



Emergent BioSolutions Reports Financial Results for Full Year 2009

March 4, 2010

2009 record revenues of \$234.8 million

2009 net income of \$31.1 million, or \$1.02 per share, representing eighth consecutive year of profitability

2009 cash and accounts receivable balance of \$157.8 million, including \$102.9 million of cash and \$54.9 million of accounts receivable

2010 forecast anticipates total revenues of \$235 to \$255 million and net income of \$20 to \$30 million

ROCKVILLE, Md., Mar 04, 2010 (BUSINESS WIRE) -- Emergent BioSolutions Inc. (NYSE: EBS) announced today its financial results for the full year ended December 31, 2009.

For the full year 2009, total revenues were \$234.8 million as compared to \$178.6 million in 2008, and net income was \$31.1 million, or \$1.02 per share, as compared to \$20.7 million, or \$0.69 per share, in 2008. The 2009 performance was primarily driven by sales of BioThrax^(R) (Anthrax Vaccine Adsorbed), the company's FDA licensed vaccine for the prevention of anthrax disease, including \$34.0 million related to the approval of four-year expiry dating for BioThrax^(R).

For the fourth quarter 2009, total revenues were \$53.8 million as compared to \$35.8 million in 2008, and net income was \$4.2 million, or \$0.14 per share, as compared to net income of \$1.5 million, or \$0.05 per share in 2008.

R. Don Elsey, chief financial officer of Emergent BioSolutions, stated, "Our 2009 financial performance reflects our continued success in growing revenue from the sale of BioThrax^(R) under multi-year procurement contracts with the US government while managing our expenditures. We expect to continue these trends in the current year, as evidenced by our forecast for 2010 of total revenues of \$235 to \$255 million and net income of \$20 to \$30 million."

2009 Key Operational Accomplishments

- Received FDA approval extending shelf life of BioThrax^(R) to 4 years, triggering a \$34.0 million payment from HHS;
- Received FDA approval to amend the BioThrax^(R) license, providing for an intramuscular route of administration and a reduction in the dosing schedule to five doses over 18 months--an initiative supported and funded by the U.S. Centers for Disease Control and Prevention (CDC);
- Received market authorization for BioThrax^(R) in India;
- Commenced what we expect will be the only clinical trial of the company's polyclonal anthrax immune globulin (AIG) candidate for treating anthrax disease;
- Obtained Fast Track designation and Orphan Drug status from FDA and Orphan Drug status from EMEA for the company's AIG candidate;
- Secured a NIAID grant to fund development of a third-generation anthrax vaccine candidate, valued at \$4.9 million over a two-year period;
- Initiated a Phase IIb field efficacy trial in South Africa for the Company's advanced TB vaccine candidate, largely funded by The Aeras Global TB Vaccine Foundation and the Wellcome Trust;
- Completed a Phase IIb clinical trial of TyphellaTM which demonstrated additional safety and immunogenicity of this typhoid vaccine product candidate in healthy subjects in the U.S.;
- Purchased a 56,000 square foot manufacturing facility in Baltimore, MD., which houses five independent manufacturing suites flexibly designed to support the production of both clinical and commercial materials for the Company's growing product pipeline, for a total purchase price of \$8.2 million;
- Purchased a 48,000 square foot product development facility in Gaithersburg, MD., that the Company previously leased, for a total purchase price of \$6.4 million;
- Resumed scale-up of BioThrax^(R) in the Company's large-scale manufacturing facility (Building 55) in Lansing, MI.; and
- Submitted a proposal to HHS, in response to a request, for funding the completion of the manufacturing scale-up of BioThrax^(R) in Building 55.

2009 Key Financial Results

Product Sales

For 2009, product sales were \$217.2 million, an increase of \$48.0 million, or 28 percent, from \$169.1 million in 2008, primarily due to payments from HHS of approximately \$34.0 million related to the approval of four-year expiry dating for BioThrax^(R), obtained in June 2009, coupled with an 8 percent increase in doses sold in 2009. Product sales revenues in 2009 consisted of BioThrax^(R) sales to HHS of \$216.4 million and aggregate international and other sales of \$0.7 million.

Contracts and Grants Revenues

For 2009, contracts and grants revenue was \$17.6 million, an increase of \$8.2 million, or 87 percent, from \$9.4 million in 2008. Contracts and grants revenue for 2009 primarily consisted of development contract revenue from NIAID and BARDA.

Cost of Product Sales

For 2009, cost of product sales was \$46.3 million, an increase of \$12.2 million, or 36 percent, from \$34.1 million in 2008. This increase was attributable to the 8 percent increase in BioThrax^(R) doses sold and an increase in the average cost per dose sold associated with reduced production yield in the period during which the doses sold were produced.

Research and Development

For 2009, research and development expenses were \$74.6 million, an increase of \$15.1 million, or 25 percent, from \$59.5 million in 2008. This increase reflects higher contract service costs, and includes increased expenses of \$16.6 million on product candidates in our biodefense programs, primarily BioThrax^(R) extensions and enhancements and our other anthrax-related product candidates, decreased expenses of \$7.1 million related to our commercial product candidates, and increased expenses of \$5.7 million in other research and development, which are in support of technology platforms and central R&D activities.

