Verenium: Delivering next-generation cellulosic ethanol through advanced science, proprietary technology and insights that unlock the secrets of nature.

A unique company with the field-to-pump capabilities that can turn next-generation cellulosic ethanol into a commercial reality.

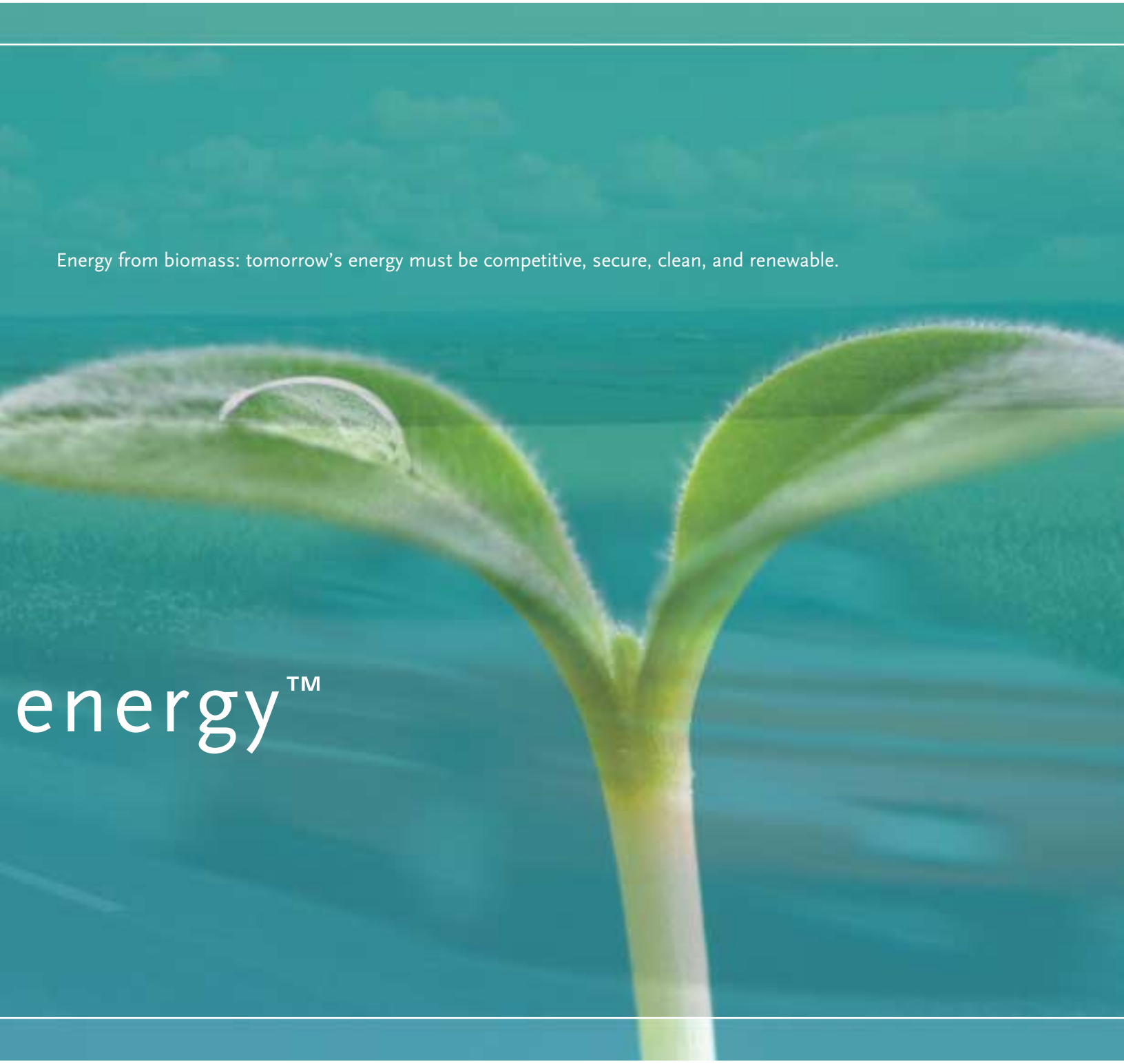
2007 ANNUAL REPORT

VERENIUM

THE NATURE OF ENERGY™

Verenium: The nature of

Jennings, LA: One of America's first cellulosic ethanol pilot facilities.


