

# The United Laboratories International Holdings Limited

## 2012 Interim Results Announcement Corporate Presentation

August 2012





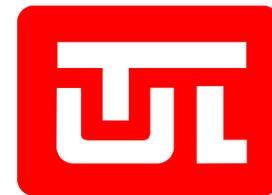
**Results Snapshot**

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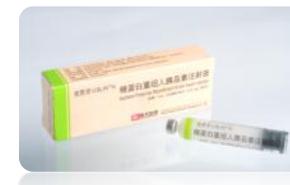
**Strategies & Outlook**

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# Section 1

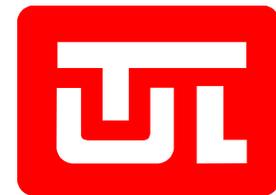
## Results Snapshot



## 2012 Interim Results Snapshot



- ◆ **Turnover: +8.1% to HK\$3,646.5 million**
- ◆ **Profit attributable to equity holders: HK\$169.1 million**
- ◆ Production of enzymatic amoxicillin strengthened, bringing significant increase in sales volume, and receiving increasing recognition from customers
- ◆ **Recombinant human insulin products won biddings in 9 provinces**, contributing approx. HK\$20 million to the Group's revenue in 1H 2012
- ◆ Registrations in overseas markets made progress, with **3 more bulk medicines granted CEP certifications of Europe**
- ◆ **Overseas sales recorded strong y-o-y growth of 35.7%, amounted to HK\$1,305.1million**
- ◆ **Profit margins of finished products improved**, and some antibiotic products recorded substantial growth
- ◆ **Finished products achieved good development progress** after last year's marketing promotion, and amoxicillin products saw stable growth
- ◆ Continued to be **recognized as national high-tech enterprises**, and **obtained R&D subsidies** granted by the State and the Guangdong Provincial Government



