

The United Laboratories International Holdings Limited

2012 Annual Results Announcement Corporate Presentation

March 2013





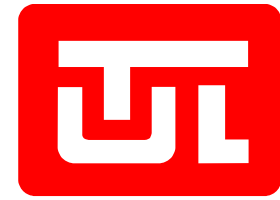
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Section 1

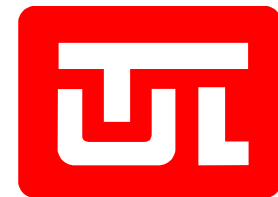
Results Snapshot



2012 Annual Results Snapshot



- ◆ Turnover: +9.6% to HK\$7,021.6 million
- ◆ Profit attributable to equity holders: +55.3% to HK\$162.0 million
- ◆ **Sales of bulk medicine and finished products, such as “Tazobactam sodium and piperacillin sodium for Injection” , “Uslin” and “Amoxicillin / Clavulanate Tablets”, saw a significant improvement**
- ◆ Finished products achieved good development progress after marketing promotion, with improving profit margin
- ◆ Some antibiotic products recorded substantial growth, and amoxicillin products saw stable growth
- ◆ **Enzymatic amoxicillin products produced in the Inner Mongolia plant saw a rapid growth compared to 2011 and gradually gained recognition in the market**
- ◆ Recombinant human insulin products
 - Contributing approx. HK\$59 million to the Group’s revenue
 - Tendering exercises were also carried out as planned in local hospitals in different provinces and won biddings in 15 provinces
 - Completed clinical trials of the third-generation insulin, which is applying for a production permit
- ◆ **Overseas sales expanded significantly by 23.7% to HK\$2.48 billion, which contributed a substantially larger portion of revenue to the Group**
- ◆ **Optimized financial structure through various financing channels**
 - Raised gross proceeds of approximately HK\$700 million by way of a rights issue at a price of HK\$2.21 per share in March 2012
 - Zhuhai United Laboratories Co., Ltd had a RMB600 million one-year bond issue



