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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended September 30, 2011

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from            to

Commission file number 001-33133

**METABOLIX, INC.**

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**21 Erie Street**  
**Cambridge, MA**  
(Address of principal executive offices)

**04-3158289**  
(I.R.S. Employer  
Identification No.)

**02139**  
(Zip Code)

**(617) 583-1700**

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares outstanding of the registrant's common stock as of October 26, 2011 was 34,113,882.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

**METABOLIX, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**UNAUDITED**  
(in thousands, except share and per share data)

	September 30, 2011	December 31, 2010
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 17,392	\$ 12,526
Short-term investments	55,301	49,048
Accounts receivable	54	—
Due from related parties	321	828
Unbilled receivables	402	8
Prepaid expenses and other current assets	461	846
Total current assets	73,931	63,256
Restricted cash	622	622
Property and equipment, net	2,260	2,776
Long-term investments	14,521	—
Other assets	73	117
Total assets	<u>\$ 91,407</u>	<u>\$ 66,771</u>
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities:		
Accounts payable	\$ 528	\$ 239
Accrued expenses	3,613	4,085
Current portion of deferred rent	165	165
Short-term deferred revenue	2,651	1,906
Total current liabilities	6,957	6,395
Deferred rent	262	386
Long-term deferred revenue	36,202	36,207
Other long-term liabilities	116	107
Total liabilities	<u>43,537</u>	<u>43,095</u>
Commitments and contingencies (Note 11)		
Stockholders' Equity:		
Preferred stock (\$0.01 par value per share); 5,000,000 shares authorized; no shares issued or outstanding	—	—
Common stock (\$0.01 par value per share); 100,000,000 shares authorized at September 30, 2011 and December 31, 2010, 34,088,286 and 26,895,389 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively	341	269

Additional paid-in capital	283,620	230,299
Accumulated other comprehensive loss	(32)	(15)
Accumulated deficit	(236,059)	(206,877)
Total stockholders' equity	47,870	23,676
Total liabilities and stockholders' equity	\$ 91,407	\$ 66,771

The accompanying notes are an integral part of these interim consolidated financial statements

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**METABOLIX, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**UNAUDITED**  
(in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
<b>Revenue:</b>				
Grant revenue	\$ 443	\$ 21	\$ 567	\$ 26
License fee and royalty revenue from related parties	26	25	419	97
Research and development revenue	—	—	—	212
Total revenue	469	46	986	335
<b>Operating expense:</b>				
Research and development expenses, including cost of revenue	6,153	5,906	18,352	17,912
Selling, general, and administrative expenses	3,895	4,161	11,878	11,878
Total operating expenses	10,048	10,067	30,230	29,790
Loss from operations	(9,579)	(10,021)	(29,244)	(29,455)
<b>Other income (expense):</b>				
Interest income, net	19	30	62	119
Net loss	\$ (9,560)	\$ (9,991)	\$ (29,182)	\$ (29,336)
<b>Net loss per share:</b>				
Basic and Diluted	\$ (0.28)	\$ (0.37)	\$ (0.96)	\$ (1.10)
<b>Number of shares used in per share calculations:</b>				
Basic and Diluted	34,080,177	26,880,595	30,295,881	26,733,969

The accompanying notes are an integral part of these interim consolidated financial statements

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**METABOLIX, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**UNAUDITED**  
(in thousands)

	Nine Months Ended September 30,	
	2011	2010
<b>Cash flows from operating activities</b>		
Net loss	\$ (29,182)	\$ (29,336)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation	1,134	1,203
Charge for 401(k) company common stock match	489	377
Stock-based compensation	3,574	3,474
Changes in operating assets and liabilities:		
Receivables (billed and unbilled)	(448)	5
Due from related party	(88)	(25)
Prepaid expenses and other assets	429	301
Accounts payable	289	(620)
Accrued expenses	(541)	456
Deferred rent and other long-term liabilities	(115)	(125)
Deferred revenue	1,335	366
Net cash used in operating activities	(23,124)	(23,924)
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(627)	(646)

Change in restricted cash	—	(29)
Purchase of investments	(93,888)	(73,118)
Proceeds from the sale and maturity of short-term investments	73,112	99,022
Net cash (used in) provided by investing activities	<u>(21,403)</u>	<u>25,229</u>
<b>Cash flows from financing activities</b>		
Proceeds from options exercised	71	2,316
Proceeds from public stock offering, net of offering costs of \$2,360	49,333	—
Net cash provided by financing activities	<u>49,404</u>	<u>2,316</u>
Effect of exchange rate changes on cash and cash equivalents	(11)	(3)
Net increase in cash and cash equivalents	4,866	3,618
Cash and cash equivalents at beginning of period	12,526	10,814
Cash and cash equivalents at end of period	<u>\$ 17,392</u>	<u>\$ 14,432</u>

*The accompanying notes are an integral part of these interim consolidated financial statements*

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**METABOLIX, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**UNAUDITED**

*(All dollar amounts, except per share amounts, are stated in thousands)*

**1. BASIS OF PRESENTATION**

The accompanying consolidated financial statements are unaudited and have been prepared by Metabolix, Inc. (the “Company”) in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in the Company’s annual consolidated financial statements have been condensed or omitted. The year-end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. The consolidated financial statements, in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair statement of the financial position and results of operations for the interim periods ended September 30, 2011 and 2010.

The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for any future period or the entire fiscal year. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2010, which are contained in the Company’s Annual Report on Form 10-K filed with the SEC.

**2. ACCOUNTING POLICIES**

There has been no material change in accounting policies since the Company’s fiscal year ended December 31, 2010, as described in Note 2 to the consolidated financial statements included in its Annual Report on Form 10-K for the year then ended.

The Company’s marketable securities are classified as cash equivalents if the original maturity, from the date of purchase, is 90 days or less and as short-term or long-term investments if the original maturity, from the date of purchase is in excess of 90 days.

The Company considers investments with a maturity date of one year or less at the balance sheet date to be short-term investments. All other investments are classified as long-term.

**3. RECENT ACCOUNTING PRONOUNCEMENTS**

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) or other standard setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on its financial position or results of operations upon adoption.

In June 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-05, “*Comprehensive Income (Topic 220)*” (ASU 2011-05). This newly issued accounting standard (1) eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders’ equity, and (2) requires the consecutive presentation of the statement of net income and other comprehensive income. The amendments in this ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income nor do the amendments affect how earnings per share is calculated or presented. This ASU is required to be applied retrospectively and is effective for fiscal years and interim periods within those years beginning after December 15, 2011, which for Metabolix will be the fiscal year that begins on January 1, 2012. As this accounting standard only requires enhanced disclosure, the adoption of this standard will not impact the Company’s financial position or results of operations.

In May 2011, the FASB issued ASU No. 2011-04, “*Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*” (ASU 2011-04). This newly issued accounting standard clarifies the application of certain existing fair value measurement guidance and expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This ASU is effective on a prospective basis for annual and interim reporting periods beginning on or after December 15, 2011, which for Metabolix will be the fiscal year that begins on January 1, 2012. The

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Company does not expect that adoption of this standard will have a material impact on its financial position or results of operations.

On January 1, 2011, the Company adopted new authoritative guidance on revenue recognition for multiple-element arrangements. The guidance, which applies to multiple-element arrangements entered into or materially modified on or after January 1, 2011, amends the criteria for separating and allocating consideration in a multiple-element arrangement by modifying the fair value requirements for revenue recognition and eliminating the use of the residual method. The fair value of deliverables under the arrangement may be derived using a "best estimate of selling price" if vendor specific objective evidence, or VSOE, and third-party evidence, or TPE, is not available. Deliverables under the arrangement will be separate units of accounting provided (a) a delivered item has value to the customer on a standalone basis; and (b) if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item is considered probable and substantially in the control of the Company. The Company did not enter into or materially modify any multiple-element arrangements during the nine months ended September 30, 2011.

