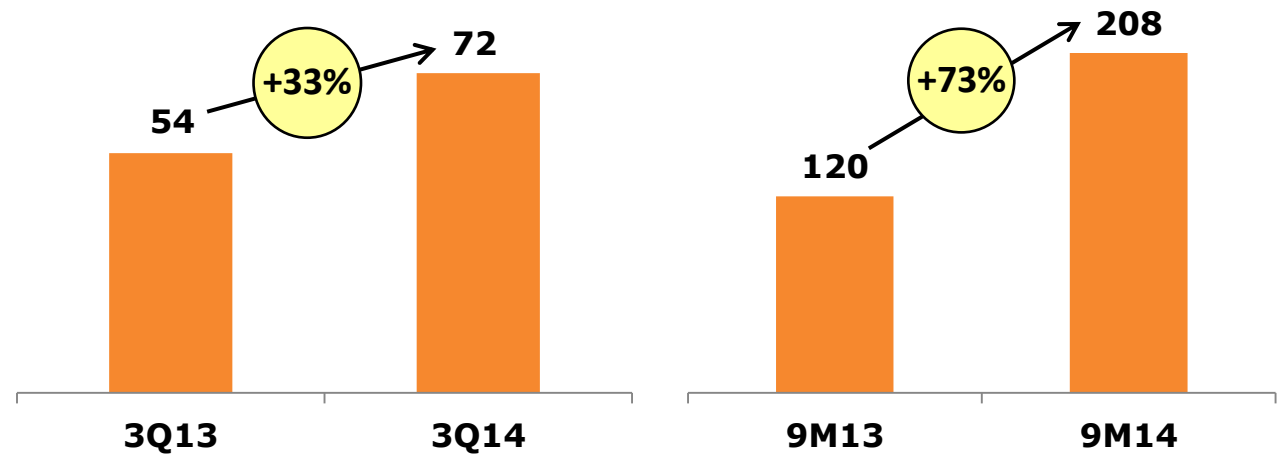
iklimSA
Türkiye'nin İklimlendirme Markası

Revenue Breakdown by Product Groups as of 9M14

- Air Conditioners: 94%**
- Refrigerators: 6%**

Strong growth
in e-commerce
revenues...

