

**The United Laboratories
International Holdings Limited**

2018 Interim Results Announcement Corporate Presentation

August 2018



Results Snapshot



Financial Highlights



Business Review



Outlook & Strategies



Q & A



Section 1

Results Snapshot

2018 Interim Results Snapshot



- ◆ Turnover: +13.6% to RMB3,792.7 million
- ◆ Gross profit: +34.2% to RMB1,586.6million
- ◆ Profit attributable to equity holders: -16.5% to RMB91.2 million
- ◆ Adjusted core business profit: +487.1% to RMB399.2million
- ◆ Segment margin 1H2018 compared with 1H2017
 - ◆ Intermediate products: from 1.0% to 18.4%
 - ◆ Bulk medicine: from 2.2% to 4.8%
 - ◆ Finished products: from 25.7% to 20.5%
- ◆ 6-APA maintained high utilization rate of 88.2%
- ◆ Sales of finished products: +19.0% to RMB1,404.9 million
- ◆ Sales volume of Recombinant human Insulin increased by 41.6% to 6.2 million vials (Sales revenue: RMB250.8 million)
- ◆ Sales revenue of Insulin Glargine recorded RMB29.9 million in 1H2018
- ◆ Overseas sales: +22.8% to RMB1,071.3 million, accounting for 28.2% of total sales
- ◆ TUL's Amoxicillin Capsule (0.25g) and Cefuroxime Axetil Tablets (0.25g) passed the consistency of quality and efficacy evaluation for generic drugs



