



# 3Q13 EARNINGS



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- ✚ **Financial Review**
- ✚ Operational Review
- ✚ A New Scope: Toiletries
- ✚ Ownership
- ✚ Appendices



# Focused on Profitability...



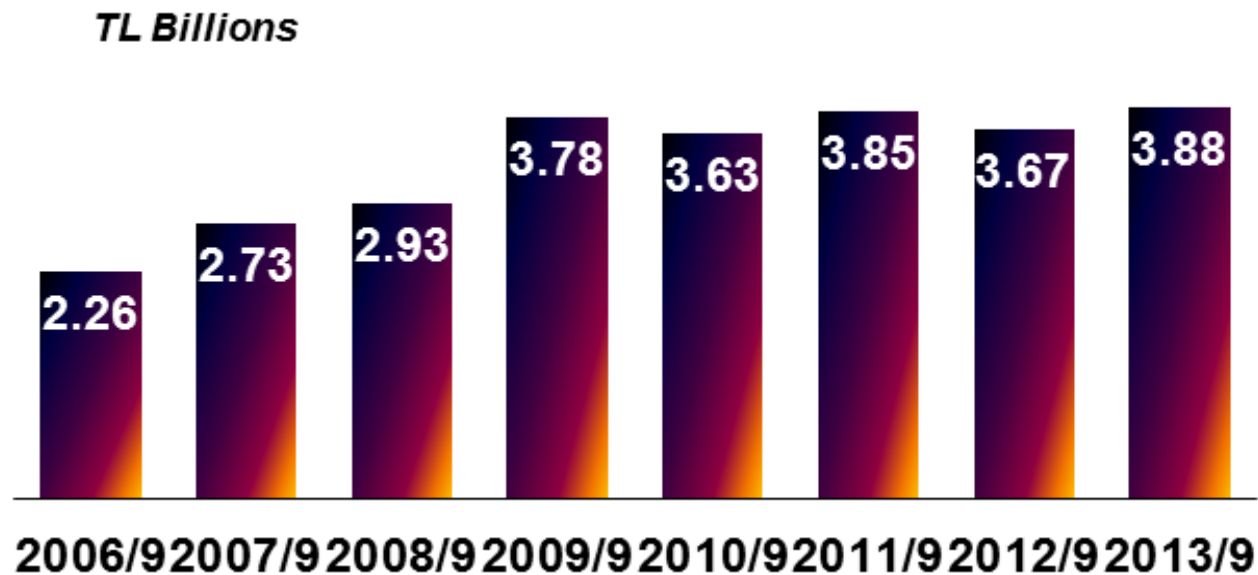
(TRL in millions except EPS)

**As of Sept. 30,**

	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>Chg</u></b>
<b>Revenues</b>	3,875.65	3,670.72	5.58%
<b>Gross Income</b>	320.09	330.36	-3.11%
<b>Gross Margin</b>	8.26%	9.00%	-0.74 pts
<b>EBITDA</b>	129.16	146.67	-11.94%
<b>EBITDA Margin</b>	3.33%	4.00%	-0.67pts
<b>Net Income</b>	118.04	116.38	1.43%
<b>Net Income Margin</b>	3.05%	3.17%	-0.12 pts
<b>EPS</b>	0.190	0.187	1.60%

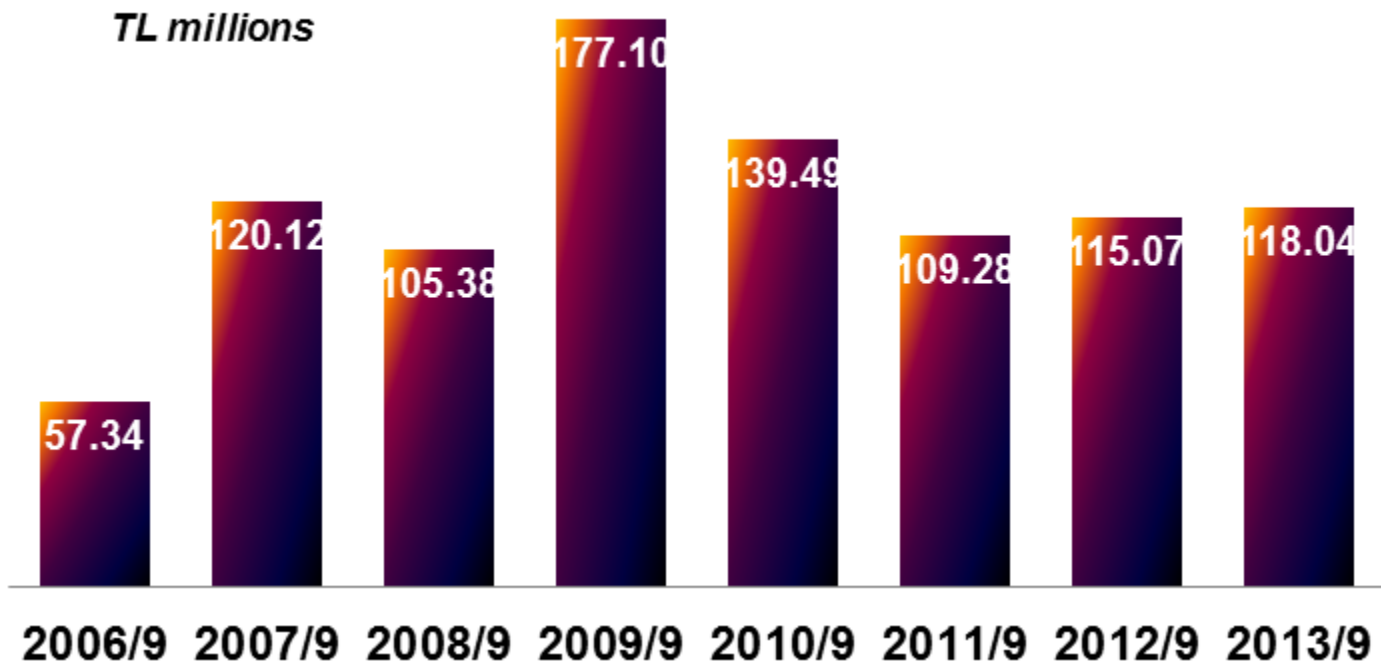
# We have a track record of strong revenue growth...

