ANNUAL REPORT 2020

EVOLVA

CONTENT

Our purpose

At Evolva we help resolve sourcing bottlenecks in nature through technology platforms. These enable us to provide products that can contribute to health, wellbeing and sensory enjoyment.

We research, develop and bring to market high quality, affordable, ready-to-formulate products that are based on nature and are available at all times, in any quantity.

Dear shareholders,

Our performance in 2020 demonstrated the Evolva business model in full – from an R&D to a commercial company.
We built on strategic vision and managerial discipline to deliver superior results.

In the face of global volatility due to the pandemic, Evolva delivered the resilient performance that you expected from us, with an order intake exceeding CHF 10 million (+75%), and is on track to deliver cash break even by 2023.

Our resilient 2020 was the result of Evolva's focused strategic shaping we've done in recent years to take the company forward. And that's exactly our intent – we manage Evolva in a very deliberate way in order to accomplish clear goals. Our foundational goal – the company's purpose – is to solve bottlenecks in nature and deliver nature-based products that can contribute to health, wellness and sensory enjoyment.
We think that's a great purpose to have. We're mindful of the privilege and responsibility we have in producing ingredients that mean so much to so many and across industries.
Because of this keen awareness of the importance of our work, and of the legacy we carry, we view our business through the lens of long-term, sustainable success. While we work to deliver results, we think in generational terms and build Evolva to succeed for the long haul.

A new phase for Evolva
The first and most important decision we made in the transition from an R&D to a commercial company is what businesses to be in. We have shaped Evolva with great intentionality, choosing to compete in fields that offer clear differentiation from competitors and benefits.

This is how we keep Evolva current with its evolving environment and deliver the greatest impact – for our customers, for the people that ultimately use products with our ingredients, and for our shareholders. Through purposeful management of our portfolio, we are now more competitive and better aligned with the future of sustainable products. The launch of L-arabinose at the end of the year was a further step in the expansion of our health offering. As a result, we generate the vast majority of our sales (>85%) today from our own products instead of R&D.

This year

2020 provided an example of Evolva's resilience. With our commercial building blocks in place following the registration of nootkatone as a novel active ingredient in the US in August 2020, the launch of L-arabinose, and customer demand rising in Health Ingredients (order intake: +71% compared to 2019), we are now fully focused on further strengthening manufacturing and supply chain. We performed well in all of our business segments apart from F&F, leading Evolva to deliver organic sales growth - behind potential – of more than 20% compared to 2019.

The future

For the past few years we have consistently pursued a vision of the company we want Evolva to be and the impact we intend to have on the world. The result is a sustainable growth platform that will drive success for many years to come.

Sustainability is the guiding principle in our management approach. Our commitment is that Evolva will be here, delivering the many benefits it provides to people and society.
This commitment takes many forms. It means that we invest in capabilities for the future, not only in our pipeline of innovations, but also in building additional manufacturing capacity to support the dynamic growth of Health Ingredients and our upcoming solutions, including nootkatone for Health Protection.
In fact, in 2021 we'll be focused on strengthening our manufacturing and supply chain. It means that we continually refine our operations. It means that we invest in our people to attract and develop the talent we need, and that we continually strengthen our organization for optimal performance.

As this report and our resilient 2020 performance make clear, Evolva has learned from its past, stands at a new peak in the present, and is poised for a future that goes farther and higher still. We want to thank you for the confidence you have placed in our company, as well as our partners and employees for their commitment to Evolva. The future of sustainable ingredients is promising – and Evolva wants to lead the way.

Beat In-Albon
Chairman

Oliver Walker
Chief Executive Officer

WE ARE EVOLVA

We are a Swiss biotech company headquartered in Reinach (Basel area) with a global network and scale. As a team of 70 employees, we live diversity and inclusion daily across geographies and the 18 nationalities of our team. We are proud of a balanced employee base with 50% of women as a strong representation of this gender within science and technology.

From research to commercialization
Our team of experts researches, develops and commercializes high quality, affordable, ready-to-formulate ingredients that are based on nature and are available at all times, in any quantity.

With six ingredients currently on the market and a growing portfolio, our focus lies on three business segments:

- Flavors and fragrances: Nootkatone, valencene, vanillin, L-arabinose
- Health ingredients: Resveratrol, L-arabinose
- Health protection: Nootkatone
- Other ingredients: Stevia

Addressing societal trends and consumer expectations
Due to income growth and changes in consumer preferences, food consumption has been growing at a faster pace[1] than the steadily growing population. The food and beverages market is expected to reach a value of nearly USD 9,500 billion by 2022[2].

Pressure is on agriculture to enhance its annual productivity to sustainably produce all required resources for 10 billion people in 2050[3]– but at what costs? Data around the environmental impact of food and agriculture are increasingly alarming[4]. As an example, according to the Food and Agriculture Organization of the UN, 2,000 – 5,000 litres of fresh water are needed to produce one person's daily food .

At the same time, an increase in the spread of infectious diseases is one of the negative consequences of climate change. In the US, tickborne diseases represent almost 80% of reported insect-borne disease cases.

At Evolva we believe in applying technology platforms based on nature, such as fermentation, to help resolve sourcing bottlenecks in nature. These enable us to provide products that can contribute to health, wellbeing and sensory enjoyment.

1 Food And Beverages Global Market Report 2019 (January 2019). Published: The Business Research Company.

2 Accelerating global agricultural productivity growth is critical. (2019). Published: Science Daily. Source: Virginia Tech.

3 What are the environmental impacts of food and agriculture? (November 2019). Hannah Ritchie. Published: Our World in Data.

4 Food and Agriculture Organization of the UN, 2017.

FINANCIAL REVIEW

Financial key figures

CHF million	FY 2020 Reported	FY 2020 Product-based	FY 2019 Reported	FY 2019 Product-based
Product-related revenue	6.5	6.5	**5.5**	**5.5**
Research & development revenue	1.0	–	6.1	–
Total revenue	7.5	6.5	11.6	5.5
Order backlog		3.6		0.4
Total order intake		**10.1**		**5.9**
EBITDA1)	**-16.7**	**-17.7**	**-12.3**	**-18.4**
Extraordinary costs2)		3.6		
Adjusted EBITDA3)		**-14.1**		**-18.4**
Operating free cash flow	-23.4		-11.4	
Cash position (end of period)	19.7		39.9	

1) EBITDA = Earnings before interest and taxes, depreciation and amortization
2) Extraordinary costs related to delays in scaling up manufacturing at new CMOs and increase of DTRA accrual
3) EBITDA excluding extraordinary costs

Financial Performance
Evolva's product demand continued to grow significantly in 2020, except for ingredients vastly used in market segments currently challenged by the pandemic. Fine fragrances and beverages have been especially affected. The supply of Evolva's key product resveratrol, for which demand continues to increase significantly, was hampered by ongoing delays at CMOs. As the project with BARDA (activities supporting the registration of nootkatone for pest control applications with the US EPA) has been largely completed in 2019 (with R&D revenue of CHF 4.1m), total revenue lowered from CHF 11.6m in 2019 to CHF 7.5m (-35%) in 2020.

Gross profit decreased from CHF 5.4m in 2019 to CHF -1.9m, mainly as a function of the completion of the BARDA project, which generated a significant gross profit in 2019. Additionally, COVID-19 and the delays in scaling up manufacturing of resveratrol at the new CMOs triggered extraordinary costs of CHF 2.9m. Excluding these extraordinary impacts and the gross profit from R&D revenues, the product-based gross profit improved to CHF 0.3m from CHF -0.7m in 2019.

Despite the need to increase DTRA accrual by CHF 0.7m (following final evaluation), Evolva's total operating expenses decreased by 13% (CHF -2.9m). The pandemic and the associated lockdown measures in the individual markets have led to execute a larger portion of the company's activities leveraging the potential of digitization.

The improvement of the operating cost basis could not offset the unexpected expenses related to the delays in scaling up of resveratrol at new CMOs. As a result, EBITDA came in at a loss of -16.7m CHF (-27% over 2019), in line with the latest communication to the capital market. Considering product-based business and excluding extraordinary costs related to the delays in manufacturing and the increase of DTRA accrual, EBITDA improved from CHF -18.4m in prior year to CHF -14.1m.

The change in the financial result represents mainly unrealized foreign exchange losses and gains from outstanding balances with subsidiaries which have been revaluated with current exchange rate. Change in income taxes entirely resulted from deferred tax adjustments.

Balance sheet and cash flow
Intangible assets decreased by CHF 10m. This results mainly from the regular amortization in the amount of CHF 6.5m, additions from capitalized product and development costs in the amount of CHF 4.4m and translation effects amounting to CHF 8.1m in 2020. Evolva is reviewing, improving, and testing its commercial manufacturing processes with the aim to implement new processes that reduce manufacturing costs. In addition, new product blends are developed and tested for commercialization.

Cash position decreased to CHF 19.7m at year-end 2020. The change over prior year results from CHF -23.4m operating cash flow, CHF -5.6m cash flow from investing activities and 8.9m cash flow from financing activities.

2021 Outlook
As the pandemic continues, the guidance assumes there will not be a return to normal for most of the year. Evolva expects ongoing growing demand for Health Ingredients, but sluggish demand in Flavors and Fragrances.

Supply volumes are expected to gradually increase in the course of 2021 as a result of the emphasis on overcoming manufacturing challenges – especially for resveratrol –, with a larger contribution to sales and profit in the second half of the year.

The extraordinary costs related to delays in and scaling up manufacturing of resveratrol and L-arabinose are in total CHF 6.1m in 2021. Nevertheless, EBITDA is expected to somewhat improve over prior year levels.

STOCK REVIEW

Evolva has only registered shares outstanding. Registration is not compulsory, but only shares entered in the register have voting rights at shareholder meetings.

During 2020, the number of shares outstanding increased from 796.9 million to 821.9 million. Early in the year, Evolva created 25 million treasury shares from conditional capital.

Key Data	
Symbol	EVE
Nominal value per share	CHF 0.05
ISIN	CH0021218067

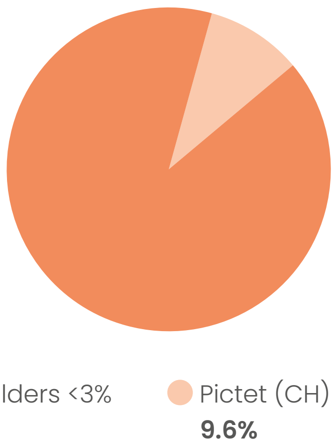
End-of-year	2020	2019
Number of shares	821.9	796.9
Number of registered shareholders	10,521	11,157
Shares in register as % of total	64%	61%
Free float (shares held by investors below 3%)	90%	87%
Share price (CHF)	0.202	0.219
Market capitalization (mCHF)	166.0	174.5

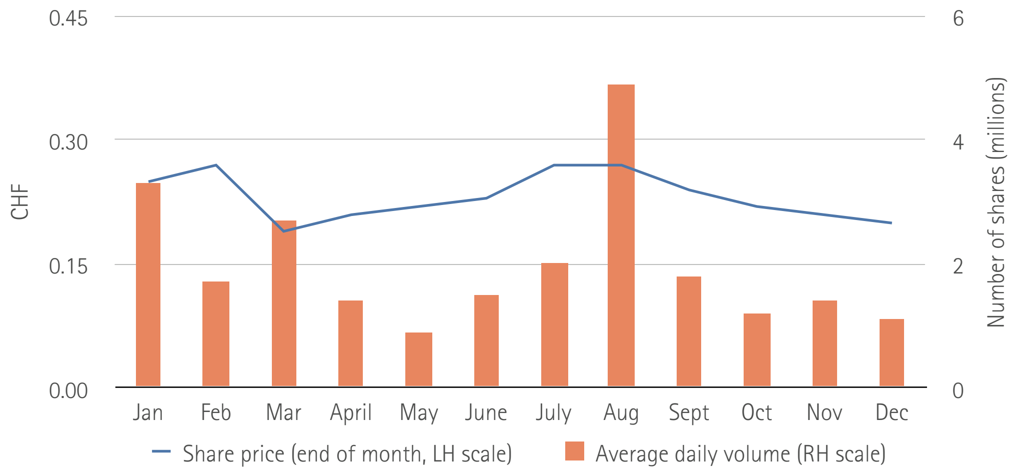
An average of 1.9 million Evolva shares were traded per day, representing an average daily value of CHF 380,000. Over the year, a total of 502 million shares were traded, meaning 61.1% of the outstanding shares changed hands.

The highest turnover of over CHF 7.9 million was recorded on August 10, 2020, the day of the Group's announcement that Evolva had received US EPA registration for nootkatone.

At the end of 2020, the number of registered shareholders was 10,521 and the proportion of outstanding shares entered in Evolva's register increased to 64% (61% in 2019).

The free float (shares held by investors holding less than 3% each) inched up to 90%. Only the holdings of Pictet exceeded 3% at the end of 2020.





Under the SIX definition, Evolva's free float amounts to 100%.

The Evolva share ended 2020 at CHF 0.202, compared with CHF 0.219 at the end of 2019, which is in line with the performance of the peer group.

Evolva aims to have an active dialogue with its shareholders, both large and small, not only at the Annual General Meeting but throughout the year. Interest from the financial community remained lively, with most meetings taking place in the context of investor conferences, site visits and roadshows (to the extent possible due to COVID-19, otherwise replaced by virtual meetings). Apart from company updates, governance and compensation matters were discussed in several meetings with key shareholders.

In 2020, the brokerage firm Octavian (Swiss-based) initiated research coverage on Evolva. The contact details of all the research analysts covering Evolva can be found on the investor section of the Evolva website.

In order to facilitate US investors' purchase of its shares, Evolva has established an American Depositary Receipt (ADR) program which is managed by Bank of New York Mellon. Each ADR represents ten ordinary Evolva shares. The ADRs are denominated in US dollars and trade on the OTC (over-the-counter) market in the US, under the symbol "ELVAY". The ADR program does not increase the number of outstanding Evolva shares. Information on Evolva's ADR program can be found on the investor section of the company website.

TECHNOLOGY PLATFORMS

TECHNOLOGY PLATFORMS

At Evolva we are harnessing cutting-edge science and technology to help resolve sourcing bottlenecks in nature.

Microorganisms are everywhere and sustain life in all its forms, from humans to plants. At Evolva our biologists apply the latest advances in (bio)technology and science to transform microbial fermentation into a process that can produce a variety of nature-based ingredients.

A desired ingredient is often only present in minor or even minute amounts in a plant. As an example, a flavor compound might comprise something like 0.001% by weight of the whole plant. Nevertheless, huge amounts of land, water and labour are required to grow these plants. With biotechnology, Evolva can dramatically increase the yield and efficiency of the production of various ingredients.

Our starting point are the biochemical pathways of nature, a series of conversion steps that enable the plant to convert water and sunlight (or nutrients) into a certain ingredient. Through biotechnology, these pathways can produce the desired ingredient in both a laboratory and large-scale production facility.

Unleashing the potential of fermentation
With biotechnology, Evolva can dramatically increase the yield and efficiency of the production of various ingredients.

Making ingredients by fermentation also means you can make them to order, and you don't have to worry about unpredictable weather, seasonality, political instability and supply chain interruptions. There's also no risk of heavy metals and unexpected pesticides residues that plants suck up from the soil.

Manufacturing of ingredients is continously optimized to maximize yields and reduce production costs. Fermentation allows to manufacture high purity products and reduce the dealing with off flavors.

Enabling large-scale production
The ingredients are gradually scaled up to larger volumes to optimize production conditions and ensure that the ingredients are robust enough for large-scale production.

At Evolva we have the scale-up expertise to transfer our fermentation processes up to the several-thousand-liter scale. When our ingredients have been sufficiently optimized, production is transferred to one of our contract manufacturers (CMOs) to be produced in large-scale fermenters.

We also have expertise in product recovery and purification, or "DSP" (Downstream Processing), which enables efficient development and scale-up of the processes that generate high purity products. Evolva has developed downstream processes for products with very different characteristics.

Developing and testing new products and applications
We have a multidisciplinary applications and product development team with analytical chemistry process development, physical chemistry, formulation, as well as quality and regulatory affairs expertise.

At Evolva, we continuously improve formulation effectiveness and explore alternative delivery methods. As an example, Evolva launched Veri-te Aqua™, a soluble resveratrol developed based on market need, especially in functional beverages. Additionally, Evolva provides scientific and technical support. Evolva also continues to invest in clinical studies to contribute to the expanding body of evidence behind the ingredients we produce.

Our expertise
With our integrated expertise in cutting-edge science and technology, we provide customized services for customers across industries.
The collaboration agreement with IFF to further develop and expand the commercialization of vanillin is a great example: within this context, our focus lies in the further optimization and cost-efficient manufacturing of vanillin while IFF focuses on its commercialization.
«We regard the agreement with Evolva as an example of our continued commitment to support the increasing consumer attention to health and the environment.»
Matthias Haeni, former Divisional CEO, Taste, for IFF

The partners we serve can rely on:

- High-quality customized services
- Innovative technology platforms
- Scalability

FLAVORS AND FRAGRANCES

FLAVORS AND FRAGRANCES

Consumers are increasingly paying more attention to their health and the environment which in turn is driving the global demand for more natural food and beverage products. As a result, consumers look for brands that can be trusted and help them make more informed and responsible choices [1].

Fast-moving consumer goods (FMCG) companies are responding to these demands by simplifying their ingredient labelling, informing consumers exactly what ingredients are being used and by expanding their ingredients portfolio to include materials that meet the consumer's need.

This increase in demand for more natural products cannot always be met by accessing ingredients from traditional agricultural sources. Innovative suppliers are pursuing alternative science-based solutions which are leading to new ingredients being developed to meet these supply challenges. In fact, it is availability that, combined with affordability and high quality, forms the three key pillars that interest customers of flavors and fragrances most.

Evolva applies technology platforms, such as fermentation, to help solve sourcing bottlenecks in nature. We research, develop and commercialize nature-based ingredients for the flavors and fragrances industry such as nootkatone, valencene, vanillin and L-arabinose.

Nootkatone

Nootkatone is found in very small quantities in the peel of grapefruit and in the bark of the Alaska yellow cedar (also known as the Nootka cypress). It is known as a highly "substantive" citrus ingredient, meaning it can last on the skin and clothing for an extended period.

This "substantive" characteristic enables perfumers to use nootkatone to impart a fresh clean scent that holds up over time.

Nootkatone is also used by flavourists to add a citrus, woody, grapefruit profile to fruit flavoured products such as carbonated beverages and confectionery products. Extracted from plant, nootkatone is prohibitively expensive, which can limit its use to fine fragrance products and premium food and beverage products.

Evolva offers a cost-effective Nootkatone with a stable supply chain. This enables broader use in high-volume fragrance markets such as personal care and home care products.

1 6 Global Consumer Trends For 2019, And The Brands That Are Out In Front Of Them (January 2019). Pamela N. Danziger. Published: Forbes.

