



**YONGYE INTERNATIONAL, INC.**



*A Leading Branded  
Crop Nutrient  
Company Addressing  
China's Need for  
Agricultural Yield  
Enhancement*



**Company Presentation**  
*November 2011*



# Safe Harbor Statement



**This presentation contains forward-looking statements within the meaning of the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995.**

**Such statements involve known and unknown risks, uncertainties and other factors that could cause the actual results of the Company to differ materially from the results expressed or implied by such statements, including changes from anticipated levels of sales, future national or regional economic and competitive conditions, changes in relationships with customers, access to capital, difficulties in developing and marketing new products, marketing existing products, customer acceptance of existing and new products, and other factors.**

**Accordingly, although the Company believes that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Company has no obligation to update the forward-looking information contained in this presentation.**



# Executive Summary



# Company Overview



**We Are A Leading Branded Crop Nutrient Company in China**

## Key Facts

- Founded in 2003
- Headquarters in Beijing
- Production facilities in Hohhot, Inner Mongolia
- 46,000 tons of total annual production capacity for crop and animal nutrient products
- A leading crop nutrient company in China in terms of total sales in 2010

## Products under “Shengmingsu” Brand

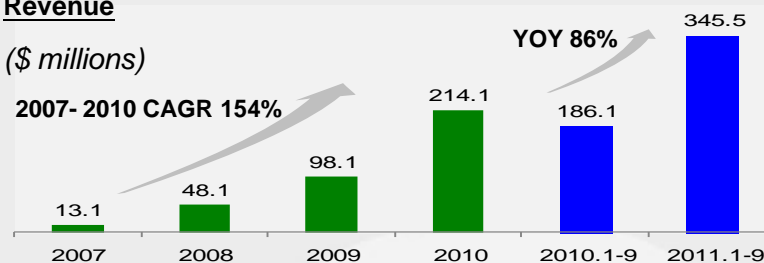
- Crop and animal nutrient products derived from fulvic acid compound base mixed with micro nutrients (zinc, boron, etc.) and macro nutrients (N,P,K)
- Formula and manufacturing process protected by patented and trade secrets

## Market

- Extensive retail network that covers almost all provincial regions in China with over 29,000 branded retailers in rural Chinese villages
- Distribution business model that effectively leverages sales resources of multi-layer distributors

## Revenue

(\$ millions)

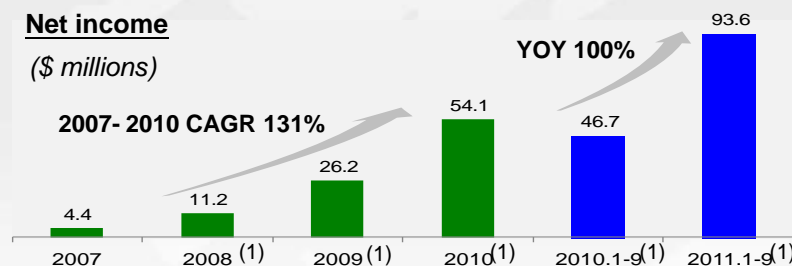


## Gross Margin



## Net income

(\$ millions)



(1) Adjusted figures exclude the impact of share-based compensation for management and independent directors, the amortization of the acquired Hebei customer list, and a change in the fair value of derivative liabilities

# Superior Product with Broad-Based Application



**A Superior Product Based on:  
Patented Formula, Proprietary Technology & High Quality Raw Material**

## Shengmingsu – Liquid Crop Nutrient

- Nutrient-rich liquid composed of high quality fulvic acid base and various micro nutrients like zinc, boron, etc. as well as macro nutrients like N, P, K that can:
  1. Supplement the absorption of fertilizer and soil minerals and improve crop yield
  2. Stimulate root growth
  3. Enhance crops' natural resistance to diseases and pests
  4. Increase water and nutrient holding capacity to combat against drought or cold weather
  5. Reduce chemical fertilizer/pesticide residue

