



Stock Ticker: 1720

Standard Chem. and Pharm. Co., Ltd. (SCP) Investor Conference

2017.04.25



生達化學製藥股份有限公司
STANDARD CHEM.& PHARM.CO.,LTD

免責聲明

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Conference Agenda



1. Introduction to Standard Pharmaceutical Group (SCP Group)
 - Standard – History, Accomplishments
 - Group Organizational Structure – Corporate Structure, Resource Integration
 - Standard Pharmaceutical Group (SCP Group)
2. 2016 Financial Statements
 - Income Statement
 - Balance Sheet
 - Global Revenue
3. Forward-looking
 - Pharmaceutical Industry Forecast
 - Actions for Revenue Growth
 - Forward-looking Strategy
4. Corporate Social Responsibility (CSR)





Introduction to Standard Pharmaceutical Group (SCP Group)



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Standard Chem. and Pharm. Co., Ltd (SCP)

Historical Milestones

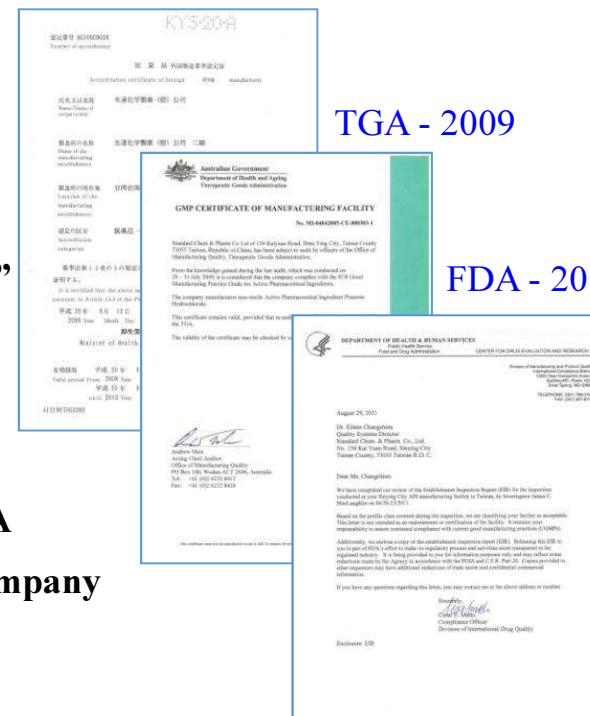


- ◆ 1967 SCP is formally established
- ◆ 1995 SCP's Initial Public Offering
- ◆ 1988 SCP is first Taiwan pharma company to be ISO9001 certified
- ◆ 2000 SCP is first TW company to pass US FDA inspection
and officially enter the international pharmaceutical market
- ◆ 2008 SCP receives PMDA "Certificate of Foreign Drug Manufacturer"
- ◆ 2009 SCP's API plant passes TGA inspection
- ◆ 2010 SCP passes TW PIC/S GMP inspection
- ◆ 2011 SCP passes US-FDA cGMP inspection with no 483
- ◆ 2012 SCP passes K-FDA inspection, and is certified GDP by the T-FDA
- ◆ 2014 SCP receives the Gold Award for Outstanding Biotechnology Company
- ◆ 2015 SCP receives its first US-FDA approved ANDA
- ◆ 2015 SCP receives the Little Giants Citizen's Award for CSR
- ◆ 2016 SCP receives the Citizen's Award for CSR
- ◆ 2017 SCP is ranked in the Top 20th Percentile of Taiwanese listed Companies by the Taiwan

JDMC - 2008

TGA - 2009

FDA - 2011



Stock Exchange



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SCP – Site I



Site I:

- Address: 6-20 Tuku Village, Shinying District, Tainan City
- Land Area: 5,768 sq. meters
- Structure Area: 6,165 sq. meters
- Dosage forms: Oral Solids, Injectables



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SCP – Site II



Site II :

- **Address** 154 Kaiyuan Rd., Shinying District, Tainan City
- **Land Area:** 54,860 sq. meters
- **Structure Area:** 40,562 sq. meters
- **Dosage Forms:** Oral Solids, Liquids, Creams, Suppositories, Gauze



