



evolve

INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
30 JUNE 2016

## Consolidated Statement of Financial Performance

in CHF 1,000	Note	Period from 1 January to 30 June	
		2016 (reviewed)	2015 (reviewed)
Revenue from product sales	3	420.4	214.8
Revenue from research & development	3	3,257.7	4,100.5
Other income	3	-	3,959.2
<b>Total income</b>		<b>3,678.1</b>	<b>8,274.5</b>
Manufacturing expenses	4	(887.9)	(917.7)
Research & development expenses	5	(16,205.1)	(18,054.5)
Selling, general & administrative expenses	6	(7,152.9)	(6,245.5)
<b>Total operating expenses</b>		<b>(24,245.8)</b>	<b>(25,217.6)</b>
<b>Operating loss</b>		<b>(20,567.7)</b>	<b>(16,943.1)</b>
Financial income	7	1,784.9	492.8
Financial expenses	7	(2,132.6)	(1,681.2)
<b>Net loss before tax</b>		<b>(20,915.5)</b>	<b>(18,131.6)</b>
Income tax (expenses)	8	2,158.6	1,150.0
<b>Net loss for the period</b>		<b>(18,756.8)</b>	<b>(16,981.6)</b>
<b>Attributable to:</b>			
Shareholders of the parent	-	(18,829.3)	(17,050.0)
Non-controlling interests (NCI)	10	72.4	68.4
Basic and diluted loss per share attributable to ordinary shareholders of parent		(0.05)	(0.05)

## Consolidated Statement of Comprehensive Income

in CHF 1,000	Note	Period from 1 January to 30 June	
		2016 (reviewed)	2015 (reviewed)
Net loss for the period	-	(18,756.8)	(16,981.6)
<i>Items to be reclassified to statement of financial performance (net of tax)</i>			
Translation differences	-	(925.1)	(5,285.1)
<i>Items not to be reclassified to statement of financial performance (net of tax)</i>			
Remeasurement gains/(losses) on defined benefit plans	-	(647.4)	-
<b>Other comprehensive income/(loss)</b>		<b>(1,572.5)</b>	<b>(5,285.1)</b>
<b>Total comprehensive loss</b>		<b>(20,329.3)</b>	<b>(22,266.6)</b>
<b>Attributable to:</b>			
Shareholders of the parent	-	(20,401.8)	(22,335.0)
Non-controlling interests	10	72.4	68.4

## Consolidated Statement of Financial Position

in CHF 1,000	Note	30 June 2016 (reviewed)	31 December 2015 (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	9	128,313.2	131,939.8
Property, plant and equipment	-	8,015.1	8,430.8
Financial deposits	-	3,105.0	3,086.4
<b>Total non-current assets</b>		<b>139,433.3</b>	<b>143,457.0</b>
<b>Current assets</b>			
Inventories	12	3,509.8	2,217.3
Prepayments	13	2,245.2	550.1
Trade and other receivables	14	754.3	2,784.7
Cash and cash equivalents	-	66,720.4	83,227.6
<b>Total current assets</b>		<b>73,229.7</b>	<b>88,779.6</b>
<b>Total assets</b>		<b>212,663.0</b>	<b>232,236.6</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	-	79,740.5	79,584.6
Share premium	-	218,848.6	218,746.7
Treasury shares	-	(949.0)	(921.8)
Other reserves	-	30,340.4	29,004.7
Accumulated loss	-	(148,862.6)	(130,033.4)
Other components of equity	-	3,657.8	5,230.3
<b>Total equity attributable to equity holders of the parent before NCI</b>		<b>182,775.6</b>	<b>201,611.1</b>
Non-controlling interests	10	1,877.0	1,804.5
<b>Total equity</b>		<b>184,652.6</b>	<b>203,415.6</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	-	12,003.6	14,270.7
Pension liabilities	-	2,959.0	2,185.5
Finance lease liabilities	-	3,886.3	4,133.6
Provisions	15	3,145.4	846.7
<b>Total non-current liabilities</b>		<b>21,994.3</b>	<b>21,436.5</b>
<b>Current liabilities</b>			
Trade payables	-	2,134.0	1,181.7
Accrued and other current liabilities	-	2,914.3	2,905.7
Provisions	15	-	2,328.4
Finance lease liabilities	-	967.7	968.7
<b>Total current liabilities</b>		<b>6,016.0</b>	<b>7,384.5</b>
<b>Total equity and liabilities</b>		<b>212,663.0</b>	<b>232,236.6</b>