## Shengmingsu – Powder Animal Nutrient

- Provides natural antibiotic-type properties to help reduce mastitis inflammation for dairy cows

### What is Fulvic Acid?

A soluble mixture of organic acids exists in geologic deposits such as coal, fossil fuel and lignite, that has the ability to transport nutrients and minerals to cells and help cells digest minerals



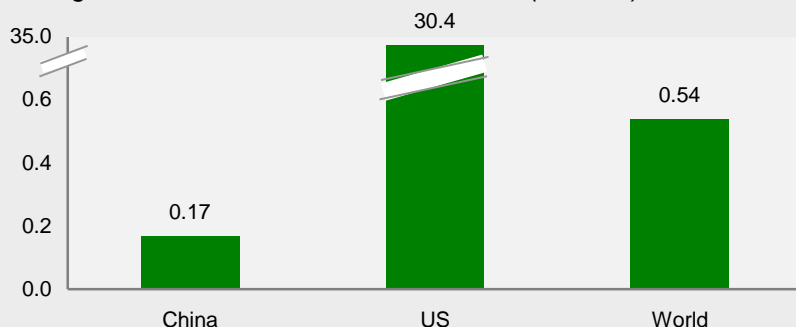
# High Product Efficacy on China's Degraded Farmland Soil



## Chemical Fertilizer Overuse Has Created Huge Market Demand for Crop Nutrients

### Highly Fragmented Chinese Agriculture Industry

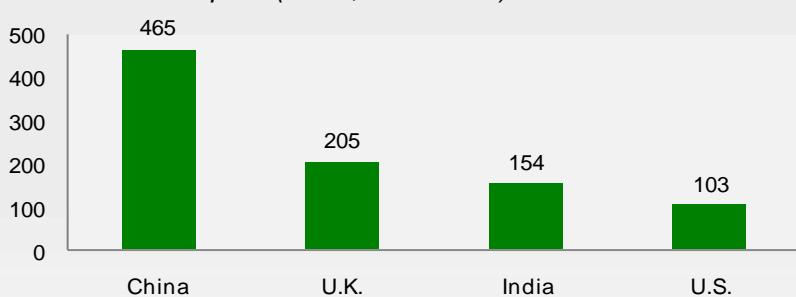
Average Hectare of Arable Land Per Farmer (Hectare)



Source FAO Year Book

### Over-use of Fertilizer vs. Other Markets - 2009

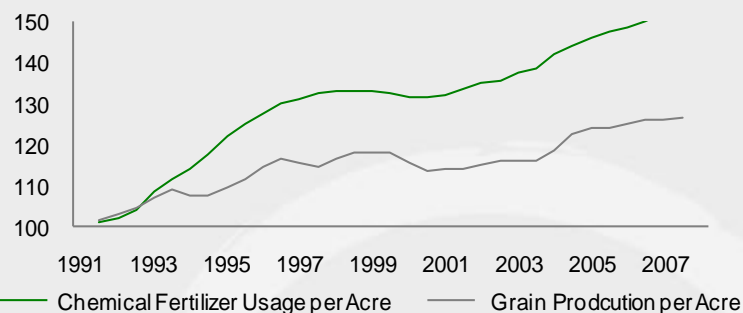
Fertilizer Consumption (Ton/1,000 hectare)



Source FAO Year Book

### Chemical Fertilizer Having Declining Marginal Effect

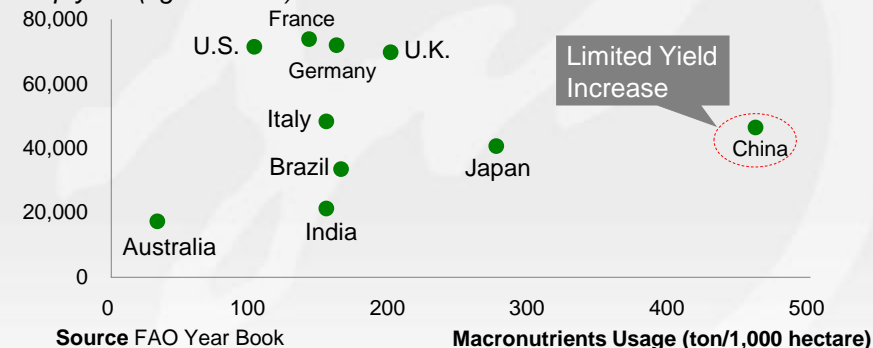
(Indexed to 1991=100)



