Emergent BioSolutions Reports Financial Results for Second Quarter and First Six Months of 2009

August 6, 2009

2Q and six month 2009 total revenues of $73.2 and $137.7 million, respectively
2Q 2009 net income of $14.8 million, or $0.49 per share
Six month 2009 net income of $26.0 million, or $0.86 per share
June 30, 2009 cash and cash equivalents of $102.5 million 2009 financial guidance reaffirmed--revenue range maintained at $225 to $240 million, net income in excess of $20 million

ROCKVILLE, Md.--(BUSINESS WIRE)--Aug. 6, 2009-- Emergent BioSolutions Inc. (NYSE:EBS) announced today its financial results for the second quarter and six months ended June 30, 2009.

Total revenues for the second quarter and six months of 2009 were $73.2 million and $137.7 million, respectively. Net income for the second quarter and six months of 2009 was $14.8 million or $0.49 per share, and $26.0 million or $0.86 per share, respectively. Such performance was primarily driven by growth in sales of BioThrax® (Anthrax Vaccine Adsorbed), the Company's FDA licensed vaccine for the prevention of anthrax, as well as a lump-sum payment from HHS related to the granting by FDA of four-year expiry dating for BioThrax®.

R. Don Elsey, chief financial officer of Emergent BioSolutions, stated, "Our financial performance for the second quarter and first six months of 2009 reflects the continued strength of our core BioThrax® business and our ability to manufacture and deliver doses of our anthrax vaccine into the SNS under contract with the U.S. government. Recently, we completed our commitments under the current contract and look forward to seamlessly transitioning into initiating deliveries under a follow on contract that provides sales through late 2011. Beyond the follow on contract, we expect that the U.S. government will continue to procure BioThrax® for the strategic national stockpile."

Continuing, Mr. Elsey stated, "The multiple vaccine and therapeutic candidates in our biodefense franchise, focused on anthrax and botulism, continue to advance as we see increasing interest on the part of the U.S. government in implementing a multi-supplier, multi-product strategy for building the nation's biopreparedness. Our commercial pipeline also continues to move forward as we, both on our own and in partnership with government and non-governmental institutions, pursue programs that address global unmet medical needs, most notably tuberculosis."

2Q 2009 Key Operational Accomplishments

- Received FDA approval extending shelf life of BioThrax® to 4 years, triggering a $29.6 million lump-sum payment from HHS; and,
- Initiated a Phase IIb proof-of-concept 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.

2Q 2009 Key Financial Results

Product Sales

For 2Q 2009, product sales were $69.3 million, an increase of $27.0 million, or 64 percent, from $42.3 million in 2Q 2008. The increase was primarily due to a lump-sum payment from HHS of $29.6 million related to the approval of four-year expiry dating for BioThrax®.

For the six month period of 2009, product sales increased by $47.2 million, or 56 percent, to $131.0 million from $83.8 million for the comparable period of 2008, primarily due to a 21 percent increase in the number of doses of BioThrax® delivered and the $29.6 million lump-sum payment from HHS.

Contracts and Grants Revenues

For 2Q 2009, contracts and grants revenue was $3.9 million, an increase of $2.7 million, or 233 percent, from $1.2 million in 2Q 2008. For the six month period of 2009, contracts and grants revenue increased by $4.3 million, or 182 percent, to $6.7 million from $2.4 million for the comparable period of 2008. Contracts and grants revenue for 2Q 2009 and the six month period of 2009 consisted of development revenue from NIAID and BARDA.

Cost of Product Sales

For 2Q 2009, cost of product sales was $10.4 million, an increase of $1.7 million, or 20 percent, from $8.7 million in 2Q 2008. Cost of product sales for 2Q 2009 primarily reflects an increase in the cost per dose sold associated with reduced production yield in the period during which the doses sold were produced.

For the six month period of 2009, cost of product sales increased by $9.1 million, or 55 percent, to $25.8 million from $16.7 million for the comparable period of 2008. This increase was attributable to a 21 percent increase in the number of doses of BioThrax® delivered and increased cost associated with reduced production yield.

Research and Development

For 2Q 2009, research and development expenses were $20.7 million, an increase of $3.5 million, or 20 percent, from $17.2 million in 2Q 2008. This

increase reflects additional personnel and contract service costs, and includes increased expenses of $3.1 million related to our biodefense programs and $1.7 million in other research and development expenses, partially offset by decreased expenses of $1.3 million related to our commercial programs.