Section 2

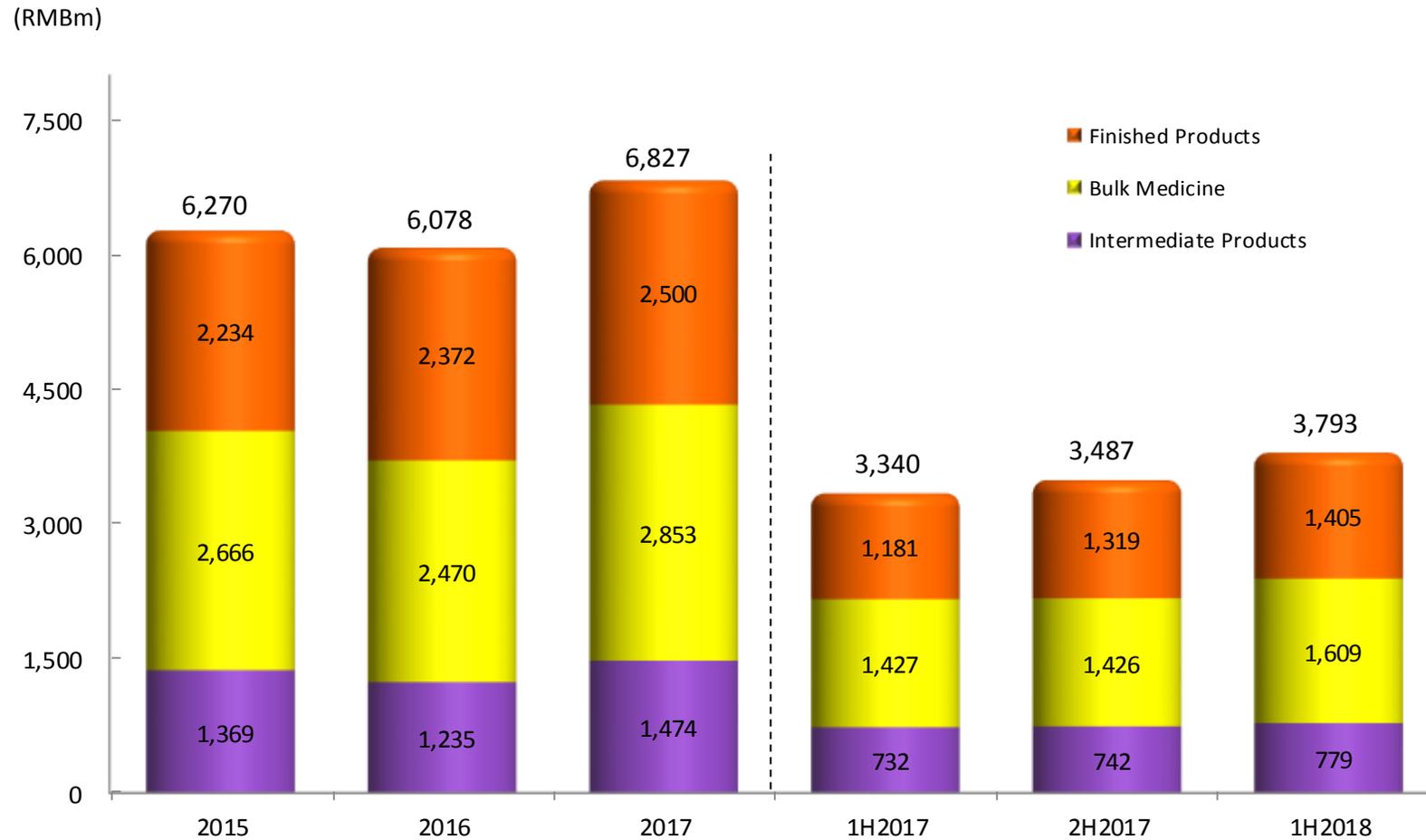
Financial Highlights

Financial Overview

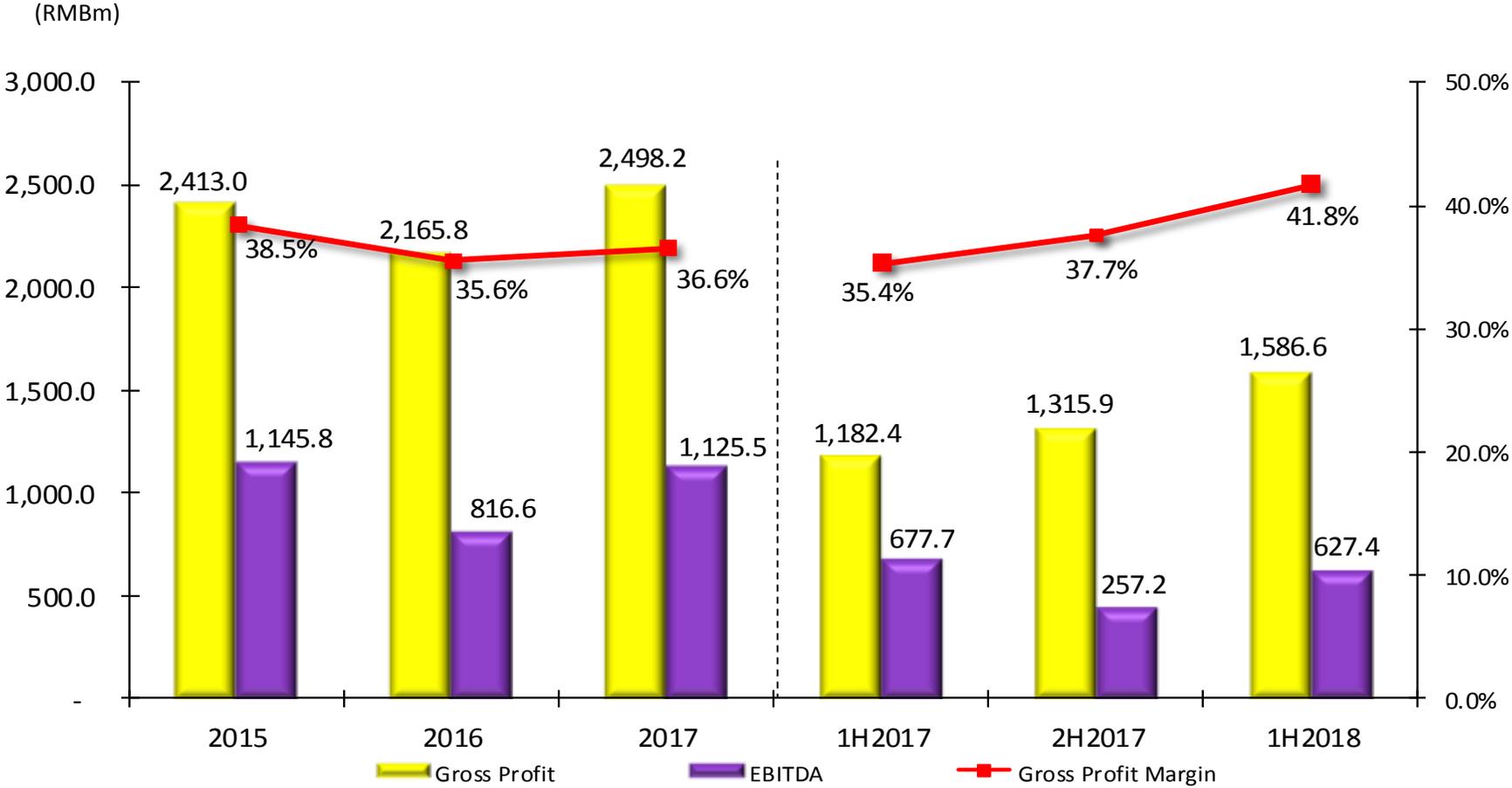


RMB million	1H2018	1H2017	yoy change	2H2017	1H18 vs 2H17 change
Revenue	3,792.7	3,339.8	+13.6%	3,486.8	+8.8%
Gross Profit	1,586.6	1,182.4	+34.2%	1,325.5	+19.7%
EBITDA	627.4	677.7	-7.4%	447.8	+40.1%
Profit/(Loss) Attributable to Equity Holders	91.2	109.1	-16.5%	(27.3)	+434.1%
❖ Loss on fair value change on investment properties	59.3	49.0	+21.0%	278.0	-78.7%
❖ Reversal of deferred tax liabilities on fair value change on investment properties	(32.6)	(30.7)	+6.2%	(174.3)	+81.3%
❖ Impairment loss recognised in respect of property, plant and equipment	0.7	8.9	-92.1%	(4.1)	+117.1%
❖ Loss/(gain) on fair value change of derivative components of convertible bonds	280.6	(68.3)	+510.8%	122.2	+129.6%
<u>Adjusted Core Business Profit</u>	399.2	68.0	+487.1%	194.5	+105.2%
Earnings Per Share (RMB cents)					
- Basic	5.60	6.71	-16.5%	--	N/A
- Diluted	5.60	3.31	+69.2%	--	N/A