Source National Statistics Bureau of China

### Low Crop Yield vs. Developed Markets - 2009

Crop yield (kg / hectare)



Source FAO Year Book

Source FAO Year Book

- Official test report from IMARSTB has proven that Shengmingsu can increase yields of staple crops such as wheat and rice by 10-20%, and vegetables and fruits by 15-30%, while also improve product quality



# ***Key Investment Highlights***



- ✓ **Clear Market Leader in a Highly Fragmented Market**
- ✓ **Large Market with Attractive Long-term Growth Prospects**
- ✓ **Nationwide Coverage through a Multi-layer Distribution Model**
- ✓ **Yongye Represents a Premium Brand in the Agricultural Sector**
- ✓ **Significant Technical and Manufacturing Competitive Barriers**
- ✓ **Experienced Management Team**





# Business Overview Section

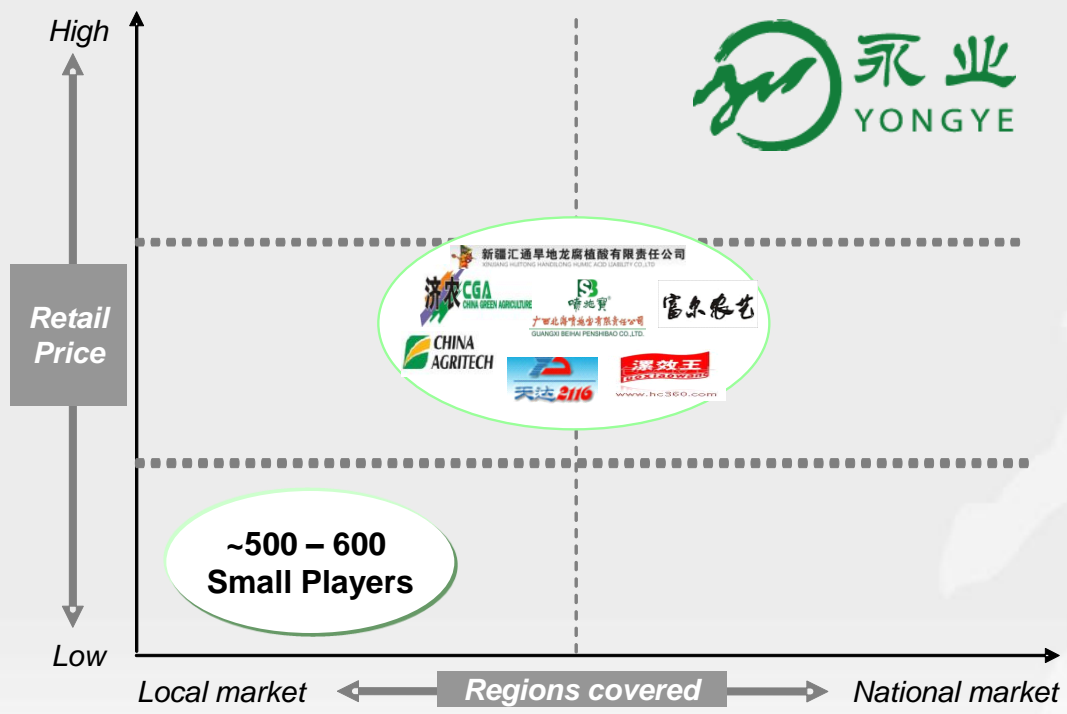




# Clear Market Leader in a highly Fragmented Market



**Yongye Enjoys the Leading Position in the Large and Fragmented Crop Nutrient Market in China and Continues to Take Market Share from Smaller Players**