#### 4. COMPREHENSIVE LOSS

Comprehensive loss is comprised of net loss, net unrealized gains or losses on marketable securities and foreign currency translation adjustments. Total comprehensive loss for the three and nine months ended September 30, 2011 and 2010 is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net loss	\$ (9,560)	\$ (9,991)	\$ (29,182)	\$ (29,336)
Other comprehensive income (loss):				
Change in unrealized gain (loss) on investments	7	(14)	(1)	(27)
Change in foreign currency translation adjustment	(12)	(3)	(16)	(3)
Total other comprehensive loss	(5)	(17)	(17)	(30)
Comprehensive loss	\$ (9,565)	\$ (10,008)	\$ (29,199)	\$ (29,366)

#### 5. BASIC AND DILUTED NET LOSS PER SHARE

Basic net loss per share is computed by dividing net loss by the weighted-average number of common shares outstanding, excluding the dilutive effects of common stock equivalents. Common stock equivalents include stock options and warrants. Diluted net loss per share is computed by dividing net loss by the weighted-average number of dilutive common shares outstanding during the period. Diluted shares outstanding is calculated by adding to the weighted shares outstanding any potential (unissued) shares of common stock from outstanding stock options and warrants based on the treasury stock method. In periods when a net loss is reported, all common stock equivalents are excluded from the calculation because they would have an anti-dilutive effect, meaning the loss per share would be reduced. Therefore, in periods when a loss is reported there is no difference in basic and dilutive loss per share.

The number of shares of potentially dilutive common stock related to options and warrants that were excluded from the calculation of dilutive shares since the inclusion of such shares would be anti-dilutive for the three and nine months ended September 30, 2011 and 2010, respectively, are shown below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Options	3,830,152	3,213,588	3,830,152	3,213,588
Warrants	4,086	4,086	4,086	4,086
Total	3,834,238	3,217,674	3,834,238	3,217,674

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#### 6. STOCK-BASED COMPENSATION

The Company recognized stock-based compensation expense, related to employee stock option awards, of \$1,126 and \$3,566 for the three and nine months ended September 30, 2011, respectively. Stock-based compensation expense, related to employee stock option awards, was \$1,230 and \$3,445 for the three and nine months ended September 30, 2010, respectively. At September 30, 2011, there was approximately \$7,907 of pre-tax stock-based compensation expense, net of estimated forfeitures, related to unvested awards not yet recognized which is expected to be recognized over a weighted average period of 2.43 years.

A summary of option activity for the nine months ended September 30, 2011 is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2010	3,246,079	\$ 11.28
Granted	809,160	8.14
Exercised	(19,935)	3.55
Cancelled	(205,152)	12.87
Outstanding at September 30, 2011	3,830,152	10.57
Options exercisable at September 30, 2011	2,350,436	11.24
Weighted average grant date fair value of options granted during the nine months ended September 30,		\$ 5.44

For the nine months ended September 30, 2011 and 2010, the Company determined the fair value of stock options using the Black-Scholes option pricing model with the following assumptions for option grants, respectively:

	Nine Months Ended September 30,	
	2011	2010
Expected dividend yield	—	—
Risk-free rate	0.95% - 2.38%	1.41% - 2.59%
Expected option term (in years)	5.5 - 5.6	5.4 - 5.6
Volatility	77% - 80%	80%

## 7. SIGNIFICANT COLLABORATION

On November 3, 2004, the Company signed an agreement (“the Commercial Alliance Agreement”) with ADM Polymer Corporation (“ADM”), a subsidiary of Archer Daniels Midland Company, to establish an alliance whereby the Company would provide technology, licenses and research and development services, and ADM would provide manufacturing services and capital necessary to produce polyhydroxyalkanoate (“PHA”) polymers on a commercial scale.

On July 12, 2006, ADM exercised an option to enter into a commercial alliance for further research, development, manufacture, use and sale of PHA polymers on the terms and conditions set forth in the Commercial Alliance Agreement. The first product of this alliance is a family of bioplastics branded under the name Mirel™.

The Commercial Alliance Agreement specifies the terms and structure of the relationship between the Company and ADM. The primary function of this agreement is to establish the activities and obligations of the Company and ADM by which the parties will commercialize Mirel. These activities include: the establishment of a joint sales company, which has been named Telles, LLC (“Telles”), to market and sell Mirel, the construction of a manufacturing facility capable of producing 110 million pounds of material annually (the “Commercial Manufacturing Facility”), the licensing of technology to Telles and to ADM, and the conducting of various research, development, manufacturing, sales and marketing, compounding and administrative services by the parties.

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Telles is a limited liability company, formed and equally owned by the Company and ADM, and is intended to: (i) serve as the commercial entity to establish and develop the commercial market for Mirel, and conduct the marketing and sales in accordance with the goals of the commercial alliance, (ii) assist in the coordination and integration of the manufacturing, compounding and marketing activities, and (iii) administer and account for financial matters on behalf of the parties. The Company and ADM each have 50% ownership and voting interest in Telles.

A summary of the key activities under this agreement is as follows: (i) ADM will arrange for, finance the construction of, and own, a facility in which it will manufacture Mirel under contract to Telles, (ii) the Company will either arrange for and finance the acquisition or construction of a facility in which it will compound Mirel or it will arrange for third parties to compound Mirel, and (iii) the Company, acting in the name and on behalf of Telles, will establish the initial market for Mirel. The Company will also continue its research and development efforts to further advance the technology and expand and enhance the commercial potential of Mirel. Subject to certain limitations, ADM will finance the working capital requirements of Telles.

The Commercial Alliance Agreement called for Telles to pay the Company quarterly support payments of \$1,575 each. The last of fourteen quarterly support payments was received as of June 30, 2009. All quarterly support payments received from ADM on behalf of Telles, totaling \$22,050, have been recorded as deferred revenue on the Company’s balance sheet.

During the “Construction Phase” of the agreement all pre-commercial material production expenses incurred by ADM and the Company are shared equally. Accordingly, from the execution of this agreement in July 2006 through September 30, 2011, ADM has reimbursed the Company \$10,311. All amounts received from ADM, prior to the “Commercial Phase,” relating to this agreement are recorded as deferred revenue. The Company will continue to defer recognition of these and future payments received from ADM during the Construction Phase of the agreement.

The Construction Phase of the commercial alliance will end, and the Commercial Phase will begin, upon the achievement of a milestone referred to in the Commercial Alliance Agreement as “First Commercial Sale.” Achievement of this milestone requires the sale by Telles to third parties of at least one million pounds of Mirel manufactured at the Commercial Manufacturing Facility. Qualifying sales must meet certain criteria, including a minimum order size, product acceptance by the customers in accordance with the terms of their contracts, and receipt of payment, in order for such sales to contribute towards First Commercial Sale.

During the Commercial Phase of the agreement Telles will pay the Company royalties on sales of Mirel. In addition, if Telles engages the Company to perform certain services, and the Company accepts the service arrangement, Telles will reimburse the Company for the cost of the services provided pursuant to the Commercial Alliance Agreement.

While Telles is a fifty-fifty joint venture, ADM has advanced a disproportionate share of the financial capital needed to construct the Commercial Manufacturing Facility and to fund the joint venture’s activities. Therefore, under the agreement all profits, after payment of all royalties, reimbursements and fees, from Telles will first be distributed to ADM until ADM’s cost of constructing the Commercial Manufacturing Facility and any negative net cash flow of Telles funded by ADM have been returned. Once ADM has recovered such amounts, the profits of Telles will be distributed in equal amounts to the parties.

