

FY12 EARNINGS



selçuk
ecza
deposu

"trust, balance, stability"

Kursad Duman

Head of Investor Relations & Capital Markets

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-  **Financial Review**
-  **Operational Review**
-  **A New Scope: Toiletries**
-  **Ownership**
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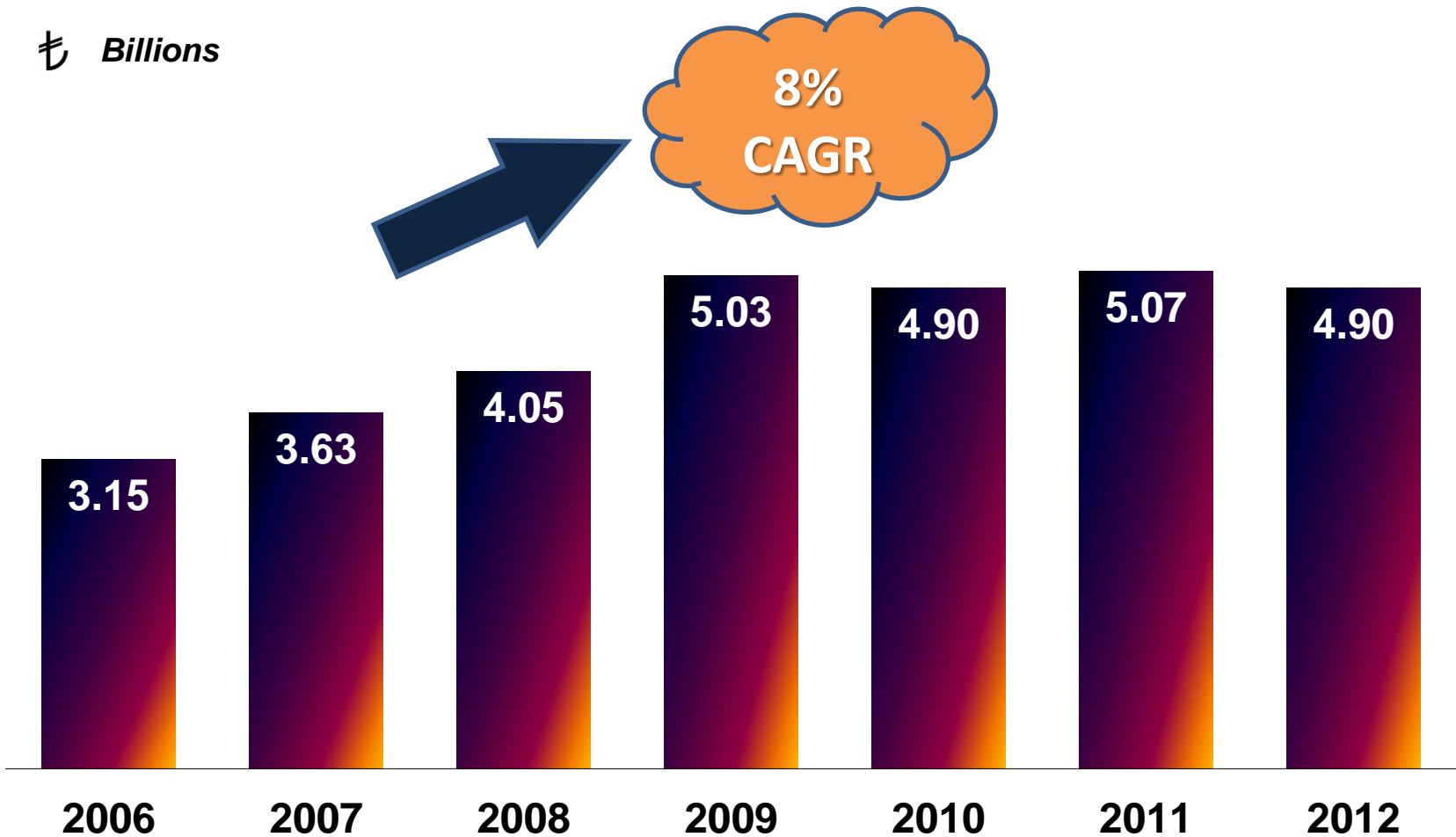
Focused on Profitability...

