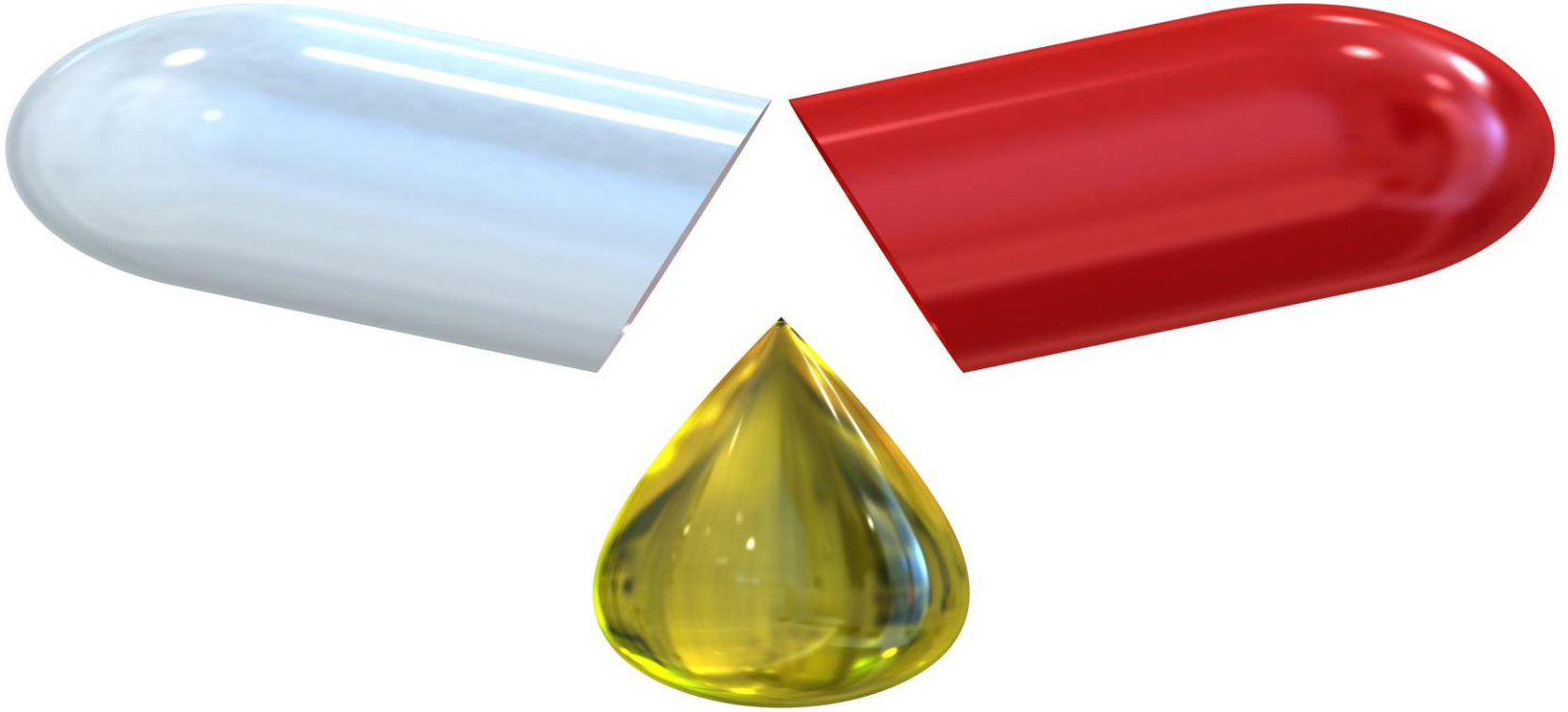


# 1Q12 EARNINGS



**Kursad Duman**

**Head of Investor Relations and Capital Markets**

# Contents

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



# Solid results in profitability...

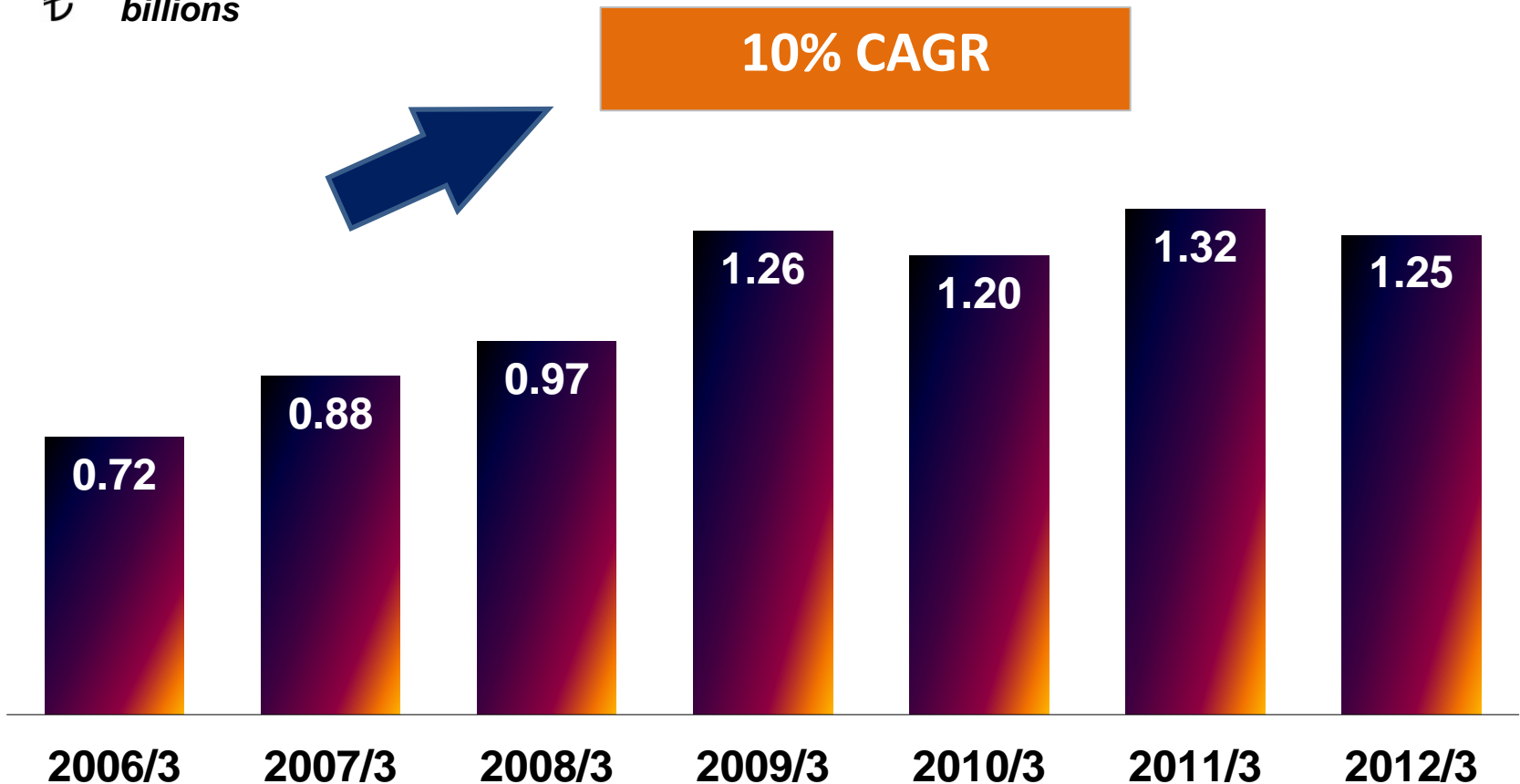


₺ millions except EPS)

	As of Mar. 31,		
	2012	2011	Chg
Revenues	1,253.20	1,317.10	-4.85%
Gross Income	105.47	90.45	16.61%
Gross Margin	8.42%	6.87%	+1.55 pts
EBITDA	46.47	37.79	22.97%
EBITDA Margin	3.71%	2.87%	-1.11 pts
Net Income	41.44	39.25	5.58%
Net Income Margin	3.31%	2.98%	+0.33 pts
EPS	0.067	0.063	6.35%