Energy from biomass: tomorrow's energy must be competitive, secure, clean, and renewable.
energy™

FROM THE CEO

The past year was momentous for the energy industry. Oil prices rose to record levels; concerns about energy security intensified; and a growing recognition of climate change dynamics galvanized public opinion globally on the need to develop more renewable sources of energy. Furthermore, the limits of first-generation biofuel alternatives to liquid fossil fuels became apparent. These factors, which drive our mission to commercialize cellulosic ethanol and specialty enzymes, have only accelerated since we entered 2008.

2007 was also a momentous year for Verenium. We announced the plan to merge publicly-held Diversa Corporation and privately-held Celunol to form Verenium, creating what we believe is the first public company in the US with the full complement of skills needed to make cellulosic ethanol a near-term commercial reality. Shortly after the merger announcement, we raised $120 million, in part to fund the construction of our demonstration-scale cellulosic ethanol plant in Jennings, Louisiana—a first of its kind in the nation.

Evidence of the logic and early success of the merger is everywhere. We have seen steady progress in the achievements of the Research and Development (R&D) team which has been focused on serving the needs of our Biofuels and Specialty Enzyme business units, as well as those of our collaboration partners.

The Specialty Enzymes business also had a very successful 2007. Our animal health and nutrition products saw significant growth, and we introduced a series of new products into the first-generation biofuels industry. Long term, we believe this enzymes market has enormous potential for growth as evidenced by the early adoption and rapid sales increases achieved by our current products. We also expanded our contract manufacturing capacity over the course of the year and are building up a product-focused sales organization to drive further growth.

Our biofuels business unit also made substantial progress last year, driving our technology toward the ultimate goal of commercial scale implementation. The pilot facility in Jennings, Louisiana, which has been operational since early in 2007, has provided valuable insights into the operating parameters of our technology and, in conjunction with our scale-up plans has guided the design for our demonstration-scale facility. Together, these facilities will serve as the "Verenium Center of Excellence" for cellulosic ethanol technology as we test different biomass feedstocks, enzymes and process strategies.

Consumer demand for flex-fuel vehicles is growing.

Even as our scientists and engineers are evolving our cellulosic ethanol technology in Jennings, our project development teams have been scouring the southeastern U.S. to identify strategic sites for the commercial-scale development of cellulosic ethanol facilities based on feedstock supply, access to markets, and permitability. We are also seeking strategic partners to invest with us in these groundbreaking projects.

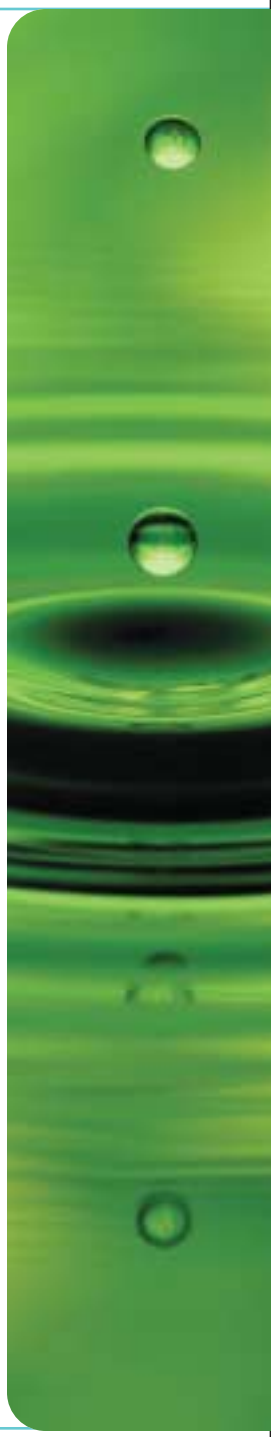
In the closing days of 2007, the U.S. Congress passed the Energy Independence and Security Act—a milestone in federal energy legislation—paving the way for the growth of a next generation biofuels industry. The new law mandates a market for cellulosic ethanol rising to over sixteen billion gallons per year by 2022, representing roughly ten percent of the nation's current total automotive fuels consumption. No one company today can satisfy the demands of this mandated market, but as a pioneer in the development and implementation of cellulosic ethanol technology, with robust research and specialty enzyme capabilities, Verenium is exceptionally well positioned to win its share of this exciting new market.

