

evolva

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
30 JUNE 2015

Consolidated Statement of Financial Position

in CHF 1,000	Note	30 June 2015 (review ed)	31 December 2014 (audited)
Assets			
Non-current assets			
Property, plant and equipment		11,109.3	10,483.9
Intangible assets	6	127,259.5	136,111.1
Financial deposits		3,066.0	3,146.5
Total non-current assets		141,434.8	149,741.5
Current assets			
Inventory		73.4	313.3
Prepayments and accrued income		881.8	334.2
Other receivables		217.6	326.9
Trade receivables		961.2	1,182.7
Cash and cash equivalents		47,423.6	60,713.0
Total current assets		49,557.5	62,870.1
Total assets		190,992.3	212,611.6
Equity and liabilities			
Equity			
Share capital		66,559.0	65,513.8
Treasury shares		(466.7)	(660.9)
Share premium		176,709.1	175,708.0
Employee benefit reserves		(1,515.7)	(1,515.7)
Other reserves		27,225.7	25,382.2
Cumulative translation differences		1,604.7	6,889.7
Accumulated loss		(115,191.5)	(98,141.5)
Total equity attributable to equity holder		154,924.6	173,175.6
Non-controlling interests (NCI)	9	1,769.3	1,818.1
Total equity		156,693.9	174,993.8
Non-current liabilities			
Deferred tax liabilities		16,135.8	18,270.6
Pension liabilities		2,125.7	1,983.0
Lease liabilities long-term		4,637.4	3,903.9
Provisions long-term	8	800.0	-
Total non-current liabilities		23,699.0	24,157.6
Current liabilities			
Trade payable		1,342.6	2,408.1
Accrued and other current liabilities	7	2,922.8	6,700.5
Provisions short-term	8	2,200.0	100.0
Deferred income		112.6	375.8
Mortgage loans		3,457.0	3,522.0
Lease liabilities short-term		564.5	353.9
Total current liabilities		10,599.4	13,460.2
Total equity and liabilities		190,992.3	212,611.6

Consolidated Statement of Financial Performance

in CHF 1,000

	Note	Period from 1 January to 30 June	
		2015 (review ed)	2014 (review ed)
Income from research & development		4,100.5	4,985.8
Income from license		3,959.2	-
Income from product sales		214.8	3.6
Total income	3	8,274.5	4,989.4
Research & development expenses		(18,054.5)	(11,546.8)
Manufacturing expenses		(917.7)	-
Selling, general & administrative expenses	4	(6,245.5)	(4,283.1)
Total operating expenses		(25,217.6)	(15,829.9)
Operating loss		(16,943.1)	(10,840.5)
Financial income	5	492.8	75.1
Financial expenses	5	(1,681.2)	(455.9)
Net loss before tax		(18,131.5)	(11,221.4)
Income tax (expenses)		1,150.0	615.8
Net loss for the period		(16,981.6)	(10,605.6)
Attributable to:			
Shareholders of the parent		(17,050.0)	(10,319.8)
Non-controlling interests		68.4	(285.8)
Basic and diluted loss per share attributable to ordinary shareholders of parent		(0.05)	(0.04)

Consolidated Statement of Comprehensive Income

in CHF 1,000

	Note	Period from 1 January to 30 June	
		2015 (reviewed)	2014 (reviewed)
Net loss for the period		(16,981.6)	(10,605.6)
<i>Items to be reclassified to statement of financial performance</i>			
Translation differences		(5,285.1)	(236.8)
<i>Items not to be reclassified to statement of financial performance</i>			
Actuarial gains/(losses) on defined benefit plans		-	(200.7)
Other comprehensive income/(loss)		(5,285.1)	(437.5)
Total comprehensive loss		(22,266.6)	(11,043.1)
Attributable to:			
Shareholders of the parent		(22,335.0)	(10,757.2)
Non-controlling interests		68.4	(285.8)

