

# FUTURAGENE PLC

## Interim Results

29 September 2009. FuturaGene PLC, ("FuturaGene" or "the Group", AIM: FGN), a leader in plant genetic research and development for global forestry, biofuel and agricultural markets, announces its unaudited interim results for the six months ended 30 June 2009.

### Results highlights

- Secured additional investment of £1.37m from International Institute of BioScience Research and Development (IIBRD), increasing its shareholding in the Group to 9%
- On course to securing material recurring revenues within the next two to three years
- Extension of agreement for development of disease-resistant eucalyptus with China Academy of Forestry
- Signed agreement for development of enhanced poplar with the China Academy of Forestry for domestic market
- Management team strengthened
- Second field trial of the modified eucalyptus with Suzano in Brazil produced strong initial results
- Field trials initiated in corn and alfalfa
- Loss after tax of £832,000 (30 June 2008: loss £876,000)
- Cash at period end of £829,000 (30 June 2008: £1.4 million)

**Dr. Stanley Hirsch**, Group Chief Executive of FuturaGene commented:

*"As the pressure on resources, particularly land and water, and the demand for renewable plant-based energy continue to increase worldwide, we are extremely well positioned to provide sustainable, ecologically sound technologies to enhance plant yields and enable marginal land to be more effectively used.*

*"We are one of the leaders in developing two major clean technology crops: sustainable, plantation eucalyptus, the key crop for the pulp and paper industry; and poplar which is used for carbon neutral energy combustion and the production of liquid biofuel.*

*"The first half of the year has seen us sign a number of notable development agreements in strategic crops. The IIBRD investment and the linked conversion of commercialisation options by a major strategic partner, consummate years of development work and place us on the path to achieving material recurring revenues within two to three years."*

**Enquires:****FuturaGene Plc**

Mark Pritchard, Chairman

+44 (0) 7802 827 846

Dr. Stanley Hirsch, Group Chief Executive

+972 544 56 2724

**Evolution Securities**

Neil Elliot

+44 (0) 20 7071 4300

**College Hill**

Adrian Duffield/Rozi Morris

+44 (0)20 7457 2020

**Note to Editors:****FuturaGene PLC** [www.futuragene.com](http://www.futuragene.com).

FuturaGene is a leader in plant genetic research and development for the global forestry, biofuel, and agricultural markets. The Group develops sustainable, ecologically sound technology to meet the ever increasing demands for fibre, fuel and food crops in the face of declining and deteriorating land and water resources.

FuturaGene aims to be the leading crop technology company for biomass, second generation biofuel and biopower, through two main technology platforms: Cell Wall Modification, which helps crops grow faster, enhancing yield and processability; and Abiotic Stress Tolerance which enables plants to grow in harsh, dry, salty environments or protects yield when plants are stressed by these factors.

The Group has established broad applications of its technology in key crops including eucalyptus, which is the largest sustainable plantation forest species for the pulp and paper industry; and poplar, which is increasingly used as wood chip for biopower, through direct combustion, the co-firing of coal power stations or for the production of liquid biofuel. FuturaGene's technology is also being used in alfalfa and corn, both of which are aimed at the animal feed and biofuel markets.

The Group's most advanced technologies are for yield improvement in sustainable industrial forestry. The Group has successfully completed field trials in this area and is now in regulatory phases prior to commercial deployment. FuturaGene is one of only a very limited number of biotech companies to have taken a genetic trait from discovery to the pre-launch stage. The ability to take a novel gene this far is almost unique outside of the major agricultural-industry players.

FuturaGene also has strong partnerships with leading international forestry and agriculture companies, such as Suzano, Forage Genetics (Land 'O Lakes), China Academy of Forestry (CAF), AA Alliance and Targeted Growth.

## Business Overview

The first half of the year saw FuturaGene make considerable progress in its aim to be a leading source of plant genetic solutions for the global forestry, biofuel and agriculture industries with the Group passing a significant milestone towards the commercialisation of genes in its portfolio.

In May 2009, the IIBRD raised its shareholding in the Group to 9% by investing an additional £1.37 million. IIBRD is a subsidiary of a major forestry group. This investment also exercised pre-existing commercialisation options between the Group and IIBRD for the commercial use of genes developed by FuturaGene's subsidiary CBD Technologies.

The directors expect this to lead to the first commercial deployment of FuturaGene's products for eucalyptus by a significant operator in a major plantation-forestry market and put the Group on course to begin booking recurring revenues within the next two to three years.

