

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 001-33137
EMERGENT BIOSOLUTIONS INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

14-1902018
(I.R.S. Employer
Identification No.)

400 Professional Drive, Suite 400
Gaithersburg, Maryland
(Address of Principal Executive Offices)

20879
(Zip Code)

(240) 631-3200
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 30, 2015, the registrant had 38,943,247 shares of common stock outstanding.

Emergent BioSolutions Inc.
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BioThrax® (Anthrax Vaccine Adsorbed), RSDL® (Reactive Skin Decontamination Lotion Kit), BAT™ [Botulism Antitoxin Heptavalent (A,B,C,D,E,F,G)-(Equine)], Anthrasil™ (Anthrax Immune Globulin Intravenous [human]), HepaGam B® [Hepatitis B Immune Globulin Intravenous (Human)], VARIZIG® [Varicella Zoster Immune Globulin (Human)], WinRho® SDF [Rh0 (D) Immune Globulin Intravenous (Human)], NuThrax™ (anthrax vaccine adsorbed with CPG 7909 adjuvant), PreviThrax™ (recombinant protective antigen anthrax vaccine, purified), VIGIV [Vaccinia Immune Globulin Intravenous (Human)], IXINITY® (coagulation factor IX (recombinant)), Emergard™ and any and all Emergent BioSolutions Inc. brands, products, services and feature names, logos and slogans are trademarks or registered trademarks of Emergent BioSolutions Inc. or its subsidiaries in the United States or other countries. All other brands, products, services and feature names or trademarks are the property of their respective owners.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, including statements regarding the planned spin-off of our biosciences business, the timing of any such spin-off, the future earnings and performance of Emergent or any of its businesses, including the biodefense and biosciences businesses on a stand-alone basis if the spin-off is completed, our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management, are forward-looking statements. We generally identify forward-looking statements by using words like "believes," "expects," "anticipates," "intends," "plans," "forecasts," "estimates" and similar expressions in conjunction with, among other things, discussions of financial performance or financial condition, growth strategy, product sales, manufacturing capabilities, product development, regulatory approvals or expenditures. These forward-looking statements are based on our current intentions, beliefs and expectations regarding future events. We cannot guarantee that any forward-looking statement will be accurate. You should realize that if underlying assumptions prove inaccurate or unknown risks or uncertainties materialize, actual results could differ materially from our expectations. You are, therefore, cautioned not to place undue reliance on any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by law, we do not undertake to update any forward-looking statement to reflect new information, events or circumstances.

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, among others:

- appropriations for the procurement of BioThrax[®] (Anthrax Vaccine Adsorbed), our FDA-licensed anthrax vaccine;
- our ability to perform under our contracts with the U.S. government related to BioThrax, including the timing of deliveries;
- our ability to obtain new BioThrax sales contracts or modifications to existing contracts;
- the availability of funding for our U.S. government grants and contracts;
- our ability to successfully execute our growth strategy and achieve our financial and operational goals;
- whether the planned spin-off of our biosciences business is completed, as expected or at all, and the timing of any such spin-off;
- whether the conditions to the spin-off can be satisfied;
- whether the operational, marketing and strategic benefits of the spin-off can be achieved;
- whether the costs and expenses of the spin-off can be controlled within expectations;
- our ability to successfully integrate and develop the products or product candidates, programs, operations and personnel of any entities or businesses that we acquire;
- our ability to perform under our contract with the U.S. government to develop and obtain regulatory approval for the manufacturing of BioThrax in Building 55, our large-scale vaccine manufacturing facility in Lansing, Michigan;
- our ability to identify and acquire companies or in-license products or late-stage product candidates that satisfy our selection criteria;
- our ability to realize synergies and benefits from acquisitions or in-licenses within expected time periods or at all;
- our ability to selectively enter into and maintain collaboration arrangements;
- § our ability to successfully identify and respond to new development contracts with the U.S. government, as well as successfully maintain, through achievement of development milestones, current development contracts with the U.S. government;
- our ability to achieve milestones in our out-licensed and collaboration contracts;
- our ability to obtain and maintain intellectual property protection for our products and product candidates;
- our ability and plans to expand our manufacturing facilities and capabilities;
- our ability and the ability of our contractors and suppliers to maintain compliance with cGMP and other regulatory obligations;
- the results of regulatory inspections;
- our ability to meet operating and financial restrictions placed on us and our subsidiaries under our senior secured credit facility;
- the rate and degree of market acceptance and clinical utility of our products;
- the success of our ongoing and planned development programs, non-clinical activities and clinical trials of our product candidates;
- the timing of and our ability to obtain and maintain regulatory approvals for our product candidates;
- the success of our commercialization, marketing and manufacturing capabilities and strategy; and
- the accuracy of our estimates regarding future revenues, expenses, capital requirements and needs for additional financing.

The foregoing sets forth many, but not all, of the factors that could cause actual results to differ from our expectations in any forward-looking statement. New factors emerge from time to time and it is not possible for management to predict all such factors, nor can it assess the impact of any such factor on the business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. You should consider this cautionary statement, the risk factors identified in the section entitled "Risk Factors" in this quarterly report on Form 10-Q and the risk factors identified in our other periodic reports filed with the Securities and Exchange Commission when evaluating our forward-looking statements.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

ASSETS	September 30, 2015 (unaudited)	December 31, 2014
Current assets:		
Cash and cash equivalents	\$ 308,718	\$ 280,499
Accounts receivable	57,037	58,834
Inventories	80,070	65,674
Deferred tax assets, current portion, net	1,483	1,710
Income tax receivable, net	3,433	1,357
Prepaid expenses and other current assets	22,749	24,101
Total current assets	<u>473,490</u>	<u>432,175</u>
Property, plant and equipment, net	327,643	313,979
In-process research and development	42,501	60,628
Intangible assets, net	59,738	58,344
Goodwill	52,585	52,585
Deferred tax assets, long-term portion, net	13,747	12,764
Other assets	6,844	8,216
Total assets	<u>\$ 976,548</u>	<u>\$ 938,691</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 41,248	\$ 40,930
Accrued expenses and other current liabilities	4,214	6,274
Accrued compensation	30,089	31,654
Contingent consideration, current portion	2,490	6,487
Provisions for chargebacks	1,950	2,246
Deferred revenue, current portion	8,734	5,345
Total current liabilities	<u>88,725</u>	<u>92,936</u>
Contingent consideration, net of current portion	22,271	34,599
Long-term indebtedness	253,000	251,000
Deferred revenue, net of current portion	5,987	5,713
Other liabilities	1,253	1,242
Total liabilities	<u>371,236</u>	<u>385,490</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 15,000,000 shares authorized, 0 shares issued and outstanding at both September 30, 2015 and December 31, 2014	-	-
Common stock, \$0.001 par value; 100,000,000 shares authorized, 39,305,269 shares issued and 38,885,080 shares outstanding at September 30, 2015; 38,129,872 shares issued and 37,709,683 shares outstanding at December 31, 2014	39	38
Treasury stock, at cost, 420,189 common shares at September 30, 2015 and December 31, 2014	(6,320)	(6,320)
Additional paid-in capital	297,953	274,222
Accumulated other comprehensive loss	(4,152)	(3,008)
Retained earnings	317,792	288,269
Total stockholders' equity	<u>605,312</u>	<u>553,201</u>
Total liabilities and stockholders' equity	<u>\$ 976,548</u>	<u>\$ 938,691</u>

The accompanying notes are an integral part of these consolidated financial statements.

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

	Three Months Ended September		Nine Months Ended September	
	30,		30,	
	2015	2014	2015	2014
	(Unaudited)		(Unaudited)	
Revenues:				
Product sales	\$ 123,953	\$ 84,457	\$ 224,267	\$ 198,493
Contract manufacturing	11,341	9,433	32,443	21,346
Contracts, grants and collaborations	29,646	44,064	97,975	82,324
Total revenues	164,940	137,954	354,685	302,163
Operating expense:				
Cost of product sales and contract manufacturing	38,511	32,423	84,525	85,927
Research and development	41,868	44,207	121,511	111,864
Selling, general and administrative	31,556	30,292	102,502	90,936
Income from operations	53,005	31,032	46,147	13,436
Other income (expense):				
Interest income	104	59	459	130
Interest expense	(1,635)	(1,810)	(4,923)	(7,066)
Other income, net	602	420	205	2,254
Total other expense, net	(929)	(1,331)	(4,259)	(4,682)
Income before provision for income taxes	52,076	29,701	41,888	8,754
Provision for income taxes	15,134	7,869	12,365	2,129
Net income	<u>\$ 36,942</u>	<u>\$ 21,832</u>	<u>\$ 29,523</u>	<u>\$ 6,625</u>
Net income per share - basic	\$ 0.95	\$ 0.58	\$ 0.77	\$ 0.18
Net income per share - diluted	\$ 0.79	\$ 0.49	\$ 0.69	\$ 0.17
Weighted-average number of shares - basic	38,831,341	37,507,220	38,423,715	37,261,357
Weighted-average number of shares - diluted	47,784,550	46,557,163	46,958,179	37,885,194

The accompanying notes are an integral part of these consolidated financial statements.

Emergent BioSolutions Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
(in thousands)

	Three Months Ended September		Nine Months Ended September	
	30,		30,	
	2015	2014	2015	2014
	(Unaudited)		(Unaudited)	
Net income	\$ 36,942	\$ 21,832	\$ 29,523	\$ 6,625
Foreign currency translations, net of tax	(495)	(559)	(1,144)	(345)
Comprehensive income	<u>\$ 36,447</u>	<u>\$ 21,273</u>	<u>\$ 28,379</u>	<u>\$ 6,280</u>

The accompanying notes are an integral part of these consolidated financial statements.

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

	Nine Months Ended September 30,	
	2015	2014
Cash flows from operating activities:	(Unaudited)	
Net income	\$ 29,523	\$ 6,625
Adjustments to reconcile to net cash provided by (used in) operating activities:		
Stock-based compensation expense	11,802	9,454
Depreciation and amortization	25,859	24,286
Income taxes	15,904	1,817
Change in fair value of contingent obligations	(10,898)	3,216
Write off of debt issuance costs	-	1,831
Impairment of in-process research and development	9,827	-
Excess tax benefits from stock-based compensation	(8,002)	(5,566)
Other	197	541
Changes in operating assets and liabilities:		
Accounts receivable	1,749	36,106
Inventories	(14,396)	4,729
Income taxes	(22,707)	(4,447)
Prepaid expenses and other assets	1,010	(10,845)
Accounts payable	1,902	(11,176)
Accrued expenses and other liabilities	(2,060)	1,026
Accrued compensation	(1,688)	(208)
Provision for chargebacks	(296)	(308)
Deferred revenue	3,663	3,416
Net cash provided by operating activities	<u>41,389</u>	<u>60,497</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(33,631)	(14,621)
Acquisition of Cangene Corporation, net of acquired cash	-	(178,167)
Net cash used in investing activities	<u>(33,631)</u>	<u>(192,788)</u>
Cash flows from financing activities:		
Proceeds from convertible debenture, net of bank fees	-	241,654
Proceeds from long-term debt obligations	2,000	1,000
Issuance of common stock upon exercise of stock options	15,902	10,656
Excess tax benefits from stock-based compensation	8,002	5,566
Principal payments on long-term indebtedness	-	(62,000)
Contingent obligation payments	(5,427)	(1,691)
Net cash provided by financing activities	<u>20,477</u>	<u>195,185</u>
Effect of exchange rate changes on cash and cash equivalents	(16)	17
Net increase in cash and cash equivalents	28,219	62,911
Cash and cash equivalents at beginning of period	280,499	179,338
Cash and cash equivalents at end of period	<u>\$ 308,718</u>	<u>\$ 242,249</u>

The accompanying notes are an integral part of these consolidated financial statements.

EMERGENT BIOSOLUTIONS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Summary of significant accounting policies

Basis of presentation and consolidation

The accompanying unaudited consolidated financial statements include the accounts of Emergent BioSolutions Inc. (the "Company" or "Emergent") and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

The unaudited consolidated financial statements included herein have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X issued by the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the SEC.

In the opinion of the Company's management, any adjustments contained in the accompanying unaudited consolidated financial statements are of a normal recurring nature, and are necessary to present fairly the financial position of the Company as of September 30, 2015; the results of operations and comprehensive income for the three and nine months ended September 30, 2015 and 2014; and cash flows for the nine months ended September 30, 2015 and 2014. Interim results are not necessarily indicative of results that may be expected for any other interim period or for an entire year.

During the nine months ended September 30, 2015, there have been no significant changes to the Company's summary of significant accounting policies contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the SEC.

2. EV-035 series of molecules

On December 17, 2014, the Company acquired the EV-035 series of molecules from Evolva Holding SA ("Evolva") for \$1.5 million in cash along with contingent value right obligations to Evolva. The EV-035 series is a group of novel small molecule broad spectrum antibiotics of the 4-oxoquinolizine class and targets bacterial type IIa topoisomerase. The lead molecule in the series, GC-072, had demonstrated protection *in vivo* from lethal *B. pseudomallei* infection when administered orally. GC-072 is being developed as a potential oral and intravenous treatment for *B. pseudomallei* under a three-year, \$15.0 million contract with the Defense Threat Reduction Agency ("DTRA") of the U.S. Department of Defense. *B. pseudomallei* is a gram-negative pathogen classified by the Centers for Disease Control and Prevention ("CDC") as a Category B bioterrorism agent and a priority threat capable of being easily weaponized and disseminated. The acquisition diversifies the Biodefense segment by adding a preclinical stage product candidate that is currently being funded through preclinical development, and has been accounted for as a business combination. The Company's fair values are based on the information, which have no observable market (Level 3), that was available as of the acquisition date.

The contingent value rights to Evolva are based on the novation of the DTRA contract (\$4.0 million) along with the achievement of certain development (\$15.0 million) and regulatory filing (\$50.0 million) milestones. In addition, the Company is required to make sales-based royalty payments of between 5% - 10% through December 2036, based on levels of annual net sales.

During the first half of 2015, based on facts that existed at the date of acquisition, the Company obtained additional information and analysis and recast the fair value of the total purchase consideration transferred to Evolva via a measurement period adjustment, as follows.

(in thousands)	Purchase Price	Measurement Period Adjustment	Recast Purchase Price
Amount of cash paid to Evolva Holding SA	\$ 1,500	\$ -	\$ 1,500
Fair value of contingent consideration	28,200	(6,571)	21,629
Total purchase price	<u>\$ 29,700</u>	<u>\$ (6,571)</u>	<u>\$ 23,129</u>

In conjunction with the revision to the total purchase price and based on this same information and analysis, the Company has recast its estimates of the fair value of the in-process research and development ("IPR&D") asset attributed to the EV-035 series of molecules, via a measurement period adjustment through June 30, 2015. The table below summarizes the recast allocation of the purchase price based upon fair values of assets acquired.

(in thousands)	Purchase Price Allocation	Measurement Period Adjustment	Recast Purchase Price Allocation
Acquired in-process research and development assets	\$ 27,700	\$ (17,172)	\$ 10,528
Goodwill	2,000	10,601	12,601
Total purchase price	<u>\$ 29,700</u>	<u>\$ (6,571)</u>	<u>\$ 23,129</u>

The recast fair value was determined using the income approach, which discounts expected future cash flows to present value. The Company estimated the fair value using a discount rate of 12%. The Company believes this rate is comparable to the estimated internal rate of return for the acquisition and represents the rate that market participants would use to value this IPR&D asset. The projected cash flows for EV-035 series of molecules were based on key assumptions including: estimates of revenues and operating profits considering its stage of development on the acquisition date; the time and resources needed to complete the development and approval of the product candidate; the life of the potential commercialized product and associated risks, including the inherent difficulties and uncertainties in developing a product candidate, such as obtaining marketing approval from the U.S. Food and Drug Administration ("FDA") and other regulatory agencies; and risks related to the viability of and potential for alternative treatments in any future target markets. IPR&D assets are considered to be indefinite-lived until the completion or abandonment of the associated research and development efforts.

The Company recorded approximately \$12.6 million in goodwill related to the EV-035 series of molecules, representing the purchase price paid in excess of the fair value of the IPR&D assets acquired. None of the goodwill generated is expected to be deductible for tax purposes.

The Company has recast, in this filing, the historical December 31, 2014 balance sheet line items for in-process research and development, goodwill and contingent consideration.

(in thousands)	Balance as of December 31, 2014	EV-035 Purchase Price Adjustments	Adjusted Balance as of December 31, 2014
Assets:			
In-process research and development	\$ 77,800	\$ (17,172)	\$ 60,628

Goodwill	41,984	10,601	52,585
Total assets	<u>\$ 119,784</u>	<u>\$ (6,571)</u>	<u>\$ 113,213</u>
Liabilities:			
Contingent consideration, net of current portion	\$ 41,170	\$ (6,571)	\$ 34,599
Total liabilities	<u>\$ 41,170</u>	<u>\$ (6,571)</u>	<u>\$ 34,599</u>

In addition, the Company has reflected the impact of the above adjustments to the disclosures in Notes 3 and 6.

In September 2015, the Company received data for the leading molecule in the series, GC-072, that indicated a potential toxicity issue. The Company considered this information an indicator of impairment of the related EV-035 series of molecules IPR&D asset, and completed an impairment assessment of this asset. Based on this assessment, the Company recorded a non-cash impairment charge of \$9.8 million, which is included in the Company's statement of operations as research and development expense within the Biodefense segment. The remaining carrying value of the EV-035 series of molecules IPR&D asset of \$0.7 million is included in the Biodefense segment. The impairment assessment was performed using the income approach which discounts expected future cash flows to present value. The projected cash flows for the EV-035 series of molecules were based on key assumptions including: estimates of revenues and operating profits considering its stage of development; the time and resources needed to complete the development and approval of the product candidate; the life of the potential commercialized product and associated risks, including the inherent difficulties and uncertainties in developing a product candidate, such as obtaining marketing approval from the FDA and other regulatory agencies; and risks related to the viability of and potential for alternative treatments in any future target markets.

As a result of the impairment of the EV-035 series of molecules IPR&D asset, the Company also performed an interim qualitative impairment assessment of the Biodefense vaccines and therapeutics reporting unit, which contains \$22.0 million of the goodwill reported on the Company's consolidated balance sheets as of September 30, 2015. Based on the assessment, the Company concluded that the goodwill was not impaired.

The fair value of contingent consideration obligations are based on management's assessment of certain development and regulatory milestones, along with updates in the assumed achievement of potential future net sales for the EV-035 series of molecules, which are inputs that have no observable market (Level 3). For the three and nine months ended September 30, 2015, the contingent consideration obligation decreased by \$9.9 million and \$9.5 million, respectively. These changes are primarily due to the estimated timing and probability of success for certain development and regulatory milestones and the estimated timing and volume of potential future sales of EV-035. For both the three and nine months ended September 30, 2015, \$3.2 million of the adjustment was recorded in the Company's statement of operations as a reduction in selling, general and administrative expense. For the three and nine months ended September 30, 2015, \$6.7 million and \$6.3 million, respectively, of the adjustment was recorded in the Company's statement of operations as a reduction in research and development expense. During the nine months ended September 30, 2015, the Company received novation of the DTRA contract and paid the \$4.0 million milestone to Evolva in the second quarter of 2015.

3. Fair value measurements

The following table represents the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis:

(in thousands)	September 30, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment in money market funds (1)	\$ 207,076	\$ -	\$ -	\$ 207,076
Total assets	<u>\$ 207,076</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,076</u>
Liabilities:				
Contingent consideration	\$ -	\$ -	\$ 24,761	\$ 24,761
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,761</u>	<u>\$ 24,761</u>
December 31, 2014				
(in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Investment in money market funds (1)	\$ 111,912	\$ -	\$ -	\$ 111,912
Total assets	<u>\$ 111,912</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,912</u>
Liabilities:				
Contingent consideration	\$ -	\$ -	\$ 41,086	\$ 41,086
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,086</u>	<u>\$ 41,086</u>

(1) Included in cash and cash equivalents in the accompanying consolidated balance sheets.

During the nine months ended September 30, 2015, the Company did not have any transfers between Level 1 and Level 2 assets or liabilities.

In addition to the contingent obligations to Evolva, the fair value of contingent consideration obligations changes as a result of management's assessment of adjustments to the discount rates and updates in the assumed and actual achievement of future net sales for RSDL and HepaGam B, which are inputs that have no observable market (Level 3). For the three and nine months ended September 30, 2015, the contingent purchase consideration obligations decreased by \$1.8 million and \$1.4 million, respectively. For the three and nine months ended September 30, 2014, the contingent purchase consideration obligations increased by \$1.6 million and \$3.2 million, respectively. The decreases and increases are primarily due to an adjustment to the actual and expected timing and volume of RSDL and HepaGam B sales. These changes are classified in the Company's statement of operations as cost of product sales and contract manufacturing.

The following table is a reconciliation of the beginning and ending balance of the liabilities measured at fair value using significant unobservable inputs (Level 3) during the nine months ended September 30, 2015:

(in thousands)	
Balance at December 31, 2014	\$ 41,086
Income included in earnings	(10,898)
Settlements	(5,427)
Purchases, sales and issuances	-
Transfers in/(out) of Level 3	-
Balance at September 30, 2015	<u>\$ 24,761</u>

Separate disclosure is required for assets and liabilities measured at fair value on a recurring basis from those measured at fair value on a non-recurring basis. As of September 30, 2015, the EV-035 series of molecules IPR&D asset was measured at fair value on a non-recurring basis due to the toxicity issue. As of September 30, 2014, the assets acquired and liabilities assumed as part of the February 2014 acquisition of Cangene Corporation were measured at fair value on a non-recurring basis.

