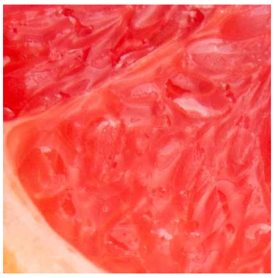


evolva

ANNUAL REPORT 2019

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.

CONTENT

This Annual Report contains certain forward-looking statements. These forward-looking statements may be identified by words such as "believes", "expects", "anticipates", "projects", "should", "seeks", "estimates", "future" or similar expressions or by discussion of, among other things, strategy, goals, plans or intentions. Various factors may cause actual results to differ materially from those reflected in the forward-looking statements contained in this Annual Report.

Letter to our Shareholders

Thanks to our investments in research and development, and our partnerships, we've seen products like EverSweet™, a non-artificial, zero-calorie stevia sweetener, come to market.

Dear shareholders,

This year we've developed the company, strategically choosing the segments in which we compete, the areas in which we invest, and the geographies in which we build the business, creating the optimal configuration for success.

2019 was an important year in the development of our business to successfully enter the next growth phase. The most conspicuous steps in this process were the focus on sustainable innovation and the commercial efforts on the roll out of products with a strong revenue growth trend line. We currently have five products on the market, with more to be launched in the coming years.

Thanks to our investments in research and development, and our partnerships, we've seen products like Eversweet™, a non-artificial, zero-calorie stevia sweetener, come to market. In November 2019, commercial-scale production of this stevia sweetener started at Cargill's fermentation production facility in Blair, Nebraska, as consumers increasingly demand reduced-calorie food and beverages.

Another standout of Evolva's innovation is nootkatone, a next-generation solution for pest control applications. The long term, strong collaboration between Evolva and US authorities resulted in a registration process of nootkatone for pest control applications. All required studies have been submitted to the EPA and the additional information submitted by September 2019 has been accepted.

Shaping success

We are building Evolva to achieve a carefully defined profile that we've found optimal for achieving a strong performance. Our business is structured on these purposefully cultivated core strengths:

Balance – the growing diversity of Evolva's business portfolio not only expands our opportunities, it is key to our ability to deliver a sustainable growth. By managing a careful balance between diverse elements in our business mix, our customer base, and the markets we serve, we have more ways to reach cash break even by 2023.

Presence – with innovation at its core, Evolva continues to build a strong scalable commercial and Contract Manufacturing Organizations' network around the world with core operations in the Basel area.

Focus – Evolva goes where there's an opportunity to make the greatest impact for our customers and, consequently, shareholders. Our people's ability to understand the needs of our customers allows us to move with the evolution of our markets.

Creating value

Sustainability is a journey that requires a long-term view and a broad stakeholder perspective, as well as collaboration and perseverance. Evolva's Annual Report demonstrates the steps we've taken and other dimensions of doing business in a way that's good for people and the planet.

The steps we have taken are starting to bear fruit. We are also confident we will be able to create further financial value as a result of creating a sustainable environment, thanks to a diverse, talented team of individuals who have joined the company from leading organizations, as well as universities and smaller entities. To date we have welcomed more than twenty new people, resulting in a team of eighteen different nationalities, half of which are women.

A team of eighteen different nationalities, half of which are women.

In summary, 2019 was a landmark year of building and putting the pieces in place for our next leap forward. In the years ahead we will capitalize on these investments and advance the business using its growth opportunities and its competitive capabilities. We are well positioned to do so. With our eyes on the future, the Board has decided that Evolva, as an early-stage commercial company, will continue its path to success with a renewed Board.

We would like to thank you for the confidence you have placed in our company so far, as well as our partners and employees for their commitment to Evolva. Together, we'll continue to work to create the ultimate value - a sustainable supply of products based on nature for people worldwide.

Yours sincerely,

Gerard Hoetmer
Chairman of the Board

Oliver Walker
CEO

Reinach, Switzerland, 18 March, 2020

This is Evolva

With life expectancy expanding globally consumers become increasingly aware of the importance of healthy aging and look for products with potential health benefits. And while the global demand of natural products is growing, so is the consumer's attention to the environment.

Moreover, 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 $9,471.66 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[5].

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 vector-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.

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.

1 Global food consumption growth and changes in consumer preferences (November 2019). Published: European Commission.
2 Food And Beverages Global Market Report 2019 (January 2019). Published: The Business Research Company.
3 Accelerating global agricultural productivity growth is critical. (2019). Published: Science Daily. Source: Virginia Tech.
4 What are the environmental impacts of food and agriculture? (November 2019). Hannah Ritchie. Published: Our World in Data.
5 Food and Agriculture Organization of the UN, 2017.

A Swiss biotech company

Global scale and network with headquarters in the Basel area (Reinach)

Focused on the research, development and commercialization of products based on nature

3 segments: Flavors and Fragrances, Health Ingredients, Health Protection

5 products on the market: nootkatone, resveratrol, valencene, EverSweet™, vanillin

Approximately 70 employees 50% are women

18 different nationalities.

Financial Review

Key financials

CHF million	**2019**	**2018**	**% change**
Product-related revenue	5.5	3.4	+ 59%
Research & development revenue	6.1	5.5	+ 12%
Total revenue	**11.6**	**8.9**	**+ 30%**
Gross profit	5.3	2.1	
Total operating expenses	- 25.4	-32.9	+ 23%
Operating loss (EBIT)	**– 20.1**	**– 30.7**	**+ 35%**
Depreciation & amortization	- 7.8	-7.5	
EBITDA	**– 12.3**	**– 23.2**	**+ 47%**
Operating free cash flow[1]	**– 14.3**	**– 23.7**	**+ 40%**
Earnings per share (CHF)	- 0.03	- 0.04	
Cash position at year-end	**39.9**	**60.4**	

1) Operating free cash flow: Cash flow from operating activities + operating capital investment, excluding contractual obligations to EverSweet™.

Financial Performance

Total revenue from contracts with customers increased to CHF 11.6m from CHF 8.9m (+30%). In line with our guidance, growth of product related revenue followed the trend from 2018 and increased to CHF 5.5m from CHF 3.4m (+59%). The increase of R&D revenue to CHF 6.1m from CHF 5.5m (+12%) predominantly originates from the development of nootkatone as a pest control application in collaboration with the US "Biomedical Advanced Research and Development Authority" (BARDA). The major part of work was completed in 2019 and we expect the remaining tasks to be successfully accomplished in the course of 2020.

Gross profit increased to CHF 5.3m from CHF 2.1m in 2019 (+152%), mainly supported by the increase of R&D revenue while at the same time cost of products sold decreased.

Total operating expenses decreased by 23% (-CHF 7.5m), reflecting the leaner structure and streamlined business and manufacturing processes. In particularly the lower headcount than in previous years and the focus on value generating products in R&D have contributed to decrease expenses by CHF 4.9m (-26%). In addition, the centralization of corporate functions at the headquarters in Switzerland and the clear focus of sales generation activities have led to a decrease of commercial and administrative expenses of CHF 2.6m (-18%). As a result, operating result (EBIT) improved substantially by 35% (-CHF 10.6m) and EBITDA even by +47% (-CHF 10.9m).

Changes in income taxes results from deferred tax adjustments only.

Balance sheet and cash flow

Because of mandatory adoption of IFRS 16, property, plant and equipment increased net by CHF 2.4m. Apart from this major change, Evolva made no significant investments in equipment. This first-time recognition simultaneously led at to an increase of finance lease liabilities of net CHF 2.9m in 2019.

Intangible assets decreased totally by CHF 4.9m. This results mainly from the regular amortization in the amount of CHF 6.1m and from capitalized product and development costs amounting

to CHF 2.5m in 2019. Evolva is reviewing, changing 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.

In 2019, Evolva settled its remaining financial obligation related to the EverSweet™ agreement of CHF 5.2m, which led to a decrease of provision and accrued liabilities in the balance sheet. Evolva has no further financial obligations related to EverSweet™ and with the launch of the refurbished manufacturing facility in Blair, Evolva expects royalty income from this investment to increase over the near future.

Cash position decreased to CHF 39.9m at year-end 2019, of which CHF 14.3m results from operating free cash flow, CHF 5.2m from payments related to EverSweet™ and CHF 0.9m from finance lease payments and other financing activities. Overall, operating free cash-flow improved significantly by 40% from -23.7m to -CHF 14.3m in 2019.

2020 Outlook

In 2020, we expect consistent product related revenue growth across business segments, and a decline in R&D revenue following the completion of the contract with BARDA. As product related revenue become the main driver to the top line, EBITDA is expected to remain broadly at around prior-year level.

Barring unforeseen events, we are confident the Environmental Protection Agency (EPA) will complete its registration of nootkatone as a novel active ingredient in the next few months. This will allow the start of the registration process of end-use products for different applications within pest control, before commercial sales may start. For this, we are in advanced discussions with leading companies in the pest control business.

We anticipate cash outflows to be slightly above the 2019 level. This will be driven by investments related to scale up of additional production capacities to keep up with increasing customer demand, launch a major new product, building of necessary stock levels, and activities to progress nootkatone in the registration process for end-use products. To finance future growth until cash break-even, we are currently evaluating multiple options, including a capital increase.

The above outlook excludes any potential impact on Evolva's business from Coronavirus (COVID-19) which cannot be estimated at this point in time.

Stock Review

Key data		
Symbol	EVE	
Nominal value per share	CHF 0.20	
ISIN	CH0021218067	

End-of-year	2019	2018
Number of shares issued (million)	796.9	770.6
Number of registered shareholders	11,157	11,332
Shares in register as % of total	61%	59%
Free float (shares held by investors below 3%)	87%	85%
Share price (CHF)	0.219	0.230
Market capitalization (CHF million)	174.5	177.2

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

During 2019, the number of shares outstanding increased from 770.6 million to 796.9 million. Early in the year, Evolva created 25 million treasury shares from conditional capital to cover obligations from the SEDA facility and the vesting of equity instruments. An additional 1.3 million new shares were related to options being exercised.

An average of 1.1 million Evolva shares were traded per day, representing an average daily value of CHF 220,000. Over the year, a total of 280 million shares were traded, meaning almost 35% of the shares outstanding changed hands.

The number of registered shareholders was 11,157 and the proportion of outstanding shares entered in Evolva's register increased to 61% (59% in 2018).

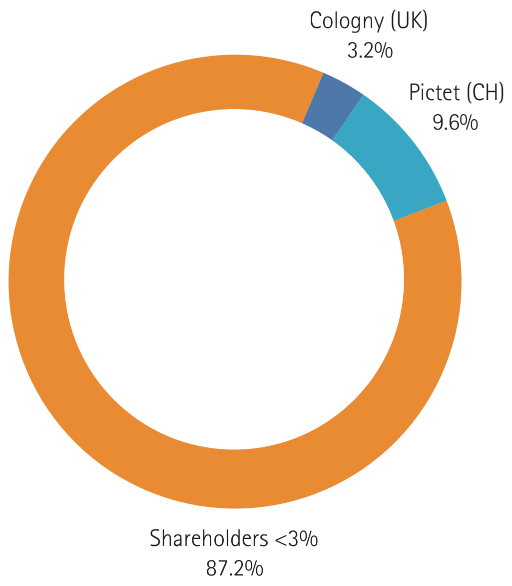
The free float (shares held by investors holding less than 3% each) inched up to 87%. Only the holdings of Pictet and Cologny exceeded 3% at the end of 2019. Under the SIX definition, Evolva's free float amounts to 100%. Apart from the actual shareholdings of Pictet and Cologny, one investor (YA II PN, Ltd., which is controlled by Mark Angelo) had a purchase position for 22.0% of Evolva's capital at year-end 2019. This is related to the SEDA agreement which was announced in a press release on 15 March 2017.

The Evolva share ended 2019 at CHF 0.219, compared with CHF 0.230 at the end of 2018, 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 in 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. Apart from company updates, governance and compensation matters were discussed in several meetings with key shareholders.

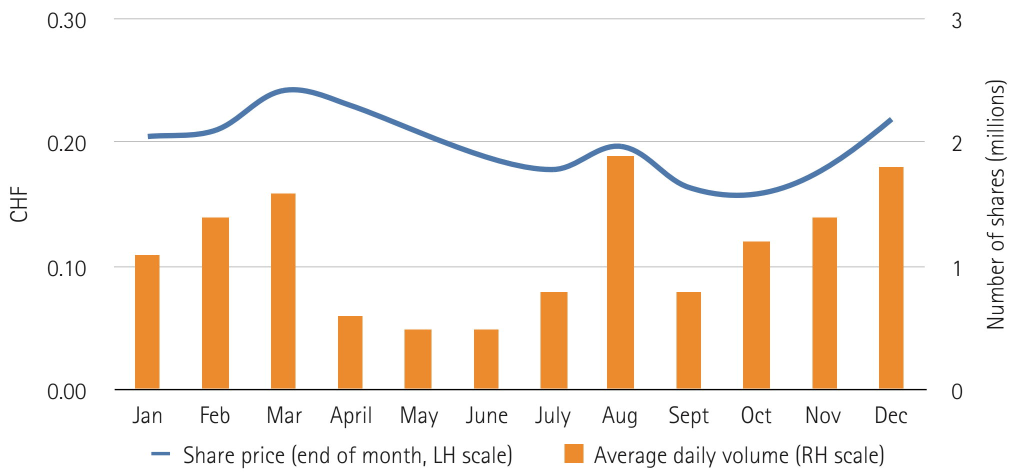
In order to facilitate US investors' purchase of its shares, Evolva has established an American Depositary Receipt (ADR) program which is managed by Bank of New York Mellon. Each ADR represents ten ordinary Evolva shares. The ADRs are denominated in US dollars and trade on the OTC (over-the-counter) market in the US, under the symbol "ELVAY". The ADR program does not increase the number of outstanding Evolva shares. At year-end 2019, 20,500 Evolva ADR's were outstanding, representing 205,000 underlying Evolva shares. Information on Evolva's ADR program can be found on the website of BNY Mellon.

