

**The United Laboratories
International Holdings Limited**

**2018 Annual Results Announcement
Corporate Presentation**

March 2019



Results Snapshot



Financial Highlights



Business Review



Outlook & Strategies



Q & A



Section 1

Results Snapshot

2018 Annual Results Snapshot



- ◆ Turnover: +10.0% to RMB7,510.6 million
- ◆ Gross profit: +22.2% to RMB3,052.1 million
- ◆ Profit attributable to equity holders: +735.3% to RMB682.9 million
- ◆ Adjusted core business profit: +167.1% to RMB598.6 million
- ◆ The Board recommends payment of final dividend of RMB6.0 cents per share
- ◆ Segment margin compared with 2017
 - ◆ Intermediate products: from 1.3% to 10.1%
 - ◆ Bulk medicine: from 3.2% to 2.8%
 - ◆ Finished products: from 24.8% to 21.3%
- ◆ Sales of finished products: +15.5% to RMB2,887.3 million
- ◆ Insulin series recorded RMB696.2 million[#] in total, achieved the sales target
 - ◆ Recombinant human Insulin: Sales volume increased by 21.1% to 14.9 million vials (Sales revenue: RMB608.8 million[#])
 - ◆ Insulin Glargine: Sales revenue recorded RMB87.4 million[#] (Sales volume: approx. 0.6 million vials)
- ◆ Overseas sales: recorded RMB1,968.7 million, accounting for 26.2% 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
- ◆ Liraglutide injection has been approved for clinical trial in Nov 2018

[#] Sales revenue denotes gross sales including sales discounts.



