evolva

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2018

Consolidated Statement of Financial Performance

in CHF 1,000	Note	Period from 1 January to 30 June	
		2018 (reviewed)	**2017** (reviewed)
Revenue from product sales	3	1,822.7	909.5
Revenue from research & development	3	1,974.3	2,708.3
Other income	-	10.1	-
Total income		**3,807.1**	**3,617.8**
Manufacturing expeneses	4	(2,845.4)	(2,011.9)
Research & development expenses	5	(9,739.6)	(13,353.9)
Commercial, general & administrative expenses	6	(6,986.8)	(8,933.2)
Operating loss		**(15,764.7)**	**(20,681.2)**
Share of loss of an associate	9	-	(229.6)
Sale of an associate	9	40.2	-
Financial income	7	1,751.8	470.3
Financial expenses	7	(1,820.0)	(2,185.5)
Net loss before tax		**(15,792.7)**	**(22,626.1)**
Income tax (expenses)	-	1,106.6	2,323.4
Net loss for the period		**(14,686.1)**	**(20,302.6)**
Attributable to:			
Shareholders of the parent	-	(14,686.1)	(20,342.3)
Non-controlling interests (NCI)	10	-	39.6
Basic and diluted loss per share attributable to ordinary shareholders of the parent		(0.02)	(0.05)

Consolidated Statement of Comprehensive Income

in CHF 1,000	Note	Period from 1 January to 30 June	
		2018 (reviewed)	**2017** (reviewed)
Net loss for the period	-	(14,686.1)	(20,302.7)
Items to be reclassified to statement of financial performance (net of tax)			
Translation differences	-	1,110.3	(4,963.9)
Items not to be reclassified to statement of financial performance (net of tax)			
Remeasurement gains/(losses) on defined benefit plans	-	333.4	-
Other comprehensive income/(loss)		**1,443.6**	**(4,963.9)**
Total comprehensive loss		**(13,242.4)**	**(25,266.6)**
Attributable to:			
Shareholders of the parent	-	(13,242.4)	(25,306.2)
Non-controlling interests	10	-	39.6

Consolidated Statement of Financial Position

in CHF 1,000	Note	30 June 2018 (reviewed)	31 Dec 2017 (audited)
Assets			
Non-current assets			
Intangible assets	8	142,045.1	124,486.9
Property, plant and equipment	-	5,214.9	5,208.3
Financial deposits	-	2,217.4	2,429.8
Total non-current assets		**149,477.5**	**132,125.0**
Current assets			
Inventories	12	6,406.4	8,008.7
Prepayments	-	1,123.7	672.9
Trade and other receivables	-	2,579.8	1,830.7
Cash and cash equivalents	-	74,974.2	97,184.5
Total current assets		**85,084.2**	**107,696.8**
Total assets		**234,561.6**	**239,821.8**
Equity and liabilities			
Equity			
Share capital	-	154,115.8	154,115.8
Share premium	-	230,780.0	230,988.7
Treasury shares	-	(155.2)	(155.2)
Other reserves	-	37,945.3	36,978.1
Accumulated loss	-	(220,354.7)	(205,668.6)
Other components of equity	-	5,905.7	4,462.1
Total equity		**208,236.9**	**220,720.8**
Non-current liabilities			
Deferred tax liabilities	-	1,085.4	2,159.3
Pension liabilities	-	2,014.1	2,280.7
Finance lease liabilities	-	2,681.7	2,400.0
Total non-current liabilities		**5,781.1**	**6,840.0**
Current liabilities			
Trade payables	-	1,090.5	1,933.4
Accrued and other current liabilities	14	13,895.4	5,445.1
Deferred income	-	256.3	95.9
Provisions	13	4,436.8	4,005.4
Finance lease liabilities	-	864.5	781.2
Total current liabilities		**20,543.5**	**12,261.0**
Total equity and liabilities		**234,561.6**	**239,821.8**

