



# ScinoPharm Management Presentation

TWSE 1789

January, 2013



# Disclaimer

This material has been prepared by ScinoPharm Taiwan, Ltd. (“ScinoPharm”).

Any opinions expressed in this material are subject to change without notice as a result of using different assumptions. ScinoPharm is under no obligation to update or keep current the information contained herein. The **information contained** in this presentation is ScinoPharm’s **confidential** information.

Any disclosure, copying, distribution or any action taken or omitted to be taken in reliance on it is prohibited and may be unlawful.

**No representation or warranty**, express or implied, is or **will be made** in or in relation to, and no responsibility or liability is or will be accepted by the Company **as to**, the **accuracy or completeness** of this material and any liability therefore is hereby expressly disclaimed.

Statements made in this material include forward-looking statements, which include, without limitation, statements about the issues, plans and expectations of ScinoPharm. Without limiting the foregoing, statements including the words “believes”, “anticipates”, “plans”, “expects” and similar expressions are also forward-looking statements. Forward-looking statements reflect, among other things, management’s plans and objectives for future operations, current views with respect to future events and future economic performances and projections of various financial items. **These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results to differ materially from those implied** by such forward-looking statements.



# Table of Content

Overview of ScinoPharm

Financial & Operation Results

ScinoPharm's opportunities and competition in China API Market

Business Outlook

Q&A

# Overview of ScinoPharm

## - An Active Pharmaceutical Ingredient Company

# Background

- Established in 1997 in Taiwan by founders from Syntex, current market cap ~ US\$1.3 billion
- Major shareholders include Uni-President Group, Government's Development Fund, Taiwan Sugar, etc.
- Facility & organization built by experienced team from Syntex
- Brand new facility designed & built in Taiwan, received multiple inspections of US FDA and authorities from Australia, EU, Japan, etc.
- Specialized in high potency (steroid & cytotoxic) & injectable APIs



# Company Overview

- Maintain dominant position in Specialty APIs for generic market. Established strong presence in US/EU generic market, some channeled through Indian generic companies. Aggressively developing Japanese and Chinese markets
- Developed ~60 generic APIs with 21 launched. Filed 43 DMFs in US (631 DMFs WW), leader in supplying oncology injectable APIs with 20 US DMFs
- 70+ NCE CRAMs projects, with 5 in phase III with NDA filing in 2-3 years & 4 already launched. The only company in Asia supplying API for multiple NCEs for commercial



# World Class Facilities

## Taiwan

- 6.6 hectares of land, 330K sqft facilities with  $>200\text{M}^3$  reactor volume after 2 large product lines expansion
- Eight of our production lines are equipped with the special capability to produce APIs used in high-potency sterile injections
- US FDA approved &  $>200$  GMP audits by customers
- Provides comprehensive contract research services for brand drug companies
- Global market



## China

- With nearly  $250\text{M}^3$  reactor volume
- The first phase completed in Q1, 2012. The second phase completed in Q1/Q2 2013
- cGMP designed facility for intermediates & high potent API
- Complete capabilities in API development, and manufacturing from small to large scale for global and China generic as well as CRAMs (Contract Research And Mfg Services) markets
- Global market including China