Shareholder structure (year-end 2019)



Source: SIX

Trading volume (per day) and share price in 2019



Source: Evolva

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.

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.

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 a laboratory.

Our products are continuously optimized to maximize yields and reduce production costs. Our technology also allows us to produce higher purity products. This is desired by formulators because then they can custom blend flavor ingredients however they like, and reduce off flavors (e.g. Bitterness in stevia).

Evolva mimics large-scale production processes

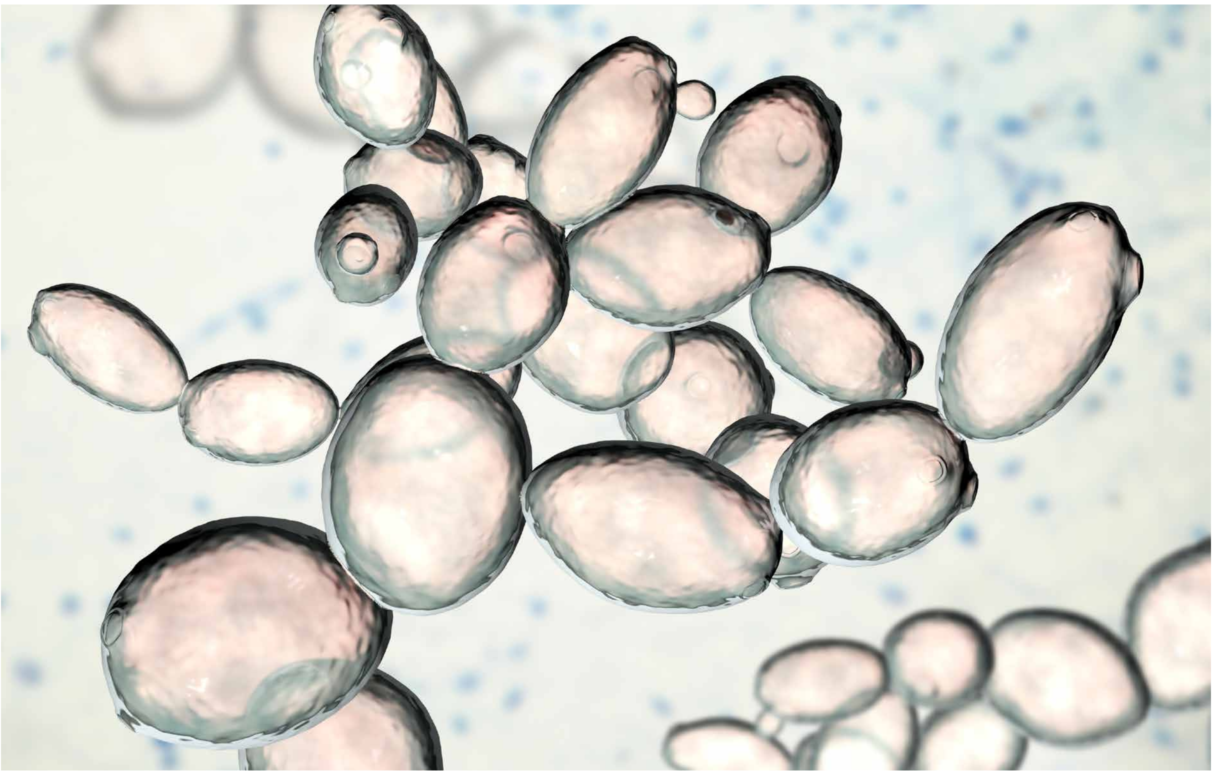
The best ingredients are gradually scaled up to larger volumes to optimize production conditions and ensure that these ingredients are robust enough for large-scale production.

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.

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 to produce our ingredients 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 finished products. Evolva has developed downstream processes for products with very different characteristics.

Evolva develops and tests potential new commercial 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 compliance expertise. At Evolva we continuously improve formulation effectiveness and explore alternative delivery methods. We engage experts and leading companies in product formulation, efficacy testing, product chemistry evaluation, and toxicity testing.



Flavors and Fragrances (F&F)

While the global demand for natural products is growing, so is the consumers' increasing attention to health and the environment. Consumers seek for brands that help them to make more informed and responsible choices[1]. Fast-moving consumer goods (FMCG) companies are responding by simplifying their ingredient lists, being more transparent in which natural and synthetic ingredients are used and partly by growing their natural and organic portfolio. The reality is that in many cases the supply of natural ingredients from agriculture is limited and cannot cover all needs.

At Evolva we apply technology platforms based on nature, such as fermentation, to help solve sourcing bottlenecks in nature. We research, develop and commercialize nature-based flavors and fragrances' ingredients such as nootkatone, valencene and vanillin.

NOOTKATONE

Nootkatone is found in minute quantities in the skin 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 skin and clothing for an extended period of time. This means perfumers can use nootkatone to impart a fresh clean scent that holds up over time.

Nootkatone is expensive which limits its use to fine fragrance products and premium food and beverage products. At Evolva we offer a cost-effective nootkatone with a more stable supply chain that may also enable its broader use in high-volume markets such as personal care and home care.

VALENCENE

Valencene is an orange ingredient used in food and beverage, personal care and household products. Traditional methods of producing valencene require its extraction from the skin of oranges, meaning the cost and supply fluctuate depending on the quality and availability of the yearly harvest. Furthermore, the process is inefficient as it takes over one million kilos of oranges to obtain only one kilo of valencene. As in the case of nootkatone, we offer a cost-effective valencene with a more stable supply chain.

It takes over one million kilos of oranges to obtain only one kilo of valencene. As in the case of nootkatone, we offer a cost-effective valencene with a more stable supply chain.

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

VANILLIN

Vanilla is a complex blend of flavor and fragrance ingredients extracted from the seed pods of the vanilla orchid. The most important ingredient in this blend is vanillin. Because of the cost and supply chain variability of natural vanilla, most products that want to impart aroma of vanilla do not in fact use vanilla but rather synthetic vanillin made primarily from petrochemicals or chemically derived from lignin (wood pulp). Evolva's vanillin is fermentation-based.

2019 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. Sales of our specialty products into the growing F&F market are progressing well. Currently, we can count on an international network covering all relevant geographies and are well positioned to exploit the growing demand in emerging markets, especially in Asia. We have launched three new variants of our nootkatone and valencene products. These variants have been introduced to meet defined needs of customers in geographies which have specific regulatory requirements. Our pipeline is solid, and we expect to launch innovative products in the coming years (see Product Portfolio chapter).

Health Ingredients

With life expectancy expanding globally consumers become increasingly aware of the importance of healthy aging and disease prevention at an earlier age[1] which, coupled with higher levels of disposable income, has been boosting the global anti-aging health supplements market[2]. From bone health to gut health, from cognitive health to cardiovascular diseases, from beauty from within to cosmetics, consumers are seeking for dietary supplements with potential health benefits.

At Evolva technology platforms enable us to provide nature-based dietary supplements' ingredients that can contribute to the health and wellbeing.

One of Evolva's patented dietary supplements ingredient Veri-te™ resveratrol, shows steady growth while the resveratrol market size is estimated to grow at 8.1% CAGR by 2028[3] – also thanks to favorable research studies demonstrating its numerous health benefits[4]. Research has shown that resveratrol, as activator of the sirtuin pathway (SIRT 1 to 7), can improve gut health, brain blood flow, cognitive performance, bone health, skin health and heart health[5].

RESVERATROL

Resveratrol is a compound that occurs naturally in grapes and other plants, including peanuts, cranberries, Japanese giant knotweed and others. It is also contained in red wine, albeit at low concentrations. Synthetic resveratrol is produced by the chemical industry.

Evolva's resveratrol is a high-purity product based on nature which ensures a stable, traceable and reliable supply chain. Thanks to its new delivery technologies, it offers opportunities to customers to meet the everchanging consumer demands for new product formats, and it is being included in a growing number of consumer products.

Research has shown that resveratrol, as activator of the sirtuin pathway (SIRT 1 to 7), can improve gut health, brain blood flow, cognitive performance, bone health, skin health and heart health[6].

1 Trending in nutrition: Healthy aging, dairy innovations and personalization top the list (August 2019). Kristiana Lalou. Published: Nutrition Insights.

2 Market Growth of Anti-Aging Supplements Industry: Business Analysis 2014-24 by Industry Share, Types, Region. (July 2019). Inforgrowth.com. Published: Reuters.

3 Resveratrol Market to Grow at 8.1% CAGR by 2028. Future Markets Insights. Published: Global News Wire.

4 Resveratrol Market to Grow at 8.1% CAGR by 2028. Future Markets Insights. Published: Global News Wire.

5 Recent Advances in Anti-Aging Medicine. Korean Journal of Family Medicine. Authors: Da-Hye Son, Woo-Jin Park, and Yong-Jae Lee. (September 2019)

2019 UPDATE

Through 2019 Evolva's resveratrol business significantly broadened its customer base in the APAC region with a clear upward trend in sales. We expect this to be an area of further significant growth in 2020. In Europe, the solid growth seen in 2018 continued at an accelerated pace in 2019, and was a reflection of both the success by the resveratrol team in inspiring new product development and the great work of our key distribution partners in this region. In the US, Evolva saw a solid growth in sales in the Companion Animal sector. The signing of a new key strategic distribution partner in the US in Q3 2019 is beginning to drive interest from new large key accounts.

The completion of two clinical studies with Veri-te™ this year, RESHAW and CERBLOOD-FLOW, and the now available positive preliminary results of these are already positively impacting Evolva's resveratrol sales. These studies will be published in the early part of 2020 and will be a key driver of growth into 2020. Following the launch of VeriSperse™, a cold-water dispersible resveratrol, in April 2019 solid sales of this product have now been established across all geographies. The initial results of a pharmacokinetic study completed in September 2019 show VeriSperse increases bioavailability by three times. These results, in a market where on-pack bioavailability claims can be a key product differentiator, are already generating interest from new customers.

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 (VBD) 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.

Changes in agricultural practices due to variation in temperature and rainfall can affect the transmission of vector-borne diseases. Climate information can be used to monitor and predict distribution and longer-term trends in malaria and other climate-sensitive diseases.

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

With nootkatone Evolva has researched and developed a new protection agent based on nootkatone, a compound from nature found in the Alaskan Yellow Cedar trees *(Cupressus nootkatensis)* and in grapefruit skin. For this application, we have branded this nootkatone-based product NootkaShield™.

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NOOTKATONE

Evolva has been working in close collaboration with the US Centers for Disease Control and Prevention (CDC) on the use of nootkatone against a wide variety of biting pests, such as the mosquitoes and ticks that transmit a multitude of diseases. The goal is that nootkatone can one day be used not just against the *Aedes aegypti* mosquito that transmits the Zika virus, and the mosquitoes that spread West Nile and other viruses, but also for the benefit of global public health against other important biting pests, such as the *Ixodes* tick, which transmits the bacterium that causes Lyme disease.

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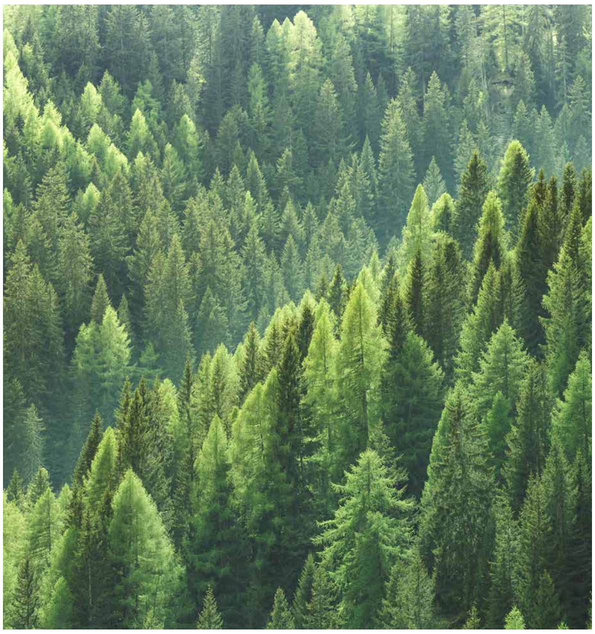
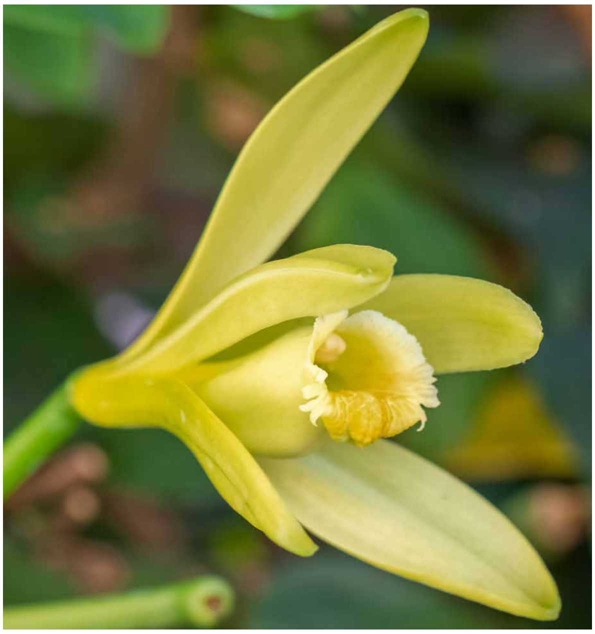
1 6 Global Consumer Trends For 2019, And The Brands That Are Out In Front Of Them (January 2019). Pamela N. Danziger. Published: Forbes.