As we reflect on 2007 it is clear that 2008 will be another transformational year for Verenium. Many important challenges lie ahead, including the start up of our cellulosic ethanol demonstration-scale plant, continuing the rapid growth of our Specialty Enzyme business and maintaining scientific and technology leadership through our R&D organization. I am confident the team we have assembled, together with our proprietary technology and know-how, are unparalleled in the industry and fully capable of achieving our mission.

It is a great privilege to lead such a highly talented organization. I thank all of our employees for their dedication, hard work, and commitment. I believe we are poised to deliver on the exciting future of cellulosic ethanol and specialty enzymes, and make Verenium the success I know it can be.

Carlos A. Riva
President and Chief Executive Officer

Unlocking the secrets of nature: Verenium harnesses industrial biotechnology to develop the enzymes, microorganisms and the process needed to make low-cost, plentiful cellulosic ethanol a reality.



America needs a replacement for fossil fuels that is sustainable, does not deplete the environment, and allows our nation to grow and prosper. Verenium is creating a next-generation biofuel to meet a multi-billion dollar demand.

The challenge: reducing our dependence

America's economic infrastructure is built on cheap fossil fuels, and the recent run-up of global oil prices is proving disruptive to our energy-intensive economy. Cheap oil fueled 20th century prosperity here and in much of the world, but rising prices since 2005 have increased public awareness that low-cost hydrocarbon energy is not limitless. Many within the oil industry are now acknowledging that the transition from surplus to shortage could be much closer than we once believed, and the impact such a shortage could have on our prosperity is increasingly grim.

Of course, petroleum will continue to play a major role in meeting our energy needs for decades to come, but alternatives will be needed to fill the widening gap and increase diversification as a matter of prudent risk management. As we move from decades of surplus to a new era of shortage; alternative, sustainable fuel technologies are critical. The energy policies we set today will determine if our transition away from fossil fuels is disruptive and costly, or smooth and peaceful.

But economics aren't the only factor driving the expanding biofuels sector. Widespread, public environmental concerns are a growing part of the mix. The global focus on the carbon footprint of every nation, community, and individual gives added urgency to the need to find more sustainable fuels. It is no longer possible to dismiss the threat posed by global climate change, or its link to hydrocarbon consumption. Governments of the world are demanding that private industry find ways to meet society's energy needs with less damage to the environment. Cellulosic ethanol offers one of the most promising near-term pathways to achieve this goal.

Harvesting the future—renewable energy from biomass.

on diminishing non-renewable fossil fuels

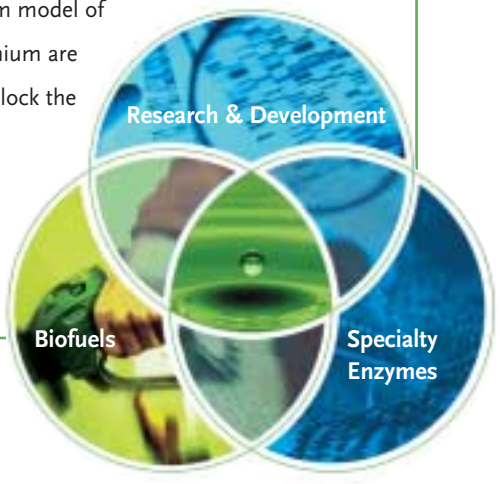
Increased market demand now, and mandates for ethanol use in the future, are spurring a rapid increase in biofuels development today. Demand is being driven by economics, environmental concerns, and a desire for energy security.

Just as American interest in advanced biofuels explodes, there is a model of a national economy that has achieved success based, largely, on its development of biofuels. Brazil has achieved a high degree of energy self-sufficiency and an expanding economy over the last decade, in part through a sustained national commitment to biofuels. America sees the example of Brazil and other nations benefiting from investment in green technologies and it is clear that innovation and alternative energy are a path to future prosperity.

