

EVOLVΛ

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
30 JUNE 2020

Consolidated Statement of Financial Performance

CHF 1,000	Note	Period from 1 January to 30 June	
		2020	2019
Revenue from contracts with customers	3	3'963.7	6'366.1
Cost of goods sold	4	(4'149.1)	(3'109.8)
Gross profit		(185.4)	3'256.3
Research & development expenses	5	(7'655.7)	(7'069.8)
Commercial, general & administrative expenses	6	(4'770.3)	(5'761.2)
Total operating expenses		(12'426.0)	(12'831.0)
Operating loss		(12'611.4)	(9'574.7)
Financial income	7	452.7	483.1
Financial expenses	7	(1'377.4)	(1'226.6)
Net loss before tax		(13'536.1)	(10'318.3)
Income tax	-	19.8	4.3
Net loss for the period		(13'516.3)	(10'314.0)
Basic and diluted loss per share (in CHF)		(0.02)	(0.01)

Consolidated Statement of Comprehensive Income

CHF 1,000	Note	Period from 1 January to 30 June	
		2020	2019
Net loss for the period	-	(13,516.3)	(10,314.0)
<i>Items may be reclassified to statement of financial performance (net of tax)</i>			
- Translation differences	-	(995.0)	(487.6)
<i>Items not to be reclassified to statement of financial performance (net of tax)</i>			
- Remeasurement gain/(loss) on defined benefit plans	-	28.4	(713.2)
Other comprehensive loss		(966.6)	(1,200.8)
Total comprehensive loss		(14,482.9)	(11,514.8)

Consolidated Statement of Financial Position

CHF 1,000	Note	30 June 2020	31 December 2019
ASSETS			
Non-current assets			
Intangible assets	8	129,683.0	133,938.5
Property, plant and equipment	-	7,128.6	7,211.1
Financial deposits	-	2,186.5	2,183.7
Total non-current assets		138,998.1	143,333.3
Current assets			
Inventories	10	7,053.9	5,391.5
Prepayments & accrued income	-	2,839.7	1,953.5
Trade and other receivables	-	3,164.0	1,480.0
Cash and cash equivalents	-	25,283.0	39,919.8
Total current assets		38,340.6	48,744.8
Total Assets		177,338.7	192,078.1
EQUITY AND LIABILITIES			
Equity			
Share capital	11	41,093.9	159,375.6
Share premium	11	356,067.1	230,834.0
Treasury shares	12	(10,760.2)	(4,345.8)
Other reserves	-	39,071.1	39,081.3
Accumulated loss	-	(270,001.4)	(256,521.4)
Other components of equity	-	3,171.6	4,138.3
Total equity		158,642.1	172,562.1
Non-current liabilities			
Deferred tax liabilities	-	128.7	151.6
Net defined benefit liabilities	-	2,288.7	2,229.0
Lease liabilities	-	4,493.6	4,840.1
Total non-current liabilities		6,911.0	7,220.7
Current liabilities			
Trade payables	-	2,152.0	2,911.5
Provisions and accrued liabilities	13	8,461.0	8,094.5
Lease liabilities	-	1,172.6	1,289.3
Total current liabilities		11,785.6	12,295.3
Total Equity and Liabilities		177,338.7	192,078.1

