

American Oriental Bioengineering Reports Second Quarter 2009 Financial Results

--2Q09 Revenue Increased 20.7% YoY to \$71.2 Million--
--2Q09 Net Income Attributable to Controlling Interest was \$13.2 million or \$0.17 per Diluted Share--
-- Company Generates Approximately \$22.9 Million of Operating Cashflow--

New York, August 7, 2009 -- American Oriental Bioengineering, Inc. (NYSE: AOB), (“the Company” or “AOBO”), a pharmaceutical company dedicated to improving health through the development, manufacture and commercialization of a broad range of prescription and over the counter (“OTC”) products in China, today announced financial results for the second quarter ended June 30, 2009.

Revenue in the second quarter of 2009 increased 20.7% to \$71.2 million from \$59.0 million in the second quarter of 2008, reflecting continued demand for the Company’s core pharmaceutical and nutraceutical products. Revenue from pharmaceutical products increased 17.4% to \$58.4 million from \$49.8 million in the prior year’s second quarter. Revenue from prescription pharmaceutical products increased 23.2% to \$25.2 million during the second quarter of 2009, reflecting an increase in sales from prescription formulation Jinji and CCXA products, which offset declines in sales of Shuanghuanglian Injection Powder (“SHL”). OTC pharmaceutical products generated \$33.3 million in revenue during the second quarter of 2009, up from \$29.4 million in the prior year’s period, reflecting continued demand for Boke and GLP products, as a result of marketing efforts and improved recognition of the products. Nutraceutical products generated revenue of approximately \$9.5 million in the second quarter of 2009, up 3.3% from \$9.2 million in the prior year’s period, reflecting increased sales of new beverage products launched in the beginning of 2009. The Company generated \$3.3 million from its distribution business.

Gross profit in the second quarter of 2009 increased 3.9% to \$41.6 million from \$40.1 million in the second quarter of 2008. Gross margin was 58.4%, compared to 67.9% in the prior year’s period, reflecting continued revenue mix shift to CCXA’s generic product sales, increasing raw material prices and low margin distribution business.

Operating income in the second quarter of 2009 was \$18.3 million compared to \$18.7 million in the second quarter of 2008. Selling and marketing expenses increased 22.2% to \$9.4 million from \$7.7 million in the prior year period. The increase primarily reflects marketing and promotional initiatives to support the continuous growth of revenues. Advertising expense was \$7.8 million in the second quarter of 2009, compared to \$7.5 million in the prior year’s period.

Net income attributable to controlling interest for the second quarter of 2009 was \$13.2 million, compared to \$13.9 million in the prior year’s period. Excluding \$1.4 million of interest expense and \$0.2 million of amortized financing costs related to the Company’s outstanding convertible notes, the Company’s net income attributable to controlling interest increased 6.5% to \$14.8 million, or \$0.17 per diluted share. In the prior year’s second quarter, net income per diluted share was approximately \$0.18.

As of June 30, 2009, the Company had \$100.7 million in cash and generated approximately \$22.9 million of operating cashflow during the second quarter of 2009.

Mr. Tony Liu, Chairman and Chief Executive Officer of American Oriental Bioengineering, commented, “We are pleased with our second quarter performance as we continued to enhance our diversified product portfolio and pursue further vertical integration. Our marketing capabilities, extensive distribution platform, diversified product offering and ongoing rural expansion offset anticipated challenges in SHL sales during the second quarter of 2009. We also made significant progress this quarter optimizing our distribution business, so that we solidify our presence in Tier I and II hospital channels and remain on-track for net income contributions for the full year. We continue to drive revenue growth and consistently generate cash despite the uncertain regulatory environment in China’s healthcare sector, and we are confident in our ability to be a top-five pharmaceutical company in China.”