₺



# ...that we have leveraged into higher income

₺



# Working Capital Management



₺ mn.	FY06	FY07	FY08	FY09	FY10	FY11	FY12	3Q13
<b>A/R</b>	1,209	1,303	1,502	1,538	1,538	<b>1,538</b>	<b>1,571</b>	<b>1,651</b>
<b>Inventories</b>	346	387	469	404	545	<b>577</b>	<b>695</b>	<b>579</b>
<b>A/P</b>	929	1,043	1,234	1,228	1,362	<b>1,325</b>	<b>1,342</b>	<b>1,266</b>
<b>WC</b>	626	647	737	714	721	<b>790</b>	<b>924</b>	<b>964</b>
<b>WC/Sales (%)</b>	19.88	17.83	18.21	14.20	14.70	<b>15.57</b>	<b>18.84</b>	<b>18.87</b>

# OpEx Improvement



₺	FY06	FY07	FY08	FY09	FY10	FY11	FY12	3Q13
Revenue (mn.)	3,151	3,628	4,047	5,029	4,902	5,074	<b>4,902</b>	<b>3,875</b>
# of WHs	98	100	100	107	114	118	<b>102</b>	<b>99</b>
# of Employees	4,694	4,554	4,600	4,893	5,162	5,322	<b>5,049</b>	<b>5,091</b>
OpEx / Sales	4.84%	4.49%	4.57%	3.93%	4.28%	4.74%	<b>5.37%</b>	<b>5.34%</b>
Personnel / Sales	2.86%	2.69%	2.64%	2.39%	2.66%	2.79%	<b>3.23%</b>	<b>3.22%</b>
Employee per WH	48	46	46	46	45	45	<b>50</b>	<b>51</b>
Revenue per Employee	671,241	796,743	879,676	1,027,748	949,678	953,495	<b>970,885</b>	<b>1,003,142</b>

# OpEx Breakdown



OPERATIONAL EXPENSES	20133Q	%	20123Q	%	2013 vs. 2012
Personnel expense	124.887.016	60,30%	114.113.986	57,64%	9,44%
Depreciation expense	9.048.971	4,37%	8.452.602	4,27%	7,06%
Fuel expense	15.863.639	7,66%	15.373.218	7,77%	3,19%
Communication expense	3.607.416	1,74%	3.641.312	1,84%	-0,93%
Transportation expense	10.180.829	4,92%	9.478.585	4,79%	7,41%
Repair and maintenance expense of motor vehicles	3.974.476	1,92%	4.140.291	2,09%	-4,00%
Rent expense	4.090.112	1,97%	5.278.450	2,67%	-22,51%
Outsourced benefits and services	7.155.861	3,46%	12.372.687	6,25%	-42,16%
Tax expense	2.010.676	0,97%	1.700.143	0,86%	18,27%
Insurance expense	4.447.457	2,15%	3.499.033	1,77%	27,11%
Stationery expense	1.851.911	0,89%	1.918.214	0,97%	-3,46%
Representation and host expenses	1.684.996	0,81%	1.358.010	0,69%	24,08%
Advisory and audit fees	358.835	0,17%	253.330	0,13%	41,65%
Donations and aids	1.880.978	0,91%	2.649.569	1,34%	-29,01%
Health sector fair expenses	9.557.075	4,61%	5.275.430	2,66%	81,16%
Promotion expenses	662.606	0,32%	4.763.770	2,41%	-86,09%
Representation and host expenses	5.852.594	2,83%	3.706.437	1,87%	57,90%
<b>Total</b>	<b>207.115.448</b>		<b>197.975.067</b>		