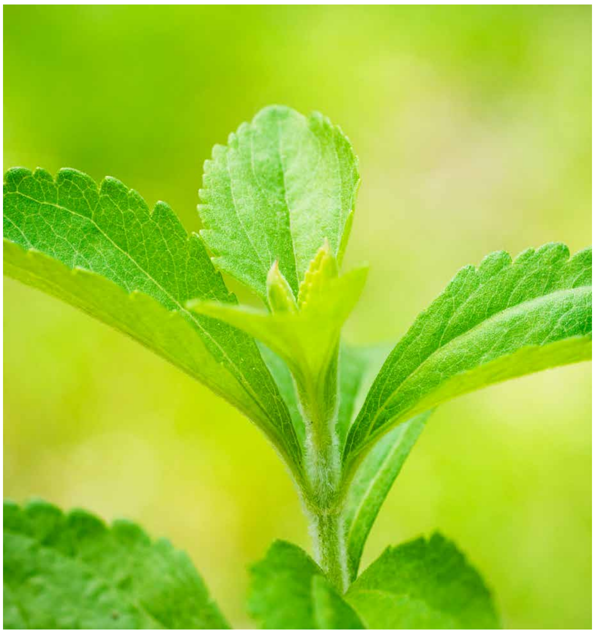
2 The Global Insect Repellent Market size is expected to reach $8,712.6 million by 2025, rising at a market growth of 7% CAGR during the forecast period (2019-2025). (November 2019). Reportbuyer.com. Published: P&T Community

2019 UPDATE

We have further progressed with the US government, CDC-funded contract and have completed all the deliverables for the development of Nootkashield including the manufacturing scale-up. We are confident the Environmental Protection Agency (EPA) will complete the registration of nootkatone as a novel active ingredient in the next few months. The registration of nootkatone as a novel active ingredient is the pivotal step on this product's regulatory path. Once this registration is finalized, the final step of US regulatory protocols, before reaching consumers, can be initiated: EPA evaluation of the formulated End-User products containing Evolva's nootkatone (NootkaShield™).








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 five 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
EverSweet™ (stevia)	Sweetener	On the market	Royalties
Valencene	Flavors, fragrances	On the market	Product sales
Nootkatone	Flavors, fragrances	On the market	Product sales
Vanillin	Flavors, fragrances	On the market	Milestone payments, royalties
Resveratrol	Nutrition, cosmetics, animal health, pharmaceuticals	On the market	Product sales
Nootkashield™ (nootkatone)	Pest control	Registration expected in the US in 2020	Product sales expected
EVE-X157/Z4	Functional ingredient with multiple applications	Launch in late 2020	-
EVE-X158/Z5	Flavors, fragrances	Last stage of development	-

EverSweet™ 2019 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™, a non-artificial, zero-calorie stevia sweetener, 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

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 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 2019, the Evolva Group **("Evolva")** consisted of Evolva Holding AG **("the Company")** as the listed parent company and the following non-listed direct or indirect subsidiaries:

Name	Domicile	Ownership[1) 31.12.2019	Ownership[1) 31.12.2018	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 Biotech A/S	Copenhagen, DK	100%	100%	Evolva AG	DKK 4,311,583
Evolva Biotech Private Ltd.	Chennai, India	100%	100%	Evolva AG	INR 169,930
Evolva Bio UK Ltd.	Cambridge, UK	100%	100%	Evolva AG	GBP 14.62
Evolva Singapore Pte. Ltd.	Singapore	100%	100%	Evolva AG	SGD 100

1) Capital ownership is equal to voting ownership

Cross-shareholdings

On 31 December 2019, no cross-shareholdings exceeding 5% existed.

Capital structure and shareholders

Description of the shares

On 31 December 2019, the Company had only registered shares outstanding. All shares have a nominal value of CHF 0.20. Each share carries one vote at the shareholders' meetings of the Company – subject to limitations as described below. The shareholders' meeting may at any time convert registered shares into bearer shares through an amendment of the Articles of Association.
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 2019, Evolva Holding AG had 796.9 million shares issued and outstanding with a nominal value of CHF 0.20 each, representing a nominal share capital of CHF 159.4 million. All shares are fully paid up.

Shareholder structure

The section "Stock Review" of this Annual Report contains information on the company's shareholder structure. During 2019, 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.

The following table provides an overview of the largest shareholders at the end of 2019. Please note that:

- the disclosures took place at different moments, so that the denominator may not be the same for all shareholders; and
- the shareholdings may have changed since the latest disclosure.

Apart from the two actual shareholdings listed above, one investor (YA II PN, Ltd., which is controlled by Mark Angelo) had a purchase position for 22.0% of the Company's capital at year-end 2019, related to a SEDA agreement which was announced in a press release on 15 March 2017.

Treasury shares

On 31 December 2019, Evolva held 21.5 million shares in treasury. These shares may be used for later financing purposes. For more details see the Consolidated Financial Statements.

Conditional capital for incentive equity plans

At 31 December 2019, conditional capital of CHF 12,940,152.20 was available for the issuance of 64,700,761 shares under the incentive equity plans to employees of the Company and its subsidiaries, Board members and other key persons (3C Articles of Association).

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

Significant shareholders year-end 2019

Shareholder	%	Disclosure date
Pictet Asset Management SA	9.6	9 January 2018
Cologny Advisors, LLP	3.2	23 October 2019

Source: SIX Swiss Exchange website – significant shareholdings

Capital for financing purposes

Evolva's Articles of Association (3A) enable the issue of up to 34,660,379 shares from conditional capital for financing purposes as for 31.12.19. 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. On 31 December 2019, the Company did not have any convertible bonds or warrants outstanding.

During 2019 no authorized capital for financing purposes was available (former Article 3Abis).

For detailed information regarding the capital structure, reference is made to the Articles of Association, which are available at https://www.evolva.com/investors/agm/.

Changes in capital

At year-end 2019, Evolva Holding AG had 796.9 million shares issued and outstanding with a nominal value of CHF 0.20 each, representing a nominal share capital of CHF 159.4 million.

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.

Convertible bonds and options

On 31 December 2019, the Company did not have any convertible bonds or warrants 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 44.

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 five directors and a maximum of eleven directors. At the end of 2019, the BoD consisted of five 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:

- five 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 *(Organisations-reglement)* 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://www.evolva.com/investors/agm/

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

The BoD receives an extensive reporting set ahead of each meeting, including project and financial updates. The members of the GMT attend the BoD meetings, except when the BoD reviews the GMT's performance and compensation. The BoD may ask for additional information and consult with external experts if it deems this necessary.

Board committees

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 2019, the AC consisted of Martin Gertsch (Chairman) and Thomas Videbaek.

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 2019, the AC convened two times by way of teleconference (same as in 2018). The CFO and the Head of Finance participated in the AC meetings.

Compensation Committee

At year-end 2019, the CC consisted of the following non-executive members: Thomas Videbaek (Chairman) and Martin Gertsch.

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 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 2019, and similar to 2018, the CC formally met three 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 35.


Gerard Hoetmer

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 2019, followed by a short description of each member's nationality, business experience, education and activities. At year-end 2019, all members of the BoD were non-executive.

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 2020. The business address for each member of the BoD is Duggingerstrasse 23, 4153 Reinach, Switzerland.

Gerard Hoetmer

Dutch national, born in 1956.
Gerard Hoetmer joined Evolva's Board of Directors in May 2016 and was elected Chairman in May 2017.

He spent the first 25 years of his career in various units within the multinational consumer goods company Unilever. Starting in engineering and production management, his responsibilities increased to include logistics, supply chain and commercial. In his first general management steps during his Unilever career he was responsible for Sales and Marketing and later as CEO of Loders Croklaan, a specialty food ingredient company. In 2000, Mr. Hoetmer took on the position as Senior Vice President Supply Chain Unilever Foods and Member of the Unilever Foods Executive Board, generating a turnover of EUR 27 billion. In 2005 he left Unilever to join Corbion N.V. (formerly CSM N.V.), a Dutch Euronext-listed group, as CEO. While at Corbion Mr. Hoetmer oversaw the company's transformation from a broad food and food ingredients manufacturer to a focused industrial biotech company delivering bio-based products made from renewable resources. In 2014, Corbion generated revenue of EUR 770 million and counted nearly 2,000 employees. Mr. Hoetmer retired from this function in 2014. He has a Master degree in Mechanical Engineering from Delft University in the Netherlands. He is chairman of the board of AON Holdings B.V. (Netherlands, not listed).

Composition of the Board of Directors at year-end 2018

Name	Function	Committee membership	First elected
Gerard Hoetmer	Chairman	-	2016
Martin Gertsch	Member	AC (Chair), CC	2012
Jutta Heim	Member	-	2013
Ganesh Kishore	Member	-	2011
Thomas Videbaek	Member	CC (Chair), AC	2012

Martin Gertsch

Swiss national, born in 1965.

Martin Gertsch has been a member of the Board of Directors since May 2012.

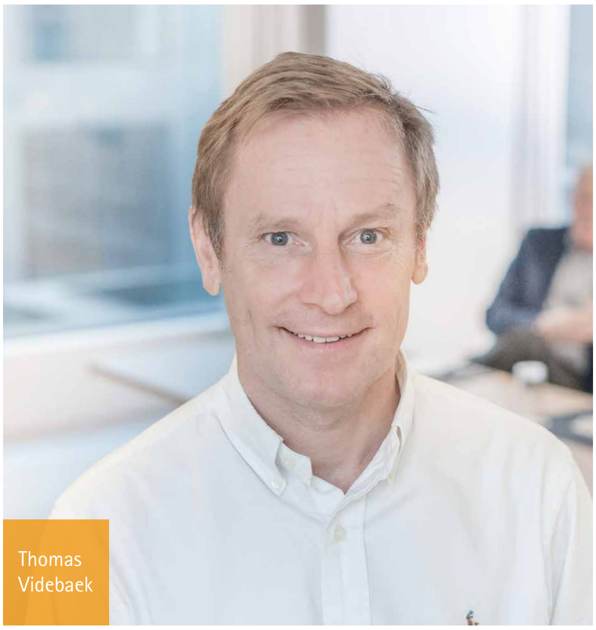
He is an experienced Board Member and Financial Advisor in the life science industry. He was CFO of Acino Pharma AG where he stepped down in January 2014 after it went private. He is former Vice-President Head of Finance EMEA at DePuySynthes and former Chief Financial and Chief Operating Officer of Delenex Therapeutics and ESBATech, two privately held biotech companies. From 2002 to the beginning of 2006, he was Chief Financial Officer of Straumann Holding AG, which he had joined in 1997 as Head of Group Controlling and Reporting. Between 1986 and 1997, Mr. Gertsch was an Audit Engagement Manager at PricewaterhouseCoopers, Basel, Switzerland. He is a Swiss certified fiduciary and Swiss certified public accountant. He has also completed several executive-level development programs at IMD (International Institute for Management Development) in Lausanne, Switzerland. Mr. Gertsch serves as Vice-Chairman of the Board and chairman of the audit committee of Santhera Pharmaceuticals and as Board Member of the University Center of Dentistry, Basel (UZB). He is also Chairman of the Board of a privately-held diagnostic start-up company.

Jutta Heim

German national, born in 1951.

Prof. Dr. Jutta Heim was the Company's Chief Technology/Scientific Officer between August 2009 and April 2013. Dr. Heim was a member of the Board of Directors of Evolva AG from April 2005 until November 2009 and was elected to the Board of Directors of Evolva Holding AG in May 2013. In addition to her work as a Board member, Dr. Heim acts as scientific consultant to Evolva.

Until 2009, Dr. Heim was Chief Scientific Officer of Basilea Pharmaceutica AG, a Swiss biopharmaceutical company, where she was in charge of all anti-infective, dermatology and oncology discovery activities. Prior to joining Basilea, Dr. Heim worked for 22 years in Switzerland and the United States for Ciba-Geigy/Novartis, where she was involved in the successful development and launch of biopharmaceutical anti-thrombotic and fibrinolytic products, initiated a molecular genetics department in oncology and became Novartis' Senior Scientific Expert in Molecular Biology and a member of the Research Management Board. Dr. Heim completed her career at Novartis heading the Novartis Lead Discovery Center with world-wide responsibility. She has published numerous papers in the areas of natural products, recombinant proteins and applied molecular biology, in particular in the area of oncology. She received a PhD from the University of Tubingen in 1981 and holds a professorship in Biotechnology at the Biocenter of the University of Basel. Dr. Heim is a member of the Advisory Board of "Stiftung für Wissenschaftliche Forschung Universität Zürich", a Board member of Union Therapeutics A/S and an Observer on the board of Allecra Therapeutics GmbH. She also served as chair of the scientific advisory committee of GARDP SAC until November 2019. Moreover, she is on the Board/Scientific Expert Panel of several academic institutions.



