

FuturaGene PLC  
30 June 2009

## **FUTURAGENE PLC ("FuturaGene" or "the Company")**

### **Final results for the year ended 31 December 2008**

30 June 2009

FuturaGene, which develops environmentally friendly solutions that enable plants to grow in hostile conditions, improve crop yields and enhance processability and digestibility, today reports final results for the year ended 31 December 2008.

#### Highlights

- Operating loss £1.61million (2007: £1.64 million)
- Loss for year attributable to equity holders £1.56 million (2007: £1.52 million)
- Loss per ordinary share 3.6p (2007: 3.6p)
- Cash at period end of £0.6 million; additional £1.4m raised since year end
- Settlement of all litigation claims against the Company
- Successful completion of a three year commercial field trial for growth enhanced eucalyptus
- Initiation of commercial eucalyptus trial in South East Asia
- Technology License agreement signed with Targeted Growth

Mark Pritchard, Chairman, commented "It has been another busy and successful year for the Group. The completion of the eucalyptus trial in Brazil was a very important event for us and moves the Company closer to commercial deployment of our technology and the consequent achievement of revenues. The settlement of the litigation was also an important watershed and with this issue firmly behind us we can focus on expanding our business development efforts".

The Company's Annual General Meeting will be held at 9.00 a.m. on 31 July 2009 at 10 Dominion Street, London EC2M 2EE.

For further information, please contact:

FuturaGene Plc	
Mark Pritchard, Chairman	+44 (0) 7802 827 846
Stanley Hirsch, CEO	+972 544 562 724
Evolution Securities	
Neil Elliot	+44 (0) 20 7071 4300

## Annual Report and Accounts

The Company has today published and posted to shareholders its Annual Report and Accounts for the year ended 31 December 2008 ("Annual Report").

For the information of investors and shareholders alike, copies of the Annual Report will be available for at least one month, free of charge, at the offices of the Company's Nominated Adviser, Evolution Securities, being 100 Wood Street, London EC2V 7AN. Electronic copies are available on the Company's website, [www.futuragene.com](http://www.futuragene.com).

## Notes to Editors

### FuturaGene

FuturaGene is committed to the research and development of environmentally friendly solutions to solve crop production problems.

FuturaGene is engaged in research to develop knowledge and create intellectual property that is essential to the development of crop species with enhanced agronomic characteristics including tolerance to a variety of environmental stresses such as salt, drought and cold conditions. Additionally the Company has intellectual property which confers yield enhancement and processability on a range of trees and crops and may provide a truly sustainable answer to crop production problems, particularly in energy production.

The Group's technology comprises a licensed patented portfolio of genes which enhance traits in the plant by mediating over-expression or modulation of genes in the plant. FuturaGene is developing genes which increase yields and processability of plants by modifying the plant cell walls which contain the critical cellulose fibre used by the pulp and paper industry and now the major target of the non-food crop based biofuel industry, and additional genes that confer enhanced tolerance and enable plants to withstand extreme environmental stresses such as cold, drought, fungal pathogens and high salt concentrations. FuturaGene's portfolio of genes improves the ability of crops to withstand these pressures by enhancing the function of genes already natural to the plant, through over expression of these genes. The intellectual property of CBD Technologies, its wholly owned subsidiary, improves yields, processability and the sustainability of plants for the forestry, biofuels and agricultural sectors. FuturaGene's business model is to add value to this portfolio by taking gene discoveries as far down the development path as possible, and then bringing them to market via out-licensing partnerships with market leading participants. To maximise the economic potential of the Group and to shorten the time to commercialisation, the Group is working on extending its business model to the development of a modern technology based, market driven integrated operating platform.

## Chairman's Report

We face a world in which agriculture must deal with a changing planet.

The world has finite resources but continued global population growth and changing consumption patterns will increasingly present policy makers with very difficult choices. Climate change continues to exacerbate resource allocation decisions, and the move away from fossil fuels in the short term will only serve to intensify the competition between food and energy crops imposing pressure on agricultural yields, marginalising increasing amounts of land and depleting water resources.

Increasing pressure on global resources can only be rationalised, and true sustainability realised, through a coordinated integrated approach embracing efficiency, recycling and technological advances. Technologies that can make an effective contribution to these global issues by allowing more efficient use of resources will become increasingly valuable, particularly as they approach commercial deployment.

