



Emergent BioSolutions Reports Financial Results for Full Year 2008

March 5, 2009

- **2008 total revenues of \$178.6 million and net income of \$20.7 million, or \$0.69 per share, representing seventh consecutive year of profitability**
- **December 31, 2008 cash and cash equivalents of \$91.5 million**
- **2009 financial guidance, excluding potential contribution of rPA contract with HHS, anticipates revenue growth of 25% to 35% to approximately \$225 to \$240 million and net income in excess of \$20 million**

ROCKVILLE, Md.--(BUSINESS WIRE)--Mar. 5, 2009-- Emergent BioSolutions Inc. (NYSE:EBS) announced today its financial results for the fourth quarter and full year ended December 31, 2008.

For the full year 2008, total revenues were \$178.6 million, in line with the anticipated \$179 million as announced earlier this year, and net income was \$20.7 million, or \$0.69 per share, which was above the anticipated \$18 to \$20 million announced earlier this year. The 2008 performance was primarily driven by sales of BioThrax[®] (Anthrax Vaccine Adsorbed), the company's FDA licensed vaccine for the prevention of anthrax, offset somewhat by a lower level of contracts and grants revenue. For the full year 2007, total revenues were \$182.9 million and net income was \$22.9 million, or \$0.79 per share.

For the fourth quarter 2008, total revenues were \$35.8 million as compared to \$89.6 million in 2007, and net income was \$1.5 million, or \$0.05 per share, as compared to net income of \$27.7 million, or \$0.93 per share in 2007.

R. Don Elsey, chief financial officer of Emergent BioSolutions, stated, "Our net income for 2008 exceeded the \$18 to \$20 million we projected on January 9, 2009. Importantly, our total revenues for 2008 were impacted by the three BioThrax[®] lots, representing over \$12 million of additional product sales, whose delivery to HHS was delayed from the fourth quarter. Such an event is further evidence that our revenues fluctuate quarter to quarter based on the timing of deliveries of BioThrax[®] to HHS. Looking ahead, our business remains strong and we are confident about the prospects for growth in 2009. We currently anticipate 2009 total revenues of \$225 to \$240 million and continued profitability. Additionally, we are optimistic about a substantial rPA development and procurement contract award, expected to exceed \$500 million, after which we would update our 2009 guidance. Finally, and consistent with our strategy for growth, we are actively pursuing acquisition opportunities that would complement our product pipeline."

2008 Key Operational Accomplishments

- Signed a multi-year follow on contract with HHS for 14.5 million additional doses of BioThrax[®] valued at up to \$405 million, providing revenue visibility through 3Q 2011;
- Received FDA approval for a BioThrax[®] license change providing for an IM route of administration and a reduction to a five-dose schedule over 18 months;
- Acquired an advanced recombinant protective antigen (rPA) anthrax vaccine candidate;
- Submitted a proposal in response to the HHS RFP to procure up to 25 million doses of an rPA vaccine for the SNS, for which we are in current negotiations for a contract and are optimistic about an award shortly;
- Acquired an anthrax monoclonal antibody therapeutic candidate;
- Secured up to \$58.5 million of government development contracts and grants to fund future work on selected anthrax and botulism product candidates;
- Formed a joint venture with the University of Oxford to develop an advanced tuberculosis vaccine, with a clinical trial financed primarily by Wellcome Trust and Aeras Global TB Vaccine Foundation;
- Completed a Phase IIa clinical study of Typhella[™], the company's single dose, oral typhoid vaccine candidate, in Vietnam, and reported it was both highly immunogenic and well-tolerated; and
- Initiated a Phase IIb clinical trial of Typhella[™] in healthy patients in the U.S., which is nearing completion.

2008 Key Financial Results

Product Sales

For 2008, product sales were \$169.1 million, a decrease of \$675,000, or less than one percent, as compared to \$169.8 million in 2007. The decrease

was primarily due to a 16 percent decline in the number of doses of BioThrax[®] delivered, offset by an 18 percent increase in the average sales price per dose. Product sales in 2008 consisted of BioThrax[®] sales to HHS of \$167.6 million and aggregate international and other sales of \$1.5 million. Product sales in 2007 consisted of BioThrax[®] sales to HHS of \$141.6 million, sales to the DoD of \$26.2 million and aggregate international and other sales of \$2.0 million.

Contracts and Grants Revenues

For 2008, contracts and grant revenue was \$9.4 million, a decrease of \$3.7 million, or 28 percent, from \$13.1 million in 2007. Contracts and grants revenue for 2008 consisted of \$4.4 million from our meningitis B collaboration with Sanofi Pasteur, a majority of which represents an acceleration of recognition of deferred revenue upon the conclusion of the collaboration, \$3.2 million from NIAID and other governmental agencies, and \$1.8 million from the sale of Pertussis-related technology and materials.