Consolidated Statement of Cash Flow

in CHF 1,000	Note	Period from 1 January to 30 June	
		2018 (reviewed)	2017 (reviewed)
Operating activities			
Net loss for the period	-	(14,686.1)	(20,302.7)
Non-cash adjustments to reconcile net loss for the period to net cash flows			
- Depreciation of tangible assets	-	767.3	1,040.4
- Amortisation of intangible assets	8	2,778.5	2,597.3
- Capitalised EverSweet™ expenses	8	(1,236.9)	(675.9)
- Interest income	7	(1.6)	(12.2)
- Interest expenses	7	194.9	152.1
- Net foreign exchange differences	-	(921.5)	1,858.0
- Share-based compensation	11	967.2	1,056.3
- Changes in deferred tax liability	-	(1,103.6)	(2,326.0)
- Change in current assets	-	550.8	9.9
- Change in current liability	14	(2,591.5)	468.7
- Change in provisions	13	431.4	(263.9)
- Change in pension liability	-	66.8	157.7
- Share of loss of an associate	9	-	229.6
- Interest payments received	-	1.9	13.9
- Interest expenses paid	-	(194.9)	(152.1)
Net cash flow from operating activities		**(14,977.4)**	**(16,149.0)**
Investing activities			
Purchase of property, plant & equipment	-	(507.4)	(166.6)
Disposal of property, plant & equipment		525.3	2.4
Contribution EverSweet™ licence	8	(6,839.4)	-
Purchase/ disposal of intangible assets	8	-	7.8
Withdraw of financial deposit	-	210.1	-
Increase of financial deposits	-	-	(6.9)
Cash flow from investing activities		**(6,611.4)**	**(163.2)**
Financing activities			
Proceeds from treasury shares	-	-	3,224.9
Proceeds from exercise of share options	11	-	164.7
Capital increase costs	-	(208.6)	(338.3)
Finance lease payments	-	(421.1)	(418.6)
Cash flow from financing activities		**(629.8)**	**2,632.7**
Net increase /(decrease) in cash and cash equivalents		**(22,218.5)**	**(13,679.5)**
Exchange gain/(loss) on cash and cash equivalents	-	8.2	(10.6)
Cash and cash equivalents, beginning of period	-	97,184.5	47,516.8
Cash and cash equivalents, end of period		**74,974.3**	**33,826.7**

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 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**
At 1 January 2018	**154,115.8**	**230,988.7**	**385,104.5**	**(155.2)**	**36,978.1**	**(1,346.5)**	**5,808.6**	**(205,668.6)**	**220,720.8**	**-**	**220,720.8**
Loss for the period	-	-	-	-	-	-	-	(14,686.1)	(14,686.1)	-	(14,686.1)
Other comprehensive income	-	-	-	-	-	333.4	1,110.3	-	1,443.6	-	1,443.6
Total comprehensive loss	**-**	**-**	**-**	**-**	**-**	**333.4**	**1,110.3**	**(14,686.1)**	**(13,242.4)**	**-**	**(13,242.4)**
Effects of share based compensation	-	-	-	-	967.2	-	-	-	967.2	-	967.2
Capital increase costs	-	(208.6)	(208.6)	-	-	-	-	-	(208.6)	-	(208.6)
Balance at 30 June 2018	**154,115.8**	**230,780.0**	**384,895.8**	**(155.2)**	**37,945.3**	**(1,013.1)**	**6,918.8**	**(220,354.7)**	**208,236.9**	**-**	**208,236.9**

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 commercializes 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
		06/2018	12/2017		
Evolva SA	Reinach, CH	100 %	100 %	Evolva Holding SA	CHF 6,359,540
Evolva Inc.	Lexington, USA	100 %	100 %	Evolva SA	USD 7,835
Evolva Biotech A/S	Copenhagen, DK	100 %	100 %	Evolva SA	DKK 4,311,583
Evolva Bio UK Ltd.	Cambridge, UK	100 %	100 %	Evolva SA	GBP 14.62
Evolva Biotech Private Ltd.*	Chennai, India	100 %	100 %	Evolva SA	INR 169,930
Evolva Singapore PTE. Ltd.*	Singapore	100 %	100 %	Evolva SA	SGD 100
River Stone Biotech, LLC.*	Delaware, USA	0 %	20 %	Evolva SA	-

[1] Capital ownership is equal to voting ownership
* Non-operational entities as of 30 June 2018

On 30 June 2018, the total headcount in Evolva amounted to 94 full-time employees (HY 2017: 178).

