ANNUAL REPORT 2022

EVOLVA

CONTENT

CORPORATE PURPOSE

At Evolva, we help resolve sourcing bottlenecks in nature through our proprietary technology platforms. This enables us to provide products which contribute to wellness, health and sustainability.

We research, develop and bring to market high quality, affordable ready-to-formulate products and solutions around natural ingredients based on fermentation.

RESOLVING THE BOTTLENECKS OF NATURE

EVOLVA

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.

DEAR SHAREHOLDERS,

Evolva demonstrated a good performance during 2022 under the new leadership team. Targets both in terms of revenue and profitability were fully met.

Revenues increased by 57% to CHF 15.5 million, while the gross contribution margin increased from -59% in 2021 to +16% in 2022. Main drivers for the strong profitability increase were the strengthening of the CMO network, value pricing and cost efficiency initiatives.

Under the new leadership team, with Christian Wichert joining as new CEO at the beginning of February 2022, we especially turned the focus to boosting commercial performance, to which the strong revenue growth is testimony. The initial focus thereby was on the Flavor & Fragrances business area where revenues more than tripled in 2022. For 2023, we will extend this focus now to boosting the Health Ingredients business, too.

Business highlights

Flavors & Fragrances (F&F)

F&F achieved a record revenue level of CHF 10.6 million, which corresponds to a growth of 265% year-on-year. This increase was primarily fueled by the upscaling of Vanillin production, enabling the successful delivery of continuous commercial batches. Valencene and Nootkatone also saw continuous profitable growth. The introduction of Natural Nootkatone for the EU with key customers towards the end of 2022 further prepared for the expansion of our addressable market going into 2023.

Health Ingredients (HI)

In HI, the initial focus was on achieving a positive gross contribution margin through market segmentation, value pricing and cost improvements. Initiatives included the onboarding of a new distribution partner for Latin America for human dietary supplements as well as animal nutrition and health, and the refinement of the value proposition and go-to-market approaches per segment for Veri-teTM Resveratrol. Revenues amounted to CHF 4.2 million, a decline of 32% for the full year. We have now laid out a solid foundation for profitable growth and for targeting new attractive segments like the personal care market.

Health Protection

In 2022, our NootkaSHIELD™ insect repellent was approved for use by regulatory authorities in Hong Kong. Together with launch activities in Singapore, which resulted in initial sales in the second half of 2022, these test markets provide valuable insights for further launch activities in other markets. NootkaSHIELD™ also received prominent support in our key market USA with a grant of USD 0.5 million awarded from the US Centers for Disease Control and Prevention (CDC) towards the development of new formulations and applications for tick bite repellency and prevention.

The EVERSWEET™ royalty stream in 2022 was below expectations. The product is being marketed by Avansya, a partnership between Cargill and DSM. We are in regular contact with the respective leadership teams and remain positive about the potential of EVERSWEET™ as a sugar replacement.

Operations and R&D

Evolva significantly strengthened the CMO network in 2022 and built a strong lean team, focused on technology improvements to manage for cost efficiencies. The whole organization was reviewed with the idea to run a tight ship and direct resources to their most effective use. The R&D pipeline was assessed based on clear quantitative criteria to focus on the most promising candidates for internal development and research projects with third parties.

Financial highlights
Total revenue grew by 57% to CHF 15.5 million, while product-related revenue even grew by 62% to CHF 14.8 million. Gross contribution margin turned positive and reached 16% for the full year. As a result of the revenue growth and margin increase, adjusted EBITDA improved by CHF 9.3 million (from CHF -22.6 million in 2021 to CHF -13.3 million in 2022). This was also supported by a reduction of recurring operational expenses of CHF 2.5 million compared to 2021 as a result of our cost efficiency initiatives. In terms of liquidity, we ended the year with a cash position of CHF 5.1 million and CHF 16 million of open financing lines.

Moving into 2023 and beyond
We expect the positive business momentum to continue. For the full year 2023, we aim for revenues of more than CHF 20 million and a gross contribution margin of above 20%. As a result, we expect EBITDA and cash flow to further improve.

On the basis of the solid foundation laid in 2022 by transforming the organization for commercial success, we expect to reach our mid-term targets as announced on 25 August 2022, namely to surpass CHF 30 million in sales in 2024 and to reach a revenue level of between CHF 45-50 million as well as EBITDA and cash breakeven in 2025.

Thank you
We thank you, our shareholders, for your trust and ongoing support in our journey to bring Evolva to the next level by boosting growth, improving profitability and ultimately cash generation. We are grateful for the commitment and dedication which our employees demonstrated during this transformation phase. We also thank our business partners and customers for their trust and constructive collaboration and look forward to continuing to jointly resolve the bottlenecks of nature.

Beat In-Albon
Chairman

Christian Wichert
Chief Executive Officer

Nootkatone
by EVOLVA™

Valencene
by EVOLVA™

Nootka SHIELD™
by EVOLVA™

L-Arabinose
by EVOLVA™

Veri-te™
RESVERATROL

Veri-te™
AQUA RESVERATROL

Veri-te™
PETS RESVERATROL

EVOLVA AT A GLANCE

Evolva, a white biotech and pioneer in the field of nature-based molecules, has transformed in recent years from a R&D stage company to a commercial company with an innovative precision-fermentation platform and a product-based revenue model.

LISTED
SIX:EVE

As Swiss-based biotech, Evolva is listed on the Swiss Stock Exchange

GLOBAL
SCALE AND NETWORK

Present in Switzerland and US with global coverage through distributors network and direct sales

Evolva has three key businesses which unfold across industries:

- Flavors and Fragrances
- Health Ingredients
- Health Protection

50
EMPLOYEES

With diverse backgrounds from research over marketing and sales to operations

6
PRODUCTS

On the market: Nootkatone by Evolva, Valencene by Evolva™, Veri-te™ Resveratrol, L-Arabinose by Evolva™, EverSweet™ (royalty), Vanillin (collaboration with IFF)

Evolva's employees are poised to design, develop, make and sell the best products that contribute to health, wellness and sustainability – fully nature-based.

44%
WOMEN

We are proud of our balanced female representation in science, technology and business

14
NATIONALITIES

Our interdisciplinary approach is enriched by the diversity of experiences and geographies of our team

We provide nature-based flavors and fragrances ingredients that help resolve nature's supply chain & resource limitations.

We provide nature-based ingredients for dietary supplements and cosmetics that contribute to health and wellness.

We offer nature-based products with high efficacy to protect humans and pets against insects and corresponding illnesses.

FINANCIAL REVIEW

Financial key figures[1)]

CHF million	2022 adjusted	2021 adjusted	2022 reported	2021 reported
	Period from 1 January to 31 December			
Revenue from contracts with customers	**15.5**	**9.9**	**15.5**	**9.9**
Product-related revenue	14.8	9.1	14.8	9.1
Direct production costs	(12.5)	(14.6)	(12.5)	(15.1)
Gross contribution	**2.4**	**(5.4)**	**2.4**	**(5.9)**
in % of product-related revenue	16.0%	-59.5%	16.0%	-64.7%
Research & development revenue	0.7	0.7	0.7	0.7
Cost of goods sold (excl. direct production costs)	(4.6)	(4.2)	(9.1)	(4.2)
Gross profit	**(1.5)**	**(8.9)**	**(6.0)**	**(9.3)**
Research & development expenses	(9.4)	(12.8)	(23.6)	(22.4)
Commercial, general & administrative expenses	(10.5)	(9.5)	(10.8)	(10.2)
Operating loss (EBIT)	**(21.4)**	**(31.2)**	**(40.4)**	**(42.0)**
Depreciation and amortization	(8.1)	(8.7)	(8.1)	(8.7)
Impairment of intangible assets	0.0	0.0	(17.0)	(9.6)
EBITDA	**(13.3)**	**(22.6)**	**(15.3)**	**(23.6)**
Cash position (end of period)	**5.1**	**11.0**	**5.1**	**11.0**
Extraordinary items	**(19.0)**	**(10.8)**		
- impairment	(17.0)	(9.6)		
- inventory write-off	(1.6)	0.0		
- others	(0.4)	(1.2)		

1) *This table includes references to operational indicators and alternative performance measures (APM) that are not defined or specified by IFRS. These APM should be regarded as complementary information to and not as substitutes to the Group's consolidated financial results based on IFRS.*

Financial Performance

We are looking back at a very successful year 2022 with continued growth of Evolva's product-related revenue (+62%) driven by Flavors and Fragrances with a 265% growth. Health Ingredients declined by 32% while significantly improving profitability. Total revenue increased from CHF 9.9m to CHF 15.5m (+57%) in 2022.

Evolva's product demand continued to grow in 2022, driven by the launch of Vanillin and continued strong demand for our Flavors and Fragrances products. Health Ingredients went through a year of change, managing for profitability, setting the basis for boosting top-line growth with the recruitment of a new commercial team and managing distributors for performance.

Gross contribution significantly increased from CHF –5.4m in 2021 to CHF 2.4 m in 2022. Key contributors for this improvement have been reduced manufacturing costs and value pricing initiatives. Resulting Gross profit also increased significantly from CHF -8.9m in 2021 to CHF -1.5m in 2022.

Following a strategic review in 2Q 2022, an extraordinary non-cash impairment charge was recognized relating to patents and patent applications (CHF 2.0m), royalty and licenses (CHF 12.1m EVERSWEET™) and product and process development (CHF 2.9m). In addition, extraordinary inventory write-off (CHF -1.6m) and other non-recurring items (CHF -0.4m) were recognized.

Excluding the non-recurring items, the operating expenses decreased by CHF 2.5m (11.2%) as a result of cost efficiency initiatives.

Adjusted for the extraordinary items, EBIT improved by 31.8% from CHF -31.2m to CHF -21.4m. Reported EBIT came in at a loss of CHF -40.4m.
Adjusted EBITDA was CHF -13.3m, an improvement of 41% vs. CHF -22.6m. Reported EBITDA resulted in a loss of CHF -15.3m which is driven by reduced cost of goods sold and operating expenses.

The change in the financial result represents mainly unrealized foreign exchange losses and gains from outstanding balances with subsidiaries which have been revaluated at current exchange rate. There was no change in income taxes in 2022.

Balance sheet and cash flow

Intangible assets decreased by CHF 20.6m. This results from the regular amortization in the amount of CHF 6.9m, a non-recurring impairment charge of CHF 17.0m on patents and patent applications, royalty and licenses and product and process development, additions from capitalized product and development costs in the amount of CHF 1.8m and positive translation effects amounting to CHF 1.5m in 2022. Evolva is continuously improving the efficiency of production processes for its own products with the aim to reduce manufacturing costs.

The cash position was CHF 5.1m at year-end 2022. The change over prior year results from CHF -18.9m operating cash flow, CHF -1.8m cash flow from investing activities and CHF 14.8m cash flow from financing activities. Available financing lines amounted to CHF 16m at year-end 2022.

2023 Outlook

Evolva expects ongoing growing demand for Flavors and Fragrances as well as Health Ingredients with total revenues of more than CHF 20m in 2023.

Gross contribution margin is expected to be above 20% for the full year 2023, contributing to an improved EBITDA and Operating Cash Flow in 2023.

STOCK REVIEW

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

During the financial year 2022, the number of shares outstanding increased from 1,030.6 million to 1,121.3 million. Evolva created a total of 90.7 million shares from conditional and authorized capital.

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

End-of-year	2022	2021
Number of shares (m)	1,121.3	1,030.6
Number of registered shareholders	9,877	10,280
Shares in share register as % of total	68%	64%
Free float (official definition SIX, shares not held by strategic investors ≥ 5%)	100%	100%
Share price (CHF)	0.082	0.134
Market capitalization[1] (mCHF)	91.9	138.1

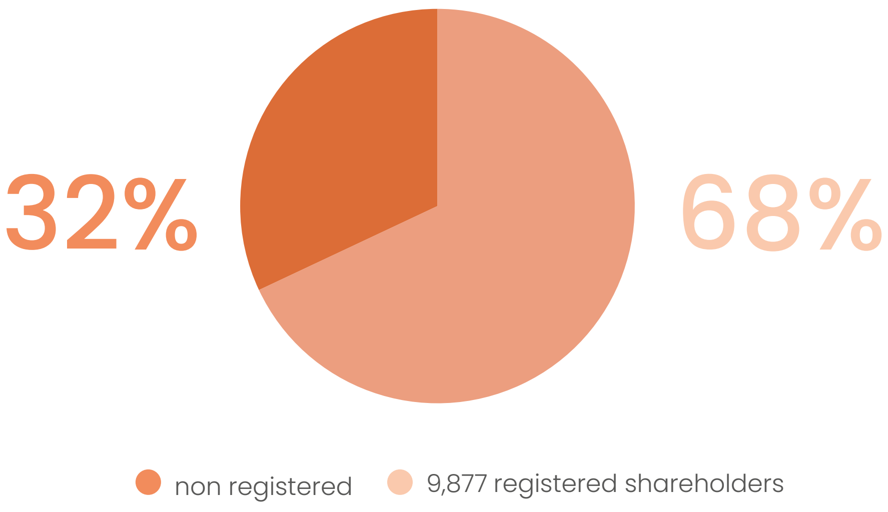
1) based on total shares outstanding

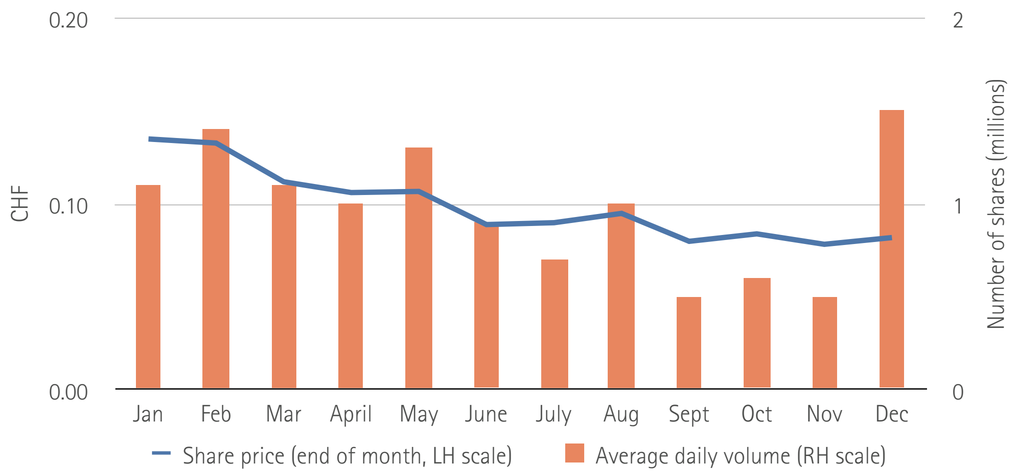
Over the course of 2022, an average of 978,236 Evolva shares were traded per day, representing an average daily value of CHF 787,380. Over the year, a total of 286 million shares were traded, meaning 22.1% of the outstanding shares changed hands.

February, May and December were the months with the distinctively highest average daily trading volumes (1,402,453, 1,336,043 and 1,476,250 shares, respectively). In February, this was in connection with the appointment of Christian Wichert as new CEO as of 8 February 2022. In May, this reflected the successful private placement of shares with several long-term oriented institutional investors on 24 May which resulted in net proceeds of CHF 6.3 million to strengthen the capital base. Selected Board members and management personally participated with CHF 1.0 million, demonstrating both commitment and confidence in realizing Evolva's value potential. The month of December also saw good volumes and an increase in the share price of 4.6% towards the end of the year 2022. On a daily basis, the by far highest turnover of over 10.4 million shares was recorded on 20 December 2022.

At year-end of 2022, the number of registered shareholders decreased slightly to 9,877 (31 December 2021: 10,280) and the proportion of outstanding shares entered in Evolva's register increased to 68% (4 percentage points higher than compared to the end of 2021).

The free float (shares not held by any strategic investors with a threshold holding level of at least 5%) amounted to 100%.





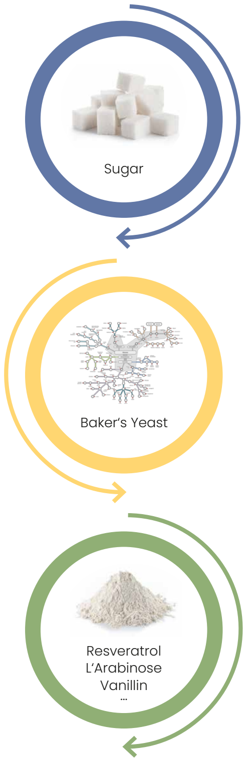
The Evolva share ended the financial year 2022 at a price level of CHF 0.08, compared with CHF 0.13 at year-end 2021, which is 22% below the performance of the benchmark of the domestic Swiss Performance Index.

Evolva continues to strive for an active dialogue with its shareholders, not only at the Annual General Meeting but throughout the year. Interest from the financial community remained lively, with most meetings taking place in the context of investor conferences, site visits and roadshows.

The contact details of the research analysts covering Evolva can be found on the investor section of the Evolva website evolva.com.

TECHNOLOGY PLATFORM

TECHNOLOGY PLATFORM



Our Precision Fermentation Technology Platform

At Evolva, the production of any innovative new ingredient always departs from the same basic starting materials. Our researchers use sugar, water, salts, vitamins, and minerals to grow our proprietary yeast and to enable the "production" of our nature-based ingredients.

Baker's yeast serves as the main production host for this technology process. Via metabolic engineering, our research team at Evolva transforms the yeast into the "production factory" that we use to facilitate the conversion of sugar into innovative ingredients. Applying the principle of fermentation, we can grow these little factories gradually, scale them up and increase the amount of the envisaged output product. The targeted nature-based ingredients produced in this environment, such as Resveratrol, Nootkatone, L-Arabinose or Vanillin, are subsequently recovered and purified, resulting in products with a purity level of above 98%. Even at large scale production – together with our contract manufacturing partners – we ensure that all processes are performed to the highest quality standards.

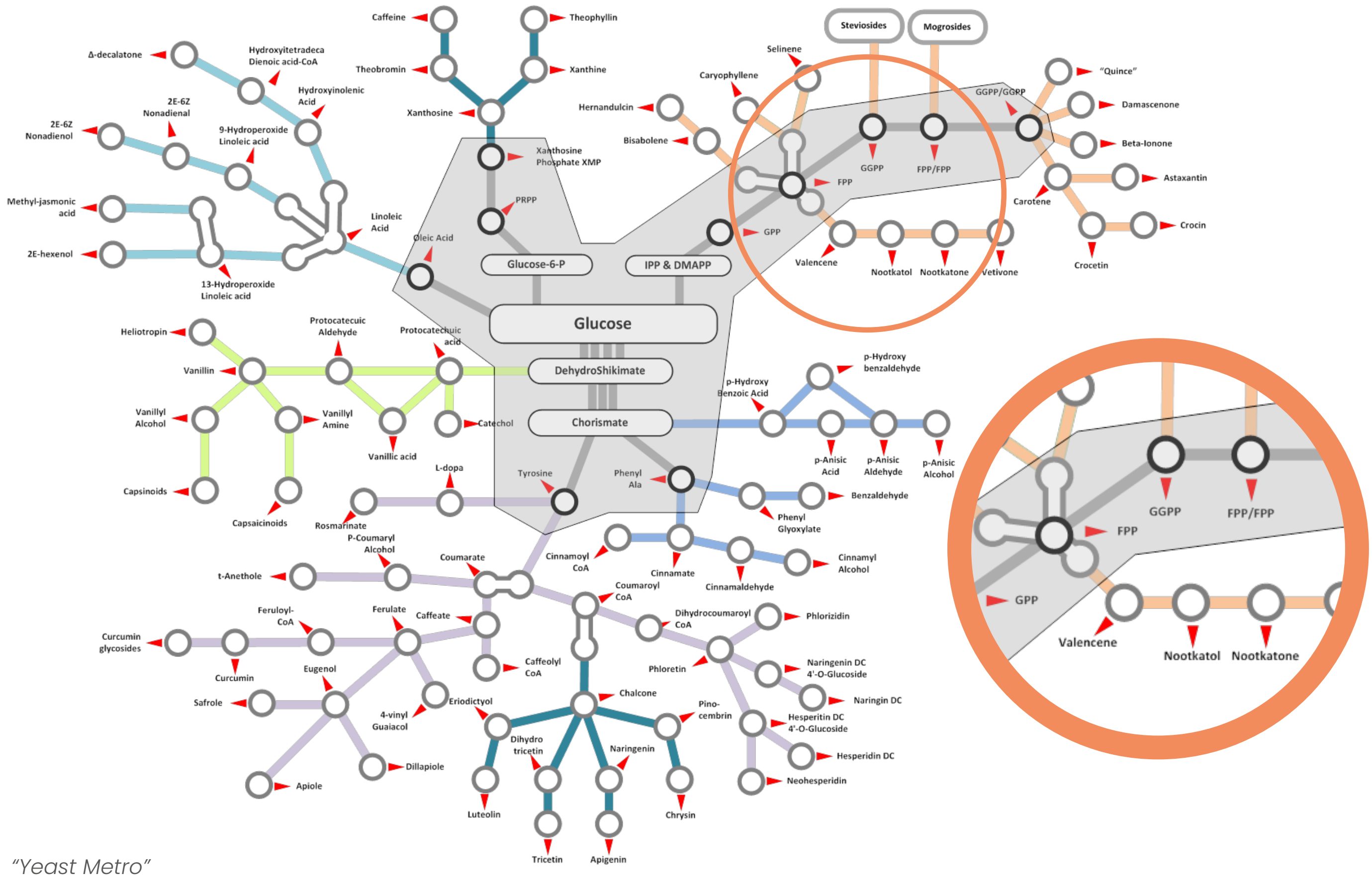
This results in our nature-based ingredients that are highly pure, affordable and ready to be produced in high quantities. These are key properties as we strive to provide products that are expected to contribute to health, wellness and sustainability.

Insight into our Technology: The "Yeast Metro" as a Basis for Strain Engineering

All ingredients that we make are, ultimately, derived from the yeast's central carbon metabolisms. Yeast provides all the building blocks required for the biosynthesis of these ingredients. These building blocks are then further modified via enzymes that have been introduced into the yeast via metabolic engineering.

Following on any of these specific pathways, or "roots," allows our strain engineers to generate multiple compounds along that same pathway, relying on the platform knowledge acquired up to this point. This substantially shortens development times for subsequent products.

The overall number of ingredients that we can develop with our "yeast metro" is quite extensive, as highlighted by the following illustrative mapping.



"Yeast Metro"

Having IP-protected selected key switches of the yeast metro allows us to "own" entire branches of it. We can, therefore, fully exploit our platform and base our development of any new ingredients on the knowledge and expertise built up during the development of related ingredients on the same pathway.

The proximity of Valencene and Nootkatone on the same pathway is an excellent example highlighting these synergies in research and development.

Even with Evolva's pipeline of six molecules on the market, available in different application formats, plus additional products already in our development pipeline, we have so far only tackled a minority of "stops" on the yeast metro map.

In the following, we highlight key elements on the way from a "go" decision to the final product in our customers' warehouses.

TECHNOLOGY PLATFORM

Fermentation ("Upstream Processing" / USP)

Fermentation is a process well known to most of us. It has been applied for thousands of years in the making of various products, fermented foods, alcoholic beverages, metabolite products, and pharmaceuticals. It involves the growth and propagation of metabolically engineered yeasts under controlled conditions. These conditions include the nutrients used, the temperature, the pH value, or the aeration. The result of the fermentation process is the conversion of sugar into the targeted ingredient.

The fermentation process involves the exact definition of the requirements of the metabolically engineered strain to ensure its optimal growth. Key parameters include the setup of proper cultivation conditions as well as the composition of the appropriate media consisting of salt, minerals, and vitamins, including successive feeding.

This process is continuously optimized with the objective of identifying the best process parameters, resulting in optimized titers, yields and productivities. To achieve this crucial outcome, our experts need to determine the optimal concentration of nutrients, feeding rates and the fermenter settings that promote fast growth and high production of the desired molecule with least amounts of unwanted by-products.

Purification ("Downstream Processing" / DSP)

Downstream processing, or DSP, involves multi-step procedures for the recovery and purification of the targeted ingredient. The purity of the product is incrementally increased by exploiting physical and chemical properties that separate the product from potential impurities. DSP comprises all the essential steps required to separate and purify the desired molecule from the fermentation broth, resulting in the maximum purity of the compound, in crystallin or liquid form.

Key outcomes of a continuous process optimization of upstream and downstream processing are increased yields, productivity, reduced processing times, and, ultimately, reduced product costs.