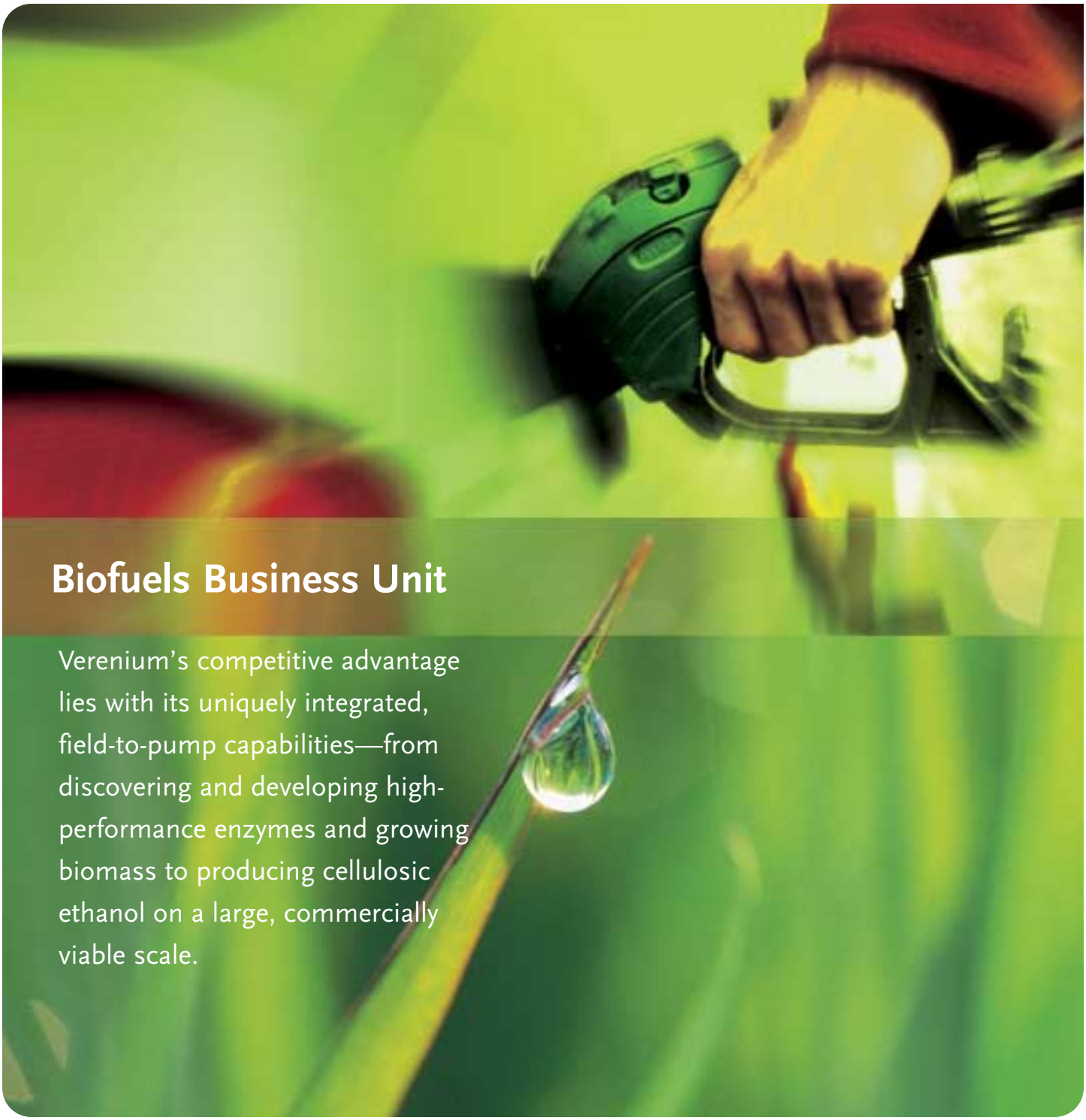
In the U.S., the corn ethanol industry has shown that a large-scale biofuels industry is feasible. Recently, however, it has become clear that the redirection of corn away from food to fuel production has contributed to rising grain costs and increased land competition. Such challenges arising from first-generation biofuels have spurred new thinking and solutions at not only at Verenium but also within the cellulosic ethanol industry as a whole.

Verenium believes that the key to greener, low-cost biofuels is progress in industrial biotechnology, the science that has contributed over the last two decades to steady gains in our understanding of genetics, enzymes, and other cellular-level phenomena.

Biotechnology is the future of energy. Rather than following the petroleum model of continual outward expansion in our search for hydrocarbons, we at Verenium are now moving ever inward to explore biological processes that can help unlock the abundant energy found in nature—and do so at a cost we can afford.



The only company with fully integrated field-to-pump capabilities for producing low-cost cellulosic ethanol.



Biofuels Business Unit

Verenium's competitive advantage lies with its uniquely integrated, field-to-pump capabilities—from discovering and developing high-performance enzymes and growing biomass to producing cellulosic ethanol on a large, commercially viable scale.