Conference Call

The Company will hold a conference call at 8:00 am ET on August 7, 2009 to discuss second quarter 2009 results. Listeners may access the call by dialing 1-866-761-0749 or 1-617-614-2707 for international callers, access code: 54060064. A webcast will also be available through AOB’s website at www.bioaobo.com. A replay of the call will be available through August 14, 2009. Listeners may access the replay by dialing 1-888-286-8010 or 1-617-801-6888 for international callers, access code: 18519426.

About American Oriental Bioengineering, Inc.

American Oriental Bioengineering, Inc. is a pharmaceutical company dedicated to improving health through the development, manufacture and commercialization of a broad range of prescription and over the counter products in China.

Statements made in this press release are forward-looking and are made pursuant to the safe harbor provisions of the Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties that may cause actual results to differ materially from those set forth in these statements. The economic, competitive, governmental, technological and other factors identified in the Company's filings with the Securities and Exchange Commission, including the Form 10-K for the year ended December 31, 2008, may cause actual results or events to differ materially from those described in the forward looking statements in this press release. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events, or otherwise.

Integrated Corporate Relations, Inc.

Ashley M. Ammon

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AMERICAN ORIENTAL BIOENGINEERING, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(UNAUDITED)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30,		JUNE 30,	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
REVENUES	\$ 71,222,037	\$ 59,010,005	\$ 117,299,227	\$ 97,778,603
COST OF GOODS SOLD	<u>29,594,923</u>	<u>18,928,447</u>	<u>47,255,261</u>	<u>31,406,083</u>
GROSS PROFIT	<u>41,627,114</u>	<u>40,081,558</u>	<u>70,043,966</u>	<u>66,372,520</u>
Selling and marketing	9,396,129	7,687,892	14,607,631	12,717,600
Advertising	7,779,936	7,452,231	13,347,293	11,846,572
General and administrative	4,315,714	5,253,274	8,881,357	9,165,957
Depreciation and amortization	<u>1,850,274</u>	<u>1,010,461</u>	<u>3,709,189</u>	<u>1,987,671</u>
Total operating expenses	<u>23,342,053</u>	<u>21,403,858</u>	<u>40,545,470</u>	<u>35,717,800</u>
INCOME FROM OPERATIONS	18,285,061	18,677,700	29,498,496	30,654,720
EQUITY IN EARNINGS (LOSS) FROM UNCONSOLIDATED ENTITIES	(173,258)	(640,008)	264,536	(641,067)
INTEREST INCOME (EXPENSE), NET	(1,620,069)	(30,616)	(3,199,338)	(13,769)
OTHER INCOME (EXPENSE), NET	<u>(16,329)</u>	<u>(255,770)</u>	<u>(114,938)</u>	<u>(356,502)</u>
INCOME BEFORE INCOME TAXES	16,475,405	17,751,306	26,448,756	29,643,382
INCOME TAXES	<u>3,369,107</u>	<u>3,891,614</u>	<u>5,472,406</u>	<u>6,361,562</u>
NET INCOME	<u>13,106,298</u>	<u>13,859,692</u>	<u>20,976,350</u>	<u>23,281,820</u>
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST	<u>123,068</u>	<u>-</u>	<u>119,517</u>	<u>-</u>
NET INCOME ATTRIBUTABLE TO CONTROLLING INTEREST	<u>13,229,366</u>	<u>13,859,692</u>	<u>21,095,867</u>	<u>23,281,820</u>
OTHER COMPREHENSIVE INCOME				
Foreign currency translation gain, net of tax	<u>46,316</u>	<u>5,154,761</u>	<u>424,782</u>	<u>12,089,196</u>
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX	<u>46,316</u>	<u>5,154,761</u>	<u>424,782</u>	<u>12,089,196</u>
COMPREHENSIVE INCOME	<u>\$ 13,275,682</u>	<u>\$ 19,014,453</u>	<u>\$ 21,520,649</u>	<u>\$ 35,371,016</u>
NET INCOME PER SHARE				
BASIC	<u>\$ 0.18</u>	<u>\$ 0.18</u>	<u>\$ 0.28</u>	<u>\$ 0.30</u>
DILUTED	<u>\$ 0.17</u>	<u>\$ 0.18</u>	<u>\$ 0.28</u>	<u>\$ 0.30</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING				
BASIC	74,582,920	78,223,659	74,560,809	78,207,405
DILUTED	88,815,593	78,223,659	86,939,711	78,208,181