Consolidated Statement of Cash Flow

CHF 1,000	Note	Period from 1 January to 30 June	
		2020	2019
Operating activities			
Net loss for the period	-	(13,516.3)	(10,314.0)
Non-cash adjustments to reconcile net loss for the period to net cash flows			
- Depreciation of tangible assets	-	842.5	926.9
- Amortisation of intangible assets	8	3,465.8	3,159.7
- Capitalised development expenses	8	(878.1)	4,062.5
- Interest income	7	-	(0.3)
- Interest expenses	7	311.4	269.4
- Net foreign exchange differences	-	788.7	413.8
- Share-based compensation	9	661.7	667.9
- Changes in deferred tax liability	-	-	(4.3)
- Change in current assets	-	(4,347.6)	(2,800.0)
- Change in current liability	-	(1,027.1)	(5,381.7)
- Change in provisions	-	646.2	(38.6)
- Change in pension liabilities	-	88.1	82.5
- Interest payments received	-	-	0.3
- Interest expenses paid	-	(311.4)	(269.4)
Net cash flow from operating activities		(13,276.1)	(9,225.3)
Investing activities			
Purchase of property, plant and equipment	-	(703.6)	(41.5)
Contribution EverSweet™ licence	8	-	(5,173.1)
Purchase/ disposal of intangible assets	8	-	(7.8)
Increase of financial deposits	-	(3.5)	-
Cash flow from investing activities		(707.1)	(5,222.4)
Financing activities			
Cost of capital change	-	(98.6)	(27.4)
Payment of principal portion of lease liabilities	-	(520.7)	(568.7)
Cash flow from financing activities		(619.3)	(596.1)
Net decrease in cash and cash equivalents		(14,602.5)	(15,043.8)
Exchange gain/(loss) on cash and cash equivalents	-	(34.3)	2.3
Cash and cash equivalents, beginning of period	-	39,919.8	60,380.4
Cash and cash equivalents, end of period		25,283.0	45,338.9

Consolidated Statement of Equity

CHF 1,000	Note	Share Capital	Share premium	Total capital paid in	Treasury shares	Other Reserves	Employee benefit reserve	Cumulative translation differences	Accumulated loss	Total Equity
At 1 January 2019		154,115.8	230,780.0	384,895.8	(55.4)	38,754.7	(560.9)	6,010.1	(234,882.5)	194,161.7
Loss for the period	-	-	-	-	-	-	-	-	(10,314.0)	(10,314.0)
Other comprehensive income	-	-	-	-	-	-	(713.2)	(487.6)	-	(1,200.8)
Total comprehensive loss	-	-	-	-	-	-	(713.2)	(487.6)	(10,314.0)	(11,514.8)
Capital increase from issuance of treasury shares	11	5,000.0	150.0	5,150.0	(5,150.0)	-	-	-	-	-
Capital increase costs	-	-	(27.4)	(27.4)	-	-	-	-	-	(27.4)
Effects of share based compensation	9	-	-	-	808.9	667.9	-	-	-808.9	667.9
Balance at 30 June 2019	-	159,115.8	230,902.6	390,018.4	(4,396.5)	39,422.6	(1,274.2)	5,522.5	(246,005.3)	183,287.4
At 1 January 2020		159,375.6	230,834.0	390,209.6	(4,345.8)	39,081.3	(1,002.1)	5,140.3	(256,521.3)	172,562.1
Loss for the period	-	-	-	-	-	-	-	-	(13,516.3)	(13,516.3)
Other comprehensive income	-	-	-	-	-	-	28.4	(995.0)	-	(966.6)
Total comprehensive loss	-	-	-	-	-	-	28.4	(995.0)	(13,516.3)	(14,482.9)
Capital increase from issuance of treasury shares	11	5,000.0	2,050.0	7,050.0	(7,050.0)	-	-	-	-	-
Nominal value reduction	11	(123,281.7)	123,281.7	-	-	-	-	-	-	-
Cost of capital change	-	-	(98.6)	(98.6)	-	-	-	-	-	(98.6)
Effects of share based compensation	9	-	-	-	-	661.7	-	-	-	661.7
Vesting of shares for share-based compensation	9	-	-	-	635.6	(671.8)	-	-	36.2	-
Balance at 30 June 2020		41,093.9	356,067.1	397,161.0	(10,760.2)	39,071.1	(973.7)	4,145.3	(270,001.4)	158,642.1

Notes to the Interim Condensed Consolidated Financial Statements

1. Corporate information

Evolva Holding AG (the “Company”) together with its subsidiaries (collectively “Evolva”, the “Group” or “we”) is an international group that discovers, develops and commercializes ingredients with applications in food, nutrition, personal healthcare, agriculture and other sectors. Evolva Holding AG 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 AG, Duggingerstrasse 23, 4153 Reinach, Switzerland. The Group comprises the following subsidiaries:

Name	Domicile	Ownership ¹⁾		Shareholder	Share capital
		30.06.2020	31.12.2019		
Evolva AG	Reinach, CH	100%	100%	Evolva Holding AG	CHF 6,369,540
Evolva Inc.	Lexington, USA	100%	100%	Evolva AG	USD 7,835

Non-operational entities:

Evolva Biotech A/S ²⁾	Copenhagen, DK	100%	100%	Evolva AG	DKK 4,311,583
Evolva Biotech Private Ltd.	Chennai, India	100%	100%	Evolva AG	INR 169,930
Evolva Bio UK Ltd.	Cambridge, UK	100%	100%	Evolva AG	GBP 14.62
Evolva Singapore PTE. Ltd.	Singapore	100%	100%	Evolva AG	SGD 100

1) Capital ownership is equal to voting ownership

2) Company in liquidation

On 30 June 2020, Evolva employed 67 employees (HY1 2019: 67), of which 33 (HY1 2019: 30) were directly involved in research, development and manufacturing activities while the remaining staff was employed with managerial, commercial, operations and administrative tasks.

These interim condensed consolidated financial statements were authorized for public disclosure in accordance with a resolution of the Board of Directors of the Company dated 20 August 2020.

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 2020 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 Group’s annual financial statements as of 31 December 2019. The financial statements are presented in Swiss francs (CHF) and all values are rounded to the nearest CHF 1,000 except where otherwise stated.

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

Currency	Unit	2020		2019	
		30 June	Average	30 June	Average
EUR	1	1.08	1.08	1.12	1.14
DKK	100	14.55	14.49	15.06	15.35
INR	100	1.27	1.34	1.43	1.44
USD	1	0.96	0.98	0.99	1.01
GBP	1	1.18	1.25	1.25	1.31

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 2019.

The following amendment and interpretation apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group:

- IFRS 3 (Amendment) 'Definition of a business' (effective 1 January 2020)
- IFRS 7, IFRS 9 and IAS 39 (Amendment) 'Interest Rate Benchmark Reform' (effective 1 January 2020)
- IAS 1 and IAS 8 (Amendments) 'Definition of Material' (effective 1 January 2020)
- IFRS 16 (Amendment) 'Covid-19 Related Rent Concessions' (effective 1 June 2020)

3. Segment and Geographical Information

Evolva's business purpose is to discover, develop and commercialize ingredients with applications in food, nutrition, personal healthcare, agriculture and other sectors. This involves various activities, from research to manufacturing and commercialization.

The Board of Directors and the Group Management Team (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, which is equivalent to the Group's CGU, namely research, development, manufacturing and commercialization of novel food, nutritional and healthcare ingredients.

Set out below is the disaggregation of the Group's revenue from contracts with customers:

CHF 1,000	Period from 1 January to 30 June	
	2020	2019
Type of goods or services		
Product related revenue	3,755.2	3,002.7
Research & development revenue	208.5	3,363.4
Total revenue from contracts with customers	3,963.7	6,366.1
Geographical allocation¹⁾		
Switzerland	2,142.8	2,972.7
United States	1,820.9	3,393.4
Total revenue from contracts with customers	3,963.7	6,366.1
Timing of revenue recognition		
Revenue recognition at a point in time	3,755.2	3,002.7
Revenue recognition over a period of time	208.5	3,363.4
Total revenue from contracts with customers	3,963.7	6,366.1

1) The geographical allocation of revenue reflects the location where Evolva's invoices are generated (invoicing entity).

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

CHF 1,000	30 June 2020	31 Dec 2019
Switzerland	47,240.7	47,897.3
United States of America	88,416.7	94,712.7
Rest of the world	1,154.2	1,273.2
Total non-current assets	136,811.6	143,883.2

4. Cost of goods sold

CHF 1,000	Period from 1 January to 30 June	
	2020	2019
Product manufacturing cost	3,303.0	2,747.6
Staff compensation	620.5	315.3
Depreciation of tangible assets	56.3	46.9
Amortisation of intangible assets	169.3	-
Total cost of goods sold	4,149.1	3,109.8

Cost of goods sold mainly increased as a result of higher product revenue (+CHF 0.5 million; +20%), as well as from new hires supporting supply chain, quality and coordinating the increased number of CMOs (+CHF 0.3 million; +97%). Amortisation of intangible assets is related to capitalized process and product development costs which are amortized over time.