Section 2

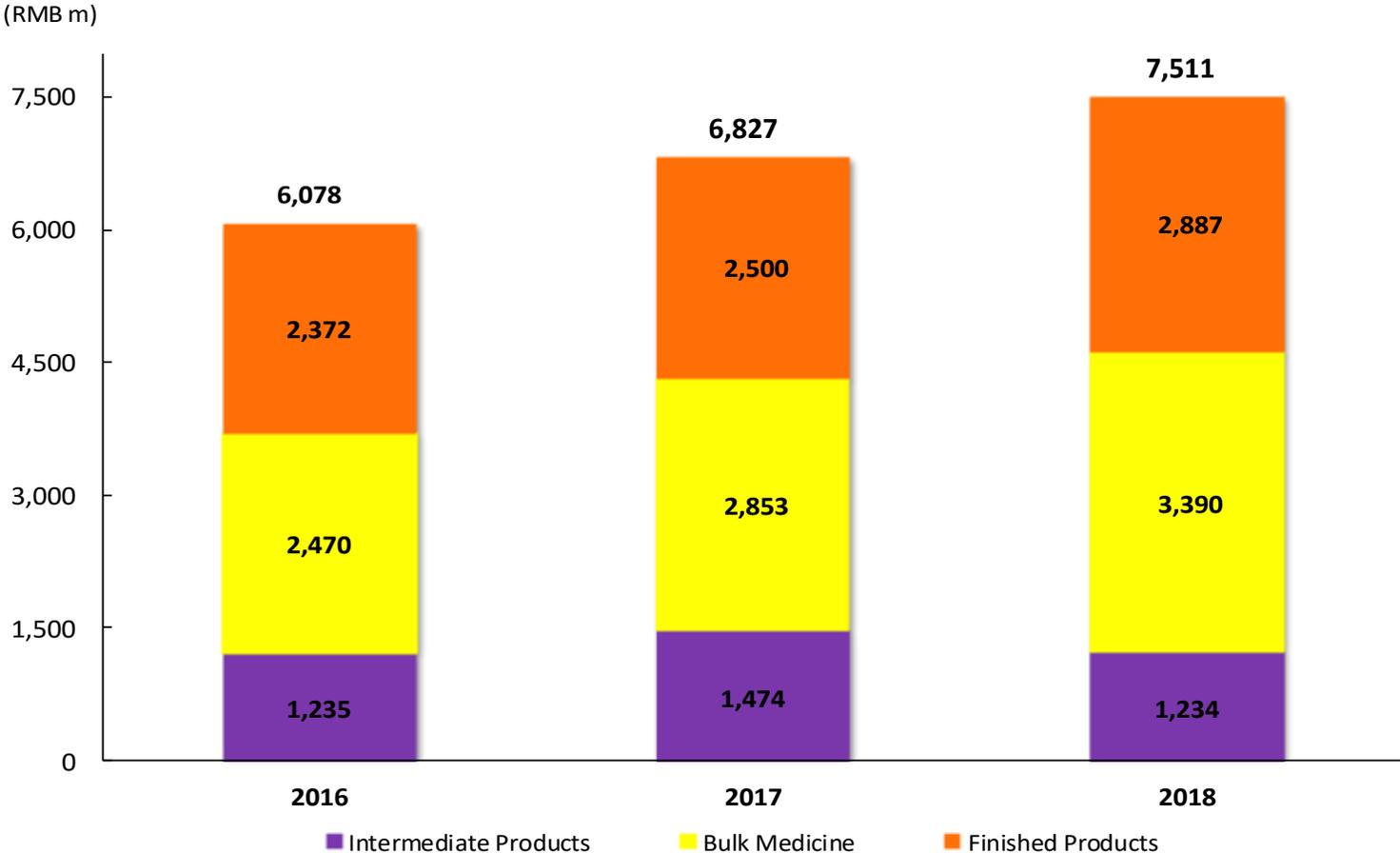
Financial Highlights

Financial Overview

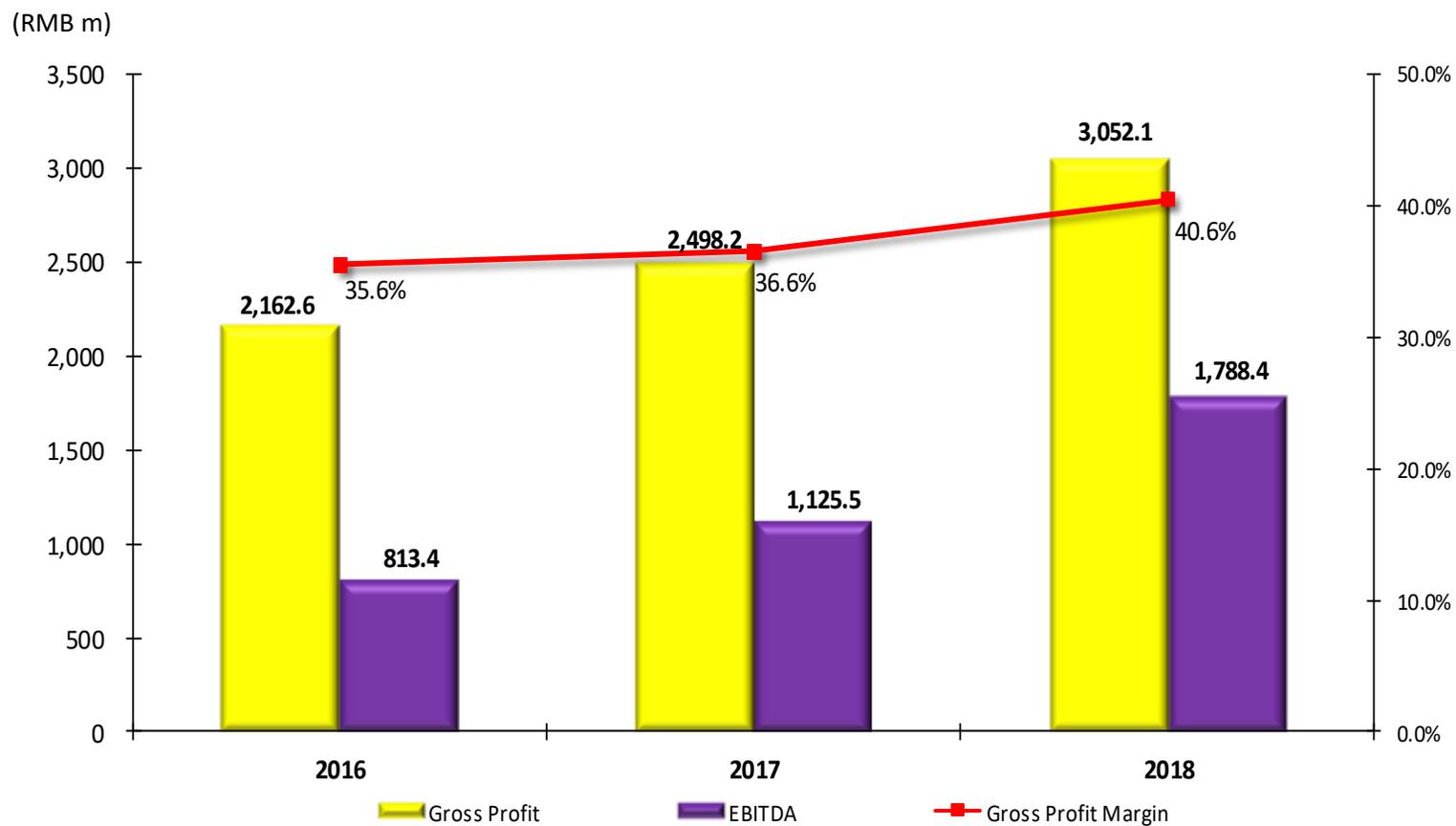


RMB million	2018	2017	yoy change	1H 2018	2H 2018
Revenue	7,510.6	6,826.6	+10.0%	3,792.7	3,717.9
Gross Profit	3,052.1	2,498.2	+22.2%	1,586.6	1,465.5
EBITDA	1,788.4	1,125.5	+58.9%	627.4	1,161.0
Profit Attributable to Equity Holders	682.9	81.8	+735.3%	91.2	591.7
❖ Loss on fair value change on investment properties	94.9	327.0	-71.0%	59.3	35.6
❖ Reversal of deferred tax liabilities on fair value change on investment properties	(52.3)	(205.0)	+74.5%	(32.6)	(19.7)
❖ Net foreign exchange loss (gain)	70.0	(38.4)	--	17.2	45.8
❖ Impairment loss recognised in respect of property, plant and equipment	29.5	4.8	+514.6%	0.7	28.8
❖ Loss/(gain) on fair value change of derivative components of convertible bonds	(226.4)	53.9	--	280.6	(507.0)
Adjusted core business profit	598.6	224.1	+167.1%	416.4	175.2
Earning per share (RMB cents)					
- Basic	41.80	5.03	+731.0%	5.60	36.20
- Diluted	32.27	5.03	+541.6%	5.60	26.67
Final Dividend per share (RMB cents)	6.0	5.0	+20%	--	--