(in millions except EPS)

	As of Dec. 31,		
₺			
	2012	2011	Chg
Revenues	4,902.07	5,074.50	-3.40%
Gross Income	404.64	371.86	8.82%
Gross Margin	8.25%	7.33%	+0.92 pts
EBITDA	156.91	147.20	6.60%
EBITDA Margin	3.20%	2.90%	+0.30 pts
Net Income	143.68	138.56	3.70%
Net Income Margin	2.93%	2.73%	+0.20 pts
EPS	0.231	0.223	3.59%

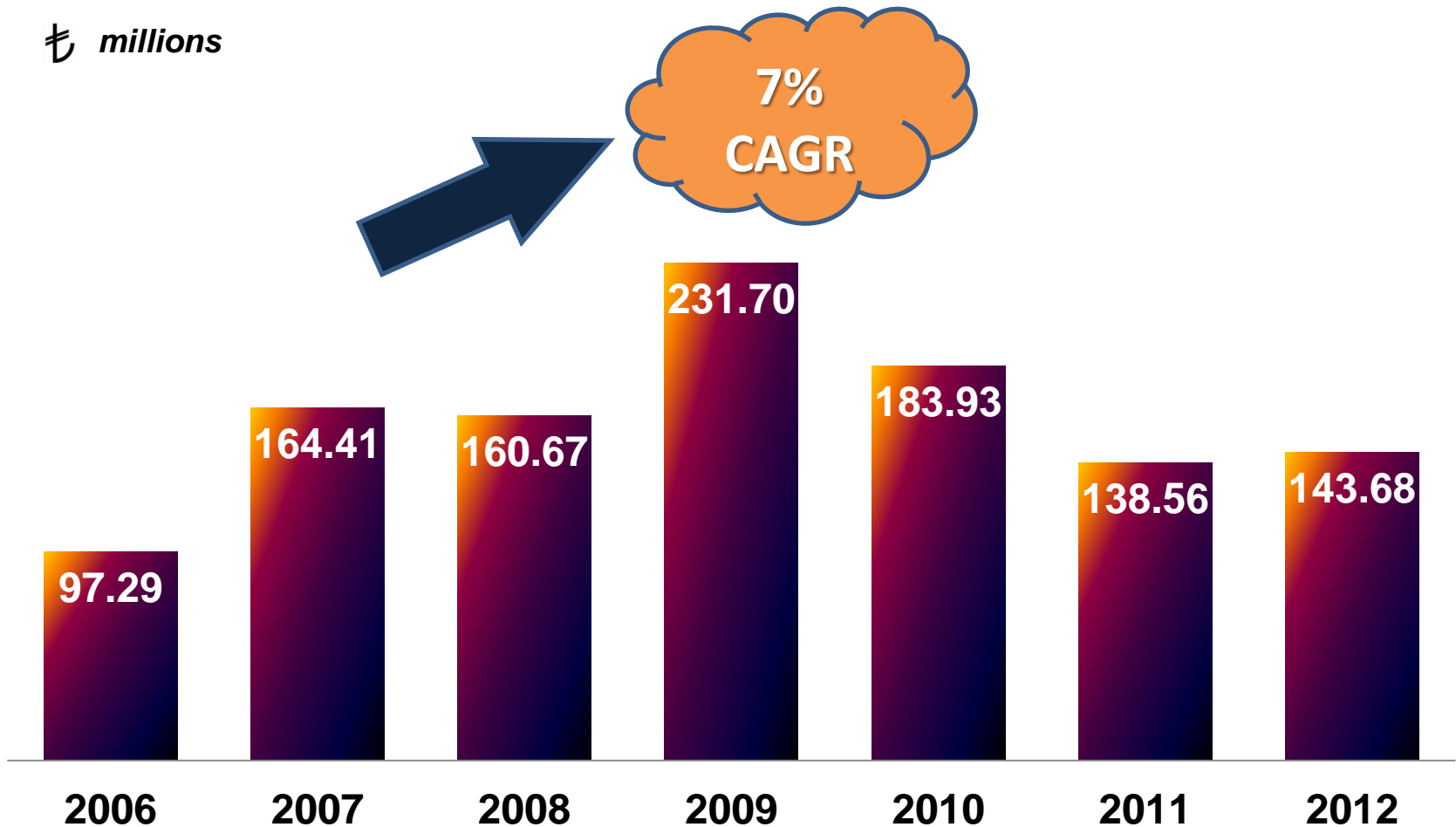
We have a track record of strong revenue growth...