4. MorphoSys collaboration agreement

In August 2014, the Company entered into a collaboration agreement ("MorphoSys Agreement") with MorphoSys AG ("MorphoSys") for the joint worldwide development and commercialization of MOR209/ES414, a targeted immunotherapeutic protein, which activates host T-cell immunity specifically against cancer cells expressing prostate specific membrane antigen, an antigen commonly overexpressed on prostate cancer cells. MOR209/ES414 was constructed using the Company's proprietary ADAPTIR technology platform.

The collaboration provides for sharing of development and clinical costs, with the Company responsible for 36% of such costs and MorphoSys responsible for the remainder. For the three and nine months ended September 30, 2015, the Company has recorded a reduction to research and development expense of \$1.0 million and \$3.7 million, respectively, for the reimbursement of amounts greater than 36% of the total costs incurred for the periods. For the three and nine months ended September 30, 2014, the Company has recorded a reduction to research and development expense of \$0.5 million. During the nine months ended September 30, 2015, the Company received a \$5.0 million milestone payment from MorphoSys reflecting the initiation of a Phase I clinical study to evaluate the safety, tolerability, and clinical activity of MOR209/ES414 in patients with metastatic castration-resistant prostate cancer. The Company recorded this payment in contracts, grants and collaborations revenue within the Company's statement of operations.

As of September 30, 2015, accounts receivable related to the MorphoSys Agreement were \$2.0 million. As of September 30, 2015, deferred revenue related to the MorphoSys Agreement consisted of \$0.8 million and \$3.1 million of current and long-term deferred revenue, respectively.

5. Inventories

Inventories consisted of the following:

(in thousands)	September 30, 2015	December 31, 2014
Raw materials and supplies	\$ 21,124	\$ 17,375
Work-in-process	34,323	33,477
Finished goods	24,623	14,822
Total inventories	<u>\$ 80,070</u>	<u>\$ 65,674</u>

6. Intangible assets, in-process research and development and goodwill

On April 29, 2015, the FDA approved IXINITY for the treatment of Hemophilia B. As a result of the approval, the \$8.3 million IXINITY IPR&D asset was reclassified to intangible assets in the Company's consolidated balance sheets and is being amortized over a 10 year economic useful life from the approval date.

Intangible assets consisted of the following:

(in thousands)	Biosciences Segment	Biodefense Segment	Total
Cost basis			
Balance at December 31, 2014	\$ 19,500	\$ 48,799	\$ 68,299
Additions	8,300	-	8,300
Balance at September 30, 2015	<u>\$ 27,800</u>	<u>\$ 48,799</u>	<u>\$ 76,599</u>
Accumulated amortization			
Balance at December 31, 2014	\$ (2,135)	\$ (7,820)	\$ (9,955)
Amortization	(2,228)	(4,678)	(6,906)
Balance at September 30, 2015	<u>\$ (4,363)</u>	<u>\$ (12,498)</u>	<u>\$ (16,861)</u>
Net balance at September 30, 2015	<u>\$ 23,437</u>	<u>\$ 36,301</u>	<u>\$ 59,738</u>

Amortization expense consisted of the following:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Biosciences segment	\$ 832	\$ 620	\$ 2,228	\$ 1,548
Biodefense segment	1,533	1,595	4,678	4,536
Total amortization expense	<u>\$ 2,365</u>	<u>\$ 2,215</u>	<u>\$ 6,906</u>	<u>\$ 6,084</u>

As of September 30, 2015, the weighted average amortization period remaining for intangible assets in the Biosciences and Biodefense segments was 93 and 90 months, respectively.

The following table is a summary of changes in goodwill:

(in thousands)	Biosciences therapeutics	Biosciences contract manufacturing	Biodefense vaccines and therapeutics	Biodefense medical device	Total
Cost Basis					
Balance at December 31, 2014	\$ 13,902	\$ 6,736	\$ 22,031	\$ 9,916	\$ 52,585
Additions	-	-	-	-	-
Balance at September 30, 2015	<u>\$ 13,902</u>	<u>\$ 6,736</u>	<u>\$ 22,031</u>	<u>\$ 9,916</u>	<u>\$ 52,585</u>

7. Equity awards

As of September 30, 2015, the Company had two stock-based employee compensation plans, the Third Amended and Restated Emergent BioSolutions Inc. 2006 Stock Incentive Plan (the "2006 Plan") and the Emergent BioSolutions Employee Stock Option Plan (the "2004 Plan") (together, the "Emergent Plans").

The following is a summary of stock option award activity under the Emergent Plans:

	2006 Plan		2004 Plan		Aggregate Intrinsic Value
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price	
Outstanding at December 31, 2014	3,837,993	\$ 20.04	43,156	\$ 10.28	\$ 29,181,534
Granted	690,221	29.03	-	-	
Exercised	(867,486)	17.44	(13,457)	10.28	
Forfeited	(147,287)	23.95	-	-	
Outstanding at September 30, 2015	3,513,441	\$ 22.27	29,699	\$ 10.28	\$ 22,745,170
Exercisable at September 30, 2015	1,908,456	\$ 19.16	29,699	\$ 10.28	\$ 18,343,578

The following is a summary of restricted stock unit award activity under the 2006 Plan:

	Number of Shares	Weighted-Average Grant Price	Aggregate Intrinsic Value
Outstanding at December 31, 2014	927,356	\$ 22.44	\$ 25,251,904
Granted	468,591	29.56	
Vested	(407,354)	20.66	
Forfeited	(62,481)	25.02	
Outstanding at September 30, 2015	926,112	\$ 26.65	\$ 26,384,931

8. Earnings per share

For the three and nine months ended September 30, 2015 and 2014, basic earnings per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period.

For the three and nine months ended September 30, 2015 and 2014, diluted earnings per share is computed using the if-converted method by dividing the adjusted net income by the weighted average number of shares of common stock outstanding during the period. The adjusted net income is adjusted for interest expense and amortization of debt issuance cost, both net of tax, associated with the Company's 2.875% Convertible Senior Notes due 2021 ("Notes"). The weighted average number of diluted shares is adjusted for the potential dilutive effect of the exercise of stock options and the vesting of restricted stock units along with the assumption of the conversion of the convertible obligations, at the beginning of the period.

The following table presents the calculation of basic and diluted net income per share:

(in thousands, except share and per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Numerator:				
Net income	\$ 36,942	\$ 21,832	\$ 29,523	\$ 6,625
Interest expense, net of tax	786	917	2,378	-
Amortization of debt issuance costs, net of tax	215	203	671	-
Adjusted net income	\$ 37,943	\$ 22,952	\$ 32,572	\$ 6,625
Denominator:				
Weighted-average number of shares—basic	38,831,341	37,507,220	38,423,715	37,261,357
Dilutive securities—equity awards	1,232,684	954,639	813,939	623,837
Dilutive securities—convertible debt	7,720,525	8,095,304	7,720,525	-
Weighted-average number of shares—diluted	47,784,550	46,557,163	46,958,179	37,885,194
Net income per share-basic	\$ 0.95	\$ 0.58	\$ 0.77	\$ 0.18
Net income per share-diluted	\$ 0.79	\$ 0.49	\$ 0.69	\$ 0.17

For the three and nine months ended September 30, 2015, substantially all of the outstanding stock options to purchase shares of common stock were included in the calculation of diluted earnings per share. For the three months ended September 30, 2014, approximately 1.5 million stock options were excluded from the calculation of diluted earnings per share.

For the nine months ended September 30, 2014, there were no adjustments to adjusted net income or dilutive securities associated with the Company's Notes as such adjustments would have been anti-dilutive. For the nine months ended September 30, 2014, outstanding stock options to purchase approximately 1.5 million shares of common stock, along with 8.1 million shares related to the Company's Notes, were excluded from the calculation of diluted earnings per share.

9. Segment information

For financial reporting purposes, the Company reports financial information for two business segments: Biodefense and Biosciences. The Company's two business segments, or divisions, engage in business activities for which discrete financial information is provided to and resources are allocated by the chief operating decision maker. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. The Company's reportable segments offer different products, product candidates, manufacturing processes and services, development processes, sales and marketing processes, and are managed separately.

The Biodefense division is a specialty biopharmaceutical business focused on countermeasures that address Chemical, Biological, Radiological, Nuclear and Explosive threats, as well as intentional and naturally occurring emerging infectious diseases and consists of two business units: vaccines and therapeutics, and medical devices. Revenues in this segment are primarily from sales of the Company's FDA-licensed product, BioThrax® (Anthrax Vaccine Adsorbed), to the U.S. government. The Biosciences division is a specialty biopharmaceutical business focused on therapeutics and vaccines in hematology/oncology, transplantation, infectious diseases and autoimmunity, and consists of three business units, therapeutics, vaccines and contract

manufacturing. The "All Other" segment relates to the general operating costs of the Company and includes costs of the centralized services departments, which are not allocated to the other segments, as well as spending on activities that are not classified as Biodefense or Biosciences.

(in thousands)	Reportable Segments			
	Biodefense	Biosciences	All Other	Total
Three Months Ended September 30, 2015				
External revenue	\$ 147,016	\$ 17,924	\$ -	\$ 164,940
Net income (loss)	50,208	(11,241)	(2,025)	36,942
Three Months Ended September 30, 2014				
External revenue	\$ 104,130	\$ 33,824	\$ -	\$ 137,954
Net income (loss)	25,182	(496)	(2,854)	21,832
Nine Months Ended September 30, 2015				
External revenue	\$ 300,819	\$ 53,866	\$ -	\$ 354,685
Net income (loss)	74,263	(38,560)	(6,180)	29,523
Nine Months Ended September 30, 2014				
External revenue	\$ 243,162	\$ 59,001	\$ -	\$ 302,163
Net income (loss)	56,305	(43,321)	(6,359)	6,625

On March 25, 2015, the Company received FDA approval of Anthrasil and recorded a \$7.0 million milestone payment from the U.S. government, which is recorded as product sales revenue in the Company's Biodefense segment.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and the related notes and other financial information included elsewhere in this quarterly report on Form 10-Q. Some of the information contained in this discussion and analysis or set forth elsewhere in this quarterly report on Form 10-Q, including statements regarding the planned spin-off of our biosciences business, the timing of any such spin-off, the future earnings and performance of Emergent or any of its businesses, including the biodefense and biosciences businesses on a stand-alone basis if the spin-off is completed, information with respect to our plans and strategy for our business and financing, includes forward-looking statements that involve risks and uncertainties. You should review the "Special Note Regarding Forward-Looking Statements" and "Risk Factors" sections of this quarterly report on Form 10-Q for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

Product Portfolio

Emergent BioSolutions is a global specialty biopharmaceutical company dedicated to one simple mission—to protect and enhance life. We develop, manufacture, and deliver a portfolio of medical countermeasures primarily for government agencies in the areas of biological and chemical threats and emerging infectious diseases. We also develop and commercialize therapeutics and other specialty products for hospitals and clinics in the areas of hematology/oncology, transplantation, infectious diseases and autoimmune disorders. We have two operating divisions: Biodefense and Biosciences. For financial reporting purposes, we operate in two business segments that correspond to these two divisions.

Biodefense

Our Biodefense division is a specialty biopharmaceutical business focused on countermeasures that address CBRNE (Chemical, Biological, Radiological, Nuclear and Explosives) threats, as well as emerging infectious diseases. The U.S. government is the primary purchaser of our Biodefense products and often provides us with substantial funding for the development of our Biodefense product candidates. Operations that support this division include manufacturing, regulatory affairs, quality assurance, quality control, international sales and marketing, and domestic government affairs in support of our marketed products, as well as product development and manufacturing infrastructure in support of our investigational stage product candidates. Our Biodefense portfolio consists of the following marketed products and various investigational stage product candidates.

Our Biodefense division marketed products are:

- BioThrax® (Anthrax Vaccine Adsorbed), the only vaccine licensed by the U.S. Food and Drug Administration, or the FDA, for the prevention of anthrax disease;
- BAT™ (Botulinum Antitoxin Heptavalent (A,B,C,D,E,F,G)-Equine), the only heptavalent therapeutic licensed by the FDA for the treatment of botulinum disease;
- Anthrasil™ (Anthrax Immune Globulin Intravenous (Human)), the only polyclonal antibody therapeutic licensed by the FDA for the treatment of anthrax disease;
- VIGIV (Vaccinia Immune Globulin Intravenous (Human)), the only therapeutic licensed by the FDA to address adverse events from smallpox vaccination; and
- RSDL® (Reactive Skin Decontamination Lotion Kit), the only device cleared by the FDA for the removal or neutralization of chemical agents, T-2 toxin and many pesticide-related chemicals from the skin.

Our Biodefense division investigational stage product candidates include the following:

- NuThrax™ (anthrax vaccine adsorbed with CPG 7909 adjuvant), a next generation anthrax vaccine;
- PreviThrax™ (recombinant protective antigen anthrax vaccine, purified), a next generation anthrax vaccine; and
- EV-035 series of broad spectrum antibiotics, which we acquired from Evolva Holding SA, or Evolva, in December 2014.

Our Biodefense division includes the MVATM (modified vaccinia virus Ankara vector) platform technology. In addition, our Biodefense division includes Emergard™, a ruggedized, military-grade auto-injector device designed for intramuscular self-injection of antidotes and other emergency response medical treatments that can address exposure to certain chemical agents and other similar emerging threats.

Our Biodefense division also includes a contract with the Biomedical Advanced Research and Development Authority, or BARDA, to establish a Center for Innovation in Advanced Development and Manufacturing, or CIADM. The CIADM contract requires us to provide flexible infrastructure to supply medical countermeasures to the U.S. government over the contract period and includes such items as construction and facility design supporting the development and manufacturing of the following initiatives:

- § Pandemic flu vaccine candidate through licensure; and
- § Ebola monoclonal antibody therapeutic candidates.

We have derived the majority of our historical product sales revenues from BioThrax sales to the U.S. government. We are currently a party to a contract with the Centers for Disease Control and Prevention, or CDC, an operating division of the U.S. Department of Health and Human Services, or HHS, to supply up to 44.75 million doses of BioThrax for placement into the Strategic National Stockpile, or SNS, over a five-year period ending September 30,

2016. We expect to continue to derive a majority of product sales revenues from our sales of BioThrax to the U.S. government. We are focused on increasing the sales of our Biodefense products to U.S. government customers and expanding the market for our product portfolio to other customers domestically and internationally.

On July 20, 2015, we were awarded a \$19.7 million contract by BARDA to develop and manufacture Ebola monoclonal antibodies. This contract is the first BARDA Task Order for an Ebola countermeasure awarded to us under the CIADM program. Under the scope of this two-year contract, we will perform process development, analytical method development, small-scale production runs, and current good manufacturing practices, or cGMP, cell banking leading to cGMP manufacturing of bulk drug substance.

On August 13, 2015, the CDC exercised options under the contract for the supply of VIGIV into the SNS. The contract options, valued at \$44.0 million over two years, will require us to collect plasma for future manufacturing in addition to current collection requirements, conduct manufacturing runs, and conduct additional activities in support of maintaining the FDA licensure of VIGIV.

Our Biodefense segment has generated net income for each of the last five years.

Biosciences

Our Biosciences division is a specialty biopharmaceutical business focused on therapeutics and vaccines in hematology/oncology, transplantation, infectious disease and autoimmunity. Our Biosciences portfolio consists of marketed products, various investigational stage product candidates, platform technologies and a contract manufacturing services business. Operations that support this division include manufacturing, quality, regulatory affairs, medical affairs, and sales and marketing in support of our marketed products, as well as additional product development capabilities in support of our investigational stage product candidates.

Our Biosciences division marketed products are:

- WinRho[®] SDF [Rh₀(D) Immune Globulin Intravenous (Human)], for treatment of autoimmune platelet disorder, also called immune thrombocytopenic purpura, or ITP, and, separately, for the treatment of hemolytic disease of the newborn, or HDN;
- HepaGam B[®] [(Hepatitis B Immune Globulin Intravenous (Human)), for post-exposure prophylactic treatment of hepatitis-B;
- VARIZIG[®] [Varicella Zoster Immune Globulin (Human)], for post-exposure prophylactic treatment of varicella zoster virus, which causes chickenpox and shingles; and
- IXINITY[®] (coagulation factor IX (recombinant)), for the prevention of bleeding episodes in people with Hemophilia B (approved by the FDA in April 2015).

Our Biosciences division investigational stage product candidates include the following:

- MOR209/ES414, a targeted immunotherapeutic protein being developed for metastatic castration-resistant prostate cancer under our collaboration with MorphoSys AG, or MorphoSys, entered into in August 2014;
- otlertuzumab, a mono-specific protein therapeutic being developed for Chronic Lymphocytic Leukemia; and
- Alzheimer's therapeutic product candidate.

Our Biosciences division platform technologies include:

- ADAPTIR[™] (modular protein technology); and
- hyperimmune specialty plasma product manufacturing.

Our Biosciences division provides contract manufacturing services to third-party customers. The majority of these services are performed at our facility located in Baltimore, Maryland. At this facility we perform pharmaceutical product development and filling services for injectable and other sterile products, as well as process design, technical transfer, manufacturing validations, laboratory support, aseptic filling, lyophilization, final packaging and accelerated and ongoing stability studies. We manufacture both vial and pre-filled syringe formats for a wide variety of drug products - small molecule and biological - in all stages of development and commercialization, including 20 licensed products, which are currently sold in more than 40 countries. This facility produces finished units of clinical and commercial drugs for a variety of customers ranging from small biopharmaceutical companies to major multinationals. The facility is an approved manufacturing facility under the regulatory regimes in the United States, Canada, Japan, Brazil, the Middle East and several countries in the European Union.

Our Biosciences segment has generated revenue for each of the last five years through product sales, development contracts and collaborative funding but has incurred a net loss for each of those years.

Biosciences Spin-off

On August 6, 2015, we announced that our Board of Directors has authorized management to pursue a tax-free spin-off of certain components of our Biosciences division. This will include operations in our Seattle and Berwyn sites. Our contract manufacturing services business will remain with Emergent. The spin-off is expected to create two independent companies with distinct strategic plans, growth strategies, and operational and development priorities. The spun-off entity will focus on providing novel oncology and hematology therapeutics to meaningfully improve patients' lives. The core technology of the spun-off entity will be our ADAPTIR platform applied to immuno-oncology. Assets of the new company will also include marketed products currently in the Biosciences division. Emergent will continue to operate as a global specialty biopharmaceutical company whose core business is focused on providing specialty products for civilian and military populations that address intentional and naturally emerging public health threats.

Financial Operations Overview

Revenues

Effective September 30, 2011, we entered into a contract with the CDC to supply up to 44.75 million doses of BioThrax to the CDC over a five-year period. The period of performance under the contract is from September 30, 2011 through September 30, 2016. The maximum amount that could be paid to us under the contract is \$1.25 billion, subject to availability of funding by the U.S. government. As of September 30, 2015, the U.S. government has committed approximately \$1.1 billion for the procurement of BioThrax doses under this contract. Through September 30, 2015, we have delivered and, upon CDC acceptance, recognized revenue on approximately 33 million doses, representing approximately \$904 million in revenue under this contract.

We have received contract and grant funding from BARDA, the CDC, Defense Threat Reduction Agency, or DTRA, and National Institute of Allergy and Infectious Diseases, or NIAID, for the following development programs:

Development Programs	Funding Source	Award Date	Performance Period
Anthraxil	BARDA	Sep-02	9/2002 — 12/2015
BAT	CDC	Jan-03	1/2003 — 1/2015
Anthraxil	BARDA	Sep-05	9/2005 — 4/2021
BAT	BARDA	May-06	5/2006 — 5/2026
Post-Exposure Prophylaxis indication for BioThrax (PEP)	BARDA	Sep-07	9/2007 — 3/2016
Large-scale manufacturing for BioThrax	BARDA	Jul-10	7/2010 — 7/2015

NuThrax
 PreviThrax
 CIADM
 VIGIV
 Anthrasil
 NuThrax
 GC-072
 NuThrax

NIAID	Jul-10	8/2010 — 4/2015
BARDA	Sep-10	9/2010 — 9/2015
BARDA	Jun-12	6/2012 — 6/2037
CDC	Aug-12	8/2012 — 8/2017
BARDA	Sep-13	9/2013 — 9/2018
NIAID	Aug-14	8/2014 — 10/2019
DTRA	Aug-14	8/2014 — 8/2017
BARDA	Mar-15	3/2015 — 8/2017

Our revenue, operating results and profitability have varied, and we expect that they will continue to vary on a quarterly basis, primarily due to the timing of sales of our products and timing of work completed under existing and new grants, development contracts and collaborative relationships.

Cost of Product Sales and Contract Manufacturing

The primary expense that we incur to deliver to our customers our marketed vaccines and therapeutics and to perform for our customers our contract manufacturing operations is manufacturing costs consisting of fixed and variable costs. Variable manufacturing costs consist primarily of costs for materials and personnel-related expenses for direct and indirect manufacturing support staff, contract manufacturing and filling operations, and sales-based royalties. Fixed manufacturing costs include facilities, utilities and amortization of intangible assets. We determine the cost of product sales for products sold during a reporting period based on the average manufacturing cost per unit in the period those units were manufactured. In addition to the fixed and variable manufacturing costs described above, the cost of product sales depends on utilization of available manufacturing capacity.

The primary expense that we incur to deliver our medical devices to our customers is the cost per unit of production from our third-party contract manufacturers. Other associated expenses include sales-based royalties, amortization of intangible assets, shipping, logistics and the cost of support functions.

