Investor Presentation

Teknosa İç ve Dış Ticaret A.Ş.

4Q14 Results

«Turkey's Leading Electronic Retailer»

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February 16, 2015

Agenda

- Results at a Glance
- Electronics Retail Market
- Financial Overview
- Year-end Guidance

Main messages

LfL trend reversed to flat in 4Q14...

- Despite low consumer confidence, -0.6% LfL achieved in 4Q14, following -9% in 3Q14

Strong e-commerce performance maintained...

- E-commerce sales maintained strong growth trend with 41% YoY increase in 4Q14 to TL 93mn
- 10% of Net Sales in FY14; from 6% in FY13

Improvement in OPEX/Sales ratio continued in 4Q14...

- Further cost cutting measures led to 1.3pps QoQ improvement in OPEX/Sales ratio

EBITDA margin maintained at 3.4%, in spite of stiff competition...

- Despite rising competition fueled by high seasonality, 3.4% EBITDA margin sustained in 4Q14 thanks to cost cutting measures

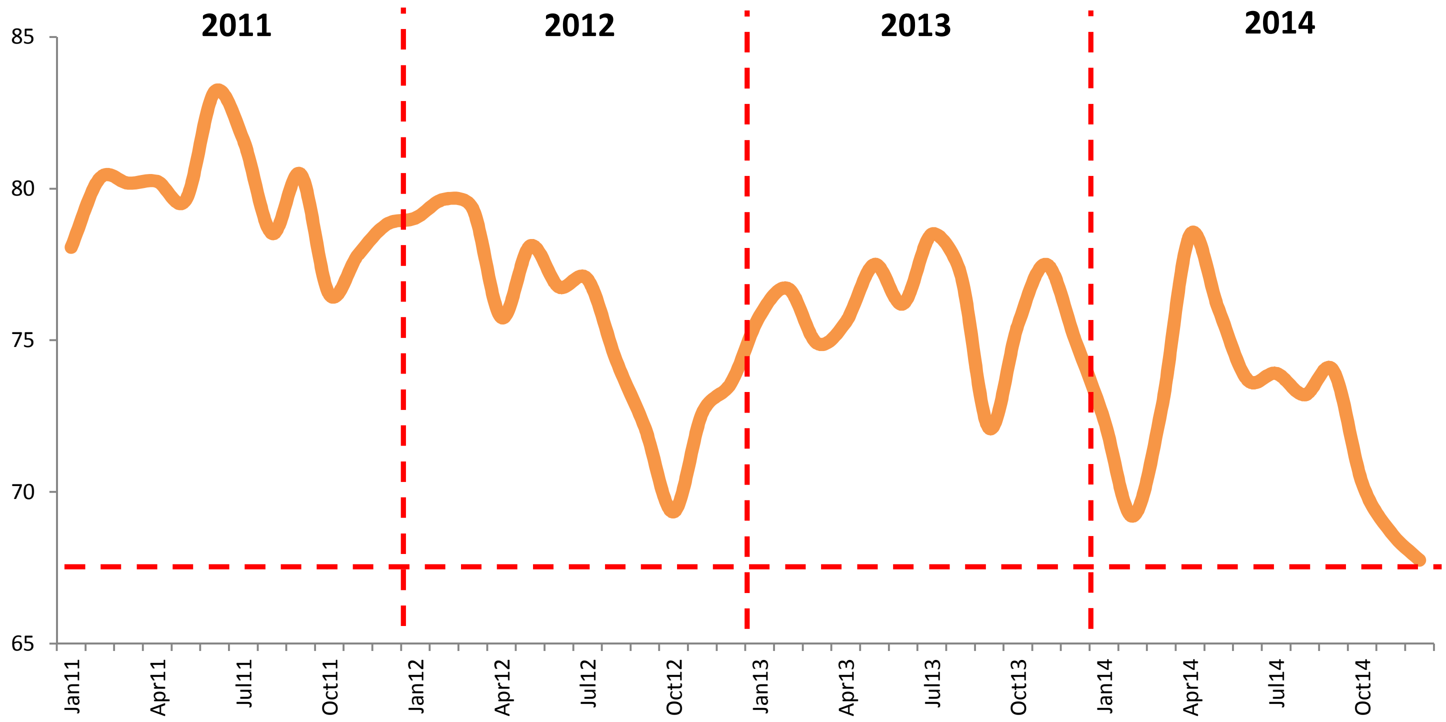
Adjusted net income for 4Q14 amounts to TL -0.2mn...

- Adjusted net income stands at TL -0.2mn in 4Q14 and TL -9.9mn in FY14
- One-off expenses regarding store closures and 2015 provisions for closures weighed down the bottom-line