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 8 August 2018.

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 2018 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 2017. 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:

		2018		2017		
Currency	**Unit**	**30 June**	**average[1]**	**31 Dec**	**30 June**	**average[1]**
EUR	1	1.17	1.18	1.18	1.11	1.09
DKK	100	15.69	15.95	15.91	14.86	14.63
INR	100	1.47	1.50	1.54	1.49	1.53
USD	1	1.01	0.98	0.99	0.97	1.02
GBP	1	1.32	1.35	1.33	1.26	1.27

[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

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 2017, except of the adoption of two new standards effective as of 1 January 2018:

- **IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)**
  According to the new standard, that includes quantitative and qualitative disclosures, revenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control over the goods or services. The Group adopted the standard for the fiscal year beginning 1 January 2018 adopting the modified retrospective approach.
  Consequently, the company quantified the impact of IFRS 15 that would need to be recorded in equity as of 1 January 2018. The assessment confirmed the outcome of prior pre-evaluations, that there is no significant impact and therefore no transition effect to be accounted for.

  With regard to revenue recognition, revenue from product sale is recognized when a contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods to the customer, generally at the point in time of shipment of the products to the customer. Revenue from corporate and other R&D collaborations is recognized on a recurring basis based on the contractual agreement (FTE rates or similar).

- **IFRS 9 Financial Instruments (effective 1 January 2018)**
  IFRS implements a new concept for financial instruments. For trade and other receivables, the Group has applied the standard’s simplified approach which requires the calculation of expected credit losses (ECLs) based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The company quantified the impact of IFRS 9 that would need to be recorded in retained earnings as of 1 January 2018. The Group adopted for the fiscal year beginning 1 January 2018 the modified retrospective approach. The assessment confirmed the outcome of prior pre-evaluations, that there is no significant impact and therefore no transition effect to be accounted for.

The following amendment and interpretation apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group:

- IFRS 2 (Amendment) *‘Classification and Measurement of Share-based Payment Transactions’* (effective 1 January 2018)
- IFRIC 22 *‘Foreign currency transactions and advance consideration’* (effective 1 January 2018)

The following standard was issued but is not yet effective:

- IFRS 16 ‘Leases’ (effective 1 January 2019):
  The Group is in the process of evaluating the impact this standard may have on its consolidated financial statements. There are no changes in the estimation of the impact compared to the Group's annual financial statements for the year ending 31 December 2017.

The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.2.1 Research & development expenses

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

Development costs shall be capitalized if, and only if, the Group can meet all of the following criteria:

- the intangible asset is clearly identified and the related costs are itemized 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 capitalized 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, the Company amortizes intangible assets over 20 years or according to their expected useful lives on a straight-line basis. Intellectual property on acquired in-process research & development is amortized on a straight-line basis once commercialization 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 organizations involved in R&D activities, process development (scale-up, fermentation, downstream processing), consumables for laboratory work, intellectual property expenses, including potential impairment and depreciation of corresponding property, plant and equipment.

Costs are capitalized 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 recognized as a licence asset (note 8).

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

Intangible assets are 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”.

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 commercialization of novel nutritional, healthcare and wellness ingredients. Therefore, the Group has identified one segment, namely research, development, manufacturing and commercialization of novel food, nutritional and healthcare ingredients.

Revenue from research and development consist of

CHF 1,000	Period from 1 January to 30 June 2018	2017
Revenue from corporate R&D collaborations	560.6	2,440.1
Revenue from other R&D collaborations[1]	1,413.7	268.2
Total revenue from research & development	**1,974.3**	**2,708.3**

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

While revenue from corporate R&D collaborations decreased because of the expiration of such collaborations, revenue from other R&D collaborations increased because of increasing activities for BARDA.