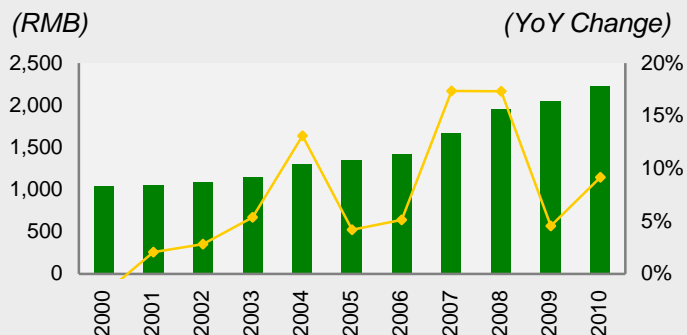


- **Yongye:** Market leader with premium brand, well recognized product efficacy and nationwide presence
- **Mid-Tier players:** Some with presence in multiple regional markets and established brands
- **Small local players:** Very local market players with low price and limited value added services and brand recognition

# Large Market with Attractive Long-Term Growth Prospects

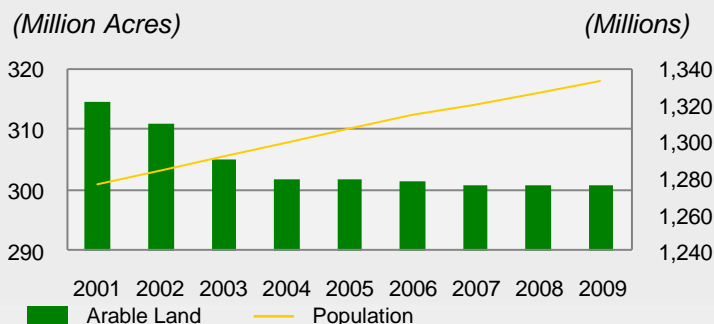


## China's per Capita Food Consumption



Source Euromonitor

## China's Shrinking Arable Land



Source China National Bureau of Statistics

### ✓ Large market opportunity with attractive long term growth prospects

- Total amount of arable land in China is ~1.8 billion Mu (equivalent to ~ 1200 bn sqm)
- Each Mu normally requires at least 3 bottles of Shengmingsu per crop cycle, with retail price of 16RMB per bottle
- In 2010, Shengmingsu is estimated to have been used in only less than 5% of arable land in China

### ✓ The long-term market growth is primarily driven by limited and shrinking arable land in China, and urgent needs for crop yield enhancement

- With only ~10% of world's arable land, China needs to feed 1.3 bn people, or 20% of world's population