Section 2 Financial Highlights

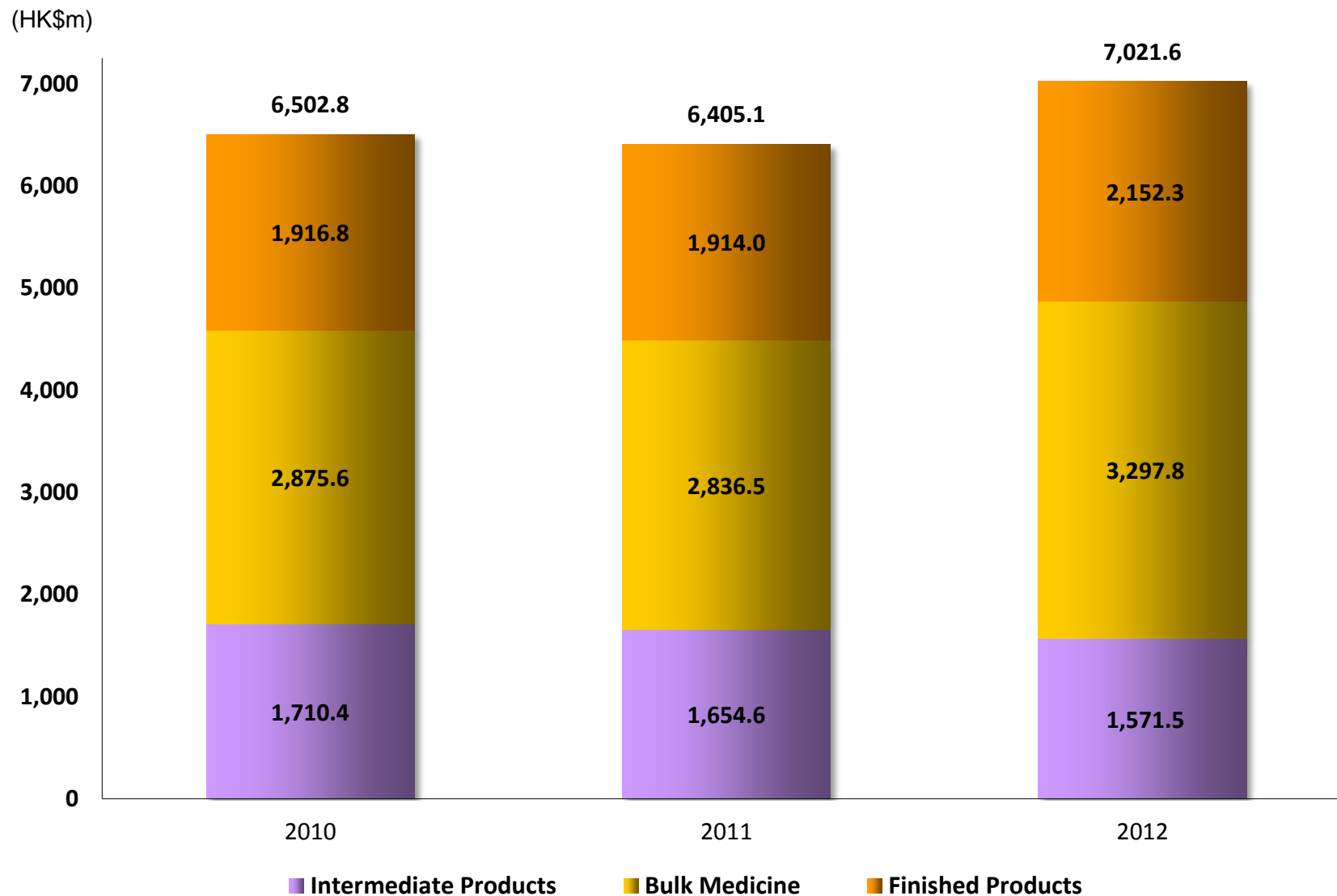


Financial Overview

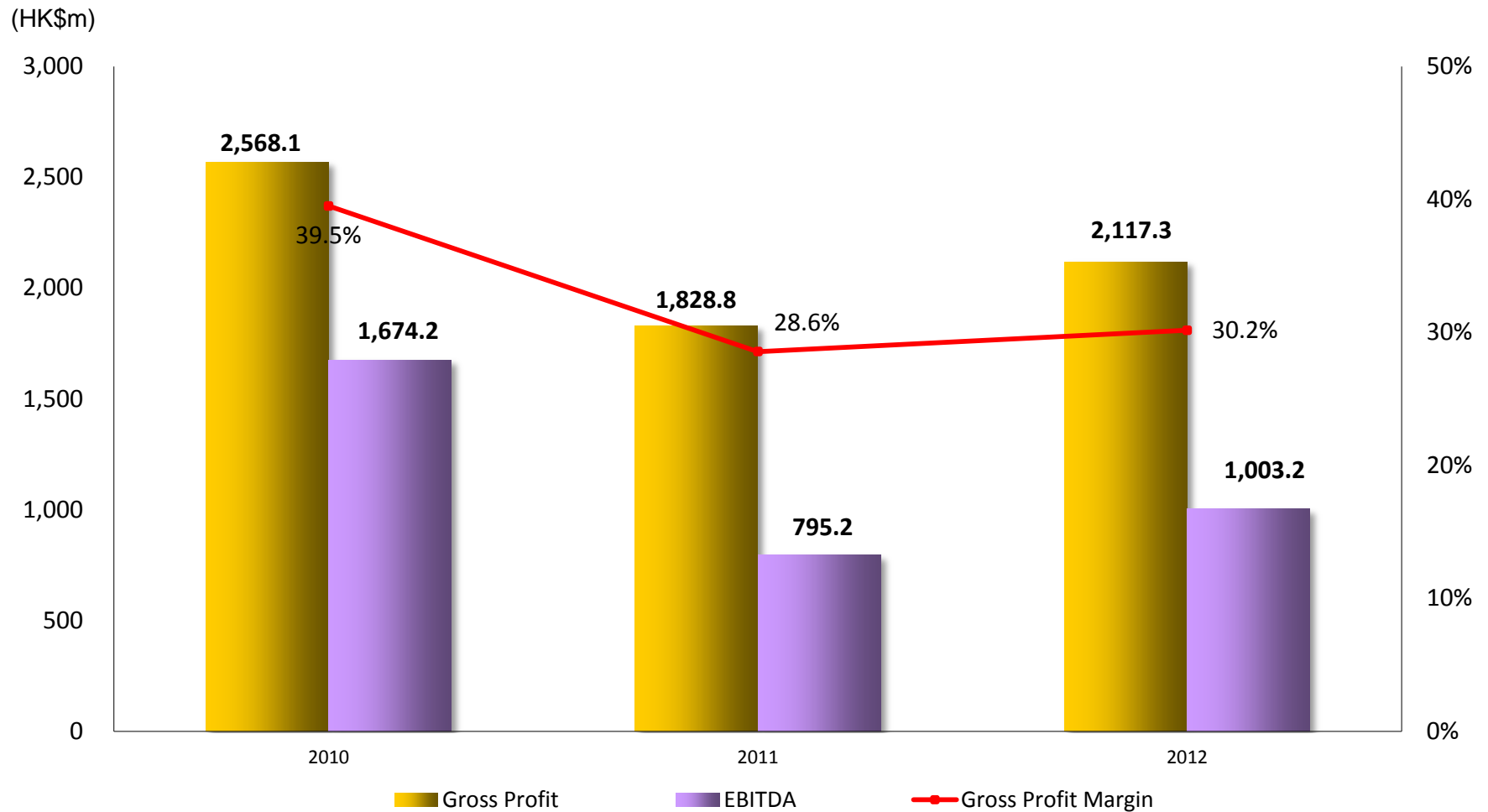


HK\$ million	2012	2011	yoy change (2012 v.s. 2011)
Revenue	7,021.6	6,405.0	+9.6%
Gross Profit	2,117.3	1,828.8	+15.8%
EBITDA	1,003.2	795.2	+26.2%
Profit Attributable to Equity Holders	162.0	104.3	+55.3%
EPS (HK cents)			
-Basic	10.7	7.4	+44.6%
-Diluted	10.7	7.4	+44.6%

