



Emergent BioSolutions Reports Financial Results for 2007

March 7, 2008

-- Record revenues of \$182.9 million -- Net income of \$22.9 million or \$0.79 per share; sixth consecutive year of profitability -- Year end cash balance of \$105.7 million -- Financial outlook for 2008 reaffirmed

ROCKVILLE, Md., Mar 07, 2008 (BUSINESS WIRE) -- Emergent BioSolutions Inc. (NYSE: EBS) announced today its financial results for the year ended December 31, 2007.

Total revenues for 2007 grew 20 percent to \$182.9 million from \$152.7 million in 2006 primarily from growth in sales of BioThrax(R) (Anthrax Vaccine Adsorbed). The company also announced net income for 2007 of \$22.9 million, or \$0.79 per share, versus \$22.8 million, or \$0.99 per share, for 2006.

"We are very pleased with our financial results for 2007, having registered a fourth consecutive year of revenue growth and a sixth consecutive year of profitability," said R. Don Elsey, Emergent BioSolutions' chief financial officer. "The strength of our product sales to our U.S. and foreign government customers during 2007 allowed us to continue to reinvest internally generated cash flows into our product development pipeline. Going forward, the set schedule of delivery of doses to HHS under the current contract over the next two years and the resulting annual revenues generated from these deliveries position us well to continue investing in our advanced and follow-on product pipeline, pursue additional markets for BioThrax and make additional investments in our manufacturing and development infrastructure. We will also continue to pursue our strategy of growth through opportunistic acquisition, as we look to build out our product pipeline opportunities."

2007 Highlights

The company's achievements during 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 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.
- receipt of a \$9.5 million development contract from NIAID to fund continued development of the company's anthrax immune globulin therapeutic candidate;
- delivery of 1.1 million doses of BioThrax to the DoD under an existing delivery obligation;
- delivery of a total of 7.5 million doses of BioThrax to HHS, of which over 6 million were under the new contract signed in September 2007;
- filing of an Investigational New Drug Application (IND) with FDA for a Phase I clinical trial to evaluate the safety and pharmacokinetics of the company's anthrax immune globulin therapeutic candidate;
- completion of a randomized, placebo-controlled, blinded Phase II clinical study for the company's single-dose, drinkable typhoid vaccine candidate in Vietnam, in which the candidate was highly immunogenic and well-tolerated with an acceptable safety profile in the population studied; and
- signing of a \$30 million loan agreement with HSBC used to fund the continued expansion of the company's manufacturing facilities in Lansing, Michigan, replacing an existing \$15 million HSBC credit facility.

Product Sales

For 2007, product sales increased by \$21.8 million, or 15 percent, to \$169.8 million from \$148.0 million in 2006, primarily due to a 41 percent increase in the number of doses of BioThrax delivered, offset by a 19 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 a specific subset of doses delivered. This discount will not apply to any other doses to be sold and delivered to HHS under the current multi-year contract. Product sales for 2007 consisted of BioThrax sales to HHS of \$141.6 million, sales to DoD of \$26.2 million and aggregate international and other sales of \$2.0 million.

Contracts and Grants Revenues

For 2007, contracts and grants revenues increased by \$8.4 million, or 177 percent, to \$13.1 million from \$4.7 million in 2006. Contracts and grants revenues for 2007 consisted of a milestone payment of \$8.8 million from HHS in connection with the company advancing a program to obtain a post-exposure prophylaxis indication for BioThrax, \$3.1 million from the Sanofi Pasteur collaboration, and \$1.2 million in grant revenue from the NIH and the Wellcome Trust.

Cost of Product Sales

For 2007, cost of product sales increased by \$16.2 million, or 67 percent, to \$40.3 million from \$24.1 million for 2006, primarily due to a 41 percent increase in the number of doses of BioThrax 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 year.

Research and Development

For 2007, research and development expenses increased by \$8.5 million, or 19 percent, to \$54.0 million from \$45.5 million for 2006. This increase reflects additional personnel and contract service costs and includes increased expenses of \$6.3 million on product candidates within our product development pipeline, and \$2.2 million in other research and development expenses, which are in support of technology platforms and central research and development activities.

Selling, General and Administrative

For 2007, selling, general and administrative expenses increased by \$11.0 million, or 25 percent, to \$55.6 million from \$44.6 million for 2006. This increase is primarily attributable to an increase of approximately \$9.0 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 \$2.0 million in sales and marketing expenses related to the growth of staff and an increase in our selling and marketing activities.

Financial Condition and Liquidity

Cash and cash equivalents at December 31, 2007 was \$105.7 million versus \$76.4 million at December 31, 2006. The net increase in cash and cash equivalents resulted primarily from net cash provided by operating activities of \$54.8 million and net cash provided by financing activities of \$18.5 million, offset by net cash used in investing activities of \$44.0 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 March 7, 2008 to discuss these financial results, recent business developments and the outlook for 2008. The conference call will be webcast and can be accessed from the Investor Relations section of the Company's website at www.emergentbiosolutions.com, under "Investors". Participants can also access the call by dialing 888.679.8040 or 617.213.4851 (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:

www.theconferencingservice.com/prereg/key.process?key=P3QNB6NDY

The conference call, replay and webcast will be open to all interested parties.

A replay of the teleconference 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 97315959. The replay will be available through March 21. In addition, the webcast will be archived on the company's website, 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.