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

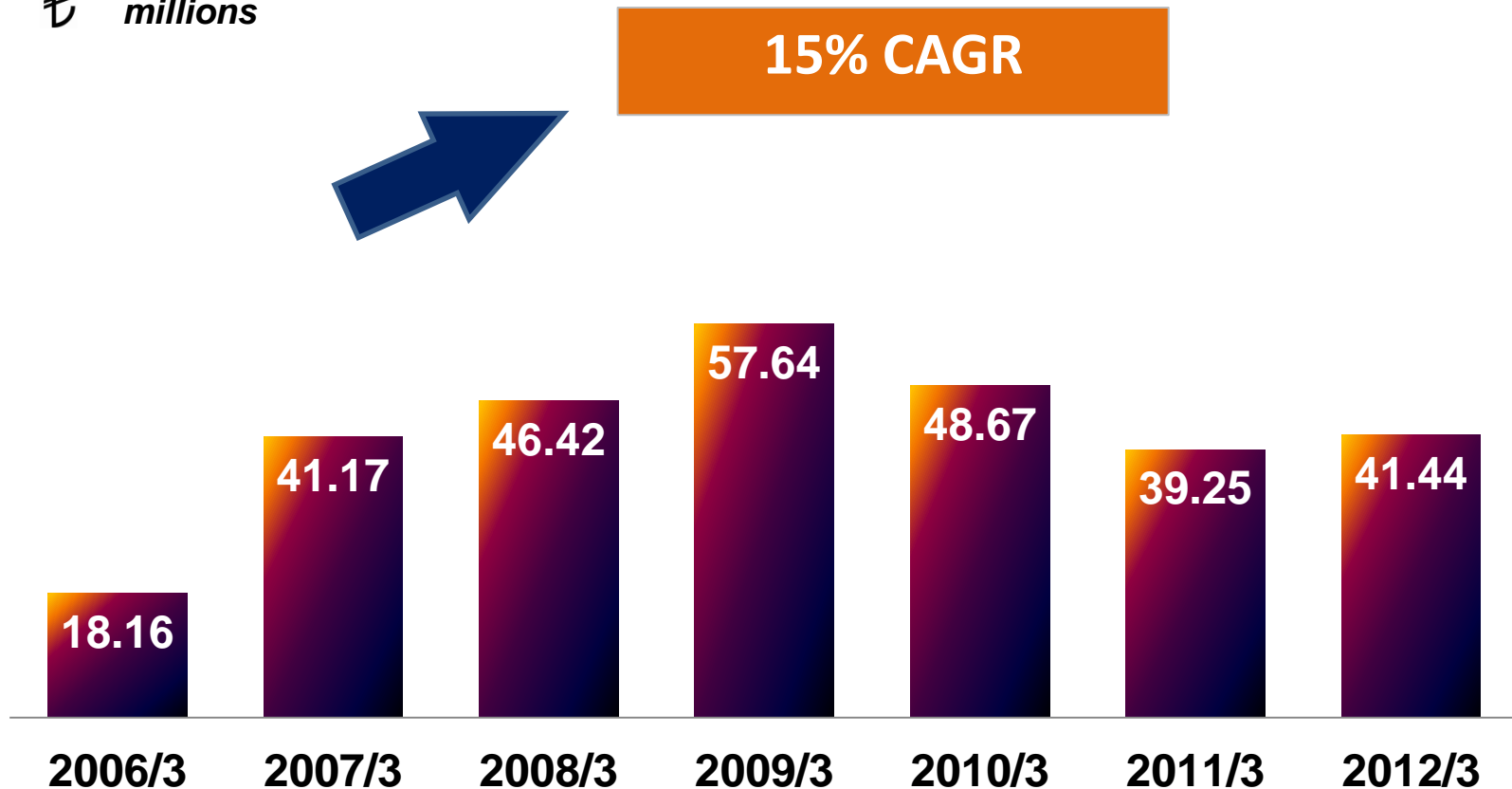
₺ *billions*



# ...that we have leveraged into higher income

₺ millions

15% CAGR



# Contents

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



# Working Capital Management

₺ mn.	FY05	FY06	FY07	FY08	FY09	FY10	FY11	1Q12
<b>A/R</b>	<b>1,064</b>	<b>1,209</b>	<b>1,303</b>	<b>1,502</b>	<b>1,538</b>	<b>1,538</b>	<b>1,538</b>	<b>1,568</b>
<b>Inventories</b>	<b>300</b>	<b>346</b>	<b>387</b>	<b>469</b>	<b>404</b>	<b>545</b>	<b>577</b>	<b>536</b>
<b>A/P</b>	<b>876</b>	<b>929</b>	<b>1,043</b>	<b>1,234</b>	<b>1,228</b>	<b>1,362</b>	<b>1,325</b>	<b>1,298</b>
<b>WC</b>	<b>488</b>	<b>626</b>	<b>647</b>	<b>737</b>	<b>714</b>	<b>721</b>	<b>790</b>	<b>806</b>
<b>WC/Sales</b>	<b>17.70%</b>	<b>19.88%</b>	<b>17.83%</b>	<b>18.21%</b>	<b>14.20%</b>	<b>14.70%</b>	<b>15.57%</b>	<b>15.93%</b>

# OpEx Improvement

	FY05	FY06	FY07	FY08	FY09	FY10	FY11	1Q12
<b>Revenue (mn. TL)</b>	<b>2,756</b>	<b>3,151</b>	<b>3,628</b>	<b>4,047</b>	<b>5,029</b>	<b>4,902</b>	<b>5,074</b>	<b>1,253</b>
<b># of WHs</b>	<b>91</b>	<b>98</b>	<b>100</b>	<b>100</b>	<b>107</b>	<b>114</b>	<b>118</b>	<b>118</b>
<b># of Employees</b>	<b>4,926</b>	<b>4,694</b>	<b>4,554</b>	<b>4,600</b>	<b>4,893</b>	<b>5,162</b>	<b>5,322</b>	<b>5,201</b>
<b>OpEx / Sales</b>	<b>4.85%</b>	<b>4.84%</b>	<b>4.49%</b>	<b>4.57%</b>	<b>3.93%</b>	<b>4.28%</b>	<b>4.74%</b>	<b>5.25%</b>
<b>Personnel / Sales</b>	<b>2.76%</b>	<b>2.86%</b>	<b>2.69%</b>	<b>2.64%</b>	<b>2.39%</b>	<b>2.66%</b>	<b>2.79%</b>	<b>2.95%</b>
<b>Employee per WH</b>	<b>54</b>	<b>48</b>	<b>46</b>	<b>46</b>	<b>46</b>	<b>45</b>	<b>45</b>	<b>44</b>
<b>Revenue per Employee</b>	<b>559,539</b>	<b>671,241</b>	<b>796,743</b>	<b>879,676</b>	<b>1,027,748</b>	<b>949,678</b>	<b>953,495</b>	<b>972,252</b>

