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PROJECT SIGMA

Presentation to the Independent Committee of ShangPharma Corporation

December 21, 2012

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Executive summary

- On July 6, 2012, ShangPharma announced that its Board of Directors has received a non-binding proposal letter from the Buyer Group, which consists of Michael Xin Hui, chairman and CEO of the Company, and TPG to take ShangPharma private for between \$8.50 and \$9.50 per ADS in cash
- On August 3, 2012, J.P. Morgan was appointed by Independent Committee ("Independent Committee") as its financial advisor to assist the Independent Committee in reviewing and evaluating the proposal, and provide a fairness opinion in connection with the proposal
- On November 17, 2012: TPG provided its Final Offer Price of \$9.00 per ADS
- On December 21, 2012: Negotiation of transaction terms substantially completed
- J.P. Morgan's focus is to evaluate the fairness of the Buyer Group's offer from a financial point of view, based on the standard valuation methodologies

Key transaction metrics

ShangPharma capitalization table (\$mm)

	Offer range		Final
	\$8.50	\$9.50	\$9.00
Offer price (\$/ADS)			
Basic shares outstanding	18.4	18.4	18.4
Diluted number of shares outstanding	19.2	19.3	19.2
Equity value	163.5	183.3	173.2
Net cash ¹	35.5	35.5	35.5
Firm value	128.0	147.8	137.7

Source: Company filings. Diluted share count based on management account on number of shares outstanding, vested and unvested RSU and ESOP as of Oct 28, 2012

Note: Share count in ADS mm

¹ Net cash as of Sep 30, 2012

² LTM as of Sep 30, 2012

Key valuation metrics

		Offer range		Final
		\$8.50	\$9.50	\$9.00
Price				
Premium to pre-offer				
Last trading	\$6.88	23.5%	38.1%	30.8%
30-trading day VWAP	\$6.21	36.8%	52.9%	44.8%
60-trading day VWAP	\$6.71	26.7%	41.6%	34.2%

Based on management projections (\$mm)

Non-GAAP FV/EBITDA				
LTM ²	\$24.2	5.3x	6.1x	5.7x
2012E	\$25.4	5.0x	5.8x	5.4x
2013E	\$31.6	4.0x	4.7x	4.4x
Non-GAAP P/E				
2012E	\$12.0	13.6x	15.3x	14.4x
2013E	\$15.0	10.9x	12.3x	11.6x

ShangPharma trading since take-private offer

Key events since take-private offer

- July 6, 2012: Proposal was announced
- August 3: J.P. Morgan was engaged as the financial advisor of Independent Committee
- August 20: Company announced 2Q'12 earning result and lowered full year non-GAAP gross margin guidance
- October 5: Received first draft of proposed merger agreement
- October 21: Received verbal feedback from TPG on revised price range with for \$8.70 – 8.80 per ADS in cash
- October 25: J.P. Morgan conveyed to TPG a counter asking price of \$9.20 - 9.30 per ADS in cash
- November 17: TPG provided its Final Offer Price of \$9.00 per ADS
- November 20: Company announced 3Q'12 earning results and lowered revenue and capex guidance for full year 2012
- December 21: Negotiation of transaction terms substantially completed