SCP – R&D Accomplishments



▶ SCP - R&D Expenditures and Ratio of past 5 years

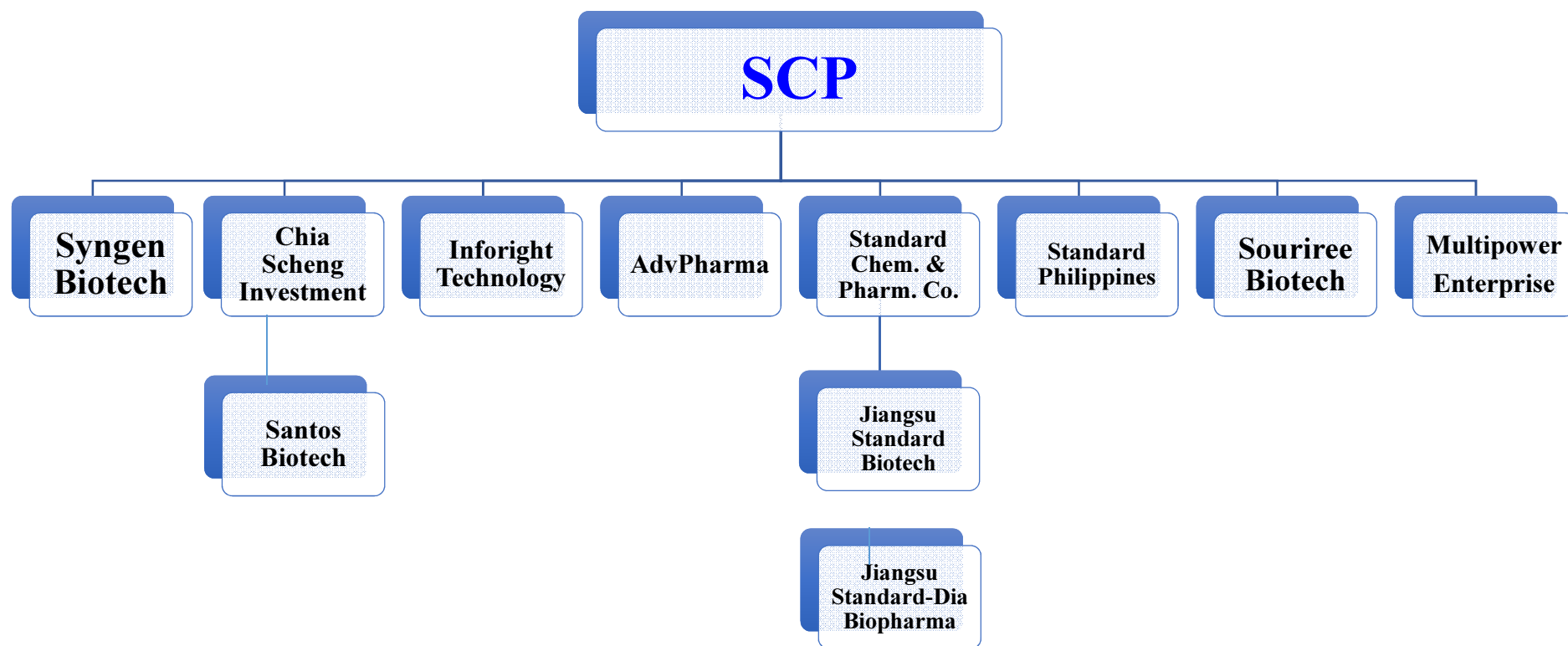
	2012	2013	2014	2015	2016
R&D Expenditures	172,406	167,533	183,196	174,730	182,911
% of Total revenue	8%	7%	8%	8%	7%

▶ SCP – Dossier submission of past 5 years

Dossier Submissions	2012	2013	2014	2015	2016
Taiwan	12	14	10	16	9
Foreign Markets	0	10	23	17	14
Total	12	24	33	33	23



Standard Pharmaceutical Group



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SCP Group – Resource Integration



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SCP – Operational Activities



■ Focus on Western Pharmaceuticals

➤ Various Dosage Forms:

Oral Solids, Injectables, Ointments, Liquids, Nasal Sprays, Suppositories, etc

➤ APIs: Human and Veterinarian Use



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SCP – Most Important Milestones of Past 2 Years



▶ Taiwan

- Distributor for Japanese DSP new drug Latuda® launched in 2017
- Licensed for Vertically Integrated manufacturing of Japanese DSP drug Erispan®

▶ U.S.

- Continuous export of Repaglinide (for type 2 diabetes)

▶ Japan

- ODM for Japanese partner for Asthma drug Montelukast
- Montelukast launches in Japan in 2016



Syngen Biotech Comp. Stock Ticker: 8279



- ▶ Founded in 1999, 2016 IPO.
- ▶ 2017 Taiwan Scientific Park plant operational
- ▶ Operations:
 - Fermentation API: Mupirocin
 - Biochemical Products:

Ganoderma Lucidum, Cordyceps Sinesis, Lactobacillus, Anti-histamine Lactic Acid, and other Fermented Microbial API and Finished Products.