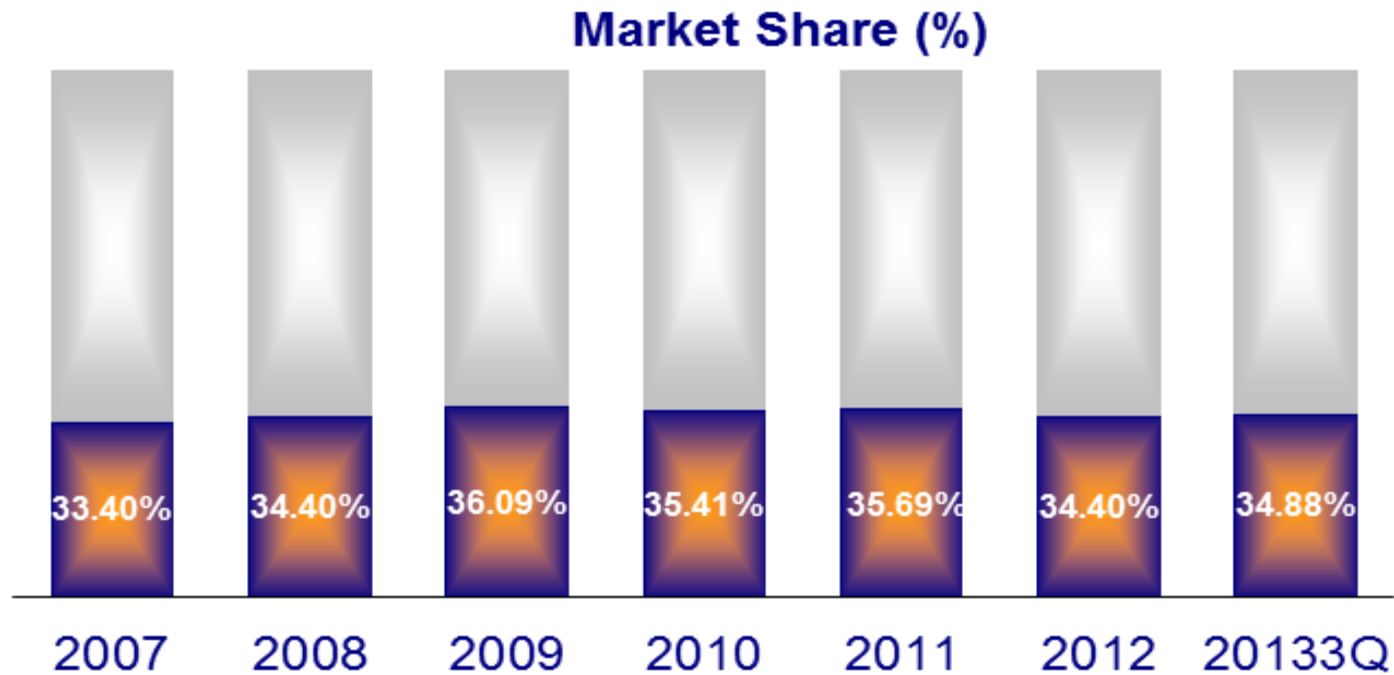


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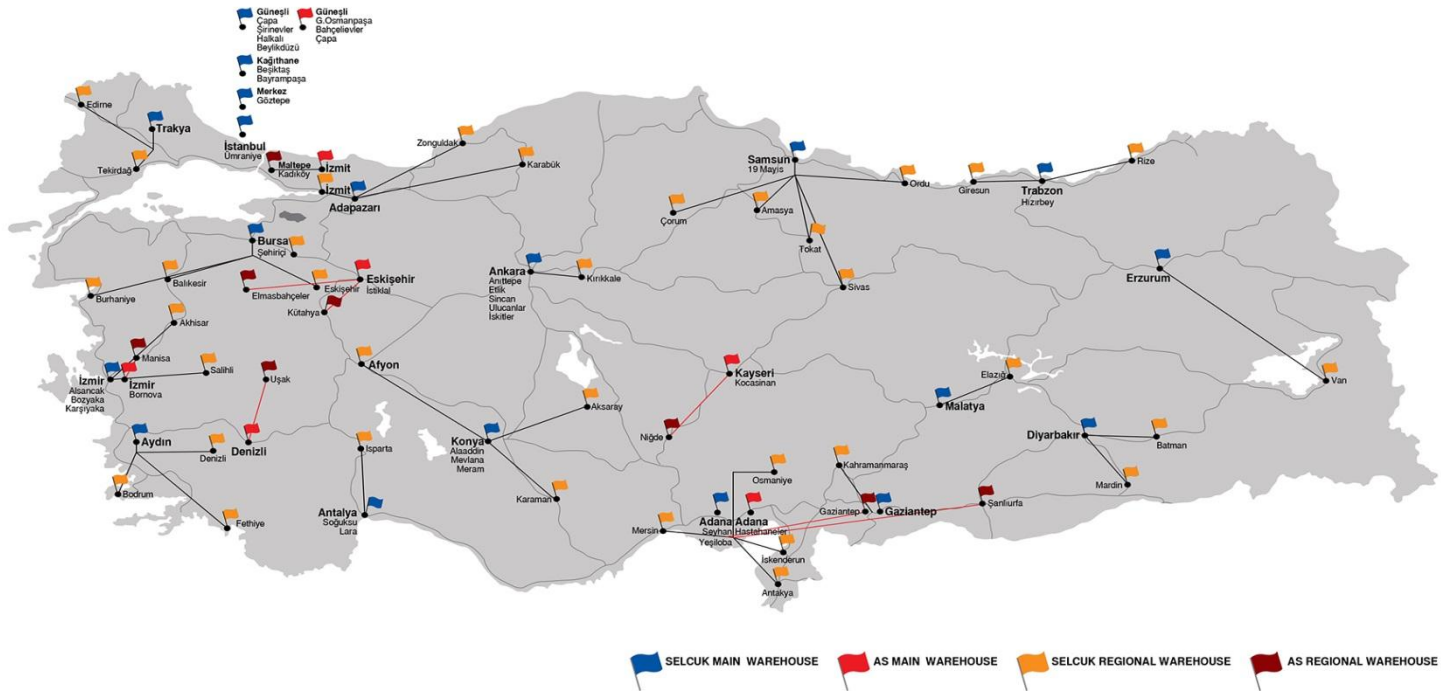
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# Sustainable growth to Market Leader Position...



