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'RESEARCH NEVER STOPS'

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## Forward step by step with Action Plan 2016 – Continued revenue growth – Significant pipeline progress

**Hamburg, Germany – 26 March 2013**

Evotec AG (Prime Standard Frankfurt Stock Exchange: EVT, TecDAX, ISIN: DE0005664809) today reported financial results and corporate updates for the fiscal year ended 31 December 2012.

- **Growth trend continues**
  - Revenues +9% to € 87.3 m
  - Operating result adjusted € 1.4 m; net income € 2.5 m
  - Operating cash flow +18% to € 12.0 m
  - Strong and stable liquidity position of € 64.2 m
  - Expected revenues of € 90 m to € 100 m in 2013
- **Strong progress in all business units (EVT Execute /Integrate/Innovate) achieved**
  - Multiple new alliances and contract extensions (e.g. Bayer, CHDI and NIH)
  - Acceleration of EVT Innovate strategy through alliances with Harvard and Yale
  - Multiple milestones achieved with e.g. Andromeda/Teva, Boehringer Ingelheim, MedImmune, Novartis and Ono
  - Strategic alliance with 4-Antibody
  - Acquisition of CCS Cell Culture Service GmbH (after period-end)
- **Significant short- and mid-term pipeline catalysts**
  - DiaPep277<sup>®</sup>, positive Phase III results confirmed, data of second pivotal trial to come end of 2014
  - Large Phase IIb trial started with EVT302 in Alzheimer`s Disease
  - Multiple clinical trials expected to start and read out in 2013/2014 (e.g. Phase II with EVT100 series in depression, several Phase I programmes in oncology, pain and other indications)

### **1. Operational performance – Good revenue growth, Milestones drive profitability**

#### **Revenue growth of 9%, operating result, R&D investments and liquidity in line with adjusted guidance**

Evotec achieved continued profitable growth in 2012 with revenues up 9% to € 87.3 m (2011: € 80.1 m) and a net income of € 2.5 m (2011: € 6.7 m). The shift in revenues from milestones from Q4 2012 into 2013 had a negative effect on profitability, which as a result was lower than originally guided.

Growth in revenues was driven by the increase in revenues within the Company's drug discovery alliances and significant milestone payments through its collaborations in the amount of

€ 12.3 m (2011: € 10.5 m).

The gross margin of the Group decreased to 35.6% (2011: 43.7%). The margin difference compared to 2011 is mainly attributable to a decrease in upfront payments, the ramp-up of capacities in EVT Execute, lower margin compound management revenues and the move into the new Manfred Eigen Campus at the start of 2012.

Evotec's operating result for 2012 amounted to € (3.2) m (2011: € 5.2 m), which primarily was due to a lower gross profit and an impairment of intangible assets in the amount of € 3.5 m (2011: € 0.6 m net of reversal of impairment). The impairment was mainly the result of the termination of the VR1 partnership with Pfizer. The operating result before impairment and changes in contingent consideration was positive at € 1.4 m (2011: € 5.8 m). Net income amounted to € 2.5 m (2011: € 6.7 m). The improvement of the net income over the operating result primarily resulted from deferred tax income amounting to € 8.3 m (2011: € 2.5 m).

R&D expenditure amounted to € 8.3 m (2011: € 8.4 m). Evotec's unfunded research focused on selected discovery projects in the key areas of CNS, oncology, inflammation, metabolic and kidney disease such as the CureBeta and CureNephron alliances with Harvard University.

Although there were significant investments in capital expenditures of € 8.2 m (2011: € 8.1 m) as well as in intangible assets and earn-out payments, the Company's liquidity position increased to € 64.2 m (2011: € 62.4 m), this is composed of cash and cash equivalents (€ 39.1 m) and of investments (€ 25.1 m). Therefore Evotec is very well-financed.

## **2. Evotec Action Plan 2016 – Step by step forward for higher Innovation Efficiency**

### ***Update on discovery alliances, development partnerships and status of pre-clinical programmes***

*Action Plan 2016 – Innovation Efficiency is the strategy framework that was initiated in March 2012. EVT Execute aims to deliver cost efficient and industrialised services for drug discovery on a fee-for-service basis. EVT Integrate is the systematic approach to progress targets through the pre-clinic, on a research payments, milestones and royalties success basis. EVT Innovate involves accelerating promising drug discovery ideas and assets to partnerships with upfront payments, premium research fees, milestones and royalties.*

### **EVT Execute – Continued trend towards outsourcing services for biotech and Pharma; important new and extended collaborations**

With CHDI, a privately funded not-for-profit research organisation dedicated to developing therapies for Huntington's disease (HD), Evotec extended its collaboration until the end of 2015. This contract extension could be worth up to \$ 41 m in research payments for Evotec.

