



METabolic EXplorer The 2008 financial year: on schedule for industrialisation of the company's bioprocesses

Clermont-Ferrand, March 18, 2009 – METabolic EXplorer, the green chemistry company specializing in the development of bioprocesses for the production of chemical compounds used in a wide range of everyday products (paints, solvents, animal feed supplements, adhesives, textile fibres, resorbable surgical thread, etc.), today published its full-year financial statement for 2008.

Milestones in the company's stated industrialisation roadmap:

In line with its business plan, METabolic EXplorer has achieved all the milestones required for the forthcoming industrialisation of its processes.

- **Validation of R&D work:** the green chemistry processes for manufacturing the company's 5 target compounds - glycolic acid, butanol, L-methionine, 1,2-propanediol (MPG) and 1,3-propanediol (PDO) - have now all entered the pre-industrial pilot phase; this demonstrates METabolic EXplorer's ability to rapidly provide an alternative solution for industrial businesses which want to move to sustainable feedstocks and production methods. The company has also generated its first samples of 99.5%-pure PDO from unrefined glycerin.
- **Reinforcement of the intellectual property portfolio:** METabolic EXplorer has filed no fewer than 55 new patent applications and 8 new patent families, 6 of which cover improvements made to its portfolio of development compounds and 2 of which cover other compounds. The company now has a solid barrier to market entry by competitors, with a total of 181 granted or pending patents (28 of which were granted in 2008) in 49 countries protecting the development and commercialisation of METabolic EXplorer's processes.
- **Scientific resources:** METabolic EXplorer has continued to invest in and boost its growth potential - notably via focused reinforcement of its human resources. In 2008, the total headcount rose significantly, from 68 to 95. The research department now has a total of 64 staff and the industrial development team has doubled in size, with 17 staff.
- **Industrial investments:** in 2008, the company finalized the construction of its pre-industrial pilot (a fermentation unit). As announced on March 10 this year, the continuous-batch industrial pilot unit (fermentation + purification) will be commissioned in late 2009, thanks to a €10 million investment. This step will enable the company to finalize its process books, notably via validation of each compound's cost price for industrial-scale production from renewable feedstocks.
- **Rigorous financial management:** METabolic EXplorer ended a year of strong growth with a moderate cash burn of €2.1 million. As of December 31, 2008, the company's cash and cash equivalents amounted to €55.6 million.

Market environment and discussions with potential partners

Market prices of most raw materials (whether fossil or renewable) fluctuated strongly over the year. In contrast, the price of propylene (the feedstock compound for most of the petrochemical processes currently used to manufacture METabolic EXplorer's target compounds) only varied slightly in 2008. Hence, this context has not undermined the anticipated economic advantage for the processes being developed by the company.

On the commercial level, METabolic EXplorer is pursuing its discussions with blue-chip industrial businesses in target markets like Latin America, Asia, the United States and Europe. The high degree of rigour applied by the business development group (choice of the partner, ability to meet the technical requirements, intellectual property protection, etc.) matches the significance of what is at stake: making this first agreement a true benchmark for the chemicals industry. METabolic EXplorer remains confident of its ability to clinch this first deal on schedule, i.e. by the end of 2009. The

company is also receptive to any other opportunities and in-house initiatives that would enable it to accelerate its industrial development and the commercialisation of its processes.

Benjamin Gonzalez, President of the Executive Board, stated that "in a difficult economic context, METabolic EXplorer remains confident of its ability to put its technology's benefits into practice by signing a collaboration agreement by the end of 2009. Furthermore, the ongoing economic turbulence and the company's good financial health are prompting us to review complementary approaches for accelerating our transition into an integrated green chemistry company and providing our shareholders with the value creation they expect".

The 2008 financial year: a net profit of €2.7 million (before accounting changes)

In view of a new interpretation of how government research tax credits and grants-on-aid should be accounted for (the IAS 20 standard), METabolic EXplorer has had to modify the presentation of its annual accounts. The proportion of research tax credits related to non-current assets (€2.1 million in 2008) and grants-on-aid (a gross amount of €1.4 million in 2008) are directly registered on the balance sheet as deductions from the value of the assets with which they are associated. In 2008, the net impact on the income statement and shareholders' equity corresponds to a decrease of €3 million. In contrast, cash and cash equivalents are not at all affected.

METabolic EXplorer's 2008 turnover rose year-on-year by 15.4% to reach €3.2 million. Turnover at this stage of the company's development is relatively low and was almost completely accounted for by licence fees for two collaboratively developed processes (glycolic acid and L-Methionine).