The central focus of the FuturaGene Group is on providing an ecologically sound technology base to support our core theme of agriculture for a changing world. We believe that with our principal technologies we can make a significant contribution to enhancing and protecting agricultural yields across multiple crop species. Our two technology platforms, covering yield enhancement and abiotic stress, are discussed by Stanley Hirsch, our Group CEO, in more detail below.

We are also beginning to develop some ideas around a plant biotic stress programme, namely disease resistance. As the effects of climate change increasingly manifest themselves, plant diseases are becoming more rampant and your directors expect that effective solutions to negate their effects will become an increased priority.

During the course of 2008 we completed a first full field trial in our lead commercial crop eucalyptus, a significant step towards commercial implementation and a very significant milestone achievement for the Company.

I have in previous years commented on the litigation that we faced in the United States and the negative effect this was having both on the management and operation of the Company and the consequent harmful effect on our share price. The settlement of all claims, which was announced at the end of last year, was a significant event for us. Whilst the settlement terms remain confidential I was particularly pleased with the final outcome, which more than vindicates the stance of the board on this issue over the past two years. With the litigation closed management's attention can now be fully focused on moving the Company forward and generating shareholder value. As a development stage company with a strong research focus cost control remains our key performance indicator. I am pleased to report that once again we have controlled our cost base whilst increasing our level of business activity.

With regard to the financial results, the small decrease in administrative expenses from £1,638,000 to £1,577,000 reflects on the one hand the strengthening of resources in CBD, and legal costs incurred in resolving litigation, and on the other hand a wind down of activities in USA and the release of provisions no longer required. The loss per share was 3.6p (2007: 3.6p).

At 31 December 2008, the Group had cash reserves of £0.6m (2007: £2.1m). Since the year end, cash of £1.4m was received towards the issue of shares and after taking account of expenditure in the five months to 31 May 2009, cash balances at that date amounted to £1.3m. Despite achieving some revenue traction this year we are still some way off becoming cash flow positive. As a consequence the board continues to consider a full range of financing options to support the Company through to recurrent revenue generation. Again no dividend payment is proposed.

I would like to thank our shareholders for the support and patience they showed during the litigation. I would also like to thank all of the enthusiastic members of the FuturaGene staff whose continued efforts and dedication have played a significant role in our on-going success story. In the first few months of the

year we are progressing strongly and I am confident that we will continue to build shareholder value in the future.

Mark Pritchard  
Chairman

## Chief Executive Officer's Report

Crops for food, feed, fuel and power increasingly compete for diminishing resources. This competition has placed huge pressure and a significant premium on both yield enhancement and yield protection. The FuturaGene Group is well placed to compete in this yield driven market. The Group has two major technology platforms addressing the agricultural challenges ahead. Our Plant Cell Wall Modification platform, directed primarily at biomass markets such as forestry (pulp and paper), second generation cellulose-to-ethanol biofuel feedstocks and biopower applications (wood chip for direct combustion) is a yield and processability enhancing platform. Our Abiotic Stress platform is a yield protection platform, aimed at preserving yields when plants are exposed to heat, drought, cold or saline conditions and enhancing the ability of plants to grow on marginal lands.

Our business efforts have been focused on utilising these two platforms to build a world-leading position in two strategic crops – eucalyptus for the pulp and paper industry and poplar for the biopower and biofuel industries, whilst we have continued to look at other crops as out licensing opportunities. In agriculture and forestry, the pathway to development and deployment of new varieties is exceptionally long and includes stages of gene discovery, gene introduction into the crop of choice, prototype testing, field testing and elite event selection, followed by pre-launch phases of concurrent “bulking-up” of seed or plantlets for deployment in parallel with regulatory processes. Depending on the species, this process can take approximately ten years. We are exceptionally pleased that we have now reached the pre-launch stages with eucalyptus, which is a major crop, addressing a major market opportunity. The fact that we have taken a genetic trait from discovery through to this late phase in the development cycle, places the Group in a unique position for an independent agricultural biotech company.