Revenue



Gross Profit, EBITDA & Gross Profit Margin



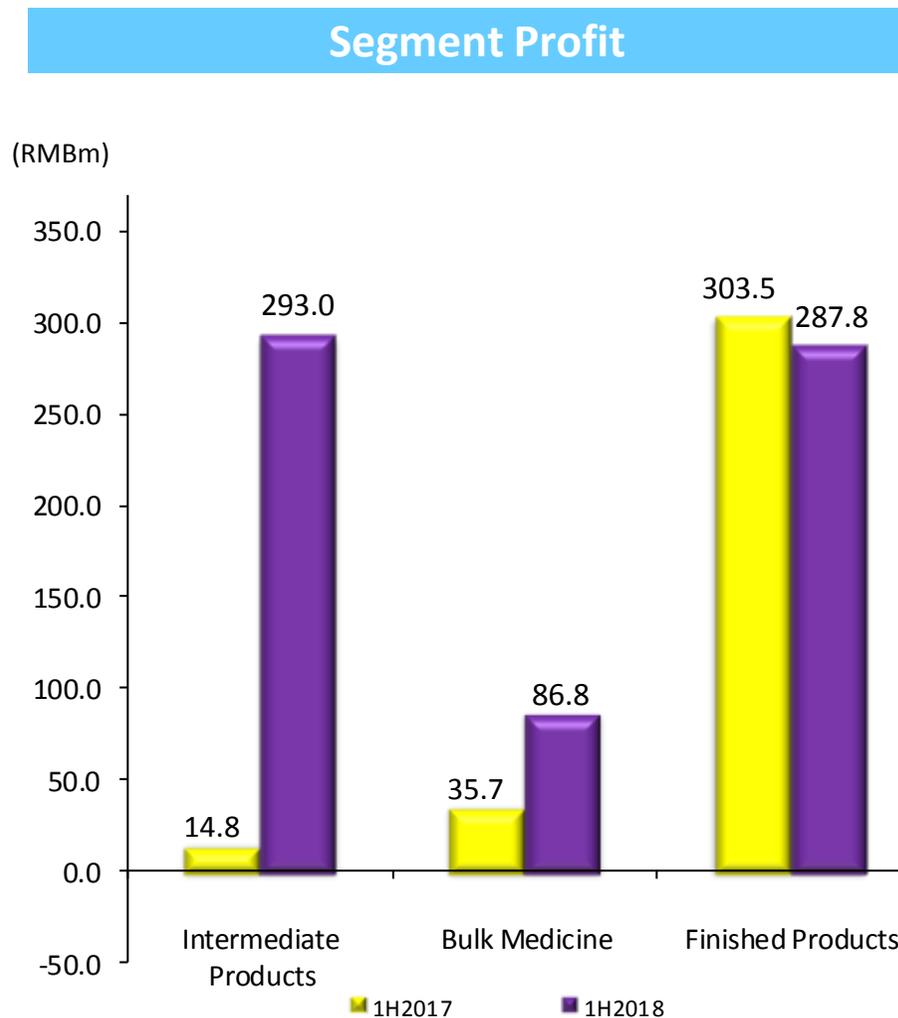
Business Segment Results & Margins



Segment Profit Breakdown		
	1H2018	1H2017
Intermediate Products	43.9%	4.2%
Bulk Medicine	13.0%	10.1%
Finished Products	43.1%	85.7%
Total	100%	100%

Segment Margin (EBIT#)		
	1H2018	1H2017
Intermediate Products	18.4%	1.0%
Bulk Medicine	4.8%	2.2%
Finished Products	20.5%	25.7%

EBIT: Earnings before interest and taxation.



Other Key Financial Indicators



	As at 30 Jun 2018	As at 31 Dec 2017
Trade and bills receivable turnover (days)	117.5	123.1
Trade and bills payable turnover (days)	172.2	155.2
Stock turnover (days)	114.8	98.9
Current ratio	1.16	1.20
Net Current assets (RMB million)	861.0	975.6
Net Gearing ratio [#]	47.4%	49.2%
Cash and cash equivalents (RMB million)	1,664.3	1,593.8
Total assets (RMB million)	14,412.6	14,111.8

Calculated as total borrowings, obligations under finance leases and convertible bonds less bank balances and cash, pledged bank deposits and pledged deposit against finance leases to total equity