In 2008, METabolic EXplorer increased its research and development expenditure by 65%. After activation of development costs, the net R&D spend was €0.9 million. Deduction of the grants-in-aid received in 2008 (€1.4 million) and reinforcement of the administrative and commercial structure translate into an operating loss before payments in shares (€1.6 million) of €0.9 million.

The cash and cash equivalent income amounted to €2.6 million. The net loss is thus €0.4 million. On the basis of the IFRS interpretation used in 2007, METabolic Explorer's net profit for 2008 would have been €2.7 million - a year-on-year increase of 57.6%.

A clear financial horizon: €56 million in cash and cash equivalents

Throughout the 2008 financial year, METabolic EXplorer maintained a prudent management policy which held the cash burn to a modest €2.1 million, alongside strong investment activity. The major development costs were covered by income from the operating activity and by grants-in-aid received. The other investments (lab and industrial equipment) were financed via lease contracts over the lifetime of use, at a cost of €2.6 million. As of December 31, 2008, the company's cash and cash equivalents amounted to €55.7 million (€52.0 after deduction of financial debt). Total equity in METabolic EXplorer now stands at €72.8 million.

Chief Financial Officer Paul Michalet commented: "The company is pursuing its rapid development (as illustrated by a four-fold increase in operating expenses) right on schedule. We have adopted a financially orthodox approach in which cash is only committed at the right time. The company is now entering a more CAPEX-intensive phase but which is not so far away from commercialization of our processes - thus mitigating the level of associated risk. For the last 4 years, we have managed to cover our operating costs with earned income and we intend to continue to limit our net cash burn. This approach has now provided us with the financial reserves required to seize any development opportunities."

*Next financial announcement: Q1 2009 turnover,
Wednesday, May 13, 2009, at 7am (Paris time).*

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About METabolic Explorer - www.metabolic-explorer.com

METabolic EXplorer is a biological chemistry company which was created in 1999. The company's goal is to assist industrial manufacturing businesses to change the way they produce many everyday goods through novel production methods that do not rely on increasingly scarce oil-based petrochemical feedstocks.

METabolic Explorer's unique technical expertise provides industrial producers with attractive alternatives to today's expensive petrochemical processes by enabling them to use a range of renewable and sustainable raw materials. METabolic EXplorer is able to optimize the production yield of commercially important chemical intermediates from non-pathogenic bacteria by leveraging on the proven principle of industrial fermentation. These chemical intermediates are incorporated into the production of chemical compounds used in a wide range of everyday products - paints, solvents, adhesives, textile fibres, surgical thread and animal feed.

METabolic EXplorer is currently focusing its alternative biological solution (implemented via the development of its renewable fermentation-based bioprocesses) on the production of 5 products that have a combined end market value estimated at \$14 billion annually. The company plans to use its unique technology for the production of these 5 products to bring them to market via non-exclusive industrial alliances and joint-ventures with chemical companies and renewable feedstock providers worldwide.

METabolic EXplorer is based in Clermont-Ferrand, France, and is listed on NYSE EURONEXT PARIS (EURONEXT C, METEX) and features in the SBF 250 and CAC Small 90 indexes.

Receive METabolic Explorer's financial information free of charge by registering at www.metabolic-explorer.com or www.actus-finance.com.

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This communication includes forward looking information which is subject to risks and uncertainties. The potential development of Company could be substantially different from that anticipated in this press release because of the various risk factors which are described in Company's Listing Prospectus.

Financial data

(Summary IFRS accounts)

Income Statement

	31/12/2008	31/12/2008*	31/12/2007	31/12/2006
Turnover	3,220	3,220	2,790	3,610
Other income from ordinary activities	361	1,390	1,452	290
Research and development costs	-6,868	-6,868	-4,174	-2,107
Activated research and development costs	5,968	5,968	3,301	1,397
Net research and development costs	-900	-900	-873	-710
Marketing and commercial costs	-990	-990	-539	-304
Administration costs	-2,645	-2,645	-1,788	-976
Other operating income and expense	55	55	6	0
Operating earnings before payments in shares	-899	130	1,048	1,910
Payments in shares	-1,552	-1,552	-1,574	-127
Operating earnings after payments in shares	-2,451	-1,422	-526	1,783
Cash and cash-equivalent income	2,526	2,526	1,808	168
Cost of financial debt	-66	-66	-87	-36
Cost of net financial debt	2,460	2,460	1,721	132
Other financial income and expenses	9	9	15	27
Income taxes	-408	1,606	474	-275
Net result	-390	2,653	1,683	1,667
Basic earnings per share (in euros)	-0,02	0,13	0,09	0,13
Diluted earnings per share (in euros)	-0,02	0,12	0,08	0,12