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



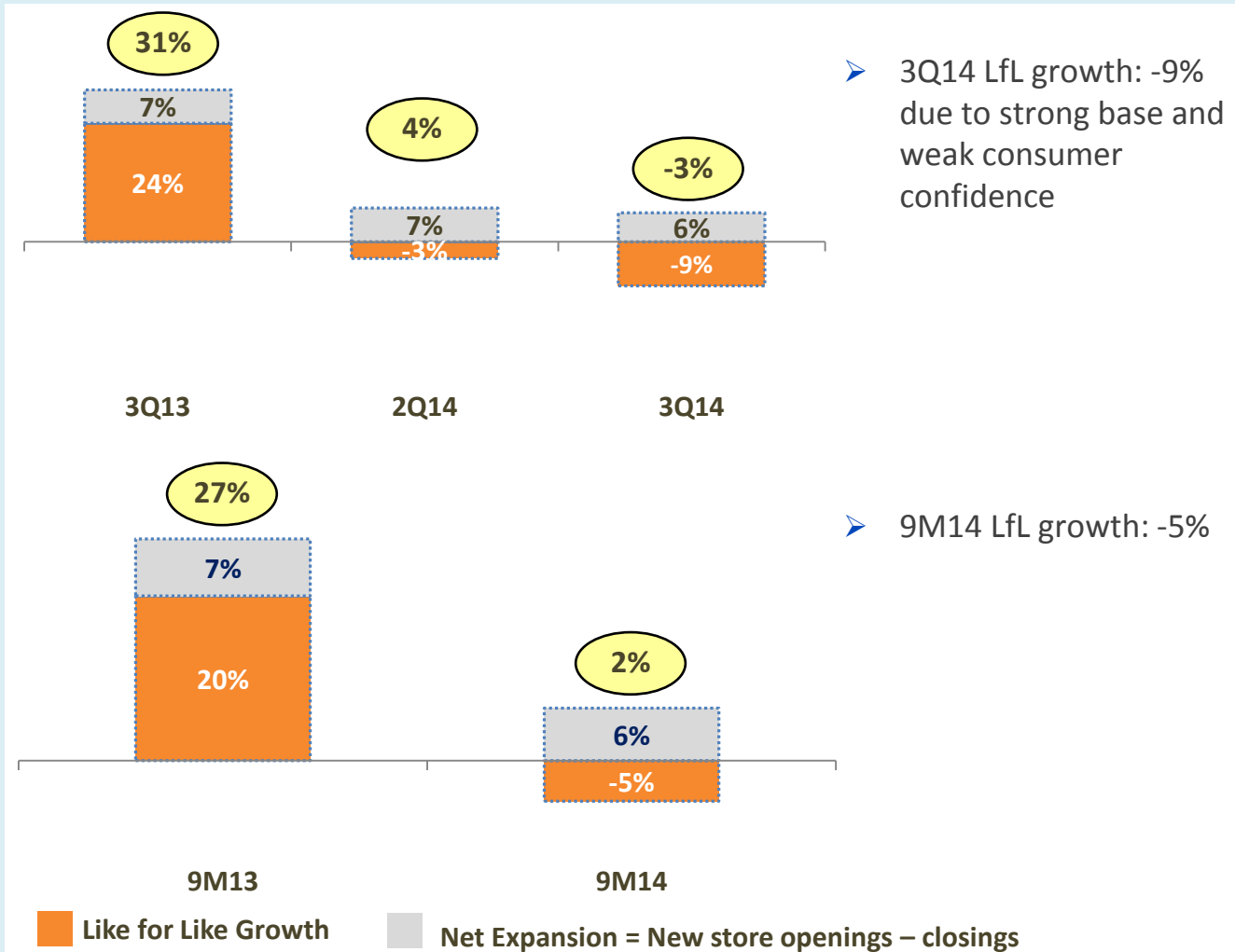
- Growth in e-commerce is expected to maintain the high pace
- E-commerce revenues expected at TL 300mn, implying ~60% y/y growth, constituting ~10% of consolidated revenues in 2014
- The share of e-commerce is expected to reach 25% of consolidated revenues over the next 4-5 years
- Further investments in order to improve omni-channel model for teknosa.com and implement a marketplace model for kliksa.com
- Mobile applications are used by ~700K users, constituting ~10% of internet sales

Key Performance Indicators (Retail Operations)

Teknosa Key Performance Indicators (Retail Operations)								
	3Q13	2Q14	3Q14	YoY (%)	QoQ (%)	9M13	9M14	YoY (%)
Number of Provinces	77	77	81	5%	5%	77	81	5%
Net Sales Area ('000 sqm)	163	180	177	8%	-2%	163	177	8%
Number of Stores	292	306	300	3%	-2%	292	300	3%
Number of Visitors (mn)	27	23	25	-8%	5%	79	75	-5%
Number of Customers (mn)	2.2	1.8	1.9	-12%	7%	6.2	5.6	-10%
Conversion Rate	8.0%	7.6%	7.7%	-0.3pp	0.2pp	7.9%	7.4%	-0.4pp
Average Basket Size (TL)	326	348	359	10%	3%	303	342	13%

- Teknosa has the highest penetration among Technical Super Stores with **300 stores in all 81 provinces of Turkey** and 177k m2 net sales area as of 3Q14
- Teknosa stores were visited by 25 million people in 3Q14 (+5% QoQ)
- The improvement in conversion rate was maintained, following the trough point hit in 1Q14 at 7.0%