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Multipower Enterprises



- ▶ Own Brand: NeoAngelac, Stronzon, Boscogen
- ▶ Products: Infant Formula, Goat Milk, Health Supplements
- ▶ Principal Suppliers:
 - France's Leading Formula Manufacturer
 - Renowned European Milk Manufacturers
- ▶ Chain-store Sales Channels



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2016 Financial Statements



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Income Statement (Consolidated)

(Expressed in thousands of New Taiwan Dollars)



Item	2016		2015		Change
	Amount	%	Amount	%	%
Operating revenue	3,673,801	100	3,321,366	100	11
Operating costs	2,097,542	57	1,826,285	55	15
Gross profit	1,576,259	43	1,495,081	45	5
Operating expenses	1,158,123	31	1,111,596	33	4
Operating profit	418,136	12	383,485	12	9
Non-operating income and expenses	43,619	1	80,217	2	(46)
Income before tax	461,755	13	463,702	14	0
Net income	371,808	10	367,899	11	1
EPS (NT\$)	1.90		1.95		(3)



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Income Statement (Parent Company)

(Expressed in thousands of New Taiwan dollars)



Item	2016		2015		Change
	Amount	%	Amount	%	%
Operating revenue	2,357,528	100	2,205,463	100	7
Operating costs	1,308,075	56	1,199,627	54	9
Gross profit margin	1,049,453	44	1,005,836	46	4
Operating expenses	742,267	31	687,568	31	8
Operating profit	307,186	13	318,268	15	(3)
Non-operating income and expenses	88,622	4	92,145	4	(4)
Income before tax	395,808	17	410,413	19	(4)
Net income	340,216	14	347,894	16	(2)
Earnings per share (NT\$)	1.90		1.95		(3)



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SCP Financials – 50 Years of Profit



