

### Evolva's first half results show higher revenues and a strong balance sheet.

#### First products on market.

**Reinach, Switzerland, 2 September 2014 – Evolva Holding SA** (SIX: EVE) today announces its financial results for the period 1 January to 30 June 2014. The condensed half-year accounts are available on [Evolva's website](#).

#### Key highlights of 2014 to date:

- Our vanillin product, partnered with IFF, is on market
- Commercial scale production of resveratrol has been completed, with the official launch in October
- Good progress on our R&D projects, with milestone payments received from Roquette and Cargill
- New partnership with L'Oréal
- Strengthened management team with an experienced Sales & Marketing executive

#### Financial:

- Increase in revenues, costs under control, strengthened cash position
- CHF 42.5 million raised in an oversubscribed private placement in the first quarter
- Cash position at 30 June 2014: CHF 61 million

**Neil Goldsmith**, CEO of Evolva said, "Evolva has reached a proud moment in its ten year history as we now have our first products on market: vanillin and, later this year, resveratrol. Whilst we stay with a strong commitment to R&D, we are now progressively building a portfolio of products. We are also evolving the company to reflect this change, and expanding our teams in manufacturing and marketing. We are today announcing the promotion of Luc Gruner to our management team with overall responsibility for Sales & Marketing. Luc has been with Evolva for four years and has been a driving force behind several of our commercial deals."

**Jakob Dynnes Hansen**, CFO, commented, "Evolva's financials developed in line with the guidance we provided in April this year. We are particularly pleased with the successful capital increase of the first quarter, which brought us CHF 42.5 million in fresh funds. This puts us in a strong position to bring our product portfolio forward, including potentially exercising our option to have a 45% position alongside Cargill on stevia."

## Operational Review

### Products

Evolva's [fermentation-based technologies](#) allow the improvement of the production and the properties of a wide range of natural ingredients that are used in food, beverage, cosmetic, consumer health and pharmaceutical products.

### Vanillin

Evolva and IFF successfully completed pre-production in early 2014 – the last stage of testing ahead of large-scale production. Commercial batches have been produced and IFF has started the launch process by presenting the material to flavorists and application teams worldwide. IFF expects first revenues in the second half of 2014 which is expected to translate into first revenues to Evolva in 2015. Evolva and IFF are continuing to work together. Evolva will also pursue those application areas for vanillin that it has not partnered with IFF.

### Resveratrol

Evolva has successfully optimised and scaled up the fermentation process, achieving competitive production costs that allow for a commercial launch at the Supply Side West Expo in Las Vegas on 6-9 October 2014. Evolva's *trans*-Resveratrol is a high-purity (>98%) product, free of pesticides and emodin. It is the only resveratrol product made entirely by fermentation using natural and sustainable feedstocks which ensures a stable supply chain. A contract manufacturer in North America is producing commercial batches of the final product and first deliveries have been received. Work on further reducing production costs will continue post-launch. Discussions with a global network of distributors are ongoing to accelerate sales post-launch.

### Stevia

Evolva and Cargill are co-developing efficiently and sustainably produced stevia sweeteners with significant taste, supply chain, and cost advantages over stevia from the leaf. This breakthrough will allow consumers worldwide to enjoy products sweetened with great-tasting stevia. In May, Evolva announced the achievement of a key technical project milestone, prompting Cargill to make a payment of USD 1 million to Evolva. In August we announced the publication of a patent application on Rebaudioside M ("Reb M") and other stevia sweeteners. Some of the best tasting and sweetest parts of the stevia leaf, such as Reb M, make up only a tiny portion of the leaf (less than 1%). The ability to make Reb M via fermentation greatly widens the potential for stevia sweeteners and is a key point of commercial differentiation. Based on current plans and expectations, the first stevia products are expected to be available for launch in 2015/2016.

## **Saffron**

Production routes are being progressively optimised to improve the yields of the various saffron ingredients. Various sensory studies were successfully conducted, including very positive data on the taste profile of picrocrocin (one of the three main components of the saffron spice). Initial discussions took place with several potential customers, with encouraging feedback.

