



Emergent BioSolutions Reports Financial Results for Third Quarter and First Nine Months of 2010

November 4, 2010

- **3Q and nine month 2010 revenues of \$74.0 and \$182.9 million, respectively**
- **3Q and nine month net income of \$13.1 million or \$0.42 per share, and \$25.5 million or \$0.82 per share, respectively**
- **September 30, 2010 cash and accounts receivable balance of \$159.2 million, including \$151.2 million of cash and \$7.9 million of accounts receivable**
- **2010 forecast reaffirmed: total revenues of \$275 to \$300 million and net income of \$40 to \$50 million**

ROCKVILLE, Md., Nov 04, 2010 (BUSINESS WIRE) -- Emergent BioSolutions Inc. (NYSE: EBS) announced today its financial results for the third quarter and nine months ended September 30, 2010.

Total revenues for the third quarter and first nine months of 2010 were \$74.0 million and \$182.9 million, respectively. Net income for the third quarter and first nine months of 2010 was \$13.1 million, or \$0.42 per basic share, and \$25.5 million, or \$0.82 per basic share, respectively. The third quarter 2010 performance was primarily driven by increased sales of BioThrax^(R) (Anthrax Vaccine Adsorbed) based on scheduled deliveries to the Strategic National Stockpile and increased contracts and grants revenues resulting from development programs for certain vaccine candidates that are reimbursed under U.S. government development contracts and grants.

R. Don Elsey, chief financial officer of Emergent BioSolutions, stated, "With our financial performance for the third quarter and first nine months of 2010 we remain on track to end the year within the range of our revenue and net income guidance. We continue to experience high production yields related to BioThrax^(R) manufacturing out of Building 12 and we expect to deliver significant quantities of the anthrax vaccine into the SNS during the fourth quarter of 2010. In addition, we are pleased that we closed on the Trubion Pharmaceuticals acquisition and are already integrating the Seattle operations."

3Q and First Nine Months of 2010 Key Financial Results

Product Sales

For 3Q 2010, product sales were \$67.3 million, an increase of \$28.3 million, or 72 percent, from \$39.0 million in 3Q 2009, primarily due to a 46 percent increase in the number of doses of BioThrax^(R) delivered coupled with an 18 percent increase in the sales price per dose. Product sales revenues in 3Q 2010 consisted of BioThrax^(R) sales to HHS of \$67.2 million and aggregate other sales of \$39,000.

For the nine month period of 2010, product sales were \$162.0 million, a decrease of \$8.0 million, or 5 percent, from \$170.0 million in the comparable period of 2009, primarily due to a 2 percent decrease in the number of doses delivered along with payments from HHS of approximately \$34.0 million related to the approval of four-year expiry dating for BioThrax^(R) in 2009. This decrease was partially offset by a 22 percent increase in the sales price per dose. Product sales revenues for the nine month period of 2010 consisted of BioThrax^(R) sales to HHS of \$159.6 million and aggregate international and other sales of \$2.4 million.

Contracts and Grants Revenues

For 3Q 2010, contracts and grants revenue was \$6.7 million, an increase of \$2.5 million, or 57 percent, from \$4.3 million in 3Q 2009. For the nine month period of 2010, contracts and grants revenue was \$20.9 million, an increase of \$10.0 million, or 91 percent, from \$11.0 million in the comparable period of 2009. Contracts and grants revenue for 3Q 2010 and the nine month period of 2010 primarily consisted of development contract revenue from NIAID and BARDA.

Cost of Product Sales

For 3Q 2010, cost of product sales was \$11.5 million, an increase of \$2.8 million, or 33 percent, from \$8.7 million in 3Q 2009. This increase was attributable to the 46 percent increase in BioThrax^(R) doses sold, partially offset by a decrease in cost per dose sold associated with increased production yield in the period during which the doses sold were produced.

For the nine month period of 2010, cost of product sales was \$30.1 million, a decrease of \$4.4 million, or 13 percent, from \$34.5 million in the comparable period of 2009. This decrease was primarily attributable to a decrease in the cost per dose sold associated with increased production yield in the period in which the doses were produced.

Research and Development

For 3Q 2010, research and development expenses were \$21.2 million, an increase of \$2.4 million, or 13 percent, from \$18.8 million in 3Q 2009. This increase reflects higher contract service costs, and includes increased expenses of \$0.5 million on product candidates associated with our biodefense programs, which are primarily product candidates within our anthrax franchise, and increased expenses of \$2.0 million in other research and

development, which are in support of technology platforms and central R&D activities, partially offset by decreased expenses of \$0.1 million related to our commercial product candidates.

For the nine month period of 2010, research and development expenses were \$59.7 million, an increase of \$4.3 million, or 8 percent, from \$55.4 million in the comparable period of 2009. This increase reflects higher contract service costs, and includes increased expenses of \$6.3 million on product candidates associated with our biodefense programs, which are product candidates within our anthrax franchise, and increased expenses of \$3.6 million in other research and development, which are in support of technology platforms and central R&D activities, partially offset by decreased expenses of \$5.6 million related to our commercial product candidates.