Ganesh Kishore

U.S. national, born in 1953.

Dr. Ganesh Kishore has been a member of the Board of Directors since May 2011.

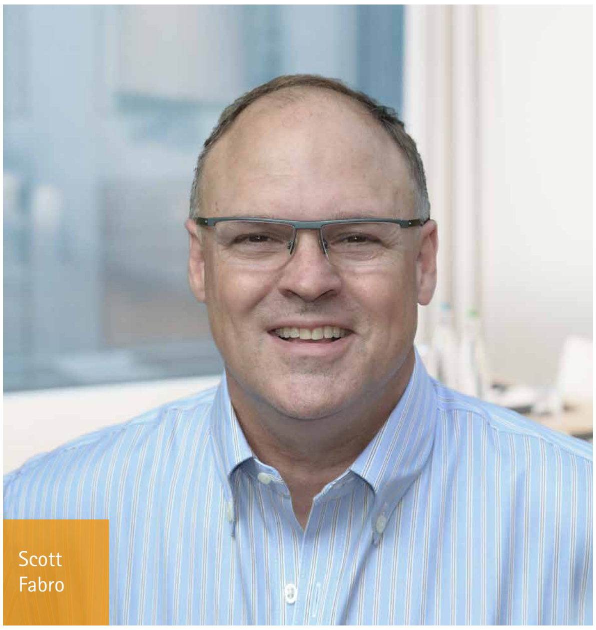
Dr. Kishore received his PhD in biochemistry from the Indian Institute of Science, after which he pursued postdoctoral research in chemistry and biology at the University of Texas at Austin. In 1980, he joined Monsanto where he held senior positions in the areas of biotechnology and in the Nutrition and Consumer Products division. During his tenure at Monsanto, he was involved in the development of major products such as aspartame (the active ingredient of several major sweetener products) as well as key agricultural crop protection technologies. Dr. Kishore joined DuPont in 2002 as Chief Technology Officer for its Agriculture and Nutrition Platform and took over the role of Chief Biotechnology Officer for the company in 2005. He left DuPont in 2007 to move into venture capital. Dr Kishore is currently the Managing Partner of MLS Capital Fund II, a fund based in USA and Malaysia. He is also the Managing Partner of Spruce Capital Partners, a Venture Capital Management Company. His other Board mandates include Impetus, MynVax, Consumer Physics, Greenlight Biosciences, Provivi, Amfora, and MOgene LC. He also serves on the Board of several academic institutions and as an advisor to AG and Biochemical companies.

Thomas Videbaek

Danish national, born in 1960.

Dr. Thomas Videbaek has been a member of the Board of Directors since May 2012.

Dr. Videbaek has been a member of the Novozymes Executive Management Group since September 2007, currently responsible for Research, Innovation and Supply. He joined Novo Nordisk as a chemist in 1988 and worked in various positions in the Textiles and Starch divisions, both in Denmark and in the U.S. In 1996, he also assumed responsibility for Food and Feed Enzymes and was appointed Director for Strategic Marketing, Food and Feed Enzymes. At the end of 1998, Dr. Videbaek was appointed General Manager for Novozymes Switzerland and also Vice-President for Cereal Food and Beverage Marketing. He returned to Denmark in 2003 and became Vice-President for Supply Chain Operations, where he was responsible for establishing a global organization in charge of the supply chain at Novozymes. Dr. Videbaek holds a Masters of Chemical Engineering from DTU, Department of Nutrition and Biochemistry, Copenhagen (1986), and a PhD from DTU (1990). He also holds a Bcom (International Business) from the Copenhagen Business School (1992). He does not hold any relevant Board mandates outside Evolva.



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 2019, followed by a short description of each member.

Composition of the Group Management Team

Name	Position	In GMT since
Oliver Walker	Chief Executive Officer	2016
Scott Fabro	Chief Operating Officer	2017

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 at the University of Berne, Switzerland. Mr. Walker is a Swiss citizen.

Scott Fabro

U.S. national, born in 1964.

Scott Fabro joined Evolva in July 2017 and took over the Chief Commercial Officer position in September 2017. In July 2018, his responsibilities were expanded to include Evolva's supply chain in his capacity as Chief Operating Officer.

Mr. Fabro has broad executive experience in various marketing functions in the food industry including ACH Foods, Kerry and Cargill. Before joining Evolva he was Vice-President of Ingredient Sales at Sweet Harvest Foods. He has 27 years of experience in the area of value-added ingredients. At most of his previous postings, Mr. Fabro's responsibilities spanned strategy development, R&D, commercialization as well overall P&L responsibility. He has led ACH's Humko Specialty Powders Division, where he commercialized NutriSperse® nutritional beverage bases and a unique vitamin E. At Kerry he led the

Aromont® culinary, nutritional lipids and specialty powders businesses. While at Cargill he led the commercial strategy for Omega-3, Beta-glucans, Truvia® ingredient stevia, ViaTech® stevia and led the commercial strategy on EverSweet™ with Evolva. He has a Bachelor's degree in Marketing from the University of Wisconsin-River Falls. He does not hold any relevant Board mandates outside Evolva.

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 94 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. The AGM may elect a substitute. In exceptional circumstances, the BoD may determine the independent proxy. In 2019, 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 Handelsamtsblatt) 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.

Changes of control and defense measures

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 2018. EY has been auditor to Evolva AG since 2005. The lead auditor is Mr. Rico Fehr since business year 2017. During 2019, EY charged CHF 210,700 (2018: CHF 217,000) in total audit and audit-related fees and CHF 16,000 (2018: CHF 5,000) for tax services. 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) is the responsibility of the Audit Committee. This committee reviews the external auditor's audit plan and oversees its execution. The external auditor EY was present in both meetings of the Audit Committee in 2019.

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.


CONFOEDERATIO HELVETICA

Compensation Report

Summary

- **Board of Directors and Group Management Team compensation in 2019 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**
  - **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 2019;
- A summary of the amounts paid to the members of the BoD and GMT in the 2019/2020 authorization period and the proposed maximum amounts for BoD and GMT compensation for the 2020/2021 authorization period

The AGM on 8 April 2019 approved the BoD's proposals for the maximum prospective amounts for the 2019/2020 period. The shareholders also provided a favourable, consultative, vote on the 2018 Compensation Report.

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 2019. The Audit Report is presented on page 43.

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 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 (https://www.evolva.com/investors/agm/) 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.

1 Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV.

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 ■ Use benchmarking data to assess 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

4. Process for determination of compensation

The Board of Directors (BoD) 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 BoD in the detailed preparation and implementation of the compensation policy. It provides the BoD with recommendations on the compensation of members of the BoD and Group Management Team (GMT) as well as policies for other employees, and the basic principles for the establishment, amendment and implementation of incentive plans.

On 31 December 2019, the CC consisted of two non-executive Board members: Thomas Videbaek (Chairman) and Martin Gertsch. In 2019, the CC formally met three times (unchanged to 2018). 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.

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 by line manager*
- *Assessment of achievement level under plan regulations and award criteria by CC and BoD*

Compensation determination

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

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)

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[3]) ■ 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: < 80%: no pay-out > 80%: pay-out on achievement level, however max. 250% ■ Performance period: three years ■ Performance criteria: Total revenue, EBITDA[3] and minimum share price appreciation ■ Vesting: only upon successful achievement of performance period, annual vesting of 1/3 over the three subsequent years

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 build shareholder value.
2) PSU = Performance share unit
3) excluding share-based expenses

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 BoD remained unchanged.

5.1 Fixed compensation items

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 11 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. Ordinary 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.

5.2 Variable compensation items

Variable compensation comprises in 2019 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 2019. 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 total revenue and EBITDA[2], the former weighted 30% and the latter 70%, respectively. No vesting shall take place if the applicable performance multiplier of any of the two performance targets (revenue and EBITDA[2]) is below 0.8 ("cliff"). The maximum multiplier of shares that can be delivered to any plan participant is limited to 1.2. In 2019, the combined target achievement of total revenue and EBITDA[2] was 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 2019. Under the LTI plan, GMT members were granted PSUs in the amount of 75% of their annual base salary on 1 May 2019. The plan contains a three years performance measurement period. Upon completion of the three years performance measurement period (1 May 2022) the awarded PSUs shall vest by 1/3 over the subsequent three years, with first vesting on 1 May 2022, provided that the performance targets will be met. Performance targets under the LTI plan include total revenue, EBITDA[2] (the former weighted 40% and the latter 60%, respectively) and a minimum share price appreciation.

No vesting shall take place if the applicable performance multiplier of any of the two performance targets (revenue and EBITDA[2]) is below 0.8 ("cliff"). 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 2.5. Any PSUs to vest will be created from Evolva's conditional capital (Article 3C of the bylaws).

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

2 excluding share-based compensation expenses

6. Compensation amounts for financial year 2019

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 2019/2020. The shares were created from Evolva's conditional capital (Article 3C).

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

Table 1: Compensation per Board member for the 2019 calendar year – audited

		2019		2018
Amounts in CHF 1,000	**Cash**	**Equity [2]**	**Total [3]**	**Total [3]**
Gerard Hoetmer, Chairman	80.0	80.0	160.0	160.0
Ganesh Kishore	40.0	40.0	80.0	80.0
Jutta Heim	40.0	40.0	80.0	80.0
Martin Gertsch, AC Chariman & CC member	55.0	40.0	95.0	90.0
Thomas Videbaek, CC Chairman & AC member	47.5	40.0	87.5	85.0
Total active Board members	**262.5**	**240.0**	**502.5**	**495.0**
Stuart Strathdee [1]	27.5	-	27.5	95.0
Total former Board members	**27.5**	**–**	**27.5**	**95.0**
Total	**290.0**	**240.0**	**530.0**	**590.0**

1) not re-elected for period 2019/2020
2) based on the grant date fair value of RSU granted in 2019
3) excludes the Company's mandatory contribution to Social security schemes (AHV/IV/ALV) of CHF 38,000 (2018: CHF 35,000)

Evolva compensated Ms. Jutta Heim for scientific advisory services in the amount of CHF 50,000 (2018: CHF 50,000).

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

Compensation period	2019/2020	2018/2019	2017/2018
Grant date	9 April 2019	3 May 2018	1 January 2018
Vesting date	8 April 2020	3 May 2019	31 December 2018
Share price at grant	CHF 0.24	CHF 0.23	CHF 0.31
No. of RSUs granted	1,019,108	1,217,391	903,224
Value at grant	CHF 240,000	CHF 280,000	CHF 280,000

Group Management Team

The following tables show the GMT compensation for the past calendar year. The variable compensation in Table 2 reflects the short and long-term incentive programs.

Total compensation to GMT at grant value

Table 2: GMT compensation for the period 1 January 2019 – 31 December 2019 – Audited

Amounts in CHF 1,000	Fixed compensation			Variable compensation			Total[1]
	Base salary	Other[1]	Total[2]	Short term	Long term	Total[2]	
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

Variable compensation comprises the fair value at grant date of STI (short term) and LTI (long-term) performance share units granted in 2019. The fair value is based on 100% target achievement. Since PSU issued to the GMT are subjected to a three years performance period, followed by a three years vesting period, a discount of 20.7% is allowed at grant.

Long-term performance share units grant overview GMT

Grant date	1 May 2019	1 July 2018
Vesting date[1]	Various	various
Share price at grant	CHF 0.23	CHF 0.23
No. of PSU granted	3,351,102	2,644,261

1) See par. 5.1 of this Compensation report

Table 3: GMT compensation for the period 1 January 2018 – 31 December 2018 – Audited

Amounts in CHF 1,000	Fixed compensation			Variable compensation			Total[1]
	Base salary	Other[1]	Total[2]	Short term	Long term	Total	
Oliver Walker	392.6	23.7	416.3	78.5	337.5	416.0	832.3
Other GMT members	755.3	59.6	814.9	150.0	259.8	409.9	1,224.8
Total	**1,147.9**	**83.3**	**1,231.3**	**228.5**	**597.3**	**825.9**	**2,057.1**
of which:							
active members	713.5	49.0	762.5	125.8	597.3	739.6	1,502.2
former members[3])	434.4	34.3	468.7	86.2	-	86.2	555.0

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 in the compensation period 2018 include Mr. Simon Waddington, only.

The table above shows the compensation for the active GMT members and for Simon Waddington, who stepped down as Evolva's CEO on 10 July 2018. Oliver Walker was elected as CEO on 10 July 2018, which led to a salary increase to reflect his new responsibilities in the second half-year 2018.

In 2019 and 2018, the Company did not issue or assume any guarantees for any shareholder, member of the BoD or GMT. No shareholder and no member of the BoD or GMT have received any loans from the Company.

Shareholdings and loans – 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 94.

7. Compensation in 2019/2020 Authorization period

All figures in this Compensation Report so far cover the business year, as required by Swiss law. These may slightly 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 8 April 2019 as well as the part that was actually used. The total compensation in the 2019/2020 period for the members of BoD and GMT remains well within the authorization given by the shareholders.