Highlights for 2008 included an important new transaction for the company and the attainment of a number of significant milestones along the pathway of commercialisation of the Group's technologies. These included:

- The execution of a License Agreement in April 2008, with Targeted Growth, Inc. (TGI) in the USA for the use of specific genes from our subsidiary, CBD Technologies, for shortening rotation time and enhancing digestibility and processability of corn and soy. Subsequent to the execution of the agreement, TGI decided to focus its efforts entirely on corn and we recently announced that the agreement had therefore been amended to incorporate only corn and all rights pertaining to soy were returned to the Group. TGI made initial licensing payments in 2008 and will continue to pay milestone fees as it reaches pre-agreed development stages. Furthermore, the Group will enjoy a royalty based on the trait premium from the use of the modified corn. TGI has progressed rapidly with its development program under the agreement and had obtained its first modified corn plants by the end of 2008. These plants will undergo multi-year field trials and elite event selections on their way to commercial deployment. Field trials were initiated in mid-2009. Corn is the largest crop in the United States, and in addition is planted on hundreds of millions of acres worldwide. This crop plays a critical role in the food, feed and biofuel sectors worldwide. Enhancing the digestibility of corn stover with our technology, would provide significant benefit for the conversion of this non-food component of corn to transport fuel.
- Forage Genetics (USA) continued to make progress under the Development and Evaluation Agreement entered into in 2007 and the first modified alfalfa plants were obtained during 2008. Forage Genetics will initiate field trials in the 2009 with these modified plants. Alfalfa, a feed crop for cows, is the fourth largest crop in the USA with approximately 25 million acres harvested for hay and alfalfa silage annually. Alfalfa hay production is estimated to generate more than \$7 billion annually. Forage Genetics has a market share of about 60% of the branded alfalfa seed sold in the USA. Forage Genetics will develop the improved varieties and FuturaGene will receive a share of the trait premiums paid by growers for using these varieties.
- Successful completion of a three-year commercial field trial for growth enhanced eucalyptus with our partners, Companhia Suzano de Papel e Celulose (Suzano), in Brazil. This trial was completed

according to plan in November 2008. The success of this trial marks an important milestone on the road to commercial deployment of our technology in a major forestry crop. Biosafety studies and regulatory work are underway. The second field trial, phased one year after the first trial, at an additional location in Brazil, provided strong verification of the results of the first trial. Suzano is the largest producer of paper for the Brazilian domestic market and the second largest producer of eucalyptus-based pulp in the world. FuturaGene has modified commercial eucalyptus clones bred by Suzano to enhance their growth properties. After an exclusive usage period by Suzano, Suzano and FuturaGene will jointly commercialise the enhanced clones in South America. There is approximately 5 million hectares (12.5 million acres) of commercial eucalyptus forest in South America today. Suzano currently plants 60 million trees per annum and has announced that it intends to increase this number significantly in the coming years.

- Initiation of commercial eucalyptus field trials in South East Asia with AA Alliance of Thailand. We initiated trials with eucalyptus modified with our technology in Q3 2008. The trials are due to continue for two-three years and are intended to select for elite clones to commercialise. AA Alliance is one of the two leading pulp and paper companies in Thailand and plants more than 30 million eucalyptus trees per annum. AA Alliance operates ultra-modern mills in Thailand, with a strong emphasis on environmental sustainability and social interaction with the surrounding communities.
- The Research Institute of Tropical Forestry (RITF) of the China Academy of Forestry initiated work for the development of growth enhanced eucalyptus for China, under the Collaboration Agreement which we executed in 2007. RITF set up a purpose built transformation laboratory at its facility in Guangzhou in Guangdong Province and the Principal Investigator from RITF spent a training period at the CBD Technologies facility in Israel.
- The initiated poplar variety selection and agricultural practice field trials on an experimental farm in Xinjiang in Western China. The trials are aimed at selecting elite varieties for high density, short rotation poplar for bioenergy and biopower applications. Varieties included in the trial include high performing, public domain US varieties, varieties from Greenwood Resources (Oregon, USA) and Chinese varieties. The first growing season was completed in late 2008 and initial varieties have been transferred to our research facilities in Israel for transformation work.
- We enhanced the Group R&D capability and capacity during 2008 at CBD Technologies to add essential skill sets and capacity to take on poplar, and to develop essential enabling technologies. Our R&D staff levels were increased and reorganised into groups including Molecular Biology, 2 platform groups (Cell Wall Modification and Abiotic Stress) and 2 crop groups (Eucalyptus and Poplar). In addition, we modified our facility with the addition of new sterile growth room space and expanded tissue culture capacity.

