evolva

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2017

Consolidated Statement of Financial Performance

in CHF 1,000	Note	Period from 1 January to 30 June	
		2017 (reviewed)	**2016** (reviewed)
Revenue from product sales	3	909.5	420.4
Revenue from research & development	3	2,708.3	3,257.7
Total income		**3,617.7**	**3,678.1**
Cost of goods sold[1]	4	(2,011.9)	(887.9)
Research & development expenses	5	(13,353.9)	(16,205.1)
Commercial, general & administrative expenses	6	(8,933.2)	(7,152.9)
Operating loss		**(20,681.3)**	**(20,567.7)**
Share of loss of an associate	9	(229.6)	-
Financial income	7	470.3	1,784.9
Financial expenses	7	(2,185.5)	(2,132.6)
Net loss before tax		**(22,626.2)**	**(20,915.6)**
Income tax (expenses)	-	2,323.4	2,158.6
Net loss for the period		**(20,302.7)**	**(18,756.8)**
Attributable to:			
Shareholders of the parent	-	(20,342.3)	(18,829.3)
Non-controlling interests (NCI)	10	39.6	72.4
Basic and diluted loss per share attributable to ordinary shareholders of the parent		(0.05)	(0.05)

[1] Renamed from "manufacturing expenses" in previous years to "cost of goods sold"

Consolidated Statement of Comprehensive Income

in CHF 1,000	Note	Period from 1 January to 30 June	
		2017 (reviewed)	**2016** (reviewed)
Net loss for the period	-	(20,302.7)	(18,756.8)
Items to be reclassified to statement of financial performance (net of tax)			
Translation differences	-	(4,963.9)	(925.1)
Items not to be reclassified to statement of financial performance (net of tax)			
Remeasurement gains/(losses) on defined benefit plans	-	-	(647.4)
Other comprehensive income/(loss)		**(4,963.9)**	**(1,572.5)**
Total comprehensive loss		**(25,266.6)**	**(20,329.3)**
Attributable to:			
Shareholders of the parent	-	(25,306.2)	(20,401.8)
Non-controlling interests	10	39.6	72.4

Consolidated Statement of Financial Position

in CHF 1,000	Note	30 June 2017 (reviewed)	31 Dec 2016 (audited)
Assets			
Non-current assets			
Intangible assets	8	121,380.7	130,255.6
Property, plant and equipment	-	6,764.6	7,522.1
Investment in an associate	9	252.1	481.7
Financial deposits	-	3,115.8	3,096.4
Total non-current assets		**131,513.2**	**141,355.8**
Current assets			
Inventories	13	7,207.7	5,687.1
Prepayments	14	905.5	1,537.3
Trade and other receivables	-	838.0	2,138.5
Cash and cash equivalents	-	33,826.7	47,516.8
Total current assets		**42,777.9**	**56,879.7**
Total assets		**174,291.1**	**198,235.5**
Equity and liabilities			
Equity			
Share capital	-	84,840.5	79,740.5
Share premium	-	220,294.0	218,742.8
Treasury shares	11	(4,449.2)	(849.2)
Other reserves	-	32,811.0	31,754.7
Accumulated loss	-	(186,346.3)	(166,004.0)
Other components of equity	-	2,782.7	7,746.6
Total equity attributable to equity holders of the parent before NCI		**149,932.7**	**171,131.3**
Non-controlling interests (NCI)	10	1,964.9	1,925.3
Total equity		**151,897.6**	**173,056.6**
Non-current liabilities			
Deferred tax liabilities	-	6,586.4	9,421.5
Pension liabilities	-	2,483.1	2,325.4
Finance lease liabilities	-	3,266.0	3,564.0
Provisions	15	-	4,178.3
Total non-current liabilities		**12,335.4**	**19,489.1**
Current liabilities			
Trade payables	-	2,145.7	1,174.1
Accrued and other current liabilities	-	2,995.0	3,537.3
Provisions	15	3,914.4	-
Finance lease liabilities	-	1,003.0	978.4
Total current liabilities		**10,058.1**	**5,689.8**
Total equity and liabilities		**174,291.1**	**198,235.5**

