

# 2Q14 EARNINGS



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



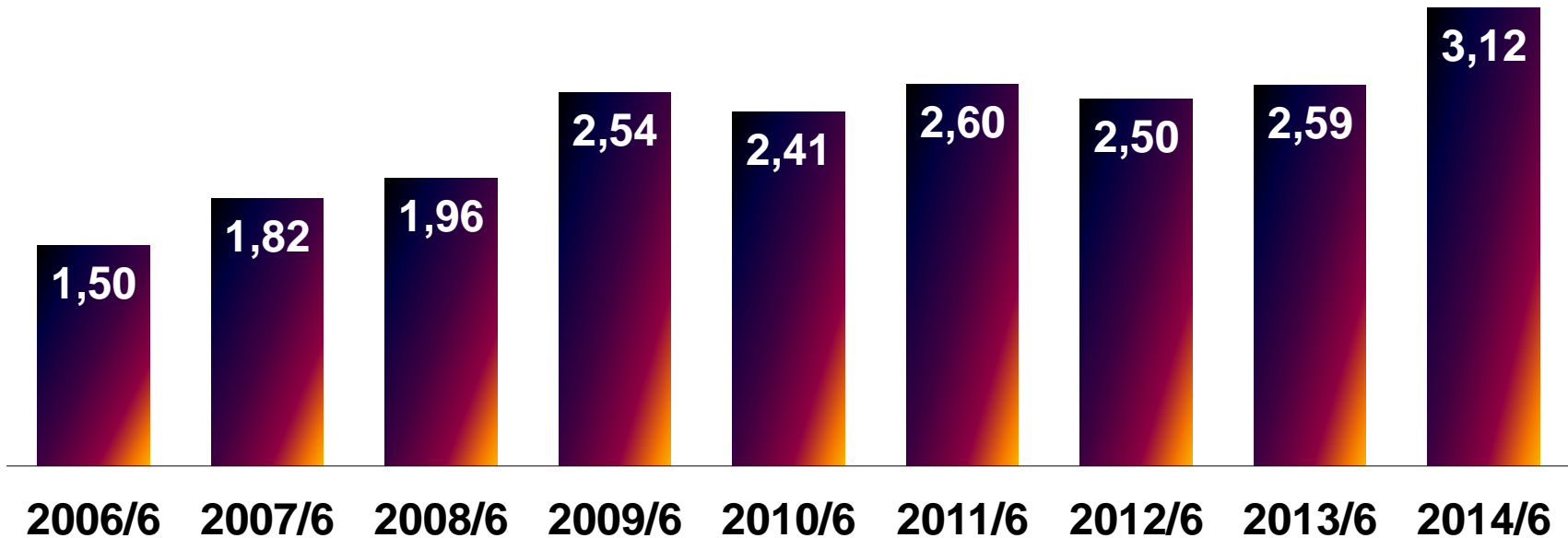
# Focused on Profitability...

(TRL in millions except EPS)

	As of June 30,		
	2014	2013	Chg
Revenues	3.126,36	2.586,56	20,87%
Gross Income	232,63	209,02	11,30%
Gross Margin	7,44%	8,08%	-0,64 pts
EBITDA	97,15	81,85	18,69%
EBITDA Margin	3,11%	3,16%	-0,05pts
Net Income	93,81	75,33	24,53%
Net Income Margin	3,00%	2,91%	+0,09 pts
EPS	0,151	0,121	