CCI slumped to a new low in 4Q14…

- 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

Consumer Confidence Index

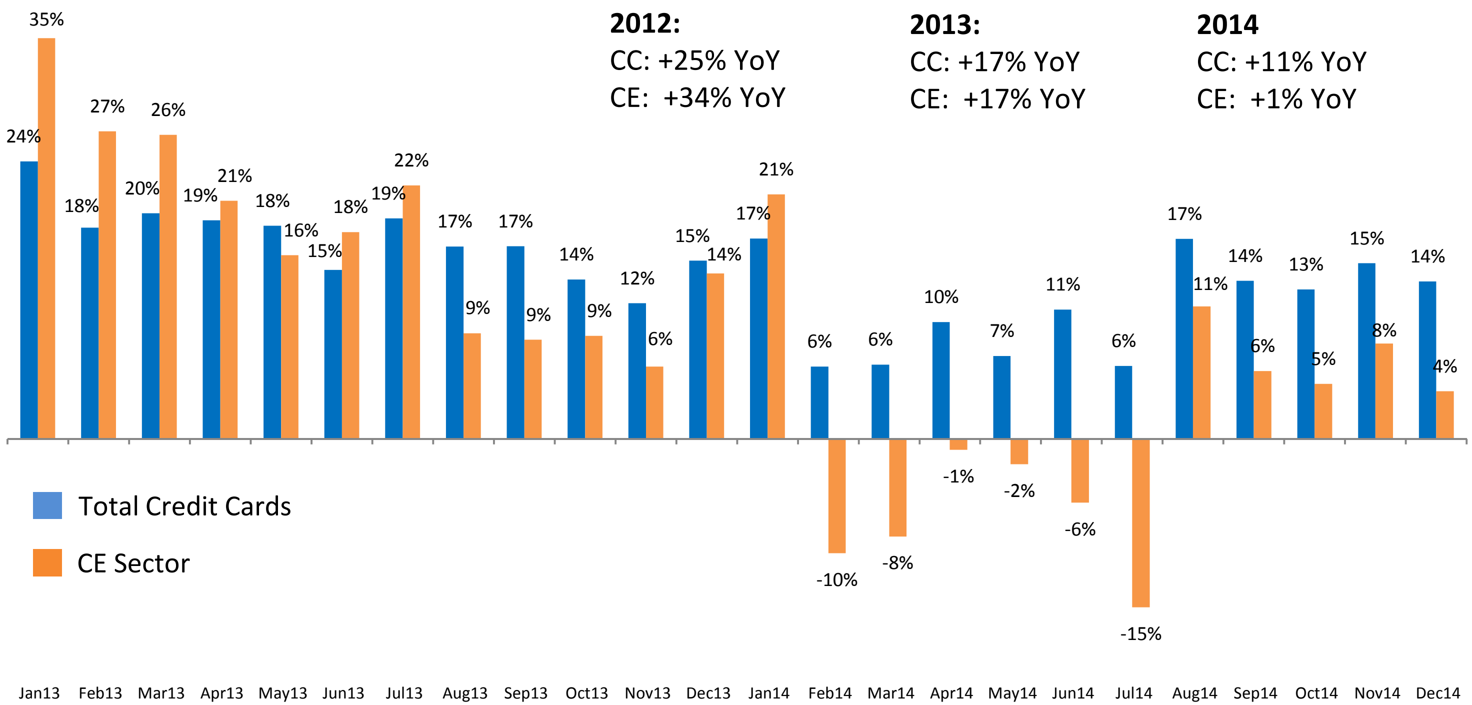


Source: TUIK

Consumer adjustment to the new law close to completion…

- Consumer electronics spending via credit cards displayed 6% YoY growth in 4Q14, following the lackluster performance between February and July
- 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

YoY Growth Rates of Credit Card Total and CE Sector Spending

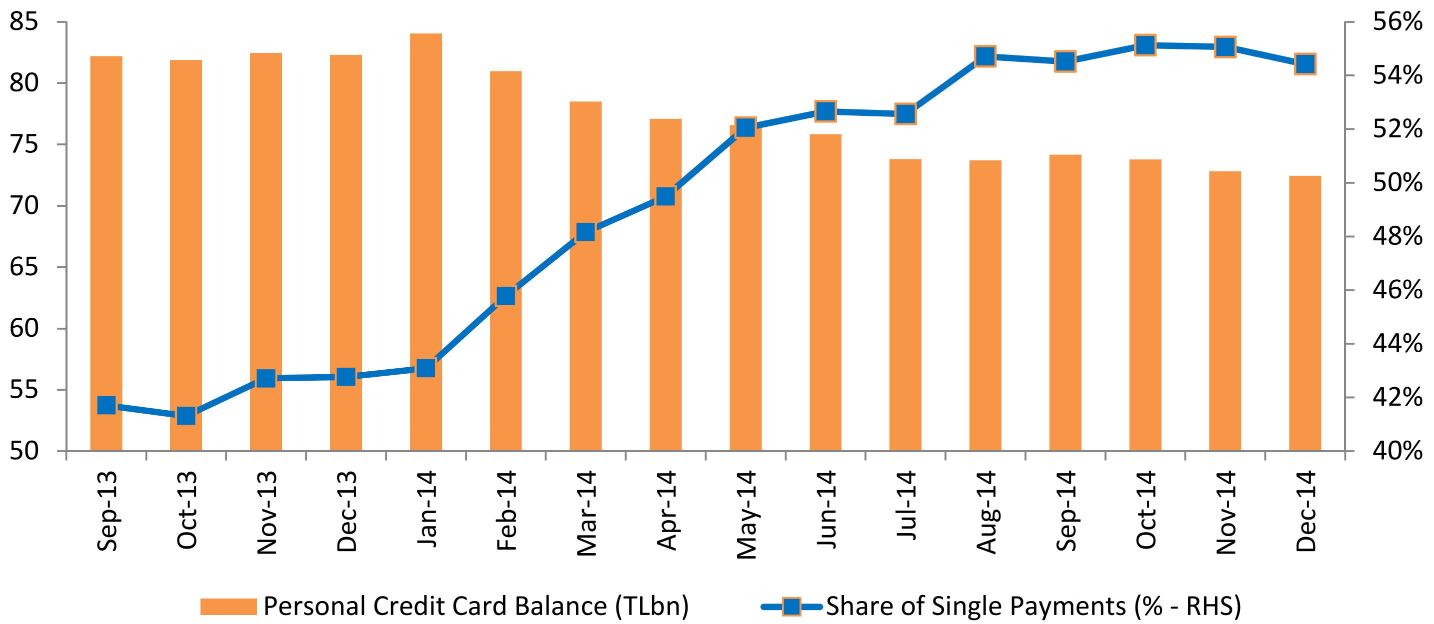


Source: Interbank Card Center

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 projects is also here, rendering Teknosa as the first & only Electronic 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 more than 100mn people each year
- ✓ ~1mn mobile phones sold in 2014, which is to be further boosted with Teknosa Mobil

Benefits of the MVNO…

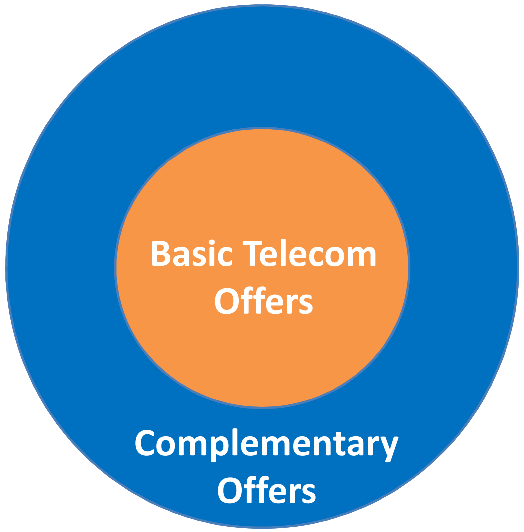
- **To offer a «one-stop-shop» experience for the customers where the product and the related services are offered under one roof**