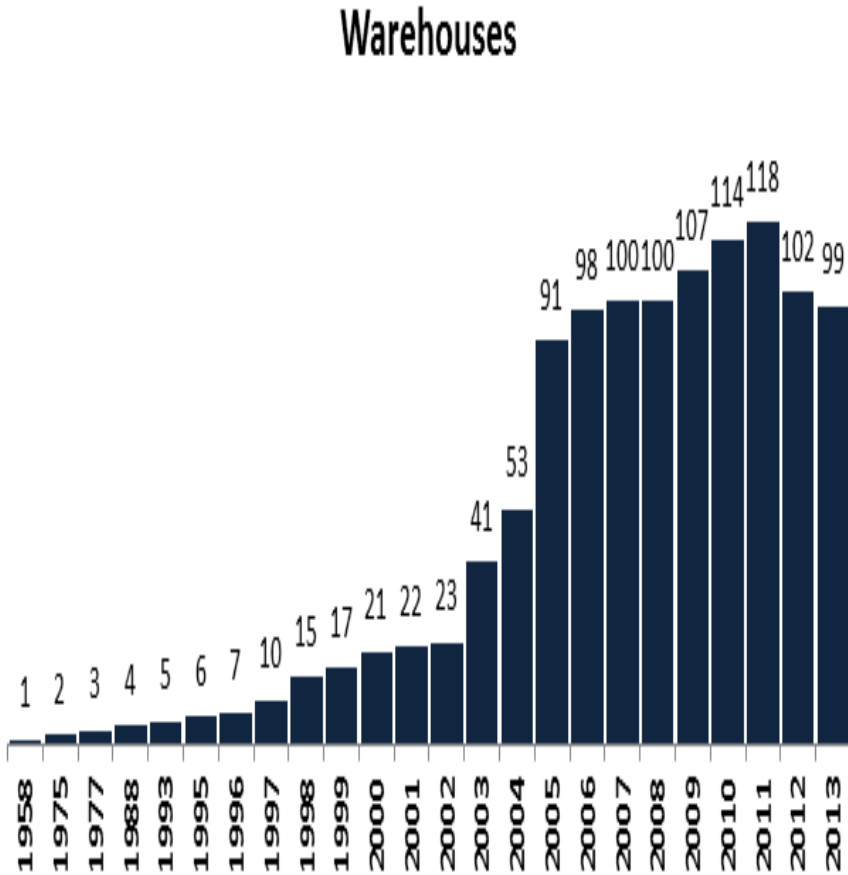
# A progressive network across the Country...