Consolidated Statement of Cash Flow

in CHF 1,000	Note	Period from 1 January to 30 June	
		2017 (reviewed)	**2016** (reviewed)
Operating activities			
Net loss for the period	-	(20,302.7)	(18,756.8)
Non-cash adjustments to reconcile net loss for the period to net cash flows			
- Depreciation of tangible assets	-	1,040.4	1,055.3
- Amortisation of intangible assets	8	2,597.3	2,556.5
- Recognised development costs	8	(675.9)	-
- Interest income	7	(12.2)	(22.8)
- Interest expenses	7	152.1	273.7
- Net foreign exchange differences	-	1,858.0	172.4
- Share-based compensation	12	1,056.3	1,335.8
- Changes in deferred tax liability	-	(2,326.0)	(2,110.3)
- Change in current assets	-	9.9	(986.0)
- Change in current liability	-	468.7	949.3
- Change in provisions	-	(263.9)	(29.7)
- Change in pension liability	-	157.7	126.2
- Share of loss of an associate	9	229.6	-
- Interest payments received	-	13.9	25.9
- Interest expenses paid	-	(152.1)	(273.7)
Net cash flow from operating activities		**(16,149.0)**	**(15,684.2)**
Investing activities			
Purchase of property, plant & equipment	-	(166.6)	(454.5)
Disposal of property, plant & equipment		2.4	-
Purchase/ disposal of intangible assets	8	7.8	(133.2)
Increase of financial deposits	-	(6.9)	(10.5)
Cash flow from investing activities		**(163.2)**	**(598.2)**
Financing activities			
Proceeds from treasury shares	-	3,224.9	-
Purchase of treasury shares	-		(27.2)
Proceeds from exercise of share options	12	164.7	257.8
Capital increase expenses	-	(338.3)	-
Finance lease payments	-	(418.6)	(426.9)
Cash flow from financing activities		**2,632.7**	**(196.4)**
Net increase /(decrease) in cash and cash equivalents		**(13,679.5)**	**(16,478.8)**
Exchange gain/(loss) on cash and cash equivalents	-	(10.6)	(28.3)
Cash and cash equivalents, beginning of period	-	47,516.8	83,227.6
Cash and cash equivalents, end of period		**33,826.7**	**66,720.4**

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	Accumu-lated loss	Total	Non-controlling interests	Total Equity
At 1 January 2016	**79,584.6**	**218,746.7**	**298,331.3**	**(921.8)**	**29,004.7**	**(1,767.1)**	**6,997.4**	**(130,033.4)**	**201,611.1**	**1,804.5**	**203,415.6**
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)
Total comprehensive loss	**-**	**-**	**-**	**-**	**-**	**(647.4)**	**(925.1)**	**(18,829.3)**	**(20,401.8)**	**72.4**	**(20,329.3)**
Exercise of share 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)
Balance at 30 June 2016	**79,740.5**	**218,848.6**	**298,589.1**	**(949.0)**	**30,340.4**	**(2,414.5)**	**6,072.3**	**(148,862.6)**	**182,775.6**	**1,877.0**	**184,652.6**
At 1 January 2017	**79,740.5**	**218,742.8**	**298,483.2**	**(849.2)**	**31,754.7**	**(1,667.8)**	**9,414.4**	**(166,004.0)**	**171,131.3**	**1,925.3**	**173,056.6**
Loss for the period	-	-	-	-	-	-	-	(20,342.3)	(20,342.3)	39.6	(20,302.7)
Other comprehensive income	-	-	-	-	-	-	(4,963.9)	-	(4,963.9)	-	(4,963.9)
Total comprehensive loss	**-**	**-**	**-**	**-**	**-**	**-**	**(4,963.9)**	**(20,342.3)**	**(25,306.2)**	**39.6**	**(25,266.6)**
Exercise of share options	100.0	64.7	164.7	-	-	-	-	-	164.7	-	164.7
Effects of share based compensation	-	-	-	-	1,056.3	-	-	-	1,056.3	-	1,056.3
Capital increase from issuance of treasury shares	5,000.0	-	5,000.0	(5,000.0)	-	-	-	-	-	-	-
Capital increase costs	-	(338.3)	(338.3)	-	-	-	-	-	(338.3)	-	(338.3)
Proceeds from treasury shares	-	1,824.9	1,824.9	1,400.0	-	-	-	-	3,224.9	-	3,224.9
Balance at 30 June 2017	**84,840.5**	**220,294.0**	**305,134.5**	**(4,449.2)**	**32,811.0**	**(1,667.8)**	**4,450.5**	**(186,346.3)**	**149,932.7**	**1,964.9**	**151,897.6**

