

PROTEIN SCIENCES RESPONDS TO EMERGENT BIOSOLUTIONS LAWSUIT

For Immediate Release

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- *Lawsuit by EBS without merit and part of its overall strategy to cripple PSC, force PSC to sell its business without getting shareholder approval and to provide EBS with cover for failing to provide funding to PSC.*
- *PSC with vigorously defend itself and continue to pursue its business strategy of obtaining FDA approval for its lead vaccine product, FluBlok, and seeking additional federal and third party funding.*

Meriden, CT – Tuesday, July 10, 2008. Emergent BioSolutions, Inc. (NYSE: [EBS](#)) has instituted a lawsuit related to its funding of Protein Sciences Corporation (PSC) and EBS's proposed transaction to acquire PSC's business. This lawsuit is nothing more than an attempt to destroy and discredit PSC and its senior management team in order to allow EBS to avoid

- its contractual commitment to fund PSC;
- a vote by PSC's shareholders on the transaction;
- EBS's agreement to allow PSC to have until December 31, 2008 to repay a
- \$10,000,000 loan; and
- payment by EBS of a reverse break-up fee of \$1,500,000.

PSC and its senior management team vehemently and categorically deny any substantive wrongdoing and will vigorously defend this lawsuit.

In connection with the proposed transaction to acquire PSC's business, EBS agreed to make loans to PSC in order to fund PSC's operations until the closing of that transaction. This funding was an integral part of the proposed transaction as PSC advised EBS that PSC would need between \$15,000,000 and \$18,000,000 of funding through June 30, 2008 as PSC had incurred and would continue to incur significant financial obligations related to its now pending Biologics Licensing Application (BLA) with the US Food and Drug Administration (FDA) and PSC's proposal for significant federal funding related to development work for a vaccine to respond to a flu pandemic. Despite this knowledge, EBS provided PSC with the bare minimum of funding and almost always provided less than 60% of each of PSC's funding requests. EBS has only loaned PSC a total of \$10,000,000 and has made no loans to PSC since June 16, 2008. In order to assert additional financial pressure on PSC, almost immediately prior to a scheduled meeting of PSC's shareholders to vote on the transaction, EBS alleged that PSC had defaulted under the loan. This allegation of default was made after EBS had learned that PSC's shareholders were unlikely to approve the proposed transaction. While PSC disputes the existence of such loan default, PSC nevertheless cured such alleged default within the allowed time period and in the exact way that EBS had told PSC that it could cure the alleged default.

Because one of the conditions to closing of the transaction was the approval by PSC shareholders, PSC notified its shareholders of the proposed transaction and scheduled a shareholders' meeting to vote on the transaction and other related matters. So that PSC's shareholders could make an informed decision when they voted, PSC issued a Proxy Statement that made a full and fair disclosure of the material facts related to the proposed transaction and the status of PSC's business. The Proxy Statement included information about two very material items: the status of PSC's BLA and its pending request for significant federal funding. EBS was well aware of the status of these items and knew that PSC had already received, and might receive additional, positive material information about either or both of these items after the Proxy Statement was

issued and pressed PSC to include in the Proxy Statement additional negative and potentially misleading information about these items. During the proxy process, PSC kept EBS fully informed about the status of the shareholder voting on the transaction and PSC's supplemental efforts to generate support for the transaction. EBS was also informed about various communications that PSC had received from some material and diverse PSC shareholders who were against the proposed transaction with EBS. Those shareholders believed the transaction significantly undervalued PSC. EBS knew that PSC was short more than 10,000,000 votes necessary to approve the transaction and that more than 42% of PSC's shares were prepared to vote against the transaction and that less than 34% of PSC's shares had indicated a willingness to vote in favor of the transaction. Ultimately and after consultation with EBS and their acquiescence, PSC decided to delay the shareholder meeting instead of forcing a vote on the transaction.

Following the delayed shareholder meeting, PSC's board of directors re-affirmed that it remained committed to trying to complete a transaction with EBS. In a meeting following the delayed shareholder meeting, EBS now complained to PSC that the Proxy Statement was "ingeniously crafted" to not get the approval of PSC's shareholders. However, EBS also indicated that it remained committed to trying to complete a transaction and requested PSC to canvass its shareholder as to how the proposed acquisition by EBS might be restructured to obtain requisite shareholder approval. PSC did such canvassing and presented two different proposals to EBS that PSC believed could get approved by a majority of PSC shares. EBS rejected both such proposals. Following the second proposal, EBS instead suggested that PSC circumvent its shareholders by filing for bankruptcy protection. As part of its bankruptcy strategy, EBS indicated that it was prepared to enter into a sweetened transaction with PSC but essentially at the same purchase price and on the other economic terms as the proposed transaction and have PSC present such sweetened transaction for bankruptcy court approval instead of seeking shareholder approval. If PSC agreed to file for bankruptcy and conduct an auction of its business under an accelerated time frame under the bankruptcy court rules, EBS would agree to resume funding PSC.

After due consideration by PSC's board of directors, EBS's bankruptcy strategy was unanimously rejected as unnecessary and not being in the best interests of PSC. During a conference call with EBS on Tuesday July 8, 2008, PSC informed EBS of PSC's rejection of the bankruptcy strategy and indicated that PSC saw three possible paths forward: hold a shareholders meeting and present the original transaction for a vote of PSC's shareholders, continue discussions with EBS about restructuring the transaction to increase the likelihood of obtaining PSC's shareholder approval or discuss an amicable unwinding of the proposed transaction. The prior day EBS was also informed that, as permitted by its the agreement with EBS, PSC was in advanced discussions to secure additional financing that might close as early as July 11, 2008 and that PSC had received a proposal regarding a potential transaction that might be competitive with a transaction between EBS and PSC. EBS filed its lawsuit on July 9th without response to PSC's possible path forward or prior notice to PSC. The lawsuit was filed after PSC had notified EBS of the cure of the alleged loan default.

The reason for, and timing of, EBS's lawsuit and its refusal to honor its agreement to adequately fund PSC are manifest. EBS is determined to try to destroy the value of PSC and force PSC into bankruptcy. Part of EBS's strategy is a concerted campaign to release PSC's confidential information and spread false allegations through the media. EBS has even contacted the FDA and the federal government in its attempt to discredit PSC and its senior management team. This behavior is objectionable on the sole basis that EBS claims are without substantive merit. However, EBS knows that the BLA has been accepted for substantive review by the FDA and PSC is today in the middle of its pre-approval inspection by the FDA and that PSC expects to hear shortly on its proposal for a very significant federal funding. EBS's attempt to destroy and discredit PSC and its senior management team is particularly reprehensible given that PSC's lead product, FluBlok, has the potential to save significant lives and may be a primary weapon in responding to any flu pandemic.

About PSC

PSC is a privately held biotechnology company that uses proprietary recombinant DNA technology to manufacture human and animal vaccines, therapeutics and diagnostics. Our lead product is a human seasonal flu vaccine - FluBlok(R). This product is currently in Phase III clinical trials with the FDA and our BLA for FluBlok has been accepted by the FDA for substantive review on an accelerated

basis with an FDA action date of October 18, 2008. FluBlok may have important advantages over the existing flu vaccines and we are well situated to develop a vaccine if an influenza pandemic occurs. Our underlying technology is a viable alternative production platform to the egg-based production methods that currently dominate vaccine production and our 2007 revenues were in excess of \$6,000,000, primarily from our GeneXpress and research antigen business.