

## **China Biologic Products Announces First Quarter 2010 Results**

- Q1 revenue grew 28.1% to \$27.1 million
- Non-GAAP adjusted net income grew 60.6% to \$7.5 million

TAI'AN, China, May 17 /PRNewswire-Asia/ -- China Biologic Products, Inc. (Nasdaq: CBPO) ("China Biologic" or the "Company"), one of the leading plasma-based biopharmaceutical companies in the People's Republic of China ("PRC"), operating through its indirect majority-owned subsidiaries, Shandong Taibang Biological Products Co. Ltd. ("Taibang") and Guiyang Dalin Biologic Technologies Co., Ltd. ("Dalin") and its equity investment in Xi'an Huitian Blood Products Co., Ltd. ("Huitian"), today reported financial results for its first quarter ended March 31, 2010.

### **First Quarter 2010 Highlights**

- Revenues increased 28.1% year-over-year to \$27.1 million
- Gross profit rose 35.9% year-over-year to \$20.3 million, representing a gross margin of 74.9%, as compared to 70.6% a year ago
- Operating income grew 31.4% to \$13.2 million
- GAAP net income attributable to controlling interest was \$10.6 million, or \$0.41 per diluted share, including a \$3.8 million non-cash gain from change in the fair value of derivative liabilities
- Excluding the non-cash gain, interest on convertible notes and non-cash employee compensation, non-GAAP adjusted net income was \$7.5 million or \$0.28 per diluted share, a 60.6% increase from \$4.7 million or \$0.22 per diluted share a year ago

"We are pleased to report a strong start in 2010 with a robust 28% top-line and 61% adjusted bottom-line growth in the first quarter," said Mr. Chao Ming Zhao, Chief Executive Officer of China Biologic. "In addition to the strong financial performance, we have begun the expansion of our network of plasma collection centers with one acquisition and the approvals to build two new plasma stations. We expect that these opportunities for increased collection capacity, coupled with our advancing new product pipeline, will position us to gain market share and further strengthen the Company's leadership in the PRC plasma market."

### **First Quarter 2010 Results**

Revenue for the first quarter of 2010 increased 28.1% to \$27.1 million, from \$21.1 million in the same 2009 period. The revenue growth is primarily attributable to a general price increase ranging from 3.1% to

118.3% across the Company's plasma-based product portfolio. The price increase is mainly due to the continued supply shortage in China's plasma industry. The Company anticipates the potential for some modest price increases in the future on select products but has not factored in any price increases in its 2010 guidance and outlook.

Human albumin product continues to be the largest product, accounting for 46.9% of total sales, and has experienced the smallest average price increase of 3.1%. The average price for the Company's most in-demand product, the human immunoglobulin for intravenous injection products, rose 34.2%, and contributed to 19.9% of total revenues, while, the average price for the Company's human immunoglobulin products contributed only 2.4% of total revenues, a 118.3% increase.

Gross profit for the first quarter of 2010 was \$20.3 million, up 35.9%, from \$14.9 million in the first quarter of 2009. Gross profit margin expanded to 74.9% from 70.6% in the same period a year ago and 72.6% in the fourth quarter of 2009. The gross profit margin expansion was primarily attributable to the increase in the average selling price of the Company's plasma products year-over-year and quarter-over-quarter.

Operating expenses in the first quarter increased 45.2% to \$7.1 million, from \$4.9 million in the same period last year. Higher expenses primarily reflected the 149.9% increase in research and development spending, mostly related to the development of two late stage pipeline projects, currently awaiting governmental approval. General and administrative expenses rose 29.8% in the 2010 period due to costs associated with the integration of multiple sites after the acquisition of Dalin, which was partially offset by lower legal and accounting expenses associated with the Dalin acquisition. Selling expenses increased 62.7% year-over-year due to higher salaries and promotional expenses associated with the Company's efforts to increase direct sales to hospitals and inoculation centers to drive volume growth. As a percentage of revenue, total operating expenses increased by 3.1% from 23.0% to 26.1% for the same period in 2009.

Income from operations in the 2010 first quarter was \$13.2 million, a 31.4% increase from \$10.1 million during the same period a year ago. Operating margin rose to 48.8% from 47.6% year-over-year.

Total net other income was \$4.7 million in the 2010 first quarter, as compared to net other expense of \$0.8 million in the same 2009 period. The increase primarily reflected a \$3.8 million gain related to change in the fair value of warrant liabilities.

