

EVOTEC AG ANNOUNCES FIRST NINE-MONTH 2017 RESULTS AND CORPORATE UPDATE

- ▶ *STRONG OPERATIONAL AND FINANCIAL PERFORMANCE*
- ▶ *EXPANSION OF LEADING EXTERNAL INNOVATION PLATFORM THROUGH ACQUISITION OF APTUIT*
- ▶ *IMPORTANT MILESTONE ACHIEVEMENTS AND NEW WAYS OF ACCELERATING INNOVATION*

Hamburg, Germany, 08 November 2017:

Evotec AG (Frankfurt Stock Exchange: EVT, TecDAX, ISIN: DE0005664809) today reported financial results and corporate updates for the first nine months of 2017.

FINANCIAL PERFORMANCE REFLECTS GROWTH PATH

- ▶ Group revenues: 42% increase to € 170.9 m (9M 2016: € 120.6 m);
 - EVT Execute revenues up 30% to € 165.1 m (9M 2016: € 126.6 m);
 - EVT Innovate revenues up 84% to € 33.2 m (9M 2016: € 17.9 m)
- ▶ Adjusted Group EBITDA up 28% to € 39.3 m (9M 2016: € 30.6 m);
 - Adjusted EBITDA for EVT Execute of € 41.7 m (9M 2016: € 41.3 m);
 - Adjusted EBITDA for EVT Innovate of € (2.4) m (9M 2016: € (10.7) m)
- ▶ R&D expenses at € 12.5 m (9M 2016: € 12.8 m)
- ▶ Strong strategic liquidity position of € 88.8 m (after completion of Aptuit acquisition)

EVT EXECUTE – EXPANSION AND GROWTH OF HIGH-QUALITY SERVICES

- ▶ Extension of value chain and high-quality development services following Aptuit acquisition
- ▶ Cyprotex integration and performance proceeding according to plan
- ▶ Multiple new and extended integrated drug discovery alliances, e.g. with Abivax, Blackthorn Therapeutics, Dermira, STORM Therapeutics and Tesaro (after period-end)
- ▶ Significant progress within ongoing alliances (e.g. Bayer alliance in endometriosis: Start of second clinical Phase I study)
- ▶ Indication extension and initiation of pre-clinical development of existing clinical asset with Bayer in new product franchise (undisclosed)

EVT INNOVATE – VERY GOOD SCIENTIFIC PROGRESS AND IMPORTANT MILESTONES

- ▶ Important milestone achievements (Kidney disease alliance with Bayer, iPSC neurodegeneration alliance with Celgene, iPSC diabetes alliance with Sanofi)
- ▶ Strong focus on expansion of iPSC platform through new strategic collaborations with Censo Biotechnologies, Fraunhofer IME-SP and Ncardia
- ▶ Unique biobank approach through NURTuRE consortium in kidney diseases
- ▶ Evotec joins NEPLEX consortium to accelerate the discovery of a novel drug discovery device to test drug candidates in human kidneys (after period-end)
- ▶ Expansion of joint venture and strategic investment in Exscientia
- ▶ Expansion of CKD Bayer alliance
- ▶ Academic BRIDGE model gaining momentum: First North American BRIDGE established with MaRS Innovation in Canada (LAB**150**); two funding rounds completed in LAB**282** projects (Oxford University)

CORPORATE

- ▶ Acquisition of Aptuit: \$ 300 m in cash (effective 11 August 2017)
- ▶ Continued high-value strategic investments and company formations (e.g. Eternigen, Exscientia, Facio Therapies, Forge Therapeutics)
- ▶ Loan facility issued by European Investment Bank of up to € 75 m to support Innovate R&D strategy
- ▶ Novo Holdings A/S new strategic investor in Evotec holding >10%

