



Emergent BioSolutions Reports Financial Results for Third Quarter 2007

November 2, 2007

-- Raises full year 2007 revenue guidance to reflect annual growth of 16 to 18 percent -- On track to deliver up to 6 million doses under new contract with HHS by year end

ROCKVILLE, Md., Nov 02, 2007 (BUSINESS WIRE) -- Emergent BioSolutions Inc. (NYSE: EBS) announced today its financial results for the third quarter ended September 30, 2007. In addition, the company is raising its 2007 revenue guidance to now anticipate full year total revenue growth of between 16 percent to 18 percent. The Company continues to anticipate positive full year net earnings.

Total revenues for the third quarter of 2007 grew by \$1.5 million to \$43.6 million and for the nine months ended September 30, 2007 grew by \$27.4 million to \$93.3 million. The company also announced net income for the third quarter of 2007 of \$2.8 million, or \$0.10 per share. For the nine months ended September 30, 2007, the company announced a net loss of \$4.8 million, or \$0.17 per share.

Commenting on the financial results, R. Don Elsey, the company's senior vice president and chief financial officer, said, "Based on the strength of our revenues and the new multi-year contract with HHS, we have revised upward our expectations for annual revenue growth for 2007. We continue to push forward the development of our product pipeline, while maintaining a commitment to sustain our trend of annual profitability."

3Q 2007 Highlights

The company's achievements during the third quarter of 2007 included:

- Signing of a \$448 million three-year contract with the U.S. Department of Health and Human Services (HHS) comprised of:
- \$400 million firm fixed-price for delivery of 18.75 million doses of BioThrax for inclusion in the strategic national stockpile (SNS);
- \$34 million for receipt of regulatory approval of 4-year expiry dating for BioThrax payable through a combination of a lump-sum payment reflecting a price per dose increase for certain doses delivered prior to approval and an increase in the per dose price to be paid for doses delivered following approval;
- up to \$11.5 million in milestone payments in connection with advancement towards a post-exposure prophylaxis (PEP) indication for BioThrax; and,
- \$2.2 million for logistics services and other related support.
- Completion of first delivery of doses of BioThrax to HHS under the new contract, which generated revenues of \$42 million; and
- Receipt of a \$9.5 million development contract from NIAID/BARDA to fund continued development of the company's anthrax therapeutic.

Product Sales

For the third quarter of 2007, product sales increased by \$931,000 to \$41.8 million from \$40.9 million in the comparable period in 2006, primarily due to a 43 percent increase in the number of doses of BioThrax delivered, offset by a 29 percent decrease in the average sales price per dose attributable to a discounted price provided to HHS due to the limited remaining shelf life for those specific doses delivered. This discount will apply to some portion of the doses remaining to be sold and delivered to HHS during 2007. We do not expect this discount to apply to any other doses to be sold and delivered to HHS under the contract.

For the nine month period of 2007, product sales increased by \$28.5 million to \$89.8 million from \$61.3 million in the comparable period in 2006, primarily due to a 76 percent increase in the number of doses of BioThrax delivered, offset by a 17 percent decrease in the average price per dose attributable to factors as explained above. Product sales for the nine month period of 2007 consisted of BioThrax sales to HHS of \$63.5 million and sales to the DoD of \$26.2 million.

Contracts and Grant Revenues

For the third quarter of 2007, contracts and grant revenues increased by \$539,000 to \$1.9 million from \$1.3 million in the comparable period in 2006. Contracts and grant revenues for the third quarter of 2007 consisted of \$545,000 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, grant revenue from the U.S. National Institutes of Health (NIH) of \$893,000 and grant revenue from the Wellcome Trust of \$423,000.

For the nine month period of 2007, contracts and grant revenues decreased by \$1.1 million to \$3.5 million from \$4.6 million in the comparable period in 2006. Contracts and grant revenues for the nine month period of 2007 consisted of \$2.2 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, grant revenue from NIH of \$893,000 and grant revenue from the Wellcome Trust of \$423,000.

Cost of Product Sales

For the third quarter of 2007, cost of product sales increased by \$4.1 million to \$11.4 million from \$7.3 million for the comparable period in 2006. For the nine month period of 2007, cost of product sales increased by \$11.1 million to \$22.8 million from \$11.6 million for the comparable period in 2006. The increase for both the third quarter and nine month period of 2007 was primarily attributable to the increase in the number of BioThrax doses delivered, coupled with increased costs associated with the company's annual production shut-down, the related impact on production yield and the write-off of waste during the period.