Lab scale equipment

Piloting

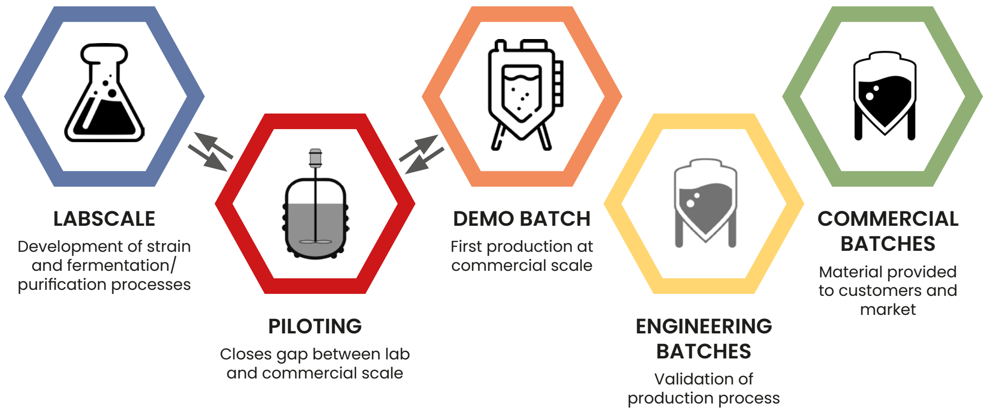
The Evolva Supply Chain: From Lab to Final Distribution

Moving a process from the lab scale into production requires a stepwise increase in scale. When scaling up our produced ingredients from our own laboratories in Reinach to mass production at our contract manufacturing partners, we distinguish three main stages and scale levels: lab scale, piloting and production.

Lab scale: All our fermentation and purification processes are already set up in our labs with a focus on their scalability and suitability for manufacturing. They are designed to ensure efficient and cost-effective production.

Piloting: Another crucial step in the upscaling process is the piloting phase, which bridges the lab scale and commercial production.

Production: In the production phase, processes are scaled-up into fermenter sizes of 100-250 m3, allowing for produced volumes in the range of metric tons, depending on the respective product. The most important and demanding part of this process is the DSP part. Subject to the equipment fit, DSP determines production yields and, ultimately, the pricing and gross margins.



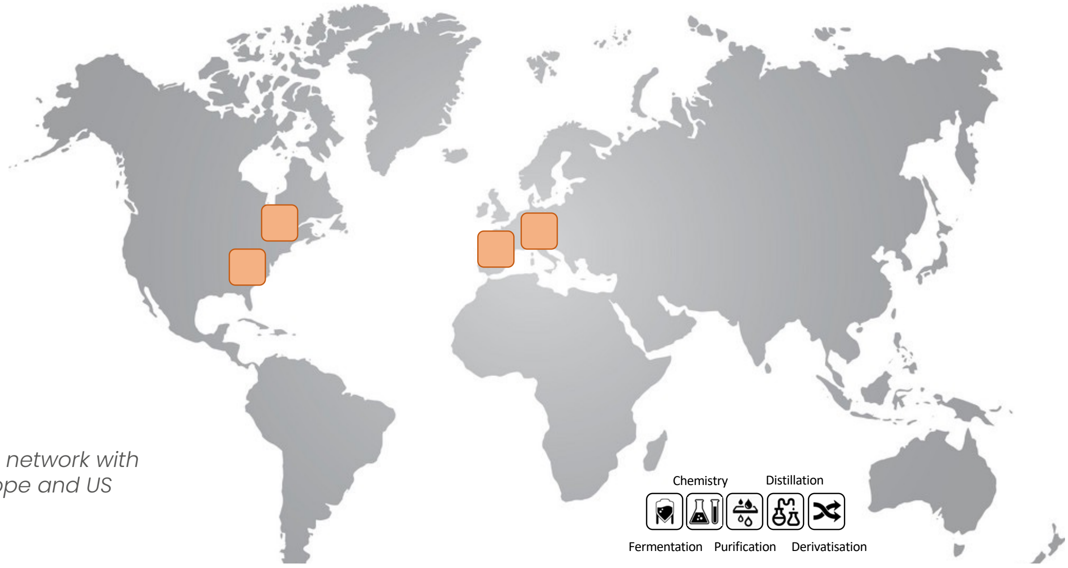
Key steps and outcomes from lab to manufacturing scale

TECHNOLOGY PLATFORM

Technology Transfer: Interface and Collaboration with CMOs

Evolva performs all strain engineering and process development activities on-site in Reinach. Once the team has defined a production strain and established the production processes, the processes are transferred to the selected contract manufacturing organization (CMO). The main criteria for selecting any CMO are:

- Existing USP / DSP capabilities
- Availability of reasonable production capacities



Broad CMO network with sites in Europe and US

Upscaling production from the lab scale production (up to a few kilograms) to full production on a manufacturing scale (several tons per year) is challenging for many companies today. At Evolva, we have acquired deep expertise in upscaling technologies from lab to manufacturing, addressing key challenges:

- Selecting the optimal production setup and partner
- Transferring the lab-based strain to the production facility using smart piloting to reduce errors and delays
- Implementation of the raw material supply chain
- Adapting the process (USP/DSP) to efficiently produce large scale batches and implementing analytics
- Ensuring legal protection of process know-how
- Documentation of product and process specifications

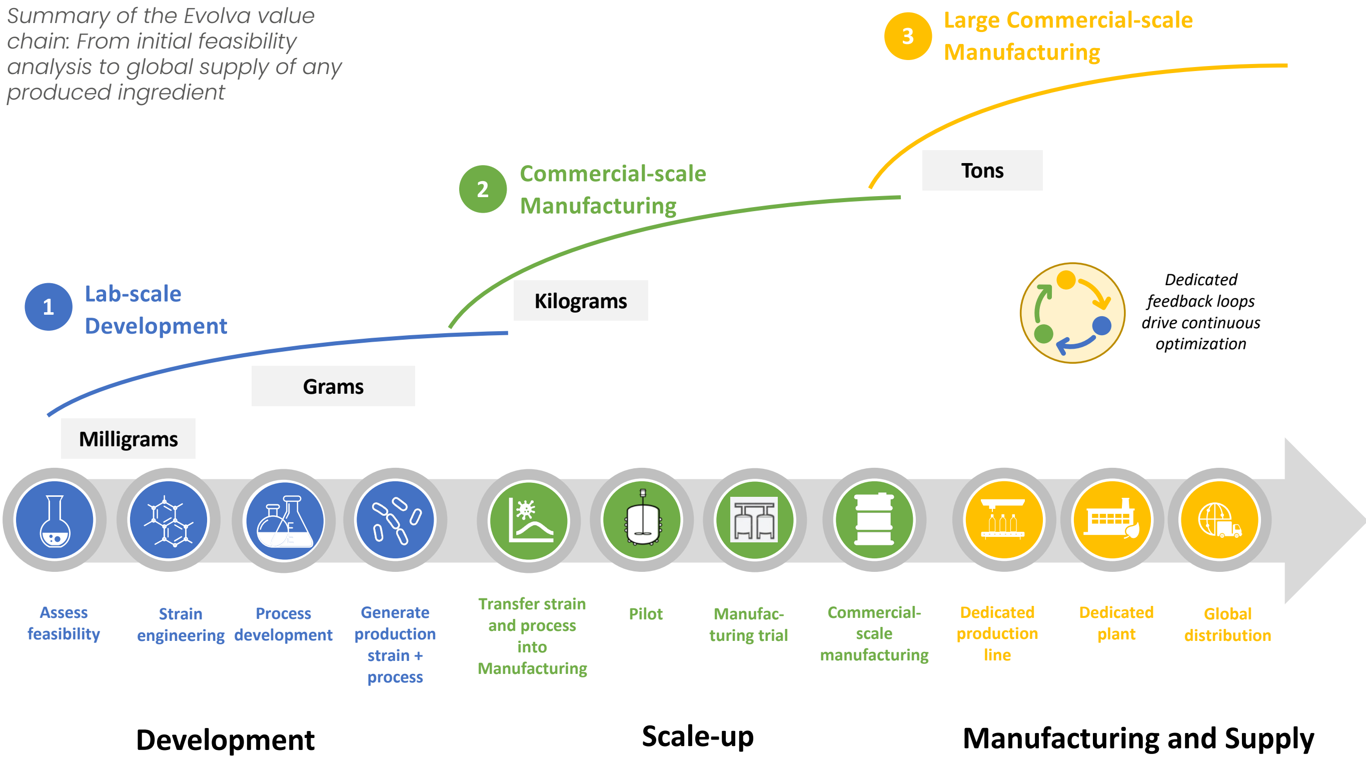
This expertise expands Evolva's value proposition and provides a competitive advantage.

Summary

The journey of any new product begins with feasibility studies carried out in Evolva's laboratories, followed by the engineering of the product strain.

Until a product finally reaches the global distribution warehouses to be shipped to our customers and, ultimately, to the end consumer, it passes multiple development, manufacturing, and logistics steps, accompanied by a continuous scale-up of production quantities in the growing facilities and fermenters.

Summary of the Evolva value chain: From initial feasibility analysis to global supply of any produced ingredient



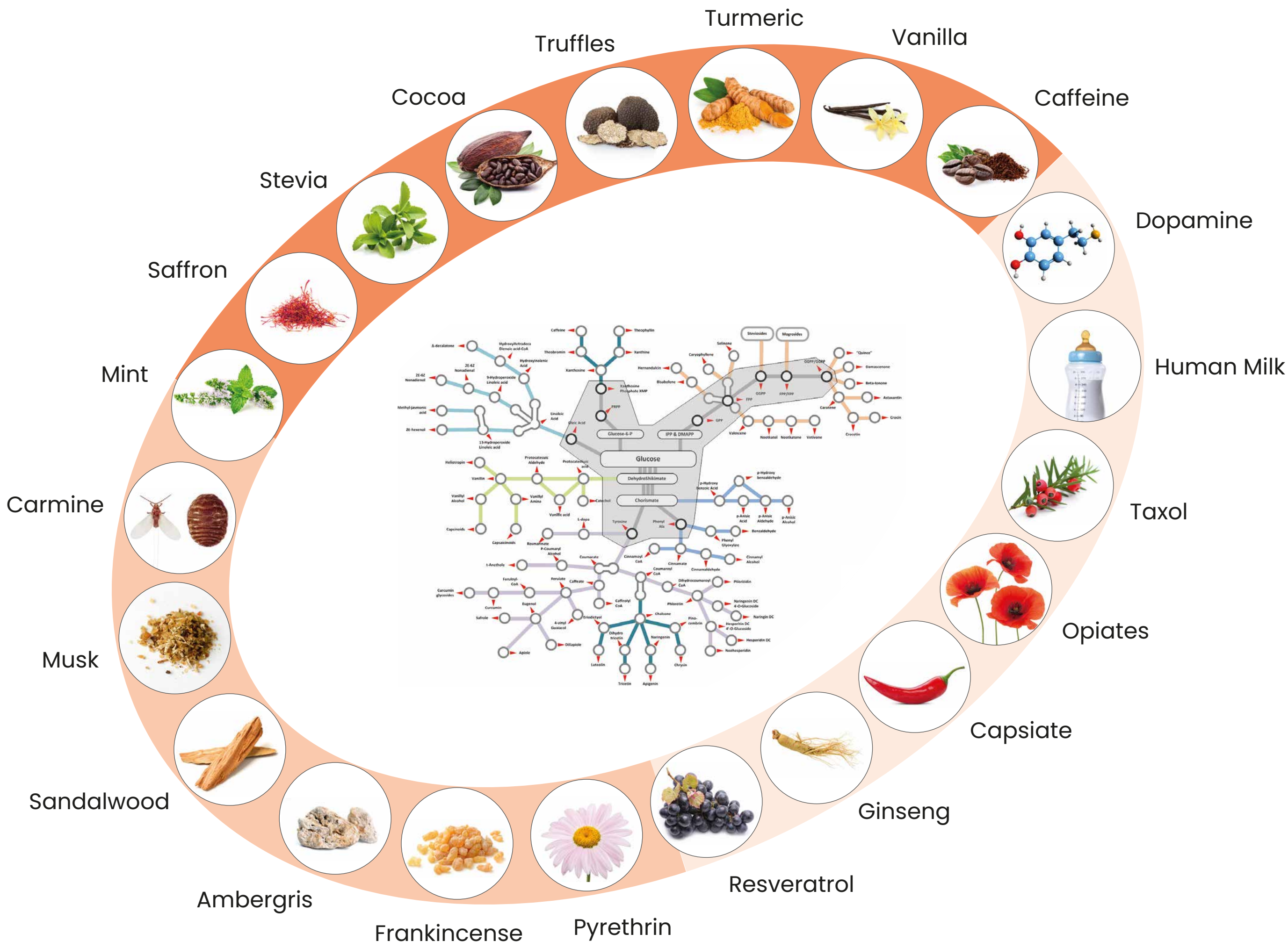
PRODUCT PIPELINE

Examples of finished products including Veri-te™ Resveratrol

From Idea to Ingredient

Evolva is continuously innovating and expanding its portfolio of ingredients based on nature to supply its customers in health, nutrition, flavors, fragrances, and cosmetics markets or adjacent application fields such as pet food.

The starting point is our so called "yeast metro" as presented in the previous chapter. Based on the technological approach of our precision fermentation, we can derive a multitude of nature-based products from our proprietary platform.



The "Yeast Metro" enables many potential products

PRODUCT PIPELINE

When our team at Evolva screens the individual pathways emerging from our precision fermentation platform for any new innovative ingredient candidates, it specifically asks the following key questions:

- Does such ingredient satisfy a secular growth driver (megatrend)?
- Does our precision fermentation approach offer the potential to ensure sufficient differentiation, respectively an innovative edge for the targeted ingredient?
- Can we leverage our proprietary platform, customer base, or existing expertise (ideally even stemming from the same yeast pathway)?

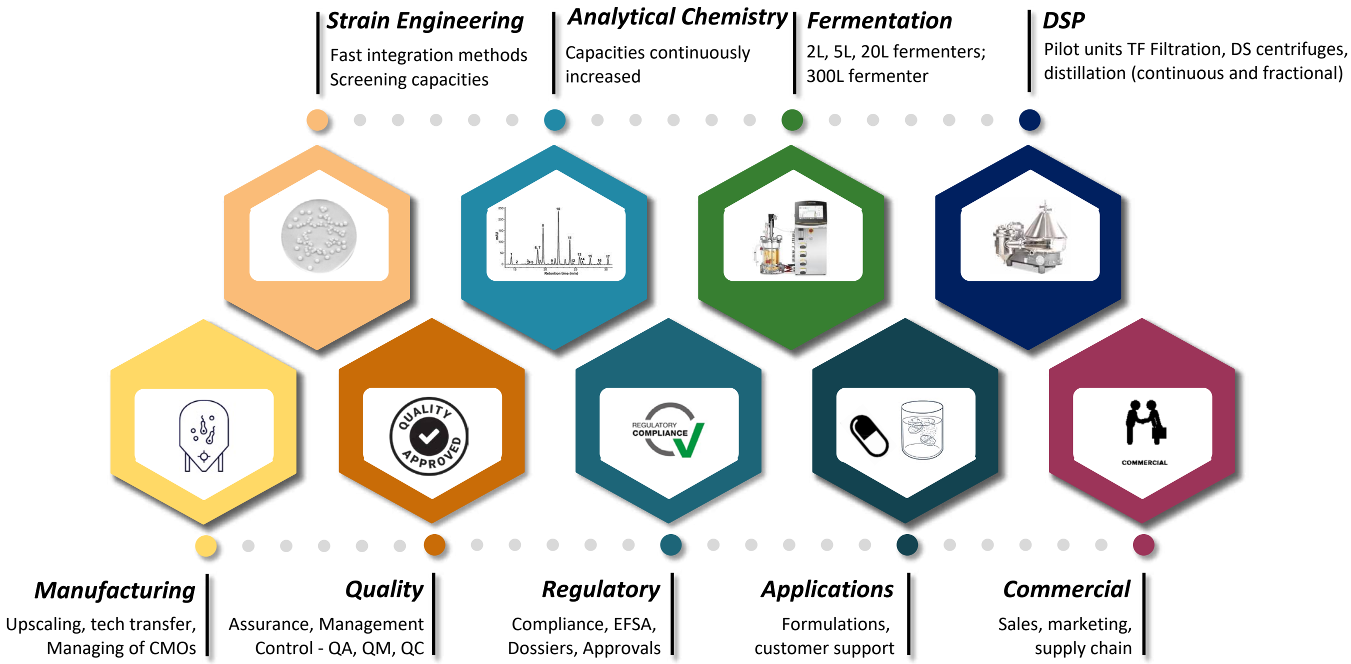
	Investment trigger	Proof points
✔	**Megatrend?**	Weight Management; Blood glucose control; Longevity; Sustainability
✔	**Differentiation?**	White biotechnology
✔	**Platform / Knowhow base?**	Proprietary platform; IP-protected pathways; Global customer base

Checking the "Reasons to Invest" team and financial resources

The journey of each innovative ingredient starts with associated feasibility studies in Evolva's laboratories, followed by the engineering of the product strain.

At this stage, in terms of quantities, the researchers still operate at a milligram level.

The following illustration highlights the full set of organizational capabilities required on Evolva's side for a product to reach commercial scale. We rely on a multidisciplinary team of applications and product development experts who ensure the know-how in analytical chemistry process development, physical chemistry, formulation, as well as quality and regulatory affairs.



Product portfolio

Evolva offers a portfolio of seven differentiated molecules in multiple product applications. Six of the molecules are already on the market. With several innovative candidates in our pipeline, we are targeting further launches in the coming years.

PRODUCT PIPELINE

The following table describes key marketed products across Evolva's three business segments.

Ingredient	Market sector	Proof-of-Concept	Development	Piloting	Market
Resveratrol	Health Ingredients				
L-Arabinose	Health Ingredients; Flavors & Fragrances				
Valencene	Flavors & Fragrances				
Nootkatone	Flavors & Fragrances				
Vanillin	Flavors & Fragrances				
NootkaSHIELD™	Health Protection				
Stevia (Reb D/M)	Health Ingredients				outlicensed

Evolva's product pipeline

For **Vanillin**, Evolva entered into a collaboration agreement with IFF in March 2020 to further develop and expand its commercialization.

In March 2018, Evolva and Cargill entered into a new agreement for EVERSWEET™ under which Evolva is entitled to royalty payments on all global EVERSWEET™ sales. In 2019, Cargill established a joint venture named Avansya together with DSM to market the **Stevia** sweetener products under the EVERSWEET™ brand.

Innovation pipeline

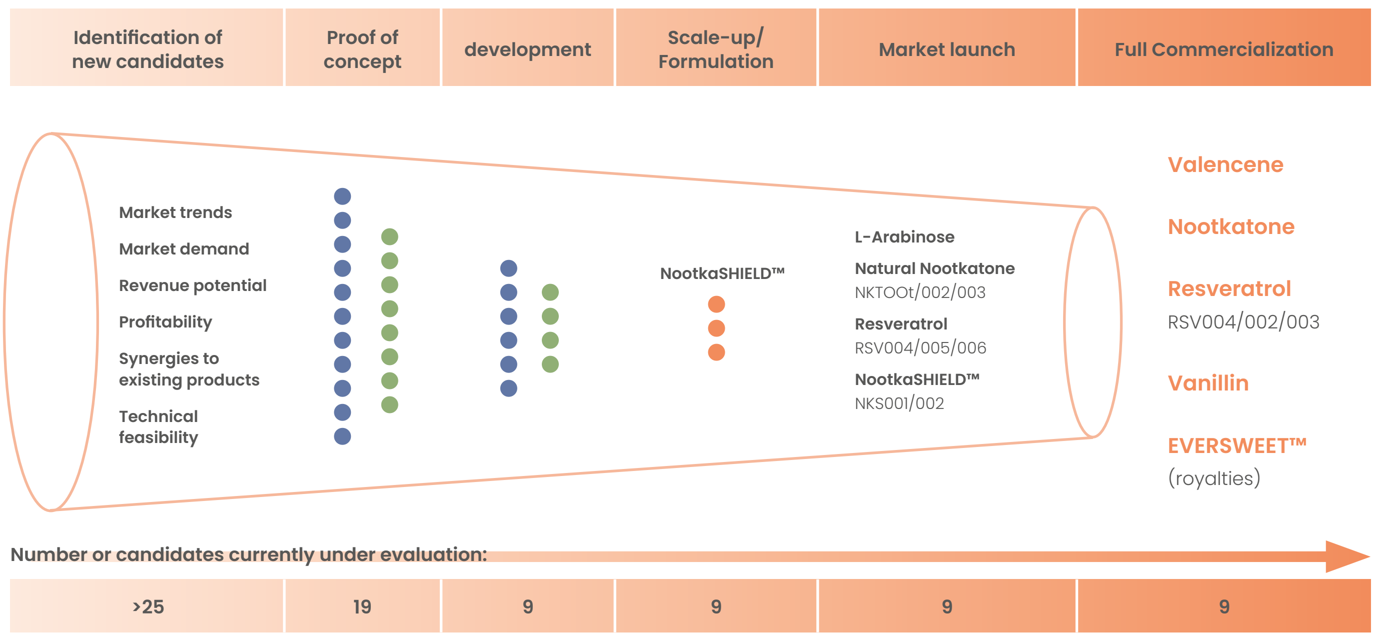
Evolva continuously screens for new differentiated ideas to fill the pipeline of ingredient product candidates. The evaluation and selection criteria for new compounds are following a dedicated screening approach. It includes several key elements:

- Stage of R&D development and feasibility
- Competitive cost and pricing position
- Pull from market, next big ingredients theme
- Complementarity to existing products and fit into our three defined commercial areas
- Regulatory status
- Envisaged go-to-market approach

In terms of R&D resources and required capabilities to develop such product innovation, Evolva can rely on all key required knowledge blocks such as strain engineering, fermentation, downstream processing (DSP) and analytical chemistry.

Evolva's pipeline of future candidates

Not only do our R&D experts at Evolva permanently screen the yeast universe ("metro") for any new attractive future candidates to expand the product pipeline of the company; equally important to them is the continuous optimization of the existing product portfolio with a focus on cost reduction. Such analysis comprises ongoing strain and process refinements, respectively improvements.



Mid-term plan 2023 – 2025
Spotlight 1: Evolva's innovation pipeline provides exciting potential for future growth

FLAVORS AND FRAGRANCES

FLAVORS AND FRAGRANCES

Evolva designs, produces and sells nature-based flavors and fragrances ingredients such as Nootkatone, Valencene and Vanillin.

Our Products

Ingredient	Description	Proof-of-Concept	Development	Piloting	Market presence
Resveratrol	Nature-made polyphenol with demonstrated health benefits				
L-Arabinose	Unique bio-active sugar with sugar blocker properties;				
L-Arabinose	Flavoring agent used in Maillard reaction				
Valencene	Aroma component of citrus fruitand citrus-derived odorants				
Nootkatone	Aroma ingredient of Grapefruit obtained via biochemical oxidation of valencene				
Vanillin	Primary component of vanilla bean extract				
NootkaSHIELD™	Nature-identical ingredient for health protection				
Stevia (Reb D/M)	High intensity sweetener				outlicensed

Evolva's Portfolio in Flavors & Fragrances

Nootkatone

Nootkatone is found in minor quantities in the peel of grapefruit as well as in the wood of the Alaska yellow cedar, the "Nootka" cypress. It is known as a highly "substantive" citrus ingredient that persists on the skin or clothing for an extended period of time. Perfumers use nootkatone to impart a fresh clean woody scent that lasts. Flavorists use it to add a citrus, woody, grapefruit profile to any fruit-flavored products such as carbonated beverages or confectionery products.

Extracted from grapefruit peel oil, nootkatone is prohibitively expensive, initially limiting its use to fine fragrance products and premium food and beverage products. In recent years, declining grapefruit harvests have increased the price of grapefruit-derived nootkatone. Over the same period, the doubling of the price of oranges drove up the price of orange-derived nootkatone, produced by oxidating valencene extracted from orange-peels. With our Nootkatone produced using precision fermentation, Evolva offers the most affordable solution in addition to providing a high sensory quality with no batch-to-batch or seasonal variations.

By producing our Nootkatone via fermentation, we guarantee a predictable and reliable supply chain that is not influenced by weather or crop cycles. This enables a broader use in high volume markets such as food and beverages, cosmetics and perfumery.