Product sales consist of the sale of resveratrol, nootkatone and valencene derived products. Revenue from product sales have doubled compared to the first-half year 2017. This development is mainly driven by resveratrol and nootkatone derived products.

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 2018	2017
Switzerland	822.9	2,720.0
United States	2,954.4	748.5
Rest of the world	29.8	149.2
Total revenue	**3,807.1**	**3,617.6**

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

CHF 1,000	30 June 2018	31 Dec 2017
Switzerland	44,636.2	25,848.8
United States of America	101,222.4	101,807.4
Denmark	126.2	724.6
Rest of the world	1,275.2	1,314.5
Total non-current assets	**147,260.0**	**129,695.2**

4. Manufacturing expenses

CHF 1,000	Period from 1 January to 30 June 2018	2017
Staff compensation	461.7	566.8
Product manufacturing expenses	2,347.5	1,404.5
Depreciation of tangible assets	36.2	40.5
Total manufacturing expenses	**2,845.4**	**2,011.9**

Manufacturing expenses have increased as a result of higher product.

5. Research & development expenses

CHF 1,000	Period from 1 January to 30 June 2018	2017
Staff compensation	3,359.4	5,879.2
Lab consumables, CROs, consultants, etc.	1,416.2	1,978.8
Patent and patent applications	1,026.3	1,224.8
Rent and maintenance	513.0	822.0
Depreciation and amortisation of intangible and tangible assets	3,424.8	3,449.1
Total research & development expenses	**9,739.6**	**13,353.9**

Research & development expenses for the reporting period amount to CHF 9.7 million. In addition, Evolva has recognized CHF 1.2 million (HY 2017: CHF 0.7 million) in directly attributable development expenses. This is equivalent to 11.0% of the R&D expenses. These CHF 1.2 million mainly include staff expenses as well as third party services related to development work of the Eversweet^{TM} licence (note 8). The overall decrease in research & development expenses results mainly from the restructuring announced in August 2017, which includes the centralization of R&D operations in Switzerland, site consolidation and headcount reduction.

6. Commercial, general and administrative expenses

CHF 1,000	Period from 1 January to 30 June 2018	2017
Board, Management & staff compensation	4,401.5	5,103.5
Commercial activities	684.4	684.9
Application development	318.6	188.7
Regulatory activities	86.8	700.3
Investor relation and market communication	310.8	323.7
Rent and maintenance	127.1	204.3
Financial advisory, legal and transaction costs	337.5	698.0
IT, communication and other administrative expenses	643.3	881.9
Depreciation of tangible assets	76.9	148.0
Total commercial, general & administrative expenses	**6,986.6**	**8,933.4**

Administrative expenses have decreased mainly because of the restructuring announced in August 2017, which aims the centralization of operations in Switzerland, site consolidation and headcount reduction. Commercial expenses related to the sale of products have increased compared to the first-half year 2017 to support the growth of product sales. At the same time, commercial expenses only indirectly related to product sales have decreased. The two effects almost compensate each other.

7. Financial result

CHF 1,000	Period from 1 January to 30 June 2018	2017
Interest & bank expenses	(92.4)	(22.3)
Finance Lease expenses	(102.5)	(129.9)
Foreign exchange loss	(1,625.1)	(2,033.4)
Total financial expenses	**(1,820.0)**	**(2,185.5)**
Interest income	1.6	12.2
Foreign exchange gain	1,750.2	458.1
Total financial income	**1,751.8**	**470.3**
Net financial result	**(68.2)**	**(1,715.3)**