Consolidated Statement of Cash Flow

in CHF 1,000

Note **Period from 1 January to 30 June**

		2015 (review ed)	2014 (review ed)
Operating activities			
Net loss for the period		(16,981.6)	(10,605.6)
Non-cash adjustments to reconcile net loss for the period to net cash flows			
- Depreciation of tangible assets		864.5	683.8
- Amortisation of intangible assets	6	2,488.9	993.5
- Interest income	5	(31.9)	(34.5)
- Interest expenses	5	180.0	187.5
- Share-based compensation	10	1,878.8	1,212.2
- Changes in deferred tax liability		(1,150.1)	(615.8)
- Change in current assets		(31.5)	(746.4)
- Change in current liabilities		856.1	(456.8)
- Change in provisions		800.0	-
- Change in merger liabilities (Allylix)	7	(3,651.9)	-
- Change in pension liabilities		142.8	56.1
- Interest payments received		40.3	22.6
- Interest expenses paid		(180.0)	(63.9)
Net cash flow from operating activities		(14,775.7)	(9,367.5)
Investing activities			
Purchases of property, plant and equipment		(587.0)	(449.5)
Change in time deposits		(40.1)	3,493.8
Change in financial deposits		-	(788.3)
Cash flow from investing activities		(627.0)	2,255.9
Financing activities			
Proceeds from capital increase		-	42,538.5
Proceeds from treasury shares		373.6	1,248.0
Proceeds from treasury shares Ventureast		117.2	268.6
Proceeds from exercise of share options	10	1,714.4	471.7
Acquisition of NCI Evolva India	9	(117.2)	(268.6)
Capital increase expenses		-	(1,828.2)
Amortisation of loans		(65.0)	(65.0)
Financial lease payments		(196.7)	(163.7)
Cash flow from financing activities		1,826.2	42,201.2
Net change in cash position		(13,576.6)	35,089.7
Net increase /(decrease) in cash and cash equivalents		(13,576.6)	35,089.7
Exchange gain/(loss) on cash and cash equivalents		287.1	115.3
Cash and cash equivalents, beginning of period		60,713.0	25,791.5
Cash and cash equivalents, end of period		47,423.6	60,996.5

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
At 1 January 2014	48,556.2	86,162.8	134,516.9	(971.7)	22,476.0	(566.7)	1,830.4	(76,783.2)	80,703.7	2,577.5	83,281.2
Loss for the period	-	-	-	-	-	-	-	(10,319.8)	(10,319.8)	(285.8)	(10,605.6)
Translation difference	-	-	-	-	-	-	(236.8)	-	(236.8)	-	(236.8)
Actuarial loss on defined benefit plans	-	-	-	-	-	(200.7)	-	-	(200.7)	-	(200.7)
Total comprehensive loss	-	-	-	-	-	(200.7)	(236.8)	(10,319.8)	(10,757.2)	(285.8)	(11,043.1)
Share capital increase March 2014	6,210.0	36,328.5	42,538.5	-	-	-	-	-	42,538.5	-	42,538.5
Capital increase from issuance of treasury shares	390.0	-	390.0	(390.0)	-	-	-	-	-	-	-
Capital increase costs	-	(1,828.2)	(1,828.2)	-	-	-	-	-	(1,828.2)	-	(1,828.2)
Exercise of share options	260.2	211.4	471.7	-	-	-	-	-	471.7	-	471.7
Effects of share based compensation	-	-	-	-	1,212.2	-	-	-	1,212.2	-	1,212.2
Proceeds from treasury shares SEDA	-	1,259.5	1,259.5	252.7	-	-	-	-	1,512.2	-	1,512.2
Proceeds from treasury shares market making	-	(228.3)	(228.3)	(35.9)	-	-	-	-	(264.2)	-	(264.2)
Acquisition of NCI in Evolva India	-	-	-	350.0	(81.4)	-	-	-	268.6	(268.6)	-
Balance at 30 June 2014	55,416.4	121,905.8	177,120.1	(795.0)	23,606.8	(767.4)	1,593.7	(87,103.0)	113,857.3	2,023.0	115,880.3
At 1 January 2015	65,513.8	175,708.0	241,221.9	(660.9)	25,382.2	(1,515.7)	6,889.7	(98,141.5)	173,175.6	1,818.1	174,993.8
Loss for the period	-	-	-	-	-	-	-	(17,050.0)	(17,050.0)	68.4	(16,981.6)
Translation difference	-	-	-	-	-	-	(5,285.1)	-	(5,285.1)	-	(5,285.1)
Total comprehensive loss	-	-	-	-	-	-	(5,285.1)	(17,050.0)	(22,335.0)	68.4	(22,266.6)
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 market making	-	331.8	331.8	41.8	-	-	-	-	373.6	-	373.6
Acquisition of NCI in Evolva India	-	-	-	152.5	(35.3)	-	-	-	117.2	(117.2)	-
Balance at 30 June 2015	66,559.0	176,709.1	243,268.0	(466.7)	27,225.7	(1,515.7)	1,604.7	(115,191.5)	154,924.6	1,769.3	156,693.9

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	Shareholder	Share capital
Evolva AG	Reinach, CH	100 %	Evolva Holding AG	CHF 6,359,540
Evolva Biotech A/S	Copenhagen, DK	100 %	Evolva AG	DKK 4,311,583
Evolva Biotech Private Limited	Chennai, India	72.3 %	Evolva AG	INR 169,930
Allylix Inc.	Lexington, USA	100 %	Evolva Holding AG	USD 7,835
Prosarix Ltd. (“Evolva UK”)	Cambridge, UK	100 %	Evolva AG	GBP 14.62
Evolva Inc.	San Francisco, USA	100 %	Evolva AG	USD 0.01

On 30 June 2015, the total headcount in Evolva amounted to 154 full-time employees, of which 119 were directly involved in research, development and manufacturing activities while the remaining staff was 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 25 August 2015.

