



METabolic EXplorer in 2014

Major milestones cleared on the path to commercial use of its technologies and bio-sourced products

Clermont-Ferrand, 23 March 2015 – METabolic EXplorer, a green chemicals company specialised in developing biological processes to produce industrial chemical compounds used in a wide range of everyday goods (textile fibres, animal feed, resins, etc.), is reporting its financial information for the 2014 financial year.

2014 highlights

Major milestones were cleared in 2014 on the path to commercial use of the three products in METabolic EXplorer's portfolio.

- **PDO:** an exclusive licensing agreement was signed with SK Chemicals, one of the world's leading green chemicals companies: the process books and the basic engineering design – essential preliminaries to the construction of the first facility in Ulsan in South Korea – were delivered by the deadlines in the contract.
- **MPG:** the use of second-generation sugars, from wood processing, in the fermentation process was validated: talks on a partnership deal with a leading European supplier of raw plant materials continued.
- **L-Methionine:** METabolic EXplorer has recovered all the assets from its former partnership with Roquette; has made numerous contacts with major manufacturers of amino acids, starch and animal feed; and has received a letter of no-questions from the US Food and Drug Administration (FDA), paving the way for market release in the United States. METabolic EXplorer now has all the information it needs to refine its roadmap to make a return on the investment in the technology.

Additionally, revenues from the contract with SK Chemicals and from L-Methionine, combined with strict ongoing cost control, have enabled the company to reduce its annual use of cash to €3.3 million, in line with targets. Gross cash at hand, under IFRS, totalled €10.9 million at end-2014. As a result of debt repayment over the year, net cash came to €2.2 million at end-2014, compared with €5.5 million at end-2013.

With €5 million from drawing down two tranches of the equity line with Société Générale in early 2015, METabolic EXplorer has increased its financial visibility. That visibility is an additional asset taking into account the provisional schedule of cash generation that METabolic EXplorer established for the commercialisation of its technology.

PDO, a first benchmark agreement signed with a global operator, SK Chemicals

METabolic EXplorer and SK Chemicals¹ announced in early July 2014 that they had signed an exclusive licensing agreement to manufacture and sell PDO (*1,3-Propanediol*), using the proprietary technology developed by METabolic EXplorer.

The agreement with SK Chemicals is a key milestone on the path to commercial manufacturing of an innovative, competitive new technology:

- Demonstrating the robustness and competitiveness of METabolic EXplorer's PDO technology
- Validating the performance of the dozens of tonnes PDO already manufactured by METabolic EXplorer and tested by numerous manufacturers, in particular to make high-performance PTT (polytrimethylene terephthalate) polyesters
- Validating the use of a wide range of glycerines as raw material, including glycerines derived from waste vegetable oil processing and animal carcass disposal
- Validating recovery of butyric acid, a key by-product of the technology
- Materialising the economic applications of the first green chemical technology brought to market by METabolic EXplorer

The licensing agreement will enable SK Chemicals to take a significant share of the rapidly growing global PDO market and will generate a regular revenue stream for METabolic EXplorer, in the form of milestone payments and technical assistance during the construction phases, and licence fees during the manufacturing and marketing phase.

The licensing agreement was reached after the termination of talks between the Malaysian subsidiary of METabolic EXplorer and Malaysian Bio-XCell Sdn. Bhd. over resumption of planned construction of a PDO plant in Malaysia. The contract for that construction project had expired at the end of 2013.

Next stage: SK Chemicals to confirm the start of construction of the manufacturing facility

In the coming weeks SK Chemicals is due to confirm its approval of the basic engineering design submitted by METabolic EXplorer in late December 2014, a preliminary contractual step before the launch of the construction phase of the first PDO manufacturing facility at the company's site in Ulsan, in south-eastern Korea. Approval will release a milestone payment to METabolic EXplorer. SK Chemicals will have full responsibility for construction of the facility. METabolic EXplorer estimates a construction timeframe of around 18 months.