Verenium not only has the solution for creating low-carbon, low-cost cellulosic biofuels, it also has the first-mover advantage.

The urgent need for cleaner automotive fuels is pushing the private sector to develop low-carbon alternatives. Cellulosic ethanol is widely recognized as one of the most promising ways to meet our need for clean fuels with dramatically lower energy inputs and net carbon emissions. Verenium is a leader in the development of cellulosic ethanol—a clean-burning fuel derived from canes, grasses, softwoods, and other biomass sources that are readily available and are not utilized for food.

MIKE CHAPPLE, *Shift Supervisor, Pilot Plant*

"I'm in charge of the tests we're running on the hydrolyzer, on the mechanical side. We've been trying to do something that's never been done before, so there's a lot of trial and error. Even when things don't work out, that's still progress because without these experiments we won't get to the end product—low-cost ethanol—and that's what it's all about."

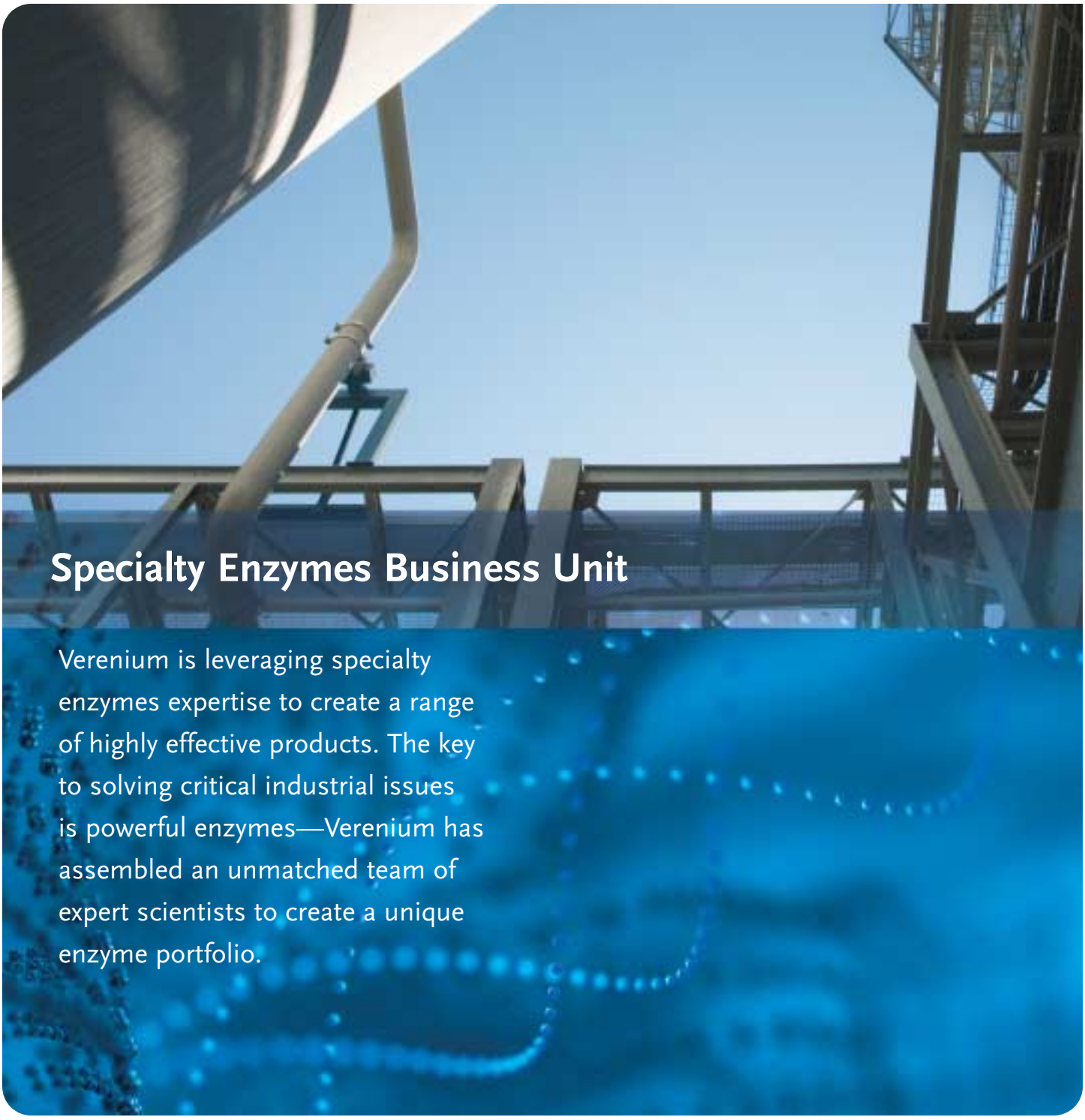
"I'm a former Marine and there are a lot of former military working here. We're used to being number one, so being part of a number one team again is a great feeling. We're doing something no one's ever done before and we're going to succeed."