Selling, General and Administrative

For 3Q 2010, selling, general and administrative expenses were \$20.7 million, an increase of \$0.9 million, or 5 percent, from \$19.8 million in 3Q 2009. This increase is primarily due to increased personnel and professional services to support the business, partially offset by lower legal service costs.

For the nine month period of 2010, general and administrative expenses were \$54.5 million, a decrease of \$0.6 million, or 2 percent, from \$55.1 million in the comparable period of 2009. This decrease is primarily due to a decrease of \$2.8 million in the impairment charges associated with our Frederick, Maryland facilities, partially offset by increased personnel and professional services to support the business.

Financial Condition and Liquidity

Cash and cash equivalents at September 30, 2010 was \$151.2 million compared to \$102.9 million at December 31, 2009. Additionally, at September 30, 2010, the accounts receivable balance was \$7.9 million, which is comprised primarily of unpaid amounts due related to shipments of BioThrax^(R) received and accepted by the US government in the third quarter of 2010.

2010 Forecast

For 2010, the Company is reaffirming its financial forecast of total revenues of \$275 to \$300 million and net income of \$40 to \$50 million.

Conference Call and Webcast

Company management will host a conference call at 5:00 pm Eastern on November 4, 2010 to discuss the financial results for the third quarter and first nine months of 2010, recent business developments and the forecast for 2010. The conference call will be accessible by dialing **888/713-4211** or **617/213-4864** (international) and providing passcode **50859780**. A webcast of the conference call will be accessible from the Company's website at www.emergentbiosolutions.com, under "Investors".

A replay of the conference call will be accessible, approximately one hour following the conclusion of the call, by dialing 888/286-8010 or 617/801-6888 and using the passcode 97521313. The replay will be available through November 18. The webcast will be archived on the company's website, www.emergentbiosolutions.com, under "Investors".

About Emergent BioSolutions Inc.

Emergent BioSolutions Inc. is a global biopharmaceutical company focused on the development, manufacture and commercialization of vaccines and antibody therapies that assist the body's immune system to prevent or treat disease. Emergent's marketed and investigational products target infectious diseases, oncology and autoimmune disorders. Additional information may be found at 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 any potential future securities offering, our expected revenue growth and net earnings for 2010, and any other statements containing the words "believes", "expects", "anticipates", "plans", "estimates" and similar expressions, are forward-looking statements. Such statements are based upon the current beliefs and expectations of management that are subject to risks, uncertainties and other important factors that could cause the company's actual results to differ materially from those indicated by such forward-looking statements, including the extent to which our recently-completed acquisition of Trubion Pharmaceuticals, Inc. is complementary to the company or whether anticipated synergies and benefits are realized within expected time periods; appropriations for BioThrax^(R) procurement; our ability to obtain new BioThrax^(R) sales contracts; our plans to pursue label expansions and improvements for BioThrax^(R); our ability to perform under our development contract with the U.S. government for our recombinant protective antigen anthrax vaccine product candidate; our plans to expand our manufacturing facilities and capabilities, including our ability to develop and obtain regulatory approval for large-scale manufacturing of BioThrax^(R) in our large-scale vaccine manufacturing facility in Lansing, Michigan; the rate and degree of market acceptance and clinical utility of our products; the success of 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 other product candidates; our commercialization, marketing and manufacturing capabilities and strategy; our estimates regarding expenses, future revenue, capital requirements and needs for additional financing; and other factors identified in the company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 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.

Financial Statements Follow

Emergent BioSolutions Inc. and Subsidiaries

Consolidated Balance Sheets

(in thousands, except share and per share data)

September 30,	December 31,
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	2010	2009
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 151,229	\$ 102,924
Restricted cash	215	215
Accounts receivable	7,937	54,872
Inventories	17,320	13,521
Note receivable	10,000	10,000
Deferred tax assets, net	2,239	1,870
Income tax receivable, net	13,206	2,574
Prepaid expenses and other current assets	8,690	7,838
Total current assets	210,836	193,814
Property, plant and equipment, net	141,257	131,834
Assets held for sale	12,930	13,960
Deferred tax assets, net	86	3,894
Other assets	1,128	1,187
Total assets	\$ 366,237	\$ 344,689
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 22,518	\$ 17,159
Accrued expenses and other current liabilities	1,300	1,570
Accrued compensation	13,749	14,926
Indebtedness under line of credit	-	15,000
Long-term indebtedness, current portion	12,038	5,791
Deferred revenue	253	255
Total current liabilities	49,858	54,701
Long-term indebtedness, net of current portion	36,225	44,927
Other liabilities	1,160	1,246
Total liabilities	87,243	100,874
Commitments and contingencies	-	-
Stockholders' equity:		
Preferred stock, \$0.001 par value; 15,000,000 shares authorized, 0 shares issued and outstanding at June 30, 2010 and December 31, 2009, respectively	-	-
Common stock, \$0.001 par value; 100,000,000 shares authorized, 31,350,209 and 30,831,360 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively	31	31
Additional paid-in capital	130,832	120,492
Accumulated other comprehensive loss	(2,173)	(1,476)
Retained earnings	147,602	122,152
Total Emergent BioSolutions Inc. stockholders' equity	276,292	241,199
Noncontrolling interest in subsidiary	2,702	2,616
Total stockholders' equity	278,994	243,815
Total liabilities and stockholders' equity	\$ 366,237	\$ 344,689