¹ SK Group, one of the three largest conglomerates (*chaebol*) in South Korea, alongside Samsung and Hyundai, was originally a textiles company that diversified over the years and in particular became one of the world's leading manufacturers of polyester fibres. Through its subsidiary SK Chemicals, SK Group is also a major green chemicals producer, with significant production of biodiesel fuel, of which glycerine is a by-product.

Using second-generation raw materials to make the product more competitive

The use of second-generation non-food plant materials has become a major issue for the future of green chemicals manufacturers.

METabolic EXplorer has acquired sufficient experience to confirm its ability to use cellulosic raw materials derived from processing the cellulose in agricultural and forestry residues (straw, corn cobs, tree branches, sawdust, etc.) for each of its technologies.

Competitive production costs for its three main molecules (PDO, MPG, L-Methionine) compared with rival processes are key to METabolic EXplorer's strategy.

A major factor in maintaining that competitive edge is the ability to use renewable raw materials that have no use as food, the prices of which will be less subject to the fluctuations that affect major agricultural commodities such as wheat, corn and sugar.

METabolic EXplorer confirms that it is still competitive in the current market conditions of low prices for oil and agricultural commodities.

Testing continues alongside business talks aiming at a partnership

METabolic EXplorer pursued its tests of different sugars obtained from processing various types of cellulose. This flexibility with raw materials is an essential parameter of supply strategies. The tests have confirmed the feasibility of using 2G sugars to produce MPG by fermentation.

These positive results also enabled METabolic EXplorer to move forward in talks on a partnership agreement with a major European firm that processes raw plant materials aiming at optimising and industrialising the process to produce MPG from cellulosic sugars.

MPG aside, these results consolidate the company's decision to diversify the sugars used to ensure its three products remain sustainably competitive.

METabolic EXplorer recalls that MPG is an essential chemical compound in the manufacture of unsaturated polyester resins, used in applications such as furniture and boat hulls. The market in MPG is worth €2.9 billion² with an estimated production volume of 1,960 tonnes. The compound is also used in cosmetics and pharmaceuticals as well as in antifreeze and coolant.

Next stage: finalising a partnership

The company reckons that the talks about a partnership deal with a major European processor of raw plant materials could be finalised at the end of the first half.

² Source: *Icis Pricing, average price 2009-2013, Spot, MPG Industriel FD NWE*

L-Methionine, a new product with unique properties sought-after by the market

April 2014: recovery of development of L-Methionine

In April 2014, METabolic EXplorer recovered full control of L-Methionine development and has since been able to measure the product's commercial potential directly.

L-Methionine produced by the METabolic EXplorer process is a completely new food additive, with no equivalent on the market and unique properties that are attracting strong interest:

- L-Methionine is methionine only in its natural L form (the L form can be directly assimilated by the organisms), without the 50% of the D form found in petrochemical DL-Methionine – and therefore offers higher nutritional efficiency
- it is produced in a single fermentation stage, which makes it competitive over other production processes combining other stages of synthesis
- it consists of 85% methionine and 15% a blend of organic acids and other nutritional amino acids, a composition that sharply reduces the cost of purification
- it is the only additive that can be produced locally because it does not have the environmental restrictions on hazardous, harmful of thiochemical processes involving methyl mercaptan

Since April 2014: adapting the roadmap

Since April 2014, METabolic EXplorer has implemented many action plans, in areas that were not previously in its scope:

- takeover of all the aspects previously managed by Roquette Frères: management of the patent portfolio, development of the full-scale production process, pre-studies for construction of a commercial-scale facility, product prospecting, as well as the necessary regulatory filings for product approval
- transfer of production of samples of L-Methionine to METabolic EXplorer's the pre-pilot/pilot facility, with the first small-scale production in late 2014 and identification of further optimisation to reduce costs
- compilation of technical data on the nutritional efficiency of L-Methionine: depending on the species and age of the animal, the gain ranges from "marginal" according to DL-Methionine suppliers to 40% according to an independent university study
- management of the administrative application to the FDA: a letter of no-questions was received in early 2015
- detailed monitoring of prices for DL-Methionine, which because of a relative shortage rose to above \$10 per kilo for several months for spot deliveries, whereas prices are usually around \$4/kg
- analysis of the impact of the entry into the market in late 2014 of a new supplier of L-Methionine, with a multi-stage process
- approaching all major users of methionine, mainly manufacturers of premixes (cocktails of additives such as amino acids, vitamins, salts and enzymes) and animal feed manufacturers
- talks with producers of amino acids other than methionine, with unused fermentation capacity looking for new production
- talks with the main methionine manufacturers

Since end-2014: full visibility on the necessary information for commercial production of the products and technology, and definition of four complementary strategic directions

After collection and detailed analysis of all the data, METabolic EXplorer has refined its roadmap with a view to improving the return on its investment in this technology.

The market plan responds to four strategic priorities now clearly identified:

- Measuring the nutritional advantage of METabolic EXplorer's new product, which contains 85% natural L-Methionine: need to provide an objective, quantified, validated comparison of the benefits of using DL-Methionine and METabolic EXplorer's natural L-Methionine
- Customized engineering: initiation of an engineering study to optimise capacity and flexibility of a manufacturing facility (between 10,000 and 80,000 tonnes a year) to respond locally to growing markets,
- Expanding regulatory filings in the main markets: importance of controlling the marketing authorisations for the new product in the strategic regions of Southeast Asia, South America and Europe
- Responsiveness towards industrial partners: ability to seize short-term opportunities in some geographical and application segments, concurrent with the above studies

Next stages in progress: implementing the new roadmap

- Tests of nutritional efficiency: to accurately quantify the nutritional, health and economic advantages of its natural L-Methionine, METabolic EXplorer will launch a series of nutritional efficiency tests with leading partners in animal nutrition in 2015. The importance of the tests, which will be conducted over a period of 12-18 months, reflects the product's innovation and market potential:
 - o Possible positive impact on growth of poultry and piglets
 - o Possible productivity gains for the farmer
 - o Possible improvements in health linked to this food supplement
- Customized engineering: METabolic Explorer will engage a leading partner in industrial engineering in 2015 to study the optimum size and design of an L-Methionine manufacturing facility
- Global coverage of marketing authorisations: wherever there is a clear strategic interest, METabolic EXplorer will file new applications for regulatory approvals to optimise the global coverage of its technology. METabolic EXplorer recalls that the market in L-Methionine is worth over €3.5 billion.
- Licensing agreements: alongside these test launches, the engineering study and new regulatory filings, METabolic EXplorer is pursuing talks with a view to signing non-exclusive licensing agreements and in 2015 METabolic EXplorer will probably sign at least one licensing agreement in a geographical or application segment where L-Methionine is used, with a leading operator in that sector. Written non-binding intentions received by the company support the feasibility of this schedule.

Governance

Sadly the year was marred by the tragic death of Daniel Thomas on 4 May 2014.

Daniel Thomas was Chairman of the Supervisory Board of METabolic EXplorer from 2006 to 2011, and a director of the company since 2011. With his extensive experience and expertise in industrial biotechnology, Daniel Thomas made a valuable contribution to the company's development over those years. An internationally recognised pioneer of biotechnology in France, he also contributed actively to the launch of METabolic EXplorer in the late 1990s.

All of the staff of METabolic EXplorer express their deepest sympathies.

Annual results 2014

Rigorous management to ensure optimum visibility maintained and maturity of the technology reflected in accounting consequences

The Board of Directors met on 17 March 2015 to approve the financial statements for the year ended 31 December 2014. The financial statements have been audited. The auditors' report will be issued after finalisation of the procedures required to publish the annual financial report.