Valencene
Valencene is an aroma ingredient found in the peel of oranges and in some other plants. It is responsible for the characteristic smell of oranges. Until now its use has been restricted by its high cost, limited supply and inconsistent product quality.
Valencene is a key ingredient in driving consumer preference across a broad range of products including food and beverages, fragrances, personal care and home care products.
Traditional methods of producing valencene are inefficient. It takes thousands of kilograms of oranges to obtain a kilogram of valencene. Supply is dependent on and can be adversely affected by the availability and quality of the orange harvest.
As in the case of nootkatone, we offer a cost-effective valencene with a more stable supply chain.

Vanillin
Vanilla is one of the most popular flavours with consumers and can be found in many food and beverage products: from ice cream to cakes and even beverages such as coffee and tea. Vanilla is extracted from the seed pods of the vanilla orchid and is made up of a complex mixture of taste components.

One of the most important taste components is vanillin which is found in very small quantities in vanilla beans. Vanilla beans grown in nature can present uncertainties in its availability, weather conditions being the major factor, and its fluctuating costs.
Supply difficulties in the past have contributed to the growth of synthetic vanillin which now commands up to 85% of the market.

Synthetic vanillin, which is used in many products, is typically produced from petro-chemicals or is chemically derived from lignin (wood pulp).

Evolva’s vanillin is a nature based ingredient produced via fermentation. It is cost effective with a stable supply chain and is ideally suited to the changing lifestyles and eating choices of consumers.

L-Arabinose
As a reducing sugar, L-arabinose is frequently applied in the production of maillard rection flavours which are a key building block for savoury flavours such as chicken and beef.
L-Arabinose may also contribute to bakery products by improving crust and crumb structure and preventing premature staleness.
Evolva’s L-arabinose is natural and meets the increasing demand in the flavours and food ingredients market for healthy and clean label products.

Made by fermentation, Evolva’s L-arabinose is fully renewable and sustainable, it has a high-purity level (>99%) and no hydrochloric acid is used in the manufacturing process.
L-Arabinose is FEMA GRAS approved for use in food and beverages.

FLAVORS AND FRAGRANCES

2020 update
Evolva continues to market nootkatone for the F&F industry and some selected applications in fast-moving consumer goods. The focus areas are food, beverages, personal care and home care. Currently, we can count on an international distributor network covering all relevant geographies and are well positioned to exploit the growing demand in emerging markets, especially in Asia.

At the beginning of the year we have signed an agreement with International Flavors and Fragrances for the development of vanillin.
We have also launched one new variant of our nootkatone product and a unique high purity valencene designed to be compliant with EU regulatory requirements.

Our pipeline is solid and we expect to introduce more new products in the near future. The commerical launch of L-arabinose further demomstrates that Evolva can deliver the innovation that the F&F industry demands.

HEALTH INGREDIENTS

HEALTH INGREDIENTS

From bone health to eye health, from cognitive function to cardiovascular system, from weight management to gut health. Consumers are seeking scientifically-backed ingredients with potential health and beauty benefits in supplements, topical creams and serums, beauty-from-within products and more.

With life expectancy expanding globally and over 20% of the world's population to be over 60 years of age by 2050 (1 out of 4 people are over 65 in Europe and North America), consumers are increasingly aware of the importance of healthy living and preventive care at an earlier age.
A trend that the global pandemic has heightened, with consumers choosing products that can support a healthy immune system, as well as mental health, generating a strong demand for functional ingredients and dietary supplements[1].

Veri-te™ resveratrol
Resveratrol is a compound that occurs naturally in grapes and other plants, including peanuts, cranberries and berries. It is also contained in red wine, albeit at low concentrations.
Evolva's resveratrol is a high-purity ingredient based on nature made via fermentation, which ensures a stable, traceable and reliable supply chain.
By collaborating with award-winning technology companies, we provide resveratrol in new ingredient solution formats such as the cold-water dispersible resveratrol powder, Veri-Sperse™ made using Pharmako's patented LipiSperse® technology, and Veri-te Aqua™, a soluble resveratrol addressing market needs especially in functional beverages. Such innovative delivery technologies offer the opportunity for customers to meet the everchanging consumer demands for new resveratrol product formats.
Additionally, Evolva continues to invest in clinical studies to contribute to the expanding body of evidence that resveratrol supports healthy living in humans and animals (more than 1,400 studies were published in 2020 reporting the benefits of resveratrol supplementation on immune health, cardiovascular conditions, cognitive health, bone health, skin health, eye health and oral health). Due to its large spectrum of applications resveratrol remains key in the ingredient manufacturers and formulators strategies.

L-Arabinose
L-Arabinose is a natural sugar blocker for food and beverages. It is an ingredient that supports our customers' efforts to provide healthier, more sustainable solutions for individuals who strive to live a healthier lifestyle without compromising on taste.

Studies[2] show that L-arabinose as sugar blocker can support healthy blood sugar levels and weight

1 According to Market Research, over 50% of consumers reported taking more supplements to support their immune health in 2020.

2 Selected studies: Inoue et al. (2000), Yang et al. (2013), Thondre & Lightowler (2014b).

management. Made by fermentation, Evolva's L-arabinose is fully renewable and sustainable, it has a high-purity level (>99%) and no hydrochloric acid is used in the manufacturing process. L-Arabinose is FEMA GRAS approved for use in food and beverages.

2020 update

In Health Ingredients, Veri-te™ resveratrol continued its geographical market penetration in the core US and EU markets, a reflection of ongoing new product developments, incubating partnerships with key accounts on strategic projects and the efficiency of the diversified distribution partners in these regions. In addition, Veri-te™ resveratrol considerably broadened its customer base in Asia with a clear upward trend in sales and a stronger interest in using the Veri-te™ brand.

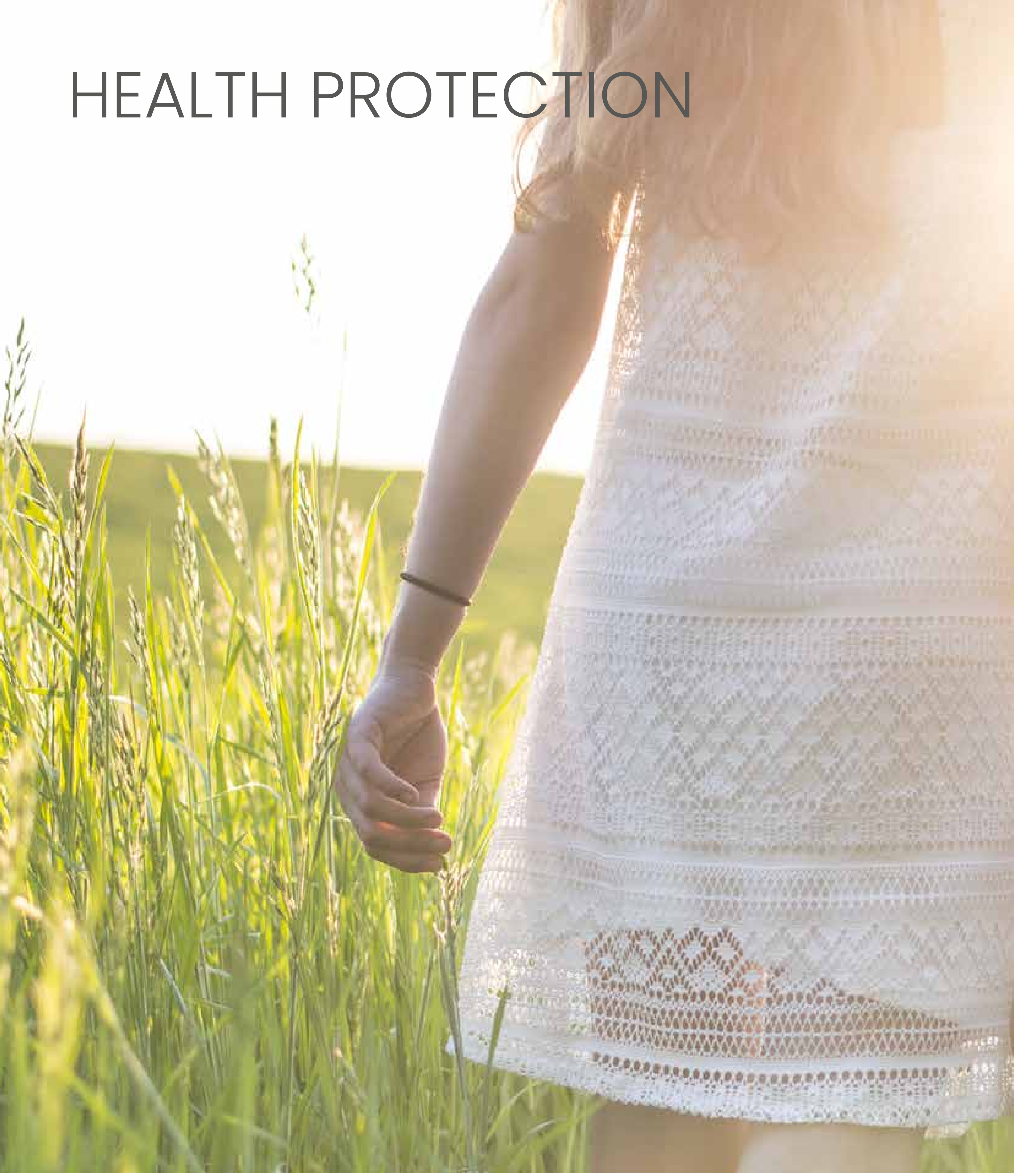
Thanks to the various innovative product format and applications, Veri-te™ is now used in a wide range of market segments including dietary supplements, functional beverages and cosmetics as well as API (Active Pharmaceutical Ingredients).

Following the publication of the outcomes from the RESHAW3 study, led by Professor Peter Howe and Dr. Rachel Wong at University of Newcastle's Clinical Nutrition Research Centre - Australia, the authors received the Nutra Ingredient Asia Award in 2020 as a recognition of their contribution to provide science-based evidence to the benefits of using Veri-te™ resveratrol to support post-menopausal women's health. Building on these studies, additional findings are expected in the fast-developing research areas of Gut Health and Mental Health, which represent important future market opportunities for Veri-te™ resveratrol.

On the animal health side, 2020 confirmed the strong sales opportunities for resveratrol observed in 2019, particularly in the Companion animal sector which led Evolva to further invest in this segment and to recruit highly qualified dedicated sales resources.

The launch of L-arabinose confirms our ability to deliver innovative solutions to address customers and consumers needs.

HEALTH PROTECTION



HEALTH PROTECTION

With responsible consumerism increasing, there is an urgent need to shift towards a regenerative mindset that aims towards a net positive impact – like restoring the ecosystem and making people live healthier, longer lives[1].

This will impact areas such as health protection with great potential like the Global Insect Repellent with a market size expected to reach 8.7 billion by 2025[2].

According to the WHO, vector-borne diseases account for 17% of all infectious diseases, causing more than 700,000 deaths each year. Distribution of these diseases is determined by a complex dynamic of environmental and social factors. Globalisation of travel and trade, unplanned urbanisation and environmental challenges such as climate change are having a significant impact on disease transmission in recent years. Some diseases, such as dengue, chikungunya and West Nile virus are emerging in countries where they were previously unknown.

Mosquito- and tickborne diseases are a growing threat worldwide. As an example, in the US state and territory the number of reported cases of mosquito – and tickborne diseases doubled from 2004-2018. Tickborne diseases represent almost eight in 10 of all reported vector-borne disease cases in the United States.

At Evolva technology platforms enable us to provide health protection products with high efficacy that can contribute to the health and wellbeing of health-conscious consumers worldwide.

1 6 Global Consumer Trends For 2019, And The Brands That Are Out In Front Of Them (January 2019). Pamela N. Danziger. Published: Forbes.

2 The Global Insect Repellent Market size is expected to reach $8,712.6 million by 2025, rising at a market growth of 7% CAGR during the forecast period (2019-2025). (November 2019). Reportbuyer.com. Published: P&T Community

Nootkatone
Nootkatone is an ingredient found in minute quantities in the bark of the Alaska yellow cedar (also known as the Nootka cypress) and in the skin of grapefruit. Nootkatone has been tested against a variety of biting pests, including ticks that are responsible for spreading Lyme disease and mosquitoes that spread Zika, chikungunya, dengue and West Nile viruses. For this application, we have developed a nootkatone-based product branded as NootkaShield™.

In 2014 Evolva started to work with the support of the US Centers for Disease Control and Prevention (CDC), the nation's health protection agency, on research and development of nootkatone. In 2017, Evolva received a contract from the Department of Health and Human Services Biomedical Advanced Research and Development Authority (BARDA) to advance the development of a next-generation active ingredient for use in insecticides and insect repellents to protect people. Evolva has a long-standing commitment to advancing research across a broad range of areas that accelerate the development of ingredients based on nature.

2020 update
The US Environmental Protection Agency (EPA) completed the registration process of nootkatone as a novel active ingredient for use in insecticides and insect repellent in August 2020.

Following the registration of nootkatone (NootkaShield™) as a novel active ingredient in the US, Evolva continued to support leading customers in their activities to develop first end-user products. At this stage, this includes especially the development of end user applications. As formulation work is being delayed due to COVID-19, first supply volumes are expected in 2022.

PRODUCT PORTFOLIO

Evolva's strategy is to continue to expand our portfolio of products based on nature and bring them to health, nutrition, flavors, fragrances, cosmetics markets and beyond, and to commercialize these products either independently or with partners.

The following table describes key marketed products across our segments. Evolva currently has a portfolio of six products on the market and expects additional launches in the coming years. While we are expanding our presence worldwide, not all products and formulations are currently available in every country.

Product	Main Applications	Status	Revenue Stream
Valencene	Flavors and fragrances	On the market	Product sales
Nootkatone	Flavors and fragrances	On the market	Product sales
Vanillin	Flavors and fragrances	On the market	Product sales
Veri-te™ (resveratrol)	Nutrition, cosmetics, animal health, pharmaceuticals	On the market	Product sales
L-Arabinose	Functional ingredient with multiple applications	On the market	Product sales
NootkaShield™ (nootkatone)	Pest control	Registration as active ingredient in the US in 2020	Product sales expected first in 2022
EVERSWEET™ (stevia)	Sweetener	On the market (avansya.com)	Royalties

EVERSWEET™ 2020 update
In early 2019, Cargill and DSM established a joint venture called Avansya (for more information: www.avansya.com). Avansya markets its stevia sweetener products under the brand name EVERSWEET™. Evolva receives royalty payments on all EVERSWEET™ sales. The first commercial-scale production of EVERSWEET™, has started on November 14, 2019 at Cargill's fermentation production facility in Blair, Nebraska (USA). With this increased capacity, Evolva anticipates its royalty income to grow over time.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Evolva Holding AG is a stock corporation established under the laws of Switzerland, with its registered office in Reinach (Canton Basel-Landschaft). Its business purpose is to engage in the research, development and commercialization of products and processes with applications in food, nutritional, pharmaceutical, pest control and other areas.

Evolva is subject to the Corporate Governance Directive and its annex and commentary issued by SIX Swiss Exchange Ltd. **("SIX").** This Directive stipulates the governance items to be disclosed by listed companies. Evolva is furthermore required to disclose basic principles and elements of its compensation programs (incl. share-based compensation) for members of the Board of Directors **("BoD")** and the Group Management Team **("GMT")**, in a separate section of the Annual Report. Evolva's governance system and related reporting complies with Swiss law (including the "Compensation Ordinance"), the Swiss Code of Best Practice for Corporate Governance as well as the SIX Directive on Information Relating to Corporate Governance.

Group structure

On 31 December 2020, the Evolva Group **("Evolva")** consisted of Evolva Holding AG **("the Company")** as the listed parent company:

Company name:	Evolva Holding AG
Domicile:	Duggingerstr. 23, CH-4153 Reinach
Register number:	CHE-108.641.858
Listing:	SIX Swiss Exchange, symbol «EVE"
ISIN:	CH0021218067
Swiss security ID:	2121806
Market capitalization 31.12.2020:	CHF 166.0 million
Share price at 31.12.2020:	CHF 0.202
Duration of the company:	unlimited

and the following non-listed direct or indirect subsidiaries:

Name	Domicile	Ownership[1]		Shareholder	Share capital
		31.12.2020	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 Bio UK Ltd.	Cambridge, UK	100%	100%	Evolva AG	GBP 14.62
Evolva Singapore PTE. Ltd.	Singapore	100%	100%	Evolva AG	SGD 100
Evolva Biotech A/S[2]	Copenhagen, DK	100%	100%	Evolva AG	DKK 4,311,583
Evolva Biotech Private Limited[2]	Chennai, India	100%	100%	Evolva AG	INR 169,930

1) Capital ownership is equal to voting ownership
2) Company in liquidation

Cross-shareholdings

On 31 December 2020, no cross-shareholdings exceeding 5% existed.

Capital structure and shareholders

Description of the shares

On 31 December 2020, the Company had only registered shares outstanding. All shares have a nominal value of CHF 0.05. Each share carries one vote at the shareholders' meetings of the Company – subject to limitations as described below.
In February 2014, Evolva launched an ADR program (American Depositary Receipt), supported by Bank of New York Mellon. Each Evolva ADR represents ten ordinary shares and trades on the OTC (over-the-counter) market in the US. The ADR program does not result in an increase in the number of outstanding Evolva shares. Additional information is available on https://www.adrbnymellon.com/?cusip=30050L109.

Issued share capital

At year-end 2020, Evolva Holding AG had 821,878,237 shares issued and outstanding with a nominal value of CHF 0.05 each, representing a nominal share capital of CHF 41,093,911.85. All shares are fully paid up.

Shareholder structure and significant shareholders

The section "Stock Review" of this Annual Report contains information on the company's shareholder structure. During 2020, shareholders submitted a number of filings regarding their crossing of reportable threshold as percentage of shares issued and outstanding under Swiss disclosure rules.

The detailed notifications are available on the SIX website https://www.six-group.com/exchanges/shares/security_info_en.html?id=CH0021218067CHF4.

Apart from the shareholdings listed in the Stock Review section (page 10) of this report , one investor (Nice & Green SA) notified a derivative purchase position of 45.27% (theoretical number based on a nominal value of 0.05 CHF per share and not on market value) of the Company's capital at year-end 2020, related to an agreement for the issuance and subscription of convertible notes which was announced in press releases June 29, 2020 and, subsequent to an amendment, on December 8, 2020.

Treasury shares

On 31 December 2020, Evolva held 15.1 million shares in treasury. These shares may be used for financing purposes at a later point in time. For more details see the Consolidated Financial Statements.

Conditional capital for incentive equity plans

At 31 December 2020, conditional capital of CHF 1,985,038.05 was available for the issuance of 39,700,761 shares under the incentive equity plans to employees of the Company and its subsidiaries, Board members and other key persons (3C articles of association, which would equate to 4.8% of the existing share capital).

For details regarding the terms and conditions of equity-based instruments, please refer to the Notes to the consolidated financial statements.

Conditional Capital for financing purposes
Evolva's Articles of Association (3A) enable the issuance of up to 34,660,379 shares from conditional capital for financing purposes as for 31 December 2020, which would equate to 4.2% of the existing share capital. These are reserved for the voluntary or compulsory exercise of conversion rights and/or warrants granted in connection with bonds or other financial market instruments or loans.