Notes to the Interim Condensed Consolidated Financial Statements
(reviewed)

1. Corporate information

Evolva Holding SA (the "Company") together with its subsidiaries (collectively "Evolva", the "Group" or "we") is an international group that discovers, develops and commercialises ingredients and biomanufacturing 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[1]		Shareholder	Share capital
		30.06.2017	31.12.2016		
Evolva SA	Reinach, CH	100 %	100 %	Evolva Holding SA	CHF 6,359,540
Evolva Biotech A/S	Copenhagen, DK	100 %	100 %	Evolva SA	DKK 4,311,583
Evolva Biotech Private Limited	Chennai, India	72.3 %	72.3 %	Evolva SA	INR 169,930
Evolva Inc.	Lexington, USA	100 %	100 %	Evolva SA	USD 7,835
Evolva Bio UK Ltd.	Cambridge, UK	100 %	100 %	Evolva SA	GBP 14.62
Evolva Singapore PTE. Ltd.	Singapore	100 %	100 %	Evolva SA	SGD 100
River Stone Biotech, LLC.	Delaware, USA	20 %	20 %	Evolva SA	-

[1] Capital ownership is equal to voting ownership.

On 30 June 2017, the total headcount in Evolva amounted to 178 full-time employees (H1 2016: 172), of which 135 (H1 2016: 133) were involved in research, development and manufacturing activities while 45 (H1 2016: 39) 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 11 August 2017.

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 2017 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 2016. 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:

		2017		2016		
Currency	**Unit**	**30 June**	**average[1]**	**31 Dec**	**30 June**	**average[1]**
EUR	1	1.11	1.09	1.09	1.10	1.11
DKK	100	14.86	14.63	14.62	14.83	14.86
INR	100	1.49	1.53	1.52	1.47	1.49
USD	1	0.97	1.02	1.03	0.99	1.00
GBP	1	1.26	1.27	1.27	1.33	1.44
SGD	1	0.70	0.72	0.71	n.a.	n.a.

[1] The average rates listed above are calculated for the reporting period (i.e. 1 January to 30 June)

2.2 Changes in accounting policies

In 2017 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.
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 2016, except of:

2.2.1 Research & development expenses

Expenses for research and development comprise compensation to staff, consultants and contract research organisations involved in R&D activities, process development (scale-up, fermentation, downstream processing), laboratory consumables, intellectual property expenses, including potential impairment and depreciation of corresponding intangible assets and property, plant and equipment.

According to IAS38, development costs shall be capitalised if, and only if, the Group can meet all of the following criteria:

- the intangible asset is clearly identified and the related costs are itemised and reliably monitored;
- the technical and industrial feasibility of completing the intangible asset is demonstrated;
- there is a clear intention to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset arising from the project;
- the Group can demonstrate how the intangible asset will generate probable future economic benefits;
- the Group has adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

When these conditions are not satisfied, development costs generated by the Group are charged to the statement of financial performance as incurred.

2.2.2 Intangible assets

Costs of purchasing intellectual property rights (i.e. patents and patent applications) are capitalised as intangible assets when it is probable that future economic benefits will be generated.