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

	Three Months Ended	
	September 30,	
	2010	2009
	(Unaudited)	
Revenues:		
Product sales	\$ 67,266	\$ 39,004
Contracts and grants	6,720	4,268
Total revenues	73,986	43,272
Operating expenses:		
Cost of product sales	11,532	8,684
Research and development	21,156	18,772
Selling, general and administrative	20,693	19,767
Income (loss) from operations	20,605	(3,951)
Other income (expense):		
Interest income	38	426
Interest expense	-	(4)

Other income (expense), net	(1,003)	6
Total other income (expense)	(965)	428
Income (loss) before provision for (benefit from) income taxes	19,640	(3,523)
Provision for (benefit from) income taxes	7,696	(2,984)
Net (loss) income	11,944	(539)
Net loss attributable to noncontrolling interest	1,176	1,488
Net income attributable to Emergent BioSolutions Inc.	\$ 13,120	\$ 949
Earnings per share - basic	\$ 0.42	\$ 0.03
Earnings per share - diluted	\$ 0.41	\$ 0.03
Weighted-average number of shares - basic	31,302	30,507
Weighted-average number of shares - diluted	32,113	31,535

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

Nine Months Ended
September 30,
2010 2009
(Unaudited)

Revenues:		
Product sales	\$ 161,991	\$ 170,012
Contracts and grants	20,933	10,970
Total revenues	182,924	180,982
Operating expenses:		
Cost of product sales	30,116	34,480
Research and development	59,680	55,362
Selling, general and administrative	54,534	55,115
Income from operations	38,594	36,025
Other income (expense):		
Interest income	802	1,031
Interest expense	-	(14)
Other income (expense), net	(1,012)	(28)
Total other income (expense)	(210)	989
Income before provision for income taxes	38,384	37,014
Provision for income taxes	15,088	14,130
Net income	23,296	22,884
Net loss attributable to noncontrolling interest	2,155	4,026
Net income attributable to Emergent BioSolutions Inc.	\$ 25,451	\$ 26,910
Earnings per share - basic	\$ 0.82	\$ 0.89
Earnings per share - diluted	\$ 0.80	\$ 0.86
Weighted-average number of shares - basic	31,095	30,322
Weighted-average number of shares - diluted	31,817	31,314

Emergent BioSolutions Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)

Nine Months Ended
September 30,
2010 2009
(Unaudited)

Cash flows from operating activities:		
Net income	\$ 23,296	\$ 22,884
Adjustments to reconcile to net cash provided by (used in) operating activities:		
Stock-based compensation expense	5,206	3,645
Depreciation and amortization	4,020	3,677
Deferred income taxes	4,516	7,236
Non-cash development expenses from joint venture	2,241	6,026
(Gain) Loss on disposal of property and equipment	(31)	32
Provision for impairment of long-lived assets	1,029	3,818
Excess tax benefits from stock-based compensation	(1,077)	(1,555)
Changes in operating assets and liabilities:		

Accounts receivable	46,935	(858)
Inventories	(3,799)	5,156
Income taxes	(10,632)	(2,461)
Prepaid expenses and other assets	(794)	(1,031)
Accounts payable	5,990	4,372
Accrued compensation	(1,177)	2,783
Accrued expenses and other liabilities	(356)	51
Deferred revenue	(2)	23
Net cash provided by operating activities	75,365	53,798
Cash flows from investing activities:		
Purchases of property, plant and equipment	(14,042)	(14,376)
Net cash used in investing activities	(14,042)	(14,376)
Cash flows from financing activities:		
Proceeds from borrowings on line of credit	15,000	30,000
Principal payments on long-term indebtedness and line of credit	(32,454)	(47,596)
Issuance of common stock subject to exercise of stock options	4,056	4,193
Excess tax benefits from stock-based compensation	1,077	1,555
Net cash used in financing activities	(12,321)	(11,848)
Effect of exchange rate changes on cash and cash equivalents	(697)	(270)
Net increase (decrease) in cash and cash equivalents	48,305	27,304
Cash and cash equivalents at beginning of period	102,924	91,473
Cash and cash equivalents at end of period	\$ 151,229	\$ 118,777

SOURCE: Emergent BioSolutions Inc.

Emergent BioSolutions Inc.

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