8. Intangible assets

CHF 1,000	Patents & patent applications	Royalty & Licences	Contractual intangible rights	Goodwill	Total
Historical costs					
1 January 2017	**104,947.4**	**405.9**	**-**	**43,616.5**	**148,969.7**
Additions at acquisition cost	-	-	-	-	-
Capitalized development costs	-	-	3,866.8	-	3,866.8
Translation effects	(4,175.2)	(16.8)	5.4	(1,071.0)	(5,257.7)
31 December 2017	**100,772.2**	**389.1**	**3,872.2**	**42,545.5**	**147,578.9**
Accumulated amortisation					
1 January 2017	**(18,409.7)**	**(304.4)**	**-**	**-**	**(18,714.1)**
Amortisation of the year	(5,076.4)	(49.1)	-	-	(5,125.5)
Translation effects	734.6	13.1	-	-	747.6
31 December 2017	**(22,751.5)**	**(340.4)**	**-**	**-**	**(23,092.0)**
Net book value at 31 December 2017	**78,020.6**	**48.6**	**3,872.2**	**42,545.5**	**124,486.9**
Historical costs					
1 January 2018	**100,772.2**	**389.1**	**3,872.2**	**42,545.5**	**147,578.9**
Capitalized development costs	-	17,846.6	575.7	-	18,422.3
Transfers	(57,669.8)	62,117.0	(4,447.2)	-	-
Translation effects	(1,312.3)	3,232.4	(0.7)	492.6	2,412.0
30 June 2018	**41,790.0**	**83,585.0**	**-**	**43,038.1**	**168,413.1**
Accumulated amortisation					
1 January 2018	**(22,751.5)**	**(340.4)**	**-**	**-**	**(23,092.0)**
Amortisation of the period	(1,746.1)	(1,032.3)	-	-	(2,778.4)
Transfers	15,458.0	(15,458.0)	-	-	-
Translation effects	397.8	(895.4)	-	-	(497.6)
30 June 2018	**(8,641.8)**	**(17,726.2)**	**-**	**-**	**(26,368.0)**
Net book value at 30 June 2018	**33,148.2**	**65,858.8**	**-**	**43,038.1**	**142,045.1**

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

EverSweet™ Licence

Subsequent to the collaboration agreement with Cargill Inc. (“Cargill”) from 1 April 2017, Evolva has entered into a new agreement with Cargill on 20 March 2018 for the commercialization of EverSweet™ (Evolva’s fermentation-derived Stevia). The new agreement replaces the former collaboration agreement in full. Under the new agreement, Evolva will receive a long-term mid-single-digit royalty on EverSweet™ sales at least until 2037. In addition, it relieves Evolva of significant operational and capital expenses related with building out the EverSweet™ business in the near term and for production capacity expansion in the future. Evolva’s obligations under the new Cargill agreement consist of an investment of CHF 17.2 million as of the signing date of the contract, which is to be settled in cash between March 2018 and April 2019. In addition, Evolva agreed to conduct R&D work for optimization of the Steviol Glycosides strain over a period of 12 months, ending in March 2019.

The development work to improve the strain efficiency and the financial commitments from the new agreement stated above are recognized as “Royalty and Licence Assets” as part of the Company’s intangible assets. Capitalized costs under the former agreement between 1 April 2017 and 20 March 2018 (“Contractual intangible right”) are transferred to royalty and licences assets as of the effective date (see table note 8).

Total R&D expenses of the Group amount to CHF 10.9 million for the reporting period, of which CHF 1.2 million resp. 11.0% (HY 2017: CHF 0.7 million) are recognized as directly attributable development costs related to EverSweet™. These mainly consist of staff costs and third party services related to development work, which are carried at costs. In addition, Evolva has recognized payments to Cargill under the new agreement of net CHF 6.3 million in the first half year 2018. As of 30 June 2018, Evolva has investment obligations of CHF 10.9 million and commitments to pursue R&D work until 20 March 2019.