Acquired intangible assets (other than goodwill) are initially valued at cost or, if acquired within the context of a business combination, recorded at fair value. Generally, intangible assets are amortised over 20 years or according to their expected useful lives on a straight-line basis. Intellectual property on acquired in-process research & development is amortised on a straight line basis once commercialisation of related products starts.

Internally generated intangible assets currently include development costs related to EverSweet™. These costs include compensation to staff, consultants and contract research organisations involved in R&D activities, process development (scale-up, fermentation, downstream processing), laboratory consumables, intellectual property expenses, including potential impairment and depreciation of corresponding property, plant and equipment.

Costs are capitalised only if they satisfy the criteria as defined by IAS38 and described in section "Research and development expenses".

Internal and external development costs of EverSweet™ arising from the development phase are recognised as a contractual intangible right (note 8).

Acquired intangible assets (other than goodwill) are amortised over their useful lives.

Due to the ongoing development and the definition as an intangible asset with indefinite useful life contractual intangible assets are not amortised, but evaluated for potential impairment on an annual basis or when facts and circumstances warrant.

Any impairment charge is recorded in the consolidated income statement under "Research & Development expenses".

2.3 Uncertainties and going concern

The Evolva Group is by nature of its business subjected to various risks and uncertainties, including but not limited to the uncertainty of the development of its products, regulatory approval requirements and the time of achieving sustainable profitability. The Group's ability to continue operations as currently conducted within the next 12 months depends on its ability to generate revenues from product sales and new contracts, to manage its operational expenses and to raise additional equity and/or debt financing.

A material uncertainty surrounding the ability to raise sufficient financing, to generate sufficient revenues from product sales and new contracts cast significant doubt about the Group's ability to continue as a going concern.

However, the Board of Directors is confident to be able to continue its operations within the boundaries of the strategy, by raising either equity and/or debt (in aggregate at least the equivalent amount of the net decrease in cash of H1 2017) as well as by reducing operating expenses within the next 12 months. In view of the ongoing organisational review, the Board of Directors expect to further sharpen Evolva's strategic focus over the coming months, which should also lead to a reduction of operating expenses.

Considering the Company's current cash position and its financial forecast for the next 12 months, the Board of Directors believes that it is appropriate to prepare these financial statements on a going concern basis.

3. Segment and Geographical Information

The Board and the Group Management (the chief operating decision-makers) do not base their decisions on geographical, demographic or sociographical criteria, but 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 research and development consist of

	Period from 1 January to 30 June	
CHF 1,000	**2017**	**2016**
Revenue from corporate R&D collaborations	2,440.1	2,833.4
Revenue from other R&D collaborations[1]	268.2	424.4
Total revenue from research & development	**2,708.3**	**3,257.7**

[1] Other R&D collaborations relate to collaborations with governmental institutions like the EU and US government agencies.

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

	Period from 1 January to 30 June	
CHF 1,000	**2017**	**2016**
Switzerland	2,720.0	3,215.4
Rest of the world	897.7	462.7
Total revenue	**3,617.7**	**3,678.1**

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

CHF 1,000	30 June 2017	31 Dec 2016
Switzerland	22,050.4	21,735.7
United States of America	102,008.2	111,638.2
Denmark	2,443.8	2,658.7
Rest of the world	1,895.1	2,226.9
Total non-current assets	**128,397.4**	**138,259.5**

4. Cost of goods sold

	Period from 1 January to 30 June	
CHF 1,000	2017	2016
Manufacturing expenses	1,445.0	492.5
Staff compensation	566.8	395.3
Total cost of goods sold	**2,011.9**	**887.9**

Cost of goods sold overall have increased as a result of higher sales volumes of Evolva's own products. Staff costs in manufacturing have increased due to an increase in headcount.