Income taxes increased to \$3.2 million in the 2010 first quarter, from \$2.0 million in the prior year. The effective tax rate was 17.9% in the first quarter, as compared to 21.9% same quarter last year.

Net income attributable to controlling interest for the 2010 first quarter was \$10.6 million, or \$0.41 per diluted share, and included a \$3.8 million non-cash gain related to change in the fair value of derivative

liabilities. Net income during the 2009 first quarter was \$4.3 million, or \$0.20 per diluted share, which included a non-cash \$0.4 million charge related to change in the fair value of warrants.

Excluding non-cash employee compensation expenses, change in the fair value of derivative liabilities and interest related to the convertible notes under the if-converted method, non-GAAP adjusted net income for the three months ended March 31, 2010 was \$7.5 million, or \$0.28 per diluted share, up 60.6% from \$4.7 million, or \$0.22 per diluted share, in the same 2009 period.

### **Financial Condition**

As of March 31, 2010, the Company had \$51.2 million in cash and cash equivalents, approximately \$49.2 million in working capital, and a current ratio of 2.0x. Total stockholder's equity at the end of the quarter was \$66.6 million, up from \$50.5 million at the end of 2009.

The Company generated \$2.1 million in net cash from operating activities in the first quarter of 2010, as compared to \$7.1 million in the same period of 2009. The decline in operating cash flow was primarily due to an increase in inventory and accounts receivable and income taxes paid. Higher inventory reflected increased plasma collection and timing of SFDA approval of finished plasma goods, while higher accounts receivable reflects increased end-user sales to hospitals.

### **Recent Events and Updates**

On April 5, 2010, Shandong Taibang, the Company's subsidiary was recognized by the Shandong Province Department of Science and Technology as a National Center of Excellence for New Drug and Technology Development. The award indicates provincial expectation that Shandong Taibang will serve as an industry model and help drive the development of the pharmaceutical industry in Shandong province. As a result of the award, Shandong Taibang along with other National Centers of Excellence companies, will have increased opportunities to collaborate on research and development opportunities and will be eligible for government funding and other support programs for use in new drug development efforts.

On May 12, 2010, China Biologic announced the achievement of a significant milestone with the receipt of Shandong provincial government approval to build two new plasma stations in Shandong. Once the new plasma stations are operational, the Company will have 18 total plasma stations and expects the two new plasma stations will increase aggregate plasma collection capacity by up to an additional 80 metric tons over the next few years.

### **2010 Guidance and Business Outlook**

China Biologic is guiding to 2010 revenues in the range of \$142 million and \$149 million and 2010 adjusted net income in the range of \$34 million and \$36 million. The first quarter of each year is typically

the slowest period for the Company, mainly due to the Chinese New Year holiday that temporarily reduces customer purchase volume and slows the SFDA approval for the release of finished goods. In the first quarter of 2010, the Company saw the same pattern with a limited supply of certain plasma products due to the timing of government approval of new batches of products for commercialization. Management is confident in continuing strong growth for the remainder of 2010.

Guidance for 2010 adjusted net income excludes any non-cash gain or loss related to change in the fair value of derivative liabilities, stock-based compensation expense and any adjustments in the U.S. federal income tax provision in 2010 related to the expiration of the look-through exception for Subpart F income on December 31, 2009, and excluded any acquisitions, new product approvals or operational impact from new plasma stations. The guidance also does not assume any material price or volume increases during the year. As a matter of policy, the Company does not intend to update this guidance during the year.

China Biologic's applications for Human Prothrombin Complex Concentrate and Human Coagulation Factor VIII remain under SFDA review. Management expects to commercially launch these two products in late 2010 or early 2011. The new products will enrich the Company's product portfolio and enhance its competitive position in the plasma-based product market.

Mr. Zhao added, "Supply in China's plasma industry remains tight due to high government standards. At China Biologic, we are actively evaluating opportunities to expand our plasma market share by increasing the capacity of our existing plasma stations, expanding the target population of potential plasma donors and acquiring or building new plasma stations. Our acquisition of Yuncheng Ziguang Biotech earlier this year and the recent approval to build two new plasma stations in Shandong demonstrate the Company's commitment to growing the business for the long-term. We are off to a strong start in 2010 and we look forward to sharing our exciting development in the coming quarters."

Conference Call China Biologic will host a conference call at 8:00 a.m. EDT on Monday, May 17, 2010, to discuss the first quarter of 2010 financial results. To participate in the conference call, please dial the following number five to ten minutes prior to the scheduled conference call time: 877-409-5468.