Table 4: Calendar year versus Authorization period compensation for the Board of Directors

	Calendar year 2019		Authorization period 2019/2020		
	Includes	Amount (CHF 1,000)	Includes [1]	Amount (CHF 1,000)	Approved Max.
Fixed compensation	January 2019 – December 2019	290,0	AGM 2019 – AGM 2020	270,0	
Fixed equity	Grant 2019	240,0	Grant 2020	240,0	
Total		**530,0**		**510,0**	**700,0**

1) Including an estimate of the remaining few months of the 2019/2020 Authorization period.

Table 5: Calendar year versus Authorization period compensation for GMT

	Calendar year 2019		Authorization period 2019/2020		
	Includes	Amount (CHF 1,000)	Includes [1]	Amount (CHF 1,000)	Approved Max.
Fixed compensation	January 2019 – December 2019	1,135.0	July 2019 – June 2020	1,200.0	
Variable equity	STI	431.7	STI	200.0	
Variable equity	LTI	334.0	LTI	600.0	
Total		**1,900.7**		**2,000.0**	**3,000.0**

1) Including an estimate of the remaining few months of the 2019/2020 Authorization period.

8. Proposal for the AGM of 15 April 2020

The proposed maximum compensation amounts for the 2020/2021 Authorization period for BoD and GMT are expected to be CHF 0.7 million and CHF 2,5 million, respectively.

To the General Meeting of Evolva Holding AG, Reinach

Report of the statutory auditor on the compensation report

Basle, 17 March 2020

We have audited the compensation report of Evolva Holding AG for the year ended 31 December 2019. 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 39 to 42 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 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 2019 of Evolva Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

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

Consolidated Financial Statements

Consolidated Statement of Financial Performance

CHF 1,000	Note	for the year ended 31 December	
		2019	2018
Revenue from contracts with customers	**4**	**11,596.0**	**8,932.6**
Cost of goods sold	5	(6,304.5)	(6,815.7)
Gross profit		**5,291.5**	**2,117.0**
Research & development expenses	6	(13,739.6)	(18,585.0)
Commercial, general & administrative expenses	7	(11,679.5)	(14,267.9)
Total operating expenses		**(25,419.1)**	**(32,852.9)**
Operating loss		**(20,127.6)**	**(30,735.9)**
Financial income	8	848.1	1,668.8
Financial expenses	8	(2,334.1)	(2,291.1)
Gain of sale of an associate	-	-	40.2
Net loss before tax		**(21,613.6)**	**(31,318.0)**
Income tax	9	(25.3)	2,104.1
Net loss for the period		**(21,638.9)**	**(29,213.9)**
Basic and diluted loss per share (in CHF)	24	(0.03)	(0.04)

Consolidated Statement of Other Comprehensive Income

CHF 1,000	Note	for the year ended 31 December	
		2019	2018
Net loss for the period		**(21,638.9)**	**(29,213.9)**
Items to be reclassified to the statement of financial performance (net of tax)			
- Translation differences	-	(869.6)	201.5
Items not to be reclassified to the statement of financial performance (net of tax)			
- Remeasurement (loss)/gain on defined benefit plans	12	(441.2)	785.6
Other comprehensive (loss)/income		**(1,310.8)**	**987.1**
Total comprehensive loss		**(22,949.7)**	**(28,226.8)**

Consolidated Statement of Financial Position

CHF 1,000	Note	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Intangible assets	14	133,938.5	138,838.3
Property, plant and equipment	15	7,211.1	4,769.2
Financial deposits	16	2,183.7	2,217.5
Total non-current assets		**143,333.3**	**145,825.1**
Current assets			
Inventories	17	5,391.5	4,040.4
Prepayments & accrued income	18	1,953.5	829.8
Trade and other receivables	19	1,480.0	1,941.2
Cash and cash equivalents	20	39,919.8	60,380.4
Total current assets		**48,744.8**	**67,191.9**
Total assets		**192,078.1**	**213,017.0**
EQUITY AND LIABILITIES			
Equity			
Share capital	21	159,375.6	154,115.8
Share premium	-	230,834.0	230,780.0
Treasury shares	23	(4,345.8)	(55.4)
Other reserves	-	39,081.3	38,754.7
Accumulated loss	-	(256,521.3)	(234,882.5)
Other components of equity	-	4,138.3	5,449.1
Total equity		**172,562.1**	**194,161.7**
Non-current liabilities			
Deferred tax liabilities	10	151.6	127.1
Net defined benefit liabilities	12	2,229.0	1,628.9
Lease liabilties	26	4,840.1	2,394.0
Total non-current liabilities		**7,220.7**	**4,150.0**
Current liabilities			
Trade payables	-	2,911.5	743.0
Deferred income	-	-	41.2
Provisions and accrued liabilities	25	8,094.5	13,139.1
Lease liabilities	26	1,289.3	781.9
Total current liabilities		**12,295.3**	**14,705.2**
Total equity and liabilities		**192,078.1**	**213,017.0**

Consolidated Statement of Cash Flow

for the year ended 31 December

CHF 1,000	Note	2019	2018
Operating activities			
Net loss for the period	**-**	**(21,638.9)**	**(29,213.9)**
Non-cash adjustments to reconcile net loss for the period to net cash flows			
- Depreciation of tangible assets	15	1,787.4	1,593.0
- Amortisation of intangible assets	14	6,060.4	5,908.7
- Capitalised development expenses	6	(2,693.3)	(2,337.9)
- Interest income	8	(0.3)	(1.7)
- Interest expenses	8	583.4	361.9
- Net foreign exchange differences	-	809.7	(361.8)
- Share-based compensation	11	1,186.2	1,876.3
- Changes in deferred tax liability	10	25.3	(2,053.2)
- Change in current assets	-	(2,145.6)	3,782.8
- Change in current liability	-	2,166.7	(3,307.7)
- Change in provisions	25	122.7	372.6
- Change in pension liabilities	12	158.9	133.7
- Interest payments received	-	0.3	2.0
- Interest expenses paid	-	(583.4)	(361.9)
Net cash flow from operating activities		**(14,160.5)**	**(23,607.0)**
Investing activities			
Purchase of property, plant and equipment	15	(193.5)	(888.8)
Disposal of property, plant and equipment	15	0.7	525.3
Contribution EverSweet™ licence	-	(5,173.1)	(12,012.5)
Withdrawal of financial deposits	-	33.1	208.7
Cash flow from investing activities		**(5,332.8)**	**(12,167.3)**
Financing activities			
Capital increase costs	-	(96.0)	(208.6)
Proceeds from exercise of share options	11	259.8	-
Lease payments	26	(1,083.8)	(791.4)
Cash Flow from financing activities		**(920.0)**	**(1,000.0)**
Net decrease in cash and cash equivalents		**(20,413.3)**	**(36,774.4)**
Exchange loss on cash and cash equivalents	-	(47.3)	(29.8)
Cash and cash equivalents at the beginning of period	20	60,380.4	97,184.5
Cash and cash equivalents at end of the period	**20**	**39,919.8**	**60,380.4**

Consolidated Statement of Equity

		Attributable to the equity holders of the parent								
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 2018		**154,115.8**	**230,988.7**	**385,104.5**	**(155.2)**	**36,978.1**	**(1,346.5)**	**5,808.5**	**(205,668.5)**	**220,720.8**
Loss for the period	-	-	-	-	-	-	-	-	(29,213.9)	(29,213.9)
Other comprehensive income	-	-	-	-	-	-	785.6	201.5	-	987.1
Total comprehensive loss		**-**	**-**	**-**	**-**	**-**	**785.6**	**201.5**	**(29,213.9)**	**(28,226.8)**
Capital increase costs	21	-	(208.6)	(208.6)	-	-	-	-	-	(208.6)
Effects of share based compensation	11	-	-	-	99.8	1,776.5	-	-	-	1,876.3
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**
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	21	5,000.0	150.0	5,150.0	(5,150.0)	-	-	-	-	-
Capital increase costs	21	-	(96.0)	(96.0)	-	-	-	-	-	(96.0)
Exercise of share options	11	259.8	-	259.8	-	-	-	-	-	259.8
Share based compensation	11	-	-	-	-	1,186.2	-	-	-	1,186.2
Vesting of share based compensation	11	-	-	-	859.6	(859.6)	-	-	-	-
At 31 December 2019		**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**

The accompanying notes form an integral part of these 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 discovers, develops and commercialises ingredients with applications in food, nutrition, personal healthcare, agriculture and other sectors. Evolva Holding AG is incorporated in Switzerland and has been the parent company of the Group since 11 December 2009. The shares of the Company are listed on the SIX Swiss Exchange (EVE).

The legal domicile of the Company is: Evolva Holding AG, Duggingerstrasse 23, 4153 Reinach, Switzerland. The group comprises the following subsidiaries:

Name	Domicile	Ownership [1]		Shareholder	Share capital
		31.12.2019	31.12.2018		
Evolva AG	Reinach, CH	100%	100%	Evolva Holding AG	CHF 6,369,540
Evolva Inc.	Lexington, USA	100%	100%	Evolva AG	USD 7,835
Non-operational entities:					
Evolva Biotech A/S	Copenhagen, DK	100%	100%	Evolva AG	DKK 4,311,583
Evolva Biotech Private Limited	Chennai, India	100%	100%	Evolva AG	INR 169,930
Evolva Bio UK Ltd.	Cambridge, UK	100%	100%	Evolva AG	GBP 14.62
Evolva Singapore PTE. Ltd.	Singapore	100%	100%	Evolva AG	SGD 100

1) Capital ownership is equal to voting ownership

On 31 December 2019, Evolva employed 66 full-time employees (2018: 67), of which 38 (2018: 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 17 March 2020 and are subject to approval by the Annual General Meeting on 15 April 2020.

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:

Revenue recognition for contract revenue
Revenue recognition involves a higher degree of judgment or complexity and can have a significant impact on the consolidated financial statements. The Group has some contractual agreements that include upfront and/or milestone payments over a period of multiple years. Revenue is recognised, when the identified performance obligations are satisfied by transferring goods or services to a customer. A good or service is considered to be 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).

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 revenue by a third party in a mid-term commercial model. Evolva extrapolites revenue until the end of the contractual agreed 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 might have an impact on the valuation of the underlying asset (refer to note 14).

Share based compensation
Evolva measures the cost of equity-based compensation to its employees and directors by reference to the fair value of the instruments granted. Estimating the fair value requires determining the most appropriate valuation model that is dependent on the terms and conditions of the grant. In case of options, this also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used are disclosed in note 11.

Valuation of defined benefit pension plans
Actuarial valuations in connection with defined benefit pension plans where various assumptions (e.g. discount rates, mortality rates) bear significant uncertainties due to the long-term nature of the plans (refer to note 12).

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).

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.

Impairment of goodwill

Goodwill is tested for possible impairment at least annually on Group level or when an impairment indicator is identified. This requires Management's assumptions on the expected future cash flows from cash-generating unit(s), the applicable discount rate and other input factors to calculate the present value of future cash flows.

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 has the ability to 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.

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:

		2019		2018	
Currency	**Unit**	**Closing rate**	**Average rate**	**Closing rate**	**Average rate**
EUR	1	1.10	1.13	1.14	1.17
DKK	100	14.67	15.14	15.28	15.75
INR	100	1.37	1.43	1.42	1.46
USD	1	0.98	1.00	0.99	0.99
GBP	1	1.28	1.28	1.26	1.33

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 as well as 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. In order 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.

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

As result of applying the first time IFRS 16, the Group has changed its accounting policy for lease contracts.

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, plant 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.

The category product development includes development costs related to EverSweet™ and production process developments of the on-market products. These costs include compensation to staff, consultants and contract research organizations involved in R&D activities, process development (scale-up, fermentation, downstream processing), consumables for laboratory work, intellectual property expenses, including potential impairment and depreciation of corresponding property, plant and equipment.

Costs are capitalized only if they satisfy the criteria as defined by IAS 38 and described in section "Research & Development expenses". Internal and external development costs of EverSweet™ arising from the development phase are recognized as a licence asset (note 14). Production process development costs of on-market products are recognized as Product development assets (note 14).

Intangible assets are assessed for potential impairment if indicators for impairment exist. Any impairment charge is recorded in the consolidated income statement under "Research & Development expenses".

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.

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 expected to result 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 or paid 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, process development (scale-up, fermentation, downstream processing), consumables for laboratory work, intellectual property expenses and depreciation of corresponding intangible assets and property, plant and equipment.

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

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

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

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, except for the changes described below. Various standards and interpretations of the IFRS have been revised or were introduced with effective date 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments applied for the first time in 2019, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

IFRS 16 Leases (effective 1 January 2019)

The Group implemented IFRS 16 as of 1 January 2019 using the "modified retrospective approach" including the practical expedience (recognition exemptions to short-term leases and low value assets).

Accordingly, the information presented 2018 has not been restated – i.e. it is presented, as previously reported under IAS 17 and related interpretations.