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 2015 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 in conjunction with the Company's annual financial statements as at 31 December 2014. 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:

			2015		31 Dec 2014	2014	
			Closing rate	Average rate	Closing rate	Closing rate	Average rate
Denmark	DKK	100	14.10	14.31	16.15	16.30	16.37
India	INR	100	1.47	1.54	1.57	1.48	1.47
USA	USD	1	0.94	0.97	0.99	0.89	0.89
UK	GBP	1	1.47	1.48	1.54	n/a	n/a

2.2 Changes in accounting policies

The accounting policies adopted in 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 2014.

The following new or revised standards were adopted but did not have any material impact or lead to additional disclosures but may affect the accounting for future transactions or arrangements:

- Annual Improvements Cycle – 2010-2012
- Annual Improvements Cycle – 2011-2013
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

3. Segment and Geographical Information

The Group has operations within one segment, namely research, development and commercialisation of novel food, healthcare and wellness ingredients.

The geographical break-down of total revenues below reflects the location where Evolva's invoices are generated:

CHF 1,000	2015	2014
Switzerland	8,022.5	4,910.4
Rest of the world	252.0	79.0
Total revenues	8,274.5	4,989.4

In 2015 Evolva has sold its bacterial inhibitor compound EV-35 to Emergent BioSolutions Inc. The sale of CHF 4 million is reported as "Licence income" in the statement of financial performance. In 2014 Evolva received a milestone payment related to stevia of USD 1 million (CHF 0.9 million), which was booked as income from "own products" in Evolva's half-year financials 2014. It has been reposted consequently as income from research & development during the second half of 2014 to make numbers comparable to the new classification in the statement of financial performance.

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

CHF 1,000	30 June 2015	31 Dec 2014
Switzerland	25,686.8	25,285.7
United States of America	109,155.4	117,971.3
Rest of the world	3,526.5	3,337.9
Total non-current assets	138,368.8	146,595.0

4. Selling, general and administrative expenses

	Period from 1 January to 30 June	
CHF 1,000	2015	2014
Board, management & administrative staff	3,622.3	2,247.8
Share based compensation	548.0	688.1
Business development & marketing	514.0	409.6
Facility & maintenance	231.6	172.4
Financial advisory, legal and transaction costs	398.2	197.7
Depreciation expenses	99.4	72.5
Other administrative expenses ¹	832.0	495.1
Total selling, general & administrative expenses	6,245.5	4,283.1

¹ Other administrative expenses include investor & public relations, IT services, insurances and general office expenses.

The increase in selling, general and administrative expenses results mainly from increased headcount in commercial activities and from additional administrative staff of Allylix Inc. (acquired in December 2014).

5. Financial result

CHF 1,000	Period from 1 January to 30 June	
	2015	2014
Interest & bank expenses	(63.1)	(64.6)
Financial leasing expenses	(116.9)	(123.0)
Foreign exchange loss	(1,501.3)	(268.4)
Total financial expenses	(1,681.2)	(455.9)
Interest income	31.9	34.5
Foreign exchange gain	460.9	40.5
Total financial income	492.8	75.1
Net financial result	(1,188.4)	(380.8)

6. Intangible assets

Intangible assets are split as follows:

CHF 1,000	Patents & patent applications	Royalty & Licences	Goodwill	Total
Historical costs				
1 January 2014	38,334.3		29,914.0	68,248.3
Additions from acquisition	57,373.8	380.5	11,125.6	68,879.9
Translation effects	5,227.3	9.4	1,627.5	6,864.2
31 December 2014	100,935.5	389.9	42,667.1	143,992.4
Accumulated amortisation				
1 January 2014	(4,906.0)	-	-	(4,906.0)
Additions from acquisition	-	(188.3)	-	(188.3)
Amortisation of the year	(2,281.9)	(2.0)	-	(2,283.9)
Translation effects	(498.4)	(4.7)	-	(503.1)
31 December 2014	(7,686.4)	(195.0)	-	(7,881.4)
Net book value at 31 December 2014	93,249.1	194.9	42,667.1	136,111.1
Historical costs				
1 January 2015	100,935.5	389.9	42,667.1	143,992.4
Translation effects	(5,375.8)	(21.1)	(1,395.4)	(6,792.3)
30 June 2015	95,559.7	368.7	41,271.6	137,200.1
Accumulated amortisation				
1 January 2015	(7,686.4)	(195.0)	-	(7,881.4)
Amortisation of the period	(2,465.1)	(23.8)	-	(2,488.9)
Translation effects	418.3	11.3	-	429.6
30 June 2015	(9,733.2)	(207.4)	-	(9,940.6)
Net book value at 30 June 2015	85,826.5	161.3	41,271.6	127,259.5

