

# Management Presentation

February 2009



**AOBO**  
American Oriental Bioengineering Inc  
美國東方生物技術有限公司

## Safe Harbor Statement

This presentation contains forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events, performance and results of operations, and underlying assumptions and other statements that are other than statements of historical facts. These statements are subject to uncertainties and risks including, but not limited to, product and service demand and acceptance, changes in technology, economic conditions, the impact of competition and pricing, government regulation, and other risks contained in statements filed from time to time with the Securities and Exchange Commission. All such forward-looking statements, whether written or oral, and whether made by or on behalf of the company, are expressly qualified by the cautionary statements and any other cautionary statements which may accompany the forward-looking statements. In addition, the company disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date hereof.



## Company Overview

**We are an integrated pharmaceutical company dedicated to improving health by providing a diverse range of branded OTC and Rx products in China.**

- n** Leading franchise in women's health, anti-viral and respiratory therapeutics
- n** Established brand equity and marketing strength
  - n China's nationally recognized brands
  - n Over 2,000 sales and marketing professionals
- n** Diversified SFDA-approved product portfolio
  - n 40+ marketed SFDA-approved products
- n** Scale in sales, marketing, distribution and manufacturing
  - n National distribution to hospitals, clinics, pharmacies
  - n Five world-class manufacturing facilities



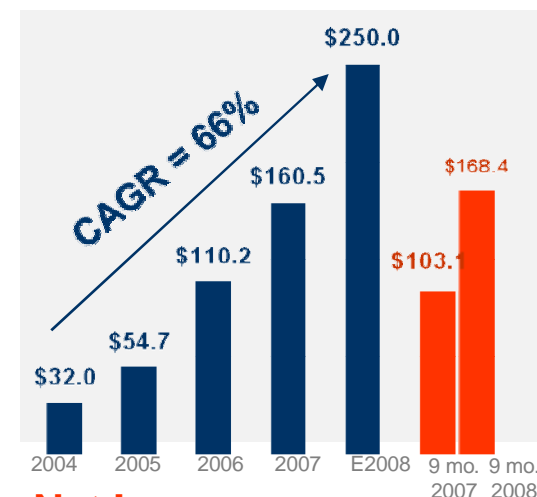
## Investment Highlights

- n Attractive market dynamics
  - n \$24.5 billion pharmaceutical market is far from saturation
  - n Stable, noncyclical sector
  - n Consolidating industry with attractive valuations
  
- n Large and integrated pharmaceutical business
  - n Creates favorable scale and competitive advantages
  - n Drives flexibility in evolving fast growing market
  
- n Leading product portfolio
  - n Diverse therapeutic focus in both OTC and Rx
  - n Brand strength and proven sales/marketing capabilities
  
- n Acquisition landscape extremely compelling
  - n Proven ability to drive growth through acquisitions
  - n Experienced and proven management team

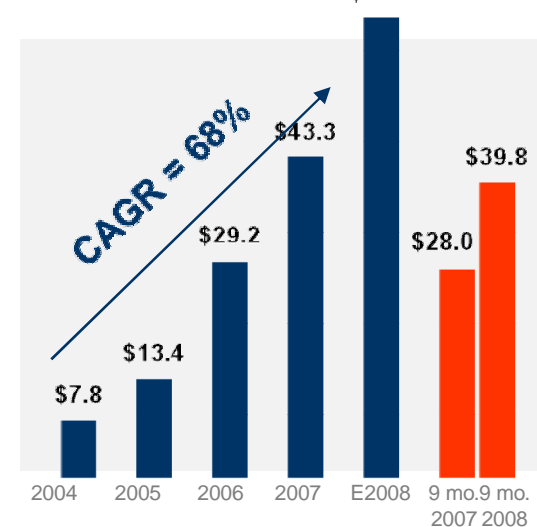
## Financial Snapshot

- n NYSE: AOB
- n 52-week price range: \$4.05 - \$12.28
- n Market capitalization: \$380M (as of 2/12/09)
  
- n 9 mo. 2008 revenue up 59% year over year to \$168.4M
- n 9 mo. 2008 net income up 42% year over year to \$39.8M
- n 9 mo. 2008 diluted EPS up 25% to \$0.50
  
- n Guidance as of 11/10/08:
  - n Estimated 2008 revenue up 56%+ to \$250M
  - n Estimated 2008 net income up 44%+ to \$62M
  - n Estimates exclude interest expense and acquisitions

**Revenue** (\$ in millions)



**Net Income** (\$ in millions)



# Market Dynamics & Our Opportunity

Our growth strategy is consistent with and capitalizes on market dynamics.