	1H2018	1H2017
Net cash from operating activities (RMB million)	574.1	352.8



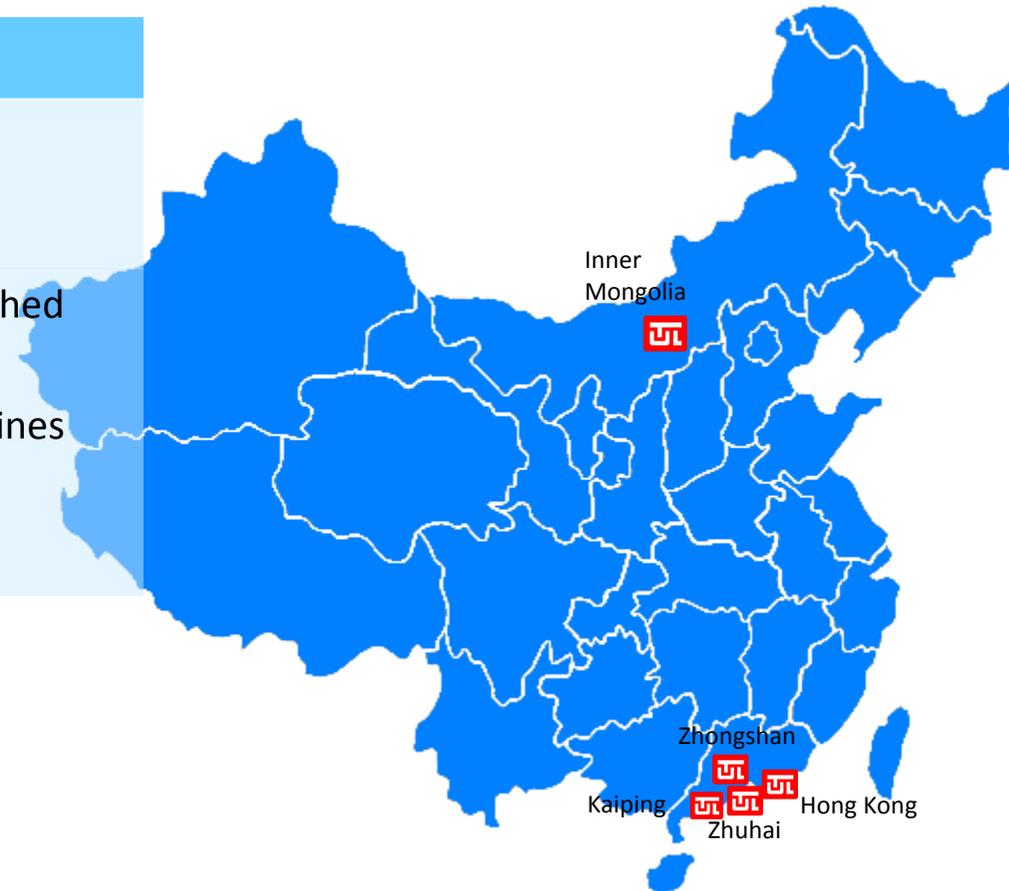
Section 3

Business Review

Plant Locations



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



Plant Capacity in 1H2018



	1H Designed Capacity	Utilization Rate	External Sales
Intermediate products (tonnes)			
• 6-APA	9,000	88.2%	43% ¹
• Penicillin G Potassium First Crystal (in BOU) ²	6,666,667	63.6%	100%
• T-Octylammonium Clavulanate	360	24.9%	N/A
Bulk medicine (tonnes)			
• Semi-synthetic penicillins type	10,000	74.6%	90%
• Cephalosporins type	600	66.7%	90%
• β -lactamase inhibitor antibiotics type	784	75.4%	90%
Finished products (mil)			
• Amoxicillin & Ampicillin capsules	770	77.2%	100%
• Tazobactam sodium and piperacillin sodium for injection	14	69.6%	100%

¹ Opening inventory is not included in calculating the percentage of external sales.

² It is the market practice to use BOU as the measuring unit of Penicillin G Potassium First Crystal.

1 BOU represents around 0.63 kg of this product.

Sales Volume



Types	Products	External Sales volume in 1H2018	External Sales volume in 1H2017	yoy change
Intermediate products (tonnes)	6-APA	3,411.8	3,886.4	-12.2%
	Penicillin G Potassium First Crystal (<i>In BOU</i>)	3,209,853	5,793,901	-44.6%
Bulk medicine (tonnes)	Semi-synthetic penicillins type	6,544.9	6,519.8	+0.4%
	Cephalosporins type	190.9	196.9	-3.1%
	β-lactamase inhibitors type	490.6	609.7	-19.5%
Finished products (million packs)	Tazobactam sodium and piperacillin sodium for injection (2.25g/4.5g)	10.6	9.2	+15.2%
	Amoxicillin capsules(250/500mg) [#]	30.7	26.5	+15.8%
	Carbapenems for injection	1.8	1.8	--
	Recombinant human Insulin [#]	6.2	4.4	+40.9%
	Insulin Glargin	0.21	0.03	+600.0%
	Memantine Hydrochloride	0.8	0.3	+166.7%

[#] Listed in Essential Drugs List. Eyes drops partially listed.