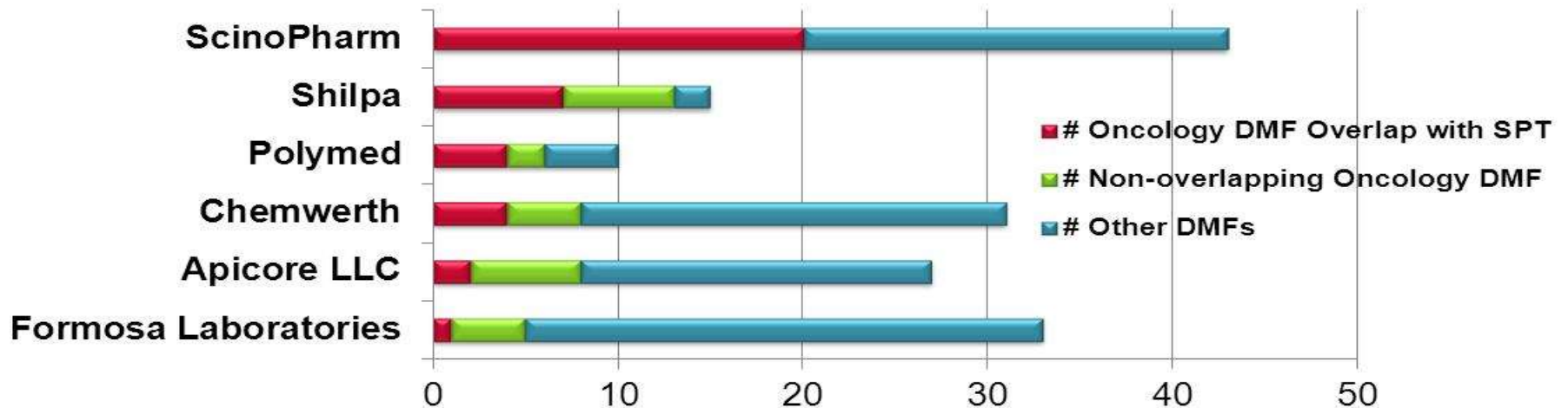
# Recent developments in SPT & SPC

- SPT's Bay 5 has started production in December 2012, Bay 4 will start production in early 2013
- SPC's phase I production facilities have obtained pharmaceutical production permits from local authorities
- SPC's phase I small, mid, and large production lines (total of 4 production lines and 2 clean areas) have completed IQ/OQ and started full production in September