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

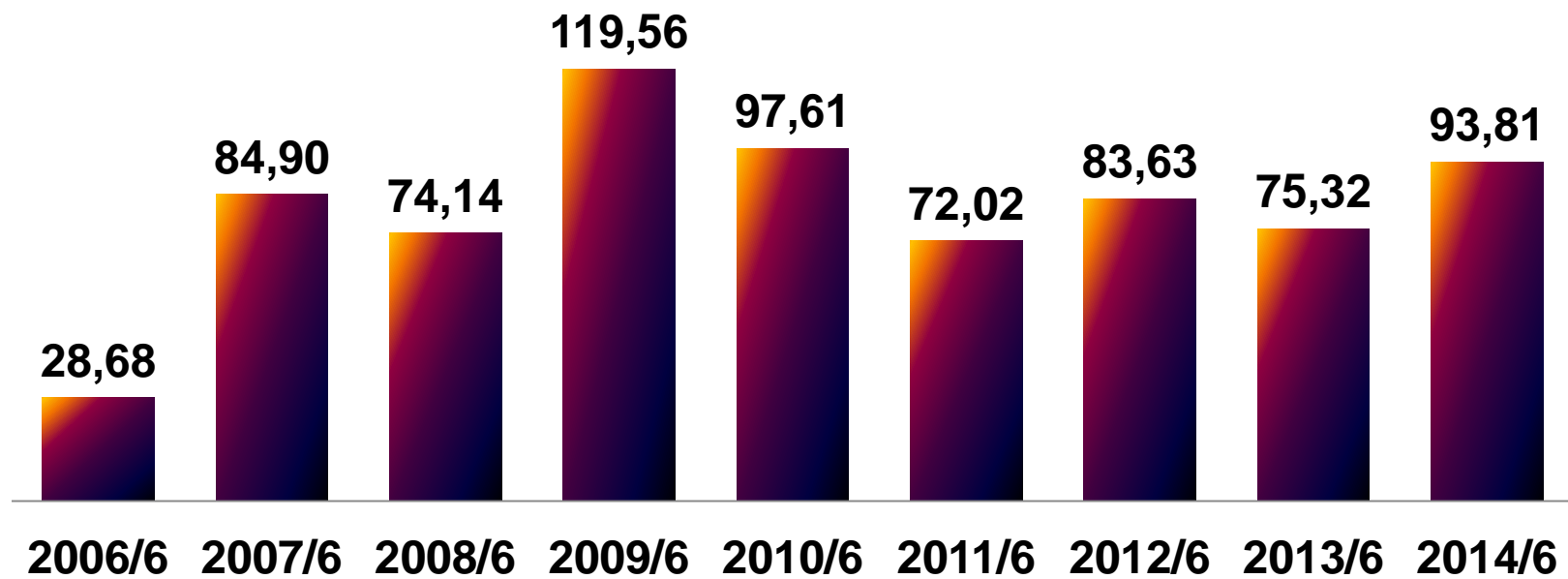
*TL Billions*



# ...that we have leveraged into higher income

₺

TL millions



# Working Capital Management

₺ mn.	FY <sub>07</sub>	FY <sub>08</sub>	FY <sub>09</sub>	FY <sub>10</sub>	FY <sub>11</sub>	FY <sub>12</sub>	FY <sub>13</sub>	2Q <sub>2014</sub>
<b>A/R</b>	1,303	1,502	1,538	1,538	1,538	1,571	1,688	1.928
<b>Inventories</b>	387	469	404	545	577	695	659	662
<b>A/P</b>	1,043	1,234	1,228	1,362	1,325	1,342	1,396	1.612
<b>WC</b>	647	737	714	721	790	924	951	978
<b>WC/Sales (%)</b>	17.83	18.21	14.20	14.70	15.57	18.84	18.16	15,64%

# OpEx Improvement

₺	FY07	FY08	FY09	FY10	FY11	FY12	FY13	2Q2014
<b>Revenue (mn.)</b>	3,628	4,047	5,029	4,902	5,074	4,902	5,238	3,126
<b># of WHs</b>	100	100	107	114	118	102	99	99
<b># of Employees</b>	4,554	4,600	4,893	5,162	5,322	5,049	5,187	5,409
<b>OpEx / Sales</b>	4.49%	4.57%	3.93%	4.28%	4.74%	5.37%	5.13%	4.75%
<b>Personnel / Sales</b>	2.69%	2.64%	2.39%	2.66%	2.79%	3.23%	3.05%	2.83%
<b>Employee per WH</b>	46	46	46	45	45	50	52	54
<b>Revenue per Employee</b>	796,743	879,676	1,027,748	949,678	953,495	970,885	1,009,835	1,155,851