₺ Billions



...that we have leveraged into higher income

₺ millions



Working Capital Management

₺ mn.	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12
A/R	1,064	1,209	1,303	1,502	1,538	1,538	1,538	1,571
Inventories	300	346	387	469	404	545	577	695
A/P	876	929	1,043	1,234	1,228	1,362	1,325	1,342
WC	488	626	647	737	714	721	790	924
WC/Sales	17.70%	19.88%	17.83%	18.21%	14.20%	14.70%	15.57%	18.84%

OpEx Improvement

	FY05	FY06	FY07	FY08	FY09	FY10	FY11	9M12
Revenue (mn. TL)	2,756	3,151	3,628	4,047	5,029	4,902	5,074	4,902
# of WHs	91	98	100	100	107	114	118	102
# of Employees	4,926	4,694	4,554	4,600	4,893	5,162	5,322	5,049
OpEx / Sales	4.85%	4.84%	4.49%	4.57%	3.93%	4.28%	4.74%	5.37%
Personnel / Sales	2.76%	2.86%	2.69%	2.64%	2.39%	2.66%	2.79%	3.23%
Employee per WH	54	48	46	46	46	45	45	50
Revenue per Employee	559,539	671,241	796,743	879,676	1,027,748	949,678	953,495	970,885

OpEx Breakdown

OPERATIONAL EXPENSES	2012	%	2011	%	2012 vs. 2011
Personnel expense	158,479,121	60.18%	141,783,377	58.95%	11.78%
Fuel expense	21,406,417	8.13%	20,105,607	8.36%	6.47%
Other	13,495,836	5.12%	9,741,697	4.05%	38.54%
Transportation expense	13,123,480	4.98%	11,604,689	4.82%	13.09%
Depreciation expense	11,016,370	4.18%	9,404,731	3.91%	17.14%
Outsourcing expense	9,539,733	3.62%	8,161,247	3.39%	16.89%
Rent expense	6,746,056	2.56%	6,295,133	2.62%	7.16%
Repair and maintenance expense of motor vehicles	5,993,190	2.28%	6,311,048	2.62%	-5.04%
Communication expense	4,878,816	1.85%	5,531,588	2.30%	-11.80%
Insurance expense	4,829,595	1.83%	4,467,081	1.86%	8.12%
Donations and aids	3,549,995	1.35%	2,760,819	1.15%	28.58%
Stationery expense	2,651,678	1.01%	2,646,887	1.10%	0.18%
Promotion expenses	2,324,149	0.88%	5,784,675	2.40%	-59.82%
Tax expense	2,298,764	0.87%	1,937,116	0.81%	18.67%
Representation and host expenses	1,759,311	0.67%	2,217,665	0.92%	-20.67%
Employee Termination Benefits Expense	668,958	0.25%	1,256,001	0.52%	-46.74%
Advisory and audit fees	598,333	0.23%	519,950	0.22%	15.08%
Total	263,359,802		240,529,311		9.49%