Authorized Capital for financing purposes
The Board of Directors proposal to create authorized capital in the maximum amount of CHF 32,875,129.40 and to include a new article 3abis into the Articles of Association as follows (translated from the German original which prevails) was approved at the company's AGM on 15.4.2020:

1. The Board of Directors is authorised to increase the share capital in accordance with Article 3 of the Articles of Association at any time until 15 April 2022 by a maximum amount of CHF 32,875,129.40 by issuing a maximum of 164,375,647 fully paid-up registered shares with a par value of CHF 0.20 each. Increases by firm underwriting and increases in partial amounts are permitted. The issue amount, the date of dividend entitlement and the type of contributions are to be determined by the Board of Directors. The new registered shares can be paid up in part by converting freely disposable equity up to a maximum amount of CHF 11,000,000. After acquisition, the new registered shares are subject to the restrictions on transferability set out in Art. 5 of the Articles of Association.
2. The Board of Directors is entitled to exclude shareholders' pre-emptive rights if the new registered shares are used (a) for the acquisition of companies, parts of companies or participations by means of an exchange of shares, or (b) to finance or refinance the acquisition of companies, parts of companies or participations, or (c) for new investment projects and/or for placement on domestic or international capital markets (including private placements with selected strategic investors).
3. If, in connection with company acquisitions or investment projects, the Company assumes obligations to service convertible bonds, convertible loans or option bonds, the Board of Directors is entitled to issue new shares and to exclude shareholders' pre-emptive rights in order to meet delivery obligations under such bonds or loans.

For more information regarding the capital structure, reference is made to the Articles of Association, which are available at https://evolva.com/shareholder-info/annual-general-meeting-of-shareholders/.

Changes in capital
On 15 April 2020 the AGM has resolved 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 entire reduction amount was allocated to the statutory contribution reserve Shareholders' rights were not affected, neither financial rights nor participation Rights nor did this change the total equity.

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

	Total number of shares Evolva Holding SA	CHF 1,000
31 December 2018	**770,578,998**	**154,115.8**
Shares from conditional capital	26,299,239	5,259.8
31 December 2019	**796,878,237**	**159,375.6**
Shares from conditional capital	25,000,000	5,000.0
Nominal value reduction	-	(123,281.7)
31 December 2020	**821,878,237**	**41,093.9**

Limitations on transferability and nominee registration

A purchaser of shares will be recorded in the Company's share register as a shareholder with voting rights if the purchaser discloses its name, citizenship or registered office and address, and gives a declaration that it has acquired the shares in its own name and for its own account. Failing such registration, a shareholder may not vote at or participate in a shareholders' meeting.

The Articles of Association (Art. 5) provide that a person or entity not explicitly stating in its registration request that it will hold the shares for its own account **("Nominee")** may only be entered as a shareholder in the share register with voting rights for shares up to a maximum of 5% of the outstanding nominal share capital. Shares held by a Nominee that exceed this limit are only registered in the share register with voting rights if such Nominee declares in writing to disclose the name, address and shareholding of any person or legal entity for whose account it is holding 1% or more of the outstanding nominal share capital. The limit of 5% shall apply correspondingly to Nominees who are related to one another through capital ownership or voting rights or have a common management or are otherwise interrelated.

A share being indivisible, the Company will only recognize one representative for each share. Furthermore, shares may only be pledged to the bank that administers the bank entries of such shares for the account of the pledging shareholders; in such case, the Company must be notified.

The Company is authorized to delete entries in the share register as shareholder with voting rights, after granting a hearing to the person concerned, if they were effected on the basis of false information. The person concerned has to be immediately informed about the deletion. The limitation on transferability may be removed by a shareholders' resolution with a quorum in accordance with Swiss law.

Convertible bonds and equity-based incentive plans

On June 29, 2020 Evolva entered into an agreement for the issuance and subscription of convertible notes with Nice & Green, an independent Swiss company specialized in corporate financing. Under the terms of the agreement, the investor has agreed to subscribe, over the course of a period of twelve months starting from the signing date, for convertible notes with an aggregate principal value of up to CHF

12,000,000 convertible into shares. This agreement was amended on the 8th of December 2020 and Nice & Green has committed to increase the investment according to agreed conditions up to a maximum principal amount of another CHF 12.000.000 million over a period of 12 months. On 31 December 2020, the Company has 80 convertible notes with a nominal value of CHF 50.000 each outstanding.

Evolva Holding AG has established several equity-based incentive plans in order to attract, motivate and retain key staff, and thus enhance the value of the Company by giving key people an opportunity to become shareholders of the Company. The terms of the incentive equity plans are determined by the Board of Directors. More information in the Consolidated Financial Statements at page 88.

Board of Directors

The Articles of Association (***Statuten;*** **"Articles"**) provide that the Board of Directors (***Verwaltungsrat;*** "BoD") of the Company may consist of a minimum of three directors and a maximum of eleven directors. At the end of 2020, the BoD consisted of three directors.

The term of office for a member of the BoD is one year. A year means, in this context, the period running from one Annual General Meeting (**"AGM"**) until completion of the next. Re-election is allowed. The AGM elects the Chairman of the BoD, as well as the members of the Compensation Committee. Apart from these appointments, the BoD constitutes itself. It elects from among its members one or several Vice-Chairmen, the chairperson of the Compensation Committee and the Audit Committee as well as the other members of the Audit Committee. It further appoints a secretary who need not be a member of the BoD. If the office of the Chairperson of the BoD is vacant, the BoD shall appoint a new Chairperson from among its members for a term of office extending until completion of the next AGM.

Evolva's Articles of Association (Article 32) restrict the number of other board mandates for members of the BoD to:

- four in listed companies; and
- eight in non-listed companies.

The BoD is entrusted with the ultimate direction of the Company's business and the supervision of the persons entrusted with the Company's management. It represents the Company towards third parties and manages all matters which have not been delegated to another body of the Company by law, the Articles or by other regulations. The BoD's non-transferable and irrevocable duties, based on the Swiss Code of Obligations ("CO"; Art. 716a) include:

1. the overall management of the Company and the issuing of all necessary directives;
2. the determination of the organization of the Company;
3. the organization of the accounting, financial control and financial planning systems;
4. the appointment and removal of persons entrusted with managing and representing the Company;
5. the ultimate supervision of the persons entrusted with the management of the Company,

in particular with respect to their compliance with the law, the Articles, regulations and directives;

6. the preparation of the Annual Report, the Compensation Report and the shareholders' meeting, including the execution of its resolutions;
7. the notification of the court in case the Company is overindebted or insolvent.

In accordance with Swiss law, the Articles and the Organizational Regulations, the BoD has delegated Evolva's executive management to the Chief Executive Officer (the **"CEO"**) who is supported by the Group Management Team.

According to the Organizational Regulations (*Organisationsreglement*) enacted by the BoD, the BoD meets at the invitation of the Chairman as often as required, but in any event at least four times per year. The Organizational Regulations are available on Evolva's website: https://evolva.com/shareholder-info/annual-general-meeting-of-shareholders/. In 2020 the BoD met five times in person, average duration of the meetings were seven hours and held several phone calls. The agenda for the BoD meetings is prepared by the Chairman and the CEO. In general, the main agenda items comprise updates in regard to sales and production, the progress of the product portfolio, existing and future partnerships, the financial situation, key risks and strategic opportunities.

Resolutions of the BoD are passed by way of simple majority of the votes cast. In the case of a tie, the Chairman has the casting vote. To validly pass a resolution, a majority of the members of the BoD must attend the meeting. Absent members cannot be represented. No quorum is required for confirmation of resolutions and amendments of the Articles in connection with capital increases pursuant to Articles 652g and 653g of the CO as well as approvals pursuant to Articles 23 and 70 of the Swiss Federal Merger Act in case that the transferred assets do not exceed 10% of the total assets of the Company.

Information and control instruments
Evolva's management information system consists of the financial reporting and key performance indicator system. Each month, the financial statements and additional information of the companies belonging to the group are entered in the financial reporting system, consolidated, and compared against the different financial plan dimensions. The General Management Team and the Extended Leadership Team discuss the results on monthly basis in detail and the GMT decides on actions to be taken. The Board of Directors receives every month a financial and business update with a variance analysis and an explanation of the business progress and information about the cash situation of the group. For each board meeting a detailed analysis of the financial development as well as an outlook for the year is presented to the Board of Directors. Ad hoc Information is submitted immediately to the Board on topics such as legal issues, changes in the risk environment (risk management) and other issues with extraordinary character. Furthermore, a specific risk heat map which presents the results of a risk assessment process visually and in a meaningful and

concise way is prepared once a year. During an Extended Leadership Meeting the evaluation of the likelihood and potential impact of the identified risks is evaluated. Functional Leaders are part of the Extended Leadership Team meeting. Each functional leader is entitled to request and receive information on all matters of the Company and the Group.

Board Committee
In accordance with good corporate governance, the BoD has established an Audit Committee (the "AC") and a Compensation Committee (the "CC").

Audit Committee
At year-end 2020, the AC consisted of Stephan Schindler (Chairman) and Richard Ridinger.

The AC assists the BoD in the supervision of the financial management of the Company. It is responsible for the guidelines for the Company's risk management and internal control system, the review of the compliance system, the review of the auditors' audit plans, the review of annual and interim financial statements, the monitoring of the performance and independence of external auditors (including the authorization of non-audit services by the auditors and their compliance with applicable rules), the review of the audit results and the monitoring of the implementation of the findings by management. After examination by the AC, the (interim) accounts are recommended for approval to the BoD. In 2020, the AC convened two times by way of with an average duration of 2 hours per conference.

Compensation Committee
At year-end 2020, the CC consisted of the following non-executive members: Richard Ridinger (Chairman) and Stephan Schindler.

The CC supports the BoD in establishing and reviewing the compensation strategy and guidelines and the performance objectives as well as in preparing the proposals to the AGM regarding the compensation of the BoD and of the GMT, and may submit proposals to the BoD in other compensation-related issues. In particular, the CC provides the BoD with recommendations on the compensation of members of the BoD and the CEO, policies for the compensation of the GMT and the Group's other employees, and the basic principles for the establishment, amendment and implementation of incentive plans.

The members of the CC are elected by the shareholders at the AGM. If there

Composition of the Board of Directors at year-end 2020

Name	Function	Committee membership	First elected
Beat In-Albon	Chairman	-	2020
Richard Ridinger	Member	AC, CC (Chair)	2020
Stephan Schindler	Member	AC (Chair), CC	2020

are vacancies on the Compensation Committee, the BoD shall appoint substitute members from among its members for a term of office extending until completion of the next AGM. The chairperson is elected by the BoD. The BoD draws up regulations establishing the organization and decision-making process of the Compensation Committee.
In 2020 the CC formally met two times. In addition, the CC held several telephone conversations. The persons concerned are not permitted to attend meetings where their compensation is discussed. In the years 2015 through 2018, EY Ltd. provided independent advice on compensation matters on an ad-hoc basis in addition to the auditing services. Additional information is available in the Compensation Report at page 48.

Composition of the Board of Directors
The following table sets forth the name, function and committee membership of each member of the BoD at year-end 2020, followed by a short description of each member's nationality, business experience, education and activities.
At year-end 2020, all members of the BoD were non-executive. No member of the Board of Directors was a member of the management in the three preceding financial years.

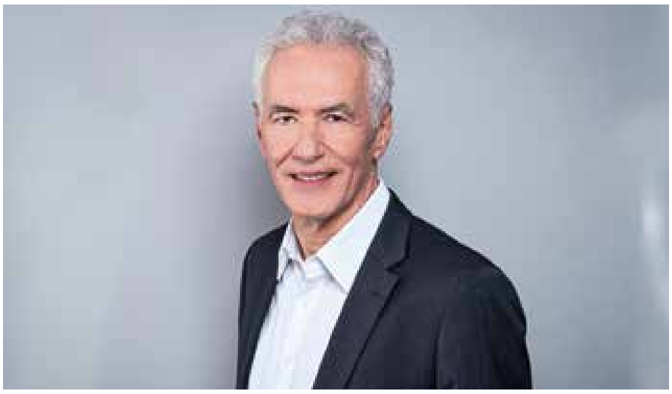
Other than disclosed below, none of the non-executive directors have any significant business connections with the Company or its subsidiaries.

Board members are (re-)elected for a one-year period. The current period ends at the AGM in 2021. The business address for each member of the BoD is Duggingerstrasse 23, 4153 Reinach, Switzerland.

Beat In-Albon
Swiss national, born in 1952.
Beat In-Albon has been elected as Chairman of the Board of Evolva in April 2020.

Mr. In-Albon has spent the major part of his career in the Lonza Group. In his last role, he served as Senior Vice President, Chief Operations Officer Specialty Ingredients and was responsible for the worldwide operational activities. Sales and manufacturing as well as the overall results of the division fell under the umbrella of his responsibilities, among many others. During this time Beat In-Albon has been a member of the Lonza's Group Executive Committee.
He serves as a non-executive Board Member of Deccan Fine Chemicals (India) Private Limited, a CDMO company located in Hyderabad, mainly active in the field of agrochemicals.
Mr. In-Albon is also Chairman of the Board of Esciencia Switzerland AG, a CDMO company active in the field of pharmaceuticals, located in Muttenz, Switzerland.
He holds a Ph.D degree in economics from the University of Fribourg.

CORPORATE GOVERNANCE



Richard Ridinger
German national, born in 1958.
Richard Ridinger has been elected as Member of the Board of Evolva in April 2020.

Mr. Ridinger was the CEO of Lonza, a global leader in Life Sciences, with exceptional experience in science-driven organizations, having held global roles in groups such as Cognis and Henkel. In his role as CEO of Lonza, he strengthened the company's position in relevant markets, driving competitive capabilities and productivity improvement in critical areas. Prior to this, he has led Care Chemicals, which, with its approximately 3,000 employees, was the largest group within Cognis. A trained chemical engineer, his well-honed expertise spans process development, production management, product and marketing management of different product areas. As a leader he has held roles with global business unit responsibility up to leading a global specialty chemicals group.
Richard Ridinger is a member of the Board of Directors of Firmenich SA since October 2016. He is also a member of the Supervisory Board of Brenntag AG since June 2020.
He holds a MS in chemical engineering from the University of Karlsruhe, Germany.

Stephan Schindler
Swiss national, born in 1964.
Stephan Schindler has been elected as Member of the Board of Evolva in April 2020.

Mr. Schindler is Chief Financial Officer (CFO) and member of the Corporate Executive Committee of the Bachem Holding AG since 2009, Stephan is an experienced leader in science-based companies. In 1991, he assumed a first management position in informatics as Head of Information Center at Patria Insurances in Basel. In parallel, he persistently pursued his extra occupational studies in business economics, finance and control. After his graduation, he joined F. Hoffmann-La Roche Ltd in Basel where he assumed various positions in Corporate Finance. With the unbundling of the division in 2001, he took over the accounting & reporting department at Roche Vitamins Ltd. Until 2009, he was Head Finance & Control Switzerland at DSM Nutritional Products Ltd, Kaiseraugst.

He is a member of the Board of Directors of Arcondis (Holding) AG and a Board member of Columna Collective Foundation – Client Invest, Winterthur.
Stephan Schindler holds a degree of International Executive MBA Zurich/Boston.

Executive management

In accordance with Swiss law, the Articles and the Organizational Regulations, the BoD has delegated the executive management of the Company to the CEO. The CEO heads the executive management team of Evolva (the "Group Management Team" or "GMT"). Under the supervision of the BoD, the Group Management Team conducts the operational management and reports to the BoD on a regular basis. Evolva's Articles of Association (Article 32) restrict the number of external mandates for members of the GMT to five in listed companies and eight in non-listed companies.

Composition of the Group Management Team
The following table sets forth the name and principal position of each member of the GMT at year-end 2020, followed by a short description of each member.

Oliver Walker
Swiss national, born in 1969.
Oliver Walker joined Evolva as Chief Financial Officer on 1 December 2016 and was appointed CEO in July 2018.

Oliver Walker is a seasoned executive with more than 25 years of experience in international companies, both listed and privately-held, and was active in high growth and mature industries alike. He is currently the CEO of Swiss stock-listed biotechnology company Evolva. Amongst other senior positions he was previously CFO/EVP of several leading Life Science companies, including Sivantos, Nobel Biocare, Sonova, and Stratec Medical. He brings significant experience and a track record having led initiatives in the areas of growth creation, performance increase, change and transformation management, as well as M&A, capital market transactions and fundraising. Oliver Walker has an MSc in Business Administration & Economics from the University of Berne, Switzerland.

André Pennartz

German national, born in 1974.

André Pennartz joined Evolva in January 2020 and took over the Chief Financial Officer position. In his role, he is responsible for Finance, Information Technology, Human Resources and Project Management.

André Pennartz brings more than 20 years of experience in finance and business management across a wide range of international and start-up companies, within both high growth as well as mature industries. His most recent role was as Director of Finance Transformation EMEA of the Dental Platform at Danaher Corporation. He previously held several senior finance positions at Nobel Biocare, Leica Microsystems, Leica Biosystems and Honeywell Security Group. André Pennartz has a Master of Laws and a Master in Commercial Law from the University of Saarbrücken, Germany, an Executive Master in Finance from the St. Galler Management Institute, a Diploma in Controlling from the St. Galler Business School and a Master in Economics from the University of Applied Sciences Cologne, Germany.

Composition of the Group Management Team at year-end 2020

Name	Position	In GMT since
Oliver Walker	Chief Executive Officer	2016
André Pennartz	Chief Financial Officer	2020

Compensation, shareholdings and loans

An extensive description of the compensation system and the amounts paid to members of the BoD and the GMT is available in the separate chapter "Compensation Report". The general framework of the system is provided in Evolva's Articles of Association (Articles 28 – 30). An overview of equity holdings of BoD and GMT members is available on page 120 of this report.

Evolva's Articles of Association (Article 33) state that loans to a member of the BoD or of the GMT may only be granted at market conditions and to the extent the total amount of loans outstanding to the person involved does not exceed twice the total annual compensation last paid to that person.
The Company has not issued any guarantees for any shareholder, member of the BoD or GMT. No shareholder and no member of the BoD or GMT has received any loans from the Company.

Shareholders' participation

Voting rights

Each share in Evolva carries one vote. The execution of voting rights is limited only if a shareholder is not properly registered in relation to a share transfer (see further under "Limitations on transferability and nominee registration"). Each shareholder may authorize in writing his legal representative, another shareholder with the right to vote or a specially designated independent shareholder representative (the "independent proxy") to represent him or her at the shareholders' meeting. Shareholders can submit their voting instructions to the independent proxy by post or electronically.

The independent proxy is elected by the AGM for a term of one year , i.e. until the next AGM. The AGM may elect a substitute. In exceptional circumstances, the BoD may determine the independent proxy. Re-election is possible. The dismissal is effective as of the shareholders' meeting at which it took place In 2020, Dr. Oscar Olano was re-elected as independent proxy for one year. A shareholder wanting to vote at a shareholders' meeting has to be entered in the register no later than seven days before the meeting takes place.