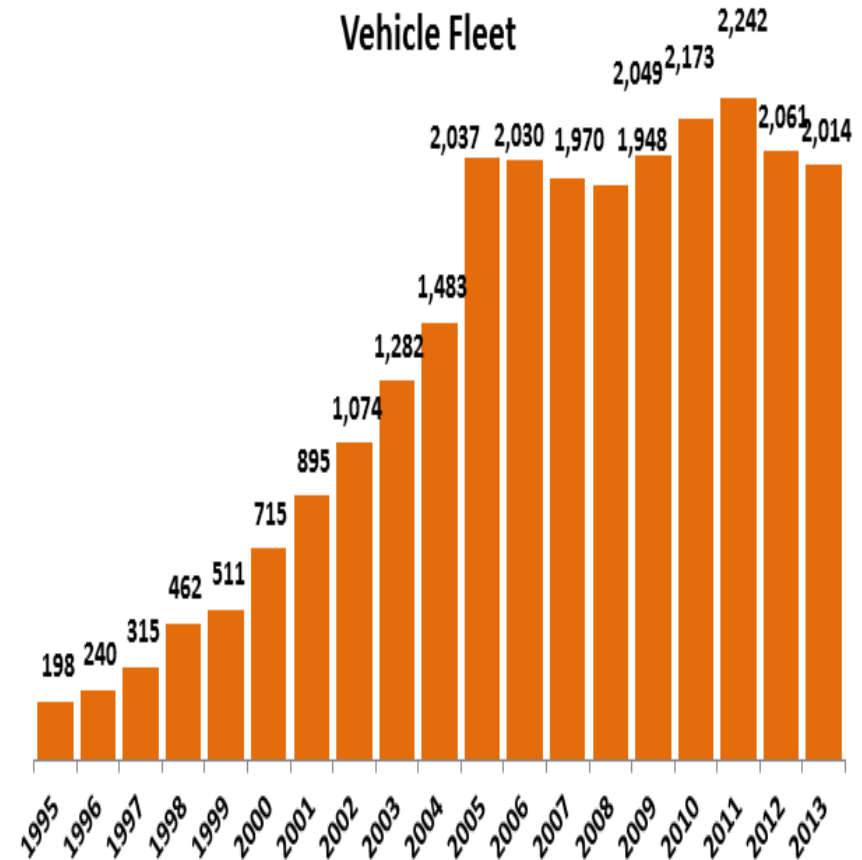
	Main Warehouses	Regional Warehouses	Total
Selçuk Ecza	19	58	77
As Ecza	7	15	22
Group Total	26	73	99