### ✓ Severe overuse of chemical fertilizers in China also drives the demand for green nutrient products

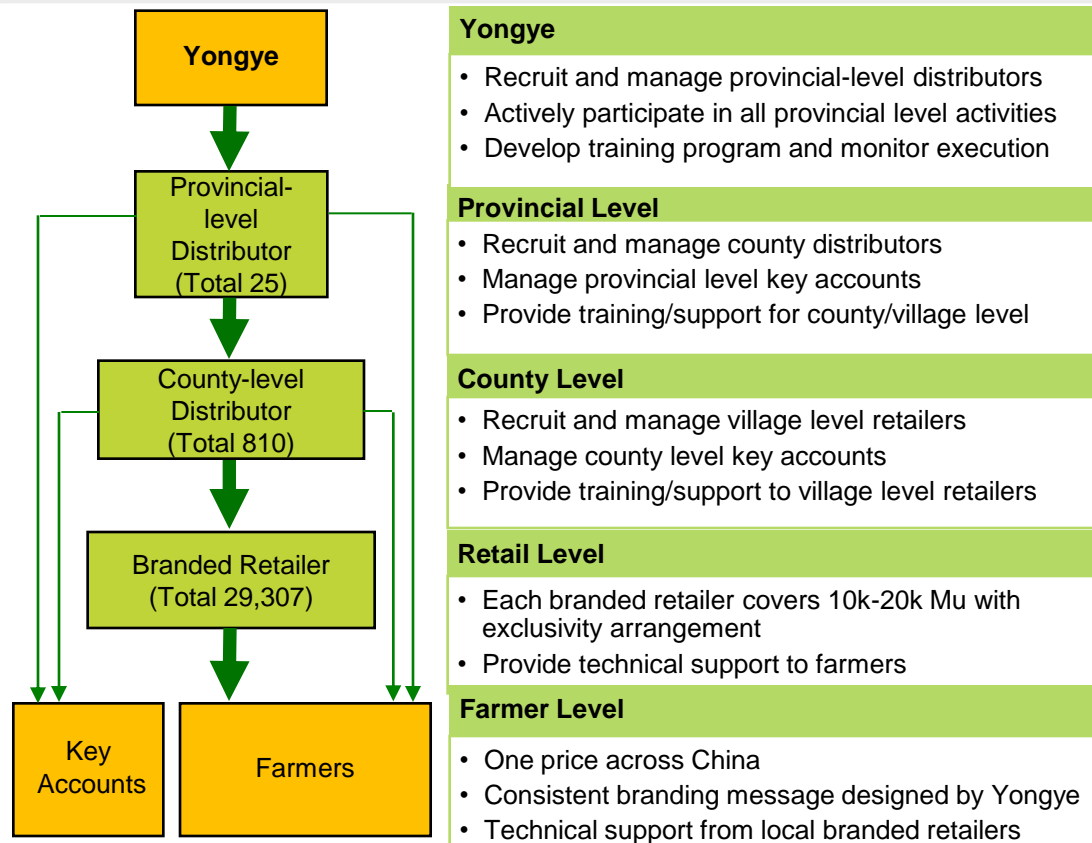
- This drives the demand for fulvic acid based green nutrient due to its ability to allow crops to more effectively absorb fertilizer and minerals planted on degraded soil

### ✓ Government support for the agricultural industry

- RMB818 billion budgeted government spending on agriculture, rural areas and farmers in 2010, 14.3% higher than in 2009

**Robust Demand for Agricultural Products and Limited Arable Land  
Create Strong Need to Increase Yield**

# Leveraging a Unique, Scalable Distribution Model



- Most competitors have intertwined layers of distribution channels trying to sell to as many direct customers as possible to gain short-term volume/profit, which may create channel conflicts and chaotic pricing, causing limited loyalty from distributors and farmers
- We employ a disciplined multi-tiered distribution strategy
  - Sell directly to provincial-level distributors to minimize collection risk and administrative burden
  - Significantly leverage provincial and county distributor resources for width and depth of channel effectiveness
  - Every distributor's interest is protected with exclusive sales areas and consistent pricing nationally
  - We pay or reimburse marketing expense to motivate distributors, control brand quality and create direct farmer loyalty

- There are limited variations of this model in a few provinces.
- Higher level distributors can sell directly to key accounts/farmers only when there is no sub-level distributors covering those counties/villages

**Creatively Designed and Rigorously Implemented Channel Strategy Create Strong Synergy and Loyalty in Highly Fragmented and Dispersed Chinese Fertilizer Distribution Market**

# Nationwide Distribution Through Village-level Branded Retailers



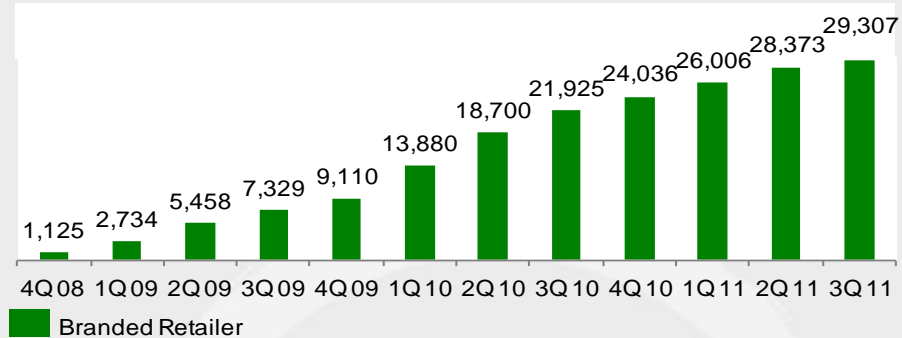
**Total # of Branded Retailers: 29,307**