The need for alternative fuels has led to new federal law mandating the production and use of billions of gallons of biofuels within the next decade. The market is vast. The first companies entering the market for next-generation cellulosic ethanol will be tapping into a multi-billion dollar market at the beginning of commercialization.

Verenium's Biofuels Business combines the company's unique expertise in enzymatic and fermentation process technology with experience in the planning and construction of large infrastructure plants. The company already operates a pilot plant in Jennings, Louisiana, which is an R&D facility used to study and broaden Verenium's knowledge of advanced fermentation processes.

Next door to this pilot facility, Verenium is completing construction of a 1.4 million gallon per year demonstration-scale plant—the first of its kind in the nation. The plant will initially focus on validating the economics of the Verenium process at scale. Later it will be used to test a wide variety of biomass and to train commercial operators. Finally, preparations are being made for Verenium's first commercial-scale facilities, which are expected to produce 30 million gallons per year. Currently, a variety of sites are being explored for plant development in Florida, Louisiana and Texas.

Verenium is on track to open the nation's first demonstration-scale cellulosic ethanol plant in Jennings, Louisiana, capable of producing up to 1.4 million gallons of cellulosic ethanol. Commercial production is on the horizon.



Specialty Enzymes Business Unit

Verenium is leveraging specialty enzymes expertise to create a range of highly effective products. The key to solving critical industrial issues is powerful enzymes—Verenium has assembled an unmatched team of expert scientists to create a unique enzyme portfolio.

Verenium leverages the strength of its specialty enzymes portfolio to provide solutions to complex industrial issues.

Verenium is a world leader in the development and commercialization of specialty enzymes. Our unique enzyme discovery technologies access nature's abundant resource: untapped microbial biodiversity. Furthermore our patented genomic optimization technologies are used to customize enzymes. These process-optimized enzymes address unmet needs in three key markets: biofuels, industrial processes, and animal health & nutrition.

Enzymes act as catalysts, dramatically accelerating chemical reactions. For example, Verenium is developing enzymes to break down biomass, helping to unlock the complex sugars in cellulose to enable the production of cellulosic ethanol. Verenium's specialty enzyme business unit has a growing portfolio of commercialized products. Verenium has already commercialized enzyme products to improve the economics of first-generation biofuels, including Fuelzyme-LF™ and Purifine™. Fuelzyme-LF is used in grain ethanol plants to increase ethanol yields. Purifine is used in oil refining to increase yields with applications in both food and biodiesel markets.

The company's unique ultra high-throughput technologies are used for the rapid screening, identification and expression of enzymes, developing applications, and supporting a range of innovative industrial products that efficiently meet high-value commercial needs.

Verenium has extensive expertise in host engineering and bioprocess design to ensure the efficient transfer of laboratory processes to full-scale commercial enzyme production. With a staff of leading scientists and engineers and a state-of-the art infrastructure, Verenium is a one-stop shop for high performance, specialty industrial enzymes.

GRACE DESANTIS, *Associate Director, Enzyme Development*

"We're looking for ways to convert complex biomass to simple sugars for the production of biofuels and valuable chemicals. We are doing this by discovering and developing innovative enzymes derived from diverse natural environments."

"It's certainly a challenge, but we have the technologies and people to succeed. It's very fulfilling to work on something that has a positive impact."

Verenium uses bioprospecting to tap into the world's vast genetic resources found in volcanoes, rainforests and deep sea vents. It collects microbial organisms that live in harsh environments that often mimic conditions found in industrial processes.

Tek Image / Photo Researchers, Inc

Research & Development Unit

From searching the world for powerful enzymes to developing cutting-edge biomass processing technology, Verenium sets the standard for the entire cellulosic biofuels industry.

Verenium develops powerful, high-performance enzymes and key technologies to enable the conversion of biomass to low-cost cellulosic ethanol.