5. Research & development expenses

	Period from 1 January to 30 June	
CHF 1,000	2017	2016
Staff compensation	5,879.2	7,460.4
Lab consumables, CROs, consultants, etc.	1,978.8	2,983.8
Patent and patent applications	1,224.8	1,413.1
Facility and maintenance	822.0	848.7
Depreciation and amortisation of intangible and tangible assets	3,449.1	3,499.1
Total research & development expenses	**13,353.9**	**16,205.1**

Overall research and development expenses for the reporting period amount to CHF 14.0 million, of which Evolva has recognised CHF 0.7 million (none in compared period) directly attributable development costs (5.2%). This mainly includes staff costs as well as third party services related to development work related with the contractual intangible right (note 8). The shift towards more application development (commercial) has led to a decrease in staff costs for R&D. Research consumables have decreased mainly due to less involvement of external CROs.

6. Commercial, general and administrative expenses

	Period from 1 January to 30 June	
CHF 1,000	2017	2016
Board, Management & staff compensation	5,103.5	4,050.4
Commercial activities	684.9	628.9
Application development	188.7	-
Regulatory activities	700.3	669.1
Investor and public relations	323.7	437.9
Rent and maintenance	204.3	194.8
Financial advisory, legal and transaction costs	698.0	247.8
IT, communication and other administrative expenses	881.9	817.7
Depreciation of tangible assets	148.0	106.3
Total commercial, general & administrative expenses	**8,933.2**	**7,152.9**

Overall commercial, general and administrative expenses have increased as sales and regulatory activities as well as application development related to own products continue to grow. Headcount in the above mentioned areas increased compared to the previous period.

7. Financial result

CHF 1,000	Period from 1 January to 30 June 2017	2016
Interest & bank expenses	(22.3)	(133.5)
Finance Lease expenses	(129.9)	(140.2)
Foreign exchange loss	(2,033.4)	(1,858.9)
Total financial expenses	**(2,185.5)**	**(2,132.6)**
Interest income	12.2	22.8
Foreign exchange gain	458.1	1,762.1
Total financial income	**470.3**	**1,784.9**
Net financial result	**(1,715.3)**	**(347.8)**

8. Intangible assets

CHF 1,000	Patents & patent applications	Contractual intangible rights	Royalty & Licences	Goodwill	Total
Historical costs					
1 January 2016	**101,750.2**	**-**	**393.3**	**42,870.7**	**145,014.2**
Additions at acquisition cost	218.2	-	-	-	218.2
Translation effects	2,978.9	-	12.5	745.8	3,737.3
31 December 2016	**104,947.4**	**-**	**405.9**	**43,616.5**	**148,969.7**
Accumulated amortisation					
1 January 2016	**(12,828.6)**	**-**	**(245.8)**	**-**	**(13,074.4)**
Amortisation of the year	(5,049.8)	-	(48.9)	-	(5,098.7)
Translation effects	(531.2)	-	(9.7)	-	(540.9)
31 December 2016	**(18,409.7)**	**-**	**(304.4)**	**-**	**(18,714.1)**
Net book value at 31 December 2016	**86,537.7**	**-**	**101.5**	**43,616.5**	**130,255.6**
Historical costs					
1 January 2017	**104,947.4**	**-**	**405.9**	**43,616.5**	**148,969.7**
Capitalized development costs	-	675.9	-	-	**675.9**
Translation effects	(6,456.5)	0.2	(25.6)	(1,667.7)	(8,149.6)
30 June 2017	**98,490.9**	**676.2**	**380.2**	**41,948.7**	**141,496.0**
Accumulated amortisation					
1 January 2017	**(18,409.7)**	**-**	**(304.4)**	**-**	**(18,714.1)**
Amortisation of the period	(2,580.2)	-	(25.0)	-	(2,605.1)
Translation effects	1,183.5	-	20.4	-	1,203.9
30 June 2017	**(19,806.3)**	**-**	**(308.9)**	**-**	**(20,115.3)**
Net book value at 30 June 2017	**78,684.6**	**676.2**	**71.3**	**41,948.7**	**121,380.7**

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

Contractual intangible rights (EverSweet™)

On 1 April 2017 Evolva and Cargill Inc. ("Cargill") signed a collaboration agreement, to co-develop and commercialise fermentation-derived Stevia ("EverSweet™"). EverSweet™ will be manufactured at a fermentation facility on Cargill's Blair, Nebraska campus that will be retrofitted for this purpose. A new company ("NewCo") will be established and co-owned by Cargill and Evolva upon achievement of certain milestones. Evolva's share in NewCo will be up to 30 % which is determined by reference to the EverSweet™ strain efficiency.