Revenue



Gross Profit, EBITDA & Gross Profit Margin



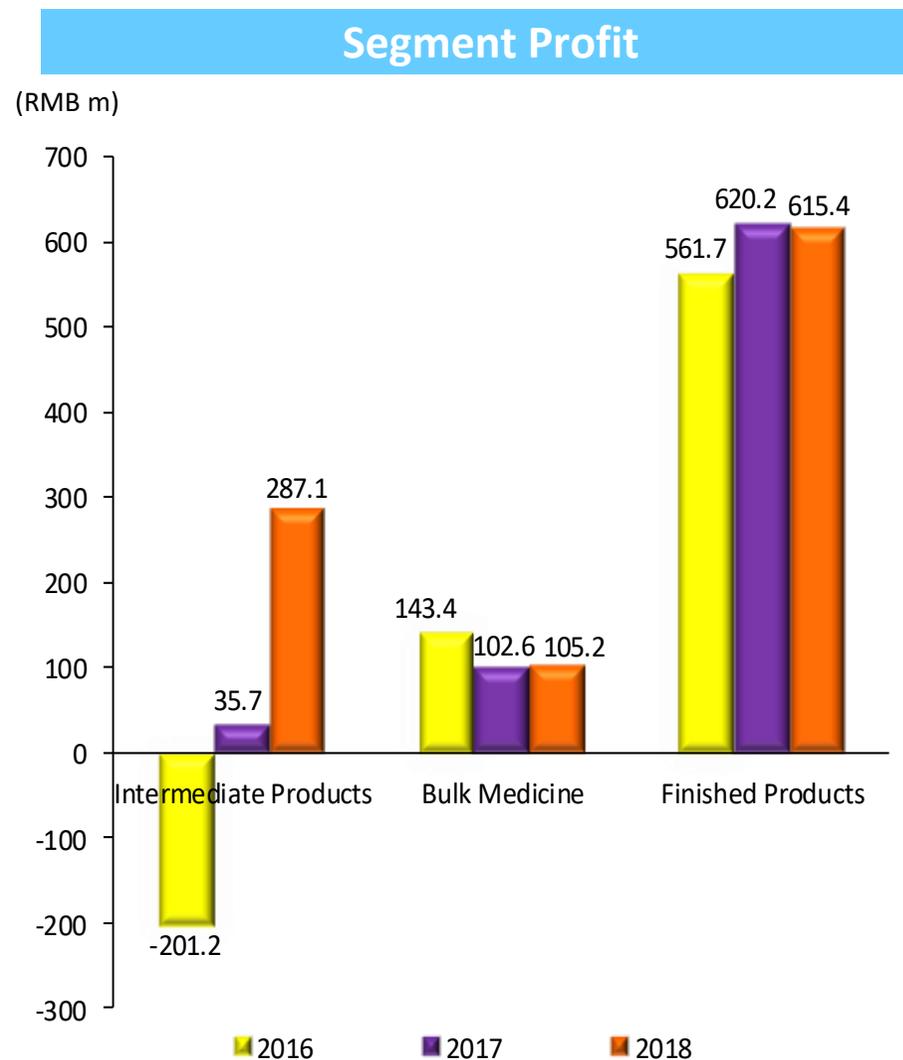
Business Segment Results & Margins



Segment Profit Breakdown			
	2018	2017	2016
Intermediate Products	28.5%	4.6%	(39.9)%
Bulk Medicine	10.4%	13.6%	28.4%
Finished Products	61.1%	81.8%	111.5%
Total	100%	100%	100%

Segment Margin (EBIT#)			
	2018	2017	2016
Intermediate Products	10.1%	1.3%	(8.8)%
Bulk Medicine	2.8%	3.2%	5.3%
Finished Products	21.3%	24.8%	23.7%

EBIT: Earnings before interest and taxation.



Other Key Financial Indicators



	As at 31 Dec 2018	As at 31 Dec 2017
Trade and bills receivable turnover (days)	144.1	123.1
Trade and bills payable turnover (days)	186.8	155.2
Stock turnover (days)	119.9	98.9
Current ratio	1.03	1.20
Net Current Assets (RMB million)	181.8	975.6
Net Gearing ratio [#]	33.8%	49.2%
Cash and cash equivalents (RMB million)	1,578.5	1,593.8
Total assets (RMB million)	14,612.3	14,111.8