For the six month period of 2009, research and development expenses increased by $7.9 million, or 28 percent, to $36.6 million from $28.7 million for the comparable period of 2008. This increase reflects additional personnel and contract service costs, and includes increased expenses of $7.3 million related to our biodefense programs and $2.6 million in other research and development expenses, partially offset by decreased expenses of $2.0 million related to our commercial programs.

Selling, General and Administrative

For 2Q 2009, selling, general and administrative expenses were $19.4 million, an increase of $4.3 million, or 29 percent, from $15.0 million in 2Q 2008. This increase primarily reflects a $3.8 million non-cash impairment charge associated with the Company's Frederick, Maryland facilities and an increase of $0.8 million in additional personnel and increased professional services to support growth of the business, partially offset by decreased expenses of $0.3 million in sales and marketing expenses.

For the six month period of 2009, selling, general and administrative expenses increased by $8.3 million, or 30 percent, to $35.3 million from $27.1 million for the comparable period of 2008. This increase primarily reflects an increase of approximately $3.5 million resulting from the addition of personnel and increased professional services for the Company's headquarters organization, a $3.8 million non-cash impairment charge associated with the Company's 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, partially offset by a decrease of $0.4 million in sales and marketing expenses.

Financial Condition and Liquidity

Cash and cash equivalents at June 30, 2009 was $102.5 million compared to $91.5 million at December 31, 2008. Additionally, at June 30, 2009, the accounts receivable balance was $55.4 million, which primarily includes the lump-sum payment from HHS related to the approval of four-year expiry dating for BioThrax® as well as an unpaid balance due from the U.S. government for doses of BioThrax® delivered in 2Q 2009. Payment of most of this accounts receivable balance was received by the Company in early 3Q 2009.

2009 Financial Outlook

For 2009, the Company is reaffirming its financial outlook and is forecasting 25% to 35% growth in year-over-year total revenue to approximately $225 to $240 million. The Company also anticipates 2009 net income in excess of $20 million.

Conference Call and Webcast

Company management will host a conference call at 5:00 p.m. Eastern on August 6, 2009 to discuss these financial results, recent business developments and the outlook for the second half of 2009. The conference call will be accessible by dialing **888/680-0878** or **617/213-4855** (international) and providing passcode **93911203**. 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 81565297. The replay will be available through August 20. 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 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 disease. Emergent's development pipeline includes programs focused on anthrax, botulism, tuberculosis, typhoid, 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, including any potential future securities offering, 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 the Company's actual results to differ materially from those indicated by such forward-looking statements, including appropriations for BioThrax® procurement; our ability to obtain new BioThrax® sales contracts; 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 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 year ended March 31, 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)

	Three Months Ended June 30,	
	2009	2008
	(Unaudited)	
Revenues:		
Product sales	$ 69,330	$ 42,326
Contracts and grants	3,861	1,159
Total revenues	73,191	43,485
Operating expense:		
Cost of product sales	10,428	8,682
Research and development	20,680	17,206
Selling, general and administrative	19,373	15,039
Income from operations	**22,710**	**2,558**
Other income (expense):		
Interest income	305	457
Interest expense	(6)	(5)
Other income (expense), net	(10)	198
Total other income (expense)	289	650
Income before provision for income taxes	22,999	3,208
Provision for income taxes	9,748	1,393
Net income	**13,251**	**1,815**
Net loss attributable to noncontrolling interest	1,591	-
Net income attributable to Emergent BioSolutions Inc.	**$ 14,842**	**$ 1,815**
Earnings per share -- basic	**$ 0.49**	**$ 0.06**
Earnings per share -- diluted	**$ 0.48**	**$ 0.06**
Weighted-average number of shares -- basic	30,271	29,764
Weighted-average number of shares -- diluted	30,950	30,045

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

	Six Months Ended June 30,	
	2009	2008
	(Unaudited)	
Revenues:		
Product sales	$131,008	$83,830
Contracts and grants	6,702	2,375
Total revenues	137,710	86,205
Operating expense:		
Cost of product sales	25,796	16,692
Research and development	36,590	28,681
Selling, general and administrative	35,348	27,097
Income from operations	**39,976**	**13,735**