## Market Dynamics

- n Attractive demographics with large aging population
  - n 1.3 billion people - currently less than 8% of China's population is 65 or older. By 2050, that proportion is expected to rise to 24%.
  - n Double digit growth in disposable incomes
  - n Increasing use of western therapeutics and TCM remedies
- n Highly fragmented marketplace
  - n More than 4,000 manufacturers
  - n Many lack scale and access to capital
- n \$124 billion allocated to healthcare expenditure in 2009-2011
  - n Regulatory policies drive consolidation

## Our Opportunity

- n Organic growth, market far from saturated
- n Acquisition-led growth, positioned as leading consolidator
- n Growth opportunities also driven by government incentives and policies

# Growth Strategy



## Acquisition Growth Strategy

Proven ability to **identify and acquire** potential assets

Dedicated 14-person multi-disciplinary team with expertise across all business development functions

Successful track record and relationships with local governments enhances credibility

In-depth experience in **integrating acquisitions and realizing** full potential

Strong focus on corporate culture, employee mentality and work attitude

Capital injection to fund growth

Leverage sales and marketing and branding platforms

### Acquisition Target Profile

- ü Strong strategic fit with existing business
- ü Complementary therapeutic areas
- ü Leading brand name within target markets

# Evolution of AOBO's Vertical Integration

|                 |  |   |
|-----------------|--|---|
| Founded in 1994 | Harbin Three Happi-ness                            | Nutraceutical Business                          |
| Acq in 2004     | HSPL   | Core Rx Brand Injectable Mfg Hospital Sales     |
| Acq in 2006     | GLP  | Core OTC Brand Mfg Capabilities OTC Sales       |
| Acq in 2006     | HQPL   | Distribution Network                            |
| Acq in 2007     | CCXA   | Rural Market Expand Product Portfolio           |
| Acq in 2007     | BOKE   | Top Product Line Business Expansion             |
| 2008            | CAXG – Strategic Alliance                          | Expansion Into Pain Management                  |
| 2008            | Nuo Hua Investment Company, Ltd.                   | Sales Network Access and Scale                  |
| 2008            | GuangXi HuiKe Research and Development Company Ltd | Pharmaceutical research and product development |



Soy Peptide Series



SHL Injection Powder



Jinji Series



Distribution Reach



Boke Nasal Spray



Naloxone

# Core Existing Product Portfolio

## Pharmaceutical Products

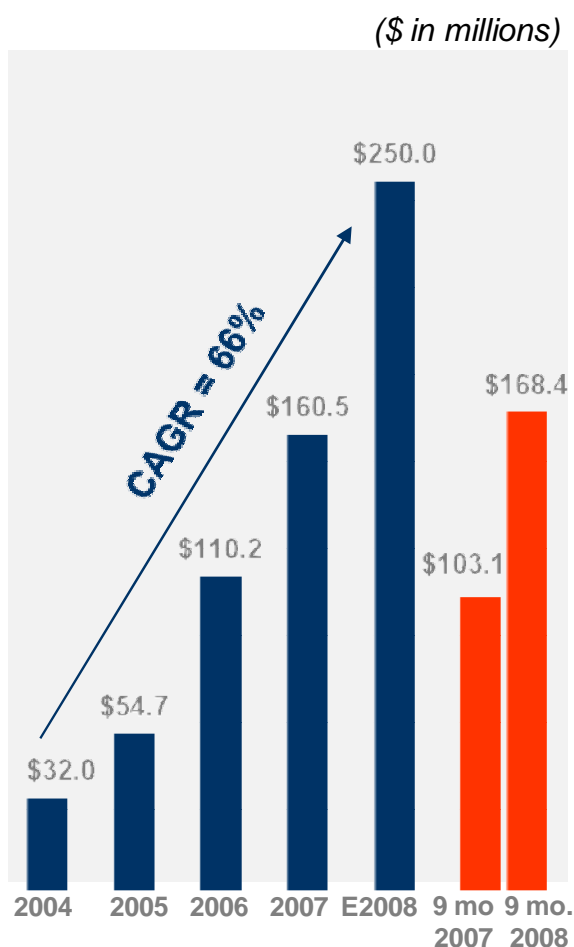
| Product                             | Indication   | Differentiator   |
|-------------------------------------|--|--|
| Jinji Capsule (OTC)                 | Endometritis, annexitis and inflammations          | One of top 3 leading brand and Celebrity-endorsement               |
| Jinji Yimucao (OTC)                 | PMS and menopause-related symptoms                 | Product line extension of leading Jinji brand                      |
| Boke Nasal Spray (OTC)              | Nasal congestion and sinus infection               | Leading brand nasal spray in China                                 |
| SHL Injection Powder (Rx)           | Respiratory infections, bronchitis and tonsillitis | One of only two SFDA-licensed providers                            |
| CE Gel (Rx)                         | Bedwetting   | Only SFDA-approved plant based prescription product for bedwetting |
| CCXA Product Portfolio (Rx and OTC) | Various  | Quality generic drugs fit in high growth rural market              |