Evolva markets Nootkatone for the flavor and fragrances industry and for selected applications in fast-moving consumer goods. The focus areas are food and beverages, cosmetics and perfumery. We continue to expand our Nootkatone product portfolio, most recently with a new variant that meets requirements to qualify as natural in the EU. This variant substitutes the chemical oxidation process used to produce US-natural nootkatone from valencene with a natural enzymatic process, qualifying it for use in natural products in the EU.

Nootkatone
by EVOLVA™

Valencene

Valencene is an aroma ingredient found in the peel of oranges and other plants. It is responsible for the characteristic smell and taste of fresh oranges. To date its use has been limited by its high cost, supply constraints and inconsistent product quality. Valencene is a key ingredient in a broad range of food and beverages, fragrances, cosmetics and home care products.

Traditional methods of producing valencene are inefficient, requiring thousands of kilograms of oranges to obtain a single kilogram of valencene. Moreover, supply is dependent on the outcome of the respective season of the orange harvest.

By producing valencene via fermentation rather than extracting it from orange peel oil, Evolva's process can reliably produce large amounts of valencene in a highly reproducible, sustainable and cost-effective manner.

With very consistent purities and sensory profiles, the range of Valencene by Evolva™ products are well suited for a broad array of products. And by undercutting the cost of production from fruit peel oil, our Valencene opens new applications for the compound, contributing to growing market demand.

Valencene
by EVOLVA™

FLAVORS AND FRAGRANCES

Vanillin

Vanilla is one of the most popular flavors among consumers and is used in many food and beverage products, from ice cream and cakes to beverages including coffee and tea.

Vanilla can be extracted from the seed pods of the vanilla orchid and comprises a complex set of taste components. One of these is vanillin, which is found in small quantities in vanilla beans. Vanilla beans grown in nature face challenges in terms of availability, weather conditions, and fluctuating costs.

Supply difficulties of vanilla beans contributed to the growth of the synthetic vanillin market, which today represents around 85% of the global vanillin supply. Synthetic vanillin is typically produced using petrochemicals or chemically derived from lignin, found in wood pulp. As a result, synthetic vanillin fails to meet consumer demand for natural ingredients and products.

Evolva's Vanillin is a nature-based ingredient produced using precision fermentation in a stable supply chain environment.

Vanillin
by EVOLVA™

2022 Update

In 2022, Evolva's flavor and fragrances business developed well thanks to a strong contribution especially from Vanillin. Also, sales with Valencene and Nootkatone were ahead of expectations. Several factors contributed to this such as declining grapefruit harvests and the rising price of oranges drove up the price of citrus-derived valencene and nootkatone. Considerable price increases by competitors led customers to transition the supply to our more cost-effective and climate-resilient offering.

In December 2022, we broadened our offering with the launch of EU-qualified Natural Nootkatone. By enabling customers across the EU to meet rising expectations for natural ingredients with a favorable environmental footprint, this new product variant will significantly expand the addressable market. Full market introduction is slated for the first half of 2023.

In 2022, we expanded the production capacity for Vanillin by successfully upscaling production to a third-party contract manufacturing organization. The company's pipeline in the F&F segment remains solid and we expect to introduce additional new candidates in the near future.

HEALTH INGREDIENTS

HEALTH INGREDIENTS

The Health Ingredients market remains an extremely dynamic market, stimulated by growing consumer inclination towards healthy nutrition supported by the pandemic. The necessity to pay greater attention to physical health (not only to prevent health problems) but also other age-related concerns, especially through nutrition, were already present before COVID-19. In many ways, it seems that the pandemic has been an accelerator of already emerging trends rather than its generator.

The perception of health has evolved and has become more holistic. Consumers remain extremely attentive to their physical health, but they are also increasingly alert to their mental and emotional wellbeing. Consumers now consider all aspects of their health as strongly connected and interdependent. At the same time, sustainability is becoming more and more important. Consumers not only want to care for themselves, but also for the planet.

Looking at the resveratrol market, historic applications on heart health, blood glucose control as well as joint and bone health remain blockbusters. But in 2022 we also saw a substantial increase of new product development focusing on women's health, menopause relief, brain function, mental performance and beauty from within.

Ingredient	Description	Proof-of-Concept	Development	Piloting	Market presence
Resveratrol	Nature-made polyphenol with demonstrated health benefits				
L-Arabinose	Unique bio-active sugar with sugar blocker properties;				
L-Arabinose	Flavoring agent used in Maillard reaction				
Valencene	Aroma component of citrus fruitand citrus-derived odorants				
Nootkatone	Aroma ingredient of Grapefruit obtained via biochemical oxidation of valencene				
Vanillin	Primary component of vanilla bean extract				
NootkaSHIELD™	Nature-identical ingredient for health protection				
Stevia (Reb D/M)	High intensity sweetener				outlicensed

Evolva's Portfolio in Health Ingredients

As consumers are broadening their perception of their health, they are now also looking for science-backed functional ingredients that allow them to address a variety of health concerns quickly and simultaneously. As a result, resveratrol – which is by nature a holistic functional ingredient with a broad spectrum of benefits – has seen a substantial increase in demand over the past years.

Building the scientific evidence to support such expected benefits undoubtedly adds substantially to the credibility of such innovative ingredients. The execution of clinical studies by Evolva and our partners continues to be a key differentiation versus our competitors.

Veri-te™ Resveratrol
Resveratrol is a polyphenolic compound that occurs naturally in many plant sources such as grapes, peanuts cranberries and other berries, albeit at low concentrations.

Evolva's resveratrol is a high-purity ingredient, made via precision fermentation, which ensures a stable, traceable and reliable supply chain. The collaboration with external partners and technology companies allows us to offer our resveratrol ingredient in various formats such as cold-water dispersible or oil- and water-soluble resveratrol.

Our team continuously screens for complementary offerings that meet growing consumer demands for new resveratrol product applications, as resveratrol is poised to remain a key ingredient in the strategies of manufacturers and formulators. Moreover, for existing applications, we continuously improve the effectiveness of the various formulations of Veri-te™ Resveratrol. Innovative applications allow for its use in a continuously broadening range of market segments, including dietary supplements, personal care and cosmetics, functional beverages, and pharma with API applications (Active Pharmaceutical Ingredients).

Due to its large spectrum of applications, resveratrol remains key in the strategies of ingredient manufacturers and formulators and continues to be the focus of many human and animal studies, with more than 1,600 published studies in 2022. A total of 265 human clinical studies reported the benefits of resveratrol supplementation on immune health, cardiovascular conditions, cognitive health, bone health, skin health, eye health and oral health.

The launch of Veri-te™ Cosmetics, announced in 2022, is one example of how Veri-te™ Resveratrol's broad spectrum of applications makes it possible to enlarge the addressable market. Backed by science and fully in line with evolving consumer expectations, Veri-te™ Cosmetics, which has been shown to activate six skin pathways and 14 genetic targets, offers an exciting outlook for the coming year, with new products already in the pipeline.

HEALTH INGREDIENTS

L-Arabinose

L-Arabinose is a pentose, rare sugar with a similar taste profile to sucrose. It is used in a wide range of applications in diverse industries. This versatile ingredient has recently gained attention with numerous studies reporting health benefits, including blood glucose control, weight management, and as a prebiotic. As a "bioactive sugar", L-Arabinose combines the functionality of a reducing sugar with potential health benefits. Human clinical studies indicate great potential for the use of L-Arabinose particularly for blood glucose management, although additional carefully designed studies will still be needed. Evolva's investment in scientific research to develop its ingredients has taken a step further in terms of determining L-Arabinose 's potential health benefits. In addition to providing our customers with a sustainably produced ingredient, Evolva is currently investing in ongoing studies that aim to provide science-based evidence on the use of L-Arabinose as a health ingredient and in cosmetic applications.

L-Arabinose is a versatile ingredient with several applications in a diverse range of industries around the globe. Some selected applications are:

- **Flavor:** L-Arabinose is currently used in the food and flavor industry as a flavoring agent. Due to its sugar-reducing properties, it can be used in the Maillard reaction, resulting in appealing flavors in the bakery, confectionary, and pet-food industries;
- **Dietary supplements:** Research, including human clinical studies, indicates that, due to its sugar-blocker properties, L-Arabinose is effective when combined with sucrose in lowering blood glucose levels;
- **Cosmetics:** L-Arabinose is currently used as an excipient in topical applications. In addition, some products list it as an active ingredient in anti-aging formulations;
- **Pharma:** L-Arabinose can be used as a precursor as part of the biotechnological production of L-nucleoside analogs as well as in medical weight-loss devices.

The launch of L-Arabinose in January 2021 added further evidence to Evolva's ability to generate additional innovative solutions to address customer and consumer needs from its diversified unique fermentation technology.

L-Arabinose
by EVOLVA™

Differentiation through clinical studies

Over the course of the past two years, more than 3,000 studies on resveratrol alone have underlined the benefits of supplementing resveratrol on immune health, cardiovascular conditions, cognitive health, bone health, skin health, eye health, and oral health, for human consumers and patients, and for our companion animals.

As an illustration, the RESHAW study results (Clinical Nutrition Research Centre, University of Newcastle, Australia), recognized with the Nutra Ingredient Asia Award in 2020, provided tangible, science-based evidence to the benefits of using Veri-te™ Resveratrol to support post-menopausal women's health. Similar clinical studies are performed in the dynamic research areas of Gut Health and Mental Health, which continue to represent key market opportunities for our Veri-te™ Resveratrol.

Throughout the past business year, Evolva continued to invest in and provide scientific support for clinical studies. By bringing high-level science to customers generated through well designed studies by recognized research institutions, we provide tangible evidence of the differentiated benefits of our patented Health Ingredients to our customers.

We consider this to be a differentiating element versus our competitors as Evolva provides expert scientific and technical support to global customers and distribution partners. We are firmly convinced that the continued investment in clinical studies gradually underlines the positive properties of our two key ingredients, and, ultimately, the reasons for our customers to invest in our Resveratrol and L-Arabinose products.

2022 update

Veri-te™ Resveratrol by Evolva brings to the resveratrol market a distinctive value proposition as a unique source of resveratrol produced from a patented fermentation process. It is in perfect match with today's consumer expectations for functional, reliable, and sustainable ingredients that effectively contribute to their overall health and wellbeing.

Veri-te™ Resveratrol is the flagship of Evolva's Health Ingredient segment with the clear ambition to build a robust platform, supporting Veri-te™ Resveratrol's proven benefits. This platform consists of a high-performing back-end infrastructure including:

- Commercial excellence, with a team of in-house experts, offering customers end-to-end advice from new product concept to product launch
- Increased manufacturing capabilities to face growing worldwide demand

HEALTH INGREDIENTS

In the first half of 2022, we successfully stabilized and optimized the production of resveratrol, eliminating production issues that limited production in 2021. Throughout 2022, Evolva's Resveratrol business continued its geographical market penetration into the core US and EU markets, a reflection of ongoing new product developments, incubating partnerships with key accounts on strategic projects, and the efficiency of the diversified distribution partners in these regions. A distribution agreement signed in the first half of 2022 with Tovani Benzaquen Ingredients in Brazil gave us access to an attractive segment of the Brazilian market for dietary supplements. The same distribution partner will market Veri-te™ Resveratrol for animal nutrition and health, which Brazilian regulators approved in late 2022. And in Asia, Veri-te™ Resveratrol considerably broadened its customer base with a clear upward trend in sales and a stronger interest in using the Veri-te™ Resveratrol brand.

In alignment with our efforts to develop various product formats and applications, Veri-te™ Resveratrol is now used in a wide range of market segments, including women's health, dietary supplements, functional beverages, animal health, and pharma. With proven benefits in cosmetics applications, such as detoxifying, protecting, rejuvenating, and repairing damaged cells, we are addressing new application fields in the areas of oxidative stress, skin aging and collagen fibers. We are currently finalizing a proprietary clinical study assessing the effects of Veri-te™ Resveratrol in beauty from within and topical applications, which will bring further developments in this space. Following the publication of the outcomes from the RESHAW study, led by Professor Peter Howe and Dr. Rachel Wong at the University of Newcastle's Clinical Nutrition Research Centre – Australia, 2021 has seen many new product launches in the dietary supplement space, focusing on Women's Health with many concepts, supporting more specifically post-menopausal women.

As a leading player in that space, Evolva supported the 2022 edition of the World Menopause Day on 18 October. For this occasion, we organized webinars demonstrating the benefits of daily supplementation with Veri-te™ Resveratrol in post-menopausal women, this year with a special focus on cognitive health.

We continue to invest in clinical, in vivo and ex vivo studies to support product innovation for our customers, focusing in particular on cosmetics applications. Additionally, we are finalizing a skin health study, the first clinical study looking at the effects of both oral resveratrol supplementation and topical application on skin ageing. Combined with a pending efficacy patent, we expect these results to secure resveratrol as a key ingredient in both the beauty-from-within and the cosmetics and personal care markets.

Stevia

EVERSWEET™

Evolva initiated an agreement with Cargill in 2013, resulting in the out-licensing of our Stevia product to Cargill, an international blue-chip company in the food sector. In 2019, Cargill established the Avansya joint venture together with Dutch DSM, another global player in Health, Nutrition & Bioscience solutions, in order to market the Stevia sweetener products under the EVERSWEET™ brand.

Product	Description	Proof-of-Concept	Development	Piloting	Market
Stevia (Reb D/M)	High intensity sweetener	■	■	■	outlicensed

Evolva's outlicensed Stevia product

2022 update

Commercial-scale production of EVERSWEET™ started in November 2019 at Cargill's fermentation production facility in Blair, Nebraska (USA).

The royalty stream collected by Evolva in 2022 was disappointing primarily due to project delays caused by the COVID-19 pandemic. With the easing of the COVID-19 pandemic, and since EVERSWEET™ is GRAS and FEMA GRAS approved for use in food and beverage products in the U.S. and Mexico and additional regulatory approvals for use in other countries are underway, we anticipate royalty income to grow in line with its full potential post pandemic times. Focus of such growth is based on geographic expansion and increased focus on sugar replacement.

HEALTH PROTECTION

HEALTH PROTECTION

Evolva designs, manufactures and supplies nature-based products with high efficacy that can protect health-conscious consumers globally.

Ingredient	Description	Proof-of-Concept	Development	Piloting	Market presence
Resveratrol	Nature-made polyphenol with demonstrated health benefits				
L-Arabinose	Unique bio-active sugar with sugar blocker properties; Flavoring agent used in Maillard reaction				
Valencene	Aroma component of citrus fruitand citrus-derived odorants				
Nootkatone	Aroma ingredient of Grapefruit obtained via biochemical oxidation of valencene				
Vanillin	Primary component of vanilla bean extract				
NootkaSHIELD™	Nature-identical ingredient for health protection				
Stevia (Reb D/M)	High intensity sweetener				outlicensed

Evolva's Portfolio in Health Protection

NootkaSHIELD™
NootkaSHIELD™ is Evolva's 100% nature-identical, high purity version of the active ingredient Nootkatone for insect repellent uses.

Nootkatone is naturally found in minute quantities in the heart wood of the Alaska yellow cedar, the Nootka cypress, as well as in the skin of grapefruit. Nootkatone has been tested against a variety of biting pests, including ticks that are responsible for transmitting Lyme disease, and against mosquitoes that act as vectors for severe diseases like the Zika, Chikungunya, Dengue and West Nile viruses.

In addition to its use as an insect repellent, NootkaSHIELD™ can be used to protect pets and large animals as well as outdoor spaces, clothing and materials against pests.

The global insect repellent market in consumer and animal segments is currently worth about USD 10 billion, with continued growth driven by strong fundamentals like global warming and climate change, leading to new invasive pests spreading into areas where they were previously unknown.

Nootka SHIELD™ by EVOLVA™

2022 update
Over the course of 2022, we have seen continued strong interest and momentum with our development and registration partners, as well as approvals in various markets. Evolva also invested in the development of proprietary formulations of NootkaSHIELD™ to support our leading customers in their activities to commercialize first end-user applications and continue to strive for the registration of consumer products. As we aim to expand beyond the US into countries that are based on the US regulatory approval or have fast-track regulatory processes, we brought prototyping and test sales to selected international marketing partners in late 2022.

In the commercialization of NootkaSHIELD™, our initial priority remains unchanged on personal repellents, pet care and home protection uses, based on the NootkaSHIELD™ nature-identical technology. In October 2022, Evolva's NootkaSHIELD™ insect repellent was approved for use in Hong Kong, following the approval as active ingredient in the United States, which Evolva received from the US Environmental Protection Agency (EPA) in August 2020, as well as initial launch activities during 2022 in Singapore which led to first sales in 3Q 2022. This represents an important milestone in preparation of further launches across South-East Asia, where insect prevalence is high due to tropical climate conditions.

Additionally, Evolva was awarded a grant of USD 0.5 million from the US Centers for Disease Control and Prevention (CDC) for the further development of NootkaSHIELD™. The grant, distributed in several payments over a period of 18 months since 30 September 2022, will support the development of new formulations and applications of NootkaSHIELD™ for tick bite prevention.

CORPORATE SUSTAINABILITY

CORPORATE SUSTAINABILITY

Evolva's purpose as the foundation of sustainable performance

Consumers are increasingly paying attention to their health and the environment. This again is driving the global demand for more natural ingredients in food and beverage products. The corresponding increase in demand for more natural products cannot always be met by accessing ingredients from traditional agricultural sources.

Innovative suppliers are pursuing alternative science-based solutions which are leading to new ingredients being developed to meet these supply limitations.
At Evolva, we contribute to resolving resource and supply chain bottlenecks in nature through our proprietary technology. Our white biotech platform differentiates us to design and produce ingredients that contribute to people's health, wellness, and sustainability, while favorably impacting global resources and supply.

In terms of innovation, it is in our DNA and, hence, our corporate purpose to research, develop, grow, and bring to market high quality, affordable, ready-to-formulate products that are all based on nature and make them available to the world despite of any natural sourcing constraints.

RESOLVING THE BOTTLENECKS OF NATURE

Spotlight valencene:

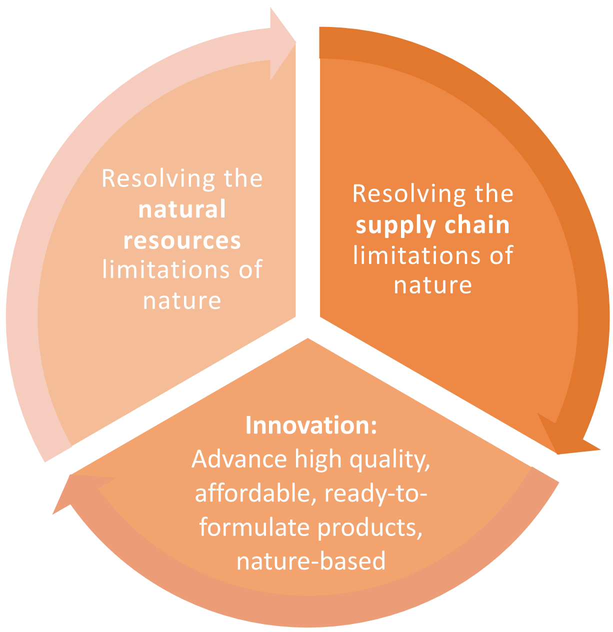
FIRST CHALLENGE:
Traditional methods of producing nootkatone are inefficient, as it takes thousands of kilograms of grapefruits to obtain one single kilogram of nootkatone.

SECOND CHALLENGE:
Supply can be adversely affected by the unpre-dictable outcome of the seasonal grapefruit harvest.

→ OUR SOLUTION:
Evolva offers a cost-effective, nature-based nootkatone with a more stable supply chain and reduced CO_2 emissions resulting from mostly heavy, long transports.

The innovative edge to sustainability
Evolva applies a sustainable approach, using fermentation to produce ingredients with less water, less land, and a smaller carbon footprint. The respective biochemical pathways of nature – a series of conversion steps – enable a plant to convert water and sunlight or specific nutrients into a targeted ingredient. Through white biotechnology, these pathways allow us to produce the desired ingredient in our facilities. Compared to other production avenues, the reduced exploitation of resources results in meaningful environmental benefits.

Focus on material drivers of sustainable performance
With our 50 employees, Evolva continues to be a small industrial biotech that is still on its journey towards profitability and cash generation. During this phase we focus our resources on those drivers that really matter for sustainable long-term performance. As a consequence, we have defined the following material drivers for our journey towards sustainable performance:



Evolva's material drivers of sustainable performance

CORPORATE SUSTAINABILITY

Fermentation of nature-based ingredients

Our innovation helps eliminate resource bottlenecks of nature...
Microorganisms are everywhere and sustain life in all forms, from humans to plants. The Evolva biologists apply the latest advances in biotechnology and science to transform microbial fermentation into a process that can produce a variety of nature-based ingredients.

A targeted ingredient such as a flavor compound is often only present in trace amounts, less than 0.001% in a plant. Growing these plants may require substantial amounts of land, water, and labor. With our proprietary biotechnology, we can significantly increase the yield and the efficiency of the production of multiple nature-based ingredients - without exploiting natural resources. And this innovation is purely based on the biochemical pathways of nature, hence fully sustainable.

...but also eliminating supply chain constraints
Developing nature-based ingredients by fermentation also means being able to make them to order. Consumers or our customers do not need to worry about any unpredictable weather, seasonality, political instability, supply chain interruptions, or long transportation distances. Fermentation allows to manufacture high purity products, free of environmental contaminants and in consistent batches.

Our proprietary, precision-fermentation technology platform allows us to continuously innovate and fill our pipeline of nature-based ingredients that all contribute to overcome sourcing bottlenecks in nature.

The sustainability edge of Evolva's nature-based ingredients enables our customers to leverage the environmental credentials of our products. We are proud to be part of this global sustainability journey.

Looking ahead

Beyond continuous innovation, our commitment implies investments into our team as well as into additional manufacturing capacity to support the megatrend of a growing demand for nature-based ingredients. This does not only hold true for food and beverages applications, but also for other applications such as for our nature-based Nootkatone pest control offering or our nature-based Resveratrol offering for our companion animals.

CORPORATE GOVERNANCE

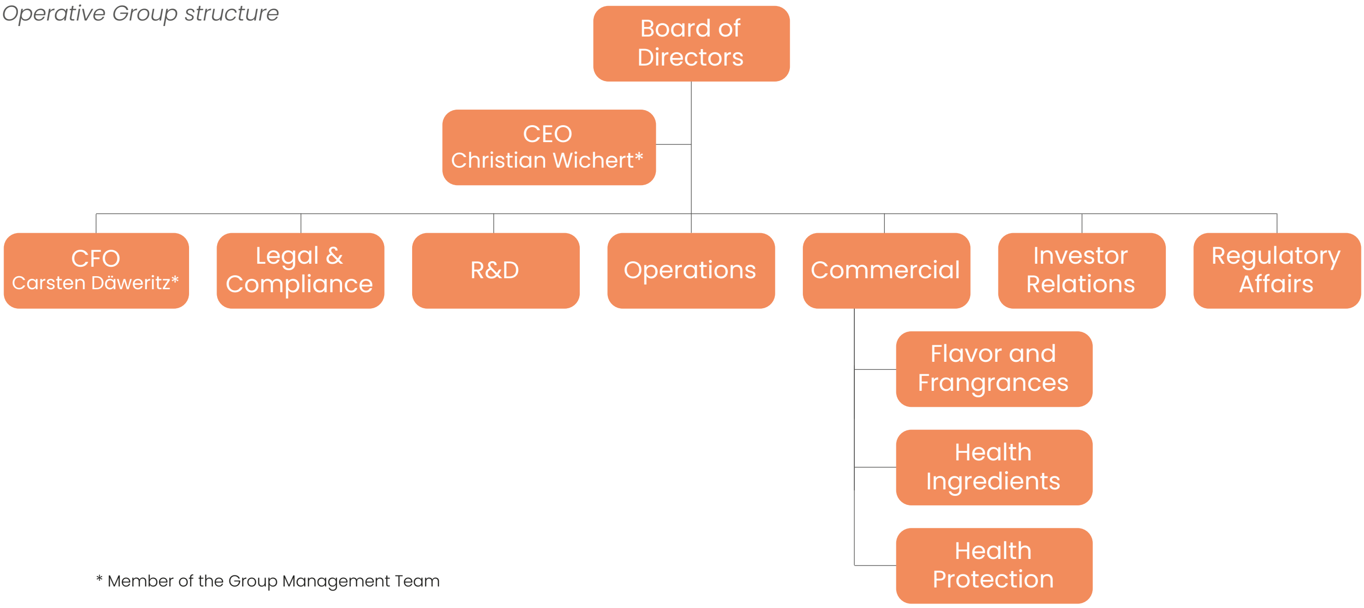
CORPORATE GOVERNANCE

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

Evolva is subject to the disclosure requirements of the Directive on Information Relating to Corporate Governance Directive issued by SIX Exchange Regulation **(the "Corporate Governance Directive")**, which stipulates disclosure of key information regarding corporate governance by listed companies on a comply-or-explain basis. As part of this regime, 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" or "Board")** and the Group Management Team **("GMT")**.

