

The United Laboratories International Holdings Limited

2013 Interim Results Announcement Corporate Presentation

September 2013





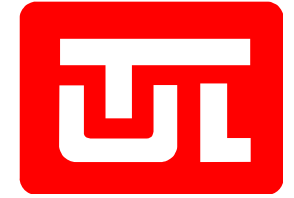
Results Snapshot

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Section 1

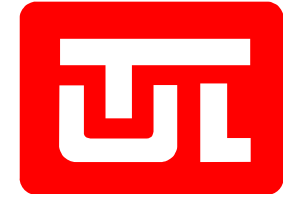
Results Snapshot



2013 Interim Results Snapshot

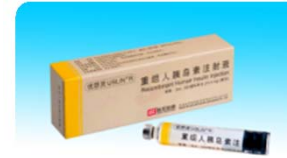


- ◆ **Turnover: +2.7% to HK\$3,745.9 m**
- ◆ **Adjusted EBITDA increased 10.8% to HK\$654 m**
- ◆ **Price of 6-APA remained stable while price of 7-ACA slightly increased in 1H 2013**
- ◆ **Finished products achieved 13.6% growth in turnover**
- ◆ **Recombinant human insulin products won biddings in 15 provinces with approx. HK\$44 m revenue in 1H 2013**
- ◆ **Overseas sales recorded 2.5% yoy growth, amounted to approx. HK\$1,337.8 m**
- ◆ Registrations in overseas markets made progress, currently obtained a total of 6 European CEP certificates, 12 Bulk Medicines and 1 finished Product received the FDA approval from US
- ◆ **Gradually relocated the production line for 6-APA in Chengdu plant and consolidated with the production in Inner Mongolia plant to reduce the cost and enhance efficiency**
- ◆ **Granted with a 3-year loan totally HK\$800 m from China Development Bank Corporation, Hong Kong Branch**
- ◆ **Ranked 21st in the pharmaceutical industry in 2012 in China (Sponsored by the SFDA South Pharmaceutical Economy Institute)**