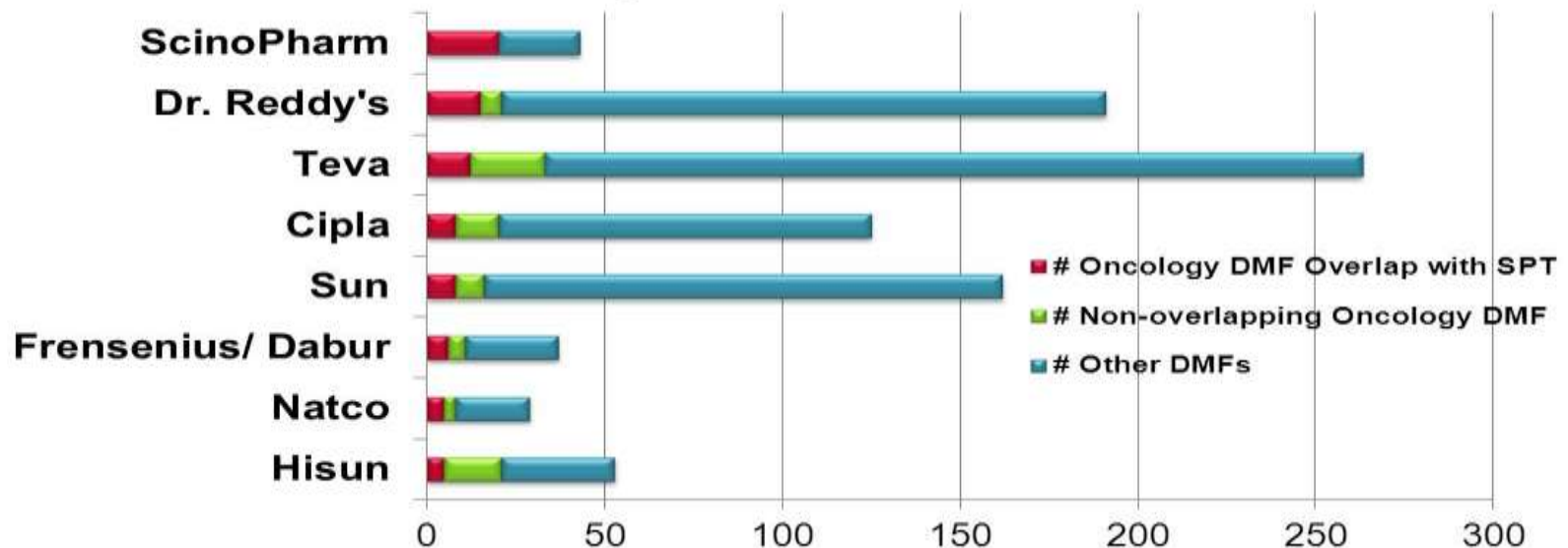


# ScinoPharm - Oncological API Leader

## Stand-Alone API Companies



## Large Generic Pharmas



# Comparison among Taiwan API peers

ScinoPharm is a leader in DMFs and Patents

|                         | ScinoPharm | Other Taiwanese API Co.'s |    |   |
|-------------------------|------------|---------------------------|----|---|
|                         |            | A                         | B  | C |
| # of DMFs               | 43         | 14                        | 11 | 9 |
| # of patents since 1997 | 38         | 9                         | 6  | 5 |

# CPhI

## Convention on Pharmaceutical Ingredients

CPhI holds more than 5 major exhibits/year

- CPhI Madrid, Oct. 9-11, 2012
- CPhI India, Nov. 21-23, 2012
- CPhI California w/ informEx, Feb. 20-22, 2013
- CPhI Japan, Apr. 24-26, 2013
- CPhI China, Jun. 25-27, 2013
- CPhI Germany, Oct. 22-24, 2013

# ScinoPharm at CPhI Madrid



Convention center



# ScinoPharm at CPhI Madrid



Convention entrance



# ScinoPharm at CPhI Madrid



ScinoPharm Booth





# ScinoPharm at CPhI Madrid



ScinoPharm meeting with clients



# ScinoPharm at CPhI Madrid

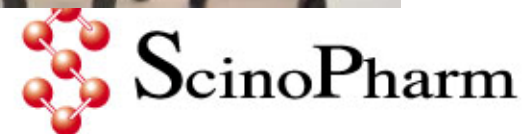


**Business meetings**

# ScinoPharm at CPhI Madrid



**Business meetings**

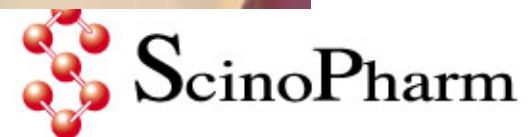




# ScinoPharm at CPhI Madrid



**Business meetings**



# ScinoPharm at CPhI Madrid



ScinoPharm delegates



# ScinoPharm at CPhI Madrid

During 10/9~11 at CPhI Madrid, ScinoPharm had

- Meetings with more than 100 clients
- Categories of clients :
  - Generic pharma : 65%
  - New drug co.'s : 20%
  - Others : 15% (incl. agents and starting material suppliers)





# Observations from CPhI on API industry

- Central/Eastern Europe generic market is fast-growing – ScinoPharm has connected to the market
- Brazil in South America and Indonesia in South East Asia are two potential markets
- India's strategy to bring global recognition to its quality
- EU's new regulations on API imports

# Financial & Operation Results

# P&L - Consolidated

| NT\$MM, except EPS           | 1~3Q, 2012<br>(reviewed) | 1~3Q, 2011<br>(reviewed) | YoY  |
|------------------------------|--------------------------|--------------------------|------|
| Net Sales                    | 3,168                    | 2,824                    | 12%  |
| Gross Profit                 | 1,601                    | 1,387                    | 15%  |
| <i>Gross margin</i>          | <i>50%</i>               | <i>49%</i>               |      |
| Operating Expense            | (735)                    | (600)                    | 23%  |
| Operating Income             | 866                      | 787                      | 10%  |
| <i>Operating margin</i>      | <i>27%</i>               | <i>28%</i>               |      |
| Other Rev.(Exp.)             | 16                       | (24)                     | 167% |
| Net Income after Tax         | 748                      | 639                      | 17%  |
| <i>Net margin before tax</i> | <i>28%</i>               | <i>27%</i>               |      |
| <i>Net margin after tax</i>  | <i>24%</i>               | <i>23%</i>               |      |
| EPS (after tax)              | 1.15                     | 1.02                     | 13%  |