Cost of Product Sales

For 2008, cost of product sales was \$34.1 million, a decrease of \$6.2 million, or 15 percent, from \$40.3 million for 2007. The decrease was attributable to the decline in the number of doses of BioThrax[®] delivered.

Research and Development

For 2008, research and development expenses were \$59.5 million, an increase of \$5.5 million, or 10 percent, from \$54.0 million in 2007. The increase reflects additional personnel and contract service costs, and includes increased expenses of \$1.6 million on product candidates that are categorized in the biodefense segment, \$3.5 million on product candidates categorized in the commercial segment, and \$436,000 in other research and development expenses, which are in support of technology platforms and central research and development activities.

Selling, General and Administrative

For 2008, selling, general and administrative expenses were \$55.1 million, a decrease of \$479,000, or 1 percent, from \$55.6 million in 2007. The decrease was driven by \$2.1 million representing reimbursement from the company's insurance company and an invoice to the U.S. Department of Defense for legal fees associated with now completed product liability litigation, partially offset by an increase of approximately \$1.8 million in our headquarters and staff organization to support the overall growth of our business.

Financial Condition and Liquidity

Cash and cash equivalents at December 31, 2008 was \$91.5 million compared to \$105.7 million at December 31, 2007. The net decrease of \$14.2 million in cash and cash equivalents resulted primarily from net cash provided by operating activities of \$7.6 million and financing activities of \$9.0 million, offset by net cash used in investing activities of \$30.8 million.

2009 Financial Outlook

For 2009, the company is forecasting 25% to 35% growth in total revenue to approximately \$225 to \$240 million. The company also anticipates 2009 net income in excess of \$20 million. Forecasts for both revenue and net income exclude the potential contribution of the pending contract award from HHS related to the development and procurement of an rPA vaccine. The company is optimistic about an award for rPA shortly, upon which the company would update its 2009 guidance.

Current 2009 revenue guidance is expected to be driven by the following:

- the completion of deliveries of BioThrax[®] under the company's 2007 contract with HHS, valued at up to \$448 million, to deliver 18.75 million doses through 3Q 2009;
- the initiation of deliveries of BioThrax[®] under a follow-on, multi-year contract with HHS, valued at up to \$405 million, to deliver 14.5 million doses through 3Q 2011;
- a price premium for BioThrax[®] in the event of FDA approval of the company's pending application for 4-year expiry dating;
- the performance of work in 2009 under existing development contracts with the U.S. government; these multi-year contracts, with an aggregate value of up to \$72 million, support the development of the company's anthrax immune globulin therapeutic, advanced BioThrax[®] vaccine, anthrax monoclonal antibody therapeutic and recombinant botulinum vaccine; and
- additional sales of BioThrax[®] to allied foreign governments.

Conference Call and Webcast

Company management will host a conference call at 5:00 pm Eastern on March 5, 2009 to discuss these financial results, recent business developments and the outlook for 2009. The conference call will be accessible by dialing **888/679-8037** or **617/213-4849** (international) and providing passcode **51068666**. 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 53418383. The replay will be available through March 19. The webcast will be archived on the company's website, www.emergentbiosolutions.com, under "Investors".

About Emergent BioSolutions Inc.

Emergent BioSolutions Inc. is a biopharmaceutical company focused on the development, manufacture and commercialization of vaccines and immune-related therapeutics that assist the body's immune system to prevent or treat disease. Emergent's marketed product, BioThrax[®] (Anthrax Vaccine Adsorbed), is the only vaccine approved by the U.S. Food and Drug Administration for the prevention of anthrax infection. Emergent's development pipeline includes programs focused on anthrax, botulism, typhoid, tuberculosis, hepatitis B and chlamydia. 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, our expected revenue growth and net earnings for 2009, 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 our actual results to differ materially from those indicated by such forward-looking statements, including our ability to obtain new BioThrax[®] 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 other 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, 2008 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)

	Year ended December 31,	
	2008	2007
Revenues:		
Product sales	\$169,124	\$169,799
Contracts and grants	9,430	13,116
Total revenues	178,554	182,915
Operating expense:		
Cost of product sales	34,081	40,309
Research and development	59,470	53,958
Selling, general and administrative	55,076	55,555
Income from operations	29,927	33,093
Other income (expense):		
Interest income	1,999	2,809
Interest expense	(47)	(71)
Other income (expense), net	134	156
Total other income (expense)	2,086	2,894
Minority interest in subsidiary	724	-
Income before provision for income taxes	32,737	35,987
Provision for income taxes	12,055	13,051
Net income	\$ 20,682	\$ 22,936
Earnings per share -- basic	\$ 0.69	\$ 0.79
Earnings per share -- diluted	\$ 0.68	\$ 0.77
Weighted-average number of shares -- basic	29,835	28,996
Weighted-average number of shares -- diluted	30,458	29,663