As part of the collaboration agreement, Evolva has entered into financial and operational commitments. Between H2 2017 and 2019, financial commitments amount to approx. CHF 30 million, of which 54 % are contingent upon achievements of contractually agreed strain efficiency (note 16).

The agreement foresees that in case Evolva fails to securitise an amount of CHF 27.2 million by 31 December 2017, Cargill has the contractual right to change the current collaboration agreement into a royalty agreement. As a consequence, Evolva would owe to Cargill financial commitments until that date but not beyond, which is equivalent to CHF 2.2 million. This would lead to a significant reduction of Evolva's cash outflow while still being entitled to royalty income from EverSweet™.

The operational commitment consists of Evolva financing its development effort of the strain improvement with scientific manpower and patent filing. The ownership in NewCo is dependent on the achievement of the agreed strain efficiency, which will entitle Evolva to benefit from future profits of the commercialisation of EverSweet™.

The development work to improve the strain efficiency as well as the majority of the financial commitments stated above are recognised as a contractual intangible right in Evolva's statement of financial position. Total R&D expenses of the Group amount to CHF 14 million for the reporting period, of which CHF 0.7 million are recognised as directly attributable development costs (5.2 %) related to EverSweet™. These mainly consist of staff costs and third party services related to development work, which are carried at costs.

As of the reporting date, the carrying amount of the recognised development cost does not exceed the recoverable amount of the recognised contractual intangible rights. The recoverable amount is calculated as Evolva's share in EverSweet™ and determined on a long term discounted cash flow model (DCF) from financial projections mutually agreed by the contractual parties covering a period of more than ten years.

Based on the current stage of the development, it is Evolva's expectation to reach the contractually agreed strain efficiency. The contractual intangible right's useful life was determined as indefinite. The expected cash inflow generated by the contractual intangible right is not impacted by neither the usage of the asset nor by the time elapsed.

9. Investment in an associate

On 6 August 2016, Evolva SA (Switzerland) co-invested with 20 % equity share in River Stone Biotech, LLC ("River Stone" or "associate"), a Delaware limited liability company, which is organised to develop, scale-up, manufacture, supply and commercialise biotechnology. In addition, Evolva SA has signed a research agreement with River Stone, according to which Evolva is performing R&D work on certain pharmaceutical ingredients for River Stone. R&D work is mainly performed from Europe.

As of the reporting date, Evolva has recorded its share of the loss in the associate of CHF 0.2 million to reflect the appropriate value of the net assets of the associate according to Evolva's share of investment. This adjustment is recorded as "share in loss in an associate" in the Group's consolidated statement of financial performance.

As of the reporting date, the associate comprises mainly cash of approximately CHF 0.3 million and IP of approximately CHF 2.0 million. Expenses amount to approx. CHF 1.0 million during the reporting period without achieving any revenues. There are no off-balance commitments for Evolva.

In Evolva's statement of financial position, investment in associate amounts to CHF 0.3 million. The maximum exposure of this position is 100 %, meaning that Evolva would have to fully impair its investment in River Stone, if the compound could not be commercialised or no additional funding could be raised in the mid-term future for further R&D and commercial work. There are no further items in Evolva's statement of financial positon referring to this investment.

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 investors. During the reporting period no treasury shares were sold. Evolva's ownership in Evolva India therefore is unchanged at 72.3 %. Since inception, a total of 7.7 million shares have been sold on behalf of the two Indian funds which consequently hold conversion rights for 3 million shares at the reporting date.