## **Agarwood**

In June, Evolva announced a collaboration with Universiti Malaysia Pahang in connection with the establishment of a scientific Centre of Excellence for natural products as part of the Flavor and Fragrance Cluster in the state of Pahang. The first programme at the Centre will focus on the production of agarwood fragrances via yeast fermentation. The development of a range of agarwood ingredients by fermentation will allow Malaysia to significantly widen the sustainable use of agarwood worldwide, and Evolva will share in the commercial benefits of this development.

## **Pomecin™**

Pomecins™ are antifungal 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 granted an option to license Pomecins™ to PI Industries Ltd., a listed Indian agricultural and chemical company. This partnership is not expected to generate significant revenues in the near term.

## **Legacy products**

Evolva continues to pursue options to partner its remaining pharmaceutical projects in line with its strategy of focusing on high value ingredients for health, wellness and nutrition. Evolva is in active discussion with potential partners, which may lead to further steps in this strategic direction.

In August 2014, Evolva entered into a contract with the US Defense Threat Reduction Agency (DTRA) for preclinical development of GC-072 for the treatment of Melioidosis. DTRA will fund USD 6.5 million for the first 15-month stage and up to an additional USD 8.6 million if the two remaining stages (2 years) are executed. GC-072 is the lead compound of Evolva's **EV-035** series.

## **Partnerships**

**Evolve has, and intends to maintain, partnerships based on our technology and research capabilities – deploying our technology to provide a competitive edge to partner companies and sharing in the returns they make. The first half of 2014 saw excellent progress in our partnering portfolio, in particular with a new partnership with L’Oréal and the achievement of a key milestone in the Roquette project.**

Evolve continues to explore additional product development collaborations with other companies, and expects this to translate into two-three new or expanded collaborations per year. At the same time, in line with its long term strategy, Evolve will only enter collaborations that have the potential to provide Evolve with product-derived revenues. Accordingly we recently terminated discussions on a potentially sizeable collaboration where the potential partner envisaged only a contract research role for Evolve.

The **Roquette** project aims to find novel and optimised biosynthetic production routes for an ingredient with important applications in food products. It is progressing well and we received a second milestone payment in March 2014.

The project with **Ajinomoto** is progressing according to plan, as are the various programmes funded by the EU and the Danish government.

In February 2014 Evolve signed a collaboration agreement with **L’Oréal** for the co-development of novel biosynthetic production routes for an ingredient with broad applications in the cosmetics industry.

Part of the work done on the **BASF** project was published in an article on the biosynthesis of certain alkaloids in yeast in the scientific journal *Microbial Cell Factories* in August 2014.

## **Support of Biodiversity and Science Education**

Since Evolve uses nature, and information obtained from nature, to develop and make products, we believe we have an obligation to give something back. 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 we earmark 1% of product-derived revenues to support both the conservation of biodiversity and basic science education in poorer countries.

Evolve is also participating in an Australian-Danish initiative to help the koala, by learning more about its diet and in particular how it metabolises terpenoids that are present in eucalyptus leaves, its main food source. We believe our technology and expertise can make a contribution to this academic initiative; however we may also gain knowledge from it that could benefit our development of terpenoid products such as stevia and saffron.

## Personnel

At 30 June 2014, Evolva's total headcount amounted to 108 full-time employees (year-end 2013: 103), of which 80 (year-end 2013: 80) are directly involved in R&D activities while the remaining staff are employed with managerial, commercial and administrative tasks.

In August 2014, Evolva announced the acquisition of Cambridge, UK based Prosarix Ltd., a leading *in silico* (computational) modelling company focusing on small molecule identification, design, biosynthesis and function. This has added three people to the headcount.

Luc Gruner has been appointed to the new position of Chief Sales & Marketing Officer. Luc joined Evolva in 2010 and has a broad background in sales/marketing, strategic planning and business development. He has been instrumental in acquiring and managing several of our partnering projects. During his career he has held senior sales and management positions in both biotechnology and specialty chemicals companies (including Bim Kemi, Hercules & WR Grace). Luc has a PhD in Physical Chemistry and an MBA from INSEAD.