# Increasing Control Over OpEx

OPERATIONAL EXPENSES	20142Q	%	20132Q	%	2014 vs. 2013
Personnel expense	88.375.202	59,42%	80.050.192	57,71%	10,40%
Depreciation expense	6.976.941	4,69%	5.976.735	4,31%	16,73%
Fuel expense	11.027.944	7,41%	10.646.120	7,68%	3,59%
Communication expense	2.849.178	1,92%	2.642.106	1,90%	7,84%
Transportation expense	8.065.936	5,42%	6.822.777	4,92%	18,22%
Repair and maintenance expense of motor vehicles	2.842.191	1,91%	2.808.022	2,02%	1,22%
Rent expense	3.738.033	2,51%	2.747.140	1,98%	36,07%
Outsourcing expense	5.114.693	3,44%	4.792.336	3,46%	6,73%
Tax expense	1.581.563	1,06%	1.653.271	1,19%	-4,34%
Insurance expense	3.292.356	2,21%	2.918.538	2,10%	12,81%
Stationery expense	1.860.834	1,25%	1.210.383	0,87%	53,74%
Representation and host expenses	980.553	0,66%	984.007	0,71%	-0,35%
Advisory and audit fees	334.925	0,23%	230.485	0,17%	45,31%
Donations and aids	1.026.239	0,69%	1.670.471	1,20%	-38,57%
Fair Expenses	5.325.328	3,58%	9.546.056	6,88%	-44,21%
Promotion expenses	427.808	0,29%	465.820	0,34%	-8,16%
Other	4.920.567	3,31%	3.540.710	2,55%	38,97%
<b>Total</b>	<b>148.740.291</b>		<b>138.705.169</b>		