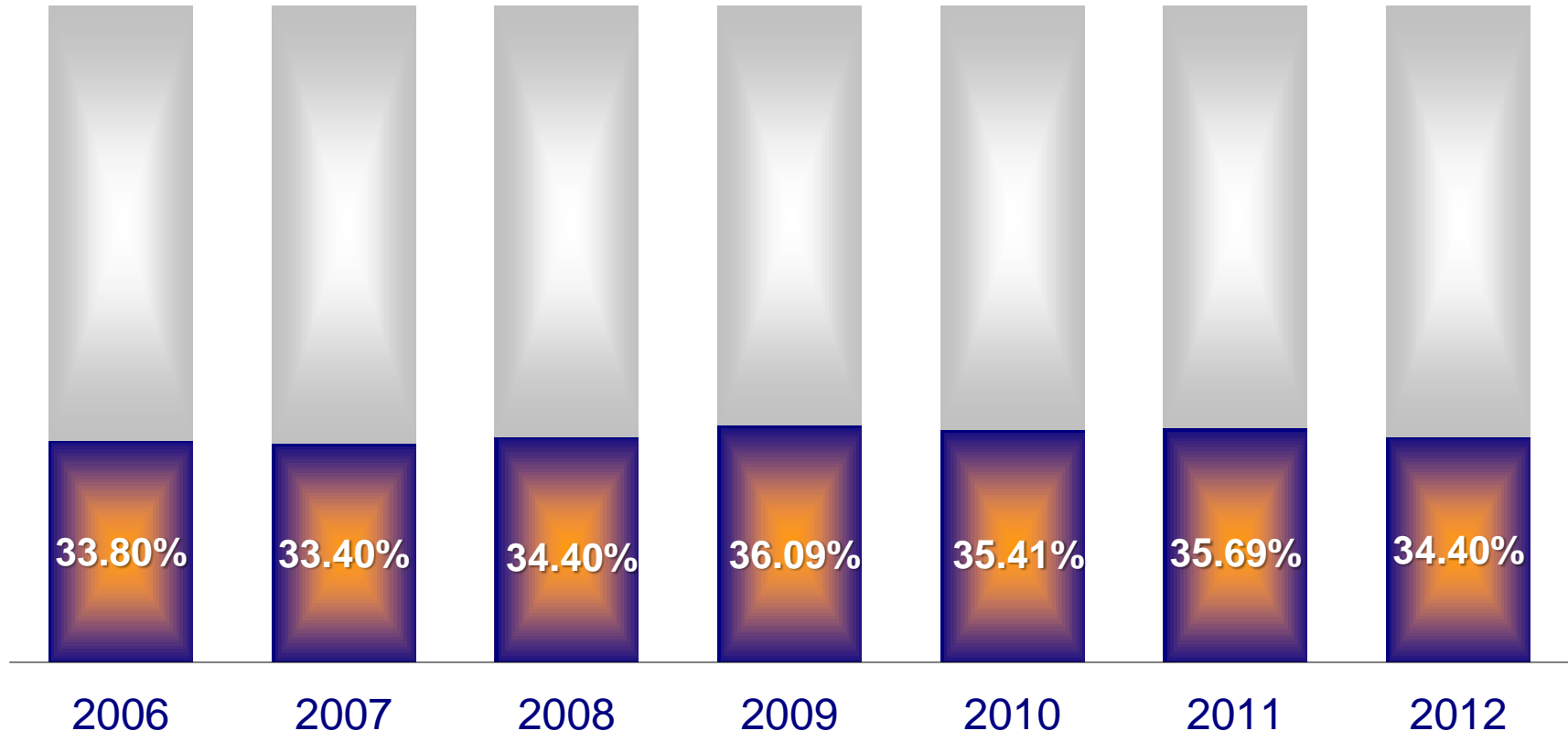
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Sustainable growth to Market Leader Position...

Market Share (%)



A progressive network across the Country by over 100 warehouses

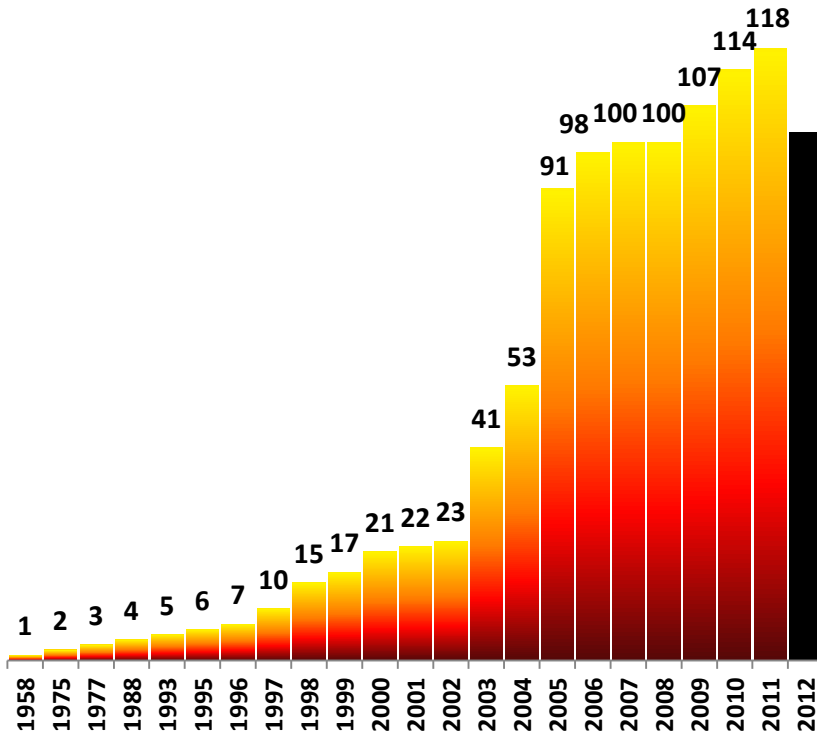


	Main Warehouses	Regional Warehouses	Total
Selçuk Ecza	19	60	79
As Ecza	7	16	23
Group Total	26	76	102

