

CONSOLIDATED BALANCE SHEET

CHF	Note	30 June 2010 (unaudited)	31 December 2009 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		9,855,292	14,574,409
Intangible assets	7	17,052,600	17,061,636
Rent deposit		2,260,416	2,211,650
Total non-current assets		29,168,308	33,847,695
Current assets			
Inventory		134,379	68,402
Prepayments and accrued income		532,905	603,066
Trade receivables		2,628,053	4,045,726
Other receivables		539,439	1,462,032
Cash and cash equivalents		48,016,235	52,870,034
Total current assets		51,851,011	59,049,260
Asset classified as held for sale	5	4,342,674	-
Total assets		85,361,993	92,896,955
EQUITY AND LIABILITIES			
Equity			
Share capital		27,905,319	27,835,719
Share premium		37,595,594	37,432,956
Other reserves (share based payments)		6,174,190	2,500,424
Cumulative translation differences		(210,580)	125,006
Accumulated loss		(10,729,231)	(324,749)
Total equity attributable to equity holder of the parent before NCI		60,735,292	67,569,356
Non-controlling interest (NCI)		1,055,375	365,397
Total equity		61,790,668	67,934,753
Non-current liabilities			
Deferred tax liabilities		420,004	317,523
Pension liabilities		400,094	382,094
Provisions		10,055	28,818
Mortgage loans		-	4,916,000
Preferred redeemable shares		4,723,148	2,517,429
Long-term lease liability		3,968,999	4,104,362
Total non-current liabilities		9,522,300	12,266,226
Current liabilities			
Trade accounts payables		2,237,409	2,470,799
Accrued and other current liabilities		2,875,261	4,387,302
Deferred income		3,698,132	5,376,793
Short-term portion of mortgage loan		-	188,000
Short term portion of lease liability		278,223	273,083
Total current liabilities		9,089,025	12,695,978
Liabilities associated with assets classified as held for sale	5	4,960,000	-
Total equity and liabilities		85,361,993	92,896,955

CONSOLIDATED STATEMENT OF OPERATIONS (unaudited)

CHF	Note	Period from 1 January to 30 June	
		2010	2009
Income from services		9,380,070	7,718,271
Other Income		14,082	102,006
Total Income	6	9,394,152	7,820,277
Research & Development expenses	8	(15,522,768)	(9,335,611)
General & Administrative expenses		(5,460,606)	(2,004,801)
Total operating expenses		(20,983,374)	(11,340,412)
Operating loss		(11,589,222)	(3,520,135)
Financial income	9	873,921	238,559
Financial expenses	9	(536,675)	(471,867)
Net loss before tax		(11,251,976)	(3,753,443)
Income tax (expenses)/benefits		(109,857)	384,246
Net loss for the period		(11,361,833)	(3,369,197)
Attributable to:			
Shareholders of the parent		(11,373,899)	(3,291,424)
Non-controlling interest		12,065	(77,773)
Basic and diluted loss per share attributable to shareholders of parent ¹		(0.08)	(0.09)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

CHF	Period from 1 January to 30 June	
	2010	2009
Net loss for the period	(11,361,833)	(3,369,197)
Translation differences	(355,585)	(58,102)
Other comprehensive income/(loss)	(355,585)	(58,102)
Total comprehensive loss	(11,697,418)	(3,427,299)

¹ Loss per share for the six-month period ended 30 June 2009 has been adjusted according to the converted amount of Evolva SA shares in Evolva Holding SA shares.

CONSOLIDATED STATEMENT OF CASH FLOW (unaudited)