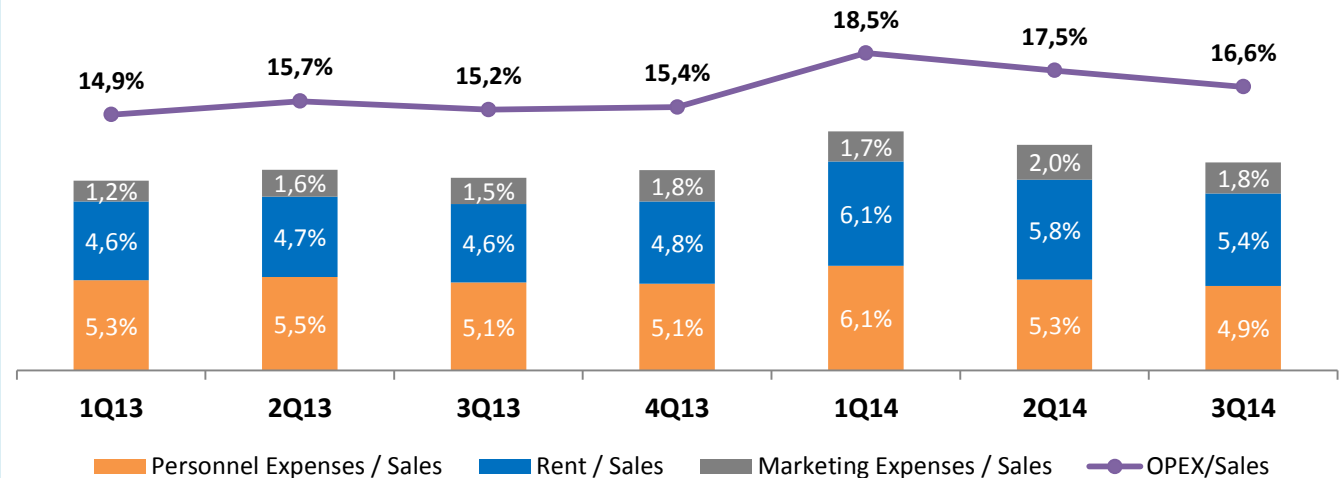
Retail Operations Revenue Growth Analysis



Quarterly OPEX Breakdown

- Reduction of the operational expenses goes in line with our plan
- Rent/Sales ratio continued to improve from the peak in 1Q14; additional improvement is expected in the final quarter of the year
- Further improvement in personnel costs through efficiency measures
- Marketing expenses remain slightly above historical levels due to brand investment in online business, as well as sales communication to revive demand