Additional milestones achieved in the first half of 2009 included an extension of the Group's agreement with the Research Institute of Tropical Forestry (RITF) of the CAF, for the development of growth-enhanced eucalyptus. RITF is the principal research institute for the eucalyptus industry in southern, sub-tropical China and is a major provider of improved germplasm to this fast-growing industry. The eucalyptus estate in southern China has become plagued by a disease, bacterial Wilt, which is killing large numbers of trees. The Group is developing a genetic approach which it believes will be effective against the disease and it extended the agreement with RITF to include this new approach.

The management team was strengthened by the appointment of Dr. Ziv Shani to the Board and by appointment of Dr. Nissim Chen as Director of Business Development at CBD Technologies.

## Financial results

The unaudited financial results for the six months to 30 June 2009 record an operating loss of £832,000 (30 June 2008: loss £876,000). The loss per share was 1.9p (30 June 2008: loss 2p). No dividend is being declared. Cash reserves at 30 June 2009 were £829,000 (30 June 2008: £1.4 million). The current cash burn is at the rate of £160,000 per month. The projected cash burn in the second half is expected to be at a level in line with the first six months of the financial year.

## Strategic Crops

### Eucalyptus

Eucalyptus is the largest sustainable plantation forest species for the pulp and paper industry and represents a major market opportunity for FuturaGene. A second field trial of the Group's modified eucalyptus is underway with the Suzano forestry company in Brazil. The trial has produced strong initial results, which have verified results from earlier trials. With the acquisition of biosafety data, there has been a positive relaxation in the regulatory regimes surrounding the conduct of the trials, including permission for enhanced duration of trials, which allows better data accumulation. The authorities have now also allowed the planting of eucalyptus in the substantial exclusion zones that previously surrounded the trial sites.

FuturaGene and Suzano continue to collaborate on an extensive R&D programme to introduce new genes and improved gene constructs into additional Suzano clones. This research is reinforcing the Group's position as a leader in commercial eucalyptus transformation.

## Poplar

FuturaGene's R&D group has successfully developed new transformation methods for the first clones of commercial poplar, which were imported from the USA. All aspects of the Group's technology, including yield, processability, salt tolerance and drought tolerance, will be introduced into poplar.

In addition to this in-house work, the Group has recently announced a Collaborative Development Agreement with the CAF to develop new and enhanced poplar for the Chinese domestic market.

The Group is in the process of developing additional research and commercial partnerships for poplar in the USA in order to strengthen its global position in the crop, which will soon play an important role in the renewable energy market.

There is a growing demand for wood pellets made from poplar woodchip to co-fire coal-fired power stations in the USA and Europe. As poplar can be grown in renewable, sustainable plantations, it provides a carbon neutral source of combustible material for electricity generation.

Poplar is also indicated by the US Department of Agriculture as a preferred source of raw material for second generation (cellulose-to-ethanol) liquid biofuel production.

## Research & Development Activities

The Group's licensees continue to report good progress in the work they are doing with FuturaGene's intellectual property.

### Forage Genetics Inc.

Forage Genetics is progressing well with development of alfalfa varieties incorporating the Group's genes to enhance digestibility, processability and to shorten crop rotation times. Initial modified plants were produced and introduced into preliminary field trials in 2009. Alfalfa is the fourth biggest crop in the United States and is principally used for animal feed. Alfalfa will also be tested as a second-generation biofuel crop.

### Targeted Growth Inc.

Targeted Growth (TGI) has progressed rapidly with corn transformations using the Group's licensed genes to enhance plant processability, digestibility and other agronomic properties. In May 2009, Targeted Growth initiated preliminary field trials with a number of modified corn lines. The trials are aimed at screening for corn lines showing positive traits to take forward in the development pathway.

The agreement was amended to reflect TGI's intention to focus on the enhancement of corn using the Group's technology, rather than begin trials on soybean. As a result, all rights for the soy technology were returned to the Group.

### Oregon State University

In May 2009, FuturaGene entered into an agreement with Dr. Steven H. Strauss, a Distinguished Professor of Forest Biotechnology at Oregon State University (OSU), under which FuturaGene will provide Dr. Strauss's research group with a proprietary eucalyptus clone and a highly efficient eucalyptus transformation protocol developed by the Group. The collaboration will enable rapid and efficient evaluation of genes for flowering control and other biosafety aspects of tree modification.