International callers should dial +1-702-894-2400. The pass code for the call is 74929602. If you are unable to participate in the call at this time, a replay will be available for 14 days starting on Monday, May 17, 2010 at 9:00 a.m. EDT. To access the replay, dial 800-642-1687, international callers should dial +1-706-645-9291. The conference pass code is 74929602.

### **Use of Non-GAAP Financial Measures**

This press release contains non-GAAP financial measures that exclude non-cash compensation expenses related to options granted to employees and directors under the Company's 2008 Equity Incentive Plan and changes in the fair value of derivative liabilities, including warrants and derivative instruments (including the conversion option) embedded in the Company's Senior Secured Convertible

Notes. To supplement the Company's condensed consolidated financial statements presented on a GAAP basis, the Company has provided non-GAAP financial information excluding the impact of this item in this release. The Company's management believes that these non-GAAP measures provide investors with a better understanding of how the results relate to the Company's historical performance. A reconciliation of the adjustments to GAAP results appears in the table accompanying this press release. This additional non-GAAP information is not meant to be considered in isolation or as a substitute for GAAP financials. The non-GAAP financial information that the Company provides also may differ from the non-GAAP information provided by other companies.

### **About China Biologic Products, Inc.**

China Biologic Products, Inc., through its indirect majority-owned subsidiaries, Shandong Taibang Biological Products Co. Ltd. and Guiyang Dalin Biologic Technologies Co., Ltd, and its equity investment in Xi'an Huitian Blood Products Co., Ltd., is currently the largest non-state-owned plasma-based biopharmaceutical company in China. The Company is a fully integrated biologic products company with plasma collection, production and manufacturing, research and development, and commercial operations. The Company's plasma-based biopharmaceutical products are irreplaceable during medical emergencies, and are used for the prevention and treatment of various diseases. The Company sells its products to hospitals and other healthcare facilities in China. Please see the Company's website <http://www.chinabiologic.com> for additional information.

### **Safe Harbor Statement**

This release may contain certain "forward-looking statements" relating to the business of China Biologic Products, Inc. and its subsidiaries. All statements, other than statements of historical fact included herein are "forward-looking statements," including statements regarding: the ability of the Company to achieve the financial guidance provided by the management; the ability of the Company to win SFDA approval for its research and development pipeline projects, and commercially launch new products; the Company's ability to build new or expand existing plasma collection stations and increase plasma collection capacity; the Company's ability to otherwise achieve its commercial objectives, including its ability to gain market share and further strengthen the Company's leadership in the PRC plasma market; the business strategy, plans and objectives of the Company and its subsidiaries; and any other statements of non-historical information. These forward-looking statements are often identified by the use of forward-looking terminology such as "believes," "expects" or similar expressions, and involve known and unknown risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, they do involve assumptions, risks and uncertainties, and these expectations may prove to be incorrect. Investors should not place undue reliance on these forward-looking statements, which speak only as of the date of this press release. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of a variety

of factors, including those discussed in the Company's periodic reports that are filed with the Securities and Exchange Commission and available on its website (<http://www.sec.gov>). All forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these factors. Other than as required under the securities laws, the Company does not assume a duty to update these forward-looking statements.

#### FINANCIAL TABLES FOLLOW

#### CHINA BIOLOGIC PRODUCTS, INC. AND SUBSIDIARIES

#### RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

#### FOR THE THREE MONTHS ENDED March, 2010 AND 2009

Three Months Three Months

Ended Ended

March 31, 2010 March 31, 2009

Net Diluted Net Diluted

Net Income (Loss) Diluted EPS Income EPS Income EPS

Adjusted Net Income - Non GAAP \$7,516,077 \$0.28 \$4,678,714 \$0.22

Non-cash employee

compensation (1) \$571,893 \$0.02 \$27,373 \$0.00

Income in fair value of

derivative liabilities (2) (\$3,833,577) (\$0.14) \$393,023 \$0.02

Net Income attributable to

controlling interest for

diluted EPS (3) \$10,777,761 \$0.41 \$4,258,318 \$0.20

Interest add back on Convertible

Notes \$172,121 --

Net Income attributable to

controlling interest \$10,605,640 \$4,258,318

Weighted average number of

shares - diluted 26,471,425 21,434,942

(1) Non-cash compensation expenses related to options granted to employees and directors under the Company's 2008 Equity Incentive Plan

(2) Adoption of a new accounting rule effective January 1, 2009 requires changes in the fair value of derivative liabilities to be recognized in earnings each quarter.