Quorum
The Articles of Association do not prescribe a quorum for shareholders' meetings. Unless the law requires otherwise, the General Meeting passes resolutions and elections with the relative majority of the votes cast (whereby abstentions, blank or invalid ballots shall be disregarded for purposes of establishing the majority). Swiss law requires a two-thirds majority of the votes represented for resolutions concerning:

1. changes to the Company's business purpose
2. the creation of shares with privileged voting rights
3. restrictions on the transferability of registered shares
4. an authorized or conditional increase in the share capital
5. an increase in the share capital by way of capitalization of reserves, against contribution in kind for the acquisition of assets or involving the grant of special privileges
6. the restriction or elimination of pre-emptive rights of shareholders
7. a relocation of the registered office
8. the dissolution of the Company other than by liquidation (for example, by way of merger)

The introduction or abolition of any provision in the Articles introducing a majority greater than that required by law must be resolved in accordance with such greater majority.

Convocation
Under Swiss law, an annual ordinary shareholders' meeting must be held within six months after the end of the Company's financial year. Shareholders' meetings may be convened by the BoD or, if necessary, by the Company's auditors. The BoD is further required to convene an extraordinary shareholders' meeting if so resolved by a shareholders' meeting or if so requested by shareholders holding in at least 10% of the nominal share capital.

A shareholders' meeting is convened by publishing a notice in the Swiss Official Gazette of Commerce (Schweizerisches Handels-amtsblatt) at least 20 days prior to such a meeting. In addition, holders of registered shares may be informed by a letter sent to the address indicated in the share register.

Agenda
Shareholders holding shares representing the lower of 10% of the share capital or a nominal value of CHF 1 million have the right to request that a specific proposal be discussed and voted upon at the next shareholders' meeting, setting forth the item and proposal. According to the Articles of Association, the request to put an item on the agenda has to be made at least 45 days prior to the meeting.

There are no special rules in the Articles concerning a deadline for entry in the share register. The relevant date is set by the Board in the invitation to the general meeting of shareholders.

Changes of control and defense measures
There are no special rules in the Articles concerning a deadline for entry in the share register. The relevant date is set by the Board in the invitation to the general meeting of shareholders.

Duty to make an offer

A shareholder that, either directly, indirectly or acting in concert with third parties, controls 33 1/3% of the voting rights (whether exercisable or not) is obliged to make an offer to acquire all listed shares. Swiss law allows a corporation to deviate from this rule in its Articles of Association. The Company has opted not to use this possibility.

Clauses on changes of control

The Company has no special arrangements taking effect in the event of a change of control, other than the customary clauses concerning the exercise of equity-based incentive instruments.

Auditors

At the Extraordinary General Meeting on 26 November 2009, the shareholders appointed EY Ltd., Basel, Switzerland, as auditors of the Company starting from the business year 2009 with effect from 11 December 2009. EY was re-elected by the subsequent Evolva shareholders' meetings in the years 2010 to 2020. EY has been auditor to Evolva AG since 2005. The lead auditor is Mr. Rico Fehr since business year 2017. During 2020, EY charged CHF 225,000 (2019: CHF 210,700) in total audit and audit-related fees and CHF 9,000 (2019: CHF 16,000) for other services. The Audit Committee is responsible for evaluating the performance and independence of the external auditors on behalf of the Board of Directors. This evaluation occurs at least once a year. The criteria applied for the assessment include professional competence, sufficiency of resources, the ability to provide effective and practical recommendations and coordination of the external auditors with the Audit Committee. During the meetings, EY among others, presented their audit strategy and their 2020 results. The Comprehensive Auditor's Report to the Board of Directors prepared by EY summarizes the reports presented to the Audit Committee throughout the year. Within the annual approved budget, there is an amount permissible for non-audit services that the external auditors may perform. Within the scope of the approved and budgeted amount, the Chief Financial Officer can delegate non-audit-related mandates to the external auditors, subject to all applicable auditor independence regulations. The Audit Committee reviews Evolva's financial reporting process on behalf of the Board of Directors. Evolva's GMT is responsible for preparing the financial statements and the reporting process, including the internal controls system. The Audit Committee is also responsible for overseeing the conduct of the activities by Evolva's GMT and the external auditors.

Information policy

The Company puts much weight on keeping its shareholders informed. Many different channels are used, including the twice-yearly financial results releases, ad hoc news releases, the annual report, the website, shareholders' meetings, roadshows, conferences and press contacts.

The website (https://www.evolva.com/) offers interested parties the possibility to subscribe to the Company's news releases. The Company is at the shareholders' service to respond to questions or requests. The Company's website offers the possibility to subscribe to press releases via email distribution.

COMPENSATION REPORT

Summary

- Board of Directors and Group Management Team compensation in 2020 remained well within shareholders' authorization limit
- Unchanged compensation structure to prior year:
  - Restricted Stock Units to members of the Board of Directors
  - Performance Stock Unit scheme for Group Management Team
  - Clear split between short and long-term incentives, with focus on long term incentive for Group Management Team
  - No variable cash incentive for members of the Board of Directors and Group Management Team

1. Introduction

This Compensation Report contains:

- A description of the compensation framework;
- An overview and explanation of the compensation amounts paid to the members of the Board of Directors (BoD) and Group Management Team (GMT) in the calendar year 2020;
- A summary of the amounts paid to the members of the BoD and GMT in the 2020/2021 authorization period and the proposed maximum amounts for BoD and GMT compensation for the 2021/2022 authorization period

The AGM on 15 April 2020 approved the BoD's proposals for the maximum prospective amounts for the 2020/2021 period. The shareholders also approved the 2019 Compensation Report in a consultative vote.

2. Rules and regulations for compensation

Evolva's compensation system and reporting comply with Swiss law (incl. "Compensation Ordinance"[1]), the Swiss Code of Best Practice for Corporate Governance as well as the SIX Directive on Information Relating to Corporate Governance. EY has audited the tables in section 6 regarding BoD and GMT compensation for 2020. The Audit Report is presented on page 59.

The Compensation Ordinance requires that shareholders vote on the compensation of the BoD and the GMT on an annual basis. In accordance therewith, article 28 of

1 Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV

COMPENSATION REPORT

Evolva's Articles of Association provide that the AGM must vote separately on the proposals of the BoD regarding the maximum aggregate amounts of:

- the fixed and (if applicable) the variable compensation of the BoD until the next AGM; and
- the fixed and the variable compensation of the GMT for the period from 1 July of the current year until 30 June of the following year.

Evolva's Articles of Association[2] also incorporate other requirements of the Compensation Ordinance such as the determination of compensation, the AGM voting procedures, the reserve for appointments taking place after the AGM as well as regulations around loans, credits and post-retirement benefits for members of the BoD and GMT.

3. Overall compensation principles

Evolva's compensation philosophy aims to attract, retain and motivate employees, management and Board members with relevant managerial, scientific, technical, commercial, and other essential skills. Group Management Team and staff shall be rewarded for contributing to the achievement of the Company targets and creation of long-term value.

The below outlined compensation principles apply to all of Evolva's employees:

Business ethics	■ Commitment to treat all employees fairly and equally ■ Compliance with international labor law ■ Gender equal compensation
Pay for performance	■ Variable compensation is tied directly to the achievement of personal and/or Company goals
Balanced & competitive compensation	■ Fixed and variable compensation structure ■ Balanced and competitive compensation to attract, retain and motivate employees

2 https://evolva.com/app/uploads/2020/05/200415d-2-Statuten-Evolva-Holding-AG.pdf

4. Process for determination of compensation

The Board of Directors is responsible for the preparation and implementation of the overall compensation system, as well as the preparation of the Compensation Report. The Compensation Committee (CC) assists the Board of Directors in the detailed preparation and implementation of the compensation policy. It provides the Board of Directors with recommendations on the compensation of members of the Board of Directors and Group Management Team as well as policies for other employees, and the basic principles for the establishment, amendment and implementation of incentive plans.

Variable compensation for GMT follows the process illustrated below:

Award criteria setting

- Award criteria setting by CC and approved by BoD

Performance measurement

- Individual annual performance assessment under plan regulations and award criteria by CC and BoD

Compensation determination

- Determination of variable compensation by the CC and approved by the BoD

On 31 December 2020, the CC consisted of two non-executive Board members: Richard Ridinger (Chair of the CC) and Stephan Schindler. In 2020, the CC formally met two times. In addition, the CC held several telephone conversations. Compensation is usually discussed in the January BoD meeting. The persons concerned are not permitted to attend meetings if conflicted, e.g. if their individual compensation is discussed.

5. Compensation structure

Elements of total compensation for members of the Board of Directors:

Element	Description
Cash consideration	■ Fixed cash compensation for BoD and committee activities
Restricted Stock Units (RSU)	■ Fixed RSU grant (not performance related)

The compensation system for the Board of Directors remained unchanged.

Elements of total compensation for Group Management Team:

Element	Payment Type		Description
Annual base salary (ABS)	Cash consideration		■ Competitive, based on responsibilities, experience and required skill sets of the role
Pension & other benefits	Cash consideration		■ Tailored to local market practices and regulations
Variable pay	STI [1]	PSU [2]	■ Grant value: 20% of ABS ■ Performance measured based on Company targets (Revenue, EBITDA, other criteria) ■ Payout range depending on target achievement: < 80%: no pay-out > 80%: pay-out on achievement level, however max. 120% ■ Vesting: 12 months after grant
	LTI	PSU	■ Grant value: 75% of ABS ■ Payout range depending on target achievement, however max. 200% ■ Performance period: over three years ■ Performance criteria: EBITDA, Cash-Flow, minimum share price appreciation ■ Vesting: only upon successful completion of performance period and performance criteria

1) Instead of cash incentives, a short-term equity-based incentive program (STI) is granted to GMT to preserve the Company's cash position and to link variable compensation to metrics and drivers that we believe contribute to shareholder value.
2) PSU = Performance share unit

Evolva's Compensation Committee continuously monitors the compensation structure in the light of changes in legislation, Evolva's corporate development and changes in market practices.
The compensation system for the Group Management Team remained unchanged

5.1 Fixed compensation items for the Group Management Team

Fixed compensation items comprise **annual base salary** (ABS), pension plans and other benefits. Annual base salary is predominantly driven by the responsibility, experience, skill sets, place of work and external benchmarks. **Pension plan contributions** are tailored to meet local market practices and are set-up countrywide equally for management and staff. More information on the Group's pension plans is provided in note 12 of the audited consolidated financial statements. Evolva does not offer any substantial fringe benefits to the GMT or other employees. No member of the GMT has a notice period longer than 12 months.

Compensation to members of the **Board of Directors** comprises an annual **cash consideration** and **RSUs**. Both elements are fixed, i.e. not related to the performance of the Company. Regular BoD members and the Chairman receive fixed annual cash consideration of CHF 40,000 and CHF 80,000, respectively. The fee for membership of a committee is CHF 5,000 and the fee for a committee Chairman is CHF 10,000. In addition, BoD members are entitled to an annual grant of equity instruments (RSU) with a fixed fair value at grant of CHF 40,000 (CHF 80,000 for the Chairman) per period they serve on the BoD. Each RSU corresponds to one share in the Company. The RSUs vest one year after grant date.

5.2 Variable compensation items for the Group Management Team

Variable compensation comprises in 2020 the following elements:

- Short-term incentive plan (STI)
- Long-term incentive plan (LTI)

Regulations and award criteria of both plans were approved by the BoD.

Short-term incentive plan (STI)
As stated in section 5 of this report, instead of a cash incentive, the Company issued a STI plan under which GMT members were granted PSUs in the amount of 20% of the annual base salary (measured in Swiss Francs) in the year 2020. Vesting of the PSUs was dependent upon achievement of specific company performance criteria

at the end of the calendar year. Target performance criteria of the STI plan were to include Product revenue 45% (2019: 30%), EBITDA[1] 45% (2019: 70%), and targets related to the development and launch of new products 10% (2019: none). Regarding Product revenue and EBITDA, If the performance of any of the financial measure is below 0.8, the portion of the equity awards relating to the respective financial measure expires unconditionally and does consequently not vest ("Cliff"). The maximum multiplier of shares that can be delivered to any plan participant in aggregate is limited to 1.2 (unchanged to 2019). In 2020, the combined target achievement of total revenue and EBITDA[1] was 45% (2019: 101%), which leads to a respective vesting of PSU in the year 2020.

Long-term incentive plan (LTI)
The Company issued an LTI plan in 2020. Under the LTI plan, GMT members were granted PSUs in the amount of 75% of their annual base salary on 1 July 2020. The plan contains a 3-year performance period. Performance targets under the LTI plan include EBITDA (50%), Cash Flow (50%). Provided that the performance targets are met, and a minimum share price appreciation is achieved, all awarded PSUs shall vest on 1 April 2023. With regard to the LTI granted in 2019, the performance target includes total revenue (40%), EBITDA[1] (60%) and a minimum share price appreciation.

If the minimum performance for a financial measure as defined in the performance range is not met, the portion of the equity awards relating to the financial measure expires unconditionally and does consequently not vest. If the minimum share price appreciation is not met, all PSUs awarded shall expire unconditionally and do consequently not vest. The maximum multiplier of shares that can be delivered to any of the two GMT members in aggregate over the three vesting years is limited to a factor of 2.0.

The BoD receives quarterly reports on progress towards short- and long-term goals.

6. Compensation amounts for financial year 2020

Board of Directors
In accordance with the compensation structure described in section 5, each member of the BoD received RSUs for a value of CHF 40,000 resp. CHF 80,000 as Chairman of the BoD for the compensation period. The shares were created from Evolva's conditional capital (Article 3C).

1 excluding share-based expenses

Total compensation to members of the Board of Directors at grant value

Table 1: Compensation by Board member for the 2020 calendar year - audited

	2020			2019		
Amounts in CHF 1,000	**Cash**	**Equity[1)]**	**Total[2)]**	**Cash**	**Equity[1)]**	**Total[2)]**
Beat In-Albon, Chairman	40.0	80.0	120.0	-	-	-
Richard Ridinger	20.0	40.0	60.0	-	-	-
Stephan Schindler	20.0	40.0	60.0	-	-	-
Total active Board members	**80.0**	**160.0**	**240.0**	**-**	**-**	**-**
Gerard Hoetmer	40.0	-	40.0	80.0	80.0	160.0
Ganesh Kishore	20.0	-	20.0	40.0	40.0	80.0
Jutta Heim	20.0	-	20.0	40.0	40.0	80.0
Martin Gertsch	27.5	-	27.5	55.0	40.0	95.0
Thomas Videbaek	27.5	-	27.5	47.5	40.0	87.5
Stuart Strathdee	-		-	27.5	-	27.5
Total former Board members	**135.0**	**-**	**135.0**	**290.0**	**240.0**	**530.0**
Total	**215.0**	**160.0**	**375.0**	**290.0**	**240.0**	**530.0**

1) based on the grant date fair value of RSU in 2020
2) excludes the Company's mandatory contribution to Social security schemes (AHV/IV/ALV) of CHF 28,000 (2019: CHF 38,000)

At the AGM 2020, all former members of the board resigned from their positions, while the three active members of the board were elected by the AGM. Consequently, all board members were compensated for a six months period only in 2020, which explains the change in compensation between 2020 and 2019 in the table above. Mr. Stuart Strathdee resigned already in 2019 and consequently he did not qualify for an equity grant in 2019.

No compensation was paid to any board member for scientific advisory services in 2020 (2019: CHF 50,000).

Restricted share units grant overview for members of the Board of Directors

Compensation period	2020/2021	2019/2020	2018/2019
Grant date	16 April 2020	9 April 2019	3 May 2018
Vesting date	15 April 2021	8 April 2020	3 May 2019
Share price at grant	CHF 0.22	CHF 0.24	CHF 0.23
No. of RSUs granted	725,909	1,019,108	1,217,391
Value at grant	CHF 160,000	CHF 240,000	CHF 280,000

Group Management Team
The following tables show the GMT compensation for the past calendar year. The "variable compensation" column refers to short and long-term incentive programs.

Total compensation to Group Management Team at grant value

Table 2: GMT compensation for the period 1 January 2020 – 31 December 2020 – Audited

	Fixed compensation			Variable compensation			Total compensation[1)]
Amounts in CHF 1,000	**Base salary**	**Other[1)]**	**Total[2)]**	**Short term**	**Long term**	**Total**	
Oliver Walker, CEO	459.0	37.9	496.9	91.8	344.3	436.1	933.0
Other GMT members	670.0	62.5	732.5	60.0	229.6	289.6	1,022.1
Total	**1,129.0**	**100.4**	**1,229.4**	**151.8**	**573.9**	**725.7**	**1,955.1**
of which:							
active members	765.2	62.1	827.3	151.8	573.9	725.7	1,553.0
former members[3)]	363.9	38.3	402.1	-	-	-	402.1

1) includes pension contributions
2) excludes the Company's mandatory contribution to Social security schemes of CHF 72,000 (2019: CHF 67,000)
3) former GMT members include Mr. Scott Fabro only, who resigned on 01/2020

Variable compensation comprises the fair value at grant date of STI (short term) and LTI (long-term) performance share units granted in 2020. Since LTI issued to the GMT are subjected to a performance period over three years, a discount of 14.7% is allowed at grant[1].

1 According to Kreisschreiben no. 37, Eidgenössische Steuerverwaltung ESTV.

Long-term performance share units grant overview Group Management Team

	LTI 3	LTI 2	LTI 1
Grant date	1 Juli 2020	1 May 2019	1 July 2018
Vesting date[1)]	1 April 2023	various[2)]	various[2)]
Share price at grant	CHF 0.2375	CHF 0.23	CHF 0.23
No. of PSU granted	2,808,941	3,351,102	2,644,261
Performance Period	1.1.2022 - 31.12.2022	1.1.2021 - 31.12.2021	1.1.2020 - 31.12.2020

1) See par. 5.1 of this Compensation report
2) Frist vesting date is 36 months post grant date and comprises 1/3 of PSU, followed by additional vesting of 1/3 after 48 respective 60 months. Number of PSU to vest depends from effective target achievement.

Table 3: GMT compensation for the period 1 January 2019 – 31 December 2019 – Audited

	Fixed compensation			Variable compensation			Total compensation[1)]
Amounts in CHF 1,000	**Base salary**	**Other[1)]**	**Total[2)]**	**Short term**	**Long term**	**Total**	
Oliver Walker	454.5	27.9	482.4	90.9	340.9	431.8	914.1
Other GMT members	591.3	61.3	652.6	70.3	263.7	334.0	986.6
Total	**1,045.8**	**89.2**	**1,135.0**	**161.2**	**604.6**	**765.8**	**1,900.7**
of which:							
active members	813.8	65.1	878.9	161.2	604.6	765.8	1,644.6
former members[3)]	232.0	24.1	256.1	-	-	-	256.1

1) includes pension contributions
2) excludes the Company's mandatory contribution to Social security schemes of CHF 67,000 (2018: CHF 99,000)
3) former GMT members include Mr. Simon Waddington only

In 2020 and 2019, the Company did not issue or assume any guarantees for shareholders, BoD or GMT. No shareholder and no member of the BoD or GMT have received any loans from the Company. The same applies for member of the board and member of the General Management Team, who have resigned during the reporting period.

Shareholdings and equity instruments - audited

An overview of holdings of shares and equity instruments of the BoD and GMT can be found in the Notes to the Statutory Financial Statements on page 120.