Revenue



Gross Profit, EBITDA & Gross Profit Margin



Business Segment Results & Margins



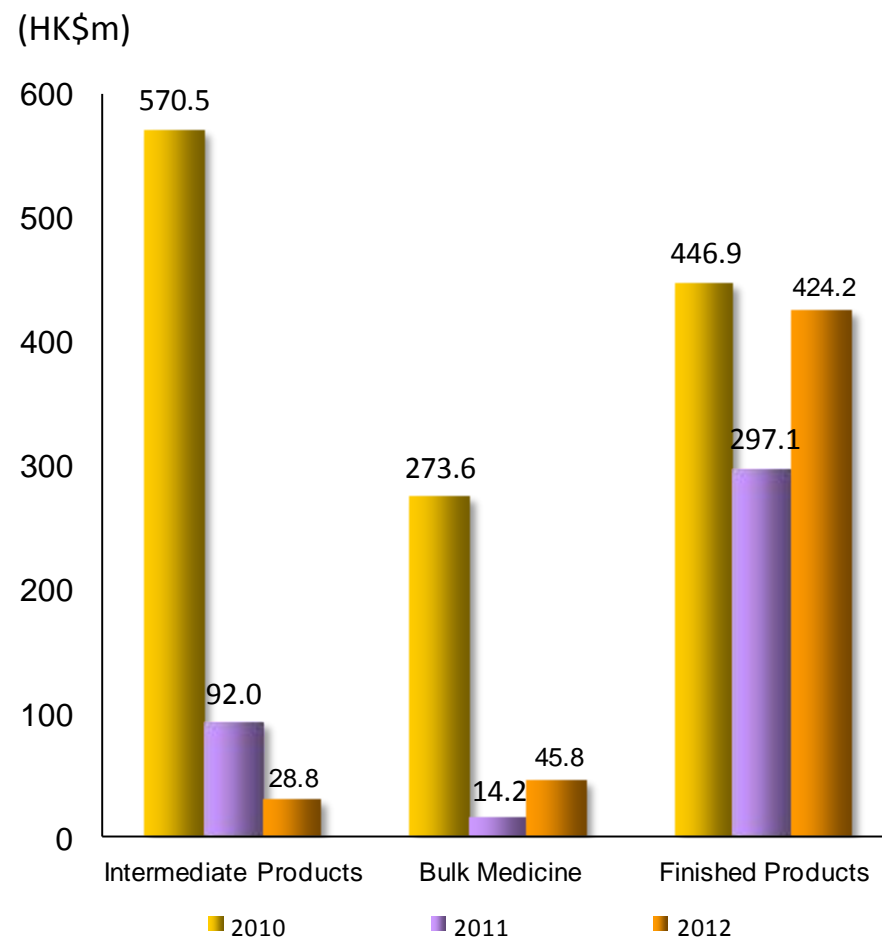
Profit Breakdown by Segment

	2012	2011	2010
Intermediate Products	5.8%	22.8%	44.2%
Bulk Medicine	9.2%	3.5%	21.2%
Finished Products	85.0%	73.7%	34.6%
Total	100%	100%	100%

Segment Margins

	2012	2011	2010
Intermediate Products	1.0%	3.1%	19.1%
Bulk Medicine	1.3%	0.5%	8.8%
Finished Products	19.7%	15.5%	23.3%

Segment Profit



Other Key Financial Indicators



	As at 31 Dec 2012	As at 31 Dec 2011
Trade and bills receivables turnover (days) ⁽¹⁾	113.5	111.8
Trade and bills payables turnover (days) ⁽²⁾	134.6	115.3
Stock turnover (days) ⁽³⁾	135	105.2
Current ratio ⁽⁴⁾	0.74	1.0
Net Gearing ratio ⁽⁵⁾	76.1%	53.2%
Cash and cash equivalents (HK\$ million)	646.1	948.6
Total assets (HK\$ million)	16,141.7	11,864.9

	For the year ended 31 Dec 2012	For the year ended 31 Dec 2011
Net cash from operating activities (HK\$ million)	590.8	508.5

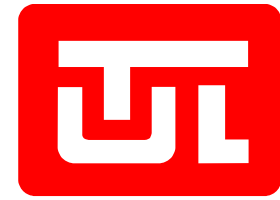
(1) Calculated as year end trade and bills receivables balance divided by revenue and multiplied by 365

(2) Calculated as year end trade and bills payables balance divided by cost of sales and multiplied by 365

(3) Calculated as year end inventories balance divided by cost of sales and multiplied by 365

(4) Calculated as current assets divided by current liabilities

(5) Calculated as total borrowings and convertible bonds less pledged deposits and cash and bank balances to total equity



Section 3

Business Review



Challenges and Opportunities in 2012



Challenges

The global economy was not yet out of the financial crisis
→ a recovery on global trade was not yet even in sight

Product quality and environmental issues remained a concern for the society
→ government tightened control over the industry

BIG Opportunities

National health policies becoming more stable and medical institutions began to restock

Some industry players were forced to stop production due to high production costs and continuous losses

A rise in demand and weaker competitors, manufacturers regained over drug pricing, thereby improving our overall business performance



Inventory pressures of the industry eased

- sales of 6-APA bottomed out
- prices of 7-APA began to stabilize

Being able to comply with the most stringent standards and can maintain stable production and increase production capacity, TUL will benefit from such industry consolidation

Plant Capacity in 2012



	Designed Capacity	Utilization Rate	External Sales%
<i>Intermediate products (tonnes)</i>			
• 6-APA	15,600	94.6%	49.9%
• 7-ACA	800	80.0%	57.4%
<i>Bulk medicine (tonnes)</i>			
• Semi-synthetic penicillin type	20,000	63.7%	84.9%
• Cephalosporins type	1,200	67.5%	96.7%
• β - lactamase inhibitor antibiotics type	800	91.7%	76.6%
<i>Finished products (mil)</i>			
• Amoxicillin & Ampicillin capsules	1,100	95.0%	100%
• Amoxicillin granules	161.2	61.3%	100%
• β - lactamase inhibitor antibiotics (bottles)	19.5	70.0%	100%

