

Investor
Presentation

Teknosa İç ve Dış Ticaret A.Ş.

1Q14 Results

«Leader of A Growing Market»

Korhan Bilek, CFO

Erman Tütüncüoğlu, Head of IR

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Investment Theme

1

Strong Leadership

Having the first-mover advantage, Teknosa is the market leader with almost double the sales of the second player in the market

2

Strong growth potential

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

3

Flexible Store Formats Supporting Fast Expansion

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

4

Financial Strength

Strong track record of sales growth
Strong & positive cash flow generation
Cash available for future consolidation in the market

5

Strong Operational and Technical Infrastructure

Advanced ERP and CRM programs enabling targeted marketing
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 maintained despite the unfavorable macro economic environment...

- Top-line growth sustained in 1Q14 via the growth in online sales and new store openings
- 3% Net Sales growth in 1Q14 (+11% YoY excluding the one-off wholesale in 1Q13)

Strong e-commerce performance...

- E-commerce volume more than doubled
- 9% of Net Sales in 1Q14; from 4% in 1Q13

Improvement in the gross margin continues...

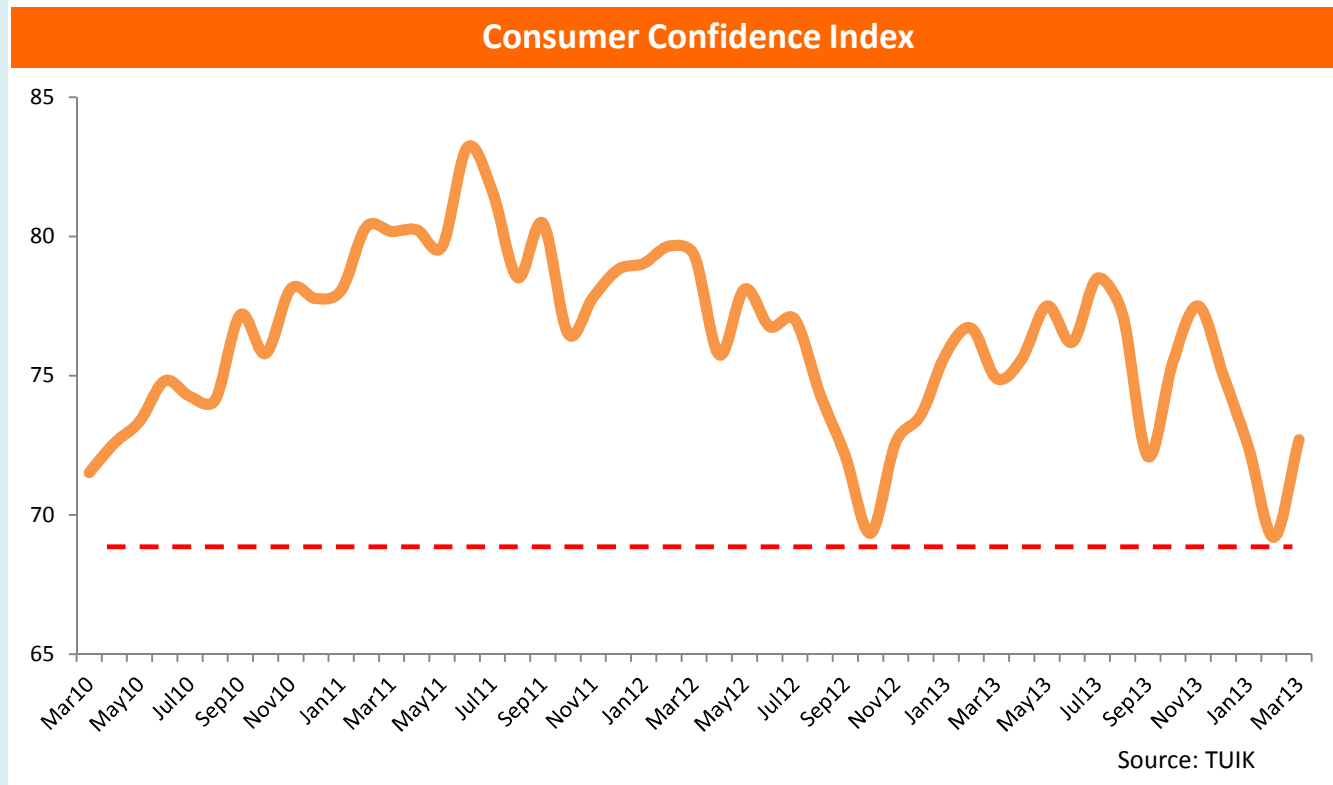
- +150bps YoY & +50bps QoQ, despite higher share of less lucrative online sales
- Benefitting from lower promotions held by the competitors and Teknosa's strong bargaining power against its suppliers on a lower growth market

The spike in 1Q14 OPEX is to be temporary...

- OPEX elevated by the re-launch of Kliksa & higher rent expenses due to weak TL
- Forward agreements are to shield rents from FX volatilities going forward

Trough point hit in the CCI since March 2010...