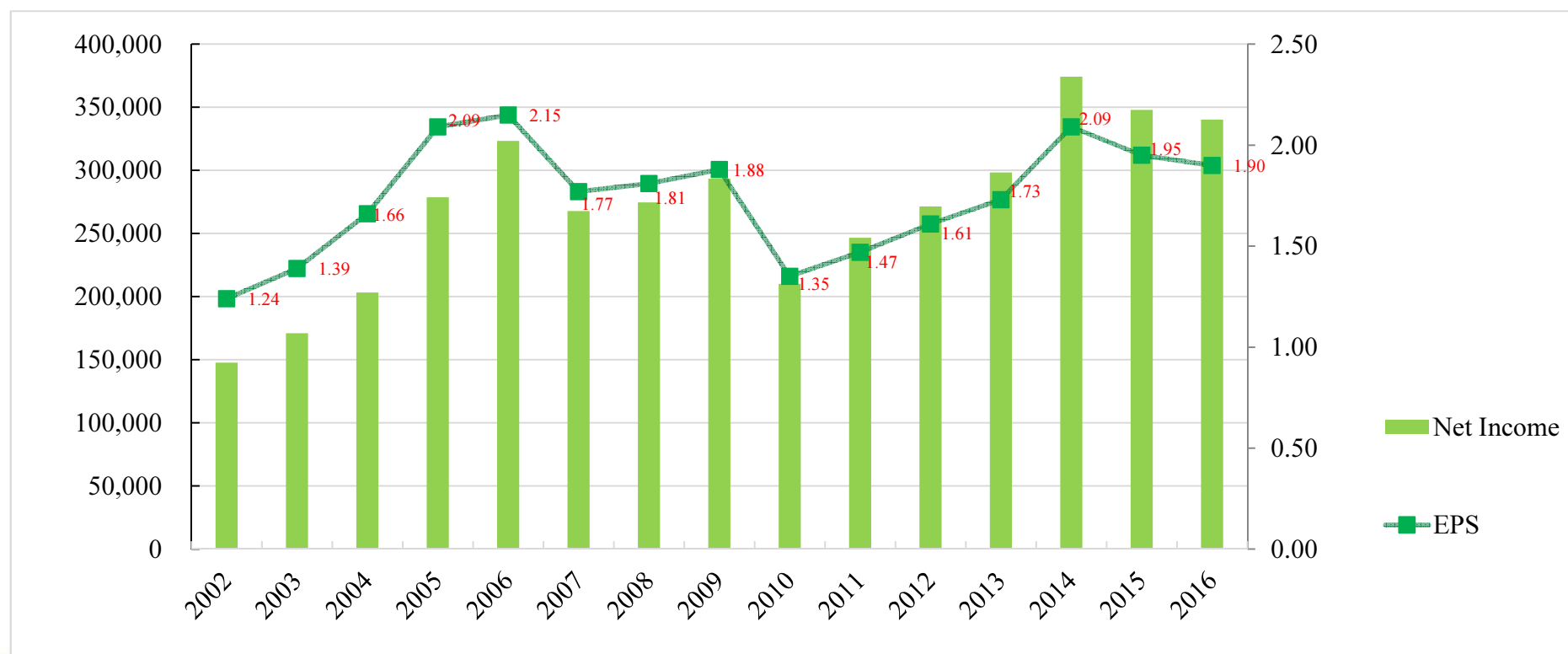
Standard's Profit and EPS

Income after Tax

(Expressed in thousands of New Taiwan Dollars)

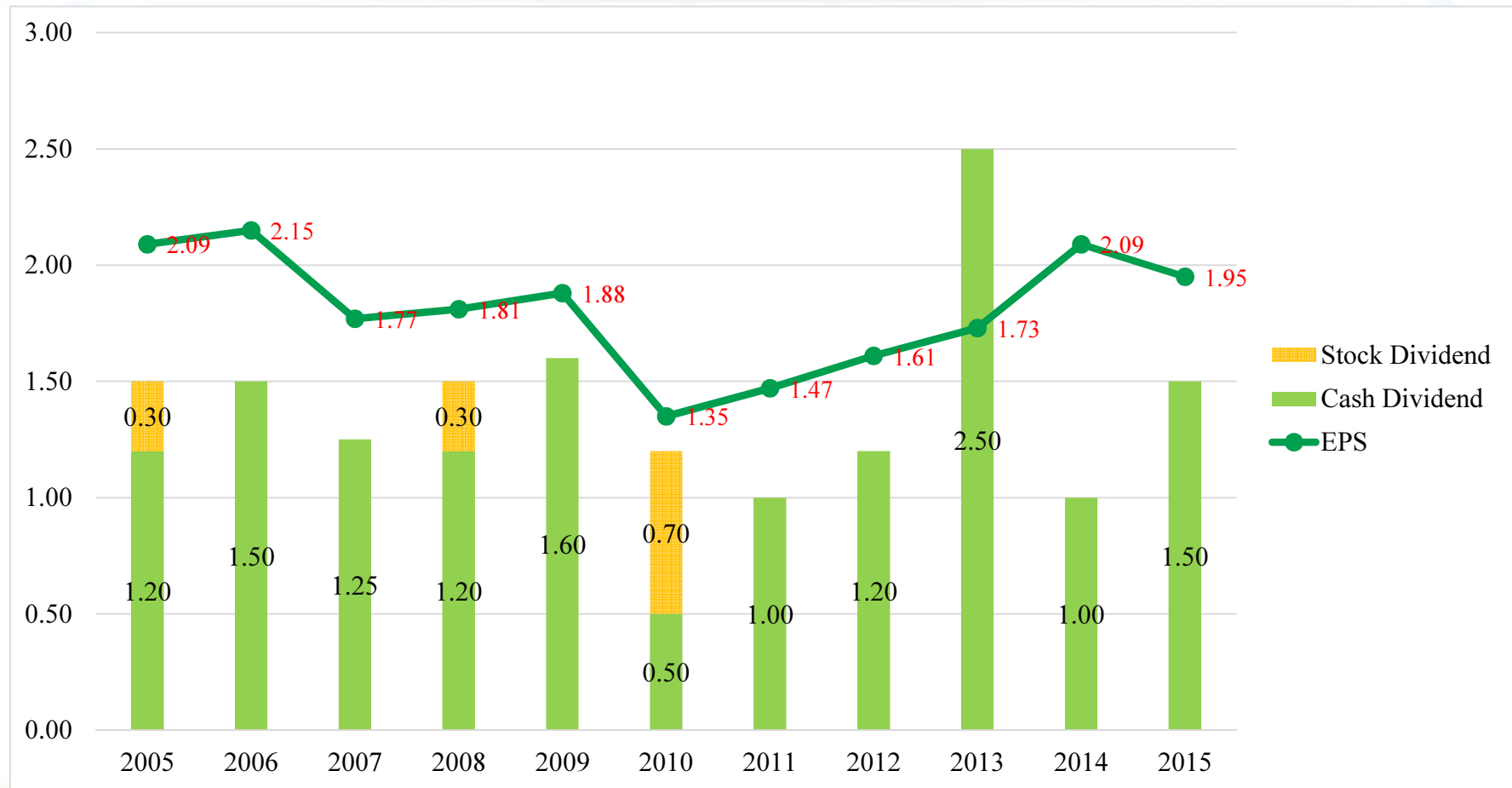
EPS

(\$)



