



evolve

INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
30 JUNE 2011

## Consolidated Statement of Financial Position

CHF	Note	30 June 2011 (unaudited)	31 December 2010 (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		12,983,720	9,609,054
Intangible assets	6	16,994,528	17,023,565
Rent deposits		2,329,770	2,347,562
<b>Total non-current assets</b>		<b>32,308,018</b>	<b>28,980,182</b>
<b>Current assets</b>			
Inventory		71,782	118,115
Prepayments and accrued income		1,244,617	989,786
Other receivables		252,058	434,022
Trade receivables		711,533	2,444,769
Cash and cash equivalents		29,853,355	37,714,829
<b>Total current assets</b>		<b>32,133,345</b>	<b>41,701,522</b>
Asset classified as held for sale	4	-	<b>4,342,674</b>
<b>Total assets</b>		<b>64,441,364</b>	<b>75,024,378</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		27,945,264	27,912,025
Share premium		37,617,157	37,599,632
Other reserves (share based compensation)		11,905,311	9,451,132
Cumulative translation differences		(788,158)	(420,581)
Accumulated loss		(32,593,021)	(22,623,693)
<b>Total equity attributable to equity holder of the parent before non-controlling interests</b>		<b>44,086,553</b>	<b>51,918,516</b>
Non-controlling interests (NCI)		1,016,478	1,051,189
<b>Total equity</b>		<b>45,103,031</b>	<b>52,969,705</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		422,657	446,458
Pension liabilities		472,124	444,624
Mortgage loans		2,584,000	-
Preferred redeemable shares		4,050,278	4,416,524
Long-term lease liabilities		3,918,262	3,848,414
<b>Total non-current liabilities</b>		<b>11,447,322</b>	<b>9,156,021</b>
<b>Current liabilities</b>			
Trade accounts payables		1,322,545	1,875,742
Accrued and other current liabilities		2,710,296	4,014,286
Deferred income		1,230,712	1,823,377
Short-term portion of mortgage loans		2,288,000	-
Short-term portion of lease liabilities		339,459	269,247
<b>Total current liabilities</b>		<b>7,891,011</b>	<b>7,982,652</b>
Liabilities associated with assets classified as held for sale	4	-	<b>4,916,000</b>
<b>Total equity and liabilities</b>		<b>64,441,364</b>	<b>75,024,378</b>

## Consolidated Statement of Financial Performance

CHF	Note	Period from 1 January to 30 June	
		2011 (unaudited)	2010 (unaudited)
Income from research & development partnerships		6,815,521	9,380,070
Income from research & development grants		129,363	14,082
<b>Total Income</b>	5	<b>6,944,884</b>	<b>9,394,152</b>
Research & development expenses	7	(12,457,956)	(15,522,768)
General & administrative expenses		(5,048,372)	(5,460,606)
<b>Total operating expenses</b>		<b>(17,506,328)</b>	<b>(20,983,374)</b>
<b>Operating loss</b>		<b>(10,561,444)</b>	<b>(11,589,222)</b>
Financial income	8	1,070,125	873,921
Financial expenses	8	(1,159,223)	(536,675)
<b>Net loss before tax</b>		<b>(10,650,541)</b>	<b>(11,251,976)</b>
Income tax	9	131,000	(109,857)
<b>Net loss for the period</b>		<b>(10,519,542)</b>	<b>(11,361,833)</b>
Attributable to:			
Shareholders of the parent		(10,484,830)	(11,373,899)
Non-controlling interests		(34,712)	12,065
Basic and diluted loss per share attributable to shareholders of parent		(0.08)	(0.08)

## Consolidated Statement of Comprehensive Income

CHF	Note	Period from 1 January to 30 June	
		2011 (unaudited)	2010 (unaudited)
Net loss for the period		(10,519,542)	(11,361,833)
Translation differences		(367,577)	(355,585)
<b>Other comprehensive income/(loss)</b>		<b>(367,577)</b>	<b>(355,585)</b>
<b>Total comprehensive loss</b>		<b>(10,887,119)</b>	<b>(11,717,418)</b>