**Retail Network Expansion Trend**

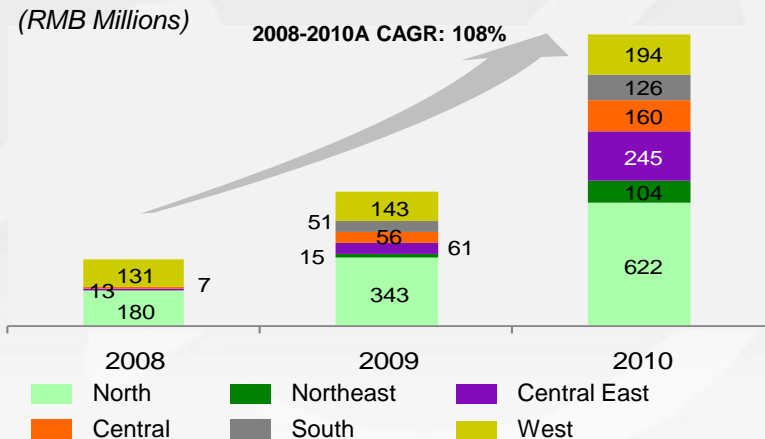


High Density:  $\geq 1000$  Retailers  
 Medium Density: Between 500~1000  
 Low Density:  $< 500$  Retailers

**Historical No. of Branded Retailer**



**Historical Regional Sales Expansion**



# A Premium Brand in the Agricultural Sector



## An Integrated and Effective Branding Strategy

### National Level Campaign

Build premium brand and corporate image to enhance distributor and end user trust and confidence

- ✓ CCTV7 - China's only national agricultural channel
- ✓ Farmer's Daily - China's largest agriculture newspaper
- ✓ Celebrity endorsement and industry conferences

### Provincial/County Level Campaigns

Maximize brand exposure to farmers

- ✓ Local TV commercials
- ✓ Local newspaper ads
- ✓ Seasonal promotion activities
- ✓ Local government agricultural agency endorsement

### Village Level Marketing

Develop real life connection to farmers with focus on product efficacy, credibility and technical support

- ✓ Demonstration fields in every village
- ✓ Farmers in village as local spokesperson
- ✓ Product training/seminar via village branded retailers
- ✓ In-store educational pamphlets and newspapers



# Significant Technical and Manufacturing Competitive Barriers



## In-house Designed Production Facility and Key Product Know-how



- Two production facilities -- “Wuchuan” and “Jinshan” in Hohhot, Inner Mongolia have a combined 46,000 tons of annual design production capacity, respectively
- The manufacturing production processes for liquid crop nutrient product and powder animal nutrient product are identical, and thus production capacities of the two products are inter-changeable
- Acquisition of lignite coal resource project to address long term availability of key raw material
- ISO 9001:2008 certification

### 1 Protected Extraction Process

Extraction process that starts with high quality raw material and leads to higher purity for fulvic acid extracted is protected through patent and proprietary know-how (“trade secrets”)

### 2 Patented Formula of a Variety of Nutrients

Patented formula that combines fulvic acid with macro and micro nutrients .