Source: FactSet; Market data as of Dec 19, 2012

Share price performance since take-private offer



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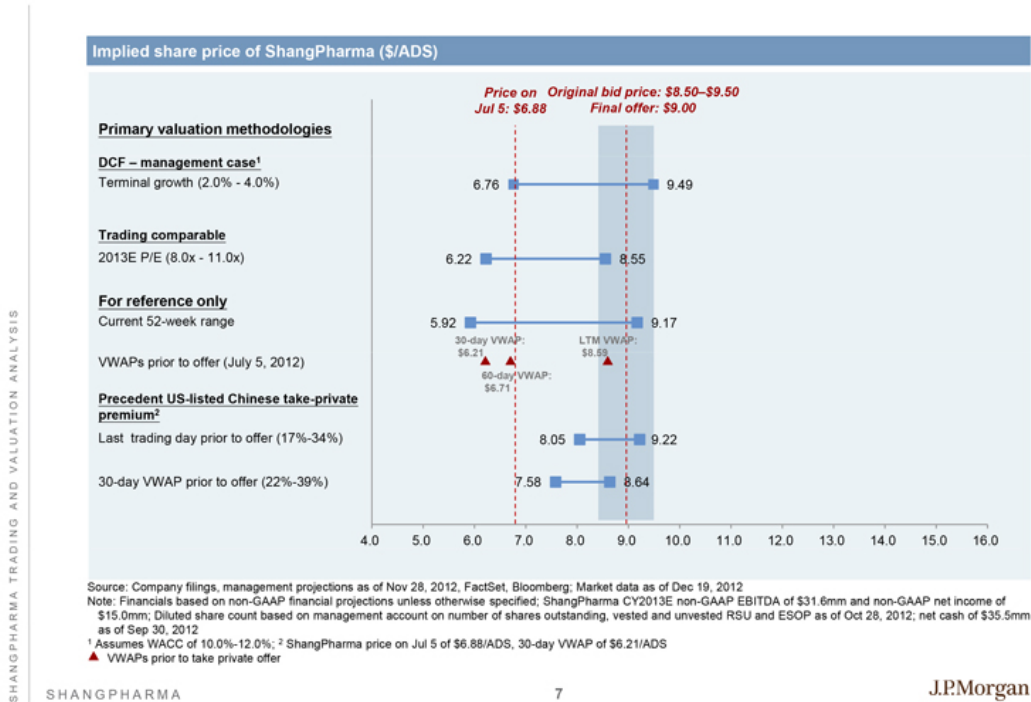
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Overview of key financials

Key financial overview (Non-GAAP)								
(US\$mm)	Cumulative 9M'12	4Q'12E	2012E	2013E	2014E	2015E	2016E	2017E
Revenue	94.5	32.0	126.5	150.2	167.6	186.8	209.8	235.5
Growth %			13.3%	18.8%	11.6%	11.4%	12.3%	12.2%
Gross profit	27.7	10.5	38.2	46.3	48.9	52.4	55.4	59.3
Margin %	29.4%	32.8%	30.2%	30.8%	29.2%	28.1%	26.4%	25.2%
EBIT	7.8	4.2	12.1	16.1	16.0	16.7	16.7	17.1
Margin %	8.3%	13.2%	9.5%	10.7%	9.5%	9.0%	7.9%	7.3%
D&A	9.8	3.5	13.3	15.5	17.6	20.0	22.6	25.2
EBITDA	17.7	7.7	25.4	31.6	33.6	36.7	39.3	42.3
Margin %	18.7%	24.1%	20.1%	21.1%	20.1%	19.7%	18.7%	18.0%
Net income	8.0	4.0	12.0	15.0	14.4	15.1	15.2	15.7
Margin %	8.4%	12.6%	9.5%	10.0%	8.6%	8.1%	7.2%	6.7%
Total capex	15.2	4.2	19.4	17.3	19.0	20.9	23.1	25.6
As % of revenue	16.1%	13.0%	15.3%	11.5%	11.3%	11.2%	11.0%	10.9%

Note: Key financials and margins are non-GAAP figures; management forecast as of Nov 28, 2012

Valuation analysis



DCF analysis

Cash flow profile (US\$mm)

Dec YE	4Q12E	2012E	2013E	2014E	2015E	2016E	2017E	TV
Revenue	32.0	126.5	150.2	167.6	186.8	209.8	235.5	242.5
EBITDA (non-GAAP)	7.7	25.4	31.6	33.6	36.7	39.3	42.3	43.6
EBIT (non-GAAP)	4.2	12.1	16.1	16.0	16.7	16.7	17.1	17.7
(-) Share-based compensation	(1.4)	(5.6)	(5.8)	(2.7)	(2.6)	(2.7)	(2.8)	(2.9)
(-) Tax expense	(0.7)	(0.6)	(1.6)	(2.1)	(2.3)	(2.3)	(2.4)	(2.4)
(+) D&A	3.5	13.3	15.5	17.6	20.0	22.6	25.2	25.9
(-) Change in net working capital	1.0	(7.1)	(1.9)	(1.0)	(1.2)	(1.3)	(1.4)	(1.4)
(-) Capex	(4.2)	(19.4)	(17.3)	(19.0)	(20.9)	(23.1)	(25.6)	(26.4)
Unlevered free cash flow	2.5	(7.3)	5.1	8.8	9.8	9.9	10.2	10.5