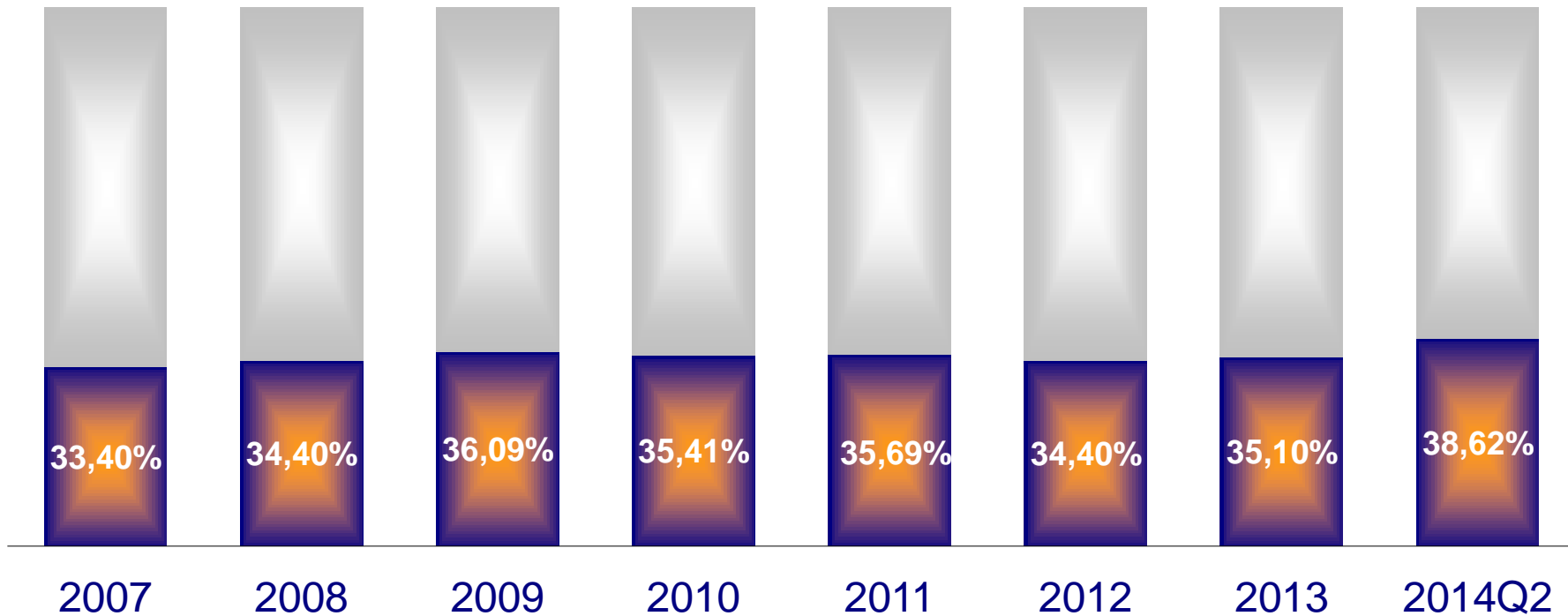
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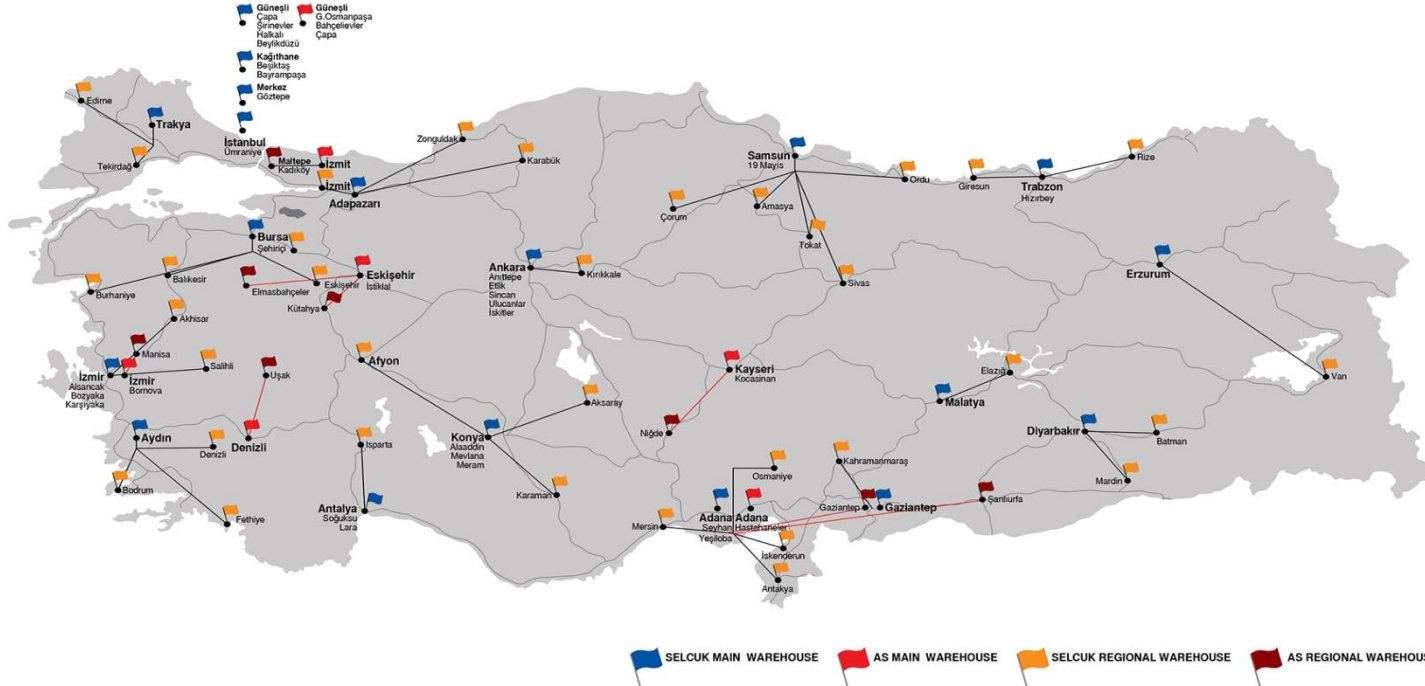