Evolva's governance system and related reporting complies with Swiss law, including the Ordinance against Excessive Compensation in Listed Companies (as incorporated into the Swiss Code of Obligations ("CO") as of 1 January 2023) and the Corporate Governance Directive and follows best practice standards and aims to comply with the Swiss Code of Best Practice for Corporate Governance.

Operative Group structure



* Member of the Group Management Team

Legal Group structure

On 31 December 2022, the Evolva Group **("Evolva")** consisted of Evolva Holding SA **("the Company")** as the listed parent company:

Company name:	Evolva Holding SA
Domicile:	Duggingerstr. 23, CH-4153 Reinach
Register number:	CHE-108.641.858
Listing:	SIX Swiss Exchange, symbol "EVE"
ISIN:	CH0021218067
Swiss security ID:	2121806
Market capitalization [1] 31.12.2022:	CHF 91.9 million
Share price at 31.12.2022:	CHF 0.0820
Duration of the company:	unlimited

1) based on total shares outstanding

and the following non-listed direct or indirect subsidiaries:

Name	**Domicile**	**Ownership[1]**		**Shareholder**	**Share capital**
		31.12.2022	31.12.2021		
Evolva AG	Reinach, CH	100%	100%	Evolva Holding SA	CHF 6,369,540
Evolva Inc.	Lexington, USA	100%	100%	Evolva AG	USD 7,835
Non-operational entities					
Evolva Bio UK Ltd. [2]	Cambridge, UK	100%	100%	Evolva AG	GBP 14.62
Evolva Singapore PTE.	Singapore	100%	100%	Evolva AG	SGD 100
Evolva Biotech A/S [3]	Copenhagen, DK	n/a	100%	Evolva AG	DKK 4,311,583
Evolva Biotech Private Limited [2]	Chennai, India	100%	100%	Evolva AG	INR 169,930

1) Capital ownership is equal to voting ownership
2) Company in liquidation
3) Company liquidated in 2022

Cross-shareholdings

On 31 December 2022, no cross-shareholdings exceeding 5% existed.

Capital structure and shareholders

Description of the shares

On 31 December 2022, the Company had only registered shares outstanding. All shares have a nominal value of CHF 0.05. Each share carries one vote at the shareholders' meetings of the Company – subject to limitations as described below.
In February 2014, Evolva launched an ADR program (American Depositary Receipt), supported by Bank of New York Mellon. Each Evolva ADR represents ten ordinary shares and trades on the OTC (over-the-counter) market in the US. The ADR program does not result in an increase in the number of outstanding Evolva shares. Additional information is available on https://www.adrbnymellon.com/?cusip=30050L109.

Issued share capital

At year-end 2022, the Company had 1,121,280,367 registered shares issued and outstanding with a nominal value of CHF 0.05 each, representing a nominal share capital of CHF 56,064,018.35. All shares are fully paid up.

Shareholder structure and significant shareholders

The section "Stock Review" on page 12 of this Annual Report contains information on the company's shareholder structure.

During 2022, shareholders of Evolva submitted a number of filings regarding their crossing of reportable thresholds as percentage of shares issued and outstanding under Swiss disclosure rules. The detailed shareholder notifications are available on the SIX website at https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html

Apart from the shareholdings listed in the Stock Review section, Nice & Green SA as of 31 December 2022 had a derivative purchase position of 560,000,000 shares, equating 49.94% of the Company's capital (theoretical number based on a nominal value of 0.05 CHF per share and not on market value; the no. of shares and the percentage are updated figures and differ from the figures notified pursuant to Art 120 FinMIA), related to an agreement for the issuance and subscription of convertible notes further described under "Convertible bonds and equity-based incentive plans" below.

Treasury shares

On 31 December 2022, Evolva held 4.4 million shares in treasury (the no. of shares in treasury is an updated figure and differs from the figure notified pursuant to Art 120 FinMIA). These shares may be used for financing purposes at a later point in time. For more details see the Consolidated Financial Statements.

Conditional Capital for incentive equity plans

At 31 December 2022, conditional capital of maximum CHF 1,985,038.05 was available for the issuance of up to 39,700,761 shares under the incentive equity plans to employees of the Company and its subsidiaries, Board members and other key persons (article

3c Articles of Association of the Company, Statuten; "Articles" (available under https://evolva.com/app/uploads/2022/05/8-Statuten-Evolva-Holding-AG-220525d.pdf)), which equates to 3.5% of the existing share capital.

For details regarding the terms and conditions of equity-based instruments, please refer to the Notes on page 114 to the Consolidated Financial Statements.

Conditional Capital for financing purposes
On 31 December 2022, conditional capital of maximum CHF 8,906,094.10 was available for issuance of up to 178,121,882 shares from conditional capital for financing purposes (article 3a Articles), which equates to 15.9% of the existing share capital. These are reserved for the voluntary or compulsory exercise of conversion rights and/or warrants granted in connection with bonds or other financial market instruments or loans.

Authorized Capital for financing purposes
The Board's proposal to create additional authorized capital in the maximum amount of CHF 5,153,146.75, was approved at the Company's annual general meeting ("AGM") on 5 May 2022.

On 31 December 2022, authorised capital of the maximum amount of CHF 2,020,795.45 was available to the BoD to issue at any time until 12 April 2024 a maximum of 40,415,909 fully paid-up registered shares (article 3abis Articles), which equates to 3.6% of the existing share capital.

For more information regarding the capital structure, including on the terms and conditions for the issuance of shares and the limitation/exclusion of pre-emptive and/or advance subscription rights, reference is made to the Articles, which are available at https://evolva.com/shareholder-info/annual-general-meeting-of-shareholders/.

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

	Total number of registered shares Evolva Holding SA	CHF 1,000
31 December 2019	**796,878,237**	**159,375.6**
Shares from conditional capital	25,000,000	5,000.0
Nominal value reduction	-	(123,281.7)
31 December 2020	**821,878,237**	**41,093.9**
Shares from authorized capital	208,751,116	10,437.6
31 December 2021	**1,030,629,353**	**51,531.5**
Shares from authorized capital	62,647,026	3,132.3
Shares from conditional capital	28,003,988	1,400.2
31 December 2022	**1,121,280,367**	**56,064.0**

Shares and participation certificates
The Company has not issued any participation certificates.

Dividend-right certificates
The Company has not issued any dividend-right certificates.

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

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

Convertible bonds and equity-based incentive plans
Convertible Notes Agreement with Nice & Green
For a description of the agreement with Nice & Green, please refer to Note 26 of the Consolidated Financial Statements on page 132.

Equity Based Incentive Plans
The Company 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. More information on the equity-based incentive plans, including the share option plans, can be found in the Note 11 to the Consolidated Financial Statements at page 114 et seqq.

The Company's maximum share delivery obligation related to awards granted pursuant to equity-based incentive plans is 62,564,649 shares, which corresponds to 5.6% of the existing share capital as of 31 December 2022.

Board of Directors

The Articles provide that the Board of Directors (*Verwaltungsrat*; "BoD" or "Board") of the Company may consist of a minimum of three directors and a maximum of eleven directors. At the end of 2022, 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 **AGM** until completion of the next. Re-election is allowed. The AGM elects the members and 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 (article 32) restrict the number of other board mandates for members of the BoD to:

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

The BoD is entrusted with the ultimate direction of the Company's business and the supervision of the persons entrusted with the Company's management. It represents the Company towards third parties and manages all matters which have not been delegated to another body of the Company by law, the Articles or by other regulations. The BoD's non-transferable and irrevocable duties, based on the 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 filing of an application for a debt restructuring moratorium and the notification of the court in case the Company is overindebted or insolvent.

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

According to the Organizational Regulations (*Organisationsreglement*) enacted by the BoD, the BoD meets at the invitation of the Chairman as often as required, but in any event at least four times per year. The Organizational Regulations are available on Evolva's website: https://evolva.com/shareholder-info/annual-general-meeting-of-shareholders/. In 2022 the BoD met four times in person, with the average duration of the meetings of several hours and held several phone calls. The members of the management of the Company may be invited to attend the meeting or part thereof and to report on specific items. The CEO is entitled to attend all Board meetings. Furthermore, external consultants may be invited to attend, depending on the subject of the meeting. In 2022 the General Management Team attended all Board meetings. No external consultants attended Board meetings in 2022.
The agenda for the BoD meetings is prepared by the Chairman and the CEO. In general, the main agenda items comprise updates in regard to sales and production, the progress of the product portfolio, existing and future partnerships, the financial situation, key risks and strategic opportunities.

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

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

Leadership Team meeting. Each functional leader is entitled to request and receive information on all matters of the Company and the Group.

Board 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 2022, the AC consisted of Stephan Schindler (Chairman) and Andreas Weigelt.

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 2022, the AC convened three times by way of video conference with an average duration of 1 hour per conference. No external persons attended these meetings.

Compensation Committee
At year-end 2022, the CC consisted of the following non-executive members:
Christoph Breucker (Chairman);
Stephan Schindler;
Andreas Pfluger.

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 2022 the CC formally met two times, with an average duration of the meeting of 1 hours. In addition, the CC held several telephone conversations. No external

persons attended these meetings (except for external legal advisors in one telephone conversation). The persons concerned are not permitted to attend meetings where their compensation is discussed.
Additional information is available in the Compensation Report at page 73.

Composition of the Board of Directors at year-end 2022
The following table sets forth the name, function and committee membership of each member of the BoD at year-end 2022, followed by a short description of each member's nationality, business experience, education and activities.

Name	Function	Committee membership	First elected
Beat In-Albon	Chairman	-	2020
Stephan Schindler	Member	AC (Chair), CC	2020
Christoph Breucker	Member	CC (Chair)	2021
Andreas Pfluger	Member	CC	2022
Andreas Weigelt	Member	AC	2022

At year-end 2022, all members of the BoD were non-executive. No member of the Board was a member of the management in the three preceding financial years.

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 2023. The business address for each member of the BoD is Duggingerstrasse 23, 4153 Reinach, Switzerland.

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

Mr. In-Albon has spent a major part of his career in the Lonza Group from 1983 -2007 and 2012 -2015. In his last role, he served as Senior Vice President, Chief Operations Officer Specialty Ingredients and was responsible for the worldwide operational activities. Sales and manufacturing as well as the overall results of the division fell under the umbrella of his responsibilities, among many others. During this time Beat In-Albon has been a member of the Lonza's Group Executive Committee. After his retirement from Lonza in 2015, Mr. In-Albon continued to work part-time as consultant for Lonza Group until 2018.

Mr. In-Albon serves as a non-executive board member at PolyPeptide Group AG (since 2021), a CDMO company in the field of peptides. He also serves as a member of the

Beat In-Albon

Stephan Schindler

board of Deccan Fine Chemicals Pvt. Ltd.,India (since 2019), a CMO company mainly active in the field of agro chemicals as well as the chairman of the board of directors of Hans Kalbermatten Thermalbad AG, Brigerbad (since 2021) and Vice Chairman of Lonza Arena AG, Visp (since 2021).

Mr. In-Albon holds a Ph.D. degree in economics from the University of Fribourg.

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

Mr. Schindler is an experienced leader in science-based companies. From 2009 to 2021, he was Chief Financial Officer (CFO) and member of the Corporate Executive Committee of the Bachem Group. His professional career started in the informatics at Patria/Helvetia Insurances in Basel where he assumed first management positions. In parallel, he pursued his extra occupational studies in business economics, finance and control. After his graduation, he joined F. Hoffmann-La Roche Ltd in Basel where he assumed various positions in Corporate Finance. With the unbundling of the Vitamins Division in 2001, he took over the accounting & reporting department of Roche Vitamins Ltd. Until 2009, he was Head Finance & Control Switzerland at DSM Nutritional Products Ltd, Kaiseraugst.

Stephan Schindler was a board member of Columna Collective Foundation – Client Invest, Winterthur, a pension fund provider, from 2017 until 2021. Currently, he serves as member of the board of directors of Arcondis (Holding) AG, a consulting firm in the field of life sciences, since 2016 and the University Children's Hospital Basel UKBB since 2021 and INFORS HT, Switzerland, a supplier for the biotechnology industry since 2022.

Mr. Schindler holds a degree of International Executive MBA Zurich/Boston and is a certified board member.

CORPORATE GOVERNANCE

Christoph Breucker

Andreas Pfluger

Christoph Breucker
German national, born in 1958.
Christoph Breucker has been elected as Member of the Board of Evolva in April 2021.

Mr. Breucker served for more than 30 years in global organizations such as Henkel (1986-1999), Cognis (1999-2010) and BASF (2011-2013). In his last role from 2013 to 2018, Mr. Breucker was Vice President of Synthomer plc/London where he was responsible for regional operational activities, including sales and manufacturing. Since 2019 Mr. Breucker works as an independent management consultant. He has strong expertise in process manufacturing and technology.

Christoph Breucker is currently the Head of the Advisory Board of Taros Chemicals, Germany (since 2019). He holds a Ph.D. in Chemical Engineering from the University of Dortmund, Germany.

Andreas Pfluger
Swiss national, born in 1960.
Andreas Pfluger has been elected as Member of the Board of Evolva in April 2022.

Mr. Pfluger is a Consultant and Private Equity investor in various international companies such as Verlinvest (Belgium), Jumi Enterprises, PiM (all US), as well as Ditsch/Valora and APC Invest (all Switzerland).

Previously, Mr. Pfluger worked during 25 years for the Lindt & Sprüngli Group, Switzerland, in various executive positions. He started his career in marketing, before becoming CEO of L&S Australia as well as CEO of France. Subsequently, Andreas Pfluger was appointed President and CEO of the Ghirardelli Chocolate Company as well as President of Lindt North America. As SVP for L&S International, he became responsible for Asia, Australia, Italy and North America. His last executive position in the L&S Group was as the CEO of North America and Member of Lindt Group Management team.

Andreas Weigelt

Prior to that, Mr. Pfluger held several executive functions for the Unilever Group, both in Switzerland and Germany.

Andreas Pfluger is a member of the Board of Directors at Mutti (Italy), Tony's Chocolate (Netherlands), Galerie (US), as well as Laederach Chocolates, Shinsen and Invenda (all Switzerland).

Andreas Pfluger holds an MBA of the University of Fribourg, Switzerland, and completed the IMD Executive Leadership Course.

Andreas Weigelt
Swiss national, born in 1981.
Andreas Weigelt has been elected as Member of the Board of Evolva in April 2022.

Mr. Weigelt is CEO and Senior Partner of Veraison Capital, an independent Swiss asset Manager. Veraison acquires significant ownership stakes in publicly listed small and mid-cap companies, where long-term value can be enhanced through constructive shareholder engagement.

Previously, Mr. Weigelt worked for the listed Arbonia Group. Initially he served as Head of Strategic Planning and M&A on a group level, before being promoted to General Manager of EgoKiefer and Head Marketing and Business Development of the Windows Division.
Prior to that, Andreas Weigelt was a Manager (Principal) at the Boston Consulting Group in Zurich.

Andreas Weigelt holds a masters degree in Strategy and International Management from the University of St. Gallen, Switzerland, and an MBA from the Nanyang Technological University in Singapore.

Christian Wichert

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. Additional information on the duties of the GMT can be found in the Organizational Regulations, which are available on Evolva's website under https://evolva.com/shareholder-info/annual-general-meeting-of-shareholders/. The Articles (article 32) restrict the number of external mandates for members of the GMT to two in listed companies and four in non-listed companies. None of the GMT members have previously held other positions within the Company or its subsidiaries.

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 2022, followed by a short description of each member.

Christian Wichert
German national, born in 1974.
Christian Wichert was appointed CEO of Evolva in February 2022.

Christian Wichert is a results-oriented leader with broad international experience in Europe as well as North and South America across the Specialty Chemicals/Life Sciences, Water and Consumer Packaged Goods industries, among others.

Before joining Evolva, Christian Wichert was Chief Commercial Officer at Johnson Matthey's largest sector "Clean Air" where he was globally responsible for sales, product management, marketing, technology and the APAC region.

Prior to that Christian Wichert held various senior leadership positions at Lonza where he led the carve-out and divestment process of Lonza's Water Care business unit resulting in the successful sale to Private Equity.

Carsten Däweritz

He also worked previously for Nobel Biocare, Cognis and Gemini Consulting in commercial leadership positions.

Christian Wichert holds a degree in Business Administration from the University of Bayreuth, Germany.

Carsten Däweritz
Swiss and German national, born in 1973.
Carsten Däweritz joined Evolva in April 2021 and took over the Chief Financial Officer position. In his role, he is responsible for Finance, Information Technology and Human Resources.

Carsten Däweritz has broad financial experience in the pharma and biotech industry. Before joining Evolva, Mr. Däweritz spent 21 years, from 2000 until 2021, at Lonza in a variety of leadership positions. Most recently he was Global Head Finance and Controlling of the Consumer Health and Nutrition Business and, prior to that, Head of Business Services EMEA at Lonza.

Carsten Däweritz holds a pre-diploma in Mathematics and a Master in Business Administration from the University of Münster, Germany.

Composition of the Group Management Team at year-end 2022

Name	Position	In GMT since
Christian Wichert	Chief Executive Officer	2022
Carsten Däweritz	Chief Financial Officer	2021

Christian Wichert joined the Company as the CEO in February 2022, replacing Oliver Walker, who departed from the Company in February 2022.

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" on pages 73 through 83. The general framework of the system is provided in the Articles (articles 28 – 30). An overview of equity holdings of BoD and GMT members is available in Note 11 on page 155 of this report.

Evolva's Articles (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"). Shareholders may have their right to vote exercised by a representative of their choice, including a specially designated independent shareholder representative (the "independent proxy"). Shareholders can submit their voting instructions to the independent proxy by post or electronically.
The independent proxy is elected by the AGM for a term of one year, i.e. until the next AGM. The AGM may elect a substitute. In exceptional circumstances, the BoD may determine the independent proxy. Re-election is possible. The dismissal is effective as of the shareholders' meeting at which it took place. In 2022, Dr. Oscar Olano was re-elected as independent proxy for one year. A shareholder wishing 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 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, inter alia (see article 704 CO):

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. the introduction of conditional capital or of the capital band
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 de-listing of the equity securities of the Company
9. 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. Upon entry into force of Swiss corporate law reform effective 1 January 2023, the BoD is further required to convene an extraordinary shareholders' meeting if so resolved by a shareholders' meeting or if so requested by shareholders that together hold at least 5% 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
Upon entry into force of Swiss corporate law reform effective 1 January 2023, shareholders that together hold shares representing 0,5% of the share capital have the right to request that a specific agenda item be discussed and voted upon at the next shareholders' meeting, setting forth the item and proposal. According to the Articles, the request to put an item on the agenda has to be made in writing at least 35 days prior to the meeting.

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

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 benefiting members of the Board of Directors or the General Management Team, or other members of management in the event of a change of control, other than the customary clauses concerning the exercise of equity-based incentive instruments.

Auditors

Mazars Ltd. Zurich, Switzerland was appointed as the external auditors of the Company at the AGM held on 8 April 2021 for the business year 2021 with effect from 8 April 2021 and was re-appointed at the AGM held on 5 May 2022 with effect from 5 May 2022 for the term of one year until the end of the AGM 2023. The lead auditor is Mr. Cyprian Bumann, who took office from the effective date of Mazars' appointment in 2021. The maximum term of office of the lead auditor is 7 years.

During 2022, Mazars charged CHF 139,000 in total audit fees and audit related fees and CHF 5,000 for capital increase related services performed. In 2022, the external auditors met 3 times with the Audit Committee.

The Audit Committee is responsible for evaluating the performance and independence of the external auditors on behalf of the Board. This evaluation occurs at least once a year. The criteria applied for the assessment include professional competence, sufficiency of resources, the ability to provide effective and practical recommendations and coordination of the external auditors with the Audit Committee. During the meetings, Mazars among others, presented their audit strategy and their 2022 results. The Comprehensive Auditor's Report to the Board prepared by Mazars summarizes the reports presented to the Audit Committee throughout the year. Within the annual approved budget, there is an amount permissible for non-audit services that the external auditors may perform. Within the scope of the approved and budgeted amount, the Chief Financial Officer can delegate non-audit-related mandates to the external auditors, subject to all applicable auditor independence regulations. The Audit Committee reviews Evolva's financial reporting process on behalf of the Board. Evolva's GMT is responsible for preparing the financial statements and the reporting process, including the internal controls system. The Audit Committee is also responsible for overseeing the conduct of the activities by Evolva's GMT and the external auditors.

Information policy

The company as a listed company is committed to communicate to its shareholders, potential investors, financial analysts, customers, suppliers, the media, its internal stakeholders and other interested parties in a timely and consistent way. The company is required to disseminate information pertaining to its businesses in a manner that complies with its obligations under the rules of the SIX Swiss Exchange.

The company publishes an annual report that provides audited financial statements in accordance with the International Financial Reporting Standards (IFRS), Swiss

law and its Articles of Association. Moreover, the company publishes information on its business activities, strategy, products, corporate governance and executive remuneration.
The company also publishes its results on a semi-annual basis in the form of press releases, distributed pursuant to the rules and regulations of the SIX Swiss Exchange. The press releases on semi-annual results and the half-year reports contain unaudited financial information prepared in accordance with IFRS.
The company regularly provides an analyst & media presentation as part of the publication of annual and semi-annual financial results. Such presentation is made available together with the earnings release on the investors section of the corporate website. Throughout the year investor presentations are shared with individual investors or at investor conferences.

An archive containing Annual Reports or semi-annual results releases, and related presentations can be found in the investors' section at https://evolva.com/financial-data/.

For the financial calendar and events, please refer to: https://evolva.com/investors/event-calendar/

To subscribe to important press releases (including ad hoc announcements), interested parties can register for email news releases at https://evolva.com/investors/.

Ad hoc notifications can also be found in ad-hoc news section on https://evolva.com/press-releases/.

The Company's official means of communication is the Swiss Official Gazette of Commerce (www.shab.ch). The invitation to a general meeting of shareholders may also be sent by mail to registered shareholders.

For investor relations or media related information or questions, the company may be contacted via:
Mail: corporatecommunications@evolva.com
Phone: +41 61 485 2000
Evolva AG, Duggingerstrasse 23, 4153 Reinach, Switzerland

Additional shareholder information is publicly available on the company website under https://evolva.com/shareholder-info/ and contact information under https://evolva.com/contact/.

Quiet periods

The Company instated blackout periods during which all employees are prohibited from transacting in Evolva stock (including capital market instruments and any derivatives). In 2022, the blackout periods were in effect between 1 January 2022 - 6 June 2022 and 22 June - 31 December 2022, during which all employees were strictly prohibited from transacting in Evolva stock.

COMPENSATION REPORT

Summary

- Board of Directors and Group Management Team compensation in 2022 remained 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 2022
- A summary of the amounts paid to the members of the BoD and GMT in the 2022/2023 authorization period and the proposed maximum amounts for BoD and GMT compensation for the 2023/2024 authorization period

The AGM on 5 May 2022 approved the BoD's proposals for the maximum prospective amounts for the 2022/2023 period. The shareholders also approved the 2021 Compensation Report in a consultative vote.

2. Rules and regulations for compensation

Evolva's compensation system and reporting comply with Swiss law (incl. the former "Compensation Ordinance"[1]), the Swiss Code of Best Practice for Corporate Governance as well as the SIX Directive on Information Relating to Corporate Governance. Mazars has audited the tables in section 6 regarding BoD and GMT compensation for 2022. The Audit Report is presented on page 83.

The CO's provisions regarding remuneration in listed companies require 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

1 Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV, as incorporated into the Swiss Code of Obligations ("CO") as of 1 January 2023.

separately on the proposals of the BoD regarding the maximum aggregate amounts of:

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

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

3. Overall compensation principles

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

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

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

2 https://evolva.com/app/uploads/2022/05/8-Statuten-Evolva-Holding-AG-220525d.pdf

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). In addition, the compensation Committee reviews and approves the principles for the establishment, amendment and implementation of incentive plans on an annual basis. No external advisors are consulted on the determination of the compensation.