  - ✓ 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

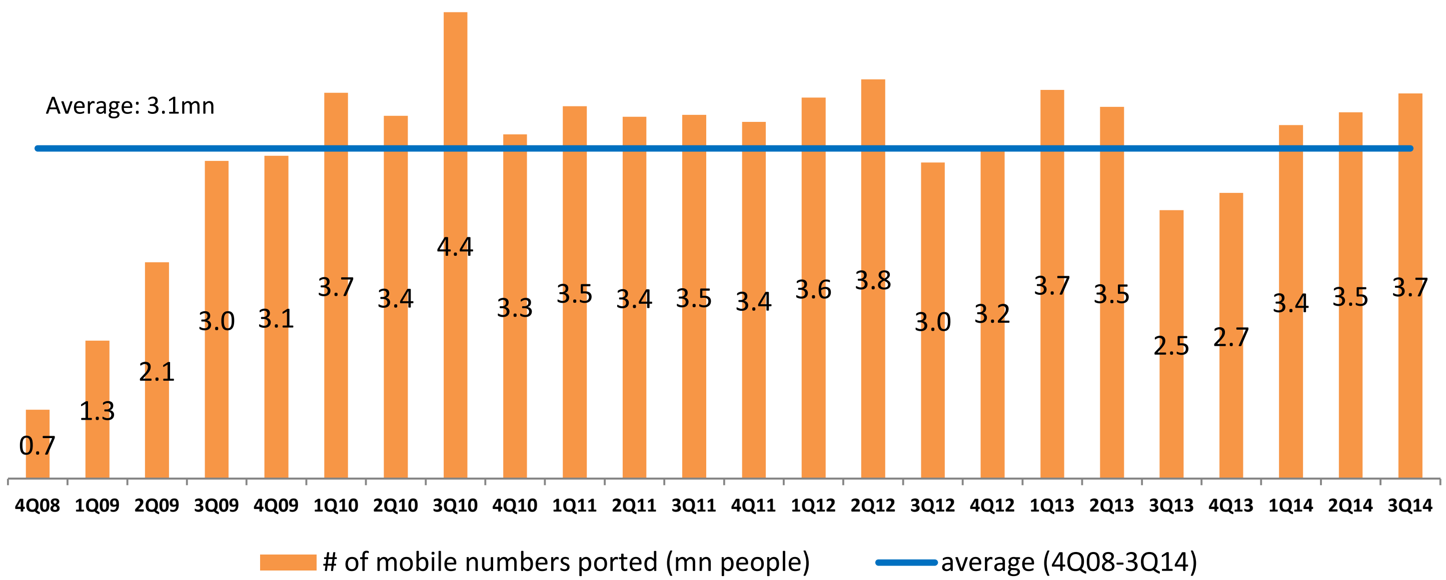
Pioneer Products

- 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 9M14, there are 71.9mn subscribers in the sector
- Mobile penetration stands at 94% in Turkey as of 3Q14, indicating further growth potential compared to 136% 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

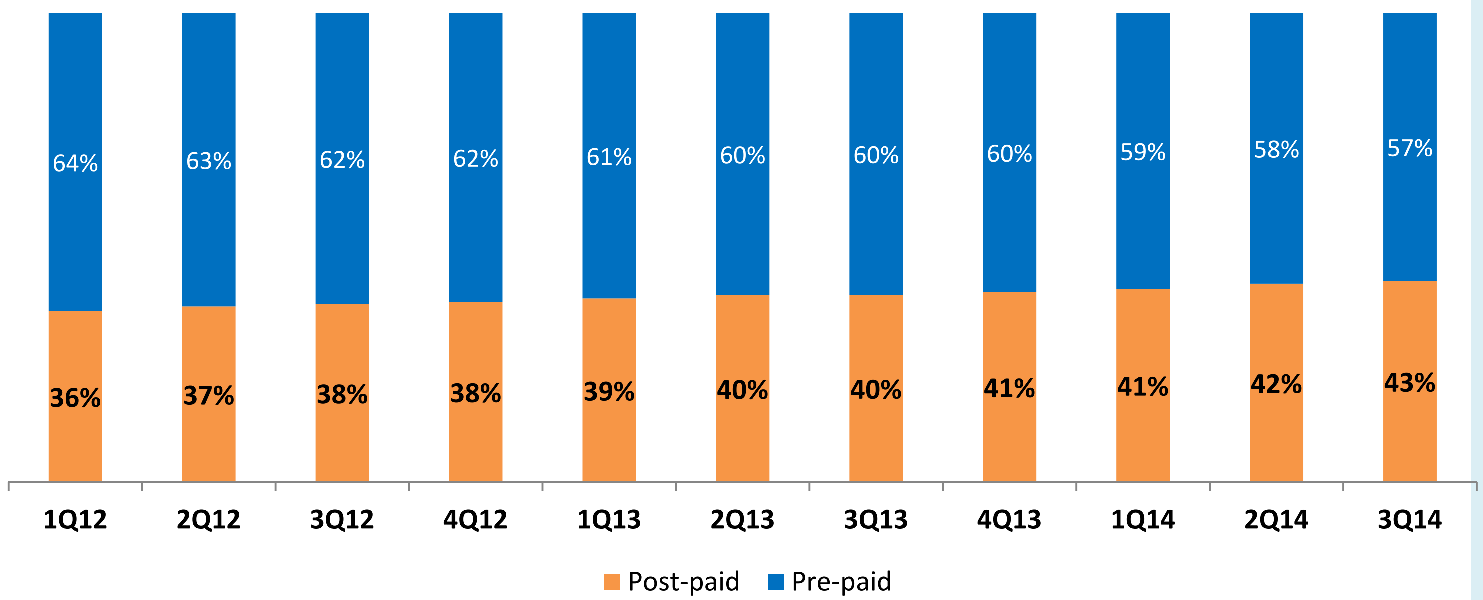


Source: Information and Communication Technologies Authority

Higher value post paid customers are increasing...

- The share of post-paid subscribers increased by 6.5pps since 1Q12, reaching 43% in 3Q14, supporting our strategy of only offering post-paid contracts
- The share of post-paid contracts in Turkey points out to further growth opportunities, vis-a-vis 60% average in major EU countries
- Post paid subscribers also complement our strategy to target the middle segment

Breakdown of Post-Paid / Pre-Paid Subscribers



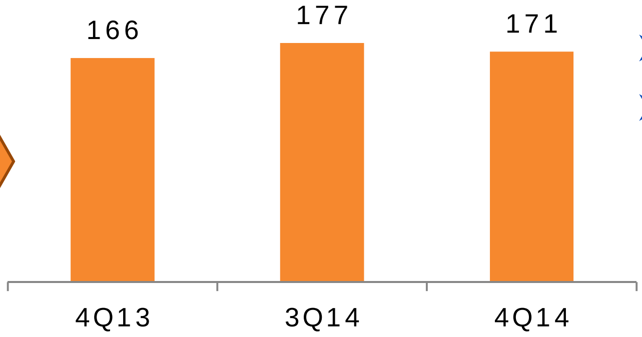
Source: Information and Communication Technologies Authority

TeknoFinans is to display faster growth with Akbank on board…

- 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 makes a positive impact on growth figures.
- The current numbers support our target of increasing the share of TeknoFinans to 10% of our sales.
- 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 fees.