## Consolidated Statement of Cash Flow

CHF	Note	Period from 1 January to 30 June	
		2011	2010
		(unaudited)	(unaudited)
<b>Operating activities</b>			
Net loss for the period		(10,519,542)	(11,361,833)
<b>Non-cash adjustments to reconcile net loss for the period to net cash flows</b>			
- Changes in deferred tax liabilities		(23,801)	102,481
- Depreciation on tangible assets		1,257,670	1,363,611
- Amortisation of intangible assets		29,037	9,036
- Interest income	8	(94,290)	(118,959)
- Interest expenses	8	385,437	310,511
- Share-based compensation charges	10	2,454,179	3,673,766
- Change in current assets		1,706,702	2,344,451
- Change in current liabilities		(1,782,818)	(3,759,591)
- Change in pension liabilities / prepaid pension		27,500	18,000
- Change in provisions		-	(18,764)
- Interest payments received		94,290	118,959
- Interest expenses paid		(259,557)	(232,507)
<b>Net cash flow from operating activities</b>		<b>(6,725,193)</b>	<b>(7,550,839)</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment		(629,402)	(925,025)
Change in rent deposit		17,792	(48,767)
<b>Cash flow from investing activities</b>		<b>(611,610)</b>	<b>(973,792)</b>
<b>Financing activities</b>			
Finance lease payments		(150,354)	(130,223)
Proceeds from exercise of stock options		50,764	232,238
Proceeds from issuance of preferred shares by Evolva Biotech (India)		-	3,775,044
Repayments of mortgage and loans		(44,000)	(144,000)
<b>Cash flow from financing activities</b>		<b>(143,591)</b>	<b>3,733,061</b>
<b>Net change in cash position</b>		<b>(7,480,394)</b>	<b>(4,791,570)</b>
<b>Net increase /(decrease) in cash and cash equivalents</b>		<b>(7,480,394)</b>	<b>(4,791,570)</b>
Exchange gains/(loss) on cash and cash equivalents		(381,081)	(62,229)
Cash and cash equivalents, beginning of period		37,714,829	52,870,034
<b>Cash and cash equivalents, end of period</b>		<b>29,853,355</b>	<b>48,016,235</b>

## Consolidated Statement of Equity (unaudited)

CHF	Share Capital	Share premium	Total capital paid in	Other Reserves	Cumulative translation differences	Accumulated loss	Total	Non-controlling interests	Total Equity
<b>At 1 January 2010</b>	<b>27,835,719</b>	<b>37,432,956</b>	<b>65,268,675</b>	<b>2,500,424</b>	<b>125,006</b>	<b>(324,749)</b>	<b>67,569,356</b>	<b>365,397</b>	<b>67,934,753</b>
Loss for the period	-	-	-	-	-	(11,373,899)	(11,373,899)	12,065	(11,361,834)
Other comprehensive loss	-	-	-	-	(335,585)	-	(335,585)	-	(335,585)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(335,585)</b>	<b>(11,373,899)</b>	<b>(11,709,484)</b>	<b>12,065</b>	<b>(11,697,419)</b>
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
<b>At 30 June 2010</b>	<b>27,905,319</b>	<b>37,595,594</b>	<b>65,500,913</b>	<b>6,174,190</b>	<b>(210,579)</b>	<b>(10,729,232)</b>	<b>60,735,292</b>	<b>1,055,375</b>	<b>61,790,667</b>
<b>At 1 January 2011</b>	<b>27,912,025</b>	<b>37,599,632</b>	<b>65,511,657</b>	<b>9,451,132</b>	<b>(420,581)</b>	<b>(22,623,693)</b>	<b>51,918,515</b>	<b>1,051,189</b>	<b>52,969,705</b>
Loss for the period	-	-	-	-	-	(10,484,830)	(10,484,830)	(34,712)	(10,519,542)
Other comprehensive loss	-	-	-	-	(367,577)	-	(367,577)	-	(367,577)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(367,577)</b>	<b>(10,484,830)</b>	<b>(10,852,407)</b>	<b>(34,712)</b>	<b>(10,887,119)</b>
Exercise of stock options	33,239	17,525	50,764	-	-	-	50,764	-	50,764
Effects of IFRS share based payments	-	-	-	2,454,179	-	-	2,454,179	-	2,454,179
Effects from trades with treasury shares	-	-	-	-	-	515,502	515,502	-	515,502
<b>At 30 June 2011</b>	<b>27,945,264</b>	<b>37,617,157</b>	<b>65,562,421</b>	<b>11,905,311</b>	<b>(788,158)</b>	<b>(32,593,021)</b>	<b>44,086,553</b>	<b>1,016,478</b>	<b>45,103,031</b>

# Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

## 1. The company

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

Evolva Holding SA is incorporated in Switzerland and is the parent company of the Evolva Group since 11 December 2009. The shares of the Company are listed on the Swiss Stock Exchange (SIX). The Group comprises the following subsidiaries: Evolva SA (Reinach, Switzerland), Evolva Inc. (Palo Alto, USA – formerly Genetic Chemistry Inc.), 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 in Liq. (Reinach, Switzerland). All four operating companies contribute significantly to the Group’s research and development (R&D) activities.

As at 30 June 2011, the total headcount in the group amounts to 97 (31 December 2010: 93), of which about 74 (31 December 2010: 80) 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 9 September 2011.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The condensed consolidated interim financial statements for the six-month period ended 30 June 2011 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 2010. The financial statements are presented in Swiss francs (CHF) and all values are rounded to the nearest CHF 1 except where otherwise stated.

### 2.2 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 2010.

### **2.2.1 Standards and Interpretations affecting the reported financial performance and/or financial position**

The group has not adopted any new and revised Standards and Interpretations in the current period, which affected the amounts reported in these financial statements.

### **2.2.2 Standards and Interpretations affecting presentation and disclosure only**

- IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after January 1, 2011)  
The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements.
- IAS 34 Interim Financial Reporting (effective for annual periods beginning on or after January 1, 2011)  
The amendments emphasises the principle that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report. It is also clarified how this principle should be applied in respect of financial instruments and their fair values.

### **2.2.3 Standards and Interpretations adopted with no material effect on the financial statements during the current reporting period**

The following new and revised Standards and Interpretations have also been adopted in these interim financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

- 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 January 1, 2011)

## **3. Changes in the scope of consolidation**

No changes in the scope of consolidation occurred.

## **4. Non-current assets held for sale**

In 2010, Evolva's management decided to move all the Swiss operations from the previous premises in Allschwil to facilities in Reinach. The decision was driven by the need for additional laboratory and office space which was available in the new premises in Reinach. As a result of the move, Evolva's former premises in Allschwil were classified as "held for sale" and reported separately from current and operating activities.

As at 30 June, 2011 Evolva's management has decided to cease the classification "held for sale" for the premises in Allschwil. The premises are reclassified as part of Evolva's current operations. All assets related to these premises are valued at historical costs less accumulated depreciation and amortisation. Depreciations that were omitted while the assets were classified as "held for sale" have been recorded as at 30 June 2011.

As at 30 June 2011 the current value of mentioned real estate asset including land amounts to CHF 4,124,302 (31.12.2010: CHF 4,342,674) and associated mortgages amounts to CHF 4,872,000 (31.12.2010: CHF 4,916,000).

## 5. Segment and Geographical Information

The Group has identified one segment, namely research and development of innovative and efficacious compounds and products for pharma, food and nutrition.

The geographical breakdown of total income below reflects the location of the entity which has entered into the individual contracts:

CHF Invoicing entity	Period from 1 January to 30 June	
	2011	2010
Switzerland)	3,582,527	5,514,291
United States of America	2,400,851	3,753,468
Other countries	961,506	126,394
<b>Total income</b>	<b>6,944,884</b>	<b>9,394,152</b>

Historically, the Group has generated the majority of its income from contracts with two agencies under the US Department of Defence but these clients will in future represent a significantly lower part of revenues. During the first six months of 2011, income from the Department of Defence amounts to about 51 % (2010: 80 %) of total income, of which approximately 6.5 % (2010: 8.5 %) results from transfer of assets from these clients. In contrast, contracts with commercial clients (e.g. Roche, Abunda, BASF and IFF) now represent a correspondingly larger part of total revenues.