Section2

Financial Highlights

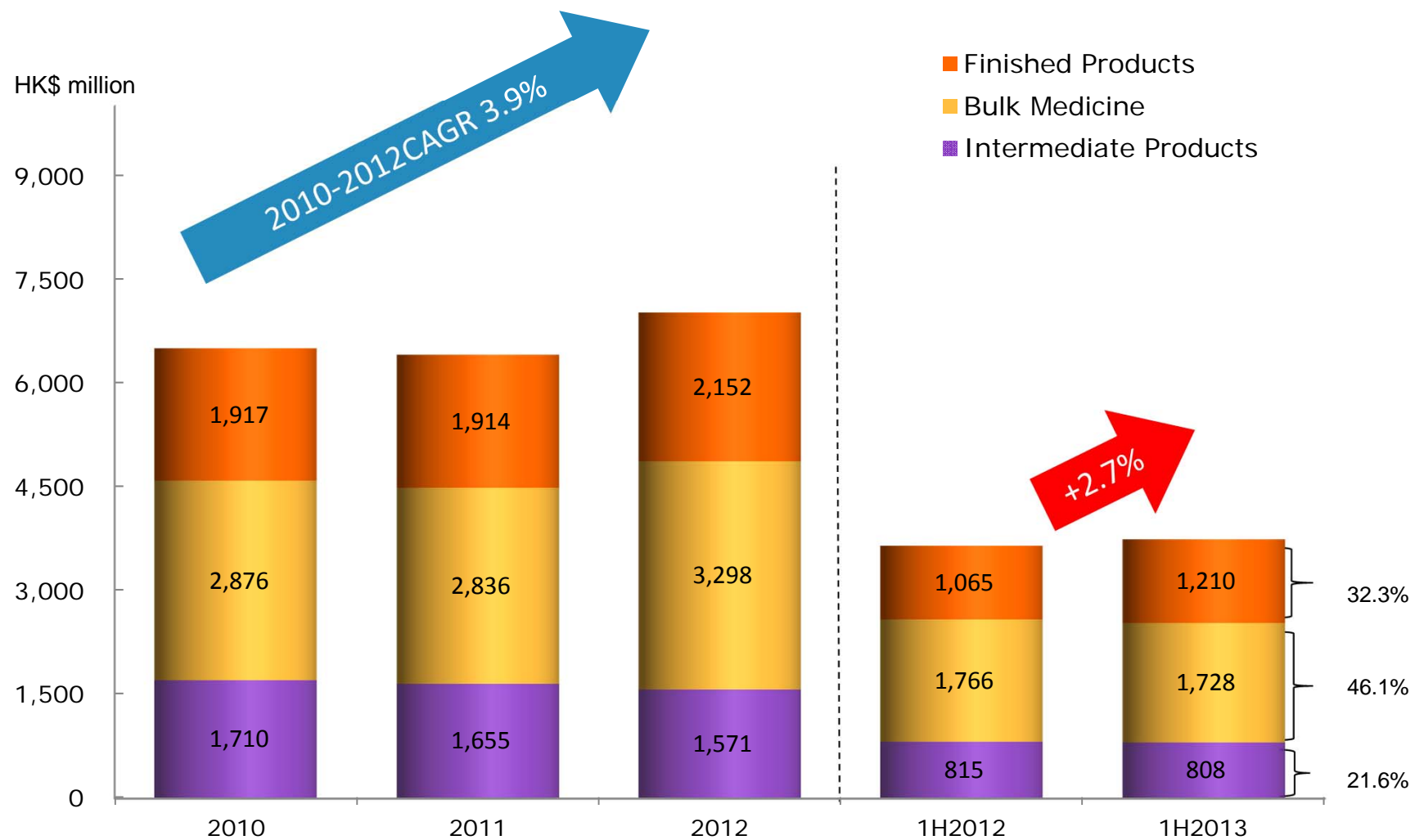


Financial Overview



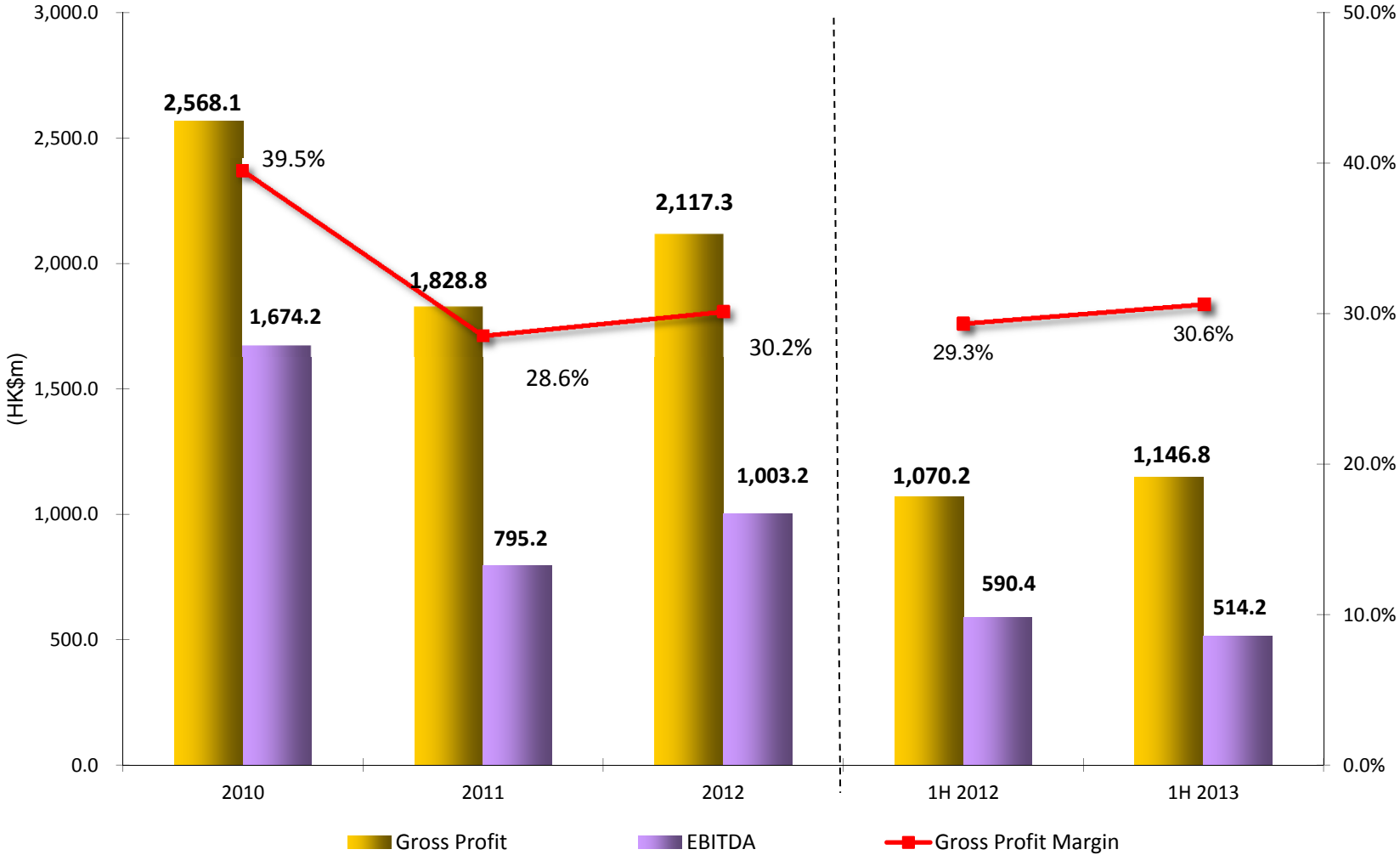
HK\$ million	1H 2013	1H 2012	Yoy change
Revenue	3,745.9	3,646.5	+2.7%
Gross Profit	1,146.8	1,070.2	+7.2%
EBITDA	514.2	590.4	-12.9%
Profit Attributable to Equity Holders	43.0	169.1	-74.6%
❖ Certain plant facilities written off in Chengdu plant and other expenses	140.0	N/A	N/A
❖ Gain on fair value change of derivative components of convertible bonds	54.5	102.8	47.0%
Adjusted core business profit	<u>128.5</u>	<u>66.3</u>	<u>+93.5%</u>
EPS (HK cents)	2.6	11.4	-77.2%
EPS (HK cents)-diluted	2.6	7.0	-62.9%