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

	2018	2017
Net cash from operating activities (RMB million)	1,213.2	769.9



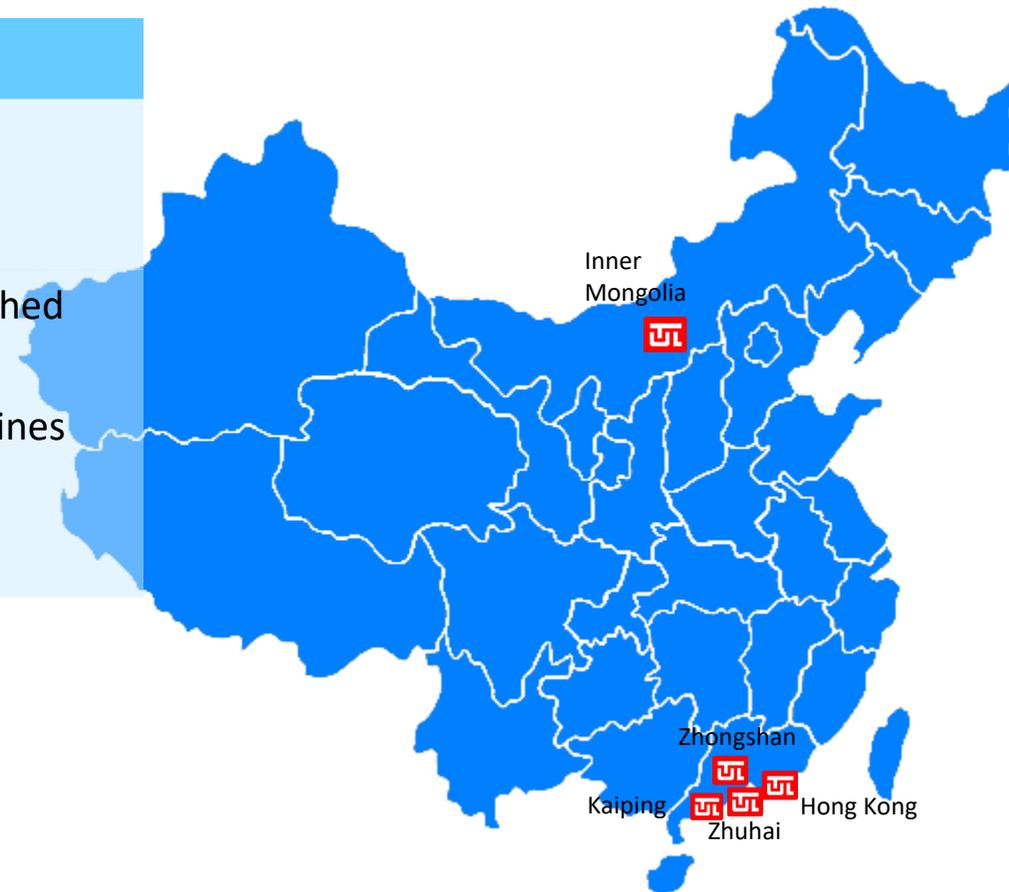
Section 3

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



Vertical Integration



Intermediate products, accounted for 16.4% of total external sales in 2018

6-APA (70-80%#) 11.8%	T-Octylammonium Clavulanate N/A	Penicillin G Potassium First Crystal 4.6%
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Bulk medicine, accounted for 45.1% of total external sales in 2018

Semi-synthetic penicillins type (50-60%#)  29.6%	Cephalosporins type  3.6%	β -lactamase inhibitors type  11.1%	Carbapenems type  0.6%	Insulin API  N/A	Others 0.2%
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Finished products, accounted for 38.5% of total external sales in 2018

Semi-synthetic penicillins antibiotics  8.5%	Cephalosporins antibiotics  2.1%	β -lactamase inhibitors antibiotics  9.1%	Carbapenems antibiotics  1.6%	Insulin products  8.8%	Others (including capsule casings)  8.4%
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#Chinese market share



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
- ◆ Insulin series achieved the expected sales target in 2018
- ◆ TUL will expand the investment on marketing and academic education



Recombinant Human Insulin Injection

- ◆ Included in the “National Essential Drug List” 《国家基药目录》 (2018 version)
- ◆ Outstanding sales performance from Anhui, Guangdong, Henan, Shandong and Jilin Province
- ◆ The Group has won the bidding of recombinant human insulin nationwide
- ◆ Recombinant Human Insulin recorded sales revenue of RMB608.8 million[#] in 2018