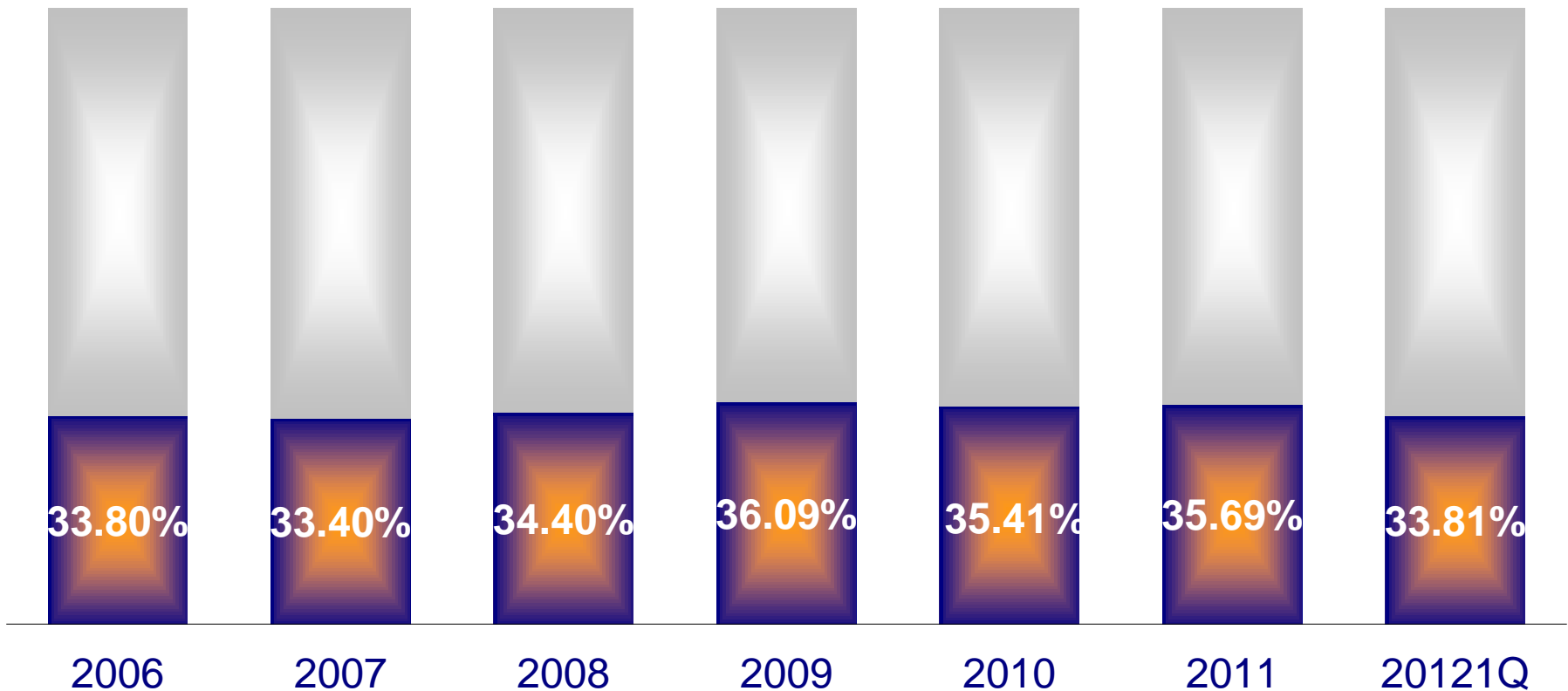


# OpEx Breakdown

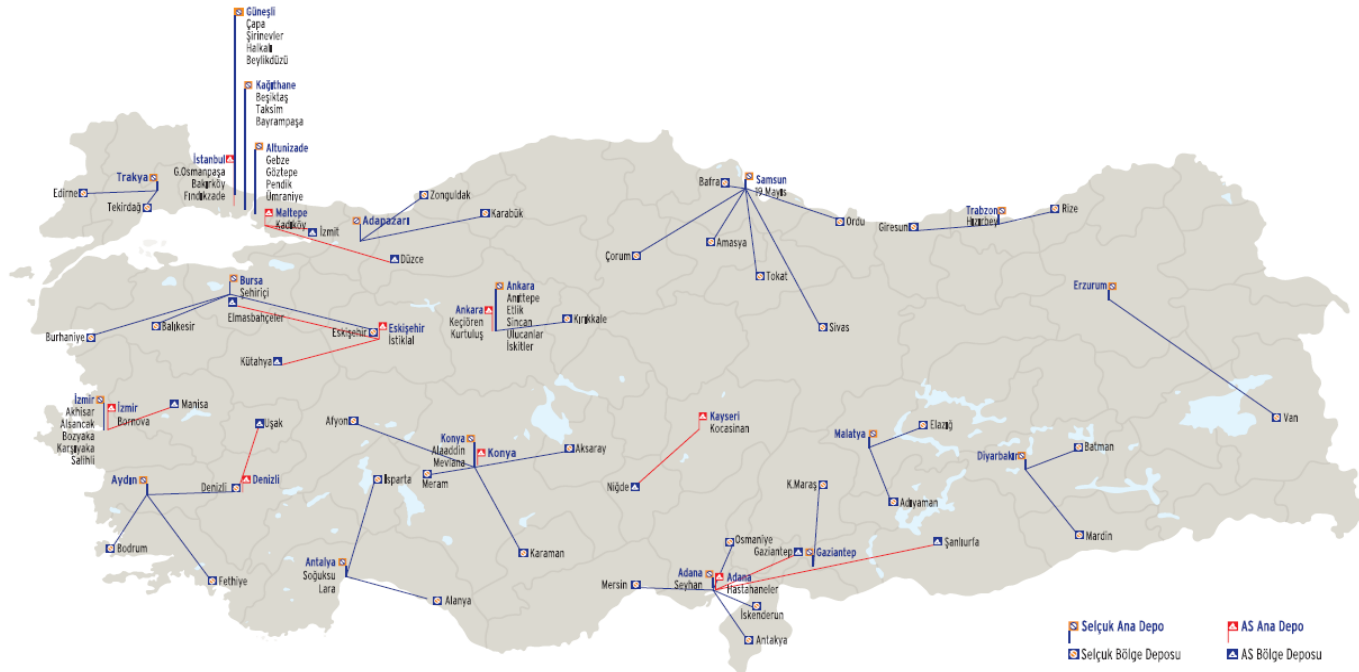
OPERATIONAL EXPENSES	1Q12	%	1Q11	%	2012 vs. 2011
Personnel expense	37,000,774	56.18%	35,586,411	61.41%	3.97%
Other	6,622,128	10.05%	1,772,182	3.06%	273.67%
Pharmaceutical Sector Fair Expense	3,777,535	5.74%	--	--	--
Fuel expense	3,407,882	5.17%	4,907,254	8.47%	-30.55%
Transportation expense	2,963,299	4.50%	2,881,936	4.97%	2.82%
Depreciation expense	2,892,454	4.39%	2,186,778	3.77%	32.27%
Rent expense	1,720,310	2.61%	1,444,688	2.49%	19.08%
Repair and maintenance expense of motor vehicles	1,471,612	2.23%	1,460,779	2.52%	0.74%
Communication expense	1,234,236	1.87%	1,300,090	2.24%	-5.07%
Insurance expense	1,148,505	1.74%	1,124,314	1.94%	2.15%
Donations and aids	1,078,130	1.64%	44,434	0.08%	2326.36%
Stationery expense	686,290	1.04%	608,407	1.05%	12.80%
Outsourcing expense	574,874	0.87%	2,740,236	4.73%	-79.02%
Tax expense	552,996	0.84%	534,428	0.92%	3.47%
Promotion expenses	429,732	0.65%	712,590	1.23%	-39.69%
Representation and host expenses	228,159	0.35%	498,330	0.86%	-54.22%
Advisory and audit fees	70,560	0.11%	147,543	0.25%	-52.18%
<b>Total</b>	<b>65,859,476</b>		<b>57,950,400</b>		<b>13.65%</b>