Revenue





Gross Profit, EBITDA & Gross Profit Margin

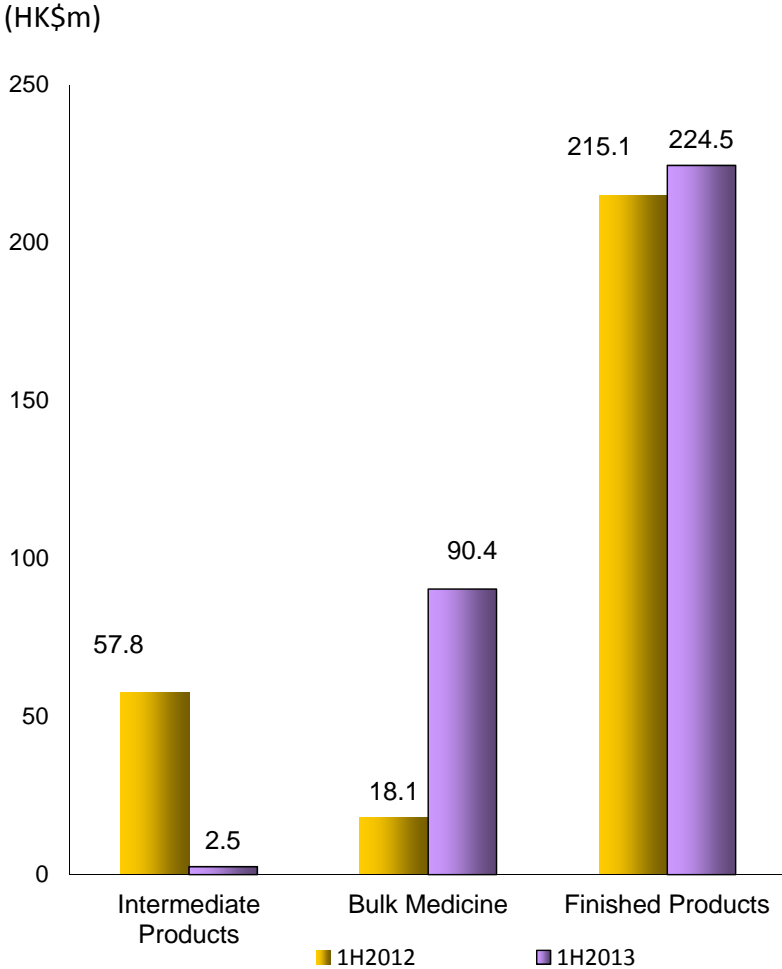




Business Segment Results & Margins

	Segment Results by Product	
	1H 2013	1H 2012
Intermediate Products	0.2%	19.9%
Bulk Medicine	23.4%	6.2%
Finished Products	76.4%	73.9%

