



## Emergent BioSolutions Reports Financial Results for First Quarter 2008

May 7, 2008

**-- Continued delivery of BioThrax(R) doses under current HHS contract drives 62 percent increase in first quarter revenue  
-- Continued investment in pipeline through internally generated cash flows -- 2008 financial outlook reaffirmed**

ROCKVILLE, Md., May 07, 2008 (BUSINESS WIRE) -- Emergent BioSolutions Inc. (NYSE: EBS) announced today its financial results for the first quarter ended March 31, 2008.

Total revenues for the first quarter of 2008 grew 62 percent to \$42.7 million from \$26.4 million in 2007, primarily from growth in sales of BioThrax(R) (Anthrax Vaccine Adsorbed). Net income for the first quarter of 2008 was \$7.0 million, or \$0.24 per share, in comparison to a net loss of \$2.7 million, or \$0.10 per share, for the comparable period in 2007.

R. Don Elsey, Emergent BioSolutions' chief financial officer, said, "Our first quarter 2008 financial performance reflects the continued strength of our business approach of generating cash flow through sales of our licensed product and reinvesting that cash flow back into development of a pipeline of additional vaccines and therapeutics targeting infectious diseases. During the quarter, we continued to successfully deliver doses of BioThrax to HHS for inclusion in the Strategic National Stockpile. We also sold a modest number of doses to an allied foreign government. We also continued to manage our R&D and SG&A spend, as we look to allocate our resources in a manner that is both prudent and strategic. Finally, we ended the quarter with over \$90 million in cash, which enables us to invest in the growth of our pipeline, both organically and through M&A, and to create growth in shareholder value."

### First Quarter 2008 Highlights

The company achieved the following during the first quarter of 2008:

- Completed a Phase II clinical study, conducted in Vietnam, of its single dose, oral typhoid vaccine candidate and reported it was highly immunogenic and well-tolerated with an acceptable safety profile in an endemic population;
- Formed a joint venture in Malaysia with Ninebio Sdn. Bhd. to focus on development of critical immunobiotics and the supply of biodefense countermeasures to the government of Malaysia;
- Acquired a group of anthrax monoclonal antibodies from AVANIR Pharmaceuticals; and,
- Appointed Dr. W. James Jackson as chief scientific officer.

### Product Sales

For the first quarter of 2008, product sales increased by \$16.1 million, or 63 percent, to \$41.5 million from \$25.4 million for the comparable period of 2007, primarily due to a 68 percent increase in the number of doses of BioThrax delivered. Product sales for the first quarter of 2008 consisted of BioThrax sales to HHS of \$41.1 million and aggregate international and other sales of \$0.4 million.

### Contracts and Grants Revenues

For the first quarter of 2008, contracts and grants revenues increased by \$0.2 million, or 21 percent, to \$1.2 million from \$1.0 million for the comparable period of 2007. Contracts and grants revenues for the first quarter of 2008 consisted of \$0.8 million from the Sanofi Pasteur collaboration related to recognition of deferred revenue associated with the upfront payment received in 2006 as well as development service revenue, and \$0.4 million from the National Institutes of Health.

### Cost of Product Sales

For the first quarter of 2008, cost of product sales increased by \$2.5 million, or 45 percent, to \$8.0 million from \$5.5 million for the comparable period of 2007, primarily due to a 68 percent increase in the number of doses of BioThrax delivered, partially offset by decreased costs associated with improved production yield.

### Research and Development

For the first quarter of 2008, research and development expenses decreased by \$4.1 million, or 26 percent, to \$11.5 million from \$15.6 million for the comparable period of 2007. This decrease reflects lower contract service costs, and includes decreased expenses of \$5.8 million on product candidates that are categorized under the biodefense segment, partially offset by increased expenses of \$1.4 million on product candidates categorized under the commercial segment and \$0.4 million in other research and development.

### Selling, General and Administrative

For the first quarter of 2008, selling, general and administrative expenses increased by \$0.9 million, or 8 percent, to \$12.1 million from \$11.2 million for the comparable period of 2007. This increase is primarily attributable to an increase of approximately \$0.7 million resulting from the addition of

personnel and increased legal and other professional services related to the company's headquarters and staff organization to support operations as a public company and an increase of \$0.2 million in sales and marketing expenses related to the growth of staff and an increase in selling and marketing activities.