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SCP Financials – Historical Dividend Distributions



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Balance Sheet (Consolidated)

(Expressed in thousands of New Taiwan Dollars)



Item	2016/12/31		2015/12/31	
	Amount	%	Amount	%
Cash and cash equivalents	876,820	14	766,379	13
Accounts Receivable	975,369	16	896,756	16
Inventories	737,725	12	649,536	11
Investments	798,771	14	638,180	11
Property, plant, and equipment	2,090,208	33	2,186,890	38
Other current and non-current assets	746,947	11	657,546	11
Total Assets	6,225,840	100	5,795,287	100
Current Liabilities	1,646,886	27	1,177,842	20
Long-term loans	47,317	1	21,111	1
Other liabilities	334,973	5	709,413	12
Total liabilities	2,029,176	33	1,908,366	33
Total shareholder's equity	4,196,664	67	3,886,921	67



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Balance Sheet (Parent Company)

(Expressed in thousands of New Taiwan Dollars)



Item	2016/12/31		2015/12/31	
	Amount	%	Amount	%
Cash and cash equivalents	438,306	8	302,033	6
Accounts Receivable	722,095	14	727,819	15
Inventories	448,633	9	410,466	9
Investments	2,036,377	39	1,939,083	40
Property, plant, and equipment	1,170,949	23	1,235,025	25
Other current and non-current assets	332,270	7	273,838	5
Total Assets	5,148,630	100	4,888,264	100
Current Liabilities	1,066,585	21	828,927	17
Long-term loans	30,000	1	-	-
Other liabilities	332,693	6	514,714	10
Total liabilities	1,429,278	28	1,343,641	27
Total shareholder's equity	3,719,352	72	3,544,623	73