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

	Three Months Ended December 31,	
	2008	2007
	(unaudited)	
Revenues:		
Product sales	\$ 29,816	\$ 80,049
Contracts and grants	5,934	9,588
Total revenues	35,750	89,637
Operating expense:		
Cost of product sales	6,870	17,544
Research and development	14,162	12,269
Selling, general and administrative	13,864	16,665
Income from operations	854	43,159
Other income (expense):		
Interest income	401	864
Interest expense	(43)	(17)
Other income (expense), net	(47)	(8)
Total other income (expense)	311	839
Minority interest in subsidiary	296	-
Income before provision for income taxes	1,461	43,998
Provision for income taxes	4	16,256
Net income	\$ 1,457	\$ 27,742
Earnings per share -- basic	\$ 0.05	\$ 0.93
Earnings per share -- diluted	\$ 0.05	\$ 0.93
Weighted-average number of shares -- basic	30,006	29,750
Weighted-average number of shares -- diluted	31,375	29,914

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

	December 31, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 91,473	\$ 105,730
Accounts receivable	24,855	18,817
Inventories	19,728	16,897
Note receivable	10,000	-
Prepaid expenses and other current assets	6,623	2,866
Total current assets	152,679	144,310
Property, plant and equipment, net	124,656	110,218
Deferred tax assets, net	12,073	12,397
Restricted cash	208	5,200
Other assets	1,172	1,383

Total assets	\$ 290,788	\$ 273,508
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 18,254	\$ 20,257
Accrued expenses and other current liabilities	1,399	1,778
Accrued compensation	11,380	9,502
Indebtedness under line of credit	15,000	11,832
Long-term indebtedness, current portion	6,248	3,514
Income taxes payable	951	7,665
Deferred tax liabilities, net	557	211
Deferred revenue, current portion	232	902
Total current liabilities	54,021	55,661
Long-term indebtedness, net of current portion	35,935	42,588
Deferred revenue, net of current portion	-	2,473
Other liabilities	1,483	1,627
Total liabilities	91,439	102,349
Commitments and contingencies	-	-
Stockholders' equity:		
Preferred Stock \$0.001 par value; 15,000,000 shares authorized; 0 shares issued and outstanding at December 31, 2008 and December 31, 2007	-	-
Common Stock, \$0.001 par value; 100,000,000 shares authorized; 30,159,546 and 29,750,237 shares issued and outstanding at December 31, 2008 and December 31, 2007, respectively	30	30
Additional paid-in capital	109,170	101,933
Accumulated other comprehensive loss	(859)	(1,130)
Retained earnings	91,008	70,326
Total stockholders' equity	199,349	171,159
Total liabilities and stockholders' equity	\$ 290,788	\$ 273,508

Emergent BioSolutions Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(in thousands)

	Year Ended December 31,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 20,682	\$ 22,936
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Stock-based compensation expense	2,510	2,541
Depreciation and amortization	4,964	4,817
Deferred income taxes	2,006	5,589
Loss (gain) on disposal of property and equipment	(135)	24
Excess tax benefits from stock-based compensation	(1,336)	(6,003)
Changes in operating assets and liabilities:		
Accounts receivable	(6,038)	24,514
Inventories	(2,831)	7,825
Income taxes	(6,714)	(5,169)
Prepaid expenses and other assets	(3,546)	(1,316)
Accounts payable	(457)	(2,303)
Accrued expenses and other liabilities	(523)	734
Accrued compensation	1,878	2,312
Deferred revenue	(3,143)	(1,054)
Net cash provided by operating activities	<u>7,317</u>	<u>55,447</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(20,813)	(43,969)
Issuance of note receivable	(10,000)	-
Net cash used in investing activities	<u>(30,813)</u>	<u>(43,969)</u>
Cash flows from financing activities:		
Restricted cash release (deposit)	4,992	(5,008)

Proceeds from borrowings on long term indebtedness and line of credit	60,000	33,195
Issuance of common stock subject to exercise of stock options	3,391	2,471
Principal payments on long term indebtedness and line of credit	(60,751)	(18,015)
Excess tax benefits from stock-based compensation	1,336	6,003
Debt issuance costs	-	(155)
Net cash provided by financing activities	<u>8,968</u>	<u>18,491</u>
Effect of exchange rate changes on cash and cash equivalents	<u>271</u>	<u>(657)</u>
Net increase (decrease) in cash and cash equivalents	(14,257)	29,312
Cash and cash equivalents at beginning of year	<u>105,730</u>	<u>76,418</u>
Cash and cash equivalents at end of year	<u>\$ 91,473</u>	<u>\$105,730</u>

Supplemental disclosure of cash flow information:

Cash paid during the year for interest	<u>\$ 3,216</u>	<u>\$ 3,094</u>
Cash paid during the year for income taxes	<u>\$ 16,788</u>	<u>\$ 14,329</u>

Supplemental information on non-cash investing and financing activities

Purchases of property, plant and equipment unpaid at year end	<u>\$ 2,510</u>	<u>\$ 4,056</u>
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Source: Emergent BioSolutions Inc.

Emergent BioSolutions Inc.

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