Average External Selling Price



Average External Selling Price [#]	1H2018	1H2017	y-o-y change
Intermediate products			
6-APA (RMB/kg)	176.3	125.5	+40.5%
Penicillin G Potassium First Crystal (RMB/BOU)	50.2	40.0	+25.5%
Bulk medicine (RMB/kg)			
Semi-synthetic penicillins type	157.2	125.3	+25.5%
Cephalosporins type	695.2	645.3	+7.7%
β-lactamase inhibitors type	837.6	730.7	+14.6%

[#]Selling price not including VAT and other tax

Vertical Integration



Intermediate products, accounted for 20.6% of total external sales in 1H2018

6-APA (70-80%#) 16.3%	T-Octylammonium Clavulanate N/A	Penicillin G Potassium First Crystal 4.3%
--------------------------	------------------------------------	--

Bulk medicine, accounted for 42.4% of total external sales in 1H2018

Semi-synthetic penicillins type (50-60%#)  27.5%	Cephalosporins type  3.6%	β -lactamase inhibitors type  10.5%	Carbapenems type  0.8%	Insulin API  N/A
--	---	--	--	--

Finished products, accounted for 37.0% of total external sales in 1H2018

Semi-synthetic penicillins antibiotics  8.7%	Cephalosporins antibiotics  2.2%	β -lactamase inhibitors antibiotics  9.4%	Carbapenems antibiotics  1.7%	Insulin products  6.6%	Others (including capsule casings)  8.4%
--	--	---	---	--	--

#Chinese market share

Business Review of Insulin Series



Insulin series will continue to be the Group's key products

- ◆ Insulin series received relatively high international recognition in terms of quality and production technology



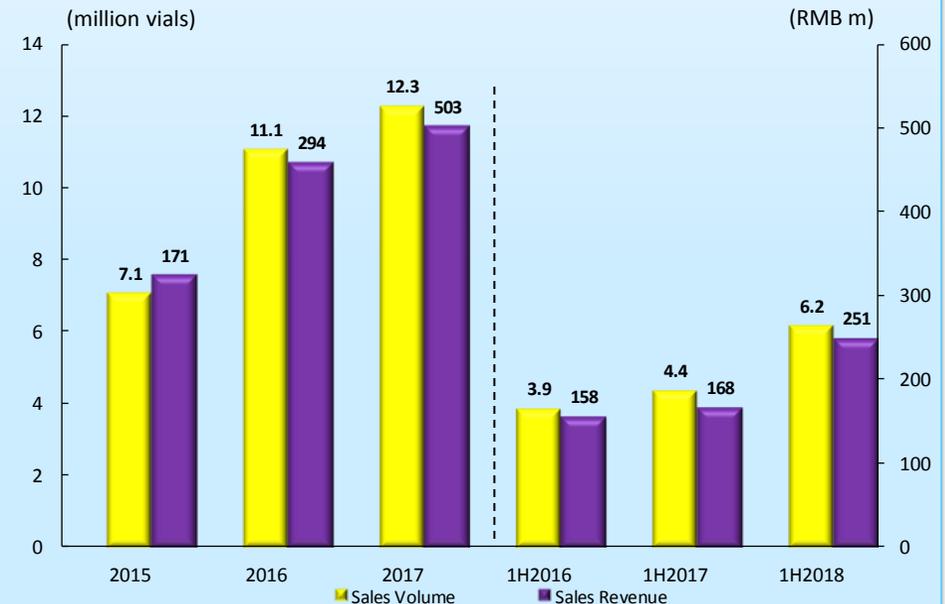
Recombinant Human Insulin

- ◆ Included in the “National Essential Drug List” 《国家基本药物目录》 (2012 version) in May 2013
- ◆ Outstanding sales performance from Anhui, Henan, Guangdong, Shandong and Jilin Province
- ◆ The published bidding result for each regulation was more than 20 provinces and municipalities