# Sustainable growth to Market Leader Position...

**Market Share (%)**

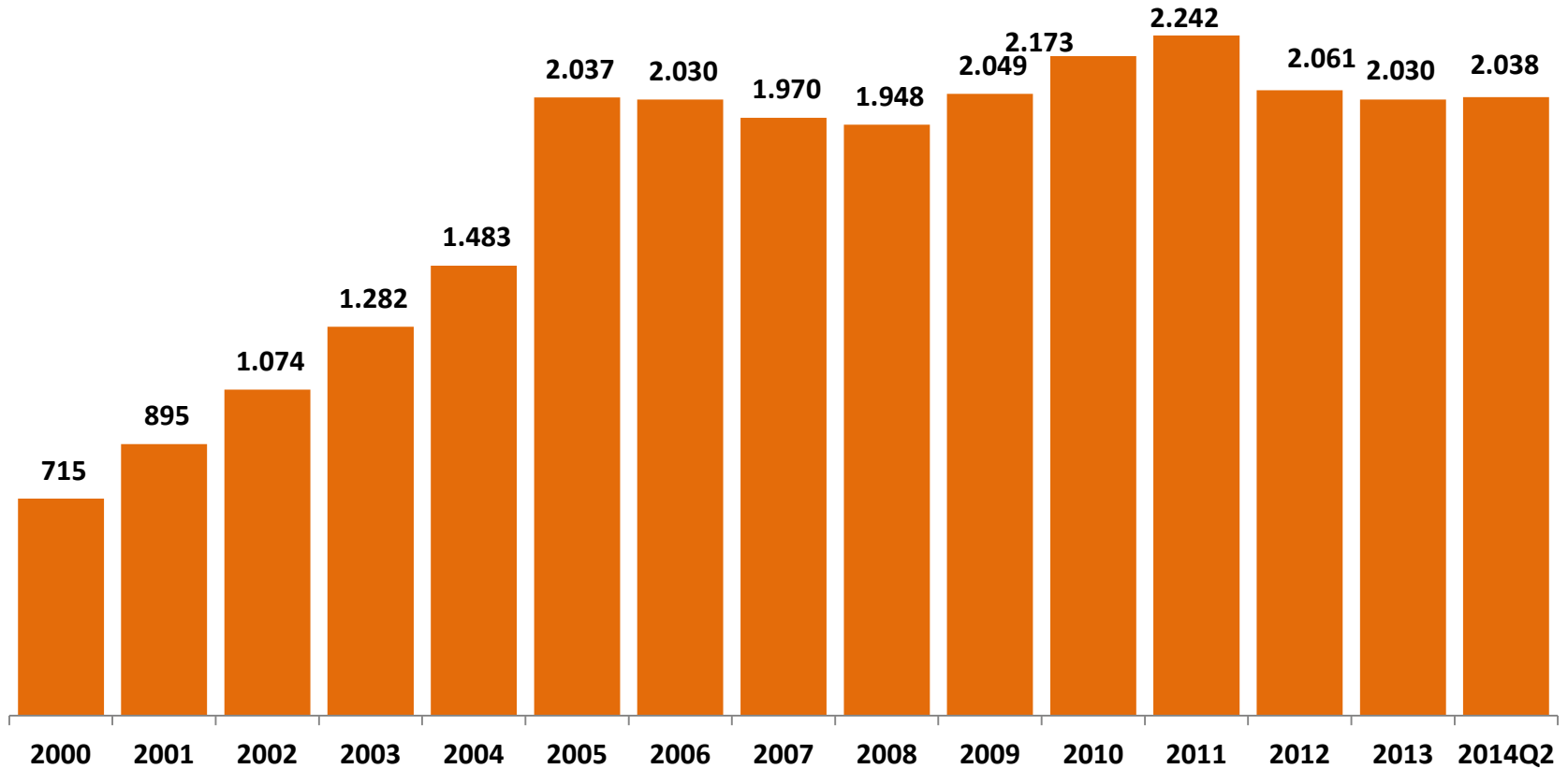


# A progressive network across the Country...

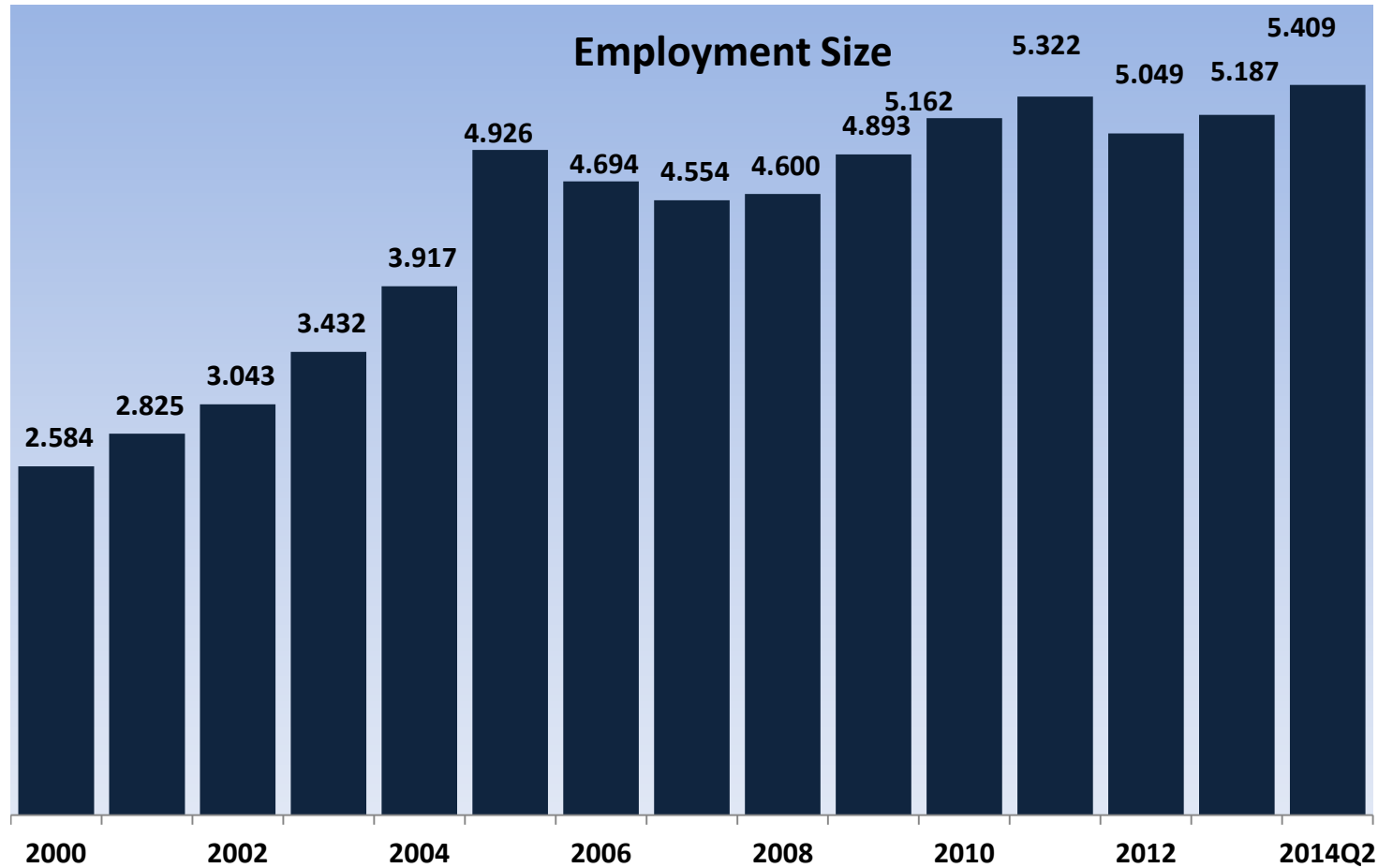


	Main Warehouses	Regional Warehouses	Total
Selçuk Ecza	19	58	77
As Ecza	7	15	22
Group Total	26	73	99

## Vehicle Fleet



# Operational Stats II



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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's medium term target is 500 mn TRL