## Consolidated Statement of Cash Flow

in CHF 1,000

	Note	Period from 1 January to 30 June	
		2016 (reviewed)	2015 (reviewed)
<b>Operating activities</b>			
Net loss for the period	-	(18,756.8)	(16,981.6)
<b>Non-cash adjustments to reconcile net loss for the period to net cash flows</b>			
- Depreciation of tangible assets	-	1,055.3	864.5
- Amortisation of intangible assets	9	2,556.5	2,488.9
- Interest income	7	(22.8)	(31.9)
- Interest expenses	7	273.7	180.0
- Net foreign exchange differences	-	172.4	216.4
- Share-based compensation	11	1,335.8	1,878.8
- Changes in deferred tax liability	8	(2,110.3)	(1,150.1)
- Change in current assets	-	(986.0)	(31.5)
- Change in current liability	-	949.3	856.1
- Change in provisions	-	(29.7)	800.0
- Change in merger liability (Allylix)	-	-	(3,651.9)
- Change in pension liability	-	126.2	142.8
- Interest payments received	-	25.9	40.3
- Interest expenses paid	-	(273.7)	(180.0)
<b>Net cash flow from operating activities</b>		<b>(15,684.2)</b>	<b>(14,559.4)</b>
<b>Investing activities</b>			
Purchase of property, plant & equipment	-	(454.5)	(587.0)
Purchase of intangible assets	9	(133.2)	-
Change of financial deposits	-	(10.5)	(40.1)
<b>Cash flow from investing activities</b>		<b>(598.2)</b>	<b>(627.2)</b>
<b>Financing activities</b>			
Purchases/ sales of treasury shares	-	(27.2)	373.6
Proceeds from sale of treasury shares (Ventureast)	-	-	117.2
Proceeds from exercise of share options	11	257.8	1,714.4
Acquisition of NCI Evolva India	10	-	(117.2)
Repayment of loans	-	-	(65.0)
Finance lease payments	-	(426.9)	(196.7)
<b>Cash flow from financing activities</b>		<b>(196.4)</b>	<b>1,826.2</b>
<b>Net increase /(decrease) in cash and cash equivalents</b>		<b>(16,478.8)</b>	<b>(13,360.3)</b>
Exchange gain/(loss) on cash and cash equivalents	-	(28.3)	70.7
Cash and cash equivalents, beginning of period	-	83,227.6	60,713.0
<b>Cash and cash equivalents, end of period</b>		<b>66,720.4</b>	<b>47,423.4</b>

