

## **Dyadic Reports 2006 Financial Results**

JUPITER, Fla. – April 2, 2007 – Dyadic International, Inc. (AMEX: DIL), a global biotechnology company that uses its patented and proprietary technologies (the “Dyadic Platform Technology”) to conduct research and development activities for the discovery, development and manufacture of products and enabling solutions to the bioenergy, industrial enzyme and pharmaceutical industries, today announced financial results for the year ended December 31, 2006.

### **Financial Results**

Total net sales for the year ended December 31, 2006, were approximately \$15.4 million as compared to approximately \$15.9 million for 2005. The decline in sales primarily reflected lower prices in the textile industry, which represented 65% of total sales for 2006 as compared to 72% of total sales for 2005. This decline was partially offset by an increase in higher-margin sales to customers in the pulp & paper, animal feed and other industries, which represented 35% of total sales for 2006 as compared to 28% of total sales for 2005.

Gross margin for 2006 increased to approximately \$4 million, or 26% of net sales, as compared to approximately \$3 million, or 19% of net sales, for 2005. This increase primarily reflected the Company’s directed efforts to shift sales from the textile to the pulp and paper, animal feed and other higher-margin industries.

2006 net sales to the pulp & paper industry increased by 41% versus prior year to approximately \$2.6 million from approximately \$1.9 million, which represented 17% of net sales as compared to 12% of net sales for 2005. Net sales to the animal feed industry increased by 31% to approximately \$1.4 million for 2006 from approximately \$1.0 million for 2005, which represented 9% of net sales versus 7% for the prior year.

Net loss for 2006 was approximately \$10.9 million, or \$0.45 per share (basic and diluted), as compared to a net loss of approximately \$10.5 million, or \$0.48 per share (basic and diluted), for 2005.

### **Balance Sheet Highlights**

At December 31, 2006, Dyadic reported working capital of approximately \$36.7 million, including cash and cash equivalents of \$31.1 million. This compares to working capital at December 31, 2005, of \$16.6 million, including cash and cash equivalents of \$12.1 million. Stockholders' equity at December 31, 2006, was \$28.2 million, as compared to \$15.3 million at December 31, 2005.

President and CEO Mark Emalfarb said, “We made substantial and important progress on all fronts during 2006:

- “We strengthened our executive management team and global infrastructure, as highlighted by the hiring of Dr. Glenn Nedwin as our Chief Science Officer, President of our BioPharma Business and member of our board of directors;
- “We entered into a new scientific collaboration with The Scripps Research Institute to annotate the genome of our patented C1 fungus. We expect this project to help us enhance the Company’s leadership in the development of cost-effective enzyme mixtures and related processing and manufacturing technologies for use in the production of cellulosic ethanol and biotherapeutic proteins;

- “We entered into a non-exclusive research and development and commercialization agreement with Abengoa Bioenergy, R&D, Inc., a subsidiary of Abengoa, S.A., the world's second largest ethanol producer. Our objective is to develop cost-effective enzyme mixtures and related processing and manufacturing technologies for commercial application in Abengoa's cellulosic ethanol production process. As part of this agreement, Abengoa Bioenergy paid \$10 million to Dyadic to fund our research and development efforts and was issued approximately 2.1 million shares of our common stock.
- “Dyadic also joined one of Europe's leading producers of bioethanol, Royal Nedalco, and other partners in R&D projects funded by the Netherlands government to develop technologies to produce ethanol from sugar beet pulp and wheat bran;
- “We made substantial progress in our efforts to enhance our knowledge and increase the capabilities of the Dyadic Platform Technology, including our expression systems:
  - We developed the capability to over-express multi-enzyme monocomponents in the same production host, leading to lower-cost enzymes for cellulosic ethanol, and promising production models for commercially important monoclonal antibodies for human therapeutics;
  - We expressed stable, biologically active full-length monoclonal antibodies in gram-per-liter quantities;
- “We strengthened our balance sheet with the net proceeds received from the closing of a \$13 million private placement with several institutional investors. Together with the proceeds from purchase of our common stock by Abengoa Bioenergy, this increased Dyadic's cash position to more than \$31 million at December 31, 2006.”

Mr. Emalfarb continued, “Building on these accomplishments, we believe that we have positioned Dyadic to accelerate our efforts on all fronts in 2007 and beyond. Among our primary goals for 2007, we hope to enter into additional strategic collaborations related to cellulosic ethanol and to further improve the efficiency of cost-effective enzyme mixtures and related processing and manufacturing technologies for applications in this growing market. We also expect our C1 annotation project with Scripps and other initiatives to yield a growing number of genes to facilitate the potential development of new products for applications in all of our target markets. Our financial resources, together with the advances we have made in our R&D initiatives in bioenergy and biopharmaceuticals, and anticipated continued growth in sales of our proprietary enzyme products for the pulp & paper and animal feed industries, position Dyadic for further progress in 2007 and beyond.”

Glenn Nedwin, Chief Science Officer, added, “Our R&D efforts are focused on providing a route to inexpensive sugar production from agricultural biomass, a crucial step in the production of cellulosic ethanol. During 2006, we developed enzyme mixtures that successfully converted over 40 different biomass feedstocks into sugars and at higher yields than previously achieved.

“Another significant development this past year was the award of a broad U.S. patent that protects Dyadic's technology for high-throughput robotic screening (HTS) in filamentous fungi using our proprietary Dyadic Platform Technology. The C1 HTS Technology is expected to permit rapid screening for the discovery of genes and the proteins and enzymes they produce, as well as identification of improved protein variants resulting from modifications to these genes. We believe this patent strengthens

Dyadic's 'one stop shop' model where gene discovery and improvement, gene expression, and product manufacturing in quantities from 1 ml to 150,000 liters can all be performed in the same host organism.