Shares of Major OPEX Items in Net Sales



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Results at a Glance

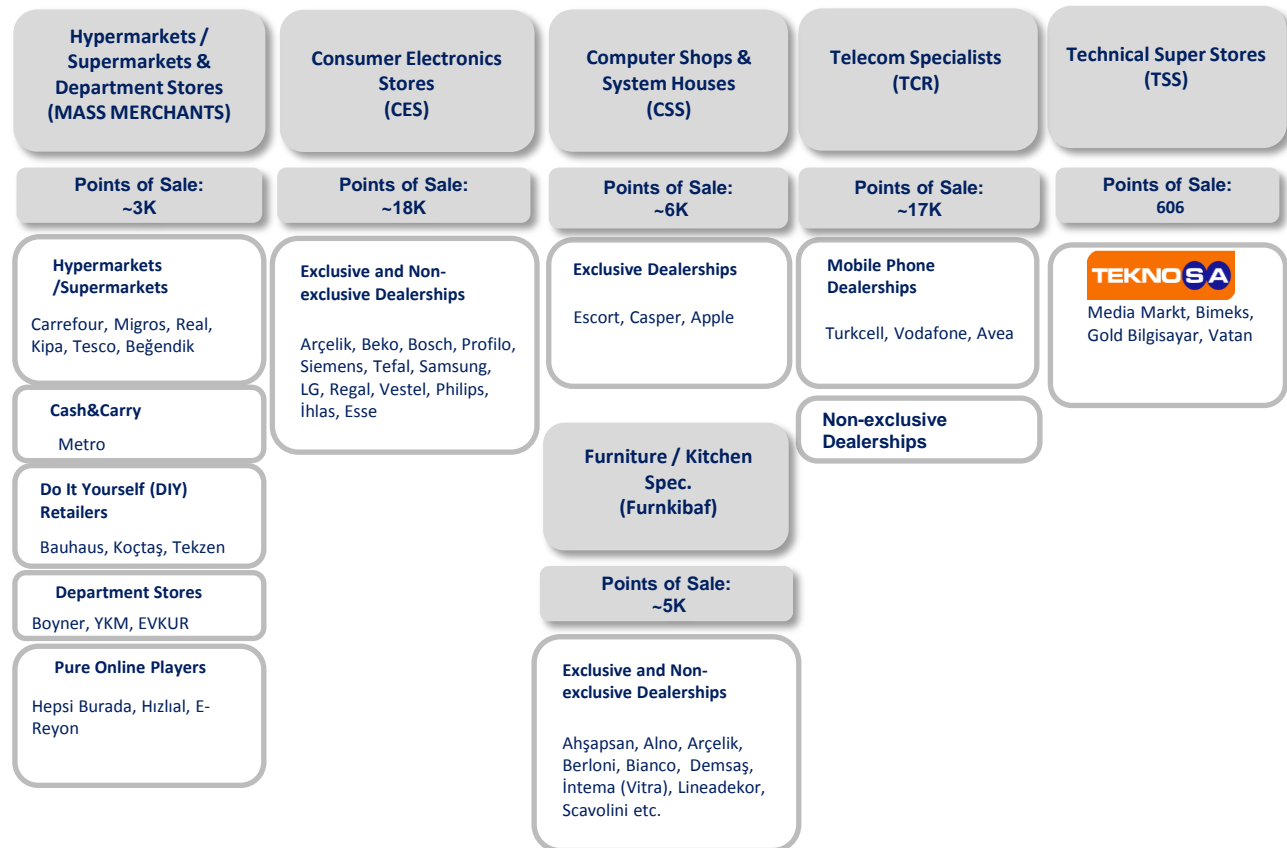
Electronics Retail Market

Financial Overview

Year-end Guidance

Electronics Retail Market in Turkey

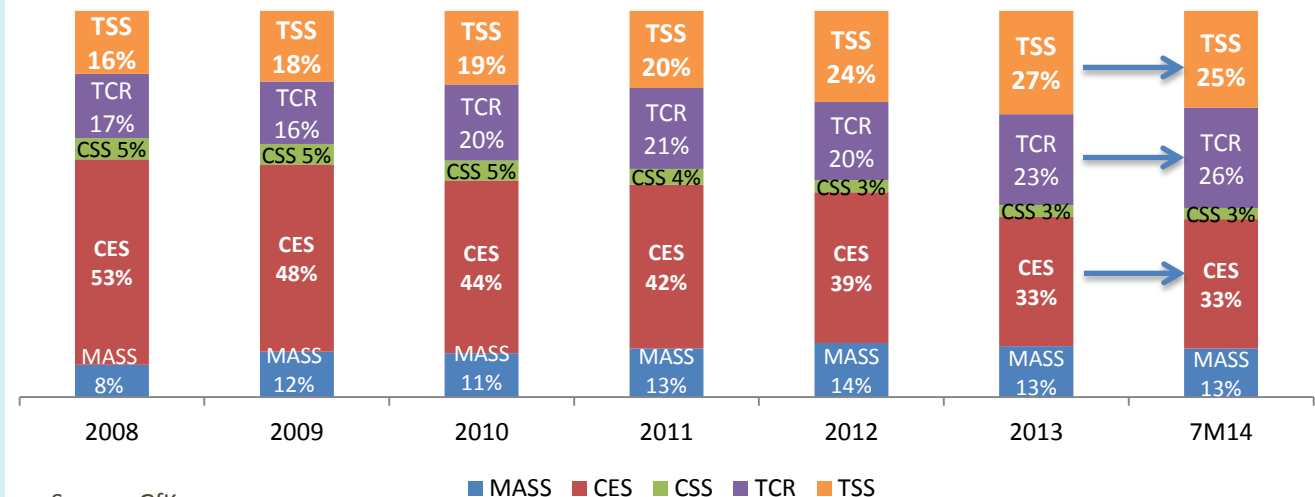
Sales Channels of Technical Consumer Goods Market