Operational Stats I

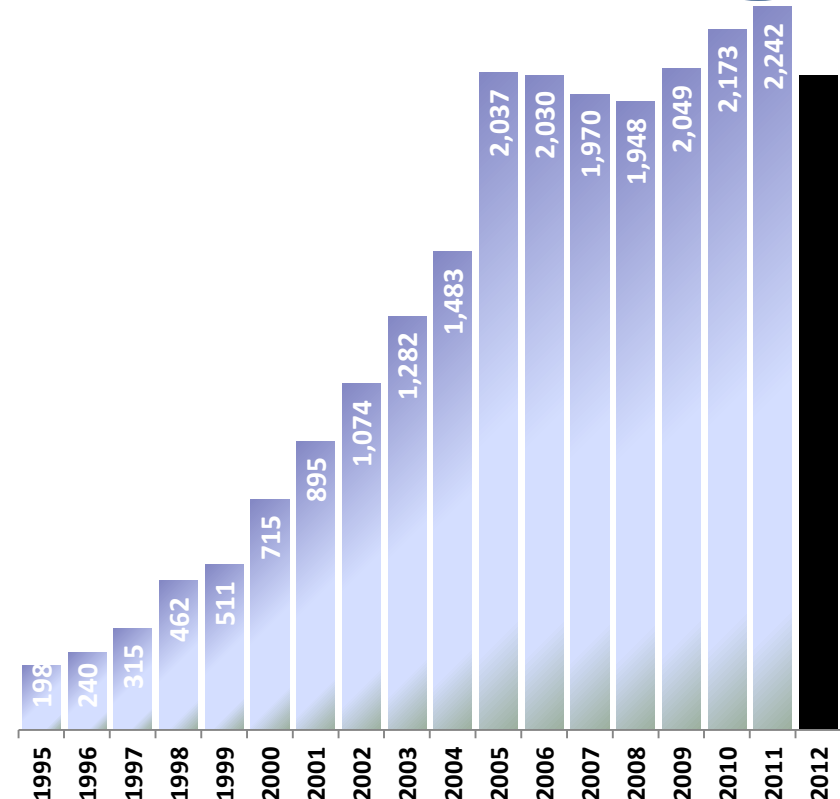
Warehouses

102



Vehicle Fleet

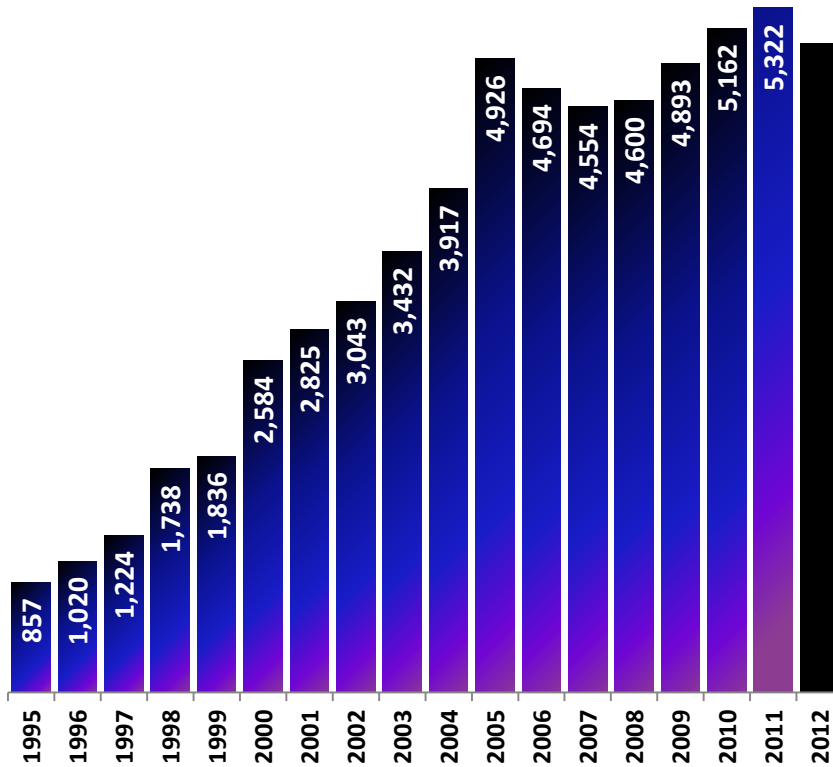
2,030



Operational Stats II