7. Compensation in 2020/2021 Authorization period

All figures in this Compensation Report so far cover the business year, as required by Swiss law. These differ from those for the twelve-month period authorized by the AGM. For the BoD this period runs from AGM to AGM and for the GMT from 1 July until 30 June of the following year – the so-called "Authorization period". The differences between the Authorization period and the calendar year for GMT are shown in the following tables.

The tables show the maximum amounts authorized by the AGM as of 15 April 2020 as well as the part that was actually used. The total compensation in the 2020/2021 period for the members of board and GMT remains well within the authorization given by the shareholders.

Table 4: Calendar year versus Authorization period compensation for BoD

	Calendar year 2020		Authorization period 2020/2021		
Amount (CHF 1,000)	**Includes**	**Amount**	**Includes[1)]**	**Amount**	**Approved Max.**
Fixed compensation (cash)	January 2020 – December 2020	215.0	AGM 2020 – AGM 2021	190.0	
Fixed equity	Grant 2020	160.0	Grant 2021	160.0	
Total		**375.0**		**350.0**	**700.0**

1) including an estimate of the remaining months of the 2020/2021 Authorization period.

Table 5: Calendar year versus Authorization period compensation for GMT

	Calendar year 2020		Authorization period 2020/2021		
Amount (CHF 1,000)	**Includes**	**Amount**	**Includes[1)]**	**Amount**	**Approved Max.**
Fixed compensation	January 2020 – December 2020	1,229.4	July 2020 – July 2021	900.0	
Variable equity	STI	151.8		200.0	
Variable equity	LTI	573.9		700.0	
Total		**1,955.1**		**1,800.0**	**2,500.0**

1) including an estimate of the remaining months of the 2020/2021 Authorization period.

8. Proposal for the AGM of 8 April 2021

The proposed maximum compensation amounts for the 2021/2022 Authorization period for BoD and GMT are expected to be CHF 0.5 million and CHF 2.5 million, respectively.

Report of the Statutory Auditor on the Compensation Report

To the General Meeting of
Evolva Holding AG, Reinach

Basel, 24 February 2021

We have audited the accompanying compensation report of Evolva Holding AG for the year ended 31 December 2020. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled "audited" on pages 55 to 57 of the compensation report.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the compensation report for the year ended 31 December 2020 of Evolva Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Rico Fehr
Auditor in charge
Licensed audit expert

Fabian Meier
Licensed audit expert

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Performance

CHF 1,000	Note	For the year ended 31 December Period from 1 January to 31 December 2020	2019
Revenue from contracts with customers	4	7,540.7	11,596.0
Cost of goods sold	5	(9,782.5)	(6,304.5)
Gross profit		**(2,241.8)**	**5,291.5**
Research & development expenses	6	(13,555.6)	(13,739.6)
Commercial, general & administrative expenses	7	(9,107.3)	(11,679.5)
Total operating expenses		**(22,662.9)**	**(25,419.1)**
Operating loss		**(24,904.7)**	**(20,127.6)**
Financial income	8	4,539.5	848.1
Financial expenses	8	(9,517.0)	(2,334.1)
Net loss before tax		**(29,882.2)**	**(21,613.6)**
Income tax	9	18.0	(25.3)
Net loss for the period		**(29,870.2)**	**(21,638.9)**
Basic and diluted loss per share (in CHF)	25	(0.04)	(0.03)

Consolidated Statement of other Comprehensive Income

CHF 1,000	Note	For the year ended 31 December Period from 1 January to 31 December 2020	2019
Net loss for the period	-	**(29,870.2)**	**(21,638.9)**
Items to be reclassified to the statement of financial performance (net of tax)			
- Translation differences	-	(4,416.6)	(869.6)
Items not to be reclassified to the statement of financial performance (net of tax)			
- Remeasurement gain/(loss) on defined benefit plans	12	61.6	(441.2)
Other comprehensive loss (net of tax)		**(4,354.9)**	**(1,310.8)**
Total comprehensive loss		**(34,225.1)**	**(22,949.7)**

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

CHF 1,000	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Intangible assets	14	123,894.1	133,938.5
Property, plant and equipment	15	6,914.2	7,211.1
Financial deposits	16	2,177.7	2,183.7
Non-current financial assets	17	330.1	-
Total non-current assets		**133,316.1**	**143,333.3**
Current assets			
Inventories	18	9,125.3	5,391.4
Prepayments & accrued income	19	2,434.8	1,953.6
Trade and other receivables	20	2,347.3	1,480.0
Cash and cash equivalents	21	19,669.4	39,919.8
Total current assets		**33,576.8**	**48,744.8**
Total Assets		**166,892.9**	**192,078.1**
EQUITY AND LIABILITIES			
Equity			
Share capital	22	41,093.9	159,375.6
Share premium	-	355,082.6	230,834.0
Treasury shares	24	(3,709.2)	(4,345.8)
Other reserves	-	39,233.0	39,081.3
Accumulated loss	-	(286,391.6)	(256,521.3)
Other components of equity	-	(216.6)	4,138.3
Total equity		**145,092.1**	**172,562.1**
Non-current liabilities			
Deferred tax liabilities	10	132.8	151.5
Pension liabilities	12	2,350.7	2,229.0
Lease liabilties	28	4,178.5	4,840.1
Total non-current liabilities		**6,662.1**	**7,220.6**
Current liabilities			
Trade payables	-	2,128.3	2,911.6
Provisions and accrued liabilities	26	7,951.6	8,094.5
Convertible loan	27	3,785.8	-
Compound embedded derivative	27	214.2	-
Lease liabilities	28	1,058.8	1,289.3
Total current liabilities		**15,138.7**	**12,295.4**
Total Equity and Liabilities		**166,892.9**	**192,078.1**

Consolidated Statement of Cash Flows

CHF 1,000	Note	For the year ended 31 December 2020	2019 (restated[1])
Operating activities			
Net loss for the period	-	(29,870.2)	(21,638.9)
Non-cash adjustments to reconcile net loss for the period to net cash flows			
- Depreciation of tangible assets	15	1,664.4	1,787.4
- Amortisation of intangible assets	14	6,507.5	6,060.4
- Interest income	8	(67.2)	(0.3)
- Interest expenses	8	1,113.3	583.4
- Net foreign exchange differences	-	4,253.5	809.7
- Share-based compensation	11	853.8	1,186.2
- Changes in deferred tax liability	10	1.8	25.3
- Change in current assets	-	(5,786.7)	(2,145.6)
- Change in current liability	-	(1,118.5)	2,166.7
- Change in provisions	26	277.0	122.7
- Change in pension liabilities	12	183.4	158.9
- Change in non-current financial assets	17	(328.7)	-
- Interest payments received	8	67.2	0.3
- Interest expenses paid	8	(1,113.3)	(583.4)
Net cash flow from operating activities		**(23,362.7)**	**(11,467.2)**
Investing activities			
Purchase of property, plant and equipment	15	(1,227.4)	(193.5)
Disposal of property, plant and equipment	15	4.8	0.7
Capitalized development expenses[1]	14	(4,378.8)	(2,693.3)
Contribution EVERSWEET™ licence	-	-	(5,173.1)
Withdrawal of financial deposits	-	2.4	33.1
Cash flow from investing activities		**(5,599.1)**	**(8,026.1)**
Financing activities			
Proceeds from convertible loan	27	10,000.0	-
Cost of capital change	-	(98.6)	(96.0)
Proceeds from exercise of share options	11	-	259.8
Payment of principal portion of lease liabilities	28	(1,045.6)	(1,083.8)
Cash Flow from financing activities		**8,855.8**	**(920.0)**
Net decrease in cash and cash equivalents		**(20,106.0)**	**(20,413.3)**
Exchange gain/(loss) on cash and cash equivalents	-	(144.4)	(47.3)
Cash and cash equivalents at the beginning of period	21	39,919.8	60,380.4
Cash and cash equivalents at end of the period	21	19,669.4	39,919.8

1) Capitalized development expenses in 2019 have been reclassified to cash flow from investing activities from cash flow from operating activities. In 2019, cash flow from operating activities was TCHF (14,160.5) and cash flow from investing activities was TCHF (5,332.8). The net change in cash and cash equivalents remains unchanged.

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)**	**6,010.0**	**(234,882.4)**	**194,161.7**
Profit/ (loss) for the period		-	-	-	-	-	-	-	(21,638.9)	(21,638.9)
Other comprehensive income		-	-	-	-	-	(441.2)	(869.6)	-	(1,310.8)
Total comprehensive loss		**-**	**-**	**-**	**-**	**-**	**(441.2)**	**(869.6)**	**(21,638.9)**	**(22,949.7)**
Capital increase from issuance of treasury shares	22	5,000.0	150.0	5,150.0	(5,150.0)	-	-	-	-	-
Capital increase costs	22	-	(96.0)	(96.0)	-	-	-	-	-	(96.0)
Exercise of share options	-	259.8	-	259.8	-	-	-	-	-	259.8
Effects of share based compensation	11	-	-	-	-	1,186.2	-	-	-	1,186.2
Vesting of share based compensation	-	-	-	-	859.6	(859.6)	-	-	-	-
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 of the period	-	-	-	-	-	-	-	-	(29,870.2)	(29,870.2)
Translation differences	-	-	-	-	-	-	-	(4,416.6)	-	(4,416.6)
Actuarial gains/losses on defined benefit plans	-	-	-	-	-	-	61.6	-	-	61.6
Total comprehensive loss		**-**	**-**	**-**	**-**	**-**	**61.6**	**(4,416.6)**	**(29,870.2)**	**(34,225.1)**
Capital increase from issuance of treasury shares	22	5,000.0	2,050.0	7,050.0	(7,050.0)	-	-	-	-	-
Nominal value reduction	22	(123,281.7)	123,281.7	-	-	-	-	-	-	-
Cost of capital change	-	-	(98.6)	(98.6)	-	-	-	-	-	(98.6)
Effects of share based compensation	11					853.8				853.8
Vesting of shares for share-based compensation	-	-	-	-	702.1	(702.1)	-	-	-	-
Conversion of convertible loan	27	-	(984.5)	(984.5)	6,984.5	-	-	-	-	6,000.0
Balance at 31 December 2020		**41,093.9**	**355,082.6**	**396,176.5**	**(3,709.2)**	**39,233.0**	**(940.5)**	**723.8**	**(286,391.6)**	**145,092.1**

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the 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 researches, develops and commercialises high quality ingredients with applications in flavour & fragrancies, health ingredients, health protection 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)] 31.12.2020	31.12.2019	Shareholder	Share capital
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 Bio UK Ltd.	Cambridge, UK	100%	100%	Evolva AG	GBP 14.62
Evolva Singapore PTE. Ltd.	Singapore	100%	100%	Evolva AG	SGD 100
Evolva Biotech A/S[2)]	Copenhagen, DK	100%	100%	Evolva AG	DKK 4,311,583
Evolva Biotech Private Limited[2)]	Chennai, India	100%	100%	Evolva AG	INR 169,930

1) Capital ownership is equal to voting ownership
2) Company in liquidation

On 31 December 2020, Evolva employed 65 full-time employees (2019: 66), of which 36 (2019: 38) were directly involved in research, development and manufacturing activities while the remaining staff was employed with managerial, commercial and administrative tasks.

These consolidated financial statements were authorised for public disclosure in accordance with a resolution of the Board of Directors of the Company dated 24 February 2021 and are subject to approval by the Annual General Meeting on 8 April 2021.

2. Significant accounting policies

2.1. Basis of preparation

The financial statements of Evolva are prepared in accordance with the historical cost convention. Evolva's financial statements comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements are presented in Swiss francs (CHF) and all values are rounded to the nearest CHF 1,000 except where otherwise stated.

2.2. Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires management to apply certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Such estimates and assumptions affect the reported amounts and disclosures in the consolidated financial statements and accompanying notes. Management evaluates on an ongoing basis its estimates and assumptions for the critical accounting estimates and judgements as listed below. Management bases its estimates and assumptions on historical experience, input from advisors and on various market and non-market specific assumptions that management believes to be reasonable under the circumstances. Based on the result of these estimates, management makes its judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual outcomes could differ from those estimates.

The following areas involve assumptions and estimates that can have a significant impact on the consolidated financial statements:

Product and process development costs
The Group capitalises costs for product and process development. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits (refer to note 14).

Royalty and licences
Royalty and licences valuation is based on future royalty income from EVERSWEET™. Royalty income from this asset depends from sale of the underlying product by a third party. The assumptions made by management to assess the valuation of the royalty and licence asset are based on future product sales (revenue) by the third party in a mid-term commercial model. Evolva extrapolates revenue until the end of the contractual period with a reduced average growth rate of the relevant market and discounts future revenue with a WACC. Changes in the ability to generate

revenue by the third party and/or changes in the WACC may have an impact on Evolva's royalty income and may subsequently lead to change in the valuation of the royalty and licence asset (refer to note 14).

Impairment of Goodwill

Goodwill is tested on Group level for possible impairment annually or when an impairment indicator is identified.

Income taxes

Evolva is subject to income taxes in several jurisdictions. Judgement is required in determining the current and deferred assets and liabilities for income taxes. The assessment as to whether deferred tax assets relating to tax loss carry-forwards and temporary differences must be recognized requires significant judgement (refer to note 9).

Governmental contracts

Contracts with governmental organisations require in some instances adherence with governmental accounting policies. Such accounting policies involve predeterminate rates for fringes and overhead. In determining these rates, the Group applies calculation models which are established on past records and budgets. Such calculation models involve a certain degree of assumptions. Based on actual numbers, predeterminate rates are reassessed, which could result in a refund or additional coverage of cost for the Group.

Revenue recognition

Revenue recognition involves a higher degree of judgment or complexity and can have a significant impact on the consolidated financial statements. A good or service is transferred when the customer obtains control. For certain transactions, recognition of revenue is based on the performance of the conditions agreed in corresponding contracts, the verification of which requires special evaluation and judgments by management (refer to note 4).

2.3. Principles of consolidation

Subsidiaries

Subsidiaries in which the Company has a controlling interest are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and can affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure, or rights, to variable returns from its involvement with the investee and
- the ability to use its power over the investee to affect its returns.

Intra-Group transactions

Intercompany balances and transactions are eliminated in the consolidation process. Intercompany transactions result from one company providing services to another Group company or the transfer of assets within the Group.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the assets, liabilities and contingencies assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value through the statement of financial performance as of the acquisition date.

Any contingent consideration to be transferred by the Group will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed a financial asset, or a financial liability will be recognized in the statement of financial performance.

Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized.

Goodwill is initially measured at cost, being the excess of the aggregate of consideration transferred, non-controlling interests and the acquirer's previously held equity interests in the acquire over the net identifiable assets acquired and liabilities assumed. If the aggregated amount is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized as a gain in the statement of financial performance (negative goodwill).

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units. The carrying amount of goodwill is tested for impairment annually or when events or changes in circumstances indicate that the carrying amount is not recoverable. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Foreign currency translation
The consolidated financial statements are expressed in Swiss francs (CHF), which is the Group’s presentation currency.
Transactions in foreign currencies are initially recorded by the Group’s entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.
Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. All resulting foreign exchange gains and losses are recognized in the individual company’s statement of financial performance.
For consolidation purposes, the statements of financial position of foreign consolidated companies are translated into CHF at the spot rate at the reporting date. Income and expenses of the foreign consolidated companies are translated into CHF using the monthly average exchange rates during the year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rate at the dates of the transactions).
Foreign currency differences arising from the translation of intercompany loans from a foreign currency into the functional currency of Evolva are recorded as gains or losses in the consolidated statement of financial performance.
On disposal of a foreign operation, the cumulative currency translation difference recognized within equity relating to that particular foreign operation is reclassified in the Statement of Financial Performance as gain or loss on sale of that foreign operation.

The exchange rates (in CHF) for the Group’s significant foreign currencies are as follows:

		2020		2019	
Currency	**Unit**	**Closing rate**	**Average rate**	**Closing rate**	**Average rate**
USD	1	0.89	0.96	0.98	1.00
DKK	100	14.77	14.55	14.67	15.14
INR	100	1.21	1.30	1.37	1.43
GBP	1	1.21	1.23	1.28	1.28

Revenue recognition

Evolva recognizes revenue from the sale of innovative ingredients ("products") and from the delivery of collaborative research and development services. In addition, the Company may occasionally have other revenues, e.g. from the sale of compounds and other assets. Revenue is measured at the fair value of the consideration received or receivable, considering contractually defined terms of payment and excluding taxes and duties. In the following, the revenue recognition criteria applied for the different sources of revenue are further explained:

a) Product related revenue

Product related revenue comprises sales of products by Evolva and revenue from sales-based royalty, license and similar sources that derive from Evolva originally developed and/or Evolva co-developed products.

Revenue from sale of products by Evolva is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the product if no other agreement has been made.

Revenue from sales-based royalty or license is recognized when the performance criteria of the sales are met or when the performance obligation of the sales-based revenue is satisfied (in whole or in part).

The normal credit term is 30 to 90 days upon invoicing. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of products, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

b) Research & development revenue

Revenue from research and development arrangements is recognized in the accounting period in which the services are rendered, using a basis, which reflects the nature and scope of the services rendered.

Up-front payments for access to Evolva's technology are recognized and deferred in the period during which the technology is being applied. Where agreements include milestones that are determined to be substantive and at risk at the inception of the agreement, revenue is recognized upon confirmation by the counterparty that the milestone has been achieved.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments, which are readily convertible to known amounts of cash and have a maturity of three months or less from the date of acquisition. This definition is also applicable for cash and cash equivalents presented in the consolidated statement of cash flow.

Financial assets and liabilities

Financial instruments carried on the statement of financial position include cash and cash equivalents, receivables, financial deposits, payables, selected accrued and other current liabilities and loans.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Cash and cash equivalents, trade and other receivables and financial deposits represent financial assets classified as Financial Assets at amortised cost. For a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Non-current assets/liabilities are measured at amortised cost, i.e. the amount at which the financial asset or liability is measured at initial recognition less principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

Trade payables selected accrued and other current liabilities, loans and financial liabilities are recorded at amortised cost. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

Financial assets and liabilities are included in current assets or current liabilities, except for maturities longer than twelve months after the reporting date, in which case they are classified as non-current assets or non-current liabilities and shown separately in the statement of financial position.

The Group applies the expected credit loss model. Resulting allowances for financial assets, if material is recognized in the statement of financial performance.

Convertible note

At initial recognition convertible notes are measured at fair value less transaction costs that are directly attributable to issue of the financial liability. The convertible note does not qualify as an equity instrument, since it's a) neither a non-derivate instrument without contractual obligations for the issuer to deliver a variable number of own shares, nor b) will it be settled by the issuer exchanging a fixed amount of cash for a fixed amount of own equity instrument. The conversion feature is a derivative financial instrument to deliver a variable number of shares based on a volume-weighted average share price prior to the conversion date. It is consequently a financial liability. Fair value of the convertible notes is determined by difference of consideration received and the fair value of the embedded derivatives. The convertible loans must be subsequently measured at amortised cost using the effective interest method.

The embedded derivative is a component of a hybrid contract that also includes a non-derivative host - with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a current asset or current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is less than 12 months and is expected to be realised or settled within 12 months.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation based on input parameters, classified as Level 3.