Variable compensation for GMT follows the process illustrated below:

Award criteria setting

- Award criteria setting by CC and approved by BoD

Performance measurement

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

Compensation determination

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

On 31 December 2022, the CC consisted of three non-executive Board members: Christoph Breucker (Chair of the CC), Stephan Schindler and Andreas Pfluger. In 2022, the CC formally met two times. In addition, the CC held several telephone conversations. Compensation is usually discussed in the January BoD meeting. The persons concerned are not permitted to attend meetings if conflicted, e.g. if their individual compensation is discussed. Further information on the CC and its responsibilities can be found in the Corporate Governance section of the annual report on page 54 and in the Company's Organizational Regulations available on Evolva's website: https://evolva.com/shareholder-info/annual-general-meeting-of-shareholders/.

5. Compensation structure

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

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

The compensation system for the Board of Directors remained unchanged.

Elements of total compensation for Group Management Team:

Element	Payment Type		Description
Annual base salary (ABS)	Cash consideration		■ Competitive, based on responsibilities, experience and required skill sets of the role
Pension & other benefits	Cash consideration		■ Tailored to local market practices and regulations
Variable pay	STI [1]	PSU [1]	■ Grant value: 20% of ABS ■ Performance measured based on Company targets (Revenue, EBITDA and Operating Cash Flow) ■ Payout range depending on target achievement: < 50%: no pay-out > 50%: pay-out on achievement level, however max. 200% ■ Vesting: 12 months after grant
	LTI	PSU	■ Grant value: 75% of ABS ■ Payout range depending on target achievement, however max. 200% ■ Performance criteria: EBITDA, Operating Cash-Flow, minimum share price appreciation ■ Vesting: only upon completion of performance period and performance criteria

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

Evolva's Compensation Committee continuously monitors the compensation structure in the light of changes in legislation, Evolva's corporate development and changes in market practices.

The compensation system for the Group Management Team remained unchanged.

5.1 Fixed compensation items for the Group Management Team and the Board of Directors

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

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

5.2 Variable compensation items for the Group Management Team

Variable compensation comprises in 2022 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 an 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 2022. 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 revenue 30% (2021: 20%), EBITDA 40% (2021: 60%), Operating Cash Flow 30% (2021: 20%). Regarding Revenue, EBITDA and Operating Cash Flow, if the performance of any of the financial measure is below 0.5, the portion of the equity awards relating to the respective financial measure expires unconditionally and does consequently not vest ("Cliff"). The maximum multiplier of shares that can be delivered to any plan participant in aggregate is limited to 2.0 (2020: 1.2). In 2022, the combined target achievement of total Revenue, EBITDA and Operating Cash Flow was 144.9% (2021: 0%), consequently, the PSU granted in the year 2022 will vest on 31 March 2023.

Long-term incentive plan (LTI)
The Company issued an LTI plan in 2022. Under the LTI plan, GMT members were granted PSUs in the amount of 75% of their annual base salary on 30 June 2022. The performance period refers to the financial year 2024. Performance targets under the LTI plan include EBITDA (50%) and Operating Cash Flow (50%) [3]. Provided that the performance targets are met, and a minimum share price appreciation is achieved, all awarded PSUs shall vest on 1 April 2025.

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

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

3 Performance Targets in 2022 are unchanged to 2021.

6. Compensation amounts for financial year 2022

Board of Directors

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

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

Table 1: Compensation by Board member for the 2022 calendar year - Audited

	2022			2021		
Amounts in CHF 1,000	**Cash**	**Equity 1)**	**Total 2)**	**Cash**	**Equity 1)**	**Total 2)**
Beat In-Albon, Chairman	80.0	80.0	160.0	80.0	80.0	160.0
Stephan Schindler	55.0	40.0	95.0	55.0	40.0	95.0
Christoph Breucker	50.0	40.0	90.0	33.8	40.0	73.8
Andreas Pfluger	33.8	40.0	73.8	–	–	–
Andreas Weigelt	33.8	40.0	73.8	–	–	–
Total active Board members	**252.5**	**240.0**	**492.5**	**168.8**	**160.0**	**328.8**
Richard Ridinger	13.8	–	13.8	55.0	40.0	95.0
Total former Board members	13.8	–	13.8	55.0	40.0	95.0
Total	**266.3**	**240.0**	**506.3**	**223.8**	**200.0**	**423.8**

1) based on the grant date fair value of RSU in 2022
2) excludes the Company's mandatory contribution to Social security schemes (AHV/IV/ALV) of CHF 13,000 (2021: CHF 16,000)

At the AGM 2022, Richard Ridinger did not stand for re-election as non-executive board member. All other active members of the board were re-elected. In addition, Andreas Pfluger and Andreas Weigelt were elected as non-executive board members.
The change in compensation between 2022 and 2021 is due to the election of one additional non-executive board member. No remuneration was paid to the former board members in the year under review. No compensation was paid to the parties closely associated with the current or former board members.

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

Compensation period	2022/2023	2021/2022	2020/2021
Grant date	5 May 2022	9 April 2021	16 April 2020
Vesting date	4 May 2023	8 April 2022	15 April 2021
Share price at grant	CHF 0.11	CHF 0.20	CHF 0.22
No. of RSUs granted	2,253,522	990,146	725,909
Value at grant	CHF 240,000	CHF 200,000	CHF 160,000

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

Total compensation to GMT at grant value

Table 2: GMT compensation for the period 1 January 2022 – 31 December 2022 – Audited

	Fixed compensation			Variable compensation			Total compensation[1]
Amounts in CHF 1,000	**Base salary**	**Other[1]**	**Total[2]**	**Short term**	**Long term**	**Total[2]**	
Christian Wichert, CEO	423.8	91.3	515.0	84.8	347.7	432.5	947.5
Other GMT members[3]	424.6	67.7	492.3	54.0	202.5	256.5	748.8
Total	**848.4**	**158.9**	**1,007.4**	**138.8**	**550.2**	**689.0**	**1,696.4**
of which:							
active members	693.8	146.2	839.9	138.8	550.2	689.0	1,528.9
former members[4]	154.6	12.8	167.4	-	-	-	167.4

1) includes pension contributions (CHF 85,600) and compensation for additional work/contributions (CHF 73,400)
2) excludes the company's mandatory contribution to social security schemes of CHF 75,000 (2020: CHF 116,000)
3) Other GMT members include Mr. Walker who left the company with effect as per end of March 2022
4) Mr. Walker who left the company with effect as per end of March 2022

Variable compensation comprises the fair value at grant date of STI (short term) and LTI (long-term) performance share units granted in 2022. The fair value is based on 100% target achievement. No compensation was paid to the parties closely associated with current or former GMT members.

Long-term performance share units grant overview GMT

	LTI 5	LTI 4	LTI 3
Grant date	1 July 2022	1 July 2021	1 July 2020
Vesting date [1]	1 April 2025	30 June 2024	1 April 2023
Share price at grant	CHF 0.09	CHF 0.18	CHF 0.20
No. of PSU granted	6,145,564	3,040,252	2,808,941
Performance Period	1.1.2024 - 31.12.2024	1.1.2023 - 31.12.2023	1.1.2022 - 31.12.2022

1) See par. 5.2 of this Compensation report

Table 3: GMT compensation for the period 1 January 2021 – 31 December 2021 – Audited

	Fixed compensation			Variable compensation				Total compensation[1]
Amounts in CHF 1,000	**Base salary**	**Other[1]**	**Total[2]**	**Short term**	**Long term**	**Special Award**	**Total[2]**	
Oliver Walker	463.6	47.3	510.9	98.3	347.7	427.0	873.0	1,383.9
Other GMT members	463.2	46.3	509.5	88.7	202.5	-	291.2	800.7
Total	**926.8**	**93.6**	**1,020.4**	**187.0**	**550.2**	**427.0**	**1,164.2**	**2,184.6**
of which:								
active members [3]	907.4	93.0	1,000.4	187.0	550.2	427.0	1,164.2	2,164.6
former members [4]	19.4	0.6	20.0	-	-		-	20.0

1) includes pension contributions
2) excludes the Company's mandatory contribution to Social security schemes of CHF 116,000 (2020: CHF 72,000)
3) active members include Mr. André Pennartz who left the company in March 2021 and Mr. Carsten Däweritz, who joined Evolva in April 2021; there is an overlap in compensation of 7 months.
4) former members include Mr. Fabro who resigned in January 2020 with effect as per end of January 2021

The fixed, variable and total compensation decreased between 2022 and 2021 due to the change of GMT members and due to a special award granted to the CEO in 2021 as part of a recognition and retention scheme for key personnel. The variable compensation paid to the GMT in 2022 and 2021 ranged from 0 to 170 percent of the fixed pay compensation.

In 2022 and 2021, the Company did not issue or assume any guarantees for shareholders, member of the board or GMT. No shareholder and no current or former member of the BoD or GMT have received any loans or have any loans outstanding from the Company. The same applies to persons related to the current or former members of the board and General Management Team.

Shareholdings and equity instruments - audited
An overview of holdings of shares and equity instruments of the BoD and GMT can be found in the Notes to the Statutory Financial Statements on page 155.

Functions in other Undertakings
The functions of the BoD and GMT members in other undertakings can be found on page 62 of the Corporate Governance Report.

7. Compensation in 2022/2023 Authorization period

All figures in this Compensation Report so far cover the business year, as required by Swiss law. These differ from those for the twelve-month period authorized by the AGM. For the BoD this period runs from AGM to AGM and for the GMT from 1 July of the current year 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 maximum compensation amounts approved by the AGM for the Authorization period 2022/2023 remained unchanged from the Authorization period 2021/2022.
The tables show the maximum amounts authorized by the AGM as of 5 May 2022 as well as the part that was actually used. The total compensation in the 2022/2023 period for the members of board and GMT remains within the authorization given by the shareholders.

Table 4: Calendar year versus Authorization period compensation for BoD

	Calendar year 2022		Authorization period 2021/2022		
Amounts in CHF 1,000	**Includes**	**Amount**	**Includes [1)]**	**Amount**	**Approved Max.**
Fixed compensation (cash)	January 2022 - December 2022	266.3	AGM 2022 - AGM 2023	275.0	
Fixed equity	Grant 2022	240.0	Grant 2022	240.0	
Total		**506.3**		**515.0**	**700.0**

1) including an estimate of the remaining months of the 2022/2023 authorization period.

Table 5: Calendar year versus Authorization period compensation for GMT

	Calendar year 2021		Authorization period 2021/2022		
Amounts in CHF 1,000	**Includes**	**Amount**	**Includes [1)]**	**Amount**	**Approved Max.**
Fixed compensation	January 2022 - December 2022	1,007.4	July 2022 - June 2023	1,078.0	
Variable equity	STI	138.8		156.9	
Variable equity	LTI	550.2		550.2	
Total		**1,696.4**		**1,785.2**	**2,500.0**

1) including an estimate of the remaining months of the 2022/2023 authorization period.

8. Proposal for the AGM of 18 April 2023

The proposed maximum compensation amounts for the 2023/2024 Authorization period for BoD and GMT are expected to remain at CHF 0.7 million and CHF 2.5 million, respectively.

Mazars AG
Herostrasse 12
CH-8048 Zurich

Tel: +41 44 384 84 44
www.mazars.ch

Report of the statutory auditor to the General Meeting of Evolva Holding SA, Reinach (BL)

Report on the audit of the Compensation Report

Opinion

We have audited the Compensation Report of Evolva Holding SA (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the tables marked “audited” on pages 79 to 81 of the Compensation Report.

In our opinion, the information on remuneration, loans and advances in the accompanying Compensation Report complies with Swiss law and Art. 14-16 VegüV.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s Responsibilities for the Audit of the Compensation Report” section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, 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.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked “audited” in the Compensation Report, the consolidated financial statements, the stand-alone financial statements and our auditor’s reports thereon.

Our opinion on the Compensation Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Compensation Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Compensation Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Mazars AG
Herostrasse 12
CH-8048 Zurich

Tel: +41 44 384 84 44
www.mazars.ch

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.

Board of Directors' Responsibilities for the Compensation Report

The Board of Directors is responsible for the preparation of a Compensation Report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a Compensation Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's Responsibilities for the Audit of the Compensation Report

Our objectives are to obtain reasonable assurance about whether the information on compensation, loans and advances pursuant to Art. 14-16 VegüV is 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 and SA-CH 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 this Compensation Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the Compensation Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Zurich, 8 March 2023

Mazars AG

Cyprian Bumann
Licensed audit expert
(Auditor in Charge)

Roger Leu
Licensed audit expert

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Performance

CHF 1,000	Note	Period from 1 January to 31 December 2022	2021
Revenue from contracts with customers	4	15,539.4	9,877.6
Cost of goods sold	5	(21,548.1)	(19,183.5)
Gross profit		**(6,008.7)**	**(9,305.9)**
Research & development expenses	6	(23,596.8)	(22,439.6)
Commercial, general & administrative expenses	7	(10,786.6)	(10,284.0)
Total operating expenses		**(34,383.4)**	**(32,723.6)**
Operating loss		**(40,392.1)**	**(42,029.5)**
Financial income	8	2,684.7	4,012.8
Financial expense	8	(5,658.9)	(3,390.8)
Net loss before tax		**(43,366.4)**	**(41,407.5)**
Income tax	9	-	141.1
Net loss for the period		**(43,366.4)**	**(41,266.4)**
Basic and diluted loss per share (in CHF)	24	(0.04)	(0.05)

Consolidated Statement of other Comprehensive Income

CHF 1,000	Note	Period from 1 January to 31 December 2022	2021
Net loss for the period		**(43,366.4)**	**(41,266.4)**
Items to be reclassified to the statement of financial performance (net of tax)			
- Translation differences		4,321.6	1,531.5
Items not to be reclassified to the statement of financial performance (net of tax)			
- Remeasurement gain/(loss) on defined benefit plans		1,110.8	1,145.4
Other comprehensive income / (loss) - (net of tax)		**5,432.4**	**2,677.0**
Total comprehensive loss		**(37,934.0)**	**(38,589.4)**

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

CHF 1,000	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Intangible assets	14	92,648.3	113,301.9
Property, plant and equipment	15	5,258.0	5,952.7
Financial assets	16	2,971.2	3,364.5
Total non-current assets		**100,877.5**	**122,619.2**
Current assets			
Inventories	17	18,392.0	16,268.9
Compound embedded derivative	26	70.6	-
Prepayments & accrued income	18	2,485.2	1,782.3
Trade and other receivables	19	4,039.3	4,502.3
Cash and Cash equivalents	20	5,142.7	11,000.7
Total Current assets		**30,129.8**	**33,554.2**
Total Assets		**131,007.3**	**156,173.4**
EQUITY AND LIABILITITES			
Equity			
Share capital	21	56,064.0	51,531.5
Share premium		372,969.8	367,602.8
Treasury shares	23	(218.9)	(1,718.4)
Other reserves		40,555.6	39,552.0
Accumulated loss		(371,024.3)	(327,658.0)
Other components of equity		7,892.8	2,460.4
Total equity		**106,238.9**	**131,770.3**
Non-current liabilities			
Pension liabilities	12	459.2	1,689.3
Lease liabilities	28	2,906.8	3,574.0
Other payables		1,670.8	2,862.8
Provisions	25	1,065.6	1,056.5
Total non-current liabilities		**6,102.4**	**9,182.6**
Current liabilities			
Trade and other payables		4,222.4	4,876.9
Accrued liabilities	25	2,292.8	2,731.5
Convertible loan	26	11,487.6	6,430.9
Compound embedded derivative	26	-	346.8
Lease liabilities	28	663.1	834.4
Total current liabilities		**18,665.9**	**15,220.5**
Total Equity and Liabilities		**131,007.3**	**156,173.4**

Consolidated Statement of Cash Flows

CHF 1,000	Note	Period from 1 January to 31 December 2022	2021
Operating activities			
Net loss for the period		(43,366.4)	(41,266.4)
Non-cash adjustments to reconcile net loss for the period to net cash flows			
- Depreciation of tangible assets	15	1,174.1	1,298.7
- Impairment of intangible assets	14	17,033.3	9,628.4
- Amortization of intangible assets	14	6,914.6	7,306.0
- Interest income	8	(76.8)	(50.8)
- Financial income and expenses	8	100.0	1,060.7
- Net foreign exchange differences		2,621.9	(1,722.1)
- Share-based compensation	11	1,222.2	1,116.3
- Change in deferred tax liability	10	-	(141.1)
- Change in current assets		(1,868.5)	(8,130.6)
- Change in current liability		(2,244.5)	650.7
- Change in provisions		-	393.9
- Change in pension liability	12	(119.3)	484.0
- Change in non-current financial assets	16	-	17.6
- Interest payments received	8	76.8	(26.9)
- Interest expenses paid	8	(348.0)	(404.0)
Net cash flow from operating activities		**(18,880.7)**	**(29,789.2)**
Investing activities			
Purchase of property, plant and equipment	15	(492.3)	(335.3)
Disposal of property, plant and equipment		9.9	(0.0)
Capitalized development expenses	14	(1,760.5)	(3,449.0)
Issuance of financial loans		-	(1,946.3)
Reduction of financial deposits	16	479.4	1,090.5
Cash flow from investing activities		**(1,763.5)**	**(4,640.1)**
Financing activities			
Proceeds from convertible loan	26	9,560.0	19,200.0
Proceeds from private placement	21	6,327.4	7,500.0
Cost of capital change		(281.9)	(148.1)
Payment of principal portion of lease liabilities	28	(839.5)	(830.2)
Cash Flow from financing activities		**14,765.9**	**25,721.7**
Net increase / (decrease) in cash and cash equivalents		**(5,878.3)**	**(8,707.6)**
Exchange gain on cash and cash equivalents		20.2	38.9
Cash and cash equivalents at the beginning of period		11,000.7	19,669.4
Cash and cash equivalents at end of the period		**5,142.7**	**11,000.7**

Consolidated Statement of changes in Equity

CHF 1,000	Note	Share Capital	Share premium	Total capital paid in	Treasury shares	Other Reserves	Employee benefit reserve	CTA	Accumulated loss	Total Equity
Balance at 1 January 2022		**51,531.5**	**367,602.8**	**419,134.3**	**(1,718.4)**	**39,552.0**	**204.9**	**2,255.4**	**(327,657.9)**	**131,770.3**
Loss of the period		–	–	–	–	–	–	–	(43,366.4)	(43,366.4)
Other comprehensive income		–	–	–	–	–	1,110.8	4,321.6	–	5,432.4
Total comprehensive loss		**–**	**–**	**–**	**–**	**–**	**1,110.8**	**4,321.6**	**(43,366.4)**	**(37,934.0)**
Capital increase from private place-ment	21	3,132.4	3,195.0	6,327.4	–	–	–	–	–	6,327.4
Capital increase from conditional capital		1,400.2	899.8	2,300.0	–	–	–	–	–	2,300.0
Cost of capital charge		–	(246.9)	(246.9)	–	–	–	–	–	(246.9)
Effects of share-based compensation	11	–	–	–	218.6	1,003.6	–	–	–	1,222.2
Conversion of convertible loan	26	–	1,519.1	1,519.1	1,280.9	–	–	–	–	2,800.0
Balance at 31 December 2022		**56,064.0**	**372,969.8**	**429,033.8**	**(218.9)**	**40,555.6**	**1,315.8**	**6,577.0**	**(371,024.3)**	**106,238.9**
Balance at 1 January 2021		**41,093.9**	**355,082.6**	**396,176.5**	**(3,709.2)**	**39,233.0**	**(940.5)**	**723.8**	**(286,391.6)**	**145,092.1**
Loss of the period		–	–	–	–	–	–	–	(41,266.4)	(41,266.4)
Other comprehensive income		–	–	–	–	–	1,145.4	1,531.5	–	2,677.0
Total comprehensive loss		**–**	**–**	**–**	**–**	**–**	**1,145.4**	**1,531.5**	**(41,266.4)**	**(38,589.4)**
Capital increase from private place-ment	21	3,187.6	4,312.4	7,500.0	–	–	–	–	–	7,500.0
Capital increase from issuance of treasury shares	21	7,250.0	–	7,250.0	(7,250.0)	–	–	–	–	–
Cost of capital charge		–	(648.7)	(648.7)	–	–	–	–	–	(648.7)
Effects of share-based compensation	11	–	–	–	797.3	319.0	–	–	–	1,116.3
Conversion of convertible loan	26	–	8,856.5	8,856.5	8,443.5	–	–	–	–	17,300.0
Balance at 31 December 2021		**51,531.5**	**367,602.8**	**419,134.3**	**(1,718.4)**	**39,552.0**	**204.9**	**2,255.3**	**(327,657.9)**	**131,770.3**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Evolva Holding SA (the "Company") together with its subsidiaries (collectively "Evolva", the "Group" or "we") is an international group that researches, develops and commercializes high quality ingredients with applications in flavor & fragrancies, health ingredients, health protection and other sectors. Evolva Holding SA is incorporated in Switzerland and has been the parent company of the Group since 11 December 2009. The shares of the Company are listed on the SIX Swiss Exchange (SIX: EVE) with a nominal value of CHF 0.05 per share.

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

		Ownership 1)		Shareholder	Share capital
Name	**Domicile**	**31.12.2022**	**31.12.2021**		
Evolva AG	Reinach, CH	100%	100%	Evolva Holding SA	CHF 6,369,540
Evolva Inc.	Lexington, USA	100%	100%	Evolva AG	USD 7,835
Non-operational entities					
Evolva Bio UK Ltd. 2)	Cambridge, UK	100%	100%	Evolva AG	GBP 14.62
Evolva Singapore PTE. Ltd.	Singapore	100%	100%	Evolva AG	SGD 100
Evolva Biotech A/S 3)	Copenhagen, DK	n/a	100%	Evolva AG	DKK 4,311,583
Evolva Biotech Private Limited 2)	Chennai, India	100%	100%	Evolva AG	INR 169,930

1) Capital ownership is equal to voting ownership
2) Company in liquidation
3) Company liquidated in 2022

On 31 December 2022, Evolva employed 50 employees (2021: 73), of which 21 (2021: 31) 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 authorized for public disclosure in accordance with a resolution of the Board of Directors of the Company dated 8 March 2023 and are subject to approval by the Annual General Meeting on 18 April 2023.

2. Summary of significant accounting policies

2.1. Basis of preparation

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

2.2. Critical accounting estimates and judgements

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

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

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

Royalty and licenses
Royalty and licenses valuation is based on future royalty income from EverSweet™. Royalty income from this asset depends on the sale of the underlying product by a third party. The assumptions made by management to assess the valuation of the royalty and license asset are based on future product sales (revenue) by the third party in a mid-term commercial model. Evolva extrapolates revenue until the end of the contractual period with a reduced average growth rate of the relevant market and discounts future revenue with a WACC. Changes in the ability to generate revenue by the third party and/or changes in the WACC may have an impact on Evolva's royalty income and may subsequently lead to change in the valuation of the royalty and license asset (refer to note 14).

Impairment of Goodwill
Goodwill is tested on Group level for possible impairment annually or when an impairment indicator is identified (refer to note 14).

Income taxes
Evolva is subject to income taxes in several jurisdictions. Judgement is required in determining the current and deferred assets and liabilities for income taxes. The assessment as to whether deferred tax assets relating to tax loss carry-forwards and temporary differences must be recognized requires significant judgement (refer to note 10).

Governmental contracts
Contracts with governmental organizations require in some instances adherence with governmental accounting policies. Such accounting policies involve predefined 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, predetermined rates are reassessed, which could result in a refund or additional coverage of cost for the Group.

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

2.3. Principles of consolidation

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

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

Intra-Group transactions

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

Business combinations

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

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

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

Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is initially measured at cost, being the excess of the aggregate of consideration transferred, non-controlling interests and the acquirer's previously held equity interests in the acquiree 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 acquiree 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 its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Foreign currency translation
The consolidated financial statements are expressed in Swiss francs (CHF), which is the Group's presentation currency.
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.
Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates 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 were as follows:

		2022		2021	
Currency	**Unit**	**Closing rate**	**Average rate**	**Closing rate**	**Average rate**
USD	1	0.93	0.96	0.92	0.92
EUR	1	0.99	1.02	1.05	1.10
DKK	100	13.42	13.76	14.15	14.78
INR	100	1.13	1.24	1.24	1.25
GBP	1	1.12	1.20	1.25	1.27

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 Group 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 of the 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:

Product related revenue

Product related revenue comprises the sale of products by Evolva and revenue from sales-based royalty, license and similar sources that derive from Evolva originally developed and/or Evolva co-developed products. Revenue from sale of products by Evolva is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the product if no other agreement has been made. Revenue from sales-based royalty or license is recognized when the performance criteria of the sales are met or when the performance obligation of the sales-based revenue is satisfied (in whole or in part).