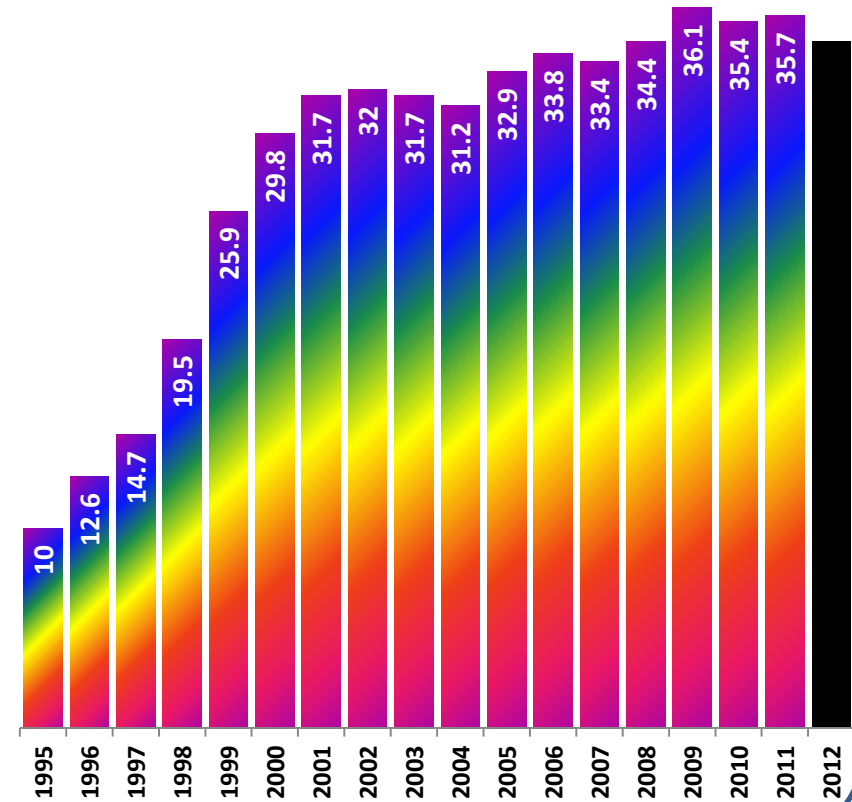
Employment Size

5,049



Market Share (%)

34.4



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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