EPS are calculated based on weighted average number of outstanding shares



ScinoPharm

# Balance Sheet- Consolidated

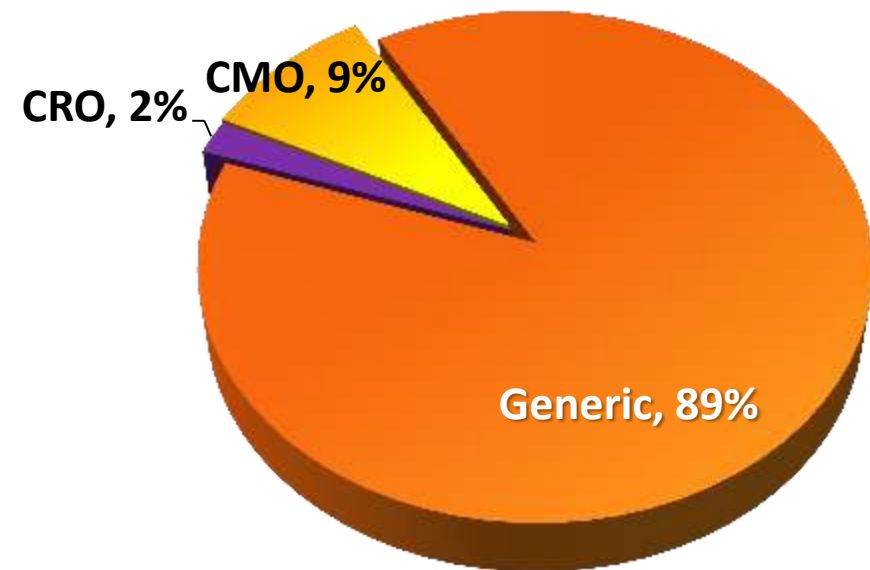
| NT\$MM                     | 2012/09/30<br>(reviewed) |      | 2011/09/30<br>(reviewed) |      |
|----------------------------|--------------------------|------|--------------------------|------|
| Cash and Cash Equivalents  | 2,303                    | 24%  | 3,195                    | 36%  |
| Accounts Receivable        | 959                      | 10%  | 669                      | 7%   |
| Inventories                | 1,962                    | 20%  | 1,403                    | 16%  |
| Long-Term Investments      | 150                      | 2%   | 195                      | 2%   |
| Fixed Assets               | 3,609                    | 38%  | 3,099                    | 35%  |
| Other Assets               | 562                      | 6%   | 404                      | 4%   |
| Total Assets               | 9,545                    | 100% | 8,965                    | 100% |
| Current Liabilities        | 853                      | 9%   | 651                      | 7%   |
| L-T Liabilities and Others | 30                       | 0%   | 27                       | 0%   |
| Stockholders' Equities     | 8,662                    | 91%  | 8,287                    | 93%  |

# Cash Flows- Consolidated

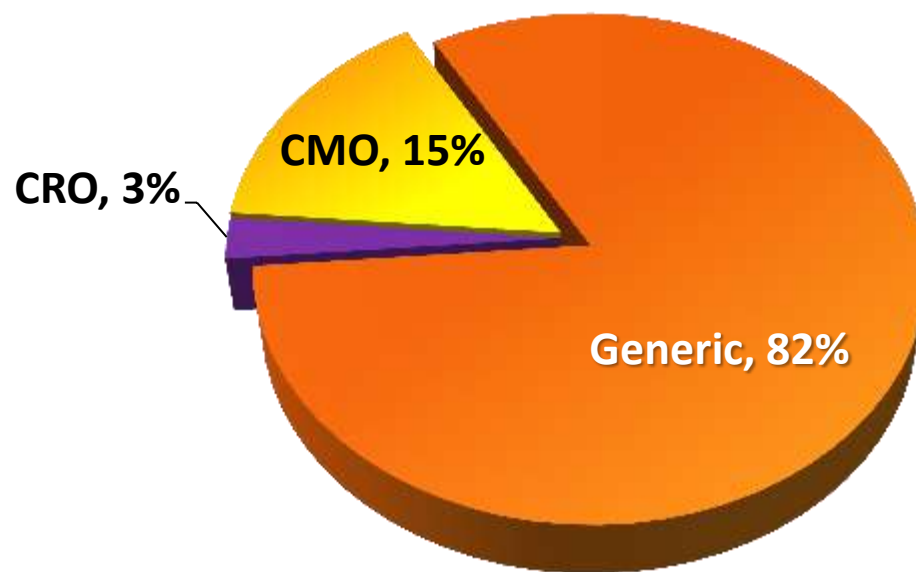
| NT\$MM   | 1~3Q, 2012<br>(reviewed) | 1~3Q, 2011<br>(reviewed) |
|--|--------------------------|--------------------------|
| Cash and cash equivalents at beginning of period | 3,294                    | 1,908                    |
| Cash flows from operating activities             | 314                      | 922                      |
| CAPEX  | (619)                    | (497)                    |
| Cash flows from financing activities             | (631)                    | 898                      |
| Other Investing activities                       | (55)                     | (36)                     |
| Cash and cash equivalents at end of period       | 2,303                    | 3,195                    |