## Section 2

# Financial Highlights

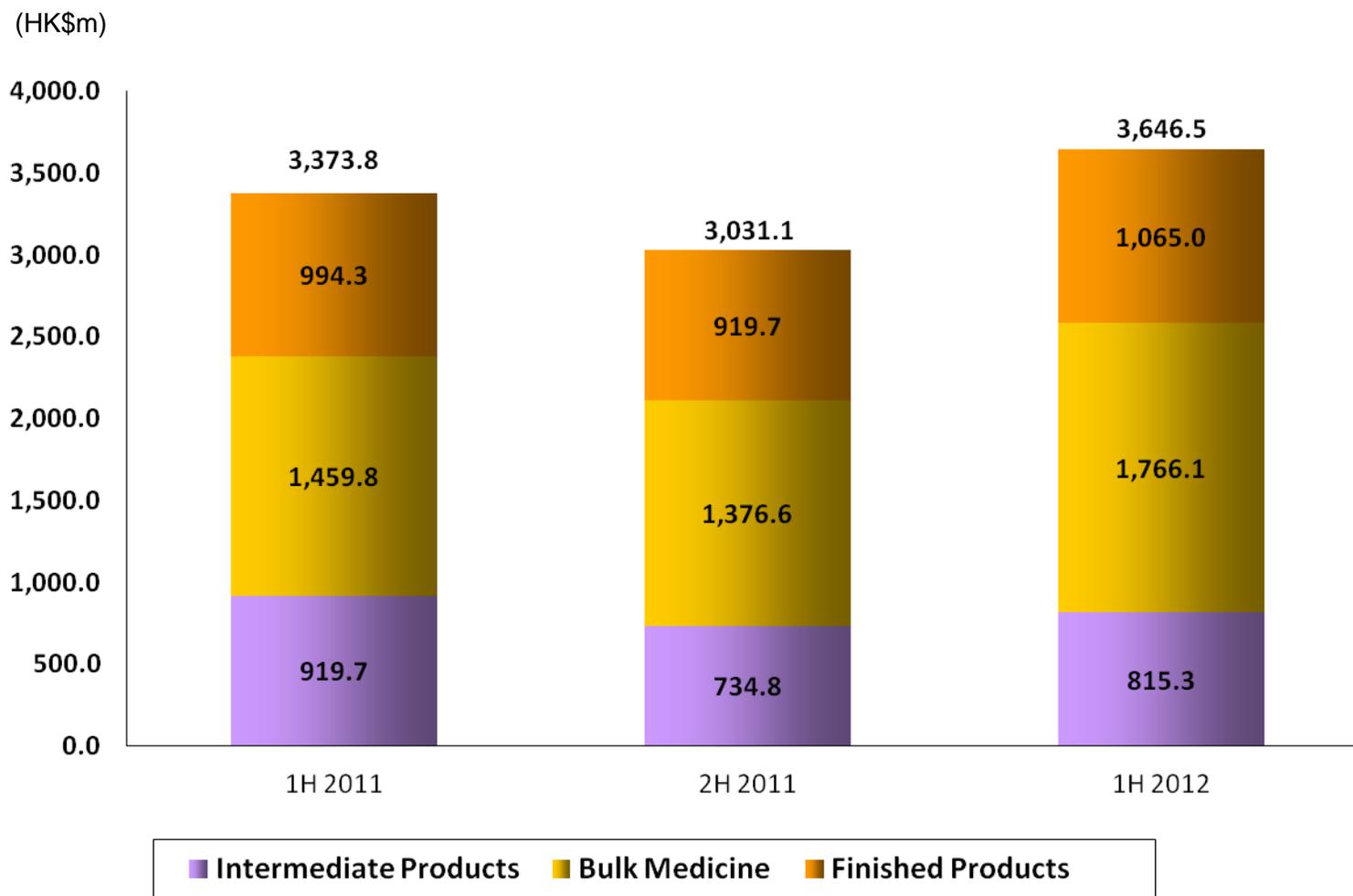


# Financial Overview

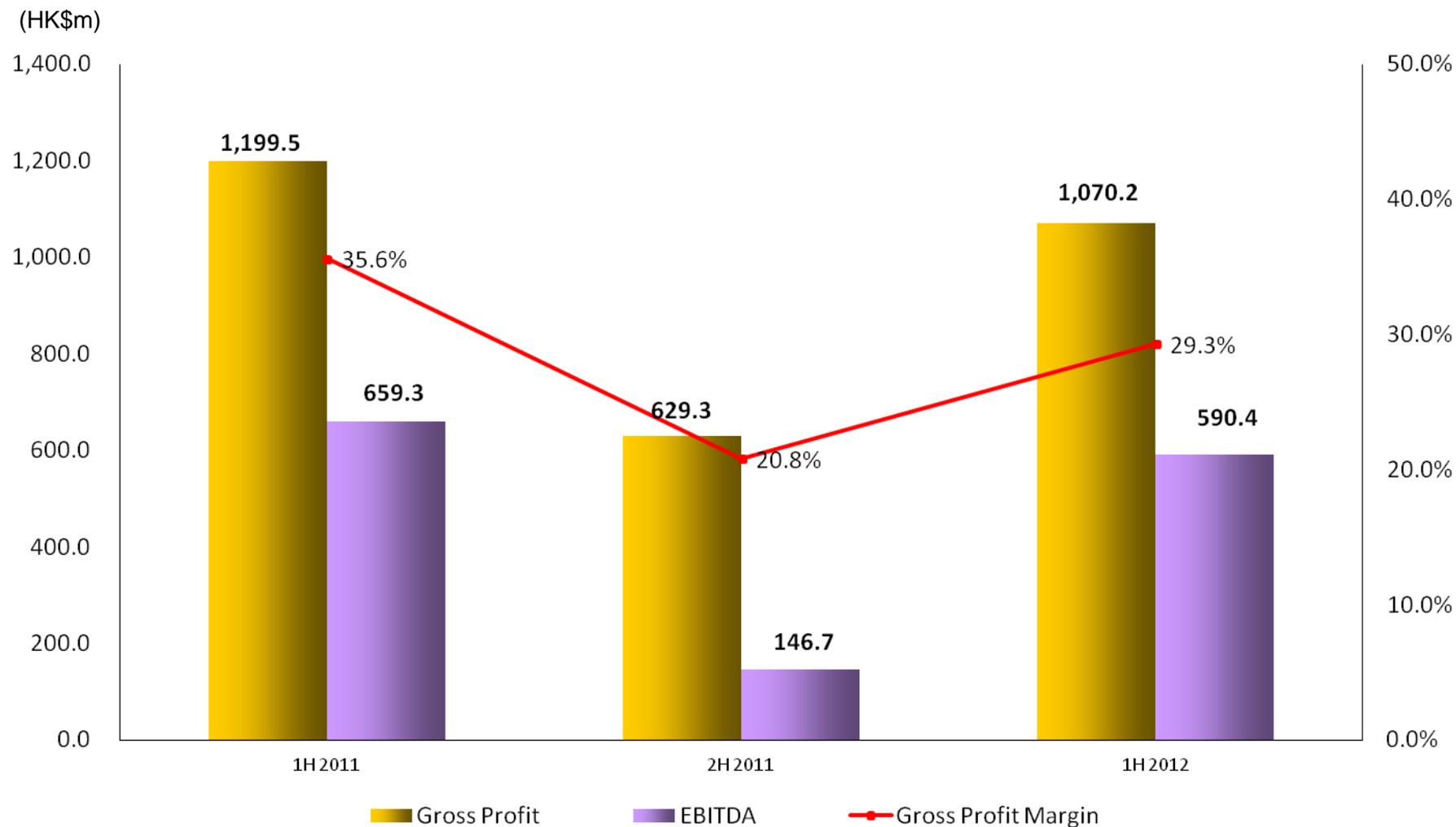


HK\$ million	1H 2012	2H 2011	1H12 vs 2H11 change	1H 2011	yoy change
Revenue	<b>3,646.5</b>	3,031.2	20.3%	3,373.9	+8.1%
Gross Profit	<b>1,070.2</b>	629.3	70.1%	1,199.5	-10.8%
EBITDA	<b>590.4</b>	146.7	302.5%	659.3	-10.5%
Profit Attributable to Equity Holders	<b>169.1</b>	-203.4	183.1%	307.7	-45.0%
EPS (HK cents)					
-Basic	<b>11.4</b>	-14.3	179.7%	21.7	-47.5%
-Diluted	<b>7.0</b>	-13.5	151.9%	21.7	-67.7%