GUIDANCE 2017 CONFIRMED

- ▶ All elements of the financial guidance confirmed

1. FINANCIAL PERFORMANCE REFLECTS GROWTH PATH

Key figures of consolidated income statement & segment information

Evotec AG & subsidiaries – First nine months of 2017

<i>In T€</i>	<i>EVT Execute</i>	<i>EVT Innovate</i>	<i>Evotec Group 9M 2017</i>	<i>Evotec Group 9M 2016</i>
External revenues	137,698	33,154	170,852	120,627
Intersegment revenues	27,433	–	–	–
Gross margin in %	29.0	46.2	35.1	38.5
R&D expenses	(420)	(15,315)	(12,521)	(12,798)
SG&A expenses	(24,249)	(5,050)	(29,299)	(17,763)
Impairment of intangible assets	–	(1,180)	(1,180)	(1,417)
Other operating income (expenses), net	7,078	1,730	8,808	5,961
Operating result	30,341	(4,484)	25,857	20,376
Adjusted EBITDA*	41,734	(2,455)	39,279	30,639

* Before contingent considerations, income from bargain purchase and excluding impairments on goodwill, other intangible and tangible assets as well as the total non-operating result

In the first nine months of 2017, Evotec's Group revenues grew to € 170.9 m, an increase of 42% compared to the same period of 2016 (9M 2016: € 120.6 m). This increase was driven primarily by three factors: the strong performance in the base business, contributions from the acquired businesses of Cyprotex (€ 17.9 m) and Aptuit (€ 15.0 m), and increased milestone payments. Revenues from milestones, upfronts and licences increased significantly to € 21.1 m compared to the same period of the previous year (9M 2016: € 15.6 m) including milestones from the collaborations with Bayer in endometriosis and kidney diseases, Celgene in neurodegeneration, and Sanofi in diabetes. The gross margin slightly decreased to 35.1% (9M 2016: 38.5%) due to a different business mix, a higher contribution of the EVT Execute business and the linear amortisation of the Cyprotex intangibles resulting from the purchase price allocation.

R&D investments in strategic areas of first-in-class innovation were according to plan at € 12.5 m (9M 2016: € 12.8 m). Selling, general and administrative (SG&A) expenses increased substantially by 65% in the first nine months of 2017 to € 29.3 m (9M 2016: € 17.8 m) and were mainly impacted by expenses of Cyprotex and approx. 1.5 months of Aptuit and M&A-related expenses as well as an increased SG&A headcount (Business development and administrative functions) in response to company growth.

Adjusted Group EBITDA in the first nine months of 2017 increased by 28% to € 39.3 m (9M 2016: € 30.6 m). Evotec's operating income in the first nine months of 2017 increased to € 25.9 m (9M 2016: € 20.4 m).

Liquidity, which includes cash and cash equivalents (€ 56.8 m) and investments (€ 32.0 m) amounted to € 88.8 m at the end of September 2017 (31 December 2016: € 126.3 m). The liquidity position in 2017 was mainly impacted by the proceeds from the capital increase with Novo Holdings A/S and cash used in the acquisition of Aptuit.

Revenues from the EVT Execute segment were € 165.1 m in the first nine months of 2017 and significantly increased compared to the prior-year period (9M 2016: € 126.6 m). This increase is primarily attributable to a strong performance of the base business and initial contributions from acquisitions. Also included in this amount are € 27.4 m of intersegment revenues (9M 2016: € 23.9 m). The increase in revenues from the EVT Innovate segment to € 33.2 m, which consists entirely of third-party revenues, resulted primarily from the full impact of new partnerships with Celgene and Bayer signed in 2016 as well as milestone achievements from various collaborations. The gross margin for EVT Execute was 29.0% while EVT Innovate generated a gross margin of 46.2%. R&D expenses for the EVT Innovate segment were € 15.3 m in the first nine months of 2017 (9M 2016: € 17.9 m). In the first nine months of 2017, the adjusted EBITDA of the EVT Execute segment was strong at € 41.7 m and slightly improved compared to the prior-year period (9M 2016: € 41.3 m). The adjusted EBITDA of EVT Execute in the first nine months of 2017 was affected by one-time M&A and costs associated with the Aptuit acquisition. The EVT Innovate segment reported an adjusted EBITDA of € (2.4) m (9M 2016: € (10.7) m).

