Emergent BioSolutions to Acquire Protein Sciences' Phase III Recombinant Flu Vaccine Candidate, FluBlok(R), and Related Novel Platform Technology

-- FluBlok BLA granted fast track status and priority review by FDA; would be the first licensed recombinant hemagglutinin cell culture influenza vaccine -- Emergent plans to continue Protein Sciences' operations and to launch FluBlok from the current facility in Connecticut

ROCKVILLE, Md. & MERIDEN, Conn., May 27, 2008 (BUSINESS WIRE) -- Emergent BioSolutions Inc. (NYSE:EBS) and Protein Sciences Corporation (PSC), based in Meriden, Connecticut, announced today that the two companies have entered into an asset purchase agreement under which Emergent will acquire PSC's ongoing operations, including FluBlok, a Phase III recombinant influenza vaccine candidate, and certain other assets. This agreement achieves a key component of Emergent's stated strategy for growth through acquisition of late-stage product candidates.

Under the terms of the agreement, Emergent will acquire substantially all assets of PSC, including:

-- FluBlok(R) (trivalent recombinant hemagglutinin vaccine). FluBlok is a Phase III influenza vaccine candidate that, if approved, would be the first recombinant cell culture influenza vaccine. FluBlok has potential for use in both seasonal and pandemic settings. The clinical program for FluBlok, which includes four trials and more than 6,000 participants, has demonstrated promising immunogenicity, including in the elderly. FluBlok has been granted both fast track status and priority review by FDA.

-- Baculovirus Expression Vector System (BEVS) technology. BEVS is a cell culture-based manufacturing platform used to manufacture FluBlok. The BEVS technology can be applied to develop vaccines and therapeutic candidates to prevent or treat a wide range of diseases.

-- Other product candidates. PSC's other product candidates are based on the BEVS platform and include a SARS vaccine in preclinical development.

-- A vaccine manufacturing facility. This facility is located in Meriden, Connecticut and includes a 600-liter bioreactor and related upstream and downstream capabilities.

Emergent intends to retain all of the approximately 50 PSC employees and anticipates continuing production of FluBlok in the Meriden, Connecticut facility. Emergent expects to launch out of this location. In parallel, Emergent is evaluating plans for future large-scale manufacturing of FluBlok and is considering Meriden as a site for the facility.

In April 2008, PSC submitted to FDA a Biologics License Application (BLA) for FluBlok, including data from the Phase III clinical program. The next steps in the BLA process include readiness preparations for the upcoming FDA pre-approval inspection. In addition, late last year, PSC applied for a research and development grant in response to a Biomedical Advanced Research and Development Authority (BARDA) RFP, "Advanced Development of Recombinant Influenza Virus Vaccines." BARDA has indicated its intention to issue one or more awards under this RFP in late 2008.

"We are delighted about the opportunity to commercialize the first recombinant cell culture influenza vaccine. We believe that FluBlok will become a strong competitive product in the sizeable and growing seasonal influenza market and that BEVS will provide a unique platform for the development of a novel pandemic influenza candidate. We congratulate the management of PSC in building a manufacturing operation and for bringing FluBlok through a Phase III clinical trial to the point of a BLA submission. Emergent, with the combined resources of PSC, is well positioned to bring this exciting product to the market successfully, based on our product development, regulatory and manufacturing experience," said Fuad El-Hibri, chairman and chief executive officer of Emergent BioSolutions. "The acquisition of FluBlok is consistent with Emergent's strategy of expanding its product portfolio with a vaccine candidate focused on a major infectious disease."

Daniel D. Adams, president and chief executive officer of Protein Sciences Corporation, said, "We are grateful that Emergent recognized the value of our lead product, FluBlok, and our proprietary BEVS technology and is providing financial and operational assistance to assist us in bringing FluBlok through regulatory approval. Combining our expertises should help to ensure the continued success of FluBlok and our other strategic assets."

William H. Narwold, chairman of the board of directors of Protein Sciences Corporation, commented, "Emergent enhances our regulatory, manufacturing and process development capabilities and brings a proven track record of working with the United States Government to deliver critical infectious disease products. It is for these reasons that the Board of Directors of Protein Sciences has approved this transaction and believes that our shareholders will have the opportunity to benefit from the continued growth and success of Emergent BioSolutions."