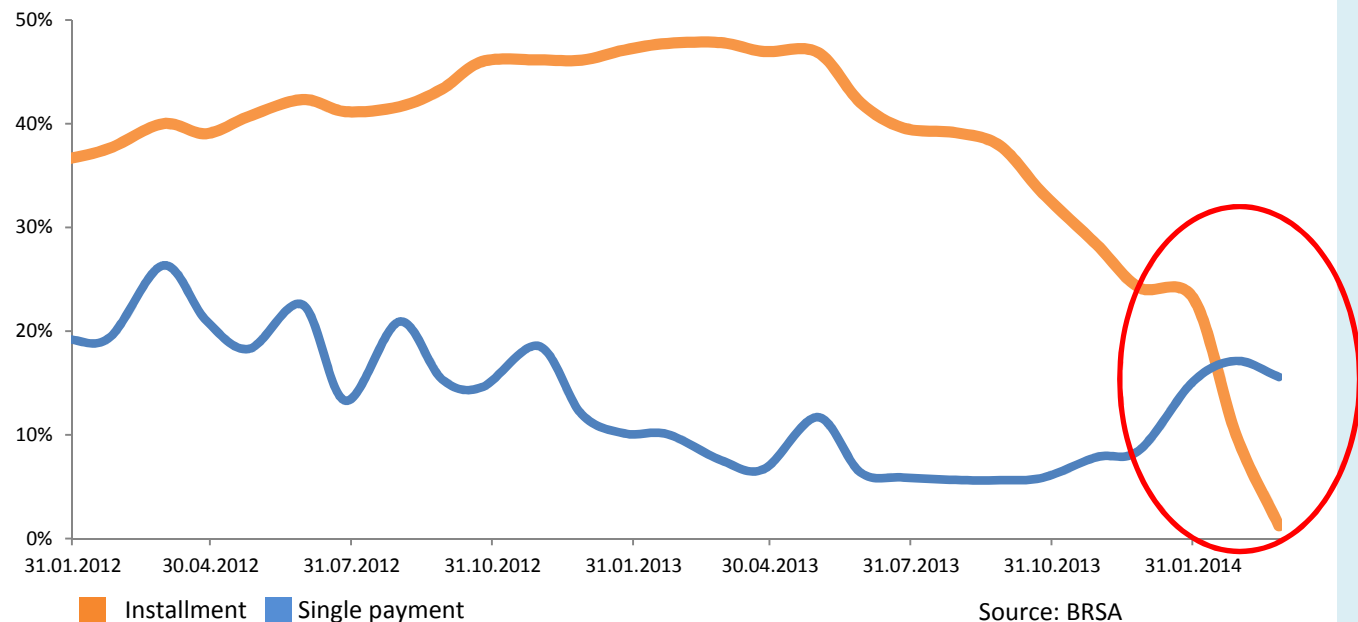
- Due to increased political tensions prior to the elections and the rise in FX rates, the Consumer Confidence Index hit a new trough point in February at 69.2 since March 2010, exceeding the previous low point hit on October 2012 at 69.3.



Effects of the new law on credit cards...

- The new law on credit cards, made a bigger than anticipated impact on demand.
- The sharp drop in growth of installment payments after January-end & the rise in single payments after December suggest that the consumers perceived that installment payments were lifted from all products.

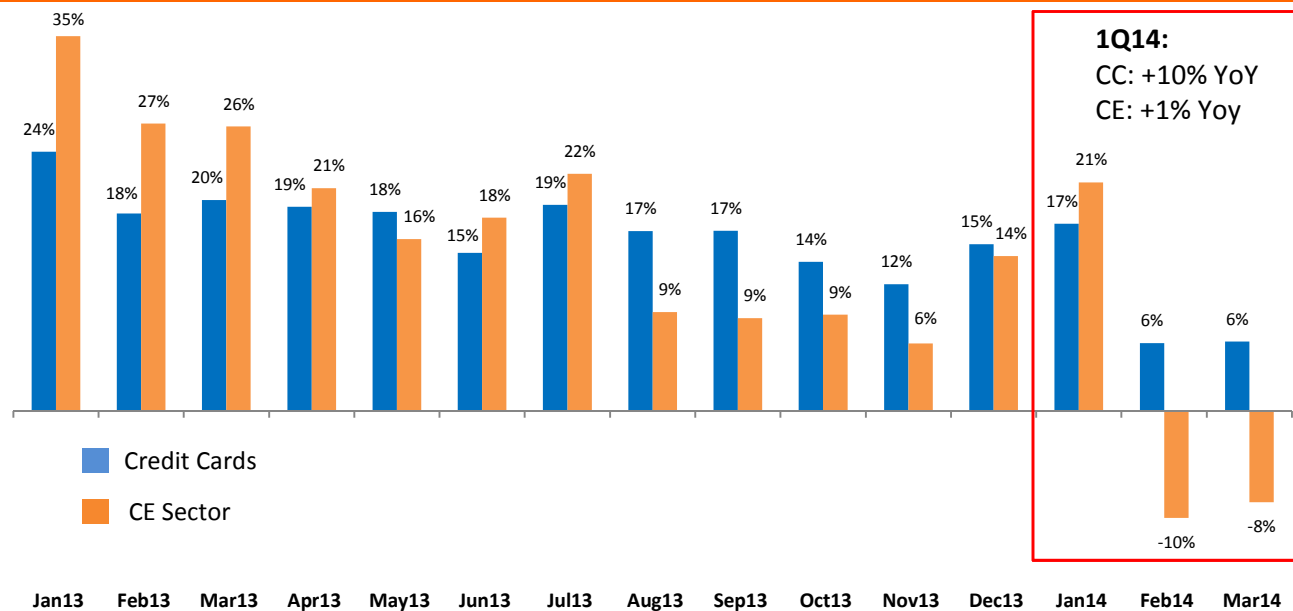
YoY Growth Rates on Monthly Credit Card Balance



Effects of the new law on credit cards...

- In addition to curbing 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.