Research and Development Expenses

We expense research and development costs as incurred. Our research and development expenses consist primarily of:

- personnel-related expenses;
- fees to professional service providers for, among other things, analytical testing, independent monitoring or other administration of our clinical trials and obtaining and evaluating data from our clinical trials and non-clinical studies;
- costs of contract manufacturing services for clinical trial material; and
- costs of materials used in clinical trials and research and development.

We intend to focus our product development efforts on promising late-stage candidates that we believe satisfy well-defined criteria and seek to utilize collaborations or non-dilutive funding. We plan to seek funding for development activities from external sources and third parties, such as governments and non-governmental organizations, or through collaborative partnerships. We expect our research and development spending will be dependent upon such factors as the results from our clinical trials, the availability of reimbursement of research and development spending, the number of product candidates under development, the size, structure and duration of any clinical programs that we may initiate, the costs associated with manufacturing our product candidates on a large-scale basis for later stage clinical trials, and our ability to use or rely on data generated by government agencies, such as studies involving BioThrax conducted by the CDC.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of personnel-related costs and professional fees in support of our executive, sales and marketing, business development, government affairs, finance, accounting, information technology, legal and human resource functions. Other costs include facility costs not otherwise included in cost of product sales and contract manufacturing or research and development expense.

Intangible Assets and In-process Research and Development

IXINITY

During April 2015, the FDA approved IXINITY for the treatment of Hemophilia B in adults and children. As a result, the \$8.3 million in-process research and development, or IPR&D, asset associated with IXINITY was reclassified as a definite-lived intangible asset and will be amortized over a 10 year economic useful life.

EV-035

The IPR&D asset acquired from Evolva Holding SA, or Evolva, in December 2014 is the EV-035 series of molecules, or EV-035. As part of the purchase price allocation, management determined that the estimated acquisition date fair value related to the EV-035 IPR&D asset was \$10.5 million. The fair value was determined using the income approach, which discounts expected future cash flows to present value. We estimated the fair value using a discount rate of 12%, which we believe is comparable to the estimated internal rate of return for the acquisition and represents the rate that market participants would likely use to value the EV-035 IPR&D asset. The projected cash flows from the EV-035 series of molecules project were based on key assumptions, including: estimates of revenues and operating profits considering its stage of development on the acquisition date; the time and resources needed to complete the development and approval of the product candidate; the life of the potential commercialized product and associated risks, including the inherent difficulties and uncertainties in developing a product candidate such as obtaining marketing approval from the FDA and other regulatory agencies; and risks related to the viability of any potential alternative treatments in any future target markets. The EV-035 IPR&D asset is considered to be indefinite-lived until the completion or abandonment of the associated research and development efforts.

In September 2015, we received data for the leading molecule in the series, GC-072, that indicated a potential toxicity issue. We considered this information an indicator of impairment of the related EV-035 series of molecules IPR&D asset, and completed an impairment assessment of this asset. Based on this assessment, we recorded a non-cash impairment charge of \$9.8 million, which is included in our statement of operations as research and development expense within the Biodefense segment. The carrying value of the EV-035 series of molecules IPR&D asset was reduced to \$0.7 million at September 30, 2015, and is included in the Biodefense segment. The projected cash flows for EV-035 series of molecules were based on key assumptions including: estimates of revenues and operating profits considering its stage of development on the acquisition date; the time and resources needed to complete the development and approval of the product candidate; the life of the potential commercialized product and associated risks, including the inherent difficulties and uncertainties in developing a product candidate, such as obtaining marketing approval from the FDA and other regulatory agencies; and risks related to the viability of and potential for alternative treatments in any future target markets.

Provision for Chargebacks

We record sales for our Biosciences products, primarily WinRho and HepaGam, net of provisions for chargebacks, administration fees, rebates and other adjustments. These provisions are estimated based on historical experience, future expectations, contractual arrangements with wholesalers and indirect customers, and other factors known to management at the time of accrual. Provisions for chargebacks, administration fees, rebates and other adjustments require varying degrees of subjectivity. While rebates generally are based on contractual terms and require minimal estimation, chargebacks require management to make more subjective assumptions.

The provision for chargebacks is a significant and complex estimate used in the recognition of revenue. Primarily, we sell our products directly to large commercial wholesale distributors. We also sell our products indirectly to group-purchasing organizations, physician practice-management groups and hospitals, collectively referred to as "indirect customers." We enter into agreements with our indirect customers to establish pricing for certain of our products. The indirect customers then independently select a wholesaler from which to purchase the products. If the price paid by the indirect customers is lower than the price paid by the wholesaler, we will provide a credit, called a chargeback, to the wholesaler for the difference between the contractual price

with the indirect customers and the wholesaler purchase price. The provision for chargebacks is based on expected sell-through levels by our wholesale customers to the indirect customers and estimated wholesaler inventory levels.

As sales to the large wholesale customers fluctuate, the reserve for chargebacks will also generally fluctuate in the same direction. However, the degree of the fluctuation depends on product mix and the amount of sales made to indirect customers with which we have specific chargeback agreements.

On a quarterly basis, we review actual payments for provisions, wholesaler and distributor sales to our indirect customers, inventory balances at the wholesalers and distributors, as well as any known market factors that may impact our estimate, and we make adjustments when we believe that actual chargebacks may differ from the chargeback reserve.

Critical Accounting Policies and Estimates

There have been no significant changes to our Critical Accounting Policies and Estimates during the nine months ended September 30, 2015. Refer to the Critical Accounting Policies and Estimates section in our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the Securities and Exchange Commission.

Results of Operations

Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

Revenues

Product Sales:

Product sales revenues increased by \$39.5 million, or 47%, to \$124.0 million for the three months ended September 30, 2015 from \$84.5 million for the three months ended September 30, 2014. Product sales revenues included:

- BioThrax - \$109.8 million for the three months ended September 30, 2015 as compared to \$66.0 million for the three months ended September 30, 2014, primarily due to the timing of deliveries under our contract with the CDC;
- Other Biodefense products - \$7.7 million for the three months ended September 30, 2015 as compared to \$11.7 million for the three months ended September 30, 2014, primarily due to the timing of deliveries under our contracts with the U.S. government; and
- Biosciences product sales - \$6.5 million for the three months ended September 30, 2015 as compared to \$6.8 million for the three months ended September 30, 2014.

BioThrax product sales revenues during the three months ended September 30, 2015 and 2014 primarily consisted of sales to the CDC of \$109.8 million and \$65.9 million, respectively.

Contract Manufacturing:

Contract manufacturing revenues increased by \$1.9 million, or 20%, to \$11.3 million for the three months ended September 30, 2015 from \$9.4 million for the three months ended September 30, 2014. Contract manufacturing revenues primarily consists of fill/finish contract services to third parties.

Contracts, Grants and Collaborations:

Contracts, grants and collaborations revenues decreased by \$14.5 million, or 33%, to \$29.6 million for the three months ended September 30, 2015 from \$44.1 million for the three months ended September 30, 2014. The decrease was primarily due to:

- § recognition of \$15.3 million of the upfront fee related to MOR209/ES414 from our collaboration with MorphoSys in 2014;
- decreased development funding of \$5.3 million for Anthrasil related to the timing of plasma collection; and
- decreased development funding of \$3.9 million for BAT under our BARDA development contract.

These decreases were partially offset by increased revenue of \$6.2 million for ADM, primarily from a \$5.0 million milestone payment from BARDA and increased revenue of \$4.1 million for large-scale manufacturing of BioThrax primarily due to the timing of development efforts.

Cost of Product Sales and Contract Manufacturing

Cost of product sales and contract manufacturing increased by \$6.1 million, or 19%, to \$38.5 million for the three months ended September 30, 2015 from \$32.4 million for the three months ended September 30, 2014. The increase was primarily attributable to increased sales of BioThrax to the CDC, partially offset by a reduction in the fair value of the contingent consideration for RSDL due to the timing and volume of sales for RSDL during the three month period ended September 30, 2015.

Research and Development Expenses

Research and development expenses decreased by \$2.3 million, or 5%, to \$41.9 million for the three months ended September 30, 2015 from \$44.2 million for the three months ended September 30, 2014. This decrease primarily reflects lower contract service costs and includes decreased expenses of \$8.9 million for product candidates and technology platform development activities categorized in the Biosciences segment and \$0.7 million in other research and development in support of central research and development activities, partially offset by increased expenses of \$7.2 million for product candidates and manufacturing development categorized in the Biodefense segment. Net of contracts, grants and collaborations revenues, we incurred net research and development expenses of \$12.2 million and \$143,000 during the three months ended September 30, 2015 and 2014, respectively.

Our principal research and development expenses for the three months ended September 30, 2015 and 2014 are shown in the following table:

(in thousands)	Three Months Ended September 30,	
	2015	2014
Biodefense:		
Large-scale manufacturing for BioThrax	\$ 3,577	\$ 2,986
BioThrax related programs	1,449	1,585
PreviThrax	1,972	3,395
NuThrax	3,764	2,582
Pandemic influenza	5,243	137
Anthrasil	3,923	7,471
Botulinum antitoxin	578	2,114
MVA Ebola	875	-
EV-035 series of molecules	4,356	-

Emergard	1,207	-
Other Biodefense	4,482	3,911
Total Biodefense	31,426	24,181
Biosciences:		
MOR209/ES414	1,859	2,713
IXINITY	1,967	8,005
otlertuzumab	1,804	2,033
Alzheimer's	326	685
Other ADAPTIR related programs	1,259	1,334
Other Biosciences	2,227	3,574
Total Biosciences	9,442	18,344
Other	1,000	1,682
Total	\$ 41,868	\$ 44,207

The increase in expense for large-scale manufacturing for BioThrax was primarily due to the timing of manufacturing development activities. The expense for BioThrax related programs was primarily related to the timing of clinical studies to support applications for label expansion for BioThrax. The decrease in expense for PreviThrax was primarily due to the timing of non-clinical studies. The increase in expense for NuThrax was primarily for clinical trial activities. The increase in expense for Pandemic influenza was primarily related to a milestone payment to VaxInnate Corporation. The decrease in expense for our Anthrasil program was primarily due to decreased plasma collection services. The decrease in expense for our Botulinum antitoxin program was primarily related to stability testing and plasma collection. The expense for MVA Ebola was primarily due to process development. The expense for EV-035 series of molecules was primarily due to pharmacologic and formulation activities and a non-cash impairment charge of \$9.8 million due to toxicity related issues, partially offset by a \$6.7 million reduction of contingent consideration associated with the estimated timing and probability of achievement for certain development and regulatory milestones; and potential future sales of EV-035. The expense for Emergard was primarily for formulation development. The increase in expense for our Other Biodefense activities was primarily due to increased expense related to our funded pre-clinical product candidates and manufacturing development activities.

The decrease in expense for our MOR209/ES414 product candidate was primarily due to the timing of manufacturing development along with reimbursement from MorphoSys for development activities under our cost sharing arrangement. The decrease in expense for our IXINITY product candidate (which was approved by the FDA in April 2015) was primarily for manufacturing activities. The decrease in expense for our otlertuzumab product candidate was primarily related to the timing of clinical trial activities. The expense for Alzheimer's was primarily due to early stage non-clinical activities. The expense for Other ADAPTIR related programs was primarily due to characterization and non-clinical activities. The decrease in expense for our Other Biosciences activities was primarily due to reduced costs associated with other programs acquired through the acquisition of Cangene.

The expense for Other activities was primarily due to centralized research and development activities attributable to product candidates.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by \$1.3 million, or 4%, to \$31.6 million for the three months ended September 30, 2015 from \$30.3 million for the three months ended September 30, 2014. This increase includes additional selling, general and administrative costs associated with product launch costs for IXINITY, initial costs associated with the spin-off of certain components of our Biosciences division, along with increased professional services to support our strategic growth initiatives, partially offset by a reduction in contingent consideration associated with the non-cash impairment charge related to the EV-035 series of molecules.

Selling, general and administrative expenses attributable to our Biodefense segment decreased by \$1.9 million, or 11%, to \$15.5 million during the three months ended September 30, 2015 from \$17.4 million during the three months ended September 30, 2014. Selling, general and administrative expenses related to our Biosciences segment increased by \$3.1 million, or 24%, to \$16.1 million for the three months ended September 30, 2015 from \$12.9 million for the three months ended September 30, 2014.

Total Other Expense

Total net other expense decreased by \$0.4 million, or 31%, to \$0.9 million for the three months ended September 30, 2015 from \$1.3 million for the three months ended September 30, 2014.

Income Taxes

Provision for income taxes increased by \$7.2 million, or 91%, to \$15.1 million for the three months ended September 30, 2015 from \$7.9 million for the three months ended September 30, 2014. The increase in provision for income taxes was primarily due to a \$22.4 million increase in our net income before provision for income taxes.

Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

Revenues

Product Sales:

Product sales revenues increased by \$25.8 million, or 13%, to \$224.3 million for the nine months ended September 30, 2015 from \$198.5 million for the nine months ended September 30, 2014. Product sales revenues included:

- BioThrax - \$182.0 million for the nine months ended September 30, 2015 as compared to \$158.0 million for the nine months ended September 30, 2014, primarily due to the timing of deliveries under our contract with the CDC;
- Other Biodefense products - \$22.5 million (which includes a \$7.0 million one-time payment for Anthrasil licensure from BARDA with no associated cost) for the nine months ended September 30, 2015 as compared to \$21.4 million (which includes RSDL and products we acquired in February 2014) for the nine months ended September 30, 2014, primarily due to the timing of deliveries under our contracts with the U.S. government; and
- Biosciences product sales (acquired in February 2014) - \$19.8 million for the nine months ended September 30, 2015 as compared to \$19.0 million for the nine months ended September 30, 2014.

BioThrax product sales revenues during the nine months ended September 30, 2015 and 2014 primarily consisted of sales to the CDC of \$181.9 million and \$156.1 million, respectively.

Contract Manufacturing:

Contract manufacturing revenues increased by \$11.1 million, or 52%, to \$32.4 million for the nine months ended September 30, 2015 from \$21.3 million for the nine months ended September 30, 2014. The increase in contract manufacturing revenues for the nine months ended September 30, 2015 was primarily due to revenues from our fill/finish facility, acquired through the acquisition of Cangene in February 2014,

for the entire nine month period in 2015. In addition, contract manufacturing revenue increased by \$3.8 million due to services related to the production of an MVA Ebola vaccine candidate.

Contracts, Grants and Collaborations:

Contracts, grants and collaborations revenues increased by \$15.7 million, or 19%, to \$98.0 million for the nine months ended September 30, 2015 from \$82.3 million for the nine months ended September 30, 2014. The increase was primarily due to:

- increased development funding of \$21.3 million for Anthrasil related to plasma collection;
- recognition of a \$5.0 million milestone payment received in 2015 for MOR209/ES414 from our collaboration with MorphoSys;
- § increased development funding of \$6.7 million for ADM, which includes a \$5.0 million milestone payment from BARDA; and
- § increased development funding of \$2.6 million for GC-072, lead molecule in the EV-035 series of molecules.

These increases were partially offset by a decrease of \$7.5 million under our development contracts for BAT, along with the recognition of \$15.3 million of an upfront fee for MOR209/ES414 from our collaboration with MorphoSys in 2014.

Cost of Product Sales and Contract Manufacturing

Cost of product sales and contract manufacturing decreased by \$1.4 million, or 2%, to \$84.5 million for the nine months ended September 30, 2015 from \$85.9 million for the nine months ended September 30, 2014. The decrease was primarily attributable to the decrease in the BioThrax cost per dose sold associated with increased production yield in the period in which the doses sold were produced. This decrease is partially offset by an increase in the number of BioThrax doses delivered to the CDC.

Research and Development Expenses

Research and development expenses increased by \$9.6 million, or 9%, to \$121.5 million for the nine months ended September 30, 2015 from \$111.9 million for the nine months ended September 30, 2014. This increase primarily reflects higher contract service costs and includes increased expenses of \$26.2 million for product candidates and manufacturing development categorized in the Biodefense segment, partially offset by decreased expenses of \$14.3 million for product candidates and technology platform development activities categorized in the Biosciences segment and \$2.3 million in other research and development, which are in support of central research and development activities. Net of contracts, grants and collaborations revenues, we incurred net research and development expenses of \$23.5 million and \$29.5 million during the nine months ended September 30, 2015 and 2014, respectively.

Our principal research and development expenses for the nine months ended September 30, 2015 and 2014 are shown in the following table:

(in thousands)	Nine Months Ended September 30,	
	2015	2014
Biodefense:		
Large-scale manufacturing for BioThrax	\$ 8,526	\$ 10,725
BioThrax related programs	2,732	5,964
PreviThrax	5,772	8,429
NuThrax	9,098	7,137
Pandemic influenza	6,469	1,377
Anthrasil	25,524	11,562
Botulinum antitoxin	4,277	5,777
MVA Ebola	1,426	-
EV-035 series of molecules	6,076	-
Emergard	2,405	-
Other Biodefense	14,297	9,472
Total Biodefense	86,602	60,443
Biosciences:		
MOR209/ES414	4,411	10,584
IXINITY	12,570	12,167
otlertuzumab	3,798	7,228
Alzheimer's	1,471	1,373
Other ADAPTIR related programs	5,255	3,734
Other Biosciences	3,724	10,398
Total Biosciences	31,229	45,484
Other	3,680	5,937
Total	\$ 121,511	\$ 111,864

The decrease in expense for large-scale manufacturing for BioThrax was primarily due to the timing of manufacturing development activities. The decrease in expense for BioThrax related programs was primarily related to the timing of clinical studies to support applications for label expansion for BioThrax. The decrease in expense for PreviThrax was primarily due to the timing of non-clinical studies. The increase in expense for NuThrax was primarily for clinical trial activities. The increase in expense for Pandemic influenza was primarily due to a milestone payment to VaxInnate Corporation. The increase in expense for our Anthrasil program (which we acquired through the acquisition of Cangene in February 2014) was primarily for plasma collection services. The decrease in expense for our Botulinum antitoxin program (which we acquired through the acquisition of Cangene) was primarily for stability testing and plasma collection. The expense for MVA Ebola was primarily due to process development. The expense for EV-035 series of molecules was primarily due to pharmacologic and formulation activities and a non-cash impairment charge of \$9.8 million due to toxicity related issues, partially offset by a \$6.3 million reduction of contingent consideration associated with the estimated timing and probability of achievement for certain development and regulatory milestones; and potential future sales of EV-035. The expense for Emergard was primarily for formulation development. The increase in expense for our Other Biodefense activities was primarily due to increased expense related to our funded pre-clinical product candidates and manufacturing development activities.

The decrease in expense for our MOR209/ES414 product candidate was primarily due to the timing of manufacturing development along with reimbursement from MorphoSys for development activities under our cost sharing arrangement. The expense for our IXINITY product candidate (which was approved by the FDA in April 2015) was primarily for manufacturing activities. The decrease in expense for our otlertuzumab product candidate was primarily related to the timing of clinical trial activities. The expense for Alzheimer's was primarily due to early stage non-clinical activities. The increase in expense for Other ADAPTIR related programs was primarily due to characterization and non-clinical activities. The decrease in expense for our Other Biosciences activities was primarily due to reduced costs associated with other programs acquired through the acquisition of Cangene Corporation, or Cangene.

The decrease in expense for Other activities was primarily due to centralized research and development activities attributable to product candidates.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by \$11.6 million, or 13%, to \$102.5 million for the nine months ended September 30, 2015 from \$90.9 million for the nine months ended September 30, 2014. This increase includes additional post-acquisition selling, general and administrative costs of \$7.1 million associated with the operations acquired through the acquisition of Cangene in February 2014, including product launch costs for IXINITY, initial costs associated with the spin-off of certain components of our Biosciences division, along with increased professional services to support our strategic growth initiatives, partially offset by a reduction in contingent consideration associated with the non-cash impairment charge related to the EV-035 series of molecules.

Selling, general and administrative expenses attributable to our Biodefense segment increased by \$1.8 million, or 3%, to \$53.4 million during the nine months ended September 30, 2015 from \$51.6 million during the nine months ended September 30, 2014. Selling, general and administrative expenses related to our Biosciences segment increased by \$9.8 million, or 25%, to \$49.1 million for the nine months ended September 30, 2015 from \$39.3 million for the nine months ended September 30, 2014.

Total Other Expense

Total net other expense decreased by \$0.4 million, or 9%, to \$4.3 million for the nine months ended September 30, 2015 from \$4.7 million for the nine months ended September 30, 2014.

Income Taxes

Provision for income taxes increased by \$10.3 million to \$12.4 million for the nine months ended September 30, 2015 from \$2.1 million for the nine months ended September 30, 2014. The increase in provision for income taxes was primarily due to a \$33.1 million increase in our net income before provision for income taxes.

Liquidity and Capital Resources

Sources of Liquidity

From inception through September 30, 2015, we have funded our cash requirements principally with a combination of revenues from sales of BioThrax, debt financing, development funding from government entities and non-government and philanthropic organizations and collaborative partners, the net proceeds from our initial public offering and the sale of our common stock upon exercise of stock options. We have operated profitably for each of the five years ended December 31, 2014. As of September 30, 2015, we had cash and cash equivalents of \$308.7 million.

Cash Flows

The following table provides information regarding our cash flows for the nine months ended September 30, 2015 and 2014:

(in thousands)	Nine Months Ended September 30,	
	2015	2014
Net cash provided by (used in):		
Operating activities(i)	\$ 41,373	\$ 60,514
Investing activities	(33,631)	(192,788)
Financing activities	20,477	195,185
Net increase in cash and cash equivalents	\$ 28,219	\$ 62,911

(i) Includes the effect of exchange rates on cash and cash equivalents.