The Commercial Alliance Agreement provides for expansion of the operations of Telles beyond the initial license of 110 million pound annual production through an equally-owned joint venture. While certain principles of the joint venture have been agreed to, the detailed terms and conditions will not be determined until a later date.

Revenue recognition for amounts deferred through September 30, 2011 is expected to commence when the Commercial Phase of the alliance begins. The deferred amounts will be recognized on a straight line basis over the estimated period, of approximately ten years, in which the Company’s obligations are fulfilled in accordance with the Commercial Alliance Agreement. A portion of the deferred revenue representing estimated amounts expected to be

recognized within the next twelve months has been classified as short-term in the Company's balance sheet at September 30, 2011. The Company also expects to receive payments from Telles for the compounding services it

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provides as well as royalty payments. The compounding payments and royalty payments are due to the Company as Telles sells product to its customers. These payments will be recognized as revenue during the period in which they are earned.

The Commercial Alliance Agreement and related agreements include detailed provisions setting out the rights and obligations of the parties in the event of a termination of the Commercial Alliance Agreement. These provisions include the right for either party to terminate the Commercial Alliance Agreement upon a material default of a material obligation by the other party after a notice and cure period has expired. The parties are also permitted to terminate the Commercial Alliance Agreement if a change in circumstances that is not reasonably within the control of a party makes the anticipated financial return from the project inadequate or too uncertain. The parties have specific obligations to fulfill in the event of termination or if they file for bankruptcy protection.

## 8. INCOME TAXES

The Company follows the accounting guidance related to income taxes including guidance which addresses accounting for uncertainty in income taxes. This guidance prescribes a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transitions. The Company had no amounts recorded for any unrecognized tax benefits as of September 30, 2011 or September 30, 2010.

The tax years 2008 through 2010 remain open to examination by major taxing jurisdictions to which the Company is subject, which are primarily in the U.S.

The Company's policy is to record estimated interest and penalties related to uncertain tax positions in income tax expense. As of September 30, 2011, and December 31, 2010, the Company had no accrued interest or penalties recorded related to uncertain tax positions.

At December 31, 2010 the Company had net operating loss carryforwards ("NOLs") for federal and state income tax purposes of \$145,448 and \$90,203, respectively. Included in the federal and state NOL carryforwards is approximately \$19,189 of deduction related to the exercise of stock options subsequent to the adoption of amended accounting guidance related to stock-based compensation. This amount represents an excess tax benefit as defined under the amended accounting guidance related to stock-based compensation and has not been recorded as a deferred tax asset. Federal and state NOL's of approximately \$1,400 and \$390, respectively, will expire during 2011. The Company also had available research and development credits for federal and state income tax purposes of approximately \$3,995 and \$2,735 respectively. The federal and state research and development credits will begin to expire in 2014 and 2016 respectively. As of December 31, 2010 the Company also had available investment tax credits for state income tax purposes of \$117 which also began to expire in 2011. Management of the Company has evaluated the positive and negative evidence bearing upon the realizability of its deferred tax assets, which are comprised principally of NOL carryforwards and research and development credits. Under the applicable accounting standards, management has considered the Company's history of losses and concluded that it is more likely than not that the Company will not recognize the benefits of federal and state deferred tax assets. Accordingly, a full valuation allowance has been established against the deferred tax assets.

Utilization of the NOL and research and development credit carryforwards may be subject to a substantial annual limitation under Section 382 of the Internal Revenue Code of 1986 due to ownership change limitations that have occurred previously or that could occur in the future. These ownership changes may limit the amount of NOL and research and development credit carryforwards that can be utilized annually to offset future taxable income and tax, respectively. The Company has not currently completed an evaluation of ownership changes through September 30, 2011 to assess whether utilization of the Company's NOL or R&D credit carryforwards would be subject to an annual limitation under Section 382 of the Internal Revenue Code of 1986. To the extent an ownership change occurs in the future, the NOL and credit carryforwards may be subject to limitation.

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## 9. ACCRUED EXPENSES

Accrued expenses consisted of the following at:

	September 30, 2011	December 31, 2010
Employee compensation and benefits	\$ 2,015	\$ 2,275
Professional services	242	236
Contracted research and development	180	334
Intellectual property	221	234
Other	955	1,006
Total accrued expenses	<u>\$ 3,613</u>	<u>\$ 4,085</u>

## 10. SEGMENT INFORMATION

The accounting guidance for segment reporting establishes standards for reporting information on operating segments in annual financial statements. The Company operates in one segment, which is the business of developing and commercializing technologies for the production of polymers and chemicals in plants and in microbes. The Company's chief operating decision-maker does not manage any part of the Company separately, and the allocation of resources and assessment of performance are based on the Company's consolidated operating results. As of September 30, 2011 and 2010, respectively, less than 10% of the Company's combined total assets were located outside of the United States and the reported net loss outside of the United States was less than 10% of the combined net loss of the consolidated Company.

## 11. COMMITMENTS AND CONTINGENCIES

## Legal Proceedings

From time to time, the Company may be subject to legal proceedings and claims in the ordinary course of business. The Company is not currently aware of any such proceedings or claims that it believes will have, individually or in the aggregate, a material adverse effect on the business, financial condition or results of operations.

## 12. FAIR VALUE MEASUREMENTS

The Company has certain financial assets recorded at fair value which have been classified as Level 1, 2 or 3 within the fair value hierarchy as described in the accounting standards for fair value measurements. Fair values determined by Level 1 inputs utilize observable data such as quoted prices in active markets. Fair values determined by Level 2 inputs utilize data points other than quoted prices in active markets that are observable either directly or indirectly. Fair values determined by Level 3 inputs utilize unobservable data points in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Company's financial assets classified as Level 2 have been initially valued at the transaction price and subsequently valued typically utilizing third party pricing services. Because the Company's investment portfolio may include securities that do not always trade on a daily basis, the pricing services use many observable market inputs to determine value including reportable trades, benchmark yields and benchmarking of like securities. The Company validates the prices provided by the third party pricing services by reviewing their pricing methods and obtaining market values from other pricing sources. After completing the validation procedures, the Company did not adjust or override any fair value measurements provided by these pricing services as of September 30, 2011 or December 31, 2010.

The tables below present information about the Company's assets that are measured at fair value on a recurring basis as of September 30, 2011 and December 31, 2010 and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value. During the nine months ended September 30, 2011 there have been no transfers between Level 1 and Level 2.

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Description	Fair value measurements at reporting date using			Balance as of 9/30/11
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Cash equivalents:				
Money Market funds	\$ 8,759	\$ —	\$ —	\$ 8,759
Government Securities	—	1,778	—	1,778
Short-term investments:				
Treasuries	—	1,005	—	1,005
Government Securities	—	54,296	—	54,296
Long-term investments:				
Government Securities	—	14,521	—	14,521
Total	<u>\$ 8,759</u>	<u>\$ 71,600</u>	<u>\$ —</u>	<u>\$ 80,359</u>

Description	Fair value measurements at reporting date using			Balance as of 12/31/10
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Cash equivalents:				
Money Market funds	\$ 11,533	\$ —	\$ —	\$ 11,533
Short-term investments:				
Treasuries	—	1,008	—	1,008
Government Securities	—	48,040	—	48,040
Total	<u>\$ 11,533</u>	<u>\$ 49,048</u>	<u>\$ —</u>	<u>\$ 60,581</u>

In the tables above as of September 30, 2011, government securities included \$36,921 of Federal Deposit Insurance Corporation guaranteed senior notes issued by financial institutions under the Temporary Liquidity Guarantee Program.