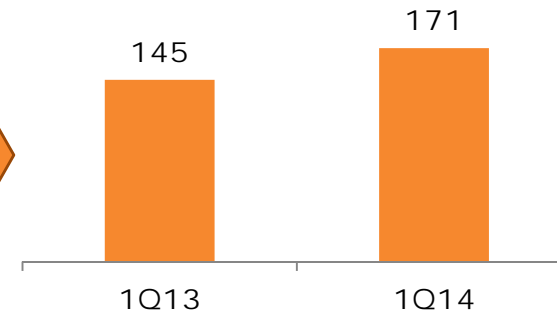
YoY Growth Rates of Credit Card and CE Sector Spending



Source: Interbank Card Center

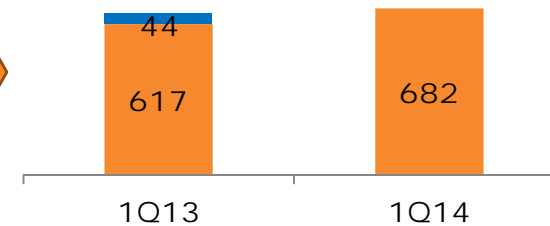
1Q14 Results

Net Sales Area (k m2)



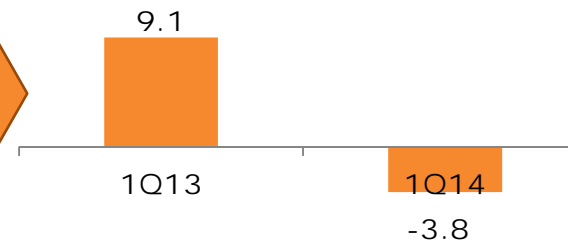
- Expansion in-line with guidance
- Dynamic portfolio management: 11 stores opened, 7 closed

Net Sales (M TL)



- Excluding the one-off wholesale in 1Q13, revenues are up 11% YoY
- Growth in on-line sales & new store openings

Net Profit (M TL)

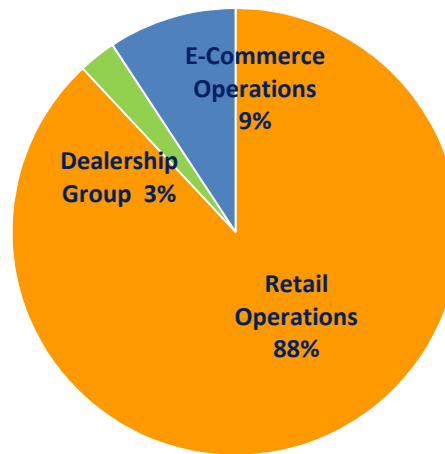


- The spike in rent & A&P costs coupled with 1Q14's low seasonality dragged the bottom-line to red

Operations

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

Revenue Breakdown as of 1Q14



Retail Operations



Revenue Breakdown by Product Groups as of 1Q14

- Consumer Electronics & Photo: 37% (2013: 37%)
- Telecom: 29% (2013: 28%)
- IT: 26% (2013: 27%)
- Other*: 8% (2013: 8%)

* Consists of major and small domestic appliances and warranty sales

Dealership Group



Revenue Breakdown by Product Groups as of 1Q14

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

E-trade Operations



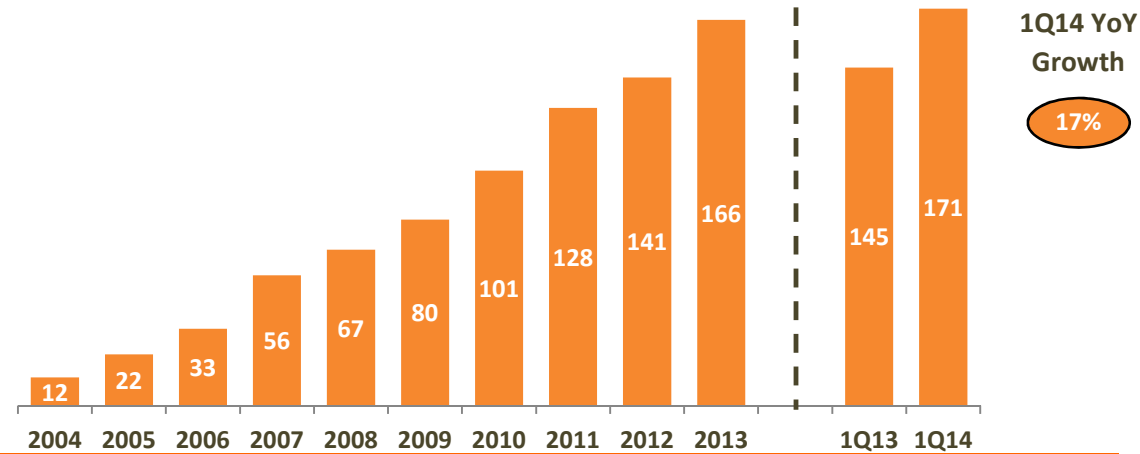
- Separate legal entity fully owned by Teknosa
- Started operations in March 2012



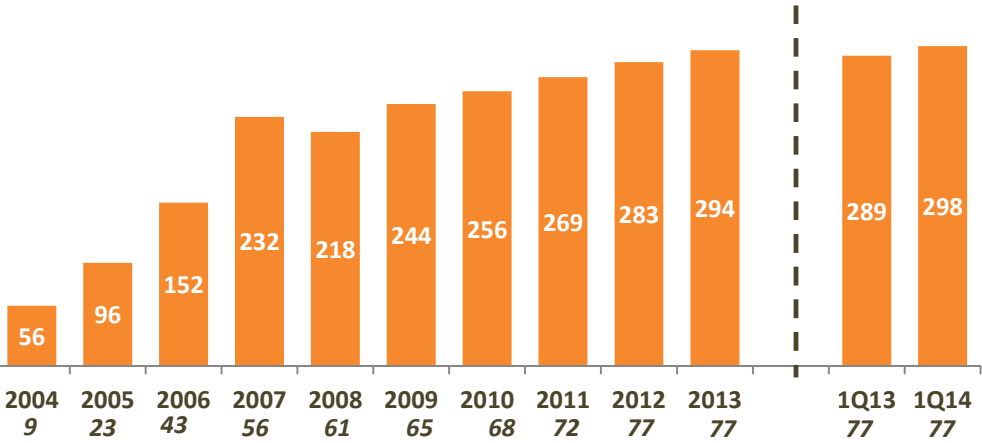
- Started operations in 2005

Rapid
Expansion
Through
Different
Store Formats

Net Sales Area (k m²)