Net cash provided by operating activities of \$41.4 million for the nine months ended September 30, 2015 was primarily due to our net income of \$29.5 million and non-cash charges of \$25.9 million for depreciation and amortization along with \$9.8 million in impairment charge for EV-035, partially offset by a decrease in inventories of \$14.4 million primarily due to the timing of deliveries of BioThrax to the CDC, a \$10.9 million decrease in contingent consideration to Evolva for regulatory, development and sales-based royalty contingencies and a decrease in income taxes of \$6.8 million related to timing differences.

Net cash provided by operating activities of \$60.5 million for the nine months ended September 30, 2014 was primarily due to our net income of \$6.6 million, a decrease in accounts receivable of \$36.1 million related to the timing of collection of amounts billed primarily to the CDC, along with non-cash charges of \$9.5 million for stock-based compensation and \$24.3 million for depreciation and amortization, partially offset by a decrease in accounts payable of \$11.2 million, primarily due to acquisition-related activities.

Net cash used in investing activities of \$33.6 million for the nine months ended September 30, 2015 was due to infrastructure and equipment investments.

Net cash used in investing activities of \$192.8 million for the nine months ended September 30, 2014 was primarily due to the acquisition of Cangene for \$178.2 million, which is net of \$43.6 million of acquired cash, and capital expenditures of \$14.6 million for infrastructure and equipment investments.

Net cash provided by financing activities of \$20.5 million for the nine months ended September 30, 2015 was primarily due to \$15.9 million in proceeds from the issuance of common stock pursuant to employee equity plans, \$8.0 million in excess tax benefits from the exercise of stock options and \$2.0 million in proceeds from long-term indebtedness, partially offset by \$5.4 million in contingent obligation payments.

Net cash provided by financing activities of \$195.2 million for the nine months ended September 30, 2014 was primarily due to proceeds from long-term indebtedness of \$241.7 million, \$10.7 million in proceeds from the issuance of common stock pursuant to employee equity plans and \$5.6 million in excess tax benefits from the exercise of stock options, partially offset by a principal payment on indebtedness of \$62.0 million under our revolving credit facility.

Funding Requirements

We expect to continue to fund our anticipated operating expenses, capital expenditures and debt service requirements from existing cash and cash equivalents, revenues from product sales; development contract, grant and collaboration funding; contract manufacturing services and our revolving credit facility and any other lines of credit we may establish from time to time. There are numerous risks and uncertainties associated with product sales and with the development and commercialization of our product candidates. We may seek additional external financing to provide additional financial flexibility. Our future capital requirements will depend on many factors, including:

- the level, timing and cost of product sales;

- the extent to which we acquire or invest in and integrate companies, businesses, products or technologies;
- the acquisition of new facilities and capital improvements to new or existing facilities;
- the payment obligations under our indebtedness;
- the scope, progress, results and costs of our development activities;
- our ability to obtain funding from collaborative partners, government entities and non-governmental organizations for our development programs;
- the costs of commercialization activities, including product marketing, sales and distribution; and
- the costs associated with the planned spin-off of our Biosciences business, including funding that may be provided to the Biosciences business and costs of the transaction.

If our capital resources are insufficient to meet our future capital requirements, we will need to finance our cash needs through public or private equity or debt offerings, bank loans or collaboration and licensing arrangements. In May 2015, we filed an automatic shelf registration statement, which immediately became effective under SEC rules. For so long as we continue to satisfy the requirements to be deemed a "well-known seasoned issuer" under SEC rules, this shelf registration statement, effective until May 2018, allows us to issue an unrestricted amount of equity, debt and certain other types of securities through one or more future primary or secondary offerings. If we raise funds by issuing equity securities, our stockholders may experience dilution. Public or bank debt financing, if available, may involve agreements that include covenants, like those contained in our senior secured revolving credit facility, which could limit or restrict our ability to take specific actions, such as incurring additional debt, making capital expenditures, pursuing acquisition opportunities, buying back shares or declaring dividends. If we raise funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish valuable rights to our technologies or product candidates or grant licenses on terms that may not be favorable to us. We are not restricted under the terms of the indenture governing our senior convertible notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that could have the effect of diminishing our ability to make payments on our indebtedness.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk is currently confined to our cash and cash equivalents. We currently do not hedge interest rate exposure or foreign currency exchange exposure, and the movement of foreign currency exchange rates could have an adverse or positive impact on our results of operations. We have not used derivative financial instruments for speculation or trading purposes. Because of the short-term maturities of our cash and cash equivalents, we believe that an increase in market rates would likely not have a significant impact on the realized value of our investments, but any increase in market rates would likely increase the interest expense associated with our debt.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2015. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2015, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

As of March 31, 2015, the controls and procedures of Cangene Corporation, acquired in February 2014, have been integrated into the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act), and the Company is currently evaluating the design and operational effectiveness of these controls and procedures. There have been no other changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) identified in connection with the evaluation required by Rule 13a-15(d) under the Exchange Act has occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable.

ITEM 1A. RISK FACTORS

You should carefully consider, among other matters, the following risk factors in addition to the other information in this Quarterly Report on Form 10-Q when evaluating our business because these risk factors may have a significant impact on our business, financial condition, operating results or cash flow. If any of the risks described below or in subsequent reports we file with the SEC actually occur, they may materially harm our business, financial condition, operating results or cash flow. Additional risks and uncertainties that we have not yet identified or that we presently consider to be immaterial may also materially harm our business, financial condition, operating results or cash flow.

THE PLANNED SPIN-OFF OF OUR BIOSCIENCES BUSINESS

Our plan to pursue a spin-off of our biosciences business into a separate, stand-alone publicly-traded company is subject to material conditions and may not be completed on the currently contemplated timeline or at all.

In August 2015, we announced a plan to pursue a spin-off of our biosciences business into a separate, stand-alone publicly-traded company, which is subject to board approval of the final terms, through a tax-free distribution to Emergent shareholders of publicly-traded stock in the new biosciences company. We expect to complete the spin-off by mid-year 2016. Unanticipated developments, including possible delays in obtaining a tax opinion and private letter ruling, covenant waivers or other required clearances, uncertainty of the financial markets and challenges in establishing infrastructure or processes, could delay or prevent the proposed spin-off or cause it to occur on terms or conditions that are less favorable or different than expected. Expenses incurred to accomplish the proposed spin-off will be significant and may be significantly higher than what we currently anticipate, and may not yield a discernible benefit if we do not execute the transaction. Executing the proposed spin-off also requires significant time and attention from management and employees, which could distract them from other tasks in operating our business and, as a result, negatively impact our operations and our earnings.

If the proposed spin-off is consummated, we may not realize some or all of the anticipated benefits due to a number of factors.

Even if the transaction is completed, we may not realize some or all of the anticipated strategic, financial or other benefits from the spin-off. If consummated, the two independent companies will be smaller, less diversified with a narrower business focus and may be more vulnerable to changing market conditions, which could materially and adversely affect our business, financial condition and results of operations. Execution of the spin-off transaction presents a number of significant risks to our internal processes, including the failure to maintain an adequate control environment due to changes to our IT systems and financial reporting processes, both as we execute the transaction and following consummation. There may also be dis-synergies from separating the businesses that could negatively impact the financial condition and results of operations of either or both businesses. Further, the combined

value of the common stock of the two publicly-traded companies may not be equal to or greater than what the value of our common stock would have been had the proposed spin-off not occurred.

GOVERNMENT CONTRACTING RISKS

We derive the majority of our revenue from sales of BioThrax to our principal customer, the U.S. government. If the U.S. government's demand for BioThrax is reduced, our business, financial condition, operating results and cash flow could be materially harmed.

We have derived and expect for the foreseeable future to derive the majority of our revenue from sales of BioThrax, our anthrax vaccine licensed by the U.S. Food and Drug Administration, or FDA, to the U.S. government. We are currently party to a contract with the Centers for Disease Control and Prevention, or CDC, for the supply of up to 44.75 million doses of BioThrax for placement into the Strategic National Stockpile, or SNS, over a five-year period ending in September 2016.

The procurement of doses of BioThrax by the CDC is subject to the availability of funding. Our existing contract with the CDC does not guarantee that funding for the procurement of doses will be made available. If the SNS priorities change, funding to procure doses of BioThrax may be limited or not available, and our business, financial condition and operating results would be materially harmed. The success of our business and our operating results for the foreseeable future are significantly dependent on funding for the procurement of BioThrax and the terms of our BioThrax sales to the U.S. government, including the price per dose, the number of doses and the timing of deliveries.

Our U.S. government procurement and development contracts require ongoing funding decisions by the U.S. government. Reduced or discontinued funding of these contracts could cause our business, financial condition, operating results and cash flow to suffer materially.

Our principal customer for BioThrax, BAT, Anthrasil, VIGIV and RSDL is the U.S. government. We anticipate that the U.S. government will also be a principal customer for other biodefense products that we successfully acquire or develop. Additionally, a significant portion of our revenue comes from U.S. government development contracts and grants. Over its lifetime, a U.S. government procurement or development program may be implemented through the award of many different individual contracts and subcontracts. The funding for such government programs is subject to Congressional appropriations, generally made on a fiscal year basis, even for programs designed to continue for several years. These appropriations can be subject to political considerations and stringent budgetary constraints. For example, sales of BioThrax supplied under our multi-year procurement contract with the CDC are subject to available funding, mostly from annual appropriations. Additionally, our government-funded development contracts typically give the U.S. government the right, exercisable in its sole discretion, to extend these contracts for successive option periods following a base period of performance. The value of the services to be performed during these option periods may constitute the majority of the total value of the underlying contract. For example, the development contract we were awarded in August 2014 for development of a dry formulation of PreviThrax consists of an approximately two-year base period of performance valued at approximately \$7.3 million and thirteen successive one-year option periods valued at a total of approximately \$29 million. If levels of government expenditures and authorizations for biodefense decrease or shift to programs in areas where we do not offer products or are not developing product candidates, or if the U.S. government otherwise declines to exercise its options under our contracts, our business, revenues and operating results would suffer.

The government contracting process is typically a competitive bidding process and involves unique risks and requirements.

We expect that a significant portion of our near-term business will be under government contracts and grants, which may be awarded through competitive bidding. Competitive bidding for government contracts presents a number of risks and requirements, some of which are not typically present in the commercial contracting process, including:

- the commitment of substantial time and attention of management and key employees to the preparation of bids and proposals for contracts that may not be awarded to us;
- the need to accurately estimate the resources and cost structure that will be required to perform any contract that we might be awarded;
- the possibility that we may be ineligible to respond to a request for proposal issued by the government;
- the submission by third parties of protests to our responses to requests for proposal that could result in delays or withdrawals of those requests for proposal; and
- in the event our competitors protest or challenge contract or grant awards made to us pursuant to competitive bidding, the potential that we may incur expenses or delays, and that any such protest or challenge would result in the resubmission of bids based on modified specifications, or in the termination, reduction or modification of the awarded contract.

The U.S. government may choose not to award us future contracts for the development of our Biodefense product candidates or for the procurement of our Biodefense products, and may instead award such contracts to our competitors. If we are unable to win particular contracts, we may not be able to operate in the market for products that are provided under those contracts for a number of years. Additionally, if we are unable to consistently win new contract awards over an extended period, or if we fail to anticipate all of the costs or resources that we will be required to secure and, if applicable, perform under such contract awards, our growth strategy and our business, financial condition and operating results could be materially and adversely affected.

Laws and regulations affecting government contracts make it more costly and difficult for us to successfully conduct our business. Failure to comply with these laws could result in significant civil and criminal penalties and materially damage our relationship with the U.S. government.

We must comply with numerous laws and regulations relating to the procurement, formation, administration and performance of government contracts. Among the most significant government contracting regulations that affect the business of our Biodefense division are:

- the Federal Acquisition Regulation, or FAR, and agency-specific regulations supplemental to FAR, which comprehensively regulate the procurement, formation, administration and performance of government contracts;
- the Defense Federal Acquisition Regulations, or DFARS, and agency-specific regulations supplemental to DFARS, which comprehensively regulate the procurement, formation, administration and performance of U.S. Department of Defense, or DoD, government contracts;
- business ethics and public integrity obligations, which govern conflicts of interest and the hiring of former government employees, restrict the granting of gratuities and funding of lobbying activities and incorporate other requirements such as the Anti-Kickback Act, the Procurement Integrity Act, the False Claims Act and the Foreign Corrupt Practices Act;
- export and import control laws and regulations; and
- laws, regulations and executive orders restricting the use and dissemination of information classified for national security purposes and the exportation of certain products and technical data.

U.S. government agencies routinely audit and investigate government contractors for compliance with applicable laws and standards. If we are audited and such audit were to uncover improper or illegal activities, we could be subject to civil and criminal penalties, administrative sanctions, including suspension or debarment from government contracting and significant reputational harm.

The amount we are paid under our fixed price government procurement contracts is based on estimates we have made of the time, resources and expenses required for us to perform under those contracts. If our actual costs exceed our estimates, we may not be able to earn an adequate return or may incur a loss under these contracts, which could harm our operating results and materially reduce our net income.

Some of our current contracts with the U.S. Department of Health and Human Services, or HHS, and the DoD for the procurement of our Biodefense products are fixed price contracts. We expect that our potential future contracts with the U.S. government for our Biodefense products also may be fixed price contracts. Under a fixed price contract, we are required to deliver our products at a fixed price regardless of the actual costs we incur. Estimating costs that are related to performance in accordance with contract specifications is difficult, particularly where the period of performance is over several years. Our failure to anticipate technical problems, estimate costs accurately or control costs during performance of a fixed price contract could reduce the profitability of such a contract or cause a loss, which could harm our operating results and materially reduce our net income.

Unfavorable provisions in government contracts, some of which may be customary, may subject our business to material limitations, restrictions and uncertainties and may have a material adverse impact on our financial condition and operating results.

Government contracts customarily contain provisions that give the U.S. government substantial rights and remedies, many of which are not typically found in commercial contracts, including provisions that allow the U.S. government to:

- terminate existing contracts, in whole or in part, for any reason or no reason;
- unilaterally reduce or modify contracts or subcontracts, including by imposing equitable price adjustments;
- cancel multi-year contracts and related orders, if funds for contract performance for any subsequent year become unavailable;
- decline, in whole or in part, to exercise an option to purchase product under a contract or renew a contract;
- claim rights to facilities or to products, including intellectual property, developed under the contract;
- require repayment of contract funds spent on construction of facilities in the event of contract default;
- take actions that result in a longer development timeline than expected;
- direct the course of a development program in a manner not chosen by the government contractor;
- suspend or debar the contractor from doing business with the government or a specific government agency;
- pursue civil or criminal remedies under acts such as the False Claims Act and False Statements Act; and
- control or prohibit the export of products.

Generally, government contracts, including our contract for procurement of BioThrax, contain provisions permitting unilateral termination or modification, in whole or in part, at the U.S. government's convenience. Under general principles of government contracting law, if the U.S. government terminates a contract for convenience, the government contractor may recover only its incurred or committed costs, settlement expenses and profit on work completed prior to the termination. If the U.S. government terminates a contract for default, the government contractor is entitled to recover costs incurred and associated profits on accepted items only and may be liable for excess costs incurred by the government in procuring undelivered items from another source. Our CDC contract for the procurement of BioThrax is, and our future U.S. government procurement and development contracts are likely to be, terminable at the U.S. government's convenience with these potential consequences.

Our U.S. government contracts grant the U.S. government the right to use technologies developed by us under the government contract or the right to share data related to our technologies, for or on behalf of the U.S. government. Under our U.S. government contracts, we might not be able to prohibit third parties, including our competitors, from accessing such technology or data, including intellectual property, in providing products and services to the U.S. government.

COMMERCIALIZATION RISKS

We face substantial competition, which may result in others developing or commercializing products before or more successfully than we do.

The development and commercialization of new biopharmaceutical products is highly competitive and subject to rapid technological advances. We may face future competition with respect to our products, any products that we acquire, our current product candidates and any products we may seek to develop or commercialize in the future from other companies and governments, universities and other non-profit research organizations. Our competitors may develop products that are safer, more effective, more convenient or less costly than any products that we may develop or market. Our competitors may devote greater resources to market or sell their products, adapt more quickly to new technologies, scientific advances or patient preferences and needs, initiate or withstand substantial price competition more successfully than we can, or more effectively negotiate third-party licensing and collaborative arrangements.

There are a number of companies with biodefense products or product candidates competing with us for both U.S. government procurement and development resources. For example, in terms of additional procurement of licensed countermeasures, HHS awarded a development and SNS procurement contract to GlaxoSmithKline plc for ABThrax™ (raxibacumab), an anthrax monoclonal antibody therapeutic.

We believe that our most significant competitors in the hematology/oncology and transplantation markets include: AbbVie Inc., Amgen Inc., Baxter International Inc., CSL Behring, a subsidiary of CSL Limited, Genentech Inc. (a subsidiary of F. Hoffmann-La Roche Ltd.), Gilead Sciences, Inc., Grifols USA LLC, Johnson & Johnson and Novartis AG.

Any reduction in demand for our products as a result of a competing product could lead to reduced revenues, reduced margins, reduced levels of profitability and loss of market share for our products. These competitive pressures could adversely affect our business and operating results.

We rely on third parties to distribute some of our products and those third parties may not perform.

A portion of our revenues from product sales is derived from sales through exclusive distributors in Canada and international markets. For example, in Canada, only two distributors have rights to our WinRho SDF, HepaGam B and VARIZIG products. As a result, we rely on the sales and marketing strength of these distributors and the distribution channels through which they operate for a portion of our revenues. We may not be able to retain these distribution relationships indefinitely and these distributors may not adequately support the sales, marketing and distribution efforts of our products in these markets. If third parties do not successfully carry out their contractual duties in maximizing the commercial potential of our products, or if there is a delay or interruption in the distribution of our products, it could negatively impact our revenues from product sales.

The commercial success of our Biosciences products will depend upon the degree of market acceptance by government customers, physicians, patients, healthcare payors and others in the medical community.

Our Biosciences products may not gain or maintain market acceptance by potential government customers, physicians, patients, third-party payors and others in the medical community. In particular, the success of our Biosciences products, including our hyperimmune specialty products, will depend upon, among other things, their acceptance by physicians, patients, third-party payors and other members of the medical community as a therapeutic and cost-effective alternative to competing products and treatments. If any of our products do not achieve and maintain an adequate level of acceptance, we may not generate material revenues from sales of these products. The degree of market acceptance of our products will depend on a number of factors, including:

- our ability to provide acceptable evidence of safety and efficacy;
- the prevalence and severity of any side effects;
- availability, relative cost and relative efficacy of alternative and competing treatments;
- the ability to offer our products for sale at competitive prices;
- the relative convenience and ease of administration;
- the willingness of the target patient population to try new products and of physicians to prescribe these products;
- the strength of marketing and distribution support;
- publicity concerning our products or competing products and treatments; and
- the sufficiency of coverage or reimbursement by third parties.

If our products and product candidates do not become widely accepted by potential government customers, physicians, patients, third-party payors and other members of the medical community, our business, financial condition and operating results could be materially and adversely affected.

Changes in health care systems and payor reimbursement policies could result in a decline in our potential sales and a reduction in our expected revenue from our products.

The revenues and profitability of biopharmaceutical companies like ours may be affected by the continuing efforts of government and third-party payors to contain or reduce the costs of health care through various means. For example, in certain foreign markets, the pricing or profitability of therapeutic

and other pharmaceutical products is subject to governmental control. In the United States, there have been, and we expect that there will continue to be, a number of federal and state proposals to implement similar governmental control. Recent U.S. legislation, rules and regulations instituted significant changes to the U.S. healthcare system that could have a material adverse effect on our business, financial condition and profitability. We cannot predict what effects, if any, this legislation might have on our company and our products as this legislation continues to be further implemented over the next few years, nor can we predict whether additional legislative or regulatory proposals may be adopted.

In addition, in the United States and elsewhere sales of therapeutic and other pharmaceutical products depend, in part, on the availability of reimbursement from third-party payors, such as government and private insurance plans. Third-party payors are increasingly challenging the prices charged for medical products and services. Third-party payors may limit access to biopharmaceutical products through the use of prior authorizations and step therapy. Any reimbursement granted may not be maintained, or limits on reimbursement available from third parties may reduce the demand for or negatively affect the price and profitability of those products. Payors may pursue aggressive cost cutting initiatives such as comparing the effectiveness, benefits and costs of similar treatments, which could result in lower reimbursement and therefore demand for these products. Policies that decrease reimbursement would likely have a material adverse effect on our business, financial condition and results of operations. Our ability to successfully commercialize our products and product candidates and the demand for our products depend, in part, on the extent to which reimbursement and access is available from such third-party payors.

Our Biologic Products may face risks of competition from biosimilar manufacturers.

Competition for BioThrax, WinRho SDF, BAT, Anthrasil, HepaGam B, VARIZIG and VIGIV, or our "Biologic Products," may be affected by follow-on biologics, or "biosimilars," in the United States and other jurisdictions. Regulatory and legislative activity in the United States and other countries may make it easier for generic drug manufacturers to manufacture and sell biological drugs similar or identical to our Biologic Products, which might affect the profitability or commercial viability of our Biologic Products. Under the Biologics Price Competition and Innovation Act of 2010, the FDA cannot approve a biosimilar application until the 12-year exclusivity period for the innovator biologic has expired. Regulators in the European Union and in other foreign jurisdictions have already approved biosimilars, although the European Medicines Agency has expressly excluded blood or plasma-derived products and their recombinant alternatives from the biosimilar pathway for a period of time. Vaccine and allergen products are considered on a case-by-case basis. The specific regulatory framework for this new approval pathway, whether the FDA will permit biosimilars for blood products and vaccines, and the extent to which an approved biosimilar would be substituted for the innovator biologic are not yet clear and will depend on many factors that are currently unknown. If a biosimilar version of one of our Biologic Products were approved, it could have a material adverse effect on the sales and gross profits of the affected Biologic Product and could adversely affect our business and operating results.