## **Intellectual Property**

FuturaGene continues to build its intellectual property portfolio both through filings based on in-house discoveries and through licensing relationships with universities and other organisations. The highlight for the first half of 2009 was the granting in Japan of a main cell wall modification patent with broad claims – an unusual step for the Japanese patent office.

## **Current trading and outlook**

The Group has had an active first half with its energies focused on building the business and raising profile in key markets. The business development pipeline for the two strategic crops, eucalyptus and poplar, is very active with the Group looking to expand its eucalyptus business model to additional territories. FuturaGene is also actively developing its presence in the USA poplar market where it is establishing research collaborations and exploring potential commercial opportunities for this crop.

Additionally, the Group is progressing towards executing its first outlicensing agreements for technology from its Abiotic Stress platform. Overall the Board is confident that FuturaGene will continue to build on and develop the momentum it has built over the last nine months.

### Income Statement for the six months ended 30 June 2009

	<b>Six months ended 30 Jun 2009</b>	<b>Six months ended 30 Jun 2008</b>	<b>Year ended 31 Dec 2008</b>
	Unaudited £'000	Unaudited £'000	Audited £'000
Revenue	28	150	40
Administrative expenses	(861)	(1,058)	(1,577)
Share of losses of Joint Venture	-	-	(69)
<b>Operating Loss</b>	<b>(833)</b>	<b>(908)</b>	<b>(1,606)</b>
Finance income	1	32	45
<b>Loss before tax</b>	<b>(832)</b>	<b>(876)</b>	<b>(1,561)</b>
Income Tax	-	-	-
<b>Loss for the period attributable to equity holders of the company</b>	<b>(832)</b>	<b>(876)</b>	<b>(1,561)</b>
<b>Loss per ordinary share</b>			
Basic and Diluted	(1.9p)	(2.0p)	(3.6p)

### Statement of comprehensive income for the six months ended 30<sup>th</sup> June 2009

	<b>Six months ended 30 Jun 2009</b>	<b>Six months ended 30 Jun 2008</b>	<b>Year ended 31 Dec 2008</b>
	£'000	£'000	£'000
Loss for the period	(832)	(876)	(1,561)
Exchange movements	(74)	16	32
<b>Total recognised loss for the year</b>	<b>(906)</b>	<b>(860)</b>	<b>(1,529)</b>
Total comprehensive income attributable to owners of the parent	(906)	(860)	(1,529)

## Consolidated Balance Sheet at 30 June 2009

	30 Jun 2009	30 Jun 2008	31 Dec 2008
	Unaudited £'000	Unaudited £'000	Audited £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Plant, property & equipment	158	72	172
	<u>158</u>	<u>72</u>	<u>172</u>
<b>Current assets</b>			
Receivables	49	39	198
Cash and cash equivalents	829	1,436	597
	<u>878</u>	<u>1,475</u>	<u>795</u>
<b>Total assets</b>	<u>1,036</u>	<u>1,547</u>	<u>967</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	(548)	(859)	(1,007)
<b>Net current (liabilities)assets</b>	<u>330</u>	<u>616</u>	<u>(212)</u>
<b>Net (liabilities)assets</b>	<u>488</u>	<u>688</u>	<u>(40)</u>
<b>Equity</b>			
Share capital	236	215	215
Share premium account	20,364	18,951	18,951
Capital redemption reserve	2,415	2,415	2,415
Profit and loss account - deficit	(22,519)	(20,893)	(21,687)
Foreign Exchange Reserve	(8)	-	66
<b>Total equity</b>	<u>488</u>	<u>688</u>	<u>(40)</u>

## Consolidated cash flow statement for the six months ended 30 June 2009

	Six months ended 30 Jun 2009	Six months ended 30 Jun 2008	Year ended 31 Dec 2008
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
<b>Cash Flows from operating activities</b>			
Cash flows from operations	(1,129)	(708)	(1,506)
Interest received	1	32	45
Net cash used in operating activities	<u>(1,128)</u>	<u>(676)</u>	<u>(1,461)</u>
<b>Cash from investing activities</b>			
Purchase of property, plant and equipment	-	(15)	(89)
Proceeds from sale of property, plant and equipment	-	-	30
Equity capital raised	1,434		
Loans granted to joint ventures	-	(13)	-
Net cash flows used in investing activities	<u>1,434</u>	<u>(28)</u>	<u>(59)</u>
<b>Net increase(decrease) in cash and cash equivalents</b>			
	306	(704)	(1,520)
Cash and cash equivalents at beginning of the period	597	2,124	2,124
Exchange difference	(74)	16	(7)
<b>Cash and cash equivalents at end of the period</b>	<u>829</u>	<u>1,436</u>	<u>597</u>