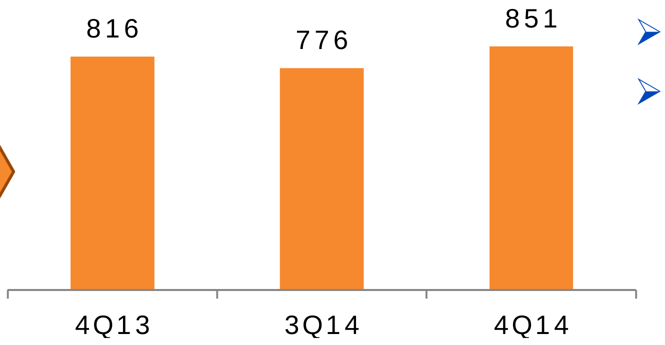
4Q14 Results

Net Sales Area ('000 m2)



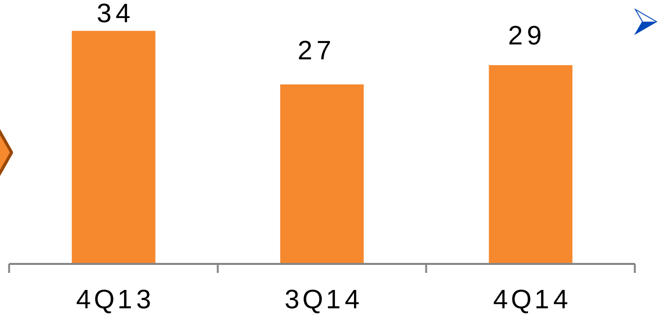
- +3% YoY growth
- 7 new stores opened while 16 low performing stores closed in 4Q14

Net Sales (M TL)



- +4% YoY growth
- Store closures limited top-line growth in the 4th quarter

EBITDA (M TL)

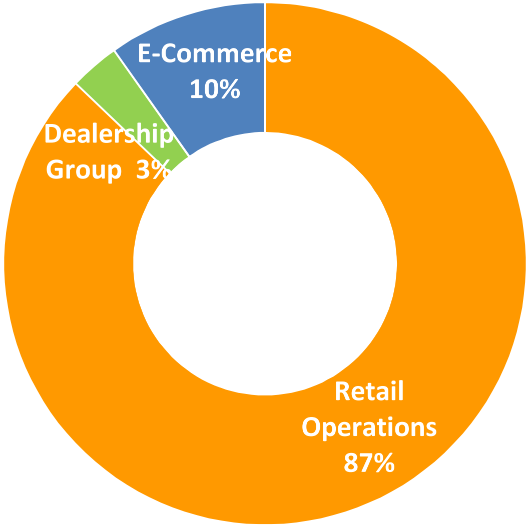


- Effective cost control supported EBITDA amidst the highly competitive environment

Revenues by activity

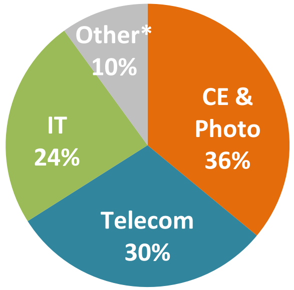
Teknosa operations are composed of Retail, Dealership and e-commerce activities

Revenue Breakdown as of FY14



Retail Operations

Revenue Breakdown by Product Groups as of FY14



* Consists of major and small domestic appliances and warranty sales

Dealership Group

Revenue Breakdown by Product Groups as of FY14

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

E-trade Operations

KLiKSA.com

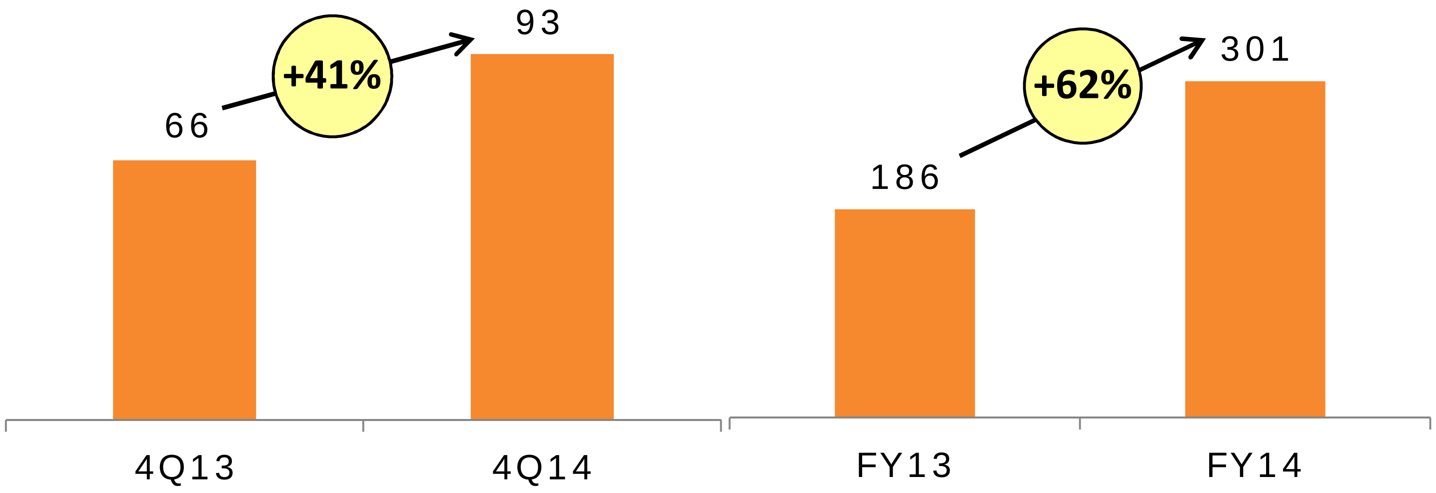
- Separate legal entity **fully owned by Teknosa**
- Started operations in **March 2012**