2. EVT EXECUTE & EVT INNOVATE

EVT EXECUTE – EXPANSION AND GROWTH OF HIGH-QUALITY SERVICES

The strong operational performance of the first half of 2017 successfully continued into the third quarter 2017 in the EVT Execute segment. Through the acquisition of Aptuit in August 2017, Evotec extended its value chain offering in early drug discovery to pre-clinical enabling activities (“INDiGO”) and high-end CMC. The integration into the Evotec Group is proceeding according to plan. Cyprotex had a very strong start and its integration into the Evotec Group is also proceeding according to plan. Furthermore, Evotec consolidated its US footprint in the first nine months of 2017 to streamline processes and services.

In addition and amongst other highlights, Evotec entered multiple new integrated drug discovery alliances, e.g. with Abivax, Blackthorn Therapeutics, Dermira, STORM Therapeutics and Tesaro (after period-end).

Furthermore, strong progress was achieved in Evotec’s existing alliances. In the first nine months of 2017, a significant pre-clinical milestone was reached in the alliance with Bayer

in the field of endometriosis and a clinical milestone was achieved in this collaboration for the progression of the second programme from the alliance portfolio into Phase I clinical development. This collaboration has also been extended a further year until 2018. Additionally, an existing asset progressed into pre-clinical development in a new indication (undisclosed).

EVT INNOVATE – VERY GOOD SCIENTIFIC PROGRESS AND IMPORTANT MILESTONES

The first nine months of 2017 for EVT Innovate were characterised by important achievements in strategic alliances (milestones in the kidney alliance with Bayer, the iPSC neurodegeneration alliance with Celgene, and the iPSC diabetes alliance with Sanofi) and an acceleration of various first-in-class innovations and ventures.

Strong progress was made with the strategic iPSC-based alliance with Celgene in neurodegeneration. This was demonstrated by the achievement of a milestone (\$ 5.0 m) for the successful completion of a screening campaign using Evotec’s iPSC-based screening platform. Evotec continues to invest into the further development and expansion of its iPSC platform and entered into new strategic collaborations with Censo Biotechnologies (UK), Fraunhofer IME-SP (Germany) and Ncardia (Belgium/Germany) to strengthen its comprehensive iPSC network.

Evotec joined the NURTuRE (National Unified Renal Translational Research Enterprise) consortium in kidney diseases, expanding its commitment to patient-centric approaches through patient-derived biobanks. After period-end, Evotec announced that it is joining the NEPLEX (“Nephron-on-a-Chip with Cellular and Extracellular Matrix Complexity”) consortium to accelerate the discovery of novel drugs to treat kidney diseases. NEPLEX is a strategic collaboration combining microfluidics technology with iPSC technology to develop a functional Nephron-on-a-Chip.

Evotec’s BRIDGE model is gaining significant momentum. In September 2017, Evotec initiated its first North American BRIDGE alliance with MaRS Innovation in Toronto, Canada. The goal of this new partnership (“LAB150”) is to significantly shorten the drug discovery timeline and to generate viable start-up companies or high-value licencing arrangements. In its LAB282 BRIDGE alliance with Oxford University, two rounds of funding awards were completed in 2017.

3. CORPORATE

ACQUISITION OF APTUIT

Effective 11 August 2017, Evotec acquired Aptuit, a partner research organisation for integrated outsourced drug discovery and development solutions, for \$ 300 m (approx. € 256 m; €/ \$ fx rate of 1.17) in cash. This acquisition was financed through a mix of existing cash reserves and an additional new € 140 m senior debt bridge facility at highly attractive terms. The one-time transaction costs related to this acquisition amounted to approx. € 4 m. The acquisition strengthens Evotec's position as the leading global player in the external innovation marketplace. Furthermore, it grows Evotec's business substantially and extends the value chain offering through to IND submission and beyond to integrated drug substance and drug product manufacture.

CONTINUED HIGH-VALUE STRATEGIC INVESTMENTS AND COMPANY FORMATIONS

Alongside its EVT Innovate strategy, Evotec continues to participate in strategic investments and company formations. By doing so, Evotec demonstrates its willingness to accelerate innovation by taking equity stakes in companies. Along these lines, at the end of September 2017, Evotec became the first strategic shareholder in Exscientia Ltd, a UK-based company. Exscientia is the world leader in developing and applying Artificial Intelligence approaches specifically to design new and better therapeutic molecules in a faster and more cost-effective manner. This project is the first to benefit from the European Investment Bank ("EIB") loan facility.