5. Research & development expenses

CHF 1,000	Period from 1 January to 30 June	
	2020	2019
Consumables, consultancy and services	652.4	859.7
Staff compensation	2,250.6	2,159.8
Facility and maintenance	78.0	107.9
Increase of DTRA provision	680.1	-
Depreciation of tangible assets	698.1	798.5
Amortisation of intangible assets	3,296.5	3,144.0
Total research & development expenses	7,655.7	7,069.8

In 2020, Evolva has increased its DTRA provision (Note 13), which lead to a non-recurring charge in R&D expenses of CHF 0.7 million. Including this non-recurring charge, R&D expenses increased by CHF 0.6 million resp. 8%; excluding this non-recurring charge, R&D expenses decreased by CHF 0.1 million resp. 1%. In the reporting period, Evolva has capitalized CHF 0.9 million (HY1 2019: CHF 1.1 million) in directly attributable development expenses. These consist of product process development expenses and for the reporting period 2019, contractual development expenses related to EverSweet™ (note 8).

6. Commercial, general and administrative expenses

CHF 1,000	Period from 1 January to 30 June	
	2020	2019
Compensation to BoD, GMT and staff	3,464.9	3,759.8
Other commercial, general & administrative expenses	1,216.6	1,819.6
Facility and maintenance	0.7	100.3
Depreciation of tangible assets	88.1	81.6
Total commercial, general & administrative expenses	4,770.3	5,761.2

The decrease of CHF 1.0 million resp. 17% results mainly from lower regulatory expenses as a result of the pending EPA approval, generally reduced commercial expenses (travel, trade shows, trade fair, etc.) as a result of strict operational expenses management and in relation to Covid-19 restrictions, lower facility costs because of the wind-down of foreign rental facilities and lower staff costs as a result of further optimization of the organization.

7. Financial result

CHF 1,000	Period from 1 January to 30 June	
	2020	2019
Interest & bank expenses	(140.0)	(71.8)
Interest in lease liabilities	(171.4)	(197.6)
Foreign exchange loss	(1,065.9)	(957.2)
Total financial expenses	(1,377.4)	(1,226.6)
Interest income	-	0.3
Foreign exchange gain	452.7	482.7
Total financial income	452.7	483.1
Net financial result	(924.7)	(743.6)

8. Intangible assets

CHF 1,000	Patents & patent applications	Royalty & Licences	Product & process development	Goodwill	Total
Historical costs					
1 January 2019	41'229.4	83'631.1	453.5	42'679.1	167'993.1
Additions	-	167.1	2'526.2	-	2'693.3
Translation effects	(621.6)	(1'011.6)	(51.2)	(416.4)	(2'100.8)
31 December 2019	40'607.8	82'786.6	2'928.5	42'262.7	168'585.6
Accumulated amortisation					
1 January 2019	(9'569.5)	(19'585.3)	-	-	(29'154.8)
Amortisation of the period	(2'073.5)	(3'986.9)	-	-	(6'060.4)
Translation effects	175.3	392.8	-	-	568.1
31 December 2019	(11'467.7)	(23'179.4)	-	-	(34'647.1)
Net book value 31 December 2019	29'140.1	59'607.2	2'928.5	42'262.7	133'938.5
Historical costs					
1 January 2020	40'607.8	82'786.6	2'928.5	42'262.7	168'585.6
Additions	-	-	878.1	-	878.1
Translation effects	(741.4)	(1'039.3)	(35.3)	(468.7)	(2'284.7)
30 June 2020	39'866.4	81'747.3	3'771.3	41'794.0	167'179.0
Accumulated amortisation					
1 January 2020	(11'467.7)	(23'179.4)	-	-	(34'647.1)
Amortisation of the period	(1'014.7)	(2'281.7)	(169.3)	-	(3'465.7)
Translation effects	209.1	405.7	2.0	-	616.8
30 June 2020	(12'273.3)	(25'055.4)	(167.3)	-	(37'496.0)
Net book value 30 June 2020	27'593.1	56'691.9	3'604.0	41'794.0	129'683.0

Amortization of patents, patent applications and royalty & licences is recorded under research and development expenses, while amortization of product and process development expenses is recorded under operations expenses and reported within cost of goods sold.