TEKNOSA.com

- Started operations in **2005**

Strong growth in e-commerce revenues…

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



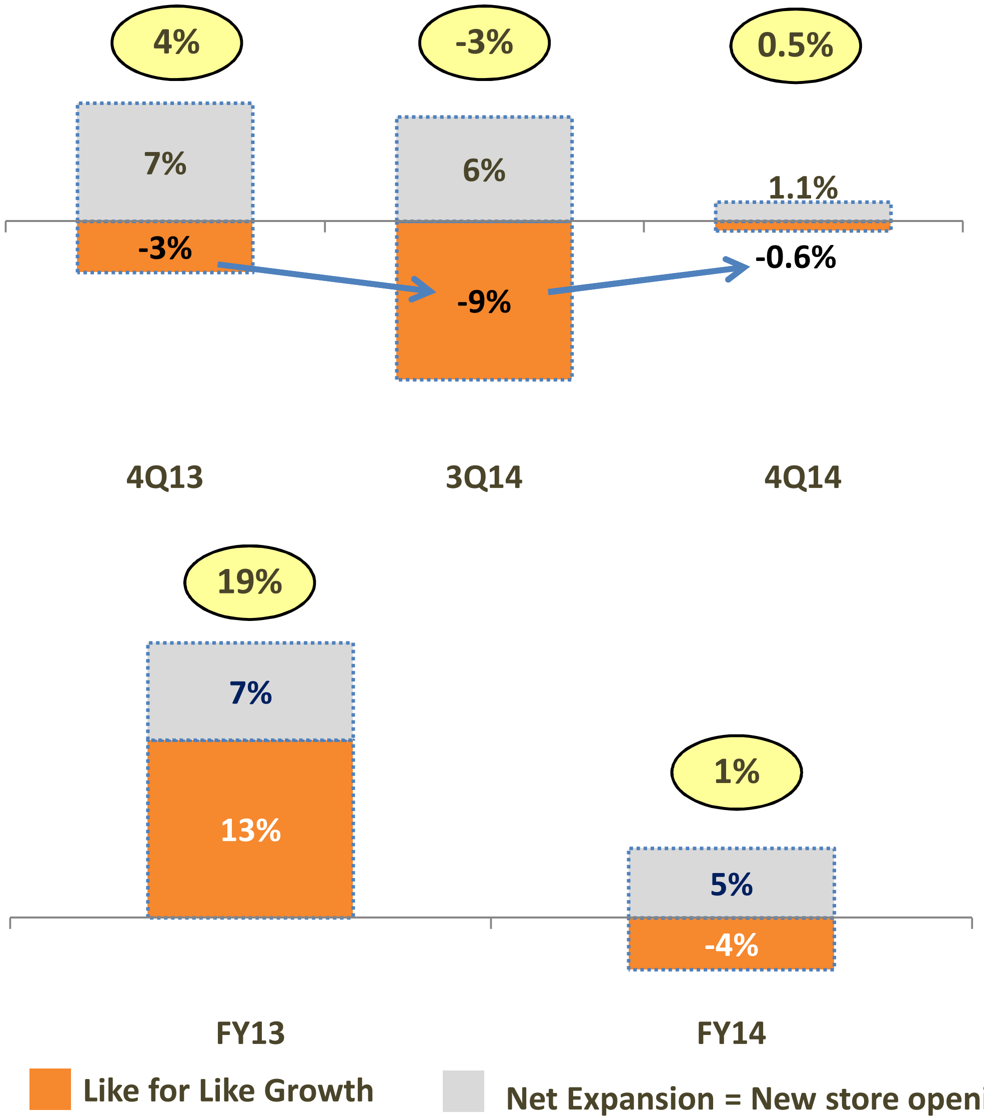
- Growth in e-commerce is expected to maintain the high pace
- E-commerce revenues are anticipated to exceed TL 400mn in 2015
- The share of e-commerce is to reach 25% of revenues over the next 5 years
- «Click & Collect» system fully integrated into teknosa.com
- Further investments in order to improve omni-channel model for teknosa.com and implement a marketplace model for kliksa.com
- Mobile applications are used by ~1mn users, constituting ~10% of internet sales

Key Performance Indicators (Retail Operations)

Teknosa Key Performance Indicators (Retail Operations)	4Q13	3Q14	4Q14	YoY (%)	QoQ (%)	FY13	FY14	YoY (%)
Number of Provinces	77	81	81	5%	0%	77	81	5%
Net Sales Area ('000 sqm)	166	177	171	3%	-4%	166	171	3%
Number of Stores	294	300	291	-1%	-3%	294	291	-1%
Number of Visitors (mn)	29	25	26	-11%	4%	108	101	-6%
Number of Customers (mn)	2.3	1.9	2.0	-13%	4%	8.5	7.5	-11%
Conversion Rate	7.9%	7.7%	7.7%	-0.2pp	0.0pp	7.9%	7.5%	-0.4pp
Average Basket Size (TL)	321	359	371	16%	3%	307	349	14%

- Teknosa has the highest penetration among Technical Super Stores with **291 stores in all 81 provinces of Turkey and 171k m2 net sales area** as of 4Q14
- Teknosa stores were visited by 26 million people in 4Q14 (+4% QoQ)
- Following the trough point hit in 1Q14 at 7.0% following the new law, 70bps improvement achieved throughout 2014 in conversion rate