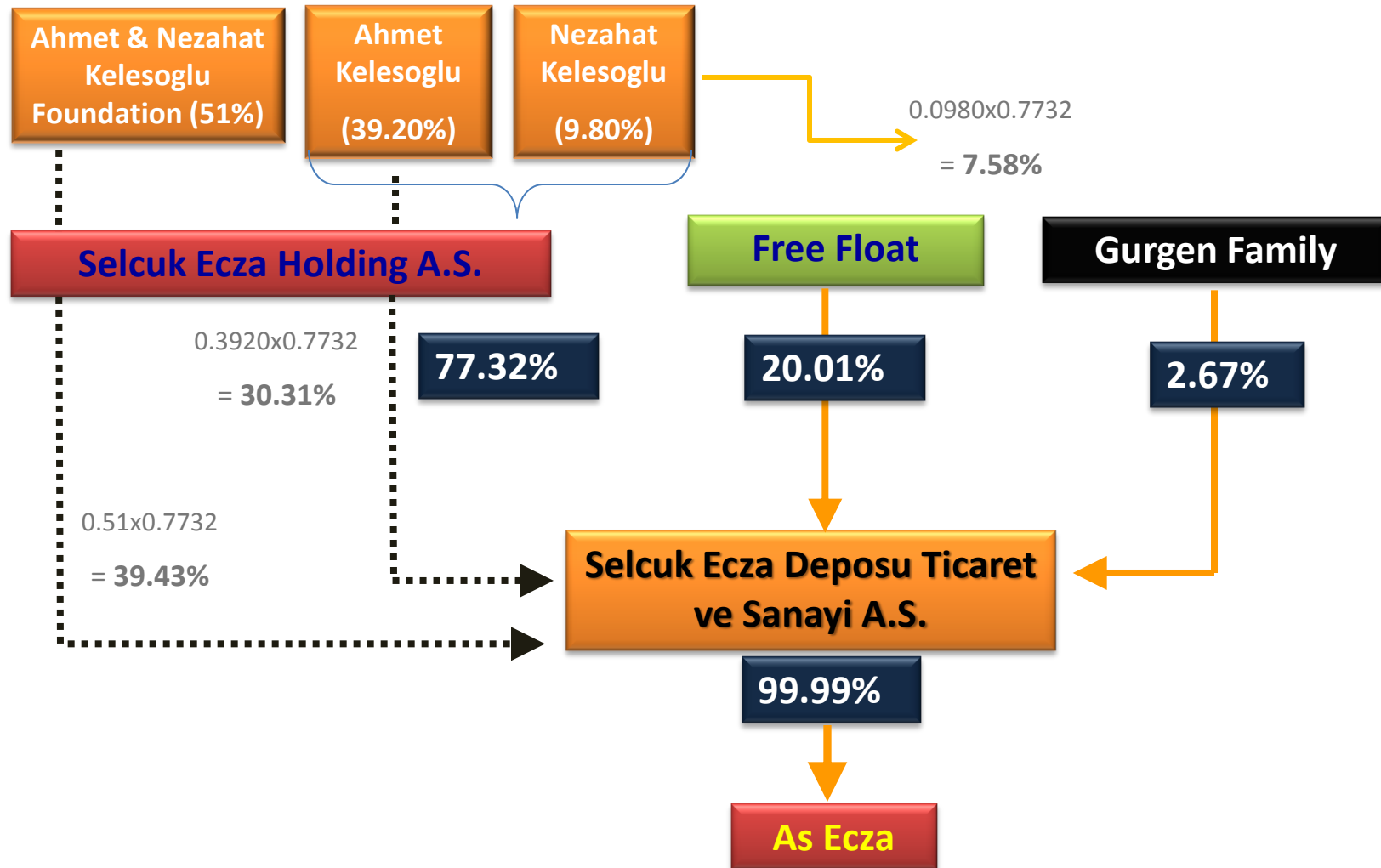
✚ Selcuk Ecza generated 265 mn. TRL in FY11 and 375 mn. in FY12 for this segment, while medium term target is 500 mn TRL as of app. 10% of available topline.

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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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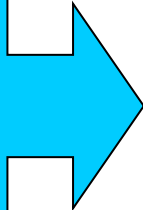
REIMBURSEMENT to PHARMACIES by THE SSI



Appendix-2: Reference Pricing Scheme

Reference Countries

France
Italy
Spain
Portugal
Greece

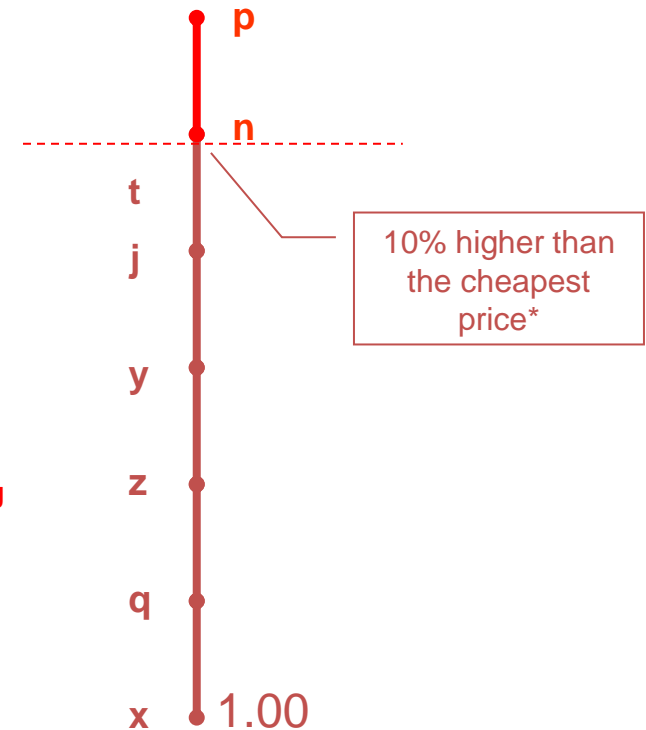


***The government has changed the regulation on the reference pricing mechanism and lowered the ratio of both brands and generics to 60% of the reference price on Nov.10, 2011 which is valid since Nov.18, 2011.**

