

Evolva publishes financial results for 2014

31 March 2015 – Evolva (SIX: EVE) today announces its financial results for the period 1 January to 31 December 2014. The annual report is available on [Evolva's website](#).

Key highlights of 2014 and early 2015:

- Successful launch of our resveratrol product
- New collaborations with L'Oréal, Takasago and Universiti Malaysia Pahang
- Milestones on our Roquette, L'Oréal and Cargill (stevia) collaborations
- Completion of our refocus towards ingredients, with the sale of the EV-035 series to Emergent
- Broadening of our pipeline and capabilities with the acquisition of Prosarix and Allylix
- Expansion of our capabilities in scale-up, production management and marketing
- Market launch of our fermentation-derived vanillin ingredient by IFF
- Start of a second project with Cargill

Financial highlights:

- Raised CHF 46.9 million in several steps, further strengthening our capital base
- Revenues up 23% to CHF 10.7 million

Neil Goldsmith, CEO of Evolva said, "Evolva is progressively evolving from pure R&D to being an innovative developer and brewer of high-value speciality ingredients. The launch of resveratrol as our first product in 2014 was a key step in this process, as was the commercialisation by IFF of vanillin. The evolution is also reflected in the build-up of competencies in areas ranging from production management to sales and marketing."

Jakob Dynnes Hansen, CFO, commented, "Evolva's financials showed a positive trend in 2014. Not only were revenues up by 23%, the cash position was also strengthened by the financing in February 2014 and the Cargill investment in December. We have two products on market today and two more following soon, which should lead to product sales making a first noticeable contribution to our top line this year."

Operational Review

Products (and partnerships)

Evolva's fermentation-based technologies allow a wide range of natural ingredients to be made in a better way. Typically such ingredients are used in food, drink, cosmetics and personal care, consumer health, household products, pharmaceuticals and agriculture.

Since 2010 (when we commenced our current business focus) Evolva has built a significant pipeline of such ingredients, with everything being made in yeast. For some ingredients we have financed all the work ourselves, for others we have collaborated with partners, whilst yet others have come via acquisition.

In 2014 we achieved the very significant milestone of having our first products on market.

In previous years we split the product and partner sections. However, as our pipeline and partnerships have matured, and given that we often have significant marketing or other rights to even our partnered products, this distinction has become increasingly artificial. Hence as of this year we are combining these two sections into one. Product names in *italics* are code words for undisclosed products. Additional undisclosed ingredients are in internal development.

Resveratrol

In 2014 Evolva successfully scaled up manufacture, making commercial product via a contract manufacturer in North America. Evolva launched resveratrol at the Supply Side West Expo in Las Vegas in October, making it Evolva's first commercial product. Several distributor agreements were signed, with focus on dietary supplements. Sales and interest met expectations.

In 2015 we intend to sign additional distributors and widen both the geographic and product range that our resveratrol is sold into. Evolva will also continue to work on getting regulatory approval for Evolva's resveratrol in countries outside North America and Europe. Evolva's resveratrol will be showcased at major food ingredient events, with an initial focus on our current main markets, the EU and US. We will continue to develop data on resveratrol working with the clinical and academic community, and to work on improving the manufacturing efficiency of the product.

Vanillin

The development of vanillin was successfully completed during 2014, and since mid-2014 IFF has been commercialising the product. Evolva is due milestone payments from IFF upon the achievement of certain sales volumes, as well as a share of IFF's gross profits, paid in the form of royalties. Evolva will also potentially pursue aspects of vanillin that it has not partnered with IFF.

Nootkatone

Nootkatone formed part of the product portfolio of Allylix, which was acquired by Evolva in December 2014. As such Evolva did not have any activities on nootkatone in 2014, though Allylix conducted active research and development on nootkatone during the year.

In 2015 Evolva expects to sell nootkatone into flavour and fragrance applications. In addition Evolva is actively exploring opportunities for the development, registration and commercialisation of nootkatone in the pest control market. Work will also continue on further optimising the manufacturing process.

Valencene

Valencene formed part of the product portfolio of Allylix, which was acquired by Evolva in December 2014. As such Evolva did not have any activities on valencene in 2014, though Allylix conducted active research and development on it. In 2015 Evolva will commercialise valencene alongside nootkatone.