### 3 Proprietary Blending Technology

Proprietary blending technology that ensures products are highly soluble with small molecules that can easily be absorbed by crops via foliar sprays



## ***Experienced Management Team***



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### **Zishen Wu**

*Chairman / CEO*

- Renowned business leader in China agriculture industry
- Frequent speaker at premium media and universities such as CCTV, Harvard, Tsinghua, Peking University, etc

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### **Sam Yu**

*CFO*

- Solid experience in finance and general management in both China & the United States
- MBA degree from Stanford Business School

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### **Baosheng Tong**

*Chief Scientist*

- Over 20 years experience in China's agriculture industry
- Masters degree in animal nutrition and BA degree in animal husbandry from China Agricultural University

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### **Nan Xu**

*COO*

- Recognized leading executive of sales and marketing in agriculture industry
- Winner of 2011 "Jin Ding Award", the top Chinese marketing honor

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***Experienced Management Team Both in Agricultural Industry and Marketing Strategy and Execution***



## Financial Overview Section

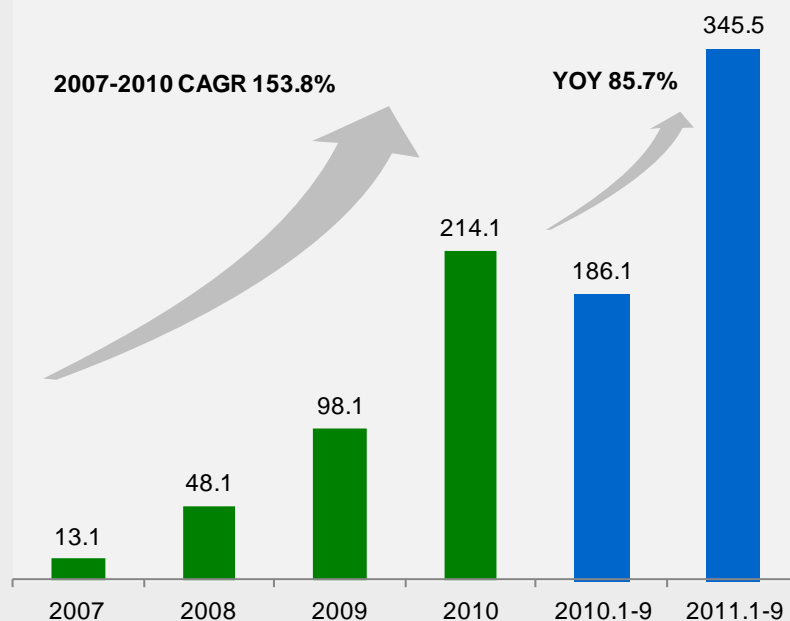


# Rapid Revenue Increase Driven by Highly Scalable Distribution Network



## Sales

(\$ millions)

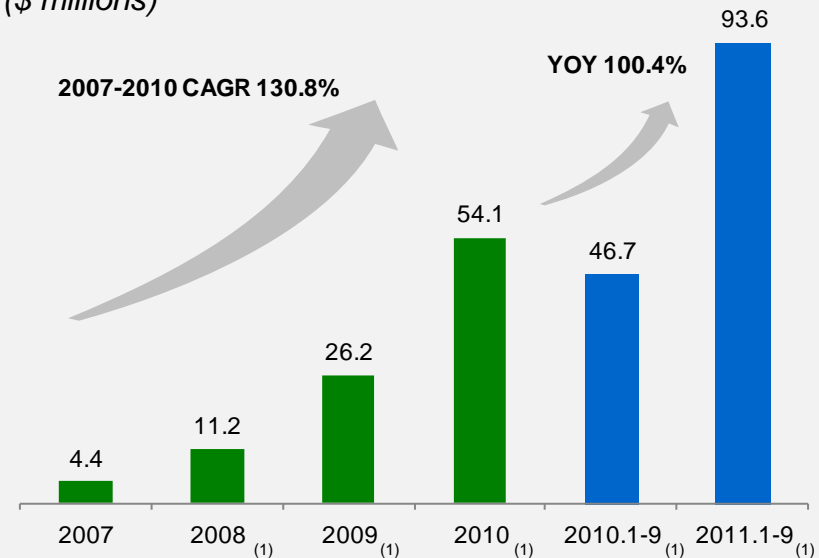


## Net Income

Net Income Margin

**33.6%** **23.3%** **26.7%** **25.3%** **25.1%** **27.1%**

(\$ millions)