# Turnover



# Gross Profit, EBITDA & Gross Profit Margin



# Business Segment Results & Margins



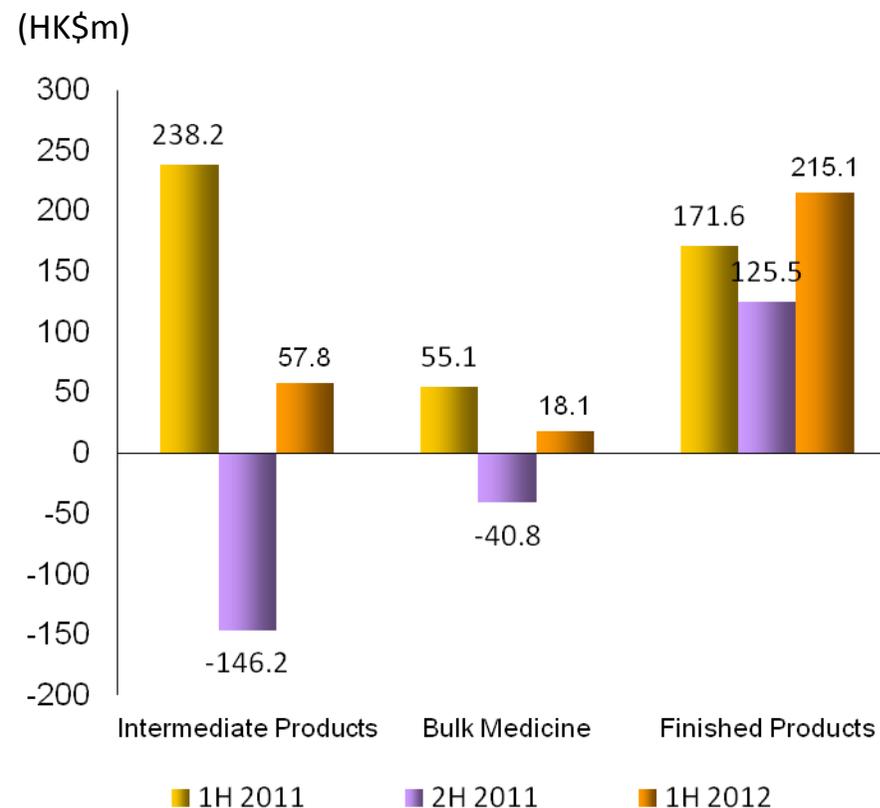
## Profit Breakdown by Segment

	1H 2011	1H 2012
Intermediate Products	51.3%	<b>19.9%</b>
Bulk Medicine	11.8%	<b>6.2%</b>
Finished Products	36.9%	<b>73.9%</b>
<b>Total</b>	100%	<b>100%</b>

## Segment Margins (%)

	1H 2011	2H 2011	1H 2012
Intermediate Products	14.4	-11.1	<b>3.7</b>
Bulk Medicine	3.5	-2.7	<b>1.0</b>
Finished Products	17.3	13.6	<b>20.2</b>

## Segment Profit



## Other Key Financial Indicators



	As at 30 Jun 2012	As at 31 Dec 2011
Trade and bills receivables turnover (days) <sup>(1)</sup>	<b>111.8</b>	116.6
Trade and bills payables turnover (days) <sup>(2)</sup>	<b>115.3</b>	125.2
Stock turnover (days) <sup>(3)</sup>	<b>105.2</b>	122.7
Current ratio <sup>(4)</sup>	<b>1.01</b>	1.03
Net Gearing ratio <sup>(5)</sup>	<b>53.9%</b>	53.2%
Cash and cash equivalents (HK\$ million)	<b>639.8</b>	948.6
Total assets (HK\$ million)	<b>13,428.7</b>	11,864.9

	For the six months ended 30 Jun 2012	For the six months ended 30 Jun 2011
Net cash from operating activities (HK\$ million)	<b>294.2</b>	252.5

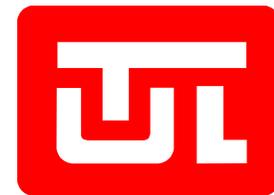
(1) Calculated as year end trade and bills receivables balance divided by revenue and multiplied by 365/2

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

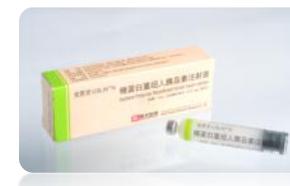
(3) Calculated as year end inventories balance divided by cost of sales and multiplied by 365/2

(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



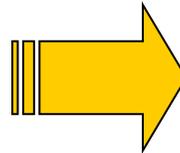
# Section 3 Business Review



# Improving Operation Environment in 1H2012



- More well-defined government policies since beginning of 2012
- Stable policies / regulations
- Increasing demand for intermediates and bulk medicines from overseas markets
- **Industry outlook to remain stable**
  - Continuous domestic medicine reform
  - Structural expansion of drug market
  - Support for the local industry from "Twelfth Five-Year Plan"

