

Evolva reports financial results for 2013

Reinach, Switzerland, 8 April 2014 – **Evolva Holding SA** (SIX: EVE) today announces its financial results for the period 1 January to 31 December 2013. The annual report is available on [Evolva's website](#).

Key highlights of 2013 and early 2014:

- Collaboration with Ajinomoto in the personal care area
- Agreement with Cargill to co-develop and market our stevia products. These entered pilot scale towards the end of 2013
- Our vanillin product, partnered with IFF, progressed towards market with scale-up completed at the end of the year
- Successful improvement of the production economics of our resveratrol product
- Good progress on our R&D collaborations, with a milestone payment received from BASF in 2013 and Roquette in early 2014
- Further refocus on ingredients, with the out-licensing of EV-077 to Serodus
- Partnership with L'Oréal in early 2014

Financial:

- Increase of revenues, stable operational cash flow, strengthened balance sheet
- CHF 31.3 million raised in an over-subscribed rights issue in March 2013
- Cash and time deposits at 31 December 2013: CHF 29.3m
- Additional CHF 42.5 million raised in private placement in February 2014

Neil Goldsmith, CEO of Evolva said, "Evolva took important steps in 2013 consistent with our focus on being an innovative developer and brewer of high-value specialty ingredients. Of course not everything goes perfectly, and an early-stage programme we had with IFF on a flavouring ingredient was terminated during the year. Nonetheless the balance for the year was clearly positive. Longer term, we are more convinced than ever that we are in the right place at the right time. There are a large number of important ingredients that have taste, cost, purity, supply chain, and sustainability issues that significantly limit their wider use, and which our approach can address. We see vanillin, resveratrol, stevia and saffron as very much just the start."

Jakob Dynnes Hansen, CFO, commented, “Overall, Evolva experienced a positive financial development in 2013 in line with the guidance provided in August 2013. 2014 showed a good start with a capital increase of CHF 42.5 million in February. This places us well to progress in a manner which will, we believe, effectively create value for shareholders.”

Operational Review

Products

Evolva’s fermentation-based technologies allow us to improve the production and properties of a wide range of natural ingredients that are used in food, beverage, cosmetic, consumer health and pharmaceutical products.

Resveratrol

Evolva acquired its resveratrol product from Fluxome Sciences A/S (Denmark) in November 2012. The Fluxome product was launched on the US market in 2010, but primarily due to high production costs has not generated significant sales. It has Self-Affirmed GRAS (“Generally Recognised As Safe”) status in the United States and Novel Foods authorisation in the European Union for use in Dietary Supplements. A ruling in 2013 by the Japanese Ministry of Health, Labor and Welfare is expected to facilitate the approval process for the product in Japan.

Since acquiring the programme Evolva has made excellent progress in reducing production costs and preparing the product for a commercial re-launch in the second half of 2014. Work on further reducing production costs will continue post-launch. We are in discussion with both distributors and specialty ingredient companies on how to accelerate sales post-launch.

Vanillin – a sustainable production route

In January 2011, Evolva entered into a product partnership with IFF with the purpose of collaborating on the implementation of a commercially viable biosynthetic route for the production of vanillin. Pursuant to the terms of the partnership, IFF has the exclusive right to commercialise any fermentation-derived vanillin product developed as a result of the partnership in certain market segments.

Evolva has successfully developed a fermentation route to vanillin and has filed a number of patent applications (some already granted). Production characteristics that will allow commercial launch have been achieved.

On 5 February 2013, Evolva and IFF announced entering the preproduction phase – the last stage of testing ahead of large-scale production. This phase was successfully completed in early 2014. IFF recently stated that the next step is to present the material to flavorists and application teams worldwide. This is planned to start in the coming months. IFF expects first revenues in the second half of 2014. In the meantime, Evolva is continuing to research ways to further improve the production process with the aim of lowering the cost of goods and expanding the market potential.