The effect of this new standard leads to an initial recognition of right-of-use assets and an increase of the carrying value of lease liabilities of CHF 4.0 million as at 1 January 2019. Depreciation and interest expense have increased by CHF 0.5 million and CHF 0.2 million, while facility and maintenance expenses decreased by CHF 0.6 million in 2019. The table below shows the impact on the statement of financial performance (in CHF 1,000):

Impact on the Statement of Financial Position	1 January 2019	31 December 2019
Assets		
Right-of-use assets presented in Property, Plant & Equipment	6,708.6	5,589.7
Lease assets in Property, Plant & Equipment recognised previous under IAS17	(2,702.4)	(2,089.6)
Total assets	**4,006.2**	**3,500.1**
Liabilities		
Short-term lease liabilities	595.5	595.5
Long-term lease liabilities	3,410.6	2,985.6
Total liabilities	**4,006.1**	**3,581.1**

Impact on the Statement of Financial Performance	1 January to 31 December 2019
Depreciation expense (incl. in Research & development expenses)	(420.0)
Depreciation expense (incl. in Commercial, general & administrative expenses)	(86.0)
Facility and maintenance expense (incl. in Research & development expenses)	519.0
Facility and maintenance expense (incl. in Commercial, general & administrative expenses)	106.3
Total operating expenses	**119.3**
Financial expenses	**(200.3)**
Net loss of the period	**(81.0)**

Impact on the Statement of cash flow	1 January to 31 December 2019
Net cash flow from operating activities	425.0
Cash flow from financing activities	(425.0)

The discounted amount of operating lease commitments as presented in the Groups' 2018 consolidated financial statements (CHF 5.0 million) reflects the present value of the lease liabilities as at 1 January 2019 of the assets classified as 'right-of-use asset' under IFRS 16. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 5.0%.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows (in CHF 1,000):

Assets	
Operating lease commitments as at 31 December 2018	4,950.2
Weighted average incremental borrowing rate as at 1 January 2019	5%
Discounted operating lease commitments as at 1 January 2019	4,006.2
Add:	
Commitments relating to the lease previously classified as finance leases	3,175.9
Lease liabilities as at 1 January 2019	7,182.1

The following amendment and interpretation apply for the first time in 2019, but do not have an impact on the condensed consolidated financial statements of the Group:

- IFRS 9 (Amendment) 'Prepayment features with negative compensation'
- IAS 19 (Amendment) 'Plan amendment, curtailment or settlement'
- IFRIC 23 (Interpretation) 'Uncertainty over income tax treatment'
- IAS 28 (Amendment) 'Long-term interests in Associates and Joint Ventures'
- Annual IFRS Improvement Process

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

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 to 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. Until now, the Group has primarily obtained equity financing. In future, the Company may also pursue other types of financing if it deems the relevant terms and conditions to be attractive.

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	Valuation category	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Carrying amount
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**
31 December 2018							
Cash & cash equivalents	AC	60,380.4	-	-	-	60,380.4	60,380.4
Trade and other receivables	AC	1,703.6	237.6	-	-	1,941.2	1,941.2
Financial deposits	AC	-	-	63.6	2,153.9	2,217.5	2,217.5
Total financial assets		**62,084.0**	**237.6**	**63.6**	**2,153.9**	**64,539.2**	**64,539.2**

Financial liabilities CHF 1,000	Valuation category	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Carrying amount
31 December 2019							
Lease liabilities[1)]	FLAC	344.0	1,014.4	4,142.7	1,997.8	7,498.9	6,129.4
Accrued liabilities[2)]	FLAC	2,216.1	1,377.7	-	-	3,593.9	3,593.9
Trade payables	FLAC	2,911.5	-	-	-	2,911.5	2,911.5
Total financial liabilities		**5,471.6**	**2,392.1**	**4,142.7**	**1,997.8**	**14,004.3**	**12,634.8**
31 December 2018							
Lease liabilities	FLAC	207.9	623.6	1,951.8	1,199.0	3,982.2	3,175.9
Accrued liabilities[2)]	FLAC	1,610.0	7,151.1	-	-	8,761.1	8,761.1
Trade payables	FLAC	743.0	-	-	-	743.0	743.0
Total financial liabilities		**2,560.9**	**7,774.7**	**1,951.8**	**1,199.0**	**13,486.3**	**12,680.0**

1) 2019: including adoption of IFRS 16
2) included in provisions and accrued liabilities
AC = Amortised costs
FLAC = Financial liability measured at amortised costs

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.

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 2019 and 2018, 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	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**
Monetary assets	370.1	271.7	10.4	4.6	656.9
Monetary liabilities	(554.3)	(3.5)	(2.4)	(1.5)	(561.6)
Net exposure 31 Dec 2018	**(184.2)**	**268.3**	**8.1**	**3.1**	**95.3**

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. A major part of the Group's revenues is derived from R&D contracts with large international companies and government institutions, for which the credit risk is limited. As regards product sales, Evolva conducts 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 2019 and 2018.

4. Segment and geographical information

Evolva's goal is to discover, develop and commercialise ingredients with applications in food, nutrition, personal healthcare, agriculture and other sectors. This involves various activities, from research to manufacturing and commercialization.
The Board of Directors and the Group Management Team (the chief operating decision-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	2019	2018
Type of goods or services		
Product related revenue	5,455.4	3,434.3
Research & development revenue	6,140.6	5,498.4
Total revenue from contracts with customers	**11,596.0**	**8,932.6**
Geographical allocation[1)]		
Switzerland	4,373.1	2,533.3
United States	7,222.9	6,301.4
Rest of the world	-	98.0
Total revenue	**11,596.0**	**8,932.6**
Timing of revenue recognition		
Revenue recognition at a point in time	5,455.4	3,434.3
Revenue recognition over a period of time	6,140.6	5,498.4
Total revenue from contracts with customers	**11,596.0**	**8,932.6**

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) is as follows:

CHF 1,000	31 December 2019	31 December 2018
Switzerland	47,297.4	44,742.9
United States	92,578.4	97,548.9
Rest of the world	1,273.8	1,315.8
Total non-current assets	**141,149.6**	**143,607.6**

Major customers

In 2019, Evolva's largest customer accounted for 26% (2018: 35%), the second largest for 19% and third largest customer for 10% (2018: 14% and 8%) of total Group revenues, respectively.

5. Cost of goods sold

CHF 1,000	2019	2018
Product manufacturing cost	5,568.7	5,929.8
Staff compensation	640.0	807.3
Depreciation of tangible assets	95.9	78.6
Total cost of goods sold	**6,304.5**	**6,815.7**

6. Research & development expenses

CHF 1,000	2019	2018
Consumables, consultancy and services	1,664.6	4,049.5
Staff compensation	4,253.3	6,271.5
Facility and maintenance*	230.7	1,016.7
Depreciation of tangible assets*	1,530.6	1,354.4
Amortisation of intangible assets	6,060.4	5,893.0
Total research & development expenses	**13,739.6**	**18,585.0**

*2019: including adoption of IFRS 16

The decrease of CHF 4.9 million resp. 26.1% results predominantly from implemented restructuring measures, which in 2019 take full effect. Evolva has capitalized CHF 2.7 million (2018: CHF 2.6 million) in the product & process development and royalty & licence, which would be attributable in the development expenses.

7. Commercial, general & administrative expenses

CHF 1,000	2019	2018
Compensation to BoD, GMT and staff	7,626.7	8,851.4
Other commercial, general & administrative expenses	3,748.2	5,004.9
Facility and maintenance*	143.6	251.6
Depreciation of tangible assets*	161.0	160.0
Total commercial, general & administrative expenses	**11,679.5**	**14,267.9**

*2019: including adoption of IFRS 16

The decrease of CHF 2.6 million resp. 18.1% results from implemented restructuring measures, which in 2019 take full effect.

8. Financial result

CHF 1,000	2019	2018
Interest & bank expenses	(192.9)	(150.2)
Lease expenses*	(390.4)	(211.7)
Foreign exchange loss	(1,750.8)	(1,929.2)
Total financial expenses	**(2,334.1)**	**(2,291.1)**
Interest income	0.3	1.7
Foreign exchange gain	847.8	1,667.1
Total financial income	**848.1**	**1,668.8**
Net financial result	**(1,486.0)**	**(622.3)**

*2019: including adoption of IFRS 16

9. Income taxes

The consolidated income tax statement is presented as follows:

CHF 1,000	2019	2018
Income taxes related to the current period	-	-
Deferred income taxes related to the reversal of temporary differences	(25.3)	2,104.1
Total income tax (expense)	**(25.3)**	**2,104.1**

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	2019	2018
Net loss before tax	**(21,613.6)**	**(31,318.0)**
Expected tax rate	*(-19,8%)*	*(-20.2%)*
Expected tax income at group level	4,274.1	6,338.0
Effect of expenses not entitled for deduction for tax purposes and only tax deductible expenses	5,008.9	123.7
Effect of current losses, for which no deferred tax is recognised	(9,229.2)	(4,360.1)
Effect of non capitalized temporary items	(51.6)	(45.4)
Other effects	(27.5)	47.9
Effective income tax (expense)	**(25.3)**	**2,104.1**
Effective income tax rate	*0.1%*	*(-6.7%)*

10. Deferred tax assets and liabilities

CHF 1,000	31 December 2019	31 December 2018
Tax loss carried forward	15,453.5	16,373.2
Temporary differences on patents and patent applications	(15,134.3)	(16,505.0)
Other*	(470.8)	4.6
Total deferred tax liabilities	**(151.6)**	**(127.1)**

*2019: including adoption of IFRS 16

The changes of net deferred tax liabilities presents as follows:

CHF 1,000	
1 January 2018	**(2,159.3)**
Deferred tax income during the period	2,104.1
Translation effects	(72.0)
31 December 2018	**(127.1)**
Deferred tax expense during the period	(25.3)
Translation effects	0.9
31 December 2019	**(151.6)**

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 2019	31 December 2018
Within one year	8,091	10,283
Later than one year and no later than five years	95,687	70,030
More than five years	95,472	46,781
Total tax loss carry-forwards	**199,250**	**127,094**

Unrecognized tax loss carry-forwards and deductible temporary differences would give rise to potential deferred tax assets of CHF 22.5 million in 2019 resp. CHF 23.7 million in 2018.

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	2019	2018
Research & development	167.5	569.9
Operation & manufacturing (in Cogs)	47.7	109.0
Commercial, general & administrative expenses	971.0	1,197.4
Total share-based compensation	**1,186.2**	**1,876.3**

The decrease of CHF 0.7 million resp. 36.8% results from implemented restructuring measures, which in 2019 take full effect.

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 2019 (unchanged to 2018), 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 (Revenue and EBITDA) 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 with a three years vesting period from 2022 to 2024. The number of shares to vest under the LTI plan is subject to the achievement of agreed company objectives (Revenue and EBITDA).

The following input criteria are used for the LTI model:

CHF 1,000	2019	2018
Dividend yield	0%	0%
Volatility	53%	53%
Risk-free interest rate	(0.09%)	0.07%
Share price (WVAP) at grant	CHF 0.24	CHF 0.23

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	7,880,954
LTI 2	PSU	01.04.2019	Several [2]	CHF 0.24	8,694,583
STI 1	PSU	01.04.2018	01.04.2019	CHF 0.27	451,252
STI 2	PSU	01.04.2019	01.04.2020	CHF 0.24	2,529,579
EVE 10	RSU	10.02.2017	Several [3]	CHF 0.55	4,787,334
EVE 11	RSU	01.01.2018	31.12.2018	CHF 0.31	-
EVE 12	RSU	03.05.2018	02.05.2019	CHF 0.23	-
EVE 17	RSU	09.04.2019	08.04.2020	CHF 0.23	1,019,107
Total					**25,362,809**

1) First vesting date is 1 July 2021 and comprises 1/3 of granted PSU, followed by additional vesting on 1 July 2022 and 2023.
2) First vesting date is 1 May 2022 and comprises 1/3 of granted PSU, followed by additional vesting on 1 May 2023 and 2024.
3) First vesting date is 1 May 2020 and comprises 1/3 of granted RSU, followed by additional vesting on 1 May 2021 and 2022. The interest rate applied was 0%.

Reconciliation of outstanding share units:

	Number of share units	
	2019	**2018**
Outstanding at 1 January	19,197,998	5,515,968
Granted	12,243,269	13,746,704
Exercised	3,737,395	-
Forfeited	2,341,063	64,674
Expired	-	-
Outstanding end of period	**25,362,809**	**19,197,998**

Incentive share option plans

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

	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 3	08.07.2011	31.12.2019	1.20	0.20	60.0%	2.10%	1.02
EVE 2	31.03.2011	30.03.2021	1.50	1.64	60.0%	2.33%	0.82
EVE1b	01.01.2010	31.12.2019	1.04	1.08	60.0%	1.89%	0.65
EVE 1	08.12.2009	07.12.2019	1.35	0.33	60.0%	1.89%	0.98

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

The volatility applied reflects Evolva's share price volatility for the last three years. Risk-free rate is based on ten-years Swiss government bonds. In addition to the EVE share option plans, 34,000 former Arpida options were outstanding and have expired in 2019 (31.12.2018: 377,800 fully vested). The exercise price is between CHF 0.67 and CHF 10.00.

The table below illustrates the number-weighted average exercise price in CHF (WAEP), the number of share options outstanding and the weighted average years remaining contractual life (WAYCL) as at 31 December 2019.