The geographical analysis of non-current assets (excluding rent deposits) is as follows:

CHF	30.06.2011	31.12.2010
Switzerland	26,501,692	22,828,482
Outside Switzerland	3,476,556	3,804,137
<b>Total non-current assets</b>	<b>29,978,248</b>	<b>26,632,620</b>

## 6. Intangible assets

The intangible assets are split as follows:

CHF	30.06.2011	31.12.2010
Intellectual property related assets	145'930	174,967
Goodwill	16,848,598	16,848,598
<b>Total Intangible Assets</b>	<b>16,994,528</b>	<b>17,023,565</b>

## 7. Research & development

The research & development expenses include the following functions:

CHF	Period from 1 January to 30 June	
	2011	2010
Technology & Discovery	8,996,220	9,556,281
Compound Development	3,461,736	5,966,487
<b>Total Research &amp; Development</b>	<b>12,457,956</b>	<b>15'522'768</b>

## 8. Financial items

CHF	Period from 1 January to 30 June	
	2011	2010
Charges related to bank accounts	(27,255)	(13,878)
Interest expenses	(358'182)	(296,633)
Foreign exchange loss	(773,786)	(226,164)
<b>Total financial expenses</b>	<b>(1,159,223)</b>	<b>(536,675)</b>
Interest income	94,290	118,959
Foreign exchange gain	975,835	754,962
<b>Total financial income</b>	<b>1,070,125</b>	<b>873,921</b>
<b>Net financial result</b>	<b>(89,098)</b>	<b>337,246</b>

## 9. Income taxes

In 2011 Evolva Holding AG obtained the status as a "Holding company" according to Swiss Tax legislation. As a consequence Evolva Holding AG released tax accruals of CHF 209'000 during the six-month period ended 30 June 2011.

## 10. Incentive option programmes Evolva Holding SA

The Board of Directors administers the Group's share based option plans. The granting of options to management, employees and members of the Board of Directors is done according to the Company's share option plan regulations.

In March 2011, a new share based option plan - EVE II – was established in Evolva Holding SA. Options under this plan were granted on 31 March 2011 and vest over four years. Options under this plan were granted to Board Members and employees. No options were granted to the Management Team.

Taking into account the number of exercised and forfeited options, the options outstanding under the different plans as at 30 June 2011 are as follows:

Year of grant	Exercise Price (CHF)	Number of options outstanding	Weighted average years remaining contractual life
2009 - EVE I	0.33	14,011,034	8.56
2010 - EVE Ib	1.08	160,000	8.62
2011 - EVE II	1.64	2,971,625	9.89
<b>Total</b>	<b>0.56</b>	<b>17,142,659</b>	<b>8.79</b>

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

	Number of options	
	30 June 2011	31 December 2010
Outstanding at 1 January	14,631,059	16,718,450
Granted	2,971,625	160,000
Exercised	166,193	33,531
Forfeited	293,832	2,213,860
Expired	-	-
<b>Outstanding</b>	<b>17,142,659</b>	<b>14,631,059</b>
<b>of which exercisable</b>	<b>3,312,823</b>	<b>2,865,348</b>

The fair values of the granted options have been determined by using a binomial option valuation model. The resulting expenses for the Company are recognised over the vesting period. The key parameters in the valuation model were as follows:

	<b>EVE II</b>	<b>EVE Ib</b>	<b>EVE I</b>
Grant date	31 March 2011	1 January 2010	8 December 2009
Expiration date	30 March 2021	31 December 2019	7 December 2019
Share price at grant	CHF 1.50	CHF 1.04	CHF 1.35
Exercise price	CHF 1.64	CHF 1.08	CHF 0.33
Volatility	60.0%	60.0%	60.0%
Expected dividend yield	0.0 %	0.0 %	0.0%
Risk-free interest rate	2.329 %	1.888 %	1.888%
Fair value per option	CHF 0.82	CHF 0.65	CHF 0.98

In addition to the EVE plans, a total of 1,058,714 former Arpida options are outstanding and exercisable. There have been no exercises of former Arpida options during the six-month period ended 30 June 2011.