Insulin Glargine

- ◆ Approved by CFDA in Jan 2017, including the specification of refilled pen-type and disposable pen-type
- ◆ Insulin Glargine recorded RMB29.9 million sales (sales volume: 210,000 vials) in 1H2018

Sales Performance of Recombinant Human Insulin





Piperacillin Sodium and Tazobactam Sodium continued to grow

- ◆ TUL owns 5 specifications, including one for pediatric drug
- ◆ Sales achieved 20.9% growth to RMB247.6 million in 1H2018



Amoxicillin Capsules maintained stable growth

- ◆ TUL's Amoxicillin Capsules (0.25g) passed the consistency of quality and efficacy evaluation for generic drugs in April 2018
- ◆ Sales achieved 17.1% growth to RMB226.6 million in 1H2018



Memantine Hydrochloride series products open up the sales in hospitals

- ◆ A drug for the treatment of Alzheimer's disease
- ◆ The first pharmaceutical company in the PRC permitted to produce Memantine Hydrochloride series products
- ◆ Sales achieved 161.2% growth to RMB17.5 million in 1H2018



Carbapenems series maintained high-speed growth

- ◆ High-end antibiotics for treatment of severe infection
- ◆ Rich series included Imipenem, Meropenem and Biapenem for injection
- ◆ Sales contributed to RMB64.2 million in 1H2018



TUL will continue to expand the sales of eye drops series

- ◆ TUL's eye drops series were partially listed in Insurance Catalogue (2017 version)
- ◆ Sales contributed to RMB69.3 million in 1H2018

Research & Development



- ◆ 38 new products were under development, in which 14 in the process of patent registration and 27 patents approved by the government

- ◆ 23 new products at the stage of pre-clinical-trial
- ◆ 12 new products at the stage of clinical trial
- ◆ 3 new products pending for production approval
- ◆ Series of product include those anti-diabetes, anti-hepatitis B, eye drop series and anti-cancer

- ◆ To leverage on R&D strengths to develop products with high margins and great demand

Chemical pharmaceutical R&D Department

- approx. 110 R&D personnels
- 23 types of chemical drugs at different R&D stages

Biological R&D Department

- approx. 120 R&D personnels
- 15 types of biological drugs at different R&D stages

Clinical Department

- approx. 20 clinical inspectors
- responsible for the Company's clinical trials of new products

External Cooperation

- working with local and foreign well-known universities, research institutes and laboratories