Terms of Acquisition

Under the terms of the asset purchase agreement, the consideration paid by Emergent will include:

-- Up to $28 million in cash and the assumption of PSC liabilities, including trade payables associated with the Phase III clinical trials of FluBlok;

-- A $20 million, 4.75%, 5-year note, convertible into Emergent common stock at a conversion price of $12.50 per share;

-- Up to $30 million in future payments based on the achievement of FluBlok commercialization milestones and net sales of FluBlok;

-- A percentage of net sales of FluBlok.

The closing of this transaction, anticipated by the end of the second quarter of this year, is subject to the approval of the stockholders of PSC, the receipt of regulatory approvals and the satisfaction of certain conditions of closing. Emergent BioSolutions' financial advisor on this transaction was Jefferies & Company, with Thelen Reid Brown Raysman & Steiner LLP as primary legal counsel. PSC's financial advisor on this transaction was BMO Capital Markets, with Brenner, Saltzman & Wallman, LLP as legal counsel.

Update on Emergent BioSolutions 2008 Financial Guidance

As Emergent evaluates the impact of this acquisition on current year financial guidance, management expects revenue for 2008 to remain unchanged, between $180 and $195 million. With respect to net income, management is still evaluating current forecasts related to PSC's anticipated operating costs as well as the appropriate accounting treatment for the acquisition. Management expects to be in a position to update guidance for 2008 net income when the company reports financial results for the second quarter of 2008, anticipated during early August.

About the Influenza Market

According to industry reports, there are 1 billion cases of influenza each year, resulting in 250,000 to 500,000

deaths, world-wide. In the US alone, there are an estimated 15 million to 60 million cases and 30,000 to 40,000 deaths annually, making influenza a major public health concern. Young children and the elderly are at a particularly high risk of infection and complications.

About FluBlok(R)

FluBlok is a novel recombinant subunit influenza vaccine manufactured in a cell culture medium, which represents the next-generation in flu vaccine technology. The currently licensed flu vaccines are manufactured through egg-based technology, which presents numerous operational and market challenges. FluBlok consists of three recombinant hemagglutinin (rHA) proteins derived from the flu strains selected by the World Health Organization and the U.S. Centers for Disease Control and Prevention for each year's seasonal flu vaccine. These proteins are produced in a proprietary cell culture and formulated without preservatives, adjuvants, or antibiotics. FluBlok has been developed as a single-dose vaccine to be administered intramuscularly. In clinical trials, FluBlok has demonstrated promising immunogenicity in both healthy adults and the elderly, with a positive safety profile. Preliminary evidence of protection against influenza disease has been observed in adults, as published in the April 2007 issue of JAMA(R) (The Journal of the American Medical Association).

About BEVS

The Baculovirus Expression Vector System (BEVS) is recognized as a robust and versatile tool for producing a variety of functional recombinant proteins. The BEVS manufacturing process begins by cloning the gene for the desired target protein into a virus capable of infecting insect cells (baculovirus). When these genetically engineered baculoviruses are used to infect insect cell cultures, these cells are "programmed" to manufacture the desired proteins.

About Emergent BioSolutions Inc.

Emergent BioSolutions Inc. is a profitable biopharmaceutical company dedicated to one simple mission--to protect life. We develop, manufacture and commercialize 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.

Conference Call & Webcast

Emergent management will host a conference call at 9:00 am Eastern this morning to discuss this transaction. 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 866/383-8003 or 617/597-5330 (international) and providing the passcode EMERGENT. 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 its conclusion by dialing 888/286-8010 or 617/801-6888 and using the passcode 25871111. The replay will be available through June 10, 2008. In addition, the webcast will be archived 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 the timing of, and our ability to obtain and maintain, regulatory approval for FluBlok; our plans for future manufacture and sale of FluBlok; 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 current report on Form 10-Q for the quarter ended March 31, 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.

SOURCE: Emergent BioSolutions Inc.

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