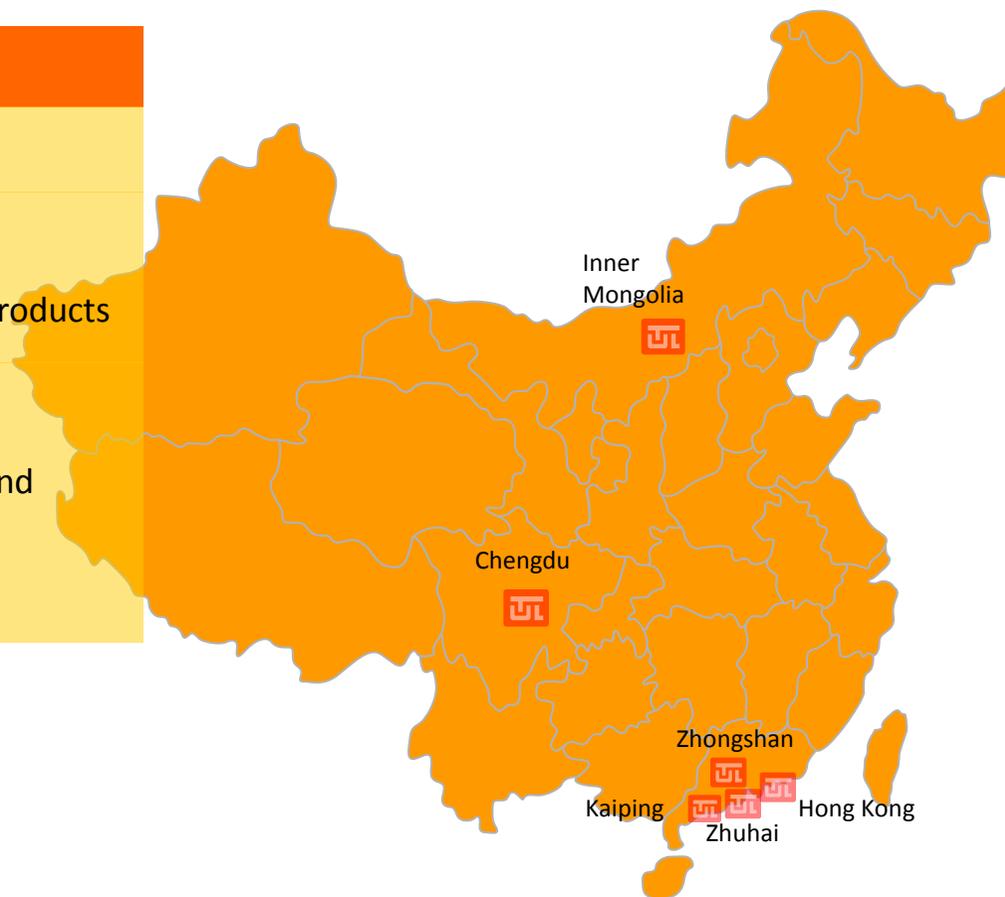


- Drug-purchasing of all levels of medical institutions returned to normal
- Market demand for antibiotics rebounded gradually
- Stabilizing price of 7-ACA / 6-APA due to recovering demand and stabilization of market supply and demand

# 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



## Plant Capacity in 1H 2012



	Designed Capacity	Utilization Rate	External Sales
<b>Intermediate products (tonnes)</b>			
• 6-APA	7,800	102%	48.7%
• 7-ACA	400	98%	50.4%
<b>Bulk medicine (tonnes)</b>			
• Semi-synthetic penicillin type	10,000	67%	
• Cephalosporins type	600	77%	90%
• $\beta$ - lactamase inhibitor antibiotics type	250	76%	
<b>Finished products (mil)</b>			
• Amoxicillin & Ampicillin capsules	675	92%	
• Amoxicillin granules	80.6	88%	100%
• $\beta$ - lactamase inhibitor antibiotics (bottles)	9.75	63%	