Impairment testing of intangible assets

Intangible assets are tested for possible impairment at least annually at Group level or when an impairment indicator is identified. The Company performs the impairment test by determining the recoverable amount based on the cash-generating unit's fair value less cost to sell represented by the market capitalization. The Company has identified one cash-generating unit only. On 30 June 2018, Evolva's market capitalization was lower than the carrying value of the cash-generating unit. While the share price was higher than the carrying value of the cash-generating unit during most of the first half-year 2018 and again since end of July and until approval of these half-year financial statements, for a limited period of time the market capitalization was lower than the carrying value of the cash-generating unit. The Company has therefore reassessed the valuation with a discounted cash flow model (DCF). The DCF model assumes for the planning years growth rates comparable with today's, which then start to lower as the Company increases its market share in the corresponding market segments. The Company applied a single-digit growth rate for the calculation of the terminal value. In addition, the Company could not identify any fundamental events based on the Company's business development that would justify a decrease of the Company's long-term value. Based on the analyses performed, the Company concludes that the valuation of the intangible assets is not subjected to any impairment as of 30 June 2018.

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 organized to develop, scale-up, manufacture, supply and commercialize biotechnology. Evolva has successfully completed its contractual research activities for which Evolva was paid for. Considering the corporate strategy, the Company decided to not co-invest into the next phase of this project. As a consequence, Evolva has sold its equity share in River Stone during the reporting period. The sale was recorded as "sale of an associate" in the statement of financial performance.

10. Non-controlling interests in Evolva India

In 2017, Evolva increased its ownership in Evolva India to 100%. All subsidiaries as of 30 June 2018 are fully owned by Evolva.

11. Share based compensation

Evolva grants equity rights to provide a long-term incentive to motivate and retain people with the right personal and professional skills. The Board of Directors administers the Group's incentive share based compensation plans. The Equity instruments are granted according to the Company's plan regulations.

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

	Period from 1 January to 30 June	
CHF 1,000	**2018**	**2017**
Research & development	223.9	568.0
Manufacturing	45.6	31.8
Commercial, general & administrative	697.6	456.5
Total share based compensation	**967.2**	**1,056.3**

11.1 Incentive share option programmes

The fair value of the different share option awards (EVE 1 - EVE 9) was determined by using a binomial option valuation model. The resulting expenses for the Company are recognized over the vesting period (in general 4 years). The key parameters in the valuation model are as follows:

Plan name	Grant date	Expiry date	Share price at grant in CHF	Exercise price in CHF	Volatility	Risk-free rate	FV per option at grant in CHF
EVE 9	15.02.2016	14.02.2026	0.77	0.80	42.7 %	0.00 %	0.30
EVE 8	01.01.2015	31.12.2024	1.32	1.31	45.0 %	0.36 %	0.62
EVE 7	01.01.2014	31.12.2023	0.99	0.98	52.5 %	1.25 %	0.51
EVE 6	01.07.2013	30.06.2023	0.67	0.64	52.5 %	1.07 %	0.35
EVE 5	01.07.2012	31.12.2022	0.40	0.37	52.5 %	0.68 %	0.23
EVE 4	01.01.2012	31.12.2021	0.54	0.55	52.5 %	1.12 %	0.26
EVE 3	08.07.2011	31.12.2019	1.20	0.20	60.0 %	2.10 %	1.02
EVE 2	31.03.2011	30.03.2021	1.50	1.64	60.0 %	2.33 %	0.82
EVE1b	01.01.2010	31.12.2019	1.04	1.08	60.0 %	1.89 %	0.65
EVE 1	08.12.2009	07.12.2019	1.35	0.33	60.0 %	1.89 %	0.98

One share option entitles the option holder to purchase one Evolva share at a fixed price ("the exercise price").

The volatility reflects Evolva's share price volatility for the last three years. Risk-free rate is based on ten-years Swiss government bonds. The assumption of the expected dividend yield is 0 %.

In addition to the EVE share option plans, 377,800 former Arpida AG options are outstanding and fully vested (31.12.2017: 377,800). The exercise price is between CHF 0.67 and CHF 10.00. All remaining Arpida AG share option plans expire in 2019. There have been no exercises of former Arpida AG share options during the reporting period.

The table below illustrates the number-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 2018.

