

## Retail

### FOOD RETAIL

*Food, the longest established segment in the retail sector, is becoming an increasingly attractive business in Turkey due to the gradual expansion of organized retail in the overall sector. Food expenditures reached US\$ 100 billion in a market still dominated by open markets and traditional stores, which account for more than half of the sector's sales. Nevertheless, as organized retailers start to amass market share, foreign investors are finding the sector progressively more attractive. Fuelled by factors such as rising income, urbanization and enhanced price sensitivity among consumers, the number of organized retail sales points by have grown at an average annual rate of 14% since 2000. In 2007, organized retailers exhibited strong 25% growth in US Dollar terms. During the same period, Sabanc-Carrefour joint ventures reported 25% sales growth, maintaining market shares.*

### CARREFOURSA

Carrefoursa is a joint venture between Sabanc Holding and Carrefour, the top retailer in Europe and the second largest in the world, with 15,000 stores located in 29 countries. Carrefoursa celebrated its eleventh anniversary in 2007. Its mission is to provide Turkish consumers with a broad selection of high quality, reasonably priced food products presented in a welcoming and pleasant shopping environment and to ensure profitable growth for its shareholders.

With sales areas ranging from 3,000 to 15,000 m<sup>2</sup>, flagship format hypermarkets carry a wide assortment of food and non-food products with up to 40,000 SKUs at the lowest prices all housed under one roof. Supermarkets, with between 1,000 and 2,000 m<sup>2</sup> of retail space, offer an impressive assortment of fresh food, providing consumers with convenient shopping at the lowest prices.

2007 was a highly successful year for Carrefoursa; a time when the strategies implemented over the last two years have borne fruits. Carrefoursa generated US\$ 1.6 billion in sales revenue, marking 19% growth over the previous year, while its store network expanded to 19 hypermarkets and 99 supermarkets with total sales area of 270,000 m<sup>2</sup>. Over 70 million consumers shopped at Carrefoursa stores throughout the year.

The Company took notable strategic steps in 2007:

1) New supermarket format: Following positive results in the trial period beginning in 2006, the Carrefoursa Express concept was launched in April 2007. The conversion process was completed after rapidly renewing the commercial model for all supermarkets. In parallel with its single brand-multi format strategy, the Company showed the strength of its Carrefoursa brand in a supermarket format where competition is most intense and introduced Carrefoursa innovations, bringing low prices and quality to this format.





2) Hypermarket openings in mid-size Anatolian cities: As the leader in the hypermarket format, Carrefoursa aims to open hypermarkets in Anatolian cities with populations of over 500,000, in a bid to expand beyond Istanbul and other of the largest cities in the country, to become a broader nationwide brand. The company tapped this potential in 2007 with hypermarket openings in Eskiflehir, Sakarya and Denizli.

3) Sale of non-core assets: The initial agreement for the sale of a 106,000 m<sup>2</sup> plot of land located in Merter, one of the most densely populated areas in Istanbul, to the Apollo Real Estate-Multi Turkmall joint venture for EUR 267 million was signed in December and the final deal was sealed in January 2008.

By strengthening the supermarket format and expanding the geographical scope of the hypermarket expansion, Carrefoursa achieved record growth in 2007, opening four hypermarkets and 18 supermarkets. This growth has not been achieved at the expense of profitability, with Carrefour improving its operating profit by 25% in 2007. In this respect, the 2007 results stand as testament to the Company's clout and determination to successfully implement its strategies and realize the related financial targets. The proceeds from the Merter sale further strengthened the Company's financial structure, providing the capacity to evaluate and rapidly take action with its own resources on all projects offering a value creation potential.

Carrefoursa will retain its leadership position in the hypermarket format in 2008 with new stores and strengthen its position

further in the supermarket segment with accelerated openings. Carrefoursa's goal is to expand its new sales area by 30% in 2008 and expand its workforce with 1,500 new recruits, taking its personnel count to 8,500.

## DİASA

The discount format for retail, which offers low prices through a low cost business model, is becoming ever more popular as consumers become more price conscious, both globally and in Turkey. To address the growing demand for discount stores, DİASA was established in 2000 as a joint venture between Sabancı Holding and Dia, Spain's leading discounter and a part of Carrefour Group. The successful global model of over 6,000 Dia stores was adapted to Turkey's local needs. Currently in a phase of rapid expansion, DİASA provides consumers convenience and quality at discount prices. The discount format is a powerful growth engine for the Group and DİASA has been Turkey's fastest growing food retail chain in Turkey with 50% annual growth over the last four years.

DİASA generated US\$ 420 million in revenue in 2007, marking 38% growth over the previous year through a network of 519 stores and a combined retail space of 120,000 m<sup>2</sup>. Eighty five million consumers shopped at DİASA stores during the year. With its global expertise and own-brand products accounting for a significant 30% share of its sales, DİASA continued to lead the private label segment in Turkey.