## Consolidated Statement of Equity (reviewed)

in CHF 1,000	Share Capital	Share premium	Total capital paid in	Treasury shares	Other Reserves	Employee benefit reserve	Cumulative translation differences	Accumulated loss	Total	Non-controlling interests	Total Equity
<b>At 1 January 2015</b>	<b>65,513.8</b>	<b>175,708.0</b>	<b>241,221.9</b>	<b>(660.9)</b>	<b>25,382.2</b>	<b>(1,515.7)</b>	<b>6,889.7</b>	<b>(98,141.5)</b>	<b>173,175.6</b>	<b>1,818.1</b>	<b>174,993.8</b>
Loss for the period	-	-	-	-	-	-	-	(17,050.0)	(17,050.0)	68.4	(16,981.6)
Other comprehensive income	-	-	-	-	-	-	(5,285.1)	-	(5,285.1)	-	(5,285.1)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,285.1)</b>	<b>(17,050.0)</b>	<b>(22,335.0)</b>	<b>68.4</b>	<b>(22,266.6)</b>
Exercise of share options	1,045.1	669.3	1,714.4	-	-	-	-	-	1,714.4	-	1,714.4
Effects of share based compensation	-	-	-	-	1,878.8	-	-	-	1,878.8	-	1,878.8
Proceeds from treasury shares	-	331.8	331.8	41.8	-	-	-	-	373.6	-	373.6
Acquisition of NCI	-	-	-	152.5	(35.3)	-	-	-	117.2	(117.2)	-
<b>Balance at 30 June 2015</b>	<b>66,559.0</b>	<b>176,709.1</b>	<b>243,268.0</b>	<b>(466.7)</b>	<b>27,225.7</b>	<b>(1,515.7)</b>	<b>1,604.7</b>	<b>(115,191.5)</b>	<b>154,924.6</b>	<b>1,769.3</b>	<b>156,693.9</b>
<b>At 1 January 2016</b>	<b>79,584.6</b>	<b>218,746.7</b>	<b>298,331.3</b>	<b>(921.8)</b>	<b>29,004.7</b>	<b>(1,767.1)</b>	<b>6,997.4</b>	<b>(130,033.4)</b>	<b>201,611.1</b>	<b>1,804.5</b>	<b>203,415.6</b>
Loss for the period	-	-	-	-	-	-	-	(18,829.3)	(18,829.3)	72.4	(18,756.8)
Other comprehensive income	-	-	-	-	-	(647.4)	(925.1)	-	(1,572.5)	-	(1,572.5)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(647.4)</b>	<b>(925.1)</b>	<b>(18,829.3)</b>	<b>(20,401.8)</b>	<b>72.4</b>	<b>(20,329.3)</b>
Exercise of stock options	155.8	101.9	257.8	-	-	-	-	-	257.8	-	257.8
Effects of share based compensation	-	-	-	-	1,335.8	-	-	-	1,335.8	-	1,335.8
Proceeds from treasury shares	-	-	-	(27.2)	-	-	-	-	(27.2)	-	(27.2)
<b>Balance at 30 June 2016</b>	<b>79,740.5</b>	<b>218,848.6</b>	<b>298,589.1</b>	<b>(949.0)</b>	<b>30,340.4</b>	<b>(2,414.5)</b>	<b>6,072.3</b>	<b>(148,862.6)</b>	<b>182,775.6</b>	<b>1,877.0</b>	<b>184,652.6</b>

# Notes to the Interim Condensed Consolidated Financial Statements

(reviewed)

## 1. Corporate information

Evolva Holding SA (the “Company”) together with its subsidiaries (collectively “Evolva” or the “Group”) is an international biosynthetic group which discovers, develops and commercialises ingredients and manufacturing processes for nutrition, healthcare and wellness products. Evolva Holding SA is incorporated in Switzerland and has been the parent company of the Group since 11 December 2009. The shares of the Company are listed on the SIX Swiss Exchange (EVE).

The legal domicile of the Company is: Evolva Holding SA, Duggingerstrasse 23, 4153 Reinach, Switzerland. The Group comprises the following subsidiaries:

Name	Domicile	Ownership <sup>1</sup>	Shareholder	Share capital
Evolva SA	Reinach, CH	100.0 %	Evolva Holding SA	CHF 6,359,540.00
Evolva Biotech A/S	Copenhagen, DK	100.0 %	Evolva SA	DKK 4,311,583.00
Evolva Biotech Private Limited	Chennai, India	72.3 %	Evolva SA	INR 169,930.00
Evolva Inc. <sup>2</sup>	Lexington (KY), USA	100.0 %	Evolva SA	USD 7,835.00
Evolva Bio UK Limited <sup>3</sup>	Cambridge, UK	100.0 %	Evolva SA	GBP 14.62

<sup>1</sup> Capital ownership is equal to voting ownership. Ownership has not changed compared to prior year

<sup>2</sup> On 9 November, 2015, Evolva Inc. was merged into Allylix Inc. which was the surviving entity and subsequently was renamed to Evolva Inc

<sup>3</sup> On 15 March, 2016, Prosarix Ltd. was renamed Evolva Bio UK Limited

On 30 June 2016, the total headcount in Evolva amounted to 172 full-time employees (H1 2015: 154), of which 133 (H1 2015: 119) were involved in research, development and manufacturing activities while 39 (H1 2015: 35) were employed with managerial, commercial and administrative tasks.