Plan name	Year of grant	WAEP	Number of options	WAYCL
EVE 9	2016	0.80	8,220,022	7.6
EVE 8	2015	1.31	5,076,913	6.5
EVE 7	2014	0.98	5,324,921	5.5
EVE 6	2013	0.64	2,981,580	5.0
EVE 5	2012	0.37	2,648,196	4.5
EVE 4	2012	0.55	4,604,712	3.5
EVE 3	2011	0.20	1,466,651	1.5
EVE 2	2011	1.64	2,679,935	2.9
EVE 1b	2010	1.08	160,000	1.5
EVE 1	2009	0.33	4,407,802	1.4
Total		**0.80**	**37,570,732**	**4.9**

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

	Number of options	
	30 June 2018	**31 Dec 2017**
Outstanding at 1 January	37,784,839	38,613,720
Granted	-	-
Exercised	-	500,000
Forfeited	61,287	328,881
Expired	152,820	-
Outstanding end of period	**37,570,732**	**37,784,839**
-of which exercisable	32,568,587	28,775,659

No options were exercised during the reporting period. The average exercise price in HY 2017 was CHF 0.33.

11.2 Restricted stock units (RSU)

The key parameters and the amount of outstanding RSUs are as following:

Plan name	Grant date	Vesting date	Fair value at grant	Number of RSU
EVE 12	03.05.2018	02.05.2019	CHF 0.23	1,217,391
EVE 11	01.01.2018	31.12.2018	CHF 0.31	903,224
EVE 10	10.02.2017	various [1]	CHF 0.55	5,451,294
Total				**7,571,909**

[1] 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. The interest rate applied was 0%.

11.3 Performance stock units (PSU)

In early 2018, Evolva granted a short-term PSU plan for Group Management and Senior Management members with a one-year vesting period. The number of PSUs that will vest after one year is subjected to the achievement of agreed company goals with the Board of Directors for the financial year 2018 (revenue and EBITDA).

The key parameters and the amount of outstanding PSUs are as following:

Plan name	Grant date	Vesting date	Fair value at grant	Number of PSU
EVE 13	01.04.2018	01.04.2019	CHF 0.27	3,576,246

12 Inventories

CHF 1,000	30 June 2018	31 Dec 2017
Intermediate products	2,768.2	3,193.7
Finished products	3,638.2	4,815.0
Total	**6,406.4**	**8,008.7**

A reversal of write-down of inventory to net realisable value of CHF 0.5 million was recorded in the reporting period (HY 2017: write-down of inventory of CHF 0.1 million).

13 Provisions

With regard to two former research contracts for the US Defense Threat Reduction Agency (DTRA), Evolva carries a provision of CHF 4.4 million in its books. While the two projects were successfully completed from an R&D perspective in 2010 and 2011 respectively, the final negotiations of the project accounts for 2008-2011 have not yet been completed. A preliminary evaluation indicates that Evolva may be responsible for some of the costs originally charged to DTRA that could lead to a repayment. This is mainly due to the relatively complex cost calculations, billing and accounting procedures for these contracts. During the reporting period, Evolva increased the existing provision by CHF 0.4 million based on the latest discussion with DTRA. Evolva expect a settlement within the next twelve months.

14 Accrued and other current liabilities

In addition to accrued liabilities from Evolva's operating business, the Company carries an investement obligation from the new agreement with Cargill of CHF 10.9 million (note 8).

15 Commitments and contingencies

As part of its R&D activities, Evolva is involved in a number of projects funded by governmental and other public organizations (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.

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.

Additional commitments arise from the EverSweet™ agreement as stated in note 8.

16 Related party transactions

In 2018, Evolva has received consultancy services for research and development from a member of the board of directors. 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 no outstanding balances from related party transactions (31 December 2017: CHF 0.5 million). In the reporting period Evolva has purchased goods and services from related parties in the aggregate amount of CHF 0.03 million (HY 2017: CHF 0.8 million).

17 Events subsequent to the reporting date

The Group has evaluated subsequent events through 8 August 2018. There is none to be reported.

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To the Board of Directors of
Evolva Holding SA, Reinach

Basle, 8 August 2018

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 2018 to 30 June 2018. 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

Rico Fehr
Licensed audit expert
(Auditor in charge)

Fabian Meier
Licensed audit expert