Plan name	Year of grant	WAEP	Number of options	WAYCL
EVE 9	2016	0.80	7,742,911	6.1
EVE 8	2015	1.31	5,004,208	5.0
EVE 7	2014	0.98	5,308,085	4.0
EVE 6	2013	0.64	2,951,980	3.5
EVE 5	2012	0.37	2,648,196	3.0
EVE 4	2012	0.55	4,500,840	2.0
EVE 3	2011	0.20	-	-
EVE 2	2011	1.64	2,679,935	1.4
EVE 1b	2010	1.08	-	-
EVE 1	2009	0.33	-	-
Total		**0.90**	**30,836,155**	**4.0**

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

	Number of options	
	2019	**2018**
Outstanding at 1 January	37,723,552	37,784,839
Granted	-	-
Exercised	1,299,239	-
Forfeited	700,124	61,287
Expired	4,888,034	-
Outstanding end of period	**30,836,155**	**37,723,552**
- of which exercisable	29,068,132	32,721,407

In 2019, 1,299,239 share options were exercised (2018: none). The average exercise price in 2019 was 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.

On 1 January 2019 Evolva has changed from a fully insured to a semi-autonomous pension fund. The change resulted in an actuarial gain of CHF 0.9 million and was accounted as of 31 December 2018. 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	2019	2018
Principal actuarial expectations		
Discount rate at 1 January	0.85%	0.65%
Discount rate at 31 December	0.20%	0.85%
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	11,317.6	10,556.5
Fair value of plan assets at 31 December	9,088.6	8,927.6
Deficit (surplus) at 31 December	2,229.0	1,628.9
Net defined benefit liability 31 December	**2,229.0**	**1,628.9**
- thereof recognised as separate liability	2,229.0	1,628.9
Reconciliation in net defined benefit liability		
Net defined benefit liability at 1 January	1,628.9	2,280.7
Defined benefit costs recognised in profit and loss	554.1	550.7
Defined benefit costs recognised in other comprehensive income	441.2	(785.6)
Contributions by Evolva	(395.2)	(417.0)
Net defined benefit liability at 31 December	**2,229.0**	**1,628.9**

– Table continued –

CHF 1,000	2019	2018
Reconciliation of defined benefit obligation		
Defined benefit obligation at 1 January	**10,556.4**	**10,080.4**
Interest expense on defined benefit obligation	80.8	66.4
Current service cost (Evolva)	534.4	530.4
Contributions by plan participants	395.2	417.0
Benefits (paid) / deposited	1,168.6	(672.8)
Administration costs (excl. costs for managing plan assets)	5.3	5.0
Others (Derecognition pensioner AXA Life)	(2,100.6)	-
Actuarial loss on defined benefit obligation	677.5	130.0
Defined benefit obligation at 31 December	**11,317.6**	**10,556.4**
Components of defined benefit costs in OCI		
Actuarial loss on defined benefit obligation	677.5	130.0
Return on plan assets excl. interest income	(236.3)	(915.6)
Defined benefit cost / (income) recognised in other comprehensive income	**441.2**	**(785.6)**
Components of actuarial gain/losses on obligations		
Actuarial loss / (gain) arising from changes in financial assumptions	1,004.6	(142.0)
Actuarial loss / (gain) arising from changes in demogr. assumptions	-	(123.7)
Actuarial (gain) / loss arising from experience adjustments	(327.1)	395.8
Actuarial loss on defined benefit obligation	**677.5**	**130.1**
Components of defined benefit cost in profit or loss		
Current service cost (employer)	534.4	530.4
Interest expense on defined benefit obligation	80.8	66.4
Interest (income) on plan assets	(66.4)	(51.2)
Adminstration cost excl. cost for managing plan assets	5.3	5.0
Defined benefit cost recognised in profit or loss	**554.1**	**550.7**
- thereof service cost and administration cost	539.7	535.5
- thereof net interest on the net defined benefit liability (asset)	14.4	15.2
Plan assets		
Fair value of plan assets at 1 January	8,927.6	7,799.7
Interest income on plan assets	66.4	51.2
Contributions by Evolva	395.2	417.0
Contributions by Evolva's plan participants	395.2	417.0
Benefits deposited / (paid)	1,168.6	(672.8)
Others (Derecognition pensioner AXA Life)	(2,100.6)	-
Return on plan assets excluding interest income	236.3	915.6
Fair value of plan assets at 31 December	**9,088.7**	**8,927.6**
Weighted average duration of defined obligation in years	**19.1**	**16.3**

The Company expects to contribute approximately CHF 0.4 million to the plan in 2020.

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:

	2019 DBO	2018 DBO
Discount rate - 0.25%	5.0%	4.2%
Discount rate + 0.25%	(4.6%)	(3.9%)
Interest rate - 0.25%	(1.9%)	(1.3%)
Interest rate + 0.25%	1.9%	1.4%
Salary decrease - 0.25%	(0.6%)	(0.5%)
Salary increase + 0.25%	0.6%	0.5%
Life expectancy - 1 year	1.9%	2.0%
Life expectancy + 1 year	(1.9%)	(2.1%)

13. Compensation

Total group compensation

CHF 1,000	2019	2018
Short term benefits	10,286.3	13,086.7
Share-based compensation	1,178.6	1,861.0
Termination benefits	472.6	627.7
Other staff related expenses	205.2	(20.0)
Total compensation	**12,142.7**	**15,555.4**

Group Management Team compensation

CHF 1,000	2019	2018
Short term benefits	878.9	1,168.8
Share-based compensation	291.1	185.3
Termination benefits	455.0	480.0
Total GMT compensation	**1,625.0**	**1,834.1**

14. Intangible assets

CHF 1,000	Patents & patent applications	Royalty & Licences	Product & process development	Contractual intangible rights	Goodwill	Total
Historical cost						
1 January 2018	**100,772.2**	**389.1**	**-**	**3,872.2**	**42,545.5**	**147,578.9**
Additions	-	18,708.1	459.6	575.7	-	19,743.3
Transfers	(57,669.8)	62,117.0	-	(4,447.2)	-	-
Translation effects	(1,873.0)	2,417.0	(6.1)	(0.7)	133.6	670.8
31 December 2018	**41,229.4**	**83,631.1**	**453.5**	**-**	**42,679.1**	**167,993.1**
Accumulated amortisation						
1 January 2018	**(22,751.5)**	**(340.4)**	**-**	**-**	**-**	**(23,092.0)**
Amortisation of the period	(2,778.6)	(3,130.1)	-	-	-	(5,908.7)
Transfers	15,458.0	(15,458.0)	-	-	-	-
Translation effects	502.6	(656.7)	-	-	-	(154.1)
31 December 2018	**(9,569.5)**	**(19,585.3)**	**-**	**-**	**-**	**(29,154.8)**
Net book value at 31 December 2018	**31,659.9**	**64,045.9**	**453.5**	**-**	**42,679.1**	**138,838.3**
Historical cost						
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**

Amortisation of intangible assets is fully recorded as a research and development expense.

In 2018, Evolva has reclassified patents and patent applications related to EverSweet™ of CHF 57.7m and contractual intangible asstes related to EverSweet™ of CHF 4.4m into Royalty & Licences assets to group asstes with the same nature into the same category. 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. Evolva's obligations under the agreement consist of an investment of a total of CHF 17.2 million, that was settled in cash between March 2018 and April 2019. In addition, Evolva agreed to conduct strain development over a period of 12 months, ending in March 2019. Development work to improve strain efficiency and related contractual financial commitments are recognized as "Royalty and Licence" 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 in the balance sheet. In 2019, Evolva has recognised CHF 2.5 million (2018: 0.5 million) of which the majority is related to development of new processes and technologies for new products and on-the-market products. The product and process development assets are not amortized yet, as the development of processes and for new products is not finished yet.

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 less cost of disposal. The Group has identified one cash-generating unit only. On 31 December 2019, the Group reassessed the valuation with a fair value less cost of disposal discounted cash flow model (DCF) – level 3 of the fair value hierarchy. Since Evolva is still considered as an early stage commercial company, the company has in addition assessed the recoverable amount based on its market capitalization plus control premium.

Gross profit margin applied in the DCF model was determinated by Management based on its expectations and best estimates for market development. This information is based on Group's market know-how gained through market analyses, market research and market intelligence over the years. In addition, the Company has used public available market studies to compare common market growth expectations with the Company's market growth assumptions. In circumstance where the Company's growth is expected to exceed the average growth rate based on public available data of a product or product portfolio, the Company has performed further analyses to assess the accuracy of its input factors applied. Operational expenses and other unobservable information have been assessed based on the CGU growth rates and the required resources needed to support the respective growth scenarios.

The recoverable amount of the CGU depends to some extend of the successful placement of new products in the market. The successful launch of new products might be delayed or prevented by changes in the regulatory and/or legal environment. Such changes of unobservable input factors might have short-term and/or long-term impacts on the Company's growth rates and ultimately on the Company's value according to the valuation model applied. Although the Company has applied reasonable assumptions, such unforeseeable events could have an impact on its valuation. In other circumstances, market growth can exceed the Company's assumptions applied and/or the Company is able to improve gross profit margin faster than assumed in the valuation in model. In such circumstances the Company value might result higher than assumed in the current valuation model.

The 10 years DCF model assumes for the years 1-5 average growth rates of 45% (2018: 49%) and for the years 6-10 average growth rates of 12% (2018: 15%). The Company applied a growth rate of 7% (2018: 4%) for the calculation of the terminal value and a WACC of 10% (2018: unchanged) to cash flow projections. If the WACC would increase by more than 10% or the growth rate of the terminal value would decrease by more than 20%, an impairment of the goodwill and/or intangible asset position could be required.

Control premium was determinate by an independent third party as the median of premiums paid amongst the Group's peer group when acquiring a controlling interest over a statistically relevant period.
Based on both analyses performed (DCF and market capitalization plus control premium), the Group concludes that the recoverable amount exceeds the carrying amount of the CGU.

Sensitivity analyses of selected input factors:
The sensitivity analyses were performed by re-calculating the DCF model with the same method and by changing the following input factors. The change of an input factor (in basic points) indicates the effect of the Company's value under the DCF model applied:

DCF Input factor	**Effect on Company's value**	
	31.12.2019	**31.12.2018**
WACC +1%	(32.0%)	(16.8%)
WACC -1%	+ 66.0%	+ 23.6%
Growth rate of terminal value +1%	+ 49.8%	+ 13.1%
Growth rate of terminal value -1%	(24.9%)	(9.4%)

15. Property, plant and equipment

CHF 1,000 Historical cost	Laboratory equipment	Office and IT equipment	Leasehold improvements	Manufacturing equipment	Right-of-use assets	Construction in progress	Total
1 January 2018	**15,422.0**	**2,569.8**	**4,714.2**	**322.5**	**-**	**329.4**	**23,357.9**
Additions	916.5	29.3	-	117.9	-	607.1	1,670.8
Disposals	(2,556.7)	(229.7)	(124.9)	-	-	-	(2,911.4)
Transfers	27.8	-	908.7	-	-	(936.5)	-
Translation effects	(9.4)	(43.4)	(12.1)	1.9	-	-	(62.9)
31 December 2018	**13,800.2**	**2,325.9**	**5,485.9**	**442.4**	**-**	**-**	**22,054.4**
thereof under financial leasing	1,634.1	43.7	4,400.0	-	-	-	6,077.8
Accumulated depreciation							
1 January 2018	**(13,223.8)**	**(2,348.8)**	**(2,475.7)**	**(101.3)**	**-**	**-**	**(18,149.7)**
Additions	(1,009.2)	(128.2)	(268.9)	(70.6)	-	-	(1,476.9)
Impairment	(94.9)	(22.2)	-	-	-	-	(117.1)
Disposals	2,032.1	229.1	124.9	-	-	-	2,386.1
Translation effects	16.9	44.2	12.0	(0.8)	-	-	72.3
31 December 2018	**(12,278.8)**	**(2,225.9)**	**(2,607.8)**	**(172.7)**	**-**	**-**	**(17,285.1)**
thereof under financial leasing	(908.7)	(46.9)	(2,423.0)	-	-	-	(3,378.6)
Net book value at 31 December 2018	**1,521.4**	**100.1**	**2,878.1**	**269.6**	**-**	**-**	**4,769.2**
Historical cost							
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**

Right-of-use assets

The Group applies for the first time IFRS 16 Leases as at 1 January 2019. This new standard introduces a single on balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset. The Group leases its head office building, laboratory equipment and leasehold improvements. The non-cancellable period of the lease is 7 years, with the option to extend the lease.

The additions on right-of-use assets have no immediate cash outflow, the cash outflow is recognised based on the related lease liability (Note 2).

16. Financial deposits

Financial deposits consist of CHF 2.2 million rent deposits (2018: CHF 2.2 million).

17. Inventories

CHF 1,000	31 December 2019	31 December 2018
Intermediate products	1,331.6	1,810.1
Finished products	4,059.9	2,230.3
Total	**5,391.5**	**4,040.4**

Total inventories are stated at the lower of production costs and net realizable value. As of the reporting date, finished products consist of nootkatone, valencene and resveratrol. In 2019 a reversal of write-down of inventory to net realisable value in the amount of CHF 1.1 million was recorded (2018: write-down CHF 0.8 million).