AMERICAN ORIENTAL BIOENGINEERING, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	JUNE 30, 2009	DECEMBER 31, 2008
	<u>(UNAUDITED)</u>	
CURRENT ASSETS		
Cash and cash equivalents	\$ 100,730,402	\$ 70,636,510
Accounts receivable, net of reserve of \$505,433 and \$226,330 at June 30, 2009 and December 31, 2008, respectively	31,396,881	36,982,167
Inventories, net	16,829,834	13,042,123
Advances to suppliers	3,135,694	3,593,979
Notes receivable	81,075	708,076
Refundable deposit	-	6,396,996
Deferred tax assets	421,660	347,216
Other current assets	937,087	744,903
Total Current Assets	<u>153,532,633</u>	<u>132,451,970</u>
LONG-TERM ASSETS		
Property, plant and equipment, net	96,151,689	98,154,443
Land use rights, net	148,301,203	148,988,870
Deposit for long-term assets	6,717,514	6,347,174
Construction in progress	25,871,656	25,385,835
Deferred tax assets	1,327,627	1,313,832
Other intangible assets, net	21,146,928	23,690,440
Goodwill	28,543,226	28,543,226
Long-term investment and advance	55,452,267	54,963,064
Unamortized financing cost	3,751,838	4,215,983
Total Long-Term Assets	<u>387,263,948</u>	<u>391,602,867</u>
TOTAL ASSETS	<u>\$ 540,796,581</u>	<u>\$ 524,054,837</u>

LIABILITIES AND EQUITY

	JUNE 30, 2009 <u>(UNAUDITED)</u>	DECEMBER 31, 2008 <u></u>
CURRENT LIABILITIES		
Accounts payable	\$ 12,548,451	\$ 12,287,887
Notes payables	3,011,486	3,262,877
Other payables and accrued expenses	14,251,673	19,766,652
Taxes payable	625,261	420,671
Short-term bank loans	6,720,430	7,140,148
Current portion of long-term bank loans	59,396	58,659
Other liabilities	2,511,295	2,253,440
Deferred tax liability	1,121,738	846,026
Total Current Liabilities	<u>40,849,730</u>	<u>46,036,360</u>
LONG-TERM LIABILITIES		
Long-term bank loans, net of current portion	774,641	804,521
Long-term notes payable	-	269,908
Deferred tax liabilities	15,963,766	16,083,768
Convertible notes	<u>115,000,000</u>	<u>115,000,000</u>
Total Long-Term Liabilities	<u>131,738,407</u>	<u>132,158,197</u>
TOTAL LIABILITIES	<u>172,588,137</u>	<u>178,194,557</u>
COMMITMENTS		
EQUITY		
SHAREHOLDERS' EQUITY		
Preferred stock, \$0.001 par value; 2,000,000 shares authorized; 1,000,000 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively	1,000	1,000
Common stock, \$0.001 par value; 150,000,000 shares authorized; 78,301,439 and 78,249,264 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively.	78,301	78,249
Common stock to be issued	311,999	376,335
Prepaid forward repurchase contract	(29,998,616)	(29,998,616)
Additional paid-in capital	196,752,860	195,741,544
Retained earnings (the restricted portion of retained earnings is \$29,532,699 at June 30, 2009 and December 31, 2008, respectively)	171,019,548	149,923,681
Accumulated other comprehensive income	29,510,788	29,086,006
Total Shareholders' Equity	367,675,880	345,208,199
NON-CONTROLLING INTEREST	532,564	652,081
TOTAL EQUITY	368,208,444	345,860,280
TOTAL LIABILITIES AND EQUITY	\$ 540,796,581	\$ 524,054,837