## Nutraceutical Products

| Product            | Indication | Differentiator   |
|--------------------|------------|--|
| Soy Peptide Series | Retail     | Nutritional products for overall health and well-being |

# Financial Highlights

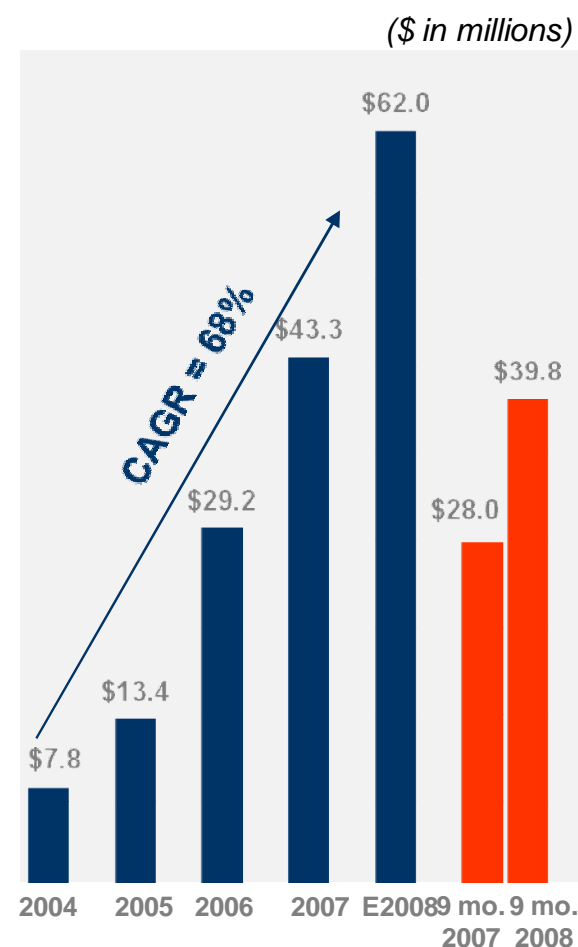
## Revenue



## Cash Flow from Operations



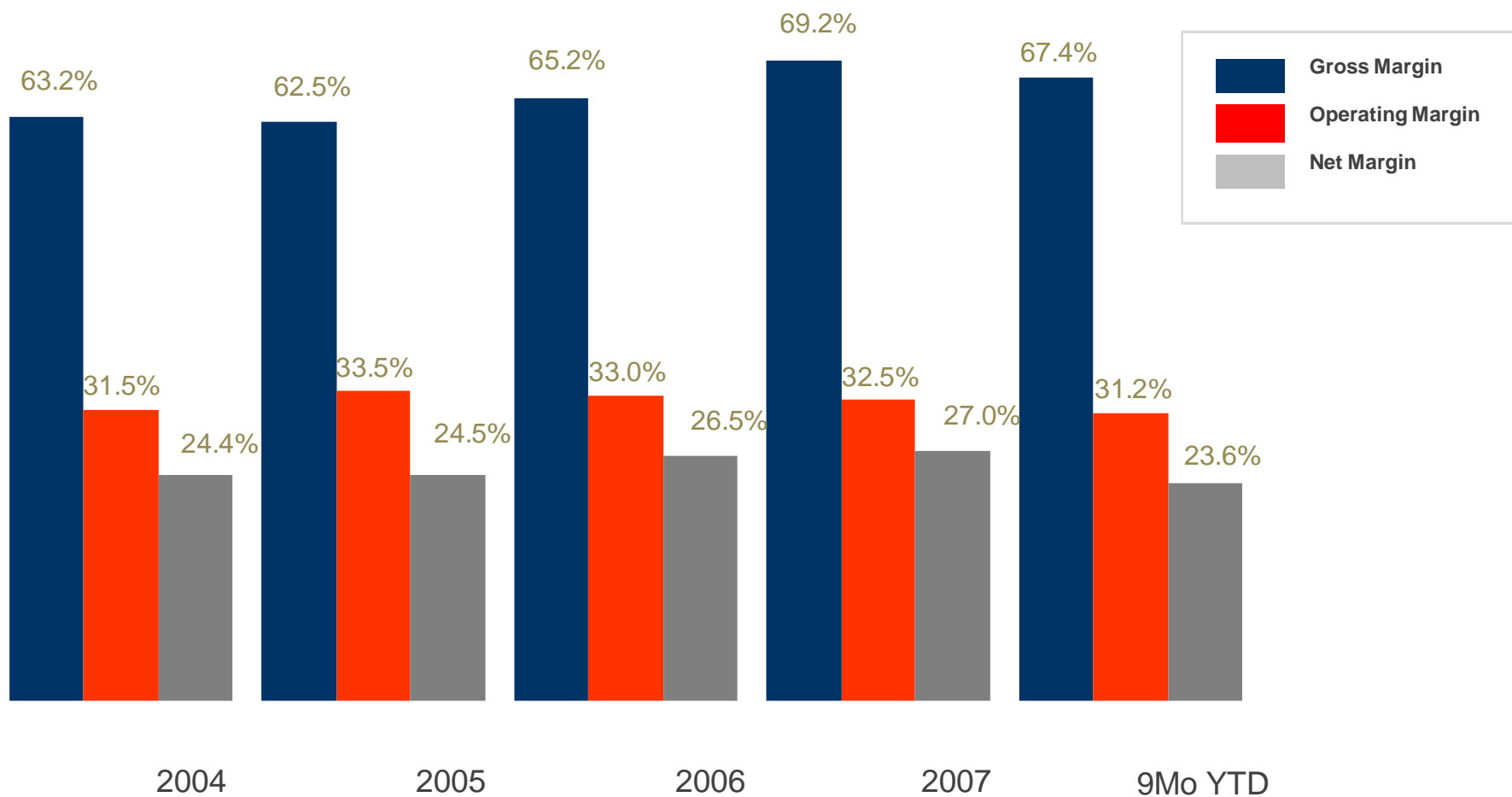
## Net Income



*\*2008 estimates exclude impact of acquisitions and convertible note financing.*

# Financial Highlights

## Consistent Margin Performance



# Financial Highlights

## Strong Balance Sheet

*(\$ in millions)*

As of Sept 30, 2008

|   |         |
|---|---------|
| Cash, Cash equivalents and short term investments | \$219.7 |
| Working Capital (exclude cash)                    | \$16.8  |
| Total Assets                                      | \$503.9 |
| Total Bank Debt (including current maturities)    | \$10.9  |
| Convertible Note (mature in 2015)                 | \$115.0 |
| Stockholders' Equity                              | \$336.8 |