Evolva continuously improves the efficacy and efficiency of production processes for its own products. Related costs that meet the capitalization criteria outlined in IAS 38 are recognized as 'Product & process development' cost. In the first half-year 2020, Evolva has recognised CHF 0.9 million as product & process development cost (HY1 2019: CHF 0.9 million) of which the majority is related to manufacturing process improvements/ developments of Evolva's on-market products.

Impairment of intangible assets

Intangible assets are tested for possible impairment at least annually on Group level or when an impairment indicator is identified. The Group performs the impairment test by determining the recoverable amount based on the cash-generating unit's fair value less cost of disposal. The Group has identified one cash-generating unit only. As of the reporting date, the Group has not identified any triggering event.

9. Share based compensation

The Board of Directors administers the Group's incentive equity plans. Equity instruments are granted according to the Group's plan regulations. Members of the Board of Directors, Group Management Team and selected staff are eligible for receiving equity instruments.

Total share-based compensation summarizes as following:

CHF 1,000	Period from 1 January to 30 June	
	2020	2019
Operations expenses	24.3	26.5
Research & development expenses	105.9	95.3
Commercial, general & administrative expenses	531.4	546.1
Total share based compensation	661.7	667.9

In the first half-year 2020, Evolva granted a short-term plan to Group Management and Senior Management members with a one-year vesting period (STI). The number of shares to vest under the STI plan is subject to the achievement of agreed company and individual targets in the financial year 2020.

The key parameters and the number of outstanding RSUs and PSUs are as follows:

Plan name		Grant date	Vesting date	Fair value at grant	Number of units
LTI 1	PSU	01.07.2018	Several ¹	CHF 0.23	6,302,118
LTI 2	PSU	01.04.2019	Several ²	CHF 0.24	8,211,415
STI 1	PSU	01.04.2018	Other ³	CHF 0.27	366,808
STI 2	PSU	01.04.2019	01.04.2020	CHF 0.24	29,970
STI 3	PSU	01.04.2020	01.04.2021	CHF 0.18	3,627,976
RSU (Board)	RSU	16.04.2020	16.04.2021	CHF 0.22	725,910
EVE 10	RSU	10.02.2017	Several ⁴	CHF 0.55	4,539,118
EVE 17	RSU	09.04.2019	08.04.2020	CHF 0.23	-
Total					23,803,314

¹⁾ Vesting dates: 1 July 2021, 1 July 2022 and 1 July 2023, each 1/3 of granted PSU.

²⁾ Vesting dates: 1 May 2022, 1 May 2023 and 1 May 2024, each 1/3 of granted PSU.

³⁾ Vesting date related to the achievement of agreed target

⁴⁾ Vesting dates: 1 May 2020, 1 May 2021 and 1 May 2022 each 1/3 of granted RSU. Interest rate at grant: 0%.

Reconciliation of outstanding share units:

	Number of share units	
	30 June 2020	31 Dec 2019
Outstanding at 1 January	25,362,809	19,197,998
Granted	4,353,885	12,243,269
Vested	3,178,185	3,737,395
Forfeited	2,735,195	2,341,063
Outstanding end of period	23,803,314	25,362,809

Incentive share option plans

The fair value of share option awards granted (EVE 2 – EVE 9) was determined by using a binomial option valuation model. The resulting expenses for the Group are recognized over the vesting period (in general four 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 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 2	31.03.2011	30.03.2021	1.50	1.64	60.0%	2.33%	0.82

One share option entitles the option holder to purchase one Evolva share at a fixed price (“the exercise price”). The volatility applied reflects Evolva’s share price volatility for the last three years. Risk-free rate is based on ten-years Swiss government bonds.