Stevia – zero-calorie, natural sweetener

On 5 March 2013, Evolva entered into a product partnership with Cargill to jointly develop and commercialise fermentation-derived steviol glycosides. As part of the agreement, Cargill made a CHF 4.5 million equity investment in Evolva in March 2013. Additionally, Evolva stands to receive up to USD 7.5 million in milestone payments and has the right to a 45% participation in the final business. If Evolva decides not to use this right it will receive royalty payments from global sales of the co-developed products; these royalties will range from mid-single digit to low double-digit percentages as a function of sales volume and other parameters. Pursuant to the terms of the partnership, Cargill has the exclusive right to commercialise any fermentation-derived steviol glycosides developed as a result of the partnership. Pilot-scale fermentation of the product started towards the end of 2013. Based on current plans and expectations, the first products are expected to be available for launch in 2015/2016.

Saffron – colour, flavour and fragrance

We have established a variety of metabolic routes in yeast to the desired end-products and filed patent applications as relevant. We are now systematically optimising the production characteristics of our yeast strains to achieve a commercially attractive cost of goods. We have conducted sensory work on the various end-products to assess their organoleptic (taste, smell) properties.

During 2014 work will continue on the above activities. We expect products to be available in 2016.

Evolva currently intends to commercialise saffron ingredients in its own right, though it will work with distributors etc. in a similar manner to resveratrol.

Pomecin™ – natural mould protectants

Pomecins™ are Evolva's proprietary compounds, for the prevention of mould and yeast growth, with potential uses in crop protection, personal care, food preservation and consumer health care. Evolva has decided to exploit the Pomecin™ family of antifungals in collaboration with partners, with only limited further investment by Evolva beyond their current stage. A number of partnering discussions are in

progress, but we have no certainty that any of these discussions will result in a signed agreement, and we do not expect any such partnership to generate significant revenues in the near term.

Support of Biodiversity and Science Education

With respect to product sales, then since Evolva uses nature, and information obtained from nature, to develop and make our products, we believe we have an obligation to give something back, and in particular we aim to abide by the principles of the Convention on Biological Diversity, first drawn up in Rio de Janeiro in 1992. Accordingly in 2013 we announced that we will henceforth donate 1% of our product-derived revenues to support both the conservation of biodiversity and basic science education in poorer countries. Further details are provided in the annual report.

Legacy products

Until 2010, the activities of Evolva were primarily focused on the discovery and clinical development of novel pharmaceutical products. Since then, Evolva has refocused its strategy to discovering, developing and producing innovative ingredients that have application in the health, nutrition and wellness sectors. However, Evolva still has a small number of clinical-stage or preclinical pharmaceutical product candidates, which, due to this strategy shift, it considers to be “legacy products”.

In December 2013 Evolva concluded the out-licensing of **EV-077** to Serodus, a Norwegian biopharma company focusing on drug development in the cardio-vascular therapeutic field. Serodus aims to bring EV-077 further through clinical development and at a future time point decide whether they or a partner will conduct the final clinical trials. Evolva will be entitled to licensing payments including clinical and regulatory milestones as well as a single-digit royalty on sales. If Serodus at a later stage out-licenses the compound, Evolva will receive up to 30% of Serodus’ total licensing income.

In September 2013, the US Defense Threat Reduction Agency (DTRA) announced selecting Evolva to enter into contract negotiations regarding possible preclinical funding for GC-072 (the lead compound in the **EV-035** series) under the Transformational Medical Technologies Initiative (TMTI). The contract negotiations are expected to be concluded during 2014. The size of the award could be up to around USD 16 million. Evolva continues to pursue options to partner the EV-035 series.

Partnerships

Evolva has, and intends to maintain, a number of partnerships around its technology and research capabilities – deploying its technology to provide a competitive edge to partner companies and sharing in the returns they make. 2013 brought several breakthroughs in our partnering portfolio.