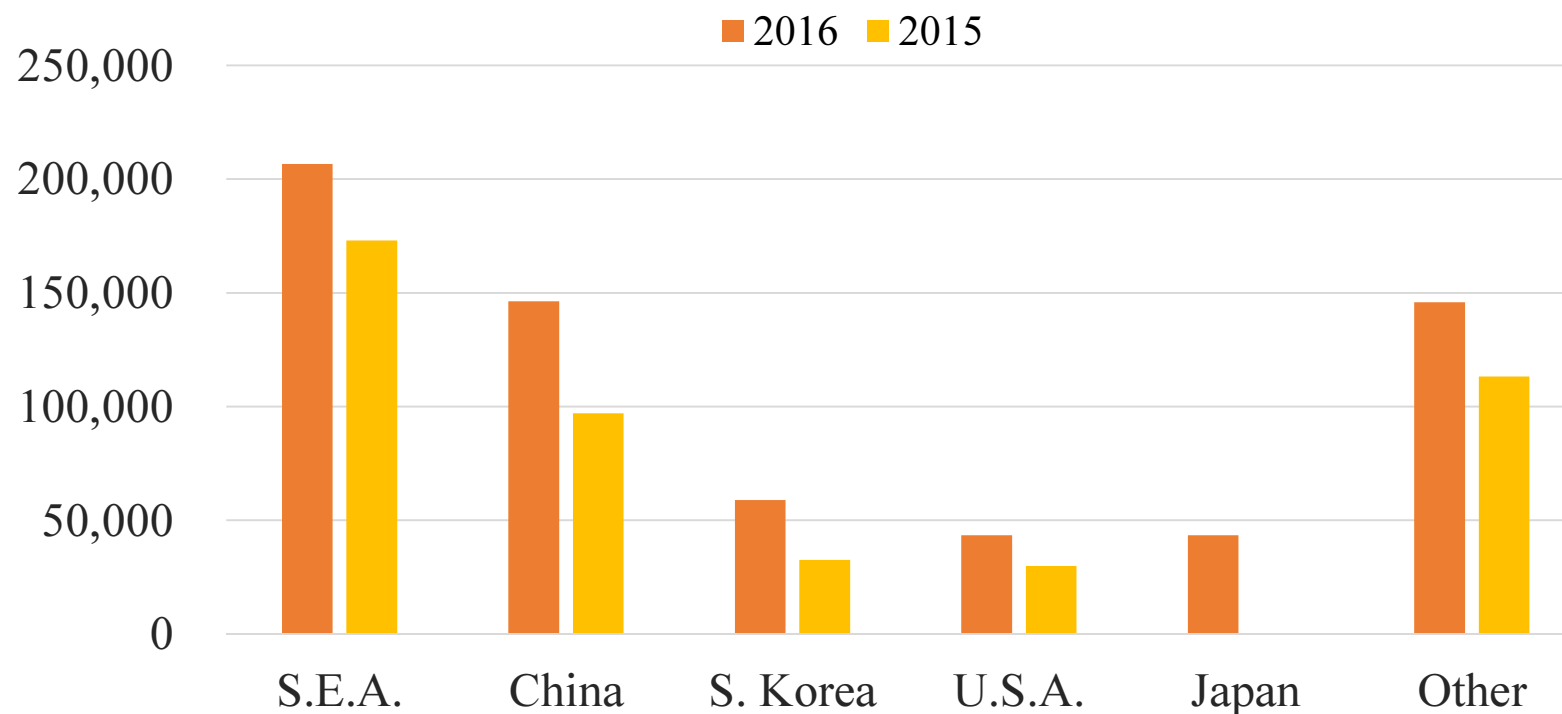


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SCP Group Global Revenue



(Expressed in thousands of New Taiwan Dollars)



Note: 'Other' includes Germany, Iran , Hong Kong, Macao, etc.



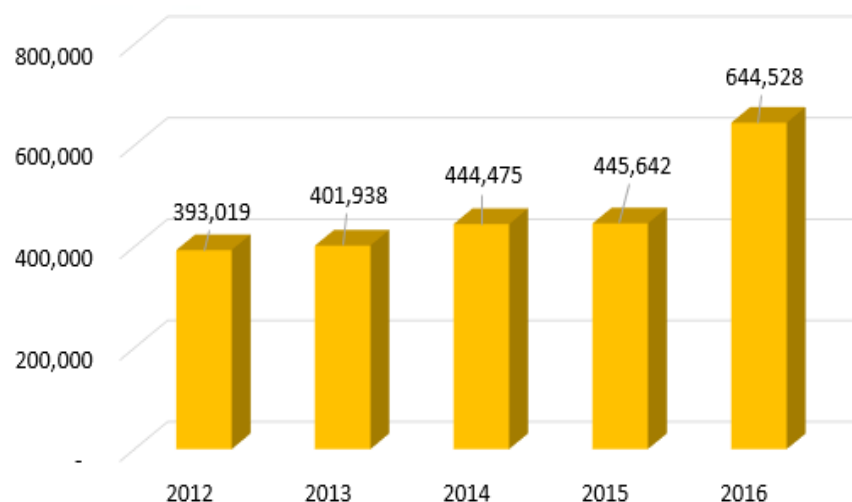
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Global Revenue Ratio of past 5 Years (SCP Group)

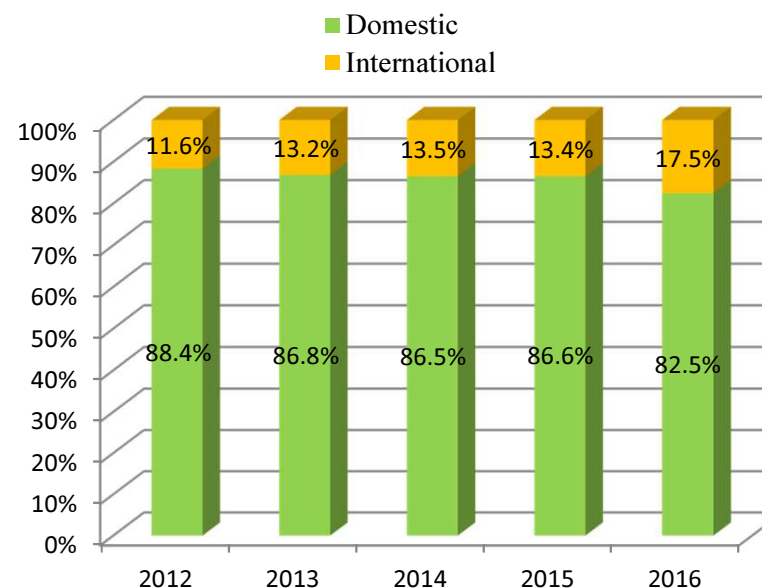


■ International Sales of past 5 years

(Expressed in thousands of New Taiwan Dollars)