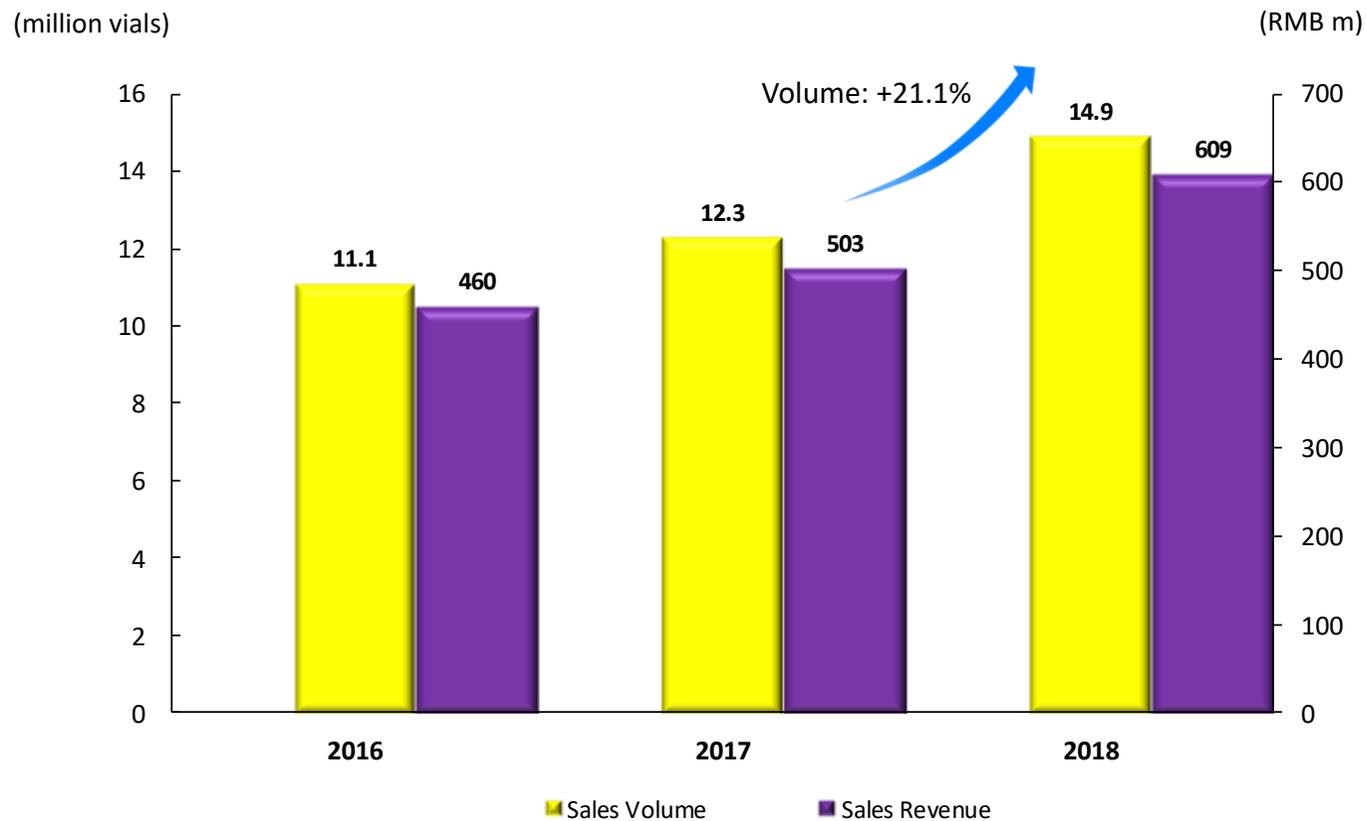


Insulin Glargine Injection

- ◆ Included in the “National Medical Insurance Drug List” 《国家医保目录》 (2017 version) & “National Essential Drug List” 《国家基药目录》 (2018 version)
- ◆ Two specifications including refilled pen-type and disposable pen-type
- ◆ Product launching in May 2017, marketing and team expansion in progress
- ◆ Insulin Glargine recorded sales revenue of RMB87.4 million[#] in 2018

[#] Sales revenue denotes gross sales including sales discounts.