	2013	2014
Operating income	1,192	6,643
Operating expense (gross R&D, marketing and overheads)	(11,479)	(11,031)
Capitalised R&D costs	7,094	2,069
Exceptional operating expense	(915)	(1,472)
Operating loss	(4,108)	(3,791)
Interest income	207	74
Tax, translation adjustment, actuarial gain (loss)	5	(62)
Net loss	(3,896)	(3,779)

Highlights of the 2014 profit and loss account:

- A strong increase in operating income, from €1.2 million in 2013 to €6.6 million in 2014 (revenues rose from €0.7 million to €3.7 million). That increase can be attributed chiefly to payments received from Roquette Frères after the L-Methionine contract was terminated in April 2014 and from SK Chemicals under the licensing agreement.

- The maturity of the PDO and L-Methionine technology is reflected in the financial statements by the end of the capitalisation of the R&D costs related to those projects; only R&D costs related to the MPG project are now capitalised. The result is a decrease in capitalised R&D costs from €7.1 million in 2013 to €2.1 million in 2014.
- Strict control of operating expenses continued, resulting in a 4% reduction, from €11.5 million to €11.0 million in 2014
- Exceptional operating expense increased owing to a provision for risk on receivables
- As a result of the above, consolidated net loss was practically constant, with the increase in turnover offset by the reduction in capitalised R&D.

Cash at hand of €10.9 million and annual cash burn down to €3.3 million

At 31 December 2014, the company's equity totalled €51.6 million and gross financial debt €8.7 million. Gross cash at hand totalled €10.9 million, down from €15.9 million at 31 December 2013. As a result of repayment of debt over the period, net cash flow amounted to €2.2 million at 31 December 2014, compared with €5.5 million 31 December 2013. Use of cash was thus €3.3 million in 2014.

Non-recurring financial assets increased by €1.3 million over the year, because a payment of €1.3 million deposited by SK Chemicals in an escrow account under the licensing agreement. The escrow will be lifted when the manufacturing facility goes into stable operation.

Strong financial visibility

After a financial year that saw an increase in operating income and ongoing strict cost control, the company is approaching 2015 with better visibility on its commercial industrialisation schedule and with a financial visibility consistent with that schedule.

This visibility has been confirmed by the issue of 1 million new shares under the equity line from Société Générale. The share issue netted €5 million.

-ENDS-

About METabolic EXplorer - www.metabolic-explorer.com

METabolic EXplorer is a biological chemistry company which was incorporated in 1999. Its goal is to help industrial businesses deal with the rise in oil prices, so that they can continue their production, in a different, sustainable way.

Based on the tried and tested principle of industrial fermentation, METabolic EXplorer's solutions replace today's petrochemical processes with the use of a wide range of plant-based raw materials. By optimizing the metabolic yield of non-pathogenic bacteria in a contained, controlled environment, the company facilitates the production of chemical compounds used in a wide range of everyday goods (textile fibres, paints, solvents, plastics and animal feed).

METabolic EXplorer is currently focusing its alternative processes on the production of three compounds that together have an estimated, annual, end-market value of €7 billion. The company's strategy will be implemented through industrial partnerships in the shape of joint ventures and licences, as well as own-account production units.

METabolic EXplorer, based in Clermont-Ferrand, France, is listed on NYSE Euronext in Paris (Compartment C, METEX) and is part of the CAC Small index.