# Financial Highlights

## Financial Ratios

| Significant Ratios          | 3Q2006 | 4Q2006 | 1Q2007 | 2Q2007 | 3Q2007 | 4Q2007 | 1Q2008 | 2Q2008 | 3Q2008 |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Selling and Marketing       | 8.2%   | 7.2%   | 10.5%  | 11.5%  | 13.0%  | 14.7%  | 13.0%  | 13.0%  | 14.1%  |
| G & A                       | 8.2%   | 9.5%   | 11.4%  | 7.5%   | 8.6%   | 7.2%   | 10.1%  | 8.9%   | 6.3%   |
| Advertising                 | 13.3%  | 15.4%  | 14.9%  | 16.0%  | 15.9%  | 11.7%  | 11.3%  | 12.6%  | 14.0%  |
| Current Ratio               | 4.9    | 5.0    | 6.1    | 6.1    | 5.9    | 7.8    | 9.1    | 6.5    | 7.8    |
| Inventory Turnover          | 2.2    | 3.9    | 1.9    | 2.8    | 2.8    | 4.7    | 1.9    | 3.1    | 4.1    |
| Days Sales Outstanding      | 32.2   | 24.6   | 37.1   | 31.9   | 32.2   | 26.1   | 34.3   | 32.3   | 38.2   |
| Return on Assets*           | 16.5%  | 18.5%  | 17.8%  | 18.4%  | 17.3%  | 16.2%  | 14.8%  | 14.0%  | 13.5%  |
| Return on Equity*           | 19.1%  | 21.7%  | 21.1%  | 21.5%  | 20.2%  | 18.6%  | 16.9%  | 16.0%  | 16.6%  |
| EPS Growth (Diluted, % YoY) | 42.7%  | 105.5% | 20.8%  | 46.1%  | 32.0%  | 20.9%  | 24.4%  | 22.0%  | 21.7%  |

*\*trailing 4-quarter moving average*