# Sustainable growth to Market Leader Position...

Market Share (%)



# A progressive network across the Country by over 100 warehouses

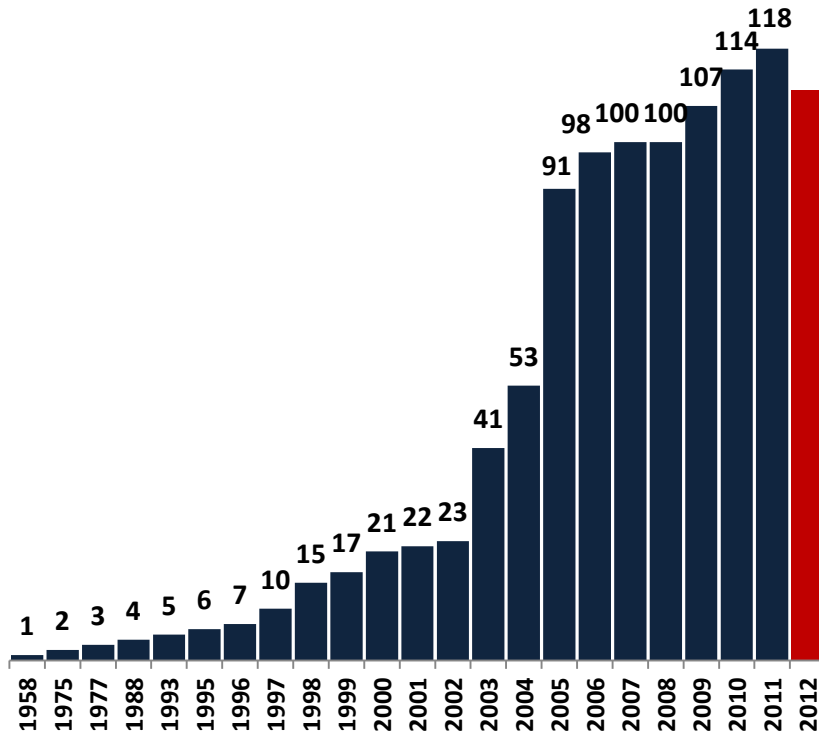


	Main Warehouses	Regional Warehouses	Total
Selçuk Ecza	18	64	82
As Ecza	9	19	28
Group Total	27	83	110