Political or social factors may delay or impair our ability to market our products and may require us to spend significant management time and financial resources to address these issues.

Products developed to treat diseases caused by or to combat CBRNE (Chemical, Biological, Radiological, Nuclear and Explosives) threats are subject to changing political and social environments. The political responses and social awareness of the risks of biowarfare and bioterrorism attacks on military personnel or civilians may vary over time. If the threat of terrorism were to decline, then the public perception of the risk of bioterrorism may be reduced. This perception, as well as political or social pressures, could delay or cause resistance to bringing our products to market or limit pricing or purchases of our products, any of which could negatively affect our revenues.

In addition, substantial delays or cancellations of purchases could result from protests or challenges from third parties. Lawsuits brought against us by third parties or activists, even if not successful, could require us to spend significant management time and financial resources defending the related litigation and could potentially damage the public's perception of us and our products. Any publicity campaigns or other negative publicity may adversely affect the degree of market acceptance of our Biodefense products and thereby limit the demand for our Biodefense products, which would adversely affect our revenues.

REGULATORY AND COMPLIANCE RISKS

Our long term success depends, in part, upon our ability to develop, receive regulatory approval for and commercialize product candidates and, if we are not successful, our business and operating results may suffer.

Our product candidates and the activities associated with their development, including testing, manufacture, recordkeeping, storage and approval, are subject to comprehensive regulation by the FDA and other regulatory agencies in the United States and by comparable authorities in other countries. Except under limited circumstances related to certain government sales, failure to obtain regulatory approval for a product candidate will prevent us from commercializing the product candidate. We have limited experience in preparing, filing and prosecuting the applications necessary to gain regulatory approvals and expect to rely on third-party contract research organizations and consultants to assist us in this process.

In the United States, to obtain approval from the FDA to market any of our future biologic products, we will be required to submit a biologics license application, or BLA, to the FDA. Ordinarily, the FDA requires a sponsor to support a BLA with substantial evidence of the product's safety and efficacy in treating the targeted indication based on data derived from adequate and well-controlled clinical trials, including Phase III safety and efficacy trials conducted in patients with the disease or condition being targeted.

However, NuThrax and PreviThrax are subject to a different regulatory approval pathway. Specifically, because humans are rarely exposed to anthrax toxins under natural conditions, and cannot be intentionally exposed, statistically significant efficacy for these product candidates cannot be demonstrated in humans. Instead, efficacy must be demonstrated, in part, by utilizing animal models instead of testing in humans. This is known as the FDA's "Animal Rule." We cannot guarantee that the FDA will permit us to proceed with licensure of NuThrax, PreviThrax or any Biodefense product candidates under the Animal Rule. Even if we are able to proceed pursuant to the Animal Rule, the FDA may decide that our data are insufficient to support approval and require additional preclinical, clinical or other studies, refuse to approve our products, or place restrictions on our ability to commercialize those products. Furthermore, products approved under the Animal Rule are subject to certain additional post-marketing requirements. For example, to the extent feasible and ethical, manufacturers of products approved pursuant to the Animal Rule must conduct post-marketing studies, such as field studies, to verify and describe the drug's clinical benefit and to assess its safety when used as indicated. We cannot guarantee that we will be able to meet this regulatory requirement even if one or more of our product candidates are approved under the Animal Rule.

The process of obtaining these regulatory approvals is expensive, often takes many years if approval is obtained at all, and can vary substantially based upon the type, complexity and novelty of the product candidate involved. Changes in the regulatory approval process during the development period, changes in or the enactment of additional statutes or regulations, or changes in the regulatory review for a submitted product application may cause delays in the approval or rejection of an application.

The FDA has substantial discretion in the approval process and may refuse to accept any application or may decide that our data are insufficient to support approval and require additional preclinical, clinical or other studies. In addition, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent regulatory approval of a product candidate.

Even after regulatory approval is received, if we fail to comply with regulatory requirements, or if we experience unanticipated problems with our approved products, they could be subject to restrictions, penalties or withdrawal from the market.

Any vaccine, therapeutic product or medical device for which we obtain marketing approval, along with the manufacturing processes, post-approval clinical data, labeling, advertising and promotional activities for such product, will be subject to continual requirements of and review by the FDA and other regulatory bodies. Our approved products are subject to these requirements and ongoing review. These requirements include submissions of safety and other post-marketing information and reports, registration requirements, current good manufacturing practices, or cGMP, requirements relating to quality control, quality assurance, restrictions on advertising and promotion, import and export restrictions and recordkeeping requirements. In addition, various state laws require that companies that manufacture and/or distribute drug products within the state obtain and maintain a manufacturer or distributor license, as appropriate. Because of the breadth of these laws, it is possible that some of our business activities could be subject to challenge under one or more of such laws.

The FDA enforces its cGMP and other requirements through periodic unannounced inspections of manufacturing facilities. The FDA is authorized to inspect domestic manufacturing facilities without prior notice at reasonable times and in a reasonable manner. The FDA conducts periodic inspections of our facilities. For example, our Lansing facility was inspected most recently in November 2013 and our Winnipeg manufacturing facility was inspected most recently in July 2014. Following each of these inspections, the FDA has issued inspectional observations, some of which were significant, but all of which are being addressed through corrective actions. If, in connection with any future inspection, the FDA finds that we are not in substantial compliance with cGMP requirements, or if the FDA is not satisfied with the corrective actions we take, the FDA may undertake enforcement action against us, which may include:

- warning letters and other communications;
- product seizure or withdrawal of the product from the market;
- restrictions on the marketing or manufacturing of a product;
- suspension or withdrawal of regulatory approvals or refusal to approve pending applications or supplements to approved applications;
- fines or disgorgement of profits or revenue; and
- injunctions or the imposition of civil or criminal penalties.

Similar action may be taken against us should we fail to comply with regulatory requirements, or later discover previously unknown problems with our products or manufacturing processes. Even if regulatory approval of a product is granted, the approval may be subject to limitations on the indicated uses for which the product may be marketed or to the conditions of approval, or contain requirements for costly post-marketing testing and surveillance to monitor the safety or efficacy of the product. If we experience any of these post-approval events, our business, financial condition and operating results could be materially and adversely affected.

Failure to obtain or maintain regulatory approval in international jurisdictions could prevent us from marketing our products abroad and could limit the growth of our business.

We currently sell and intend to sell our products outside the United States. To market our products in the European Union and many other foreign jurisdictions, we may need to obtain separate regulatory approvals and comply with numerous and varying regulatory requirements. Approval by the FDA does not ensure approval by foreign regulatory authorities. The approval procedures in foreign jurisdictions can vary widely and can involve additional clinical trials and data review. We and our collaborators may not be able to obtain foreign regulatory approvals on a timely basis, if at all, and therefore we may be unable to commercialize our products internationally.

Our international operations increase our risk of exposure to potential claims of bribery and corruption.

As we expand our commercialization activities outside of the United States, we are subject to an increased risk of inadvertently conducting activities in a manner that violates the U.S. Foreign Corrupt Practices Act, or FCPA, the U.K. Bribery Act, Canada's Corruption of Foreign Public Officials Act, or other similar foreign laws, which prohibit corporations and individuals from paying, offering to pay, or authorizing the payment of anything of value to any foreign government official, government staff member, political party, or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity. In the course of establishing and expanding our commercial operations and seeking regulatory approvals outside of the United States, we will need to establish and expand business relationships with various third parties and will interact more frequently with foreign officials, including regulatory authorities and physicians employed by state-run healthcare institutions who may be deemed to be foreign officials under the FCPA or similar foreign laws. If our business practices outside the United States are found to be in violation of the FCPA or similar foreign laws, we and our senior management may be subject to significant civil and criminal penalties, potential debarment from public procurement and reputational damage, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

MANUFACTURING RISKS

Our biologic products and product candidates are complex to manufacture and ship, which could cause us to experience delays in product manufacturing or development and resulting delays in revenues.

BioThrax, WinRho SDF, BAT, Anthrasil, HepaGam B, VARIZIG, VIGIV and many of our current product candidates are biologics. Manufacturing biologic products, especially in large quantities, is complex. The products must be made consistently and in compliance with a clearly defined manufacturing process. Problems may arise during manufacturing for a variety of reasons, including problems with raw materials, equipment malfunction and failure to follow specific protocols and procedures. In addition, slight deviations anywhere in the manufacturing process, including obtaining materials, maintaining master seed or cell banks and preventing genetic drift, seed or cell growth, fermentation, contamination including from, among other things, particulates, filtration, filling, labeling, packaging, storage and shipping, and quality control testing, may result in lot failures or manufacturing shut-down, delays in the release of lots, product recalls, spoilage or regulatory action. Such deviations may require us to revise manufacturing processes or change manufacturers. Additionally, as our equipment ages, it will need to be replaced. Replacement of equipment has the potential to introduce variations in the manufacturing process that may result in lot failures or manufacturing shut-down, delay in the release of lots, product recalls, spoilage or regulatory action. Success rates can also vary dramatically at different stages of the manufacturing process, which can reduce yields and increase costs. From time to time, we may experience deviations in the manufacturing process that may take significant time and resources to resolve and, if unresolved, may affect manufacturing output and could cause us to fail to satisfy customer orders or contractual commitments, lead to a termination of one or more of our contracts, lead to delays in our clinical trials, result in litigation or regulatory action against us or cause the FDA to cease releasing product until the deviations are explained and corrected, any of which could be costly to us, damage our reputation and negatively impact our business.

For example, FDA approval is required for the release of each lot of BioThrax. A "lot" is approximately 186,000 doses. We are not able to sell any lots that fail to satisfy the release testing specifications. For example, we must provide the FDA with the results of certain tests, including potency tests, before lots are released for sale. Potency testing of each lot of BioThrax is performed against a qualified control lot that we maintain. We have one mechanism for conducting this potency testing that is reliant on a unique animal strain for which we currently have no alternative. We continually monitor the status of our control lot and periodically produce and qualify a new control lot to replace the existing control lot. If we are not able to produce and qualify a new control lot or otherwise satisfy the FDA's requirements for release of BioThrax, our ability to sell BioThrax would be impaired until such time as we become able to meet the FDA's requirements, which would significantly impact our revenues, require us to utilize our cash balances to help fund our ongoing operations and otherwise harm our business.

We are contractually required to ship our biologic products at a prescribed temperature range and variations from that temperature range could result in loss of product and could significantly impact our revenues. Delays, lot failures, shipping deviations, spoilage or other loss during shipping could cause us to fail to satisfy customer orders or contractual commitments, lead to a termination of one or more of our contracts, lead to delays in potential clinical trials or result in litigation or regulatory action against us, any of which could be costly to us and otherwise harm our business.

We are in the process of expanding our manufacturing facilities. Delays in completing our facilities, or delays or failures in obtaining regulatory approvals for our new manufacturing facilities, could impact our future revenues.

We have constructed Building 55, a large-scale manufacturing facility on our Lansing, Michigan campus for which we received a development contract from BARDA in July 2010 to fund the scale-up, qualification and validation of manufacturing BioThrax at an expanded scale. Additionally, in 2009, we acquired a facility in Baltimore, Maryland, which we intend to utilize for certain product development or manufacturing projects, including projects performed under a separate development contract from Biomedical Advanced Research and Development Authority, or BARDA, to establish a Center for Innovation in Advanced Development and Manufacturing. The process for qualifying and validating these facilities may result in unanticipated delays and

may cost more than expected due to a number of factors, including regulatory requirements. The costs and time required to comply with cGMP regulations or similar foreign regulatory requirements for sales of our products may be significant. In addition, if we experience delays, we may be in breach of the obligations under our government-funded development contracts. We have experienced such delays in the past and may experience further delays in the future. If our facility licensure activities are delayed, we may not be able to utilize Building 55 to increase our production of BioThrax or manufacture product candidates in our Baltimore facility, which could significantly impact our future revenues.

Currently, only Building 12, our small-scale manufacturing facility in Lansing, Michigan, has regulatory approval to manufacture BioThrax. A significant interruption of the ability of this facility to manufacture BioThrax would reduce our revenues and materially harm our business, financial condition, operating results and cash flow.

We currently rely on our manufacturing facility at a single location in Lansing, Michigan, Building 12, for the production of BioThrax. Any interruption in manufacturing operations at this location could result in our inability to satisfy the product demand of the U.S. government or other BioThrax customers. A number of factors could cause interruptions, including:

- equipment malfunctions or failures;
- technology malfunctions;
- cyber-attacks;
- work stoppages or slow-downs;
- protests, including by animal rights activists;
- damage to or destruction of the facility; or
- product contamination or tampering.

Providers of bioterrorism countermeasures could be subject to an increased risk of terrorist activities. The U.S. government has designated both our Lansing, Michigan and our Biodefense Baltimore facility as facilities requiring additional security. Although we continually evaluate and update security measures, there can be no assurance that any additional security measures would protect our facilities from terrorist efforts determined to disrupt our manufacturing activities.

The factors listed above could also cause disruptions at our other facilities, including our manufacturing facility in Winnipeg, Manitoba, Canada. Any such disruption, damage, or destruction of these facilities could impede our ability to manufacture our Biologic Products and our product candidates, result in losses and delays, including delay in the performance of our contractual obligations or delay in our clinical trials, any of which could be costly to us and materially harm our business, financial condition and operating results.

If we are unable to obtain supplies for the manufacture of BioThrax or our other products and product candidates in sufficient quantities and at an acceptable cost, our ability to manufacture BioThrax or to develop and commercialize our other products and product candidates could be impaired, which could harm our revenues, lead to a termination of one or more of our contracts, lead to delays in clinical trials or otherwise harm our business.

We depend on certain single-source suppliers for key materials and services necessary for the manufacture of BioThrax and our other products and product candidates. For example, we rely on a single-source supplier to provide us with Alhydrogel in sufficient quantities to meet our needs to manufacture BioThrax and NuThrax. We also rely on single-source suppliers for the sponge applicator device and the active ingredient used to make RSDL and the specialty plasma in our hyperimmune specialty plasma products. A disruption in the availability of such materials or services from these suppliers could require us to qualify and validate alternative suppliers. If we are unable to locate or establish alternative suppliers, our ability to manufacture our products and product candidates could be adversely affected and could harm our revenues, cause us to fail to satisfy contractual commitments, lead to a termination of one or more of our contracts or lead to delays in our clinical trials, any of which could be costly to us and otherwise harm our business, financial condition and operating results.

We are currently dependent on third-party manufacturers for the manufacture of RSDL. Certain of our third-party manufacturers currently constitute the sole source supplier for these products, and we have and will continue to have limited control over the manufacturing process and costs of these products.

Third-party manufacturers currently supply a significant amount of RSDL pursuant to contractual arrangements. Certain manufacturers currently constitute the sole source for RSDL. For example, E-Z-EM Canada Inc. (dba Therapex) is our sole source manufacturer for RSDL. Because of contractual restraints and the lead-time necessary to obtain FDA approval of a new manufacturer, replacement of any of these manufacturers may be expensive and time consuming and may cause interruptions in our supply of these products to our customers.

We have a limited ability to control the manufacturing process or costs related to the third-party manufacture of our products. Increases in the prices we pay our manufacturers, interruptions in the supply of our products or lapses in quality could adversely impact our margins, profitability and cash flows. We are reliant on our third-party manufacturers to maintain the facilities at which they manufacture our products in compliance with all FDA and other applicable regulatory requirements. If these manufacturers fail to maintain compliance with FDA or other applicable regulatory requirements, they could be ordered to cease manufacturing, which could have a materially adverse impact on our revenues and operating results.

We may be forced to consider entering into additional manufacturing arrangements with other third-party manufacturers. In each case, we will incur significant costs and time in obtaining the regulatory approvals for these third-party facilities and in taking the necessary steps to prepare these third parties for the manufacture of our products.

Our operations, including our use of hazardous materials, chemicals, bacteria and viruses, require us to comply with regulatory requirements and expose us to significant potential liabilities.

Our operations involve the use of hazardous materials, including chemicals, bacteria, viruses and radioactive materials, and may produce dangerous waste products. Accordingly, we, along with the third parties that conduct clinical trials and manufacture our products and product candidates on our behalf, are subject to federal, state, local and foreign laws and regulations that govern the use, manufacture, distribution, storage, handling, exposure, disposal and recordkeeping with respect to these materials. Under the Federal Select Agent Program, pursuant to the Public Health Security and Bioterrorism Preparedness and Response Act, we are required to register with and be inspected by the CDC and the Animal and Plant Health Inspection Service if we have in our possession, or if we use or transfer, select biological agents or toxins that could pose a threat to public health and safety, to animal or plant health or to animal or plant products. This legislation requires stringent safeguards and security measures for these select agents and toxins, including controlled access and the screening of entities and personnel and establishes a comprehensive national database of registered entities. We are also subject to a variety of environmental and occupational health and safety laws. Compliance with current or future laws and regulations can require significant costs and we could be subject to substantial fines and penalties in the event of noncompliance. In addition, the risk of contamination or injury from these materials cannot be completely eliminated. In such event, we could be held liable for substantial civil damages or costs associated with the cleanup of hazardous materials. From time to time, we have been involved in remediation activities and may be so involved in the future. Any related cost or liability might not be fully covered by insurance, could exceed our resources and could have a material adverse effect on our business. In addition to complying with environmental and occupational health and safety laws, we must comply with special regulations relating to biosafety administered by the CDC, HHS, U.S. Department of Agriculture and the DoD, as well as regulatory authorities in Canada.

PRODUCT DEVELOPMENT RISKS

Our business depends on our success in developing and commercializing our product candidates. If we are unable to commercialize these product candidates, or experience significant delays or unanticipated costs in doing so, our business would be materially and adversely affected.

We have invested significant efforts and financial resources in the development of our vaccines, therapeutics and medical device product candidates and the acquisition of additional product candidates. In addition to our product sales, our ability to generate revenue is dependent on a number of factors, including the success of our development programs, the U.S. government's interest in providing development funding for or procuring certain of our Biodefense division product candidates, the interest of non-governmental organizations and other commercial entities in providing grant funding for

development of certain of our Biosciences division product candidates and the commercial viability of our acquired or developed product candidates. The commercial success of our product candidates will depend on many factors, including accomplishing the following in an economical manner:

- successful development, formulation and cGMP scale-up of manufacturing that meets FDA requirements;
- successful completion of clinical or non-clinical development, including toxicology studies and studies in approved animal models;
- receipt of marketing approvals from the FDA and equivalent foreign regulatory authorities;
- establishment of commercial manufacturing processes and product supply arrangements;
- training of a commercial sales force for the product, whether alone or in collaboration with others;
- successful registration and maintenance of relevant patent and/or other proprietary protection; and
- acceptance of the product by potential government customers, physicians, patients, healthcare payors and others in the medical community.

If we are delayed or prevented from developing or commercializing a product candidate in a profitable manner, or if doing so requires us to incur significant unanticipated costs, our growth could be materially and adversely affected.

Clinical trials of product candidates are expensive and time-consuming, and their outcome is uncertain. We must invest substantial amounts of time and financial resources in these trials, which may not yield viable products.

Before obtaining regulatory approval for the sale of our product candidates, we and our collaborative partners where applicable must conduct extensive preclinical studies and clinical trials to establish proof of concept and demonstrate the safety and efficacy of our product candidates. Preclinical and clinical testing is expensive, difficult to design and implement, can take many years to complete and is uncertain as to outcome. Success in preclinical testing and early clinical trials does not ensure that later clinical trials or animal efficacy studies will be successful, and interim results of a clinical trial or animal efficacy study do not necessarily predict final results. An unexpected result in one or more of our clinical trials can occur at any stage of testing.

For certain of our Biodefense product candidates, we expect to rely on the Animal Rule to obtain regulatory approval. The Animal Rule permits, in certain limited circumstances, the use of animal efficacy studies, together with human clinical safety and immunogenicity trials, to support an application for marketing approval. For a product approved under the Animal Rule, certain additional post-marketing requirements apply. For example, to the extent feasible and ethical, applicants must conduct post-marketing studies, such as field studies, to verify and describe the drug's clinical benefit and to assess its safety when used as indicated. We have limited experience in the application of these rules to the product candidates that we are developing. It is possible that results from these animal efficacy studies may not be predictive of the actual efficacy of our product candidates in humans. Under the Project BioShield Act of 2004, or Project BioShield, the Secretary of HHS can contract to purchase countermeasures for the SNS prior to FDA approval of the countermeasure in specified circumstances. Project BioShield also allows the FDA commissioner to authorize the emergency use of medical products that have not yet been approved by the FDA under an Emergency Use Authorization. If our Biodefense product candidates are not selected under this Project BioShield authority, they generally will have to be approved by the FDA through traditional regulatory mechanisms.

We may experience unforeseen events or issues during, or as a result of, preclinical testing, clinical trials or animal efficacy studies. These issues and events, which could delay or prevent our ability to receive regulatory approval for a product candidate, include, among others:

- our inability to manufacture sufficient quantities of materials for use in trials;
- the unavailability or variability in the number and types of subjects for each study;
- safety issues or inconclusive or incomplete testing, trial or study results;
- lack of efficacy of product candidates during the trials;
- government or regulatory restrictions or delays; and
- greater than anticipated costs of trials.