## Reconciliation of net loss to net cash flows from operating activities

<b>Loss before tax</b>	(832)	(876)	(1,561)
Interest received	(1)	32	(45)
Depreciation of property, plant and equipment	14	17	27
Profit on sale of property plant and equipment			(28)
Impairment of loan to joint venture		13	
(Increase)Decrease in trade and other receivables	149	58	(100)
Increase/(Decrease) in trade and other payables	(473)	112	191
Equity settled share based payment expense	14		10
<b>Cash used in operating activities</b>	<u>(1,129)</u>	<u>(708)</u>	<u>(1,506)</u>

## Notes to the Interim report for the six months ended 30 June 2009

### 1. ACCOUNTING POLICIES

#### Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

A summary of the more important Group accounting policies is given below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The company is incorporated and domiciled in the UK.

Unaudited accounts for the six months ended 30 June 2009 show that the group incurred a net loss of £0.8 million during that period and that cash balances at 30 June 2009 were £0.8 million.

As part of their considerations of going concern, the directors have prepared working capital projections for the period to 31 March 2011.

The projections are subject to a number of potentially material variables including the timing and extent of future revenues, the ability to control levels of expenditure and the proceeds from potential future fund raising. In order to execute its plans, the company will require additional funding and is considering its options in this respect with financial advisors.

Based on these discussions, whilst there remains uncertainty over the group's future cash flows, the directors are confident of the company's ability to raise funds and therefore consider it appropriate, to prepare the accounts on a going concern basis.

The financial statements do not include adjustments that would result if the company was unable to continue as a going concern.

The information for the year ended 31 December 2008 has been extracted from the audited accounts for that period which have been delivered to the Registrar of Companies and which contained an unqualified audit report, but which drew attention to material uncertainty regarding the Company's and the Group's ability to continue as going concerns, due to the substantial losses incurred, and the net current liabilities reflected in the audited accounts to 31 December 2008.

The results for the six months to 30 June 2009, which have been neither reviewed nor audited, have been prepared on a basis consistent with the accounting policies disclosed in the company's 2008 accounts and do not constitute statutory accounts within the meaning of Section 40 of the Companies Act 1985.

## 2. Loss per ordinary share

The calculation of loss per ordinary share is based on:

	6 months to 30 June 2009	6 months to 30 June 2009	Year to 31 Dec 2008
Loss for the period attributable to equity holders of the company	(£832,000)	(£876,000)	(£1,561,000)
Weighted average number of ordinary shares in issue during the period	44,305,644	42,736,798	42,679,103
Basic and diluted loss per share	(1.9p)	(2.0p)	(3.6p)

Since the conversion of potential ordinary shares would decrease the net basic loss per share, they are anti-dilutive. Accordingly, diluted loss per share is the same as basic loss per share.

## 3. Called up equity share capital

The issued share capital at 31st December 2008 was 43,054,121 Ordinary Shares of £0.005 each. On 5th May 2009, it was announced that IIBRD had acquired 4,045,100 Ordinary Shares at 34p each, thus making the total issued capital 47,099,221 Ordinary Shares as at 30 June 2009.

On 8th July 2009 a further 2,323,018 Ordinary Shares were issued in connection with contingent consideration (see Note 5 below) and also on that date, 800,000 new Ordinary Shares were issued to the company's CEO, Dr Stanley Hirsh, as part of his compensation plan.

## 4. Contingent Consideration

At 31 December 2008, the Company had an outstanding obligation to issue up to a total of approximately 11.3 million ordinary shares under the terms of acquisition agreements, of which approximately 8.6 million contingent shares related to the acquisition of FuturaGene Inc and approximately 2.7 million contingent shares related to the acquisition of CBD. On 8th July 2009, it was announced that agreement had been reached to issue a total of approximately 2.3 million ordinary shares in full and final settlement of all claims relating to Futuragene Inc.

## 5. Statement Copies

Copies of the interim statement are available from the Company at its Registered Office at 10, Dominion Street, London EC2M 2EE.