# Sales by Business

2011 1-9



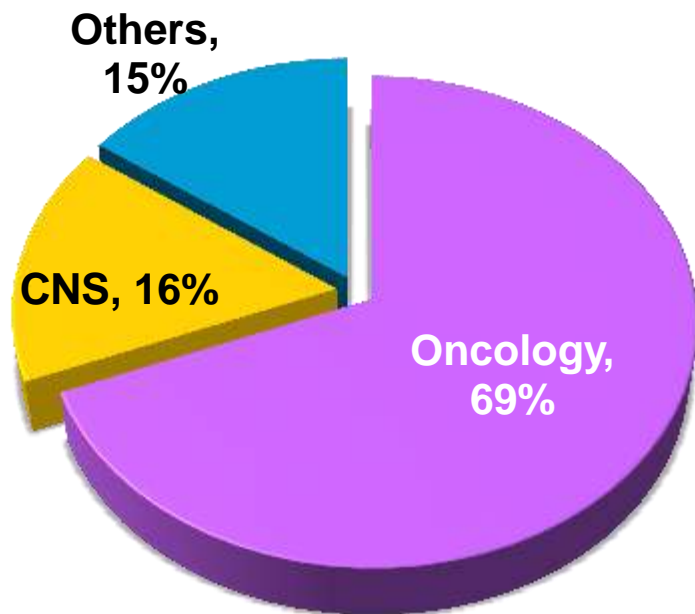
2012 1-9



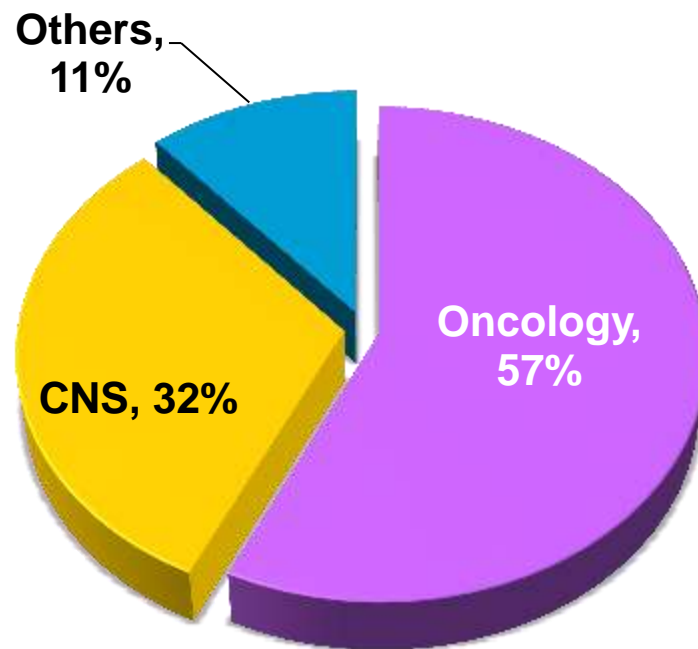


# Sales by Indications

**2011, 1-9**



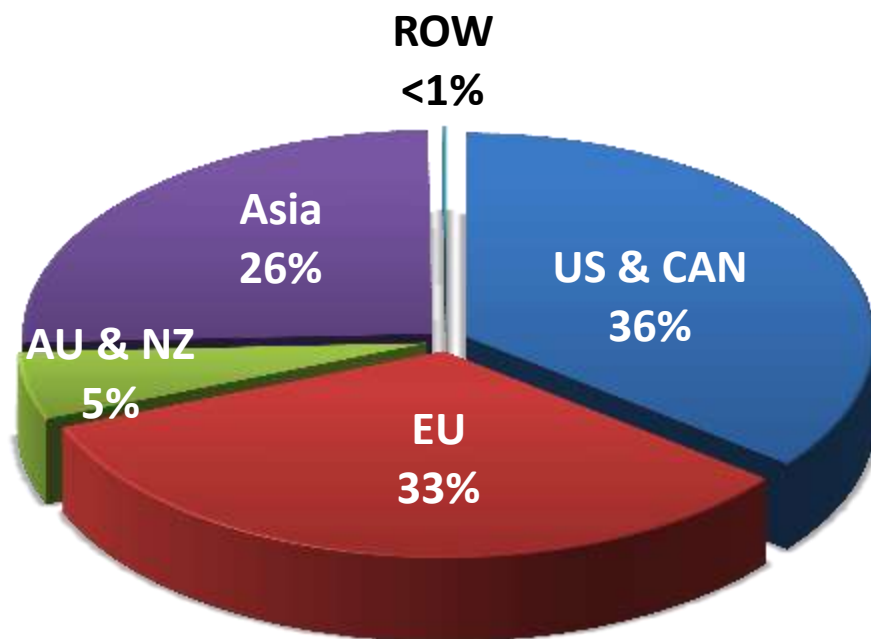
**2012, 1-9**



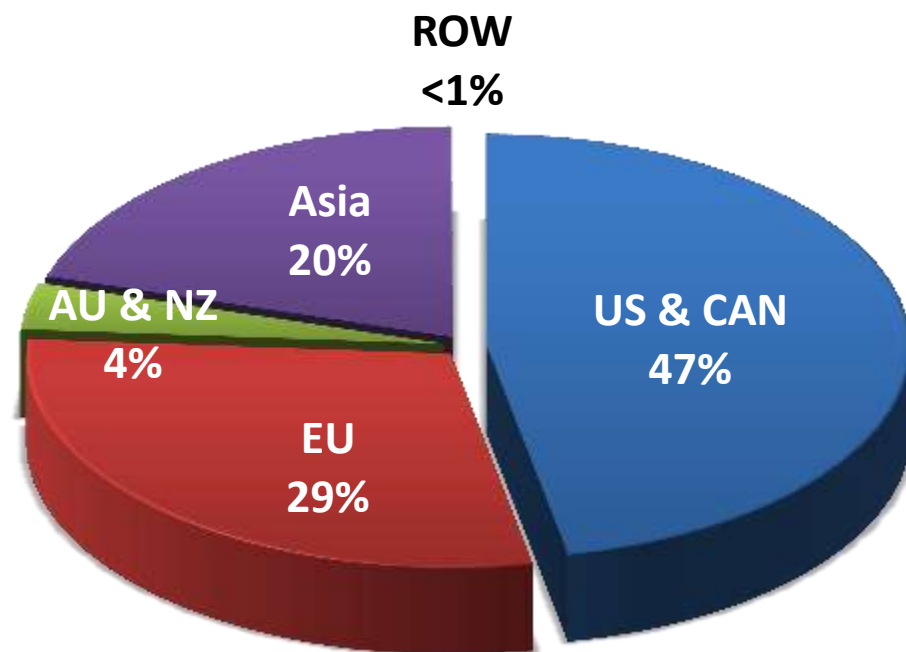
**ScinoPharm**

# Sales by Region

2011, 1-9



2012, 1-9



Out of the 20% Asia sales in 2012, India was 11%, rest of Asia was 9%



ScinoPharm

# **ScinoPharm's opportunities and competition in China API Market**

# China API market trends

- Government's 12<sup>th</sup> five-year plan sets a goal for pharmaceutical industry to grow at a CAGR of 20%, and
- Explicitly requires 100% compliant with the latest GMP for nationwide pharma manufacturing. Also encourages pharma co.'s to apply for int'l certifications. China now ranks #3 in terms of number of US DMFs, only next to India and USA
- To cope with the latest GMP requirements, China pharma co.'s face stiff challenges