CHF	Note	Period from 1 January to 30 June	
		2010	2009
Operating activities			
Net loss for the period		(11,361,833)	(3,369,197)
Non-cash adjustments to reconcile net loss for the period to net cash flows			
- Changes in deferred tax assets		-	(248,420)
- Changes in deferred tax liabilities		102,481	(133,537)
- Depreciation on tangible assets		1,363,611	881,893
- Amortisation of intangible assets	7	9,036	9,036
- Interest income	9	(118,959)	(9,623)
- Interest expenses	9	310,511	148,218
- Share-based payment charges	11	3,673,766	-
- Change in current assets		2,344,451	894,313
- Change in current liabilities		(3,759,591)	(2,389,038)
- Change in pension liabilities / prepaid pension		18,000	29,993
- Change in provisions		(18,764)	
- Interest payments received		118,959	9,623
- Interest expenses paid		(232,507)	(122,191)
Cash flow from operating activities		(7,550,839)	(4,298,931)
Investing activities			
Purchase of property, plant and equipment		(925,025)	(714,246)
Purchase of financial investments (rent deposit)		(48,767)	-
Cash flow from investing activities		(973,792)	(714,246)
Financing activities			
Finance lease payments		(130,223)	-
Proceeds from exercise of stock options		232,238	-
Proceeds from issuance of preferred shares by Evolva Biotech (India)		3,775,044	490,386
Proceeds from issuance of treasury shares		-	(1,180)
Repayments of mortgage and loans		(144,000)	(44,000)
Cash flow from financing activities		3,733,061	445,206
Net change in cash position		(4,791,570)	(4,567,970)
Net decrease in cash/cash equivalents		(4,791,570)	(4,567,970)
Exchange (loss)/gains on cash and cash equivalents		(62,229)	14,280
Cash and cash equivalents, beginning of period		52,870,034	6,223,092
Cash and cash equivalents, end of period		48,016,235	1,669,402

CONSOLIDATED STATEMENT OF EQUITY (unaudited)

CHF	Share Capital	Share Premium	Total Capital Paid In	Treasury Shares	Other Reserves	Cumulative Translation Differences	Accumulated Loss	Total	Non- Controlling Interests	Total Equity
At 1 January 2009	2,231,780	8,261,147	10,492,927	(260,100)	746,538	271,192	(7,820,798)	3,429,758	(137,981)	3,291,777
Loss for the period	-	-	-	-	-	-	(3,291,424)	(3,291,424)	(77,773)	(3,369,197)
Translation difference	-	-	-	-	-	(58,102)	-	(58,102)	-	(58,102)
Total comprehensive income	-	-	-	-	-	(58,102)	(3,291,424)	(3,349,526)	(77,773)	(3,427,299)
Repurchase of shares	-	-	-	(1,180)	-	-	-	(1,180)	-	(1,180)
Capital increase – Evolva Biotech (India)	-	-	-	-	-	-	137,104	137,104	65,892	202,996
At 30 June 2009	2,231,780	8,261,147	10,492,927	(261,280)	746,538	213,090	(10,975,119)	216,156	(149,861)	60,293
At 1 January 2010	27,835,719	37,432,956	65,268,675	0	2,500,424	125,006	(324,749)	67,569,356	365,397	67,934,754
Loss for the period	-	-	-	-	-	-	(11,373,899)	(11,373,899)	12,065	(11,361,833)
Translation difference	-	-	-	-	-	(335,585)	-	(335,585)	-	(335,585)
Total comprehensive income	-	-	-	-	-	(335,585)	(11,373,899)	(11,709,484)	12,065	(11,697,418)
Equity component of preferred share issuance - Evolva India	-	-	-	-	-	-	969,416	969,416	677,913	1,647,329
Exercise of stock options	69,600	162,638	232,238	-	-	-	-	232,238	-	232,238
Effects of IFRS share based payments	-	-	-	-	3,673,766	-	-	3,673,766	-	3,673,766
At 30 June 2010	27,905,319	37,595,594	65,500,913	0	6,174,190	(210,580)	(10,729,231)	60,753,292	1,055,375	61,790,668

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

1. Organisation

Evolva Holding SA (the “Company”) together with its subsidiaries (collectively “Evolva” or the “Group”) is an international, innovative synthetic biology company with a world-class research platform.

Evolva Holding SA (formerly Arpida AG) is incorporated in Switzerland and is the ultimate parent company of the Evolva Group since 11 December 2009. The Group comprises the following subsidiaries: Evolva SA (Reinach, Switzerland), Genetic Chemistry Inc. (Palo Alto, United States of America), Evolva Biotech Private Ltd. (Chennai, India), Evolva Biotech A/S (Copenhagen, Denmark); plus two inactive entities: Arpida UK (London, United Kingdom) and TLT Medical AG (Reinach, Switzerland). All four operative companies contribute significantly to the Group’s discovery activities.