The Company's marketable securities are classified as cash equivalents if the original maturity, from the date of purchase, is 90 days or less and as short-term or long-term investments if the original maturity, from the date of purchase is in excess of 90 days.

The Company considers investments with a maturity date of one year or less at the balance sheet date to be short-term investments. All other investments are classified as long-term.

## 13. RELATED PARTIES

The Company engaged in various transactions with Tephra, Inc., a related party, and recorded \$26 and \$419 of license and royalty revenue during the three and nine months ended September 30, 2011, respectively. During the three and nine months ended September 30, 2010 the Company recorded license and royalty revenue from Tephra, Inc. of \$25 and \$97, respectively. The Company had an outstanding receivable balance of \$45 due from Tephra, Inc. as of September 30, 2011 and no outstanding receivable balance due from Tephra, Inc. as of December 31, 2010. The Company had various transactions with its alliance partner ADM, a related party, during the three and nine months ended September 30, 2011 and 2010. The Company had outstanding receivable balances of \$218 and \$813 due from ADM at September 30, 2011 and December 31, 2010, respectively. The Company also had various transactions with Telles. The Company had outstanding receivable balances of \$58 and \$15 due from Telles as of September 30, 2011 and December 31, 2010, respectively. For more information on the Company's related party transactions, please see Note 8 to the Company's audited financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2010.



## 14. COMMON STOCK

### Common Stock Issuances

During May 2011, the Company completed a public offering of 7,130,000 shares of its common stock at a price of \$7.25 per share. Net proceeds were \$49,333 after deducting underwriting discounts, commissions and offering costs of \$2,360. The Company intends to use the proceeds from the offering for working capital and other general corporate purposes.

## 15. U.S. DEPARTMENT OF ENERGY GRANT

Effective September 1, 2011, the Company entered into a multi-year \$6.0 million grant agreement entitled, *Renewable Enhanced Feedstocks for Advanced Biofuels and Bioproducts*, with the U.S. Department of Energy for the development of switchgrass. The Company will use the funds to perform research to enhance the yield of bio-based products, biopower, or fuels made from switchgrass to produce denser biomass and other products that can be further processed to make fuels such as butanol, chemicals such as propylene, and other materials to improve the economic competitiveness of future biorefineries. Continued receipt of grant proceeds is contingent upon the availability of government appropriated funds and the Company's ability to make substantial progress towards meeting the objectives of the award. The Company will recognize revenue from the grant over the term of the agreement as it incurs related research and development costs and provided it meets its prorated cost-sharing obligation of approximately \$3.9 million. The Company may elect to retain rights to inventions it conceives or reduces to practice in the performance of work under the award, subject to certain rights of the U.S. Government.

During the three months ended September 30, 2011 the Company recognized \$260 in revenue related to this grant.

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

*(All dollar amounts are stated in thousands)*

### Forward Looking Statements

This quarterly report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In particular, statements contained in the Form 10-Q, including but not limited to, statements regarding our future results of operations and financial position, business strategy and plan prospects, projected revenue or costs and objectives of management for future research, development or operations, are forward-looking statements. These statements relate to our future plans, objectives, expectations and intentions and may be identified by words such as "may," "will," "should," "expects," "plans," "anticipate," "intends," "target," "projects," "contemplates," "believe," "estimates," "predicts," "potential," and "continue," or similar words.

Although we believe that our expectations are based on reasonable assumptions within the limits of our knowledge of our business and operations, the forward-looking statements contained in this document are neither promises nor guarantees. Our business is subject to significant risk and uncertainties and there can be no assurance that our actual results will not differ materially from our expectations. These forward looking statements include, but are not limited to statements concerning: future financial performance and position and management's strategy, plans and objectives for research and development, product development, shipment and commercialization of current and future products, including the commercialization of Mirel™ bioplastic ("Mirel") through our alliance with Archer Daniels Midland Company ("ADM"). Such forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated including, without limitation, risks related to our Telles, LLC ("Telles") joint venture with ADM and our dependence on our collaboration with ADM for the success of Telles, risks related to the development and commercialization of new and uncertain technologies, risks associated with our protection and enforcement of our intellectual property rights, as well as other risks and uncertainties set forth under the caption "Risk Factors" in Part I, Item 1A, of our Annual Report on Form 10-K for the year ended December 31, 2010 and our Current Report on Form 8-K filed on May 18, 2011.

The forward-looking statements and risk factors presented in this document are made only as of the date hereof and we do not intend to update any of these risk factors or to publicly announce the results of any revisions to any of our forward-looking statements other than as required under the federal securities laws.

### Overview

Metabolix is an innovation-driven bioscience company which is focused on bringing environmentally friendly solutions to the plastics, chemicals and energy industries. We have core capabilities in microbial genetics, fermentation process engineering, chemical engineering, polymer science, plant genetics and botanical science, and we have assembled these capabilities in a way that has allowed us to integrate biotechnology with chemical engineering and industrial production. From these capabilities, we are building a multi-product industrial biotechnology company around our long standing expertise and development of polyhydroxyalkanoate ("PHA") chemistry. We believe that a PHA chemistry platform has the potential to produce both bioplastics, which are attractive end products, and a variety of building blocks used to produce renewable chemicals that can serve large and established markets.

Our first platform, which we are commercializing through Telles, a joint venture with Archer Daniels Midland Company, or ADM, is a proprietary, large-scale microbial fermentation system for producing a versatile family of PHA polymers, which we have branded under the name Mirel™. Through Telles, we are selling these bioplastics as biobased and biodegradable, but functionally equivalent, alternatives to petroleum-based plastics. Mirel offers superior biodegradability characteristics and can be used in a wide range of commercial applications, including products used in agriculture and horticulture, compost and organic waste diversion bags, marine and aquatic applications, consumer products, business equipment and durable goods, and general packaging materials. Mirel is now being produced in a commercial scale plant located in Clinton, Iowa (the "Commercial Manufacturing

Facility”) designed for an annual capacity of 110 million pounds. ADM completed construction of the initial phase of the Commercial Manufacturing Facility in 2009 and the facility began manufacturing Mirel in early 2010. The Commercial Manufacturing Facility produces biobased and biodegradable Mirel plastic using corn sugar, an abundant agriculturally-produced renewable resource.

To exploit our first technology platform, we are working closely with ADM to bring the Commercial Manufacturing Facility to the full 110 million pound annual design capacity in advance of customer demand for Mirel. We believe the biodegradable bioplastics that this facility is now producing are superior to other bioplastics in several ways. They are highly versatile and range in properties from hard and stiff to soft and flexible. Mirel can withstand temperatures in excess of 100 °C, i.e., the boiling point of water, an important threshold. Some formulations of Mirel can withstand temperatures up to 130 °C. Mirel can be processed in many types of the existing conventional polymer conversion equipment currently used for petroleum-based plastic. While Mirel will biodegrade in marine and fresh water environments, it is resistant to reacting with cold or hot water over the intended life span of the product. Our current life cycle analysis (LCA) model for Mirel has identified the feasibility of reaching carbon neutrality using renewable energy sources in the manufacturing process. We are working with customers to determine the LCA for specific applications. These properties allow for a wide variety of commercial applications, offering a biobased alternative to petroleum-derived synthetic materials which are not biodegradable. In addition, the use of Mirel will reduce petroleum dependence. Through Telles, we are positioning Mirel as a premium priced specialty material catering to customers who want to match the functionality of petroleum-based plastic with the added dimension of environmental responsibility for their products and brands.

