

Evolva acquires resveratrol programme from Fluxome

Evolva gains first on-market product, consolidates technology strengths

Associated reprioritisation of Evolva's development portfolio

Reinach, Switzerland, 29 November 2012

Key highlights:

- Evolva acquires resveratrol – an on-market high value ingredient made by yeast fermentation
- Product expected to make a positive contribution to Evolva's cash flow starting 2014
- Consolidates Evolva strengths in yeast fermentation technologies and capabilities
- Non-binding investor commitment to fund resveratrol activities for next 18 months
- Transaction supports financing round - expected to complete Q1 2013
- Evolva streamlines portfolio – internal focus on vanilla/resveratrol and stevia/saffron pathways

Neil Goldsmith, CEO of Evolva said. *"We see this as a highly attractive asset acquisition on terms that work well for Evolva shareholders. Resveratrol is an on-market functional ingredient that perfectly fits our focus area of health, nutrition and wellness. It has particular benefits in areas such as vascular inflammation, an area of great interest to many companies and one we understand well given our knowledge from EV-077. Like our current product portfolio, resveratrol is produced by fermentation in yeast, and there are many technical similarities to our successful vanillin program. This added product significantly advances Evolva's portfolio and we expect significant operational and technical synergies from this transaction."*

About resveratrol and the transaction

Resveratrol is a natural compound produced by grapes, among others. It is associated with some of the documented health benefits of red wine, in which it occurs at low concentrations. It is a potent antioxidant that has been shown to have beneficial effects against several health conditions related to ageing.

Fluxome Science A/S (Fluxome) is a private Danish company established in 2002 based on the work of Professor Jens Nielsen, a world renowned pioneer of metabolic engineering. Fluxome has been developing nutritional ingredients, notably resveratrol and certain poly-unsaturated fatty acids, using metabolic engineering and yeast fermentation methods which are synergistic to the Evolva platform.

Fluxome's resveratrol is a 98% pure, natural trans-resveratrol. It is contaminant-free and has no noticeable taste, colour or odour. It is used in a variety of dietary supplement products as well as in chewing gums, beverages and anti-ageing moisturising creams. It has self-affirmed GRAS (Generally Regarded As Safe) status in the USA and is European Novel Foods approved. However, due to high production costs and selling price, market uptake was slower than anticipated, ultimately bringing Fluxome in a distressed financial position.

According to a 2012 Frost & Sullivan report, sales of resveratrol at an ingredient level (for all applications) were c. USD 50 million in 2011, with double digit growth rates expected. Low purity Japanese Knotweed extracts, primarily from China, dominate the market. One company markets a synthetic product.

Evolva has agreed to acquire all of Fluxome's scientific and technical assets related to resveratrol and hire a small number of its employees, integrating the programme into Evolva's Danish operations. Evolva will not take over Fluxome's US sales and marketing organisation but will instead focus on working with distributors and major consumer goods companies to drive sales of the product, including in Asia. The transaction does not include Fluxome's poly-unsaturated fatty acid programme. Evolva expects to leverage its own technologies to reduce manufacturing costs and further enhance the competitive advantages of Fluxome's resveratrol.

As payment for the assets, Evolva will:

- Make an upfront payment of CHF 0.25 million in cash and provide 1.077 million Evolva shares (0.6% of currently issued capital);
- Pay up to CHF 0.8 million in cash and/or shares over the next 12 months; and
- Pay a single digit percentage royalty on resveratrol sales until cumulative resveratrol sales by Evolva reach c. CHF 65 million - after which point, no more royalties will be due.

Copenhagen Life Science Advisors assisted in the preparation and execution of the transaction between Fluxome and Evolva.

Other consequences of the transaction

As a consequence of this transaction, Evolva is reprioritising activities on its existing pipeline.

Evolva will focus internal resources on:

- High value ingredients deriving from the **phenylpropanoid** pathway, notably resveratrol and vanillin, with additional products expected to reach market from 2016 onwards;
- High value ingredients deriving from the **isoprenoid** pathway, notably stevia and saffron, with additional products expected to reach market after 2016.

Activities on other pathways will continue where supported by partners. Evolva will also continue to advance its glycosylation and function-led discovery platforms.

Phenylpropanoid pathway (vanillin, resveratrol and related products)

Vanillin remains on track for launch in late 2013 or early 2014. Pilot scale production is expected to commence in January 2013. This involves increasing the scale of production to c. 10,000 litres. After successful completion of this stage, the product would be ready to progress into commercial production. Evolva expects to provide further information on partnering of vanilla in the first quarter of 2013.

Evolva's development of vanillin and resveratrol will pave the way to the commercialisation of a number of other ingredients that derive from the same metabolic pathway. Total sales of such ingredients are estimated to amount to several hundred millions of dollars per annum and include additional vanilla flavour compounds as well as ingredients with completely different properties (for example the active principles of turmeric and ginger, as well as certain high intensity sweeteners and pharmaceutical active ingredients or intermediates). For some of these products Evolva has already developed strains with commercially attractive yields. The first products other than resveratrol and vanillin could be on market in 2016.

Isoprenoid pathway (stevia, saffron and related products)

Evolva's stevia and saffron products remain on track for launch in 2015 and 2016 respectively. Results on stevia to date confirm that Evolva's innovative and sustainable fermentation technology allows manufacturers much greater flexibility in the creation of great tasting natural low calorie consumer products at competitive prices. Evolva is in active partnering discussions on stevia with major companies in the nutritional ingredients sector and expects those discussions to conclude in the near future. Certain additional high value ingredients (flavour and fragrance molecules, high intensity sweeteners and active pharmaceutical ingredients) that derive from this pathway are expected to be launched after 2016.

Other products

This refocusing means Evolva will now exploit the Pomecin family of antifungals in collaboration with partners, with only limited further investment by Evolva in the Pomecins beyond their current stage. A number of early-stage discussions are in progress. In addition and as previously announced, the further development of EV-077 (Phase II compound for diabetic complications) and EV-035 (pre-clinical antibiotic) will be via means of partnering or a spin out of these programmes. We expect such activities to complete in the next 12 months.

Financial update

Applying IFRS standards, revenues in 2012 are expected to reach c. CHF 7 million, slightly lower than the earlier indicated range of CHF 8-10 million in 2012 (2011: CHF 11 million). Based on current partnering discussions, we expect revenues in 2013 to increase significantly relative to 2012.

We maintain our expectation of a net loss for 2012 at the same level as in 2011 (CHF 22.9 million) and a net cash outflow for 2012 of approximately CHF 13 million (2011: CHF 17.5 million). This includes the impact of the resveratrol acquisition. Based on the current cash position and the above projections, Evolva expects to be financed through year-end 2013 without further financing.

In late August 2012, Evolva announced its plan to raise CHF 10 – 20 million in new equity. We, and our financial advisors, are in active discussions with potential investors regarding financing and expect to complete the transaction in the first quarter of 2013. We have received a non-binding investor commitment to fund the resveratrol activities for the next 18 months.

- Ends -

About Evolva Holding SA

Evolva's mission is to discover and provide **innovative, sustainable ingredients for health, nutrition and wellness**. Evolva uses biosynthetic and evolutionary technologies to create and optimise small molecule compounds and their production routes. For more information see www.evolva.com.

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