(3) Net Income attributable to controlling interest for calculating diluted earnings per share includes interest add back on Convertible Notes.

#### CHINA BIOLOGIC PRODUCTS, INC. AND SUBSIDIARIES

#### CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND MARCH 31, 2009

(Unaudited)

2010 2009

#### REVENUES:

Revenues \$26,861,522 \$20,905,869

Revenues - related party 237,031 242,729

Total revenues 27,098,553 21,148,598

#### COST OF REVENUES:

Cost of revenues 6,798,854 6,214,930

GROSS PROFIT 20,299,699 14,933,668

#### OPERATING EXPENSES:

Selling expenses 942,908 579,496

General and administrative

expenses 4,962,252 3,822,907

Research and development expenses	1,168,655	467,727
Total operating expenses	7,073,815	4,870,130
INCOME FROM OPERATIONS	13,225,884	10,063,538
OTHER EXPENSE (INCOME):		
Equity in income of		
unconsolidated affiliate	(188,541)	(40,247)
Change in fair value of		
derivative liabilities	(3,833,577)	393,023
Interest expense, net	181,053	370,853
Other income - related party	(914,289)	0
Other expense, net	94,320	51,315
Total other expense (income),		
net	(4,661,034)	774,944
INCOME BEFORE PROVISION FOR INCOME		
TAXES AND NONCONTROLLING INTEREST	17,886,918	9,288,594
PROVISION FOR INCOME TAXES	3,196,066	2,030,194
NET INCOME BEFORE NONCONTROLLING		
INTEREST	14,690,852	7,258,400
Less: Net income attributable to		
noncontrolling interest	4,085,212	3,000,082
NET INCOME ATTRIBUTABLE TO		
CONTROLLING INTEREST	10,605,640	4,258,318
OTHER COMPREHENSIVE INCOME:		
Foreign currency translation		

adjustments (4,654) 445,939

COMPREHENSIVE INCOME \$10,600,986 \$4,704,257

BASIC EARNINGS PER SHARE:

Weighted average number of shares 23,386,893 21,434,942

Earnings per share \$0.45 \$0.20

DILUTED EARNINGS PER SHARE:

Weighted average number of shares 26,471,425 21,434,942

Earnings per share \$0.41 \$0.20

CHINA BIOLOGIC PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF MARCH 31, 2010 and DECEMBER 31, 2009

ASSETS

March 31, December 31,

2010 2009

(Unaudited)

CURRENT ASSETS:

Cash and cash equivalents \$51,190,425 \$53,843,951

Notes receivable 550,125 0

Accounts receivable, net of

allowance for doubtful accounts of

\$1,255,629 and \$1,254,955 as of

March 31, 2010 and December

31, 2009, respectively 3,764,123 1,767,076

Accounts receivable - related party 270,086 222,617

Other receivables	2,177,594	2,186,441
Inventories, net of allowance for obsolete of \$717,960 and \$519,333 as of March 31,2010 and December 31, 2009, respectively	39,175,405	35,132,724
Prepayments and deferred expense	1,672,261	1,299,125
Deferred tax assets	785,081	1,053,771
Total current assets	99,585,100	95,505,705
PLANT AND EQUIPMENT, net	31,867,690	28,873,413
OTHER ASSETS:		
Investment in unconsolidated affiliate	6,815,961	6,627,355
Prepayments - non-current	3,362,943	3,223,960
Intangible assets, net	20,335,295	21,180,322
Goodwill	12,425,589	12,425,589
Total other assets	42,939,788	43,457,226
Total assets	\$174,392,578	\$167,836,344
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$3,520,975	\$3,701,843
Notes payable	0	48,598
Short term loans - bank	7,408,350	4,474,350
Short term loans - holder of noncontrolling interest	3,652,500	3,652,500