# ScinoPharm aims on China Market

- ScinoPharm exports APIs to China market and has 6 customers
- ScinoPharm Changshu complies with latest GMP standards and will benefit from the reduced competition after 12<sup>th</sup> five-year plan drives out disqualified companies
- ScinoPharm's specialty in oncology APIs meets China market demands: China oncology drug market ranks #2. Among top 20 oncology drugs, ScinoPharm provides 9 APIs
- ScinoPharm cooperates with its US/EU customers to import drugs that have high unmet needs in China



ScinoPharm

# SPC's Strategic Goals

Short-term goal: 1 year

Expand capacities – To be able to produce intermediates and provides expanded capacities for SPT

Mid-term goal: 3 years

Adopt Double A (API+ANDA) business model – To team up with pharma co.'s to apply for ANDA in US/EU and export final drug products globally. Currently already has APIs working with customers to apply for ANDA

Long-term goal: 5 years

Penetrate into China domestic market – To develop 1<sup>st</sup> API to be sold domestically in China and 1<sup>st</sup> imported drug in 5 years. Aggressively penetrate into high-margin oncological and specialty API markets





# ScinoPharm Vs. Chinese API Peers

| ScinoPharm  | Chinese API Peers   |
|---|---|
| Focus on high entry-barrier oncological APIs. Less competition, higher margin | Mostly producing lower entry-barrier APIs. Fierce competition, lower margin           |
| Marketing globally, competitive in technology and quality                     | Mostly focusing on domestic market, products and quality are not competitive globally |
| Has built a stronghold in global API market and started vertical integration  | To fulfill 12 <sup>th</sup> 5-yr plan, develop internationally and vertically         |

# ScinoPharm's “Double A” plan

## ■ Strategic Alliance

ScinoPharm is in discussion with one of the top 3 Chinese pharma co.'s to develop oncological drugs for China market

## ■ Drug Product Co-development

ScinoPharm is partnering with a marketer and a formulation producer to co-develop oncology injectables for China market

## ■ Vertical Integration

ScinoPharm will vertically integrate to develop dossiers for difficult-to-make APIs and to increase our value proposition in the supply chain

# Business Outlook

# 2013 Product Launch Plan

| API                             | Region | Indications          | Brand Marketer | Regional Sales                | WW Sales     |
|---------------------------------|--------|----------------------|----------------|-------------------------------|--------------|
| Azacitidine                     | US     | MDS, Anti-neoplastic | Pharmion       | US\$331.3MM*                  | US\$729.7MM* |
| Decitabine                      | US     | MDS, Anti-neoplastic | MGI Pharma     | US\$238.0MM*                  | US\$249.1MM* |
| Docetaxel Anhydrous, Trihydrate | JP     | Anti-neoplastic      | Sanofi Aventis | US\$236.9NM**                 | US\$2,051MM* |
| Modafinil                       | US     | Antinarcolepsy       | Cephalon       | US\$1,219MM*                  | US\$1,319M*  |
| Paclitaxel                      | JP     | Anti-neoplastic      | Bristol Myers  | US\$307.1MM**                 | US\$1,654M*  |
| Riluzole                        | US     | ALS                  | Sanofi Aventis | US\$55.0MM*                   | US\$237.1MM* |
| Topiramate                      | US     | Seizures             | Customer       | NDA ( FDA tentative approval) |              |

Source: \* Newport/IMS Data

\*\*In-house research



# Outlook

- Sustain Leadership Position in Oncological Injectable APIs  
Continue developing small molecule oncological injectable APIs and expand into other areas with high technology barriers including Peptides
- Expand Presences in China  
Expansion of API business to timely capture the Chinese market facing increasingly stringent GMP requirement
- Japanese Market Penetration  
Establishing strategic partnerships with major pharma companies in Japan and expect to market total 6 products in 2012
- Vertical Integration – Double A Strategy  
Reinforce overall API development and investment return; select difficult-to-make APIs to formulate dossiers and provide one-stop services to customers





## Brand Quality with Asian Advantages

[www.scinopharm.com](http://www.scinopharm.com)