Verenium's Research and Development Unit (R&D) is the engine of the company. Using proprietary genomic technologies, Verenium discovers novel enzymes by tapping into the DNA from the microorganisms it has collected from diverse ecosystems, such as volcanoes, rain forests, and deep sea hydrothermal vents. The DNA is part of Verenium's permanent library and the foundation for research and development.

We screen our library of billions of microbial genes using state-of-the-art, high-throughput screening technologies to identify candidates. These enzymes can be optimized for commercial use by applying our proprietary, industry-leading laboratory optimization platform called DirectEvolution® technology. By combining discoveries in the field with technologies in the lab, Verenium is able to rapidly develop differentiated commercial products. Verenium's world-class R&D team is a leader in developing and delivering products and processes for strategic industrial and biofuel applications.

Finding the solution to America's energy crisis will require intense efforts from both public and private corporations and the government. The challenge is considerable but the opportunity is tremendous. Verenium is well positioned with major strategic partners such as BASF, Bunge, Cargill, DSM, DuPont, Syngenta, and the University of Florida. Companies that can deliver have the potential to become the energy giants of the 21st century—companies like Verenium.

BRIAN DONOVAN, *Project Manager, Pilot Plant*

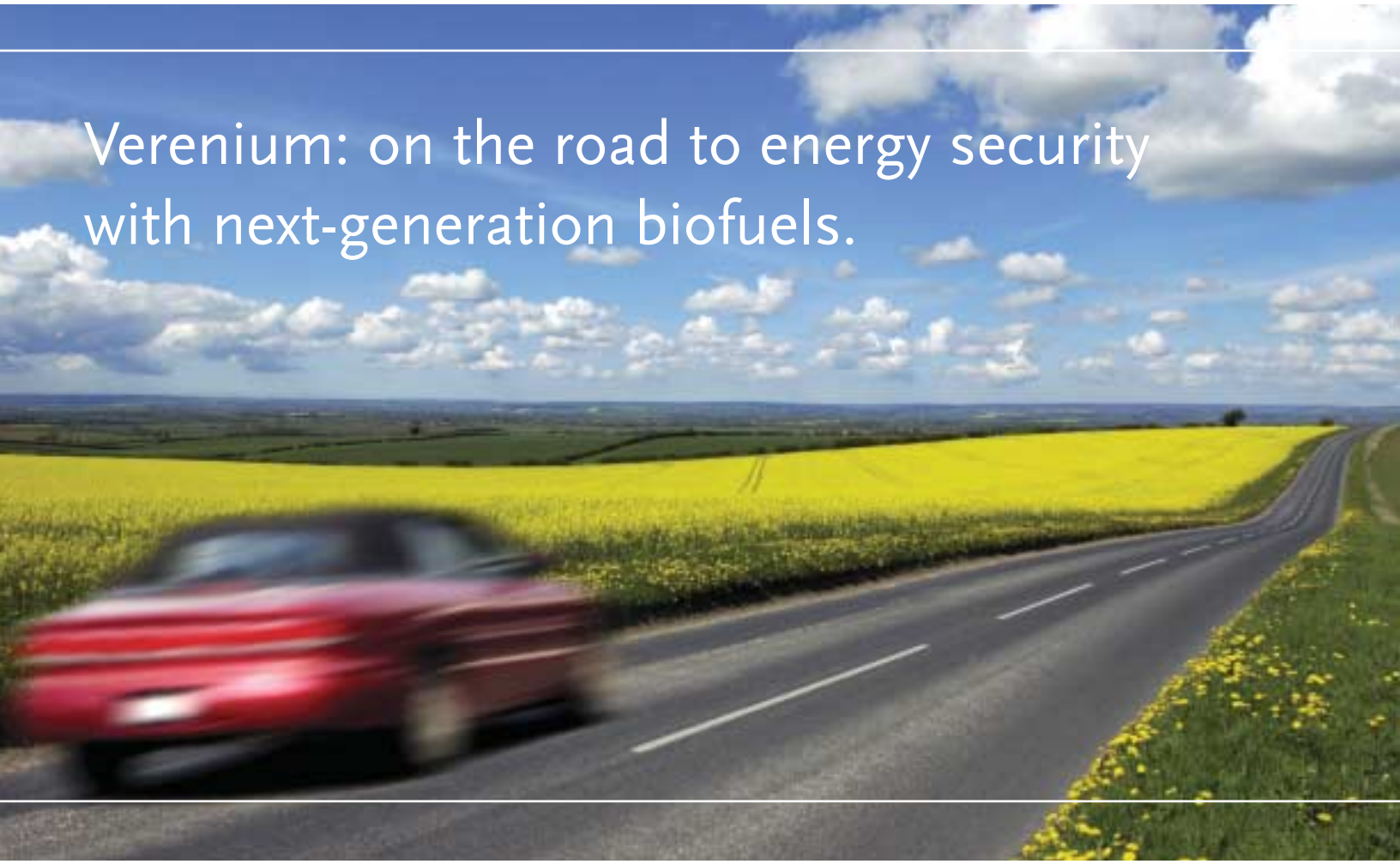
"I think this is as exciting as anything I've ever done. Here, I can use my past experience in the brewing industry, develop new technologies, and build a new industry that will change the way things are done in the future. We are changing the way the U.S. and the rest of the world do business, the way we fuel the world."