# Sales Volume



Types	Products	Sales volume in 1H 2012	Sales volume in 1H 2011	yoy change
Intermediate products (tonnes)	6-APA	<b>3,878.2</b>	3,977.2	<b>-2.5%</b>
	7-ACA	<b>197.5</b>	133.4	<b>+48.1%</b>
Bulk medicine (tonnes)	Semi-synthetic penicillin type	<b>6,117.8</b>	4,166.3	<b>+46.8%</b>
	Cephalosporins type	<b>420</b>	443	<b>-5.2%</b>
	β- lactamase inhibitor type	<b>247</b>	152	<b>+62.5%</b>
Finished products ('000 packs)	Amoxicillin/Clavulanate tablets	<b>1,735.1</b>	1,252.5	<b>+38.53%</b>
	Tazobactam sodium and piperacillin sodium for injection (2.25g/4.5g) (packs)	<b>4,947.9</b>	3,834.2	<b>+29.05%</b>
	Amoxicillin capsules (250/500mg)*	<b>19,628.6</b>	17,323.8	<b>+13.30%</b>
	Ampicillin capsules (250/500mg)	<b>10,601.4</b>	10,364.3	<b>+2.29%</b>
	Cefuroxime Axetil Tablet*	<b>5,588.7</b>	4,618.3	<b>+21.01%</b>
	Eye drops*	<b>3,592.4</b>	2,896.5	<b>+24.03%</b>
	Adefovir capsules	<b>620.3</b>	537.9	<b>+15.32%</b>
	Imipenem cilasttin sodium for injection	<b>411.9</b>	278.6	<b>+47.85%</b>
Insulin	<b>415.8</b>	95.6	<b>+334.94%</b>	

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



## Average External Selling Price

Average External Selling Price*	1H 2012	1H 2011	y-o-y change
<b>Intermediate products (RMB/kg)</b>			
6-APA	149.9	174.7	-14.20%
7-ACA	391.4	572.5	-31.63%
<b>Bulk medicine (RMB/kg)</b>			
Semi-synthetic penicillin type	153.3	173.6	-11.69%
Cephalosporins type	647.2	793.4	-18.43%
β- lactamase inhibitor type	802.5	879.1	-8.71%

\*Selling price not including VAT

Individual pricing approved by National Development and Reform Commission (NDRC)	Individual pricing	Government ceiling price	Price premium
<b>Finished products (RMB)</b>			
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 1H 2012

6-APA (>60%\*)

**19.6%**

7-ACA

**2.8%**

T-octylammonium clavulanate

**Nil**

Bulk medicine, accounted for 48.4% of total external sales in 1H 2012

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

**31.6%**



Cephalosporins type

**9.2%**



$\beta$ - lactamase inhibitor type

**7.6%**



Finished products , accounted for 29.2% of total external sales in 1H 2012

Semi-synthetic penicillin  
antibiotics

**10.0%**



Cephalosporins  
antibiotics

**4.3%**



$\beta$ -lactamase inhibitor  
antibiotics

**6.8%**



Other (including capsule  
casings)

**8.1%**



\*Chinese market share

# New Products Development



- ◆ To leverage on R & D strengths to develop products with high margins and great demand
- ◆ There are now 42 new products under development, and 8 are in the process of patent registration and 9 patents were approved by the government by the end of June 30, 2012
- ◆ 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 RMB6billion and is growing at an annual rate of 20-30%
  - ◆ Insulin products received relatively high international recognition in terms of quality and production technology
  - ◆ Business of insulin product is at initial stage, yet sales already reached approx. HK\$20 million in 1H 2012
  - ◆ This higher margin medicine is expected to bring in more revenue contribution after reaching certain operational scale in two to three years

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

# 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 30 June 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 35.8% of the Group total sales in 1H 2012, 35.7% 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
- 9 APIs (including 8 sterile APIs and 1 non-sterile API) got EU-CEP certificate, 1 API got FDA certificate and 1 API got Japanese GMP