Equity value (US\$mm)

		Terminal growth		
		2.0%	3.0%	4.0%
WACC	10.0%	153.5	166.2	183.1
	11.0%	140.4	149.9	162.2
	12.0%	129.9	137.3	146.5

Equity value per ADS (US\$)

		Terminal growth		
		2.0%	3.0%	4.0%
WACC	10.0%	7.98	8.64	9.49
	11.0%	7.30	7.80	8.43
	12.0%	6.76	7.14	7.62

Note: Management forecast as of Nov 28, 2012; Valuation as of Sep 30, 2012; Net cash of US\$35.5mm as of Sep 30, 2012
Based on management record of share counts, vested and unvested RSUs and options as of Oct 28, 2012

ShangPharma discount rate analysis

Discount rate summary			
	Low		High
Risk free rate ¹		1.82%	
Equity risk premium	7.5%	—	8.5%
Levered beta	1.00	—	1.20
Country risk premium	1.5%	—	1.5%
Cost of equity	10.8%	—	13.5%
Pre-tax cost of debt ²		5.0%	
Post-tax cost of debt ³		4.3%	
Debt/total cap target		10.0%	
Calculated discount rate	10.2%	—	12.6%

Discount rate at varied ShangPharma betas				
	ShangPharma		Wuxi Pharmatech	
	Barra	Historical	Barra	Historical
Beta	1.121	1.009	1.111	1.594
Cost of equity ²	12.3%	11.4%	12.2%	16.1%
Discount rate	11.5%	10.7%	11.4%	14.9%

Sensitivity of discount rate					
Debt/total cap	Cost of equity				
		10.8%	11.7%	12.6%	13.5%
0.0%		10.8%	11.7%	12.6%	13.5%
5.0%		10.5%	11.3%	12.2%	13.0%
10.0%		10.2%	11.0%	11.8%	12.6%
15.0%		9.8%	10.6%	11.4%	12.1%
20.0%		9.5%	10.2%	10.9%	11.7%

Source: FactSet, Barra, J.P. Morgan estimates.

Note: Market data as of Dec 19, 2012, Barra beta as of Nov 30, 2012

¹ U.S. 10-year treasury note yield

² Pre-tax cost of debt based on interest rate of ShangPharma's existing credit lines

³ Assumes tax rate of 15.0%

⁴ Relevered historical beta is implied based on unlevering beta for each respective company based on their current capital structure and relevering beta based on debt/total cap target of 10.0%

⁵ Assumes equity risk premium of 8.0%

Capital structure benchmarks (\$ millions)					
Company	Market cap	Debt / total cap	Levered beta		Relevered historical
			Barra predicted	Historical	
Wuxi Pharmatech	\$1,135	3.6%	1.111	1.594	1.692
Global CRO companies (For reference)					
Covance	\$3,291	9.4%	1.013	0.911	0.921
Charles River	\$1,851	26.5%	0.962	0.943	0.785
Biocon	\$1,032	4.2%	1.091	0.563	0.594
Jubilant Life Science	\$669	51.2%	1.285	0.601	0.463
Albany Molecular	\$164	4.7%	1.164	0.988	1.038
Mean		19.2%	1.103	0.801	0.760
Median		9.4%	1.091	0.911	0.785