Channel Development

- Technical Super Stores (TSS) grew below the market for the first time this year 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 7M14, 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

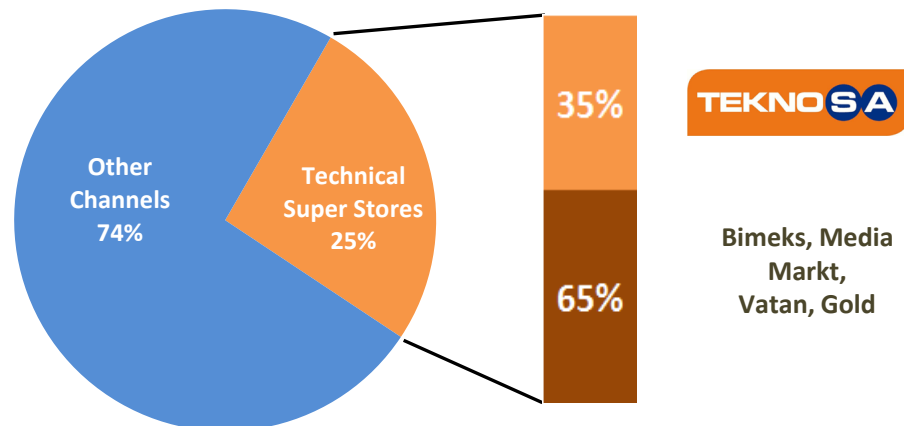
Channel Development (inc. MDA & SDA)



Electronics Retail Market and Teknosa (7M14)

- As of 7M14, total market (CE, IT, Telecom, MDA, SDA) grew by 15% YoY, reaching TL 19bn
- Technical Super Stores (TSS) channel recorded 7% YoY growth in the same period to TL 4.7bn in the 5 major categories
- TSS channel accounts for 25% of the total market
- Teknosa retail sales were up by 8% YoY in 7M14, excluding the one-off wholesale that took place in 1H13
- Teknosa has 35% market share in the TSS channel as of 7M14. Teknosa's TSS share has closed in to ~40% in July, boosted by the campaigns held since June.