Retail Operations Revenue Growth Analysis

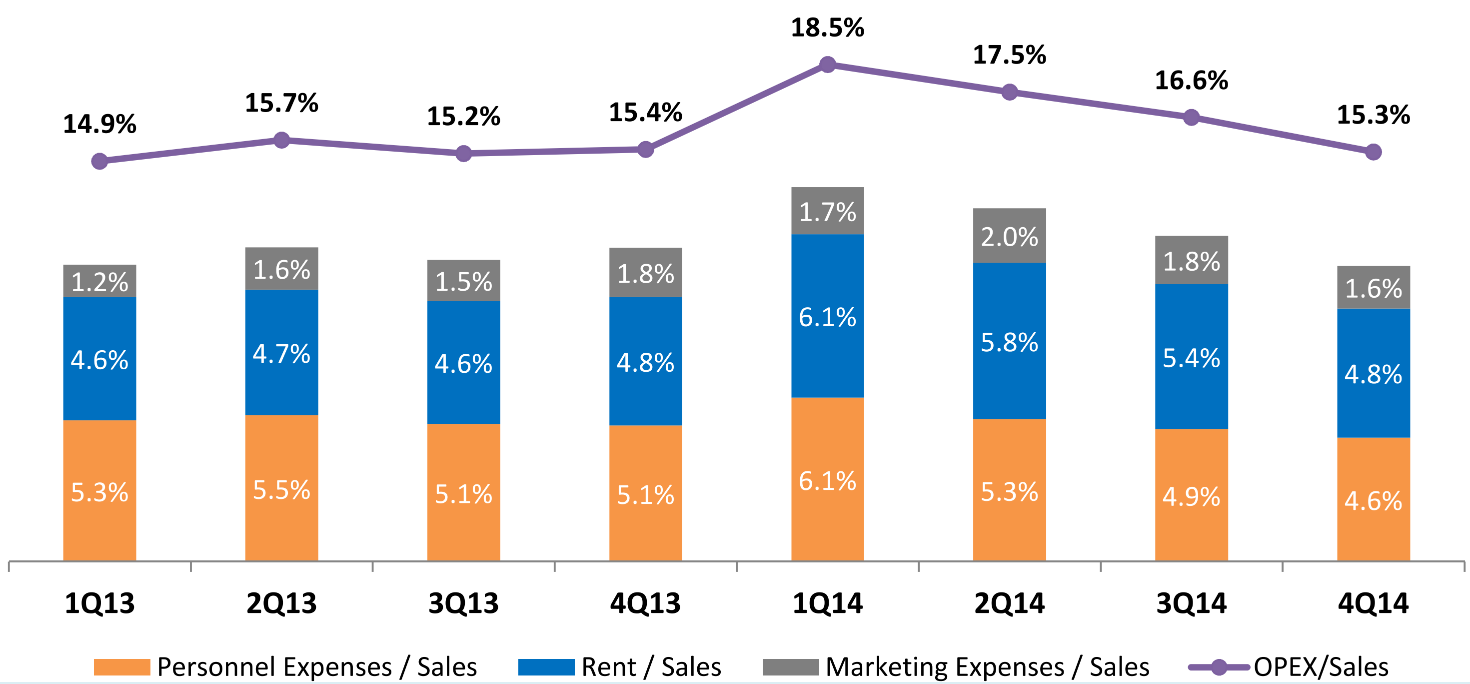


- LfL trend reversed to an almost flat level in 4Q14, despite the lowest consumer confidence level of last 4 years
- FY14 LfL growth: -4%

Quarterly OPEX Breakdown

- Reduction of the operational expenses goes in line with our plan
- Thanks to renegotiations, Rent/Sales ratio continued to improve from the peak in 1Q14; catching up the 4Q13 level in the quarter
- Further improvement in personnel costs through efficiency measures

Shares of Major OPEX Items in Net Sales



Agenda

Electronics Retail Market in Turkey

Sales Channels of Technical Consumer Goods Market

Hypermarkets / Supermarkets & Department Stores (MASS MERCHANTS)

Points of Sale: ~3K

Hypermarkets /Supermarkets
Carrefour, Migros, Real, Kipa, Tesco, Beğendik

Cash&Carry
Metro

Do It Yourself (DIY) Retailers
Bauhaus, Koçtaş, Tekzen

Department Stores
Boyner, YKM, EVKUR

Pure Online Players
Hepsi Burada, Hızlıal, E-Reyon

Consumer Electronics Stores (CES)

Points of Sale: ~18K

Exclusive and Non-exclusive Dealerships
Arçelik, Beko, Bosch, Profilo, Siemens, Tefal, Samsung, LG, Regal, Vestel, Philips, İhlas, Esse

Computer Shops & System Houses (CSS)

Points of Sale: ~6K

Exclusive Dealerships
Escort, Casper, Apple

Furniture / Kitchen Spec. (Furnkibaf)

Points of Sale: ~5K

Exclusive and Non-exclusive Dealerships
Ahşapsan, Alno, Arçelik, Berloni, Bianco, Demsaş, İntema (Vitra), Lineadekor, Scavolini etc.

Telecom Specialists (TCR)

Points of Sale: ~17K

Mobile Phone Dealerships
Turkcell, Vodafone, Avea

Non-exclusive Dealerships

Technical Super Stores (TSS)

Points of Sale: 606

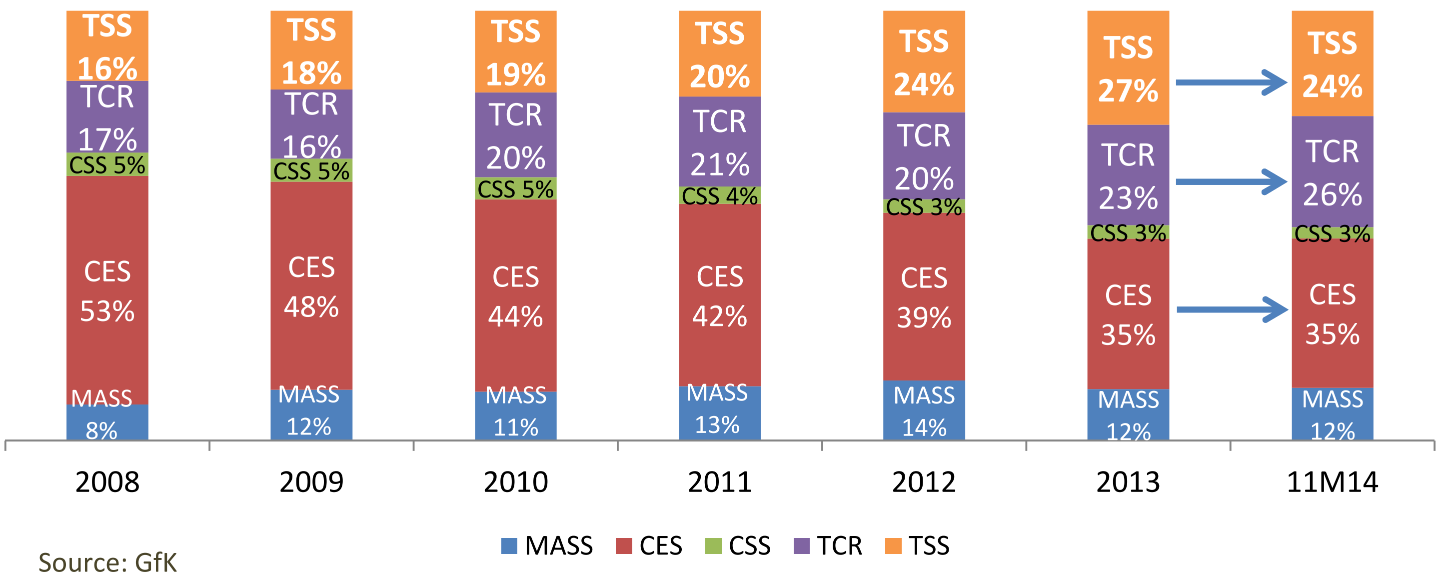
TEKNOSA
Media Markt, Bimeks, Gold Bilgisayar, Vatan

Source: GfK

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 11M14, 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)