Research and Development

For the third quarter of 2007, research and development expenses decreased by \$768,000 to \$12.8 million from \$13.5 million for the comparable period in 2006. This reflects decreased expenses of \$2.4 million in the biodefense segment, increased expenses of \$1.5 million in the commercial segment, and increased expenses of \$186,000 in other research and development expense.

For the nine month period of 2007, research and development expenses increased by \$12.4 million to \$41.7 million from \$29.2 million for the comparable period in 2006. This increase reflects increased expenses of \$6.7 million in the biodefense segment, \$4.7 million in the commercial segment and approximately \$977,000 in other research and development expense.

Selling, General and Administrative

For the third quarter of 2007, selling, general and administrative expenses increased by \$3.9 million to \$15.0 million from \$11.2 million for the comparable period in 2006. SG&A expenses related to the biodefense segment increased by \$2.7 million, while SG&A expenses related to the commercial segment increased by \$1.2 million.

For the nine month period of 2007, selling, general and administrative expenses increased by \$8.5 million to \$38.9 million from \$30.4 million for the comparable period in 2006. SG&A expenses related to the biodefense segment increased by \$5.5 million, while SG&A expenses related to the commercial segment increased by \$3.1 million.

The increase for the third quarter and nine month period of 2007 in both segments was primarily attributable to an increase in general and administrative expenses resulting from the addition of personnel related to the company's transition to a publicly traded company and increased legal and other professional services for the company's headquarters organization.

Financial Condition and Liquidity

Cash and cash equivalents at September 30, 2007 was \$24.3 million versus \$76.4 million at December 31, 2006. The net decrease in cash and cash equivalents resulted primarily from capital expenditures and cash used in operations, including research and development expenses and the payment of 2006 income taxes. In addition, accounts receivable at September 30, 2007 was \$42.0 million, representing amounts billed for doses sold and delivered to HHS in September under the new contract.

Conference Call & Webcast

Company management will host a conference call at 9:00 am Eastern on November 2, 2007 to discuss these financial results and the revision of 2007 financial guidance. Interested parties may participate in the live teleconference by dialing 888/713-4218 or 617/213-4870 or via a webcast accessible at www.emergentbiosolutions.com, under "Investors". A replay of the teleconference will be available on the company website or by dialing 888/286-8010 or 617/801-6888 and using the passcode 57520280, approximately one hour after the teleconference concludes. The replay will be available through November 16.

About Emergent BioSolutions Inc.

Emergent BioSolutions Inc. is a 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 biodefense business focuses on immunobiotics for use against biological agents that are potential weapons of bioterrorism and biowarfare. 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. Our commercial business focuses on immunobiotics for use against infectious diseases and other medical conditions that have resulted in significant unmet or underserved public health needs. More information on the company is available 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 our expected revenue growth and net earnings for 2007, 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 Quarterly Report on Form 10-Q for the quarter ended September 30, 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
September 30,

2007 2006

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Revenues:		
Product sales	\$41,786	\$40,855
Contracts and grants	1,858	1,319
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Total revenues	43,644	42,174
Operating expense:		
Cost of product sales	11,407	7,275
Research and development	12,777	13,544
Selling, general and administrative	15,038	11,157
Purchased in-process research and development	-	477
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Operating income	4,422	9,721
Other income (expense):		
Interest income	472	79
Interest expense	(7)	(546)
Other income (expense), net	(14)	167
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Total other income (expense)	451	(300)
Income before provision for income taxes	4,873	9,421
Provision for income taxes	2,028	5,067
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Net income	\$ 2,845	\$ 4,354
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Earnings per share -- basic	\$ 0.10	\$ 0.19
Earnings per share -- diluted	\$ 0.10	\$ 0.18
Weighted-average number of shares -- basic	29,740	22,390
Weighted-average number of shares -- diluted	29,901	23,705

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

	Nine months ended September 30,	
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	2007	2006
	-----	-----
Revenues:		
Product sales	\$ 89,750	\$61,263
Contracts and grants	3,528	4,580
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Total revenues	93,278	65,843
Operating expense:		
Cost of product sales	22,765	11,645
Research and development	41,689	29,240
Selling, general and administrative	38,889	30,352
Purchased in-process research and development	-	477
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Loss from operations	(10,065)	(5,871)
Other income (expense):		
Interest income	1,945	405