# Operational Stats I

## Warehouses

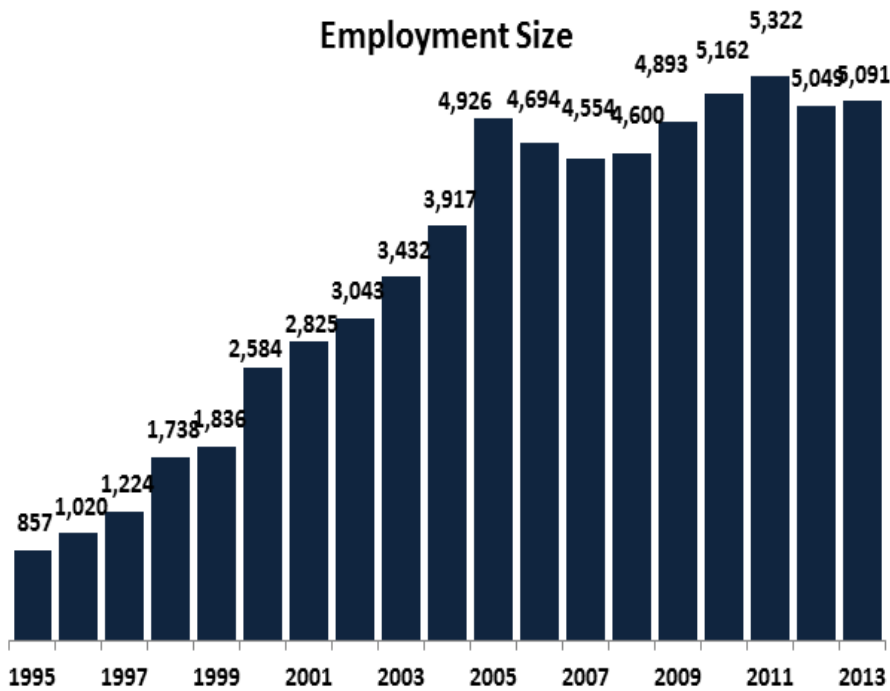


## Vehicle Fleet

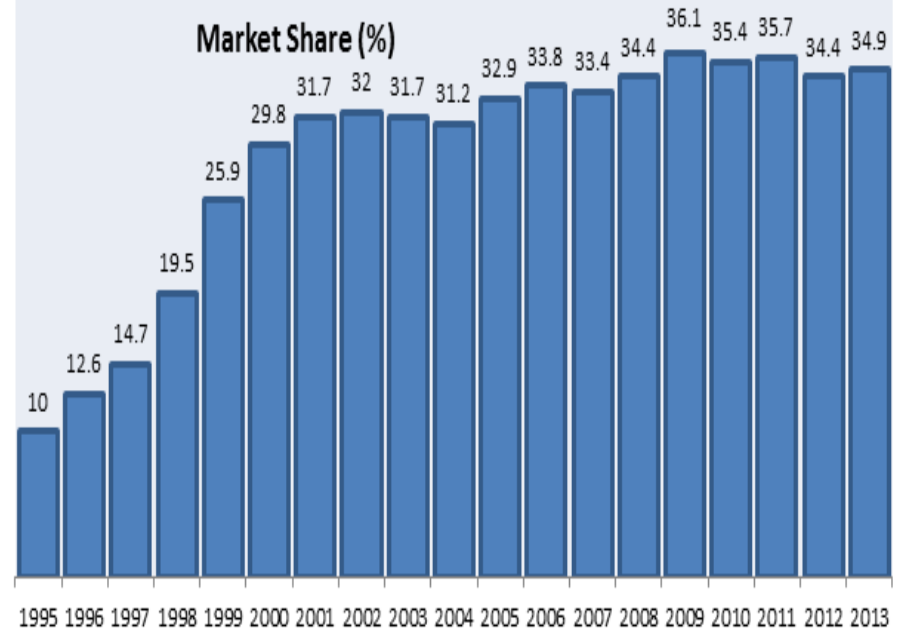


# Operational Stats II

### Employment Size



### Market Share (%)



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# Toiletry Segment: A significant catalyst...

✳ Selcuk Ecza has started to sell/distribute toiletry products (personal care products, cosmetics etc.) by June 1, 2009 and expanded it to all of its warehouses

✳ The market size in Turkey for toiletry products is approximately as of US\$11 bn. And almost US\$1 bn. of it is pharmacies' share



✳ Using the same distribution network, while by using the available spare capacity in warehouses lead to an insignificant increase in CAPEX

✳ Strategy to create a steady amount of additional revenue from this segment in order to support a sustainable profit level

✳ Higher gross margin around 10-11% compared to 7-8% from pharma segment



✳ Selcuk Ecza generated 265 mn. TRL in FY11 and 375 mn. in FY12 for this segment, while medium term target is 500 mn TRL as of app. 10% of available topline.

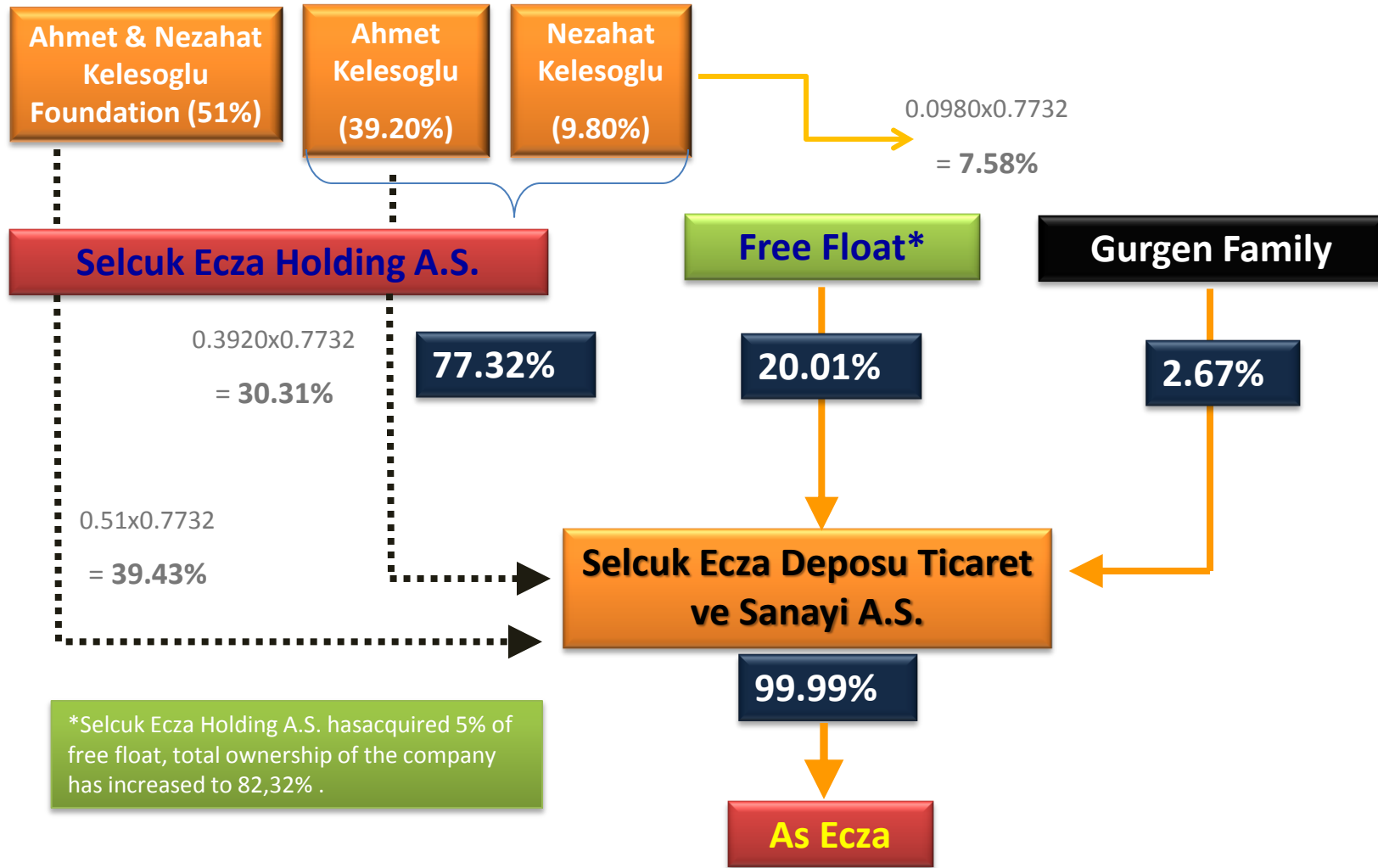
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# Ownership