■ Ratio of International to Domestic Sales of past 5 years



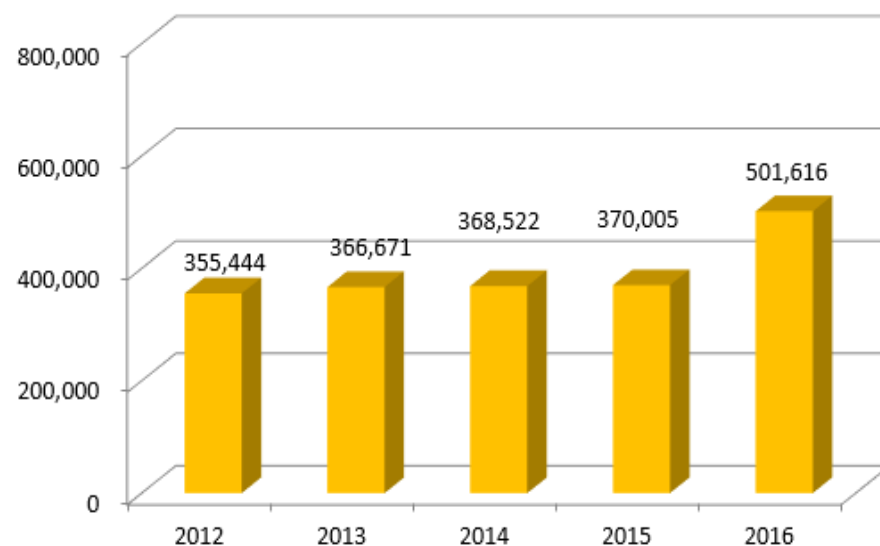
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Global Revenue Ratio of past 5 years (SCP)

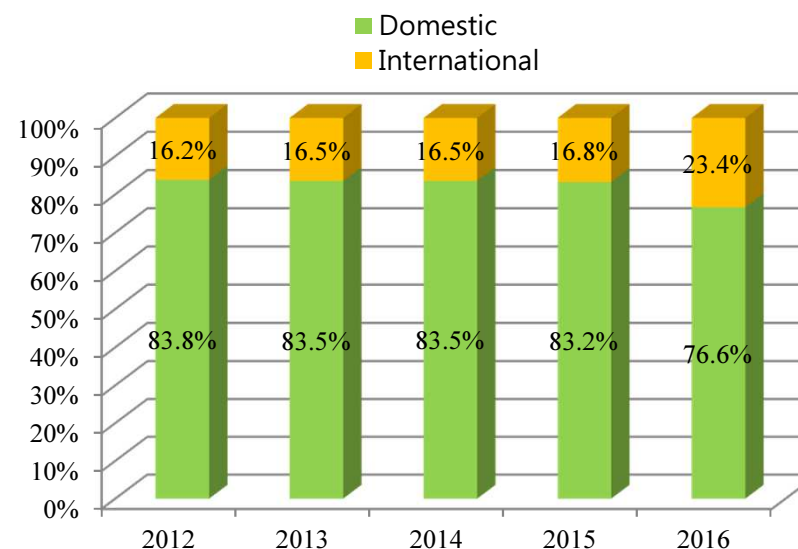


■ International Sales of past 5 years

(Expressed in Thousands of New Taiwan Dollars)



■ Ratio of International to Domestic Sales of past 5 years



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Forward-looking



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Pharmaceutical Industry Forecast



2016~2017 Taiwan Pharmaceutical Manufacturing Output Estimates

Unit: Expressed in billions of New Taiwan Dollars; Percentages

Classification	2016				2017		
	Q1~Q3	Q4 (e)	Year (e)		Q1 (e)		Year (f)
	Output	Output	Output	Growth Rate	Output	Growth Rate	Output
API	13.88	4.92	18.80	1.2%	5.14	6.4%	20.70
Pharmaceuticals	28.76	9.64	38.40	4.3%	9.95	5.7%	37.31
Biologics	0.87	0.35	1.22	15.1%	0.30	20.0%	1.20
Chinese Medicine	6.16	2.07	8.23	-7.3%	2.15	7.0%	8.53
Total	49.67	16.98	66.65	2.0%	17.54	6.2%	67.74

Notes: 'Growth Rate' compares indicated period with the same period of the previous year; (e) - estimated; (f) - forecast

Source: Ministry of Finance, Customs Administration; Compiled by DCB Asset Group and ITIS



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Future Milestone



From Taiwan Generics
to
International
Better than Generics



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Revenue Growth Strategy - Taiwan



1. Taiwan Base of Operations for Global R&D and Pharmaceutical Manufacturing

- International sales contributed 23.4% to revenue in 2016. Our goal is for revenue to be comprised of 50% international sales by 2021.