Stevia

Stevia represented Evolva's largest research program during 2014. Good progress was made throughout the year on strain development, product purification and production scale-up. Highlights included:

- In May, Evolva announced the achievement of a key technical project milestone, prompting Cargill to make a payment of USD 1 million to Evolva.
- Evolva received its first granted patent relating specifically to its stevia products. We believe this is a positive indication of many more patent grants to come.
- In December, Evolva acquired Allylix Inc, in large part because Evolva believes Allylix technologies will help drive the future cost-effectiveness of stevia production fermentation. Cargill supported this acquisition by investing USD 4 million in Evolva.

During 2015 work will continue on driving stevia towards launch, which is expected to be in 2016. Evolva expects to decide on its 45% participation in the stevia business in the first half of 2015. Evolva expects that it will receive further milestone payments from Cargill during 2015.

As we look ahead at fermentation-derived stevia scale-up, the focus will start to shift, as is the case with any new sweetener product under development. Cargill and Evolva will be focusing on things like taste optimisation, manufacturing preparation, the product safety testing that will be needed for regulatory protocols, and sales & marketing outreach.

Saffron

In 2014 we further optimised production of the various saffron ingredients. Various sensory studies were successfully conducted, including very positive data on the taste profile of specific ingredients. Initial discussions took place with several potential customers, with encouraging feedback.

In 2015 we intend to focus on the regulatory filing with the necessary studies to meet approval requirements. We also intend to evaluate key applications for saffron consumer requirements. Evolva expects fermentation-derived saffron to be available for commercial launch in 2016.

Ruby

“*Ruby*” is a family of structurally related ingredients with applications in food, personal care and other markets. In 2012, Evolva partnered a specific ingredient within the *Ruby* family with **Roquette** (Lestrem, France). The partnership involves pathway creation, strain improvement and scale-up. Roquette has exclusivity for certain ingredients within the *Ruby* family, whilst Evolva retains rights to the rest. The partnership has progressed well, with all milestones achieved on or ahead of plan. In 2014 Roquette paid Evolva research fees and a milestone payment. Evolva’s work on the collaboration is expected to complete in summer 2015, with Evolva due a one off payment dependent on the commercial value of the specific ingredient. Thereafter Evolva’s revenues will come from commercialising those *Ruby* family ingredients that it retains rights to.

Sandalwood

The high cost of East Indian sandalwood oil and the lack of a stable supply of the material have forced the industry to replace it with synthetic substitutes and with Australian sandalwood oil (*Santalum Spicatum*). Unfortunately, Australian sandalwood oil is not only in short supply but does not have the odour quality of EI sandalwood oil due to its lack of beta-santalol. This opens an opportunity for Evolva to produce alpha and beta santalol by fermentation. Alpha and beta santalol will find use in sandalwood oil replacement formulations, as a sandalwood oil extender and as stand- alone fragrance ingredients.

Agate

“*Agate*” is a family of structurally related ingredients with applications in personal care. In 2013 Evolva partnered a subset of the *Agate* family with **Ajinomoto** (Tokyo, Japan). The partnership involves pathway creation and strain improvement. Ajinomoto has exclusivity for this subset of *Agate* ingredients. The project, while challenging has progressed to the point of providing Ajinomoto a go-to market solution. In 2014 Ajinomoto paid Evolva research fees and this is expected to also be the case in 2015. If Ajinomoto commercialises its *Agate* ingredients, Evolva is due royalties. Evolva also expects to earn revenues from commercialising those *Agate* family ingredients that it retains rights to.

Opal

“*Opal*” is a family of structurally related ingredients with applications in cosmetics and other markets. In February 2014, Evolva partnered *Opal* with **L’Oréal** (Paris, France). The partnership involves pathway creation, strain improvement mainly done by Evolva and application testing mainly done by L’Oréal. L’Oréal has exclusivity for *Opal* within cosmetics, whilst Evolva retains rights to other markets.