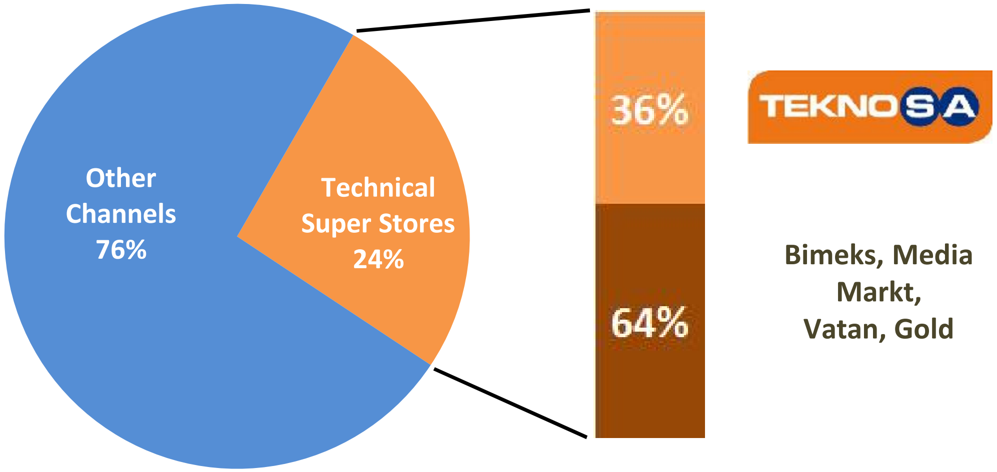


Source: GfK

Electronics Retail Market and Teknosa (11M14)

- As of 11M14, total market (CE, IT, Telecom, MDA, SDA) grew by 16% YoY, reaching TL 32bn
- Technical Super Stores (TSS) channel recorded 6% YoY growth in the same period to TL 7.8bn in the 5 major categories
- Teknosa retail sales were up by 7% YoY in 11M14, 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 11M14.

Electronics Retail Market (CE, IT, Telecom, MDA, SDA) – 11M14



Source: GfK

Agenda

Income Statement Summary

Teknosa Summary Income Statement

(M TL)	4Q13	3Q14	4Q14	YoY (%)	QoQ (%)	FY13	FY14	YoY (%)
Net Sales	**816**	**776**	**851**	**4%**	**10%**	**2,957**	**3,016**	**2%**
Gross Profit	**152**	**145**	**149**	**-2%**	**3%**	**554**	**551**	**0%**
Gross Profit Margin	***18.6%***	***18.7%***	***17.5%***	**-1.1pp**	**-1.2pp**	***18.7%***	***18.3%***	**-0.5pp**
EBITDAR	**73**	**68**	**70**	**-4%**	**3%**	**271**	**248**	**-9%**
EBITDAR Margin	***9.0%***	***8.8%***	***8.3%***	**-0.7pp**	**-0.6pp**	***9.2%***	***8.2%***	**-0.9pp**
EBITDA	**34**	**27**	**29**	**-15%**	**11%**	**133**	**82**	**-38%**
EBITDA Margin	***4.2%***	***3.4%***	***3.4%***	**-0.8pp**	**0.0pp**	***4.5%***	***2.7%***	**-1.8pp**
Other Expenses	-5	-9	-21	298%	133%	-13	-44	240%
Financial Expenses	-6	-5	-6	12%	17%	-17	-22	29%
Profit Before Tax	**15**	**2**	**-8**	**-154%**	**-467%**	**70**	**-24**	**-134%**
Tax	-4	0	1	-130%	-322%	-14	4	**-130%**
Net Profit	**12**	**2**	**-7**	**-161%**	**-507%**	**57**	**-20**	**-135%**
Adj. Net Profit(*)	***12***	***2***	***0***	**-101%**	**-109%**	**57**	**-10**	**-117%**
Adj. Net Profit Margin	***1.4%***	***0.2%***	***0.0%***	**-1.4pp**	**-0.2pp**	***1.9%***	***-0.3%***	**-2.2pp**

(*) Adjusted with one-offs regarding store closures and store closure provisions for 2015 (TL 7mn in 4Q14 & TL 10.1 mn in FY14)
Source: Independent Auditor’s report