In 2007, when GDP growth was 4%, the number of sales points operated organized retailers rose by 10%. During the same period, Sabanc¸-Carrefour joint ventures reported 25% sales growth, capturing additional market shares.

In addition to the Marmara region, Diasa started operations in the Aegean and Central Anatolian regions, becoming a national player in 2006, while the Company accelerated its expansion, opening an average of two new stores per week in 2007. In a bid to achieve rapidly improving economies of scale, a 100-store network was established in the Aegean region in the second year of operations.

In 2007, the business was undertaken to integrate the commercial model of Endi branded stores to the Diasa network, while efforts took place to brand the network under two formats, with "classic" stores with 1,800 SKUs and larger "Plus" stores with 2,600 SKUs, giving Diasa the flexibility to better satisfy domestic needs.

In addition to its own stores, Diasa supports growth through franchisee stores. Operating under the Diasa brand, franchise owners receive purchasing, logistics and store operating know-how support. This allows Diasa to reach areas which are not a priority in the short term or seasonal areas. This business model, also applied in Spain and other Dia countries, will be improved in 2008.

2008 will be another year of strong growth for Diasa with more than 100 new store openings. Growth will be built on the solid foundation of redefined new store models and strengthened logistics infrastructure provided by the opening of the new warehouse in 2007. Diasa's most critical asset in realizing these targets is its workforce, which is slated to reach a total of 3,200 by the end of 2008.

## TEKNOSA

The electrical retail sector in Turkey expanded to US\$ 10 billion, with new players entering the market during the year. The potential of the Turkish market and rising interest in technology products has underpinned this growth. There are currently 35,000 sales points operating in the market, while the conversion to a multi-brand model offering a wider selection of products continues. As the pioneer of this conversion, Teknosa led the technology retail sector in 2007 with a slew of new investments and an innovative and customer-centric approach.

Teknosa was established in 2000 and is 100% owned by Sabanc¸. Teknosa, with the slogan - "Technology for everyone" - boasts the sector's most extensive store network in Turkey, reaching 56 cities and over 230 stores in 2007. With over 55,000 m<sup>2</sup> of total retail space and a wide assortment of technology products, Teknosa has created a unique and pleasant shopping environment with outlets attracting some five million customer visits every month. With a workforce of over 3,100, Teknosa managed to augment its sales revenue by 36% to US\$ 750 million in 2007.

In addition to its existing store model, Teknosa also reaches consumers through new formats. Teknosa Cep stores, offering small products such as mobile phones and MP3 players, entered operation in 2007. Teknosa Planet, which was opened in Profilo Shopping Mall in January 2008, offers a distinctive design and differentiated concept demonstrating Teknosa's vision in technology retailing in a large store format.





Teknosa continues to invest in Teknosa Akademi with the aim of creating an infrastructure for career planning and a back-up program, transferring sector innovations and developing individual performances. The Teknosa Akademi recently moved to its 1,800 m<sup>2</sup> new facility in Kartal, with 13 classrooms able to comfortably accommodate up to 350 trainees.

The "Satisfaction Guaranteed" program focused on customer satisfaction, allows customers to return their products within 15 days on a no-questions-asked basis; this program was launched in 2007. Representing a first of its kind in the sector, Tekno Asist sites were placed in stores and expert Teknoassistants were assigned to man these desks. In parallel with the Satisfaction Guaranteed program, the Teknosa call center was redesigned and renamed Teknosa Asist; its phone number was changed to 444 55 99. The 5599 SMS information service was also introduced and additional investments undertaken, such as a voice recognition software package. Moreover, the [www.teknosa.com](http://www.teknosa.com) on-line store continues to provide a service to Teknosa customers on a 24/7 basis.

Teknosa was honored with the International Organization for Standardization's quality management standard ISO 9001:2000 Quality Management System Document in 2007, in recognition for all its activities.

As part of its aim of contributing to cultural and social life while creating a new technology-savvy generation, Teknosa sponsors many projects involving education, science, art and technology. In collaboration with the Turkish Football Federation, Teknosa began supporting the National Team and Turkish football as the supplier of technology for the team. The Zamana Direnen Eserler project was initiated in collaboration with Istanbul University; the Company sponsors the conversion of works in the Nadir Eserler Library to a digital format, while the Technology for women social responsibility project, undertaken in a number of Turkish cities, provides free computer training for women to boost computer literacy.

As well as the Teknosa stores, the technology retail chain Teknosa Stores, the İklimsa chain, distributing air conditioning units and gas boilers, operates under the Teknosa umbrella. Positioned as the HVAC Center of Turkey, İklimsa provides sales and after-sales services for Mitsubishi Heavy Ind., Sharp, Sigma, Midea ve Samui air conditioners and Beretta combi boilers. A total of 209 İklimsa Centers have been established in 45 cities since the concept was launched in May 2006.

30 new store openings have been targeted for 2008. In this period, Teknosa will continue to take solid steps forward in a bid to strengthen its leading position in Turkey with its expanding network, creative innovations and superior service quality.