With the United States Environmental Protection Agency (EPA) Evotec entered into a multi-year compound management agreement. The contract covers a period of five years and has a total value of up to € 7.7 m (approximately \$ 10 m).

With the National Institutes of Health (NIH) Evotec signed a multi-year agreement for the operation of a small molecule repository (SMR). The contract is funded in its entirety by NIH, covers a period of up to 10 years and has a total estimated value of up to € 60 m

(approximately \$ 75 m).

With 4-Antibody Evotec acquired access to a fully integrated antibody discovery and development service. Evotec's novel and unique high throughput and high content screening approach coupled with 4-Antibody's high throughput antibody selection approach will allow screening of large and diverse antibody populations for desired functionality and activity at a much earlier stage of selection. This unique combined approach is expected to substantially reduce attrition rates at later development stages.

Signed in December 2012 and effective 01 January 2013, Evotec acquired Cell Culture Service GmbH (CCS), a Hamburg-based company which supports the cell culture needs of a world-wide customer base of biotech and pharmaceutical companies. CCS is one of the leading suppliers of custom cells and cell-based reagents such as recombinant assay cell lines, assay-ready Frozen Instant Cells, qualified membranes and proteins for high throughput screening with more than 10 years experience in bulk cell production.

#### **EVT Integrate – New strategic multi-target alliance with Bayer and several key milestone achievements**

With Bayer Evotec entered into a five-year, multi-target collaboration with the goal of developing three clinical candidates for the treatment of endometriosis. Evotec received € 12 m as an upfront payment. In total, Evotec could receive pre-clinical, clinical and sales milestones of up to € 580 m plus royalties. Under the terms of the deal both parties contribute innovative drug targets and high-quality technology infrastructures and share the responsibility for early research and pre-clinical characterisation of candidates in endometriosis.

The progress and success of existing core alliances was significant. Milestones were achieved within the alliances with Boehringer Ingelheim, Ono and Novartis. In 2012 Evotec was able to secure multiple pre-clinical milestones totalling € 12.3 m.

#### **EVT Innovate – significant clinical outcomes ahead, Cure X initiative driven by Harvard and Yale**

The first Phase III trial on DiaPep277<sup>®</sup> demonstrated the achievement of both its primary and secondary endpoints. Moreover it was announced that the recruitment of the second Phase III trial was closed in September 2012. Results of this second pivotal trial are expected towards the end of 2014.

Roche started a substantial Phase II trial with EVT302 at the end of 2012 aiming at recruiting 450 patients in more than 120 centres worldwide to assess the efficacy and safety of this compound in patients with moderate severity Alzheimer's disease (AD). This clinical trial is one of the very few late-stage trials in this AD patient population. Results are expected during the second half of 2015.

Evotec entered into a license agreement with Janssen for its NR2B subtype selective NMDA-antagonist portfolio for development against diseases in the field of depression. Evotec received an upfront payment of \$ 2 m with an additional \$ 6 m to be paid upon confirmation of certain pre-clinical properties of the candidates. Evotec could receive up to \$ 67 m for the first product depending on certain clinical, regulatory and launch events, as well as additional milestone payments upon successful completion of certain events for additional indications and/or compounds. Evotec could be entitled to an additional \$ 100 m in commercial milestones depending on meeting certain sales thresholds and royalties which could be as high

as double-digit on certain future sales of royalty bearing products. It is the Company's expectation that Janssen will initiate Phase II clinical trials in depression during the course of 2013/14.

With Janssen, Evotec also announced the licensing of a portfolio of small molecules and biologics designed to trigger the regeneration of insulin-producing beta cells. The agreement between Evotec and Janssen triggered an upfront payment of \$ 8 m. Upon achievement of certain pre-clinical, clinical, regulatory and commercial goals, Evotec could receive milestone payments of up to \$ 300 m per product. In addition, Janssen will pay royalties on future sales of any products that result from this collaboration.