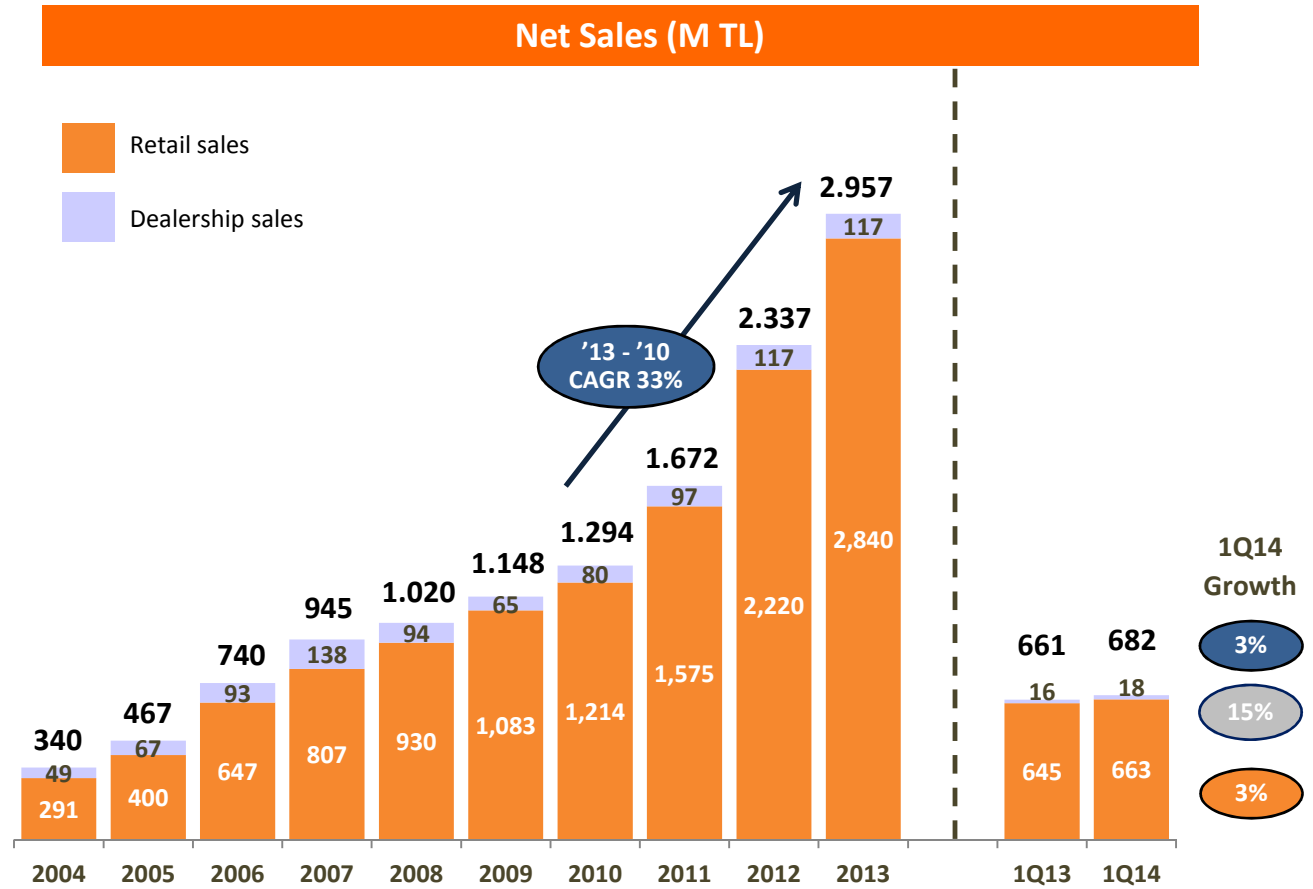
Number of Stores



of provinces:

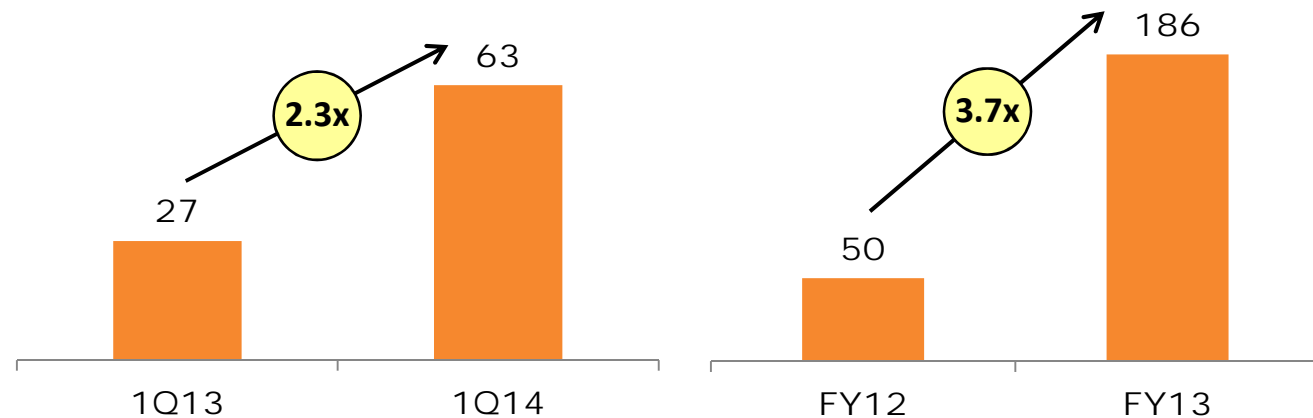
2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	1Q13	1Q14
9	23	43	56	61	65	68	72	77	77	77	77

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 re-launch of kliksa.com has been completed in 1Q14, making a positive impact on brand awareness & # of visitors (weekly visitors up by 40% in April)
- 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