#### Financial Condition and Liquidity

Cash and cash equivalents at March 31, 2008 was \$92.7 million compared to \$105.7 million at December 31, 2007. The net decrease in cash and cash equivalents resulted primarily from net cash used in operating activities and investing activities of \$4.8 million and \$10.4 million, respectively, offset by net cash provided by financing activities of \$2.3 million.

#### Financial Outlook for 2008

For 2008, the company reaffirms its expectations for full year total revenues of \$180 to \$195 million and net income in excess of \$20 million.

#### Conference Call & Webcast

Company management will host a conference call at 9:00 am Eastern on May 7, 2008 to discuss these financial results, recent business developments and the outlook for 2008. The conference call, which will be open to all interested parties, will be webcast and can be accessed from the Investor Relations section of the Company's website at [www.emergentbiosolutions.com](http://www.emergentbiosolutions.com), under "Investors". Participants can also access the call by dialing 888.680.0894 or 617.213.4860 (international) and providing passcode EMERGENT (for those pre-registering, please use 36374368 as this is an automated service).

Emergent BioSolutions is offering call participants a pre-registration option that expedites access to the call and minimizes hold times. Pre-registrants will be issued a pin number to be used when dialing into the live call which will provide quick access to the conference call by bypassing the operator upon connection. Pre-registration is not mandatory. Those who would like to take advantage of pre-registration can do so by accessing the following website: <https://www.theconferencingservice.com/prereg/key.process?key=P6PJFE9UT>

(Due to its length, this URL may need to be copied/pasted into your Internet browser's address field. Remove the extra space if one exists.)

A replay of the conference call will be available approximately one hour following the conclusion of the call by dialing 888/286-8010 or 617/801-6888 and using the passcode 41893610. The replay will be available through May 21. In addition, the webcast will be archived on the company's website, [www.emergentbiosolutions.com](http://www.emergentbiosolutions.com), under "Investors".

#### About Emergent BioSolutions Inc.

Emergent BioSolutions Inc. is a profitable, multinational biopharmaceutical company dedicated to one simple mission -- to protect life. We develop, manufacture and commercialize immunobiotics, consisting of vaccines and therapeutics that assist the body's immune system to prevent or treat disease. Our products target infectious diseases and other medical conditions that have resulted in significant unmet or underserved public health needs. Our marketed product, BioThrax(R) (Anthrax Vaccine Adsorbed), is the only vaccine approved by the U.S. Food and Drug Administration for the prevention of anthrax infection. More information on the company is available at [www.emergentbiosolutions.com](http://www.emergentbiosolutions.com).

#### Safe Harbor Statement

This press release includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements, other than statements of historical fact, including statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management, including our expected revenue growth and net earnings for 2008, and any other statements containing the words "believes", "expects", "anticipates", "plans", "estimates" and similar expressions, are forward-looking statements. There are a number of important factors that could cause the company's actual results to differ materially from those indicated by such forward-looking statements, including our ability to obtain new BioThrax(R) sales contracts with the U.S. government; our plans for future sales of BioThrax; our plans to pursue label expansions and improvements for BioThrax; our plans to expand our manufacturing facilities and capabilities; the rate and degree of market acceptance and clinical utility of our products; our ongoing and planned development programs, preclinical studies and clinical trials; our ability to identify and acquire or in license products and product candidates that satisfy our selection criteria; the potential benefits of our existing collaboration agreements and our ability to enter into selective additional collaboration arrangements; the timing of and our ability to obtain and maintain regulatory approvals for our product candidates; our commercialization, marketing and manufacturing capabilities and strategy; our intellectual property portfolio; our estimates regarding expenses, future revenue, capital requirements and needs for additional financing; and other factors identified in the company's Annual Report on Form 10-K for the year ended December 31, 2007 and subsequent reports filed with the SEC. The company disclaims any intention or obligation to update any forward-looking statements as a result of developments occurring after the date of this press release.