Electronics Retail Market (CE, IT, Telecom, MDA, SDA) – 7M14

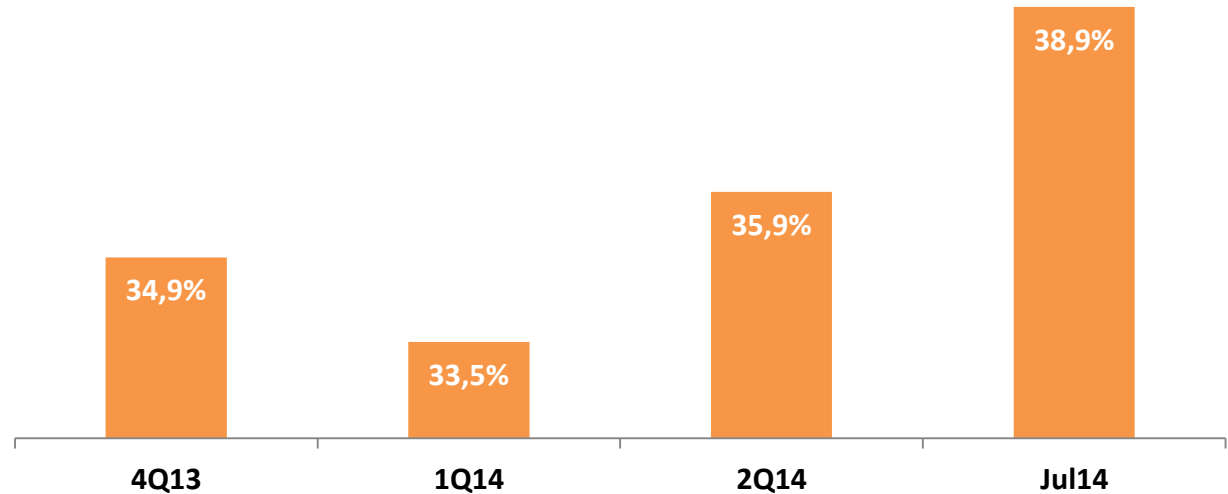


Source: GfK

Teknosa Market Share trends in the TSS Channel

- Teknosa's market share was negatively affected in February and March, due to immediate and full compliance with new regulation
- After wider compliance in the sector, a more aggressive pricing and promotional strategy was deployed, in order to win back the market share lost in 1Q
- This strategy paid off with +4pps MoM market share gain in June to 38% and an additional 1pp gain in July

Teknosa Market Share in TSS (CE, IT, Telecom, MDA, SDA)



Source: GfK

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Income Statement Summary

Teknosa Summary Financials - Income Statement								
(M TL)	3Q13	2Q14	3Q14	YoY (%)	QoQ (%)	9M13	9M14	YoY (%)
Net Sales	786	707	776	-1%	10%	2,141	2,165	1%
Gross Profit	154	127	145	-6%	14%	402	402	0%
Gross Profit Margin	19.5%	17.9%	18.7%	-0.8pp	0.8pp	18.8%	18.6%	-0.2pp
EBITDAR	78	54	68	-13%	28%	197	177	-10%
EBITDAR Margin	10.0%	7.6%	8.8%	-1.2pp	1.2pp	9.2%	8.2%	-1.0pp
EBITDA	42	12	27	-37%	114%	98	53	-47%
EBITDA Margin	5.4%	1.7%	3.4%	-2.0pp	1.7pp	4.6%	2.4%	-2.2pp
Other Expenses	-3	-10	-9	-201%	14%	-8	-23	-202%
Financial Expenses	-5	-6	-5	-20%	10%	-12	-16	-38%
Profit Before Tax	26	-13	2	-91%	n.m.	55	-16	-129%
Tax	-5	3	-1	-91%	-119%	-10	3	-129%
Net Profit	21	-11	2	-91%	n.m.	45	-13	-128%
Net Profit Margin	2.7%	-1.5%	0.2%	-2.4pp	1.8pp	2.1%	-0.6%	-2.7pp