With ADM, we have conducted product and business development activities, including production of pre-commercial amounts of Mirel, working with potential customers, and initiating qualification trials of our material for selected customer applications. In addition, we have established commercial supply agreements with several Telles customers as well as established international distributor relationships for Northern Europe, Eastern Europe, Italy and North America. We expect that our products will initially be sold to companies that are:

- selling products in which biodegradability is a key functional requirement;
- establishing themselves as leaders in responding to consumer demand for environmentally responsible products and services; and/or
- addressing current or anticipated regulatory pressure to shift to more sustainable products.

We have a pipeline of current and prospective customers that reflect each of these traits. The plastics market is a large and global marketplace consisting of a broad range of polymer resins. As of 2008, the global plastics market was approximately 540 billion pounds annually or about \$0.5 trillion in size.

For our second platform, Industrial Chemicals, we intend to apply our core capabilities in microbial and process engineering to develop biological routes to other chemicals and chemical intermediates. Our initial focus is on the four-carbon (“C4”) and three-carbon (“C3”) chemical families, which, together, offer an addressable worldwide market size of over \$10 billion. During 2009 we completed all work under our U.S. Department of Commerce National Institute of Standards and Technology grant, a \$2 million grant aimed at producing C4 chemicals from renewable sources. C4 chemicals are a large family of chemicals enabling a wide range of end-use applications, including engineering resins, urethanes, solvents, and personal care products. We were able to achieve all of the technical milestones outlined in this grant. In 2010, we scaled up our C4 chemicals technology, producing samples for prospective customers which we began shipping during the first quarter of 2011. We also achieved technical proof of concept for our C3 chemicals products. In 2011, we are building upon these technical successes, as well as assessing market feedback from our early customers, to further scale the technology and bring our products closer to commercialization. We are also assessing market entry options and potential partnerships. During the third quarter of 2011 we entered into a joint development agreement with CJ CheilJedang to advance production technology and address investment options for the commercialization of renewable C4 chemicals via fermentation.

Our third technology platform, Crop-based Businesses, which is at an early stage, is an innovative biorefinery system which uses plant crops to co-produce both bioplastics and bioenergy. For this system, we intend to extract polymer from the engineered plant crop, so that the remaining plant material can be used as a biomass feedstock for the production of bioenergy products including electricity and biofuel. In 2010, we expanded our recovery

technology to enable the production of industrial chemicals from this platform. Our crop targets are oilseed crops, specifically camelina, switchgrass and sugarcane. More specifically:

- *Camelina*—We are conducting research to develop an advanced, genetically modified camelina for co-production of bioplastics along with vegetable oil, biodiesel fuel, and oleochemicals. In August 2010, we established a research company in Saskatchewan, Canada to further pursue our research with industrial oilseed crops. Also in 2010, we conducted our first successful field trial of engineered camelina.
- *Switchgrass*—We are engineering switchgrass to produce bioplastics in the leaf and stem of the plant. Switchgrass is a commercially and ecologically attractive, non-food energy crop that is indigenous to North America and is generally considered to be a leading candidate for cellulose-derived production of ethanol and other biofuels. During 2011 we were awarded a \$6 million grant by the U.S. Department of Energy to continue research of engineered switchgrass in an effort to provide a sustainable alternative to petroleum feedstocks.
- *Sugarcane*—We are collaborating with the Australian Research Council to further pursue our research to maximize bioplastic production in the leaf tissue of sugarcane. Sugarcane is an established energy crop that is well suited for tropical regions of the world.

We believe that using these crops to co-produce bioplastics or chemicals with bioenergy products can offer superior economic value and productivity as compared to single product systems that produce them individually. We are continuing to advance the research and assess alternative commercialization models for our crop programs. We may also seek to establish alliances with partners to commercially exploit this platform.

As demonstrated by our technology platforms, we take an integrated systems approach to our technology development. We are focused on developing entire production systems from gene to end product as opposed to developing specific technologies (for example, gene sequencing, shuffling or directed

evolution) or singular aspects of a product's production (for example, providing a key enzyme, catalyst or ingredient). We believe this systems approach optimizes manufacturing productivity and, when and if commercialized, will enable us to capture more economic value from any platform that we pursue.

We have generated revenues primarily from government grants, research and development payments, license fees, and royalty payments. We have funded our operations primarily through the sale of equity securities, government grants, and payments from our collaborative partners.

As of September 30, 2011, we had an accumulated deficit of \$236,059 and total stockholders' equity was \$47,870.

## **Collaborative Arrangements**

Our strategy for collaborative arrangements is to retain substantial participation in the future economic value of our technology. We may also receive current cash payments to offset research and development costs and working capital needs. By their nature, these agreements are complex and have multiple elements that cover a variety of present and future activities.

In 2004, we entered into the "Technology Alliance and Option Agreement" with ADM Polymer Corporation, or ADM Polymer, a subsidiary of ADM. The goal of the Technology Alliance and Option Agreement was to demonstrate the capabilities of our fermentation and recovery technologies at commercial scale and to prepare a master plan and budget for the construction of a commercial facility with a 110 million pound annual capacity. Upon achievement of such goals, ADM Polymer had the option to enter into a commercial alliance with us through execution of the "Commercial Alliance Agreement," for further research, development, manufacture, use, and sale of bioplastics. In July 2006, ADM Polymer exercised its option under our Technology Alliance and Option Agreement and entered into a Commercial Alliance Agreement with us. Upon entering into the Commercial Alliance Agreement, the Technology Alliance and Option Agreement terminated pursuant to its terms.

The Commercial Alliance Agreement called for Telles to pay the Company quarterly support payments of \$1,575 each. The last of fourteen quarterly support payments was received as of June 30, 2009. All quarterly support

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payments received from ADM on behalf of Telles, totaling \$22,050, have been recorded as deferred revenue on the Company's balance sheet, and we will continue to defer recognition of these payments received from ADM during the "Construction Phase" of our agreement. We expect to begin recognizing this deferred revenue at the time of the achievement of a milestone referred to in the Commercial Alliance Agreement as the "First Commercial Sale." The deferred revenue will be recognized on a straight line basis over a period of approximately ten years in which our contractual obligations are fulfilled in accordance with the terms of the Commercial Alliance Agreement. Achievement of the First Commercial Sale requires the sale by Telles to third parties of at least one million pounds of Mirel manufactured at the Commercial Manufacturing Facility. Qualifying sales must meet certain criteria, including a minimum order size, product acceptance by the customers in accordance with the terms of their contracts and receipt of payment, in order for such sales to contribute towards the First Commercial Sale milestone. A portion of the deferred revenue representing estimated amounts expected to be recognized within the next twelve months has been classified as short-term in the Company's balance sheet at September 30, 2011. We also expect to receive payments from Telles for the compounding services we provide as well as royalty payments. The compounding payments and royalty payments are due to us as Telles sells product to its customers. These payments will be recognized as revenue during the period in which they are earned.

We received the following payments from these arrangements to offset operating cash needs:

- upfront payment of \$3,000 from ADM in November 2004;
- milestone payments of \$2,000 from ADM in May 2006;
- support payments of \$22,050 from ADM, on behalf of Telles, through June 30, 2009;
- cumulative cost sharing payments from ADM for pre-commercial manufacturing plant construction and operations made in accordance with the Technology Alliance and Option Agreement of \$1,209; and
- cumulative cost sharing payments from ADM for pre-commercial manufacturing plant construction and operations made in accordance with the Commercial Alliance Agreement of \$10,311.