* according to the previous interpretation of accounting for research tax credits and grants-in-aid (IAS 20)

Balance Sheet

	31/12/2008	31/12/2008*	31/12/2007	31/12/2006
Assets				
Goodwill	0	0	0	0
Intangible assets	11,111	14,605	8,197	4,637
Tangible assets	5,590	5,590	4,847	1,445
Non-current financial assets	49	49	35	23
Other non-current assets	0	0	171	280
Deferred tax assets	1,266	815	1,676	857
TOTAL NON-CURRENT ASSETS	18,016	21,059	14,926	7,242
Inventories	0	0	0	0
Trade receivables	55	55	41	10
Other current assets	5,469	5,469	3,158	1,217
Cash and cash equivalents	55,690	55,690	58,074	6,353
TOTAL CURRENT ASSETS	61,214	61,214	61,273	7,580
TOTAL ASSETS	79,230	82,273	76,199	14,822
Liabilities				
Share capital	2,035	2,035	2,025	1,311
Share premium	65,291	65,291	65,227	11,403
Legal reserve	202	202	0	0
Retained earnings	0	0	-1,272	-3,637
Other reserves	106	106	2,240	1,519
Other earnings and costs directly carried forward to reserves	5,589	5,589	0	0
Differed tax	0	0	1,737	0
Net result for the period	-390	2,653	1,683	1,667
TOTAL SHAREHOLDERS' EQUITY	72,833	75,876	71,641	12,263
Long-term liabilities to banks	2,851	2,851	1,089	820
Other long-term provisions	7	7	2	1
Other non-current liabilities	430	430	289	101
Differed tax liabilities				
TOTAL NON-CURRENT LIABILITIES	3,288	3,288	1,380	922
Bank overdrafts	90	90	398	240
Other short-term bank liabilities	722	722	409	288
Debt on share purchase	0	0		0
Trade payables	1,009	1,009	587	522
Other short-term liabilities	1,288	1,288	1,784	587
Payable tax				
TOTAL CURRENT LIABILITIES	3,109	3,109	3,178	1,637
TOTAL LIABILITIES & EQUITY	79,230	82,273	76,199	14,822

* according to the previous interpretation of accounting for research tax credits and grants-in-aid (IAS 20)

Statement of cash flows

	31/12/2008	31/12/2008*	31/12/2007	31/12/2006
Net result	-390	2,653	1,683	1,667
Amortization and depreciation of non-current assets	978	978	465	410
Payment in shares	1,552	1,552	1,574	127
Other estimated costs	-228	-228	-143	-125
Change in deferred taxes	410	861	918	700
Gain / loss from disposal of non-current assets	19	19	61	73
Gross cash flow	2,341	5,835	4,557	2,852
Cost of financial debt	116	116	62	36
Payable income tax	0	0	4	0
Gross cash flow before cost of financial debt and taxes	2,457	5,951	4,624	2,888
Income taxes paid	0	0	-4	0
Increase / decrease in inventory	0	0	0	11
Increase / decrease in trade receivables	-15	-15	-31	-10
Increase / decrease in trade payables	423	423	64	179
Increase / decrease in other current assets and liabilities	-1,906	-1,906	-1,188	-372
Change in working capital	-1,498	-1,498	-1,159	-192
Net cash flow provided by operating activities	959	4,453	3,464	2,696
Assets internally generated (research & development))	-5,852	-5,852	-3,401	-1,397
Cash received as investment grants-in-aid	3,494	0		
Cash paid for investments in non-current assets	-2,106	-2,106	-4,126	-382
Increase / decrease in non-current trade payables	-633	-633	738	0
Cash received from disposal of non-current assets	0	0	30	0
Cash paid for acquisitions of financial assets	-15	-15	-16	0
Cash received from disposal of financial assets	0	0	4	0
Cash used for acquisitions and sales of other current financial assets	17	17	-99	0
Net cash used for investing activities	-5,095	-8,589	-6,869	-1,779
Capital increase	74	74	54,538	0
New loans and other financial debts	2,620	2,620	769	0
Interest paid on loans and financial debts	-99	-99	-40	-5
Repayment of loans and other financial debts	-536	-536	-300	-256
Net cash provided by / used for financing activities	2,059	2,059	54,968	-261
Change in cash and cash equivalents	-2,077	-2,077	51,563	656
Cash and cash equivalents as of January 1	57,676	57,676	6,113	5,457
Cash and cash equivalents as of December 31	55,599	55,599	57,676	6,113

* according to the previous interpretation of accounting for research tax credits and grants-in-aid (IAS 20)