# Operational Stats I

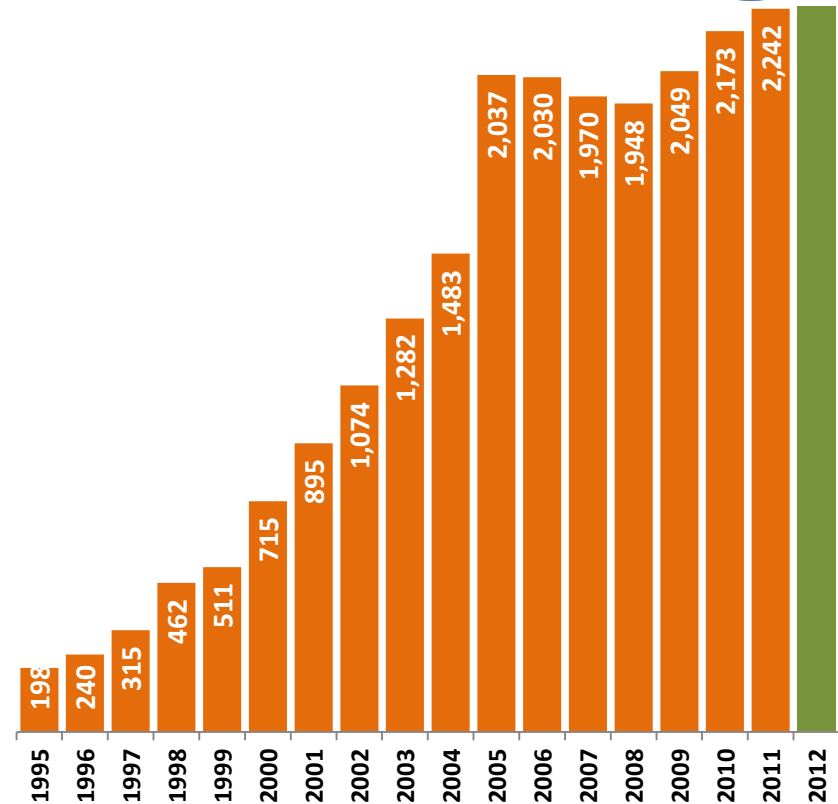
## Warehouses

110



## Vehicle Fleet

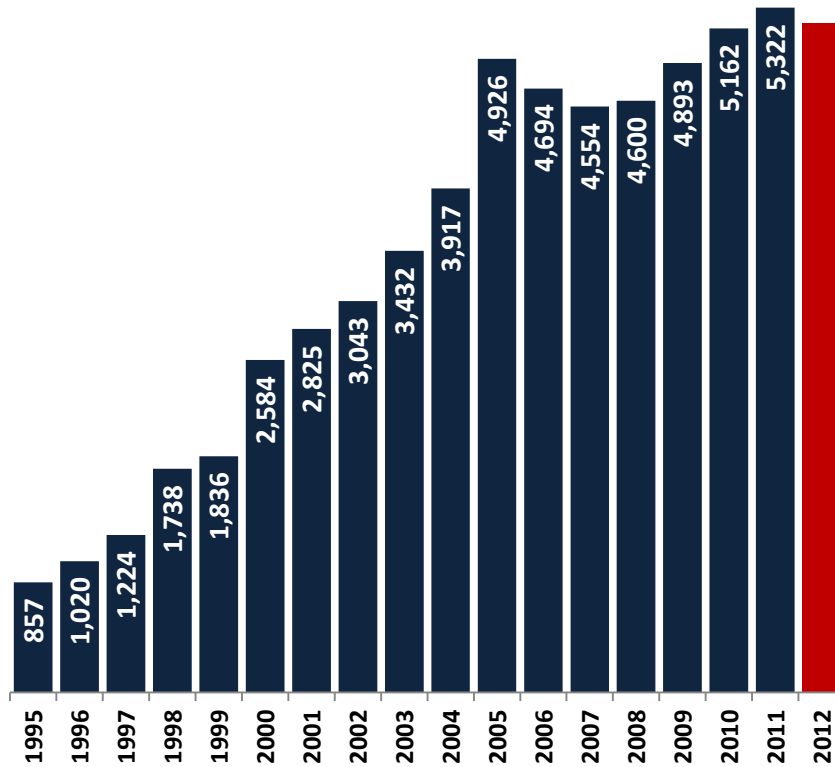
2,249



# Operational Stats II

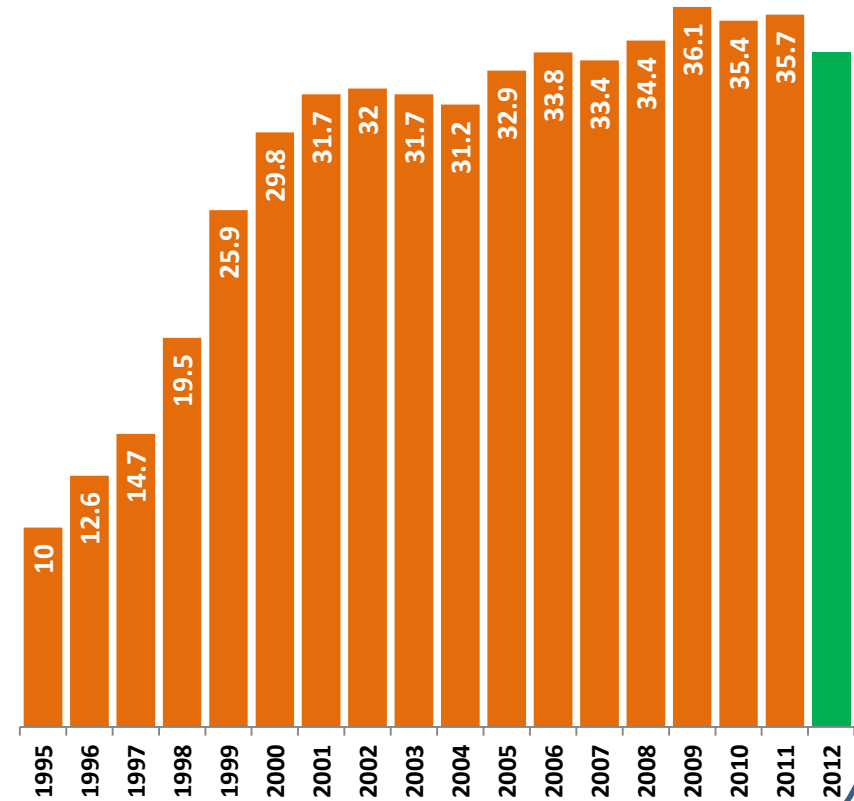
## Employment Size

5,201



## Market Share (%)

33.8



# Contents

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



# A New Scope: Toiletry Products

🛒 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\$10 bn. And almost US\$750-800 mn. of it is pharmacies' share

🛒 Selcuk Ecza generated an additional turnover of 265 mn. TRL in FY11 for this segment and estimates FY12 figure to reach 300 mn. TRL, while medium term target is to reach 500 mn TRL