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 2020.

Plan name	Year of grant	WAEP	Number of	WAYCL
EVE 9	2016	0.80	7,713,763	5.6
EVE 8	2015	1.31	5,004,208	4.5
EVE 7	2014	0.98	5,308,085	3.5
EVE 6	2013	0.64	2,951,980	3.0
EVE 5	2012	0.37	2,648,196	2.5
EVE 4	2012	0.55	4,500,840	1.5
EVE 2	2011	1.64	2,679,935	0.9
Total		0.90	30,807,007	3.5

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

	Number of options	
	30 June 2020	31 Dec 2019
Outstanding at 1 January	30,836,155	37,723,552
Granted	-	-
Exercised	-	1,299,239
Forfeited	29,148	700,124
Expired	-	4,888,034
Outstanding end of period	30,807,007	30,836,155
-of which exercisable	30,807,007	29,068,132

10. Inventories

CHF 1,000	30 June 2020	31 Dec 2019
Intermediate products and raw material	1,897.2	1,331.6
Finished products	5,156.7	4,059.9
Total	7,053.9	5,391.5

Total inventories are stated at the lower of production costs and net realizable value. As of the reporting date, finished products consist of nootkatone, valencene and resveratrol. In the first half-year 2020 a reversal of write-down of inventory to net realisable value in the amount of CHF 0.4 million was recorded (HY1 2019: CHF 0.2 million).

11. Share capital

The development of the issued share capital over the past three years is as follows:

	Total number of shares Evolve Holding SA	CHF 1,000
1 January 2019	770,578,998	154,115.8
Shares from authorized capital	-	-
Shares from conditional capital	26,299,239	5,259.8
1 January 2020	796,878,237	159,375.6
Shares from authorized capital	-	-
Shares from conditional capital	25,000,000	5,000.0
Nominal value reduction	-	(123,281.7)
30 June 2020	821,878,237	41,093.9

On 24 January 2020 the Group has subscribed treasury shares of CHF 5.0 million.

On 15 April 2020 the Group has executed a capital reduction through reduction of the nominal value of all 821,878,237 registered shares from CHF 0.20 to CHF 0.05 per share. The share capital as of 30 June 2020 consists of 821'878'237 shares with a nominal value of CHF 0.05 per share. The nominal value reduction of CHF 0.15 per share (total CHF 123'281'735.55) was allocated to reserves of Evolve Holding AG.

On 29 June 2020, Evolve Holding AG entered into an agreement for the issuance and subscription of convertible notes with Nice & Green SA, a company incorporated and registered in Switzerland. Under the terms of the agreement, Nice & Green has committed to invest up to an amount of CHF 12 million, divided into tranches, over a period of 12 months ("the conversion period"). The amount of each convertible note is, at Evolve's discretion, either repayable by way of conversion into ordinary shares of Evolve Holding AG or in cash. The conversion price for shares is 95 percent of the lowest daily volume weighted average price for a share on the SIX Swiss Exchange during the 6 trading days immediately preceding the conversion date. The conversion price for cash redemption is calculated as 0.97 of the nominal value of a convertible note. During the conversion period, Nice & Green may at any time request full or partial conversion of each convertible note. In the case that the share market closing price of Evolve Holding AG is equal or lower than CHF 0.08, Nice & Green has the right to suspend the agreement until the share market closing prices equals or exceeds CHF 0.08. If the share market closing price is equal to or lower than CHF 0.08 for 20 consecutive trading days or the suspension period exceeds 3 months, Nice & Green has the right to early terminate the agreement. In the case of early termination, all issued convertible notes shall be converted into shares or repaid in cash within 30 days.