Sales Volume



Types=	Products	Sales volume in 2012	Sales volume in 2011	yoy change
Intermediate products (tonnes)	6-APA	7,361.3	7,459.3	-1.3%
	7-ACA	367.4	281.5	+30.5%
Bulk medicine (tonnes)	Semi-synthetic penicillin type	10,822.2	8,875.5	+21.9%
	Cephalosporins type	783.1	811.0	-3.4%
	β- lactamase inhibitor type	562.1	436.8	+28.7%
Finished products ('000 packs)	Amoxicillin/Clavulanate tablets	8.0	4.0	+100.0%
	Tazobactam sodium and piperacillin sodium for injection (2.25g/4.5g) (packs)	9.7	7.7	+26.0%
	Amoxicillin capsules (250/500mg)*	39.7	34.3	+15.7%
	Ampicillin capsules (250/500mg)	20.8	19.6	+6.1%
	Eye drops*	7.7	6.7	+14.9%
	Adefovir capsules	1.2	1.1	+9.1%
	Imipenem cilasttin sodium for injection	0.7	0.5	+40%
	Insulin	1.2	0.3	+300.0%

*Listed in Essential Drugs List. Eyes drops partially listed.



Average External Selling Price

Average External Selling Price*	2012	2011	y-o-y change
Intermediate products (RMB/kg)			
6-APA	151.2	165.2	-8.5%
7-ACA	413.3	488.9	-15.5%
Bulk medicine (RMB/kg)			
Semi-synthetic penicillin type	160.5	165.7	-3.1%
Cephalosporins type	655.2	721.2	-9.1%
β- lactamase inhibitor type	654.6	565.8	+15.7%

*Selling price not including VAT

Individual pricing approved by National Development and Reform Commission (NDRC)	Individual pricing	Government ceiling price	Price premium
Finished products (RMB)			
Amoxicillin Granules 125mg x 12 packs	8.4	4.8	+75%
Amoxicillin Capsules 250mg x24 tablets	13.7	7.4	+85%
Amoxicillin Capsules 500mg x24 tablets	23.3	12.6	+85%
Ampicillin Capsules 500mg x24 tablets	23.8	-	-
Ampicillin Capsules 250mg x24 tablets	14.0	5.7	+146%

Fully Vertical Integration



Intermediate products, accounted for 22.4% of total external sales in 2012

6-APA (>60%*)

19.5%

7-ACA

2.9%

T-octylammonium clavulanate

Nil

Bulk medicine, accounted for 47.0% of total external sales in 2012

Semi-synthetic penicillin type
(50-60%*)

30.5%



Cephalosporins type

9.0%



β - lactamase inhibitor type

7.5%



Finished products , accounted for 30.6% of total external sales in 2012

Semi-synthetic penicillin
antibiotics

10.3%



Cephalosporins
antibiotics

4.5%



β -lactamase inhibitor
antibiotics

7.0%



Other (including capsule
casings)

8.8%



*Chinese market share

New Products Development



- ◆ **To leverage on R & D strengths to develop products with high margins and great demand**
- ◆ **There are now 47 new products under development, and 10 are in the process of patent registration and 5 patents were approved by the government**
- ◆ **Recombinant human insulin will continue to be the Group's key product**
 - ◆ Insulin products received relatively high international recognition in terms of quality and production technology
 - ◆ contributing approx. HK\$59 million to the Group's revenue
 - ◆ tendering exercises were also carried out as planned in local hospitals in different provinces and won biddings in 15 provinces
 - ◆ completed clinical trials of the third-generation insulin, which was later submitted for approval before mass production

New Products	Classification	Main curative effects	Status
Insulin Glargine Injection 甘精胰島素注射液	Bio product	For treatment of type I & II diabetes	Finished clinical trial
Insulin Aspart Injection 門冬胰島素注射液	Bio product	For treatment of type I & II diabetes	Application for clinical trial In progress