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

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 amortized cost. For a financial asset to be classified and measured at amortized 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 financial assets/liabilities are measured at amortized 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 amortization using the effective interest method of any difference between that initial amount and the maturity amount.

Trade and other payables, accrued liabilities, loans and financial liabilities are recorded at amortized 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, are recognized in the statement of financial performance.

Convertible note
At initial recognition convertible notes are measured at fair value less transaction costs that are directly attributable to the issue of the financial liability. The convertible note does not qualify as an equity instrument, since it is a) neither a non-derivate instrument without contractual obligations for the issuer to deliver a variable number of own shares, nor b) will it be settled by the issuer exchanging a fixed amount of cash for a fixed amount of own equity instrument. The conversion feature is a derivative financial instrument to deliver a variable number of shares based on a volume-weighted average share price prior to the conversion date. It is consequently a financial liability.

The fair value of the convertible notes is determined by the difference of consideration received and the fair value of the embedded derivatives. The convertible loans must be subsequently measured at amortized cost using the effective interest method.

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

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

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

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available.

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,
- Manufacturing equipment 5-15 years,
- Right-of-use assets 3-8 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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Repair and maintenance costs are expensed as incurred.

Leases

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

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses 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 recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses if any and adjusted for certain remeasurements of the lease liability.

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

Lease payments included in the measurement of the lease liability comprise the following:

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

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.
The Group has elected not to recognize 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 recognized 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 Group amortizes patents and patent applications over 20 years or according to their expected useful lives on a straight-line basis.

Capitalized product development include compensation to staff, consultants and contract research organizations involved in R&D activities, process development (scale-up, fermentation, downstream processing), consumables for laboratory work, intellectual property expenses, including potential impairment and depreciation of corresponding property, plant and equipment. Capitalized development cost is amortized over the useful live of the technology deployed, which is in the range of three to five years.

Royalty & licences are amortized over their contractual lives of 20 years on a straight-line basis.

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

- the intangible asset is clearly identified, and the related costs are itemized and reliably monitored;
- the technical and industrial feasibility of completing the intangible asset is demonstrated;

- there is a clear intention to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset arising from the project;
- the Group can demonstrate how the intangible asset will generate probable future economic benefits;
- the Group has adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

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

Intangible assets are evaluated for potential impairment when facts and circumstances warrant to do so. Any impairment charge is recorded in the consolidated income statement.

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.

Inventories
Inventories are initially recognized at cost and categorized as finished products, intermediate products or raw material. Costs of purchased inventory are determined after deducting rebates and discounts. The costs of individual items of inventory are determined using weighted average costs. 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 Group'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 or treasury shares (nominal value) and share premium when the award is exercised.

Treasury shares

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

Post-employment benefits

In accordance with employment contracts, some Evolva companies make 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, amortization and depreciation of corresponding intangible assets and property, plant and equipment.

Research and development expenses

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

Commercial, general & administrative expenses

Commercial expenses consist of compensation to sales staff and consultants, expenses to distributors, regulatory matters, marketing, advertisement, business development and other commercial expenses. General and administrative expenses consist of compensation to group management, Board of Directors and administrative staff, expenses related to investor relations, legal and financial services, indirect tax and other expenses related to general and administrative activities. Government grants related to income are recorded under commercial, general & administrative expenses. Other income is recorded when contractual milestones are met.

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

2.4. Changes in accounting policies

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

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

- Amendment to IFRS 3 – Reference to the Conceptual Framework
- Amendment to IAS 16 – Property, Plant and Equipment: Proceeds before intended use
- Amendments to IAS 37 – Onerous Contracts – Cost of fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020

Various other new and revised standards and interpretations must be applied with effect from 1 January 2023 or a later date:

- IFRS 17 Insurance contracts (effective 1 January 2023)
- Amendments IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies (effective 1 January 2023)
- Amendments to IAS 8 – Definition of accounting estimates (effective 1 January 2023)
- Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction (effective 1 January 2023)
- Amendments to IFRS 16 – Liability in a sale and leaseback (effective 1 January 2024)
- Amendments to IAS 1 – Classification of liabilities as current or non-current (effective 1 January 2024)
- Amendments to IAS 1 – Non-current liabilities with covenants (effective 1 January 2024)

The Group has not early adopted any standard and does not expect and of the new standards and interpretations to have a significant impact on the Group's financial statements.

3. Financial risk management

Financial risk factors

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

Liquidity risk and capital management

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

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

Financial assets
CHF 1,000

31 December 2022	Valuation category	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Carrying amount
Cash & cash equivalents	AC	5,142.7	-	-	-	5,142.7	5,142.7
Trade and other receivables	AC	4,039.3	-	-	-	4,039.3	4,039.3
Compound embedded derivative	FVTPL	-	70.6	-	-	70.6	70.6
Investment in non-listed R&D company	FVTPL	-	-	285.9	-	285.9	285.9
Other financial assets	AC	-	-	2,076.6	608.6	2,685.3	2,685.3
Total financial assets		**9,182.0**	**70.6**	**2,362.5**	**608.6**	**12,223.8**	**12,223.8**
31 December 2021							
Cash & cash equivalents	AC	11,000.7	-	-	-	11,000.7	11,000.7
Trade and other receiv-ables	AC	2,942.8	1,559.5	-	-	4,502.3	4,502.3
Investment in non-listed R&D company	FVTPL	-	-	316.1	-	316.1	316.1
Other financial assets	AC	-	1,581.5	378.8	1,088.1	3,048.4	3,048.4
Total financial assets		**13,943.5**	**3,141.0**	**695.0**	**1,088.1**	**18,867.5**	**18,867.5**

AC = Financial asset or liability measured at amortised costs
FVTPL = Financial asset or liability measured at fair value through profit and loss

Financial liabilities

CHF 1,000 31 December 2022	Valuation category	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Carrying amount
Lease liabilities	AC	263.2	789.7	3,022.7	-	4,075.7	3,569.9
Convertible loan	AC	-	11,487.6	-	-	11,487.6	11,487.6
Trade payables	AC	2,947.1	-	-	-	2,947.1	2,947.1
Other payables	AC	348.9	926.5	1,670.8	-	2,946.1	2,946.1
Total financial liabilities		**3,559.2**	**12,203.8**	**4,693.6**	**-**	**21,456.5**	**20,950.7**

CHF 1,000 31 December 2021	Valuation category	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Carrying amount
Lease liabilities	AC	270.5	811.7	4,077.4	-	5,159.6	4,408.5
Convertible loan	AC	-	6,430.9	-	-	6,430.9	6,430.9
Compound embedded derivative	FVTPL	-	346.8	-	-	346.8	346.8
Trade payables	AC	3,624.6	-	-	-	3,624.6	3,624.6
Other payables	AC	311.2	941.1	2,862.8	-	4,115.1	4,115.1
Total financial liabilities		**4,206.3**	**8,530.6**	**6,940.2**	**0.0**	**19,677.0**	**18,925.9**

AC = Financial asset or liability measured at amortised costs
FVTPL = Financial asset or liability measured at fair value through profit and loss

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

Changes in liabilities arising from financing activities

CHF 1,000	1 January 2022	New leases	Changes from financing cash flows	Changes in fair value	Foreign exchange movement	31 Dec 2022
Current lease liabilities	834.4	-	(171.4)	-	-	663.1
Convertible loan	6,430.9	-	5,056.7	-	-	11,487.6
Compound embedded derivative	346.8	-	384.5	(660.7)	-	(70.6)
Non-current lease liabilities	3,574.0	-	(667.3)	-	-	2,906.8
Total liabilites from financing activities	**11,186.2**	**-**	**4,602.6**	**(660.7)**	**-**	**14,986.9**

CHF 1,000	1 January 2021	New leases	Changes from financing cash flows	Changes in fair value	Foreign exchange movement	31 Dec 2021
Current lease liabilities	1,058.8	-	(225.0)	-	0.6	834.4
Convertible loan	3,785.8	-	2,645.1	-	-	6,430.9
Compound embedded derivative	214.2	-	55.0	77.6	-	346.8
Non-current lease liabilities	4,178.5	-	(604.5)	-	-	3,574.0
Total liabilites from financing activities	**9,237.3**	**-**	**1,870.6**	**77.6**	**0.6**	**11,186.1**

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 2022 and 2021, no hedge accounting has been applied.

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

CHF 1,000	USD	EUR	GBP	other	Total
Monetary assets	220.3	132.0	1.8	0.9	355.0
Monetary liabilities	(183.7)	(53.8)	(0.1)	(0.4)	(238.0)
Net exposure 31 Dec 2022	**36.6**	**78.2**	**1.7**	**0.5**	**117.1**
Monetary assets	221.4	158.0	0.1	4.0	383.5
Monetary liabilities	(217.8)	(132.5)	-	(0.1)	(350.5)
Net exposure 31 Dec 2021	**3.6**	**25.5**	**0.1**	**3.9**	**33.1**

Interest-rate risk

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

Credit risk

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

For trade receivables the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognized a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on industry averages, adjusted for forward-looking factors specific to the debtors and the economic environment. Trade receivables have been grouped based on their credit risk characteristics.

4. Segment and geographical information

Evolva researches, develops and commercializes high quality ingredients with applications in flavor & fragrancies, health ingredients, health protection and other sectors. The Board of Directors and the Group Management Team (the chief operating decision-maker) do not base their decisions on geographical, demographical or sociographical criteria, but rather on strategic and operational factors related to research, development, manufacturing and commercialization of novel nutritional, healthcare and wellness ingredients. Therefore, the Group has identified one segment, which is equivalent to the Group's CGU, namely research, development, manufacturing and commercialization of novel nutritional, healthcare and wellness ingredients.

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

CHF 1,000	2022	2021
Type of goods or services		
Product-related revenue	14,847.8	9,149.5
Research & development revenue	691.6	728.1
Total revenue from contracts with customers	**15,539.4**	**9,877.6**
Geographical allocation [1]		
Switzerland	9,203.1	4,956.2
United States	6,336.3	4,921.4
Total revenue	**15,539.4**	**9,877.6**
Timing of revenue recognition		
Revenue recognition at a point in time	14,847.8	9,149.5
Revenue recognition over a period of time	691.6	728.1
Total revenue from contracts with customers	**15,539.4**	**9,877.6**

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 assets) is as follows:

CHF 1,000	31 December 2022	31 December 2021
Switzerland	44,366.3	50,098.7
United States	53,183.5	68,666.6
Rest of the world	356.4	489.5
Total non-current assets	**97,906.3**	**119,254.7**

Major customers

In 2022, Evolva's largest customer accounted for 46% (2021: 13%), the second largest for 7% (2021: 7%) and third largest customer for 6% (2021: 7%) of total Group revenues, respectively.

5. Cost of goods sold

CHF 1,000	2022	2021
Direct production costs	12,474.1	15,012.2
Write-off of Inventory	1,585.7	-
Staff compensation (incl. share-based compensation)	1,406.5	1,486.7
Other operating expenses	872.6	852.2
Amortization of intangible assets	2,126.9	1,640.1
Depreciation of tangible assets	206.1	192.3
Impairment of intangible assets	2,873.8	-
Total cost of goods sold	**21,545.9**	**19,183.5**

Total cost of goods sold increased by 12.3% compared to 2021. However, excluding the impairment on intangible assets and the write-off on inventory, total cost of goods sold decreased by 10.9% to CHF 17.1 million despite the increased product-related revenue. Direct production costs have decreased mainly due to significant improvements in the production processes. Amortization of intangible assets have increased because of additionally capitalized product & process development costs for certain products. The impairment of intangible assets relates to capitalized product & process development expenses.

6. Research & development expenses

CHF 1,000	2022	2021
Other research & development expenses	744.7	1,968.0
Staff compensation (incl. share-based compensation)	3,251.7	4,300.2
Amortization of intangible assets	4,787.7	5,660.7
Depreciation of tangible assets	658.1	882.2
Impairment of intangible assets	14,159.5	9,628.4
Total research & development expenses	**23,601.7**	**22,439.6**

Research and development expenses have increased by 5.2% compared to 2021 driven by the impairment of intangible assets. Excluding the impairment in both years, research and development expenses have decreased by 26.3% to CHF 9.4 million (2021: CHF 12.8 million). The decline in research and development expenses is due to one-time costs included in 2021, such as the building up of provisions. In addition, cost efficiencies were realized in all areas, particularly in the area of intellectual property.

7. Commercial, general & administrative expenses

CHF 1,000	2022	2021
Other commercial, general & administrative expenses	3,110.7	2,575.3
BoD, GMT and staff compensation	7,478.1	7,484.5
Other income	(106.4)	-
Depreciation of tangible assets	311.6	224.2
Total commercial, general & administrative expenses	**10,793.9**	**10,284.0**

Commercial, general and administrative expenses have increased by 5.0% compared to 2021 mainly due to increased business activities, restructuring and reorganization expenses. Other income relates to a grant, which the Group obtained from a US government agency in 2022. Under the contractual agreement, Evolva is entitled to receive USD 0.5 million in quarterly installments until the end of 2024. The grant was obtained with the goal of further developing and evaluating application methods for NootkaSHIELD™.

8. Financial result

CHF 1,000	2022	2021
Interest & bank expense	(104.7)	(109.8)
Effective interest on convertible note	(412.7)	(579.0)
Fair value loss on embedded derivative	-	(77.6)
Lease expenses	(243.3)	(294.1)
Foreign exchange loss	(4,898.2)	(2,330.2)
Total financial expenses	**(5,658.9)**	**(3,390.8)**
Interest income	76.8	50.7
Foreign exchange gain	1,947.1	3,962.1
Fair value gain on embedded derivative	660.7	-
Total financial income	**2,684.7**	**4,012.8**
Net financial result	**(2,974.2)**	**622.0**

Foreign exchange losses and gains results mainly from outstanding balances with subsidiaries which are revalued at the current exchange rate.

9. Income taxes

The consolidated income tax statement is presented as follows:

CHF 1,000	2022	2021
Income taxes related to the current period	-	-
Deferred income taxes related to the reversal of temporary differences	-	141.1
Total deferred tax liabilities	**-**	**141.1**

The main elements contributing to the difference between the Group'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	2022	2021
Net loss before tax	**(43,366.4)**	**(41,407.5)**
Expected tax rate	*17.4%*	*16.3%*
Expected tax income at group level	7,553.1	6,756.1
Effect of expenses not entitled for deduction for tax purposes	8,464.5	3,557.8
Effect of current losses, for which no deferred tax is recognized	(16,017.5)	(10,313.9)
Other effects	–	141.1
Effective income tax (expense)	**–**	**141.1**
Effective income tax rate	*0.0%*	*0.3%*

Expected group tax rate has increased from 16.3% in 2021 to 17.4% in 2022 because of increased tax losses in tax jurisdictions with a higher expected tax rate (United States of America) compared to the average tax rate of the group.

10. Deferred tax assets and liabilities

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

CHF 1,000	2022	2021
Within one year	24,640	23,617
Later than one year and no later than five years	181,591	160,168
More than five years	234,830	139,900
Total tax loss carry-forwards	**441,060**	**323,684**

Unrecognized tax loss carry-forward and deductible temporary differences would give rise to potential deferred tax assets of CHF 61.5 million in 2022 resp. CHF 42.2 million in 2021.

CHF 1,000	2022	2021
Temporary differences	38,324.8	11,126.5
intangible assets	37,766.9	9,438.1
others	557.9	1,688.4
Tax loss carry-forwards set-off against temporary differences	(38,324.8)	(11,126.5)
Total deferred tax liabilities	**–**	**–**

If temporary differences had not been set-off against tax loss carry-forwards, a potential deferred tax asset of CHF 67.1 million would result (2021: CHF 53.3 million).

11. Share-based compensation

The Board of Directors administers the Group's incentive share-based compensation plans. Equity instruments are granted according to the Group'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	2022	2021
Research & development	180.4	304.1
Operations & manufacturing	148.3	34.7
Commercial, general & administrative expenses	893.5	777.5
Total share-based compensation	**1,222.2**	**1,116.3**

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
- Restricted stock plans

11.1. New share grants

In 2022, and in line with the financial year 2021, 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 Group objectives as well as individual targets of the current the financial year. In addition, the Group has granted a long-term plan (LTI) to Group Management and Senior Management members. The number of shares to vest under the LTI plan is subject to the achievement of agreed Company objectives. Agreed Group objectives are product-related revenue, EBITDA, operating cash-flow and individual operational targets.

The following input criteria are used for the LTI model:

CHF 1,000	2022	2021
Dividend yield	0%	0%
Volatility	56.3%	56.8%
Risk-free interest rate	0.00%	-0.75%
Share price (WVAP) at grant	CHF 0.09	CHF 0.18

11.2. Key parameters of outstanding RSUs and PSUs

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 3	PSU	01.07.2020	01.04.2023	CHF 0.20	7,760,983
LTI 4	PSU	01.07.2021	30.06.2024	CHF 0.11	9,473,545
STI 5	PSU	28.06.2022	01.04.2023	CHF 0.12	4,438,945
LTI 5	PSU	01.07.2022	30.06.2025	CHF 0.09	14,318,189
EVE 10	RSU	10.02.2017	Several 1)	CHF 0.55	3,369,029
EVE 20	RSU	05.05.2022	04.05.2023	CHF 0.11	2,253,522
Total					**41,614,213**

1) Vesting dates: 1 May 2020, 1 May 2021 and 1 May 2022 each 1/3 of granted RSU. Interest rate at grant: 0%. Settlement of shares upon request of plan participants.

Reconciliation of outstanding share units:

	Number of share units	
	2022	2021
Outstanding at 1 January	26,507,717	31,373,501
Granted	22,281,246	14,391,079
Vested	4,320,479	7,816,582
Forfeited	2,854,271	11,440,281
Outstanding at end of period	**41,614,213**	**26,507,717**

11.3. Share option plans

Incentive share option plans

The fair value of the different share option awards (EVE 5 - EVE 9) was determined by using a binomial option valuation model. The resulting expenses for the Company are recognized over the vesting period (in general 4 years). The key parameters in the valuation model are as follows:

Plan name	Grant date	Expiry date	Share price at grant in CHF	Exercise price in CHF	Volatility	Risk-free rate	FV at grant in CHF
EVE 9	15.02.2016	14.02.2026	0.77	0.80	42.70%	0.00%	0.30
EVE 8	01.01.2015	31.12.2024	1.32	1.31	45.00%	0.36%	0.62
EVE 7	01.01.2014	31.12.2023	0.99	0.98	52.50%	1.25%	0.51
EVE 6	01.07.2013	30.06.2023	0.67	0.64	52.50%	1.07%	0.35
EVE 5	01.07.2012	31.12.2022	0.40	0.37	52.50%	0.68%	0.23

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

The volatility applied reflects Evolva’s share price volatility for the last three years. Risk-free rate is based on ten-years Swiss government bonds.

The following table illustrates the number-weighted average exercise price in CHF (WAEP), the number of share options outstanding and the weighted average years remaining contractual life (WAYCL) as at 31 December 2022.

Plan name	Year of grant	WAEP	Number of options	WAYCL
EVE 9	2016	0.80	7,713,763	4.1
EVE 8	2015	1.31	5,004,208	3.0
EVE 7	2014	0.98	5,293,085	2.0
EVE 6	2013	0.64	2,939,980	1.5
EVE 5	2012	0.37	–	1.0
Total		**0.88**	**20,951,036**	**2.7**

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

	Number of options	
	31 Dec 2022	**31 Dec 2021**
Outstanding at 1 January	**23,626,232**	**30,807,007**
Forfeited	27,000	-
Expired	2,648,196	7,180,775
Outstanding at end of period	**20,951,036**	**23,626,232**
- of which exercisable	20,951,036	23,626,232

In 2022, no share options were exercised (2021: none).

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 as 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.

The fair value of plan assets is the estimated cash surrender value on the respective reporting date.

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

CHF 1,000	2022	2021
Principal actuarial expectations		
Discount rate at 1 January	0.35%	0.20%
Discount rate at 31 December	2.25%	0.35%
Interest rate on retirement savings capital at 31.12.	2.25%	0.50%
Rate of future salary increases 31.12.	0.75%	0.75%
Future pension increases at 31.12.	0.00%	0.00%
Inflation expectation	1.00%	0.50%
Mortality decrement	BVG 2020 GT	BVG 2020 GT
Reconciliation of Financial Position amounts		
Benefit obligation at 31 December	10,786.2	17,407.4
Fair value of plan assets at 31 December	10,327.0	15,718.1
Deficit (surplus) at 31 December	459.2	1,689.3
Net defined benefit liability 31 December	**459.2**	**1,689.3**
- thereof recognized as separate liability	459.2	1,689.3
Reconciliation of net defined benefit liability		
Net defined benefit liability at 1 January	1,689.3	2,350.5
Defined benefit costs recognized in profit and loss	620.6	1,341.6
Defined benefit costs recognized in other comprehensive income	(1,110.8)	(1,145.4)
Contributions by Evolva	(739.8)	(857.5)
Net defined benefit liability at 31 December	**459.2**	**1,689.2**
Reconciliation of defined benefit obligation		
Defined benefit obligation at 1 January	17,407.4	12,279.4
Interest expense on defined benefit obligation	53.7	29.3
Current service cost (Evolva)	1,020.4	1,048.5
Contributions by plan participants	739.8	857.5
Benefits (paid) / deposited	(346.1)	2,794.4
Past service cost	-	282.1
(Gains) and losses on settlement	(5,533.5)	-
Administration costs (excl. costs for managing plan assets)	8.7	6.1
Actuarial (gain) / loss on defined benefit obligation	(2,564.3)	110.2
Defined benefit obligation at 31 December	**10,786.2**	**17,407.4**

CHF 1,000	2022	2021
Components of defined benefit costs in OCI		
Actuarial (gain) / loss on defined benefit obligation	(2,564.3)	110.2
Return on plan assets excl. Interest income	1,453.5	(1,255.6)
Defined benefit cost recognized in other comprehensive income	**(1,110.8)**	**(1,145.4)**
Components of actuarial gains / losses on obligations		
Actuarial (gain) / loss arising from changes in financial assumptions	(2,120.0)	(525.5)
Actuarial (gain) / loss arising from changes in demogr. assumptions	–	(768.0)
Actuarial (gain) / loss arising from experience adjustments	(444.3)	1,403.6
Actuarial (gain) / loss on defined benefit obligation	**(2,564.3)**	**110.2**
Components of defined benefit cost in profit or loss		
Current service cost (employer)	1,020.4	1,048.5
Past service cost	–	282.1
(Gains) and losses on settlement	(414.2)	-
Interest expense on defined benefit obligation	53.7	29.3
Interest (income) on plan assets	(48.0)	(24.4)
Administration cost excl. cost for managing plan assets	8.7	6.1
Defined benefit cost recognized in profit or loss	**620.6**	**1,341.6**
- therefor service cost and administration cost	614.9	1,336.7
- therefor net interest on the net defined benefit liability (asset)	5.7	4.9
Plan assets		
Fair value of plan assets at 1 January	15,718.1	9,928.9
Interest income on plan assets	48.0	24.4
Contributions by Evolva	739.8	857.5
Contributions by Evolva's plan particpants	739.8	857.5
Benefits (paid) / deposited	(346.1)	2,794.4
Gains and (losses) on settlement	(5,119.3)	0.0
Return on plan assets excluding interest income	(1,453.5)	1,255.6
Fair value of plan assets at 31 December	**10,327.0**	**15,718.1**
Maturity profile of defined benefit obligation		
Weighted average duration of defined obligation in years	14.6	16.4
Weighted average duration of defined obligation in years for active members	14.7	16.5
Weighted average duration of defined obligation in years for pensioners	13.3	12.5

The Company expects to contribute approximately CHF 0.7 million to the plan in 2023.