External factors such as the ongoing litigation weighed heavily on the Group's ability to operate in its markets during 2008. Notwithstanding this situation, the consistent focusing, strengthening and development of the operations of the Group which took place through existing and new business partnerships during 2008, positioned the Group extremely well to develop its businesses as soon as these factors were removed at the end of the year and I am pleased to report to shareholders, that in the period subsequent to this reporting period, we have embarked rapidly on a major business development campaign, which we are confident will be productive for the Group. I look forward to updating shareholders on our progress in the near future.

Stanley Hirsch,  
Group CEO  
30 June 2009

## CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2008

	<b>2008</b>	2007
	<b>£'000</b>	£' 000
<b>Revenue</b>	<b>40</b>	-
Administrative expenses	<b>(1,577)</b>	(1,638)
Share of losses of Joint Venture	<b>(69)</b>	-
	<hr/>	<hr/>
<b>Operating loss</b>	<b>(1,606)</b>	(1,638)
Finance Income	<b>45</b>	122
	<hr/>	<hr/>
<b>Loss before tax</b>	<b>(1,561)</b>	(1,516)
Income tax	-	-
	<hr/>	<hr/>
<b>Loss for the year attributable to equity holders of the company</b>	<b>(1,561)</b>	(1,516)
	<hr/>	<hr/>
<b>Loss per ordinary share - basic and diluted</b>	<b>(3.6p)</b>	(3.6p)

The company has elected to take the exemption in Section 230 of the Companies Act 1985 to not present the parent company income statement. The loss for the parent company for the year was £1,293,000 (2007: £1,447,000).

## STATEMENT OF RECOGNISED INCOME AND EXPENSE

	<b>Group</b>	Group	<b>Company</b>	Company
	<b>2008</b>	2007	<b>2008</b>	2007
	£' 000	£' 000	£'000	£' 000
Loss for the year	<b>(1,561)</b>	(1,516)	<b>(1,293)</b>	(1,447)
Exchange movements	<b>32</b>	34	-	-
<b>Total recognised loss for the year</b>	<b>(1,529)</b>	(1,482)	(1,293)	(1,447)
	<hr/>	<hr/>	<hr/>	<hr/>
Amounts attributable to equity holders of the company	<b>(1,529)</b>	(1,482)	(1,293)	(1,447)

**BALANCE SHEETS**  
at 31 December 2008

	<b>Group 2008 £' 000</b>	Group 2007 £' 000	<b>Company 2008 £' 000</b>	Company 2007 £' 000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill	-	-	-	-
Intangible assets	-	-	-	-
Property, plant and equipment	<b>172</b>	74	-	-
Investment in subsidiaries	-	-	<b>38</b>	31
<b>Current assets</b>				
Receivables	<b>198</b>	97	<b>3</b>	63
Cash and cash equivalents	<b>597</b>	2,124	<b>444</b>	1,956
	<b>795</b>	2,221	<b>447</b>	2,019
<b>Total assets</b>	<b>967</b>	2,295	<b>485</b>	2,050
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and other payables	<b>(1,007)</b>	(747)	<b>(185)</b>	(467)
<b>Net current (liabilities)/assets</b>	<b>(212)</b>	1,474	<b>262</b>	1,552
<b>Net (liabilities)/assets</b>	<b>(40)</b>	1,548	<b>300</b>	1,583
<b>EQUITY</b>				
Share Capital	<b>215</b>	213	<b>215</b>	213
Share premium account	<b>18,951</b>	18,810	<b>18,951</b>	18,810
Shares to be issued	-	143	-	143
Capital redemption reserve	<b>2,415</b>	2,415	<b>2,415</b>	2,415
Retained deficit	<b>(21,687)</b>	(20,067)	<b>(21,281)</b>	(19,998)
Foreign exchange	<b>66</b>	34	-	-
<b>Total equity</b>	<b>(40)</b>	1,548	<b>300</b>	1,583