RICK MERRYMAN, *Project Manager, Waste/Water Process Technology*

"Verenium uses a proprietary membrane technology to filter water and this both reduces the overall costs of producing ethanol and also allows us to recycle 90 to 95 percent of all of the water we use back through the plant."

"I tell my kids their dad is helping reduce our oil dependence while also reducing water consumption. And this is important because water is such a limited resource that we have to manage it well."

Verenium's scientists have already developed more than 340 patents and are evolving new and better enzymes at an unprecedented rate.



Verenium: on the road to energy security with next-generation biofuels.

Verenium is delivering next-generation cellulosic ethanol to create a cleaner, greener, and more secure energy future for our nation and our planet.

MANAGEMENT:

Carlos A. Riva
President and Chief Executive Officer

John A. McCarthy, Jr.
Executive Vice President and Chief Financial Officer

William H. Baum
Executive Vice President, Business Development

Charles F. Davis
Senior Vice President, Commercial Development

Gerald M. Haines II
Executive Vice President and Chief Legal Officer

Geoffrey P. Hazlewood, Ph.D.
Senior Vice President, Research

John B. Howe
Vice President, Public Affairs

Nell Jones
Senior Vice President, Human Resources

John R. Malloy
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Janet Roemer
Executive Vice President, Specialty Enzymes Business Unit

J. Chris Terajewicz
Senior Vice President, Engineering and Construction

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President and Chief Executive Officer, Verenium

Joshua Ruch
Rho Capital Partners, Inc., Chairman & CEO

Cheryl Wenzinger
Former Audit Partner at Deloitte & Touche

Michael J. Zak
Charles River Ventures, General Partner

FINANCIAL HIGHLIGHTS:

Merger Completion Date:
June 20, 2007

Nasdaq Stock Symbol: VRNM

Shares Outstanding: 63M

Research Coverage:
Broadpoint Capital
Cantor Fitzgerald
Jeffries & Company
JPMorgan
Standard & Poor's

Website: www.verenium.com

Forward Looking Statements

The letter to our shareholders and the cover pages to our annual report to our shareholders contain statements that are "forward-looking" and involve a high degree of risk and uncertainty. These include statements such as those related to our plans regarding future research, product development, business development, commercialization, growth, independent project development, collaboration, licensing, intellectual property, regulatory and financing activities for our biofuels and specialty enzymes businesses; the potential growth in the use of ethanol, including cellulosic ethanol, the economic prospects for the ethanol industry and cellulosic ethanol and the advantages of cellulosic ethanol versus ethanol and other fuel sources; the development and construction of our demonstration-scale facility and the continued development of our pilot facility; our expected cash needs and our ability to access future financing; and our ability to use multiple feedstocks to produce cellulosic ethanol, all of which are prospective. Such statements are only predictions and actual events or results may differ materially from those projected in such forward-looking statements. Factors that could cause or contribute to the differences include risks and other uncertainties more fully described in our filings with the Securities and Exchange Commission, including, but not limited to, our annual report on Form 10-K for the year ended December 31, 2007. The forward-looking statements included in the letter to shareholders and the cover pages to our annual report to shareholders speak only as of the date of the letter to the shareholders. We expressly disclaim any intent or obligation to update these forward looking statements. You should not assume that our silence over time means that actual events are bearing out as expressed or implied in such forward-looking statements.

Fassino/Design

VERENIUM

THE NATURE OF ENERGY™

A public company with a mission to change the way we think about energy.

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