Sales Performance of Recombinant Human Insulin



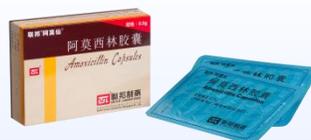
Sales revenue denotes gross sales including sales discounts.

Business Review of Other Finished Products



Piperacillin Sodium and Tazobactam Sodium for Injection

- ◆ Listed in National Essential Drugs List (2018 version)
- ◆ TUL owns 5 specifications, including one for pediatric drug
- ◆ Sales contributing to RMB 482.7 million in 2018



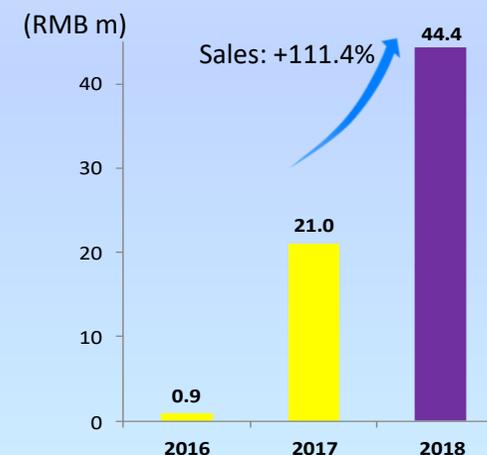
Amoxicillin Capsules

- ◆ TUL's Amoxicillin Capsules (0.25g) passed the consistency of quality and efficacy evaluation for generic drugs in April 2018
- ◆ Sales contributing RMB 451.2 million in 2018



Memantine Hydrochloride

- ◆ Listed in National Medical Insurance Drug List (2017 version)
- ◆ TUL was the first generic drug manufacturer of Memantine Hydrochloride in the PRC
- ◆ Sales contributing RMB 44.4 million in 2018



Research & Development



- ◆ 38 new products were under development, in which 13 in the process of patent registration and 29 patents approved by the government

- ◆ 29 new products at the stage of pre-clinical-trial
- ◆ 5 new products at the stage of clinical trial
- ◆ 4 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
- 22 types of chemical drugs at different R&D stages

Biological R&D Department

- approx. 120 R&D personnels
- 16 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



Therapeutic Area	New Products	Pre-Clinical	Clinical Trial Application	Clinical Trial	Production Application	Expected Approved
Diabetes	Insulin Aspart Injection					2019
	Insulin Aspart 30 Injection					2019
	Liraglutide Injection					2022
	Insulin Degludec Injection					2024
	Insulin Aspart 50 Injection					2022
	Insulin Degludec/Insulin Aspart					2024
	Insulin Degludec/Liraglutide					2024
	Semaglutide Injection					2027
	Ultra Long-acting GLP-1 Analog					--
	GLP-1 Oral Preparation					--
	Intelligent Insulin					--
Hepatitis B & AIDS	Tenofovir Disoproxil Fumarate Tablets					2020
Diabetes	Sitagliptin Phosphate Tablets					2021
	Viglietine Tablets					2021
Dermatosis	Mupirocin Ointment					2020
Xerophthalmia	Polyvinyl Alcohol Eye Drops					2021