# Selcuk Ecza: A precious link to sustainable value creation



## ✦ **Attractive markets**

- ✦ Demographics drive long-term demand
- ✦ Public policy agenda supports greater access and improved efficiency

## ✦ **Well-positioned businesses**

- ✦ Solid operating profit and cash flow strength from distribution segment
- ✦ Nationwide network built over mutual commercial interests

## ✦ **Steady track record of delivering results and a balanced approach to capital deployment**

## ✦ **Strong balance sheet and solid liquidity position**

## ✦ **Experienced and tenured management team**



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## ✦ Appendices

- ✦ Appendix-1: Reimbursement Schedule
- ✦ Appendix-2: Reference Pricing Scheme
- ✦ Appendix-3: The New Regulation
- ✦ Appendix-4: Summary Financials:  
Income Statement & Balance Sheet



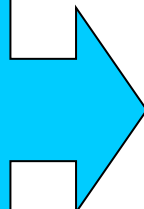
## REIMBURSEMENT to PHARMACIES by THE SSI



# Appendix-2: Reference Pricing Scheme

## Reference Countries

France  
Italy  
Spain  
Portugal  
Greece



100% = Brands Price (If its generic does not exist in the market)

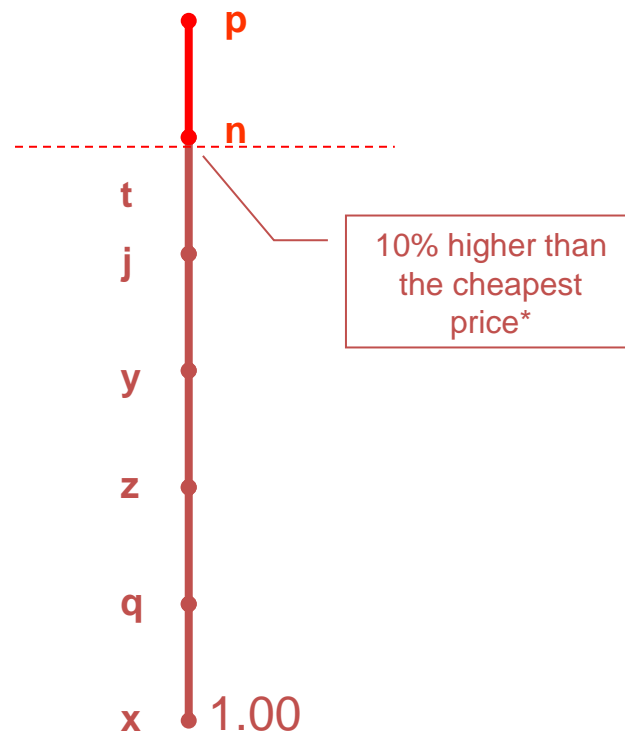
60% = Brands Price (If its generic exists in the market)

60% = Generic Price

**\*The government has changed the regulation on the reference pricing mechanism and lowered the ratio of both brands and generics to 60% of the reference price on Nov.10, 2011 which is valid since Nov.18, 2011.**

## REIMBURSEMENT

Generic Drugs in the Same Bioequivalence Group



**p & n NOT reimbursed**

**\*\* The government recently lowered the price ceiling from 15% to 10% for the reimbursement price of generic drugs in the same bioequivalence group (which is applied over the lowest price of the generic product in the market; the lower 10% limit came into force from Nov. 5, 2011).**

# Appendix-3: Major Regulatory Items as of Nov. 2011



- The price ceiling for **branded drugs** has been reduced to **60%** from 66% of the reference price, which is determined according to lowest price in the five reference EU member countries (France, Italy, Spain, Portugal, Greece), if the branded drug has a generic substitute available in the market, although the price ceiling remained at 100% for branded drugs that do not have generic substitutes.
- The price ceiling for **generics** has been also decreased from 66% to **60%** of the reference price.
- The drugs which stay on the market more than 20 years and with a wholesaler price higher than **TRL 6.79**, shall be priced at most **80%** of its reference price while their generics shall not be priced higher than their branded ones' wholesaler prices.
- All drugs with prices lower than **TRL3.56**, OTC drugs (without prescription), blood products, infant food, radiopharmaceutical products, enteral feeding products, and all other products that are not stated in public reimbursement list shall not be priced according to this new regulation.
- The exchange rate mechanism used to determine drug prices has also been changed. According to the new mechanism, the exchange rate may only be revised if the **90-day moving average of EUR/TRL exchange rate exceeds/falls** below the periodic EURO value band by **+/-5%**; while the upper end of this band is estimated as **10% higher** of the EUR/TRL exchange rate in effect for calculation of drug prices. (**The official EUR/TRL rate is 1.9595 since April 2009**)
- The Notice period for amending the “Reference Countries List” by the MoH has been reduced from 4 months to 2 months.