(1) Adjusted figures exclude the impact of share-based compensation for management and independent directors, the amortization of the acquired Hebei customer list, and a change in the fair value of derivative liabilities

**Revenue in the First Nine Months of 2011 Increased 85.7% YOY  
Due to Rapid Expansion of Our Distribution Network**

# Balance Sheet Highlights



(\$ in millions)	Sep. 2011	June 2011	Mar. 2011	Dec. 2010	Dec. 2009
Cash and equivalents	\$80.4	\$74.8	\$44.6	\$42.0	\$65.5
Accounts receivable	203.7	142.5	26.9	26.1	6.2
Inventories	48.6	43.8	75.5	65.9	42.0
Total current assets	340.0	316.2	161.8	146.5	120.4
<b>Total assets</b>	<b>453.7</b>	<b>421.1</b>	<b>263.1</b>	<b>247.6</b>	<b>145.8</b>
Short-term and long-term loans	21.5	18.0	0.9	0.8	3.8
Accounts payable	10.6	19.0	7.5	6.1	1.2
Accrued expenses	21.3	29.6	3.7	3.0	0.5
Total liabilities	73.2	85.1	22.5	22.5	13.2
Total shareholders' equity	331.2	286.6	240.5	225.1	132.6
<b>Total liabilities, Series A Convertible Redeemable Preferred Shares and shareholders' equity</b>	<b>453.7</b>	<b>421.1</b>	<b>263.1</b>	<b>247.6</b>	<b>145.8</b>

*Company Is with A Healthy Balance Sheet*



# Operating Cash Flow Positive



## ***Operating Cash Flow Turning Point in 2010: Improved Working Capital Management Has Enabled Both Robust Revenue Growth AND Positive Operating Cash Flow***

- **Strong operating cash flow trend: (\$8.6m) in 2008, (\$2.2m) in 2009 and \$15.9m in 2010**
- Seasonal business with ~70-80% of sales occur in 2Q & 3Q
  - Key distributors are provided 3-6 months of credit terms
  - Healthy A/R: No bad debt and no A/R outstanding over 6 months
  - Efficient A/R collection: 27 days (FY 2010) and roughly 3 months in peak selling quarters
- Working capital needs mainly from inventory needs (inventory turnover less than 2 times)
  - Seasonal demand and less flexible manufacturing capacity
  - High sales growth expectation
  - Seasonal working capital pressure, particularly in Q2 and Q3
- ***Expect positive operating cash flow performance will continue in FY 2011***



# Market Data Snapshot



Symbol	NASDAQ: YONG
Price (11/11/2011)	\$5.53
Shares Outstanding (11/11/2011, including 5,681,818 shares of Convertible Preferred Stock from Morgan Stanley Private Equity Asia investment)	55.1 M
Market Cap (11/11/2011)	\$305 M
Revenue (TTM 9/30/2011)	\$374 M
Net Income (*Non GAAP, TTM 9/30/2011)	\$98 M
EPS (Fully Diluted – *Non GAAP, TTM 9/30/2011)	\$1.87
P/E (TTM 9/30/2011)	3.0x
<b>Guidance for 2011</b> <b>Revenue \$390-400 mm, *Non GAAP Net Income \$100-102 mm</b> <b>Expected Revenue Growth for 2012: 50%</b>	

\* Adjusted figures exclude the impact of share-based compensation for management and independent directors, the amortization of the acquired Hebei customer list, and a change in the fair value of derivative liabilities



# Summary





# ***Investment Highlights Summary***



- ✓ **Yongye is a Clear Market Leader in a Highly Fragmented Market**
- ✓ **Large Market with Attractive Long-term Growth Prospects**
- ✓ **Nationwide Coverage through a Multi-layer Distribution Model**
- ✓ **Significant Technical and Manufacturing Competitive Barriers**
- ✓ **Strong Earnings Momentum, Free Cash Flow Generative and Healthy Balance Sheet**
- ✓ **Led by a Highly Experienced Management Team**





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***Thank You***