7. Accrued and other liabilities

CHF 1,000	30 June 2015	31 Dec 2014
Accrued staff expenses	2,658.2	2,560.2
Accrued finance & merger expenses	230.8	4,061.2
Other accruals	33.8	79.1
Total	2,922.8	6,700.5

As part of the acquisition of Allylix Inc. in December 2014, Evolva held acquisition related accruals of CHF 4.1 million as of 31 December 2014. Approximately CHF 3.6 million of these accruals were settled during the first quarter in 2015.

8. Provisions

With regard to two former research contracts for the US Defense Threat Reduction Agency (DTRA), Evolva has booked a short-term and long-term provision of CHF 2.1 million and CHF 0.8 million respectively, increasing the total provision for these contracts to CHF 3 million. While the two projects were successfully completed from a R&D perspective in 2010 and 2011, 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. The two contracts mentioned had a contractual fee volume of approximately USD 33 million.

9. 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. During the reporting period, 0.8 million treasury shares were sold and the proceeds transferred to the two funds. This has led to an increase of Evolva's ownership in Evolva India from 71.1 % to 72.3 %. 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.

10. Incentive share and option programmes

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

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 2015.

Plan name	Year of grant	WAEP	Option no.	WAYCL
EVE 8	2015	1.31	5,470,844	9.5
EVE 7	2014	0.98	5,552,928	8.5
EVE 6	2013	0.64	3,049,880	8.0
EVE 5	2012	0.37	2,728,196	7.5
EVE 4	2012	0.55	4,609,552	6.5
EVE 3	2011	0.20	1,619,471	4.5
EVE 2	2011	1.64	2,679,935	5.9
EVE 1b	2010	1.08	160,000	4.5
EVE 1	2009	0.33	5,733,155	4.4
Total		0.79	31,603,961	7.1

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

	30 June 2015	31 Dec 2014
Outstanding at 1 January	31,394,245	27,579,184
Granted	5,514,075	5,692,405
Exercised	5,225,620	1,788,261
Forfeited	78,739	89,083
Expired	-	-
Outstanding end of period	31,603,961	31,394,245
-of which exercisable	20,989,147	22,507,684

In 2015, Neil Goldsmith, CEO of the Group, has exercised share options that he held to acquire 3.8 million new Evolva shares, simultaneously selling 2.2 million of them to cover the acquisition costs and taxes related to the option transaction.

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

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 expenses were recorded in the Group's statement of financial performance:

CHF 1,000	2015	2014
Research & development expenses	(1,196.7)	(524.1)
Manufacturing	(134.1)	-
Selling, general & administrative expenses	(548.0)	(688.1)
Total expenses	(1,878.8)	(1,212.2)

The research and development expenses above include share based expenses of CHF 0.5 million related to shares granted to former Prosarix employees (Evolva UK), which was acquired on 31 July 2014.

11. Commitments and contingencies

Contingent liabilities

As part of its research activities, Evolva is involved in a number of projects funded by governmental and other public entities (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.

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

12. Business combination

Acquisition of Allylix Inc.

On 15 December 2014, Evolva Holding SA acquired 100 % of the share capital of San Diego (US) based Allylix, Inc.

The provisional purchase price allocation was presented in the Group's 2014 Annual Report in note 5 "Business combinations". No changes have been made to the previously presented purchase price allocation.

13. Events subsequent to the reporting date

The Group has evaluated subsequent events through 25 August 2015. No subsequent events to be disclosed.

To the Board of Directors

Evolva Holding SA, Reinach

Basle, 25 August 2015

Report on the review of interim condensed consolidated financial statements

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements (consolidated statement of financial position, consolidated statement of financial performance, consolidated statement of comprehensive income, consolidated statement of cash flow, consolidated statement of equity and explanatory notes) of Evolva Holding SA for the six-month period ended 30 June 2015 (pages 1 to 10). The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

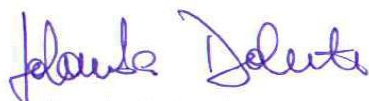
Scope of Review

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 Accounting Standard 34 "Interim Financial Reporting".

Ernst & Young Ltd



Jolanda Dolente
Licensed audit expert
(Auditor in charge)



Daniel Maiwald
Licensed audit expert