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

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

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



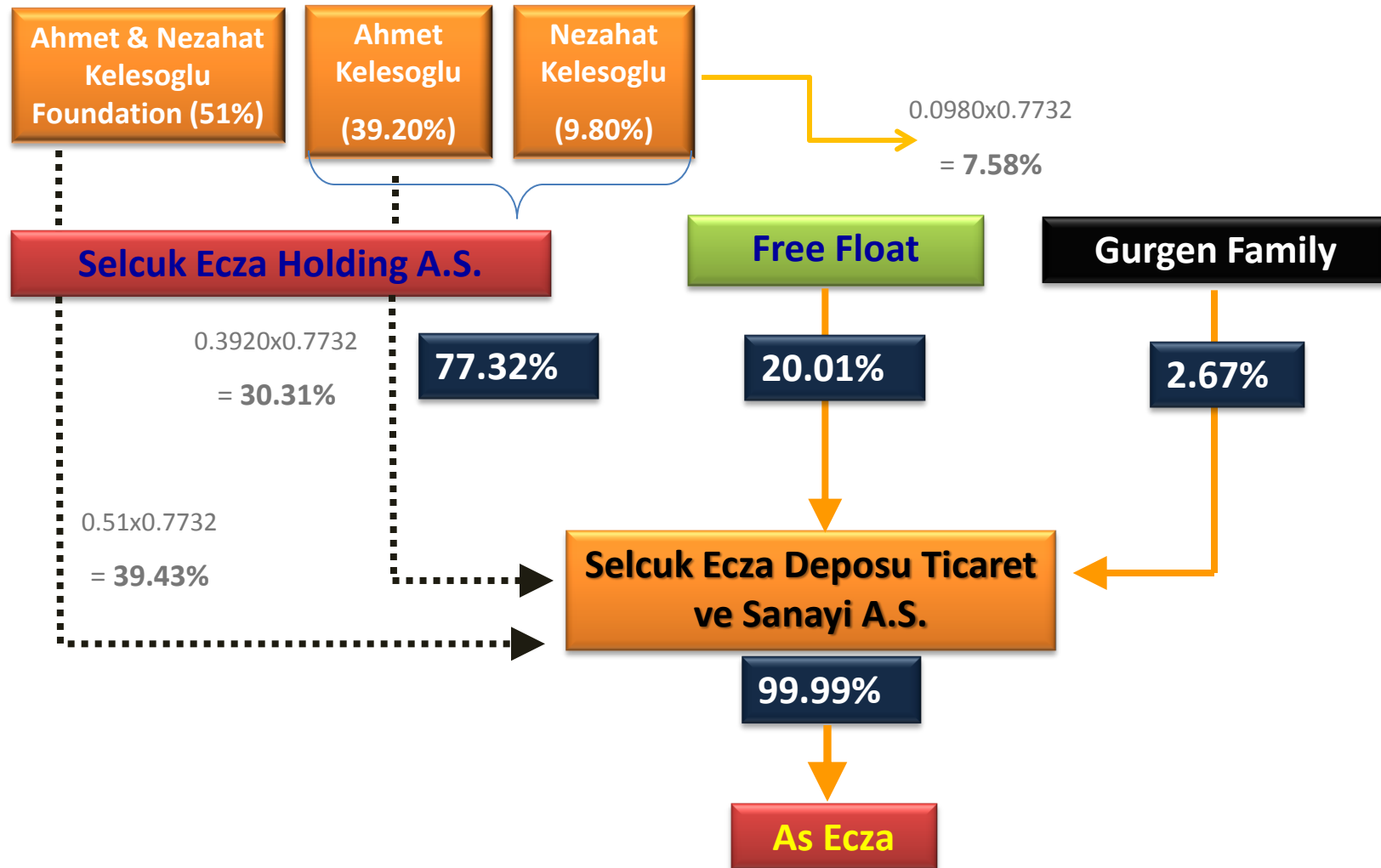
# Contents

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





# 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**

# Contents

## ✦ Appendices

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



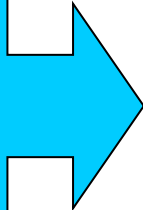
## REIMBURSEMENT to PHARMACIES by THE SSI



# Appendix-2: Reference Pricing Scheme

## Reference Countries

France  
Italy  
Spain  
Portugal  
Greece

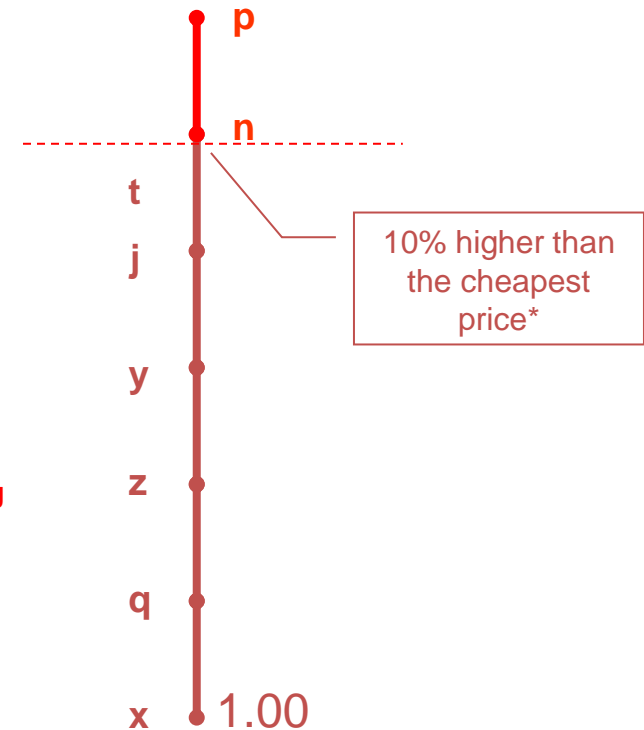


**\*The government has changed the regulation on the reference pricing mechanism and lowered the ratio of both brands and generics to 60% of the reference price on Nov.10, 2011 which is valid since Nov.18, 2011.**

**\*\* 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	Mar. 31, 2012	Mar. 31, 2011	2012 vs. 2011
<b>Volume</b>			
<b>Net Sales</b>	<b>1,253.20</b>	<b>1,317.10</b>	<b>-4.85%</b>
Cost of sales (-)	(1,147.73)	(1,226.64)	-6.43%
<b>GROSS PROFIT</b>	<b>105.47</b>	<b>90.45</b>	<b>16.60%</b>
OPEX	(65.81)	(57.95)	13.56%
Other operating income/Exp.(Net)	3.92	3.10	26.45%
<b>EBIT</b>	<b>43.58</b>	<b>35.60</b>	<b>22.40%</b>
EBIT (exc.other)	39.66	32.50	22.01%
Finance income /Exp.(Net)	7.72	13.61	-43.29%
Income before minority Int.& Tax	51.29	49.21	4.24%
Minority interest	0.00	0.00	14.66%
Income tax expense	(9.85)	(9.96)	-1.06%
<b>Net Income / (Loss)</b>	<b>41.44</b>	<b>39.25</b>	<b>5.58%</b>
<b>EBITDA</b>	<b>46.47</b>	<b>37.79</b>	<b>22.97%</b>
EBITDA (exc.other)	42.55	34.69	22.66%
<b>Gross Margin</b>	<b>8.42%</b>	<b>6.87%</b>	
<b>EBIT Margin</b>	<b>3.48%</b>	<b>2.70%</b>	
<b>EBIT Margin (exc.other)</b>	<b>3.16%</b>	<b>2.47%</b>	
<b>EBITDA Margin</b>	<b>3.71%</b>	<b>2.87%</b>	
<b>EBITDA Margin (exc.other)</b>	<b>3.40%</b>	<b>2.63%</b>	