Chinese U.S.-listed healthcare companies (For reference)					
Simcere Pharmaceutical	\$420	20.7%	0.843	0.949	0.850
3Sbio	\$316	0.0%	0.904	1.159	1.268
China Biologic Products	\$417	2.6%	1.335	0.962	1.033
Concord Medical	\$178	29.5%	1.328	0.402	0.325
Sinovac Biotech	\$147	16.6%	1.471	1.593	1.491
Chindex	\$172	12.2%	1.090	1.524	1.567
China Nepstar	\$154	0.0%	1.513	1.071	1.172
China Nuokang	\$109	2.9%	0.519	0.522	0.557
Mean		10.6%	1.125	1.023	1.033
Median		7.6%	1.209	1.017	1.103
ShangPharma	\$153	0.0%	1.121	1.009	1.104

Trading comparables

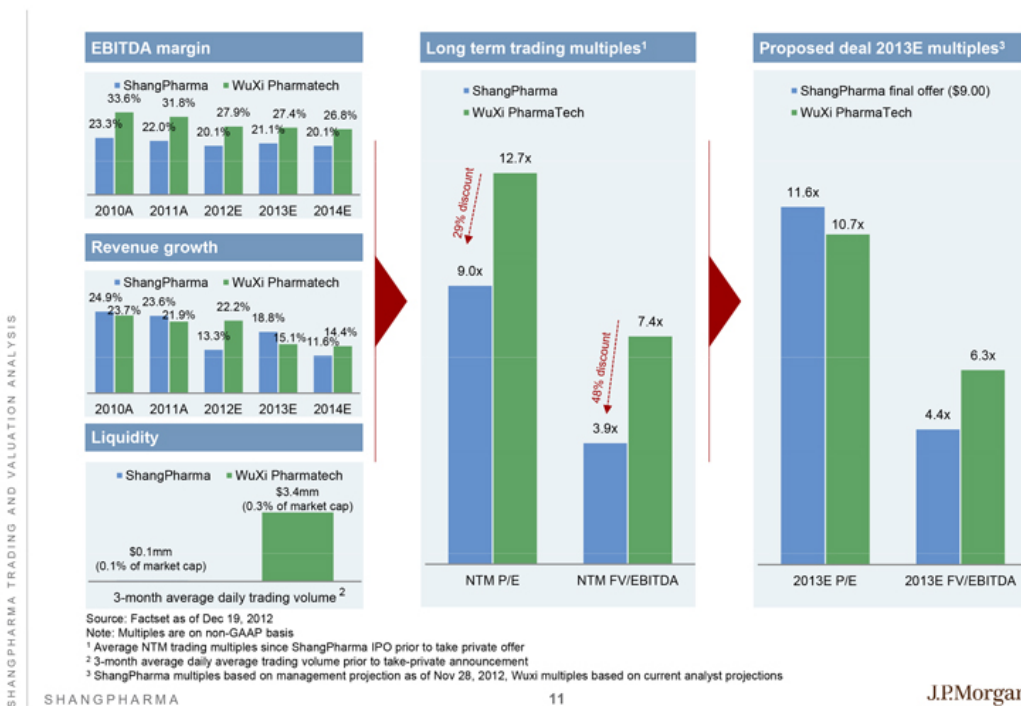
Public equity trading metrics

Company	Stock price	% of 52-		Market cap	Firm value	FV/EBITDA			P/E		
		week high	low			2012E	2013E	2014E	2012E	2013E	2014E
ShangPharma - Final offer	9.00	98.1%		174	138	5.4x	4.4x	4.1x	14.5x	11.6x	12.1x
WuXi PharmaTech	15.72	92.0%		1,135	991	7.2x	6.3x	5.6x	11.9x	10.7x	9.5x
Other reference comparables											
Covance	\$58.49	98.8%		\$3,291	\$3,190	10.4x	9.6x	8.6x	21.9x	19.8x	16.8x
Charles River	37.40	89.8%		1,851	2,439	9.3x	8.9x	8.5x	13.8x	12.9x	11.8x
Biocon	5.26	89.3%		1,032	945	8.0x	7.1x	NM	14.8x	12.8x	NM
Jubilant Life Sciences	4.20	92.3%		669	1,253	5.9x	5.2x	NM	7.5x	6.3x	NM
Albany Molecular Research	5.29	94.6%		164	156	5.4x	5.3x	4.9x	NM	22.0x	18.2x
Mean - other reference comps						7.8x	7.2x	7.3x	14.5x	14.8x	15.6x
Median - other reference comps						8.0x	7.1x	8.5x	14.3x	12.9x	16.8x