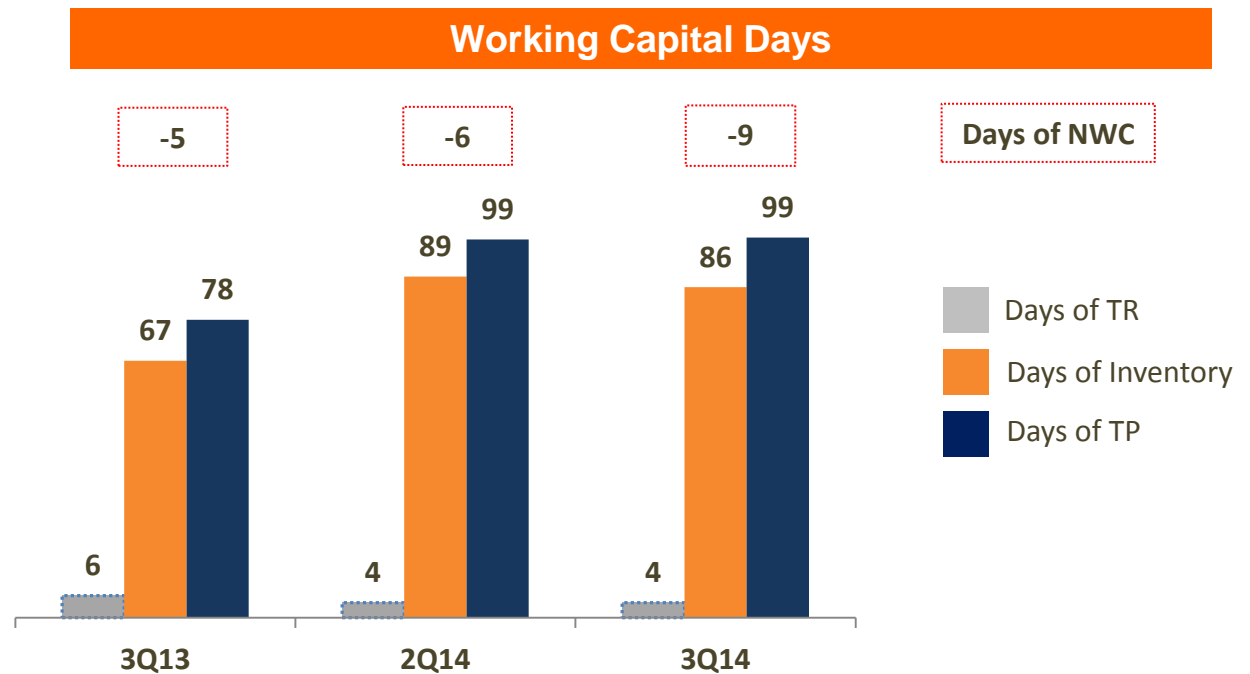
Source: Independent Auditor's report

Balance Sheet Summary

Assets (in M TL)	Sep.13	Jun.14	Sep.14
Current Assets	688	807	745
Cash and Cash Equivalents	127	124	111
Due From Related Parties	1	2	3
Trade Receivables	38	32	32
Inventories	479	626	581
Other Current Assets	43	22	19
Non-current Assets	154	167	177
Investment Property	11	11	11
Property, Plant and Equipment	115	118	123
Intangible Assets	11	18	22
Deferred Income Tax Assets	6	12	14
Other Non-current Assets	11	8	7
Total Assets	841	974	922

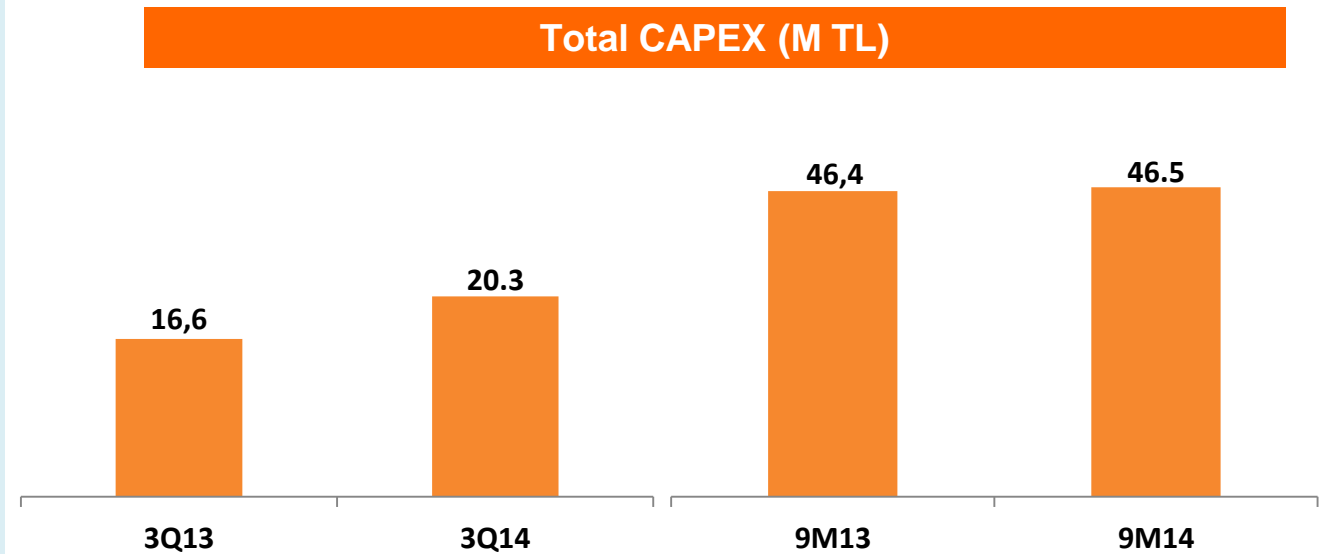
Liabilities (in M TL)	Sep.13	Jun.14	Sep.14
Current Liabilities	596	777	723
Financial Liabilities	0	0	0
Due to Related Parties	1	1	3
Trade Payables	518	727	656
Other Current Liabilities	77	49	63
Non-current Liabilities	4	4	4
Total Equity	241	193	195
Total Liabilities	841	974	922