2. Product Internationalization

- Internationalize product lines via international audits
- Product specification internationalization to comply with international regulatory requirements
- Eliminate low demand, low margin products
- Trim the fat, and focus on specialization



Revenue Growth Strategy - Taiwan



1. As a result of deteriorating prices, strive for new products with accelerated time-to-market
 - Each year focus on continued R&D and launch of new products.
2. In-licensing and Fully Integrated Products
 - In-license Japanese NDAs, for example CNS products Latuda and Erispan.
 - In-license generics (under active negotiation)



Revenue Growth Strategy - China



1. Quality 'Consistency Evaluation' of the CFDA

- By end of 2018, 289 Drug Products are expected to be compliant with new CFDA Consistency Evaluation
- 2019 will be characterized as an industry shake-up, as non-compliant products will have licenses revoked
- Requires large capital funding and internationally competitive pharmaceutical technology.
- Pharmaceutical BE studies average CN¥5MM; but having money does not equate to technological success.

2. Remain competitive through cross-market knowledge

- SCP has successful experience with U.S. and Japan regulatory dossiers
- SCP to continue to specialize expertise in BE design and execution
- Client Prioritization: SMEs have opportunities over large corporations
- Collaboration Model: Tech-transfer, Co-development, BE Collaboration, Profit-sharing Partnerships



Revenue Growth Strategy - China



1. Current State

- Goal: Substantial revenue growth in 2017
- Currently 3 products under review: 2 diabetes, 1 cardiovascular

2. Seize business opportunities

- Co-develop 3 products in 2017 and 5 products in 2018



Revenue Growth Strategy - Japan



1. Japan Collaboration

- ODM
- Japanese companies distributors

2. API Strategy

- Collaboration with Syn-Tech for API Vertical Integration



Revenue Growth Strategy - Japan



1. Current State

- Obtained license for Montelukast (Asthma)
- Launch in 2016

2. Under Development

- Oral capsule for pain reliever: Co-development and Manufacturing
- Oral tablet for Osteoporosis: Co-development
- Orally Disintegrating Tablet (ODT) for anti-ulcer: Co-development and Manufacturing



Revenue Growth Strategy - U.S.A.



1. Market

- Largest pharmaceutical market of the world.
- Market Obstacles: Long regulatory review, expensive user fees.
- Part of SCP's long-term forward-looking strategy

2. Strategy

- Collaborate with Syn-Tech for API vertical integration

3. Current State

- One product on market for diabetes.
- One product approved. Launch pending patent expiration.
- 3 products under review
- Future goal: one ANDA filing per year.



Short-, Mid-, and Long-term



▶ Short term

Beginning in 2017 – China

▶ Mid-term

3~5 years – Japan

▶ Long-term

5 years and longer – U.S.A.

▶ The Future

From Taiwan Generics to
International Better-than-Generics



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Forward-looking Strategy Layout

▶ Increase International Revenue Ratio

- Increase international business resources
- Recruit international talent

▶ Specialized technology and professional development of international performance

- Develop Taiwan into a base of cutting-edge R&D technology and revenue generation.

▶ Leverage Competitiveness in Overseas Markets

- Stable foundation
- Rapid revenue creation
- Step-by-step optimization for minimization of loss due to inefficiencies
- Focus on market knowledge and business acumen
- Establish strategic partnerships for mid- and long-term goals





Corporate Social Responsibility



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Corporate Social Responsibility



► Fan Tao-Nan Foundation

- Established in 1987
- Capital: NT\$196 Million
- Annual Budget: NT\$11 Million
- The Fan Tao-Nan Foundation was recognized by the Department of Education as an outstanding social foundation along with 16 other Taiwanese foundations in 2011.

► Investments in Society

- Funded or provided assistance to 5,416 students in 2016:
 - [Scholarships]: University – 4 students (majoring in related fields), High School – 102 students, Middle School – 828 students at 59 schools, Elementary School – 2,650 students at 221 schools
 - [Hope After-school Class] (Monday to Friday afternoons): 1,500 students at 20 schools
 - [Sunflower Wednesdays]: After-school classes on Wednesdays for 330 students at 4 schools
 - [Graduation Subsidies]: 6 students
- In 2016, provided meal-assistance to 6,118 students during winter and summer holidays in participation with 7-11, Family Mart, 520 Lunchbox, and Huang-Ji Beef Noodles.





Q & A



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Thank you for your attention



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