For example, in February 2013, we announced the results of a Phase IIb clinical trial evaluating the safety and efficacy of MVA85A in preventing tuberculosis in infants, which indicated that a single dose of MVA85A was not sufficient to confer statistically significant protection against tuberculosis in infants. As a consequence of these results, we ceased further development work on MVA85A.

We depend on third parties to conduct our clinical and non-clinical trials. If these third parties do not perform as contractually required or as we expect, we may not be able to obtain regulatory approval for or commercialize our product candidates and, as a result, our business may suffer.

We do not have the ability to independently conduct the clinical and non-clinical trials required to obtain regulatory approval for our product candidates. We depend on third parties, such as independent clinical investigators, contract research organizations and other third-party service providers to conduct the clinical and non-clinical trials of our product candidates and expect to continue to do so. We rely heavily on these third parties for successful execution of our clinical and non-clinical trials, but do not exercise day-to-day control over their activities. Our reliance on these service providers does not relieve us of our regulatory responsibilities, including ensuring that our trials are conducted in accordance with good clinical practice regulations and the plan and protocols contained in the relevant regulatory application. In addition, these organizations may not complete these activities on our anticipated or desired timeframe. We also may experience unexpected cost increases that are beyond our control. Problems with the timeliness or quality of the work of a contract research organization may lead us to seek to terminate the relationship and use an alternative service provider, which may prove difficult, costly and result in a delay of our trials. Any delay in or inability to complete our trials could delay or prevent the development, approval and commercialization of our product candidates.

In certain cases, government entities and non-government organizations conduct studies of our product candidates, and we may seek to rely on these studies in applying for marketing approval for certain of our product candidates. These government entities and non-government organizations have no obligation or commitment to us to conduct or complete any of these studies or clinical trials and may choose to discontinue these development efforts at any time. Furthermore, government entities depend on annual Congressional appropriations to fund their development efforts.

If we are unable to obtain any necessary third-party services on acceptable terms or if these service providers do not successfully carry out their contractual duties or meet expected deadlines, our efforts to obtain regulatory approvals for our product candidates may be delayed or prevented.

We may fail to select or capitalize on the most scientifically, clinically or commercially promising or profitable product candidates.

We continue to evaluate our business strategy and, as a result, may modify our strategy in the future. In this regard, we may, from time to time, focus our product development efforts on different product candidates or may delay or halt the development of various product candidates. For example, in February 2013, as a consequence of clinical trial results, we ceased further development work on MVA85A, our tuberculosis vaccine candidate. As a result of changes in our strategy, we may change or refocus our existing product development, commercialization and manufacturing activities. This could require changes in our facilities and our personnel. Any product development changes that we implement may not be successful. In particular, we may fail to select or capitalize on the most scientifically, clinically or commercially promising or profitable product candidates. Our decisions to allocate our research and development, management and financial resources toward particular product candidates or therapeutic areas may not lead to the development of viable commercial products and may divert resources from better opportunities. Similarly, our decisions to delay or terminate product development programs may also prove to be incorrect and could cause us to miss valuable opportunities.

INTELLECTUAL PROPERTY RISKS

If we are unable to protect our proprietary rights, our business could be harmed.

Our success, particularly with respect to the Biosciences business and small molecule product candidates, will depend, in large part, on our ability to obtain and maintain protection in the United States and other countries for the intellectual property covering or incorporated into our technology, products and product candidates. Obtaining and maintaining this protection is very costly. The patentability of technology in the field of vaccines, therapeutics and medical devices generally is highly uncertain and involves complex legal and scientific questions.

We may not be able to obtain additional issued patents relating to our technology or products. Even if issued, patents may inadvertently lapse or be challenged, narrowed, invalidated or circumvented, which could limit our ability to stop competitors from marketing similar products or limit the duration of patent protection we may have for our products. In the past, we have abandoned the prosecution and/or maintenance of patent applications related to patent families in the ordinary course of business. In the future we may choose to abandon such prosecution and/or maintenance in a similar fashion. If these patent rights are later determined to be valuable or necessary to our business, our competitive position may be adversely affected. Changes in patent laws or administrative patent office rules or changes in interpretations of patent laws in the United States and in other countries may diminish the value of our intellectual property or narrow the scope of our patent protection, or result in costly defensive measures.

The cost of litigation to uphold the validity of patents to prevent infringement or to otherwise protect or enforce our proprietary rights could be substantial and, from time to time, our patents are subject to opposition proceedings. Some of our competitors may be better able to sustain the costs of complex patent litigation because they may have substantially greater financial resources. Intellectual property lawsuits are expensive and unpredictable and would consume management's time and attention and other resources, even if the outcome were successful. In addition, there is a risk that a court would decide that our patents are not valid and that we do not have the right to stop the other party from using the inventions covered by or incorporating them. There is also a risk that, even if the validity of a patent were upheld, a court would refuse to stop the other party from using the invention(s), including on the grounds that its activities do not infringe the patent. If any of these events were to occur, our business, financial condition and operating results could be materially and adversely affected.

Our collaborators and licensors may not adequately protect our intellectual property rights. These third parties may have the first right to maintain or defend intellectual property rights in which we have an interest and, although we may have the right to assume the maintenance and defense of such intellectual property rights if these third parties do not do so, our ability to maintain and defend such intellectual property rights may be compromised by the acts or omissions of these third parties. For example, we license from Pfizer, Inc. an oligonucleotide adjuvant, CPG 7909, for use in our anthrax vaccine product candidate NuThrax.

We also will rely on current and future trademarks to establish and maintain recognized brands. If we fail to acquire and protect such trademarks, our ability to market and sell our products, and therefore our business, financial condition and operating results, could be materially and adversely affected.

Third parties may choose to file patent infringement claims against us; defending ourselves from such allegations would be costly, time-consuming, distracting to management and could materially affect our business.

Our development and commercialization activities, as well as any product candidates or products resulting from these activities, may infringe or be claimed to infringe patents and other intellectual property rights of third parties under which we do not hold sufficient licenses or other rights. Additionally, third parties may be successful in obtaining patent protection for technologies that cover development and commercialization activities in which we are already engaged. Third parties may own or control these patents and intellectual property rights in the United States and abroad. These third parties may have substantially greater financial resources than us and could bring claims against us that could cause us to incur substantial expenses to defend against these claims and, if successful against us, could cause us to pay substantial damages. Further, if a patent infringement or other similar suit were brought against us, we could be forced to stop or delay development, manufacturing or sales of the product or product candidate that is the subject of the suit. Intellectual property litigation in the biopharmaceutical industry is common, and we expect this trend to continue.

As a result of patent infringement or other similar claims, or to avoid potential claims, we may choose or be required to seek a license from the third party and be required to pay license fees or royalties or both. These licenses may not be available on acceptable terms, or at all. Even if we were able to obtain a license, the rights may be non-exclusive, which could result in our competitors gaining access to the same intellectual property. Ultimately, we could be prevented from commercializing a product, or be forced to cease some aspect of our business operations, if, as a result of actual or threatened patent infringement claims, we are unable to enter into licenses on acceptable terms, if at all, or if an injunction is granted against us, which could harm our business significantly.

If we fail to comply with our obligations in our intellectual property licenses with third parties, we could lose license rights that are important to our business.

We are a party to a number of license agreements and expect to enter into additional license agreements in the future. Our existing licenses impose, and we expect future licenses will impose, various diligence, milestone payment, royalty, insurance and other obligations on us. If we fail to comply with these obligations, the licensor may have the right to terminate the license and/or sue us for breach, which could cause us to not be able to market any product that is covered by the licensed patents and may be subject to damages.

If we are unable to protect the confidentiality of our proprietary information and know-how, the value of our technology and products could be adversely affected.

In addition to patented technology, we rely upon unpatented proprietary technology, processes and know-how, particularly as to our proprietary manufacturing processes. Because we do not have patent protection for any of our current products, our only intellectual property protection for these products, other than trademarks, is confidentiality regarding our manufacturing capability and specialty know-how, such as techniques, processes and unique starting materials. However, these types of trade secrets can be difficult to protect. We seek to protect this confidential information, in part, through agreements with our employees, consultants and third parties as well as confidentiality policies and audits, although these may not be successful in protecting our trade secrets and confidential information.

These agreements may be breached, and we may not have adequate remedies for any such breach. In addition, our trade secrets may otherwise become known, including through a potential cyber security breach, or may be independently developed by competitors. If we are unable to protect the confidentiality of our proprietary information and know-how, competitors may be able to use this information to develop products that compete with our products, which could adversely impact our business.

RISKS RELATED TO STRATEGIC ACQUISITIONS AND COLLABORATIONS

Our strategy of generating growth through acquisitions may not be successful.

Our business strategy includes growing our business through acquisition and in-licensing transactions. We may not be successful in identifying, effectively evaluating, acquiring or in-licensing, and developing and commercializing additional products on favorable terms, or at all. Competition for attractive product opportunities is intense and may require us to devote substantial resources, both managerial and financial, to an acquisition opportunity. A number of more established companies are also pursuing strategies to acquire or in-license products in the vaccine and therapeutic field. These companies may have a competitive advantage over us due to their size, cash resources and greater clinical development and commercialization capabilities.

Acquisition efforts can consume significant management attention and require substantial expenditures, which could detract from our other programs. In addition, we may devote significant resources to potential acquisitions that are never completed. Even if we are successful in acquiring a product or company, it may not result in a successfully developed or commercialized product or, even if an acquired product is commercialized, competing products or technologies could render a product noncompetitive, uneconomical or obsolete. Moreover, the cost of acquiring other companies or in-licensing products could be substantial, and in order to acquire companies or new products, we may need to incur substantial debt or issue dilutive securities. For example, in part to fund our acquisition of Cangene Corporation, we issued \$250 million of senior convertible notes in January 2014. If we are unsuccessful in our efforts to acquire other companies or in-license and develop additional products, or if we acquire or in-license unproductive assets, it could have a material adverse effect on the growth of our business.

Our failure to successfully integrate acquired assets into our operations could adversely affect our ability to realize the benefits of such acquisitions and, therefore, to grow our business.

We may not be able to integrate any acquired business successfully or operate any acquired business profitably. In addition, cost synergies, if achieved at all, may be less than we expect, or may take greater time to achieve than we anticipate.

Issues that could delay or prevent successful integration or cost synergies of an acquired business include, among others:

- retaining existing customers and attracting new customers;
- retaining key employees;
- diversion of management attention and resources;
- conforming internal controls, policies and procedures, business cultures and compensation programs;
- consolidating corporate and administrative infrastructures;
- consolidating sales and marketing operations;
- identifying and eliminating redundant and underperforming operations and assets;
- assumption of known and unknown liabilities;
- coordinating geographically dispersed organizations; and
- managing tax costs or inefficiencies associated with integrating operations.

If we are unable to successfully integrate future acquisitions with our existing businesses, or operate any acquired business profitably, we may not obtain the advantages that the acquisitions were intended to create, which may materially adversely affect the growth of our business.

We may not be successful in establishing and maintaining collaborations that leverage our capabilities in pursuit of developing and commercializing our product candidates.

For each of our product candidates, including oltertuzumab, our humanized anti-CD37 therapeutic (formerly known as TRU-016), we plan to evaluate the merits of entering into collaboration arrangements with third parties, including leading biopharmaceutical companies or non-governmental organizations. We expect to selectively pursue collaboration arrangements with third parties that have particular technology, expertise or resources for the development or commercialization of our product candidates or for accessing particular markets. We face, and will continue to face, significant competition in seeking appropriate partners for our product candidates. If we are unable to identify partners whose capabilities complement and integrate well with ours and reach collaboration arrangements with such partners on acceptable terms, or if the arrangements we establish are unproductive for us, we may fail to meet our business objectives for the particular product candidate.

Any collaboration that we enter into may not be successful and the success of our collaboration arrangements will depend heavily on the efforts and activities of our collaborators. It is likely that our collaborators will have significant discretion in determining the efforts and resources that they will apply to these collaborations.

The risks that we are subject to in any of our collaborations include, among others:

- our collaborators may not commit adequate resources to the development, marketing and distribution of any collaboration products, limiting our potential revenues from these products;
- our collaborators may experience financial difficulties and may therefore be unable to meet their commitments to us;
- our collaborators may pursue a competing product candidate developed either independently or in collaboration with others, including our competitors; and
- our collaborators may terminate our relationship.

For example, in 2011, our previous collaboration partner Abbott Laboratories, or Abbott, terminated its collaboration with us for the development of oltertuzumab (formerly TRU-016) following a portfolio reprioritization process by Abbott.

Failure of any of our future collaboration partners to perform as expected could place us at a competitive disadvantage and adversely affect us financially, including delay and increased costs of development, loss of market opportunities, lower than expected revenues and impairment of the value of the related product candidate.

FINANCIAL RISKS

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our operations to pay our substantial debt.

As of September 30, 2015, our total consolidated indebtedness was \$253 million, including \$250 million of obligations under our senior convertible notes. Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the senior convertible notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

Our current indebtedness and any additional debt financing may restrict the operation of our business and limit the cash available for investment in our business operations.

In addition to our current debt, we also have a senior secured revolving credit facility with available capacity of up to \$100 million, effective until December 11, 2018 (or such earlier date to the extent required by the terms of this facility). We may seek additional debt financing to support our ongoing activities or to provide additional financial flexibility. Debt financing could have significant adverse consequences for our business, including:

- requiring us to dedicate a substantial portion of any cash flow from operations to payment on our debt, which would reduce the amounts available to fund other corporate initiatives;
- increasing the amount of interest that we have to pay on debt with variable interest rates, if market rates of interest increase;
- subjecting us, as under our senior secured revolving credit facility, to restrictive covenants that may reduce our ability to take certain corporate actions, acquire companies, products or technology, or obtain further debt financing;
- requiring us to pledge our assets as collateral, which could limit our ability to obtain additional debt financing;
- limiting our flexibility in planning for, or reacting to, general adverse economic and industry conditions; and
- placing us at a competitive disadvantage compared to our competitors that have less debt, better debt servicing options or stronger debt servicing capacity.

We may not have sufficient funds or be able to obtain additional financing to pay the amounts due under our indebtedness. In addition, failure to comply with the covenants under our debt instruments could result in an event of default under those instruments. An event of default could result in the acceleration of amounts due under a particular debt instrument and a cross default and acceleration under other debt instruments, and we may not have sufficient funds or be able to obtain additional financing to make any accelerated payments. Under these circumstances, our lenders could seek to enforce security interests, if any, in our assets securing our indebtedness.

We may require significant additional funding and may be unable to raise capital when needed or on acceptable terms, which would harm our ability to grow our business, results of operations and financial condition.

We may require significant additional funding to grow our business, including to acquire other companies or products, in-license and develop additional products, enhance our manufacturing capacity, support commercial marketing activities or otherwise provide additional financial flexibility. We may also require additional funding to support our ongoing operations in the event that our ability to sell BioThrax to the U.S. government is interrupted for an extended period of time, reducing our BioThrax revenues and decreasing our cash balances.

As of September 30, 2015, we had approximately \$308.7 million of cash and cash equivalents. Our future capital requirements will depend on many factors, including, among others:

- the level, timing and cost of product sales;
- the extent to which we acquire or invest in and integrate companies, businesses, products or technologies;
- the acquisition of new facilities and capital improvements to new or existing facilities;
- the payment obligations under our indebtedness;
- the scope, progress, results and costs of our development activities;
- our ability to obtain funding from collaborative partners, government entities and non-governmental organizations for our development programs;
- the costs of commercialization activities, including product marketing, sales and distribution; and
- the costs associated with the planned spin-off our Biosciences business, including funding that may be provided to the Biosciences business and costs of the transaction.

If our capital resources are insufficient to meet our future capital requirements, we will need to finance our cash needs through public or private equity or debt offerings, bank loans or collaboration and licensing arrangements. In May 2015, we filed an automatic shelf registration statement, which immediately became effective under SEC rules. For so long as we continue to satisfy the requirements to be deemed a "well-known seasoned issuer" under SEC rules, this shelf registration statement, effective until May 2018, allows us to issue an unrestricted amount of equity, debt and certain other types of securities through one or more future primary or secondary offerings. If we raise funds by issuing equity securities, our stockholders may experience dilution. Public or bank debt financing, if available, may involve agreements that include covenants, like those contained in our senior secured revolving credit facility, limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures, pursuing acquisition opportunities or declaring dividends. If we raise funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish valuable rights to our technologies or product candidates or grant licenses on terms that may not be favorable to us. We are not restricted under the terms of the indenture governing our senior convertible notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that could have the effect of diminishing our ability to make payments on our indebtedness.

Current economic conditions may make it difficult to obtain financing on attractive terms, or at all. If financing is unavailable or lost, our business, results of operations and financial condition would be adversely affected and we could be forced to delay, reduce the scope of or eliminate many of our planned activities.

We may not maintain profitability in future periods or on a consistent basis.

Although we have been profitable for each of the last five fiscal years, we have not been profitable for every quarter during that time. For example, we incurred a net loss in the first quarters of 2015, 2014, 2013 and 2012. Our profitability has been substantially dependent on BioThrax product sales, which historically have fluctuated significantly from quarter to quarter, and we expect that they will continue to fluctuate significantly based primarily on the timing of our fulfillment of orders from the U.S. government. Additionally, our profitability may be adversely affected as we progress through various stages of ongoing or planned clinical trials for our product candidates. We may not be able to achieve consistent profitability on a quarterly basis or sustain or increase profitability on an annual basis.

OTHER BUSINESS RISKS

We face product liability exposure, which could cause us to incur substantial liabilities and negatively affect our business, financial condition and results of operations.

We face an inherent risk of product liability exposure related to the sale of our products, any other products that we successfully acquire or develop and the testing of our product candidates in clinical trials.

One measure of protection against such lawsuits is coverage under the Public Readiness and Emergency Preparedness Act, or PREP Act, which was signed into law in December 2005. The PREP Act creates immunity for manufacturers of biodefense countermeasures when the Secretary of HHS issues a declaration for their manufacture, administration or use. A PREP Act declaration is meant to provide immunity from all claims under federal or state law for loss arising out of the administration or use of a covered countermeasure. The Secretary of HHS has issued PREP Act declarations identifying BioThrax, BAT, Anthrasil and VIGIV as covered countermeasures. These declarations expire in 2015. Manufacturers are not entitled to protection under the PREP Act in cases of willful misconduct. We cannot predict whether the Secretary of HHS will renew the declarations when they expire, whether Congress will fund the relevant PREP Act compensation programs, or whether the necessary prerequisites for immunity would be triggered with respect to our products or product candidates.

Additionally, BioThrax and RSDL are certified anti-terrorism products covered under the protections of the Support Anti-Terrorism by Fostering Effective Technology Act of 2002, or SAFETY Act. The SAFETY Act creates product liability limitations for qualifying anti-terrorism technologies for claims arising from or related to an act of terrorism. Although we are entitled to the benefits of the SAFETY Act for BioThrax and RSDL, the SAFETY Act may not provide adequate protection from claims made against us.

If we cannot successfully defend ourselves against future claims that our products or product candidates caused injuries and if we are not entitled to indemnity by the U.S. government, or the U.S. government does not honor its obligations to us under the PREP Act or SAFETY Act, or if the indemnification under the PREP Act and SAFETY Act is not adequate to cover all claims, we may incur substantial liabilities. Regardless of merit or eventual outcome, product liability claims may result in:

- decreased demand or withdrawal of a product;
- injury to our reputation;
- withdrawal of clinical trial participants;
- costs to defend the related litigation;
- substantial monetary awards to trial participants or patients;
- loss of revenue; and
- an inability to commercialize products that we may develop.

The amount of insurance that we currently hold may not be adequate to cover all liabilities that may occur. Further product liability insurance may be difficult and expensive to obtain. We may not be able to maintain insurance coverage at a reasonable cost and we may not be able to obtain insurance coverage that will be adequate to satisfy all potential liabilities. For example, we may not have sufficient insurance against potential liabilities associated with a possible large scale deployment of BioThrax as a countermeasure to a bioterrorism threat. We rely on PREP Act protection for BioThrax, BAT, Anthrasil and VIGIV and SAFETY Act protection for BioThrax and RSDL in addition to our insurance coverage to help mitigate our product liability exposure for these products. Claims or losses in excess of our product liability insurance coverage could have a material adverse effect on our business, financial condition and results of operations.

We rely significantly on information technology systems and any failure, inadequacy, interruption or security lapse of that technology, including any cyber security incidents, could harm our ability to operate our business effectively or result in data leakage of proprietary and confidential business and employee information.

Our business is increasingly dependent on critical, complex and interdependent information technology systems, including Internet-based systems, to support business processes as well as internal and external communications. The size and complexity of our computer systems make them potentially

vulnerable to interruption, invasion, computer viruses, destruction, malicious intrusion and additional related disruptions, which may result in the impairment of production and key business processes.

In addition, our systems are potentially vulnerable to data security breaches—whether by employee error, malfeasance or other disruption—which may expose sensitive data to unauthorized persons. Such data security breaches could lead to the loss of trade secrets or other intellectual property, or could lead to the public exposure of personal information, including sensitive personal information, of our employees, clinical trial patients, customers and others.

A significant business disruption or a breach in security resulting in misappropriation, theft or sabotage with respect to our proprietary and confidential business and employee information could result in financial, legal, business or reputational harm to us, any of which could adversely affect our business, financial condition and operating results.