LOAN FACILITY ISSUED BY EUROPEAN INVESTMENT BANK TO SUPPORT INNOVATE R&D STRATEGY

In September 2017, the EIB granted Evotec an unsecured loan facility of up to € 75 m to support Evotec's Innovate R&D strategy. The EIB funding specifically supports Evotec's Innovate R&D strategy through a unique, innovative and flexible financing structure including a moderate reward-sharing component for the EIB. It is intended to invest the total loan financing of € 75 m into EVT Innovate R&D projects over a period of four years. After draw down of respective tranches, these will mature over seven years. The long-term character of this financing reduces substantially the cost of capital for innovation.

4. GUIDANCE 2017 CONFIRMED

On 16 August 2017, Evotec updated its revenue and adjusted Group EBITDA guidance following the acquisition of Aptuit. All elements of the financial guidance are confirmed.

	Guidance 2017	Actual 2016
Group revenues	More than 40% growth (previously: more than 15%)	€ 164.5 m
Adjusted Group EBITDA ¹⁾	Improve by more than 50% compared to 2016 (previously: significantly)	€ 36.2 m
R&D expenses	Approx. € 20 m	€ 18.1 m

¹⁾ EBITDA is defined as earnings before interest, taxes, depreciation, and amortisation of intangibles. EBITDA excludes contingent considerations, income from bargain purchase and impairments on goodwill, other intangible and tangible assets as well as the total non-operating result.

Webcast/Conference Call

The Company is going to hold a conference call to discuss the results as well as to provide an update on its performance. The conference call will be held in English.

Conference call details

Date: **Wednesday, 08 November 2017**

Time: **02.00 pm CET (01.00 pm GMT/08.00 am EST)**

From Germany: +49 69 22 22 29 043

From France: +33 170 750 705

From Italy: +39 02 3601 3806

From UK: +44 20 3009 2452

From USA: +1 855 402 7766

Access Code: 37969784#

A simultaneous slide presentation for participants dialling in *via phone* is available at <http://www.audio-webcast.com/>, password: evotec1117.

Webcast details

To join the *audio webcast* and to access the *presentation slides* you will find a link on our home page www.evotec.com shortly before the event.

A replay of the conference call will be available for 24 hours and can be accessed in Europe by dialling +49 69 22 22 33 985 (Germany) or +44 20 3426 2807 (UK) and in the USA by dialling +1 866 535 8030. The access code is 654573#. The on-demand version of the webcast will be available on our website:

<https://www.evotec.com/article/en/Investors/Finance/Financial-Reports-2015-2017/188/6/26>.

NOTE

The 2016 and 2017 results are not fully comparable. The difference stems from the acquisitions of Cyprotex PLC ("Cyprotex"), effective 14 December 2016, and Aptuit, effective 11 August 2017. The results from Cyprotex are only included from 14 December 2016 onwards. The results from Aptuit are included from 11 August 2017 onwards. The accounting policies used to prepare the quarterly statement are the same as those used to prepare the audited consolidated financial statements for the year ended 31 December 2016.

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, academics, patient advocacy groups and venture capitalists. We operate worldwide providing the highest quality stand-alone and integrated drug discovery solutions, covering all activities from target-to-clinic to meet the industry's need for innovation and efficiency in drug discovery (EVT Execute). 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, diabetes and complications of diabetes, pain and inflammation, oncology and infectious diseases. On this basis, Evotec has built a broad and deep pipeline of more than 80 partnered product opportunities at clinical, pre-clinical and discovery stages (EVT Innovate). Evotec has established multiple long-term discovery alliances with partners including Bayer, CHDI, Sanofi or UCB and development partnerships with Sanofi in the field of diabetes, with Pfizer in the field of tissue fibrosis and with Celgene in the field of neurodegenerative diseases. For additional information please go to www.evotec.com and follow us on Twitter [@EvotecAG](https://twitter.com/EvotecAG).

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 press release. 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.