During the commercial alliance, ADM is responsible for the construction, financing and operation of the Commercial Manufacturing Facility which ADM Polymer owns, through a manufacturing agreement with Telles. We will provide or procure compounding services to convert the output from the Commercial Manufacturing Facility into forms that are suitable for various commercial applications.

Although Telles is a separate legal entity owned equally by us and ADM, ADM will disproportionately fund the activities of the joint venture. Specifically, the cost of the Commercial Manufacturing Facility, the working capital requirements of the joint venture and the support payments to us will exceed the investments made by us to establish compounding operations for the joint venture. In order to rebalance the respective investments made by the parties, a preferential distribution of cash flow provides that all profits, after payment of all royalties, reimbursements and fees, from the joint venture will be distributed to ADM until ADM's disproportionate investment in the joint venture, including the costs of constructing the Commercial Manufacturing Facility, have been returned to ADM. Once ADM has recovered these amounts, the profits of the joint venture will be distributed in equal amounts to the parties. In order to track the disproportionate investments ADM has made, a Ledger Account has been established to record the respective investments made by the parties. As of September 30, 2011 the balance of the ADM Ledger Account was \$425,488. This balance is expected to increase as the remaining manufacturing equipment and systems are brought online at the Commercial Manufacturing Facility and until Telles achieves positive cash flow from its operations.

## **Government Grants**

As of September 30, 2011, expected gross proceeds of \$6,309 remain to be received under our U.S. and Canadian government grants, which include amounts for reimbursement to our subcontractors, as well as reimbursement for our employees' time, benefits and other expenses related to future

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The status of our United States and Canadian government grants is as follows:

<u>Program Title</u>	<u>Funding Agency</u>	<u>Total Government Funds</u>	<u>Total received through September 30, 2011</u>	<u>Remaining amount available as of September 30, 2011</u>	<u>Contract/Grant Expiration</u>
Renewable Enhanced Feedstocks For Advanced Biofuels And Bioproducts	Department of Energy	\$ 6,000	\$ —	\$ 6,000	June 2014
Blow Molded Bioproducts From Renewable Plastics	Department of Agriculture	349	167	182	August 2012
Advanced Technologies For Engineering Of Camilina	Canadian Ministry of Agriculture	210	83	127	February 2013
Total		<u>\$ 6,559</u>	<u>\$ 250</u>	<u>\$ 6,309</u>	

**Critical Accounting Estimates and Judgments**

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition and stock-based compensation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The significant accounting policies used in preparation of these condensed consolidated financial statements for the three and nine months ended September 30, 2011 are consistent with those discussed in Note 2 to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2010. The critical accounting policies and the significant judgments and estimates used in the preparation of our consolidated financial statements for the three and nine months ended September 30, 2011 are consistent with those discussed in our Annual Report on Form 10-K for the year ended December 31, 2010 in the section captioned “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates and Judgments.”

**Results of Operations****Comparison of the Three Months Ended September 30, 2011 and 2010****Revenue**

	<u>Three Months Ended September 30,</u>		<u>Change</u>
	<u>2011</u>	<u>2010</u>	
Grant revenue	\$ 443	\$ 21	\$ 422
License fee and royalty revenue from related parties	26	25	1
Total revenue	<u>\$ 469</u>	<u>\$ 46</u>	<u>\$ 423</u>

Total revenue was \$469 and \$46 for the three months ended September 30, 2011 and 2010, respectively. During the three months ended September 30, 2011 we recognized \$443 of grant revenue compared to \$21 for the respective period in 2010. The increase in grant revenue for the three months ended September 30, 2011 was primarily generated from our new Renewable Enhanced Feedstocks for Advanced Biofuels and Bioproducts (“REFABB”) grant and our existing Blow Molded Bioproducts from Renewable Plastics grant.

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We expect revenue to increase when the First Commercial Sale milestone is reached and we begin recognition of payments received from ADM, a related party, that have been recorded as deferred revenue. We also expect to receive increased payments from Telles for the compounding services we provide as well as for royalty payments related to the sale of Mirel. The compounding payments and royalty payments are due to us after Telles has sold the product to the end customer and we expect to recognize these payments in the period they have been earned. In addition, we expect grant revenue to increase due to our recently awarded grant from the U.S. Department of Energy for the development of renewable biofuels.

**Expenses**

	<u>Three Months Ended September 30,</u>		<u>Change</u>
	<u>2011</u>	<u>2010</u>	
Research and development expenses, including cost of revenue	\$ 6,153	\$ 5,906	\$ 247
Selling, general, and administrative expenses	3,895	4,161	(266)
Total operating expense	<u>\$ 10,048</u>	<u>\$ 10,067</u>	<u>\$ (19)</u>

**Research and development expenses, including cost of revenue**

Research and development expenses, including cost of revenue, were \$6,153 and \$5,906 for the three months ended September 30, 2011 and 2010, respectively. The increase of \$247 was primarily due to an increase in contracted research. Expenses related to contracted research were \$670 and \$446 for the three months ended September 30, 2011 and 2010, respectively. The increase of \$224 was primarily due to an increase in product development work related to Mirel as we continue to undertake technology improvements and product development activities as we develop, test, and refine product to meet the specification requirements of Telles customers.

We expect to incur increased research and development expenses through the remainder of the Construction Phase of the ADM agreement related to product development. We also expect to incur increased research and development expenses as we expand our efforts across our Industrial Chemicals platform. Upon commencement of the Commercial Phase of the ADM agreement, expenses relating to development of Mirel are expected to decrease significantly as these expenses will be transferred to Telles. We estimate that research and development expenses that will transfer to Telles will be approximately \$3,300 to \$3,900 per quarter once we commence the Commercial Phase. Until then, we will continue to bear these expenses.

#### **Selling, general, and administrative expenses**

Selling, general, and administrative expenses were \$3,895 and \$4,161 for three months ended September 30, 2011 and 2010, respectively. The decrease of \$266 was primarily attributable to a higher patent filing costs incurred during the three months ended September 30, 2010 compared to the respective period in 2011.

We expect selling, general, and administrative expenses to remain consistent through the remainder of the Construction Phase of the ADM agreement. Upon the commencement of the Commercial Phase of the ADM agreement, selling, general, and administrative expenses are expected to decrease significantly as these Mirel related costs will be transferred to Telles. We estimate that selling, general, and administrative expenses that will transfer to Telles will be approximately \$700 to \$1,100 per quarter once we commence the Commercial Phase. Until then, we will continue to bear these expenses.

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#### **Other Income (Net)**

	Three Months Ended September 30,		Change
	2011	2010	
Total other income (net)	\$ 19	\$ 30	\$ (11)

Other income (net) during both periods consisted of investment income.

#### **Comparison of the Nine Months Ended September 30, 2011 and 2010**

##### **Revenue**

	Nine Months Ended September 30,		Change
	2011	2010	
Grant revenue	\$ 567	\$ 26	\$ 541
License fee and royalty revenue from related parties	419	97	322
Research and development revenue	—	212	(212)
Total revenue	\$ 986	\$ 335	\$ 651

Total revenue was \$986 and \$335 for the nine months ended September 30, 2011 and 2010, respectively. During the nine months ended September 30, 2011 we recognized \$567 of grant revenue compared to \$26 for the respective period in 2010. The increase in grant revenue for the nine months ended September 30, 2011 was primarily generated from our new REFABB grant and our existing Blow Molded Bioproducts from Renewable Plastics grant. During the nine months ended September 30, 2011 we recognized \$419 of license fee and royalty revenue from related parties compared to \$97 for the respective period in 2010. License fee and royalty revenue from related parties increased primarily as a result of a royalty earned under a licensing agreement with Tepha, Inc. ("Tepha"), a related party. There was no research and development revenue during the nine months ended September 30, 2011. During the nine months ended September 30, 2010 research and development revenue was derived primarily from the delivery of product samples to potential customers. Presently, revenue from Mirel product samples is recognized by Telles.