The partnership has progressed well, with all milestones achieved on or ahead of plan. L’Oréal is already performing the initial testing. In 2014 L’Oréal paid Evolva research fees, as well as a milestone payment in early 2015. Work on *Opal* is expected to continue during 2015. Given success in bringing *Opal* to market, Evolva’s long term revenues are expected to derive from the L’Oréal collaboration in cosmetics and from Evolva commercialising *Opal* ingredients outside cosmetics.

Agarwood

In June 2014, and with the support of the Malaysian Government, Evolva partnered with **Universiti Malaysia Pahang** (Pahang, Malaysia) to establish a scientific centre of excellence for Malaysian natural products, with an initial focus on agarwood. The project is still at an early stage, but has commenced well.

Coral

“*Coral*” is a family of structurally related ingredients with applications in food and beverages. In January 2015, Evolva partnered *Coral* with **Cargill** (Minneapolis, USA), representing the second collaboration between the two companies. The partnership is modelled on our stevia collaboration with Cargill, although *Coral* is unrelated to stevia. Evolva and Cargill will share costs. The project is still in its early stages.

Tourmaline

“*Tourmaline*” covers several ingredients with broad applications in flavours and fragrances, as well as other markets. In December 2014, Evolva entered a binding term sheet on certain *Tourmaline* ingredients with **Takasago** (Tokyo, Japan). Takasago has exclusivity for certain *Tourmaline* ingredients as flavours and fragrances and selected additional markets. The final agreement is expected to be signed shortly.

Evolva will have primary responsibility for research and development, scale-up and manufacturing while Takasago will have primary responsibility for regulatory approvals and commercialisation in flavours and fragrances. Evolva and Takasago will share equally the costs and returns from *Tourmaline*, with Takasago paying Evolva research fees during 2015. The collaboration could result in commercially viable products in 3-5 years. Given success in bringing the Takasago collaboration ingredients to market, Evolva’s long term revenues are expected to derive from the supply of these ingredients to Takasago for commercialisation in its exclusive markets and from either party commercialising these ingredients outside the Takasago area.

Beryl

“*Beryl*” is a family of natural products made by certain filamentous fungi. Some are of potential use in crop protection whilst others are of interest as pharmaceuticals. In 2011, Evolva entered a partnership with **BASF** (Ludwigshafen, Germany) to develop a fermentation route to certain *Beryl* products for use in crop protection. BASF paid Evolva upfront and research fees. In 2013, Evolva successfully completed its initial part of the collaboration by transferring a strain to BASF. Since then BASF has been doing research to commercially qualify the products. If BASF’s products reach market, then Evolva is due royalties from BASF. In addition, Evolva may potentially earn revenues from other *Beryl* products. Some of the research performed in this collaboration was published in *Microbial Cell Factories* in August 2014. Other aspects were published in *Angewandte Chemie* in February 2015.

Legacy products

Until 2010, Evolva was focused on the discovery and development of novel pharmaceuticals. Since then, Evolva has refocused onto its current business model. As a result three legacy products (EV-077, EV-035 and Pomecins) have been out-licensed or sold. Evolva still has certain success positions on these products.

Personnel

At year-end 2014, Evolva’s total headcount amounted to 144 full-time employees (year-end 2013: 103), of which 116 (year-end 2013: 80) were directly involved in research, development and manufacturing, while the remaining staff are employed with managerial, commercial and administrative tasks. The increase in staff is mainly caused by the acquisition of Allylix, Inc. in the USA which lifted the headcount by 32 people, comprising primarily research and development staff but also some commercial staff.

In September 2014, Evolva’s management team was strengthened by the appointment of Luc Gruner to the new position of Chief Commercial Officer. In addition, Evolva is today announcing the appointment of Simon Waddington to the new position of Chief Operating Officer, Products. Simon Waddington has been on the Group Management Team since 2011, with responsibility for Evolva’s US operations. He will in future also have overall responsibility for taking products from development through production to the delivery at the warehouse.

Share Performance

The Evolva share showed a positive performance in 2014, increasing by 33% to CHF 1.32. Liquidity jumped as well; on average, 2.3 million shares were traded per day in 2014, more than twice as many as in 2013. With the strong increase in the share price during 2014, daily trading in value (CHF) increased even more strongly. During 2014, the number of shares outstanding rose from 242.8 million to 327.6 million. The acquisition of Allylix and the share placing in February were the main drivers. In addition, 1.8 million shares were issued due to option exercise.