The fair values of each major class of plan assets are as follows:

CHF 1,000	2022	2021
Cash and cash equivalents	248.9	573.7
Equity instruments	3,523.6	5,471.5
Debt instruments (e.g. bonds)	3,382.1	5,589.4
Real estate	2,805.8	3,637.2
Others	366.6	446.4
Total plan assets at fair value (quoted market price)	**10,327.0**	**15,718.1**

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 assumptions:

CHF 1,000	2022	2021
DBO at 31.12. with DR -0.25%	11,175.9	18,148.1
DBO at 31.12. with DR +0.25%	10,404.2	16,722.2
DBO at 31.12. with IR -0.25%	10,625.5	17,127.7
DBO at 31.12. with IR +0.25%	10,951.2	17,694.3
DBO at 31.12. with SI -0.25%	10,709.3	17,306.4
DBO at 31.12. with SI +0.25%	10,850.3	17,503.7
DBO at 31.12. with life expectancy +1 year	10,905.1	17,688.4
DBO at 31.12. with life expectancy -1 year	10,665.6	17,127.5
DBO at 31.12. with PI -0.25%	10,600.3	17,025.3
DBO at 31.12. with PI +0.25%	10,981.5	17,810.2
SC of next year with DR +0.25%	647.0	1,318.5
SC of next year with IR +0.25%	713.5	1,452.0

DBO = defined benefit obligation, SC = service cost (employer)

13. Employee benefits

Total Group compensation

CHF 1,000	Period from 1 January to 31 December 2022	2021
Short-term benefits	10,388.1	11,663.1
Share-based compensation	1,222.2	1,116.3
Termination benefits	113.8	163.4
Other staff related expenses	402.3	69.7
Total compensation	**12,126.3**	**13,012.5**

The table above excludes compensation paid to members of the board of directors.

Group Management Team compensation

CHF 1,000	2022	2021
Short-term benefits	997.4	907.4
Post employment benefits	85.6	93.0
Share-based compensation	–	483.1
Total compensation	**1,082.9**	**1,483.5**

14. Intangible assets

CHF 1,000 Historical costs	Patents & patent applications	Royalty & Licences	Product & process development	Goodwill	Total
1 January 2022	**38,521.0**	**79,542.3**	**10,654.9**	**40,889.0**	**169,607.2**
Additions	–	–	1,760.5	–	1,760.5
Translation effects	209.4	482.7	(4.9)	165.7	852.9
Transfers	–	(2.8)	–	–	(2.8)
31 December 2022	**38,730.3**	**80,022.2**	**12,410.5**	**41,054.8**	**172,217.8**
Accumulated amortization					
1 January 2022	**(24,276.2)**	**(30,041.1)**	**(1,987.9)**	**-**	**(56,305.3)**
Amortization of the period	(1,513.2)	(3,274.5)	(2,126.9)	–	(6,914.6)
Impairment of the period	(2,039.6)	(12,119.9)	(2,873.8)	–	(17,033.3)
Translation effects	136.5	539.1	5.3	–	680.9
Transfers	–	2.8	–	–	2.8
31 December 2022	**(27,692.5)**	**(44,893.6)**	**(6,983.3)**	**-**	**(79,569.4)**
Net book value at 31 December 2022	**11,037.8**	**35,128.5**	**5,427.2**	**41,054.8**	**92,648.3**
Historical cost					
1 January 2021	**37,224.5**	**77,557.1**	**7,149.1**	**40,039.5**	**161,970.2**
Additions	–	–	3,449.0	–	3,449.0
Translation effects	1,296.6	1,985.1	56.9	849.6	4,188.1
31 December 2021	**38,521.0**	**79,542.3**	**10,654.9**	**40,889.0**	**169,607.2**
Accumulated amortization					
1 January 2021	**(12,473.2)**	**(25,266.9)**	**(336.0)**	**-**	**(38,076.1)**
Amortization of the period	(1,717.5)	(3,948.4)	(1,640.1)	–	(7,306.0)
Impairment of the period	(9,628.4)	–	–	–	(9,628.4)
Translation effects	(457.1)	(825.8)	(11.9)	–	(1,294.8)
31 December 2021	**(24,276.2)**	**(30,041.1)**	**(1,987.9)**	**-**	**(56,305.3)**
Net book value at 31 December 2021	**14,244.7**	**49,501.1**	**8,667.0**	**40,889.0**	**113,301.9**

Amortization of patents, patent applications and royalty & licences (EVERSWEET™) is recorded under research and development expenses, while amortization of product and process development expenses is recorded under cost of goods sold.

Evolva continuously improves the efficacy and efficiency of production processes for its own products. Related costs that meet the capitalization criteria outlined in IAS 38 are recognized as Product & process development cost. In 2022, Evolva has recognised CHF 1.8 million as product & process development cost (2021: CHF 3.4 million) of which the majority is related to manufacturing process improvements and developments of Evolva's on-market products.

Impairment test of goodwill and intangible assets

Intangible assets other than goodwill are tested for possible impairment when an impairment indicator is identified. The Group performs the impairment test by determining the recoverable amounts based on a value in use model.

In 2022, Group management has conducted a detailed business review and approved a new mid-term plan. In the course of this review all intangible assets other than goodwill were strategically reassessed based on new business insights. As a result of this, a non-cash relevant impairment of CHF 17 million was recognized on patents & patent applications (CHF 2 million), royalty & licenses (CHF 12.1 million) and product & process development (CHF 2.9 million). The main product concerned is EVERSWEET™ due to slower than expected market uptake. The discount rate applied in 2022 to determine the value in use is 12.5% (2021: 10.8%). The impairment was recorded under cost of goods sold (CHF 2.9 million) and research and development expenses (CHF 14.1 million).

The Group performs the goodwill impairment test annually or when an impairment indicator is identified by determining the recoverable amount. The recoverable amount of an asset or a CGU is the higher of its fair value less cost of disposal and its value in use. The cash-generating unit's fair value less costs of disposal is represented by the market capitalization (fair value level 1) plus a Group specific control premium less cost of disposal. The Group has identified one CGU, namely research, development, manufacturing and commercialization of novel food, nutritional and healthcare ingredients.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CHF 1,000	31 Dec 22	31 Dec 21	31 Dec 20	31 Dec 19
Total number of shares	1,121,280.4	1,030,629.4	821,878.2	796,878.2
Treasury shares	4,378.8	34,367.5	15,148.3	21,539.6
Shares outstanding	1,116,901.5	996,261.8	806,730.0	775,338.6
Share price in CHF	0.082	0.134	0.202	0.219
Market capitalisation	**91,585.9**	**133,499.1**	**162,959.5**	**169,799.2**
Control premium (25%)	22,896.5	33,374.8	40,739.9	42,449.8
Fair value	**114,482.4**	**166,873.9**	**203,699.3**	**212,248.9**
Cost of disposal (2.5%)	2,862.1	4,171.8	5,092.5	5,306.2
Fair value less cost of disposal	**111,620.3**	**162,702.0**	**198,606.8**	**206,942.7**
Carrying amount of equity	106,238.9	131,770.3	145,092.1	172,562.1
Fair value less cost of disposal	111,620.3	162,702.0	198,606.8	206,942.7
Headroom	**5,381.4**	**30,931.7**	**53,514.7**	**34,380.6**

Sensitivity Analysis

CHF 1,000	31 Dec 22	31 Dec 21	31 Dec 20	31 Dec 19
Market capitalisation	**87,170.4**	**108,119.2**	**119,050.0**	**141,589.4**
Control premium (25%)	21,792.6	27,029.8	29,762.5	35,397.3
Fair Value	**108,963.0**	**135,149.0**	**148,812.4**	**176,986.7**
Cost of disposal (2.5%)	2,724.1	3,378.7	3,720.3	4,424.7
Fair value less cost of disposal	**106,238.9**	**131,770.3**	**145,092.1**	**172,562.1**
Carrying amount of equity	106,238.9	131,770.3	145,092.1	172,562.1
Fair value less cost of disposal	106,238.9	131,770.3	145,092.1	172,562.1
Headroom	-	-	-	-
Reduction of market capitalization	(4,415.5)	(25,379.9)	(43,909.5)	(28,209.8)
Reduction of share price in CHF	-0.0040	-0.0255	-0.0544	-0.0364
Reduction of market capitalization and share price in %	(4.8)%	(19.0)%	(26.9)%	(16.6)%

As of 31 December 2022, the market capitalization would need to decrease by CHF 4.4 million (-4.8%) and the share price would need to decrease by CHF 0.0040 (-4.8%) to be equal to the carrying amount of the CGU.

As of 31 December 2021, the market capitalization would need to decrease by CHF 25.4 million (-19.0%) and the share price would need to decrease by CHF 0.0255 (-19%) to be equal to the carrying amount of the CGU.

Decision of the Sanctions Commission of SIX Exchange Regulation AG

In September 2022, Evolva was presented with the decision of the Sanctions Commission concluding that Evolva's annual financial statements of 2019 and 2020 contained incomplete disclosures and technical mistakes. The incomplete disclosures and technical mistakes only concern the goodwill impairment test of Evolva's single CGU and no other area of the financial statements. Evolva was ordered to pay a fine of CHF 0.05 million. Evolva accepted the decision and accordingly provides the missing disclosures for the years 2019 and 2020.

In 2019 Evolva disclosed a discounted cash flow (DCF) valuation model containing assumptions that did not reflect those of market participants and omitted cost of disposal. Furthermore, the disclosed model was presented as a fair value less cost of disposal model (FVLCD) when it was in fact a value in use model (DCF model). The market capitalization model, on which the recoverable amount was based, was not adequately disclosed in the 2019 financial statements.

In 2020 Evolva no longer applied the DCF valuation model and instead applied a market capitalization model to determine the FVLCD. Evolva missed to deduct treasury shares as well as cost of disposal. If there had been a change in valuation technique to determine FVLCD, this should have been disclosed accordingly in the 2020 financial statements. However, there was in fact no change in key assumptions regarding the FV model as that had already been based on market capitalization plus control premium in 2019.

A retrospective analysis of both 2019 and 2020 lead to the conclusion that no restatement was required. Therefore, neither of these incomplete disclosures and technical mistakes had any impact on the carrying amount of goodwill in 2019 and 2020 or any subsequent periods.

15. Property, plant and equipment

CHF 1,000 Historical cost	Laboratory equipment	Office and IT equipment	Leasehold improve-ments	Manu-facturing equipment	Right-of-use assets	Total
1 January 2022	**12,410.6**	**1,806.0**	**914.6**	**1,616.1**	**8,560.7**	**25,308.0**
Additions	37.2	16.6	–	438.4	–	492.3
Disposals	(3,190.0)	(1,310.8)	–	(8.4)	(58.5)	(4,567.7)
Translation effects	28.3	0.1	–	(5.2)	3.2	26.5
31 December 2022	**9,286.2**	**511.9**	**914.6**	**2,041.0**	**8,505.4**	**21,259.1**
Accumulated depreciation						
1 January 2022	**(12,307.3)**	**(1,715.9)**	**(281.9)**	**(292.1)**	**(4,758.1)**	**(19,355.3)**
Additions	(67.7)	(52.1)	(91.5)	(206.1)	(756.7)	(1,174.1)
Disposals	3,190.0	1,309.1	–	8.4	50.3	4,557.8
Translation effects	(28.3)	(0.1)	–	1.3	(2.4)	(29.5)
31 December 2022	**(9,213.3)**	**(459.1)**	**(373.3)**	**(488.5)**	**(5,466.9)**	**(16,001.1)**
Net book value at 31 December 2022	**72.8**	**52.9**	**541.3**	**1,552.5**	**3,038.6**	**5,258.0**
Historical cost						
1 January 2021	**11,687.2**	**2,478.7**	**1,066.1**	**1,575.9**	**10,118.8**	**26,926.7**
Additions	–	20.5	–	312.5	–	333.1
Disposals	–	(1,499.7)	–	–	(650.9)	(2,150.6)
Transfers	591.2	784.1	(155.3)	(284.0)	(905.9)	–
Translation effects	162.2	22.4	3.8	11.7	(1.3)	198.9
31 December 2021	**12,410.6**	**1,806.0**	**914.6**	**1,616.1**	**8,560.7**	**25,308.0**
Accumulated depreciation						
1 January 2021	**(11,471.4)**	**(2,274.4)**	**(341.9)**	**(372.7)**	**(5,552.1)**	**(20,012.5)**
Additions	(112.6)	(56.9)	(91.5)	(192.3)	(843.2)	(1,296.5)
Disposals	–	1,499.7	–	–	650.9	2,150.6
Transfers	(561.2)	(862.0)	155.3	284.0	983.8	–
Translation effects	(162.2)	(22.4)	(3.8)	(11.1)	2.6	(196.9)
31 December 2021	**(12,307.3)**	**(1,715.9)**	**(281.9)**	**(292.1)**	**(4,758.1)**	**(19,355.3)**
Net book value at 31 December 2021	**103.3**	**90.1**	**632.8**	**1,324.0**	**3,802.6**	**5,952.7**

16. Financial assets

CHF 1,000	31 December 2022	31 December 2021
Financial deposits	608.6	1,088.1
Financial loans	1,787.2	1,581.5
Prepayments to supplier	289.4	378.8
Investment in non-listed R&D company	285.9	316.1
Total financial assets	**2,971.2**	**3,364.5**

In 2022, Evolva was able to reduce its rent deposit for the HQ facility by CHF 0.5 million (2021: CHF 1.1 million). The increase in financial loans is primarily due to a shift from short-term receivables to long-term financial loans. Financial loans relate to loans granted to manufacturing partners for manufacturing, supply and CAPEX investments. Loans are recognized at amortized cost. The loan's recoverability is reviewed when a triggering event occurs, such as changes in the business collaboration. Evolva holds an investment in equity shares in a non-listed R&D company (see note 27).

17. Inventories

CHF 1,000	31 December 2022	31 December 2021
Raw materials	252.0	254.8
Intermediate products	3,403.6	2,499.1
Finished products	14,734.8	13,299.2
Stock in transit	1.6	215.9
Total Inventories	**18,392.0**	**16,268.9**

Total inventories are stated at the lower of production cost and net realizable value. As of the reporting date, finished products consist of nootkatone, valencene, resveratrol, L-Arabinose and vanillin. In 2022 a write-down of inventory to net realizable value in the amount of CHF 1.6 million (2021: CHF 1.3 million) was recorded. The overall inventory increase is mainly for new products to support the targeted growth.

18. Prepayments and accrued income

CHF 1,000	31 December 2022	31 December 2021
Prepayments to suppliers	150.3	696.3
Transitory Assets	1,858.8	1,086.0
Accrued income	476.0	–
Total prepayments and accrued income	**2,485.2**	**1,782.3**

The decrease in prepayments to suppliers is mainly due to the capitalization of previously prepaid manufacturing equipment to one specific CMO. The increase in transitory assets is mainly due to prepaid rent and other expenses. Accrued income relates to research and development income.

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 2022	31 December 2021
Trade receivables	3,413.2	2,707.9
Other receivables	626.1	1,530.8
Financial loan	–	263.6
Total Trade and other receivables	**4,039.3**	**4,502.3**

As of 31 December 2022, CHF 2.5 million resp. 71.9% (2021: CHF 1.8 million resp. 67%) of trade receivables were not due while CHF 0.9 million resp. 28.1% (2021: CHF 0.9 million resp. 33%) were due. The increase of trade receivables is mainly due to the overall higher revenue. Other receivables primarily decreased because of a cost-sharing agreement with a customer in 2021, which was not applicable in 2022. The change in financial loan results from a shift from short to long-term financial loan.

Based on the expected credit loss (ECL) approach the company has recognized an ECL provision of CHF 0.2 million (2021: CHF 0.2 million).

20. Cash and cash equivalents

Cash and cash equivalents are available immediately or within a notice period of a maximum of three months. On both 31 December 2022 and 31 December 2021 the full amount recognized refers to balances on bank accounts.

21. Share capital

The issued share capital over the past two years developed as follows:

	Total number of shares Evolva Holding SA	**CHF 1,000**
1 January 2021	**821,878,237**	**41,093.9**
Shares from authorized capital	208,751,116	10,437.6
1 January 2022	**1,030,629,353**	**51,531.5**
Shares from authorized capital	62,647,026	3,132.4
Shares from conditional capital	28,003,988	1,400.2
30 June 2022	**1,121,280,367**	**56,064.0**

On 25 May 2022, the Group successfully executed a capital increase from authorized capital in the form of a private placement of 62.6 million shares at a subscription price of CHF 0.101 per share and CHF 6.3 million in gross proceeds (CHF 3.1 million share capital and CHF 3.2 million share premium). A total of CHF 0.2 million cost for this transaction were deducted from the Group's share premium.

Additionally, 28 million shares were issued from conditional capital at an average price of CHF 0.081 per share, amounting to a total of CHF 2.3 million to cover bond conversions (CHF 1.4 million share capital and CHF 0.9 million share premium).

22. Conditional and authorized capital

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

	Conditional shares		Authorised shares	
	share number	**CHF 1,000**	**share number**	**CHF 1,000**
1 January 2021	**74,361,140**	**3,718.1**	**164,375,647**	**8,218.8**
Issued in February	-	-	(105,000,000)	(5,250.0)
Approved by AGM 2021	-	-	92,687,824	4,634.4
Issued in September	-	-	(40,000,000)	(2,000.0)
Issued in December	-	-	(63,751,116)	(3,187.6)
1 January 2022	**74,361,140**	**3,718.1**	**48,312,355**	**2,415.6**
Approved by AGM 2022	245,826,631	12,291.3	103,062,935	5,153.1
Issued in May	(13,953,488)	(697.7)	(62,647,026)	(3,132.4)
Issued in July	(8,974,358)	(448.7)	-	-
Issued in December	(5,076,142)	(253.8)	-	-
31 December 2022	**217,822,643**	**10,891.1**	**40,415,909**	**2,020.8**
-for financing purposes	*178,121,882*		*40,415,909*	
-for share-based compensation	*39,700,761*			

23. Treasury shares

The amount of treasury shares held by the Group over the past two years developed as follows:

	Treasury shares	
	Shares	**CHF 1,000**
1 January 2021	**15,148,270**	**3,709.2**
Issuance of shares	208,751,116	10,437.6
Use of shares for financing purposes	(173,789,793)	(11,644.1)
Use of shares for share-based compensation	(15,742,089)	(784.3)
1 January 2022	**34,367,504**	**1,718.4**
Use of shares for financing purposes	(25,617,534)	(1,280.9)
Use of shares for share-based compensation	(4,371,147)	(218.6)
31 December 2022	**4,378,823**	**218.9**

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	2022	2021
Net loss attributable to shareholders of the parent	(43,366.4)	(41,266.4)
Weighted average number of shares outstanding	1,070,304.2	879,900.7
Basic and diluted loss per share (in CHF)	(0.04)	(0.05)

For the years ending 31 December 2022 and 31 December 2021, 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. If Evolva reports 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	31 December 2022	31 December 2021
Provisions for potential repayments contract R&D	1,065.6	1,056.5
Total non-current provisions	**1,065.6**	**1,056.5**
Accruals for manufacturing, research & development expenses	523.3	380.8
Accruals for commercial, general & administrative expenses	1,005.3	1,326.8
Accruals for compensation and benefits, including social security	746.4	936.9
Other accrued liabilities	17.8	87.0
Total current accrued liabilities	**2,292.8**	**2,731.5**

Accruals 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.

Provisions for potential repayments contract R&D

CHF 1,000	31 December 2022	31 December 2021
Beginning of period	**1,056.5**	**4,777.7**
Provisions made during the year	–	524.7
Provisions used during the year	–	(4,425.5)
Provisions reversed during the year	–	-
Currency translation effect	9.2	179.6
End of period	**1,065.6**	**1,056.5**
- of which non-current	1,065.6	1,056.5
- of which current	–	-

As of 31 December 2022, provisions consisted of CHF 0.5 million (2021: 0.5 million) for the potential repayment of contractual fees related to work for the US Defense Threat Reduction Agency (DTRA) and CHF 0.6 million (2021: 0.6 million) for a potential risk related to another contractual R&D agreement from previous years.

26. Convertible loan

In 2020, Evolva Holding SA entered into an agreement for the issuance and subscription of convertible notes with Nice & Green SA, a company incorporated and registered in Switzerland ("investor"). Under the terms of the agreement and the subsequent amendments in 2020, 2021 and 2022, the investor has committed to invest up to an amount of CHF 56 million ("maximum commitment"), divided into tranches, until March 2024 ("the commitment period").

In the latest amendment dated 29 November 2022, the parties have agreed on specific terms regarding (i) convertible notes in the value of CHF 8 million that, at the date of the amendment, have been issued but not yet converted by the investor ("outstanding convertible notes") and (ii) the utilization of an additional CHF 8 million from the maximum commitment.

Regarding change (i), it was agreed that

a) the outstanding convertible notes bear interest of 2.5% p.a., calculated on a daily basis starting from the date of the amendment until 31 May 2023; thereafter, no interest shall accrue on the outstanding convertible notes until conversion;
b) the conversion period applicable to the outstanding convertible notes is extended by 12 months to 24 months; and
c) the investor may not request conversion of the outstanding convertible notes prior to 31 May 2023.

Regarding change (ii), from the date of the amendment until 31 May 2023 ("special investment period"), the issuer may utilize the maximum commitment by up to CHF 8 million in four tranches as follows:

(i) Tranche 1: up to CHF 2 million of new convertible notes by 30 November 2022
(ii) Tranche 2: up to CHF 2 million of new convertible notes by 21 December 2022
(iii) Tranche 3: up to CHF 2 million of new convertible notes by the end of February 2023
(iv) Tranche 4: up to CHF 2 million of new convertible notes by the end of March 2023
(v) Tranche 5: up to an amount for which no subscription requests have been made under tranches 1-4 by the end of May 2023.

The new convertible notes do not bear interest. During the special investment period, except for the new convertible notes, the investor is not obliged to subscribe for any additional convertible notes.

Furthermore, it was agreed that
(i) sales of shares by the investor may only be made at a price of at least CHF 0.07 or higher ("Floor Price"), except if the Daily VWAP of the shares falls below the Floor Price during 10 consecutive trading days (or 20 single Trading Days out of 40), in which case the investor may request that the Floor Price be lowered to a price that is 10% below the Daily VWAP; in this case the investor may continue to sell Shares at a price equal to or above such new Floor Price. If the issuer does not lower the Floor Price following the investor request, the investor may suspend its obligations under or terminate the latest agreement (in which case the terms of the existing agreement apply again).
(ii) the daily volume of all shares sold by the investor must not exceed 15% of the total daily market volume of the shares;
(iii) new convertible notes can only be converted by the investor into shares tranche by tranche, i.e., a new tranche can only be converted if 80% of the shares resulting from a previous tranche have been sold (whereby the 15% daily market volume restriction [see (ii) above] applies).
(iv) The investor does not have the right to terminate the agreement (except as described in (i) above).

After the end of the special investment period, any further utilization of the maximum commitment by the issuer (and the subscription of additional convertible notes by the investor) will be governed exclusively by the existing agreement (i.e., without regard to the latest amendment), unless the parties agree to apply the terms of the special investment period/the latest amendment also to further issuance and subscription of convertible notes available under the maximum commitment.

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

The amount of each convertible note is, at Evolva's discretion, either repayable by way of conversion into ordinary shares of Evolva Holding SA or in cash. The nominal value of one convertible note is CHF 50,000. The conversion price for shares is 95 percent of the lowest daily volume weighted average price (VWAP) for a share on the SIX Swiss Exchange during the six trading days immediately preceding the conversion date. The conversion price for cash redemption is calculated as the nominal value divided by 0.97 of a convertible note. During the conversion period, Nice & Green may at any time request full or partial conversion of each convertible note.

Except during the special investment period, the investor has the right to terminate the agreement by written notice to the issuer if: (i) the share market closing price is equal to or lower than CHF 0.07 for a period of 20 consecutive trading days during the commitment period; (ii) an issuer suspension period exceeds three months. The investor may elect, at its own discretion, to suspend the new subscriptions if the daily VWAP of any of the ten consecutive trading days immediately preceding the date of subscription request is equal to or falls below CHF 0.07 until the daily VWAP for a period of ten consecutive trading days again equals or exceeds CHF 0.07 by written suspension notice to the issuer.

In the case of early termination, all issued convertible notes shall, at the issuer's discretion, be converted into shares or repaid in cash within 30 days.

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

For the period from 1 January to 31 December 2022:

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

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

CHF 1,000	No. of tranches at CHF 50,000	Non-derivate host	Embedded derivate	Net proceeds
Convertible notes 01.01.2021	80	3,785.8	214.2	
Notes issued in 2021	400	19,110.4	889.6	19,200.0
Notes converted in 2021	346	(16,465.3)	(757.0)	
Convertible notes outstanding 31.12.2021	**134**	**6,430.9**	**346.8**	
Notes issued in 2022	200	9,601.4	398.7	9,560.0
Notes converted in 2022	94	(4,544.7)	(815.9)	
Convertible notes outstanding 31.12.2022	**240**	**11,487.6**	**(70.6)**	

For the conversion of 94 convertible notes (CHF 4.7 million), Evolva has delivered 22.9 million shares created from conditional capital at an average conversion price of CHF 0.08 and 25.6 million treasury shares at an average conversion price of CHF 0.11 per share.