Other income (expense):		
Interest income	605	1,122
Interest expense	(10)	(6)
Other income (expense), net	(34)	184
Total other income (expense)	561	1,300
Income before provision for income taxes	40,537	15,035
Provision for income taxes	17,114	6,194
Net income	**23,423**	**8,841**
Net loss attributable to noncontrolling interest	2,538	-
Net income attributable to Emergent BioSolutions Inc.	**$ 25,961**	**$ 8,841**
Earnings per share -- basic	**$ 0.86**	**$ 0.30**
Earnings per share -- diluted	**$ 0.83**	**$ 0.30**
Weighted-average number of shares -- basic	30,228	29,750
Weighted-average number of shares -- diluted	31,202	29,930

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

	June 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 102,508	$ 91,473
Accounts receivable	55,399	24,855
Inventories	14,042	19,728
Assets held for sale	17,470	-
Note receivable	10,000	10,000
Prepaid expenses and other current assets	4,303	6,623
Total current assets	203,722	152,679
Property, plant and equipment, net	110,383	124,656
Deferred tax assets, net	10,951	12,073
Restricted cash	208	208
Other assets	1,121	1,172
Total assets	$ 326,385	$ 290,788
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 17,568	$ 18,254
Accrued expenses and other current liabilities	1,162	1,399
Accrued compensation	9,962	11,380
Indebtedness under line of credit	15,000	15,000
Long-term indebtedness, current portion	19,308	6,248
Income taxes payable	9,170	951
Deferred tax liabilities, net	262	557
Deferred revenue	478	232
Total current liabilities	72,910	54,021
Long-term indebtedness, net of current portion	21,250	35,935
Other liabilities	1,823	1,483
Total liabilities	95,983	91,439
Commitments and contingencies	-	-

Stockholders' equity:		
Preferred Stock $0.001 par value; 15,000,000 shares authorized;		
0 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively	-	-
Common Stock, $0.001 par value; 100,000,000 shares authorized;		
30,319,896 and 30,159,546 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively	30	30
Additional paid-in capital	113,066	109,170
Accumulated other comprehensive loss	(1,214)	(859)
Retained earnings	116,970	91,008
Total Emergent BioSolutions Inc. stockholders' equity	228,852	199,349
Noncontrolling interest in subsidiary	1,550	-
Total stockholders' equity	230,402	199,349
Total liabilities and stockholders' equity	$ 326,385	$ 290,788

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

	Three Months Ended June 30,	
	2009	2008
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 23,423	$ 8,841
Adjustments to reconcile to net cash provided by (used in) operating activities:		
Stock-based compensation expense	2,250	986
Depreciation and amortization	2,507	2,262
Deferred income taxes	1,340	(637)
Non-cash development expenses from joint venture	4,088	-
Loss (gain) on disposal of property and equipment	35	(183)
Provision for impairment of long-lived assets	3,818	-
Excess tax benefits from stock-based compensation	(513)	-
Changes in operating assets and liabilities:		
Accounts receivable	(30,544)	(3,634)
Inventories	5,686	(1,982)
Income taxes	8,219	(3,557)
Prepaid expenses and other assets	2,371	(1,806)
Accounts payable	(1,149)	1,993
Accrued compensation	(1,418)	(2,187)
Accrued expenses and other liabilities	103	(489)
Deferred revenue	246	(294)
Net cash provided by (used in) operating activities	20,462	(687)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(9,094)	(12,543)
Issuance of notes receivable	-	(10,000)
Net cash used in investing activities	(9,094)	(22,543)
Cash flows from financing activities:		
Proceeds from borrowings on long-term indebtedness and line of credit	30,000	30,000
Issuance of common stock subject to exercise of stock options	1,134	214
Principal payments on long-term indebtedness and line of credit	(31,625)	(28,622)
Excess tax benefits from stock-based compensation	513	-
Net cash provided by financing activities	22	1,592
Effect of exchange rate changes on cash and cash equivalents	(355)	(85)
Net increase (decrease) in cash and cash equivalents	11,035	(21,723)
Cash and cash equivalents at beginning of period	91,473	105,730
Cash and cash equivalents at end of period	$102,508	$ 84,007

Source: Emergent BioSolutions Inc.

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