Provinces where sales office are located  
Note: as of 30 June 2012. Separate colours represent the cities or provinces covered by each sales office

# Diversified Customer Base Attributable to Quality Products



## Domestic Customers



## International Customers



Stable and long term relationships with renowned domestic and international customers

## Long-term Contract Proportion

	2010	2011	2012
Finished Products	75-85%	75-85%	<b>75-85%</b>
Intermediates and Bulk Medicine	35-45%	35-45%	<b>35-45%</b>

# Quality Assurance



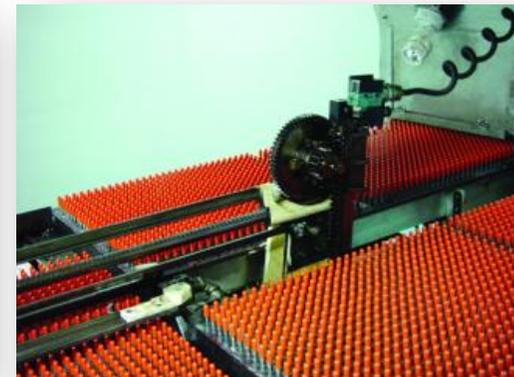
## QA Measures

- **Emphasize drug safety**
- Comply with **strict standards** regarding procurement of raw materials, production and production process
- **Regular supplier audits**, and **periodic reviews** of internal production processes
- In strict accordance with the **approved** registration process prescription



## Certifications

- Became the **first manufacturer in China** passing the **new GMP certification** for Sterile bulk medicines in July 2011
- **3 more bulk medicines granted CEP certifications of Europe in 1H 2012**
- Some major products granted certifications or acceptance from **FDA** in US, **COS** in Europe or **GMP** in Japan



# Environmental Protection

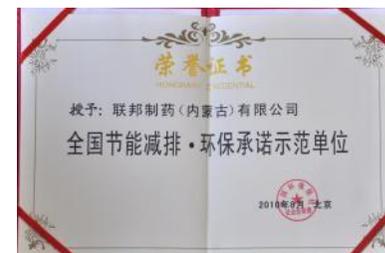


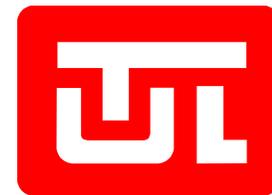
- Increasing investment for environmental protection facilities in Inner Mongolia Co. Ltd
- Waste water treatment system was designed by the State Pharmaceutical Wastewater Center and the Pharmaceutical Professional Planning and Design Institute
- Winning a number of national / regional recognitions / awards

## Sewage Facilities



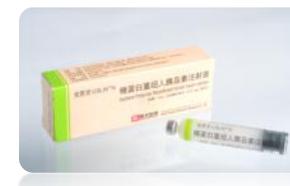
## Recognitions





# Section 4

## Strategies & Outlook



# Business Outlook



China's prescription drug market will still grow at a rapid pace, its compound annual growth rate will be as high as 20%



Offering huge room for the development of the industry

National Ministry of Health has stated clearly that it will invest more to support the local pharmaceutical industry, which is also part of the "Twelfth Five-Year Plan"



Giving great support to the local pharmaceutical companies

Global pharmaceutical market is expected to grow at 8% annually in the next five years



Beneficial to industry players like TUL which has already expanded into overseas markets

Domestic medicine reform to continue, with structural expansion in the drug market

Increasing regulation may trigger industry consolidation, creating high entry barriers



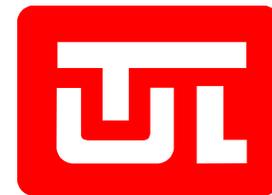
Favourable to large pharmaceutical enterprises



**Continue to expand its sales networks, domestic and abroad, and accelerate the penetration into domestic finished product markets**

**Leverage R&D strength to develop products of high margins and demand**

**Grasp opportunities presented by potential growth from recombinant human insulin products**



# Section 5

## Q & A Session