**** 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

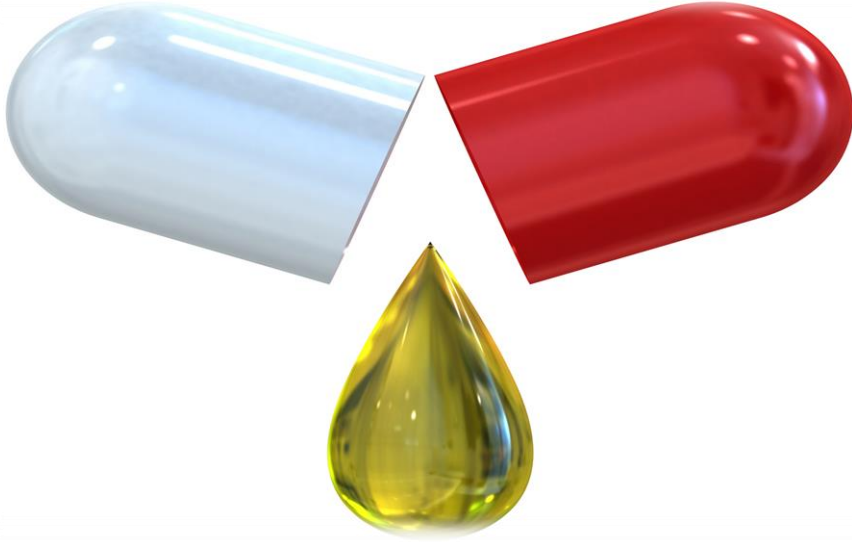
TL Million	Dec. 31, 2012	Dec. 31, 2011	2012 vs. 2011
Volume			
Net Sales	4,902.07	5,074.50	-3.40%
Cost of sales (-)	(4,497.43)	(4,702.64)	-4.36%
GROSS PROFIT	404.64	371.86	8.81%
OPEX	(263.36)	(240.53)	9.49%
Other operating income/Exp.(Net)	4.61	6.46	-28.59%
EBIT	145.89	137.79	5.88%
EBIT (exc.other)	141.28	131.33	7.58%
Finance income /Exp.(Net)	35.95	35.16	2.23%
Income before minority Int.& Tax	181.84	172.95	5.14%
Minority interest	0.00	0.00	0.99%
Income tax expense	(38.15)	(34.39)	10.95%
Net Income / (Loss)	143.69	138.56	3.70%
EBITDA	156.91	147.20	6.60%
EBITDA (exc.other)	152.30	140.74	8.21%
Gross Margin	8.25%	7.33%	
EBIT Margin	2.98%	2.72%	
EBIT Margin (exc.other)	2.88%	2.59%	
EBITDA Margin	3.20%	2.90%	
EBITDA Margin (exc.other)	3.79%	2.86%	

Appendix-4: Summary Financials:

Balance Sheet

Balance Sheet

(TL million)					
Assets	Dec. 31, 2012	Dec. 31, 2011	Liabilities & Equity	Dec. 31, 2012	Dec. 31, 2011
Cash and cash equivalents	1,066.43	175.41	Short-term debt	895.53	7.00
Accounts rec.& due from related parties	1,570.86	1,538.21	Accounts payable & due to related parties	1,342.24	1,324.67
Inventories	695.13	576.54	Provisions & other current liabilities	39.17	34.34
Other current assets	63.60	103.24	Total Current Liabilities	2,276.93	1,366.00
Total Current Assets	3,396.01	2,393.39	Long-term debt	0.00	0.00
PP&E	168.77	154.11	Provision for Employee Benefits & Other Liabilities	10.20	9.53
Intangible Assets(Including Goodwill)	31.50	31.60	Deferred tax liability	20.52	15.54
Other non-current assets	15.34	5.27	Other liabilities	0.00	0.00
Deferred tax assets	22.05	20.08	Total Non-Current Liabilities	30.71	25.07
Total Non-Current Assets	237.66	211.06	Shareholder's equity & minority interest	1,326.02	1,213.38
Total Assets	3,633.67	2,604.45	Total Liabilities & Equity	3,633.67	2,604.45



FY12 EARNINGS



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"trust, balance, stability"

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