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

11. Standby Equity financing and treasury shares

On 15 March 2017 Evolva entered into a Standby Equity Distribution Agreement (SEDA) with a fund managed by Yorkville Advisory Global, LLC (Yorkville) as part of the medium-term funding of Evolva's operations. Under the terms of the agreement, Yorkville has committed to provide up to CHF 30 million in equity financing over a 36 month period in individual advances of up to CHF 1.0 million. In exchange for the funds to be provided, Yorkville will receive Evolva Holding SA shares. It remains at the sole discretion of Evolva to determine when to draw the advances and the respective amount.

To accommodate the need of shares, Evolva Holding SA created 25 million treasury shares from its authorised capital in 2017 to be used for the share issues under the SEDA agreement as well as for other financing purposes

Within the reporting period, Evolva has drawn CHF 3.2 million (net proceeds) from SEDA, leading to a delivery of seven million shares to Yorkville. To get access to the SEDA, Evolva paid CHF 0.3 million (capital increase fees).

12. Share based compensation

Total share based compensation as presented in the Statement of Financial Performance summarises as following:

	Period from 1 January to 30 June	
CHF 1,000	**2017**	**2016**
Research & development	568.0	771.1
Manufacturing	31.8	57.5
Commercial, general & administrative	456.5	507.1
Total share based compensation	**1,056.3**	**1,335.8**

The total share based compensation consist of expenses from equity based instruments as presented under the following paragraphs. The Board of Directors administers the Group's incentive share based compensation plans. The granting of equity instruments is done according to the Company's plan regulations.

Incentive share 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 2017.

Plan name	Year of grant	WAEP	Option no.	WAYCL
EVE 9	2016	0.80	8,278,330	8.6
EVE 8	2015	1.31	5,079,892	7.5
EVE 7	2014	0.98	5,324,921	6.5
EVE 6	2013	0.64	2,981,580	6.0
EVE 5	2012	0.37	2,648,196	5.5
EVE 4	2012	0.55	4,604,712	4.5
EVE 3	2011	0.20	1,619,471	2.5
EVE 2	2011	1.64	2,679,935	3.9
EVE 1b	2010	1.08	160,000	2.5
EVE 1	2009	0.33	4,407,802	2.4
Total		**0.80**	**37,784,839**	**5.9**

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

	30 June 2017	31 Dec 2016
Outstanding at 1 January	38,613,720	31,368,775
Granted	-	9,108,332
Exercised	500,000	779,229
Forfeited	328,881	1,084,158
Expired	-	-
Outstanding end of period	**37,784,839**	**38,613,720**
- of which exercisable	28,762,947	24,476,073

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 843,220 former Arpida share options are outstanding and exercisable (31 December 2016: 1,058,714). All Arpida share option plans expire between 2017 and 2019. There have been no exercises of Arpida share options during the reporting period. A total of 215,494 share options have expired during H1 2017.

The average exercise price in the reporting period was CHF 0.33 (2016: CHF 0.33)

The following expense for the Group's share option plans was recorded in Evolva's statement of financial performance:

	Period from 1 January to 30 June	
CHF 1,000	2017	2016
Research & development	307.9	487.3
Manufacturing	26.7	57.5
Commercial, general & administrative	326.0	507.1
Total share based compensation	**660.6**	**1,052.0**

12.1 Restricted stock units (RSU)

In 2017 Evolva launched its first RSU plan. As with former share option plans, the board of directors, management, staff and some selected advisors are eligible for receiving a RSU grant. The grant date was set on 10 February 2017.

The Board of Directors administers the Group's RSU plans. The granting of RSUs to the Board of Directors, the Management Team and employees is done according to the Company's compensation system. One RSU entitles to one share in Evolva (free of charge).