## Cash Flow Statements

for the year ended 31 December 2008

	Group		Company	
	2008	2007	2008	2007
	£' 000	£' 000	£' 000	£' 000
<b>Cash flows from operating activities</b>				
Cash flows from operations	(1,506)	(1,652)	(1,543)	403
Interest received	45	122	38	102
Net cash (used in)/from operating activities	<b>(1,461)</b>	<b>(1,530)</b>	<b>(1,505)</b>	<b>505</b>
<b>Cash from investing activities</b>				
Purchase of property, plant and equipment	(89)	(2)	-	-
Proceeds from sale of property, plant and equipment	30	22	-	-
Investment in subsidiaries	-	-	(7)	(50)
Loans granted to joint ventures	-	(26)	-	(5)
Net cash flows used in investing activities	<b>(59)</b>	<b>(6)</b>	<b>(7)</b>	<b>(55)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,520)</b>	<b>(1,536)</b>	<b>(1,512)</b>	<b>(450)</b>
Cash and cash equivalents at beginning of the year	2,124	3,630	1,956	1,506
Exchange difference	(7)	30	-	-
<b>Cash and cash equivalents at end of year</b>	<b>597</b>	<b>2,124</b>	<b>444</b>	<b>1,956</b>

### Reconciliation of net loss to net cash used in operating activities

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Loss before tax	(1,561)	(1,516)	(1,293)	(1,447)
Interest received	(45)	(122)	(38)	(102)
Depreciation of property plant and equipment	27	37	-	-
Profit on sale of property plant and equipment	(28)	(21)	-	-
Impairment of intercompany loans	-	-	1,867	959
Impairment of investments	-	-	-	148
Impairment of loan to joint venture	-	26	-	5
(Increase)/decrease in trade and other receivables	(100)	58	(1,807)	989
Increase/(decrease) in trade and other payables	191	(114)	(282)	(149)
Equity settled share based payment expense	10	-	10	-
<b>Cash flows from operating activities</b>	<b>(1,506)</b>	<b>(1,652)</b>	<b>(1,543)</b>	<b>403</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2008

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2008 or 2007 within the meaning of section 240 of the Companies Act 1985. Statutory accounts for 2007 have been delivered to the registrar of companies and those for 2008 will be delivered in due course. The auditors have reported on the accounts for the year ended 31 December 2008; their report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. Their report did include reference to matters to which the auditors drew attention by way of emphasis without qualifying their report in respect of the uncertainty surrounding the ability of the Company and Group to continue as going concerns which is explained in more detail in Note 1 below.

The auditors have reported on the accounts for the year ended 31 December 2007: their report was qualified, but did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

FuturaGene plc will produce its statutory accounts for the year ended 31 December 2008 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and in accordance with the Group's accounting policies as set out in the 2007 statutory accounts.

### **1. Going Concern**

During the year ended 31 December 2008, the group incurred a net loss of £1.6m and cash balances at 31 December 2008 had fallen to £0.6m. Since the year end, cash of £1.4m was raised from the issue of shares and after taking account of expenditure in the five months to 31 May 2009, cash balances at that date amounted to £1.3m.

As part of their considerations of going concern, the directors have prepared working capital projections for the period to 30 June 2010. The projections are subject to a number of variables including the timing of future revenues, the ability to control levels of expenditure and the proceeds from potential future fund raising.

Based on these projections, although there remains uncertainty over the group's future cash flows, the directors consider it appropriate to prepare 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.

## 2. Loss Per Ordinary Share

The calculation of loss per ordinary share is based on:-

Basic and diluted EPS

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Loss for the year attributable to equity holders of the company	<b>1,561</b>	1,516
	<b>Number</b>	Number
Weighted average number of ordinary shares in issue throughout the year	<b>42,894,867</b>	42,679,103
Basic Loss per share	<b>(3.6p)</b>	(3.6p)

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

## 3. Post Balance Sheet Events

Share issue raises £1.37m.

In May 2009, the Company has issued 4,045,100 new ordinary shares at 34p per share to International Institute of BioScience Research and Development LC(IIBRD), part of a major industrial group with strategic interests in the areas of FuturaGene's activities. Following the subscription, IIBRD holds 9% of the enlarged issued share capital of the Company. In addition IIBRD is being given the right to nominate a director to join the board of FuturaGene. Up to an additional 355,070 shares could be issued to IIBRD under anti-dilute provisions should FuturaGene issue shares under existing arrangements during the 6 months following the initial issue in order to ensure that IIBRD's holding remains at 9%.