

Part II – Organizational Action

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THE FOLLOWING DISCUSSION IS A SUMMARY OF MATERIAL U.S. FEDERAL INCOME TAX BASIS CONSEQUENCES OF THE DISTRIBUTION UNDER CURRENT LAW AND IS FOR GENERAL INFORMATION ONLY. THE INFORMATION CONTAINED HEREIN DOES NOT CONSTITUTE TAX ADVICE AND DOES NOT PURPORT TO DESCRIBE THE CONSEQUENCES THAT MAY APPLY TO PARTICULAR CATEGORIES OF SHAREHOLDERS. ALL SHAREHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE DISTRIBUTION TO THEM, INCLUDING THE APPLICATION AND EFFECT OF U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX LAWS.

14. Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action

On August 1, 2016, Emergent BioSolutions Inc. ("EBS") distributed (the "Distribution") approximately 20,230,000 shares of common stock of Aptevo Therapeutics Inc. ("Aptevo") to holders of EBS common stock. Pursuant to the Distribution, each EBS shareholder that held EBS common stock on July 22, 2016, the record date for the Distribution, received 0.5 shares of Aptevo common stock for every 1 share of EBS common stock held by such shareholder. No fractional shares of Aptevo common stock were issued in the Distribution. EBS shareholders received cash in lieu of fractional shares of Aptevo common stock.

15. Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis

An EBS shareholder's tax basis in the holder's shares of EBS common stock held immediately prior to the Distribution will be allocated between the shares of Aptevo common stock received in the Distribution (including any fractional share of Aptevo stock to which the holder was entitled) and the shares of EBS common stock held by the holder immediately after the Distribution in proportion to the fair market value of each on August 1, 2016.

Based on the average of the high and low prices of EBS common stock and Aptevo common stock on the NYSE and Nasdaq on August 1, 2016, respectively, which was the first day of regular-way trading after the Distribution, 94.67% of an EBS shareholder's pre-Distribution tax basis in shares of EBS common stock would be allocated to the shares of EBS common stock immediately after the Distribution and 5.33% would be allocated to the shares of Aptevo common stock received in the Distribution (including any fractional shares of Aptevo common stock).

16. Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates

As described above, for U.S. tax purposes, the allocation of tax basis between EBS common stock and Aptevo common stock is based on the relative fair market values at the time of Distribution. There is no definitive guidance under existing U.S. federal income tax law as to the proper method for determining the fair market value of stock for such purpose. One reasonable method would be to use the average of the high and low trading prices of the EBS common stock and Aptevo common stock on the NYSE and Nasdaq on the date of the Distribution. Such averages were \$31.10 for EBS common stock and \$3.505 for Aptevo common stock. Below is a calculation of the allocation percentage based on this method:

	Avg. Price	Exchange Ratio	FMV	Allocation Percentage
EBS Common Stock	\$31.10	1	\$31.10	94.67%
Aptevo Common Stock	\$3.505	0.5	\$1.75	5.33%
Total			\$32.85	100%

17. List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based

Sections 368(a)(1)(D), 355, and 358 and Treasury Regulation Section 1.358-2(a)(2).

18. Can any resulting loss be recognized?

Although the Distribution generally will qualify for nonrecognition treatment under Section 355 of the Internal Revenue Code, gain or loss will be recognized by shareholders with respect to cash received in lieu of fractional shares of Aptevo common stock.

19. Provide any other information necessary to implement the adjustment, such as the reportable tax year

The Distribution occurred on August 1, 2016. Therefore, the adjustment to the tax basis in the shares of EBS common stock and Aptevo common stock will be reported in the shareholder's taxable year that includes August 1, 2016 (e.g., 2016 for calendar year taxpayers).