The partnerships involve the use of Evolva's technology platform to develop new products as well as new production methods for existing products. We expect R&D partnerships to contribute the majority of revenues in the next few years. However we also expect to gradually build an additional and, ultimately, primary revenue base through the commercialisation of our products. More information on our existing partnerships is available in the 2013 annual report and in the section 'Products', above.

Personnel

As of 31 December 2013, the total headcount of Evolva amounts to 103 full-time employees (2012: 82), of which 80 (2012: 61) are directly involved in R&D activities while the remaining staff are employed with managerial, commercial and administrative tasks.

In February 2013, Evolva announced that Norbert Bender, Chief Medical Officer, would leave the company. In line with the shift in strategy towards ingredients for health, wellness and nutrition, Evolva did not hire a new CMO. In April 2013, Professor Dr. Jutta Heim announced her decision to step down as Chief Scientific Officer. She remains involved as an advisor to Evolva, and was elected to the Board of Directors in May 2013. Jutta was succeeded as CSO by Dr. Jørgen Hansen, who has run Evolva's Danish research team for the last eight years, during which time he has been in particular responsible for the vanillin and stevia projects.

Share Performance

The Evolva share showed a strong performance in 2013. The share price ended the year at CHF 0.99 versus CHF 0.36 at the end of 2012. Liquidity jumped as well; on average, 1.1 million shares were traded per day in 2013 (2012: 0.2 million). With the strong increase in the share price during 2013, daily trading in value (CHF) increased even more strongly.

Financial review

Key financials

CHF million (IFRS, consolidated)	2013	2012 ¹⁾
Revenues	8.7	7.0
Research & Development costs (R&D)	-18.9	-19.5
Selling, General & Administrative costs (SG&A)	-7.5	-7.5
Net result	-16.2	-16.6
Equity financing	33.8	1.9
Cash and time deposits at end of period	29.3 ²⁾	9.1
Net cash flow	+20.1 ²⁾	-13.4
Equity at end of period	83.3	60.5
Earnings per share (CHF)	-0.07	-0.09

1) Some 2012 numbers have been restated based on an accounting change.

2) Time deposits exceeding 3 months amount to CHF 3.5 million at year-end.

Overview

Overall, Evolva experienced a positive financial development in 2013 in line with the guidance provided in August 2013. Revenues increased by 24%, operating costs declined by 2%, cash flow from operations and investments improved slightly and the company raised almost CHF 34 million in fresh equity. In February 2014, the company raised an additional c. CHF 41.0 million (after costs) via a private placement. Against this background, the company is well positioned to progress both existing and new projects through research and development towards commercialisation.

Income statement

Total revenues increased by 24% to CHF 8.7 million from CHF 7.0 million in 2012. About 90% of total revenues came from R&D partnerships with three global suppliers of ingredients (IFF, Ajinomoto and Roquette). Evolva generated its first license income from the out-licensing of EV-077 to Serodus. In addition, the company had revenues from several research projects funded by the EU and national institutions. Total R&D expenses declined from CHF 19.5 million to CHF 18.9 million, partly because the company no longer had clinical activities in 2013. More than 50% of the R&D expenses in 2013 related to projects where a partner (e.g. IFF or Ajinomoto) funds part of the activities, either through research fees and milestone payments or through a financial participation. Expenses for Evolva's proprietary products (e.g. resveratrol) increased significantly during 2013 as the projects moved into more expensive development stages. The company increased its R&D staff in the second half of 2013 which will be reflected in higher R&D expenses in 2014.

Selling, general and administrative expenses (SG&A) amounted to CHF 7.5 million, the same as in 2012. Some two-third of this amount is related to personnel expenses and options charges for management, board and administrative staff, while the rest covers business development, investor relations, financing and general administrative expenses.

The company incurred non-cash expenses of CHF 2.2 million in 2013 for its incentive option plans, compared with CHF 3.3 million in 2012. Net financial items were negative by CHF 0.3 million in 2013 compared with a gain of CHF 1.9 million in 2012, which was due to an exceptional gain related to the earn-out arrangement for Abunda.