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 December 31,

	2007	2006
Revenues:		
Product sales	\$ 80,049	\$ 86,732
Contracts and grants	9,588	157
Total revenues	89,637	86,889
Operating expense:		
Cost of product sales	17,544	12,480
Research and development	12,269	16,261
Selling, general and administrative	16,665	14,248
Operating income	43,159	43,900
Other income (expense):		
Interest income	864	441
Interest expense	(17)	(374)
Other income (expense), net	(8)	1
Total other income (expense)	839	68
Income before provision for income taxes	43,998	43,967
Provision for income taxes	16,256	17,839
Net income	\$ 27,742	\$ 26,129
Earnings per share -- basic	\$ 0.93	\$ 1.04
Earnings per share -- diluted	\$ 0.93	\$ 0.99
Weighted-average number of shares -- basic	29,750	25,027
Weighted-average number of shares -- diluted	29,914	26,496

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

	Year ended December 31,	
	2007	2006
Revenues:		
Product sales	\$ 169,799	\$ 147,995
Contracts and grants	13,116	4,737
Total revenues	182,915	152,732
Operating expense:		
Cost of product sales	40,309	24,125
Research and development	53,958	45,501
Selling, general and administrative	55,555	44,601
Purchased in-process research and development	-	477

Income from operations	33,093	38,028
Other income (expense):		
Interest income	2,809	846
Interest expense	(71)	(1,152)
Other income, net	156	293
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Total other income (expense)	2,894	(13)
Income before provision for income taxes	35,987	38,015
Provision for income taxes	13,051	15,222
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Net income	\$ 22,936	\$ 22,793
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Earnings per share -- basic	\$ 0.79	\$ 0.99
Earnings per share -- diluted	\$ 0.77	\$ 0.93
Weighted-average number of shares -- basic	28,996	23,040
Weighted-average number of shares -- diluted	29,663	24,567

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

	December 31, 2007	December 31, 2006
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ASSETS		
Current assets:		
Cash and cash equivalents	\$105,730	\$ 76,418
Accounts receivable	18,817	43,331
Inventories	16,897	24,721
Income taxes receivable	-	869
Deferred tax assets	-	295
Prepaid expenses and other current assets	2,866	1,703
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Total current assets	144,310	147,337
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Property, plant and equipment, net	110,218	78,174
Deferred tax assets, net of current	12,397	11,477
Restricted cash	5,200	192
Other assets	1,383	1,075
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Total assets	\$273,508	\$238,255
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LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 17,979	\$ 27,366
Accrued expenses and other current liabilities	4,056	3,270
Accrued compensation	9,502	7,190
Indebtedness under lines of credit	11,832	8,930
Long-term indebtedness, current portion	3,514	2,456
Income taxes payable	7,665	13,703
Deferred tax liabilities	211	-
Deferred revenue, current portion	902	1,432
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Total current liabilities	55,661	64,347

Long-term indebtedness, net of current portion	42,588	31,368
Deferred revenue, net of current portion	2,473	2,997
Other liabilities	1,627	1,071
Total liabilities	102,349	99,783
Stockholders' equity:		
Preferred Stock \$0.001 par value; 15,000,000 shares authorized, 0 shares issued and outstanding at December 31, 2007 and December 31, 2006, respectively	-	-
Common Stock, \$0.001 par value; 100,000,000 shares authorized; 29,750,237 and 27,596,249 shares issued and outstanding at December 31, 2007 and December 31, 2006, respectively	30	28
Additional paid-in capital	101,933	90,920
Accumulated other comprehensive loss	(1,130)	(473)
Retained earnings	70,326	47,997
Total stockholders' equity	171,159	138,472
Total liabilities and stockholders' equity	\$273,508	\$238,255

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

	Year ended December 31,	
	2007	2006
Cash flows from operating activities:		
Net income	\$ 22,936	\$ 22,793
Adjustments to reconcile net income to net cash provided by (used in) operating activities (net of effects of acquisitions):		
Stock-based compensation expense	2,541	723
Depreciation and amortization	4,817	4,715
Deferred income taxes	5,589	987
Loss on disposal of property and equipment	24	27
Purchased in-process research and development	-	477
Excess tax benefits from stock-based compensation	(6,003)	(789)
Changes in operating assets and liabilities:		
Accounts receivable	24,514	(40,801)
Inventories	7,825	(8,280)
Income taxes	(5,169)	11,463
Prepaid expenses and other assets	(1,316)	(792)
Accounts payable	(2,303)	5,801
Accrued compensation	2,312	1,013
Accrued expenses and other liabilities	734	1,513
Deferred revenue	(1,054)	(2,911)
Net cash provided by (used in) operating activities	55,447	(4,061)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(43,969)	(41,228)

Acquisitions, net of cash received	-	(218)
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Net cash used in investing activities	(43,969)	(41,446)
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Cash flows from financing activities:		
Restricted cash deposits	(5,008)	(192)
Proceeds from borrowings on long term indebtedness and lines of credit	33,195	32,430
Issuance of common stock in initial public offering (net of issuance cost)	-	54,229
Issuance of common stock subject to exercise of stock options	2,471	590
Redemption of Class B common stock	-	(192)
Principal payments on long term indebtedness, notes payable to employees and lines of credit	(18,015)	(1,569)
Excess tax benefits from stock-based compensation	6,003	789
Debt issuance costs	(155)	(257)
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Net cash provided by financing activities	18,491	85,828
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Effect of exchange rate changes on cash and cash equivalents	(657)	(197)
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Net increase in cash and cash equivalents	29,312	40,124
Cash and cash equivalents at beginning of year	76,418	36,294
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Cash and cash equivalents at end of year	\$105,730	\$ 76,418
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Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 3,094	\$ 1,681
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Cash paid during the year for income taxes	\$ 14,329	\$ 2,788
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Supplemental information on non-cash investing and financing activities:		
Purchases of property, plant and equipment unpaid at year end	\$ 7,084	\$ 11,140
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SOURCE: Emergent BioSolutions Inc.

Emergent BioSolutions Inc.

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