Financial review

Key financials

CHF million (IFRS, consolidated)	2014	2013
Revenues	10.7	8.7
Research & Development costs (R&D)	-23.0	-18.9
Selling, General & Administrative costs (SG&A)	-9.8	-7.5
Production costs	-1.1	-
Net result	-21.8	-16.2
Earnings per share (CHF)	-0.08	-0.07
Equity financing (including SEDA and option exercise)	46.9	33.8
	31 December 2014	31 December 2013
Cash and time deposits	60.7	29.3
Equity	175.0	83.3

Overview

Evolva's finances in 2014 reflect two key factors, i.e. the solid progress in our R&D partnerships and product portfolio as well as the continued investor interest in the Evolva stock. Revenues increased by 23%, operating costs increased primarily due to additional investments in the stevia and resveratrol projects and our cash position was strengthened through two share placements.

Income statement

Revenues were up 23% in 2014, to reach CHF 10.7 million. About 89% of revenues came from corporate partnerships in the form of research fees and milestone payments from Cargill, IFF, Ajinomoto, Roquette and L'Oréal as well as an upfront license payment from Emergent. The remaining revenues were generated from research projects funded by the EU or national institutions. Product sales made only a small contribution in 2014. Product sales are expected to make an impact on the top line in 2015.

Total R&D expenses increased by 22% to CHF 23.0 million, largely due to the progress of the stevia and resveratrol projects. This is also seen in an increase in the R&D headcount. The increase in SG&A expenses is partly due to expanded activities within Sales and Business Development, reflecting the initial marketing of our products. Furthermore, board and management compensation increased from an unusually low level in 2013 when cash compensation was partially replaced by options under a cash-saving programme. Overall, 32% of operating expenses were covered by revenues, roughly the same level as in 2013. The acquisition of Allylix in December did not significantly impact the income statement for 2014.

Balance sheet and cash flow

Both cash and equity were significantly strengthened during 2014, primarily as a result of the equity financing in February/March and secondly by the investment made by Cargill in December. The acquisition of Allylix led to a significant increase in intangible assets, primarily patents and goodwill. As the transaction was structured as a share swap, it also resulted in an increase in Evolva's equity position.

The operating cash outflow increased to CHF 19.8 million (2013: CHF 12.5 million) due to the higher net operating loss. Investments (capex) amounted to CHF 1.2 million, primarily related to purchase of new lab equipment needed to move forward key projects.

Cash inflow from financing was CHF 53.0 million in 2014. However, approximately CHF 4 million of this was a temporary inflow related to the Allylix acquisition and was paid out in January 2015 to satisfy certain liabilities and transaction expenses related to the acquisition.

In the capital increase of February 2014, 31 million newly issued shares were placed with a group of Swiss and international investors at a price of CHF 1.37. The placement was oversubscribed and significantly broadened Evolva's institutional shareholder base.

Outlook 2015

We expect revenues to increase by at least 30% in 2015. Product sales will make a meaningful contribution for the first time, however a significant majority of revenues will still derive from R&D partnerships. Evolva is currently in discussions with Cargill regarding the potential exercise of our 45% option on stevia. If exercised, we expect this to lead to a significant cash outflow in 2015 as we invest alongside Cargill to bring stevia to market in 2016. Combined with the acquisition of Allylix and increasing activities in scale-up, manufacturing and commercialisation, operating cash outflow will significantly increase in 2015.

Given the major progress of recent years, Evolva now has several products which are already on or close to market. To ensure a solid financial basis for the final development, production and initial commercialisation of these products, the company is considering various financing options, incl. both equity and debt.

- Ends -

Press/analyst conference call at 10.00 AM CET on 31 March 2015

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

About Evolva Holding SA

Evolva is a pioneer and global leader in sustainable, fermentation-based approaches to ingredients for health, wellness and nutrition. Evolva's products include stevia, resveratrol, vanillin, nootkatone and saffron. 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. Questions about our fermentation approach? Have a look at [our video](#).

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