Working Capital



- Negative working capital allows Teknosa to generate positive cash flow in tandem with growth
- NWC improved by 4 days on a yearly basis to -9 in 3Q14

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	2012	2013	2014E
GDP growth	2.1%	4.1%	3.0%
Private Consumption	-0.5%	5.1%	2.1%
CPI Inflation	6.2%	7.4%	9.4%
USD/TL rate (y.e.)	1.78	2.13	2.22
USD/TL rate (avg)	1.80	1.92	2.17

Teknosa's Targets in 2014

Growth over the market; stores&online

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

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 8% YoY in 9M14
- On-line sales up by 73% YoY to TL 208mn

Aftersales services

- Aftersales services increased to 2x of 9M13 level, nearly doubling YoY in TL terms

Customer centricity

- 4.3m loyalty customers in 9M14, compared to 3.8m in FY13

Consumer financing models

- TeknoKredi fully launched in June with ING Bank, Akbank also launched Kredi Ekspres in October.

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	175-180	175
Net Sales (TL mn)	2,900 – 3,000	2,957	3,200-3,300	3,000 - 3,100
Growth (%)	25%-30%	27%	8%-12%	1%-5%
LFL Growth (%)	15%-20%	13%	0%	-4%
EBITDA (%)	4.5%-4.7%	4.5%	3.5%	2.8%-3.2%
CAPEX (TL mn)	60-65	56	60	55-60

Note: EBITDA excludes Other Income/Expenses

Our 3-5 year growth plan...

	2014E	2015-2020
Market Growth	15%	10%-15%/yr
YE Net Sales Area (km2)	175	+20K sqm/yr
TKNSA Top-line Growth (%)	1%-5%	~20%/yr
LFL Growth (%)	-4%	10%-15%/yr
EBITDA (%)	2.8%-3.2%	4.0%-5.0%
CAPEX (TL mn)	55-60	~60

Note: EBITDA excludes Other Income/Expenses

Our 3-5 year growth plan...

- **Benefitting from the «Economic Darwinism» as the strongest player...**
 - Control costs in order to adopt to 10-15% 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 consolidated revenues from our e-commerce over the next 4-5 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 3-5 year growth plan...

- **Laying the foundations for new services to our clients...**
 - Consumer financing options under TeknoFinans brand
 - Telecom contract sales in order to provide a complete service and boost market share in telecom products
- **~20% annual top-line growth targeted over the next 3-5 years...**
 - Add +20K sqm net selling area each year
 - Maintain a 10-15% LfL

Thank You

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