Other payables and accrued

liabilities 17,282,264 19,246,814

Other payable - related parties 3,087,527 3,087,527

Accrued interest - holder of

noncontrolling interest 1,154,687 2,068,526

Customer deposits 4,553,560 3,868,577

Taxes payable 7,519,268 8,774,079

Investment payable 2,195,365 2,195,365

Total current liabilities 50,374,496 51,118,179

#### OTHER LIABILITIES:

Other payable - land use right 323,390 323,687

Notes payable, net of discount of

\$7,325,349 and \$8,464,380

as of March 31, 2010 and December

31, 2009, respectively 174,651 89,760

Derivative liability - conversion

option 15,275,245 19,960,145

Fair value of derivative instruments 9,177,262 12,701,262

Total other liabilities 24,950,548 33,074,854

Total liabilities 75,325,044 84,193,033

#### COMMITMENTS AND CONTINGENCIES

#### EQUITY:

Common stock, \$0.0001 par value,

100,000,000 shares authorized,

23,500,803 and 23,056,442 shares

issued and outstanding at March

31, 2010 and December 31, 2009,

respectively 2,349 2,305

Additional paid-in-capital 28,024,808 22,517,077

Statutory reserves 19,831,853 17,414,769

Retained earnings 13,491,161 5,302,605

Accumulated other comprehensive

income 5,272,137 5,276,791

Total shareholders' equity 66,622,308 50,513,547

NONCONTROLLING INTEREST 32,445,226 33,129,764

Total equity 99,067,534 83,643,311

Total liabilities and equity \$174,392,578 \$167,836,344

CHINA BIOLOGIC PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009

(Unaudited)

2010 2009

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net income attributable to

controlling interest \$10,605,640 \$4,258,318

Net income attributable to

noncontrolling interest 4,085,212 3,000,082

Consolidated net income 14,690,852 7,258,400

Adjustments to reconcile net income  
to cash  
provided by operating activities:  
Depreciation 793,657 759,072  
Amortization 869,251 838,459  
Loss on disposal of equipment 3,019 (276)  
Recovery of bad debt previously  
reserved -- --  
Allowance for bad debt - accounts  
receivables 23,329 26,581  
Allowance for bad debt - other  
receivables and prepayments -- --  
Allowance for obsolete inventories 198,559 --  
Deferred tax assets 214,583 --  
Stock based compensation 571,893 27,373  
Change in fair value of derivative  
liabilities (3,833,577) 393,023  
Amortization of deferred note  
issuance cost 86,790 --  
Amortization of discount on  
convertible notes 99,318 --  
Equity in income of unconsolidated  
affiliate (188,541) (40,246)  
Change in operating assets and

liabilities:

Notes receivable (549,938) (468,832)

Accounts receivable (1,997,040) (97,007)

Accounts receivable - related

party (47,452) (212,367)

Other receivables 8,847 (18,487)

Inventories (4,283,720) (3,513,011)

Prepayments and deferred expenses (512,690) (124,944)

Accounts payable (180,806) (252,850)

Other payables and accrued

liabilities (2,383,690) 307,916

Accrued interest - holder of

noncontrolling interest (913,840) 305,966

Customer deposits 684,750 2,872,712

Taxes payable (1,260,708) (979,190)

Net cash provided by operating

activities 2,092,846 7,082,292

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Cash acquired through acquisition 334 11,938,784

Payments made for acquisition (1,476,781) --

Purchase of plant and equipment (1,443,043) (986,640)

Additions to intangible assets (24,484) (88,845)

Advances on non-current assets (569,626) (474,736)

Net cash (used in) provided by

investing activities (3,513,600) 10,388,563

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Proceeds from warrants conversion 689,160 --

Proceeds from short term loans -

bank 5,924,660 --

Payments on short term loans - bank (2,962,330) 7,647,822

Payments on notes payables (48,582) --

Distribution paid to noncontrolling

interest shareholders (4,780,790) --

Net cash (used in) provided by

financing activities (1,177,882) 7,647,822

**EFFECTS OF EXCHANGE RATE CHANGE IN**

CASH (54,890) 72,655

(DECREASE) INCREASE IN CASH (2,653,526) 25,191,332

CASH and CASH EQUIVALENTS, beginning

of year 53,843,951 8,814,616

CASH and CASH EQUIVALENTS, end of

year \$51,190,425 \$34,005,948

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW**

**INFORMATION**

Income taxes paid \$3,806,691 \$1,783,619

Interest paid (net of capitalized

interest) \$62,286 \$236,649

Non-cash investing and financing

activities:

Reclassification of derivative

liability to equity related to

conversion of convertible notes \$1,809,771 \$--

Reclassification of derivative

liability to equity related to

exercise of warrants \$2,436,907 \$--

Distribution paid by offsetting

accounts receivable - related

party \$-- \$3,735,243

Net assets acquired with

prepayments made in prior periods \$-- \$14,240,772

Net assets addition with unpaid

commitment \$395,540 \$14,240,772

Plant and equipment acquired with

prepayments made in prior periods \$424,858 \$87,305