On 11 December 2009, Arpida AG (subsequently renamed Evolva Holding SA) acquired Evolva SA in a reverse acquisition. For accounting purposes, the legal acquiree Evolva SA was determined to be the acquirer in this reverse acquisition and consequently these consolidated financial statements represent the continuation of the financial statements of Evolva SA with the exception of the capital structure, which has been adjusted to reflect the capital structure of Evolva Holding SA. Refer to Note 4, “Reverse Acquisition”, for further details of the transaction.

As of 30 June 2010, the total headcount in the four companies amounts to 96 (31.12.2009: 83), of which about 80 (31.12.2009: 66) are directly involved in R&D while the remaining staff are employed with managerial, commercial and administrative tasks.

The Company was first registered in the commercial register on 18 August 1997. The Company is subject to the provisions of the articles of incorporation and to article 620 et seq. of the Swiss Code of Obligations, which describes the legal requirements for limited companies (“Aktiengesellschaften”).

The legal domicile of the Company is:

Evolva Holding SA
Duggingerstrasse 23
4153 Reinach
Switzerland

These condensed consolidated financial statements were authorised for public disclosure in accordance with a resolution of the Board of Directors of the Company dated 10 September 2010.

2. Accounting policies

Basis of accounting

The condensed consolidated interim financial statements for the six-month period ended 30 June 2010 have been prepared in accordance with IAS 34 Interim Financial Reporting. The condensed consolidated interim financial statements do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements as at 31 December 2009.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009, except for the adoption of new Standards and Interpretations noted below:

The adoption of the following standards has had an effect on the presentation and disclosures of the financial reporting:

- IFRS5: Non-current assets held for sale and discontinued operations

The adoption of the following standards and interpretations did neither have an effect on the disclosure in these financial statements nor on currently relevant accounting policies:

Effective for annual periods beginning on or after 1 July 2009:

- IAS 28 (as revised in 2008) Investments in Associates
- IAS 39 Financial instruments: Recognition and Measurement
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures regarding reclassifications of financial assets
- IFRIC 17 Distribution of Non Cash Assets to Owners

Effective for annual periods beginning on or after 1 January 2010:

- Amendments to IFRS 8 Operating Segments
- Amendments to IAS 7 Statement of Cash Flows
- IAS 36 Impairment of Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRS 2 Share-based Payment
- IAS 1 Presentation of Financial Statements
- IAS 17 Leases

The following new or revised/amended standards and interpretations will be adopted when becoming effective (the Group is currently evaluating the impact of these amendments):

- IFRS 9 Financial instruments: Effective for annual periods beginning on or after 1 January 2013. The standard focuses on classification and measurement of financial assets.
- IFRIC 14/IAS 19: The limit on a Defined Benefit Asset. Minimum funding requirements and their interaction. Effective for annual periods beginning on or after 1 January 2011.

3. Changes in the Scope of Consolidation

During the six-month period ended 30 June 2010, Evolva Biotech A/S (Copenhagen, Denmark) was absorbed by Arpida A/S (Copenhagen, Denmark). Arpida A/S subsequently changed its name to Evolva Biotech A/S.

4. Reverse acquisition

On 30 October 2009, Evolva SA entered into a Combination Agreement with Arpida AG, pursuant to which the two companies agreed to effect a combination by way of a contribution in kind of all shares in Evolva for newly issued shares in Arpida AG, subject to and in accordance with the terms and conditions set forth in the listing prospectus dated 11 December 2009. The combination was consummated on 11 December 2009 whereupon Evolva SA became a direct wholly owned subsidiary of Arpida AG.

Evolva's primary reasons for the business combination were to gain access to public capital markets through the SIX listing, the remaining financial resources and the lease of the facilities in Reinach, Switzerland.