We expect revenue to increase when the First Commercial Sale milestone is reached and we begin recognition of payments received from ADM, a related party, that have been recorded as deferred revenue. We also expect to receive increased payments from Telles for the compounding services we provide as well as royalty payments related to the sale of Mirel. The compounding payments and royalty payments are due to us after Telles has sold the product to the end customer and we expect to recognize these payments in the period they have been earned. In addition, we expect grant revenue to increase due to our recently awarded grant from the U.S. Department of Energy for the development of renewable biofuels.

##### **Expenses**

	Nine Months Ended September 30,		Change
	2011	2010	
Research and development expenses, including cost of revenue	\$ 18,352	\$ 17,912	\$ 440
Selling, general, and administrative expenses	11,878	11,878	—
Total operating expense	\$ 30,230	\$ 29,790	\$ 440

#### **Research and development expenses, including cost of revenue**

Research and development expenses, including cost of revenue, were \$18,352 and \$17,912 for the nine months ended September 30, 2011 and 2010, respectively. The increase of \$440 was primarily attributable to an increase in contracted research, employee compensation and related benefit expenses and

consulting services, partially offset by a decrease in material production costs. Expenses related to contracted research and development services were \$1,672 and

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\$1,302 for the nine months ended September 30, 2011 and 2010, respectively. The increase of \$370 was primarily due to an increase in product development work related to Mirel and Industrial Chemicals. Employee compensation and related benefit expenses were \$10,012 and \$9,638 for the nine months ended September 30, 2011 and 2010, respectively. The increase of \$374 was primarily attributable to annual compensation merit increases and hiring of new personnel to support our manufacturing process and research programs, including employees for our Canadian subsidiary. Consulting expenses were \$388 and \$207 for the nine months ended September 30, 2011 and 2010, respectively. The increase of \$181 was primarily related to increased development activities for our Industrial Chemicals platform. Material production costs decreased to \$1,517 from \$2,118 for the nine months ended September 30, 2011 and 2010, respectively. The reduction of \$601 was primarily due to shifting activity at our pre-commercial manufacturing facility to the Commercial Manufacturing Facility, partially offset by an increase in material production costs incurred to produce C4 chemicals.

We expect to incur increased research and development expenses through the remainder of the Construction Phase of the ADM agreement related to product development. We also expect to see increasing research and development expenses as we expand our efforts across our Industrial Chemicals platform. Upon commencement of the Commercial Phase of the ADM agreement, expenses relating to development of Mirel are expected to decrease significantly as these expenses will be transferred to Telles. We estimate that research and development expenses that will transfer to Telles will be approximately \$3,300 to \$3,900 per quarter once we commence the Commercial Phase. Until then, we will continue to bear these expenses.

***Selling, general, and administrative expenses***

Selling, general, and administrative expenses were \$11,878 for both the nine months ended September 30, 2011 and the nine months ended September 30, 2010. Although selling, general, and administrative expenses were consistent in total, employee compensation and related benefit expenses increased by \$154 and were offset by a decrease of \$225 in consulting expenses. The increase in employee compensation and related benefit expenses was primarily attributable to an increase in stock-based compensation expense that resulted from annual employee stock option grants as well as stock options granted to our Board of Directors and newly hired employees. Consulting fees decreased primarily as a result of non-repetitive work performed in 2010 related to market analysis for our Industrial Chemicals platform and support for upgrades and improvements made to some of our financial software applications.

We expect selling, general, and administrative expenses to remain consistent through the remainder of the Construction Phase of the ADM agreement. Upon the commencement of the Commercial Phase of the ADM agreement, selling, general, and administrative expenses are expected to decrease significantly as these Mirel related costs will be transferred to Telles. We estimate that selling, general, and administrative expenses that will transfer to Telles will be approximately \$700 to \$1,100 per quarter once we commence the Commercial Phase. Until then, we will continue to bear these expenses.

**Other Income (Net)**

	Nine Months Ended September 30,		Change
	2011	2010	
Total other income (net)	\$ 62	\$ 119	\$ (57)

Other income (net) during both periods consisted of investment income.

**Liquidity and Capital Resources**

Currently, we require cash to fund our working capital needs, to purchase capital assets and to pay our operating lease obligations.

The primary sources of our liquidity have been:

- equity financing;

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- our strategic alliance with ADM;
- government grants; and
- interest earned on cash and investments.

We have incurred significant expenses relating to our research and development efforts. As a result, we have incurred net losses since our inception. As of September 30, 2011, we had an accumulated deficit of \$236,059. Our total unrestricted cash, cash equivalents and investments as of September 30, 2011 were \$87,214 as compared to \$61,574 at December 31, 2010. As of September 30, 2011, we had no outstanding debt.

Our cash and cash equivalents at September 30, 2011 were held for working capital purposes. We do not enter into investments for trading or speculative purposes. The primary objective of our investment activities is to preserve our capital. As of September 30, 2011 we had restricted cash of \$622. Restricted cash consists of \$522 held in connection with the lease agreements for our Cambridge, Massachusetts facilities and \$100 held in connection with our corporate credit card program. Investments are made in accordance with our corporate investment policy, as approved by our Board of Directors. Investments are limited to high quality corporate debt, U.S. Treasury bills and notes, bank debt obligations, municipal debt obligations and asset-backed

securities. The policy establishes maturity limits, concentration limits, and liquidity requirements. As of September 30, 2011, we were in compliance with this policy.

We believe that our cash, cash equivalents, investments and interest we earn on these balances will be sufficient to meet our anticipated cash requirements, including cash requirements with respect to the commercial launch of Mirel, for at least the next 24 months. If our available cash, cash equivalents, and investments are insufficient to satisfy our liquidity requirements, or if we develop additional products, we may need to sell additional equity or debt securities or obtain a credit facility. In addition, we may seek to raise additional capital when we believe market conditions are favorable or when we otherwise believe it is prudent. The sale of additional equity and debt securities may result in dilution to our stockholders. If we raise additional funds through the issuance of debt securities or preferred stock, these securities could have rights senior to those of our common stock and could contain covenants that would restrict our operations. We may require additional capital beyond our current forecasted amounts. Any such required additional capital may not be available on reasonable terms, if at all. If we are unable to obtain additional financing, we may be required to reduce the scope of, delay or eliminate some or all of our planned research, development and commercialization activities, which could harm our business.

Net cash of \$23,124 was used in operating activities during the first nine months of 2011 compared to \$23,924 used during the respective period last year. The cash used during the nine months ended September 30, 2011 primarily reflects the net loss for the period partially offset by non-cash expenses, including stock-based compensation expense of \$3,574, depreciation expense of \$1,134 and the Company's 401(k) stock matching contribution of \$489.

After the Commercial Phase of the ADM alliance begins, Telles will reimburse us for the costs of services provided pursuant to the Commercial Alliance Agreement, including research and development, product development and sales and marketing. Until then, we will continue to bear these costs.

Net cash of \$21,403 was used in investing activities during the first nine months of 2011 compared to net cash of \$25,229 provided by investing activities for the respective period of 2010. Net cash used in investing activities for the nine months ended September 30, 2011 included \$93,888 used to purchase investments and \$627 used to purchase capital equipment, partially offset by \$73,112 of cash proceeds from the sale and maturity of investments.