These interim condensed consolidated financial statements were authorised for public disclosure in accordance with a resolution of the Board of Directors of the Company dated 17 August 2016.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The interim condensed consolidated financial statements for the six-month period ending 30 June 2016 have been prepared in accordance with IAS 34 (Interim Financial Reporting). The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements, and should be read together with the Company’s annual financial statements as of 31 December 2015. The financial statements are presented in Swiss francs (CHF) and all values are rounded to the nearest CHF 1,000 except where otherwise stated.

The exchange rates for the most significant foreign currencies are as follows:

Currency	Unit	2016		31 Dec	2015	
		30 June	average <sup>1</sup>		30 June	average <sup>1</sup>
EUR	1	1.10	1.11	1.09	1.04	1.06
DKK	100	14.83	14.86	14.67	14.10	14.31
INR	100	1.47	1.49	1.50	1.47	1.54
USD	1	0.99	1.00	1.00	0.94	0.97
GBP	1	1.33	1.44	1.48	1.47	1.48

<sup>1</sup> The average rates listed above are calculated for the reporting period (i.e. 1 January to 30 June)

## 2.2 Changes in accounting policies

The accounting policies adopted for the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

In 2016 the Group has implemented various minor amendments to existing standards and interpretations, which have no impact on the Group's overall results and financial position.

## 3. Segment and Geographical Information

Evolve's overall company goal is to develop and commercialise ingredients with multiple applications in food, nutrition, personal healthcare, agriculture and other sectors. This involves a whole string of different activities, from basic research through manufacturing and commercialisation. In partnered projects, initially, Evolve is responsible for the research activities and the partner compensates Evolve (partially or fully) for the work done. When the project reaches a certain development stage, the typical contract will either allow Evolve to participate in the manufacturing and commercialisation phase or to step out of further activities and receive royalties of final product sales. If Evolve chooses to invest in further development / manufacturing of the product, Evolve takes a significant share of development and financial risk. When the product moves into manufacturing, Evolve might still conduct lab work to improve the yield of the strain used for production, even though the product is on the market already. Products which are not partnered run through the same stages of development, but costs and profit are not shared.

The Board and the Group Management Team (the chief operating decision-makers) do not base their decisions on geographical, demographic or sociographical criteria, but rather on strategic and operational factors related to research, development, manufacturing and commercialisation of novel nutritional, healthcare and wellness ingredients. Therefore the group has identified one segment, namely research, development, manufacturing and commercialisation of novel food, nutritional and healthcare ingredients.

Revenue from products consists of

CHF 1,000	Period from 1 January to 30 June	
	2016	2015
Sales of resveratrol	141.5	207.9
Sales of nootkatone & valencene	278.9	7.0
<b>Total revenue from product sales</b>	<b>420.4</b>	<b>214.8</b>

Revenue from research and development consist of

CHF 1,000	Period from 1 January to 30 June	
	2016	2015
Revenue from corporate R&D collaborations	2,833.4	3,808.7
Revenue from other R&D collaborations <sup>1</sup>	424.4	291.7
<b>Total revenue from research &amp; development</b>	<b>3,257.7</b>	<b>4,100.5</b>

<sup>1</sup> Other R&D collaborations relate to collaborations with governmental institutions like the EU and US agencies.

In early 2015 Evolve sold its bacterial inhibitor compound EV-35 to Emergent BioSolutions Inc. The sale of CHF 4 million was reported as "other income" in the statement of financial performance.