Upon completion of the transaction, Arpida AG changed its name to Evolva Holding SA and the management team of Evolva replaced Arpida's executive team. The existing Arpida shares remained and the new shares were listed on the SIX Swiss Exchange (ticker symbol EVE).

IFRS 3R – Business Combinations requires one of the combining entities to be identified as the acquirer being the entity that obtains control of the acquiree. Due to the fact that the former shareholders of Evolva obtained the clear majority of shares of the combined company upon

completion, Evolva's shareholders gained control over the combined entity. Therefore, according to IFRS 3R, Evolva qualifies as the acquirer while Arpida is treated as the acquiree. Such combination is called a reverse acquisition according to IFRS 3R.

Based on the terms of the Combination Agreement, former Arpida shareholders held 15.2% of the total shares of the combined company. For the determination of the purchase consideration under the reverse acquisition assumption, the number of shares has to be determined which Evolva SA would have had to issue to provide the same percentage ownership interest of the combined entity to the owners of Arpida AG as they obtained as a result of the reverse acquisition. Prior to the combination, Evolva SA had a total of 318,477 shares outstanding. Evolva SA would have had to issue 57,011 Evolva SA shares (equivalent to 21,094,070 shares of the combined company according to the exchange ratio determined in the Combination Agreement) to grant the Arpida shareholders the same economic value. The fair value of these shares is measured using the market value of the Arpida shares at the date of the closing (CHF 1.37). In addition, there were 1,654,714 fully vested options outstanding in relation to the Arpida incentive option plan with a fair value of CHF 857,252 as at the date of closing, which Evolva SA was obliged to replace. As these options were already fully vested, all of the fair value was considered as part of the consideration transferred.

In 2009, the Group expensed through the statement of operations a total of CHF 1,582,000 as acquisition-related costs. The fair value of the identifiable assets and liabilities of the acquired company at the date of acquisition were determined as follows:

Provisional Purchase Price Allocation	Fair value recognised on acquisition	Previous carrying value in accordance with IFRS
Cash and cash equivalents	10,052,422	10,052,422
Trade receivables	1,274,372	1,274,372
Financial investments (rent deposits)	2,163,129	2,163,129
Furniture & Fixtures	405,872	405,872
Laboratory Equipment	280,710	-
Leasehold Improvements under Finance Lease	4,400,000	-
In-Process Research and Development	100,000	-
Trade accounts payables	(340,861)	(340,861)
Other payables	(565,249)	(565,249)
Short term Portion of finance Leases	(271,768)	-
Accruals and deferred income	(400,520)	(400,520)
Pension liabilities (IAS 19)	(62,345)	(62,345)
Long term portion of finance lease	(4,128,232)	-
Provision for onerous lease contract	-	6,432,684
Fair value of net assets acquired	12,907,530	
Goodwill arising on acquisition	16,848,598	
Total purchase consideration	29,756,128	
Fair value of shares transferred	28,898,876	
Fair value of options ex Arpida	857,252	
Total consideration transferred	29,756,128	

This purchase price allocation has been determined based on an analysis performed by Evolva's management. The main adjustments in the purchase price allocation as illustrated above are:

Recording of finance lease, reversal of impairment and provision of onerous contract

In October 2005, Arpida entered into a rental contract for office and laboratory space in the TechCenter Reinach in Reinach, Switzerland, starting 1 December 2006. Certain elements of the contract qualify as a finance lease. As a result of the restructuring of Arpida AG in 2008, the lease accounting was discontinued and a provision to cover the cost associated with the early termination of the lease agreement was recorded. Within the purchase price allocation, the lease assets have been recognised at fair value being CHF 4.4 million. Furthermore the lease liabilities were also recognised

at fair value and the provision to cover the cost associated with the early termination of the lease agreement was released, as the leased asset is deemed to create economic benefit for a market participant.

Fair value adjustment in relation to laboratory equipment

In 2008, Arpida recorded – as a result of the restructuring - an impairment on the laboratory equipment. Based on interim analyses, the fair value of the existing and still usable equipment has been determined and a fair value adjustment has been considered in the purchase price allocation.