Selling, General and Administrative

For 2009, selling, general and administrative expenses were \$73.8 million, an increase of \$18.7 million, or 34 percent, from \$55.1 million in 2008. This increase includes approximately \$5.0 million in increased litigation services and other professional services, a \$7.3 million non-cash charge associated with our Frederick, Maryland facilities, and a \$1.4 million non-cash charge associated with acquisitions that were in progress but not completed as of December 31, 2008, as well as increased personnel costs related to the growth of the Company.

Financial Condition and Liquidity

Cash and cash equivalents at December 31, 2009 was \$102.9 million compared to \$91.5 million at December 31, 2008. Additionally, at December 31, 2009, the accounts receivable balance was \$54.9 million, which is comprised primarily of an unpaid balance consists primarily of amounts due related to shipments of BioThrax^(R) received and accepted by the US government in the fourth quarter of 2009.

2010 Forecast

For 2010, the Company is reaffirming its financial forecast of total revenues of \$235 to \$255 million and net income of \$20 to \$30 million.

2010 total revenue is expected to be driven by, among other things:

- the continuation of deliveries of BioThrax^(R) under the current multi-year procurement contract with CDC;
- an increase in the performance of work under development contracts with the U.S. government with respect to the Company's BioThrax^(R) related programs, anthrax immune globulin therapeutic candidate, and anthrax monoclonal antibody candidate;
- additional sales of BioThrax^(R) to allied foreign governments; and
- work performed under an expected development contract with the U.S. government related to the Company's rPA vaccine candidate.

Conference Call and Webcast

Company management will host a conference call at 5:00 pm Eastern on March 4, 2010 to discuss the financial results for the full twelve months of 2009, recent business developments and the forecast for 2010. The conference call will be accessible by dialing **888/680-0893** or **617/213-4859** (international) and providing passcode **15824424**. A webcast of the conference call will be accessible from the Company's website at http://cts.businesswire.com/ct/CT?id=smartlink&url=http%3A%2F%2Fwww.emergentbiosolutions.com%2F&esheet=6202866&lan=en_US&anchor=www.emergentbiosolutions.com&index=1&md5=0b1ba719c11bc719b78a97de85a86ebd, 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 94837956. The replay will be available through March 18. The webcast will be archived on the Company's website, http://cts.businesswire.com/ct/CT?id=smartlink&url=http%3A%2F%2Fwww.emergentbiosolutions.com&esheet=6202866&lan=en_US&anchor=www.emergentbiosolutions.com&index=2&md5=bac29144628c9730926b1d3397a5f379, under "Investors".

About Emergent BioSolutions Inc.

Emergent BioSolutions Inc. is a biopharmaceutical company focused on the development, manufacture and commercialization of vaccines and therapeutics that assist the body's immune system to prevent or treat disease. Emergent's 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. Emergent's product pipeline targets infectious diseases and includes programs focused on anthrax, tuberculosis, typhoid, flu and chlamydia. Additional information may be found at http://cts.businesswire.com/ct/CT?id=smartlink&url=http%3A%2F%2Fwww.emergentbiosolutions.com&esheet=6202866&lan=en_US&

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. 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 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 win a development award with the U.S. government for our recombinant protective antigen anthrax vaccine candidate; our plans to expand our manufacturing facilities and capabilities; 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 September 30, 2009 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 Statements of Operations

(in thousands, except per share data)

	Year Ended December 31,	
	2009	2008
Revenues:		
Product sales	\$217,172	\$169,124
Contracts and grants	17,614	9,430
Total revenues	234,786	178,554
Operating expense:		
Cost of product sales	46,262	34,081
Research and development	74,588	59,470
Selling, general and administrative	73,786	55,076
Income from operations	40,150	29,927
Other income (expense):		
Interest income	1,418	1,999
Interest expense	(7)	(47)
Other income (expense), net	(50)	134
Total other income (expense)	1,361	2,086
Income before provision for income taxes	41,511	32,013
Provision for income taxes	14,966	12,055
Net income	26,545	19,958
Net loss attributable to noncontrolling interest	4,599	724
Net income attributable to Emergent BioSolutions Inc. \$	31,144	\$ 20,682
Earnings per share -- basic	\$ 1.02	\$ 0.69
Earnings per share -- diluted	\$ 0.99	\$ 0.68
Weighted-average number of shares -- basic	30,444	29,835
Weighted-average number of shares -- diluted	31,375	30,458

Emergent BioSolutions Inc. and Subsidiaries

Consolidated Statements of Operations

(in thousands, except per share data)

	Three Months Ended December 31,	
	2009	2008
	(Unaudited)	
Revenues:		
Product sales	\$ 47,160	\$ 29,816
Contracts and grants	6,644	5,934