Interest expense	(54)	(778)
Other income, net	164	291
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Total other income (expense)	2,055	(82)
Loss before benefit from income taxes	(8,010)	(5,953)
Benefit from income taxes	(3,205)	(2,617)
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Net loss	\$ (4,805)	\$(3,336)
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Net loss per share -- basic	\$ (0.17)	\$ (0.15)
Net loss per share -- diluted	\$ (0.17)	\$ (0.15)
Weighted-average number of shares -- basic	28,741	22,370
Weighted-average number of shares -- diluted	28,741	22,370

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

	September 30, 2007	December 31, 2006
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ASSETS		
Current assets:		
Cash and cash equivalents	\$ 24,266	\$ 76,418
Accounts receivable	42,013	43,331
Inventories	25,623	24,721
Income taxes receivable	12,986	869
Deferred tax assets	-	295
Prepaid expenses and other current assets	2,475	1,703
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Total current assets	107,363	147,337
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Property, plant and equipment, net	103,479	78,174
Deferred tax assets, net of current	9,305	11,477
Restricted cash	5,192	192
Other assets	1,412	1,075
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Total assets	\$226,751	\$238,255
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LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 19,383	\$ 27,366
Accrued expenses and other current liabilities	4,055	3,253
Accrued compensation	7,616	7,190
Indebtedness under lines of credit	-	8,930
Long-term indebtedness, current portion	3,485	2,473
Income taxes payable	-	13,703
Deferred tax liability	243	-
Deferred revenue, current portion	729	1,432
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Total current liabilities	35,511	64,347
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Long-term indebtedness, net of current portion	43,488	31,368
Deferred revenue, net of current portion	2,685	2,997
Other liabilities	1,574	1,071
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Total liabilities	83,258	99,783
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Stockholders' equity:		

Preferred Stock \$0.001 par value; 15,000,000 authorized, 0 shares issued and outstanding at September 30, 2007 and December 31, 2006	-	-
Common Stock, \$0.001 par value; 100,000,000 shares authorized; 29,750,237 and 27,596,249 shares issued and outstanding at September 30, 2007 and December 31, 2006, respectively	30	28
Additional paid-in capital	101,992	90,920
Accumulated other comprehensive loss	(1,117)	(473)
Retained earnings	42,588	47,997
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Total stockholders' equity	143,493	138,472
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Total liabilities and stockholders' equity	\$226,751	\$238,255
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Emergent BioSolutions Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)

	Nine months ended September 30,	
	2007	2006
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Cash flows from operating activities:		
Net loss	\$ (4,805)	\$ (3,336)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Stock-based compensation expense	1,895	442
Depreciation and amortization	3,597	3,265
Deferred income taxes	9,418	933
Excess tax benefits from stock-based compensation	(6,708)	-
Loss on disposal of property and equipment	-	82
Purchased in-process research and development	-	477
Changes in operating assets and liabilities:		
Accounts receivable	1,318	(744)
Inventories	(901)	(11,627)
Income taxes	(25,820)	(4,913)
Prepaid expenses and other assets	(1,109)	(3,653)
Accounts payable	(688)	(475)
Accrued expenses and other liabilities	697	1,442
Accrued compensation	426	(1,279)
Deferred revenue	(1,015)	4,639
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Net cash used in operating activities	(23,695)	(14,747)
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Cash flows from investing activities:		
Purchases of property, plant and equipment	(36,197)	(25,712)
Acquisitions, net of cash received	-	(218)
Restricted cash deposits	(5,000)	(190)
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Net cash used in investing activities	(41,197)	(26,120)
	-----	-----
Cash flows from financing activities:		
Proceeds from borrowings on long term indebtedness and lines of credit	15,333	35,853
Issuance of common stock subject to exercise of stock options	2,474	43
Redemption of Class B common stock	-	(221)
Principal payments on long term indebtedness,		

notes payable to employees, and lines of credit	(11,131)	(11,290)
Excess tax benefits from stock-based compensation	6,708	-
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Net cash provided by financing activities	13,384	24,385
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Effect of exchange rate changes on cash and cash equivalents	(644)	94
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Net decrease in cash and cash equivalents	(52,152)	(16,388)
Cash and cash equivalents at beginning of period	76,418	36,294
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Cash and cash equivalents at end of period	\$ 24,266	\$ 19,906
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Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$ 2,217	\$ 665
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Cash paid during the period for income taxes	\$ 14,329	\$ 1,470
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Supplemental information on non-cash investing and financing activities:		
Purchases of property, plant and equipment unpaid at period end	\$ 7,295	\$ 6,621
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SOURCE: Emergent BioSolutions Inc.

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