# Appendix-4: Summary Financials: Income Statement-Consolidated



## Income Statement

(TL Million)	Sep 30, 2013	Sep 30, 2012	2013 vs. 2012
Net Sales	3.875,65	3.670,72	5,58%
<b>Cost of sales (-)</b>	<b>(3.555,56)</b>	<b>(3.340,36)</b>	<b>6,44%</b>
GROSS PROFIT	320,09	330,36	-3,11%
OPEX	(207,12)	(197,98)	4,62%
Other operating income/Exp.(Net)	23,09	7,58	204,78%
OPERATING PROFIT	136,07	139,96	-2,78%
<b>Income/Expense from investment</b>	<b>49,67</b>	<b>11,64</b>	<b>326,85%</b>
Finance income /Exp.(Net)	(37,75)	(7,61)	395,91%
EBIT	120,11	138,22	-13,10%
EBIT (exc.other)	112,98	132,38	-14,66%
Income before minority Int.& Tax	147,99	143,98	2,78%
Minority interest	0,00	0,00	-9,15%
Income tax expense	(29,95)	(27,60)	8,52%
<b>Net Income / (Loss)</b>	<b>118,04</b>	<b>116,38</b>	<b>1,42%</b>
<b>EBITDA</b>	<b>129,16</b>	<b>146,67</b>	<b>-11,94%</b>
<b>EBITDA (exc.other)</b>	<b>122,03</b>	<b>140,83</b>	<b>-13,35%</b>
<b>Gross Margin</b>	<b>8,26%</b>	<b>9,00%</b>	
<b>EBIT Margin</b>	<b>3,10%</b>	<b>3,77%</b>	
<b>EBIT Margin (exc.other)</b>	<b>2,92%</b>	<b>3,61%</b>	
<b>EBITDA Margin</b>	<b>3,33%</b>	<b>4,00%</b>	

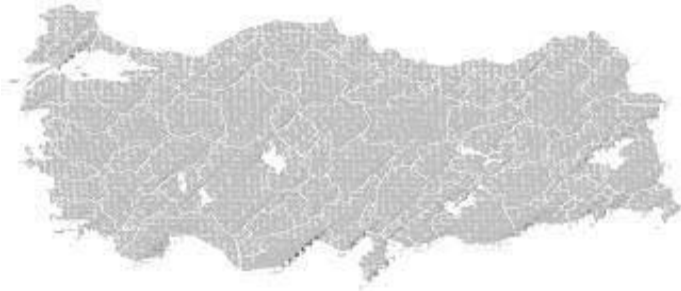
# Appendix-4: Summary Financials: Balance Sheet



## Balance Sheet

(TL million)					
Assets		Sep. 30, 2013	Dec. 31, 2012	Liabilities & Equity	
		Sep 30, 2013	Dec. 31, 2012	Sep 30, 2013	Dec. 31, 2012
Cash and cash equivalents		300,78	1,066.43	Short-term debt	125,34 895.53
Accounts rec.& due from related parties		1.652,01	1,570.86	Accounts payable & due to related parties	1.267,41 1,342.24
Inventories		579,71	695.13	Provisions & other current liabilities	42,03 39.17
Other current assets		90,64	63.60	<b>Total Current Liabilities</b>	<b>1.434,79 2,276.93</b>
<b>Total Current Assets</b>		<b>2.623,14</b>	<b>3,396.01</b>	Long-term debt	0,00 0.00
PP&E		185,67	168.77	Provision for Employee Benefits & Other Liabilities	13,26 10.20
Intangible Assets(Including Goodwill)		31,47	31.50	Deferred tax liability	17,70 20.52
Other non-current assets		15,08	15.34	Other liabilities	0,00 0.00
Deferred tax assets		22,10	22.05	<b>Total Non-Current Liabilities</b>	<b>30,96 30.71</b>
<b>Total Non-Current Assets</b>		<b>254,32</b>	<b>237.66</b>	Shareholder's equity & minority interest	1.411,71 1,326.02
<b>Total Assets</b>		<b>2.877,46</b>	<b>3,633.67</b>	<b>Total Liabilities &amp; Equity</b>	<b>2.877,46 3,633.67</b>





# 3Q13 EARNINGS



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