Total revenues	53,804	35,750
Operating expense:		
Cost of product sales	11,782	6,870
Research and development	19,226	14,162
Selling, general and administrative	18,671	13,864
Income from operations	4,125	854
Other income (expense):		
Interest income	387	401
Interest expense	7	(43)
Other income (expense), net	(22)	(47)
Total other income (expense)	372	311
Income before provision for income taxes	4,497	1,165
Provision for income taxes	836	4
Net income	3,661	1,161
Net loss attributable to noncontrolling interest	573	296
Net income attributable to Emergent BioSolutions Inc.	\$ 4,234	\$ 1,457
Earnings per share -- basic	\$ 0.14	\$ 0.05
Earnings per share -- diluted	\$ 0.13	\$ 0.05
Weighted-average number of shares -- basic	30,808	30,006
Weighted-average number of shares -- diluted	31,555	31,375

Emergent BioSolutions Inc. and Subsidiaries

Consolidated Balance Sheets

(in thousands, except share and per share data)

	December 31, December 31,	
	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 102,924	\$ 91,473
Accounts receivable	54,872	24,855
Inventories	13,521	18,325
Note receivable	10,000	10,000
Deferred tax assets, net	1,870	-
Income tax receivable, net	2,574	-
Restricted cash	215	208
Prepaid expenses and other current assets	7,838	8,026
Total current assets	193,814	152,887
Property, plant and equipment, net	131,834	124,656
Assets held for sale	13,960	-
Deferred tax assets, net	3,894	12,073
Other assets	1,187	1,172
Total assets	\$ 344,689	\$ 290,788
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 17,159	\$ 18,254
Accrued expenses and other current liabilities	1,570	1,399
Accrued compensation	14,926	11,380
Indebtedness under line of credit	15,000	15,000
Long-term indebtedness, current portion	5,791	6,248
Income taxes payable	-	951
Deferred tax liabilities, net	-	557
Deferred revenue	255	232
Total current liabilities	67,094	54,021
Long-term indebtedness, net of current portion	44,927	35,935
Other liabilities	1,246	1,483
Total liabilities	100,874	91,439
Commitments and contingencies	-	-
Stockholders' equity:		
Preferred Stock \$0.001 par value; 15,000,000 shares authorized;		

0 shares issued and outstanding at December 31, 2009 and December 31, 2008, respectively	-	-
Common Stock, \$0.001 par value; 100,000,000 shares authorized; 30,831,360 and 30,159,546 shares issued and outstanding at December 31, 2009 and December 31, 2008, respectively	31	30
Additional paid-in capital	120,492	109,170
Accumulated other comprehensive loss	(1,476)	(859)
Retained earnings	122,152	91,008
Total Emergent BioSolutions Inc. stockholders' equity	241,199	199,349
Noncontrolling interest in subsidiary	2,616	-
Total stockholders' equity	243,815	199,349
Total liabilities and stockholders' equity	\$ 344,689	\$ 290,788

Emergent BioSolutions Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(in thousands)

	Year Ended December 31,	
	2009	2008
Cash flows from operating activities:		
Net income	\$ 26,545	\$ 19,958
Adjustments to reconcile to net cash provided by operating activities:		
Stock-based compensation expense	5,007	2,510
Depreciation and amortization	4,999	4,964
Deferred income taxes	7,604	2,006
Non-cash development expenses from joint venture	7,215	724
Loss (gain) on disposal of property and equipment	61	(135)
Provision for impairment of long-lived assets	7,328	-
Excess tax benefits from stock-based compensation	(1,852)	(1,336)
Changes in operating assets and liabilities:		
Accounts receivable	(30,017)	(6,038)
Inventories	6,207	(1,428)
Income taxes	(3,525)	(6,714)
Prepaid expenses and other assets	(1,230)	(4,949)
Accounts payable	(1,334)	(457)
Accrued expenses and other liabilities	(66)	(523)
Accrued compensation	3,546	1,878
Deferred revenue	23	(3,143)
Net cash provided by operating activities	<u>30,511</u>	<u>7,317</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(33,287)	(20,813)
Issuance of note receivable	-	(10,000)
Net cash used in investing activities	<u>(33,287)</u>	<u>(30,813)</u>
Cash flows from financing activities:		
Restricted cash release (deposit)	(7)	4,992
Proceeds from borrowings on long-term indebtedness and line of credit	57,183	60,000
Issuance of common stock subject to exercise of stock options	4,464	3,391
Principal payments on long-term indebtedness and line of credit	(48,648)	(60,751)
Excess tax benefits from stock-based compensation	1,852	1,336
Net cash provided by financing activities	<u>14,844</u>	<u>8,968</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(617)</u>	<u>271</u>
Net increase (decrease) in cash and cash equivalents	11,451	(14,257)
Cash and cash equivalents at beginning of period	91,473	105,730
Cash and cash equivalents at end of period	<u>\$102,924</u>	<u>\$ 91,473</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 1,627	\$ 3,216
Cash paid during the year for income taxes	\$ 15,155	\$ 16,788
Supplemental information on non-cash investing and financing activities		
Purchases of property, plant and equipment unpaid at year end	<u>\$ 2,749</u>	<u>\$ 2,510</u>



SOURCE: Emergent BioSolutions Inc.

Emergent BioSolutions Inc.

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