The impact of the changes in fair value of the embedded derivative amounts to CHF 0.7 million (2021: CHF 0.1 million). This amount is included in the financial result. Directly related transaction expenses of CHF 0.4 million (commitment fee) are amortized using the effective interest method.

27. Fair Value of Financial Instruments

Financial assets **CHF 1,000**	**Valuation category**	**FV Level**	**Fair Value**
1 January 2022			
Shareholding in non-listed R&D company	FVTPL[1]	Level 3	314.7
Foreign exchange loss			-28.8
31 December 2022			
Shareholding in non-listed R&D company	FVTPL[1]	Level 3	**285.9**

Financial Liabilities **CHF 1,000**	**Valuation category**	**FV Level**	**Fair Value**
1 January 2022			
Compound embedded derivative	FVTPL[1]	Level 3	346.8
Notes issued in 2022			398.7
Notes converted in 2022 and fair value adjustment			-815.9
31 December 2022			
Compound embedded derivative	FVTPL[1]	Level 3	**-70.6**

1) FVTPL = Financial asset or liability measured at fair value through profit and loss

There were no transfers between the different hierarchy levels during the reporting period, nor in the previous year. The carrying amounts of all other financial assets and liabilities at amortized cost are reasonable approximations of their fair values.

Evolva holds an investment in equity shares in a non-listed R&D company. The Group considers the investment to be not strategic in nature. Valuation of the investment is determined by the share price of the latest financing round of the company. The investment is categorized as fair value (Level 3).

In 2020, Evolva Holding SA entered into an agreement for the issuance and subscription of convertible notes with Nice & Green SA. The compound embedded derivate is valued based on a model, to which the main variable input is the VWAP of Evolva's share price of the eight last trading days before valuation date. For detailed information on the compound embedded derivative see Note 26.

28. Lease liabilities

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

Lease commitments	**31 December 2022**		**31 December 2021**	
in CHF 1,000	**Future minimum lease payments**	**Present value of future minimum lease payments**	**Future minimum lease payments**	**Present value of future minimum lease payments**
Within one year	1,053.0	663.1	1,082.2	834.4
Between one and five years	3,022.7	2,906.8	4,077.4	3,574.0
More than five years	–	–	–	–
Total minimum lease payments	**4,075.7**	**3,569.9**	**5,159.6**	**4,408.4**
Less amounts representing financing charges	(505.9)		(751.1)	
Total as of 31 December	**3,569.8**		**4,408.4**	

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

CHF 1,000	**2022**	**2021**
As at 1 January	**4,408.5**	**5,237.3**
Additions	–	-
Disposals	(10.0)	-
Accretion of interest	244.8	292.7
Payments	(1,073.4)	(1,122.9)
Translation effects	–	1.4
As at 31 December	**3,569.8**	**4,408.5**
- of which current	663.1	834.4
- of which non-current	2,906.8	3,574.0

29. Related party transactions

In 2022, Evolva has sold products for CHF 0.04 million to a company where a member of the board of Evolva is part of the board of the customer (2021: 0.1 million).

All transactions with related parties were conducted at arm's lengths. As of the reporting date, Evolva has no outstanding receivable from transactions with related parties (2021: CHF 0.03 million).

30. Contingent liabilities and commitments

As part of its research activities, the Group is involved in several projects funded by governmental and other public entities. These contracts include clauses that might result in reclaims of funding that the Group has received. As of 31 December 2022, Evolva has recognized CHF 4.0 million as provisions and financial liabilities in its books (2021: CHF 5.2 million).

The Group has entered into various purchase commitments for manufacturing, material and services as part of its ordinary business. The total commitment for manufacturing with manufacturing organizations for the next years amounts to CHF 45.9 million (2021: CHF 57.6 million). These commitments are not in excess of current market prices and reflect normal business operations.

In its half-year report 2022, Evolva disclosed a contingent liability as a result of the sanctions proposal by SIX Exchange Regulation AG (SER). The proceeding was concluded in December 2022 and Evolva was ordered to pay a fine of CHF 0.05 million and bear the costs of proceeding of CHF 0.05 million. For more details refer to note 14. No further contingent liabilities remain as a result of this proceeding.

31. 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.

Mazars AG
Herostrasse 12
CH-8048 Zurich

Tel: +41 44 384 84 44
www.mazars.ch

Report of the statutory auditor to the General Meeting of Evolva Holding SA, Reinach (BL)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Evolva Holding SA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of financial performance, the consolidated statement of other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 87 to 138) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of 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 (ISA) and Swiss Standards on Auditing (SA-CH). 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, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

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

Valuation of royalty and licenses asset

Key audit matter

The royalty and licenses asset amounts to CHF 35.1 million representing 27% of the Group's total assets.

Intangible assets with definite useful life are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

Due to the significance of the carrying amount of the royalty and licenses asset and the level of judgement involved in performing an impairment test, this matter is considered significant to our audit.

Management calculated the recoverable amount using the value in use method. The assessment requires judgement in the determination of key assumptions in relation to future royalty income, including the addressable market and the future market share, as well as the discount rate.

Please refer to page 92 (2.2. Critical accounting estimates and judgements), page 100 (2.3. Principles of consolidation) and page 122 (14. Intangible assets).

How our audit addressed the key audit matter

We obtained the Group's valuation model and in particular performed the following audit procedures with the support of our valuation specialists:

- We discussed with management the process for drawing up a value in use calculation and challenged the assumptions made in relation to royalty income and discount rate.
- We verified the mathematical accuracy of the future cash flows derived from management's internally developed model applying the value in use calculation.
- We benchmarked key market related assumptions against external data, including assumptions of addressable market, market growth rate and market share.
- In addition, using sensitivity analyses, we tested whether a significant change in the key assumptions (discount rate and the market share) resulted in the impairment of the royalty and licenses asset.
- We discussed the results of these tests with management in terms of both the headroom available and the probability of such a change in the assumptions occurring.

In performing the audit procedures listed above, we addressed the risk of an incorrect valuation of the royalty and licenses asset. The results of our audit procedures support the assessments made by management.

Valuation of capitalized product and process development costs

Key audit matter

The carrying amount of capitalized product and process development costs amounts to CHF 5.4 million.

Management must determine the future economic benefit when capitalizing product and process development costs.

The assessments required judgement in the determination of key assumptions such as future sales volumes, future sales prices and production costs.

Due to the level of judgement involved in this assessment, this matter is considered significant to our audit.

Please refer to page 92 (2.2. Critical accounting estimates and judgements), page 100 (2.3. Principles of consolidation) and page 122 (14. Intangible assets).

How our audit addressed the key audit matter

We obtained the Group's calculation of the expected future economic benefit and in particular performed the following audit procedures:

- We discussed with management the process for drawing up the calculation for the future economic benefit and challenged the key assumptions used.
- We verified the mathematical accuracy of management's calculation.
- With the support of our valuation specialists we benchmarked key assumptions including sales volumes, sales prices and costs of production against internal and external data.

In performing the audit procedures listed above, we addressed the risk of an incorrect valuation of capitalized product and process development costs. The results of our audit procedures support the assessments made by management.

Revenue recognition

Key audit matter

In 2022 revenue from contracts with customers amounts to CHF 15.5 million. This includes mainly product-related revenue amounting to CHF 14.8 million, while research & development revenue amounted to CHF 0.7 million.

Revenue from sale of products is recognized at the point in time when control of the asset has been transferred to the customer considering the applicable International Commercial Terms (Incoterms).

Revenue is an important performance indicator for groups in the commercialisation phase. Due to the inherent risk that sales could be recognised in the wrong accounting period, we consider the cut-off in product sales to be a key audit matter.

Please refer to page 93 (2.2. Critical accounting estimates and judgements), page 96 (2.3. Principles of consolidation) and page 109 (4. Segment and geographical information).

How our audit addressed the key audit matter

We assessed the consistency of the application of the revenue recognition. We placed particular emphasis on product sales that occurred shortly before the balance sheet date in order to obtain sufficient evidence to support the existence of the revenue recognized and the accuracy of the cut-off. For this purpose, we performed in particular the following audit procedures:

- On a sample basis, we agreed product-related revenue to the supporting documentation, such as purchase orders, delivery notes and customer invoices.
- In addition, we requested third party confirmation from customers on a sample basis to confirm the existence and cut-off of these revenues.

In performing the audit procedures listed above, we addressed the risk of recognizing the revenue in the wrong accounting period. The results of our audit procedures support the reported revenue.

Valuation of goodwill

Key audit matter	How our audit addressed the key audit matter
Goodwill amounts to CHF 41.1 million representing 31% of the Group's total assets. Goodwill is tested for impairment at least annually or whenever an impairment indicator is identified. The recoverable amount of goodwill is the higher of its fair value less costs of disposal and its value in use. Due to the significance of the carrying amount of goodwill and the level of judgement involved in performing an impairment test, this matter is considered significant to our audit. Management calculated the recoverable amount using the fair value less cost of disposal. Fair value consists of market capitalization plus a control premium. The assessment requires judgement in the determination of the Group specific control premium and the cost of disposal. Please refer to page 93 (2.2. Critical accounting estimates and judgements), page 94 (2.3. Principles of consolidation) and page 122 (14. Intangible assets).	We obtained the Group's calculation of the fair value less costs of disposal and in particular performed the following audit procedures: • We discussed with management the process for determining the fair value less cost of disposal. • We verified the mathematical accuracy of management's calculation. • We verified the accuracy of the input parameters, such as the closing share price, the number of shares outstanding and the number of treasury shares to external data. • With the support of our valuation specialists we benchmarked the control premium against comparable transactions and the cost of disposal against external data. In performing the audit procedures listed above, we addressed the risk of an incorrect valuation of goodwill. The results of our audit procedures support the assessments and disclosures made by management.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information 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 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.

Board of Directors' Responsibilities for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which 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, ISA and SA-CH 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 on EXPERTsuisse’s website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on Other Legal and Regulatory Requirements

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

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

Zurich, 8 March 2023

Mazars AG

Cyprian Bumann
Licensed audit expert
(Auditor in charge)

Roger Leu
Licensed audit expert

STATUTORY FINANCIAL STATEMENTS OF EVOLVA HOLDING SA

Statement of financial position

CHF 1,000	Note	31 December 2022	31 December 2021
ASSETS			
Current Assets			
Cash and Cash equivalents		90.5	786.8
Short-term receivables		356.6	161.5
Total Current assets		**447.1**	**948.4**
Non-current assets			
Investments in subsidiaries	7	-	-
Long-term receivables from shareholdings	8	111,034.0	178,226.2
Total non-current assets		**111,034.0**	**178,226.2**
Total Assets		**111,481.1**	**179,174.6**
LIABILITITES AND EQUITY			
Current liabilities			
Short-term payables		35.6	25.0
Accrued and other current liabilities		575.3	602.9
Convertible loan	9	12,000.0	6,700.0
Total current liabilities		**12,611.0**	**7,327.9**
Total Liabilities		**12,611.0**	**7,327.9**
EQUITY			
Share capital	4	56,064.0	51,531.5
Statutory contribution reserve	5	282,787.2	275,920.8
Other voluntary reserve		2,974.2	2,974.2
Reserve for treasury shares	6	218.9	1,718.4
Accumulated deficit		(243,174.3)	(160,298.2)
Total equity		**98,870.1**	**171,846.7**
Total Liabilities and Equity		**111,481.1**	**179,174.6**

STATUTORY FINANCIAL STATEMENTS OF EVOLVA HOLDING SA

Statement of financial performance

CHF 1,000	Note	2022	2021
Income from shareholdings	10	673.1	670.0
Total Revenue		**673.1**	**670.0**
General & administrative expenses		(1,396.7)	(1,805.9)
Financial income		22.6	16.7
Financial expenses	9	(675.0)	(820.1)
Value adjustment of long-term receivables from shareholdings and investments	8	(81,500.0)	(46,345.7)
Net loss for the period		**(82,876.1)**	**(48,285.0)**

NOTES TO THE STATUTORY FINANCIAL STATEMENTS OF EVOLVA HOLDING SA

1. The Company

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

2. Basis of preparation

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

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

3. Principles

3.1. Foreign currency translation

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

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

		2022		2021	
Currency	Unit	Closing rate	Average rate	Closing rate	Average rate
USD	1	0.93	0.96	0.92	0.92
EUR	1	0.99	1.02	1.05	1.10

3.2. Cash and cash equivalents

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

3.3. Long-term receivables from shareholdings

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

3.4. Accrued liabilities

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

4. Share capital

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

	Total number of shares Evolva Holding SA	CHF 1,000
1 January 2021	**821,878,237**	**41,093.9**
Shares from authorized capital	208,751,116	10,437.6
1 January 2022	**1,030,629,353**	**51,531.5**
Shares from authorized capital	62,647,026	3,132.4
Shares from conditional capital	28,003,988	1,400.2
31 December 2022	**1,121,280,367**	**56,064.0**

On 22 February 2021 the Group has subscribed treasury shares of CHF 5.2 million. On 24 September 2021 the Group has subscribed treasury shares of CHF 2.0 million, On 2 December 2021 the Group has subscribed treasury shares of CHF 3.1 million.

On 25 May 2022 the Group successfully executed a capital increase from authorized capital in the form of a private placement of 62.6 million shares at a subscription price of CHF 0.101 per share and CHF 6.3 million in gross proceeds. A total of CHF 0.2 million costs for this transaction were deducted from the Group's share premium. Additionally, 28 million shares were issued from conditional capital at a nominal value of CHF 0.05 per share, amounting to a total of CHF 1.4 million to cover bond conversions.

The share capital as of 31 December 2022 consists of 1,121,280,367 shares with a nominal value of CHF 0.05 per share.

5. Statutory contribution reserve

As of 31 December 2022 the Federal Tax Authority has recognized CHF 84.2 million as capital contribution reserves (2021: CHF 84.2 million). The remaining amount is currently in the approval process.

6. 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 2021	**15,148,270**	**3,709.2**
Issuance of shares	208,751,116	10,437.6
Use of shares for financing purposes	(173,789,793)	(11,644.1)
Use of shares for share-based compensation	(15,742,089)	(784.3)
1 January 2022	**34,367,504**	**1,718.4**
Use of shares for financing purposes	(25,617,534)	(1,280.9)
Use of shares for share-based compensation	(4,371,147)	(218.6)
31 December 2022	**4,378,823**	**218.9**

7. Investments

		Ownership [1]		Shareholder	Share capital
Name	**Domicile**	**31.12.2022**	**31.12.2021**		
Evolva AG	Reinach, CH	100%	100%	Evolva Holding SA	CHF 6,369,540
Evolva Inc.	Lexington, USA	100%	100%	Evolva AG	USD 7,835
Non-operational entities					
Evolva Bio UK Ltd. [2]	Cambridge, UK	100%	100%	Evolva AG	GBP 14.62
Evolva Singapore PTE. Ltd.	Singapore	100%	100%	Evolva AG	SGD 100
Evolva Biotech A/S [3]	Copenhagen, DK	n/a	100%	Evolva AG	DKK 4,311,583
Evolva Biotech Private Limited [2]	Chennai, India	100%	100%	Evolva AG	INR 169,930

1 Capital ownership is equal to voting ownership
2 Company in liquidation
3 Company liquidated in 2022

8. Long-term receivables from shareholdings and investments

Operations in the Group are conducted or managed by Evolva AG and its subsidiaries whereas Evolva Holding SA has limited operations within the Group. To fund the Group's operations, Evolva Holding SA grants loans and holds the investments to its subsidiaries.

As of 31 December 2022, Evolva has recognized a value adjustment of CHF 81.5 millions of his long-term receivables from shareholdings. In 2021, Evolva had recognized a value adjustment on its long-term receivables from shareholdings and investments of CHF 46.3 millions. The value adjustment recognized in 2022 and 2021 follows the prudent concept of the Swiss Code of Obligations regarding subordinated loans and investments.

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

9. Convertible loan

In 2020, Evolva Holding SA entered into an agreement for the issuance and subscription of convertible notes with Nice & Green SA, a company incorporated and registered in Switzerland ("investor"). Under the terms of the agreement and the subsequent amendments in 2020, 2021 and 2022, the investor has committed to invest up to an amount of CHF 56 million ("maximum commitment"), divided into tranches, until March 2024 ("the commitment period").

In the latest amendment dated 29 November 2022, the parties have agreed on specific terms regarding (i) convertible notes in the value of CHF 8 million that, at the date of the amendment, have been issued but not yet converted by the investor ("outstanding convertible notes") and (ii) the utilization of an additional CHF 8 million from the maximum commitment.

Regarding change (i), it was agreed that

a) the outstanding convertible notes bear interest of 2.5% p.a., calculated on a daily basis starting from the date of the amendment until 31 May 2023; thereafter, no interest shall accrue on the outstanding convertible notes until conversion;
b) the conversion period applicable to the outstanding convertible notes is extended by 12 months to 24 months; and
c) the investor may not request conversion of the outstanding convertible notes prior to 31 May 2023.

Regarding change (ii), from the date of the amendment until 31 May 2023 (“special investment period”), the issuer may utilize the maximum commitment by up to CHF 8 million in four tranches as follows:

(i) Tranche 1: up to CHF 2 million of new convertible notes by 30 November 2022
(ii) Tranche 2: up to CHF 2 million of new convertible notes by 21 December 2022
(iii) Tranche 3: up to CHF 2 million of new convertible notes by the end of February 2023
(iv) Tranche 4: up to CHF 2 million of new convertible notes by the end of March 2023
(v) Tranche 5: up to an amount for which no subscription requests have been made under tranches 1-4 by the end of May 2023.

The new convertible notes do not bear interest. During the special investment period, except for the new convertible notes, the investor is not obliged to subscribe for any additional convertible notes.

Furthermore, it was agreed that

(i) sales of shares by the investor may only be made at a price of at least CHF 0.07 or higher (“Floor Price”), except if the Daily VWAP of the shares falls below the Floor Price during 10 consecutive trading days (or 20 single Trading Days out of 40), in which case the investor may request that the Floor Price be lowered to a price that is 10% below the Daily VWAP; in this case the investor may continue to sell Shares at a price equal to or above such new Floor Price. If the issuer does not lower the Floor Price following the investor request, the investor may suspend its obligations under or terminate the latest agreement (in which case the terms of the existing agreement apply again).
(ii) the daily volume of all shares sold by the investor must not exceed 15% of the total daily market volume of the shares;
(iii) new convertible notes can only be converted by the investor into shares tranche by tranche, i.e., a new tranche can only be converted if 80% of the shares resulting from a previous tranche have been sold (whereby the 15% daily market volume restriction [see (ii) above] applies).
(iv) The investor does not have the right to terminate the agreement (except as described in (i) above).

After the end of the special investment period, any further utilization of the maximum commitment by the issuer (and the subscription of additional convertible notes by the investor) will be governed exclusively by the existing agreement (i.e., without regard to the latest amendment), unless the parties agree to apply the terms of the special investment period/the latest amendment also to further issuance and subscription of convertible notes available under the maximum commitment.

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

The amount of each convertible note is, at Evolva's discretion, either repayable by way of conversion into ordinary shares of Evolva Holding SA or in cash. The nominal value of one convertible note is CHF 50,000. The conversion price for shares is 95 percent of the lowest daily volume weighted average price (VWAP) for a share on the SIX Swiss Exchange during the six trading days immediately preceding the conversion date. The conversion price for cash redemption is calculated as the nominal value divided by 0.97 of a convertible note. During the conversion period, Nice & Green may at any time request full or partial conversion of each convertible note.

Except during the special investment period, the investor has the right to terminate the agreement by written notice to the issuer if: (i) the share market closing price is equal to or lower than CHF 0.07 for a period of 20 consecutive trading days during the commitment period; (ii) an issuer suspension period exceeds three months. The investor may elect, at its own discretion, to suspend the new subscriptions if the daily VWAP of any of the ten consecutive trading days immediately preceding the date of subscription request is equal to or falls below CHF 0.07 until the daily VWAP for a period of ten consecutive trading days again equals or exceeds CHF 0.07 by written suspension notice to the issuer.

In the case of early termination, all issued convertible notes shall, at the issuer's discretion, be converted into shares or repaid in cash within 30 days.

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

For the period from 1 January to 31 December 2022:

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

For the conversion of 94 convertible notes (CHF 4.7 million), Evolva has delivered 22.9 million shares created from conditional capital at an average conversion price of CHF 0.08 and 25.6 million treasury shares at an average conversion price of CHF 0.11 per share.

Transaction costs of the convertible note are recorded as financial expenses in the statement of financial performance, which represent the major part of financial expenses in 2022 and in 2021.

10. Income from shareholdings

Evolva Holding SA 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.

11. Holdings of shares and share options

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

	31 December 2022		31 December 2021	
	Shares	**Equity rights**	**Shares**	**Equity rights**
Board of Directors				
Beat In-Albon (Chairman)	2,537,161	751,174	655,955	396,058
Christoph Breucker	1,188,128	375,587	-	198,029
Richard Ridinger 1)	2,134,654	-	451,477	198,029
Stephan Schindler	1,173,565	375,587	381,477	198,029
Andreas Pfluger 2)	-	375,587	-	-
Andreas Weigelt 2)	-	375,587	-	-
Total members of the Board	**7,033,508**	**2,253,522**	**1,488,909**	**990,145**
Group Management Team				
Oliver Walker (CEO) 3)	4,559,512	-	4,559,512	4,476,611
Christian Wichert (CEO) 4)	2,524,752	4,578,502	-	-
Carsten Däweritz (CFO)	1,043,069	3,821,987	350,000	1,303,463
Total Group Management Team	**8,127,333**	**8,400,489**	**4,909,512**	**5,780,074**

1) Mr. Richard Ridinger left the Board of Directors in 2022
2) Mr. Andreas Pfluger and Mr. Andreas Weigelt were elected to the Board of Directors in 2022
3) Mr. Oliver Walker left the Group Management Team in February 2022
4) Mr. Christian Wichert joined the Group Management Team in February 2022

12. Significant shareholders

As of 31 December 2022, Pictet Asset Management SA has share holdings of 8.60% (2021: 9.64%), Veraison Capital AG has shareholdings of 5.69% (2021: 6.19%) and 3V Asset Management AG has shareholdings of 4.19% (2021: 3.62%) of the total outstanding shares.

13. Events subsequent to the reporting date

There are no reportable events subsequent to the reporting date.

Mazars AG
Herostrasse 12
CH-8048 Zurich

Tel: +41 44 384 84 44
www.mazars.ch

Report of the statutory auditor to the General Meeting of Evolva Holding SA, Reinach (BL)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Evolva Holding SA (the Company), which comprise the statement of financial position as at 31 December 2022, the statement of financial performance for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 147 to 156) comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, 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 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.

Valuation of long-term receivables from shareholdings

Key audit matter	How our audit addressed the key audit matter
As of 31 December 2022, long-term receivables from shareholdings amount to CHF 111.0 million after the deduction of a further value adjustment of CHF 81.5 million in 2022. We consider the valuation of this balance sheet item as key audit matter for the following reasons: • The long-term receivables from shareholdings are significant and represent 99 % of the total assets. • The valuation of long-term receivables from shareholdings considers the financial substance of the subsidiaries and depends on the future performance of the subsidiaries as well as their ability to generate sufficient cash flows. This assessment includes a significant scope of judgement. Please refer to page 150 (Principles – 3.3 Long-term receivables from shareholdings) and page 152 (8. Long-term receivables from shareholdings) in the notes to the financial statements.	We performed the following audit procedures with regard to the valuation of long-term receivables from shareholdings: • We tested the recoverability of the recognised amounts by comparing them with management's assessment. • We analysed the assumptions used by management and verified the consistency of the assumptions used and corroborated them with available information. • With the support of our valuation specialists we benchmarked key assumptions included in the cash flow forecasts against data from internal and external sources. • With the support of our valuation specialists we benchmarked the control premium against comparable transactions and the cost of disposal against external data. In performing the audit procedures listed above, we addressed the risk of incorrect valuation of the long-term receivables from shareholdings. The results of our audit procedures support the assessment made by management.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Board of Directors' Responsibilities for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 and SA-CH 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on Other Legal and Regulatory Requirements

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

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

Zurich, 8 March 2023

MAZARS AG

Cyprian Bumann	Roger Leu
Licensed audit expert	Licensed audit expert
(auditor in charge)	

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Evolva Holding SA
Duggingerstrasse 23
CH-4153 Reinach
Switzerland
Tel. +41 61 485 2000
Fax +41 61 485 2001
info@evolva.com
www.evolva.com

EVOLVA