Our success is dependent on our continued ability to attract, motivate and retain key personnel, and any failure to attract or retain key personnel may negatively affect our business.

Because of the specialized scientific nature of our business, our ability to develop products and to compete with our current and future competitors largely depends upon our ability to attract, retain and motivate highly qualified managerial and key scientific and technical personnel. If we are unable to retain the services of one or more of the principal members of senior management or other key employees, our ability to implement our business strategy could be materially harmed. We face intense competition for qualified employees from biopharmaceutical companies, research organizations and academic institutions. Attracting, retaining or replacing these personnel on acceptable terms may be difficult and time-consuming given the high demand in our industry for similar personnel. We believe part of being able to attract, motivate and retain personnel is our ability to offer a competitive compensation package, including equity incentive awards. If we cannot offer a competitive compensation package or otherwise attract and retain the qualified personnel necessary for the continued development of our business, we may not be able to maintain our operations or grow our business.

RISKS RELATED TO OWNERSHIP OF OUR COMMON STOCK

Fuad El-Hibri, executive chairman of our Board of Directors, has significant influence over us through his substantial beneficial ownership of our common stock, including an ability to influence the election of the members of our Board of Directors, or delay or prevent a change of control of us.

Mr. El-Hibri has the ability to significantly influence the election of the members of our Board of Directors due to his substantial beneficial ownership of our common stock. As of October 30, 2015, Mr. El-Hibri was the beneficial owner of approximately 14% of our outstanding common stock. As a result, Mr. El-Hibri could delay or prevent a change of control of us that may be favored by other directors or stockholders and otherwise exercise substantial control over all corporate actions requiring board or stockholder approval, including any amendment of our certificate of incorporation or by-laws. The control by Mr. El-Hibri may prevent other stockholders from influencing significant corporate decisions. In addition, Mr. El-Hibri's significant beneficial ownership of our shares could present the potential for a conflict of interest.

Provisions in our certificate of incorporation and by-laws and under Delaware law may discourage acquisition proposals, delay a change in control or prevent transactions that stockholders may consider favorable.

Provisions in our certificate of incorporation and by-laws may discourage, delay or prevent a merger, acquisition or other changes in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove our management.

These provisions include:

- the classification of our directors;
- limitations on changing the number of directors then in office;
- limitations on the removal of directors;
- limitations on filling vacancies on the board;
- limitations on the removal and appointment of the chairman of our Board of Directors;
- advance notice requirements for stockholder nominations of candidates for election to the Board of Directors and other proposals;
- the inability of stockholders to act by written consent;
- the inability of stockholders to call special meetings; and
- the ability of our Board of Directors to designate the terms of and issue a new series of preferred stock without stockholder approval.

The affirmative vote of holders of our capital stock representing at least 75% of the voting power of all outstanding stock entitled to vote is required to amend or repeal the above provisions of our certificate of incorporation. The affirmative vote of either a majority of the directors present at a meeting of our Board of Directors or holders of our capital stock representing at least 75% of the voting power of all outstanding stock entitled to vote is required to amend or repeal our by-laws.

In addition, Section 203 of the General Corporation Law of Delaware prohibits a corporation from engaging in a business combination with an interested stockholder, generally a person which, together with its affiliates, owns or within the last three years has owned 15% or more of the corporation's voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. Accordingly, Section 203 may discourage, delay or prevent a change in control of us.

Our stockholder rights plan could prevent a change in control of us in instances in which some stockholders may believe a change in control is in their best interests.

Under our stockholder rights plan, we issue to each of our stockholders one preferred stock purchase right for each outstanding share of our common stock. Each right, when exercisable, will entitle its holder to purchase from us a unit consisting of one one-thousandth of a share of series A junior participating preferred stock at a purchase price of \$150 in cash, subject to adjustments.

Our stockholder rights plan is intended to protect stockholders in the event of an unfair or coercive offer to acquire us and to provide our Board of Directors with adequate time to evaluate unsolicited offers. The rights plan may have anti-takeover effects. The rights plan will cause substantial dilution to a person or group that attempts to acquire us on terms that our Board of Directors does not believe are in our best interests or those of our stockholders and may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares.

Our stock price is volatile and purchasers of our common stock could incur substantial losses.

Our stock price has been, and is likely to continue to be, volatile. The market price of our common stock could fluctuate significantly for many reasons, including in response to the risks described in this "Risk Factors" section, or for reasons unrelated to our operations, such as reports by industry analysts, investor perceptions or negative announcements by our customers, competitors or suppliers regarding their own performance, as well as industry conditions and general financial, economic and political instability. From November 15, 2006, when our common stock first began trading on the New York Stock Exchange, through October 30, 2015, our common stock has traded as high as \$36.20 per share and as low as \$4.40 per share. The stock market in general as well as the market for biopharmaceutical companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. The market price of our common stock may be influenced by many factors, including, among others:

- decisions and procurement policies by the U.S. government affecting BioThrax;
- the success of competitive products or technologies;
- results of clinical and non-clinical trials of our product candidates;

- announcements of acquisitions, collaborations, financings or other transactions by us;
- public concern as to the safety of our products;
- termination or delay of a development program;
- the recruitment or departure of key personnel;
- variations in our product revenue and profitability; and
- the other factors described in this "Risk Factors" section.

Because we currently do not pay dividends, investors will benefit from an investment in our common stock only if it appreciates in value.

We currently do not pay dividends on our common stock. Our senior secured credit facility and any future debt agreements that we enter into may limit our ability to pay dividends. As a result, capital appreciation, if any, of our common stock will be the sole source of gain for our stockholders for the foreseeable future.

A significant portion of our shares may be sold into the market at any time. This could cause the market price of our common stock to drop significantly.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales or the perception in the market that the holders of a large number of shares intend to sell shares could reduce the market price of our common stock. Moreover, holders of an aggregate of approximately 6 million shares of our common stock outstanding as of October 30, 2015, have the right to require us to register these shares of common stock under specified circumstances. In May 2015, we filed an automatic shelf registration statement, which immediately became effective under SEC rules. For so long as we continue to satisfy the requirements to be deemed a "well-known seasoned issuer" under SEC rules, this shelf registration statement, effective until May 2018, would provide for a secondary offering of these shares from time to time.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities

Not applicable.

Use of Proceeds

Not applicable.

Purchases of Equity Securities

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

The exhibits required to be filed by Item 601 of Regulation S-K are listed in the Exhibit Index immediately preceding the exhibits hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EMERGENT BIOSOLUTIONS INC.

By: /s/DANIEL J. ABDUN-NABI
Daniel J. Abdun-Nabi
President and Chief Executive Officer
(Principal Executive Officer)

Date: November ____, 2015

By: /S/ROBERT G. KRAMER
Robert G. Kramer
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Date: November ____, 2015

EXHIBIT INDEX

Exhibit Number	Description
10.1#	Third Amendment to Credit Agreement, dated as of September 3, 2015, among Emergent BioSolutions Inc., as borrower, certain of its subsidiaries party thereto, as guarantors, Bank of America, N.A., as administrative agent, and certain financial institutions party thereto as lenders.
10.2#†	Modification No. 15 to the CDC BioThrax Procurement Contract, effective September 18, 2014, between Emergent Biodefense Operations Lansing LLC and the Centers for Disease Control and Prevention.
12#	Ratio of Earnings to Fixed Charges.
31.1#	Certification of the Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a).
31.2#	Certification of the Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a).
32.1#	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2#	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Definition Linkbase Document.
101.LAB	XBRL Taxonomy Label Linkbase Document.
101.PRE	XBRL Taxonomy Presentation Linkbase Document.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language):

- (i) Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2015 and 2014;
- (ii) Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2015 and 2014;
- (iii) Condensed Consolidated Balance Sheets at September 30, 2015 and December 31, 2014;
- (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and 2014; and
- (v) Notes to Consolidated Financial Statements.

#Filed herewith.

†Confidential treatment requested by the Securities and Exchange Commission as to certain portions. Confidential materials omitted and filed separately with the Securities and Exchange Commission.

Ratio of Earnings to Fixed Charges

(in thousands)	Year to Date September 30,		Year Ended December 31,			
	2015	2014	2013	2012	2011	2010
Pretax income from continuing operations (1)	\$ 41,888	\$ 53,062	\$ 44,243	\$ 37,446	\$ 38,849	\$ 77,880
Fixed charges						
Interest expense	5,862	7,480	1,973	2,177	1,719	1,778
Debt issuance cost	1,182	3,274	319	67	135	113
Total fixed charges (2)	7,044	10,754	2,244	2,244	1,854	1,891
Noncontrolling interest in pretax income (3)	-	-	876	5,381	6,906	4,514
Capitalized interest (4)	2,127	2,530	1,973	2,171	1,713	1,796
Earnings ((1) + (2) -(3) -(4))	46,805	61,286	43,686	32,138	32,084	73,461
Fixed charges	7,044	10,754	2,292	2,244	1,854	1,891
Ratio of earnings to fixed charges	6.6	5.7	19.1	14.3	17.3	38.8

CERTIFICATION

I, Daniel J. Abdun-Nabi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Emergent BioSolutions Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information, and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November __, 2015

/s/DANIEL J. ABDUN-NABI

Daniel J. Abdun-Nabi
Chief Executive Officer

CERTIFICATION

I, Robert G. Kramer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Emergent BioSolutions Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information, and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November ___, 2015

/s/ROBERT G. KRAMER

Robert G. Kramer
Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Emergent BioSolutions Inc. (the "Company") for the period ended September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Daniel Abdun-Nabi, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November ____, 2015

/s/DANIEL J. ABDUN-NABI

Daniel J. Abdun-Nabi
Chief Executive Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Emergent BioSolutions Inc. (the "Company") for the period ended September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Robert Kramer, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November __, 2015

/s/ROBERT G. KRAMER

Robert G. Kramer
Chief Financial Officer

THIRD AMENDMENT TO CREDIT AGREEMENT

This **THIRD AMENDMENT TO CREDIT AGREEMENT**, dated as of September 3, 2015 (this "Amendment"), modifies that certain Credit Agreement, dated as of December 11, 2013 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Credit Agreement"), among **EMERGENT BIOSOLUTIONS INC.**, a Delaware corporation (the "Borrower"), each Domestic Subsidiary of the Borrower from time to time party thereto as a Guarantor, each lender from time to time party thereto (collectively, the "Lenders" and individually, a "Lender"), and **BANK OF AMERICA, N.A.**, as administrative agent (in such capacity, the "Administrative Agent"), Swing Line Lender and L/C Issuer. Capitalized terms used herein and not defined shall have the meaning assigned to such terms in the Credit Agreement.

RECITALS

WHEREAS, the Borrower has requested that the Administrative Agent and the Lenders agree to amend certain of the terms and provisions of the Credit Agreement, as specifically set forth in this Amendment; and

WHEREAS, the Administrative Agent and each of the undersigned Lenders are prepared to amend the Credit Agreement on the terms, subject to the conditions and in reliance on the representations set forth herein.

NOW THEREFORE, in consideration of the premises and the mutual agreements contained here, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

Section 1. Amendments to Credit Agreement.

(a) Section 1.01 (Definitions) is hereby amended and modified by inserting the following new definitions in the appropriate alphabetical order:

" Agreement Currency" has the meaning specified in Section 10.20."

" Alternative Currency" means each of the following currencies: Euros and Sterling, together with each other currency (other than Dollars) that is approved in accordance with Section 1.08, and shall be available only with respect to Letters of Credit."

" Alternative Currency Equivalent" means, at any time, with respect to any amount denominated in Dollars, the equivalent amount thereof in the applicable Alternative Currency as determined by the L/C Issuer, as the case may be, at such time on the basis of the Spot Rate (determined in respect of the most recent Revaluation Date) for the purchase of such Alternative Currency with Dollars."

" Applicable Time" means, with respect to any borrowings and payments in any Alternative Currency, the local time in the place of settlement for such Alternative Currency, as may be determined by the L/C Issuer, to be necessary for timely settlement on the relevant date in accordance with normal banking procedures in the place of payment."

" Dollar Equivalent" means, at any time, (a) with respect to any amount denominated in Dollars, such amount, and (b) with respect to any amount denominated in any Alternative Currency, the equivalent amount thereof in Dollars as determined by the L/C Issuer at such time on the basis of the Spot Rate (determined in respect of the most recent Revaluation Date) for the purchase of Dollars with such Alternative Currency."

" Eligible Currency" means any lawful currency other than Dollars that is readily available, freely transferable and convertible into Dollars in the international interbank market available to the L/C Issuer in such market and as to which a Dollar Equivalent may be readily calculated. If, after the designation by the L/C Issuer and the Administrative Agent of any currency as an Alternative Currency, any change in currency controls or exchange regulations or any change in the national or international financial, political or economic conditions are imposed in the country in which such currency is issued, result in, in the reasonable opinion of the L/C Issuer, (a) such currency no longer being readily available, freely transferable and convertible into Dollars, (b) a Dollar Equivalent no longer being readily calculable with respect to such currency, (c) such currency becoming impracticable for the L/C Issuer to provide or (d) such currency becoming a currency in which the L/C Issuer is no longer generally willing to make L/C Credit Extensions (each of (a), (b), (c), and (d) a "Disqualifying Event"), then the Administrative Agent shall promptly notify the Borrower, and such country's currency shall no longer be an Alternative Currency until such time as the Disqualifying Event(s) no longer exist. For the avoidance of doubt, a Disqualifying Event shall not, in itself, require outstanding, undrawn Letters of Credit issued in a currency that is no longer an Eligible Currency to be re-issued in an Eligible Currency, provided that all L/C Credit Extensions shall be subject to Section 4.02."

" Euro" and "€" mean the single currency of the Participating Member States."

" Judgment Currency" has the meaning set forth in Section 10.20."

" Participating Member State" means any member state of the European Union that adopts or has adopted the Euro as its lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union."

" Revaluation Date" means, with respect to any Letter of Credit, each of the following: (i) each date of issuance, amendment and/or extension of a Letter of Credit denominated in an Alternative Currency, (ii) each date of any payment by the L/C Issuer under any Letter of Credit denominated in an Alternative Currency and (iii) such additional dates as the Administrative Agent or the L/C Issuer shall determine or the Required Lenders shall require."

" Sterling" and "£" mean the lawful currency of the United Kingdom."

" TARGET2" means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilizes a single shared platform and which was launched on November 19, 2007."

" TARGET Day" means any day on which TARGET2 (or, if such payment system ceases to be operative, such other payment system, if any, determined by the Administrative Agent to be a suitable replacement) is open for the settlement of payments in Euro."

(b) Section 1.01 (Definitions) is hereby amended and modified by restating the following definitions in their entirety as follows:

" Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where the Administrative Agent's Office is located and,

(a) if such day relates to any interest rate settings as to a Eurodollar Rate Loan, any fundings, disbursements, settlements and payments in respect of any such Eurodollar Rate Loan, or any other dealings in Dollars to be carried out pursuant to this Agreement in respect of any such Eurodollar Rate Loan, means any such day that is also a London Banking Day;

(b) if such day relates to any fundings, disbursements, settlements and payments in Euro in respect of any dealings in Euro to be carried out pursuant to this Agreement, means a TARGET Day; and

(c) if such day relates to any fundings, disbursements, settlements and payments in a currency other than Dollars or Euro in respect of any dealings in any currency other than Dollars or Euro to be carried out pursuant to this Agreement, means any such day on which banks are open for foreign exchange business in the principal financial center of the country of such currency."

" Letter of Credit Sublimit" means an amount equal to \$25,000,000. The Letter of Credit Sublimit is part of, and not in addition to, the Revolving Credit Facility."

" Outstanding Amount" means (a) with respect to the Term Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any prepayments or repayments of the Term Loans occurring on such date; (b) with respect to Revolving Credit Loans and Swing Line Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of Revolving Credit Loans and Swing Line Loans, as the case may be, occurring on such date; and (c) with respect to any L/C Obligations on any date, the Dollar Equivalent amount of the aggregate outstanding amount of such L/C Obligations on such date (as calculated in accordance with Section 1.06) after giving effect to any L/C Credit Extension occurring on such date and any other changes in the aggregate amount of the L/C Obligations as of such date, including as a result of any reimbursements by the Borrower of Unreimbursed Amounts."

" Spot Rate" for a currency means the rate determined by the L/C Issuer to be the rate quoted by the Person acting in such capacity as the spot rate for the purchase by such Person of such currency with another currency through its principal foreign exchange trading office at approximately 11:00 a.m. on the date two (2) Business Days prior to the date as of which the foreign exchange computation is made; provided that the L/C Issuer may obtain such spot rate from another financial institution designated by the L/C Issuer if the Person acting in such capacity does not have as of the date of determination a spot buying rate for any such currency; and provided further that the L/C Issuer may use such spot rate quoted on the date as of which the foreign exchange computation is made in the case of any Letter of Credit denominated in an Alternative Currency."

(c) Section 1.01 (Definitions) is hereby amended and modified by:

(i) in the definition of "Base Rate", inserting the following text immediately prior to the period (".") appearing in first sentence of such definition: "; and if the Base Rate shall be less than zero, such rate shall be deemed zero for purposes of this Agreement".

(ii) in the definition of "Change of Control", deleting the parenthetical at the end of subclause (b) of such definition.

(iii) in the definition of "Eurodollar Rate", amending and restating the proviso appearing at the end of such definition as follows: "provided that: (i) to the extent a comparable or successor rate is approved by the Administrative Agent in connection herewith, the approved rate shall be applied in a manner consistent with market practice; provided, further that to the extent such market practice is not administratively feasible for the Administrative Agent, such approved rate shall be applied in a manner as otherwise reasonably determined by the Administrative Agent and (ii) if the Eurodollar Rate shall be less than zero, such rate shall be deemed zero for purposes of this Agreement."

(iv) in the definition of "L/C Advance", inserting the following sentence at the end of such definition: "All L/C Advances shall be denominated in Dollars."

(v) in the definition of "L/C Borrowing", inserting the following sentence at the end of such definition: "All L/C Borrowings shall be denominated in Dollars."

(vi) in the definition of "L/C Obligations", amending and restating the first sentence of such definition in its entirety as follows: " "L/C Obligations" means, as at any date of determination, the Dollar Equivalent of the aggregate amount available to be drawn under all outstanding Letters of Credit plus the aggregate of all Unreimbursed Amounts, including all L/C Borrowings."

(vii) in the definition of "Letter of Credit", inserting the following sentence at the end of such definition: "Letters of Credit may be issued in Dollars or in an Alternative Currency."

(d) Section 1.06 (Letter of Credit Amounts) is hereby amended and modified by restating such section in its entirety as follows:

"Section 1.06 Letter of Credit Amounts. Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the Dollar Equivalent of the stated amount of such Letter of Credit in effect at such time; provided, however, that with respect to any Letter of Credit that, by its terms or the terms of any Issuer Document related thereto, provides for one or more automatic increases in the stated amount thereof, the amount of such Letter of Credit shall be deemed to be the Dollar Equivalent of the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at such time."

(e) Section 1.07 (Currency Equivalents Generally) of the Credit Agreement is hereby amended and modified by restating such section in its entirety as follows:

"Section 1.07 Exchange Rates; Currency Equivalents.

(a) The L/C Issuer shall determine the Spot Rates as of each Revaluation Date to be used for calculating Dollar Equivalent amounts of L/C Credit Extensions and Outstanding Amounts with respect to L/C Obligations denominated in Alternative Currencies. Such Spot Rates shall become effective as of such Revaluation Date and shall be the Spot Rates employed in converting any amounts between the applicable currencies until the next Revaluation Date to occur. Except for purposes of financial statements delivered by Loan Parties hereunder or calculating financial covenants hereunder or except as otherwise provided herein, the applicable amount of any currency (other than Dollars) for purposes of the Loan Documents shall be such Dollar Equivalent amount as so determined by the L/C Issuer.

(b) Wherever in this Agreement in connection with the issuance, amendment or extension of a Letter of Credit, an amount, such as a required minimum or multiple amount, is expressed in Dollars, but such Letter of Credit is denominated in an Alternative Currency, such amount shall be the relevant Alternative Currency Equivalent of such Dollar amount (rounded to the nearest unit of such Alternative Currency, with 0.5 of a unit being rounded upward), as determined by the L/C Issuer.

(c) Any amount specified in this Agreement (other than in Articles II, IX and X (except as expressly provided therein)) or any of the other Loan Documents to be in Dollars shall also include the equivalent of such amount in any currency other than Dollars, such equivalent amount thereof in the applicable currency to be determined by the Administrative Agent at such time on the basis of the Spot Rate (which shall for this purpose, be determined by the Administrative Agent) for the purchase of such currency with Dollars."

(f) Article I (Definitions and Accounting Terms) of the Credit Agreement is hereby amended by inserting a new Section 1.08 immediately following Section 1.07, as set forth below:

"Section 1.08 Additional Alternative Currencies.

(a) The Borrower may from time to time request that Letters of Credit be issued in a currency other than those specifically listed in the definition of "Alternative Currency"; provided that such requested currency is an Eligible Currency. In the case of any such request with respect to the issuance of a Letter of Credit, such request shall be subject to the approval of the Administrative Agent and the L/C Issuer.

(b) Any such request shall be made to the Administrative Agent not later than 11:00 a.m., twenty (20) Business Days prior to the date of the desired L/C Credit Extension (or such other time or date as may be agreed by the L/C Issuer, in its sole discretion). The L/C Issuer shall notify the Administrative Agent, not later than 11:00 a.m., ten (10) Business Days after receipt of such request whether it consents, in its sole discretion, to the issuance of Letters of Credit, in such requested currency.