Purchase of intellectual property

At the time of the Combination, Arpida's R&D portfolio contained certain IP assets for which the fair value was provisionally assessed at CHF 100,000.

Goodwill

The reverse takeover is accounted for using the acquisition method in accordance with IFRS 3R. Goodwill is recognised as an asset from the acquisition date and is measured as the excess of the consideration transferred over the interest in the net fair value of the identifiable net assets acquired. This purchase price allocation is deemed to be provisional. The goodwill is based on the accounting rules in relation to the measurement of the consideration transferred, which is derived from the share price of Arpida at the closing of the transaction. None of the goodwill is expected to be deductible for tax purposes.

5. Non-current assets held for sale

During the six-month period ended 30 June 2010, Group management decided to move Evolva's Swiss operations from its previous premises in Allschwil, Canton of Basel-Land, to offices and laboratory space in Reinach, Canton of Basel-Land. For the facilities in Reinach a rental agreement with financial leasing elements was signed in October 2005 by Evolva Holding SA (former Arpida AG). As a result of the move, Evolva's management decided to sell the premises in Allschwil and they are available for sale as of 30 June 2010.

As of 30 June 2010 the Group classified the mentioned real estate asset and associated mortgages as held for sale. In the consolidated financial statement these assets and liabilities are reported separately from current activities.

Assets held for sale are valued at the lower of their carrying amount or fair value less costs to sell. As of 30 June 2010 the application of this valuation does not result in any impairments or additional depreciations.

6. Segment and Geographical Information

The Group has identified one segment, namely research and development of new, safer and more efficacious drugs for the prevention and treatment of various diseases

The geographical breakdown of total income below reflects the location where invoices are generated:

CHF	Period from 1 January to 30 June	
	2010	2009
Switzerland	5,514,291	4,590,177
United States	3,753,468	3,191,796
Other countries	126,394	38,304
Total income	9,394,152	7,820,277

The Group has generated the majority of its income from contracts with two agencies under the US Department of Defence. During the first six months of 2010 income from the Department of Defence amounts to about 80 % of total income. The remaining part of the income is generated from the Roche contract and other public research contracts.

The geographical analysis of non-current assets (excluding deferred taxes and financial assets) is as follows:

CHF	30 June 2010	31 December 2009
Switzerland	23,050,686	27,827,842
Outside Switzerland	3,857,205	3,808,203
Total non-current assets	26,907,891	31,636,045

7. Intangible Assets

The intangible assets are split as following:

CHF	30 June 2010	31 December 2009
Intellectual property related assets	204,002	213,038
Goodwill	16,848,598	16,848,598
Total intangible Assets	17,052,600	17,061,636

8. Research & Development

The Research & Development expenses include the following functions:

CHF	Period from 1 January to 30 June	
	2010	2009
Technology & Discovery	9,556,281	7,860,202
Compound Development	5,966,487	1,475,409
Total Research & Development	15,522,768	9,335,611

9. Financial result

CHF	Period from 1 January to 30 June	
	2010	2009
Charges related to bank accounts	(13,878)	(10,477)
Interest expenses	(296,633)	(137,741)
Foreign exchange loss	(226,164)	(323,649)
Total financial expenses	(536,675)	(471,867)
Interest income	118,959	9,635
Foreign exchange gain	754,962	228,924
Total financial income	873,921	238,559
Net financial result	337,246	(233,308)

10. Capital Increase Evolva Biotech Ltd., India

During the six-month period ended 30 June 2010, the Indian investment groups, Ventureast and APIDC, paid in CHF 3,775,044 into Evolva India as the remaining part of their purchase of 2,080 redeemable preference shares in Evolva India. Approximately 56 % (CHF 2,127,715) of the investment has been recognised as debt and 44 % (CHF 1,647,329) has been recognised as equity.

11. Option Plan Evolva Holding SA (EVE I)

The Board of Directors administers the stock option plans. The granting to employees and members of the Board of Directors is, according to the stock option plan regulation, under the discretion of the Plan Administrator, who is elected by the Board of Directors of the Company.