Property, plant and equipment
Property, plant and equipment is recognized at historical cost less accumulated depreciation and impairment. Depreciation expense is recognized using the straight-line method over the estimated useful life of respective assets. Assets are depreciated to their expected residual value, which is usually determined to be zero. The useful lives are estimated as follows:

- Buildings 50 years,
- Leasehold improvements 5-20 years,
- Furniture & fixture 5-8 years,
- Laboratory equipment 4-6 years
- Office and IT equipment 3-6 years, and
- Manufacturing equipment 5-15 years.

Property, plant and equipment held-for-sale is not depreciated and reported at the lower of the carrying amount or fair value less cost to sell. Subsequent costs are included in the relevant assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Repair and maintenance costs are expensed as incurred.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assess whether

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either;
- the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on their relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses if any and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate.
Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.
The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Intangible assets other than Goodwill
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.

Capitalized product development 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. Capitalized development cost is amortized over the useful live of the technology deployed, which is in the range of three to five years.

Costs are capitalized only if they satisfy the criteria as defined by IAS 38 as below:

- 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.

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

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

Intangible assets are evaluated for potential impairment when facts and circumstances warrant. Any impairment charge is recorded in the consolidated income statement under 'Research & Development expenses.

Impairment of assets

Property, plant and equipment and intangible assets with definite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the recoverable amount (being the higher of its fair value less costs of disposal or its value in use) of the asset is less than its carrying amount, an impairment is recorded. Evolva estimates the fair value less cost of disposal based on the future cash flows from the use of the asset.

Inventories

Inventories are initially recognized at cost and categorised as finished products, intermediate products or raw material. Finished products consist of ingredients for nutrition, healthcare and wellness, and are stated at the lower of the production cost or net realizable value. We evaluate the recoverability of our inventories based on assumptions about expected demand and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Provisions
Evolva recognizes a provision if it has a present legal or constructive obligation to transfer economic benefits as a result of past events and if a reasonable estimate of the obligation can be made and an outflow of resources is probable. If the effect of discounting is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Share-based compensation
The Group operates various share-based compensation plans comprising the grant of share options, restricted stock units and performance share units. The members of the Board of Directors, all employees and selected advisors are eligible to participate in the Company's share-based compensation plans. The Group manages its share-based compensation plans with different vesting conditions. Vesting of all share-based compensation plans is conditional to service rendered by the plan participant. This usually comprises that the plan participant is not under notice during the vesting period. The fair value of the services received in exchange for the award of share-based compensation is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the awards granted. At each reporting date, Evolva revises its estimates of the number of awards that are expected to be exercised. It recognizes the impact of such updates compared with original estimates, in the statement of financial performance and a corresponding adjustment to equity. Any subsequent cash flows from exercises of vested awards are recorded as an increase in equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the award is exercised.

Treasury shares
Own equity instruments are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration received is recognized in equity.

Post-employment benefits
In accordance with employment contracts, some of the Evolva companies makes monthly contributions to employee pension plans. Contributions are recognized as employee benefit expenses when they are due.
Net defined asset/liability of pension plans is recognized in the Group's statement of financial position. For defined benefit plans, the pension liability and related service costs are based on actuarial valuation techniques, using the projected unit credit method and related assumptions as further detailed in note 12 of the Group's consolidated financial statements. The defined benefit obligation is measured as the present value of the estimated future cash flows using a discount rate based on the interest rate of high-quality corporate bonds. The charge for such pension plans, representing the net periodic cost, is included in the salary expenses. Plan assets are

recorded at their fair values. In case of settlement events, related gains and losses are added to the yearly pension costs when settlement occurs. Past service costs are added to the annual pension costs when they occur. Actuarial gains and losses on the defined benefit obligation are recognized in other comprehensive income.

Cost of goods sold

Cost of goods sold include expenses for manufacturing, compensation to staff and consultants involved in manufacturing, payments to third-party manufacturers, value adjustment because of lower of production costs and net realizable value assessment and other expenses related to manufacturing activities, including impairment and depreciation of corresponding property, plant and equipment.

Research and development expenses

Expenses for research and development comprise compensation to staff, consultants and contract research organizations involved in R&D activities, consumables for laboratory work, intellectual property expenses and depreciation of corresponding intangible assets and property, plant and equipment.

Commercial, general & administrative expenses

Commercial expenses consist of compensation to sales staff and consultants, expenses to distributors, regulatory matters, marketing, advertisement, business development and other commercial expenses. General and administrative expenses consist of compensation to group management, Board of Directors and administrative staff, expenses related to investor relations, legal and financial services, indirect tax and other expenses related to general and administrative activities.

Deferred taxes

Deferred taxes are provided using the balance sheet liability method for all temporary differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except for those temporary differences related to investments in entities where the timing of their reversal can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax assets relating to the carry-forward of unused tax losses and other deductible temporary differences are recognized to the extent that future taxable profit is expected to be available. The recognition and utilisation of deferred tax assets is assessed on an annual basis. Deferred taxes are based on tax rates currently enacted or substantially enacted and which are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax jurisdiction.

Earnings/ (loss) per share
Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) attributable to ordinary shareholders of the parent by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated by dividing the net profit attributable to the ordinary shareholders of the parent by the weighted average number of shares outstanding during the period adjusted for the conversion of all dilutive potential ordinary shares.

Dividends
The Company may declare dividends upon the recommendation of the Board of Directors and the approval of shareholders at their Annual General Meeting. The Company has not paid any dividends since its inception and does not anticipate paying dividends in the foreseeable future.

Segment reporting
Evolva reports the financial performance of its operating segments according to the "management approach" required by IFRS 8. Generally, the information to be disclosed is what management uses internally for evaluating segment performance and deciding how to allocate resources. Evolva operates in one segment, namely research, development and commercialization of novel nutritional, healthcare and wellness ingredients. As the chief operating decision-maker, the Board of Directors and the Group Management Team assess the performance of the operating segments and allocate resources on a consolidated level.

2.4. Changes in accounting policies

The accounting policies which were adopted are consistent with those of the previous year.

The following new or amended standards became applicable for the current reporting period and did not have any material effect on the Group's financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards
- Covid-19 Related Rent Concessions – Amendments to IFRS 16
- Definition of a Business – Amendments to IFRS 3
- Definition of Material – Amendments to IAS 1 and IAS 8
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7

3. Financial risk management

Financial risk factors

Financial risk management is governed by policies and guidelines approved by management. These policies cover foreign exchange risk, interest rate risk, liquidity risk and credit risk. Management regularly evaluates the Group's identified operating and financial risks regarding their probability and potential impact. With the consent of the Board of Directors, appropriate measures are taken to reduce or to mitigate the risks identified.

Liquidity risk and capital management

Evolva's objective when managing its liquidity is to secure sufficient funding for its operating activities, to ensure the Company's ability to continue as going concern and to preserve capital at the required statutory level. Management regularly updates its cash flow projections to plan the financing of its manufacturing, research, development and commercialization activities for at least one to two years. To maintain or adjust the capital structure, the Group may issue new shares, obtain convertible loans or other debt financing or extend existing loans.

The tables below summarize the maturity profile of the Group's financial assets and liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial assets
CHF 1,000

31 December 2020	Valuation category	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Carrying amount
Cash & cash equivalents	AC	19,669.4				19,669.4	19,669.4
Trade and other receivables	AC	1,839.3	507.9	-	-	2,347.3	2,347.3
Non-current financial assets	FVTPL			330.1		330.1	330.1
Financial deposits	AC	-	-	27.7	2,150.0	2,177.7	2,177.7
Total financial assets		**21,508.7**	**507.9**	**357.8**	**2,150.0**	**24,524.5**	**24,524.5**
31 December 2019							
Cash & cash equivalents	AC	39,919.8	-	-	-	39,919.8	39,919.8
Trade and other receivables	AC	1,156.3	323.7	-	-	1,480.0	1,480.0
Financial deposits	AC	-	-	29.9	2,153.8	2,183.7	2,183.7
Total financial assets		**41,076.1**	**323.7**	**29.9**	**2,153.8**	**43,583.5**	**43,583.5**

* 2019: including adoption of IFRS 16
AC = Financial asset or liability measured at amortised costs
FVTPL = Financial asset or liability measured at fair value through profit and loss

Financial liabilities
CHF 1,000

31 December 2020	Valuation category	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Carrying amount
Lease liabilities	AC	276.7	830.0	4,180.1	1,253.7	6,540.6	5,237.3
Convertible loan	AC	–	3,785.8	–	–	3,785.8	3,785.8
Compound embedded derivative	FVTPL	–	214.2	–	–	214.2	214.2
Accrued liabilities	AC	2,041.1	1,132.2	–	–	3,173.3	3,173.3
Trade payables	AC	2,128.3	–	–	–	2,128.3	2,128.3
Total financial liabilities		**4,446.1**	**5,962.2**	**4,180.1**	**1,253.7**	**15,842.1**	**14,538.9**
31 December 2019							
Lease liabilities*	AC	344.0	1,014.4	4,142.7	1,997.8	7,498.9	6,129.4
Accrued liabilities	AC	2,216.1	1,377.7	–	–	3,593.9	3,593.9
Trade payables	AC	2,911.6	–	–	–	2,911.6	2,911.6
Total financial liabilities		**5,471.7**	**2,392.1**	**4,142.7**	**1,997.8**	**14,004.3**	**12,634.8**

* 2019: including adoption of IFRS 16
AC = Financial asset or liability measured at amortised costs
FVTPL = Financial asset or liability measured at fair value through profit and loss

The fair value of financial assets and liabilities at amortised costs are assumed to approximate their carrying amounts due to the short-term nature of these financial instruments.

Changes in liabilities arising from financing activities

CHF 1,000	1 January 2020	New leases	Changes form financing cash flows	Changes in fair value	Foreign exchange movement	31 Dec 2020
Current lease liabilities	1,289.3	59.7	(247.6)		(42.6)	1,058.8
Convertible loan	–	–	3,785.8		–	3,785.8
Compound embedded derivative	–	–	214.2	0.01	–	214.2
Non-current lease liabilities	4,840.1		(798.0)		136.4	4,178.5
Total liabilites from financing activities	**6,129.4**	**59.7**	**2,954.4**	**-**	**93.8**	**9,237.3**

CHF 1,000	1 January 2019	New leases*	Changes form financing cash flows	Changes in fair value	Foreign exchange movement	31 Dec 2019
Current lease liabilities	781.9	595.5	(88.1)	–	–	1,289.3
Non-current lease liabilities	2,394.0	3,441.8	(995.7)	–	–	4,840.1
Total liabilites from financing activities	**3,175.9**	**4,037.3**	**(1,083.8)**	**-**	**-**	**6,129.4**

* related to adoption of IFRS 16

Market risk

The Group sources manufacturing supplies of materials, research and development, consulting and other services in several countries and manages subsidiaries worldwide. The Group is therefore exposed to foreign currency movements affecting its net result and financial position, as expressed in Swiss francs. Evolva monitors its currency exposures by regularly assessing future spending plans in foreign currencies.

Foreign currency sensitivity analysis

Evolva applies a sensitivity analysis to assess its foreign exchange exposure risks. Evolva's sensitivity analysis assumes a simultaneous, parallel foreign exchange rate shift in which the CHF gains in value against all currencies by 5% (a loss of 5% would result in the same amounts but with inverted prefixes) and the impact of this exchange rate shift on the statement of financial performance. In 2020 and 2019, no hedge accounting has been applied.

The following sensitivity analysis includes financial assets and liabilities related to third parties.

in 1,000 CHF	USD	EUR	GBP	other	Total
Monetary assets	261.3	71.8	37.6	3.8	374.5
Monetary liabilities	(248.7)	(105.8)	-	(0.3)	(354.7)
Net exposure 31 Dec 2020	**12.5**	**(33.9)**	**37.6**	**3.5**	**19.7**
Monetary assets	640.9	80.5	2.5	6.1	730.1
Monetary liabilities	(348.2)	(61.2)	(0.5)	(2.1)	(412.0)
Net exposure 31 Dec 2019	**292.7**	**19.3**	**2.0**	**4.0**	**318.1**

Interest-rate risk

Interest rate risk arises from movements in interest rates, which could have adverse effects on Evolva's net result or financial position. Other than cash and time deposits, the Group has no other material assets or liabilities subject to interest income or expense. Evolva deems the interest rate risk in the statement of performance and the equity as insignificant.

Credit risk

Credit risk results mainly from a counterparty's failure to meet its obligation towards Evolva. For product sales, Evolva may conduct selective analysis of the creditworthiness of distributors and other customers. Cash and cash equivalents are held with financial institutions with BBB- or better ratings (Standard & Poor's long-term credit rating).

No changes were made to the objectives, policies or processes in the years ending on 31 December 2020 and 2019.

4. Segment and geographical information

Evolva researches, develops and commercialises high quality ingredients with applications in flavour & fragrancies, health ingredients, health protection and other sectors. The Board of Directors and the Group Management Team (the chief operating decision-maker) do not base their decisions on geographical, demographical or sociographical criteria, but rather 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 Company'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	2020	2019
Type of goods or services		
Product related revenue	6,554.3	5,455.4
Research & development revenue	986.4	6,140.6
Total revenue from contracts with customers	**7,540.7**	**11,596.0**
Geographical allocation[1)]		
Switzerland	4,003.4	4,373.1
United States	3,537.4	7,222.9
Total revenue	**7,540.7**	**11,596.0**
Timing of revenue recognition		
Revenue recognition at a point in time	6,554.3	5,455.4
Revenue recognition over a period of time	986.4	6,140.6
Total revenue from contracts with customers	**7,540.7**	**11,596.0**

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

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

CHF 1,000	31 December 2020	31 December 2019
Switzerland	50,375.0	47,297.4
United States	79,282.3	92,578.4
Rest of the world	1,150.9	1,273.8
Total non-current assets	**130,808.1**	**141,149.7**

Major customers
In 2020, Evolva's largest customer accounted for 19% (2019: 26%), the second largest for 18% and third largest customer for 6.5% (2019: 19% and 10%) of total Group revenues, respectively.

5. Cost of goods sold

CHF 1,000	2020	2019
Product manufacturing cost	7,987.4	5,568.7
Staff compensation	1,298.3	640.0
Amortisation of intangible assets	355.8	-
Depreciation of tangible assets	140.9	95.9
Total cost of goods sold	**9,782.5**	**6,304.5**

6. Research & development expenses

CHF 1,000	2020	2019
Consumables, consultancy and services	1,144.8	1,664.6
Staff compensation	4,016.1	4,253.3
Facility and maintenance	223.1	230.7
Increase of provision of former DTRA contracts	680.1	-
Depreciation of tangible assets	1,347.7	1,530.6
Amortisation of intangible assets	6,143.8	6,044.7
Total research & development expenses	**13,555.6**	**13,723.9**

Research and development expenses have overall decreased by CHF 0.2 million resp. 1.2% compared to the previous year. Excluding the extraordinary increase of DTRA provision, the decrease would amount to CHF 0.8 million resp. 6.2% Evolva has capitalized CHF 4.4 million (2019: CHF 2.7 million) in product & process development, which would be attributable in research & development expenses.

7. Commercial, general & administrative expenses

CHF 1,000	2020	2019
Compensation to BoD, GMT and staff	6,250.5	7,626.7
Other commercial, general & administrative expenses	2,654.2	3,748.2
Facility and maintenance	22.1	143.6
Depreciation of tangible assets	180.6	161.0
Total commercial, general & administrative expenses	**9,107.3**	**11,679.5**

The decrease of CHF 2.6 million resp. 22% results from lower staff compensation and reduced commercial activities due to Covid-19 restrictions.

8. Financial result

CHF 1,000	2020	2019
Interest & bank expenses	(190.3)	(192.9)
Convertible bond related expenses	(582.7)	-
Lease expenses	(340.2)	(390.4)
Foreign exchange loss	(8,403.7)	(1,750.8)
Total financial expenses	**(9,517.0)**	**(2,334.1)**
Interest income	67.2	0.3
Foreign exchange gain	4,472.3	847.8
Total financial income	**4,539.5**	**848.1**
Net financial result	**(4,977.5)**	**(1,486.0)**

Foreign exchange loss and gain results mainly from outstanding balances with subsidiaries which are revalued at current exchange rate.

9. Income taxes

The consolidated income tax statement is presented as follows:

CHF 1,000	2020	2019
Income taxes related to the current period	–	–
Deferred income taxes related to the reversal of temporary differences	18.0	(25.3)
Total income tax (expense)	**18.0**	**(25.3)**

The main elements contributing to the difference between the Company's overall expected tax rate (as a weighted average of the tax rates in the tax jurisdictions in which Evolva operates) and the effective income tax expense are:

CHF 1,000	2020	2019
Net loss before tax	**(29,882.2)**	**(21,613.6)**
Expected tax rate	*(14.8%)*	*(19.8%)*
Expected tax income at group level	4,435.6	4,274.1
Effect of expenses not entitled for deduction for tax purposes	1,668.6	5,008.9
Effect of current losses, for which no deferred tax is recognised	(6,064.2)	(9,229.2)
Effect of non capitalized temporary items	–	(51.6)
Other effects	(21.9)	(27.5)
Effective income tax (expense)	**18.0**	**(25.3)**
Effective income tax rate	*0.1%*	*0.1%*

10. Deferred tax assets and liabilities

CHF 1,000	2020	2019
Tax loss carried forward	13,207.0	15,453.5
Temporary differences on patents and patent applications	(11,945.9)	(15,134.3)
Other	(1,393.9)	(470.8)
Total deferred tax liabilities	**(132.8)**	**(151.6)**

The changes of net deferred tax liabilities present as follows:

CHF 1,000	
1 January 2019	**(127.1)**
Deferred tax expense during the period	(25.3)
Translation effects	0.9
31 December 2019	**(151.6)**
Deferred tax expense during the period	17.9
Translation effects	0.9
31 December 2020	**(132.8)**

Evolva has tax loss carry-forwards, which are available to offset future taxable income. The loss carry-forwards with their expiry dates are as follows:

CHF 1,000	31 December 2020	31 December 2019
Within one year	15,687	8,091
Later than one year and no later than five years	100,369	95,687
More than five years	134,536	95,472
Total tax loss carry-forwards	**250,592**	**199,250**

Unrecognized tax loss carry-forwards and deductible temporary differences would give rise to potential deferred tax assets of CHF 31.0 million in 2020 resp. CHF 22.5 million in 2019.

11. Share-based compensation

The Board of Directors administers the Group's incentive share-based compensation plans. Equity instruments are granted according to the Company's plan regulations. Members of the Board of Directors, Group Management Team, staff and some selected advisors are eligible for receiving share-based compensation instruments.

Total share-based compensation summarizes as following:

CHF 1,000	2020	2019
Research & development	158.9	167.5
Operations & manufacturing	49.7	47.7
Commercial, general & administrative expenses	645.2	971.0
Total share-based compensation	**853.8**	**1,186.2**

Evolva currently uses following compensation plans involving share-based compensation components

- Restricted stock unit plans (RSU)
- Performance stock unit plans (PSU)
- Incentive share option plans

In 2020 (unchanged to 2019), 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 objectives as well as individual targets of the current the financial year. In addition, the Company has granted a long-term plan (LTI) to Group Management and Senior Management members. The number of shares to vest under the LTI plan is subject to the achievement of agreed Company objectives. Agreed Company objectives are product revenue, EBITDA, the launch of new products and a minimum share price appreciation (only for LTI).