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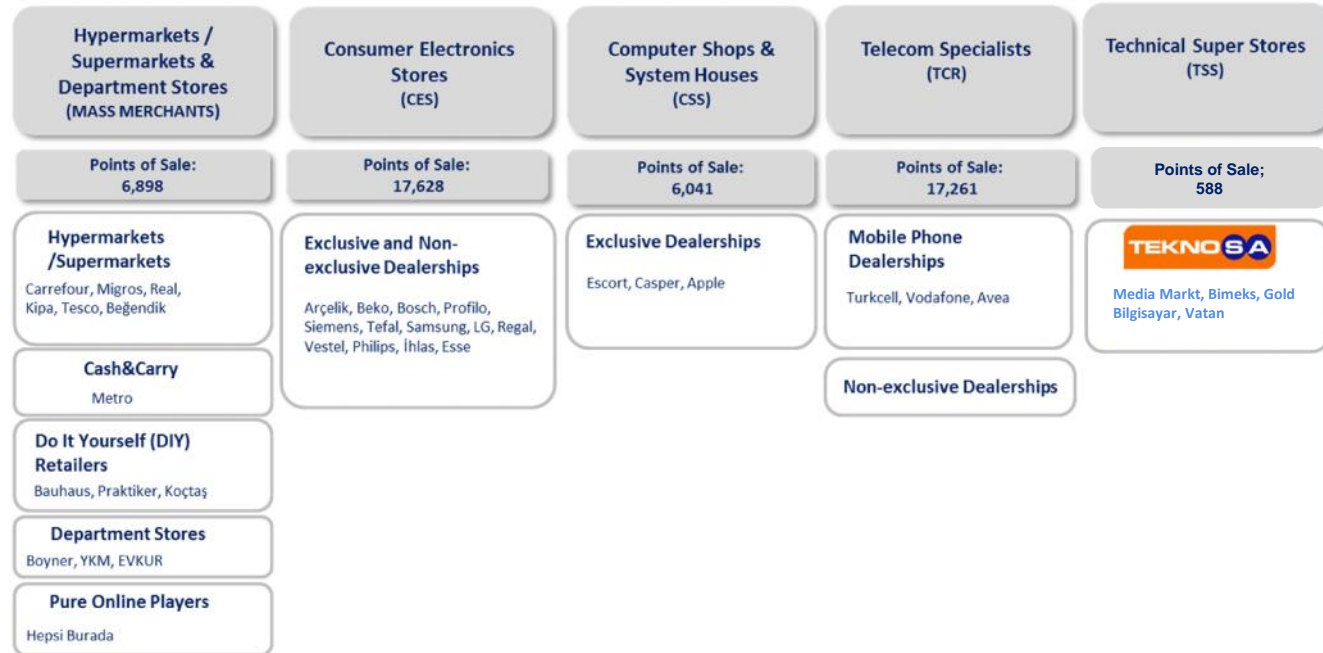
Electronics Retail Market

Financial Overview

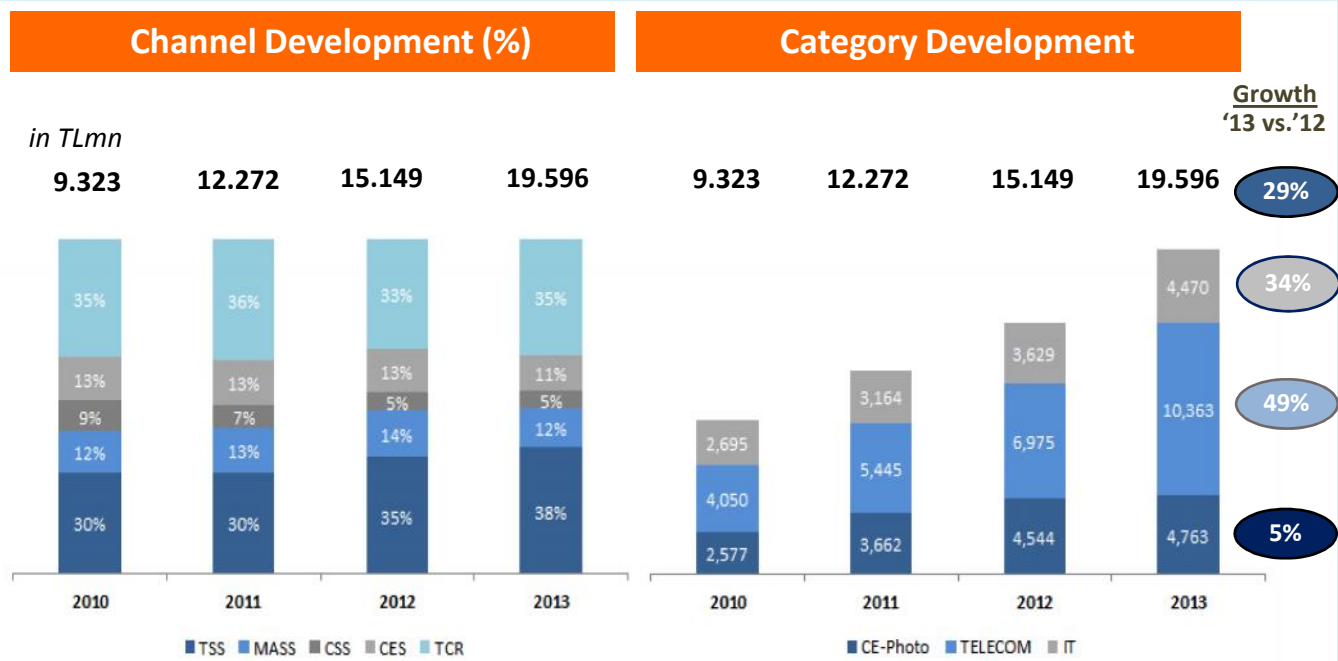
Year-end Guidance

Electronics Retail Market in Turkey

Sales Channels of Technical Consumer Goods Market (48.425 Sale Points)