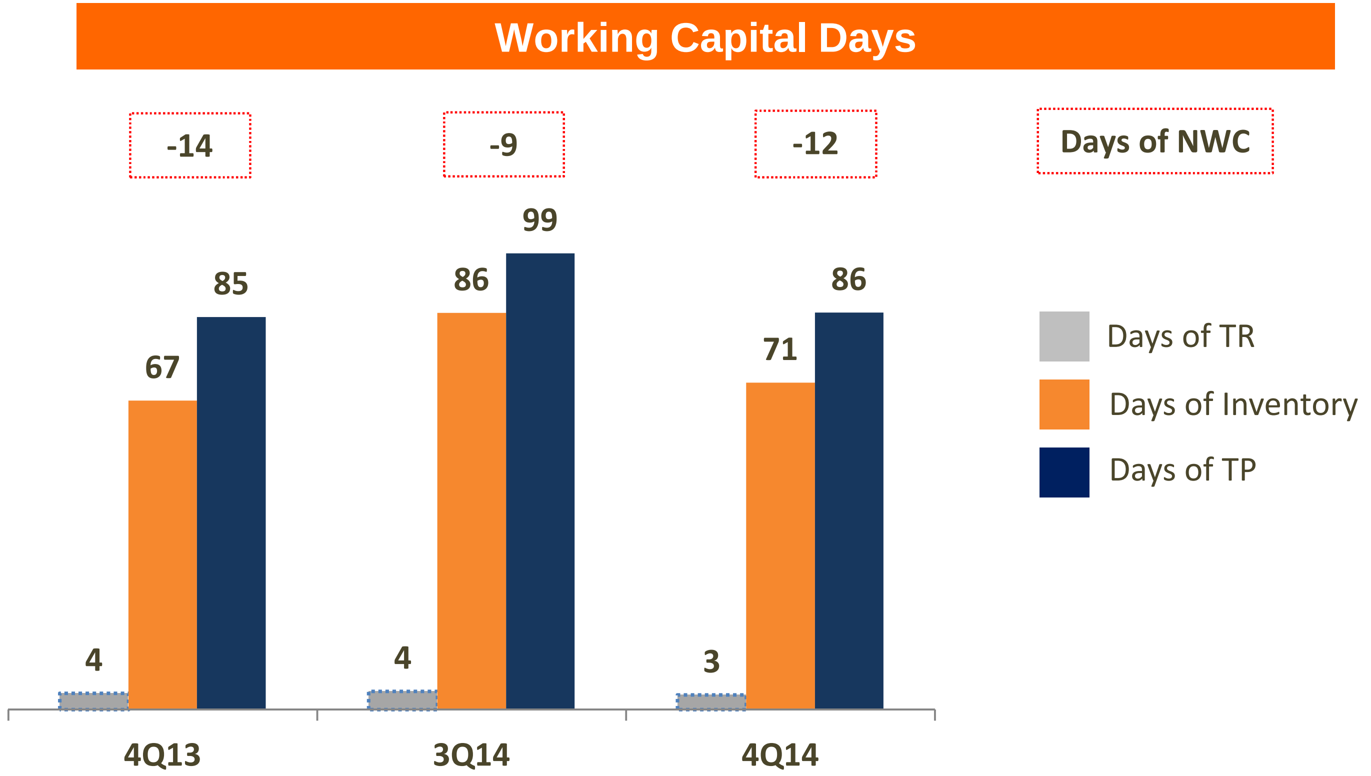
Balance Sheet Summary

Assets (in M TL)	Dec.13	Sep.14	Dec.14
Current Assets	**897**	**745**	**762**
Cash and Cash Equivalents	334	111	193
Due From Related Parties	0	3	4
Trade Receivables	25	32	24
Inventories	511	581	530
Other Current Assets	26	19	12
Non-current Assets	**159**	**177**	**187**
Investment Property	11	11	11
Property, Plant and Equipment	114	123	118
Intangible Assets	15	22	27
Deferred Income Tax Assets	7	14	16
Other Non-current Assets	12	7	15
Total Assets	**1,056**	**922**	**950**

Liabilities (in M TL)	Dec.13	Sep.14	Dec.14
Current Liabilities	**800**	**723**	**758**
Financial Liabilities	0	0	0
Due to Related Parties	2	3	7
Trade Payables	738	656	685
Other Current Liabilities	60	63	66
Non-current Liabilities	**3**	**4**	**3**
Total Equity	**253**	**195**	**188**
Total Liabilities	**1,056**	**922**	**950**

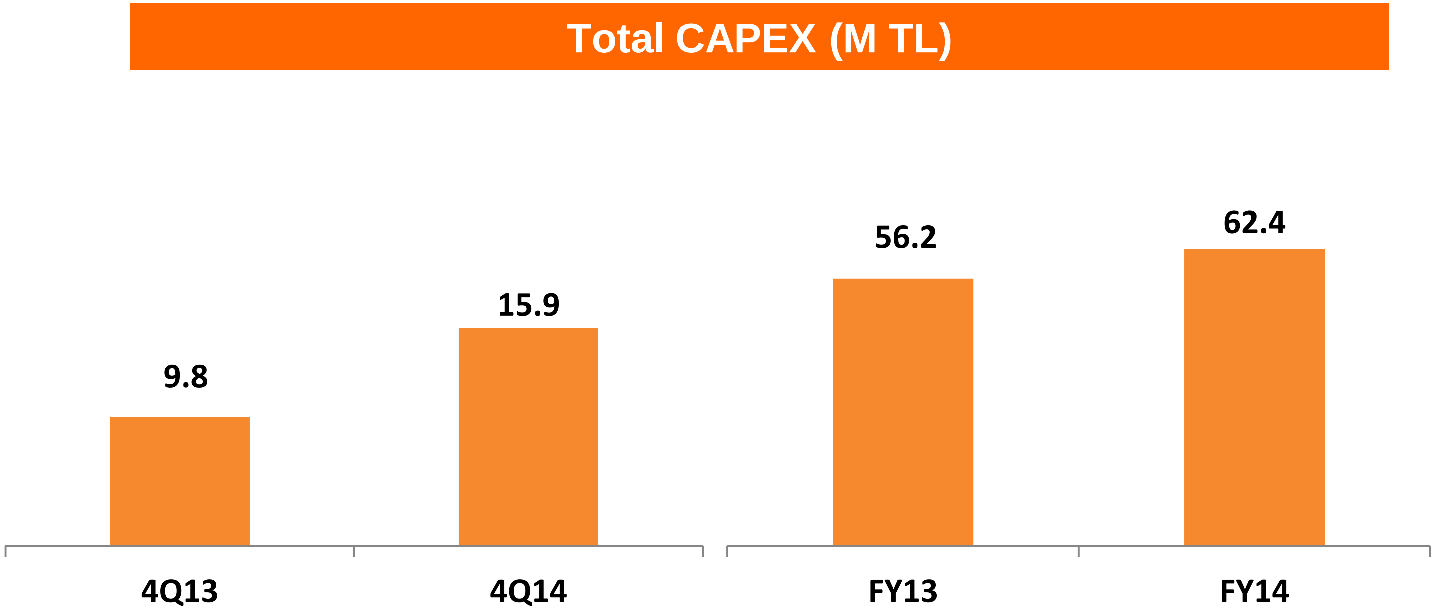
Source: Independent Auditor's report

Working Capital



- Negative working capital allows Teknosa to generate positive cash flow in tandem with growth
- Inventory Days improved back to historical levels in 4Q14

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.

Agenda

Macroeconomic Indicators

Indicator	2013	2014	2015E
GDP growth	4.1%	2.7%	3.0%
Private Consumption	5.1%	1.3%	3.0%
CPI Inflation	7.4%	8.2%	6.5%
USD/TL rate (y.e.)	2.13	2.32	2.59
USD/TL rate (avg)	1.92	2.19	2.50

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	➢ On-line sales up by 62% YoY to TL 301mn ➢ Net store space up by 3% YoY in FY14
Aftersales services	➢ Aftersales services increased to 1.5x of FY13 level
Customer centricity	➢ 4.4m loyalty customers in FY14, compared to 3.8m in FY13
Consumer financing models	➢ TeknoKredi fully launched in June with ING Bank, Kredi Ekspres also launched in October with Akbank .
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

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

2015 Full Year Financial Guidance

	2014 FORECAST	2014 ACTUAL	2015E
YE Net Sales Area (km2)	175	171	190
Net Sales (TL mn)	3,000 - 3,100	3,016	3,300
Growth (%)	1%-5%	2%	10%
LFL Growth (%)	*-4%*	*-4%*	*5%*
EBITDA (%)	*2.8%-3.2%*	*2.7%*	*3.0%-3.5%*
CAPEX(TL mn)	55-60	62	45-50

Note: EBITDA excludes Other Income/Expenses

Our 5 year growth plan…

	2015	2015-2020
Market Growth	**15%**	**10%-15%/yr**
YE Net Sales Area (km2)	**190**	**+20K sqm/yr**
TKNSA Top-line Growth (%)	**10%**	**~20%/yr**
LFL Growth (%)	**5%**	***10%-15%/yr***
EBITDA (%)	**3.0%-3.5%**	***4.0%-5.0%***
CAPEX (TL mn)	**45-50**	**~60**

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

- **~20% annual top-line growth targeted over the next 5 years…**

  -Add +20K sqm net selling area each year

  -Maintain a 10-15% LfL

Thank You

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