Net cash of \$49,404 was provided by financing activities for the nine months ended September 30, 2011. We received net proceeds of \$49,333 from our common stock offering that was completed in May 2011.

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**Contractual Obligations**

The following table summarizes our contractual obligations at September 30, 2011 and the effects such obligations are expected to have on our liquidity and cash flows in future periods:

	Payments Due by Period				
	Total	Less than 1 year	2-3 years	4-5 years	More than 5 years
Purchase obligations	\$ 318	\$ 268	\$ 50	\$ —	\$ —
Operating lease obligations	4,345	1,471	2,298	576	—
Total	\$ 4,663	\$ 1,739	\$ 2,348	\$ 576	\$ —

**Off-Balance Sheet Arrangements**

As of September 30, 2011, we had no off-balance sheet arrangements as defined in Item 303(a)(4) of the Securities and Exchange Commission's Regulation S-K.

**Related Party Transactions**

We engaged in various transactions with Tephra, Inc., a related party, and recorded \$26 and \$419 of license and royalty revenue during the three and nine months ended September 30, 2011, respectively. During the three and nine months ended September 30, 2010 we recorded license and royalty revenue from Tephra, Inc. of \$25 and \$97, respectively. We had an outstanding receivable balance of \$45 due from Tephra, Inc. as of September 30, 2011 and no outstanding receivable balance due from Tephra, Inc. as of December 31, 2010. We had various transactions with our alliance partner ADM, a related party, during the three and nine months ended September 30, 2011 and 2010. We had outstanding receivable balances of \$218 and \$813 due from ADM at September 30, 2011 and December 31, 2010, respectively. We also had various transactions with Telles. We had outstanding receivable balances of \$58 and \$15 due from Telles as of September 30, 2011 and December 31, 2010, respectively. For more information on our related party transactions, please see Note 8 to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2010.

**Recent Accounting Pronouncements**

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) or other standard setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, we believe that the impact of recently issued standards that are not yet effective will not have a material impact on our financial position or results of operations upon adoption.

In June 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-05, "Comprehensive Income (Topic 220)" (ASU 2011-05). This newly issued accounting standard (1) eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity; (2) requires the consecutive presentation of the statement of net income and other comprehensive income; and (3) requires an entity to present reclassification adjustments on the face of the financial statements from other comprehensive income to net income. The amendments in this ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income nor do the amendments affect how earnings per share is calculated or presented. This ASU is required to be applied retrospectively and is effective for fiscal years and interim periods within those years beginning after December 15, 2011, which for Metabolix will be the fiscal year that begins on January 1, 2012. As this accounting standard only requires enhanced disclosure, the adoption of this standard will not impact our financial position or results of operations.

In May 2011, the FASB issued ASU No. 2011-04, “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS” (ASU 2011-04). This newly issued accounting standard clarifies the application of certain existing fair value measurement guidance and expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This ASU is effective on a prospective basis for annual and interim reporting periods beginning on or after December 15, 2011, which for Metabolix will be the fiscal year that begins on January 1, 2012. We do not expect that adoption of this standard will have a material impact on our financial position or results of operations.

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In January 1, 2011, we adopted new authoritative guidance on revenue recognition for multiple-element arrangements. The guidance, which applies to multiple-element arrangements entered into or materially modified on or after January 1, 2011, amends the criteria for separating and allocating consideration in a multiple-element arrangement by modifying the fair value requirements for revenue recognition and eliminating the use of the residual method. The fair value of deliverables under the arrangement may be derived using a “best estimate of selling price” if vendor specific objective evidence, (“VSOE”), and third-party evidence, (“TPE”), is not available. Deliverables under the arrangement will be separate units of accounting provided (a) a delivered item has value to the customer on a standalone basis; and (b) if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item is considered probable and substantially in the control of the company. We did not enter into or materially modify any multiple-element arrangements during the nine months ended September 30, 2011.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

There have been no material changes in information regarding our exposure to market risk, as described in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2010.

**ITEM 4. CONTROLS AND PROCEDURES.**

**Evaluation of Disclosure Controls and Procedures**

Our management (with the participation of our Principal Executive Officer and Principal Financial Officer) evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of September 30, 2011. Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and communicated to management, including the Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our Principal Executive Officer and Principal Financial Officer concluded that these disclosure controls and procedures are effective.

**Changes in Internal Control over Financial Reporting**

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II — OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS.**

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business. We are not currently aware of any such proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on the business, financial condition or the results of operations.

**ITEM 1A. RISK FACTORS.**

There have been no material changes in information regarding our risk factors as described in Part 1, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2010 and our Current Report on Form 8-K filed on May 18, 2011.

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**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

**Recent Sales of Unregistered Securities**

On July 18, 2011 the Company issued 16,131 shares of common stock to participants in its Metabolix, Inc. 401(k) Plan as a matching contribution. The issuance of these securities is exempt from registration pursuant to Section 3(a)(2) of the Securities Act of 1933 as exempted securities.

**Issuer Purchases of Equity Securities**

During the three months ended September 30, 2011, there were no repurchases made by us or on our behalf, or by any “affiliated purchasers,” of shares of our common stock.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.



**ITEM 4. (REMOVED AND RESERVED).**

**ITEM 5. OTHER INFORMATION.**

None.

**ITEM 6. EXHIBITS.**

- 31.1 Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934 of the Principal Executive Officer (furnished herewith).
- 31.2 Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934 of the Principal Financial Officer (furnished herewith).
- 32.1 Section 1350 Certification (furnished herewith).
- 101.1 The following financial information from the Metabolix Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 formatted in XBRL: (i) Consolidated Balance Sheets, September 30, 2011 and December 31, 2010; (ii) Consolidated Statements of Operations and Comprehensive Income (Loss), Three and Nine Months Ended September 30, 2011 and 2010; (iii) Consolidated Statements of Cash Flows, Nine Months Ended September 30, 2011 and 2010; and (iv) Notes to Consolidated Financial Statements.\*

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\* XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of section 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

METABOLIX, INC.

November 2, 2011

By: /s/ RICHARD P. ENO  
Richard P. Eno  
*President and Chief Executive Officer*  
*(Principal Executive Officer)*

November 2, 2011

By: /s/ JOSEPH D. HILL  
Joseph D. Hill  
*Chief Financial Officer*  
*(Principal Financial and Accounting Officer)*

## CERTIFICATION

I, Richard P. Eno certify that:

1. I have reviewed this quarterly report on Form 10-Q of Metabolix, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 2, 2011

/s/ RICHARD P. ENO

Name: Richard P. Eno

Title: *President and Chief Executive Officer*  
*(Principal Executive Officer)*

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## CERTIFICATION

I, Joseph D. Hill certify that:

1. I have reviewed this quarterly report on Form 10-Q of Metabolix, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 2, 2011

/s/ JOSEPH D. HILL

Name: Joseph D. Hill

Title: Chief Financial Officer

(Principal Financial and Accounting Officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q of Metabolix, Inc. (the "Company") for the quarter ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Richard P. Eno, President, Chief Executive Officer and Principal Executive Officer of the Company and Joseph D. Hill, Chief Financial Officer and Principal Financial and Accounting Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to our knowledge that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This certification is being provided pursuant to 18 U.S.C. 1350 and is not to be deemed a part of the Report, nor is it to be deemed to be "filed" for any purpose whatsoever.

Dated: November 2, 2011

/s/ RICHARD P. ENO  
\_\_\_\_\_  
*President and Chief Executive Officer*  
*(Principal Executive Officer)*

Dated: November 2, 2011

/s/ JOSEPH D. HILL  
\_\_\_\_\_  
*Chief Financial Officer*  
*(Principal Financial and Accounting Officer)*

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