Balance sheet and cash flow

Total assets increased to CHF 105.3 million at year-end 2013 (2012: CHF 90.4 million) reflecting the significant increase in the cash balance to CHF 29.3 million (2012: CHF 9.1 million). This includes CHF 3.5 million placed in bank deposits between three and six months which is therefore not categorised as “cash and cash equivalents” in the financial statements.

The operating cash outflow declined to CHF 12.5 million (2012: CHF 13.4 million), largely due to the increase in revenues in 2013. Investments in new equipment grew by CHF 0.3 million as the company acquired additional fermentation equipment.

Total cash inflow from financing amounted to CHF 33.4 million (2012: CHF 0.6 million), of which CHF 31.3 million represent gross proceeds from the share issue in March 2013. Proceeds from SEDA financing increased to CHF 3.6 million (2012: CHF 1.9 million) as the increased share trading volume during 2013 allowed the company a more active use of the SEDA instrument.

CHF 1 million in restricted cash was used for the partial repayment of a mortgage loan.

Total liabilities declined significantly to CHF 22.0 million (2012: CHF 29.9 million). This was due to a release in deferred tax liabilities, the waiver of redemption rights by the minority investors in Evolva India and the partial repayment of the mortgage loan.

Reflecting the increase in assets and the reduction in liabilities, equity strengthened significantly to CHF 83.3 million at the end of 2013 (from CHF 60.5 million at year-end 2012).

Outlook 2014

The company expects revenues in 2014 to exceed CHF 10 million (2013: CHF 8.7 million).

The net cash outflow from operating and investing activities is expected to increase to CHF 16-18 million (2013: CHF 13.3 million) due to the progress of our key products (in particular stevia and resveratrol) as well as the expansion of our scale-up capacity, as announced in February 2014.

After the financing in the first quarter of 2014, the company is well capitalised. Taking into account the projected cash flow from operations and investment, the company expects the cash position (incl. time deposits) at the end of 2014 to exceed CHF 50 million.

Annual General Meeting of shareholders 23 May 2014

On 1 January 2014, the “Ordinance against Excessive Compensation at Public Corporations” (“the Ordinance”; Swiss abbreviation “VegüV”) came into force, prompting substantial changes to the requirements for corporate governance at listed companies headquartered in Switzerland. Although the implementation of the Ordinance can be spread over a two-year period, Evolva has decided to implement almost all of its provisions already in 2014.

One of the provisions requires listed companies to provide an annual Compensation Report to the shareholders. Evolva already did so in 2013 and does so again in this year’s annual report. The Board of Directors (BoD) will submit the Compensation Report to a consultative vote in the Annual General Meeting of shareholders (AGM) in May 2014. In the same AGM, the BoD will propose various changes to the compensation policy based on a) discussions with Evolva’s shareholders and their proxy advisors and b) the new legal framework in the Ordinance.

– Ends –

Press/analyst conference call at 10.00 AM CET on 8 April 2014

Neil Goldsmith, CEO and Jakob Dynnes Hansen, CFO, will present the results in a conference call for media and analysts. The call will be accessible via dial-in.

The dial-in numbers:

+41 (0)58 310 50 00 (Europe)

+44 (0)203 059 58 62 (UK)

+1 (1)631 570 5613 (USA)

A replay will be available as a podcast for 2 weeks after the call. The link to the podcast will be posted on Evolva’s website.

The news release, annual report and Powerpoint presentation are available on the [website](#).

About Evolva

Evolva is a pioneer and global leader in sustainable, fermentation-based approaches to ingredients for health, wellness and nutrition. Evolva's products include stevia, vanilla, saffron and resveratrol. As well as developing its own proprietary ingredients, Evolva also deploys its technology for partners, providing them with a competitive edge and sharing in the returns they make. For more information see www.evolva.com.

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