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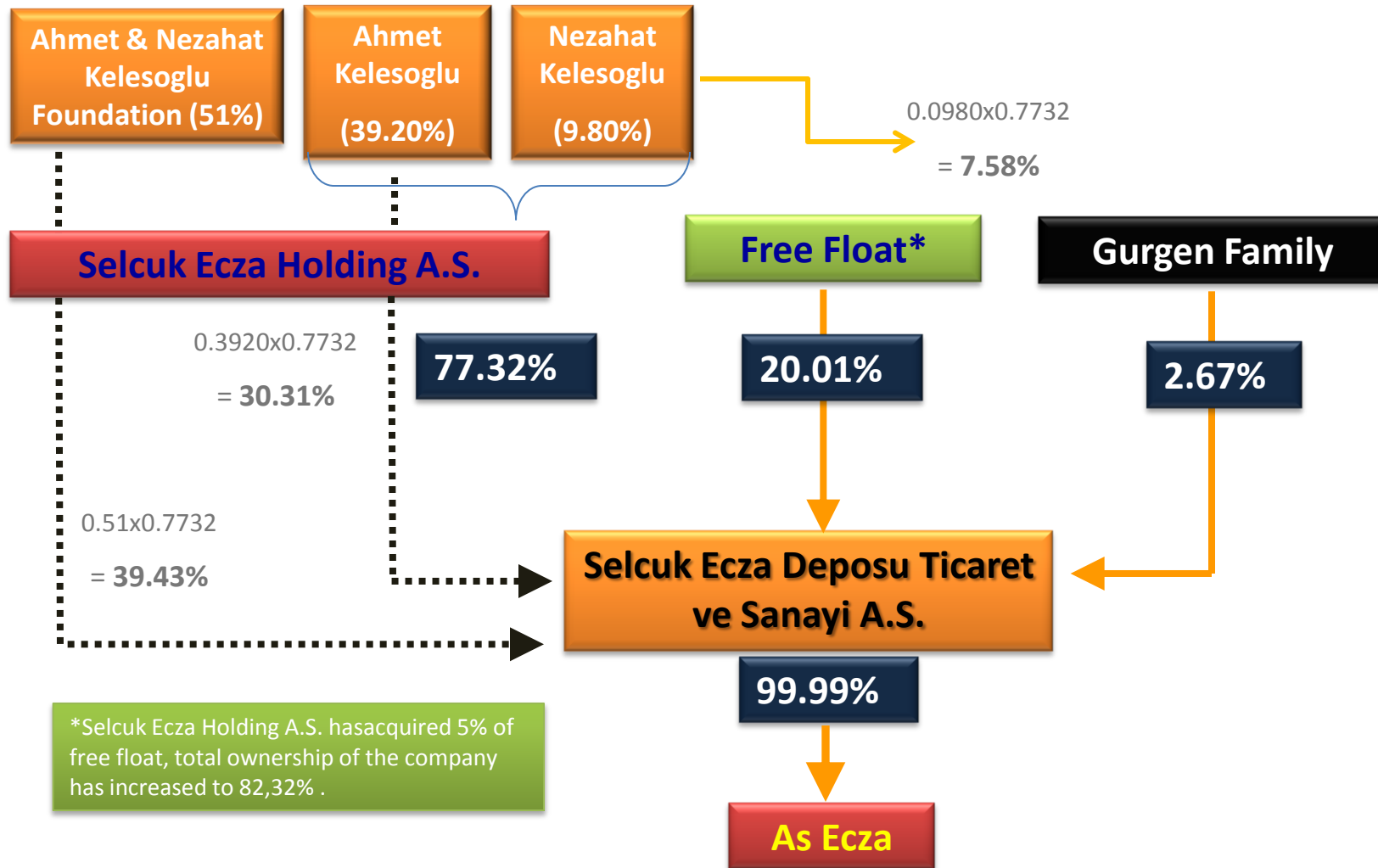
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# Ownership



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Income Statement & Balance Sheet



## REIMBURSEMENT to PHARMACIES by THE SSI



# Appendix-2: Reference Pricing Scheme

## Reference Countries

France  
Italy  
Spain  
Portugal  
Greece

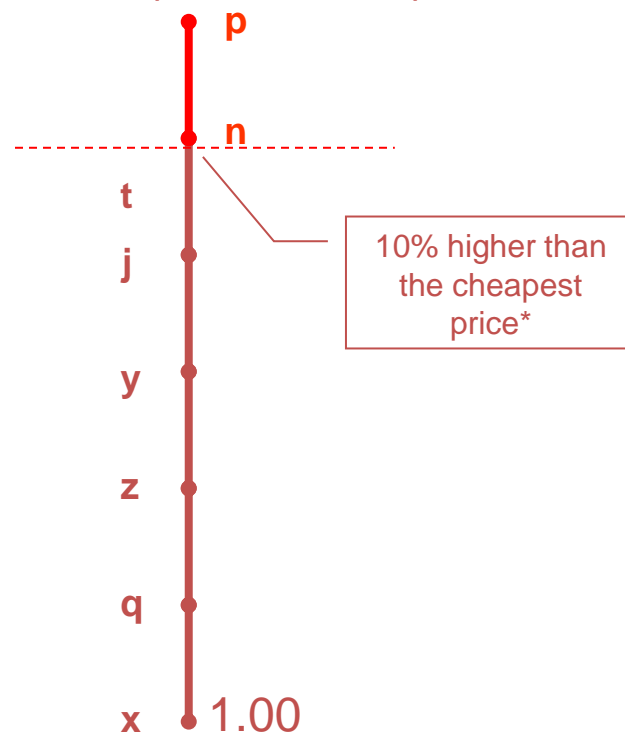


**\*The government has changed the regulation on the reference pricing mechanism and lowered the ratio of both brands and generics to 60% of the reference price on Nov.10, 2011 which is valid since Nov.18, 2011.**