	Segment Margins		
	1H 2013	2H 2012	1H 2012
Intermediate Products	0.1%	2.3%	3.7%
Bulk Medicine	3.7%	1.6%	1.0%
Finished Products	18.6%	19.2%	20.2%



Other Key Financial Indicators

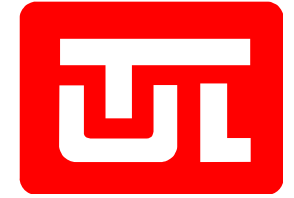


	As at 30 Jun 2013	As at 31 Dec 2012
Trade and bills receivable turnover (days)	109.8	113.5
Trade and bills payable turnover (days)	116.3	134.6
Stock turnover (days)	106.0	135.0
Current ratio	0.71	0.74
Net Gearing ratio ⁽¹⁾	88.0%	76.1%
Cash and cash equivalents (HK\$ '000)	1,191,474	646,125
Total assets (HK\$ '000)	17,590,209	16,141,703

(1) Calculated as total borrowings, obligations under sales and lease back arrangement and convertible bonds less cash and bank balances and pledged bank deposits to total equity

	1H 2013	1H 2012
Net cash from operating activities (HK\$ million)	564.2	294.2





Section 3

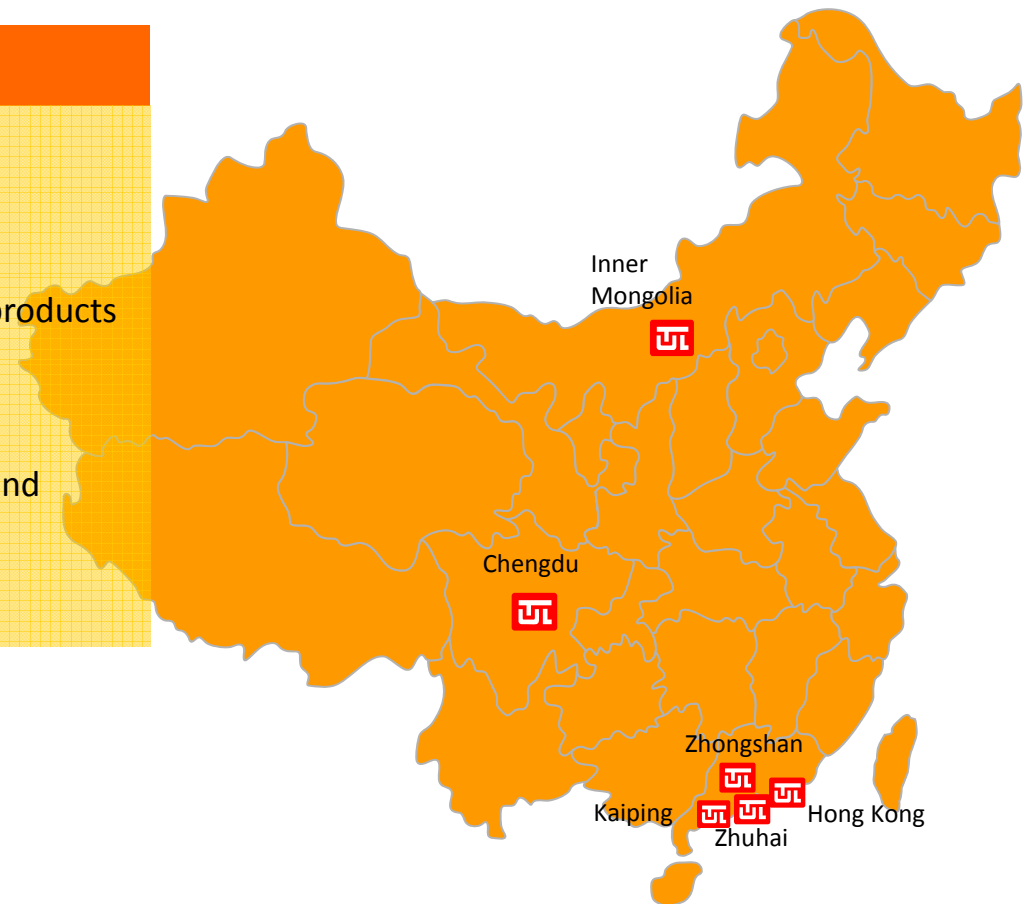
Business Review



Plant Locations



Plant Location	Key Product(s)
Hong Kong	Finished products
Zhongshan	Finished products
Zhuhai	Bulk medicine, biological and finished products
Chengdu	Intermediate products
Inner Mongolia	Intermediate products, bulk medicine and finished products
Kaiping	Empty capsule casings



Production Capacity in 1H 2013



	Designed Capacity	Utilization Rate	External Sales
Intermediate products (tonnes)			
• 6 APA	7,800	76.8%	69.7%
• 7 ACA	400	68.7%	53.5%
Bulk medicine (tonnes)			
• Semi synthetic penicillin type	10,000	60%	90%
• Cephalosporins type	600	46%	
• lactamase inhibitor antibiotics type	400	77%	
Finished products (mil)			
• Amoxicillin & Ampicillin capsules	675	88%	100%
• Amoxicillin granules	80.6	65%	
• lactamase inhibitor antibiotics (bottles)	9.75	85%	

Sales Volume



Types	Products	Sales volume in 1H 2013	Sales volume in 1H 2012	yoy change
Intermediate products (tonnes)	6 APA	3,964.0	3,878.0	2.2%
	7 ACA	143.7	197.5	27.2%
Bulk medicine (tonnes)	Semi synthetic penicillin type	5,988.4	6,117.8	2.1%
	Cephalosporins type	152.5	420	63.7%
	lactamase inhibitor type	296.3	247	20.0%
Finished products (million packs)	Tazobactam sodium and piperacillin sodium for injection (2.25g/4.5g) (packs)	5.9	4.9	20.4%
	Amoxicillin capsules (250/500mg)*	20.9	19.6	6.6%
	Ampicillin capsules (250/500mg)	11.0	10.6	3.8%
	Cefuroxime axetil tablet*	6.3	5.6	12.5%
	Eye drops*	3.8	3.6	5.6%
	Ibuprofen capsule	2.7	2.2	22.7%
	Adefovir capsule	0.7	0.6	16.7%
	Imipenem and cilastatin sodium for injection	0.5	0.4	25.0%
	Insulin	1.0	0.4	133.9%
VC effervescent tablet	0.5	0.2	150%	

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



Average External Selling Price

Average External Selling Price*	1H 2013	1H 2012	y-o-y change
Intermediate products (RMB/kg)			
6 APA	145.4	149.9	3.0%
7 ACA	427.8	391.4	9.3%
Bulk medicine (RMB/kg)			
Semi synthetic penicillin type	166.2	153.3	8.4%
Cephalosporins type	724.2	647.2	11.9%
lactamase inhibitor type	796.8	802.5	0.7%

*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






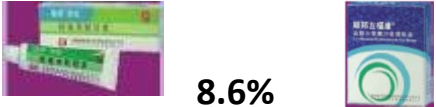
Intermediate products, accounted for 21.6% of total external sales in 1H 2013

6 APA (>60%*)	7 ACA	T octylammonium clavulanate
19.5%	2.1%	Nil

Bulk medicine, accounted for 46.1% of total external sales in 1H 2013

Semi synthetic penicillin type (50 60%*)	Cephalosporins type	lactamase inhibitor type
 34.5%	 3.7%	 7.9%

Finished products , accounted for 32.3% of total external sales in 1H 2013

Semi synthetic penicillin antibiotics	Cephalosporins antibiotics	β lactamase inhibitor antibiotics	Other (including capsule casings)
 10.5%	 5.0%	 8.2%	 8.6%