Electronics Retail Market Channel & Category Development

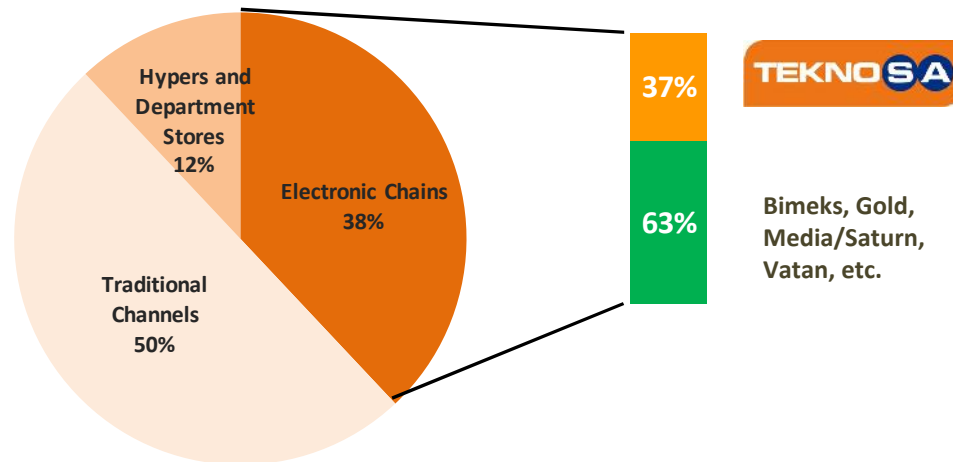


- 2013 electronics retail market size: TL19.6 billion (+29% YoY)
- Technology Super Stores channel ('TSS') share increased by 2.6pp in YoY
- Telecom Retailers' ('TCR') share increased by 1.6pp in YoY

Electronics Retail Market and Teknosa

- 2013 electronics retail market * TL 19.6 Billion (29%YoY)
- 2013 electronic market inc. MDA&SDA is up by 20% YoY to TL 30bn
- Technology Super Stores ('TSS') channel accounts for 38% of the total market
- Teknosa has 14% market share in the electronics retail market and 37 % channel share in TSS.

Electronics Retail Market Jan-Dec 2013 – Channel Shares



Source: GfK Panel Jan-Dec 2013

* GfK IT, Telecom, CE + Photo categories / Vatan is included in GfK research results starting from June 2012

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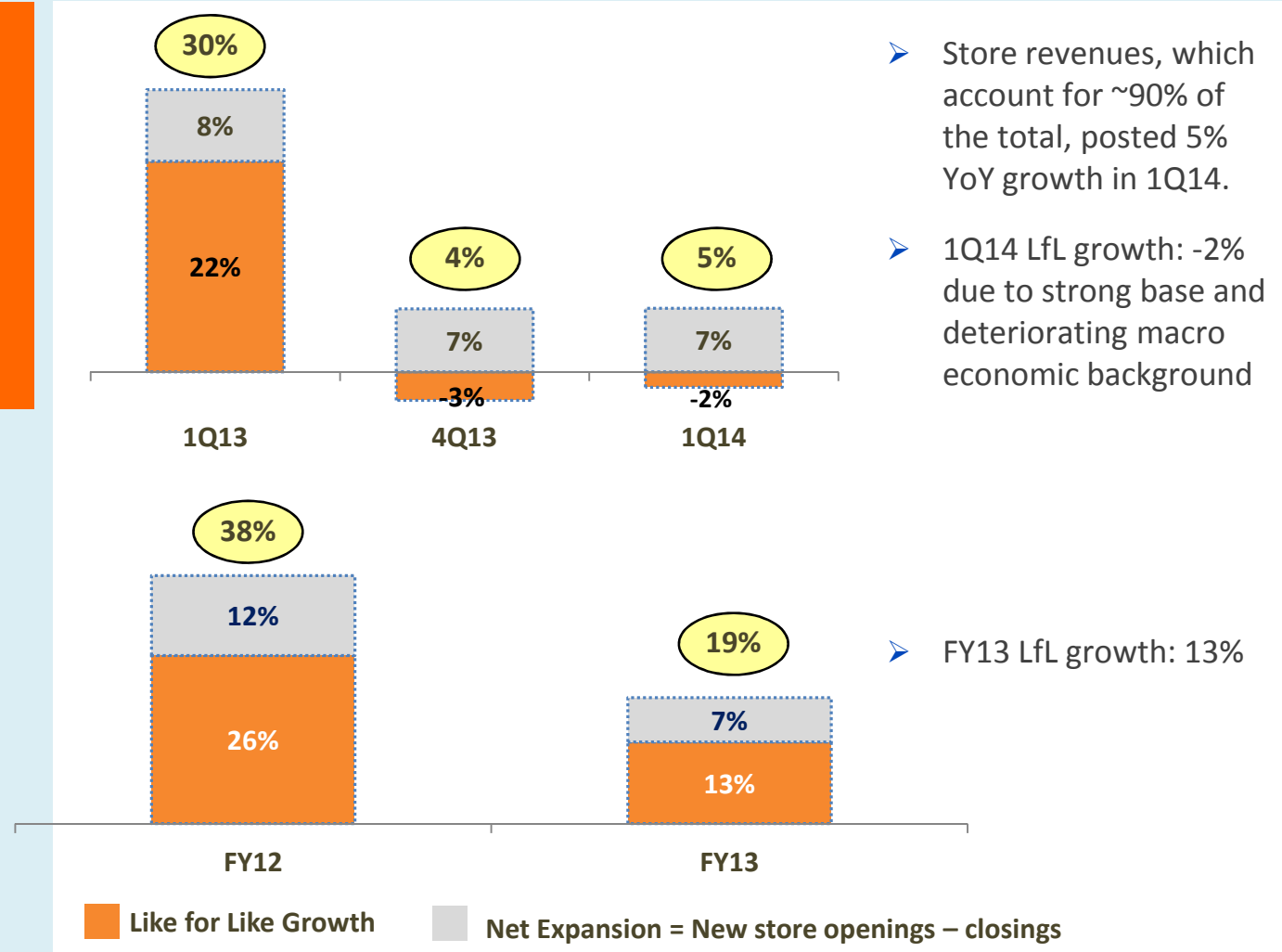
Year-end Guidance