#### Emergent BioSolutions Inc. and Subsidiaries Consolidated Statements of Operations (in thousands, except per share data)

	Three Months Ended March 31,	
	2008	2007
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	2008	2007
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	(unaudited)	
Revenues:		
Product sales	\$41,504	\$25,446
Contracts and grants	1,216	1,002

Total revenues	42,720	26,448
Operating expense:		
Cost of product sales	8,010	5,516
Research and development	11,475	15,570
Selling, general and administrative	12,060	11,193
Income (loss) from operations	11,175	(5,831)
Other income (expense):		
Interest income	665	874
Interest expense	(1)	(26)
Other income (expense), net	(14)	177
Total other income (expense)	650	1,025
Income (loss) before provision for (benefit from) income taxes	11,825	(4,806)
Provision for (benefit from) income taxes	4,801	(2,116)
Net income (loss)	\$ 7,024	\$(2,690)
Earnings (loss) per share -- basic	\$ 0.24	\$(0.10)
Earnings (loss) per share -- diluted	\$ 0.24	\$(0.10)
Weighted-average number of shares -- basic	29,750	27,864
Weighted-average number of shares -- diluted	29,820	27,864

Emergent BioSolutions Inc. and Subsidiaries  
Consolidated Balance Sheets  
(in thousands, except share and per share data)

	March 31, 2008	December 31, 2007
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 92,747	\$105,730
Accounts receivable	21,518	18,817
Inventories	18,790	16,897
Notes receivable	3,500	-
Prepaid expenses and other current assets	3,074	2,866
Total current assets	139,629	144,310
Property, plant and equipment, net	115,421	110,218
Deferred tax assets, net of current	11,811	12,397
Restricted cash	5,200	5,200
Other assets	1,580	1,383
Total assets	\$273,641	\$273,508
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 17,863	\$ 20,257
Accrued expenses and other current liabilities	1,499	1,778
Accrued compensation	6,592	9,502
Indebtedness under lines of credit	15,000	11,832

Long-term indebtedness, current portion	3,524	3,514
Income taxes payable	3,880	7,665
Deferred tax liabilities	123	211
Deferred revenue, current portion	900	902
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Total current liabilities	49,381	55,661
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Long-term indebtedness, net of current portion	41,702	42,588
Deferred revenue, net of current portion	2,325	2,473
Other liabilities	1,636	1,627
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Total liabilities	95,044	102,349
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Stockholders' equity:		
Preferred Stock \$0.001 par value; 15,000,000 shares authorized, 0 shares issued and outstanding at March 31, 2008 and December 31, 2007	-	-
Common Stock, \$0.001 par value; 100,000,000 shares authorized; 29,750,237 shares issued and outstanding at March 31, 2008 and December 31, 2007	30	30
Additional paid-in capital	102,163	101,933
Accumulated other comprehensive loss	(946)	(1,130)
Retained earnings	77,350	70,326
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Total stockholders' equity	178,597	171,159
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Total liabilities and stockholders' equity	\$273,641	\$273,508
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Emergent BioSolutions Inc. and Subsidiaries  
Consolidated Statements of Cash Flows  
(in thousands)

	Three Months Ended	
	March 31,	
	2008	2007
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	(unaudited)	
Cash flows from operating activities:		
Net income (loss)	\$ 7,024	\$ (2,690)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Stock-based compensation expense	230	529
Depreciation and amortization	1,081	1,198
Deferred income taxes	498	2,400
Loss on disposal of property and equipment	10	-
Excess tax benefits from stock-based compensation	-	(1,597)
Changes in operating assets and liabilities:		
Accounts receivable	(2,701)	39,396
Inventories	(1,893)	(2,163)
Income taxes	(3,785)	(16,089)
Prepaid expenses and other assets	(405)	(292)
Accounts payable	(1,757)	(1,868)
Accrued compensation	(2,910)	(2,467)
Accrued expenses and other liabilities	(270)	(1,090)
Deferred revenue	(150)	(481)
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Net cash provided by (used in) operating activities	(5,028)	14,786

Cash flows from investing activities:		
Purchases of property, plant and equipment	(6,931)	(16,490)
Issuance of notes receivable	(3,500)	-
Net cash used in investing activities	(10,431)	(16,490)
Cash flows from financing activities:		
Proceeds from borrowings on long-term indebtedness and lines of credit	15,000	-
Issuance of common stock subject to exercise of stock options	-	890
Principal payments on long-term indebtedness, notes payable to employees and lines of credit	(12,708)	(9,386)
Excess tax benefits from stock-based compensation	-	1,597
Net cash provided by (used in) financing activities	2,292	(6,899)
Effect of exchange rate changes on cash and cash equivalents	184	(170)
Net increase in cash and cash equivalents	(12,983)	(8,773)
Cash and cash equivalents at beginning of period	105,730	76,418
Cash and cash equivalents at end of period	\$ 92,747	\$ 67,645
Supplemental information on non-cash investing and financing activities:		
Purchases of property, plant and equipment unpaid at period end	\$ 637	\$ 5,511

SOURCE: Emergent BioSolutions Inc.

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