The following input criteria are used for the LTI model:

CHF 1,000	2020	2019
Dividend yield	0%	0%
Volatility	70%	53%
Risk-free interest rate	(0.55%)	(0.09%)
Share price (WVAP) at grant	CHF 0.24	CHF 0.24

The key parameters and the number of outstanding RSUs & 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 1)	CHF 0.24	8,211,415
LTI 3	PSU	01.07.2020	01.04.2023	CHF 0.20	7,931,906
STI 1	PSU	01.04.2018	01.04.2019	CHF 0.27	186,058
STI 3	PSU	01.04.2020	01.04.2021	CHF 0.18	3,627,976
EVE 10	RSU	10.02.2017	Several 2)	CHF 0.55	4,388,119
EVE 18	RSU	16.04.2020	15.04.2021	CHF 0.22	725,909
Total					**31,373,501**

1) First vesting date is 36 months post grant and comprises 1/3 of granted PSU, followed by additional vesting of 1/3 after 48 months and 1/3 after 60 months
2) Vesting dates are 1 May 2020, 1 May 2021, 1 May 2022. Vesting of 1/3 of grant at each vesting date.

Reconciliation of outstanding share units:

	Number of share units	
	2020	2019
Outstanding at 1 January	25,362,809	19,197,998
Granted	12,285,791	12,243,269
Exercised	3,404,908	3,737,395
Forfeited	2,870,191	2,341,063
Outstanding end of period	**31,373,501**	**25,362,809**

Incentive share option plans

The fair value of the different share option awards (EVE 2 - 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:

Planname	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 following table 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 31 December 2020.

Plan name	Year of grant	WAEP	Number of options	WAYCL
EVE 9	2016	0.80	7,713,763	5.1
EVE 8	2015	1.31	5,004,208	4.0
EVE 7	2014	0.98	5,308,085	3.0
EVE 6	2013	0.64	2,951,980	2.5
EVE 5	2012	0.37	2,648,196	2.0
EVE 4	2012	0.55	4,500,840	1.0
EVE 2	2011	1.64	2,679,935	0.4
Total		**0.90**	**30,807,007**	**3.0**

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

	Number of options	
	2020	**2019**
Outstanding at 1 January	30,836,155	37,723,552
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

In 2020, no share options were exercised (2019: 1,299,239 share options with an average exercise price of CHF 0.20).

12. Management and employee benefits

The Swiss pension plan is considered a defined benefit plan in accordance with IAS 19. The plan is structured according to the principles of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), which states that pension plans are to be managed by independent, legally autonomous entities. A pension plan's most senior governing body (Board of Trustees) must be composed of equal numbers of employee and employer representatives.

The plan is funded by regular employer and employee contributions, which are determined as a percentage of the employees' insured salaries, to a collective foundation operated by an insurance company. Interest is credited to the employees' accounts at the minimum rate provided in the plan. The plan regulations define some minimum benefit guarantees. Due to these minimum guarantees, the Swiss plan is treated a defined benefit plan for the purposes of these IFRS financial statements. Additionally, the plan provides insurance in case of death or long-term disability of plan participants.

For accounting purposes, this contract represents the sole asset of the plan. The fair value of plan assets is the estimated cash surrender value on the respective reporting date.

The amounts recognized in the statement of financial position for the Swiss plan in accordance with IAS 19 are determined as follows:

CHF 1,000	2020	2019
Principal actuarial expectations		
Discount rate at 1 January	0.20%	0.85%
Discount rate at 31 December	0.20%	0.20%
Expected rate of salary increase	0.75%	0.75%
Expected benefit increase	0.00%	0.00%
Inflation expectation	1.00%	1.00%
Mortality decrement	BVG 2015 GT	BVG 2015 GT
Reconciliation of Financial Position amounts		
Benefit obligation at 31 December	12,279.4	11,317.6
Fair value of plan assets at 31 December	9,928.9	9,088.6
Deficit (surplus) at 31 December	2,350.5	2,229.0
Net defined benefit liability 31 December	**2,350.5**	**2,229.0**
- thereof recognised as separate liability	2,350.5	2,229.0
Reconciliation in net defined benefit liability		
Net defined benefit liability at 1 January	2,229.0	1,628.9
Defined benefit costs recognised in profit and loss	790.2	554.1
Defined benefit costs recognised in other comprehensive income	(61.6)	441.2
Contributions by Evolva	(607.0)	(395.2)
Net defined benefit liability at 31 December	**2,350.5**	**2,229.0**
Reconciliation of defined benefit obligation		
Defined benefit obligation at 1 January	**11,317.6**	**10,556.4**
Interest expense on defined benefit obligation	23.7	80.8
Current service cost (Evolva)	1,014.6	534.4
Contributions by plan participants	607.0	395.2
Benefits (paid) / deposited	(122.6)	1,168.6
Past service cost	(234.4)	-
Administration costs (excl. costs for managing plan assets)	5.7	5.3
Others (Derecognition pensioner AXA Life)	-	(2,100.6)
Actuarial (gain)/loss on defined benefit obligation	(332.1)	677.5
Defined benefit obligation at 31 December	**12,279.4**	**11,317.6**

CHF 1,000	2020	2019
Components of defined benefit costs in OCI		
Actuarial (gain)/loss on defined benefit obligation	(332.1)	677.5
Return on plan assets excl. interest income	270.5	(236.3)
Defined benefit cost recognised in other comprehensive income	**(61.6)**	**441.2**
Components of actuarial gain/losses on obligations		
Actuarial (gain)/loss arising from changes in financial assumptions	-	1,004.6
Actuarial (gain)/loss arising from changes in demogr. assumptions	-	-
Actuarial (gain)/loss arising from experience adjustments	(332.1)	(327.1)
Actuarial (gain)/loss on defined benefit obligation	**(332.1)**	**677.5**
Components of defined benefit cost in profit or loss		
Current service cost (employer)	1,014.6	534.4
Past service cost	(234.4)	-
Interest expense on defined benefit obligation	23.7	80.8
Interest (income) on plan assets	(19.3)	(66.4)
Adminstration cost excl. cost for managing plan assets	5.7	5.3
Defined benefit cost recognised in profit or loss	**790.2**	**554.1**
- thereof service cost and administration cost	785.8	539.7
- thereof net interest on the net defined benefit liability (asset)	4.4	14.4
Plan assets		
Fair value of plan assets at 1 January	9,088.6	8,927.6
Interest income on plan assets	19.3	66.4
Contributions by Evolva	607.0	395.2
Contributions by Evolva's plan participants	607.0	395.2
Benefits (paid)/deposited	(122.6)	1,168.6
Others (Derecognition pensioner AXA Life)	-	(2,100.6)
Return on plan assets excluding interest income	(270.5)	236.3
Fair value of plan assets at 31 December	**9,928.9**	**9,088.7**
Weighted average duration of defined obligation in years	**18.5**	**19.1**

The Company expects to contribute approximately CHF 1.0 million to the plan in 2021.

Sensitivity analyses

The sensitivity analyses were performed by re-calculating the defined benefit obligation (DBO) with the same method as in the comparison period and by changing the following assumption only:

CHF 1,000	2020 DBO	2019 DBO
Discount rate - 0.25%	4.8%	5.0%
Discount rate + 0.25%	(4.4%)	(4.6%)
Interest rate - 0.25%	(1.8%)	(1.9%)
Interest rate + 0.25%	1.8%	1.9%
Salary decrease - 0.25%	(0.7%)	(0.6%)
Salary increase + 0.25%	0.8%	0.6%
Life expectancy - 1 year	1.9%	1.9%
Life expectancy + 1 year	(1.9%)	(1.9%)

13. Compensation

Total group compensation

CHF 1,000	2020	2019
Short term benefits	9.890,7	10.286,3
Share-based compensation	853,8	1.178,6
Termination benefits	–	472,6
Other staff related expenses	525,5	205,2
Total compensation	**11.270,0**	**12.142,7**

Group Management Team compensation

CHF 1,000	2020	2019
Short term benefits	827.3	878.9
Share-based compensation	254.0	291.1
Termination benefits	–	455.0
Total GMT compensation	**1,081.3**	**1,625.0**

14. Intangible assets

CHF 1,000 Historical costs	Patents & patent applications	Royalty & Licences	Product & process development	Goodwill	Total
1 Januar 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 Januar 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 at 31 December 2019	**29,140.1**	**59,607.2**	**2,928.5**	**42,262.7**	**133,938.5**
Historical costs					
1 Januar 2020	**40,607.8**	**82,786.6**	**2,928.5**	**42,262.7**	**168,585.6**
Additions			4,378.8		4,378.8
Translation effects	(3,383.3)	(5,229.5)	(158.2)	(2,223.3)	(10,994.3)
31 December 2020	**37,224.5**	**77,557.1**	**7,149.1**	**40,039.5**	**161,970.2**
Accumulated amortisation					
1 Januar 2020	**(11,467.7)**	**(23,179.4)**	**-**	**-**	**(34,647.1)**
Amortisation of the period	(1,982.4)	(4,169.3)	(355.8)	-	(6,507.5)
Translation effects	976.9	2,081.7	19.8	-	3,078.5
31 December 2020	**(12,473.2)**	**(25,266.9)**	**(336.0)**	**-**	**(38,076.1)**
Net book value at 31 December 2020	**24,751.3**	**52,290.2**	**6,813.2**	**40,039.5**	**123,894.1**

Amortisation of patents, royalties and licences is recorded as research and development expenses. Amortisation of product and process development is recorded as cost of goods sold.

On 20 March 2018, Evolva has entered into an agreement for commercialization of EVERSWEET™ (Evolva's fermentation-derived Stevia). Under this agreement, Evolva is entitled to a long-term mid-single-digit royalty on EVERSWEET™ sales at least until 2037. Development work to improve strain efficiency and related contractual financial commitments are recognized as "Royalty and Licence" in Evolva's intangible assets.

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 development' cost within intangible assets in the balance sheet. In 2020, Evolva has recognised CHF 4.4 million (2019: 2.5 million) of which the majority is related to development of new processes and technologies for new products and on-the-market products.

Impairment of goodwill and 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 represented by the market capitalization (Fair value Level 1). The Group has identified one cash-generating unit only.

As of 31 December 2020, the share price is CHF 0.202 and the amount of shares outstanding is 821,878,237, leading to a market capitalization of CHF 166.0 million. Compared to the carrying amount of the CGU of CHF 145.0 million, the market capitalization exceeds the carrying amount of the CGU by CHF 21.0 million.

As of 31 December 2019, the share price is CHF 0.219 and the amount of shares outstanding is 796,878,237, leading to a market capitalization of CHF 174.5 million. Compared to the carrying amount of the CGU of CHF 172.5 million, the market capitalization exceeds the carrying amount of the CGU by CHF 2.0 million.

Based on the analyses performed, the Group concludes that the recoverable amount exceeds the carrying amount of the CGU and no impairment is needed as of 31 December 2020 and 31 December 2019.

Sensitivity analyses

As of 31 December 2020 the market capitalization would need to decrease by CHF 21.0 million (-12.6%) to be equal to the carrying amount of the CGU. With regard to the share price, the share price would need to decrease from CHF 0.202 to CHF 0.177 (-12.6%) to be equal to the carrying amount of the CGU.

As of 31 December 2019 the market capitalization would need to decrease by CHF 2.0 million (-1.1%) to be equal to the carrying amount of the CGU. With regard to the share price, the share price would need to decrease from CHF 0.219 to CHF 0.217 (-1.1%) to be equal to the carrying amount of the CGU.

15. Property, plant and equipment

CHF 1,000 Historical cost	Laboratory equipment	Office and IT equipment	Leasehold improve-ments	Manu-facturing equipment	Right-of-use assets	Total
1 January 2019	**13,800.2**	**2,325.9**	**5,485.9**	**442.4**	**-**	**22,054.4**
Initial recognition of IFRS 16	(1,634.1)	–	(4,400.0)	–	10,040.3	4,006.2
Additions	60.7	66.3	5.9	60.6	31.1	224.6
Disposals	–	(3.7)	–	–	–	(3.7)
Translation effects	(97.3)	(22.4)	(6.4)	(5.2)	(6.0)	(137.3)
31 December 2019	**12,129.4**	**2,366.1**	**1,085.4**	**497.8**	**10,065.5**	**26,144.2**
Accumulated depreciation						
1 January 2019	**(12,278.8)**	**(2,225.9)**	**(2,607.8)**	**(172.7)**	**-**	**(17,285.1)**
Initial recognition of IFRS 16	908.7	–	2,423.0	–	(3,331.7)	–
Additions	(382.1)	(71.6)	(91.4)	(92.2)	(1,150.1)	(1,787.4)
Disposals	–	3.0	–	–	–	3.0
Translation effects	97.3	22.4	6.4	4.4	6.0	136.5
31 December 2019	**(11,654.9)**	**(2,272.1)**	**(269.7)**	**(260.5)**	**(4,475.8)**	**(18,933.1)**
Net book value at 31 December 2019	**474.6**	**94.0**	**815.6**	**237.3**	**5,589.7**	**7,211.1**
Historical cost						
1 January 2020	**12,129.4**	**2,366.1**	**1,085.4**	**497.8**	**10,065.5**	**26,144.2**
Additions	25.8	190.9	–	1,105.2	57.8	1,379.8
Disposals	–	(4.8)	–	–	–	(4.8)
Translation effects	(468.0)	(73.5)	(19.3)	(27.1)	(4.6)	(592.5)
31 December 2020	**11,687.2**	**2,478.7**	**1,066.1**	**1,575.9**	**10,118.8**	**26,926.7**
Accumulated depreciation						
1 January 2020	**(11,654.9)**	**(2,272.1)**	**(269.7)**	**(260.5)**	**(4,475.8)**	**(18,933.1)**
Additions	(284.5)	(75.6)	(91.5)	(135.4)	(1,077.4)	(1,664.4)
Translation effects	468.0	73.3	19.3	23.2	1.1	584.9
31 December 2020	**(11,471.4)**	**(2,274.4)**	**(341.9)**	**(372.7)**	**(5,552.1)**	**(20,012.5)**
Net book value at 31 December 2020	**215.9**	**204.3**	**724.2**	**1,203.2**	**4,566.6**	**6,914.2**

16. Financial deposits

Financial deposits consist of CHF 2.2 million rent deposits (2019: CHF 2.2 million).

17. Non-current financial assets

Evolva holds an investment in equity shares in a non-listed R&D company. The Group considers the investment as not strategic in nature. The investment is categorized as fair value (Level 3), with initial recognition at cost, and non-recurring fair value measurement. The valuation is based on the last price paid in a fund raising round proportionally to the shareholding. The recoverability of the investment is reviewed when a triggering event occurs. A triggering event might be but is not limited to the financial and non-financial information reported by the company which impacts the valuation of the company. As of the reporting date, no such impairment event was identified.

18. Inventories

CHF 1,000	31 December 2020	31 December 2019
Raw materials	937.0	94.8
Intermediate products	1,446.9	1,236.7
Finished products	6,741.4	4,059.9
Total	**9,125.3**	**5,391.5**

Total inventories are stated at the lower of production costs and net realizable value. In 2020 a write-down of inventory to net realisable value in the amount of CHF 0.2 million was recorded (2019: reversal of write-down: CHF 1.1 million).

19. Prepayments & accrued income

CHF 1,000	31 December 2020	31 December 2019
Prepayments to supplier	1,710.4	768.5
Transitory assets	422.7	279.6
Accrued income	301.7	905.4
Total	**2,434.8**	**1,953.5**

The increase in prepayments is mainly due to higher manufacturing activities and related prepayments for upcoming manufacturing campaigns.

20. Trade and other receivables

At the reporting date, Evolva deems all receivables as collectable, but constantly monitors the expected future credit losses and consequently has not recognized any allowance for bad debt.

CHF 1,000	31 December 2020	31 December 2019
Trade receivables	1,839.3	1,265.6
Other receivables	508.0	214.4
Total	**2,347.3**	**1,480.0**

As of 31 December 2020, CHF 0.6 million resp. 34% (2019: CHF 0.8 million resp. 62%) of trade receivables was not due while 66% resp. CHF 1.2 million (2019: CHF 0.5 million resp. 38%) was due. As of 31 December 2020, Evolva deems all receivables as collectable and has not suffered any losses in receivables (unchanged to 2019). The increase of other receivable refers to an increase in VAT receivables as a result of increasing exchange of goods with contractual manufacturing companies.

21. Cash and cash equivalents

CHF 1,000	31 December 2020	31 December 2019
Cash at bank	19,669.4	39,919.8
Total cash & time deposits	**19,669.4**	**39,919.8**

Cash and cash equivalents are available immediately or within a notice period of max. three months.

22. Share capital

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

	Total number of shares Evolva Holding SA	CHF 1,000
1 January 2019	**770,578,998**	**154,115.8**
Shares from conditional capital	26,299,239	5,259.8
1 January 2020	**796,878,237**	**159,375.6**
Shares from conditional capital	25,000,000	5,000.0
Nominal value reduction	-	(123,281.7)
31 December 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 31 December 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 share premium of Evolva Holding AG. In 2019, Evolva has subscribed treasury shares of CHF 5.0 million. In 2019, CHF 1.3 million share options were exercised (CHF 0.3 million).

23. Conditional and authorised capital

The development of conditional and authorised capital over the past two years is as follows:

	Conditional shares		Authorised shares	
	share number	**CHF 1,000**	**share number**	**CHF 1,000**
1 January 2019	**125,660,379**	**25,132.1**	**-**	**-**
Approved by AGM 2019	-	-	-	-
Issued	(26,299,239)	(5,259.8)	-	-
1 January 2020	**99,361,140**	**19,872.3**	**-**	**-**
Issued	(25,000,000)	(5,000)	-	-
Approved by AGM 2020	-	-	164,375,647	8,218.8
Change in nominal value	-	(11,154.2)	-	-
31 December 2020	**74,361,140**	**3,718.1**	**164,375,647**	**8,218.8**

24. Treasury shares

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

	Treasury shares	
	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 financing purposes	(27,895,472)	(6,830.6)
Use of shares for share-based compensation	(3,495,874)	(856.0)
31 December 2020	**15,148,270**	**3,709.2**

25. Loss per share

Basic loss per share is calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of shares outstanding during the year. For the calculation of diluted loss per share, profit and loss and the weighted average number of shares are adjusted for the effects of all dilutive potential shares outstanding during the year.

CHF 1,000	2020	2019
Net loss attributable to shareholders of the parent	(29,870.2)	(21,638.9)
Weighted average number of shares outstanding	786,802.1	770,412.3
Basic and diluted loss per share (in CHF)	(0.04)	(0.03)

For the years ended 31 December 2020 and 31 December 2019, basic and diluted loss per share is based on the weighted average number of shares issued and outstanding and excludes shares to be issued upon the exercise of equity rights as these shares would be anti-dilutive. In case Evolva shows a profit in the future, the shares to be issued and the options may have a dilutive effect on the net profit per share and will need to be considered for the purpose of this calculation.