The geographical break-down of total revenue below reflects the location where Evolva's invoices are generated (invoicing entity):

CHF 1,000	Period from 1 January to 30 June	
	2016	2015
Switzerland	3,215.4	8,022.5
Rest of the world	462.7	252.0
<b>Total revenue</b>	<b>3,678.1</b>	<b>8,274.5</b>

The geographical break-down of non-current assets (excluding financial deposits) is as follows:

CHF 1,000	30 June 2016	31 Dec 2015
Switzerland	21,987.5	22,164.3
United States of America	109,649.5	113,084.5
Rest of the world	4,691.4	5,121.8
<b>Total non-current assets</b>	<b>136,328.3</b>	<b>140,370.6</b>

#### 4. Manufacturing expenses

CHF 1,000	Period from 1 January to 30 June	
	2016	2015
Manufacturing expenses	492.5	223.8
Staff compensation	395.3	693.9
<b>Total manufacturing expenses</b>	<b>887.9</b>	<b>917.7</b>

Within manufacturing expenses cost of goods sold have increased due to higher sales. Staff compensation has decreased due to lower expenses of our share-based compensation program in the current period.

#### 5. Research & development expenses

CHF 1,000	Period from 1 January to 30 June	
	2016	2015
Staff compensation	7,460.4	6,404.5
Lab consumables, CROs, consultants, etc.	2,983.8	3,319.4
Reimbursement of former DTRA contracts	-	2,900.0
Patent and patent applications	1,413.1	1,467.8
Facility and maintenance	848.7	708.8
Depreciation and amortisation of intangible and tangible assets	3,499.1	3,254.0
<b>Total research &amp; development expenses</b>	<b>16,205.1</b>	<b>18,054.5</b>

Overall research and development costs have decreased mainly due to the one-off provision of CHF 2.9 million related to the US Defense Threat Reduction Agency (DTRA) in the comparable period in 2015. This effect was partially offset by higher staff compensation as a result of the increase in research and development headcount.



## 6. Selling, general and administrative expenses

CHF 1,000	Period from 1 January to 30 June	
	2016	2015
Management, commercial & admin staff compensation <sup>1</sup>	3,715.0	3,811.2
Board of Directors compensation	335.4	359.1
Commercial activities	628.9	445.3
Regulatory activities	669.1	-
Investor and public relations	437.9	149.4
Rent and maintenance	194.8	230.5
Financial advisory, legal and transaction costs	247.8	398.4
IT, communication and other administrative expenses	817.7	752.0
Depreciation of tangible assets	106.3	99.4
<b>Total selling, general &amp; administrative expenses</b>	<b>7,152.9</b>	<b>6,245.5</b>

<sup>1</sup> This includes compensation paid to the Group Management Team, commercial and admin staff

Overall selling, general and administrative expenses have increased as sales and regulatory activities related to products continue to grow. Headcount in the sales and marketing team increased compared to the previous period. This effect was offset by a lower cost for our share-based compensation program in the current period.

## 7. Financial result

CHF 1,000	Period from 1 January to 30 June	
	2016	2015
Interest & bank expenses	(133.5)	(63.1)
Finance Lease expenses	(140.2)	(116.9)
Foreign exchange loss	(1,858.9)	(1,501.3)
<b>Total financial expenses</b>	<b>(2,132.6)</b>	<b>(1,681.2)</b>
Interest income	22.8	31.9
Foreign exchange gain	1,762.1	460.9
<b>Total financial income</b>	<b>1,784.9</b>	<b>492.8</b>
<b>Net financial result</b>	<b>(347.8)</b>	<b>(1,188.4)</b>

## 8. Income tax

Tax income has increased from CHF 1.2 million to CHF 2.2 million as a result of increased losses from operations within the group which partially lead to an increase of the deferred tax asset position.