Pipeline of Biological Products



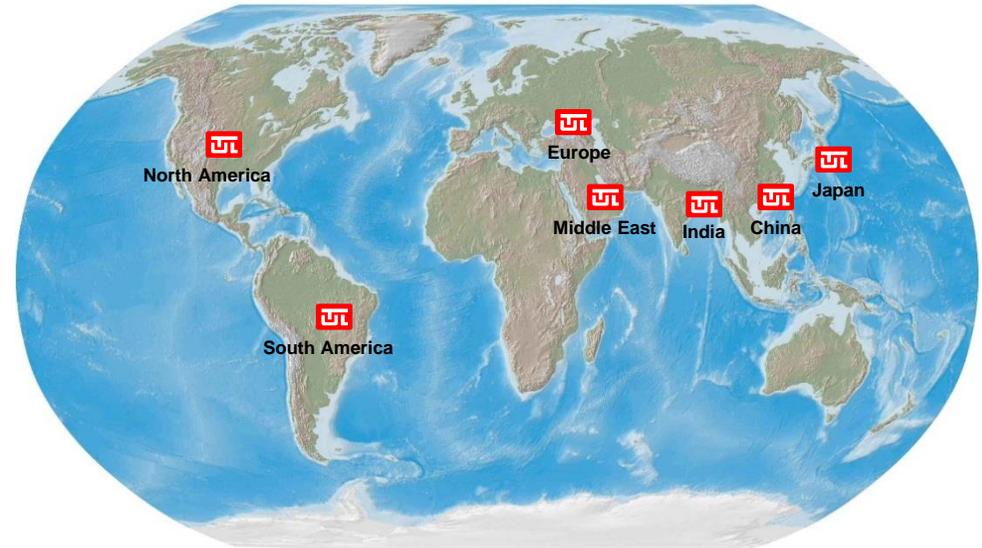
New Products	R & D Progress	Main curative effects
Insulin Aspart Injection 门冬胰岛素注射液（速效）	Pending for production permit	For treatment of type I & II diabetes
Insulin Aspart 30 Injection 门冬胰岛素30注射液（速效）	Pending for production permit	For treatment of type I & II diabetes
Insulin Aspart 50 Injection 门冬胰岛素50注射液（速效）	Pre-clinical-trial	For treatment of type I & II diabetes
Liraglutide Injection 利拉鲁肽（GLP-1 类似物）	Pending for clinical permit	For treatment of type II diabetes
Insulin Degludec Injection 德谷胰岛素注射液（超长效）	Pre-clinical-trial	For treatment of type I & II diabetes

Pipeline of Chemical Pharmaceutical Products



New Products	R & D Progress	Main curative effects
Tenofovir Disoproxil Fumarate Tablets 富马酸替诺福韦二吡呋酯片	Pending for production permit	Anti-hepatitis B & Anti-AIDS
Tadalafil Tablets 他达拉非片	Pre-clinical-trial	For treatment of erectile dysfunction
Sitagliptin Phosphate Tablets 磷酸西格列汀片 (DPP-4 抑制剂)	Pre-clinical-trial	For treatment of type II diabetes
Viglietine Tablets 维格列汀片	Pre-clinical-trial	For treatment of type II diabetes
Mupirocin Ointment 莫匹罗星软膏	Pre-clinical-trial	Dermatologic Agents
Polyvinyl Alcohol Eye Drops 聚乙烯醇滴眼液	Pre-clinical-trial	For treatment of xerophthalmia

Extensive Sales and Distribution Network



Domestic Market

- ◆ Around 3,000 sales staff in 28 sales offices of finished products as at 30 Jun 2018
- ◆ Over 1,000 distributors, 80 of them are top class distributors
- ◆ Further penetrated into hospital, essential drugs market, OTC and rural areas

Overseas Markets

- ◆ Accounted for 28.2% of the Group total sales in 1H2018
- ◆ Sales of bulk products to Europe, India, Japan, Middle East, South America and other regions
- ◆ 11 European CEP certificates; 2 German GMP certificates, 1 Intermediate product and 7 Bulk Medicines received the approval from US FDA; 15 API approvals from India; 3 got Japanese GMP, 6 official approvals from Mexico



Section 4

Outlook & Strategies

Financial	API /Intermediates business	Finished Products
<ul style="list-style-type: none">◆ Continue to optimize financial structure, maintain a healthy and balanced mix◆ Continue to control the net gearing ratio	<ul style="list-style-type: none">◆ Continue to optimize the business model of vertical integration and upgrade the environmental facilities◆ Continue to optimize the production process, diversify products and further reduce costs and increase sales◆ Develop high-quality customer base and enhance our leadership position in the industry	<ul style="list-style-type: none">◆ Expand production capacity◆ Actively enhance the variety of biological products and promote sales growth◆ Expand the investment on research & development◆ Invest and speed up the application process of consistency evaluation in terms of quality and efficacy of generic drugs



Section 5

Q & A Session