*Chinese market share

New Products Development



- ◆ To leverage on R & D strengths to develop products with high margins and great demand
- ◆ There are now 44 new products under development, and 8 are in the process of patent registration and 11 patents were approved by the government by the end of June 30, 2013
- ◆ Recombinant human insulin will continue to be the Group's key product
 - ◆ Over 100 million diabetes patients in China
 - ◆ Market of recombinant human insulin amounts to RMB7 billion and is growing at an annual rate of 20-30%
 - ◆ Insulin products received relatively high international recognition in terms of quality and production technology
 - ◆ This higher margin medicine is expected to bring in more revenue contribution after reaching certain operational scale in two to three years
 - ◆ Insulin received well response since launched, entered the new EDL, will maintain rapid growth in the future

New Products	Classification	Main curative effects
Insulin Glargine Injection 甘精胰岛素注射液	Bio product	For treatment of type I & II diabetes
Insulin Aspart Injection 门冬胰岛素注射液	Bio product	For treatment of type I & II diabetes

Extensive Sales and Distribution Network

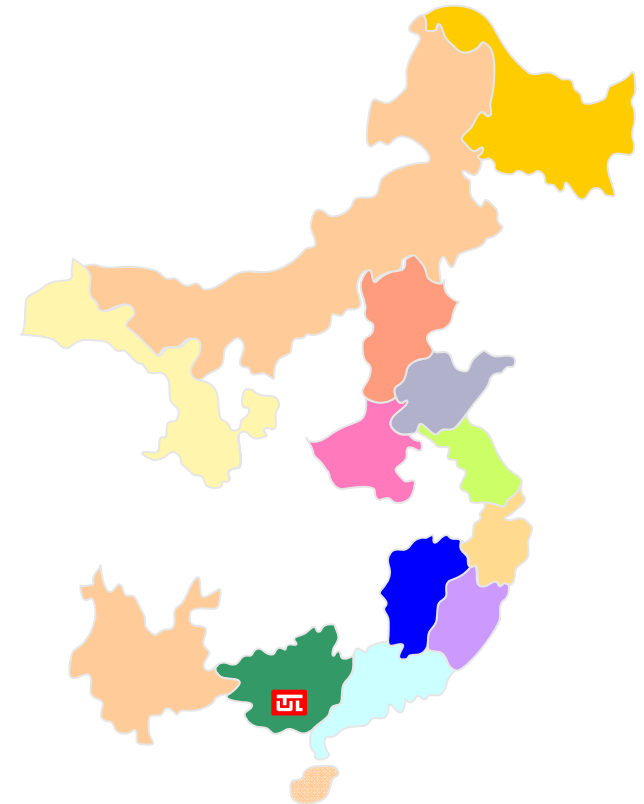


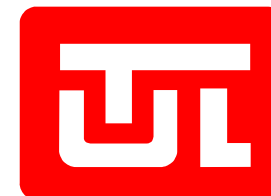
Domestic Market

- Around **2,600 sales staff in 28 sales offices** of finished products as at 30 June 2013
- 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 **35.7%** of the Group total sales in 1H 2013, 2.5% y o y growth
- Sales of bulk products to Europe, India, Africa ,Middle East, South America, other Asian regions and other regions
- 6 European CEP certificates, 12 Bulk Medicines and 1 finished Product received the FDA approval from US





Section 4 Strategies & 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

New Product Development and Capacity Expansion Plan



New Products	Expansion Plan in Inner Mongolia Plant
<ul style="list-style-type: none">▪ Completed the clinical test for the 3rd generation insulin and currently under the approval process▪ The grant of approval for drug registration by SFDA on 16 Jul 2013 with respect to the raw materials, oral solutions and tablets of Memantine hydrochloride, a new drug for the treatment of Alzheimer's disease▪ More new products are undergoing R&D	<ul style="list-style-type: none">▪ Completed the construction of power station in Inner Mongolia plant▪ Expect the mass production of 6 APA Phase IV to commence in 2H 2013▪ To complete construction of Phase V of T octylammonium clavulanate in Inner Mongolia plant by the end of 2013

Business Strategies



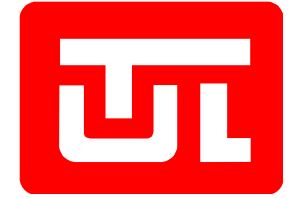
To continue to expand domestic and overseas sales networks and accelerate the penetration of domestic rural markets. Actively explore new markets with growth potentials

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 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