## Share Performance

The Evolva share showed a strong performance in the first half of 2014. The share price moved from CHF 0.99 at year-end 2013 to CHF 1.40 at the end of June 2014. Liquidity jumped as well, 3.3 million shares were traded per day in the first half of 2014 (FY2013: 1.1 million shares). 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 (condensed IFRS, consolidated)	January - June 2014	January - June 2013
Revenues	5.0	4.0
Research & Development costs (R&D)	-11.5	-9.6
Selling, General & Administrative costs (SG&A)	-4.3	-3.4
Net result	-10.6	-8.7
Earnings per share (CHF)	-0.04	-0.03
Cash flow from operations	-9.4	-7.3
Equity financing (including SEDA and option exercise)	42.7	30.6
	<b>30 June 2014</b>	<b>31 Dec. 2013</b>
Cash and time deposits	61.0	29.3
Equity	116.1	83.3

## **Overview**

Evolva's finances for the first half of 2014 reflect the strong progress both within the Company's partnerships and in the development of its own pipeline. Revenues increased by 25%, operating costs increased primarily due to additional investments in the stevia and resveratrol projects and our cash position was strengthened through a share placement in February.

## **Income statement**

Revenues in the first six months of 2014 increased by 25% to CHF 5.0 million from CHF 4.0 million in the first half of last year. About 91% of revenues came from research fees and milestone payments from our corporate partners, i.e. Cargill, IFF, Ajinomoto, Roquette and L'Oréal. The remaining revenues were generated from several research projects funded by the EU and national institutions. As stated in April 2014, IFF has started the roll-out of our vanillin product which is expected to translate into revenues to Evolva starting from 2015.

Total R&D expenses increased to CHF 11.5 million from CHF 9.6 million in the first half of 2013. 58% of the total R&D spend is related to our own products, up from 43% last year, due to the progress of stevia and resveratrol. This is also seen in an increase in the R&D headcount by 29% to 80 employees on 30 June 2014. The increase in SG&A expenses is partly due to expanded activities within Sales and Business Development. Furthermore, board and management compensation was unusually low in the first half of 2013 when cash fees were partially replaced by options under a one-time cash-saving programme. Overall, 32% of operating expenses were covered by revenues, marginally up from last year.

## **Balance sheet and cash flow**

Total assets increased to CHF 136.8 million at 30 June 2014, from CHF 105.3 million at year-end 2013. This was primarily caused by the significant increase in the cash position (including time deposits) to CHF 61.0 million from CHF 29.3 million at year-end, as a result of the equity financing in the first quarter.

The operating cash outflow increased to CHF 9.4 million (first half 2013: CHF 7.3 million) due to the higher net operating loss. Investments (capex) amounted to CHF 0.5 million, primarily related to purchase of new R&D equipment. Cash inflow from equity financing (including SEDA and option exercise) increased to CHF 42.7 million (first half 2013: CHF 30.6 million) mainly driven by the share placement in the first quarter. In this transaction, the company placed 31 million newly issued shares at a price of CHF 1.37 with a group of Swiss and international investors. The placement was oversubscribed and significantly broadened Evolva's institutional shareholder base.

## **Outlook 2014**

Evolva expects revenues in 2014 to reach at least CHF 10 million (2013: CHF 8.7 million).

The cash outflow from operations is expected to increase to CHF 17-19 million (2013: CHF 12.5 million). In addition the cash outflow from investment in property, plant and equipment is projected at CHF 2.6 million, of which about CHF 1.1 million is financed through leasing. Most of this investment is on establishing scale-up and downstream processing capabilities and on additional analytical chemistry equipment to speed-up our stevia development programme. The above guidance for cash outflow from operations and investment exceeds our previous forecast, the increase being triggered by the good momentum that we see in our business. Carefully targeted spending on research, equipment and IP should further strengthen our leading position in what is becoming an area of strong interest to many companies.

Taking into account the projected cash flow from operations and investments, Evolva expects the cash position (incl. time deposits) at the end of 2014 to be around CHF 50 million.

The above outlook does not take into account the financial implications of the potential acquisition. This transaction will increase Evolva's cash outflow for 2014.

## **Update on possible acquisition**

In February 2014 Evolva announced that it was exploring the potential acquisition of a company with complementary products and processes. The discussions have progressed over the past six months, but will only ultimately be pursued if Evolva's Board of Directors is convinced that the transaction terms add value for our shareholders.

- Ends -

## **Press/analyst conference call at 10.00 AM CET on 2 September 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.

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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, condensed interim accounts 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](http://www.evolva.com). Questions about our fermentation approach? Have a [look at our video](#)

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