*Get free financial information on METabolic EXplorer by registering with:
www.metabolic-explorer.com or www.actus-finance.com*

Media and individual shareholder relations

ATTITUDE Corporate

Eric de Lambert

E-mail : edelambert@attitude-corporate.com

Tél. : +33 (0)1 4970 4341 / +33 (0)6 2529 0658

Investor and analyst relations

ACTUS Finance et Communication

Jérôme Fabreguettes-Leib

E-mail: jfl@actus.fr

Tel: +33 (0)1 53 67 36 78

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

Financial data

Income statement

	2014	2013
Turnover	3 742	750
Other income from ordinary activities	2 901	442
Research and Development costs	-7 524	-7 711
Capitalised research and development costs	2 069	7 094
Net research and development costs	-5 454	-617
Marketing and commercial costs	-1 145	-1 036
Administration costs	-2 362	-2 732
Other operating income and expense	-1 008	-740
Operating earnings before payments in shares and non-current items	-3 326	-3 933
Personnel costs relative to payments in shares	-71	-114
Restructuring costs	0	-61
Doubtful receivables	-394	0
Operating income	-3 791	-4 108
Cash and cash-equivalent income	503	543
Cost of financial debt	-430	-336
Net financial result	74	207
Tax income	-30	23
Net result	-3 747	-3 878
Foreign exchange adjustments	-14	1
Actuarial difference on pension commitments	-18	-19
Other items	-32	-18
Net result	-3 779	-3 896
Basic earnings per share (in euros)	-0,17	-0,17
Diluted earnings per share (in euros)	-0,15	-0,16

Balance sheet

	2014	2013
ASSETS		
Intangible assets	34 457	33 264
Tangible assets	9 526	11 475
Non-current financial assets	1 343	1
Deferred tax assets	5 525	5 467
TOTAL NON-CURRENT ASSETS	50 850	50 207
Trade receivables	7	174
Other current assets	3 342	3 909
Cash and cash equivalents	10 866	15 909
TOTAL CURRENT ASSETS	14 215	19 992
TOTAL ASSETS	65 065	70 199
LIABILITIES		
Share capital	2 226	2 226
Share premium	66 118	66 118
Legal reserves	212	212
Other reserves	-13 105	-9 319
Foreign exchange adjustments	2	16
Net result for the period	-3 779	-3 878
TOTAL SHAREHOLDERS' EQUITY	51 674	55 376
Long-term liabilities to banks	6 814	8 411
Other long-term provisions	86	52
Other long-term liabilities	1 343	0
TOTAL NON-CURRENT LIABILITIES	8 243	8 463
Other short term bank and debt liabilities	1 890	1 991
Trade payables	1 697	1 540
Other short-term liabilities	1 558	2 825
TOTAL SHORT-TERM LIABILITIES	5 148	6 359
TOTAL LIABILITIES	65 065	70 199

Statement of cash flows

	2014	2013
Net result	-3 747	-3 878
Amortisation and depreciation of non-current assets	2 405	2 613
Payment in shares	71	114
Other estimated costs	-24	-12
Change in deferred taxes	-58	-22
Gain/loss from disposal of non-current assets	92	52
Gross cash flow	-1 262	-1 133
Cost of financial debt	321	214
Gross cash flow before cost of financial debt and taxes	-941	-920
Increase / decrease in trade receivables	223	897
Increase / decrease in trade payables	212	396
Increase / decrease in other current assets and liabilities	-761	-1 200
Change in working capital	-325	93
Net cash flow provided by operating activities	-1 266	-826
Assets generated internally (Research and Development)	-2 122	-7 212
Cash received as investment grants-in-aid	926	2 619
Cash paid for investments in non-current assets	-523	-663
Increase/decrease in non-current trade payables	-24	16
Asset acquisitions	0	-27
Cash received from disposal of financial assets	0	6
Cash used for acquisitions and sales of other current financial assets	0	65
Net cash flow used for investing activities	-1 744	-5 196
Capital increase	0	2
New loans and other financial debts	233	974
Interest paid on loans and financial debts	-261	-322
Repayment of loans and other financial debts	-1 991	-1 919
Net cash provided by /used for financing activities	-2 019	-1 265
Change in cash and cash equivalents	-5 042	-7 286
Cash and cash equivalents as of 1 January	15 906	23 191
Cash and cash equivalents as of 31 December	10 863	15 906