(c) Any failure by the L/C Issuer to respond to such request within the time period specified in the preceding sentence shall be deemed to be a refusal by the L/C Issuer to permit Letters of Credit to be issued in such requested currency. If the Administrative Agent and the L/C Issuer consent to the issuance of Letters of Credit in such requested currency, the Administrative Agent shall so notify the Borrower. If the Administrative Agent shall fail to obtain consent to any request for an additional currency under this Section 1.08, the Administrative Agent shall promptly so notify the Borrower."

(g) Article I (Definitions and Accounting Terms) of the Credit Agreement is hereby amended and modified by inserting a new Section 1.09 immediately following Section 1.08, as set forth below:

"Section 1.09 Change of Currency.

(a) Each provision of this Agreement shall be subject to such reasonable changes of construction as the Administrative Agent and the L/C Issuer may from time to time specify to be appropriate to reflect the adoption of the Euro by any member state of the European Union and any relevant market conventions or practices relating to the Euro.

(b) Each provision of this Agreement also shall be subject to such reasonable changes of construction as the Administrative Agent and the L/C Issuer may from time to time specify to be appropriate to reflect a change in currency of any other country and any relevant market conventions or practices relating to the change in currency."

(h) Section 2.03 (Letters of Credit) is hereby amended and modified by:

i. amending and restating clause (a)(i)(A)(1) of such Section in its entirety as follows:

"(1) from time to time on any Business Day during the period from the Closing Date until the Letter of Credit Expiration Date, to issue Letters of Credit denominated in Dollars or in one or more Alternative Currencies for the account of the Borrower or its Subsidiaries, and to amend or extend Letters of Credit previously issued by it, in accordance with subsection (b) below, and";

ii. amending and restating clause (a)(ii)(A) of such Section in its entirety as follows:

"(A) subject to Section 2.03(b)(iii), the expiry date of the requested Letter of Credit would occur more than twenty-four months after the date of issuance or last extension, unless the Required Revolving Lenders have approved such expiry date;"

iii. amending and restating clause (a)(iii)(D) of such Section in its entirety as follows:

"(D) except as otherwise agreed by the Administrative Agent and the L/C Issuer, the Letter of Credit is to be denominated in a currency other than Dollars or an Alternative Currency;"

iv. in clause (a)(iii) of such Section, inserting the following clause (F) immediately following clause (E) thereof:

"(F) the L/C Issuer does not, as of the issuance of the requested Letter of Credit, issue Letters of Credit in the requested currency."

v. in the third sentence of clause (b)(i) of such Section, amending and restating clause (B) of such sentence in its entirety as follows:

"the amount and currency thereof (and in the absence of specification of currency shall be deemed a request for a Letter of Credit denominated in Dollars);"

vi. in clause (b)(iii) of such Section, amending and restating the first sentence in its entirety as follows:

"If the Borrower so requests in any applicable Letter of Credit Application, the L/C Issuer may, in its sole discretion, agree to issue a Letter of Credit that has automatic extension provisions (each, an "Auto-Extension Letter of Credit"); provided that any such Auto-Extension Letter of Credit must permit the L/C Issuer to prevent any such extension at least once in the period prior to the initial expiry date thereof and at least once in each twelve-month period thereafter by giving prior notice to the beneficiary thereof not later than a day (the "Non-Extension Notice Date") in each such period to be specified in such Letter of Credit."

vii. amending and restating clause (c)(i) of such Section in its entirety as follows:

"(i) Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the L/C Issuer shall notify the Borrower and the Administrative Agent thereof. In the case of a Letter of Credit denominated in an Alternative Currency, the Borrower shall reimburse the L/C Issuer in such Alternative Currency, unless the L/C Issuer (at its option) shall have specified in such notice that it will require reimbursement in Dollars (provided, however, that if, for any reason, any Borrower is prohibited by any Law from making any required payment hereunder in an Alternative Currency, such Borrower shall make such payment in Dollars in the Dollar Equivalent of the Alternative Currency payment amount). In the case of any such reimbursement in Dollars of a drawing under a Letter of Credit denominated in an Alternative Currency, the L/C Issuer shall notify the Borrower of the Dollar Equivalent of the amount of the drawing promptly following the determination thereof. If the Borrower shall have received such notice of drawing from the L/C Issuer on or prior to 11:00 a.m. on any Business Day, not later than 2:00 p.m. on such Business Day, or, if the Borrower shall have received such notice later than 11:00 a.m. on any Business Day, not later than 11:00 a.m. on the immediately following Business Day (each such Business Day or immediately following Business Day, as the case may be, an "Honor Date"), the Borrower shall reimburse the L/C Issuer through the Administrative Agent in an amount equal to the amount of such drawing and, except as provided above, in the applicable currency. In the event that (A) a drawing denominated in an Alternative Currency is to be reimbursed in Dollars pursuant to the second sentence in this Section 2.03(c)(i) and (B) the Dollar amount paid by the Borrower, whether on or after the Honor Date, shall not be adequate on the date of that payment to purchase in accordance with normal banking procedures a sum denominated in the Alternative Currency equal to the drawing, the Borrower agrees, as a separate and

independent obligation, to indemnify the L/C Issuer for the loss resulting from its inability on that date to purchase the Alternative Currency in the full amount of the drawing. If the Borrower fails to so reimburse the L/C Issuer by such time, the Administrative Agent shall promptly notify each Revolving Credit Lender of the Honor Date, the amount of the unreimbursed drawing (expressed in Dollars in the amount of the Dollar Equivalent thereof in the case of a Letter of Credit denominated in an Alternative Currency) (the "Unreimbursed Amount"), and the amount of such Revolving Lender's Applicable Revolving Credit Percentage thereof. In such event, the Borrower shall be deemed to have requested a Revolving Credit Borrowing of Base Rate Loans to be disbursed on the Honor Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples specified in Section 2.02 for the principal amount of Base Rate Loans, but subject to the amount of the unutilized portion of the Revolving Credit Commitments and the conditions set forth in Section 4.02 (other than the delivery of a Committed Loan Notice). Any notice given by the L/C Issuer or the Administrative Agent pursuant to this Section 2.03(c)(i) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice."

viii. in clause (c)(iii) of such Section, inserting the text (i) ", in Dollars," immediately following the words "for the account of the L/C Issuer" in the first sentence of such clause and (ii) "in Dollars" immediately before the end of the last sentence of such clause.

ix. in clause (d)(i) of such Section, inserting the text "in Dollars and" immediately following the phrase "the Administrative Agent will distribute to such Lender its Applicable Revolving Percentage thereof" contained therein;

x. in subsection (e), (A) deleting the word "or" appearing at the end of clause (e)(vii), (B) deleting the period (".") appearing at the end of clause (e)(viii) and inserting in lieu thereof the text "; or" and (C) inserting a new clause (e)(ix) in such Section immediately following (e)(viii) as follows:

"(ix) any adverse change in the relevant exchange rates or in the availability of the relevant Alternative Currency to the Borrower or any Subsidiary or in the relevant currency markets generally.";

xi. in subsection (h) of such Section, amending and restating the first sentence of subsection (h) of such Section in its entirety as follows:

"The Borrower shall pay to the Administrative Agent for the account of each Revolving Credit Lender in accordance, subject to Section 2.15, with its Applicable Revolving Credit Percentage, in Dollars, a Letter of Credit fee (the "Letter of Credit Fee") for each Letter of Credit equal to the Applicable Rate times the Dollar Equivalent of the daily amount available to be drawn under such Letter of Credit."

xii. in subsection (i) of such Section, amending and restating the first sentence of subsection (i) of such Section in its entirety as follows:

"The Borrower shall pay directly to the L/C Issuer for its own account, in Dollars, a fronting fee with respect to each Letter of Credit, at the rate per annum specified in the Fee Letter, computed on the Dollar Equivalent of the daily amount available to be drawn under such Letter of Credit on a quarterly basis in arrears."

xiii. inserting the following new subsection (m) immediately following existing subsection (l):

"(m) Designated L/C Issuer. Each of the Administrative Agent and the L/C Issuer, at its option, may make any L/C Credit Extension or otherwise perform its obligations hereunder through any Lending Office (each, a "Designated L/C Issuer"); provided that any exercise of such option shall not affect the obligation of the Borrower to repay any L/C Credit Extension in accordance with the terms of this Agreement. Any Designated L/C Issuer shall be considered a L/C Issuer; provided that in the case of an Affiliate or branch of a L/C Issuer, such provisions that would be applicable with respect to L/C Credit Extensions actually provided by such Affiliate or branch of such L/C Issuer shall apply to such Affiliate or branch of such L/C Issuer to the same extent as such L/C Issuer."

(i) Section 2.14 (Cash Collateral) is hereby amended and modified by inserting the following paragraph to the end of section (a):

"Additionally, if the Administrative Agent notifies the Borrower at any time that the Outstanding Amount of all L/C Obligations at such time exceeds 105% of the Letter of Credit Sublimit then in effect, then within two (2) Business Days after receipt of such notice, the Borrower shall provide Cash Collateral for the Outstanding Amount of the L/C Obligations in an amount not less than the amount by which the Outstanding Amount of all L/C Obligations exceeds the Letter of Credit Sublimit."

(p) Section 3.05 (Compensation for Losses) is hereby amended and modified by (A) deleting the word "or" appearing at the end of clause (b) of such Section, (B) inserting the word "or" at the end of clause (c), and (C) inserting, immediately following clause (c) thereof, the following new clause (d):

"any failure by the Borrower to make payment of any drawing under any Letter of Credit (or interest due thereon) denominated in an Alternative Currency on its scheduled due date or any payment thereof in a different currency;"

(k) Section 4.02 (Conditions to all Credit Extensions) is hereby amended and modified by inserting the following clause (e) immediately following clause (d):

"(e) In the case of a L/C Credit Extension to be denominated in an Alternative Currency, such currency remains an Eligible Currency."

(l) Article X (Miscellaneous) is hereby amended and modified by inserting Section 10.20, in its entirety, immediately following Section 10.19, as follows :

"Section 10.20 Judgment Currency. If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due hereunder or any other Loan Document in one currency into another currency, the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the first currency with such other currency on the Business Day preceding that on which final judgment is given. The obligation of each Loan Party in respect of any such sum due from it to the Administrative Agent, the L/C Issuer or any Lender hereunder or under the other Loan Documents shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than that in which such sum is denominated in accordance with the applicable provisions of this Agreement (the "Agreement Currency"), be discharged only to the extent that on the Business Day following receipt by the Administrative Agent, the L/C Issuer or such Lender, as the case may be, of any sum adjudged to be so due in the Judgment Currency, the Administrative Agent, the L/C Issuer or such Lender, as the case may be, may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the sum originally due to the Administrative Agent, the L/C Issuer or any Lender from any Loan Party in the Agreement Currency, such Loan Party agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Administrative Agent, the L/C Issuer or such Lender, as the case may be, against such loss. If the amount of the Agreement Currency so purchased is greater than the sum originally due to the Administrative Agent, the L/C Issuer or any Lender in such currency, the Administrative Agent, the L/C Issuer or such Lender, as the case may be, agrees to return the amount of any excess to such Loan Party (or to any other Person who may be entitled thereto under applicable law)."

Section 2. Conditions Precedent. This Amendment shall become effective as of the date first written above (the "Effective Date") upon the satisfaction of the following conditions precedent:

(a) Documentation. Administrative Agent shall have received all of the following, in form and substance satisfactory to Administrative Agent:

- (i) a fully-executed and effective Amendment executed by the Borrower, the Guarantors, the Administrative Agent and the Required Lenders; and
- (ii) such additional documents, instruments and information as Administrative Agent may reasonably request in connection with the transactions contemplated hereby.

(b) No Default. On the Effective Date and after giving effect to this Amendment, no event shall have occurred and be continuing that would constitute a Default or an Event of Default.

Section 3. Representations and Warranties; Reaffirmation of Grant. Each Loan Party hereby represents and warrants to the Administrative Agent and the Lenders that, as of the date hereof and after giving effect to this Amendment: (a) all representations and warranties of the Borrower and each other Loan Party set forth in the Credit Agreement and in any other Loan Document are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the date hereof, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects as of such earlier date (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof), (b) no Default or Event of Default has occurred and is continuing, (c) the Credit Agreement and all other Loan Documents are and remain legally valid, binding obligations of the Loan Parties party thereto, enforceable against each such Loan Party in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws applicable to creditors' rights generally and subject to general principles of equity, and (d) the provisions of the Collateral Documents to which such Loan Party is a party are effective to create in favor of the Administrative Agent for the benefit of the Secured Parties a legal, valid and enforceable first priority Lien (subject only to Liens permitted by Section 7.01 of the Credit Agreement) on all right, title and interest of the respective Loan Parties in the Collateral described therein do and shall continue to secure the payment of all Obligations as set forth in such respective Collateral Documents. Each Loan Party hereby reaffirms its grant of a security interest in the Collateral to the Administrative Agent for the benefit of the Secured Parties, as security for the payment and performance in full of the Obligations.

Section 4. Survival of Representations and Warranties. All representations and warranties made in this Amendment or any other Loan Document shall survive the execution and delivery of this Amendment, and no investigation by the Administrative Agent or the Lenders shall affect the representations and warranties or the right of the Administrative Agent and the Lenders to rely upon them.

Section 5. Amendment as Loan Document. This Amendment constitutes a "Loan Document" under the Credit Agreement. Accordingly, it shall be an immediate Event of Default under the Credit Agreement if any representation, warranty, certification or statement of fact made by any Loan Party under or in connection with this Amendment shall have been incorrect or misleading in any material respect when made or deemed made.

Section 6. Costs and Expenses. The Borrower shall pay not later than ten (10) Business Days after demand all reasonable out-of-pocket costs and expenses of the Administrative Agent (including the reasonable fees, charges and disbursements of counsel to the Administrative Agent) incurred in connection with the preparation, negotiation, execution and delivery of this Amendment, in each case, in accordance with Section 10.04 of the Credit Agreement.

Section 7. Governing Law. THIS AMENDMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AMENDMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

Section 8. Execution. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier (or electronic mail (including in PDF format)) shall be effective as delivery of a manually executed counterpart of this Amendment.

Section 9. Limited Effect. This Amendment relates only to the specific matters expressly covered herein, shall not be considered to be an amendment or waiver of any rights or remedies that the Administrative Agent or any Lender may have under the Credit Agreement or under any other Loan Document (in each case, except as expressly set forth herein) or under Law, and shall not be considered to create a course of dealing or to otherwise obligate in any respect the Administrative Agent or any Lender to execute similar or other amendments or waivers or grant any amendments or waivers under the same or similar or other circumstances in the future.

Section 10. Ratification by Guarantors. Each of the Guarantors acknowledges that its consent to this Amendment is not required, but each of the undersigned nevertheless does hereby agree and consent to this Amendment and to the documents and agreements referred to herein. Each of the Guarantors agrees and acknowledges that (i) notwithstanding the effectiveness of this Amendment, such Guarantor's Guaranty shall remain in full force and effect without modification thereto and (ii) nothing herein shall in any way limit any of the terms or provisions of such Guarantor's Guaranty or any other Loan Document executed by such Guarantor (as the same may be amended from time to time), all of which are hereby ratified, confirmed and affirmed in all respects. Each of the Guarantors hereby agrees and acknowledges that no other agreement, instrument, consent or document shall be required to give effect to this Section 10.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered as of the date first above written.

BORROWER:

EMERGENT BIOSOLUTIONS INC.

By: /s/ ROBERT G. KRAMER

Name: Robert G. Kramer

Title: Chief Financial Officer and Treasurer

GUARANTORS:

EMERGENT BIODEFENSE OPERATIONS LANSING LLC

EMERGENT MANUFACTURING OPERATIONS MERIDEN LLC

EMERGENT COMMERCIAL OPERATIONS FREDERICK INC.

EMERGENT INTERNATIONAL INC.

EMERGENT PRODUCT DEVELOPMENT GAITHERSBURG INC.

EMERGENT PRODUCT DEVELOPMENT SEATTLE, LLC

EMERGENT EUROPE INC.

EMERGENT PROTECTIVE PRODUCTS USA INC.

By: /s/ ROBERT G. KRAMER

Name: Robert G. Kramer

Title: Treasurer

GUARANTORS (cont'd):

EMERGENT FREDERICK LLC

EMERGENT MANUFACTURING OPERATIONS BALTIMORE LLC

EMERGENT SALES AND MARKETING US LLC

By: /s/ ROBERT G. KRAMER

Name: Robert G. Kramer

Title: Executive Manager

400 PROFESSIONAL LLC

By: /s/ ROBERT G. KRAMER

Name: Robert G. Kramer

Title: Vice President

CANGENE U.S., INCORPORATED

CANGENE BIOPHARMA, INC.

CANGENE PLASMA RESOURCES, INC.

By: /s/ ROBERT G. KRAMER

Name: Robert G. Kramer

Title: Treasurer

ADMINISTRATIVE AGENT:

BANK OF AMERICA, N.A.

By: /s/ ERIK M. TRUETTE

Name: Erik M. Truette

Title: Vice President

LENDERS:

BANK OF AMERICA, N.A., as a Lender, a L/C Issuer and Swing Line Lender

By: /s/ LINDA ALTO

Name: Linda Alto

Title: Senior Vice President

LENDERS (cont'd):

JPMORGAN CHASE BANK, N.A.

By: /s/ ANTHONY GALEA
Name: Anthony Galea
Title: Vice President

LENDERS (cont'd):

PNC BANK, NATIONAL ASSOCIATION

By: /s/ STEVEN DAY

Name: Steven Day

Title: Assistant Vice President

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT			1. CONTRACT ID CODE	PAGE OF 1 PAGES
2. AMENDMENT/MODIFICATION NO. 00015	3. EFFECTIVE DATE 09/22/2015	4. REQUISITION/PURCHASE REQ. NO. 0000HCGE-2015-83067	5. PROJECT NO. (If applicable)	
6. ISSUED BY CODE 8219 (O) Centers for Disease Control and Prevention (CDC) Procurement and Grants Office (PGO) 2920 Brandywine Road Atlanta, GA 30341-5539		7. ADMINISTERED BY (If other than Item 6) CODE 8219 Centers for Disease Control and Prevention (CDC) Procurement and Grants Office (PGO) 2920 Brandywine Road Atlanta, GA 30341-5539		
8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State and ZIP Code) EMERGENT BIODEFENSE OPERATIONS LANSING LLC 3500 N MARTIN LUTHER KING JR BLVD # 1 LANSING, MI 48906-2933			9A. AMENDMENT OF SOLICITATION NO. 9B. DATED (See Item 11) 10A. MODIFICATION OF CONTRACT/ORDER NO. 200-2011-42084 10B. DATED (See Item 13)	
CODE 026489018		FACILITY CODE		X 09/30/2011
11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS				
<p>The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers ___ is extended, ___ is not extended. Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing Items 8 and 15, and returning ___ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.</p>				
12. ACCOUNTING AND APPROPRIATION DATA (If required) See Section B				
(O)				
13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS, IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.				
ITEM 10A.	A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN			
	B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(b).			
X	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF: FAR 52.217-6, Option for Increased Quantity			
	D. OTHER (Specify type of modification and authority)			
E. IMPORTANT: Contractor x is not, is required to sign this document and return ___ copies to the issuing office.				
14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.) The purpose of this modification is to: a. Increase and fund [**] doses on CLIN 0004 in the amount of \$[**]; b. Exercise and fund [**] doses on CLIN 0005 in the amount of \$[**]; c. As a result of this modification, total funding and contract value are increased by \$137,092,338.96 from \$918,216,737.32 to \$1,055,309,076.28. Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.				
15A. NAME AND TITLE OF SIGNER (Type or print)			16A. NAME OF CONTRACTING OFFICER Christine N Godfrey	
15B. CONTRACTOR/OFFEROR (Signature of person authorized to sign)		15C. DATE SIGNED 30-105	16B. UNITED STATES OF AMERICA BY <u>/s/ Christine Godfrey</u> (Signature of Contracting Officer)	
NSN 7540-01-152-8070 PREVIOUS EDITION UNUSABLE			16C. DATE SIGNED 9/22/15vister	
STANDARD FORM 30 (REV. 10-83) Prescribed by GSA FAR (48 CFR) 53.243				

Option 3 Option for Additional Items Items:

ITEM	SUPPLIES / SERVICES	QTY / UNIT	UNIT PRICE	EXTENDED PRICE
0004	BioThrax [**] product BioThrax [**] product [**] upon date of delivery [**] To be delivered in accordance with the delivery schedule below	[**] Doses	\$ [**]	\$ [**]
	Line(s) Of Accounting: 939ZWUX 2642 2015 75-X-0956 5664711101 \$[**]			

Option 4 Option for Additional Items Items:

ITEM	SUPPLIES / SERVICES	QTY / UNIT	UNIT PRICE	EXTENDED PRICE
0005	BioThrax [**] product [**] upon date of delivery [**] To be delivered in accordance with the delivery schedule below	[**] Doses	\$ [**]	\$ [**]
	Line(s) Of Accounting: 93902JG 2642 2015 75-X-0956 5664711101 \$[**] 93902WD 2642 2015 75-15-0943 5623RF1101 \$[**] 939041U 2642 2015 75-15-0943 5623RF1101 \$[**] 93904UE 2642 2015 75-15-0943 5623RF1101 \$[**] 93904UF 2642 2015 75-15-0943 5623RF1101 \$[**] 939ZSAH 2642 2015 75-15-0955 5613121101 \$[**] 939ZWUX 2642 2015 75-X-0956 5664711101 \$[**]			