12. Treasury shares

The development of treasury shares held by the Group over the past two years is as follows:

	Shares	CHF 1,000
1 January 2019	277,011	55.4
Issuance of shares	25,000,000	5,150.0
Use of shares for share-based compensation	(3,737,395)	(859.6)
31 December 2019	21,539,616	4,345.8
Issuance of shares	25,000,000	7,050.0
Use of shares for share-based compensation	(3,178,185)	(635.6)
30 June 2020	43,361,431	10,760.2

13. Provisions and accrued liabilities

in CHF 1,000	R&D provisions	Financial accruals	Employee accruals	Other accrued liabilities	Total
1 January 2019	5'054.2	1'136.4	1'424.0	5'524.5	13'139.1
Made during the year	468.6	520.7	-	-	989.3
Used during the year	-	-	(477.3)	(5'333.0)	(5'810.3)
Reversed during the year	-	-	(223.7)	-	(223.7)
31 December 2019	5'522.8	1'657.1	723.1	191.5	8'094.5
- of which current	5'522.8	1'657.1	723.1	191.5	8'094.5
- of which non-current	-	-	-	-	-
31 December 2019	5'522.8	1'657.1	723.1	191.5	8'094.5
1 January 2020	5'522.8	1'657.1	723.1	191.5	8'094.5
Made during the year	646.2	-	730.7	-	1'376.9
Used during the year	(457.5)	(517.8)	(22.0)	(13.2)	(1'010.4)
Reversed during the year	-	-	-	-	-
30 June 2020	5'711.5	1'139.4	1'431.8	178.3	8'461.0
- of which current	5'711.5	1'139.4	1'431.8	178.3	8'461.0
- of which non-current	-	-	-	-	-
30 June 2020	5'711.5	1'139.4	1'431.8	178.3	8'461.0
Expected outflow of resources					
- within 12 months	5'711.5	1'139.4	1'431.8	178.3	8'461.0
30 June 2020	5'711.5	1'139.4	1'431.8	178.3	8'461.0

Research & development provisions

Research and development (R&D) provisions consists of various items related to the Company's R&D activities as well as contractually agreed liabilities. Predominantly, they consist of a provision of CHF 5.2 million (2019: CHF 4.5 million) recorded in the past for potential repayments of contractual fees related to work for the US Defence Threat Reduction Agency (DTRA). 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. In 2020, Evolva has increased its provision by CHF 0.7 million based on latest discussions with DTRA and its latest estimate regarding a potential repayment.

Financial accruals

Financial provisions include mainly unsettled financial and tax related consulting items incurred during the ordinary business course of the Company. The timing of these cash outflows is reasonably certain.

Employee accruals

These provisions mostly relate to employee benefits and accumulated vacation. The timing of these cash outflows can be estimated reasonably. However, some items are by nature more difficult to predict.

Other accrued liabilities

Other provisions and liabilities mainly consisted of a financial obligation related to Evolva's EverSweet™ agreement of initial CHF 17.2 million, which have been settled in 2018 and 2019.

14. Commitments and contingencies

As part of its research activities, Evolva is involved in several projects funded by governmental and other public entities. These contracts include clauses that might result in reclaims of funding that Evolva has received. The Group has entered various purchase commitments for manufacturing, material and services as part of its ordinary business. These commitments are not in excess of current market prices and reflect normal business operations.

15. Related party transactions

In 2020, Evolva has received consultancy services for research and development from a member of the board of directors in the value of CHF 0.002 million (HY1 2019 CHF 0.02 million). In addition, Evolva has a manufacturing agreement with a company where a former board member of Evolva (until AGM 2020) is part of the Executive Management. In the reporting period, Evolva has not purchased any goods or services from this related party (HY1 2019: CHF 0.9 million). As of the reporting date, Evolva has no outstanding balances from related party transactions (31 December 2019: 0.8 million).

16. Subsequent event

Based on the convertible notes agreement with Nice & Green (note 11), Evolva has drawn a first tranche of CHF 3 million on 6 July 2020.

To the Board of Directors of
Evolva Holding AG, Reinach (BL)

Basle, 20 August 2020

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 AG for the period from 1 January 2020 to 30 June 2020. 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
(Qualified
Signature)

Licensed audit expert
(Auditor in charge)



Fabian Meier
(Qualified
Signature)

Licensed audit expert