Extensive Sales and Distribution Network



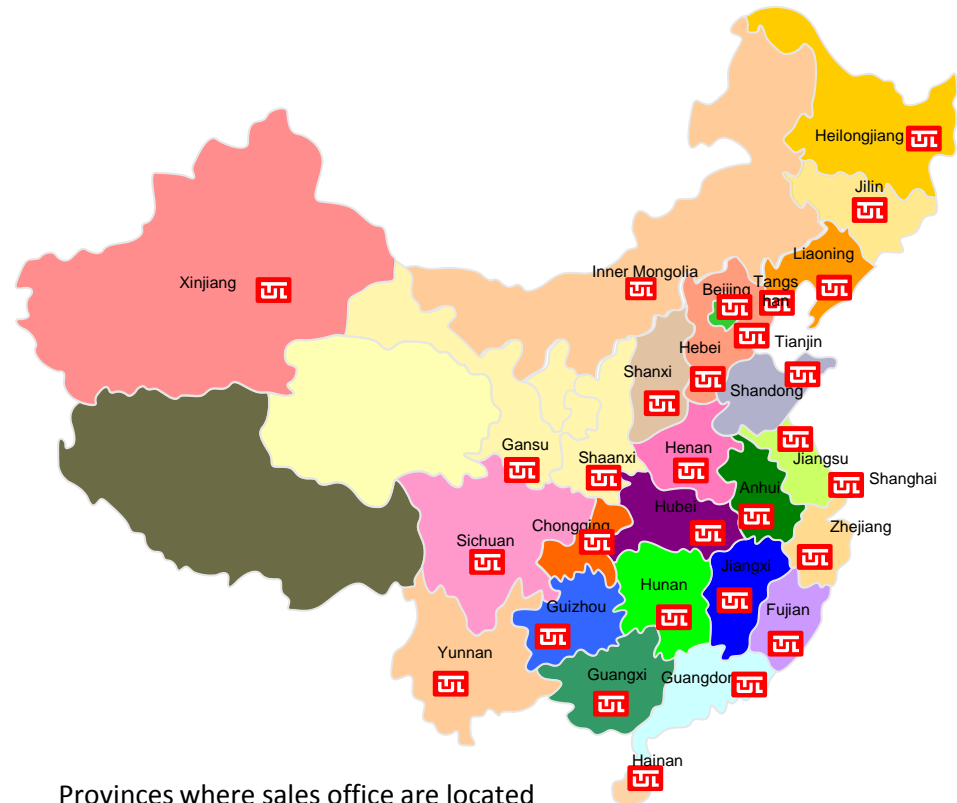
Further penetrated into domestic rural market and expanded the sales networks in overseas markets

Domestic Market

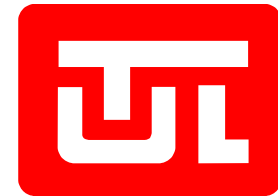
- Around 2,400 sales staff in 28 sales offices of finished products as at 31 December 2012
- Over 1,000 distributors, 80 of them are top class distributors
- Further penetrated into the rural market, and the proportion is still on the rise

Overseas Markets

- Accounted for 35.4% of the Group total sales in 2012, 23.7% y-o-y growth
- Sales of bulk products to Europe, India, Hong Kong, Middle East, South America, other Asian regions and other regions
- Successfully established offices in Brazil, India, Dubai, Indonesia, and Hamburg in Germany last year
- 5 APIs got EU-CEP certificate, 1 API got FDA certificate and 1 API got Japanese GMP



Provinces where sales office are located
Note: as of 31 Dec 2012. Separate colours represent the cities or provinces covered by each sales office



Section 4

Strategies & Outlook



Business Outlook



Government will devote more resources to support the pharmaceutical industry

Latest National Essential Drugs List was announced in March 2013

- types of drugs covered increased significantly to 520 from 307 before
- 317 are chemical/biological drugs, including the insulin and amoxicillin products of the Group



TUL has already gained first-mover advantages by penetrating into rural markets and primary healthcare institutions

The new List will help improve the sales of the relevant products

The development project of a power plant for internal use in Inner Mongolia has been completed



Increase the capacity by 10,000 tonnes

Reduce production costs, improve production efficiency and match the pace of expansion of exports and domestic markets

Business Development Strategies



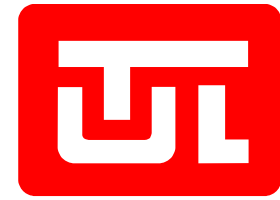
To continue to expand domestic and overseas sales networks and accelerate the penetration of domestic rural markets. Actively explore new markets with growth potentials

To continue to bring our edges in R&D into play in order to develop high-margin and in-demand products

The recombinant human insulin products to remain a key product of the Group and accelerate the growth momentum of the products by committing substantial resources to gain greater market share

To consider expanding the new insulin products, which have received relatively high international recognition in terms of quality and production technology, to existing overseas markets

To focus on the sales promotions of Amoxicillin Capsules and Ampicillin Capsules with bigger strength and new packaging, turning them into new growth drivers of the sales of finished products



Section 5

Q & A Session