Evotec achieved key milestones within its product development alliance with MedImmune in the field of beta cell regeneration and received two milestone payments totalling € 1 m. EVT770 is currently in pre-clinical development and could enter trials within 24 months.

In addition Evotec signed two co-development agreements with Haplogen and Apeiron. With Haplogen Evotec aims to discover and develop small molecules against viral infectious diseases and with Apeiron the objective of developing immunomodulatory lead compounds for the treatment of cancer.

After the success of *CureBeta* with Harvard University, Evotec and Harvard started their second strategic alliance, including Brigham and Women's Hospital and the University of Southern California aimed at discovering and developing new biomarkers and treatments in the field of kidney disease. This programme *CureNephron* is designed to deliver and exploit novel therapeutic targets as well as biomarkers that allow more accurate diagnosis, monitoring and treatment of chronic and acute kidney disease.

An open innovation alliance was formed with Yale University. Under the agreement, Evotec and Yale intend to leverage first rate science performed at Yale University together with Evotec's drug discovery infrastructure and expertise into highly innovative discovery approaches in diseases of high unmet medical need ready for partnering.

Two product development collaborations were terminated during the course of 2012. The EVT401 agreement in animal health and the VR1 collaboration with Pfizer ended, because of strategic portfolio reviews pursued by the respective partners.

### **3. Guidance 2013**

In 2013, total Group revenues are expected to grow to a level between € 90 m to € 100 m. This assumption is based on the current order book, expected new contracts and contract extensions and most importantly on the achievement of certain milestone payments.

Evotec expects research and development (R&D) expenses in 2013 to increase above the levels of 2012. This is primarily due to additional investments in the strategic *Cure X* franchise primarily in the fields of metabolic diseases and regenerative medicine. In total, R&D expenditure is expected to be around € 10 m in 2013.

On that basis Evotec's Group operating result before impairment and changes in contingent consideration, if any, for the year 2013 is expected to improve over 2012. The Company expects to maintain its liquidity above € 60 m at the end of 2013, excluding any potential cash outflow for M&A transactions and related payments.

### **Webcast / Conference Call**

Evotec will broadcast its press & analyst conference in Frankfurt live on the internet. The Management Board will inform you about the FY

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2012 results as well as update you on the status of "Action Plan 2016 – Innovation Efficiency in Drug Discovery" and present an outlook for the fiscal year 2013.

Date: **Tuesday, 26 March 2013**

Time: **9.00 am CET (08.00 am GMT/04.00 am EDT)**

To join the *audio webcast* and to access the *presentation slides* you will find a link on our home page [www.evotec.com](http://www.evotec.com) shortly before the event.

For those who prefer to listen to the presentation via *phone*, please dial:

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The on-demand version of the webcast will be available on our website: [www.evotec.com](http://www.evotec.com) > Investors > Events > Financial Calendar.

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#### **ABOUT EVOTEC AG**

Evotec is a drug discovery alliance and development partnership company focused on rapidly progressing innovative product approaches with leading pharmaceutical and biotechnology companies. We operate worldwide providing the highest quality stand-alone and integrated drug discovery solutions, covering all activities from target-to-clinic. The Company has established a unique position by assembling top-class scientific experts and integrating state-of-the-art technologies as well as substantial experience and expertise in key therapeutic areas including neuroscience, pain, metabolic diseases as well as oncology and inflammation. Evotec has long-term discovery alliances with partners including Bayer, Boehringer Ingelheim, CHDI, Genentech, Janssen Pharmaceuticals, MedImmune/AstraZeneca and Ono Pharmaceutical. In addition, the Company has existing development partnerships and product candidates both in clinical and pre-clinical development. These include partnerships with Boehringer Ingelheim, MedImmune and Andromeda (Teva) in the field of diabetes, and with Roche in the field of Alzheimer's disease. For additional information please go to [www.evotec.com](http://www.evotec.com).

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**FORWARD LOOKING STATEMENTS** — *Information set forth in this press release contains forward-looking statements, which involve a number of risks and uncertainties. The forward-looking statements contained herein represent the judgement of Evotec as of the date of this report. Such forward-looking statements are neither promises nor guarantees, but are subject to a variety of risks and uncertainties, many of which are beyond our control, and which could cause actual results to differ materially from those contemplated in these forward-looking statements. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any such statements to reflect any change in our expectations or any change in events, conditions or circumstances on which any such statement is based.*