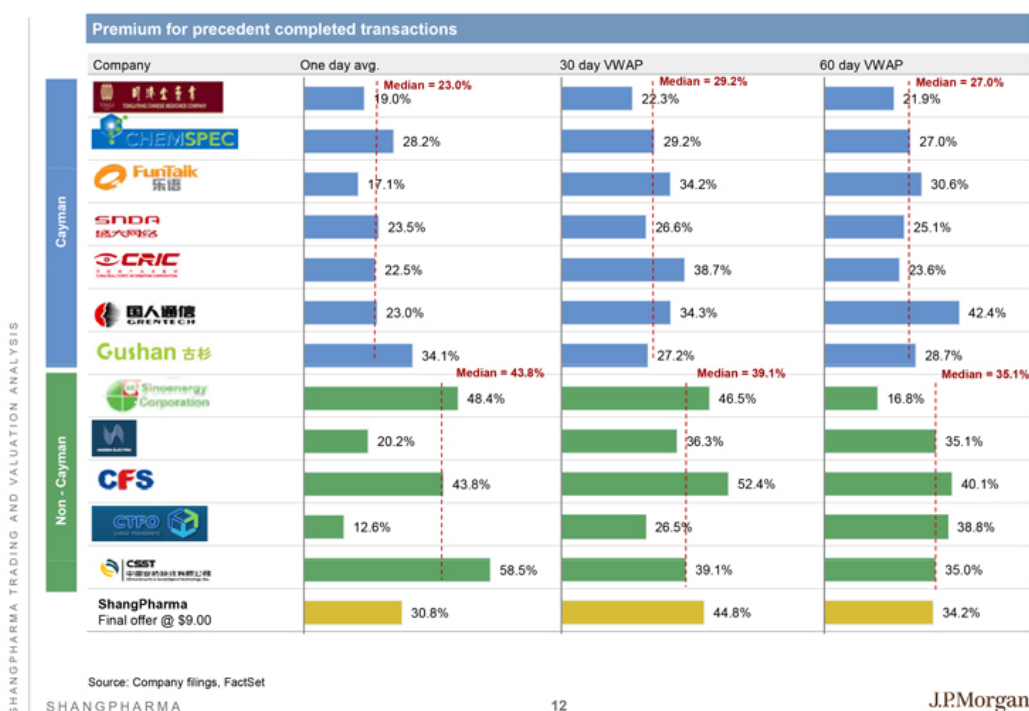
Source: Company filings, FactSet, Bloomberg, as of Dec 19, 2012

Note: ShangPharma multiples based on management projection as of Nov 28, 2012

Historical trading comparison with WuXi Pharmatech



Premium for precedent completed take-private transactions for
US-listed Chinese companies

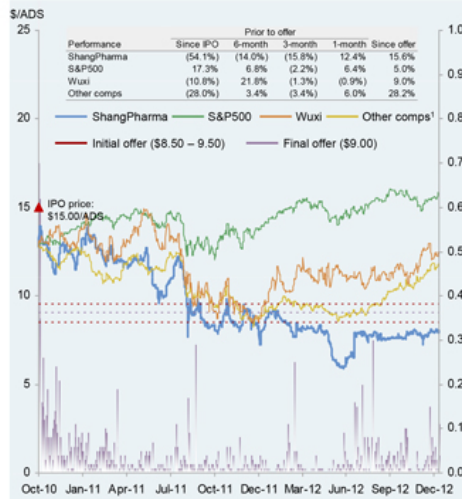


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Relative stock price performance

Share price performance since IPO



Source: Factset; Market data as of Dec 19, 2012

¹ Other comps include the average of Covance, Charles River, Biocon, Jubilant Life Science and Albany Molecular Research

Trading range (\$/ADS)