26. Provisions and accrued liabilities

in CHF 1,000	Operational accruals	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**	**1,657.2**	**723.0**	**191.6**	**8,094.6**
Made during the year	860.3	1,145.7	383.0	–	2,389.0
Used during the year	(699.2)	(1,524.0)	(153.7)	(10.9)	(2,387.8)
Reversed during the year	(0.1)	(144.0)	–	–	(144.1)
31 December 2020	**5,683.8**	**1,134.9**	**952.3**	**180.6**	**7,951.6**
– of which current	5,683.8	1,134.9	952.3	180.6	7,951.6
– of which non-current	–	–	–	–	–
31 December 2020	**5,683.8**	**1,134.9**	**952.3**	**180.6**	**7,951.6**

Operational provisions

Operational provisions consist of various items related to the Company's R&D and manufacturing activities. Predominately, they consist of a provision of CHF 4.8 million (2019: CHF 4.5 million) recorded for potential repayments of contractual fees related to work for the US Defence Threat Reduction Agency (DTRA) in the past. These fees relate to two projects that have been successfully completed from an R&D perspective in 2010 and 2011 respectively. The audit of some project accounts has not yet been completed by the relevant US audit agency. In 2020, Evolva has increased its provision by CHF 0.7 million based on the latest discussions with DTRA and its latest estimate regarding a potential settlement. Partially the increase was compensated by the decrease of the USD currency.

Financial accruals
Financial provisions include mainly unsettled financial, tax and 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 the cash outflow is by nature difficult to predict.

Other accrued liabilities
Other provisions and liabilities mainly consist of accrued royalty fees for technology in use to manufacturing of products sold.

27. Convertible loan

In June and December 2020, Evolva 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 24 million, divided into tranches, over a period of 12 months ("the conversion period").

Nice & Green SA is obliged to request conversion of each convertible note no later than at the expiration of the conversion period. If Nice & Green SA fails to request conversion prior the date falling 10 Business days prior to the expiration of the conversion period, Evolva Holding AG is entitled to request conversion during the last 10 business days of the conversion period.
The amount of each convertible note is, at Evolva's discretion, either repayable by way of conversion into ordinary shares of Evolva Holding AG or in cash. The nominal value of one convertible note is CHF 50'000. 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 the nominal value divided by 0.97 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 Evolva Holding AG is equal or lower than CHF 0.08, Nice & Green is entitled 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.

Evolva Holding AG must pay a commitment fee equal to 4% of the maximum commitment to Nice & Green SA, based on the convertible notes requested.

Nice & Green SA must pay an incentive fee equal to 10% of the sharing basis to Evolva Holding SA. The sharing basis shall be the positive difference between the net capital gain and the net capital loss. The net capital gain is the positive difference between the sale price of all new shares sold by Nice & Green SA and the conversion price paid for the relevant sold new share minus transaction costs.

Convertible notes issued in 2020	CHF 10.0 million
Transaction costs in 2020	CHF 0.4 million
Net proceeds from convertible notes in 2020	CHF 9.6 million

The net proceeds received from the issue of the convertible notes have been split between the non-derivative host and the embedded derivative.

CHF 1,000	No. of tranches at CHF 50,000	Non-derivate host	Embedded derivate	Net proceeds
Convertible notes issued	200	8,720.7	1,279.3	9,600.0
Notes converted during reporting period	120	(4,934.9)	(1,065.1)	
Outstanding convertible notes as at 31.12.2020	**80**	**3,785.8**	**214.2**	

For the conversion of 120 convertible notes (CHF 6.0 million), Evolva has delivered 27.9 million treasury shares at an average conversion price of CHF 0.215 per share.

The impact of the changes in fair value of the embedded derivative amounts to CHF 0.01 million. This amount is included in financial income. Directly related transaction expenses of CHF 0.4 million (commitment fee) are amortized using the effective interest method.

28. Lease liabilities

Lease liabilities consists mainly in rental contracts and leasehold improvement for office and laboratory space. At signing of the contracts, the most extensive rental period lasts 7 years unless terminated earlier or extended.

Lease commitments	31 December 2020		31 December 2019	
in CHF 1,000	Future minimum lease payments	Present value of future minimum lease payments	Future minimum lease payments	Present value of future minimum lease payments
Within one year	1,106.8	999.1	1,358.4	1,289.9
Between one and five years	4,180.1	3,293.4	4,142.7	3,435.6
More than five years	1,253.7	944.8	1,997.8	1,403.9
Total minimum lease payments	**6,540.6**	**5,237.3**	**7,498.9**	**6,129.4**
Less amounts representing financing charges	(1,303.2)	-	(1,369.5)	
Total as of 31 December	**5,237.3**	**-**	**6,129.4**	

Set out below are the carrying amounts of lease liabilities and the movements during the period:

in CHF 1,000	2020	2019
As at 1 January	**6,129.4**	**3,175.9**
Additions	57.8	-
IFRS 16 initial recognition	-	4,006.2
Accretion of interest	95.76	31.1
Payments	(1,045.6)	(1,083.8)
As at 31 December	**5,237.3**	**6,129.4**
- of which current	1,058.8	1,289.3
- of which non- current	4,178.5	4,840.1

29. Related party transactions

In 2020, Evolva has purchased semi-final products for CHF 0.7 million (2019: none) form a company where a former member of the board (resigned at AGM 2020) is part of the Executive Management. From a company, where a management member of Evolva holds a controlling interest, Evolva has received services of CHF 0.01 million (2019: none).

In 2020, Evolva has sold products for CHF 0.03 million to a company where a member of the board of Evolva is part of the board of the customer (2019: none). In 2019, Evolva received consultancy services for research and development from a member of the Board of Directors (2020: none; 2019: CHF 0.1 million).

All transactions with related parties were conducted at arm's lengths. As of the reporting date, Evolva has an outstanding receivable from transactions with related parties of CHF 0.01 million (2019: CHF 0.8 million).

30. Contingent liabilities and commitments

As part of its research activities, the Group is involved in several projects funded by governmental and other public entities. These contracts include clauses that might result in reclaims of funding that the Group has received. The Group has entered into various purchase commitments for manufacturing, material and services as part of its ordinary business. The total amount of commitment for manufacturing with manufacturing organizations for the next years amount to CHF 58.5 million (2019: CHF 25.3 million). These commitments are not in excess of current market prices and reflect normal business operations.

31. Events subsequent to the reporting date

On 22 February 2021, Evolva has subscribed 105 million treasury shares from authorized capital.

Statutory auditor's report on the audit of the consolidated financial statements

To the General Meeting of
Evolva Holding AG, Reinach

Basel, 24 February 2021

Opinion

We have audited the accompanying consolidated financial statements of Evolva Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of financial performance, consolidated statement of comprehensive income, consolidated statement of equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (pages 61 to 107).

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit *profession*, as well as the *International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code)* and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Valuation of the "Royalty and Licences" asset

Risk	The "Royalty and Licences" asset in the amount of CHF 52.3m represents 31% of the Group's total assets and 36% of the Group's equity as of the balance sheet date (Group's disclosure Note 14). Due to the significance of the carrying amount of the "Royalty and Licences" asset and the judgement involved in performing the impairment test if indicator exists, this matter was considered to be significant to our audit. See Note 2.2. "critical accounting estimates and judgments – "Royalty and Licences" for asset valuation in the consolidated financial statements and Note 2.3 "Principles of consolidation" – "Research and development expenses" and "Intangibles assets other than goodwill" in the consolidated financial statements for further details.
Our audit response	Our audit procedures related to the key audit matter valuation of the "Royalty and Licences" asset included amongst other the following procedures: We evaluated the Company's valuation model for the "Royalty and Licences" asset and the underlying key assumptions, including future revenue growth and discount rates. We further evaluated the sensitivity of the calculation of the recoverable amount resulting from changes to the key assumptions applied. Our audit procedures did not lead to any reservations concerning the valuation of the "Royalty and Licences" asset.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor’s report.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Rico Fehr	**Fabian Meier**
Auditor in charge	Licensed audit expert
Licensed audit expert	

STATUTORY FINANCIAL STATEMENTS OF EVOLVA HOLDING AG

Statement of financial position

CHF 1,000	Note	31 December 2020	31 December 2019
ASSETS			
Current assets			
Cash and cash equivalents	-	6,276.1	14,995.5
Short-term receivables	-	178.8	61.3
Total current assets		**6,454.8**	**15,056.8**
Non-current assets			
Long-term receivables from shareholdings	7	194,957.4	194,957.4
Total non-current assets		**194,957.4**	**194,957.4**
Total assets		**201,412.2**	**210,014.2**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term payables	-	70.6	31.5
Accrued liabilities	-	167.8	65.1
Convertible loan	8	4,000.0	-
Total liabilities		**4,238.4**	**96.6**
Shareholders' equity			
Share capital	4	41,093.9	159,375.6
Statutory contribution reserve	4	261,409.8	136,524.6
Statutory retained earnings			
- Reserve for treasury shares	5	3,709.2	4,345.8
- Other voluntary reserve	-	2,974.2	2,974.2
Accumulated deficit	-	(112,013.3)	(93,302.7)
Total shareholders' equity		**197,173.9**	**209,917.6**
Total liabilities and shareholders' equity		**201,412.2**	**210,014.2**

STATUTORY FINANCIAL STATEMENTS OF EVOLVA HOLDING AG

Statement of financial performance

CHF 1,000	Note	2020	2019
Revenue			
Income from shareholdings	9	536.3	468.2
Total revenue		**536.3**	**468.2**
General & administrative expenses	-	(2,006.1)	(1,692.4)
Financial income	-	67.8	2.2
Financial expenses	8	(654.3)	(26.4)
Value adjustment of long-term receivables from shareholdings and investments	7	(16,654.3)	(65,481.7)
Net loss for the period		**(18,710.6)**	**(66,730.1)**

NOTES TO THE STATUTORY FINANCIAL STATEMENTS OF EVOLVA HOLDING AG

1. The Company

Evolva Holding AG ("the Company") is incorporated in Switzerland. The legal domicile of the Company is: Evolva Holding AG, Duggingerstrasse 23, 4153 Reinach, Switzerland. The shares of the Company are listed on the SIX Swiss Exchange (EVE). The Company has no employees.

2. Basis of preparation

The Company is subject to the provisions of the Articles of Association and to article 620 et seq. of the Swiss Code of Obligations (SCO), which describes the legal requirements for limited companies ("Aktiengesellschaft").

These financial statements are prepared in accordance with the provisions of commercial accounting outlined in art. 957-963b SCO (effective 1 January 2013). Based on art. 961d sec./ para 1 SCO Evolva has the option not to present additional information on interest-bearing liabilities and audit fees in the notes as well as a cash flow statement in accordance with the law. This option is available as Evolva publishes its consolidated financial statements in accordance with the «International Financial Reporting Standards» (IFRS) of the International Accounting Standards Board (IASB). Evolva executes the above described option in accordance with article 961d sec./ para 1 SCO.

3. Principles

3.1 Foreign currency translation

These financial statements are expressed in Swiss francs (CHF).
Transactions in foreign currencies are initially recorded at their respective currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date.
Differences arising on settlement or translation of monetary items are recognized in the statement of financial performance.

The exchange rates (in CHF) for the Company's significant foreign currencies are as follows:

		2020		2019	
Currency	Unit	Closing rate	Average rate	Closing rate	Average rate
EUR	1	1.10	1.09	1.10	1.13
USD	1	0.89	0.96	0.98	1.00

3.2 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments that are readily convertible to known amounts and have a maturity of three months or less.

3.3 Long-term receivables from shareholdings

Our long-term receivables from shareholdings are tested for impairment annually and are carried at acquisition cost less adjustments for impairment of value.

3.4 Accrued liabilities

Evolva recognises accrued and other current liabilities if a present legal or constructive obligation exists to transfer economic benefits as a result of past events, if a reasonable estimate of the obligation can be made and if an outflow of assets is likely.

4. Share capital

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

	Total number of shares Evolva Holding SA	CHF 1,000
1 January 2019	**770,578,998**	**154,115.8**
Shares from conditional capital	26,299,239	5,259.8
1 January 2020	**796,878,237**	**159,375.6**
Shares from conditional capital	25,000,000	5,000.0
Nominal value reduction	-	(123,281.7)
31 December 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 31 December 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 statutory contribution reserves of Evolva Holding AG. In 2019 1.3 million share options were exercised (CHF 0.3 million).

5. Treasury shares

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

	Treasury shares	
	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 financing purposes	(27,895,472)	(6,830.6)
Use of shares for share-based compensation	(3,495,874)	(856.0)
31 December 2020	**15,148,270**	**3,709.2**

6. Investments

		Ownership[1]		Shareholder	Share capital
Name	**Domicile**	**31.12.2020**	**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 Bio UK Ltd.	Cambridge, UK	100%	100%	Evolva AG	GBP 14.62
Evolva Singapore PTE. Ltd.	Singapore	100%	100%	Evolva AG	SGD 100
Evolva Biotech A/S[2]	Copenhagen, DK	100%	100%	Evolva AG	DKK 4,311,583
Evolva Biotech Private Limited[2]	Chennai, India	100%	100%	Evolva AG	INR 169,930

1) Capital ownership is equal to voting ownership
2) Company in liquidation

7. Long-term receivables from shareholdings and investments

Operations in the Group are conducted or managed by Evolva AG and its subsidiaries whereas Evolva Holding AG has limited operations within the Group. To fund the Group's operations, Evolva Holding AG grants loans and holds the investments to its subsidiaries.
As of 31 December 2020, Evolva has recognized a value adjustment of CHF 16.7 million of his long-term receivables from shareholdings. In 2019, Evolva had recognized a value adjustment on its long-term receivables from shareholdings and investments of CHF 65 million. The value adjustment recognized in 2020 and 2019 follows the prudent concept of the Swiss Code of Obligations regarding subordinated loans and investments.

The fair value and recoverability of long-term receivables depends on the commercial success of Evolva's existing and future products. Even though Evolva is making promising progress, some uncertainties remain as to whether commercial success can be achieved.

8. Convertible loan

In June and December 2020, Evolva 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 24 million, divided into tranches, over a period of 12 months ("the conversion period").

Nice & Green SA is obliged to request conversion of each convertible note no later than at the expiration of the conversion period. If Nice & Green SA fails to request conversion prior the date falling 10 Business days prior to the expiration of the conversion period, Evolva Holding AG is entitled to request conversion during the last 10 business days of the conversion period.

The amount of each convertible note is, at Evolva's discretion, either repayable by way of conversion into ordinary shares of Evolva Holding AG or in cash. The nominal value of one convertible note is CHF 50'000. 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 the nominal value divided by 0.97 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 Evolva Holding AG is equal or lower than CHF 0.08, Nice & Green is entitled 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.

Evolva Holding AG must pay a commitment fee equal to 4% of the maximum commitment to Nice & Green SA, based on the convertible notes requested.
Nice & Green SA must pay an incentive fee equal to 10% of the sharing basis to Evolva Holding SA. The sharing basis shall be the positive difference between the net capital gain and the net capital loss. The net capital gain is the positive difference between the sale price of all new shares sold by Nice & Green SA and the conversion price paid for the relevant sold new share minus transaction costs.

Convertible notes issued in 2020	CHF	10.0 million
Transaction costs in 2020	CHF	0.4 million
Net proceeds from convertible notes in 2020	CHF	9.6 million

For the conversion of 120 convertible notes (CHF 6.0 million), Evolva has delivered 27.9 million treasury shares at an average conversion price of CHF 0.215 per share. As of 31 December 2020, 80 convertible notes (CHF 4.0 million) were outstanding. Transaction costs of the convertible note are recorded as financial expenses in the statement of financial performance, which represent the major part of financial expenses in 2020.

9. Income from shareholdings

Evolva Holding AG grants loans to its subsidiaries to fund the Group's research and development activities. The interest rates applied to these loans are determined following legal and tax requirements applicable to interests on intercompany loans.

10. Holdings of shares and share options

The number of Evolva Holding AG shares and equity rights held by members of the Board of Directors and the Group Management Team presents as follows:

	31 December 2020		31 December 2019	
	Shares	Equity rights	Shares	Equity rights
Board of Directors				
Beat In-Albon (Chairman)	200,000	362,955	-	n/a
Richard Ridinger	270,000	181,477	-	n/a
Stephan Schindler	-	181,477	-	n/a
Total members of the Board	**470,000**	**725,909**	**-**	**-**
Former Members of the Board[1]				
Gerard Hoetmer	-	-	800,890	382,993
Ganesh Kishore	-	-	1,798,246	603,173
Jutta Heim	-	-	467,141	1,223,225
Martin Gertsch	-	-	674,920	494,773
Thomas Videbaek	-	-	302,945	660,423
Total former Members of the Board	**-**	**-**	**4,044,142**	**3,364,587**
Group Management Team[2]				
Oliver Walker (CEO)	433,001	6,028,995	-	4,220,470
André Pennartz (CFO)[2]	-	1,461,542	-	-
Scott Fabro (retired)[2]	-	-	-	2,942,808
Total Group Management Team	**433,001**	**7,490,537**	**-**	**7,163,278**

1) At the AGM 2020, all former members of the board retired from their board positions.
2) Mr. André Pennartz joined Evolva as CFO in January 2020. Mr. Scott Fabro retired from his Group Management position in February 2020.

11. Significant shareholders

As of 31 December 2020, Pictet Asset Management SA has share holdings of 9.6% (2019: 9.6%) and Cologny Advisors, LLP has shareholdings of 2.99% (2019: 3.2%) of the total outstanding shares.

12. Guarantees

Evolva Holding AG had issued guarantees about finance lease transactions of its subsidiary in favour of a third party (CHF 2.5 million). As the leasing terms have expired in 2020, this guarantee was cancelled.

13. Events subsequent to the reporting date

On 22 February 2021, Evolva has subscribed 105 million treasury shares from authorized capital.

Report of the Statutory Auditor on the Financial Statements

To the General Meeting of Evolva Holding AG, Reinach
Report of the statutory auditor on the financial statements

Basel, 24 February 2021

As statutory auditor, we have audited the accompanying financial statements of Evolva Holding AG, which comprise the statement of financial position, statement of financial performance and notes (pages 113 to 121), for the year ended 31 December 2020.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2020 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's* responsibility section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of long-term receivables in shareholdings

Risk

The valuation of the long-term receivables from shareholdings in accordance with the provisions of the Swiss Code of Obligations is important to the statutory financial statements as the valuation involves judgment. The total balance of long-term receivables in shareholdings of CHF 195.0m represent 97% of the total assets of Evolva Holding AG. See Note 7 to the financial statements.
Due to the significance of the carrying amount of the long-term receivables in shareholdings and the judgement involved in performing the impairment test, this matter was considered significant to our audit.

Our audit response

For the valuation of long-term receivables in shareholdings we analyzed the assumptions used by the management and compared those with corroborating information.
Our audit procedures did not lead to any reservations concerning the measurement of long-term receivables in shareholdings post the impairment recognized in the current year.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Rico Fehr Auditor in charge Licensed audit expert	**Fabian Meier** Licensed audit expert

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