"In addition to its applications in our Bioenergy Business, our HTS technology also may improve the odds of identifying potentially useful human antibodies and other classes of high-value human therapeutic proteins, shorten R&D development timelines and reduce development costs."

### **About Dyadic**

Dyadic International, Inc., based in Jupiter, Florida, with operations in the United States, Hong Kong and mainland China, Poland and The Netherlands, is a global biotechnology company that uses its patented and proprietary technologies (the "Dyadic Platform Technology") to conduct research and development activities for the discovery, development, and manufacture of products and enabling solutions to the bioenergy, industrial enzyme and pharmaceutical industries. Dyadic's enabling solutions include novel, cost-efficient production strains, enzyme mixes and related fermentation processes currently in development to produce abundant, low-cost fermentable sugars from agricultural residues and energy crops, which can then be used in the production of cellulosic ethanol as well as other products currently derived from petroleum. Dyadic also develops low-cost production hosts for therapeutic protein production for the biopharmaceutical industry, and manufactures more than 55 liquid and dry enzyme and other biological products for more than 200 industrial customers in approximately 50 countries for the textile, pulp & paper, animal feed, food, starch, alcohol, and fuel ethanol industries.

### **Cautionary Statement for Forward-Looking Statements**

*Certain statements contained in this press release are "forward-looking statements." These forward-looking statements involve risks and uncertainties that could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. For a discussion of these risks and uncertainties, please see our filings from time to time with the Securities and Exchange Commission, which are available free of charge on the SEC's web site at <http://www.sec.gov>, including our Annual Report on Form 10-KSB for the year ended December 31, 2006, and our subsequent filings with the SEC. Except as required by law, we expressly disclaim any intent or obligation to update any forward-looking statements.*

Contact:

Dyadic International, Inc.

Alexander (Sasha) Bondar, 561-743-8333

[sbondar@dyadic.com](mailto:sbondar@dyadic.com)

<http://www.dyadic.com>

or

Berkman Associates

Investor Relations Counsel

Neil Berkman, 310-826-5051

[info@berkmanassociates.com](mailto:info@berkmanassociates.com)

**Dyadic International, Inc.**

**Consolidated Balance Sheet**

**December 31, 2006**

**Assets**

Current assets:

Cash and cash equivalents	\$ 31,072,824
Accounts receivable, net of allowance for uncollectible accounts of \$240,490	2,788,588
Inventory	6,039,080
Prepaid expenses and other current assets	1,170,528
Total current assets	<u>41,071,020</u>

Fixed assets, net	1,813,468
Intangible assets, net	96,047
Goodwill	1,808,458
Other assets	348,387
Total assets	<u><u>\$ 45,137,380</u></u>

**Liabilities and stockholders' equity**

Current liabilities:

Accounts payable	\$ 2,238,585
Accrued expenses	1,905,382
Accrued interest payable to stockholders	48,897
Short term notes payable	191,125
Income taxes payable	26,730
Total current liabilities	<u>4,410,719</u>

Long-term liabilities:

Note payable to stockholder	2,378,832
Other liabilities	160,808
Deferred research and development obligation	9,997,863
Total long-term liabilities	<u>12,537,603</u>
Total liabilities	<u>16,948,222</u>

Stockholders' equity:

Preferred stock, \$.0001 par value:	
Authorized shares – 5,000,000; none issued and outstanding	--
Common stock, \$.001 par value,	
Authorized shares – 100,000,000; issued and outstanding – 29,792,992	29,793
Additional paid-in capital	73,261,774
Notes receivable from exercise of stock options	(212,500)
Accumulated deficit	(44,889,909)
Total stockholders' equity	<u>28,189,158</u>
Total liabilities and stockholders' equity	<u><u>\$ 45,137,380</u></u>

**Dyadic International, Inc.**

**Consolidated Statements of Operations**

	<b>Year Ended December 31</b>	
	<b>2006</b>	<b>2005</b>
Net sales	\$ 15,383,754	\$ 15,882,969
Cost of goods sold (includes non-cash share-based compensation of approximately \$32,000 for 2006)	11,345,144	12,856,607
Gross profit	4,038,610	3,026,362
Operating Expenses:		
Research and development (includes non-cash share-based compensation of approximately \$89,000 and \$19,000 for 2006 and 2005, respectively)	4,236,448	4,655,486
Sales and marketing (includes non-cash share-based compensation of approximately \$75,000 for 2006)	3,417,013	2,808,937
General and administrative (includes non-cash share-based compensation of approximately \$592,000 and \$58,000 for 2006 and 2005, respectively)	7,149,005	5,564,619
Foreign currency exchange gains, net	(28,704)	(16,785)
Total operating expenses	14,773,762	13,012,257
Loss from operations	(10,735,152)	(9,985,895)
Other income (expense):		
Interest expense	(594,163)	(710,537)
Investment income	504,894	249,280
Minority interest	(13,355)	(4,725)
Other income, net	18,696	1,535
Total other expense	(83,928)	(464,447)
Loss before income taxes	(10,819,080)	(10,450,342)
Provision for income taxes	63,112	64,228
Net loss	\$ (10,882,192)	\$ (10,514,570)
Net loss per common share:		
Basic	\$ (0.45)	\$ (0.48)
Diluted	\$ (0.45)	\$ (0.48)
Weighted average shares and equivalent shares used in calculating net loss per share:		
Basic	24,419,097	22,132,158
Diluted	24,419,097	22,132,158