## 9. Intangible assets

CHF 1,000	Patents & patent applications	Royalty & Licences	Goodwill	Total
<b>Historical costs</b>				
<b>1 January 2015</b>	<b>100,935.5</b>	<b>389.9</b>	<b>42,667.1</b>	<b>143,992.4</b>
Translation effects	814.8	3.4	203.6	1,021.8
<b>31 December 2015</b>	<b>101,750.2</b>	<b>393.3</b>	<b>42,870.7</b>	<b>145,014.2</b>
<b>Accumulated amortisation</b>				
<b>1 January 2015</b>	<b>(7,686.4)</b>	<b>(195.0)</b>	-	<b>(7,881.4)</b>
Amortisation of the year	(4,946.0)	(47.8)	-	(4,993.7)
Translation effects	(196.2)	(3.1)	-	(199.3)
<b>31 December 2015</b>	<b>(12,828.6)</b>	<b>(245.8)</b>	-	<b>(13,074.4)</b>
<b>Net book value at 31 December 2015</b>	<b>88,921.6</b>	<b>147.5</b>	<b>42,870.7</b>	<b>131,939.8</b>
<b>Historical costs</b>				
<b>1 January 2016</b>	<b>101,750.2</b>	<b>393.3</b>	<b>42,870.7</b>	<b>145,014.2</b>
Additions at acquisition cost	136.1	-	-	136.1
Translation effects	(1,049.9)	(3.7)	(287.7)	(1,341.2)
<b>30 June 2016</b>	<b>100,836.4</b>	<b>389.6</b>	<b>42,583.0</b>	<b>143,809.0</b>
<b>Accumulated amortisation</b>				
<b>1 January 2016</b>	<b>(12,828.6)</b>	<b>(245.8)</b>	-	<b>(13,074.4)</b>
Amortisation of the period	(2,534.8)	(24.5)	-	(2,559.3)
Translation effects	135.5	2.5	-	138.0
<b>30 June 2016</b>	<b>(15,227.9)</b>	<b>(267.9)</b>	-	<b>(15,495.8)</b>
<b>Net book value at 30 June 2016</b>	<b>85,608.5</b>	<b>121.8</b>	<b>42,583.0</b>	<b>128,313.2</b>

Amortisation of intangible assets is fully recorded under research and development expenses.

## 10. Non-controlling interests in Evolva India

From 2005 to 2010, Evolva Biotech Private Limited (Evolva India) received financing from Ventureast and APIDC, two Indian venture funds. At each investment, the two investors received convertible preference shares in Evolva India giving the two investors rights to a total of 10.7 million shares in Evolva Holding SA under a conversion agreement from 2009.

In order to fulfil Evolva's obligation under the conversion agreement, the Company issues and sells treasury shares on behalf of the two Indian investors. Evolva's ownership in Evolva India is unchanged at 72.3% compared to 31 December 2015. Since inception, a total of 7.7 million shares were sold on behalf of the two Indian funds which consequently hold conversion rights for 3.0 million shares at the reporting date.

As the two Indian funds have invested in Evolva India at different prices, the conversion ratio is different between the investing rounds. As a consequence, the shareholding in Evolva India will not increase in a linear way.

There are no other non-controlling interests in the Group.

## 11. Incentive share and option programmes

The Board of Directors administers the Group's incentive share option plans. The granting of share options to the Board of Directors, the Management Team and employees is done according to the Company's share option plan regulations. One share option entitles the option holder to purchase one Evolva share at a fixed price ("the exercise price").

The table below illustrates the weighted average exercise price in CHF (WAEP), the number of share options outstanding and the weighted average years remaining contractual life (WAYCL) as at 30 June 2016.

Plan name	Year of grant	WAEP	Option no.	WAYCL
EVE 9	2016	0.80	9,035,592	9.6
EVE 8	2015	1.31	5,312,095	8.5
EVE 7	2014	0.98	5,449,290	7.5
EVE 6	2013	0.64	3,034,680	7.0
EVE 5	2012	0.37	2,648,196	6.5
EVE 4	2012	0.55	4,604,712	5.5
EVE 3	2011	0.20	1,619,471	3.5
EVE 2	2011	1.64	2,679,935	4.9
EVE 1b	2010	1.08	160,000	3.5
EVE 1	2009	0.33	4,907,802	3.4
<b>Total</b>		<b>0.80</b>	<b>39,451,773</b>	<b>6.9</b>