18. Prepayments & accrued income

CHF 1,000	31 December 2019	31 December 2018
Prepayments	1,048.1	462.3
Accrued income	905.4	367.6
Total	**1,953.5**	**829.8**

19. 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 2019	31 December 2018
Trade receivables	1,265.6	1,603.3
Other receivables	214.4	338.0
Total	**1,480.0**	**1,941.2**

20. Cash and cash equivalents

CHF 1,000	31 December 2019	31 December 2018
Cash at bank	39,919.8	60,380.4
Total cash & time deposits	**39,919.8**	**60,380.4**

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

21. Share capital

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

	Total number of shares Evolva Holding AG	CHF 1,000
1 January 2018	**770,578,998**	**154,115.8**
Shares from ordinary capital increase	-	-
Shares from conditional capital	-	-
Shares from authorised capital	-	-
1 January 2019	**770,578,998**	**154,115.8**
Shares from ordinary capital increase	-	-
Shares from conditional capital	26,299,239	5,259.8
Shares from authorised capital	-	-
31 December 2019	**796,878,237**	**159,375.6**

In 2019, Evolva has subscribed treasury shares of CHF 5.0 million. In addition, 1.3 million share options were exercised resulting in an equity increase of CHF 0.3 million.

22. Conditional and authorised capital

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

	Conditional capital		Authorised capital	
	number of shares	CHF 1,000	number of shares	CHF 1,000
1 January 2018	**93,881,150**	**18,776.2**	**-**	**-**
Approved by AGM/EGM 2018	31,779,229	6,355.8	-	-
Issued	-	-	-	-
1 January 2019	**125,660,379**	**25,132.1**	**-**	**-**
Approved by AGM/EGM 2019	-	-	-	-
Issued	(26,299,239)	(5,259.8)	-	-
31 December 2019	**99,361,140**	**19,872.3**	**-**	**-**

23. 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 2018	**776,001**	**155.2**
Issuance of shares	-	-
Use of shares for share-based compensation	(498,990)	(99.8)
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**

24. 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	2019	2018
Net loss attributable to shareholders of the parent	(21,638.9)	(29,213.9)
Weighted average number of shares outstanding	770,412.3	770,579.0
Basic and diluted loss per share (in CHF)	**(0.03)**	**(0.04)**

For the years ended 31 December 2019 and 31 December 2018, 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.

25. Provisions and accrued liabilities

CHF 1,000	R&D provisions	Financial accruals	Employee accruals	Restructuring-provisions	Other accrued liabilities	Total
1 January 2018	4,970.3	637.6	1,543.0	2,268.3	31.4	9,450.6
Made during the year	83.9	498.8	-	-	5,493.0	6,075.7
Used during the year	-	-	(119.0)	(2,268.3)	-	(2,387.2)
Reversed during the year	-	-	-	-	-	-
31 December 2018	**5,054.2**	**1,136.4**	**1,424.0**	**-**	**5,524.5**	**13,139.1**
- of which current	5,054.2	1,136.4	1,424.0	-	5,524.5	13,139.1
- of which non-current	-	-	-	-	-	-
31 December 2018	**5,054.2**	**1,136.4**	**1,424.0**	**-**	**5,524.5**	**13,139.1**
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**
Expected outflow of resources						
- within 12 months	5,522.8	1,657.1	723.1	-	191.5	8,094.5
31 December 2019	**5,522.8**	**1,657.1**	**723.1**	**-**	**191.5**	**8,094.5**

Research & development provisions

Research and development (R&D) provisions consists of various items related to the Company's R&D activities as well as contractually agreed liabilities. Predominately, they consist of a provision of CHF 4.5 million (2018: CHF 4.4 million) recorded in the past for potential repayments of contractual fees related to work for the US Defence Threat Reduction Agency (DTRA). While the two projects were successfully completed from an R&D perspective in 2010 and 2011 respectively, the audit of some project accounts has not yet been completed by the relevant US audit agency.

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 these cash outflows can be estimated reasonably. However, some items are by nature more difficult to predict.

Restructuring provisions

Restructuring provisions related to the Group restructuring announced on 30 August 2017. These provisions were consumed during 2018.

Other accrued liabilities

Other provisions and liabilities mainly consisted of a financial obligation related to Evolva's EverSweet™ agreement of CHF 17.2 million and which CHF 11.7 million were settled in 2018. The remaining CHF 5.5 million were settled in 2019, the related cash outflow was made during the same year.

26. 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 2019**		**31 December 2018**	
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	1,358.4	1,289.9	831.5	781.9
Between one and five years	4,142.7	3,435.6	1,951.8	1,623.2
More than five years	1,997.8	1,403.9	1,199.0	770.8
Total minimum lease payments	**7,498.9**	**6,129.4**	**3,982.2**	**3,175.9**
Less amounts representing financing charges	(1,369.5)		(806.3)	
Total as of 31 December	**6,129.4**		**3,175.9**	

27. Related party transactions

In 2019, Evolva has received consultancy services for research and development from a member of the Board of Directors (2019: CHF 0.1 million, 2018: CHF 0.1 million). In addition, Evolva has a manufacturing agreement with a company where a member of the Board of Directors is member of the Executive Management. In the reporting period, Evolva has purchased semi-final and final products from this company. As of the reporting date, Evolva had CHF 0.8 million (2018: none) outstanding balances from related party transactions. In the reporting period, Evolva has purchased goods and services from related parties in the aggregate amount of CHF 2.4 million (2018: CHF 0.4 million).

28. 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. These commitments are not in excess of current market prices and reflect normal business operations.

29. Events Subsequent to the reporting date

No significant events to be disclosed have occurred after the reporting period up to the date of the authorisation of these consolidated financial statements.

To the General Meeting of Evolva Holding AG, Reinach

Basle, 17 March 2020

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

Opinion

We have audited the consolidated financial statements of Evolva Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of financial performance, consolidated statement of other 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 44 to 83).

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 2019, 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 IESBA Code of Ethics for Professional Accountants, 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 59.6m represents 31% of the Group's total assets and 35% 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 significant to our audit. See Note 2.2. "critical accounting estimates and judgments – "Royalty and Licences" 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.

	Recoverability of goodwill
Risk	Goodwill in the amount of CHF 42.2m stemming from acquisitions represents 20% of the Group's total assets and 22% of the Group's equity as of the balance sheet date. There is a risk of an impairment resulting from a lack of recoverability of goodwill, in case the planned growth and margins for the business are not realized as budgeted or forecasted by management. Lower growth or margins could also have an impact on the market capitalization. Due to the significance of the carrying amount of the goodwill and the judgement involved in performing the impairment test, this matter was considered significant to our audit. See note 14 «Intangible assets» and section 2.2 «Critical accounting estimates and judgements» in the consolidated financial statements for further details.
Our audit response	We discussed the Company's valuation model for goodwill and the underlying key assumptions, including future long-term growth and discount rates. We also discussed the assumptions regarding future revenues and margins and the sensitivity in the valuation resulting from changes to the key assumptions applied. In particular, we compared the net asset value of the Cash Generating Unit (which is the company in its entirety) to the market capitalization to which a control premium has been added (market approach). Further, we analyzed the percentage range of the control premium, if any, including the review of the determination of the control premium by a third party. Our audit procedures did not lead to any reservations concerning the valuation of the goodwill based on the market approach.

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 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
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Statutory Financial Statements of Evolva Holding AG

Statement of financial position

CHF 1,000	Note	31 December 2019	31 December 2018
Assets			
Current assets			
Cash and cash equivalents	-	14,995.5	51,819.0
Short-term receivables	-	61.3	111.4
Total current assets		**15,056.8**	**51,930.4**
Non-current assets			
Long-term receivables from shareholdings	7	194,957.4	176,149.3
Investments	6/7	-	43,481.7
Total non-current assets		**194,957.4**	**219,631.0**
Total assets		**210,014.2**	**271,561.4**

Liabilities and shareholders' equity			
Current liabilities			
Short-term payables	-	31.5	9.0
Accrued liabilities	-	65.1	218.4
Total liabilities		**96.6**	**227.5**
Shareholders' equity			
Share capital	4	159,375.6	154,115.8
Statutory contribution reserve	4	136,524.7	140,761.0
Statutory retained earnings			
- Reserve for treasury shares	5	4,345.8	55.4
- Other voluntary reserve	-	2,974.2	2,974.2
Accumulated deficit	-	(93,302.7)	(26,572.6)
Total shareholders' equity		**209,917.6**	**271,333.9**
Total liabilities and shareholders' equity		**210,014.2**	**271,561.4**

Statement of financial performance

CHF 1,000	Note	2019	2018
Revenue			
Income from shareholdings	8	468.2	405.1
Total revenue		**468.2**	**405.1**
General & administrative expenses	-	(1,692.4)	(851.5)
Financial income	-	2.2	5.0
Financial expenses	-	(26.4)	(94.3)
Value adjustment of long-term receivables from shareholdings and investments	7	(65,481.7)	-
Net loss for the period		**(66,730.1)**	**(535.8)**

Notes to the Statutory Financials Statement 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 does not employ any staff.

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:

		2019		2018	
Currency	Unit	Closing rate	Average rate	Closing rate	Average rate
EUR	1	1.10	1.13	1.14	1.17
USD	1	0.98	1.00	0.99	0.99

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 Investments and long-term receivables from shareholdings

Our investment and long-term receivables from shareholdings are carried at acquisition cost less adjustments for impairment of value. The investment and long-term receivables from shareholdings are tested for impairment annually and adjusted to the recoverable amount if necessary.

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

In 2019, Evolva has subscribed treasury shares of CHF 5.0 million. In addition 1.3 million share options were exercised resulting in an equity increase of CHF 0.3 million.

The development of issued share capital is as follow:

	Total number of shares Evolva Holding AG	CHF 1,000
1 January 2018	**770,578,998**	**154,115.8**
Shares from ordinary capital increase	-	-
Shares from conditional capital	-	-
Shares from authorised capital	-	-
1 January 2019	**770,578,998**	**154,115.8**
Shares from ordinary capital increase	-	-
Shares from conditional capital	26,299,239	5,259.8
Shares from authorised capital	-	-
31 December 2019	**796,878,237**	**159,375.6**

5. Treasury shares

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

	Treasury shares	CHF 1,000
1 January 2018	**776,001**	**155.2**
Issuance of shares	-	-
Use of shares for share-based compensation	(498,990)	(99.8)
1 December 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**

6. Investments

Name	Domicile	Ownership [1]		Shareholder	Share capital
		31.12.2019	31.12.2018		
Evolva AG	Reinach, CH	100 %	100 %	Evolva Holding AG	CHF 6,369,540
Evolva Inc.	Lexington, USA	100 %	100 %	Evolva AG	USD 7,835
Non-operational entities:					
Evolva Biotech A/S	Copenhagen, DK	100 %	100 %	Evolva AG	DKK 4,311,583
Evolva Biotech Private Limited	Chennai, India	100 %	100 %	Evolva AG	INR 169,930
Evolva Bio UK Ltd.	Cambridge, UK	100 %	100 %	Evolva AG	GBP 14.62
Evolva Singapore PTE. Ltd.	Singapore	100 %	100 %	Evolva AG	SGD 100

1) Capital ownership is equal to voting ownership

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 2019, the sum of outstanding long-term receivables from shareholdings and investments amounts to CHF 260.4 million (2018: CHF 219.6 million) before the value adjustment. In 2019, Evolva Holding AG has recognized a value adjustment of its long-term receivables from shareholdings and investments granted to Evolva AG of CHF 65.0 million. The value adjustment recognized in 2019 follows the prudent concept of the Swiss Code of Obligations regarding subordinated loans and investments. The net amount presented in the statement of financial positions is CHF 195.0 million as of 31 December 2019.

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. 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.

9. 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 follow:

	31 December 2019		31 December 2018	
	Shares	**Equity rights**	**Shares**	**Equity rights**
Board of Directors				
Gerard Hoetmer (Chairman)	800,890	382,993	195,000	649,180
Ganesh Kishore	1,798,246	603,173	1,495,301	959,037
Jutta Heim	467,141	1,223,225	164,196	1,847,684
Martin Gertsch	674,920	494,773	371,975	627,867
Stuart Strathdee[1)]	-	-	32,828	1,111,791
Thomas Videbaek	302,945	660,423	51,133	793,517
Total Board of Directors	**4,044,142**	**3,364,587**	**2,310,433**	**5,989,076**
Group Management Team				
Oliver Walker	-	4,220,470	-	2,151,264
Scott Fabro	-	2,942,808	-	1,368,015
Total Group Management Team	**-**	**7,163,278**	**-**	**3,519,279**

1) Retired from Board of Directors in 2019

10. Significant shareholders

As of 31 December 2019, Pictet Asset Management SA has share holdings of 10% and Cologny Advisors, LLP has shareholdings of 3% of the total outstanding shares. In 2018 Pictet Asset Management SA and Cologny Advisors, LLP had shareholdings of 10% and 5% respectively.

11. Guarantees

Evolva Holding AG has issued guarantees of CHF 2.5 million with regard to finance lease transactions of its subsidiary in favour of a third party (2018: CHF 2.5 million).

To the General Meeting of Evolva Holding AG, Reinach

Basle, 17 March 2020

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Evolva Holding AG, which comprise the statement of financial position, statement of financial performance and notes (pages 88 to 94), for the year ended 31 December 2019.

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 2019 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 financial statements.

Valuation of investment and long-term receivables in shareholdings

Risk

The valuation of the investment and 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 significant judgment. The total balance of investment and long-term receivables in shareholdings of CHF 195.0m represent 93% of the total assets of Evolva Holding AG.

See Note 6 and 7 to the financial statements.

Due to the significance of the carrying amount of the investment and 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 investment and 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 investment and 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	Fabian Meier
Auditor in charge	Licensed audit expert
Licensed audit expert	

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