In total, 5.5 million RSU are granted under the current plan (EVE 10). First vesting is on 1 May 2020 and comprises 1/3 of all granted RSU, followed by additional vesting on 1 May 2021 and 2022. RSU expire after ten years if not exercised before. At grant, the fair value of one RSU of the EVE 10 plan amounts to CHF 0.55, determined on the basis of the market price and discounted at the risk-free interest rate.

During the reporting period no RSU have been exercised, nor have any expired or forfeited.

The following expense for the Group's RSU plans was recorded in Evolva's statement of financial performance:

	Period from 1 January to 30 June	
CHF 1,000	**2017**	**2016**
Research & development	115.9	-
Manufacturing	5.1	-
Commercial, general & administrative	130.6	-
Total share based compensation	**251.6**	**-**

12.2 Other share-based compensation

On 31 July 2014, Evolva acquired 100% of the share capital of Prosarix Ltd. (renamed to Evolva Bio UK Ltd.), Cambridge (United Kingdom). In exchange for all Prosarix shares, Prosarix shareholders received a total of 3.2 million Evolva Holding SA shares, of which 1.2 million were transferred at closing and an additional 0.5 million shares were transferred during 2015. The remaining 1.5 million shares will be transferred through 2018 subject to certain service conditions of the former Prosarix's employees.

With regard to the above, the following share-based compensation was recorded in Evolva's statement of financial performance:

	Period from 1 January to 30 June	
CHF 1,000	**2017**	**2016**
Research & development	(144.2)	(283.8)
Total share based compensation	**(144.2)**	**(283.8)**

13 Inventories

CHF 1,000	**30 June 2017**	**31 Dec 2016**
Raw materials	6.3	-
Intermediate products	2,234.5	3,446.1
Finished products	4,967.0	2,241.0
Total	**7,207.7**	**5,687.1**

A write-down of inventory to net realisable value of CHF 0.1 million was recorded in the reporting period (H1 2016: reversal of CHF 0.2 million).

14 Prepayments

The decrease of prepayments compared to year-end is due to a lower prepayments related to manufacturing of our products and other operating items.

15 Provisions

With regard to two former research contracts for the US Defense Threat Reduction Agency (DTRA), Evolva has booked a provision of CHF 3.9 million. While the two projects were successfully completed from an R&D perspective in 2010 and 2011 respectively, the audit of the project accounts for 2008-2011 has not yet been completed by the relevant US audit agency. A preliminary evaluation indicates that Evolva may be responsible for some of the costs originally charged to DTRA which could lead to a repayment. This is mainly due to the relatively complex cost calculations, billing and accounting procedures for these contracts. We expect a settlement within the next twelve months.

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. With regard to the collaboration agreement with Cargill, Evolva has entered into financial commitments of approximately CHF 30 million, of which 54 % are dependent on the achievement of contractually agreed targets of EverSweet™ strain efficiency (see note 8).

17 Related party transactions

In 2017 Evolva has received consultancy services for research and development from a member of the board of directors. These services are based on a consultancy agreement established at arm's lengths. During 2017, the company rendered R&D services to an associate based on a partnership agreement and at arm's lengths. In addition, Evolva has a manufacturing agreement with a company where a board member of Evolva is part of the Executive Management. In the reporting period Evolva has purchased semi-final and final products from this company. As of the reporting date, Evolva had outstanding balances from related party transactions of CHF 0.5m (31 December 2016: none).

18 Events subsequent to the reporting date

The Group has evaluated subsequent events through 11 August 2017. There are none to be reported.

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To the Board of Directors of
Evolva Holding SA, Reinach

Basle, 11 August 2017

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 period from 01 January 2017 to 30 June 2017. 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”.

Material Uncertainty Related to Going Concern
We draw attention to note 2.3 in the interim condensed consolidated financial statements, which indicates the existence of a material uncertainty which casts significant doubt about the Group’s ability to continue as a going concern in connection with the ability to raise sufficient financing, to generate sufficient revenues from product sales and new contracts. Our conclusion is not modified in respect of this matter.

Ernst & Young Ltd

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

/s/ Fabian Meier
Licensed audit expert