# Appendix-4: Summary Financials:

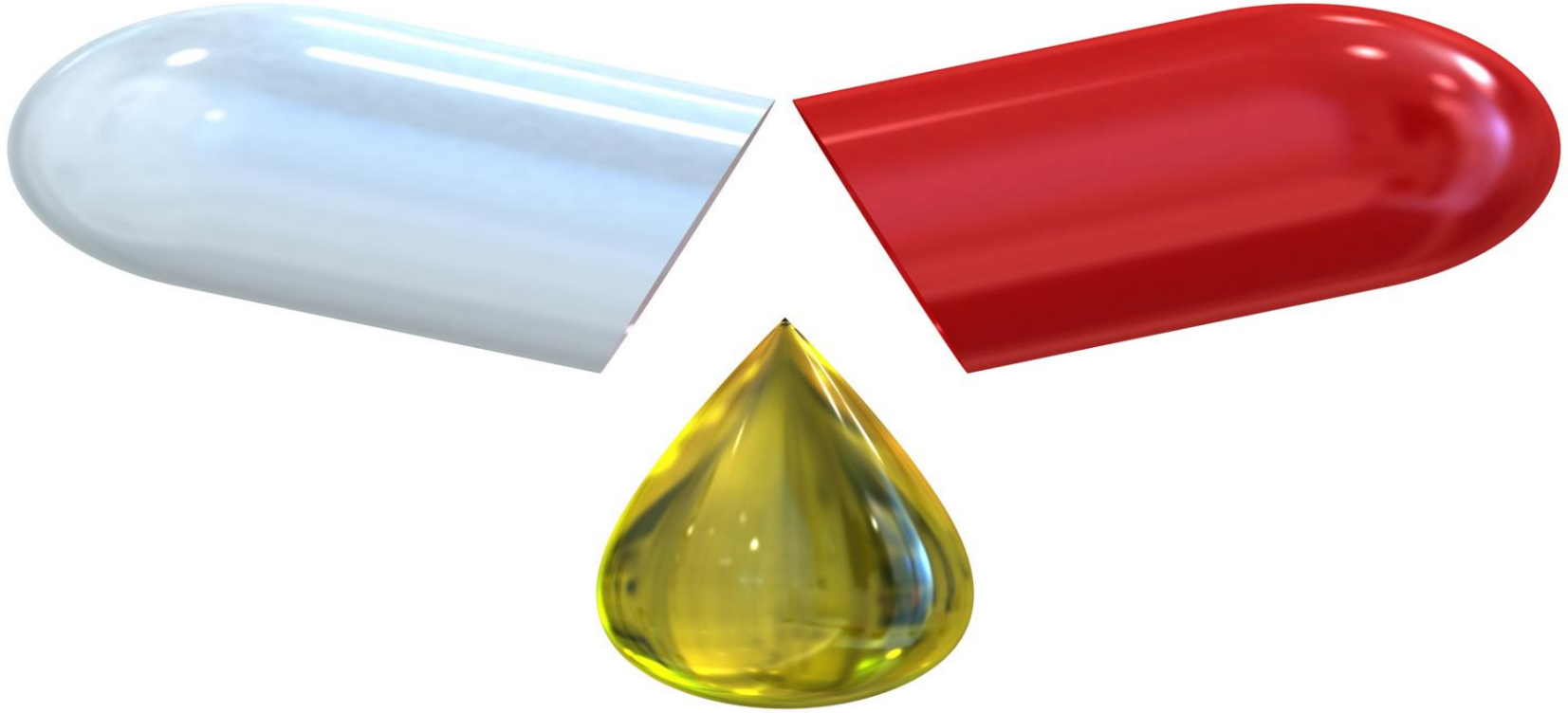
## Balance Sheet

### Balance Sheet

(TL million)					
Assets	Mar. 31, 2012	Mar. 31, 2011	Liabilities & Equity	Mar. 31, 2012	Mar. 31, 2011
Cash and cash equivalents	220.28	175.41	Short-term debt	20.15	7.00
Accounts rec.& due from related parties	1,568.54	1,538.21	Accounts payable & due to related parties	1,298.23	1,324.67
Inventories	535.73	576.54	Provisions & other current liabilities	33.61	34.34
Other current assets	89.08	103.24	<b>Total Current Liabilities</b>	<b>1,351.99</b>	<b>1,366.00</b>
<b>Total Current Assets</b>	<b>2,413.63</b>	<b>2,393.39</b>	Long-term debt	0.00	0.00
PP&E	161.56	154.11	Provision for Employee Benefits & Other Liabilities	10.50	9.53
Intangible Assets(Including Goodwill)	31.57	31.60	Deferred tax liability	19.34	15.54
Other non-current assets	5.240	5.2654	Other liabilities	0.00	0.00
Deferred tax assets	24.69	20.08	<b>Total Non-Current Liabilities</b>	<b>29.83</b>	<b>25.07</b>
<b>Total Non-Current Assets</b>	<b>223.05</b>	<b>211.06</b>	Shareholder's equity & minority interest	1,254.86	1,213
<b>Total Assets</b>	<b>2,636.68</b>	<b>2,604.45</b>	<b>Total Liabilities &amp; Equity</b>	<b>2,636.68</b>	<b>2,604.45</b>



# 1Q12 EARNINGS



Selcuk Eczadeposu A.S.  
Investor Relations & Capital Markets Division  
Tel: +90 216 554 0554  
Fax: +90 216 554 0517  
[www.selcukecza.com.tr](http://www.selcukecza.com.tr)

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

Kursad Duman  
Head of Investor Relations & Capital Markets  
Tel: +90 216 554 0693-0695  
e-mail: [k.duman@selcukecza.com.tr](mailto:k.duman@selcukecza.com.tr)