**\*\* 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).**

## REIMBURSEMENT

Generic Drugs in the Same Bioequivalence Group



**p & n NOT reimbursed**

# 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

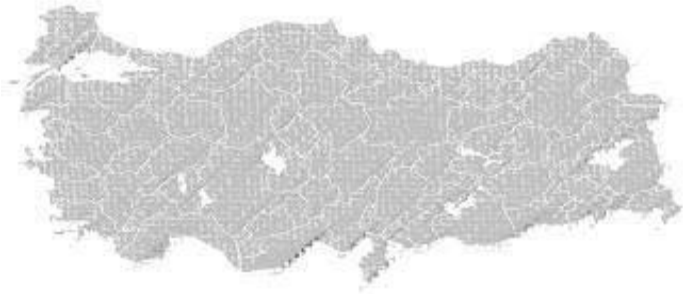
	01.01.- 30.06.2014	01.01.- 30.06.2013
<b>Sales</b>	<b>3.126,35</b>	<b>2.586,56</b>
Cost of Sales	-2.893,72	-2.377,55
<b>Gross Income</b>	<b>232,63</b>	<b>209,01</b>
OPEX	-148,74	-138,70
Other Operating Income/exp (Net)	20,50	14,02
<b>Operating Income</b>	<b>104,40</b>	<b>84,33</b>
Income/exp from Investments (Net)	16,19	39,07
Financial Income/Exp.(Net)	-3,00	-28,83
<b>Income Before Tax</b>	<b>117,58</b>	<b>94,57</b>
Tax Expenses (Net)	23,77	19,24
<b>Net Income</b>	<b>93,81</b>	<b>75,33</b>
EBIT	90,17	75,88
EBIT Margin (%)	2,88%	2,93%
EBITDA	97,15	81,85
EBITDA Margin(%)	3,11%	3,16%
Net Income Margin(%)	3,00%	2,91%

# Appendix-4: Summary Financials:

## Balance Sheet

### Balance Sheet

(TL million)					
Assets	June 30, 2014	Dec. 31, 2013	Liabilities & Equity	June 30, 2014	Dec. 31, 2013
Cash and cash equivalents	250,83	549,85	Short-term debt	57,35	332,13
Accounts rec.& due from related parties	1.927,71	1.688,54	Accounts payable & due to related parties	1.611,56	1.396,71
Inventories	661,79	659,36	Provisions & other current liabilities	47,03	42,70
Other current assets	86,90	74,65	<b>Total Current Liabilities</b>	<b>1.715,94</b>	<b>1.771,54</b>
<b>Total Current Assets</b>	<b>2.927,23</b>	<b>2.972,40</b>	Long-term debt	0,00	0,00
PP&E	247,33	201,21	Provision for Employee Benefits & Other Liabilities	14,71	13,49
Intangible Assets(Including Goodwill)	31,82	31,93	Deferred tax liability	20,20	14,73
Other non-current assets	15,01	15,12	Other liabilities		0,00
Deferred tax assets	24,81	18,67	<b>Total Non-Current Liabilities</b>	<b>34,92</b>	<b>28,22</b>
<b>Total Non-Current Assets</b>	<b>318,97</b>	<b>266,93</b>	Shareholder's equity & minority interest	1,495,35	1.439,57
<b>Total Assets</b>	<b>3.246,20</b>	<b>3.239,33</b>	<b>Total Liabilities &amp; Equity</b>	<b>3.246,20</b>	<b>3.239,33</b>



# 2Q14 EARNINGS



Selcuk Ecza Deposu A.S.  
Tel: +90 216 554 0554  
Fax: +90 216 554 0517

Istanbul Stock Exchange: SELEC.IS  
Bloomberg: SELEC.TI  
Reuters: SELEC.IS

Investor Relations & Capital Markets  
Tel: +90 216 554 0581-0582  
[www.selcukecza.com.tr](http://www.selcukecza.com.tr)  
[investorrelations@selcukecza.com.tr](mailto:investorrelations@selcukecza.com.tr)