For the six-month period ended 30 June 2011, the following personnel expenses related to the outstanding options were recorded in accordance with IFRS 2 in the consolidated statement of financial performance:

	<b>2011</b>	<b>2010</b>
Technology & Discovery expenses	758,726	770'791
Compound Development expenses	461,773	967'937
General & Administrative expenses	1,233,679	1'935'038
<b>Total</b>	<b>2,454,179</b>	<b>3'673'766</b>

## 11. 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 at:

<b>CHF</b>	<b>30 June 2011</b>	<b>31 December 2010</b>
Within one year	1,004,360	1,217,074
Later than one year and not later than five years	3,319,886	3,447,960
Later than five years	3,460,687	3,779,112
<b>Total</b>	<b>7,784,933</b>	<b>8,444,146</b>

Evolve has entered into several rental contracts for its operating activities. The break-down of these contracts which do not qualify as finance leases are disclosed in the table above. The leasing contract for office and laboratory facilities in the "TechCenter Reinach" (TCR), Switzerland, represents with 85 % the most substantial amount of the total operating lease commitments as at 30 June 2011.

### Collaboration agreements

As part of its R&D operations, Evolve has entered into agreements with other companies and individual researchers that either a) give Evolve access to the partners' intellectual property rights, or b) provide for the partners to be involved in Evolve projects at their own risk. Under these agreements, Evolve will be due to make certain milestone and/or royalty payments to the partners depending on whether certain of the Company's compounds progress to defined project milestones and/or to final product sales.

Until the end of 2013, the potential milestone payments due under these agreements amount to an estimated CHF1 million depending on the progress of the relevant projects. In the event that some of the compounds reach market, Evolve will have to pay 1.5 – 4 % royalty on net sales of the respective compounds.

The key agreements where milestone payments may come due until 2013 are described below:

**Eli Lilly/Phytera:** The Company has entered into an agreement with Eli Lilly and Co. and Phytera, Inc. Under the agreement, Evolva may be required to make certain milestone payments to the two companies up to a total of USD 1.7 million. If EV-86 becomes a marketed product, the Company shall pay the two companies certain marketing milestone payments and royalty of 1.5 to 4% on net sales.

**BioLigands ApS:** Evolva has entered into an agreement with BioLigands ApS (Denmark) regarding EV-077, pursuant to which BioLigands is entitled to receive a milestone payment at the start of clinical phase III. If EV-077 becomes a marketed product, BioLigands 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 ordinary business operations.

## **12. Seasonality**

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

## **13. Events subsequent to the reporting date**

### **13.1 Acquisition of Abunda Nutrition**

On 17 May 2011, Evolva entered into an Agreement with the shareholders of Abunda Nutrition, Inc. ("Abunda"), a privately-held biotech company domiciled in San Francisco, USA with the aim of acquiring Abunda.

The acquisition was conducted as a two-step merger process between Abunda and two newly created subsidiaries of Evolva. After the merger process, Abunda (renamed Evolva Nutrition, Inc.) was the surviving entity. All shares and other securities in Abunda were cancelled and in exchange the Abunda shareholders received at closing of the merger 25 million Evolva shares. In addition former Abunda shareholders shall receive up to an additional 12 million shares depending on the achievement of certain milestones within 19 months after the closing of the merger and certain cash payments depending on the achievement of revenues generated by the assets contributed by Abunda. Moreover, Evolva Holding issued at closing of the merger 2,643,627 new options to key persons of Abunda in replacement of options in Abunda.

The merger process was consummated on 8 July 2011 whereupon Evolva Nutrition became a direct wholly owned subsidiary of Evolva Holding SA and the latter gained full control over Evolva Nutrition.

Evolva's primary reasons of the merger were to gain access to a synergistic combination of IP, certain promising product candidates and an experienced team with a successful track record in the nutrition industry. Through the merger Evolva also acquires other projects from Abunda in the food and nutritional area, including a project to develop therapeutic lipids.

Based on the terms of the merger agreement, former Abunda shareholders held 15.2 % of Evolva Holding as 8 July 2011.