Financial Highlights

Teknosa Summary Financials - Income Statement

(M TL)	1Q13	4Q13	1Q14	YoY (%)	QoQ (%)	FY12	FY13	YoY (%)
Net Sales	661	816	682	3%	-17%	2,333	2,957	27%
Gross Profit	117	152	130	12%	-14%	464	554	19%
Gross Profit Margin	17.6%	18.6%	19.1%	1.5pp	0.5pp	19.9%	18.7%	-1.1pp
EBITDAR	55	74	55	0%	-25%	233	271	16%
EBITDAR Margin	8.4%	9.0%	8.1%	-0.3pp	-0.9pp	10.0%	9.1%	-0.8pp
EBITDA	25	35	14	-45%	-61%	117	133	13%
EBITDA Margin	3.8%	4.3%	2.0%	-1.7pp	-2.2pp	5.0%	4.5%	-0.5pp
Other Expenses	-3	2	-4	58%	-76%	-12	-13	9%
Financial Expenses	-3	-13	-5	32%	-102%	-15	-17	12%
Profit Before Tax	12	15	-5	-139%	-130%	65	70	9%
Tax	-3	-4	1	-131%	-124%	-14	-14	-3%
Net Profit	9	12	-4	-142%	-132%	51	57	12%
Net Profit Margin	1.4%	1.4%	-0.6%	-1.9pp	-2.0pp	2.0%	1.9%	-0.1pp

Retail Operations Revenue Growth Analysis



Key Performance Indicators (Retail Operations)

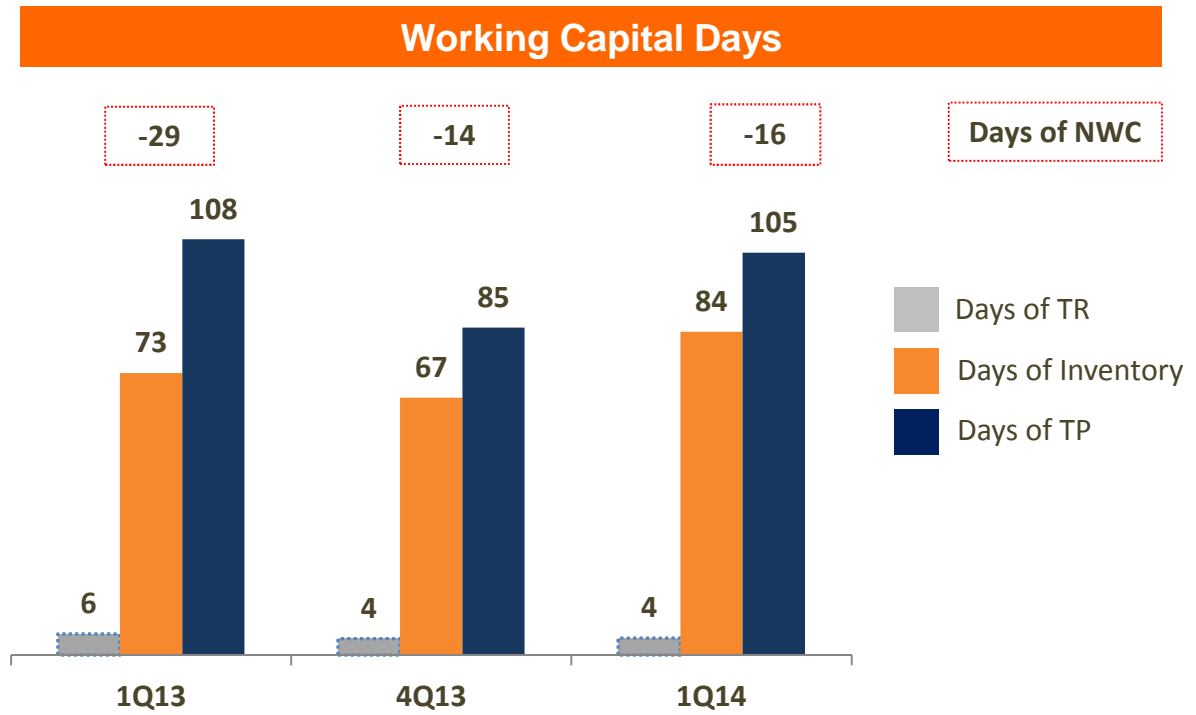
	Teknosa Key Performance Indicators (Retail Operations)							
	1Q13	4Q13	1Q14	YoY (%)	QoQ (%)	FY12	FY13	YoY (%)
Number of Provinces (@ period end)	77	77	77	0%	0%	77	77	0%
Net Sales Area (k m ² @ period end)	145	166	171	17%	3%	145	171	17%
Number of Stores (@ period end)	289	294	298	3%	1%	289	298	3%
Number of Visitors (in m. persons)	27	29	27	-1%	-8%	100	108	8%
Number of Customers (in m. persons)	2.1	2.3	1.8	-13%	-21%	8.0	8.5	6%
Conversion Rate	7.7%	7.9%	6.8%	-0.9pp	-1.1pp	8.0%	7.9%	-0.1pp
Average Basket Size (TL)	276	321	340	24%	6%	271	307	13%