Plant Capacity



	Designed Capacity	Utilization Rate	External Sales
Intermediate products (tonnes)			
• 6-APA	18,000	71.0%	38.1% ¹
• Penicillin G Potassium First Crystal <i>(in BOU)</i> ²	13,333,333	48.6%	100%
• T-Octylammonium Clavulanate	720	39.4%	N/A
Bulk medicine (tonnes)			
• Semi-synthetic penicillins type	20,000	74.3%	90%
• Cephalosporins type	1,200	58.3%	90%
• β -lactamase inhibitor antibiotics type	1,568	76.4%	90%
Finished products (mil)			
• Amoxicillin & Ampicillin capsules	1,540	78.5%	100%
• Tazobactam sodium and piperacillin sodium for injection	28	76.4%	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 2018	External Sales volume in 2017	yoy change
Intermediate products (tonnes)	6-APA	4,863.8	7,669.3	-36.6%
	Penicillin G Potassium First Crystal (<i>In BOU</i>)	6,355,198	9,717,410	-34.6%
Bulk medicine (tonnes)	Semi-synthetic penicillins type	13,554.4	12,672.2	+7.0%
	Cephalosporins type	375.3	338.2	+11.0%
	β-lactamase inhibitors type	1,027.5	1,179.9	-12.9%
Finished products (million packs)	Tazobactam sodium and piperacillin sodium for injection (2.25g/4.5g) [#]	20.3	18.1	+12.1%
	Amoxicillin capsules(250/500mg) [#]	60.7	54.5	+11.4%
	Carbapenems for injection	3.3	3.4	-2.9%
	Recombinant human Insulin [#]	14.9	12.3	+21.1%
	Insulin Glargine [#]	0.6	0.2	+200.0%
	Memantine Hydrochloride	0.2	0.1	+100.0%

[#] Listed in Essential Drugs List.

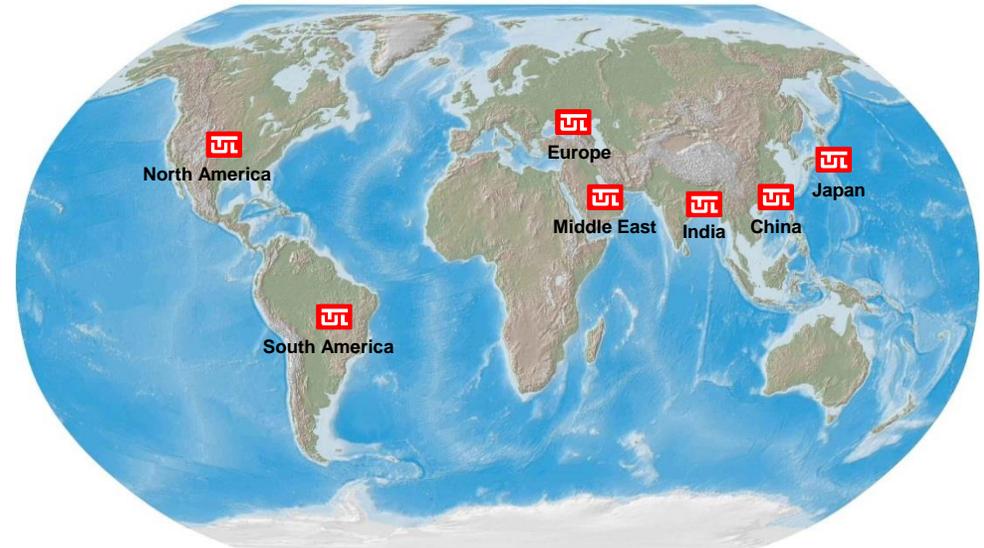
Average External Selling Price



Average External Selling Price [#]	2018	2017	y-o-y change
Intermediate products			
6-APA (RMB/kg)	178.5	135.4	+31.8%
Penicillin G Potassium First Crystal (RMB/BOU)	53.4	43.5	+22.8%
Bulk medicine (RMB/kg)			
Semi-synthetic penicillins type	160.3	133.9	+19.7%
Cephalosporins type	707.2	639.1	+10.7%
β-lactamase inhibitors type	824.4	727.8	+12.3%

[#]Selling price not including VAT and other tax

Extensive Sales and Distribution Network



Domestic Market

- ◆ Around 3,000 sales staff in 28 sales offices of finished products
- ◆ 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 26.2% of the Group total sales in 2018
- ◆ 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 5 Bulk Medicines received the approval from US FDA; 15 API approvals from India; 2 got Japanese GMP, 5 official approvals from Mexico



Section 4

Outlook & Strategies

Financial

- ◆ Continue to optimize financial structure, maintain a healthy and balanced mix
- ◆ Continue to control the net gearing ratio and interest cost

API /Intermediates business

- ◆ 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

Finished Products

- ◆ 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