The fair value of the identifiable assets and liabilities of the acquired company at the date of acquisition were determined as follows:

	<b>Fair value recognized on acquisition</b>	Previous carrying value in accordance with IFRS
<b>Provisional Purchase Price Allocation</b>	CHF	CHF
Cash & cash equivalents	3,108,347	3,108,347
Prepayments and other receivables	25,719	25,719
Financial Investments (rent deposits)	5,926	5,926
Laboratory Equipment	104,993	104,993
IT & Telecom	4,155	4,155
IP rights (patents, patent applications)	32,783,086	-
Trade accounts payables	-99,113	-99,113
Accruals and other payables	-141,742	-141,742
<b>Fair value of net assets acquired</b>	<b>35,791,371</b>	<b>3,008,285</b>
Goodwill arising on acquisition	3,097,391	-
<b>Total purchase consideration</b>	<b>38,888,762</b>	<b>-</b>
Fair value of share consideration	30,000,000	
Fair value of earn-out consideration	6,646,250	
Fair value of options consideration	2,242,512	
<b>Total consideration transferred</b>	<b>38,888,762</b>	

#### **Fair value of intellectual property (IP)**

The primary reason for the acquisition of Abunda was to gain ownership of Abunda's IP portfolio in the food and nutrition area, in particular patents and patent applications covering Stevia and other food and nutrition products. Based on cash flow projections for the relevant products over the next 10 years, Evolva estimates the total value of the IP portfolio to CHF 32.8 million.

#### **Consideration transferred**

The consideration transferred to Abunda shareholders primarily consists of 25 million Evolva shares at a closing price of CHF 1.20/share<sup>1</sup>, in total CHF 30 million. In addition Evolva estimates a fair value of CHF 6.6 million for the contingent consideration, which consists of a) 12 million Evolva shares (stock earn-out) related to the achievement of agreed milestones within 19 months after the closing and b) cash payments (cash earn-out) related to potential revenues generated by the assets contributed by Abunda. The cash earn-out amounts to approximately 10 % of the total contingent consideration. Moreover, Evolva was obliged to replace fully vested options in Abunda with options in Evolva with basically the same financial value. As practically all options fully vested with the change of control, the fair value of these fully vested options was considered as part of the consideration transferred.

#### **Goodwill**

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.

The estimated goodwill reflects expected synergies of combining the activities and the teams of Evolva and Abunda, in particular the access to an extensive industry expertise of the Abunda team and its network in the food and nutrition area.

None of the goodwill is expected to be deductible for tax purposes.

<sup>1</sup> SIX closing price of Evolva Holding SA share as at 8 July 2011

### **13.2 Creation of treasury shares and SEDA financing**

On 15 August 2011 Evolva Holding SA entered into a Standby Equity Distribution Agreement (SEDA) with YA Global Master SPV Ltd. (YA Global) as part of the medium-term funding of Evolva's operations. Under the terms of the agreement, YA Global has committed to provide up to CHF 30 million in equity financing over a 36 month period in individual advances of up to CHF 600,000. In exchange for the funds to be provided, YA Global will receive Evolva shares. It remains at the sole discretion of Evolva to determine when to draw the advances.

In return for the 3-year investment commitment provided by YA Global, Evolva has paid an upfront commitment fee of CHF 600,000 (2% of the commitment) in the form of newly issued Evolva shares. At signing of the agreement, Evolva called a first advance of CHF 500,000. In regard to the SEDA financing, Evolva has created eight million treasury shares out of authorised capital which may be used for the initial and several future share issues under the SEDA agreement.

To the Board of Directors  
**Evolva Holding SA, Reinach**

Basle, 9 September 2011

## Report on the review of interim condensed consolidated financial statements

### Introduction

We have reviewed the interim condensed consolidated financial statements (consolidated statement of financial position, consolidated statement of financial performance, consolidated statement of comprehensive income, consolidated statement of cash flow, consolidated statement of equity and notes) of Evolva Holding SA for the six-month period ended 30 June 2011 (pages 1 to 12). The Board of Directors is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Ernst & Young Ltd



Jürg Zürcher  
Licensed audit expert  
(Auditor in charge)



David Haldimann  
Licensed audit expert