- Teknosa stores were visited by 27 million people in 1Q14 (-1% YoY)
- The drop in CCI made a negative impact on the conversion rate in 1Q14 as customers postponed demand
- Teknosa has the highest penetration among Technical Super Stores with **298 stores in 77 provinces** and 171k m2 net sales area as of 1Q14
- Flexible business model with **multi store formats allows** maximize penetration and footprint

Balance Sheet

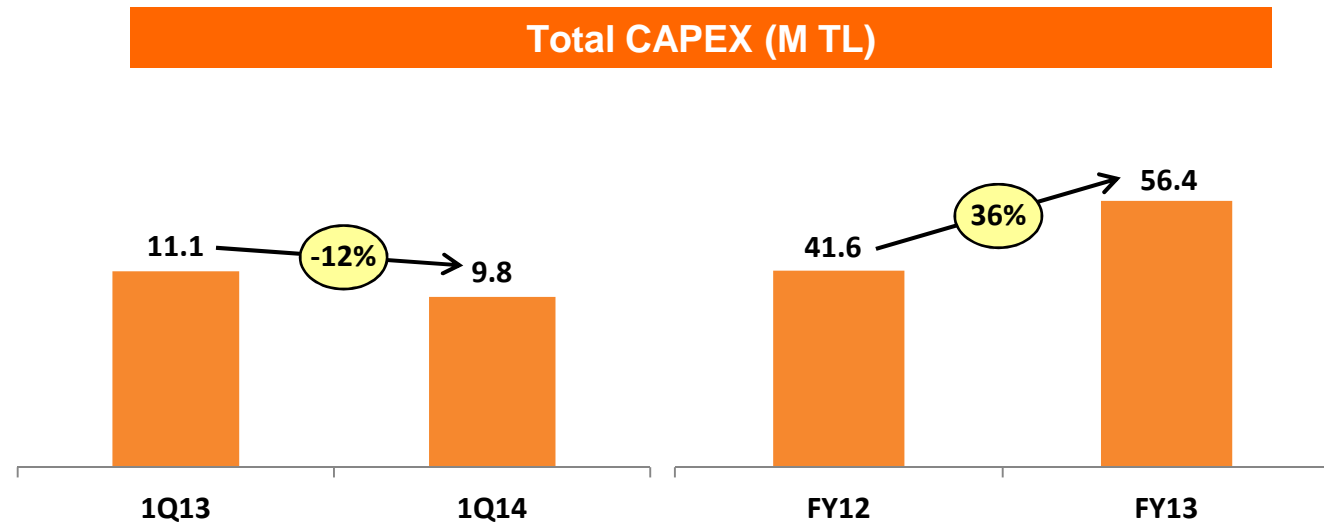
Assets (in M TL)	Mar.13	Dec.13	Mar.14
Current Assets	669	900	685
Cash and Cash Equivalents	167	320	113
Due From Related Parties	0	0	1
Trade Receivables	36	39	27
Inventories	422	511	520
Other Current Assets	44	29	24
Non-current Assets	131	156	159
Investment Property	11	11	11
Property, Plant and Equipment	98	114	115
Intangible Assets	10	15	16
Deferred Income Tax Assets	3	7	9
Other Non-current Assets	10	8	8
Total Assets	800	1,056	844
Liabilities (in M TL)	Mar.13	Dec.13	Mar.14
Current Liabilities	593	800	636
Financial Liabilities	0	0	0
Due to Related Parties	2	2	2
Trade Payables	517	740	541
Other Current Liabilities	75	58	92
Non-current Liabilities	2	3	4
Total Equity	205	253	205
Total Liabilities	800	1,056	844

Working Capital



- Negative working capital allows Teknosa to generate positive cash flow in tandem with growth
- 1Q14 NWC is in-line with our target net -15 days of NWC in our planning

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 some shopping mall projects led to lower than expected CAPEX in 1Q14

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Macroeconomic Indicators

Indicator	2012	2013	2014E
GDP growth	2.2%	4.0%	2.0%
Private Consumption	-0.6%	4.6%	1.1%
CPI Inflation	6.2%	7.4%	7.8%
USD/TL rate (y.e.)	1.78	2.13	2.40
USD/TL rate (avg)	1.80	1.91	2.28

Sector and Teknosa in 2014

- Slower sector growth in 2014
 - Macro environment and consumer confidence
 - Regulations in consumer financing

- On the positive side
 - Macro stability expected in the second half of the year
 - New product launches in April-May
 - World Cup in June 2014, boosting TV sales
 - New consumer financing models to be introduced soon

- Teknosa expects growth over the market
 - Store expansion
 - Strong LfL thanks to consolidation and brand equity
 - Strong growth in e-commerce activities

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 1Q14
- On-line sales up by 131% YoY

Aftersales services

- The share of after-sale services in retail revenues reached 2.3% in 1Q14, quadrupling YoY in TL terms

Customer centricity

- 4.1m loyalty customers in 1Q14, compared to 3.8m in FY13

Consumer financing models

- New consumer financing models are to be launched in May

Tactical opportunities

- Strong cash position effectively used with suppliers for more favorable terms, which also reflected to the gross margin

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	190-195
Net Sales (TL mn)	2,900 – 3,000	2,957	4,000	3,500 - 3,850
Growth (%)	25%-30%	27%	30%-35%	20%-30%
LFL Growth (%)	15%-20%	13%	10-15%	10%
EBITDA (%)	4,5%-4,7%	4.5%	4,2%-4,7%	4.0%-4.5%
Capital Expenditures (TL mn)	60-65	56	60	60

Note: EBITDA excludes Other Income/Expenses

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Contact Information:

Erman Tutuncuoglu – Head of Investor Relations

+90 (216) 468 32 29

etutuncuoglu@teknosa.com

IR web page: <http://yatirimci.teknosa.com/homepage>

IR e-mail: yatirimciiliskileri@teknosa.com

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