In December 2009, the stock option plan EVE I was issued in Evolva SA. Options under this equity-settled plan were granted on 8 December 2009, i.e. prior to the Combination with Arpida AG. The options vest with various vesting schemes over five years.

Based on the decision of the board of directors of Evolva Holding SA, the options outstanding under the plans as of 30 June 2010 are as follows:

Grant	Weighted average Exercise Price (CHF)	Number of options outstanding	Weighted average years remaining contractual live
EVE I	0.33	14,526,940	9.42

A summary of the options granted, exercised, cancelled and outstanding for the above plans is as follows:

	Number of options		Weighted average exercise price	
	30.06.2010	31.12.2009	30.06.2010	31.12.2009
Outstanding at January 1	16,718,450		0.33	-
Granted		16,718,450		0.33
Exercised	-	-	-	-
Forfeited	2,191,510	-	-	-
Expired	-	-	-	-
Outstanding at 30 June / 31 December	14,526,940	16,718,450	0.33	0.33
of which exercisable	357,900	401,050	0.33	0.33

For the six-month period ended 30 June, the following IFRS 2 expenses were recorded in the Company's statements of operations:

	2010	2009
Technology & Discovery expenses	770,791	-
Compound Development expenses	967,937	-
General & Administrative expenses	1,935,038	-
Total	3,673,766	-

12. Commitments and Contingencies

Operating lease commitments

The future minimum lease payments under non-cancellable operating leases that are not accounted for in the balance sheet were as of:

CHF	30 June 2010	31 December 2009
Within one year	1,534,742	1,343,299
Later than one year and not later than five years	3,689,774	4,544,561
Later than five years	5,610,202	7,234,060
Total	10,834,717	13,121,920

The decrease in operating lease commitments results from a change in leasing contract for premises rented in the TechCenter Reinach, Switzerland. The change in the rental contract leads to lower rental payments until the leasing contracts expires.

In case Evolva terminates the rental contract in Reinach, Switzerland, after the fixed period which lasts until 30 November 2011, an amount of up to CHF 4,031,796 will become payable for leasehold improvements. This amount gradually reduces to CHF 0 by 30 November 2021.

Collaboration agreements

As part of its R&D operations, Evolva has entered into agreements with pharma/biotech firms that either a) give Evolva access to the partners' intellectual property rights, or b) provide for these firms to

conduct discovery or development work at their risk. Under these agreements, Evolva will be due to make certain milestone payments to the firms depending on whether the Company decides to progress certain of its compounds to defined clinical or marketing milestones. Until the end of 2012, the potential milestone payments due under these agreements amount to in total max. USD 4 million. The major part of the potential milestone payments will only fall due if the Company receives client funding to cover the relevant payments. In the event that some of the compounds reach market, Evolva will have to pay 1.5 – 12 % royalty on net sales of the respective compounds.

The key agreements where milestone payments are likely to become due until 2012 are described below:

Eli Lilly/Phytera: The Company has entered into an agreement with Eli Lilly and Co. and Phytera, Inc. (the company at which the founders of Evolva were employed prior to the creation of Evolva). Under the agreement, the Company has acquired all rights to the EV-86 compound. In exchange, the Company shall make certain clinical milestone payments to the 2 companies up to a total of USD 1.7 million. If EV-86 becomes a marketed product, the Company shall pay the 2 companies certain marketing milestone payments and royalty of 1.5-4 % on net sales.

Biologand A/S: The Company has entered into an agreement with Biologand relating to EV-77 (regarding which compound Biologand provided certain CRO type services at risk). Biologand is entitled to receive a milestone payment at the start of clinical phase III. If EV-77 becomes a marketed product Biologand shall receive a royalty of 1.5 % of net sales.

Other commitments

The Company has entered into various purchase commitments for services and materials as part of its ordinary business. These commitments are not in excess of current market prices and reflect normal business operations.

13. Seasonality

The operating result is not subject to significant seasonal or cyclical variations during the financial year.

14. Legal Proceedings

As of 30 June 2010 there are no filed legal actions against the group.

15. Events Subsequent to the 30 June 2010 Balance Sheet Date

There are no subsequent events to be reported.