A summary of share options granted, exercised, forfeited and outstanding for the above plans is shown below:

	30 June 2016	31 Dec 2015
Outstanding at 1 January	31,368,775	31,394,245
Granted	9,108,332	5,470,844
Exercised	779,229	5,354,036
Forfeited	246,105	142,278
Expired	-	-
<b>Outstanding end of period</b>	<b>39,451,773</b>	<b>31,368,775</b>
- of which exercisable	24,476,073	21,491,531

The fair values of granted share options have been determined by using a binomial option valuation model. The resulting expenses for the Company are recognised over the vesting periods.

In addition to the EVE plans, a total of 1,058,714 former Arpida share options are outstanding and exercisable. All Arpida share option plans expire between 2017 and 2019. There have been no exercises of Arpida share options during the reporting period.

For the reporting period, the following share based compensation were recorded in the Group's statement of financial performance:

CHF 1,000	Period from 1 January to 30 June	
	2016	2015
Research & development	771.1	1,196.7
Manufacturing	57.5	134.1
Selling, general & administrative	507.1	548.0
<b>Total share based compensation</b>	<b>1,335.8</b>	<b>1,878.8</b>

## 12. Inventories

CHF 1,000	30 June 2016	31 Dec 2015
Raw materials	35.4	93.0
Intermediate products	1,776.1	313.0
Finished products	1,698.3	1,811.3
<b>Total</b>	<b>3,509.8</b>	<b>2,217.3</b>

A reversal of write-down of inventory to net realisable value of CHF 0.2 million was recorded in the reporting period (H1 2015: CHF 0.2 million).

## 13. Prepayments

The increase of prepayments compared to year-end is due to prepayments made for manufacturing of our products and other operating items.

## 14. Trade and other receivables

In late 2015 Evolva achieved different milestones which were unsettled at 31 December 2015. Evolva deems all receivables as collectable and consequently has not recognised any allowance for bad debt.

## 15. Provisions

With regard to two former research contracts for the US Defense Threat Reduction Agency (DTRA), Evolva had booked a provision of CHF 3.1 million in 2015.

While the two projects from an R&D perspective were successfully completed in 2010 and 2011 respectively, the relevant US audit agency has not yet completed the audit of the project accounts. This is mainly due to the relatively complex cost calculations, billing and accounting procedures for these contracts. A preliminary evaluation indicates that Evolva may be responsible for some of the costs originally charged to DTRA which could lead to a repayment. The two contracts had a combined fee volume of approximately USD 33 million. Based on the stage of the discussions, Evolva has reclassified all provisions related to DTRA into long-term.

## 16. Commitments and contingencies

### Contingent liabilities

As part of its R&D activities, Evolva is involved in a number of projects funded by governmental and other public organisations (in particular the US Department of Defense and the EU). These contracts include clauses which might result in reclaims of funding that Evolva has received, depending on actual project costs compared with the original project budgets.

### Commitments

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

## 17. Related party transactions

In 2016, Evolva received consultancy services for research and development from a member of the Board of Directors. These services are based on a consultancy agreement at arm's length. In addition, Evolva has a manufacturing agreement with a company where a Board member of Evolva is part of the Executive Management.

## 18. Events subsequent to the reporting date

The Group has evaluated subsequent events through 17 August 2016. No subsequent events to be disclosed.

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

Basle, 17 August 2016

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

### **Introduction**

We have reviewed the interim condensed consolidated financial statements (Consolidated Statement of Financial Performance, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flow, Consolidated Statement of Equity and Notes) of Evolva Holding SA for the six-month period ended 30 June 2016 (pages 1 to 11). The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 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 Financial Reporting Standard IAS 34 “Interim Financial Reporting”.

Ernst & Young Ltd

/s/ Jolanda Dolente  
Licensed audit expert  
(Auditor in charge)

/s/ Fabian Meier  
Licensed audit expert